ITALIAN INSURANCE

2021 - 2022

Ania

Associazione Nazionale
fra le Imprese Assicuratrici

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INSURANCE: THE RESULTS FOR THE YEAR

Total premiums gain 4.7%…

The total premiums of the Italian insurance portfolio, direct and indirect, gross of reinsurance, increased by 4.7% in 2021, offsetting the previous year's decline of 4%, due to the negative impact of the pandemic.

…+4.6% in life, +5.0% in non-life…

The overall growth for the year involved both life insurance (+4.6%, -4.5% in 2020) and non-life insurance(+5.0%, -1.6% in 2020).

…overall technical account result: life +€4.0 billion; non-life +€3.1 billion…

The technical account result in the life insurance classes was positive (+€4.0 billion), and better than in 2020 (+€3.4 billion); its ratio to premiums thus rose from 3.3% to 3.8%. Non-life classes also turned in a positive technical account result, of €3.1 billion (€4.3 billion in 2020); the ratio to premiums declined from 13.7% to 9.7%.

…result from ordinary and extraordinary business: +€8.0 billion…

The overall result on ordinary activity came to €8.0 billion in 2021 (€9.4 billion in 2020); that on extraordinary activity (which is summed with that on ordinary activity) was more than halved, from €965 million to €372 million. All in all, then, the pre-tax result was €8.3 billion (against €10.4 billion in 2020).

…net profit for the year: € 6.7 billion

After income taxes of €1.6 billion, the industry produced net profits of €6.7 billion in 2021 (almost €2 billion less than in 2020): non-life profit came to €2.4 billion (€3.9 billion in 2020) and life profit to €4.4 billion (€4.7 billion in 2020).

The Report has a special section on Solvency II balance sheets.

Total liabilities at end-year are €980 billion

At the end of 2021 the industry's total balance-sheet liabilities amounted to €980 billion, up 1.8% from a year earlier.

Life technical provisions amount to €851 billion; non-life, to over €50 billion…

Life insurance technical provisions (excluding those for linked policies), at €628.1 billion, were down 2.3% from 2020; they account for 64% of total liabilities. Those for linked policies, equal to €223.4 billion, increased by 18% and now account for 22.8% of total liabilities.

Non-life technical provisions of €53 billion expanded by 2.5% and account for 5.4% of total liabilities.

… investment comes to nearly €1,050 billion

At the end of 2021 the total investments of insurance companies came to practically €1,050 billion, 80% of it in relation to non-life and non-linked life policies and the remaining 20% to linked policies.

The excess of assets over liabilities amounted to €141 billion (€126 billion in 2020). The ratio of the excess to balance-sheet assets was 12.6% (11.6% a year earlier).

The solvency ratio for the entire industry in 2021 is 2.52…

The Solvency ratio was 2.52 in 2021, up from 2.40 in 2020.

The solvency ratio for the total market is calculated as the ratio of the industry's total eligible own funds (€153 billion) to the Solvency Capital Requirement of over €60 billion.

…for non-life companies, 2.26…

For companies doing non-life business, the ratio slipped from 2.30 to 2.26.

…for life companies, 2.34…

For life insurance companies, it rose from 2.27 to 2.34.

…for mixed companies, 2.64

For insurers doing both types of business, the ratio rose from 2.48 to 2.64.

The insurance industry pays €1.6 billion in direct taxes

In 2021 the Italian insurance sector paid €1.6 billion in direct taxes.

THE FORECAST FOR 2022

The forecasting framework is highly uncertain

Among the indirect effects of the Russia-Ukraine conflict with an impact on Italian insurance undertakings' premium income, one must underscore the sudden increase in inflation and the extreme volatility of the financial markets. The forecasting framework will also be affected by the unexpected change in the global monetary policy stance with central banks' cessation of quantitative easing and reversion to official interest rate raises. The effects are already visible in sharply rising government securities yields everywhere, but most notably in the United States and Italy, with a consequent widening of the spread vis-à-vis German bonds. The forecasting horizon is marked by a climate of great uncertainty, due chiefly to the possible developments of the Russia-Ukraine war (duration, geographical extension, use of non-conventional weapons). The various possible scenarios include a further rise in energy and food prices, heightened volatility of financial and equity markets, and a more pronounced slowdown in global growth.

Premiums are expected to diminish in 2022 (-6.3%) to just over €130 billion …

In this highly complicated situation, the total direct premiums (life and non-life) written by insurers with registered offices in Italy are expected to shrink by 6.3% in 2022 to just over €130 billion, owing entirely to a contraction in life insurance premiums.

Since GDP growth, while slowing, is expected to be positive at 2.6%, the ratio of insurance premiums to GDP should slip from 7.9% to 7.2%.

…non-life premiums will grow thanks to the 5.3% gain in all classes outside motor liability …

Direct written premiums in the non-life sector are predicted to increase by 3.5% in 2022 to €35.3 billion (as against €34.1 billion in 2021). Except for motor insurance, all the main non-life classes, with overall growth of 5.3%, are expected to contribute to the gain, while premium income in motor liability is expected to be flat.

For motor liability insurance – which still weighs heavily in non-life insurance, despite a progressive decline (37% of premiums in 2020, 35% in 2021, 34% in 2022) – premiums will presumably hold at their 2021 level (almost €12 billion) after a full decade of annual declines or at best no change. The expected halt to this lengthy downtrend reflects the fact that insurers will have to cope with an increase in the average cost of claims owing to inflationary pressures, which will affect both material damage to vehicles and goods transported and minor injuries.

The written premiums of all the other non-life classes should continue to increase this year, by 5.3%, to €23.5 billion, even if the rapid growth of the first quarter (7.6%) can be expected to tail off owing to the acceleration of inflation, which also implies less capacity for saving and less purchasing power for potential policyholders. In any case, premium growth is predicted in all non-life classes, at rates ranging from 4.0% for "other damage to property" to 6.5% for sickness insurance.

The ratio of non-life premiums to GDP, on this basis, should hold unchanged at 1.9%.

The changed economic and financial environment will have a stronger impact on the life insurance sector. The combination of rising interest rates and historically high inflation can be expected to direct investors towards alternative solutions (such as government securities), while inflation will reduce households' purchasing power significantly, leading to a more prudent attitude, given the risk of diminished future resources.

…life insurance premiums to contract (-9.5%)…

Life premiums are accordingly expected to fall by 9.5% on the year, from €106 billion to €96 billion.

…due to a fall in with-profits policies (-7.0%) and a sharp drop (-13.5%) in Class III

The decline will involve both traditional life policies (Class I), which are forecast to contract by 7.0%, from €62 billion to €58 billion, and Class III (unit-linked) policies, whose premiums are expected to drop much more sharply, by 13.5% or €34 billion. The latter, with their greater equity content, will be harder hit by the increased volatility of financial and share markets.

The trend in the market for life insurance policies is confirmed by an analysis of new individual life insurance policies, the sales of which came to €27 billion through April 2022, down from €31 billion in the first four months of 2021 (a decline of 13.3%). The fall was about equally sharp for Class I and Class III policies, down by 12.6% and 14.1% respectively.

Total written life insurance premiums should decline from 5.9% of GDP in 2021 to 5.2% this year.

LIFE INSURANCE: THE DIRECT ITALIAN PORTFOLIO

The effect of the pandemic on disposable income is absorbed in 2021…

The impact of the pandemic crisis on households' disposable income was absorbed in 2021. Disposable income rebounded (expanding by 3.8% after contracting by 2.7% in 2020) However, the reacceleration in consumer prices resulted in more moderate but still amply positive growth in real income (+2.1%, after diminishing by 2.5% in 2020).

… saving propensity remains exceptionally high…

Households' propensity to save remained at an exceptionally high level (12.5%) even though it declined by 3 percentage points.

…as does the net flow of financial saving

In 2021, the net financial saving of Italian households amounted to €73.8 billion, dropping sharply from €112.5 billion the previous year, but still several times higher than in previous years.

All asset classes are involved in the inflows except corporate bonds, government securities, and equities; net inflow to managed assets holds steady

As for assets, net inflows to all asset classes increased in 2021, with the exception of government and corporate bonds (-€23.5 billion, -€26.0 billion in 2020) and equities (-€16.3 billion from -€21.9 billion).

Managed assets – defined as the sum of investment fund units, life insurance, pension funds and supplementary pensions (excluding severance pay) – had investment inflows similar to 2020 (€59.2 billion). The investment flow into insurance policies dropped slightly but remained strongly positive (€20.9 billion).

Households' stock of financial assets amounts to nearly €5.3 trillion

At the end of 2021, the stock of financial assets held by Italian households amounted to €5,256 billion, up by more than €500 billion from a year earlier. The largest share still consists in liquid instruments, i.e. bank deposits (27.2%, 27.8% at end-2020), followed by shares and other equity (23.8%, 22.4%), and then by insurance, pension funds and employee severance pay provisions (23.1%, 24.0%) – including life insurance provisions (16.9%, 17.6%). At the end of 2021, mutual fund units accounted for 14.7% of the financial assets of Italian households (13.8% a year earlier).

Life premiums come to €106 billion…

In 2021 premiums from direct domestic business of the 41 insurance companies operating in the life sector totaled €106 billion, a 4.5% increase from the previous year, when they shrank by 4.4%. Percentage-wise, in 2021 life premiums amounted to 75.6% of the total (life and non-life), half a percentage point up from the previous year, thus returning to pre-pandemic levels.

…net cash flow to €30.3 billion…

Thanks to positive developments regarding both inflows and outflows, the net cash flow, defined as the difference between premiums and incurred claims, amounted to €30.3 billion, the highest figure since 2017, over €5 billion more than in 2020.

… mathematical reserves rise by 6.4%…

Total technical provisions, amounting to €816.5 billion, rose by 6.4% from 2020, producing average annual growth between 2017 and 2021 of 5.7%.

…incurred claims costs dip by 1.1%…

Incurred claims costs, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounted to €75.6 billion in 2021, down by 1.1% from 2020, owing exclusively to the sharp diminution in maturing policies and accrued yields (-45%) which more than offset the increasing outflows for surrenders (+17%) or mortality claims and other life-related events (+20%).

…operating expenses increase by del 4.9%…

Operating expenses, which consist in contract acquisition costs and costs relating to the organization and management of the distribution network, and administration expenses, amounted to €4.0 billion (69% of which related to Class I and V, 29% to Class III and 2% to other life classes), up by 4.9% over the previous year, mostly due to unit-linked policies (+14.9).

…the investment result is €29.3 billion…

The investment result amounted to €29.3 billion, up very sharply from €18.1 billion the previous year. This was mainly due to the considerable revaluation of the assets underlying unit-linked funds.

…the technical account balance, €3.9 billion…

The direct technical account balance was positive at €3.9 billion, up by €1 billion from 2020 but down by €2 billion from 2019, when, due to an outstanding investment result, the technical account balance jumped to €6.1 billion.

The balance on reinsurance cessions and net indirect business amounted to €128 million (€506 million in 2020)

…and the overall technical balance is positive by 4.0 billion

Taking the outward reinsurance balance into account, the balance of the direct technical account was positive by €4.0 billion, almost half a billion more than in 2020; therefore, the ratio to premiums went up (from 3.4% in 2020 to 3.8% in 2021) as did that to technical provisions (from 0.47% to 0.51%).

Average annual yield of segregated funds in last 5 years: 2.8%

Over the last five years the average yield on segregated funds was 2.8% (2.57% in 2021), compared with 1.1% for government securities, 2.4% for severance pay entitlements, and inflation of 0.9%.

Supplementary pension plan members number 9.7 million

The gradual expansion of supplementary pension plans observed in recent years continued. There were 664,000 new enrollments in 2021, or 178,000 more than the year before. At the end of 2021 the number of accounts was 9.7 million, up 4.2%.

The Report discusses:

new multi-class policy production…

New multi-class policy contracts numbered 1.1 million in 2021 (910,000 in 2020), generating €46.7 billion in new premiums, up by €13 billion over the average for 2019-2020 and by €20 billion over 2017-2018.

… the raising of the investment ceilings on PIRs…

The 2022 Budget Law amended the quantitative investment limits for tax benefit purposes in favor of the subscribers (natural persons not engaging in business activity) of long-term Individual Saving Plans (PIRs).

EXECUTIVE SUMMARY

…the alignment of Italian rules to Pan-European Personal Pension products (PEPPs)…

The EU Regulation on access to Pan-European Personal Pension Products (PEPPs) is applicable as of 22 March 2022, but some of its provisions will need to be implemented by national law. There are also some regulatory options whose application (or non-application) is left to the decision of the Member States.

…the IVASS consultations on new rules for linked products and life product innovation …

On 11 March 2022, IVASS released discussion document 1/2022, with preliminary remarks about future regulatory action on life products, together with consultation document 3/2022, listing the new regulations on unit- and index-linked insurance investment products.

…ANIA's study on the correlation between inflation and life insurance demand…

A special study conducted by ANIA analyzes the correlation between variations in life insurance premiums and inflation, to get a better picture of medium-term trends. Using quarterly insurance industry and macroeconomic data, the study produces a macroeconomic analysis of the relation between the aggregate demand for life insurance products and a number of macroeconomic variables, in particular monetary-financial variables.

…the portion of policies offering guaranteed benefits

Using industry statistics and based on the assets covering commitments, we have estimated the portion of life insurance contracts that offer guaranteed benefits. At the end of 2021 such policies accounted for 74% of all life insurance contracts, down from 78% the previous year. That share consists almost exclusively in Class I and Class V with-profit policies, including the Class I component of multi-class policies, amounting to 73%, while the guaranteed components in linked contracts and pension funds account for the other 1%.

NON-LIFE INSURANCE – THE DIRECT ITALIAN PORTFOLIO

Non-life premiums amount to €34.1 billion…

The premiums for non-life insurance totaled €34.1 billion in 2021, up by 1.8% on the year. This was the resultant of two contrary movements: the significant contraction in motor and watercraft liability (-4,5%) and the even stronger gain in the other non-life classes (+5,6%).

Their share of total premiums (life and non-life) dropped slightly from 24.9% to 24.4% as a result of the sharper increase in life premiums.

…the combined ratio worsens and the overall technical result is positive at €3.4 billion

The combined ratio for this accident year worsened (90.3% against 85.0% in 2020), and almost came back to pre-pandemic levels due to an increase in claims.

The technical account result was positive by €3.4 billion, compared with €4.7 billion in 2020. Its ratio to premiums was 10.2%, down from 14.2%.

The Report has sections on developments in medical malpractice insurance…

This year's Report has a special section on developments in malpractice insurance for healthcare facilities and medical practitioners. At 31 December 2021 the average ratio of malpractice claims to premiums, for some of the oldest claims generations, was practically 100%, or more (it had peaked in 2013 at 135%). The policies of public and private healthcare facilities show the highest loss ratios and weigh heavily in the overall trend for this insurance class.

…on fire policies with extension to natural disasters…

ANIA's statistics found active fire policies numbering 11.9 million at 31 March 2022, up nearly 6% from a year earlier. These policies covered insured assets worth about €3.9 trillion.

ANIA's survey found that 11.3% of these fire policies included an extension to natural catastrophes, fewer than in March 2021.

…and on a number of other topics

The Report also has sections on a series of other topics (some available only in the Italian version):

- Current exposure to cyber risk
- Climate change
- The exposure of the Italian insurance industry to natural catastrophes and events damaging firms and households
- Uniform VAT treatment

MOTOR LIABILITY INSURANCE

Written motor liability premiums fall by 4.5% in 2021 …

Written motor liability premiums fell by 4.5% in 2021, on a homogeneous basis, following the contraction of almost 6% in 2020. The combined ratio for the 2021 accident year, heavily affected by claims costs, was 100%, up by a further 10 percentage points over 2020. The positive contribution of the financial component, i.e. returns on investment, which was larger than in 2020, together with the mobilization of the reserves against previous years' claims, helped to keep the positive technical result more or less in line with those recorded before the pandemic.

…while the total number of vehicles insured rises…

The number of vehicles insured by Italian and non-EEA insurers slipped by 0.5% in 2021, but counting all the other undertakings doing business in Italy the number of vehicles insured went up 1.5% to 43 million.

…the average premium diminishes by a further 4%…

The average premium declined further in 2021, coming down by 4.0%. This is confirmed by the IVASS survey of actual motor liability prices, which found a decline of 5.7% compared with 2020. Between the peak of March 2012 and the latest quarter for which data are available (March 2022), the average motor liability premium is estimated to have fallen by 38%, from €567 to €353. As a result, the price gap between Italy and the other main European countries remained very modest.

…claims incurred rise by 17.9% but do not regain pre-pandemic levels; claims frequency also increases, to 4.92%

The number of incurred and reported claims for which compensation was paid came to 1.8 million in 2021, up 17.9% for the year. Nevertheless, they did not return to pre-pandemic levels. Claims frequency rose from 3.82% in 2020 to 4.53% in 2021, or by 18.4 percent. Including claims incurred but not reported, frequency came to 4.92% (up from 4.20% in 2020). The evolution of claims frequency – quite regular through 2019 – was drastically altered with the spread of the Covid-19 pandemic and the consequent restrictive measures adopted in the course of 2020 and retained, albeit of differing severity, in early 2021 as well. Excluding the first quarter of last year, in the rest of 2021, as the restrictions were eased, claims frequency increased, though without coming back up to pre-pandemic levels.

Incurred claims cost is €9.5 billion…

The incurred claims cost for the current accident year, defined as the sum of the total cost paid and the total cost reserved for all claims incurred in 2021, came to €9.5 billion, up nearly 12% from 2020. Given the change in total claims (including the estimate of IBNR claims), the average claims cost decreased by 4.1% to €4,987, but was still higher than in 2019 (€4,560).

…incurred claims cost for financial year: €9.1 billion…

The incurred claims cost for the financial year was €9.1 billion, up from €8.2 billion in 2020. The difference with respect to incurred claims cost for the current year reflected the utilization of €0.5 billion in excess reserves for previous years. The loss ratio accordingly worsened from 65.6% in 2020 to 74.3% last year.

…operating expenses: €2.6 billion…

Operating expenses edged down to €2.6 billion (€2.7 billion in 2020), but their incidence on premiums increased slightly, to 21.8% from 21.5% in 2020), owing to the contraction in written premiums.

…technical balance: positive by €0.4 billion

The foregoing variations in the relevant components produced a positive technical balance of €0.4 billion, down sharply from €1.3 billion in 2020. Owing to the gain in profits from investments to €350 million, the result of the technical account was positive by €738 million (€1.5 billion in 2020). Taking the balance for reinsurance into account (negative by €3 million in 2021), the overall technical account result was positive by €735 million, less than half the €1.5 billion recorded in 2020.

Focus items

This chapter has special reports on:

- the Interior Ministry data on auto theft in Italy in 2021 and ANIA's statistics, updated to 2021, on the technical performance and the extent of fire and theft insurance for land vehicles;
- an analysis of the cost, in the motor liability class, of personal injury, which accounted for 58.8% of total indemnities for a total of €5.6 billion in 2021;
- an estimate of the number of uninsured vehicles in circulation. On the basis of the open data of the Motor Vehicles Bureau, these totaled 2.4 million in 2021, or 5.2% of all those on the roads;

- a model for estimating the motor liability claims rate, measuring the correlation between number of claims (accidents) and a series of variables that explain trends in mobility, including the direct effect of fuel prices on driving;
- the procedures for calculating the single compensation amount for 2022. For the geographical areas with coefficient 1, the CARD-CID amount for motorcycles and scooters is €3,310, that for other vehicles €1,940;
- the main results for 2021 concerning utilization of the IT platform for document exchange, which enables insurers adhering to the CARD Convention to view the evidence produced by the other party's insurer to confirm or contest the claim submitted by its own policyholder and/or to apply the direct indemnity procedure on a timetable compatible with the legal deadline for the presentation or denial of a settlement offer;
- the work of the focus group for revision of the CARD Convention rules, to make them more amenable to interpretation;
- the formation of a working group on "damage to the person" to study specific forms of compensation for serious injury in certain cases, in particular annuities, as provided for by Article 2057 of the Civil Code, as an alternative or supplement to the traditional lump-sum payment;
- ANIA's alternative proposal for revising the Bonus-Malus system, using an updated set of merit classes based on new criteria and new parameters for better assessment of the risk in connection with drivers' conduct;
- the legislative and regulatory changes to the base motor liability contract, the new online public motor liability premium "Estimator," and "soft" mobility;
- the planned implementation of a new method of price observation for ISTAT. For motor liability premiums, the new system abandons fixed driver profiles and looks instead at the premiums actually paid by policyholders, using Eurostat harmonized statistical methodologies consistent with EU Regulations;
- internationally, actions to facilitate Ukrainian refugees, enabling them to drive in host countries without yet having the international green card;
- the obligations deriving from Regulation (EU) 2019/2144, under which as of 6 July 2022 all passenger cars and light commercial vehicles manufactured in EU countries must have black boxes installed as standard equipment; as of 7 July 2024 all new vehicles marketed must be so equipped; the requirement is extended to heavy vehicles as well starting in 2029.

EXECUTIVE SUMMARY

THE REGULATORY FRAMEWORK

This year's Report gives accounts of: the state of the art on Solvency II

On 22 September 2021 the European Commission adopted a package of proposed amendments to the Solvency II regulations, i.e. Directive 2009/138/EC, in effect since 1 January 2016.

The proposals are the fruit of over two years of work during which the Commission availed itself of the technical advice of EIOPA – contained in its "Opinion on the Solvency II 2020 Review" released 17 December 2020 – and feedback from the European insurance industry in the various phases of consultation and impact assessment studies.

…the 2021 EIOPA Stress Test

On 16 December 2021 EIOPA released the results of the insurance industry stress test conducted between May and August, which involved 44 European insurance undertakings (43 groups and one stand-alone company) from 20 Member States, accounting for some 75% of European insurance assets. The exercise focused on a scenario developed together with the European Systemic Risk Board (ESRB), hypothesizing the possible evolution of the Covid-19 pandemic in a "lower for longer" interest rate environment.

In the second half of 2021 and the first few months of 2022, EIOPA continued its work on integrating environmental risk, and in particular that of climate change, into the Solvency II framework.

The Report also discusses:

EIOPA's other consultations and initiatives…

In the course of the year EIOPA undertook a series of consultations and initiatives relevant to the industry:

- *Opinion* on the use of risk-mitigation techniques
- *Supervisory Statement* on supervisory intervention in the event of failure to meet the SCR
- *Supervisory Statement* on ORSA in the pandemic environment
- Report on supervision of insurance undertakings' key functions
- Report on the approach to implementation of the IBOR transition and technical documentation for calculation of RFR
- Report on recovery and resolution of crises
- Report on application of capital add-ons in 2020
- Report on use of limitations and exemptions from reporting requirement
- EIOPA recommendations on insurance Stress Tests
- EIOPA *Supervisory Statement* on supervision of insurers in state of run-off
- Report on revised guidelines on contract boundaries
- Report on revised guidelines on valuation of technical provisions.

…IVASS' initiatives and consultations on Solvency II…

On 13 July 2021 IVASS issued Regulation 48 on capital add-ons, pursuant to the Insurance Code (Title III, Article 47-sexies and Title XV, Article 216-septies). The Regulation followed the public consultation conducted by IVASS in April.

On 14 July IVASS issued a Market Letter on valuation and prudential treatment of investments in complex and/or illiquid financial instruments.

…the new Corporate Sustainability Reporting and sustainability standards…

On 21 April the European Commission published its Proposal for a Directive on Corporate Sustainability Reporting (CSRD), to modify the application perimeter and the present requirements of the Non-Financial Reporting Directive (Directive 2014/95/EU - NFRD).

With the CSRD, the Commission underscores the intention to institute a series of rules that will eventually put sustainability reporting on a par with financial reporting itself.

…sustainable finance disclosure…

The Sustainable Finance Disclosure Regulation (SFDR) went into effect on 10 March 2021, imposing new disclosure requirements for environmental, social and governance sustainability (ESG factors) for financial market participants and financial consultants; for the insurance industry, these include undertakings marketing insurance-based investment products (IBIPs) and insurance companies or intermediaries who provide advice on IBIPs.

…the new single electronic reporting format …

Delegated Regulation 2019/815 requires listed companies to prepare their annual financial reports in XHTML format, using the Inline XBRL specifications for certain consolidated balance sheet items. The intention is to ensure adoption of a European Single Electronic Format (ESEF) by all listed firms.

…the updated version of ISVAP Regulation 7/2007 – IFRS 17

Following a public consultation concluded on 16 April 2022, on 7 June IVASS issued measure 121, amending Regulation 7 of 13 July 2007 on balance-sheet formats for insurance and reinsurance undertakings required to adopt the international accounting standards.

…European homologation of the standard…

In May 2017 the International Accounting Standards Board (IASB) issued its new IFRS 17 accounting standard, with new provisions on insurance contracts that will apply to financial reports drafted in compliance with the new IAS/IFRS international accounting standards.

…the Post Implementation Review on classification and valuation of financial instruments – IFRS 9…

In October the IASB began its Post Implementation Review of IFRS 9 to determine, in the same spirit of the reviews of all standards, whether the purposes of the standard have been attained, whether the information produced by the standard is useful to readers of the financial reports, whether the estimates of expected costs, in terms, say, of audits, correspond to the outturn, and whether the standard can be applied consistently.

…the ANIA Tax Control Framework…

ANIA's Tax Control Framework tool went fully operational in 2021. This is a platform for detection, measurement and management of fiscal risk. The platform's availability constitutes one of the prerequisites for access to so-called "cooperative compliance".

…the EU taxonomy of eco-sustainable activities

Regulation EU 2020/852 (the Taxonomy Regulation), adopted in June 2020, lays down general standards for determining whether economic activities can be considered eco-sustainable, in order to incentivate green investment and prevent "greenwashing," and so contribute to attaining the objective of a climate-neutral European Union by 2050. The Regulation is effective as of 1 January 2022 for the first two environmental objectives (mitigating and adapting to climate change) and as of 1 January 2023 for the other four.

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THE ITALIAN INSURANCE MARKET: KEY FIGURES 2021

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2021

In 2021 the net profit for the year of Italian insurance companies was €6.7 billion, nearly €2 billion less than in 2020. ROE for the insurance industry, down 3 percentage points, was just under 10%. This positive result was due chiefly to the technical account which, despite the decline registered in comparison with 2020, was still positive by €7.1 billion. In particular, the technical balance for the life business was €4.0 billion, better than in 2020, and the result for non-life business, down by over €1 billion, was positive at €3.1 billion. The result of the non-technical account was negative and worse than the previous year. In the course of the year the number of insurance companies established and operating in Italy decreased from 210 to 192.

OPERATING INSURANCE COMPANIES

Insurance companies operating in Italy numbered 192 as of 31 December 2021, compared with 210 at the end of the previous year. In particular, the number of companies with registered offices in Italy went down from 96 to 90, while that of branch offices of foreign companies fell from 114 to 102; most of the latter (98) are EU companies. In addition, about 900 insurance companies with registered offices in other EU countries (or other countries belonging to the European Economic Area) were operating in Italy under the freedom to provide services.

Insurance companies by legal status

BUSINESS SECTOR	YEAR (at 31 December)	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL DOMESTIC AND FOREIGN COMPANIES
		Ltd. companies	Cooperatives	Mutual	Total	w. registered office in non-EU country	w. registered office in EU country	
Non-life	2020	48	–	2	50		71	124
	2021	47	–	2	49	4	58	111
Life	2020	33			33	–	25	58
	2021	28			28	–	24	52
Professional reinsurers	2020	–	–	–	–	–	6	6
	2021	–	–	–	–	–	7	7
Multi branches	2020	11	1	1	13	–	9	22
	2021	12	–	1	13	–	9	22
TOTAL	2020	92	1	3	96	3	111	210
	2021	87	–	3	90	4	98	192

At the end of 2021, 52 insurance companies (58 in 2020) engaged exclusively in life business (of which 24 branch offices) and 111 (124 in 2020) exclusively in non-life business (of which 58 branch offices). A total of 22 companies (of which 9 branch offices) did business in both the life and non-life sectors, accounting for more than 35% of total premium income. Seven undertakings, all of them branches of foreign companies, engaged only in reinsurance. At 31 December 2021 ANIA counted 133 member companies (of which 14 operating under the freedom to provide services) representing 85% of the insurance business in terms of premiums. The 90 insurers with registered offices in Italy comprised, by legal form, 87 limited share companies and 3 mutual companies.

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2021

The data reported in the first part of this chapter refer to the statutory financial statements (prepared in accordance with the national accounting standards) of the Italian insurance undertakings and differ from those of the Solvency II regime both as regards fair value accounting and as regards balance-sheet item classification. The statutory financial statements of Italian companies are not marked to market, in contrast with Solvency II requirements. The main data on the criteria established by the regime are dealt with in the last part of this chapter.

INCOME STATEMENT – STATUTORY FINANCIAL STATEMENTS

Income Statement
Euro million

	2014	2015	2016	2017	2018	2019	2020	2021
Technical account of non-life and life classes (*)								
Written premiums	142,035	146,005	132,954	129,288	133,094	138,421	132,902	138,496
Changes in reserves (-)	60,006	53,343	49,039	38,943	26,053	54,985	36,711	51,757
Investment income	22,511	17,770	18,291	20,053	2,045	35,829	19,545	30,724
Other technical income	1,781	2,325	2,624	2,821	3,071	3,365	3,394	4,048
Incurred claims (-)	84,838	90,530	82,209	90,518	91,935	95,874	94,222	96,200
Operating expenses (-)	12,126	12,382	12,213	12,349	12,512	12,935	12,626	13,267
Other technical costs (-)	2,744	3,330	3,619	3,842	4,028	4,316	4,630	4,921
Balance	**6,613**	**6,516**	**6,789**	**6,510**	**3,682**	**9,505**	**7,652**	**7,123**
Technical account non-life (*)								
Written premiums	31,071	30,501	29,777	30,008	30,485	31,766	30,998	31,916
Changes in premium reserves (-)	-282	-173	190	440	611	734	338	251
Investment income	1,346	1,288	1,161	1,278	825	1,346	890	1,086
Other technical income	393	382	401	401	379	353	345	431
Incurred claims (-)	20,187	19,291	18,826	18,770	18,745	19,757	17,742	19,884
Operating expenses (-)	8,243	8,318	8,219	8,316	8,510	8,889	8,717	9,163
Other technical costs (-)	913	984	1,015	1,013	966	943	1,179	1,051
Balance	**3,749**	**3,751**	**3,089**	**3,148**	**2,857**	**3,142**	**4,258**	**3,084**
Technical account life (*)								
Written premiums	110,963	115,504	103,177	99,280	102,609	106,654	101,904	106,580
Changes in mathematical and other technical provisions (-)	60,288	53,516	48,849	38,503	25,442	54,251	36,373	51,506
Investment income	21,166	16,482	17,130	18,775	1,220	34,483	18,655	29,638
Other technical income	1,388	1,943	2,223	2,421	2,692	3,012	3,049	3,617
Incurred claims (-)	64,651	71,239	63,383	71,749	73,190	76,117	76,480	76,316
Operating expenses (-)	3,884	4,064	3,994	4,033	4,002	4,046	3,909	4,104
Other technical costs (-)	1,831	2,346	2,604	2,828	3,062	3,373	3,451	3,870
Balance	**2,864**	**2,765**	**3,700**	**3,363**	**825**	**6,363**	**3,394**	**4,039**
Non-technical account (*)								
Other non-life income	925	860	1,121	1,395	1,319	1,656	2,061	1,556
Other life income	1,917	1,821	1,824	1,773	1,442	2,200	2,373	1,964
Balance of other income and expenses	-2,064	-2,104	-2,251	-2,361	-2,483	-2,700	-2,693	-2,689
Balance of ordinary activities	**7,391**	**7,093**	**7,483**	**7,317**	**3,960**	**10,662**	**9,393**	**7,954**
Balance of extraordinary activities	**961**	**1,010**	**223**	**459**	**541**	**533**	**965**	**372**
Taxes (-)	2,405	2,395	2,006	1,800	335	2,565	1,774	1,606
Result for the financial year	**5,947**	**5,709**	**5,700**	**5,975**	**4,166**	**8,630**	**8,585**	**6,720**
Profit/loss for the financial year, non-life sector	*2,448*	*1,956*	*2,114*	*2,439*	*2,183*	*2,652*	*3,852*	*2,370*
Profit/loss for the financial year, life sector	*3,498*	*3,753*	*3,586*	*3,536*	*1,983*	*5,978*	*4,733*	*4,350*
Return on Equity	10.1%	9.6%	9.4%	9.9%	6.8%	14.1%	13.5%	9.8%
Return on Equity (non-life)	10.2%	7.9%	8.4%	9.6%	8.5%	10.2%	14.5%	8.1%
Return on Equity (life)	10.1%	10.8%	10.2%	10.0%	5.6%	16.9%	12.8%	11.2%

(*) Net of cessions and back-cessions

Premiums

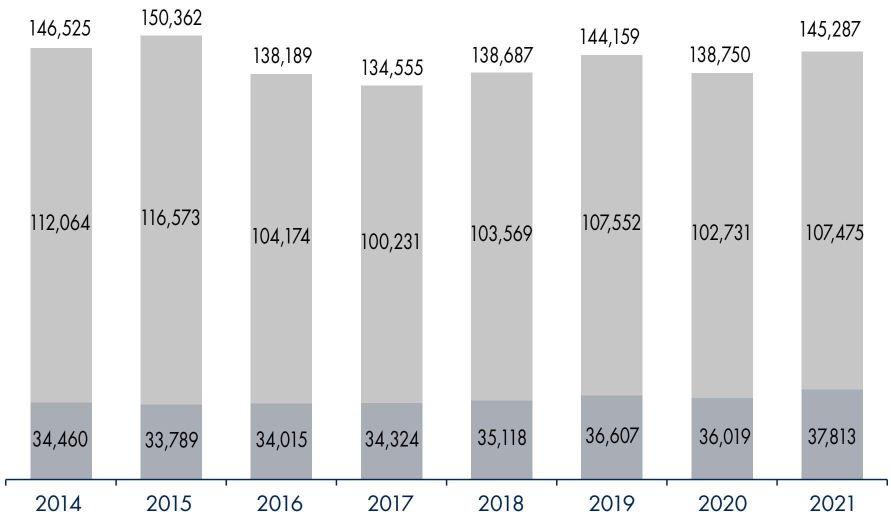
Premiums from domestic and foreign business, direct and indirect, **gross of reinsurance**, collected by the companies having their registered office in Italy and by the Italian branches of non-EU companies totaled €145.3 billion in 2021, of which €37.8 billion from non-life policies and €107.5 billion from life policies. This resulted in overall growth of 4.7%, recouping the contraction of about 4% the previous year, heavily affected by the pandemic. The growth recorded in 2021, driven by the general upturn in economic and financial activity, involved both life insurance, where premiums increased by 4.6% after the 4.5% decline of 2020, and non-life business, with 5.0% growth after a decline of 1.6% in 2020.

As a result of these developments, the share of life and non-life premiums on total income remained virtually unchanged at 74% and 26% respectively.

Gross total premiums
Euro million

Life

Non-life

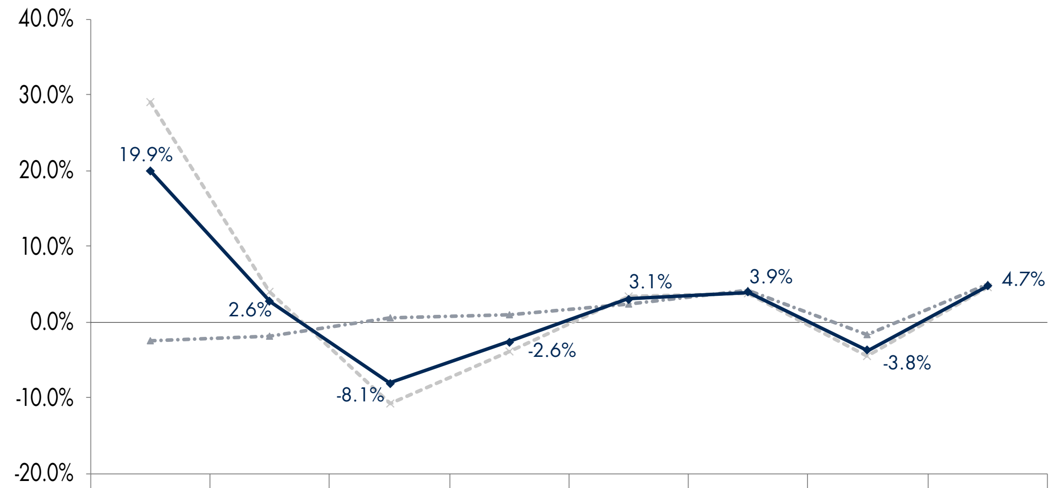


Nominal change in gross premiums – Life, non-life, and total portfolio

Non-life

Life

Total



	2014	2015	2016	2017	2018	2019	2020	2021
Non-Life	-2.5%	-1.9%	0.7%	0.9%	2.3%	4.2%	-1.6%	5.0%
Life	29.0%	4.0%	-10.6%	-3.8%	3.3%	3.8%	-4.5%	4.6%
Total	19.9%	2.6%	-8.1%	-2.6%	3.1%	3.9%	-3.8%	4.7%

Total premiums, net of those ceded (€6.8 billion or 4.7% of the total), reached €138.5 billion, of which €31.9 billion from non-life policies and €106.6 billion from life policies.

Claims and benefits paid

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

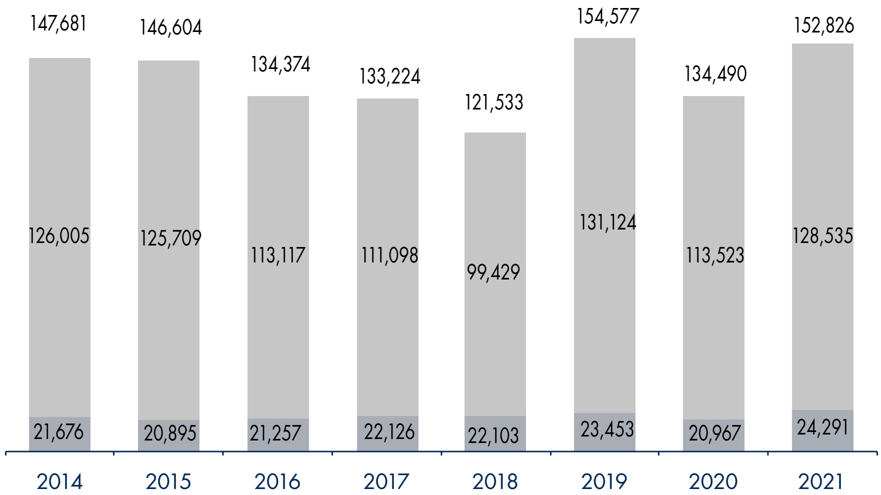
– incurred claims costs plus the change in the premium reserves for non-life classes;
– incurred claims costs plus the change in the mathematical provisions and other technical provisions for life classes.

Overall, benefits and claims paid increased by 13.6% over 2020 to total €152.8 billion: €24.3 billion in non-life classes (+15.9%) and €128.5 billion in life classes (+13.2%).

The **share borne by reinsurance** was €4.9 billion, and as a result **benefits and claims paid, on a net basis**, increased by 13.0% to €147.9 billion: €20.1 billion in non-life classes and €127.8 billion in life classes.

Gross total benefits and claims paid
Euro million

Life
Non-life

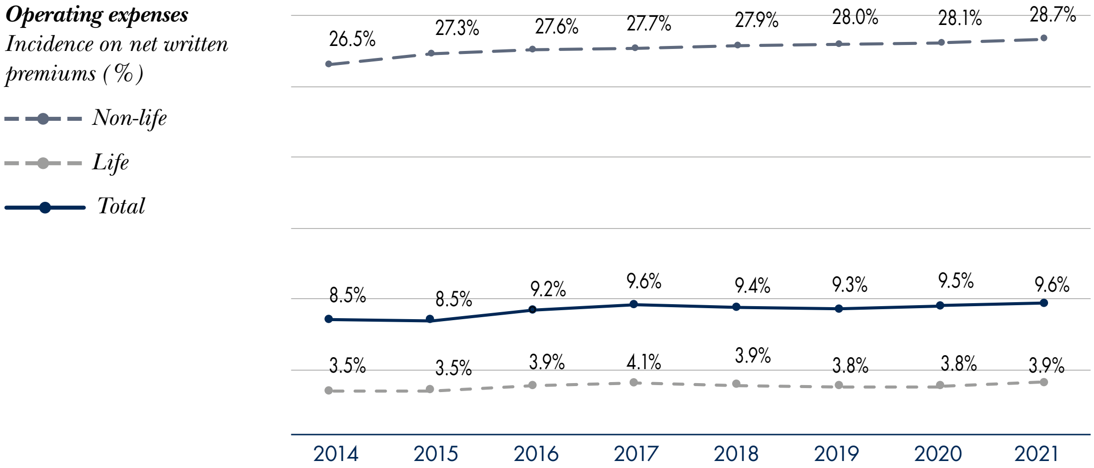


Operating expenses

Operating expenses relating to direct and indirect business, net of reinsurance cessions, which comprise contract acquisition, premium collection, distribution network organizational and operating costs, and the administration expenses relating to technical management of insurance business, totaled €13.3 billion, 5.1% more than in 2020. Given the nearly equal rise in premiums, the ratio of total operating expenses to written premiums held practically stable at 9.6%.

In particular, operating expenses for non-life business went from €8.7 billion in 2020 to €9.2 billion in 2021, increasing the ratio from 28.1% to 28.7%. In the life sector, operating expenses totaled €4.1 billion (€3.9 billion in 2020), the ratio thus edging up from 3.8% to 3.9%.

Operating expenses
Incidence on net written premiums (%)



Technical account result

The **overall technical account result** (non-life plus life), net of reinsurance, was positive by €7.1 billion, equal to 5.1% of net direct and indirect premiums, down from 2020 and in line with the average for 2014-2019. For non-life business the technical account result was positive by €3.1 billion (down from €4.3 billion in 2020), but its ratio to premiums dropped from 13.7% in 2020 to 9.7% last year. In the life sector as well, the result was positive (€4.0 billion, up from €3.4 billion). The ratio to premiums accordingly rose from 3.3% to 3.8%.

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

	2014	2015	2016	2017	2018	2019	2020	2021
Non-life and Life	4.7%	4.5%	5.1%	5.0%	2.8%	6.9%	5.8%	5.1%
Non-life	12.1%	12.3%	10.4%	10.5%	9.4%	9.9%	13.7%	9.7%
Life	2.6%	2.4%	3.6%	3.4%	0.8%	6.0%	3.3%	3.8%

RESULT ON INVESTMENT ACTIVITY

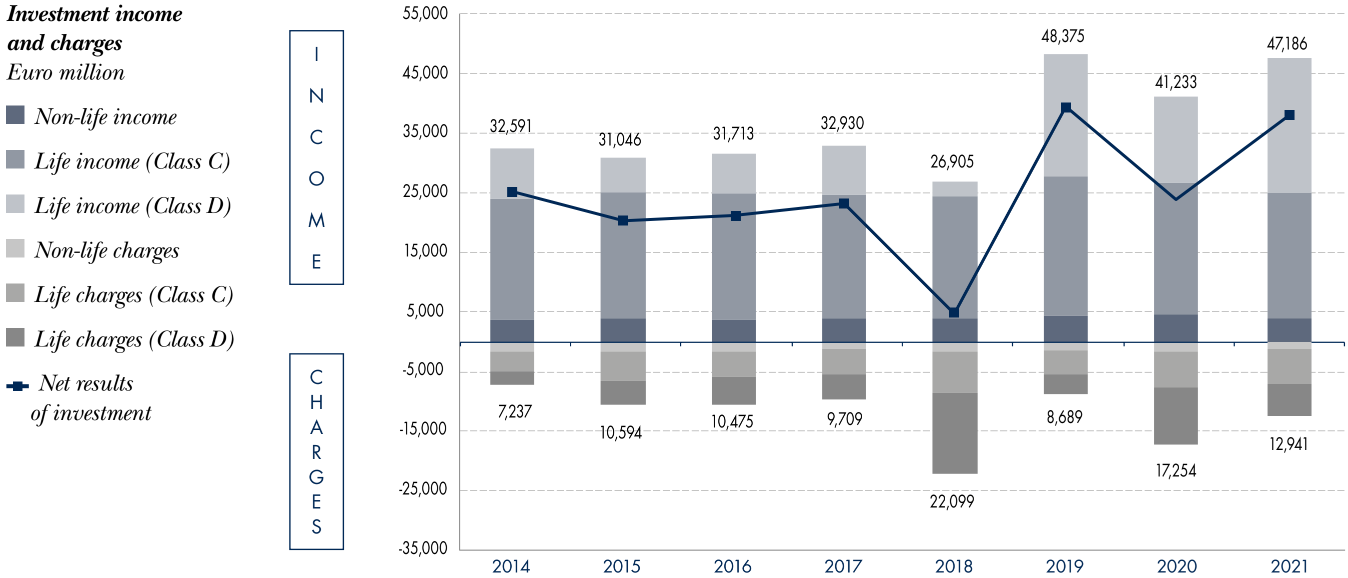
In 2021 **net investment income** was €47.2 billion, nearly 15% more than the €41.2 billion registered in 2020. In particular:

– non-life investment income declined by 16.1% to €3.8 billion;
– Class C life investment income decreased by 4.3% to €21.1 billion;
– Class D life investment income increased by over 50% to €7.6 billion.

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

– *income from securities, bonds, and other investments*, amounting to €17.2 billion (-0.9% on 2020): 36.4% 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 €22.3 billion: 47.2% of the total;
– *revaluation gains and realized profits on investment*, amounting to €3.3 billion (-9.0%): 7.1% of the total;
– *income from shares and investment fund units*, amounting to €4.3 billion (-21.7% compared with 2020): 9.1% of the total;
– *income from land and buildings*, amounting to €141 million (-9.2%): 0.3% of the total.

Investment income and charges
Euro million



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

	2014	2015	2016	2017	2018	2019	2020	2021
Shares and other equity	8.6%	8.7%	9.3%	9.4%	13.0%	8.2%	13.3%	9.1%
Land and buildings	0.6%	0.7%	0.6%	0.6%	0.7%	0.4%	0.4%	0.3%
Securities, bonds, and other inv.	53.0%	56.7%	56.4%	54.6%	67.0%	37.1%	42.0%	36.4%
Revaluation gains and realized profits	11.5%	15.0%	12.5%	10.3%	10.3%	11.7%	8.9%	7.1%
Inv. benefiting policyholders	26.2%	18.9%	21.2%	25.0%	9.1%	42.7%	35.4%	47.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The gain in income was accompanied by a diminution in **investment charges**, which dropped sharply from €17.3 billion to €12.9 billion. In particular:

- in the non-life sector, investment charges went down by more than 25% to €1.2 billion; as a consequence, the sector's net investment result was positive by €2.6 billion in line with the previous year;
- in the life sector (Class C), investment charges decreased by 14% to €5.2 billion, yielding net investment profit of €16 billion, practically unchanged from 2020;
- in the life sector (Class D), investment charges diminished by over 30% compared with 2020 to €6.6 billion; this produced a positive net investment result of €15.6 billion, up sharply by over €10 billion, from the €4.9 billion recorded in 2020.

The insurance industry's overall **net investment result** was positive at €34.2 billion, up from €24.0 billion in 2020. Of this, €30.7 billion (90%) comes from the technical account (up from €19.5 billion in 2020), and €3.5 billion (10%) from the non-technical account (down from €4.5 billion in 2020).

Extraordinary income, gross of charges, amounted to €0.7 billion, down from €1.3 billion in 2020. The relevant **charges** totaled €318 million (€378 million in 2020).

THE RESULT FOR THE FINANCIAL YEAR

In 2021 the **result from the ordinary activity** of the life and non-life sectors – while diminishing owing above all to the decline in non-technical income in non-life insurance – was still positive at €8.0 billion (down from €9.4 billion in 2020); **extraordinary income** (which is added to that from ordinary activity) was more than halved from €965 million in 2020 to €372 million in 2021. Overall, pre-tax profit for the year thus amounted to €8.3 billion (€10.4 billion in 2020).

After taxes totaling €1.6 billion, the industry showed an **overall net profit of €6.7 billion** (nearly €2 billion less than in 2020), with both life and non-life sectors turning in positive, albeit decreasing results. The earnings of the non-life sector came to €2.4 billion (€3.9 billion in 2020) and those of the life sector to €4.4 billion (€4.7 billion in 2020).

Given this decline in overall net profit, the sector's profitability, expressed in terms of ROE, slipped from 13.5% to 9.8%, owing in part to an increase in net worth. By sector, non-life insurance recorded ROE of 8.1% (14.5% in 2020) and life insurance, 11.2% (12.8%).

The profits of the **non-life sector**, in particular, dropped from €3.9 billion to €2.4 billion; this was the result of different trends shown by the following items:

- an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) of €4.6 billion (€1.7 billion less than in 2020);
- a negative balance of €1.9 billion on **other income less other charges** (-€1.7 billion in 2020);
- a positive balance of €173 million on **other net extraordinary income**, as in 2020;
- **income taxes** decreased by €400 million from €938 million to just over €500 million.

Profit-and-loss account by sector
Euro million

	2014	2015	2016	2017	2018	2019	2020	2021
Non-life								
Technical account result	3,749	3,751	3,089	3,148	2,857	3,142	4,258	3,084
Net investment income	925	860	1,122	1,395	1,319	1,656	2,061	1,556
Intermediate operating result	4,674	4,612	4,211	4,543	4,176	4,798	6,319	4,640
Other net income	-1,502	-1,469	-1,438	-1,471	-1,571	-1,666	-1,702	-1,906
Net extraordinary income	450	72	137	208	176	269	173	173
Income tax for year (-)	1,173	1,259	795	841	599	750	938	536
Profit/loss for the year	2,448	1,956	2,114	2,439	2,183	2,652	3,851	2,370
Life								
Technical account result	2,864	2,765	3,700	3,363	825	6,363	3,394	4,039
Net investment income	1,917	1,821	1,824	1,773	1,442	2,200	2,373	1,964
Intermediate operating result	4,781	4,586	5,525	5,136	2,267	8,563	5,767	6,003
Other net income	-563	-636	-814	-891	-913	-1,034	-991	-783
Net extraordinary income	511	939	86	250	365	264	793	199
Income tax for year (-)	1,231	1,136	1,211	959	-262	1,815	835	1,070
Profit/loss for the year	3,498	3,753	3,586	3,536	1,983	5,978	4,733	4,350

The profit of the **life sector** for 2021 amounted to €4.4 billion, somewhat down from €4.7 billion in 2020; this result was due to different trends registered by the following items:

- an **intermediate operating result** (the sum of the technical result plus the net investment result pertaining to the non-technical account) of €6.0 billion, €200 million more than in 2020;
- a negative balance of €783 million on **other income less other charges** (-€991 in 2020);
- a positive balance of €199 million on **net extraordinary income**, down sharply from €793 million);
- a volume of **income taxes** for the overall life business of €1,070 million, against €835 million in 2020.

BALANCE SHEET — STATUTORY FINANCIAL STATEMENTS

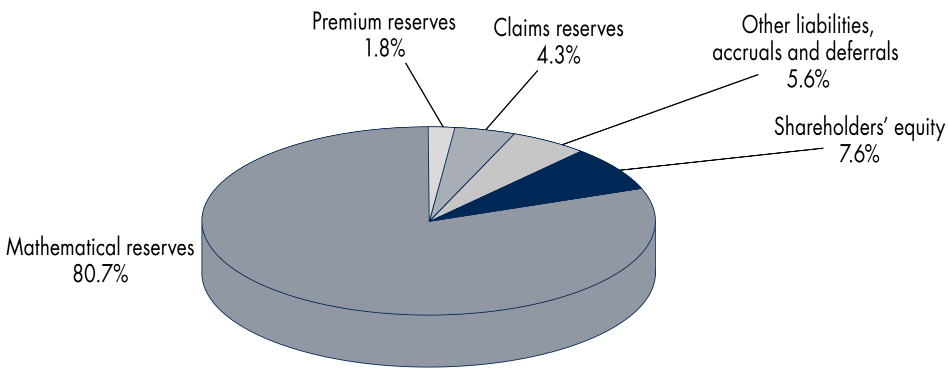
Balance sheet
Euro million

	2014	2015	2016	2017	2018	2019	2020	2021
LIABILITIES	703,134	762,742	810,241	848,694	867,907	926,658	966,823	1,023,853
NET WORTH	64,403	66,223	66,361	66,805	65,475	69,906	74,313	77,580
TECHNICAL PROVISIONS	591,746	647,523	693,910	729,542	749,245	801,268	836,585	889,654
Non-life classes	*63,368*	*62,005*	*61,384*	*60,015*	*58,872*	*58,781*	*58,802*	*62,536*
Life classes	*528,378*	*585,518*	*632,525*	*669,527*	*690,373*	*742,487*	*777,783*	*827,118*
OTHER LIABILITIES	46,301	48,380	49,353	51,829	52,611	54,972	55,405	56,055
ACCRUALS AND DEFERRALS	684	616	617	518	575	512	520	565
ASSETS	703,134	762,742	810,241	848,694	867,907	926,658	966,823	1,023,853
AMOUNTS OWED BY SHAREHOLDERS	0	0	0	0	0	0	0	0
INTANGIBLE ASSETS	6,907	6,664	6,521	6,374	6,095	5,745	5,310	4,924
INVESTMENTS:	629,566	692,645	741,207	778,997	798,917	856,428	896,711	949,499
Land and buildings	6,041	6,645	6,251	6,188	5,530	5,723	4,820	4,824
Shares and other equity	56,387	57,022	56,808	59,899	61,324	61,440	61,152	65,690
Bonds and other fixed income securities	410,269	437,571	464,578	473,506	484,750	503,263	519,008	526,829
Shares of mutual funds and other investments	48,098	63,156	74,049	85,160	95,061	106,587	115,245	119,235
Investments benefiting policyholders and proceeds from management of pension funds	108,771	128,252	139,521	154,243	152,252	179,414	196,486	232,921
TECHNICAL PROVISIONS BORNE BY THE REINSURERS	15,109	14,104	13,734	13,667	12,794	12,409	11,470	12,661
AMOUNTS OWED BY DEBTORS	28,612	26,559	28,200	29,765	31,298	33,964	34,474	35,533
OTHER ASSETS	17,164	16,954	14,664	14,167	13,142	12,497	13,444	15,974
ACCRUALS AND DEFERRALS	5,777	5,814	5,914	5,725	5,661	5,615	5,414	5,263

LIABILITIES

At the end of 2021, balance-sheet liabilities totaled €1,024 billion, 5.9% more than a year earlier.

Breakdown of liabilities (%) – 2021



Euro 1,023,853 million

In detail:

– *shareholders' equity*, or net worth, at €78 billion, grew by 4.4% compared with 2020; it accounts for 7.6% of total liabilities.
– *technical provisions*, which represent the commitments undertaken vis-à-vis the insured, rose by 6.3% to €890 billion; they made up 86.8% of total

liabilities. Life provisions, which accounted for 80.7% of the total, grew by 6.3% to €827.1 billion, while non-life provisions (for claims and unpaid premiums) increased by 6.3% to €62.5 billion.
– *other liabilities*, amounting to €56.1 billion (5.5% of the total), were up 1.2% from a year earlier;
– *accrued expenses and deferred income* amounted to €565 million (0.1% of the total).

Assets

On the asset side the main items composing the total of €1,024 billion, squaring with total liabilities, are investments, the reinsurance share of technical provisions, debtors, other asset items, accrued income and prepaid expenses.

In particular:

– *investments* totaled €949.5 billion, an increase of 5.9% from a year earlier, and made up 93% of total assets. Investments in the life and non-life sectors amounted respectively to €857.4 billion (90% of the total) and €92.1 billion (10%). In detail, total investment was distributed as follows:
  • debt securities and other fixed-income securities: €526.8 billion, up 1.5% (55.5% of the total);
  • investments pertaining to Class D: €232.9 billion, up 18.5% (24.5% of the total);
  • mutual funds and other investments: €119.2 billion, up 3.5% (12.6% of the total);
  • shares and other equity: €65.7 billion, up 7.4% (6.9% of the total);
  • land and buildings: €4.8 billion, up marginally by 0.1% (0.5% of the total).
– *technical provisions borne by reinsurers* came to €12.7 billion, up 10.4% from a year earlier, and made up 1.2% of total assets;
– *claims due from debtors* came to €35.5 billion, up 3.1% (3.5% of the total);
– *claims on shareholders* (nil), *other intangible assets* (€4.9 billion) and *other assets* (€16.0 billion) rose by 11.4% to €20.9 billion (2% of the total);
– *accrued income and prepaid expenses* were equal to €5.3 billion, down 2.8% (0.5% of the total).

THE CURRENT VALUE OF INVESTMENT ASSETS OF THE ITALIAN INSURANCE INDUSTRY

To obtain detailed information on the current value of the insurance industry's investments and assess the effects of unrealized capital gains or losses on the overall portfolio, several years ago ANIA launched a statistical survey using a methodology consistent with that specified in ISVAP Regulation 36/2011. The latest survey, which takes 31 May 2022 as the valuation date, covers practically the totality of Class C investments for the non-life and life sectors except for loans and deposits with credit institutions and ceding undertakings, which account on average for 2-3%; it does not cover investments relating to linked policies and pension funds (Class D). The current value of assets was calculated by summing their book value (the value stated in the accounts before balance-sheet valuations) and the balance between unrealized capital gains and losses.

The current value of Class C investments monitored on 31 May 2022, estimated on a sample of firms accounting for about 90% of the market in terms of investments, was €726 billion, compared with the end-2021 figure of €782 billion for the sample companies (Table 1) and a total of €717 billion in Class C investments recognized in the Italian GAAP financial statements of all insurance companies. The difference between the 2021 balance-sheet value and the current value monitored is due to the fact that the balance-sheet value does not include:

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

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

	Current value of investment			Breakdown of investments (%) as of 31 May 2022	Current value of investment		
					Memo total investments (durable and non-durable)		
	Durable	Non-durable	Total				
	31 May 2022				December 2021	December 2020	December 2019
Total Non-life	60,359	34,953	95,312	13.1%	96,360	102,343	91,014
Total Life	339,410	291,572	630,982	86.9%	685,259	696,091	646,752
Total overall (Life and Non-life)	399,769	326,525	726,294	100.0%	781,619	798,435	737,766

	Saldo Plus/Minus			Balance of valuation gains/losses		
				Memo total investments (durable and non-durable)		
	Durable	Non-durable	Total			
	31 May 2022			December 2021	December 2020	December 2019
Total Non-life	6,083	-719	5,364	8,840	17,111	7,990
Total Life	-5,720	-5,853	-11,573	62,275	86,728	62,468
Total overall (Life and Non-life)	364	-6,573	-6,209	71,115	103,839	70,458

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

		Current value of investment – Durable	Current value of investment – Non-durable	Current value of investment – Total	Breakdown of investments (%) as of 31 May 2022	Current value of investment – Memo total investments (durable and non-durable) – December 2021	December 2020	December 2019
		31 May 2022						
C.I	Land and buildings (A)	5,143	0	5,143	0.7%	5,294	5,520	6,486
C.II.1	Shares and other equity in group and other affiliated undertakings	68,519	3,205	71,724	9.9%	71,125	76,632	61,733
C.II.2	Debt securities issued by group and other affiliated undertakings	1,616	1,059	2,674	0.4%	3,488	3,987	3,061
Total C.II.1 e C.II.2 (B)		70,135	4,264	74,398	10.2%	74,612	80,619	64,794
C.III.1	Shares and other equity:	436	11,036	11,471	1.6%	11,336	9,221	12,730
C.III.2	Investment fund units	47,329	71,283	118,612	16.3%	120,039	116,869	104,997
C.III.3	Bonds and other fixed income securities	276,720	239,644	516,364	71.1%	569,795	585,554	548,492
– of which: listed and unlisted gov't securities		230,426	137,138	367,565	50.6%	412,493	430,458	401,174
C.III.5	Participation in investment pools	0	105	105	0.0%	0	0	0
C.III.7	Sundry financial investments	6	195	201	0.0%	543	651	267
Total C.III.1, 2, 3, 5, 7 (C)		324,491	322,261	646,752	89.0%	701,713	712,295	666,486
Overall Total (A + B + C)		399,769	326,525	726,294	100.0%	781,619	798,435	737,766

		Saldo Plus/Minus – Durable	Saldo Plus/Minus – Non-durable	Saldo Plus/Minus – Total	Balance of valuation gains/losses – Memo total investments (durable and non-durable) – December 2021	December 2020	December 2019
		31 May 2022					
C.I	Land and buildings (A)	501	0	501	457	580	536
C.II.1	Shares and other equity in group and other affiliated undertakings	8,748	597	9,346	9,178	17,232	6,852
C.II.2	Debt securities issued by group and other affiliated undertakings	-151	18	-133	247	386	172
Total C.II.1 e C.II.2 (B)		8,597	615	9,213	9,425	17,618	7,024
C.III.1	Shares and other equity:	28	869	897	1,896	531	1,221
C.III.2	Investment fund units	-417	1,803	1,386	7,005	4,971	4,431
C.III.3	Bonds and other fixed income securities	-8,346	-9,721	-18,066	52,202	79,745	57,228
– of which: listed and unlisted gov't securities		-5,443	-3,990	-9,433	45,216	69,321	47,748
C.III.5	Participation in investment pools	0	0	0	0	0	0
C.III.7	Sundry financial investments	0	-140	-140	130	393	18
Total C.III.1, 2, 3, 5, 7 (C)		-8,735	-7,188	-15,923	61,234	85,641	62,898
Overall Total (A + B + C)		364	-6,573	-6,209	71,115	103,839	70,458

Of the Italian insurance industry's €726 billion of Class C investments at current value at end-May, €95 billion (13%) referred to non-life business and €631 billion (87%) to life business (Table 1). Investments held on a durable basis account for 55% (almost €400 billion), while the remaining 45% (€327 billion) consists in non-durable investments. With the worsening of the financial crisis and following the recent monetary policy measures of the European Central Bank, the balance between unrealized capital gains and losses at the end of May 2022 was negative by €6.2 billion. Just five months earlier it had been positive by over €70 billion. The two sectors made opposing contributions to the overall result: the non-life sector with a positive balance of €5.4 billion, the life sector with a negative balance of over €11.5 billion. This difference reflects the intrinsic nature of life and non-life insurance: life policies are obviously longer-term, while non-life policies are generally subscribed on an annual basis, so the duration of the investments covering the technical provisions differs between the two sectors.

Life and non-life business

Looking more closely at the types of asset held, on 31 May 2022 the industry's top investments were fixed-income securities, with a current value of over €516 billion, €54 billion less than at the end of 2021 (Table 2). Investment fund units were valued at €119 billion (16.3% of the total), while shares and other equity in group and affiliated undertakings came to €71.7 billion (9.9% of the total).

At the **end of May 2022**, the **balance between unrealized capital gains and losses** was **negative by about €6 billion** (it had been positive by €70.5 billion, €103.8 billion and €71.1 billion at 31 December 2019, 2020 and 2021 respectively). **Unrealized capital losses came to €37.4 billion, €16 billion of this in assets not held on a durable basis**.

It is worth looking more closely at investments in government securities. Figure 1 plots the quarterly performance of the balance between unrealized capital gains and losses of the Class C investments in government securities against the spread between ten-year Italian and German government bonds (BTPs and Bunds) and the return on the Italian BTPs. The series also distinguishes between securities held on a durable and non-durable basis.

More in general, with regard to the overall balance (durable plus non-durable securities), the trend highlights an inverse correlation (-0.99) between the balance and the yield curve of 10-year BTPs. There is a weaker but nevertheless significant correlation (-0.70) between the balance and the BTP-Bund spread, which obviously depends also on the performance of the German bonds. That is, a reduction in the BTP yield or the spread corresponds to an improvement in the balance between unrealized capital gains and losses.

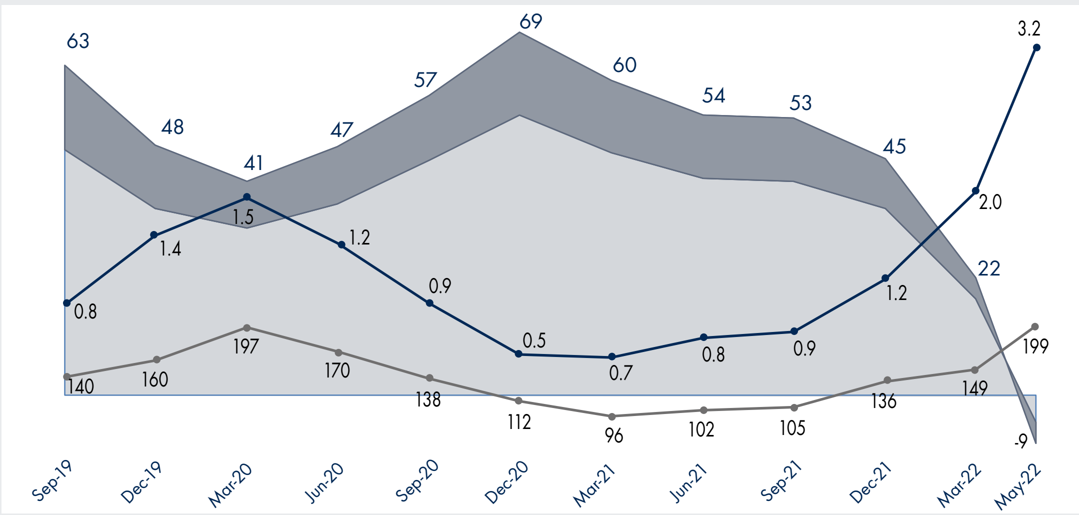
An analysis of the quarterly time series over 30 months (December 2019 – May 2022) shows two peaks on the curve (September 2019 and December 2020) at which net capital gains on the government securities in the portfolios of the insurance companies reached €63 billion and €69 billion respectively; these increments in value coincided with returns on 10-year BTPs and values of the

BTP/Bund spread of respectively 0.83% and 140 basis points at the end of September 2019 and 0.54% and 112 b.p. at the end of December 2020. The substantial portfolio of government securities held by insurance undertakings is also influenced by the political and economic situation at national and international level.

A specific focus on the period between March 2020 and May 2022 highlights the following trends:

- as the pandemic spread in Italy in early March 2020, the rate of return on government securities (and consequently the spread) increased, a trend that was emphasized by the declarations of the European Central Bank which, at least in the beginning, did not show much sympathy for the critical situation that Italy was facing due to the effects of the pandemic on the spread: at the end of March the spread was nearly 200 basis points and the insurance industry's net capital gains on government securities amounted to scarcely €40 billion (they were over €60 billion at the end of September 2019);
- after fluctuating sharply, in the second quarter of 2020 BTPs yields – and consequently the spread – started to go down progressively, thanks to the support of the ECB, which on 18 March 2020 instituted its Pandemic Emergency Purchase Programme to contain the looming financial crisis;
- the minimum yield of 10-year BTPs was reached at the end of December 2020, corresponding to a peak in net capital gains on government securities of nearly €70 billion;
- throughout 2021 government bond returns staged a slow but steady if modest recovery, driving unrealized net capital gains down to €45 billion at the end of December;
- the first five months of 2022 were marked by a sharp increase in financial instability as a consequence of the Russian military intervention in Ukraine at the end of February, resulting in a steep rise in Italian government bond yields to 3% at the end of May and the widening of the spread vis-à-vis the Bund to 200 basis points. With these values, capital gains plunged, actually turning into an unrealized net loss of €9 billion at 31 May. The balance was negative both for durable and for non-durable securities (-€5 billion and -€4 billion respectively).

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



THE SOLVENCY II BALANCE SHEET

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

Solvency II – Balance sheet of Italian companies
Euro million

	2017	2018	2019	2020	%	2021	%	Change % 21/20
Total assets	920,838	911,093	1,019,677	1,088,145	100.0%	1,120,430	100,0%	3.0%
Buildings, plant, and equipment for own use	2,071	2,026	2,508	2,476	0.2%	2,388	0.2%	-3.6%
Investments (net of linked policies)	696,659	690,376	768,196	815,020	74.9%	811,015	72.4%	-0.5%
Assets held in respect of linked policies	154,217	152,219	179,225	196,374	18.0%	232,696	20.8%	18.5%
Mortgages and loans	5,301	7,374	6,797	7,222	0.7%	7,251	0.6%	0.4%
Amounts recoverable from reinsurance	12,134	11,201	11,098	9,897	0.9%	9,557	0.9%	-3.4%
Deposits with ceding undertakings	7,984	5,732	5,249	4,545	0.4%	5,458	0.5%	20.1%
Receivables in insurance and from intermediaries	8,751	8,812	9,244	8,725	0.8%	7,866	0.7%	-9.8%
Receivables from reinsurance	1,082	848	1,198	1,024	0.1%	1,210	0.1%	18.2%
Trade credits	11,383	12,463	14,518	14,994	1.4%	15,672	1.4%	4.5%
Cash and cash equivalents	9,332	8,671	7,583	8,732	0.8%	11,695	1.0%	33.9%
Deferred tax assets	4,503	3,632	6,284	10,001	0.9%	6,557	0.6%	-34.4%
Own shares (directly owned)	81	64	69	228	0.0%	125	0.0%	-45.0%
Other assets	7,341	7,673	7,709	8,906	0.8%	8,941	0.8%	0.4%
Total liabilities	803,562	801,948	896,592	962,024	100.0%	979,652	100.0%	1.8%
Non-life technical provisions	52,860	51,728	51,983	51,462	5.3%	52,760	5.4%	2.5%
Life technical provisions (net of linked policies)	538,822	538,966	600,202	643,176	66.9%	628,121	64.1%	-2.3%
Technical provisions for linked policies	146,073	146,973	172,678	189,507	19.7%	223,449	22.8%	17.9%
Deposits received from reinsurers	6,464	6,005	5,571	4,853	0.5%	4,896	0.5%	0.9%
Derivatives	953	986	939	1,136	0.1%	1,479	0.2%	30.2%
Financial liabilities	12,269	13,437	14,627	13,614	1.4%	13,531	1.4%	-0.6%
Payables in insurance and to intermediaries	3,894	4,691	5,082	5,932	0.6%	5,333	0.5%	-10.1%
Payables to reinsurers	823	610	564	742	0.1%	799	0.1%	7.7%
Trade payables	5,694	5,124	7,044	7,756	0.8%	6,691	0.7%	-13.7%
Subordinated liabilities	18,068	19,025	17,948	19,642	2.0%	19,572	2.0%	-0.4%
Other non-technical provisions	1,373	1,500	1,523	1,707	0.2%	2,090	0.2%	22.4%
Deferred tax liabilities	10,697	7,666	12,330	16,232	1.7%	14,726	1.5%	-9.3%
Other liabilities	5,571	5,238	6,101	6,265		6,206		
Excess assets over liabilities	117,276	109,145	123,085	126,121		140,778		11.6%
Excess over total assets (%)	*12.7%*	*12.0%*	*12.1%*	*11.6%*		*12.6%*		

Liabilities (Solvency II)

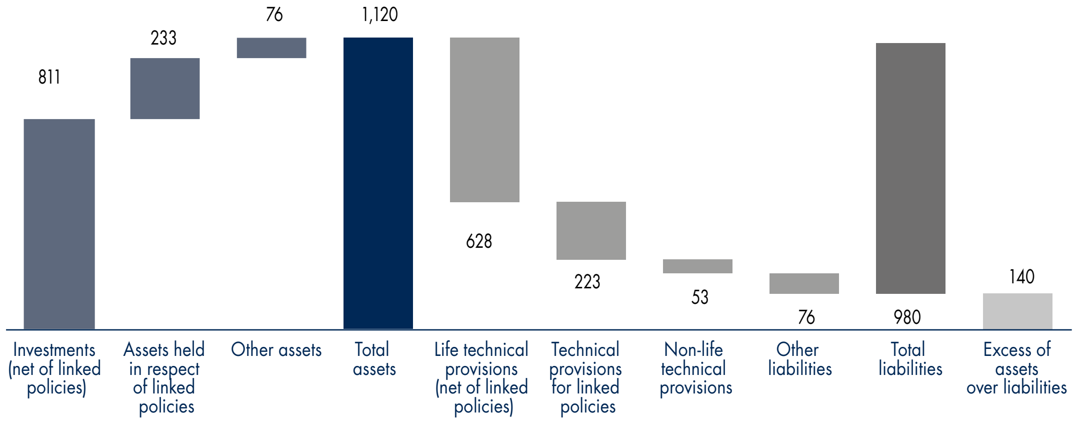
In 2021, balance-sheet liabilities increased by 1.8%, to total €980 billion.

In detail:

– life insurance technical provisions (net of linked policies) totaled €628.1 billion, down by 2.3% from 2020, accounting for 64% of total liabilities; the risk

margin, i.e. the component of the technical provisions that serves to ensure that, in the event that the policy portfolio is transferred to another company, the technical provisions are sufficient and equivalent to the price the company would pay in a regulated market for said liabilities, was 0.8% (€5.1 billion);
– technical provisions for linked policies, amounting to €223.4 billion, increased by 18%, thus accounting for 22.8% of total liabilities; the risk margin for these provisions was 0.7% (€1.5 billion);
– non-life insurance technical provisions increased by 2.5% to €53 billion, accounting for 5.4% of total liabilities; the risk margin was 4.6% (€2.4 billion);
– subordinated liabilities diminished by 0.4% to €19.6 billion over the last year, accounting for 2% of total liabilities;
– other liability items in the balance sheet include financial liabilities (€13.5 billion, 1.4% of the total, -0.6% compared with 2020) and deferred tax liabilities (€14.7 billion, 1.5% of the total, -9.3%).

The balance sheets of Italian companies in 2021
Euro billion



Assets (Solvency II)

At the end of 2021, Italian insurers had assets of €1,120 billion, 3% more than a year earlier.

The consequent excess of asset over liability items was €141 billion (up from €126 billion in 2020). The incidence of the excess on the balance-sheet assets was 12.6% (11.6% in 2020).

Specifically:

– investments (net of those in respect of linked policies) decreased by 0.5% to €811 billion over the last year, accounting for 72% of total assets;
– assets held in respect of linked policies went up by 18.5% to €232.7 billion, accounting for 21% of total assets;
– other asset items in the balance sheet include trade credits (€15.7 billion, 1.4% of the total, +4.5% compared with 2020) and cash (€11.7 billion, 1% of the total, +33.9% compared with 2020).

INVESTMENTS (SOLVENCY II)

As described in the previous section specifying the different balance sheet assets, the investments of the insurance industry came to €1,044 billion at the end of 2021, gaining 3.2% in the 12 months. Of this, €811 billion (-0.5% on 2020) refers to insurance contracts net of linked policies, the remaining €233 billion (+18.5%) to linked policies in the life sector.

Type of investment
Euro million

	2017	2018	2019	2020	%	2021	%	change % 21/20
Investments (net of assets in respect of linked contracts)	696,659	690,376	768,196	815,019	100.0%	811,015	100.0%	-0.5%
Italian government securities	310,752	297,301	324,966	336,029	41.2%	312,703	38.6%	-6.9%
Bonds	140,438	138,187	150,595	157,508	19.3%	155,951	19.2%	-1.0%
Shares of affiliated undertakings, including holdings	84,646	83,205	87,113	89,419	11.0%	98,027	12.1%	9.6%
UCITS	73,514	80,106	97,163	105,705	13.0%	110,292	13.6%	4.3%
Foreign government securities	51,547	62,448	76,250	96,742	11.9%	100,157	12.3%	3.5%
Structured securities	15,204	10,140	10,325	11,119	1.4%	11,533	1.4%	3.7%
Listed equity instruments	8,855	8,057	10,615	7,341	0.9%	9,941	1.2%	35.4%
Unlisted equity instruments	2,595	2,857	3,149	3,522	0.4%	4,492	0.6%	27.6%
Buildings (other than own use)	5,262	4,691	4,951	4,010	0.5%	3,951	0.5%	-1.5%
Covered securities	2,415	2,537	2,053	2,150	0.3%	2,745	0.3%	27.7%
Deposits other than cash-equivalent	996	361	359	359	0.0%	390	0.0%	8.8%
Derivatives	416	469	639	1,097	0.1%	818	0.1%	-25.4%
Other investments	19	17	17	18	0.0%	13	0.0%	-27.5%
Assets held in respect of linked policies	154,217	152,219	179,225	196,374	100.0%	232,696	100.0%	18.5%
Investment funds	128,137	125,036	148,647	165,654	84.4%	197,517	84.9%	19.2%
Italian government securities	11,072	10,864	11,459	7,846	4.0%	7,980	3.4%	1.7%
Foreign government securities	3,171	4,611	5,308	5,575	2.8%	5,755	2.5%	3.2%
Cash and deposits	5,608	3,571	2,849	4,023	2.0%	4,417	1.9%	9.8%
Equity	4,239	5,075	6,700	7,282	3.7%	9,218	4.0%	26.6%
Bonds	1,536	2,970	4,132	5,760	2.9%	7,474	3.2%	29.8%
Other investments	455	91	131	234	0.1%	335	0.1%	43.4%
Total investments	850,876	842,595	947,421	1,011,393		1,043,711		3.2%

A more specific analysis of the nearly €811 billion in insurance industry investment excluding linked policies shows that companies made the following investment choices:

- €313 billion in Italian government securities (38.6% of the total), down by 7% compared with 2020;
- €156 billion in corporate bonds (19.2% the total), down 1% from 2020;
- €98 billion in shares of affiliated undertakings (12.1% of the total), up by 9.6%;
- €110 billion in UCITS (13.6% of the total), up over 4%;
- €100 billion in foreign government securities (12.3% of the total), up by 3.5%;

– €12 billion in structured securities (1.4% of the total), up by 3.7%;
– over €14 billion in equities, of which €9.9 billion (+35.4%) in listed instruments and €4.5 billion (+27.6%) in unlisted instruments.

The following figure shows a breakdown of the €413 billion invested in government securities (both Italian and foreign) in respect of non-linked policies:

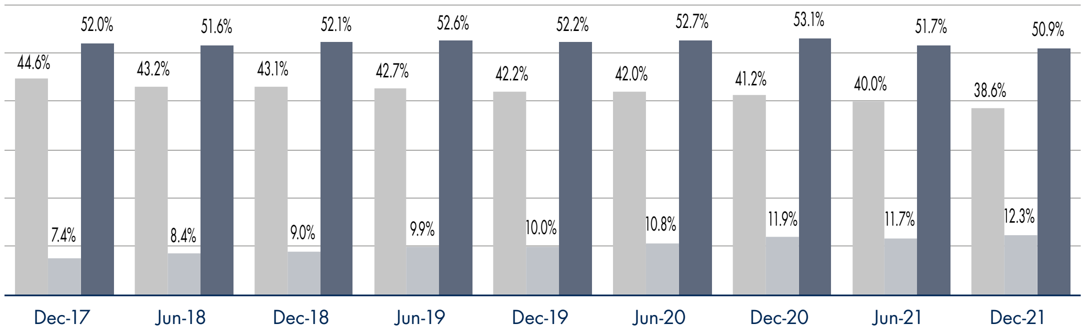
% gov't securities on overall investments

Italian

Foreign

Total

Net of assets in respect of linked contracts



In 2017-2018 investment in government securities held broadly stable at around €360 billion and accounted for 52% of total investment. In the last two financial years, however, after peaking at €430 billion in 2020, the value of the government securities portfolio slipped by 5% to €413 billion, and its share of total investment assets fell below 51%.

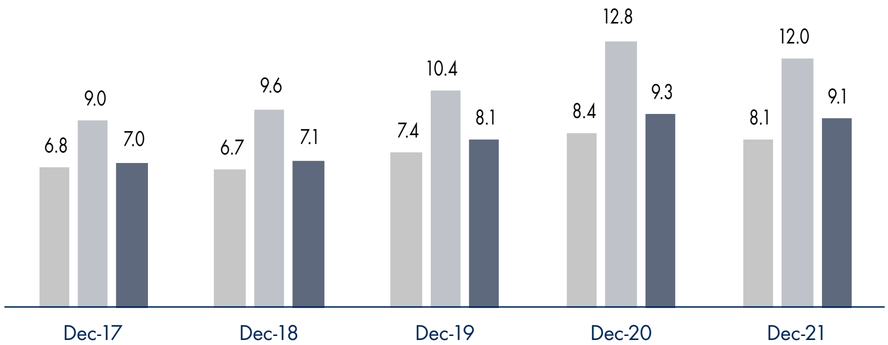
More specifically, Italian government securities, taking into account both changes in value and net sales/purchases, went down from €310 billion at the end of 2017 to €300 billion at the end of 2018, then back up to €325 billion at the end of 2019 and €335 billion at end of 2020, and down again to €313 at the end of 2021. However, their incidence on total investments declined steadily, from 44.6% in 2017 to 38.6% in 2021; foreign government securities, instead, increased significantly, from some €50 billion at the end of 2017 to over €100 billion at the end of 2021, and their incidence on total investments rose substantially, from 7.4% to 12.3%.

Average duration of government securities portfolio

Italian

Foreign

Total



Finally, an analysis of the duration, i.e. the average residual maturity, of the insurance portfolio invested in government securities shows that during the last financial year maturity remained stable (9.1 years in 2021, marginally down from 9.3 in 2020), after lengthening by over two years between 2017 and 2020. In particular, while over the past five years the average financial duration of Italian securities has increased by a year and a half, that of foreign government securities has increased by more than 3 years.

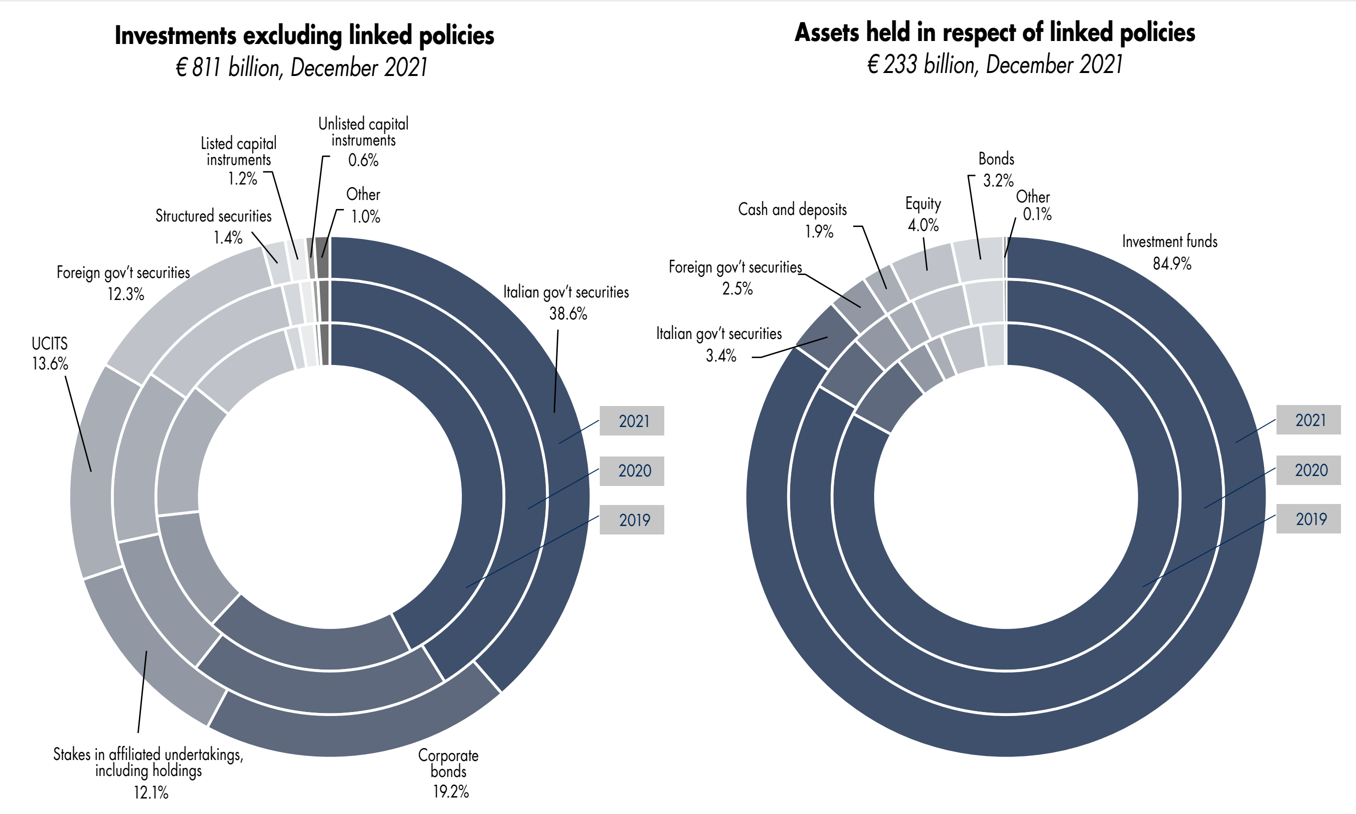
With regard, finally, to the €233 billion in assets held in respect of linked policies, the following lines of investment emerge:

– €197.5 billion (84.9% of the total) in UCITS, up by nearly 20% from 2020;
– €9.2 billion in equities (4% of the total), up by some 27%.
– €8 billion in Italian government securities (3.4% of the total), up by 1.7%.

THE DIVERSIFICATION OF INSURANCE INDUSTRY INVESTMENTS

In December 2021, the total investment assets of Italian insurance companies came to almost €1,050 billion, of which 80% for life and non-life contracts other than linked policies and the remaining 20% for linked policies alone (Figure 1). Looking at the overall portfolio, the subset known as the direct portfolio, so called because it is managed directly by insurance companies, constitutes 71% of the total and is composed of government securities (Italian and foreign), corporate bonds, strategic shareholdings, and equity. The managed portfolio subset, instead, accounts for the remaining 29% of the total and comprises only investment funds (UCITS) (Figure 2).

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

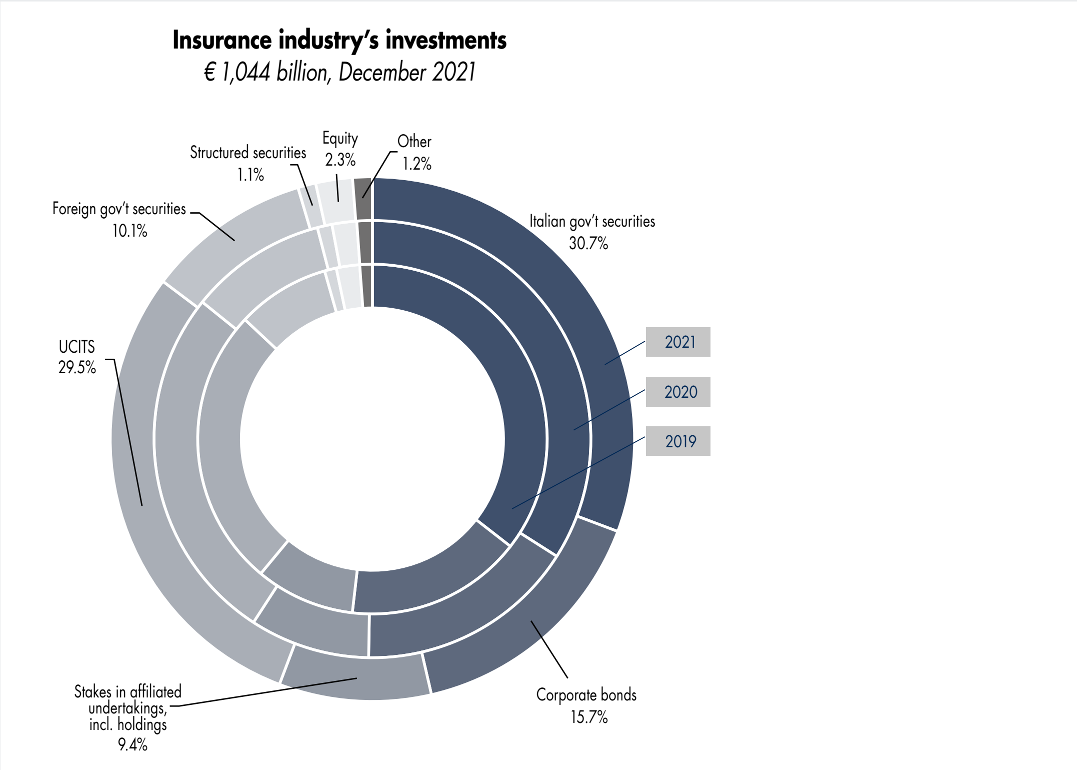


Source: ANIA, infoQRT

With regard to the **direct portfolio**, Italian government securities have the greatest incidence, almost 31% at the end of 2021, albeit lower than in 2020 (34%) or 2019 (36%). By contrast, there is an increasing exposure to foreign government securities (10.1%), practically unchanged from 2020 (10.2%) but significantly greater than in 2019 (8.6%). Clearly, this reflects a strategy of diversification of directly held government securities. Corporate bonds account for just under 16% and consist mainly in investment grade securities, whereas strategic shareholdings account for 9%. By sector, fixed-income investment goes mainly to the public sector (government securities), followed by finance and insurance; manufacturing; electricity, gas, steam and air conditioning; information and communications; and real estate. Share investment predominates in the finance and insurance sector.

The share of **managed portfolios**, which includes all investments in UCITS (29.5% of the total in 2021, roughly €307 billion) has grown progressively over the past three years (from 25.9% in 2019 and 26.6% in 2020) (Figure 2).

Figure 2
Distribution of total insurance industry investment

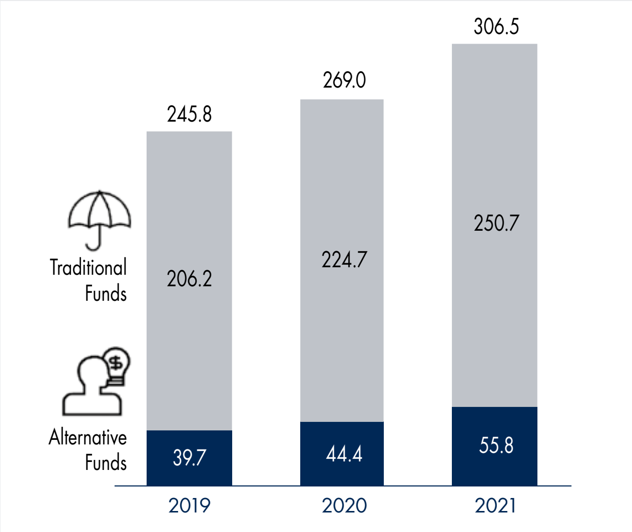


Source: ANIA, infoQRT

The portion invested in UCITS consists overwhelmingly (82%) in **traditional investment** funds, investing mainly in corporate bonds, with assets well diversified among investment grade (27%), high yield (5%), and emerging markets (6%), and only a small amount (9%) in government securities and money market instruments (nearly 12%). Geographically, the investments are concentrated in non-European countries or funds with global reach (more than 69% of the bond exposure, 77% of shares, and virtually all the balanced funds). Thus, with regard to UCITS the investment strategy would seem to consist in the diversification of the portfolio among asset classes different from those comprised in the direct portfolio.

The **share of non-traditional or alternative funds** (18% or €56 billion in 2021) has increased progressively over the past three years (it was 16% in 2019 and 2020), coming to nearly 5.3% of the overall investment portfolio from 4.4% in 2020 (Figure 3).

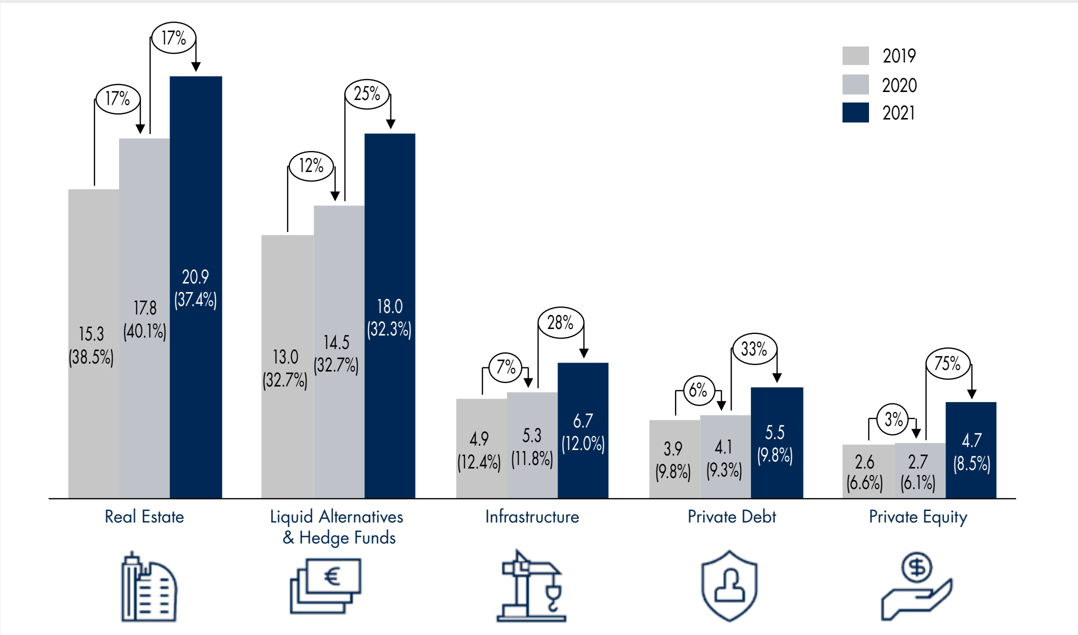
Figure 3
Breakdown of the insurance market's investments in UCITS (2019-2021)
Euro billion



Sources: ANIA, info QRT and market providers

Figure 4, instead, traces the development of alternative investment fund units, showing that insurance companies have already begun to reposition their portfolios towards the energy transition, as is indicated by the increased

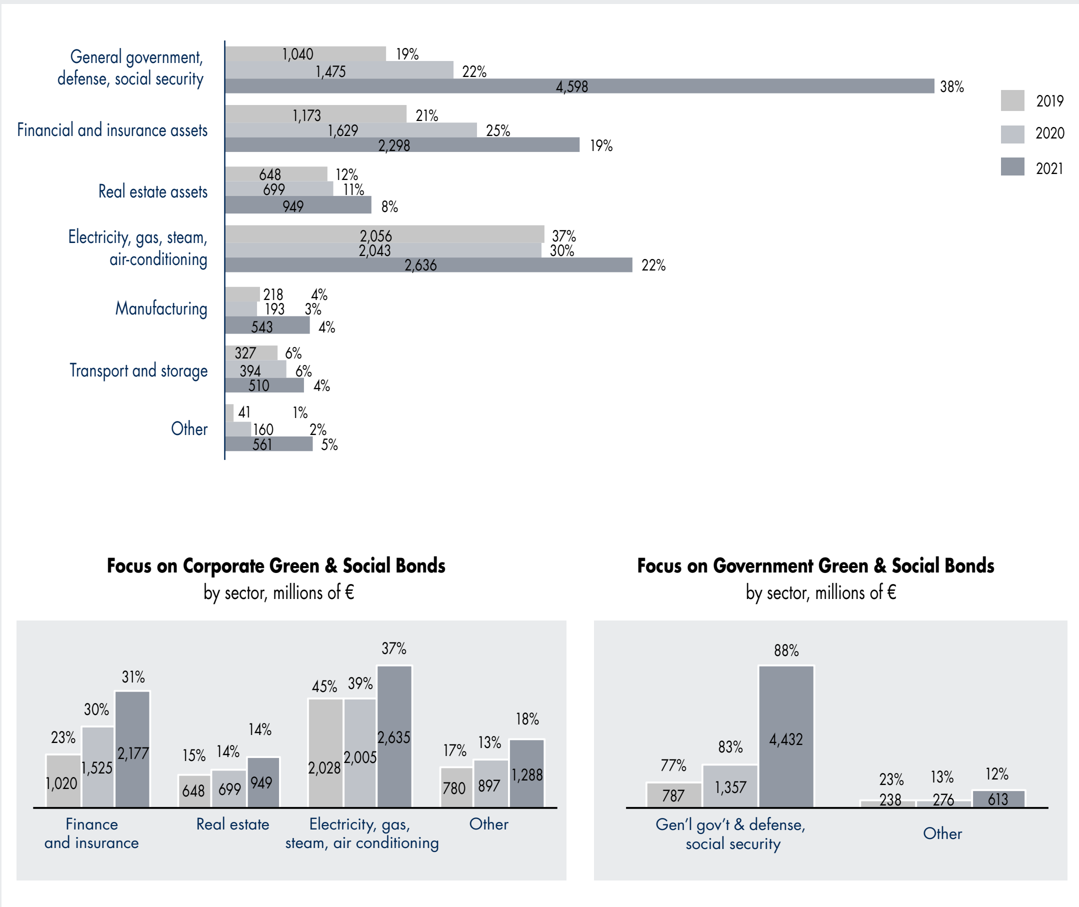
Figure 4
Distribution of insurance investment in UCITS (2019-2021)
Euro billion



Sources: ANIA, info QRT and market providers investment in infrastructures and illiquid assets (private debt). The former increased by 37% with respect to 2019 and now accounts for 12% of total alternative UCITS investment; the latter, with growth of 41%, now accounts for nearly 10% of total alternative UCITS investment. Furthermore, with regard to alternative funds, the main share is made up of real estate funds (over 37% in 2021) and liquid alternatives (that is to say, strategies uncorrelated with traditional asset classes, whose incidence was over 32% at the end of 2021, of which 4% in hedge funds), followed by private equity funds (8.5%).

Looking at the direct and indirect exposure of insurance portfolios to "sustainable bonds", holdings of **green and social bonds** more than doubled over the three years, from €5.7 billion in 2019 to €12 billion in 2021. The green bond issuers come from the following sectors, with different exposure depending on whether they are for government or corporate issues: 1) General government, defense, and compulsory social security; 2) financial and insurance assets; 3) real estate assets; 4) electricity, gas, steam, and air-conditioning; 5) manufacturing; 6) transport and storage (Figure 5).

Figure 5
Direct investment in green and social bonds by issuer sector
Euro million



Sources: ANIA, info QRT and market providers

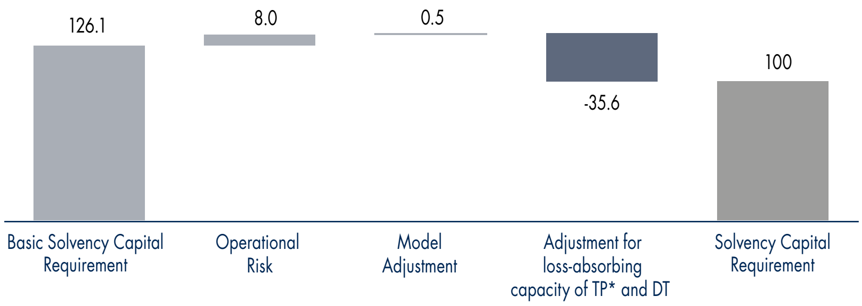
THE SOLVENCY OF THE ITALIAN INSURANCE INDUSTRY

Composition of the Solvency Capital Requirement (SCR)

In accordance with current legislation, each insurance undertaking must calculate its Solvency Capital Requirement (SCR) either by the standard formula or by a partial or total internal model. For application, the internal models must be pre-validated and authorized by the Supervisory Authority, whereas companies adopting the standard formula may, with the Authority's approval, add to the calculation of the underwriting risk modules their own Undertaking Specific Parameters (USPs) instead of the pre-set parameters of the formula. Based on an estimate calculated on annual data received by ANIA (practically the entire industry in terms of premiums), the SCR for all Italian insurers was about €61 billion at the end of 2021 (up 4% compared with 2020). Of this, €39 billion (64%) relates to the 14 undertakings that adopted internal models (partial or total), and the remaining €22 billion (36%) to those using the standard formula.

Figure 1 shows the composition of the SCR in percentage values and for the whole insurance market, calculated as the sum of the Basic Solvency Capital Requirement (BSCR), operational risk, and the Adjustment components for 2021.

Figure 1
SCR % composition
Year 2021
Standard Formula
and Internal Model



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

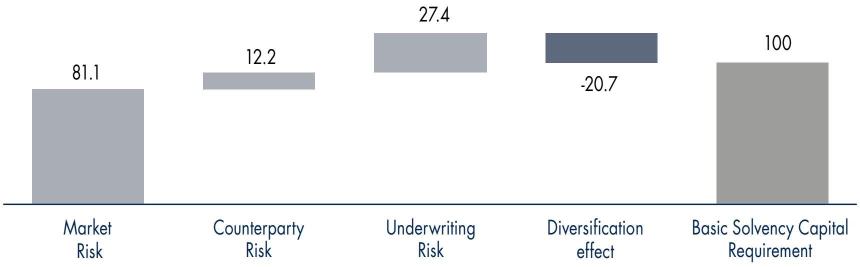
Fonte: InfoQRT ANIA

The chart shows that operational risk – defined as the risk of loss due to the inefficiency of individuals, processes, and systems or to events such as fraud or service suppliers' activities – accounts for 8% of the SCR. While the benefit from the fine-tuning of methods and processes is marginal (0.5%), the adjustment for the loss-absorbing capacity of technical provisions (TP) and deferred taxes (DT) has a considerable impact on the SCR, reducing it by 35.4%. In particular, the reduction comes to 12.6% for companies using the internal model and 78.2% for those using the standard formula. This divergence reflects the fact that most companies adopting the internal model report the impact of the adjustment for the loss-absorbing capacity of technical provisions and deferred taxes in the individual risk modules and do not itemize it explicitly. The adjustment component for these companies is therefore understated.

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

Figure 2
BSCR % composition
Year 2021
Standard Formula
and Internal Model

Source: InfoQRT ANIA



The main source of risk for the insurance industry is market risk, at 81.1% (79.8% in 2020): 80.2% for companies using internal models and 82.2% for those using the standard formula.

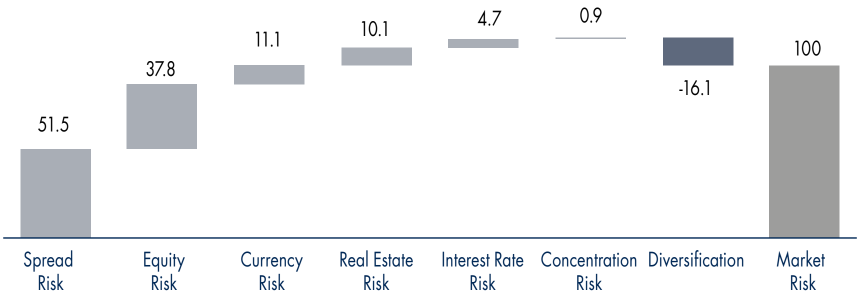
Counterparty risk measures the vulnerability of different types of assets held by insurers to default of issuers and other counterparties. This risk accounts for 12.2% of the overall risk (13.8% in 2020); more specifically, 18.2% for companies using internal models and 5.0% for those using the standard formula.

Underwriting risks (life, non-life, and health) constitute 27.4% of the BSCR: 22.2% for companies using internal models and over 34% (21% life, 10% non-life, and 3% sickness) for those using the standard formula.

Thanks to diversification, companies with a portfolio composed of different types of policies and assets geographically distributed across different markets may exploit the negative correlation of risks, thus reducing, by offsets, the solvency requirement. For the insurance market as a whole, the impact of diversification was on average 20.7%.

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

Figure 3
Market Risk
% composition
Year 2021
Standard Formula



Source: InfoQRT ANIA

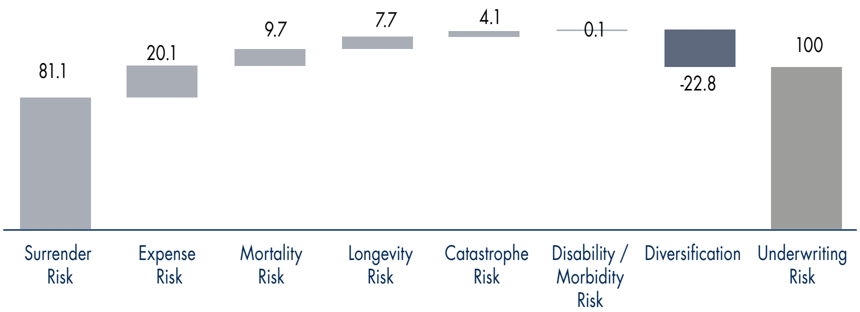
The results show that the greatest source of risk for the industry is the spread (accounting for 51.5% of total risk). This share is considerably higher than that of equity risk (37.8%, up from 31.4% in 2020), even though the latter is intrinsically volatile. Currency risk weighs for over 11.1%, while real estate risk, interest rate risk, and concentration risk have a lower incidence, respectively, of 10.1%, 4.7%, and 0.9%.

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

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

Figure 4
Underwriting Risk
% composition
(Life Policies)
Year 2021
Standard Formula

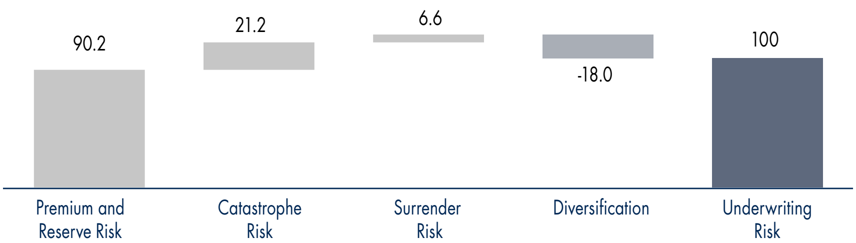
Source: InfoQRT ANIA



A major component in the composition of the underwriting risk for life policies is surrender risk, which accounts for about 81% of the overall risk for the average company, followed at a distance by expense risk (20.1%), mortality risk (9.7%), and longevity risk (7.7%). The diversification benefit is -22.8%.

Figure 5
Underwriting Risk
% composition
(Non-life policies)
Year 2021
Standard Formula

Source: InfoQRT ANIA



A major component in the composition of the underwriting risk for non-life policies is premium and reserve risk, which accounts for over 90% of the overall risk (94.1% in 2020), followed at a distance by catastrophe risk (21.2%). The diversification benefit is -18%.

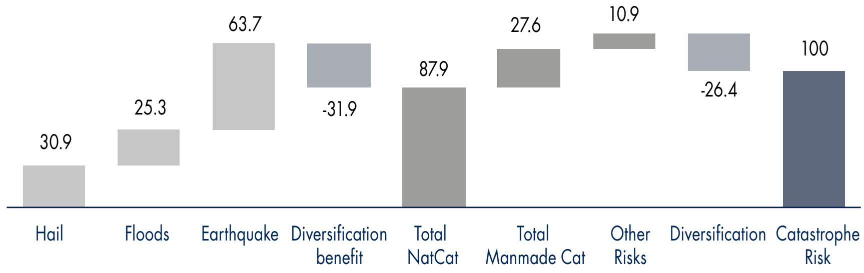
A detailed analysis of the catastrophe risk for non-life policies (Figure 6) shows that natural catastrophes have an incidence of 87.9%, about three times that of man-made catastrophes (27.6%). More specifically, among the latter (not shown in the figure), fires have a 20% incidence on the total, whereas credit, surety and general third-party liability account for roughly 15%, and motor liability for 9%.

As for natural catastrophes, instead, the greatest risk is earthquakes (63.7%), followed by hail (30.9%), and floods (around 25%).

The overall diversification benefit is around -26%.

Figure 6
Catastrophe Risk
% Composition
(Non-Life)
Year 2021
Standard Formula

Source: InfoQRT ANIA



The Solvency Ratio

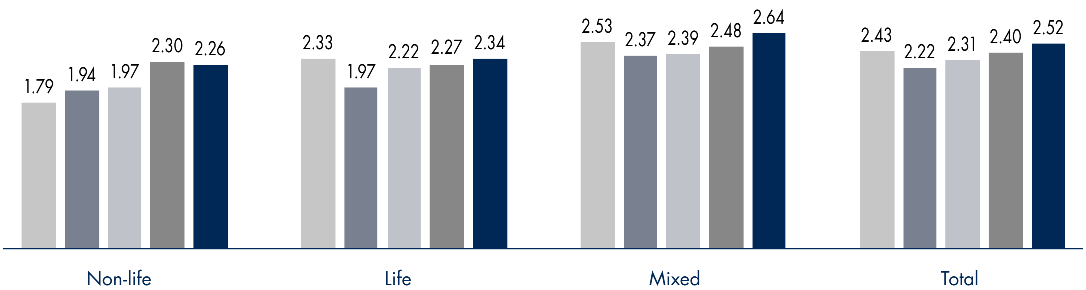
This indicator measures the extent to which the companies' own capital is adequate to face the technical/financial risks specific to the insurance sector; it is calculated as the ratio of eligible own funds to the Solvency Capital Requirement (SCR).

Figure 1 below shows the evolution of the indicator for Italian insurance companies in the period 2017-2021 by business sector. In 2021, the solvency ratio was 2.52, up from 2.40 in 2020. The breakdown by business sector in 2020 and 2021 shows a rise in the indicator in two of the three sets of undertakings. For non-life companies the ratio slipped from 2.30 to 2.26, for life companies it rose from 2.27 to 2.34, and for mixed companies it rose from 2.48 to 2.64. The Solvency ratio for the total market (2.52) is calculated as the ratio of the industry's total eligible own funds (€153 billion) to the Solvency Capital Requirement (over €60 billion).

Figure 1
Solvency ratio

2017
2018
2019
2020
2021

Source: InfoQRT ANIA

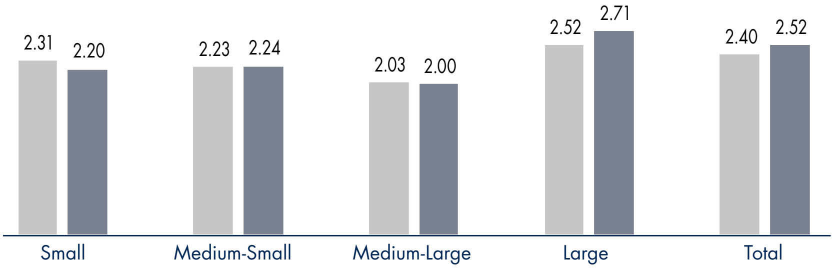


The indicator has also been decomposed according to firm size (Figure 2). The results (comparing annual data for 2020 and 2021) show a significantly higher value for large companies with premiums of more than €4.5 billion (2.71 in 2021, up from 2.52 the year before). The Solvency ratio for small companies (total premiums of less than €0.3 billion) fell from 2.31 at the end of 2020 to 2.20 a year later, while for companies in the middle range it held steady (2.24 for medium-small companies, 2.00 for medium-large companies).

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

2020
2021

Source: InfoQRT ANIA



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

The excess of assets over liabilities

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

One of the system's Key Performance Indicator (KPI) is based on this element, namely the excess of assets in relation to total assets. In particular, Figures 3 and 4 below provide an analysis of the ratio by sector and by company size. In 2021 the indicator was 12.6% (11.6% in 2020) on average, but unevenly distributed according to business sector. For non-life and mixed companies the excess amounted to between 25% and 35% of total assets, but for the life sector it was far lower (6%). All three sets of companies registered an increase of the excess for the year.

Figure 3
Excess asset ratio (%) by company type

2020
2021

Source: InfoQRT ANIA

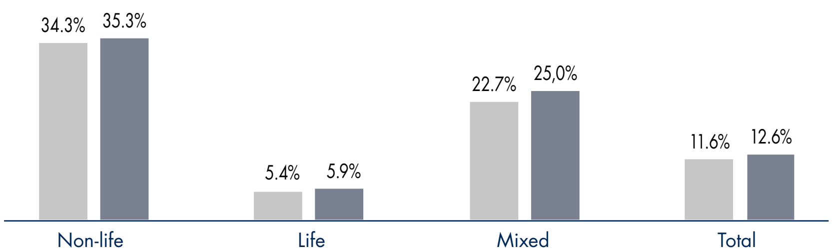
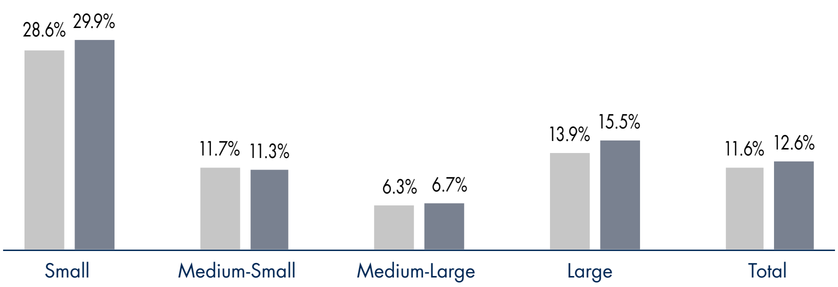


Figure 4
Excess asset ratio (%) by company size – 2021

Source: InfoQRT ANIA



The distribution by company size also painted a varied picture: at the end of 2021 for small insurers (with less than €300 million in premiums) the excess was 30% of total assets, while for all the other companies it was significantly lower at between 7% and 16%.

Own Funds

Own funds allocated to cover the capital requirement consist of the excess of assets over liabilities, minus the amount of own shares held by the company and subordinated liabilities; at the end of 2021, own funds amounted to €153 billion.

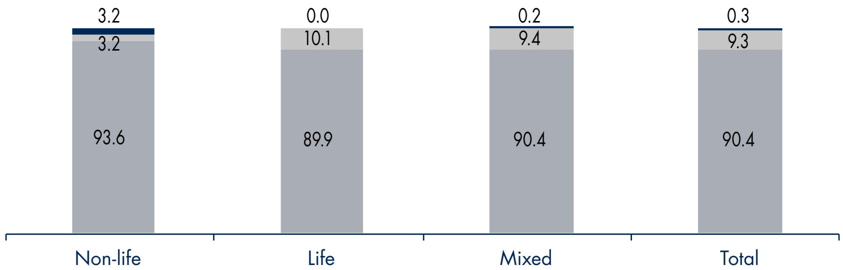
Own funds are classified in three tiers on the basis of their quality, defined as their ability to absorb losses over time. In particular, the characteristics considered for the classification in tiers include the level of subordination, the absence of incentives for redemption, the absence of mandatory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

Table 1 and Figure 5 show the percentage distribution of eligible own funds according to tier and insurance sector. At the end of 2021 the incidence of Tier 1 own funds was 90.4%; Tier 2 accounted for 9.3%, and the remaining 0.3% consisted of Tier 3 elements. The tier composition showed a greater incidence of Tier 3 elements in the non-life sector, while Tier 2 elements were more common in life and mixed companies.

Table 1
Composition (%) of eligible funds by Tier – 2021

	T1 limited	T1 unlimited	Total Tier 1	Tier 1	Tier 2	Tier 3	Total
Non-life	0.3	99.7	100.0	93.6	3.2	3.2	100.0
Life	3.7	96.3	100.0	89.9	10.1	0.0	100.0
Mixed	5.1	94.9	100.0	90.4	9.4	0.2	100.0
TOTAL	4.4	95.6	100.0	90.4	9.3	0.3	100.0

Figure 5
Composition (%) of eligible own funds by Tier and sector – 2021



Tier 1
Tier 2
Tier 3

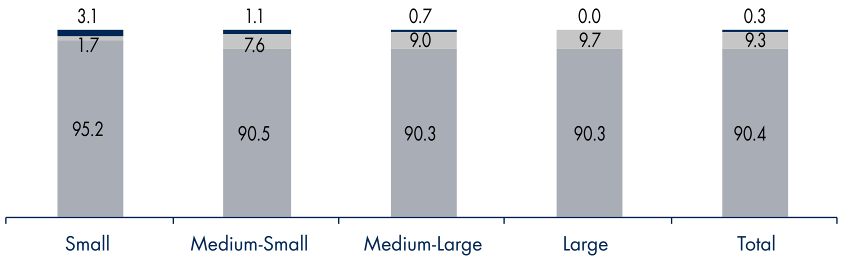
Source: InfoQRT ANIA

The distribution by company size (Figure 6) shows that Tier 2 funds make up as much as 10% of the total only for large and medium-large companies (those with over €1 billion in premiums). The smaller the company, the less the incidence; in small insurers with less than €300 million in premiums, as little as 2%.

Figure 6
Composition % of eligible own funds by Tier and company size – 2021

Tier 1
Tier 2
Tier 3

Source: InfoQRT ANIA



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

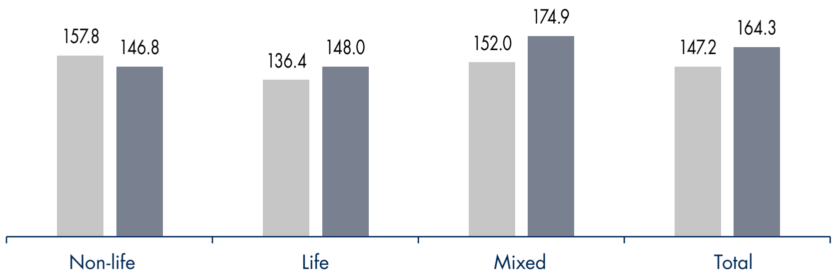
Reconciliation reserve over SCR

The reconciliation reserve is part of basic own funds and equals the excess of assets over liabilities, minus own shares (directly and indirectly owned), expected dividends, distributions, foreseeable charges and other elements of basic own funds. The indicator in Figure 7 measures the percentage incidence of the reconciliation reserve on the SCR. At the end of 2021, it was 164.3%, thus higher than the 147.2% recorded a year earlier. In general, across the types of undertaking (non-life, life, and mixed), the overall reconciliation reserve was higher than the SCR, with a resulting indicator always above 100%. In particular, at the end of 2021 the indicator for mixed companies was 174.9% (152.0% in 2020), higher than the 148.0% registered by companies operating exclusively in the life sector – whose indicator still rose from 136.4% in 2020 – and the 146.8% registered by non-life companies (down from 157.8% in 2020).

Figure 7
Reconciliation Reserve on SCR (%) by type of undertaking

2020
2021

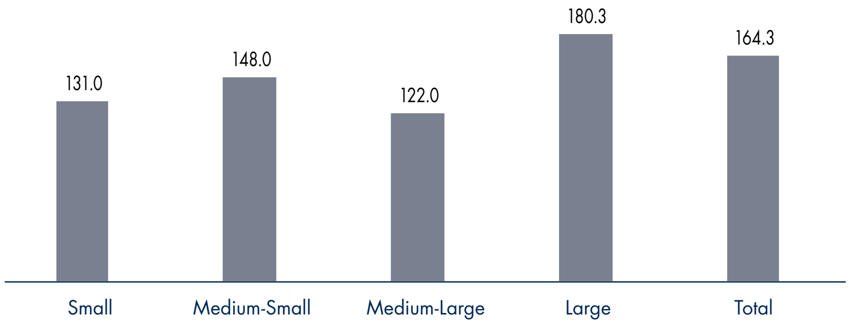
Source: InfoQRT ANIA



Ania

Figure 8
Reconciliation reserve on SCR (%) by company size – 2021

Source: InfoQRT ANIA



The analysis by company size carried out at the end of 2021 shows no particular correlation between the indicator and the volume of written premiums. In any event, large undertakings with over €4.5 billion in premiums have the highest indicator at 180.3%.

Reconciliation reserve over eligible own funds

Figure 9 shows that at the end of 2021 the incidence of the reconciliation reserve on total eligible own funds amounted to 65.4% overall, higher than a year earlier (61.3%). Looking at the data by company type, the highest incidence was again found among non-life insurers (67.2%).

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

2020
2021

Source: InfoQRT ANIA

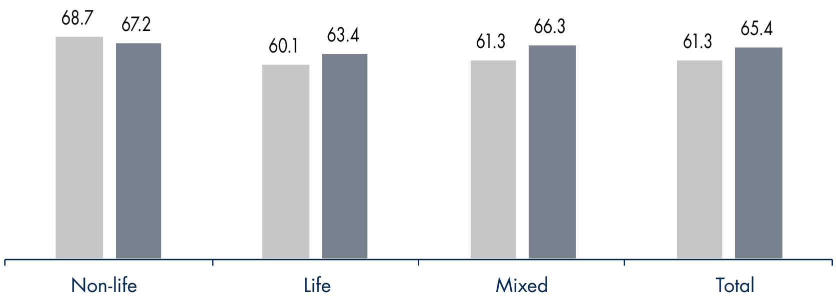
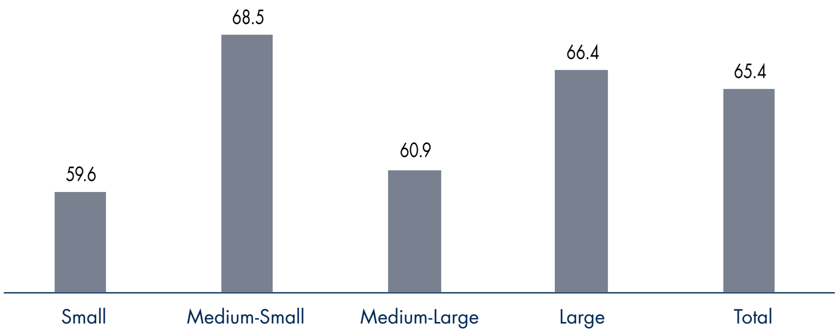


Figure 10
Reconciliation reserve over eligible own funds (%) by company size – 2021

Source: InfoQRT ANIA



MCR/SCR

This indicator measures the ratio of the Minimum Capital Requirement (MCR) to the Solvency Capital Requirement (SCR). Without prejudice to the minimum levels set for MCR, this ratio cannot be less than 25% or more than 45%. The end-year results for 2021 are very similar to those registered a year earlier, showing that, especially for companies operating exclusively in the life or non-life sector, the ratio is close to the ceiling (45%), whereas for mixed companies, at 34%, it is essentially mid-way between the lower and upper limits. The breakdown by size shows that for large companies the value of the indicator (35.8%) is lower than for other insurance companies.

Figure 11
MCR/SCR (%) by sector

2020
2021

Source: InfoQRT ANIA

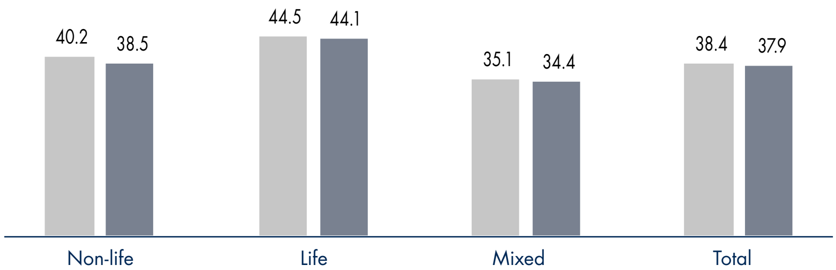
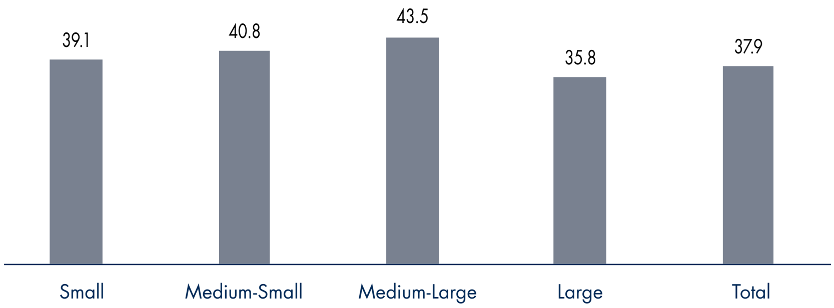


Figure 12
MCR/SCR (%) by company size – 2021

Source: InfoQRT ANIA



EPIFP/Reconciliation Reserve

The ratio of expected profits included in future premiums (EPIFP) to reconciliation reserves is much more highly diversified. It averaged 12.9% at the end of 2021, but more in detail it ranged from 6.3% for non-life companies to 28.1% for life companies (and 6.4% for those doing both kinds of insurance business).

Figure 13
EPIFP/reconciliation reserve (%) by sector

2020
2021

Source: InfoQRT ANIA

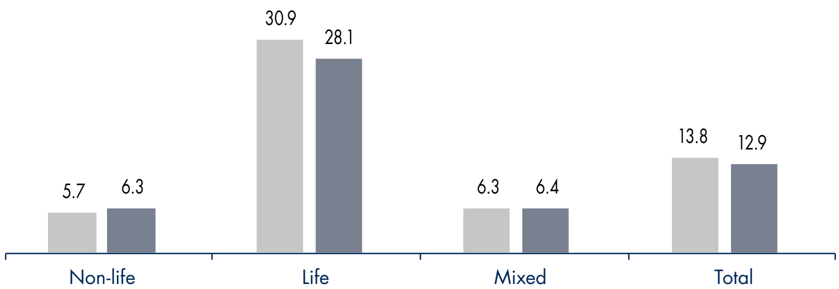
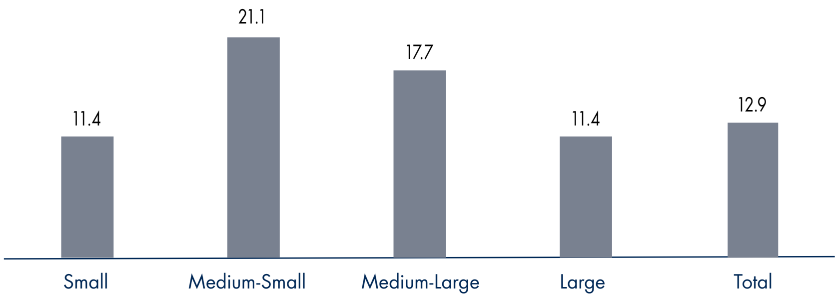


Figure 14
EPIFP/reconciliation reserve (%) by company size – 2021

Source: InfoQRT ANIA



Results for the first quarter of 2022

This section reports the main results of the Italian insurance industry in the first quarter of 2022, in order among other things to better gauge the effects that the Russian-Ukraine conflict that began in late February and the consequent economic and financial crisis had on the current value of the securities held by insurers.

At the end of March 2022, the value of the total investments of the insurance industry, calculated at current value, was less than at the end of 2021 by €37 billion (-3.6%). This decline can be ascribed mostly to the Russian-Ukraine war, which triggered an across-the-board rise in government bond yields and a widening of the yield spread between Italian and German government securities. Between the end of December and the end of March, the Italian yield rose from 1.2% to 2.0% and the spread between ten-year BTPs and Bunds widened from 135 to 148 basis points. In particular, investments in respect of linked policies slipped from €233 billion at the end of last year to €226 billion at the end of March, losing some 3% in just three months. The remaining investments, mainly in respect of with-profit policies, lost nearly 4%.

Type of investment
Euro million

Source: InfoQRT ANIA

	Mar-21	Dec-21	Mar-22	Change (%) Mar. 2022 / Dec. 2021
Investments (net of assets in respect of linked contracts)	815,993	811,015	780,014	-3.8%
Investments in respect of linked contracts	204,638	232,696	226,342	-2.7%
Total investments	1,020,632	1,043,711	1,006,356	-3.6%

An immediate consequence of these market developments was a drop in the Market SCR, which is the main component of the overall SCR and, together with eligible own funds, determines the solvency ratio, the key indicator of company solvency. In particular, the SCR declined by 3.3% from €61 billion to €58.8 billion. Eligible own funds were essentially unaffected (edging up from €153 billion to €154 billion, +0.6%).

Solvency ratio elements
Euro million

	Mar-21	Dec-21	Mar-22	Change (%) Mar. 2022/ Dec. 2021
SCR	58,850	60,815	58,800	-3.3%
Eligible own funds	151,529	152,950	153,927	0.6%
Solvency ratio	2.58	2.52	2.62	+0.10 b.p.
- non-life companies	2.38	2.26	2.17	-0.09 b.p.
- life companies	2.59	2.34	2.53	+0.19 b.p.
- mixed companies	2.59	2.64	2.72	+0.08 b.p.

Source: InfoQRT ANIA

The resurgence of inflation and the uncertain economic situation triggered a rise in yields and hence a loss of value for existing portfolio assets and at the same time helped generate a decline in the value of technical provisions, owing to higher discounting rates for determining current value, which incorporated the expectations just described. The risk-free interest rate curve used to discount liabilities is calculated from swap rates plus a "volatility adjustment," which itself rose as a consequence of the rise in yields. The downward effects on assets and liabilities were reciprocally offsetting, leaving the volume of own funds unchanged.

The final result was a rise in the aggregate solvency ratio from 2.52 at the end of 2021 to 2.62 at the end of March 2022.

The rise in the Solvency ratio was much more pronounced for life insurance companies, which have larger holdings of fixed income securities in their portfolios and were therefore affected more strongly by the economic developments of early 2022. In the three months, their solvency ratio rose by 19 basis points, from 2.34 to 2.53. The impact on mixed companies was more limited, with a rise of 8 b.p. from 2.64 to 2.72. Non-life companies, instead, underwent a decline of 9 b.p., from 2.26 to 2.17.

THE IMPACT OF TAXATION ON FINANCIAL STATEMENTS

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

As a premise, we can report that in 2021 the industry paid €1.6 billion in direct taxes.

Direct taxes

Tax period	TOTAL TAXES (Euro million)
2017	1,800
2018	335
2019	2,565
2020	1,774
2021	1,606

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

Higher IRAP rate

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

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

There is no theoretical or conceptual justification for the higher IRAP rate, given that insurance undertakings do not per se generate more taxable income from production than other business sectors.

It should be noted that in 2017-2018 the data collected consisted in the amounts paid for IRAP during the previous year, i.e. the tax paid for year X-1 and payments on account for year X. Starting in 2019 the data refers to tax liability as calculated in the tax return filed for the previous year (year X-1 is the reference year for the year X IRAP tax return).

So calculated, the amount of IRAP taxes paid by insurance companies was estimated at €319 million in 2021, thus coming back into line with the liability recorded in 2017-2019.

IRAP

Tax period	Estimated IRAP (Euro million)	of which amount paid for surcharge (2%) by the insurance industry (Euro million)	"Total" tax rate (%)	of which: "standard" nat'l govt. tax rate (%)	of which: reg. govt surcharge (%)
2017	348	102	*6.82%*	*5.90%*	*0.92%*
2018	325	95	*6.82%*	*5.90%*	*0.92%*
2019*	240	70	*6.82%*	*5.90%*	*0.92%*
2020*	607	178	*6.82%*	*5.90%*	*0.92%*
2021*	319	94	*6.82%*	*5.90%*	*0.92%*

(*) Since 2019 data refers to tax liability as calculated in the tax return filed for the previous year (year X-1 is the reference year for the year X IRAP tax return), whereas in 2017-2018 the table considers the amounts paid for IRAP during the previous year, consisting in payment of the balance due for year X-1 and payments on account for year X.

Tax on life mathematical provisions

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

[1] Excluding reserves against policies for death or permanent disability for whatever cause, for non-self-sufficiency, or for pension funds or insurance contracts for retirement.

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

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

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

– 0.20% from 2003 to 2007
– 0.39% in 2008
– 0.35% from 2009 to 2011
– 0.50% in 2012
– 0.45% since 2013.

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

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

For this reason, Law 228/2012 (the 2013 budget law) introduced an automatic cap in order to limit the amount due in the year where tax credits yet to be recovered exceed a given percentage of the balance-sheet mathematical provisions (1.7% in 2021).

Despite these correctives, at the end of 2021 the industry's unused tax credit still amounted to €9.7 billion, having increased steadily over the years. More specifically, this is a tax credit for less than five years of taxes, since the tax credits accumulated previous to that can offset other tax or social security liabilities (or else be transferred to other companies within a group).

Advance payment of tax on life insurance reserves

Tax period	Estimated tax credit not recovered as of 31 December (Euro million)	Annual change (Euro million)
2017	8,274	357
2018	9,086	813
2019	9,351	265
2020	9,574	223
2021	9,719	145

FORECAST PREMIUMS FOR 2021

Among the indirect effects of the Russia-Ukraine conflict with an impact on Italian insurance undertakings' premium income, one must underscore the sudden increase in inflation and the extreme volatility of the financial markets. The forecasting framework will also be affected by the unexpected change in the global monetary policy stance with central banks' cessation of quantitative easing and reversion to official interest rate raises. The effects are already visible in sharply rising government securities yields everywhere, but most notably in the United States and Italy, with a consequent widening of the spread vis-à-vis German bonds.

The forecasting horizon is marked by a climate of great uncertainty, due chiefly to the possible developments of the Russia-Ukraine war (duration, geographical extension, use of non-conventional weapons). The various possible scenarios include a further rise in energy and food prices, heightened volatility of financial and equity markets, and a more pronounced slowdown in global growth.

In this highly complicated situation the Italian insurance market should slow down considerably, and **total direct premiums (life and non-life)** written by insurers with registered offices in Italy are expected to shrink by 6.3% in 2022 to just over €130 billion, owing entirely to a contraction in life insurance premiums. Since GDP growth, while slowing, is expected to be positive at 2.6%, the ratio of insurance premiums to GDP should slip from 7.9% to 7.2%.

Table 1
Forecasts of insurance premiums in Italy
Euro million

CLASS	PREMIUMS 2021	PREMIUMS 2022	CHANGE 2022-2021	MEMO:	
				CHANGE 2021-2020	CHANGE 2020-2019
Motor and marine liability	11,926	11,927	0.0%	-4.5%	-5.7%
General T.P.L.	3,466	3,674	6.0%	5.2%	2.3%
Other damage to property	3,276	3,408	4.0%	6.3%	1.8%
Land vehicle insurance	3,346	3,497	4.5%	6.5%	1.0%
Accident	3,281	3,445	5.0%	3.4%	-2.2%
Sickness	3,147	3,352	6.5%	5.4%	-2.3%
Fire and natural forces	2,795	2,935	5.0%	5.7%	2.0%
Other classes	2,907	3,097	6.5%	7.0%	-3.2%
TOTAL OTHER NON-LIFE (excluding motor and marine liability)	22,219	23,407	5.3%	5.6%	-0.1%
TOTAL NON-LIFE	34,145	35,334	3.5%	1.8%	-2.3%
As a % of GDP	*1.9%*	*1.9%*			
Class I - Life	62,281	57,921	-7.0%	-5.2%	-9.5%
Class III - Investment funds	39,810	34,436	-13.5%	34.5%	6.2%
Other Life	3,782	3,499	-7.5%	-37.0%	9.4%
TOTAL LIFE	105,873	95,856	-9.5%	4.5%	-4.4%
As a % of GDP	*5.9%*	*5.2%*			
TOTAL LIFE AND NON-LIFE	140,019	131,190	-6.3%	3.8%	-3.9%
As a % of GDP	*7.9%*	*7.2%*			

Direct written premiums in the **non-life sector** are predicted to increase by 3.5% in 2022 to €35.3 billion (as against €34.1 billion in 2021). Except for motor insurance, all the main non-life classes, with overall growth of 5.3%, are expected to contribute to the gain, while premium income in motor liability is expected to be flat.

For motor liability insurance – which still weighs heavily in non-life insurance, despite a progressive decline (37% of premiums in 2020, 35% in 2021, 34% in 2022) – premiums will presumably hold at their 2021 level (almost €12 billion) after a full decade of annual declines or at best no change. The expected halt to this lengthy downtrend reflects the fact that insurers will have to cope with an increase in the average cost of claims owing to inflationary pressures, which will affect both material damage to vehicles and goods transported and minor injuries.

The written premiums of all the other non-life classes should continue to increase this year, by 5.3%, to €23.5 billion, even if the rapid growth of the first quarter (7.6%) can be expected to tail off owing to the acceleration of inflation, which also implies less capacity for saving and less purchasing power for potential policyholders. In any case, premium growth is predicted in all non-life classes, at rates ranging from 4.0% for "other damage to property" to 6.5% for sickness insurance.

The ratio of non-life premiums to GDP, on this basis, should hold unchanged at 1.9%.

The changed economic and financial environment will have a stronger impact on the life insurance sector. The combination of rising interest rates and historically high inflation can be expected to direct investors towards alternative solutions (such as government securities), while inflation will reduce households' purchasing power significantly, leading to a more prudent attitude, given the risk of diminished future resources.

Life premiums are accordingly expected to fall by 9.5% on the year, from €106 billion to €96 billion. The decline will involve both traditional life policies (Class I), which are forecast to contract by 7.0%, from €62 billion to €58 billion, and Class III (unit-linked) policies, whose premiums are expected to drop much more sharply, by 13.5% or €34 billion. The latter, with their greater equity content, will be harder hit by the increased volatility of financial and share markets.

The trend in the market for life insurance policies is confirmed by an analysis of new individual life insurance policies, the sales of which came to €27 billion through April 2022, down from €31 billion in the first four months of 2021 (a decline of 13.3%). The fall was about equally sharp for Class I and Class III policies, down by 12.6% and 14.1% respectively.

Total written life insurance premiums should decline from 5.9% of GDP in 2021 to 5.2% this year.

2

THE ITALIAN INSURANCE INDUSTRY IN THE EUROPEAN CONTEXT

MAIN DATA FROM THE EUROPEAN MARKET

According to the yearly data provided by EIOPA, a comparison of the main data of nine European countries (Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Spain and Sweden), accounting for around 90% of total European premium income in 2021, was carried out. Note that EIOPA data are drawn from the Solvency 2 supervisory reports, meaning that some of the data might be different from those given in other chapters of this report, whose data were obtained from financial statements, thus following national accounting standards. This chapter also uses other sources:

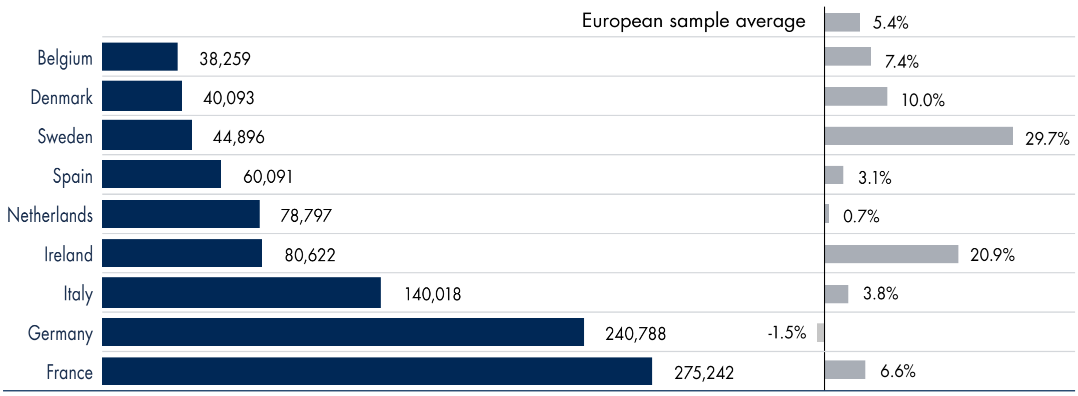
- OECD data for the international comparison of Return on Equity (updated to 2020 data with a slightly different sample of countries compared to the EIOPA sample, depending on data availability);
- the Insurance Europe data for the estimation of non-life premiums excluding motor insurance.

Premium income and the premium-GDP ratio

After the 2020 drop caused by the pandemic, in 2021 total premium income in the main EU countries was almost €1,000 billion (over a total amount of €1,160 billion in Europe), up by 5.4% for the year. In detail, apart from a small drop in Germany (-1.5%), premium income rose in all the countries considered. In particular, premium income in Sweden (+29.7%) and Ireland (+20.9%) grew remarkably. Premium income also rose in Denmark (+10.0%), Belgium (+7.4%), France (+6.6%), Italy (+3.8%) and Spain (+3.1%), while it was essentially unchanged in the Netherlands (+0.7%).

Direct premiums in the main EU countries in 2021 —Total
€ million

% change in direct premiums 2021/2020 – Total

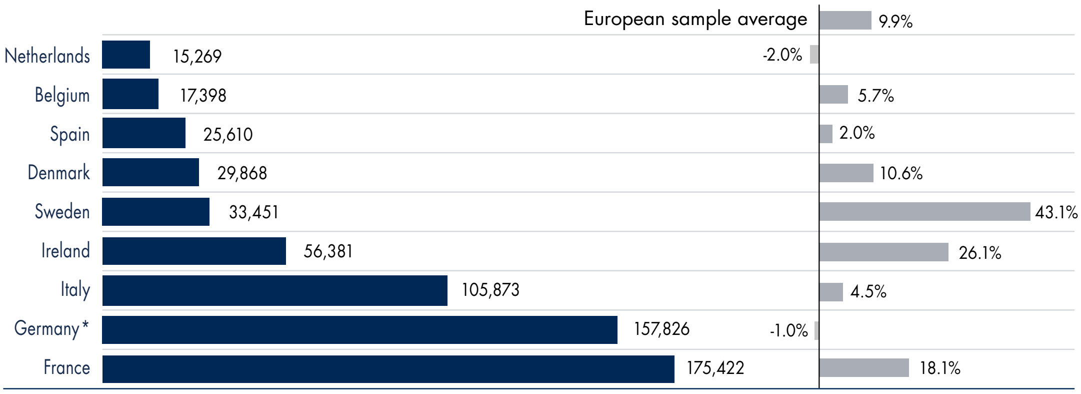


Source: EIOPA

The life sector premium income rebounded in 2021 in the sample countries, growing by around 10% and amounting to €617 billion (over a total of €707 billion in Europe). Premium income growth in almost all the countries contributed to this result, with the exception of the Netherlands and Germany where premiums went down from 2020, -2.0% and -1.0% respectively. The most important gains came in Sweden (+43.1%), Ireland (+26.1%), France (+18.1%) and Denmark (+10.6%). Premium income rose also in Belgium (+5.7%), Italy (+4.5%) and Spain (+2.0%).

Direct premiums in the main EU countries in 2021 – Life
€ million

% change in direct premiums 2021/2020 – Life



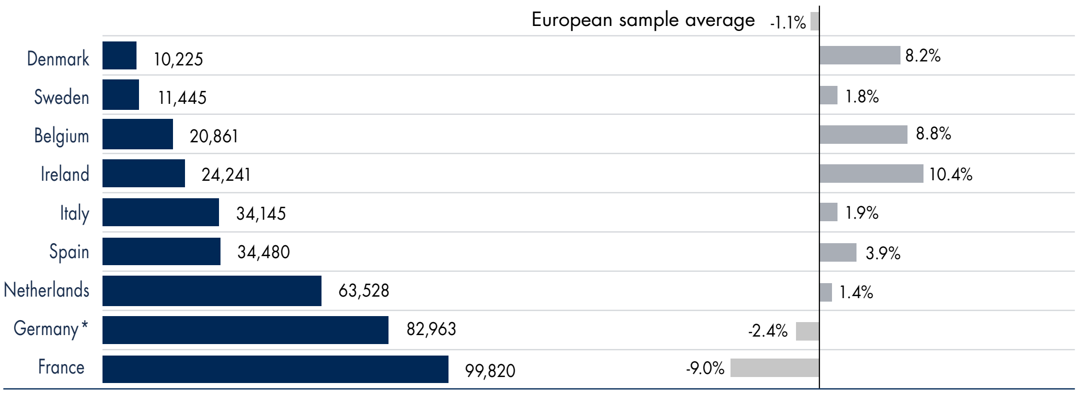
(*) Life sector premiums in Germany also includes sickness insurance, which is therefore not calculated in the non-life sector

Source: EIOPA

In 2021, non-life sector premium income, amounting to €382 billion (on a total of €453 billion in Europe), decreased slightly from the previous year (-1.1%). This result depended entirely on developments in the two most important countries in terms of premium volume: France and Germany, where premium income shrank by 9.0% and 2.4% respectively. The non-life premium volume increased in all the other countries: Ireland (+10.4%), Belgium (+8.8%), Denmark (+8.2%), Spain (+3.9%), Italy (+1.9%), Sweden (+1.8%) and the Netherlands (+1.4%).

Direct premiums in the main EU countries in 2021 – Non-life
€ million

% change in direct premiums 2021/2020 – Non-life



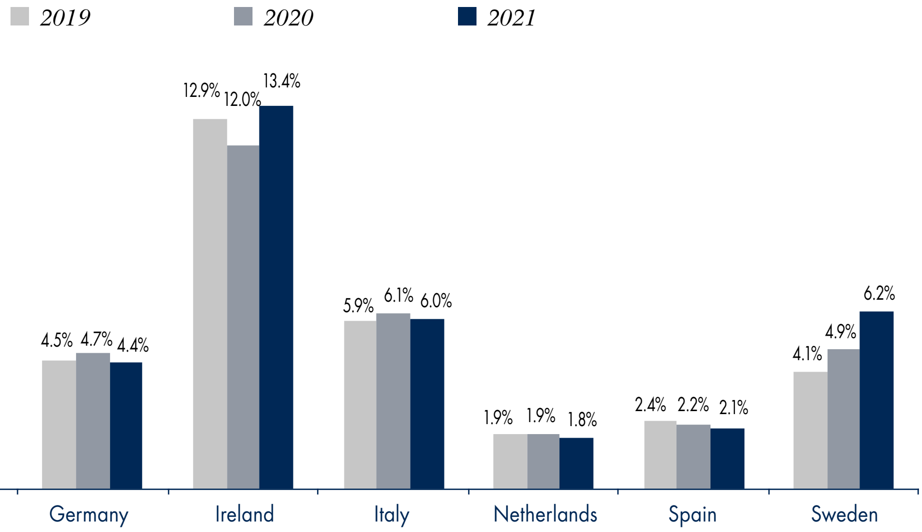
(*) Life sector premiums in Germany also includes sickness insurance, which is therefore not calculated in the non-life sector

Source: EIOPA

In the three years from 2019 through 2021 the ratio of the volume of premiums to GDP – the so-called insurance penetration index – performed differently in the life and non-life sectors.

In detail, in 2021 the ratio of life premiums to GDP rose in Ireland to 13.4% (from 12.0% in 2020), in Denmark to 8.9% in 2021, a progressive growth over the three-year period (8.6% in 2020 and 8.1% in 2019), in France to 7.0% (6.4% in 2020) and in Sweden to 6.2%, with a consistent rise over the three-year period (4.9% in 2020 and 4.1% in 2019). The penetration index dropped in Germany, from 4.7% to 4.4% and showed a progressive decline in Belgium, from 3.7% in 2019 to 3.4% in 2021, in Spain from 2.4% to 2.1% and in the Netherlands from 1.9% in the previous two years to 1.8% in 2021. In Italy the ratio was broadly unchanged over the three-year period at 6%.

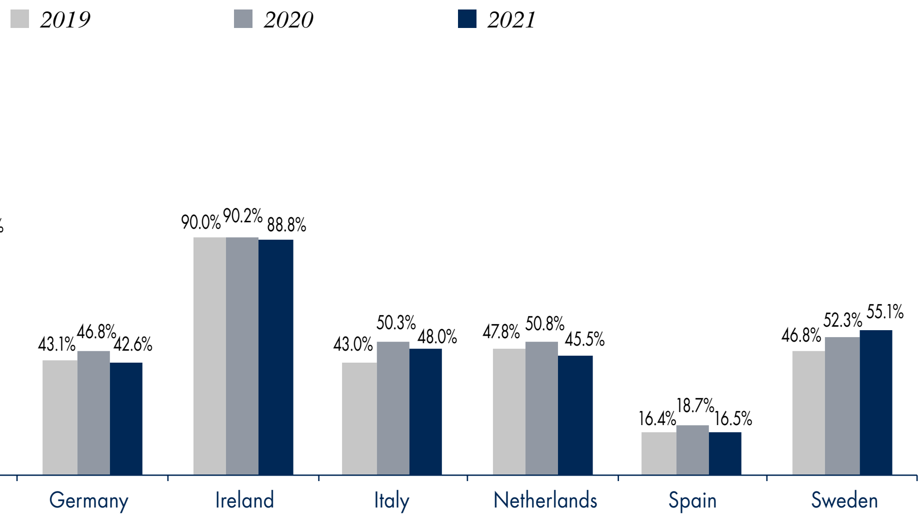
Life premiums / GDP
(%)



Source: EIOPA

In Italy the ratio of mathematical provisions to GDP – an indicator that can proxy for the degree of maturity of the life insurance market – showed a decrease in 2021, from 50.3% to 48.0%. The Italian ratio is once again lower than in most other European countries, with the exception of the Netherlands and Germany, whose results, respectively 45.5% and 42.6% in 2021, followed a trend similar to Italy's over the three-year period, and Spain, where the ratio dropped in 2020, to about a third of the Italian figure. The index also dropped in Belgium, France and Ireland, to 51.4%, 86.1% and 88.8% respectively. The index rose progressively in Sweden over the three-year period, to 55.1% in 2021 from 46.8% in 2019 and in Denmark to 135.8% (123.3% in 2019), once again the highest figure in Europe.

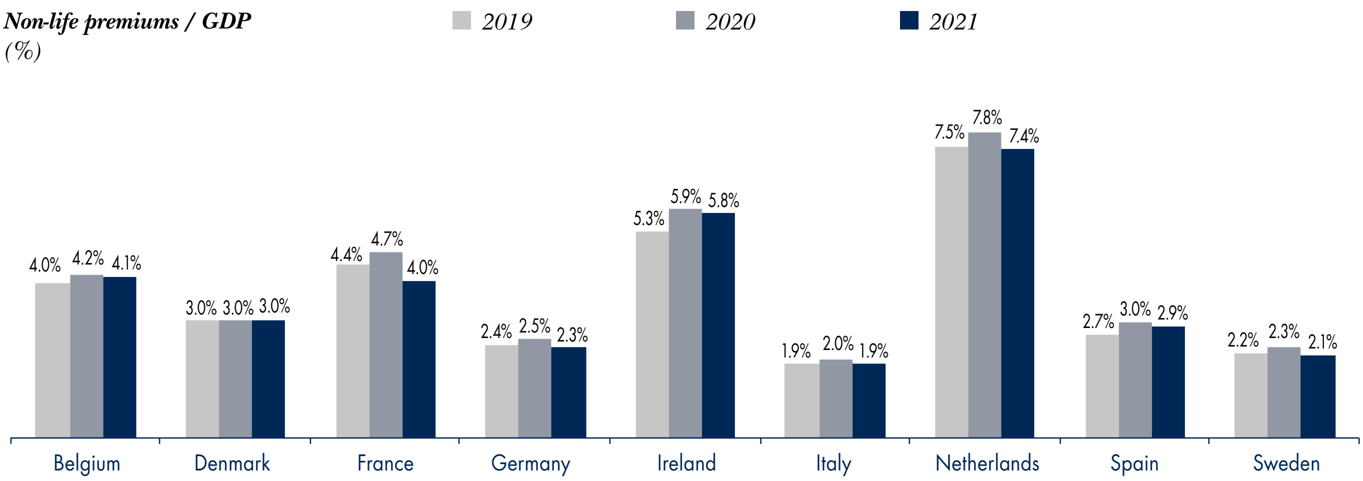
Life mathematical provisions/GDP
(%)



Source: EIOPA

In the non-life sector, again in 2021 Italy had the lowest ratio of premiums to GDP with an index of 1.9%, down slightly from 2.0% in 2020. With the exception of Denmark, where the index held steady at 3.0% over the whole three-year period, it declined in 2021 in all the countries considered. In particular, in Sweden it slipped from 2.3% in 2020 to 2.1% in 2021, in Germany from 2.5% to 2.3%, in Spain from 3.0% to 2.9%, in France from 4.7% to 4.0%, in Belgium from 4.2% to 4.1% and in Ireland from 5.9% to 5.8%. Finally, the Netherlands' non-life insurance penetration continued to be the highest in Europe, more than 6 percentage points above the Italian indicator in 2021 and up from 2020, reflecting the positive impact on premiums of the privatization of the healthcare system in 2006.

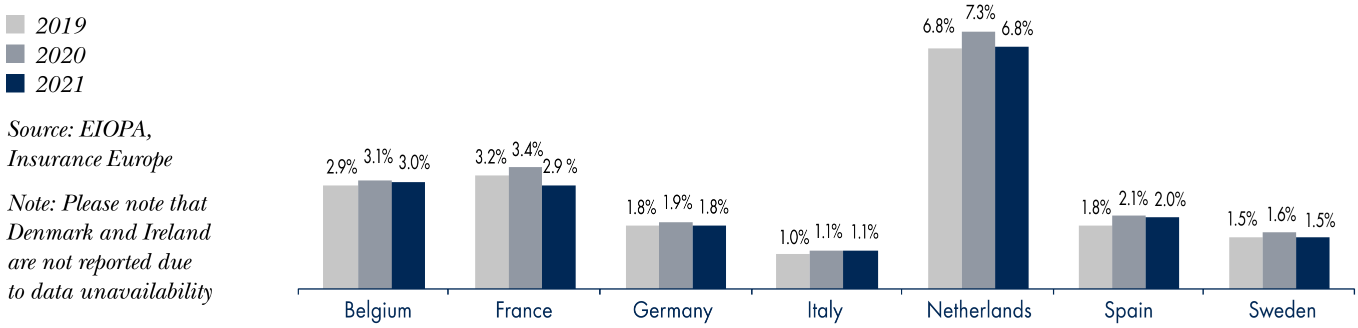
Non-life premiums / GDP
(%)



Source: EIOPA

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 2021 the ratio of these premiums to GDP came to 1.1% in Italy, unchanged from 2020, while the ratio dropped to 1.5% in Sweden, to 1.8% in Germany and to 2.0% in Spain. Higher, but still decreasing, ratios were registered in France (2.9% in 2021, 3.4% in 2020), Belgium (3.0% in 2021, 3.1% in 2020) and the Netherlands (6.8% in 2021, 7.3% in 2020).

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



Source: EIOPA, Insurance Europe

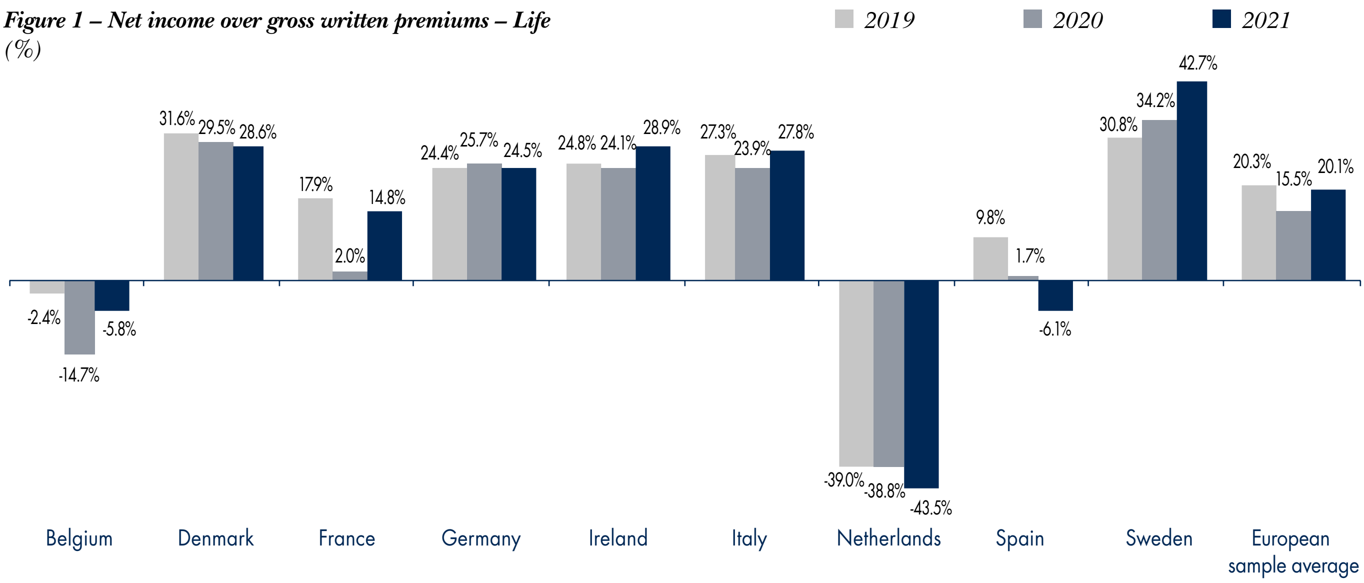
Note: Please note that Denmark and Ireland are not reported due to data unavailability

Main technical indicators

Life

In Italy the ratio of **net premium income (premiums minus charges) to gross written premium volume** came to 27.8% in 2021, regaining pre-pandemic levels after the 2020 drop. This value is eight percentage points higher than the mean value of the countries considered here. This difference can be observed over the whole three-year period. A similar trend was observed in Ireland, whose indicator rose from 24.1% in 2020 to 28.9% in 2021. The ratio increased very sharply in France (from 2.0% in 2020 to 14.8% in 2021) and Sweden (from 34.2% to 42.7%, the highest value among the sample countries). Denmark and Germany slipped in 2021, but maintained substantially positive ratios of respectively 28.6% (from 29.5% in 2020) and 24.5% (from 25.7% in 2020). The indicator was negative in 2021 for three countries: Spain (-6.1% from +1.7% in 2020), Belgium (-5.8%, but improving from -14.7% in 2020) and the Netherlands (-43.5% in 2021 from -38.8% in 2020).

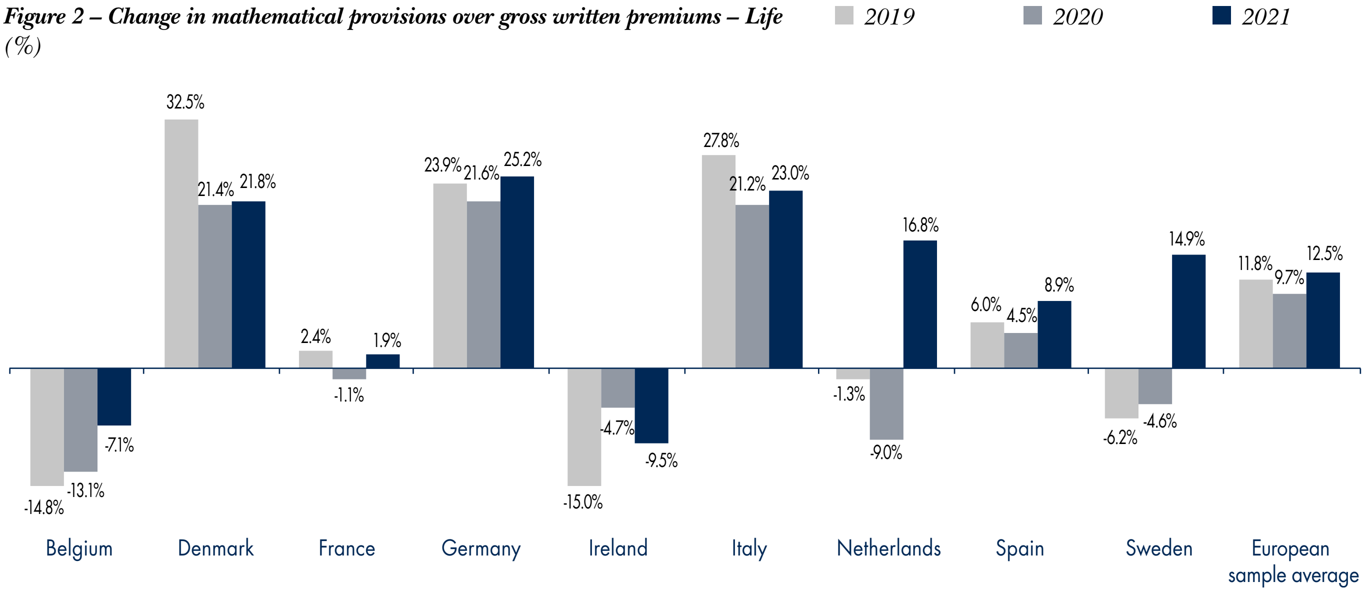
Figure 1 – Net income over gross written premiums – Life
(%)



Source: ANIA elaborations based on EIOPA data

In 2021 the ratio of the change in **mathematical provisions to gross written premiums** rose in 2021 for all the main EU countries with the exception of Ireland, where it dropped by almost four percentage points from 2020 to -9.5%. A rise in this index may reflect both an expansion of life insurance business, with a positive net flow, and a revaluation of provisions thanks to investment income. This ratio increased in Italy in 2021, although it did not reach pre-pandemic levels, from 21.2% to 23.0%. Italy had the highest ratio in 2021 after Germany, at twice the mean value of European countries. This ratio also rose in Germany and Spain, respectively to 25.2% and 8.9% in 2021. For the first time in the three-year period, the indices of the Netherlands and Sweden were positive in 2021 at 16.8% and 14.9% respectively.

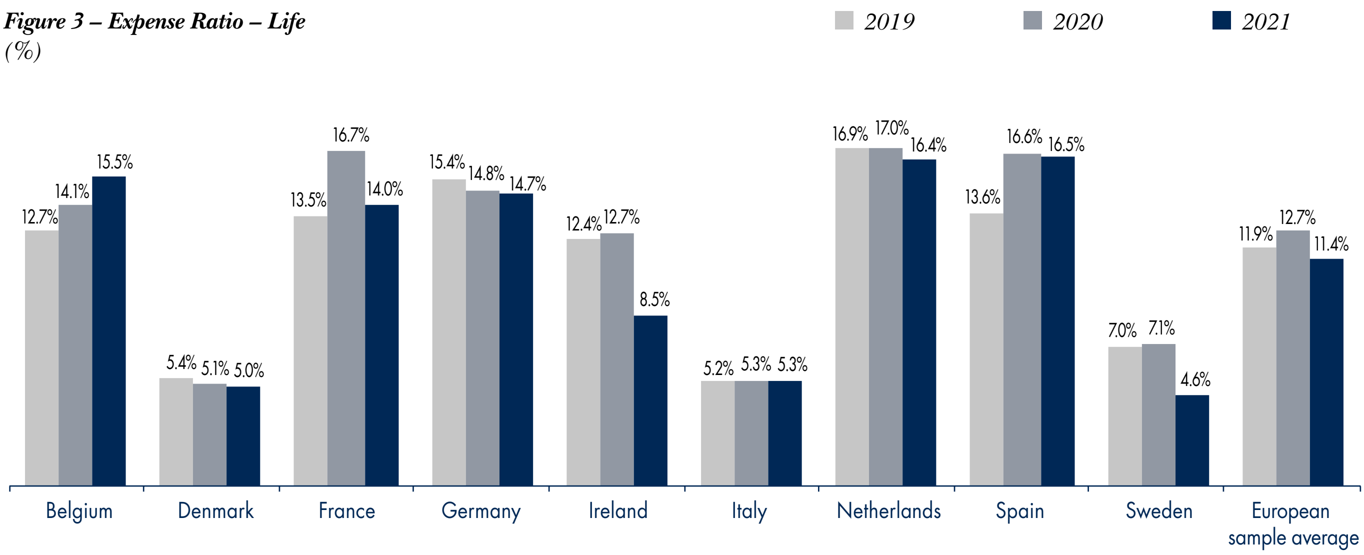
Figure 2 – Change in mathematical provisions over gross written premiums – Life
(%)



Source: ANIA elaborations based on EIOPA data

In Italy, the life sector **expense ratio**, relating operating expenses to gross written premiums, was stable over the three-year period and amounted to 5.3% in 2021. Italy has one of the lowest expense ratios, together with Denmark (5.0%) and Sweden (4.6%). In the European context, the Italian ratio is less than half the mean. The ratio dropped in all other countries with respect to 2020 with the exception of Belgium, where it increased by more than a percentage point, reaching 15.5%. The highest values over the three-year period are found in Spain (16.5%) and the Netherlands (16.4%).

Figure 3 – Expense Ratio – Life
(%)

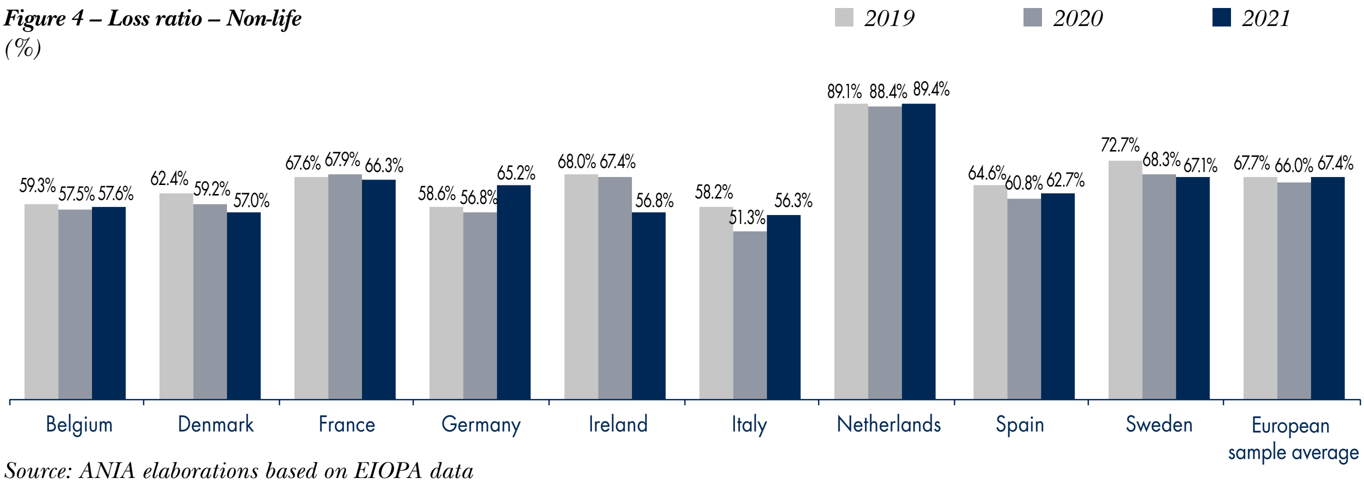


Source: ANIA elaborations based on EIOPA data

Non-life

The ratio of **total incurred claims to earned premiums (the loss ratio)** amounted to 56.3% in Italy, worsening from 51.3% in 2020, a year affected (as in all other countries) by a drop in claims due to the pandemic. The loss ratio in Italy in 2021 was similar to Denmark and Belgium. Germany had a ratio of 56.8% in 2020, worsening sharply to 65.2% in 2021. Smaller increases were recorded in Spain, from 60.8% in 2020 to 62.7% in 2021, and the Netherlands, from 88.4% to 89.4%. The ratio remained unchanged in Belgium: 57.6% in 2021 as in 2020. The loss ratio improved in Ireland (56.8% in 2021 from 67.4% in 2020), in France (66.3% in 2021 from 67.9% in 2020), in Denmark (57.0% in 2021 from 59.2% in 2020) and in Sweden (67.1% in 2021 from 68.3% in 2020).

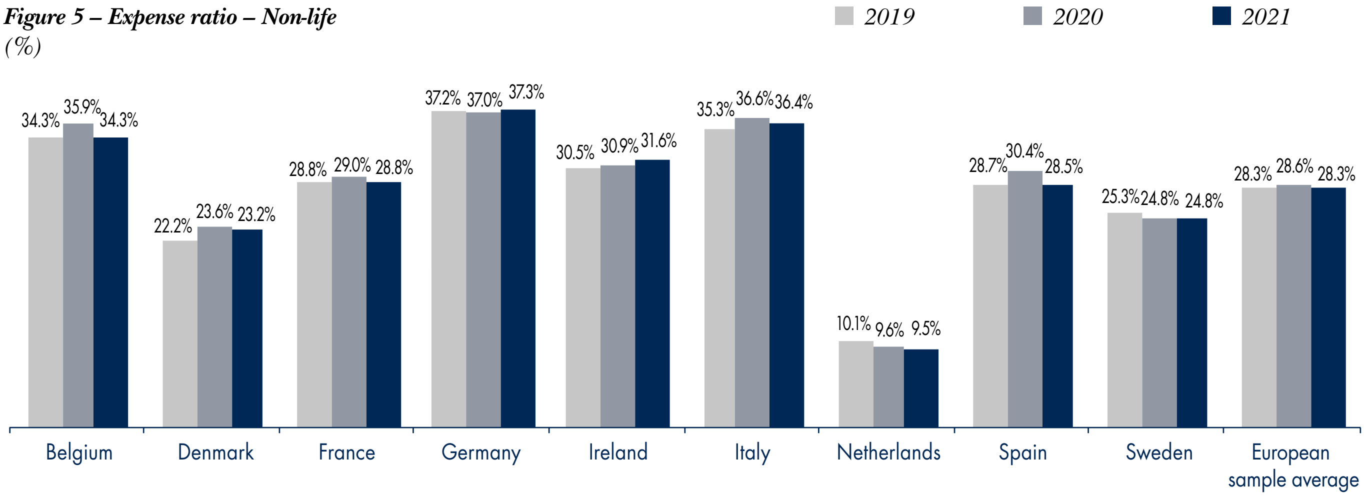
Figure 4 – Loss ratio – Non-life
(%)



Source: ANIA elaborations based on EIOPA data

The non-life sector **expense ratio**, i.e. the ratio of operating expenses to gross written premiums, was largely unchanged over the three-year period in all the countries. In 2021 the ratio in Italy was 36.4% (36.6% in 2020), similar to Germany, (37.3%, the highest value). The extremely low value in the Netherlands is explained by that country's different method of allocating outlays between incurred claims and operating expenses.

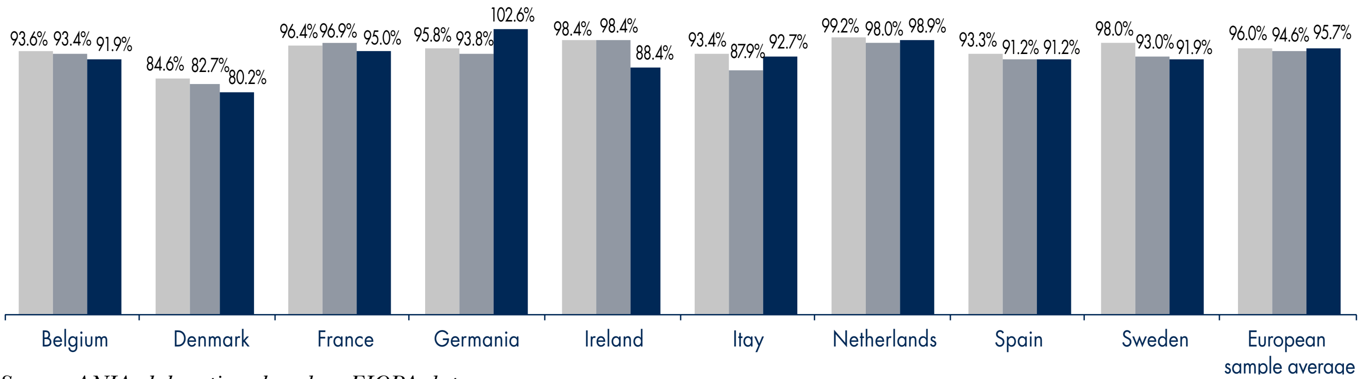
Figure 5 – Expense ratio – Non-life
(%)



Source: ANIA elaborations based on EIOPA data

The sum of the loss ratio and the expense ratio gives the **combined ratio**, which came to 92.7% in Italy in 2021, up from 87.9% in 2020 but still 3 percentage points lower than the European sample mean. A significant rise was observed also in Germany, whose ratio jumped from 93.8% in 2020 to 102.6% in 2021, the highest value observed in any European country. The Spanish indicator remained unchanged at 91.2% in 2021. The other countries all showed slight improvements, with Denmark having the lowest values over the three-year period and a combined ratio of 80.2% in 2021 (84.6% in 2019 and 82.7% in 2020).

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

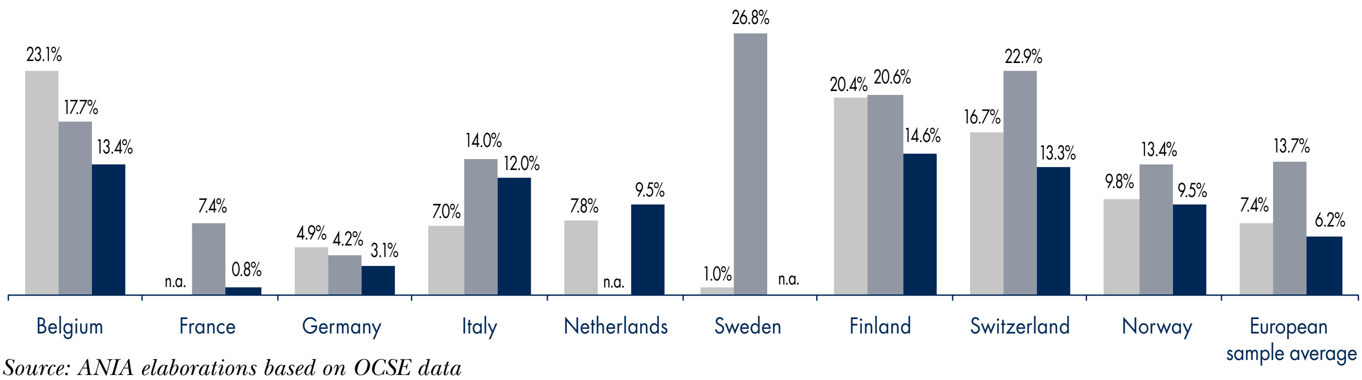


Source: ANIA elaborations based on EIOPA data

Return on Equity (ROE)

Using international insurance data from the OECD, ROE in the main European countries (for which data were available) and in Italy for the whole insurance business (non-life and life) was measured for the three years 2018-2020 (the last year for which these data are published).

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



Source: ANIA elaborations based on OCSE data

The data used for this comparison, though they refer to a slightly different variable than those used in the Italian local gaap analysis, produced practically identical ROE values for Italy. For 2018 and 2019 the Italian ROE stood in line with the mean value of European countries, meaning that the Italian insurance market never had a condition of excess or shortfall in the capacity of net worth to generate profits. In particular, in 2018 the indicator amounted to 7.0% for Italy, slightly below the European average (7.4%). Only Germany and Sweden had lower values than Italy (4.9% and 1.0%, respectively), while most of the other countries had substantially higher ones: Belgium (23.1%), Finland (20.4%) and Switzerland (16.7%). In 2019 the Italian indicator was slightly higher than the European average (14.0% vs. 13.7%), and the gap vis-à-vis Finland, Sweden and Switzerland (all at nearly 20%) was still sizeable. Only in 2020 did Italy achieve higher profitability than the average of the other countries. This was basically because during the pandemic the non-life sector in Italy was still concentrated, more than elsewhere, in motor liability, which benefited from a significant reduction in claims due to the pandemic and a subsequent improvement in technical results and hence in ROE.

Investments

An analysis of the composition of the assets covering technical reserves in the main insurance markets in Europe shows a rather heterogeneous picture in 2021, similar to 2020.

The analysis, based on data published by EIOPA on the Quantitative Reporting Templates (QRT) for the fourth quarter of 2021, covered Italy, Belgium, Denmark, France, Germany, Ireland, the Netherlands, Spain and Sweden.

Fixed-income securities are the main investment instruments across all markets, albeit with varying levels of exposure between corporate and government bonds. The concentration of government securities in the nine countries averaged slightly more than 14% at the end of 2021. In Italy, the concentration of the portfolio on government securities, despite the progressive disinvestment of the past few years, is still more pronounced than in the other countries examined; in fact, at 30.7% it is lower only than Spain (42.6%). The investment share for this category of assets was 21.3% in Belgium, 16.9% in France, far below the average in Germany (7.4%), in the Netherlands and Sweden (5.7%) and Denmark (2.9%), and practically nil in Ireland. The share of foreign government securities was particularly high in the Netherlands (22.9%) and Belgium (22.6%), lower in the other countries (around 10% for France, Germany, Ireland, Italy and Spain, 6.2% for Denmark and 1.5% for Sweden).

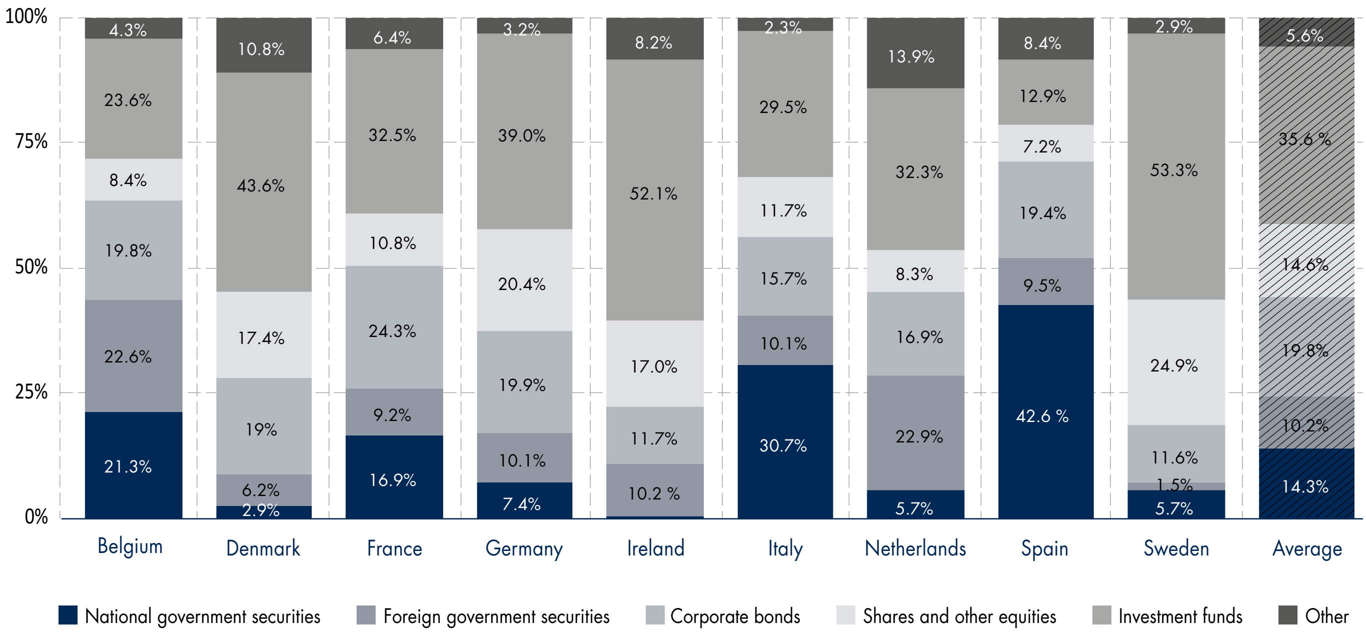
The average exposure of the European sample to corporate bonds was around 20%. French companies were the leading investors in this asset class (24.3%), followed by German (19.9%) Belgian (19.8%), Spanish (19.4%)

and Danish (19.0%). The share of this asset class in the portfolio of Italian and Dutch insurers was lower, at around 16% and 17%, respectively.

The portfolio share of investment funds was predominant, higher than the average of the nine countries analyzed, for Swedish (53.3%), Irish (52.1%), Danish (43.6%) and German (39.0%) insurers. Substantial figures can also be seen in France (32.5%), the Netherlands (32.3%), Italy (29.5%) and Belgium (23.6%).

As for equity instruments, which averaged around 15% of total investments including stakes in affiliated companies, the largest portion was that of Swedish insurers (24.9%), followed by German (20.4%), Danish (17.4%), Irish (17.0%), Italian (11.7%), and French (10.8%).

Investments of European insurance companies, 4th quarter 2021
(%)



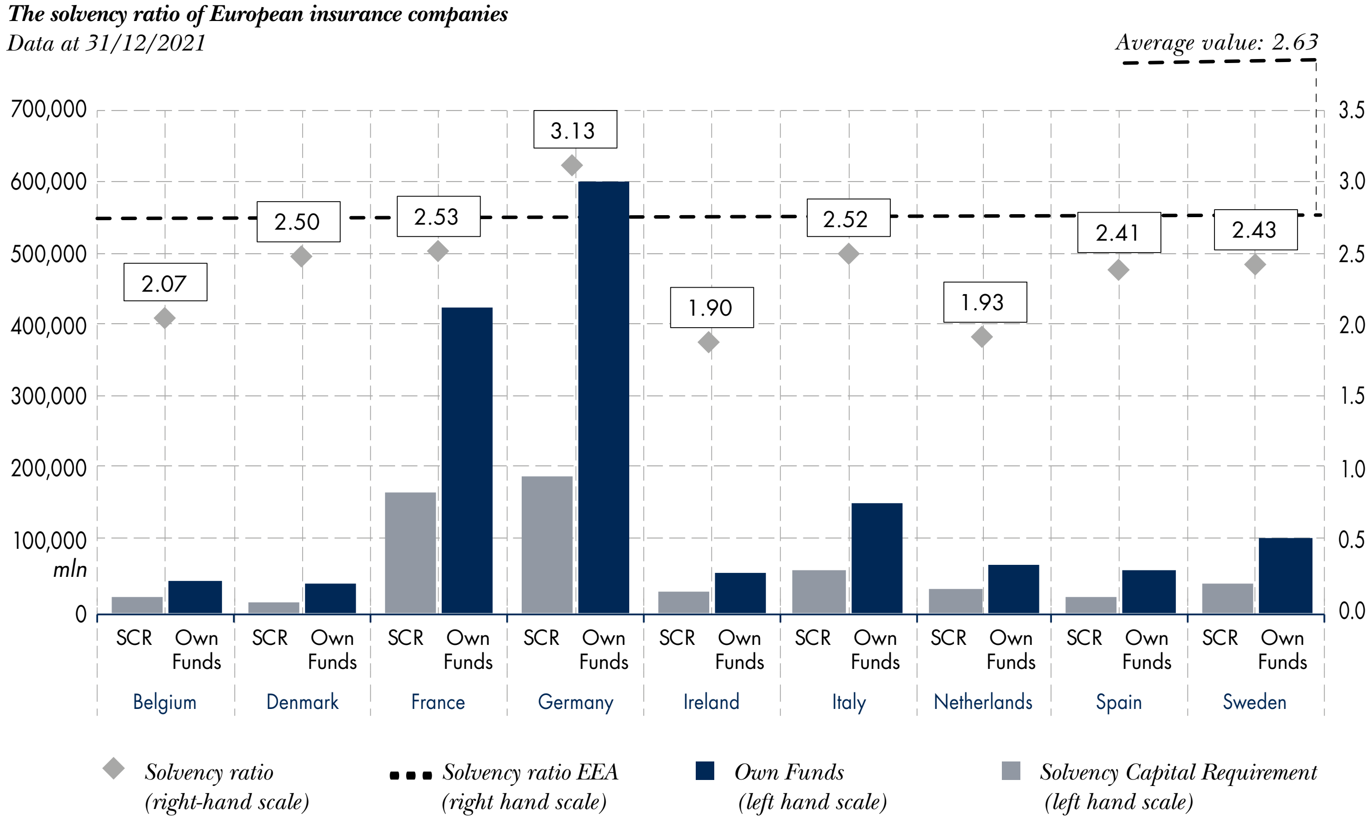
Note: "Other" investment comprises Structured bonds, Guaranteed securities, Cash and deposits, Mortgages and loans, Real estate.
Source: ANIA Elaborations based on data from EIOPA, Insurance statistics

Solvency

The average solvency ratio of the sample companies (accounting for over 90% of the companies operating in the European Economic Area) was 2.63 on 31st December 2021, up from 2.54 a year earlier.

Turning to the individual countries, Italy had a ratio just barely below the European average, own funds amounting to 2.52 times the solvency capital requirement (2.44 in 2020). German companies showed results far above the average value (3.13), while Irish and Dutch companies had much lower solvency ratios (around 1.90).

The solvency ratio of European insurance companies
Data at 31/12/2021



Source: ANIA Elaborations based on data from EIOPA, Insurance statistics

THE TAXATION OF PREMIUMS IN THE EUROPEAN UNION

As in previous years, in 2020 there was substantial stability in the indirect taxation of insurance premiums in EU countries. In this context, Italy still stands out for an especially high tax rate on insurance, especially for the motor liability, fire, general liability and goods in transit classes.

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

In the motor liability class the average total tax rate on premiums in Italy amounts to 26.2%, as in 2021, the result of the 15.7% average tax rate on insurance plus social contribution charges of 10.5%. The 15.7% value is the average de facto rate applied at local level throughout Italy inclusive of the local surtaxes up to a ceiling of 16%, decided by almost all Italian provinces, to which the tax revenue is allocated.

The Fiscal Federalism Bureau of the Finance Department has monitored the resolutions passed by the Italian provinces since 2011, confirming that only the three special statute provinces kept a tax rate (at 9%) lower than the 12.5% basic rate; all the other provinces, except for six that have not yet passed any resolution on motor liability tax rates, have raised the rate over the years, in most cases up to the ceiling of 16%.

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

The tax on fire insurance premiums in Italy (22.25%) continues to be significantly higher than in the UK, Spain, and Austria (12%, 13.15%, and 15% respectively); exceeded only by France (30%) and Finland (24%).

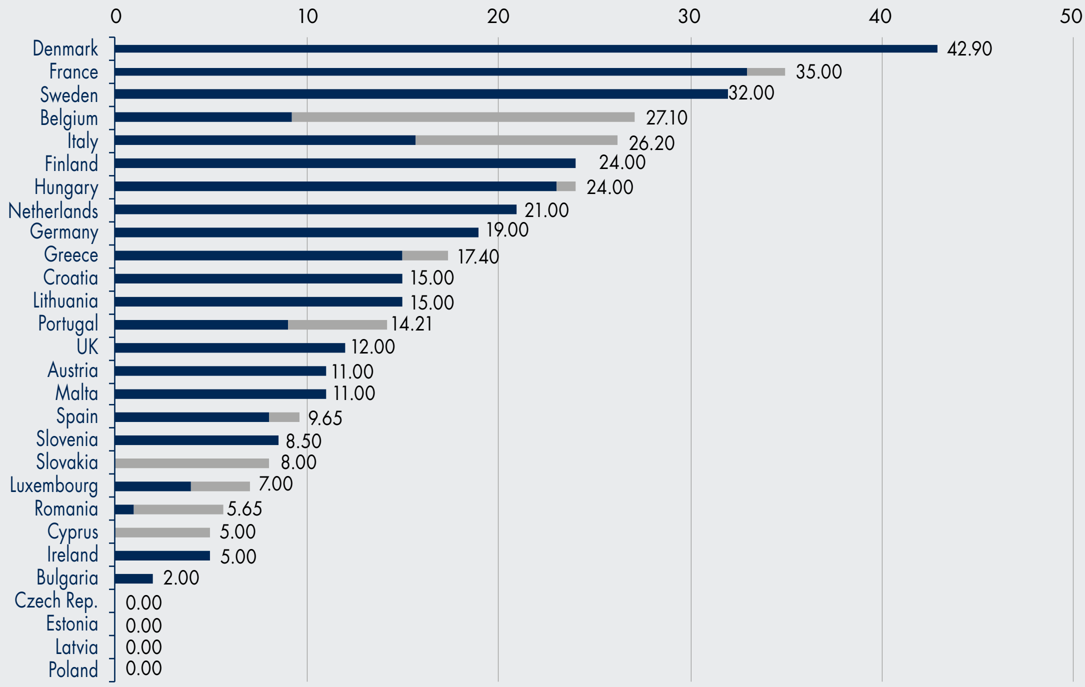
For general third-party liability, the graph confirms Italy and Finland as the countries with the most onerous tax burden in Europe (22.25% and 24% respectively), consistently higher than in Germany (19%), the United Kingdom (12%), France (9%) and Spain (8.15%).

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

Motor liability
(%)

Taxes

Other fiscal charges

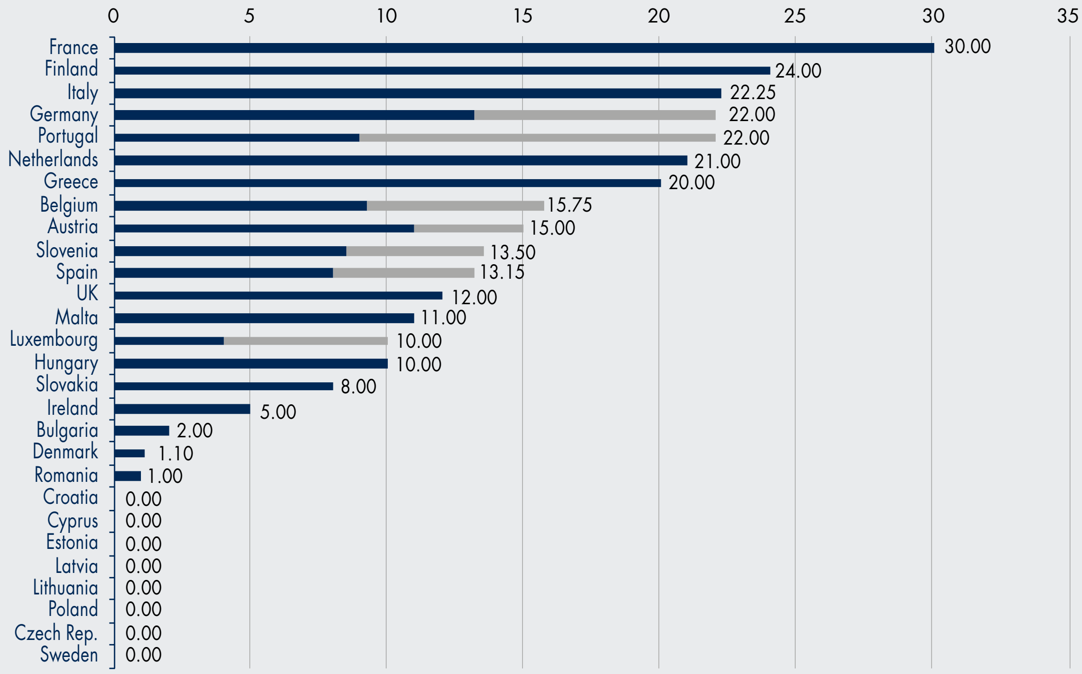


Source: Insurance Europe

Fire
(%)

Taxes

Other fiscal charges

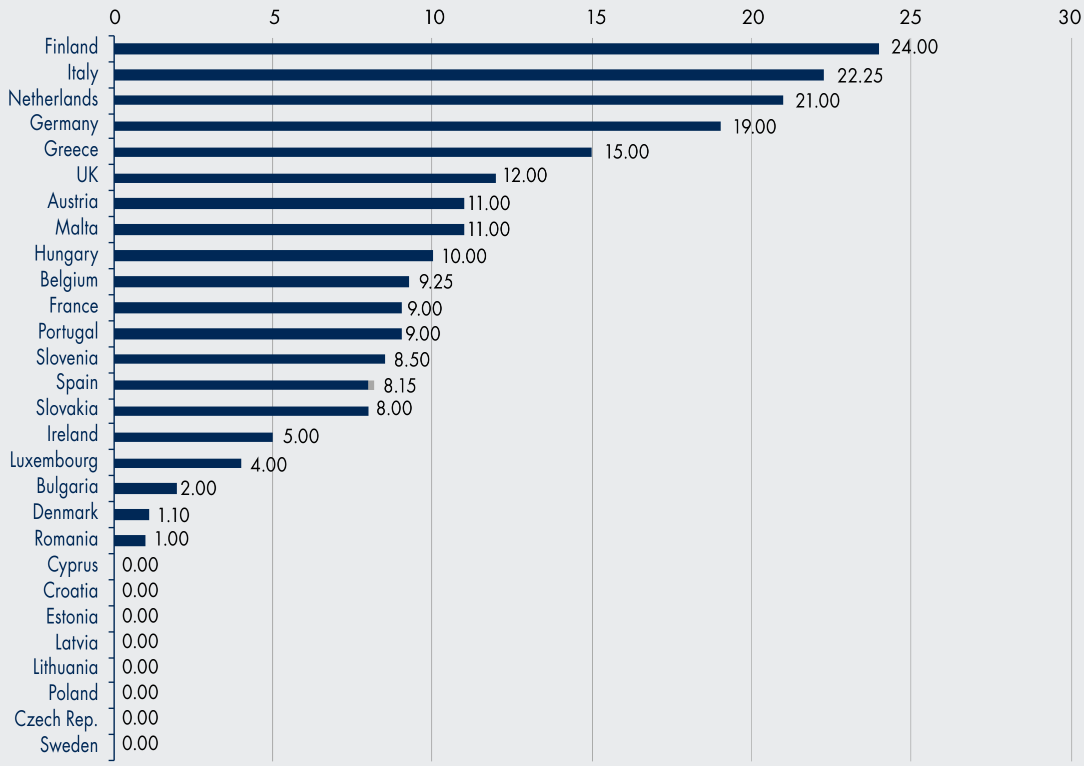


Source: Insurance Europe

General liability
(%)

Taxes

Other fiscal charges



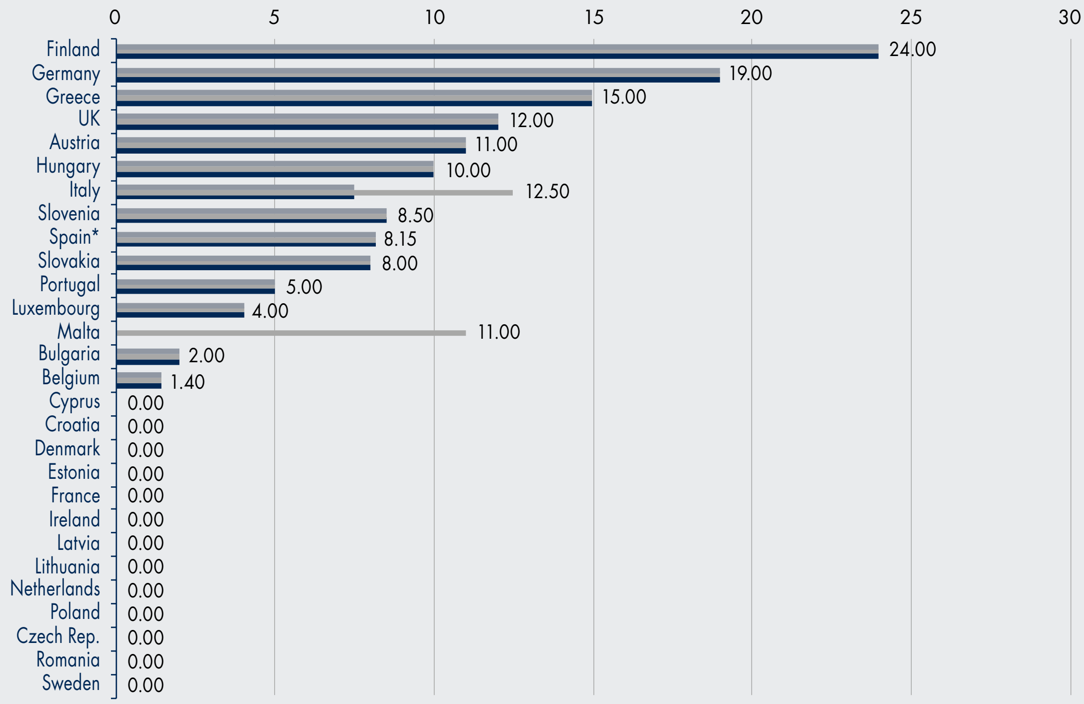
Source: Insurance Europe

Goods in transit
Taxes
(%)

By air

By land

By sea



(*) The figure for Spain is the sum of taxes (8.00) and other charges (0.15)

Source: Insurance Europe

3

LIFE INSURANCE

For the life sector, 2021 was a year of recovery from the recession induced by the pandemic in 2020. Premium income rose by 4.5%, fully recouping the previous year's fall of 4.4%. This growth, together with the slight decrease in incurred claims (-1.1%) led to a €5 billion rise in net cash flow to €30 billion. The growth in mathematical reserves also picked up considerably, from €36 billion in 2020 to €51 billion in 2021. Likewise, investment income on the technical account rose to nearly €30 billion, up more than €10 billion from 2020. The overall technical balance amounted to €4 billion, around half a billion up from 2020.

LIFE TECHNICAL ACCOUNT

Total life classes (domestic business)
Euro million

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Written premiums	85,100	110,518	114,947	102,252	98,611	102,048	106,012	101,329	105,873
Incurred claims (-)	66,788	64,577	71,196	62,932	71,155	73,223	76,158	76,446	75,619
Changes in mathematical and other technical provisions (-)	29,928	59,967	53,023	48,448	38,428	24,937	53,418	35,821	51,446
Balance of other technical items	-325	-381	-378	-328	-370	-330	-373	-390	-216
Operating expenses (-)	3,538	3,812	3,974	3,842	3,920	3,901	3,947	3,814	3,999
- commissions	1,982	2,206	2,349	2,181	2,240	2,203	2,168	2,068	2,178
- other acquisition costs	683	686	701	686	671	667	741	703	715
- other administration costs	874	921	924	975	1,009	1,030	1,038	1,043	1,106
Investment income	18,409	20,588	15,976	16,611	18,181	825	34,010	18,130	29,291
Direct technical account result	**2,929**	**2,369**	**2,352**	**3,313**	**2,919**	**483**	**6,126**	**2,987**	**3,884**
Reinsurance results and other items	369	383	315	289	294	257	168	506	128
Overall technical account result	**3,298**	**2,752**	**2,667**	**3,602**	**3,213**	**739**	**6,293**	**3,493**	**4,012**
Net cash flow	**18,312**	**45,941**	**43,751**	**39,320**	**27,456**	**28,825**	**29,854**	**24,882**	**30,254**
Annual % change in premiums	22.1%	29.9%	4.0%	-11.0%	-3.6%	3.5%	3.9%	-4.4%	4.5%
Expense ratio	4.2%	3.4%	3.5%	3.8%	4.0%	3.8%	3.7%	3.8%	3.8%
- Commissions/Written premiums	2.3%	2.0%	2.0%	2.1%	2.3%	2.2%	2.0%	2.0%	2.1%
- Other acquisition costs/Written premiums	0.8%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
- Other administration costs/Written premiums	1.0%	0.8%	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Investment income/Technical provisions	4.2%	4.3%	3.0%	2.8%	2.9%	0.1%	4.8%	2.4%	3.7%
Technical account result/Written premiums	**3.4%**	**2.1%**	**2.0%**	**3.2%**	**3.0%**	**0.5%**	**5.8%**	**2.9%**	**3.7%**
Overall technical account result/Written premiums	**3.9%**	**2.5%**	**2.3%**	**3.5%**	**3.3%**	**0.7%**	**5.9%**	**3.4%**	**3.8%**
Overall technical account result/Technical provisions	**0.75%**	**0.57%**	**0.49%**	**0.61%**	**0.51%**	**0.11%**	**0.89%**	**0.47%**	**0.51%**
Premiums to total life and non-life premiums ratio (%)	*71.6%*	*77.1%*	*78.2%*	*76.2%*	*75.3%*	*75.5%*	*75.6%*	*75.1%*	*75.6%*

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

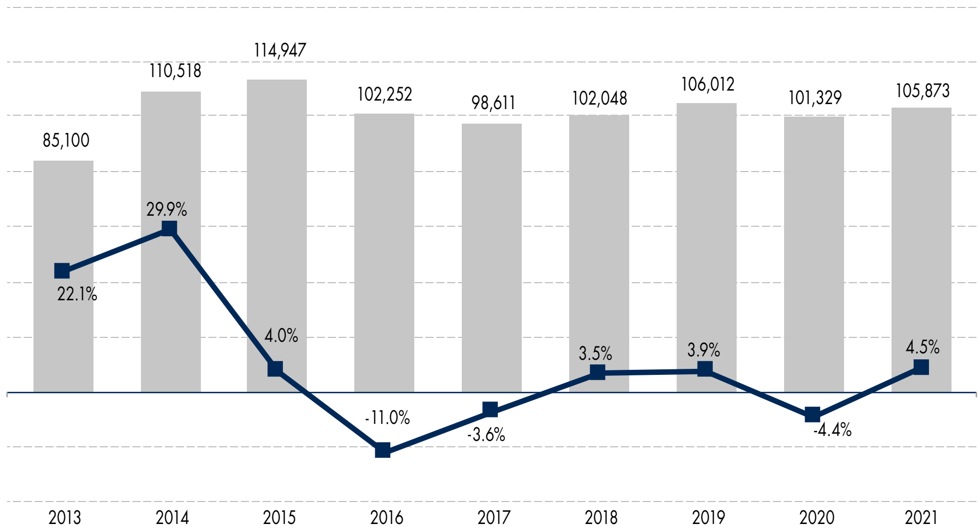
In 2021 premiums from direct domestic business of the 41 insurance companies operating in the life sector totaled €105,873 million, a 4.5% increase from the previous year, when they shrank by 4.4%; 83% of premiums was generated by the issuance of new contracts or by additional single premiums on existing policies. Percentage-wise, in 2021 life premiums amounted to 75.6% of the total (life and non-life), half a percentage point up from the previous year, thus returning to pre-pandemic levels.

LIFE INSURANCE

Total direct premiums (Life)
Euro million

Premiums

Growth rate (annual % variation)



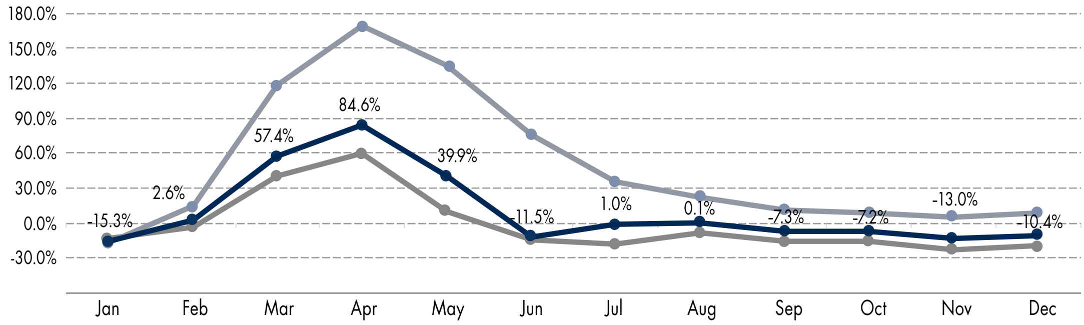
The recovery of the life business is evident in the monthly data for written premiums. March, April and May recorded very high growth rates after being particularly struck by the 2020 lockdown restrictions. Premium income came back to pre-pandemic levels from June onwards, with growth steadying at less than 7% over the respective year-earlier months, so that the growth through the current month dropped from 25.1% for January-May to 4.5% for the entire year.

Written premiums % change over every month in 2021 (ANIA estimates)

Total Life business

Class I

Class III



The graph shows how the growth of life business is solely ascribable to Class III policies (unit-linked), whose premium income rose by close to 35% in 2021 due to the broad recovery of financial and stock markets – especially in the second half of the year – with strong growth in indices, bringing assets to higher values than the pre-pandemic levels. The premiums of all other life policy classes decreased from 2020. In particular, traditional Class I life policies shrank by 5.2% due to the persistent low, or even negative, interest rate scenario and the increase in inflation, which cancelled, de facto, the growth registered in the first half of the year.

Multi-class products, a combination of the traditional insurance component characterized by a minimum guaranteed return (Class I) and more unit-linked investment options (Class III), continued their strong growth in 2021. The premiums collected for these products amounted to €53.6 billion

(50% of total life premiums), 60% of which through bank and post office branches, up by 43.3% from 2020. More than 90% of overall multi-class products consists in so-called pure multi-class products – i.e. excluding pension plans and individual saving plans – which registered premium volume of €49.6 billion in 2021: the main portion is still Class I products (64%, equal to €31.7 billion, over 50% of total Class I premiums, up 46.0%), while the remaining 36% is represented by Class III products (€18 billion, 45% of total Class III premiums, up 44.1%). In 2021 the 45% growth of multi-class products outpaced that of with-profit policies, estimated at 35%.The market in long-term Individual Savings Plans (*Piani Individuali di Risparmio*, PIR, instituted by Law 232/2016, the 2017 budget law), characterized by the tax exemption of yields when they meet specified conditions for investment in the real economy, was still quite thin in 2021, although premium income (around €400 million) almost doubled from the previous year.

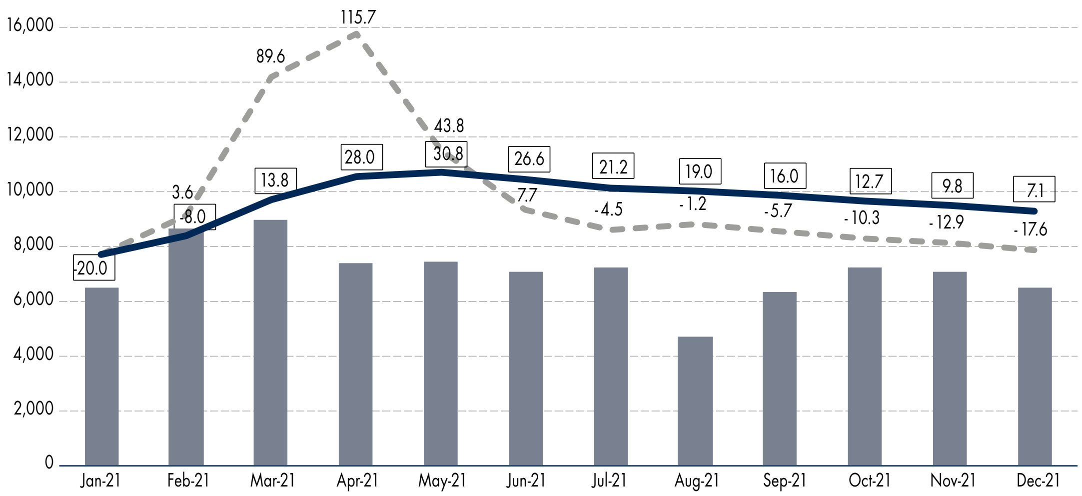
The trend in life business products marketed in 2021 can also be seen in the month-by-month change in new business premiums (individual policies) earned by Italian and extra-EU companies. In detail, Class I premiums were down by 6.4% for the year (after growing by 9.5% in the first half), and so was Class V new business, closing the year with income practically halved (-40.2% in the first six months). Class III premiums, instead, after recording annualized growth of 71.4% in the first half, progressively turned down with reduced gains in the second half, turning in 38.7% growth for the entire year. Total new life business, including group policies, amounted in 2021 to €88.1 billion (€85.2 billion coming from individual policies), up by 4.6% thanks mostly to the positive trend of premium income from financial salesmen and agents.

Life premiums from new business – Year 2021 individual policies
Euro million

Premiums

Var. % month/month

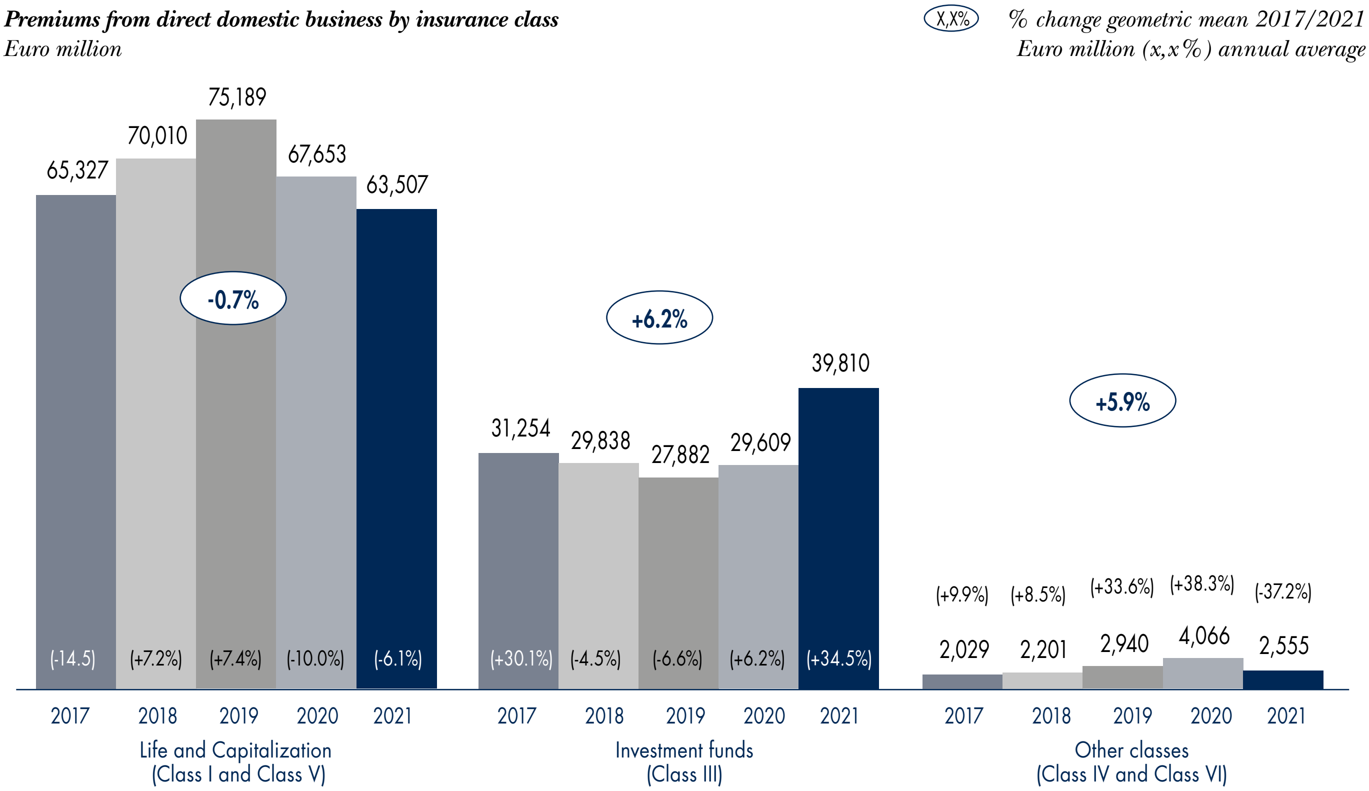
Cumulative % change



Analyzing the trends of **written premiums** in each class, in 2021 there was premium collection of €63,507 million in traditional policies (Class I and V), an annual drop of 6.1% after that a of 10.0% in 2020 (bringing the average annual change in these classes in the last five years to -0.7%).

In 2021, these premiums accounted for 60% of the entire life portfolio (67% in the previous year), 98% of which consists in Class I policies (down 5.2% in volume) and the other 2% related to Class V policies (shrinking by 36.7%). The drop in Class I policies is mostly ascribable to bank and post office branches, which placed more than 60% of those policies, a decrease of 10% over the previous year.

Premiums from direct domestic business by insurance class
Euro million



By contrast, the trend in Class III premiums (investment funds or index-linked) was positive, collecting a total of almost €40 billion in 2021, a gain of 34.5% following the more modest gain of 6.2% in 2020. In 2021, those products represented 38% of the total life portfolio, eight percentage points more than in 2020. The average annual growth over the last five years comes to +6.2%. Premium collection in 2021 was mostly due to the work of bank and post office branches, which now have a market share of almost half of the whole Class III portfolio, but with a lower annual increase (+18%) than the other channels.

Premiums related to other life policies (Class IV and VI) showed an opposite trend. The two classes recorded a contraction of 37.2%, and their total premium volume fell to €2,555 million (slightly more than 2% of all life insurance premium income). The average annual change over the last five years was still positive at +5.9%. In detail, €178 million related to long-term care and protracted illness policies (Class IV), down 2.2% as compared to 2020 (mostly marketed by mandated agents), while the remaining €2,378 million refers to the management of pension funds (Class VI), with a 38.8%

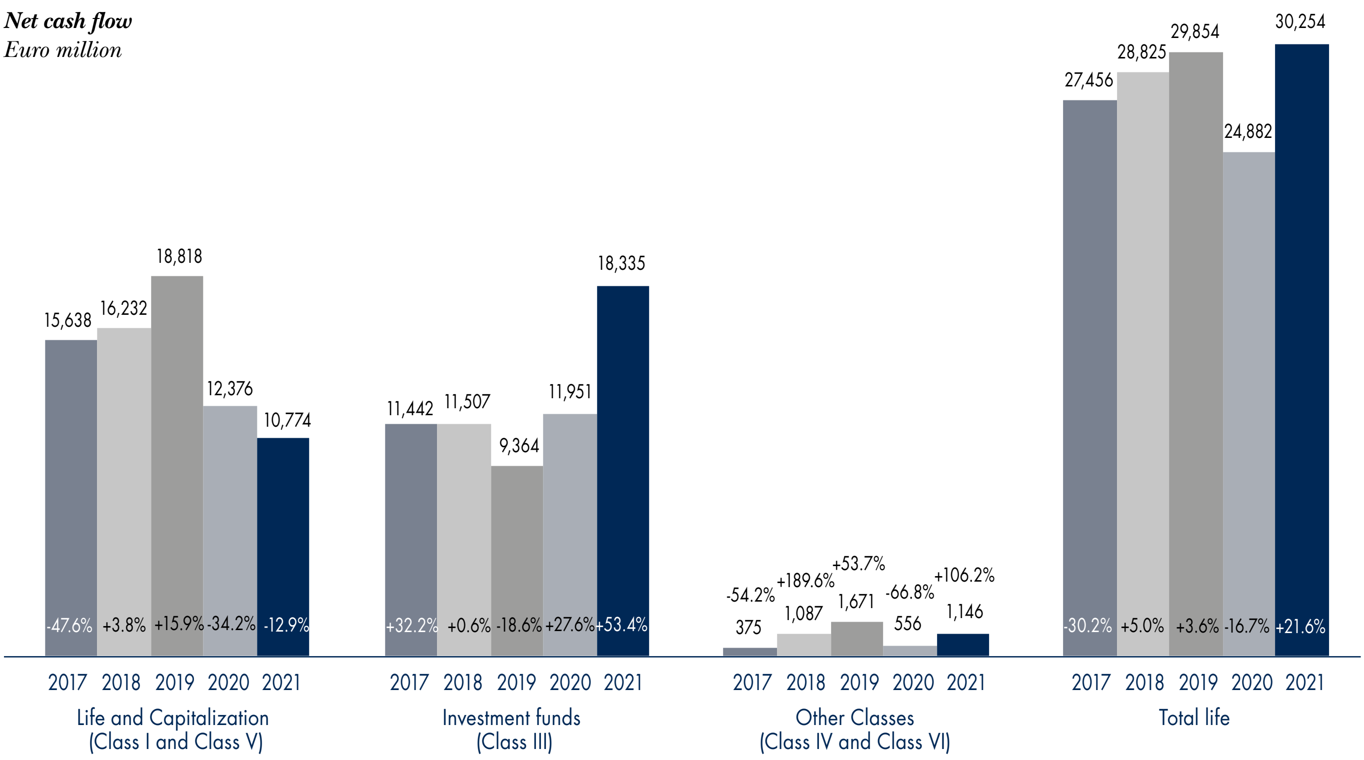
drop as compared to the previous year (when one company effected a major acquisition of a fund). The main distribution channel for this class was direct sales, with a 37% market share but declining by 65%.

Incurred claims, defined as amounts paid and the changes in provisions against payable amounts net of recoveries, amounted to €75,619 million in 2021, down by 1.1% from 2020, owing exclusively to the sharp decline in maturing policies and accrued yields (-45%) which more than offset the increasing outflows for surrenders (+17%) or mortality claims and other life-related events (+20%).

Due to the positive developments on both inflows and outflows, the **net cash flow**, defined as the difference between premiums and incurred claims, amounted to €30,254 million, the highest figure since 2017, over €5 billion more than in 2020. In 2021, the balance for pure multi-class products (excluding pension and individual savings plans) amounted to nearly €33 billion (67% of which relating to Class I policies), up by 65% from 2020.

In detail, the net cash flow for Class I and V products totaled €10,774 million, down by 12.9% from 2020, mainly due to the reduction in premiums. As for Class III, the net cash flow went up by 53.4% from 2020 to €18,335 million, the highest value ever recorded. Even though the volumes are still very small, the net cash flow achieved in the other life classes (Class IV and Class VI) slightly exceeded one billion euros, doubling the flow from the previous year.

Net cash flow
Euro million

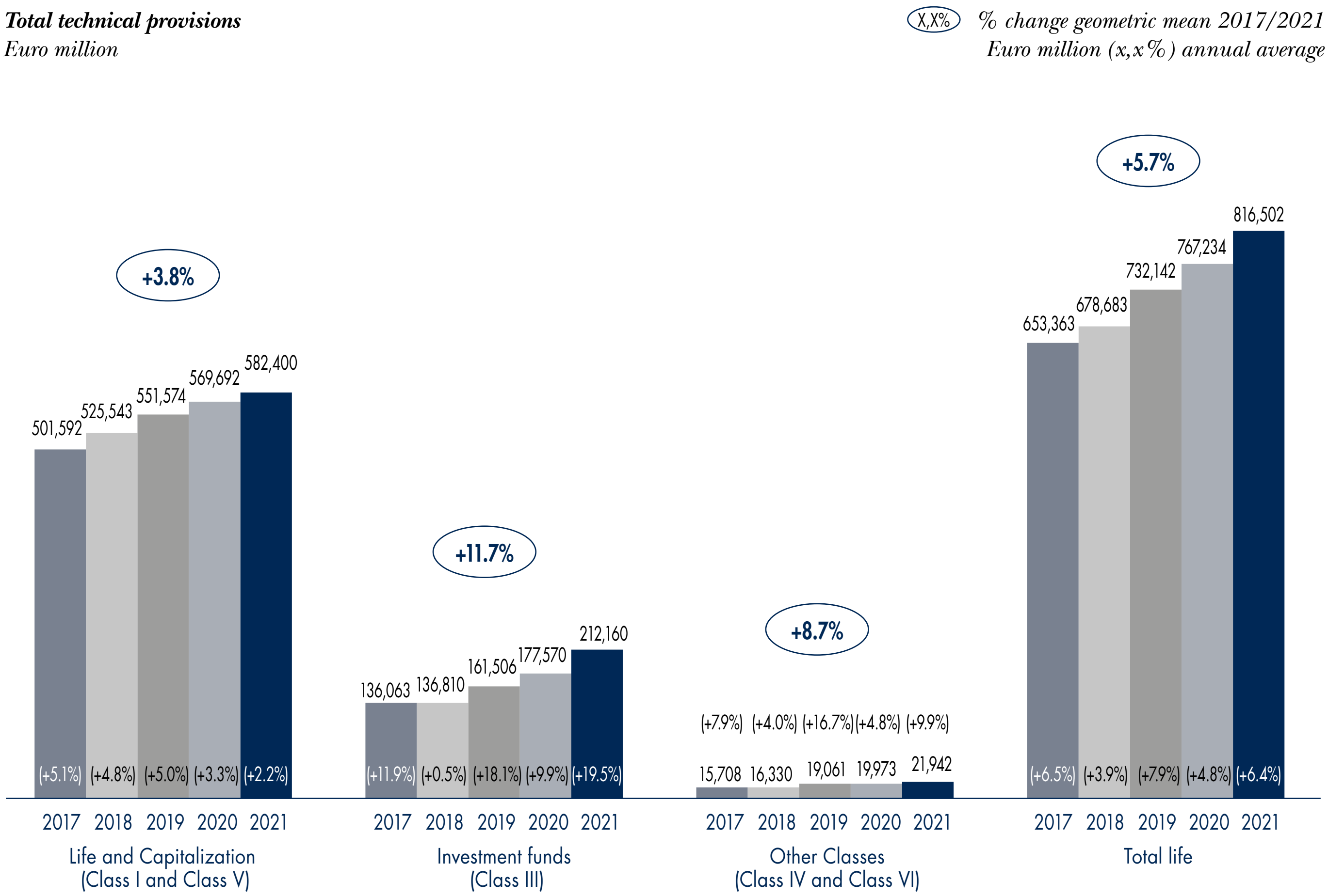


In 2021, the **change in the mathematical reserves and diverse technical provisions** amounted to €51,446 million, showing a significant rise from €35,821 million in 2020 and regaining the pre-pandemic values of 2019, thanks mainly to unit-linked and multi-class products, merging in the multi-class category at the end of the year, for both the technical account for traditional policies (increase in net cash flow) and the financial account (asset revaluations).

Total technical provisions, amounting to €816,502 million, rose by 6.4% from 2020, producing average annual growth between 2017 and 2021 of +5.7%. At the end of 2021, technical provisions related to pure multi-class contracts (excluding pension and individual savings plans) amounted to around 24% of total life provisions, up by 23.5% from 2020; over 60% of this relates to Class I products.

In detail, the provisions set aside in traditional classes amounted in 2021 to €582,400 million (of which €559,630 million related to Class I), rising by 2.2% against the previous year. These provisions account for 71% of the total life provisions (three percentage points less than in 2020) and had average annual growth of 3.8% in the last five years. The technical provisions for unit-linked policies came to €212,160 million (26% of total provisions), up by 19.5% from 2020 and with 11.7% average annual growth

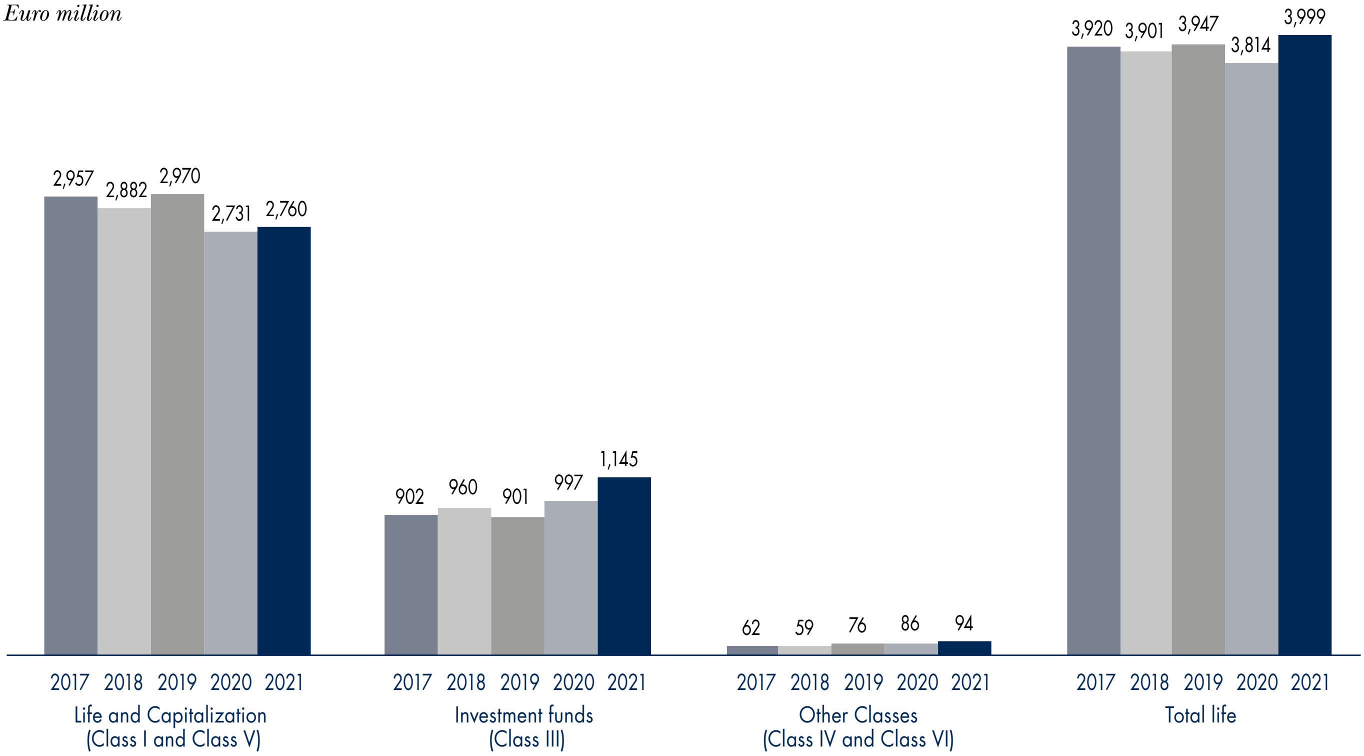
Total technical provisions
Euro million



over the period. The provisions set aside in other classes (Class IV and VI) amounted in 2021 to €21,942 million, rising by 9.9% against the previous year and by an annual average of 8.7% over the five years.

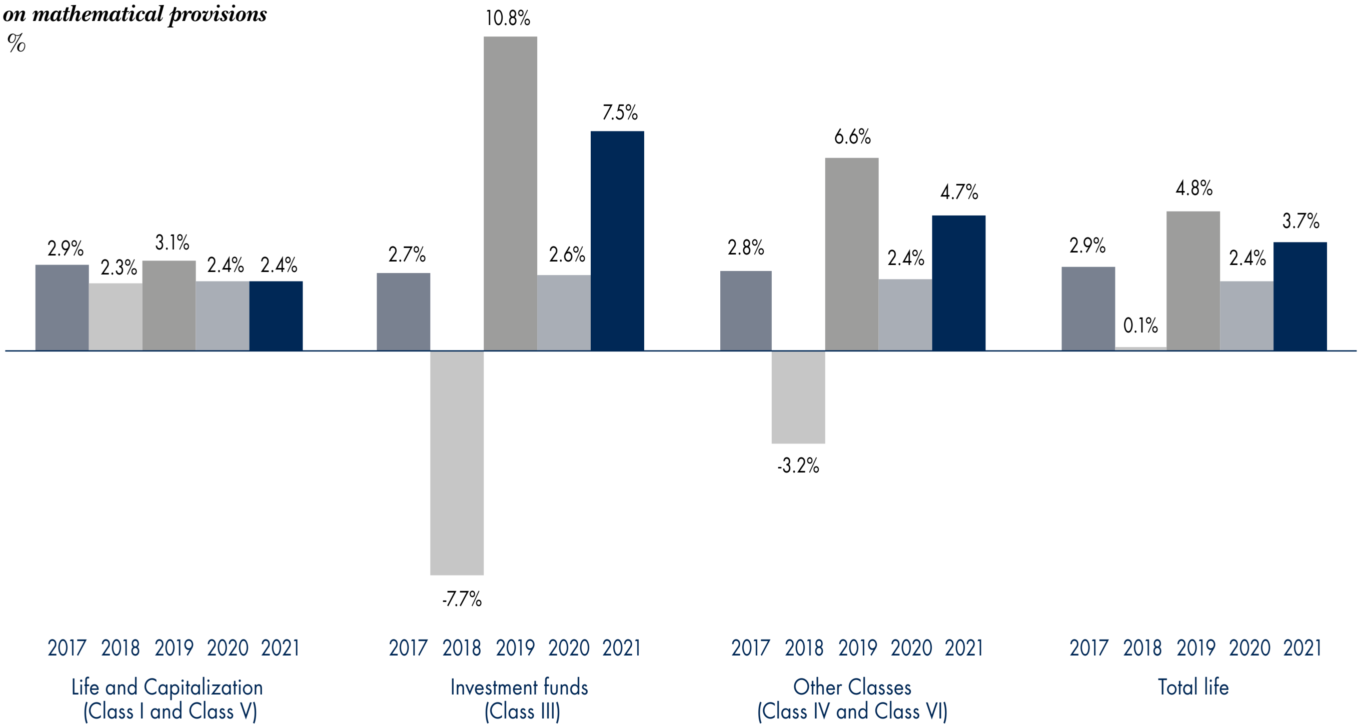
Operating expenses, which consist in contract acquisition costs and costs relating to the organization and management of the distribution network, and administration expenses, amounted to €3,999 million (69% of which related to Class I and V, 29% to Class III and 2% to other life classes), up by 4.9% over the previous year, mostly due to unit-linked policies (+14.9%).

Operating expenses
Euro million



The **investment result** amounted to €29,291 million, up very sharply from €18,130 the previous year. This was mainly due to the considerable revaluation of the assets underlying unit-linked funds, especially in the second half of the year, which resulted in a significant increase in investment income (to €14,661 million), whereas in 2020 the devaluation of assets for Class III had driven investment profit down to a mere €4,445 million; the Class I and V result (mainly with government securities as underlying assets) registered modest growth (from €13,210 million in 2020 to €13,654 million). In detail, over the five-year period, investment income in the traditional insurance classes (Class I and Class V), as a ratio to average mathematical reserves, registered a peak value in 2019 (3.1%) before slipping to 2.4% in the last two years. For Class III (investment funds or index-linked) in 2021 the ratio rose to 7.5% after plunging to 2.6% in 2020 (it had been 10.8% in 2019); for the other life classes the pattern was similar to that of Class III products, albeit with smaller figures, declining from growth of 6.6% in 2019 to 2.4% in 2020 and recovering to 4.7% in 2021.

Profits from investments on mathematical provisions
%

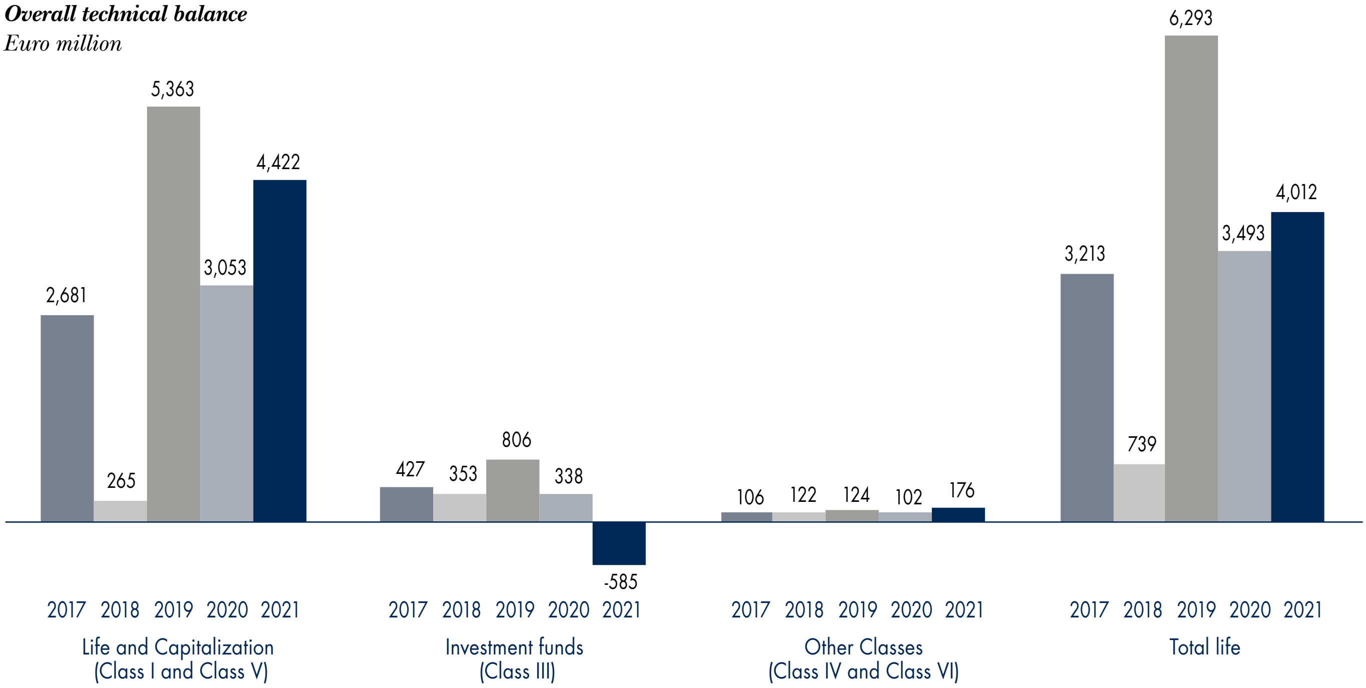


The **direct technical account balance** was positive at €3,884 million, up by €1 billion from 2020 but down by €2 billion from 2019, when, due to an outstanding investment result, the technical account balance jumped to €6,126 million.

The balance on reinsurance cessions and net indirect business amounted to €128 million (€506 million in 2020).

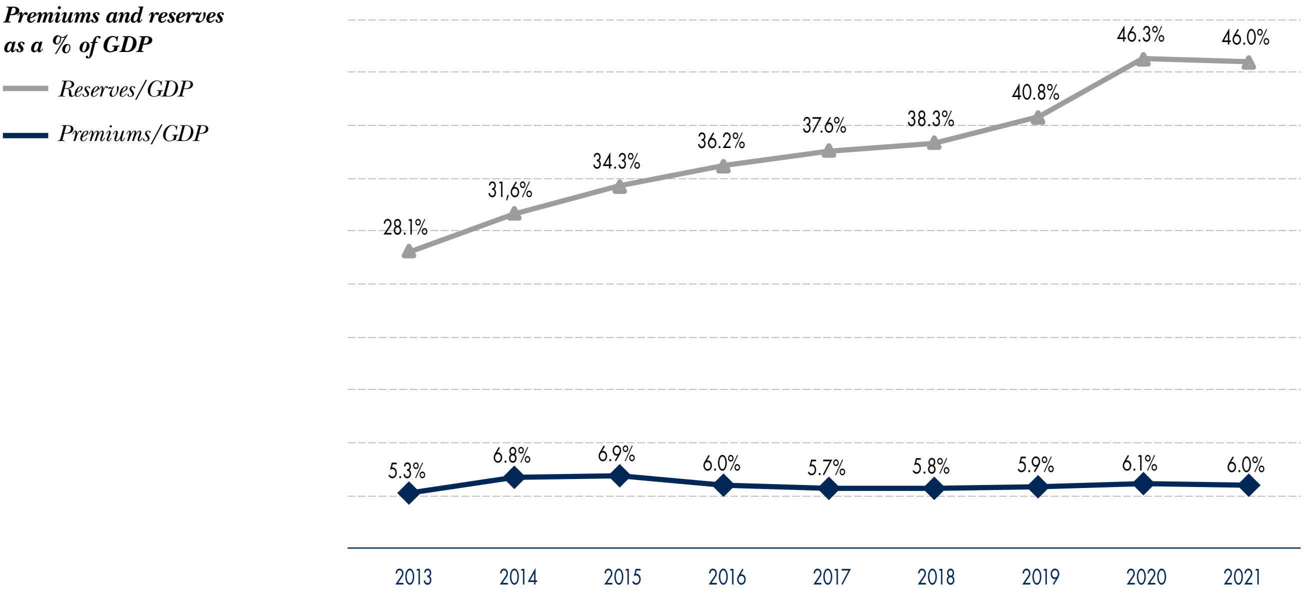
Taking the balance on outward reinsurance into account, the **overall balance of the technical account** was positive by €4,012 million, almost half a billion more than in 2020; therefore, the ratio to premiums went up (from 3.4% in 2020 to 3.8% in 2021) as did that to technical provisions (from 0.47% to 0.51%). In detail, the balance for the traditional classes (I and V) rose from €3,053 million to €4,422 million, while Class III (investment funds or index-linked) showed, for the first time in five years, a negative technical result of -€585 million, from +€338million in 2020, owing to the strong influence of multi-class products (where the investment is transferred to Class III during the year at a percentage decided by the customer, with a proportional increase in the provisions set aside at the end of the year to cover the value of underlying assets). The balance of the other life classes, €176 million in 2021, was the highest in the five-year period, after registering a low of €102 million the previous year.

Overall technical balance
Euro million



In 2021 growth in life insurance technical provisions of 6.4% was outpaced by the nominal increase of 7.2% in economic activity, so their ratio to GDP accordingly dropped from 46.3% to 46.0%, halting the progressive increase that had started in 2012. For the same reason, the ratio of life premiums to GDP also edged downward, from 6.1% in 2020 to 6.0% in 2021.

Premiums and reserves as a % of GDP



EVOLUTION OF THE SUPPLY OF LIFE PRODUCTS

Estimate of share of policies with guaranteed yields

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

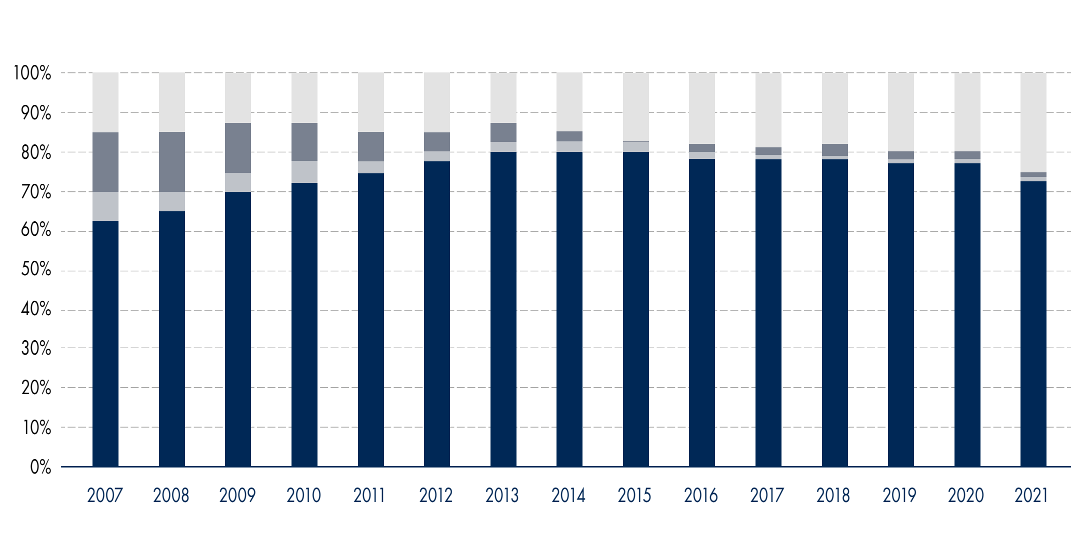
At the end of 2021 such policies accounted for 74% of all life insurance contracts (Figure 1), down from 78% the previous year. That share consists almost exclusively in Class I and Class V with-profit policies, including the Class I component of multi-class policies, amounting to 73%, while the guaranteed components in linked contracts and pension funds account for the other 1%.

Contracts envisaging financial protection mechanisms, mostly "protected" unit-linked funds, constituted some 1% of all contracts. The remaining 25% relates to unit-linked products where the investment risk is borne by policyholders.

Over the period 2007-2021, the guaranteed component of policies increased from just over 60% to 73%, owing to the increasing incidence of Class I and V which, however, have dropped in recent years after peaking at 80% in 2014. The shares of "protected" or guaranteed contracts in Class III and VI also dropped, to 1% from 7% in 2007, while the share of totally unprotected contracts increased from 15% in 2007 to 25% in 2021.

Figure 1
% composition of asset shares per type of guarantee

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



Fonte: Elaborazioni ANIA su dati IVASS e COVIP

[1] The policies with guaranteed yields are the following:
– Class I and Class V profit-sharing products, including with a minimum return guaranteed;
– unit-linked products classified as "guaranteed";
– index-linked products featuring benefits guaranteed by the insurance company;
– guaranteed sub-funds of pension funds (Class VI).

Asset allocation for life products

Again, using industry statistics, with some approximations[2] and assumptions, we can estimate the asset allocation related to life insurance contracts.

At the end of 2021, government securities constituted around 52% of the assets (Table 1) and corporate bonds just under 30%, while equities accounted for around 13% of the portfolio.

Table 1
Asset allocation of life products at the end of 2021

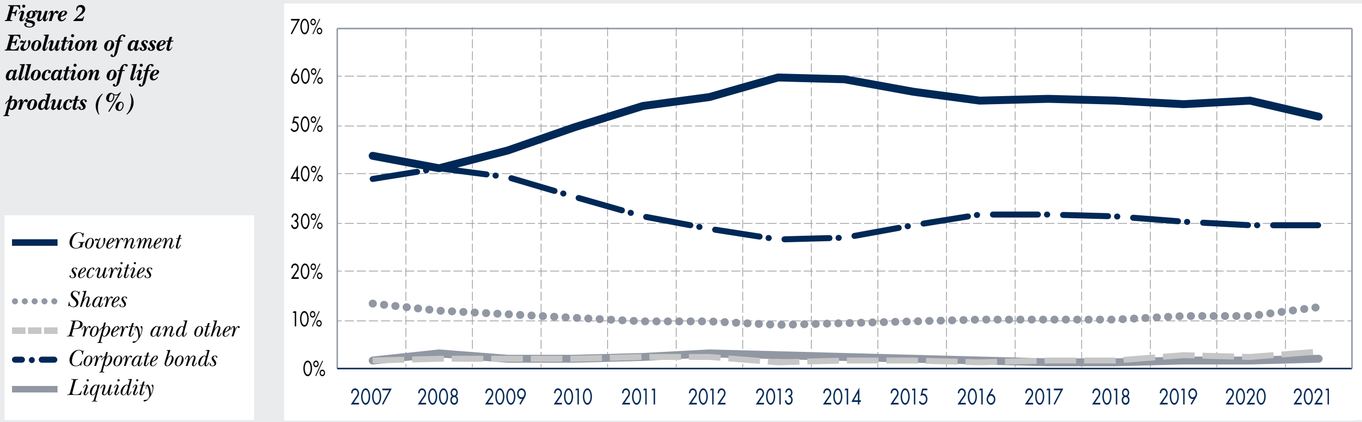
Asset allocation corresponding to life products	Macro-asset class			
	Total life market	Sub-total profit-sharing products	Sub-total linked products and pension funds	
			Total	of which: unit-linked
Government securities	51.9%	63.6%	20.5%	17.6%
Corporate bonds	29.5%	27.1%	36.0%	39.1%
Shares and other equities	12.7%	3.2%	38.6%	38.0%
Liquidity	2.2%	1.3%	4.7%	5.2%
Property and other	3.7%	4.8%	0.2%	0.1%
Total	100.0%	100.0%	100.0%	100.0%

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

Linked products and pension funds are characterized by a higher risk-yield profile. In particular, the portion invested in corporate bonds made up more than a third and that in equities around 40% of the portfolio.

Taking a look at asset allocation since 2007 (Figure 2), with reference to all life contracts, we find a decline in government securities investment in recent years and a very moderate upward trend in corporate bonds. The investment shares of these two macro-asset classes were more or less equal in 2008 but then diverged progressively until 2014.

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

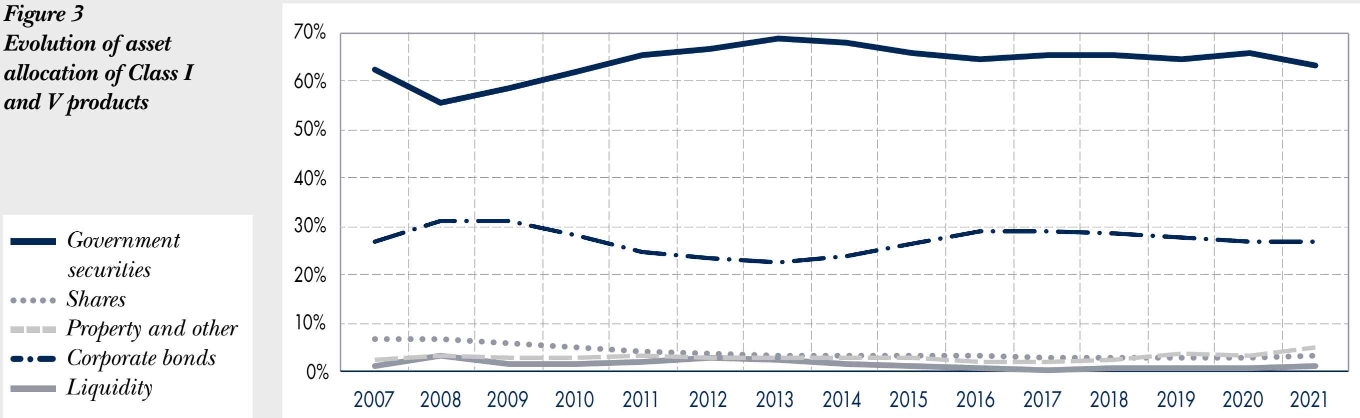


(2) In particular, the effective composition of investments in UCITS is estimated with a look-through approach to obtain the elementary assets (government securities, bonds, etc.) composing the investment.

The last few years have seen a modest increase in the small portion of equity securities, which rose to nearly 13% in 2021, while the portion allocated to liquidity, real estate and "other" assets remained negligible.

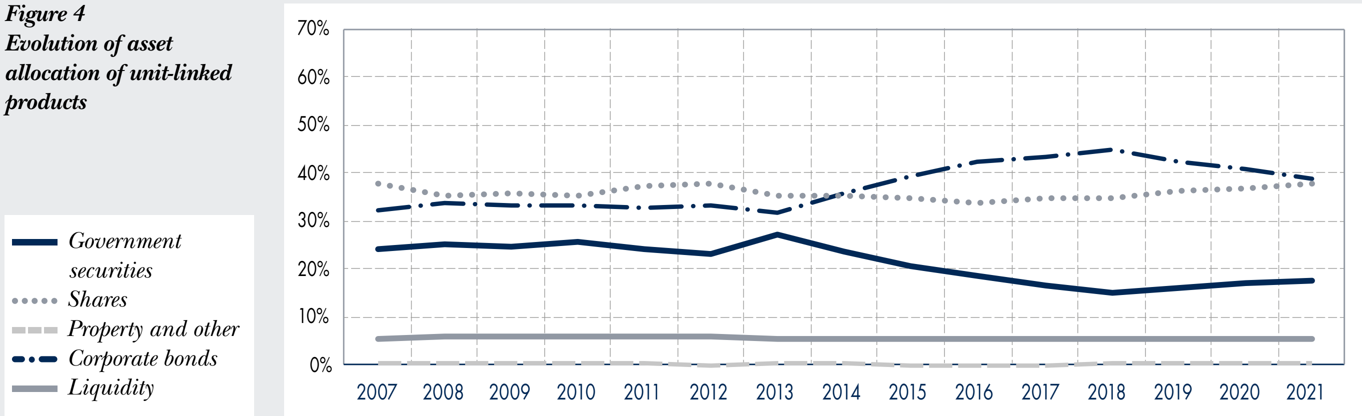
Referring only to profit-sharing and guaranteed minimum yield contracts in the life sector (Class I and V), the incidence of government securities, which still account for almost two thirds of the portfolio (Figure 3), has not changed in recent years. Likewise, the share invested in corporate bonds has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

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



Finally, as to the investment allocation of unit-linked funds, corporate bonds still account for the largest share, but the portion invested in equities has risen slightly in recent years (Figure 4).

Figure 4
Evolution of asset allocation of unit-linked products



Long-term evolution of net premium income

Over the period from the first quarter of 2007 to the first quarter of 2022, the quarterly performance of net premium income in life insurance – meaning, the difference for the life classes between paid premiums and benefits paid for surrenders, policies maturing, claims and annuities – has been variable, alternating negative periods (during the severe financial crises of 2007-2008 and 2011) and positive ones.

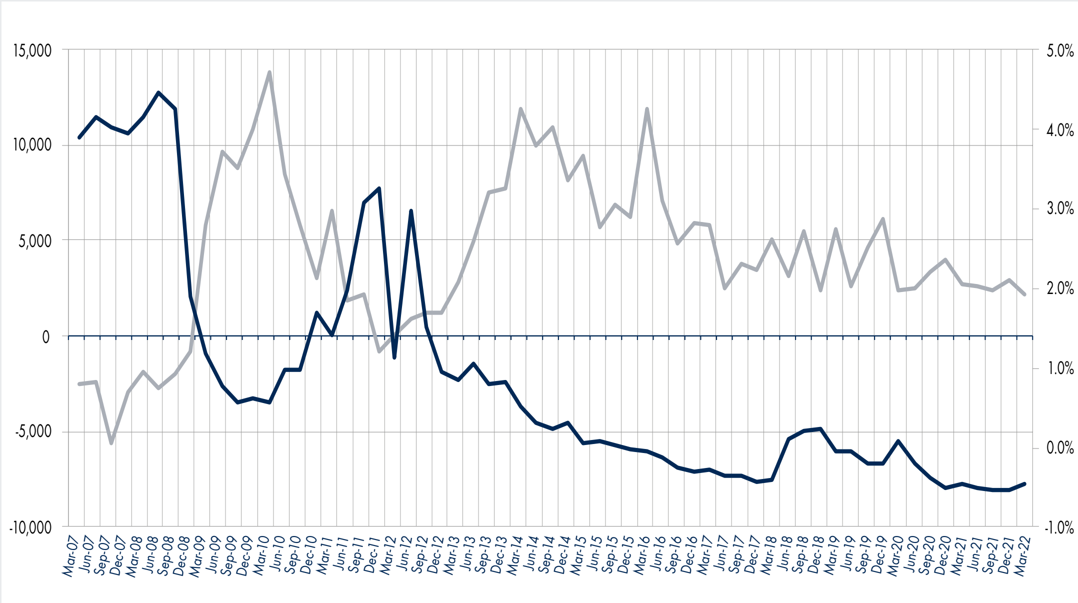
In particular, the income generated by Class I and V products shows a clear inverse correlation with the nominal yield of Italian government securities (Figure 5).

In fact those policies, considering the features of the separate asset portfolios to which they are usually linked (with a minimum guaranteed return), are especially competitive when government securities yields are low, as they were at least until the end of 2021.

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

Net life premium income (Class I and V) – € million (left-hand scale)

Gross yield on 6-month T-bills (right-hand scale)



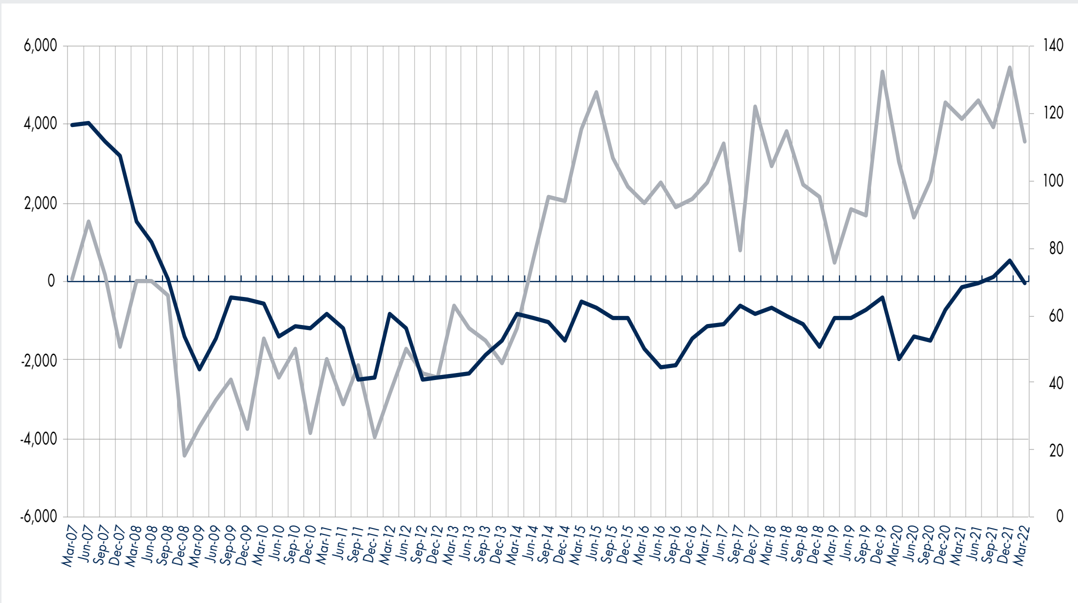
Source: ANIA, Refinitiv

As for the net premium income of Class III linked policies, in recent years it has always been positive, displaying a close correlation with the Italian FTSE MIB share index (Figure 6).

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

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

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

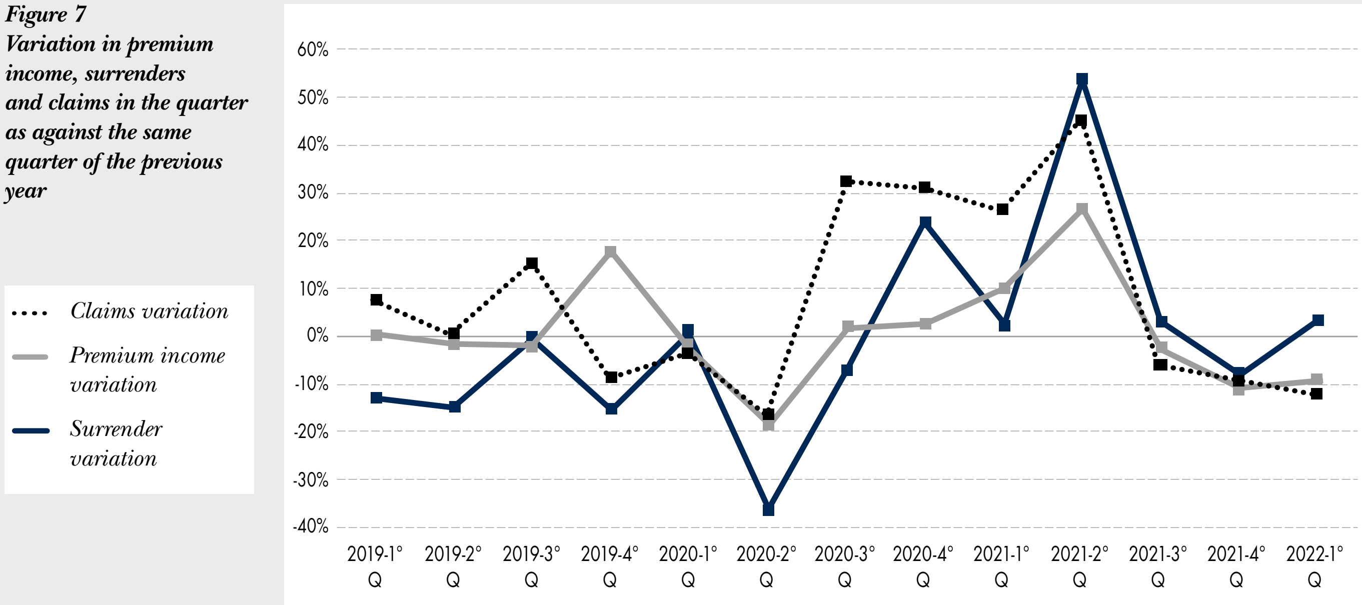


Source: ANIA, Refinitiv

Finally, developments from 2019 to the first quarter of 2022 have been analyzed with particular reference to premiums as well as surrenders and claims in comparison with the previous year.

As illustrated in Figure 7, in 2021 premium income first grew significantly, reflecting the negative impact of the pandemic the year before, and then diminished, pushing the result for the year into negative territory and carrying over to the first quarter of 2022.

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



As for the surrender rate, calculated as the ratio between the amounts paid for policy surrenders and the average value of reserves in the period, the first quarter of 2021 recorded a sharp increase (more than 50%), while the following quarters came back to 2020 levels. The rate dropped by 8% at the end of the year and rose marginally in the first quarter of 2022.The claims rate – the ratio of amounts paid for claims to the average value of reserves – showed a significantly higher value in the first quarter of 2021 than a year earlier. The rate then declined steadily through the rest of the year and into the first quarter of 2022, when it was 12% lower than in the year-earlier quarter.

ECONOMETRIC ANALYSIS OF LIFE POLICY DEMAND AND MACROECONOMIC VARIABLES

The close correlation between consumer prices and households' savings decisions has been thoroughly analyzed in economic research. Saving is the instrument that enables income earners to defer consumption decisions. The main factor in determining how much and what to consume in the future is the purchasing power of one's income, which – net of the yield on the investment of cumulative saving – is negatively correlated with price rises.

Every financial instrument is distinguished by its risk-yield characteristics. Life policies – especially traditional ones, protecting the policyholder at least against the loss of the nominal investment – are, generally speaking, a fairly low-risk savings product basically characterized by the low variability in yield flows and the certainty of the nominal value of the investment. Savers appreciate these features especially in times of uncertainty and constant or decreasing nominal interest rates.

Given the characteristics of insurance products, bonds make up the largest share of investments covering insurers' commitments. In a scenario of rising rates, the value of the investment in a life policy is still guaranteed for the policyholders (it would not be so if they invested directly in bonds), but the yield adapts only quite slowly to market developments.

After a decade of very moderate inflation – due at first to the long global financial crisis and then to the pandemic – over the last few months prices have suddenly spiked in all the industrialized economies, owing to a variety of factors. This section analyzes the correlation between life insurance premiums and inflation in order to outline mid-term trends.

This econometric analysis of the correlation between aggregate demand for life products (what is meant by "demand" here is specified below) and macroeconomic variables, especially monetary-financial variables, has been carried out on the basis of quarterly insurance and macroeconomic data.

Independent and control variables

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

1) **Monetary and financial variables**. These are strictly interconnected, and measuring their impact is the focus of this study; the main variables considered are current and expected inflation and its influence on such other relevant variables as the yield on various asset classes.

2) **Real economic variables**. These are the variables relating to current and expected economic output and income and how the latter is utilized (consumption and saving).

3) **“Sentiment” variables**. These represent the opinion of economic agents, describing vision and mood, especially for the future, on the evolution of the economic, financial and monetary situation.

4) **Control variables**. These variables were designed to “purge” the estimates of seasonal and temporary components and of structural changes so as to avoid spurious correlations.

The table below contains a list of the variables considered with a brief description and the macroeconomic index they are intended to represent.

1 Variable	Description	Type
BOT6	6-month T-bill yield rate	Monetary and financial
BOT12	12-month T-bill yield rate	Monetary and financial
INFLAZ	12-month change in quarterly consumer price index for clerical and production worker households	Monetary and financial
T_REALE A BREVE TERMINE	12-month T-bill real yield (BOT12-INFLAZ)	Monetary and financial
EQUITY	12-month change in quarterly FTSEMIB index	Monetary and financial
FTSEMIB_VARTRIM	Quarterly change in FTSEMIB index	Monetary and financial
FOI	Consumer price index for clerical and production worker households	Monetary and financial
FTSEMIB	Italian stock market index	Monetary and financial
EQUITY-1	12-month change in quarterly FTSEMIB index in previous quarter	Monetary and financial
FTSEMIB_VARTRIM-1	Quarterly change in quarterly FTSEMIB index in previous quarter	Monetary and financial
FTSEMIB-1	Italian stock market index in previous period	Monetary and financial
ABITAZ	Change in housing prices	Real
VAR_T_INV	% change in consumer households investment rate	Real
VAR_T_RISP	% change in consumer households saving rate	Real
VAR_RED_DISP	% change in consumer households disposable income	Real
T_INV	Consumer households investment rate	Real
T_RISP	Consumer households saving rate	Real
FID_CON	Consumer confidence index	Sentiment
VAR_FID_CON	Short-term variation in consumer confidence index	Sentiment
GIU_SEFM	Assessment of household’s own economic situation	Sentiment
ATT_SEFM	Households’ expectations for own economic situation	Sentiment
GIU_SEIT	Assessment of Italian economic situation	Sentiment
ATT_SEIT	Expectations for Italian economic situation	Sentiment
GIU_PZ	Assessment of price change	Sentiment
ATT_PZ	Expected price change	Sentiment
ATT_DIS	Expected unemployment	Sentiment
ACQBD_ATT	Current advantage of purchasing durable goods within 12 months	Sentiment
ACQBD_FUT	Future intentions to purchase durable goods within 12 months	Sentiment
RISP_ATT	Current advantage of saving	Sentiment
RISP_FUT	Potential future advantage of saving	Sentiment
GIU_BIFM	Assessment on household budget	Sentiment
Flag_Anno	Structural change dummy (1 through all of 2021, 0 after)	Control
Flag_trim1	Q1 dummy	Control
Flag_trim2	Q2 dummy	Control
Flag_trim3	Q3 dummy	Control
Flag_trim4	Q4 dummy	Control

Dependent variables and estimation methodologies

The purpose of this analysis is to estimate the sensitivity of life product demand to current and expected changes in some macroeconomic variables, with special attention to inflation rates. Unlike the case of ordinary goods, however, determining the prices and quantities of insurance products, especially in the life business, is not straightforward.

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

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

Given the high number of macroeconomic variables that might potentially affect life policy demand, we used a bottom-up approach that has only weak justifications in economic theory, estimating linear correlation coefficients starting from a single-variable model and adding other variables one at a time starting from the coefficient with the most highly significant estimate.

Data frequency is quarterly and the sample interval runs from 2007 to the first quarter of 2022, thus covering the two economic-financial crises of 2007-2008 and 2011-12, the pandemic crisis and the beginning of the Russia-Ukraine war. No significant regulatory changes have occurred in the Italian life insurance sector over the period.

The results

Class I

The dependent variable is the log balance between Class I inflows and outflows in each quarter. As mentioned above, a stepwise estimation technique was adopted. The percentage variability of the dependent variable that is explained by the model, measured by the R^2, is very high, close to 80%.

The independent variables that proved to be significant, along with seasonal adjustments and a control for a possible structural change in 2011 due to the crisis triggered by the spread on Italian government bonds, are listed in the table below, with signs indicating their impact on net flows.

In line with the findings of many works in the economic literature, the coefficient for the effective current inflation rate is negative, presumably because the higher the inflation rate, the lower the propensity to save. This is confirmed by the negative coefficient for the ATT_PZ "sentiment" variable registering the expectations for consumer price increases. Higher future prices not only indicate an environment of greater uncertainty but also make current consumption more desirable (time substitution effect) and reduce future purchasing power (income effect).

The negative correlation with the real short-term interest rate (calculated as the 12-month Treasury bill rate net of current inflation) cannot be interpreted in straightforward fashion. The variable may possibly be interpreted as the yield on an alternative short-term investment: therefore, as the yield on an alternative short-term security decreases, the attractiveness of long-term insurance investment increases and vice-versa.

The plus sign and the high statistical significance of the estimated coefficient for the variable measuring structural change (Flag_Anno) – which is a binary variable, taking value 1 through 2011 and 0 from 2012 on – is very interesting. It shows that the structure of the Class I life policy market was permanently altered following the spread crisis. The plus sign indicates that before the crisis, i.e. until the end of 2011, when the European Central Bank committed to purchase the government bonds under speculative attacks in order to preserve the Euro, the demand for these policies, other conditions being equal, was higher.

The easing of the yield pressure following the "whatever it takes" declaration by the ECB may have shifted the life product supply mix, so that Class III, with its greater equity content, prevailed over Class I, by reason of the impact of the yield decline on their already very slender margins.

The interpretation of the negative coefficient for the propensity to purchase durable goods in the next 12 months is quite straightforward. Households, when about to make a major purchase, either decide not to invest in Class I policies or divest in those they already have through surrenders.

Variable	Coefficient	Significance (*)
Intercetta	+8.707	+++
T_REALE A BREVE TERMINE	-15.635	+++
INFLAZ	-15.458	+++
Flag_Anno	+0.359	+++
ATT_PZ	-0.004	++
ACQBD_FUT	-0.009	+++
flag_trim1	+0.093	+

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

Class III

Again in this case, the dependent variable is the logarithm of the balance between Class III premium inflows and outflow payments in each quarter. A stepwise estimation technique was employed with a 10% significance threshold. The percentage of variability of the dependent variable in the model, measured by the R^2, is slightly lower than the Class I estimated model, but still very high and close to 80%.

The variables for which the estimated coefficients are statistically significant and are accordingly included in the final model, are fewer, facilitating interpretation.

The interpretation of the negative coefficient for the real 12-month Treasury bill rate net of inflation (the real short-term rate) is similar to that in the previous model. The higher the yield of a bond-type alternative asset, the less attractive a Class III insurance product, even if the latter consists mostly of equities.

This regression does not include the inflation rate, but it does factor in households' assessment of the consumer price trend (a "sentiment" variable), which is clearly correlated with the inflation rate. This confirms the thesis that rising prices (declining future purchasing power) discourage all forms of saving, including life policy investments.

The coefficient of the Flag_Anno variable associated with structural change is of the opposite sign from the previous regression. This confirms the shift towards products of higher equity content in a low interest rate scenario.

Finally, the plus sign of the coefficient for the FTSEMIB index in the previous quarter, it too highly significant, shows that linked policies investment is closely correlated with strong performance by the stock markets.

Variable	Coefficient	Significance (*)
Intercetta	+7.891	+++
T_REALE A BREVE TERMINE	-5.659	++
Flag_Anno	-0.762	+++
FTSEMIB-1	+0.052	+++
GIU_PZ	-0.005	+++

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

Conclusion

The recent spike in inflation abruptly ended a period of price moderation that had lasted for many years despite the very accommodating monetary policy stance of the main central banks. This shift can be expected to affect many sectors of the economy.

This study has focused on the effects of the inflation climate on the demand for life insurance products. By estimating two simple sectoral models, we have confirmed that households tend to save less when they observe – and expect – rising prices and, therefore, other conditions being equal, to invest less in life policies, both traditional and linked.

The impact of the real short-term interest rate on the demand for insurance products must also be weighed with care. Insurance savers are induced to invest more in life policies when alternative short-term bond rates are low or, even worse, strongly negative, as they were in the financial conjuncture that ended at the end of 2021. This applies above all to current accounts, whose yield at present is practically nil. Given the very substantial stock of financial assets held by households in liquid or in any case short-term forms, this variable, together with inflation, can be expected to play a key role in the immediate future.

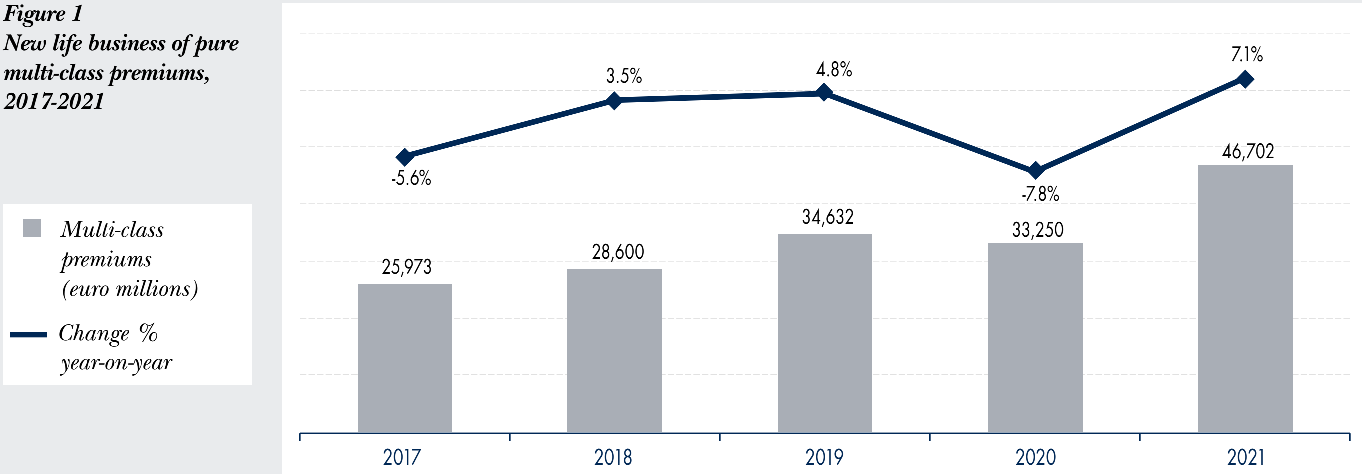
MULTICLASS LIFE PRODUCTS

Multi-class products (excluding pension and individual saving plans), resulting from the combination of a traditional insurance component with guaranteed minimum return (Class I) and multiple unit-linked investment options (Class III), saw an accelerated increase in their share of the product portfolio offered by almost all insurers.

Multi-class products in new individual life business

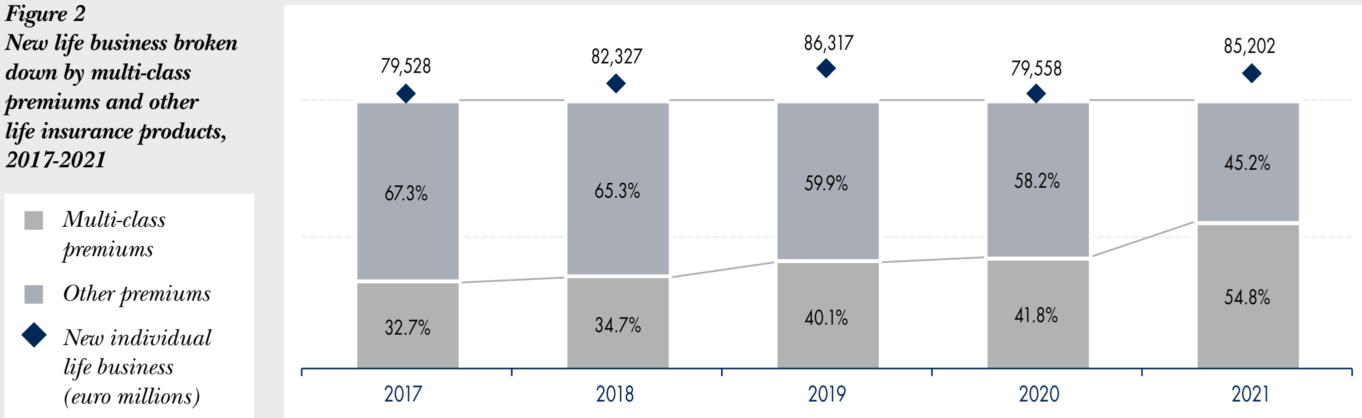
Multi-class products target mainly “retail” customers with individual policies. In 2021, roughly 1.1 million new multi-class policies were subscribed (910,000 in 2020), for a volume of premiums of €46.7 billion, up by an average of €13 billion over 2019-2020 and by €20 billion over 2017-2018 (Figure 1).

Figure 1
New life business of pure multi-class premiums, 2017-2021



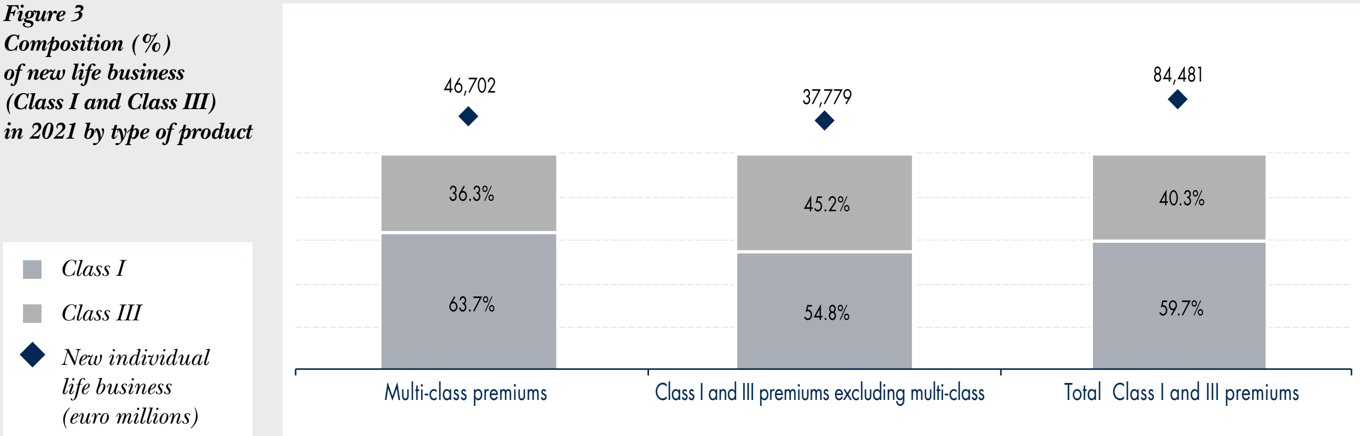
The incidence on total new individual life business is increasing rapidly; it amounted to 33% in 2017-18, topped 40% in 2019-2020 and reached 55% in 2021 (Figure 2).

Figure 2
New life business broken down by multi-class premiums and other life insurance products, 2017-2021



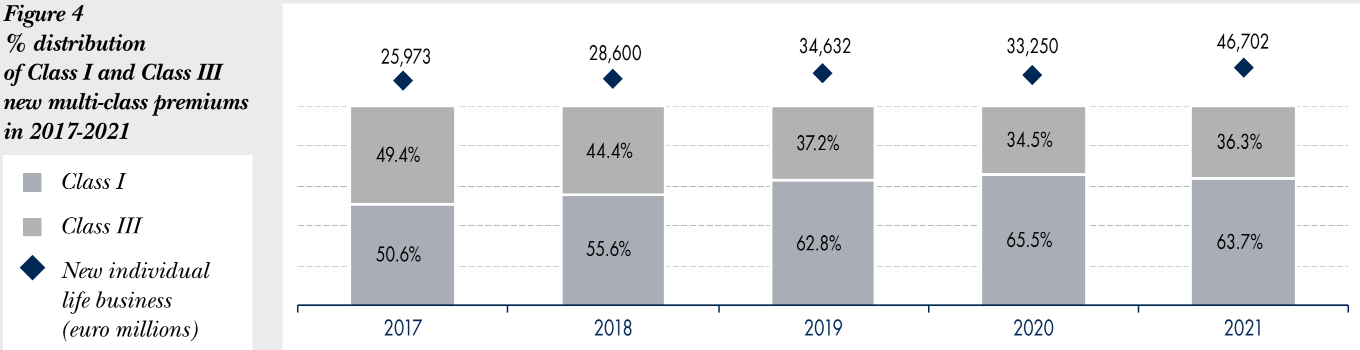
In particular, focusing on the composition of the Class I and III elements, in 2021 multi-class products accounted for 63.7% of Class I premiums (65.5% in 2020), higher than their shares in Class I premiums in new life business (59.7% in 2021 against 68.7% in 2020) and more than that of single-class products (only Class I or III net of multi-class products). The share of Class I premiums in total new single-class business was 54.8%, down from 71.0% in 2020 owing to the significant increase in unit-linked policies in 2021 (Figure 3).

Figure 3
Composition (%) of new life business (Class I and Class III) in 2021 by type of product



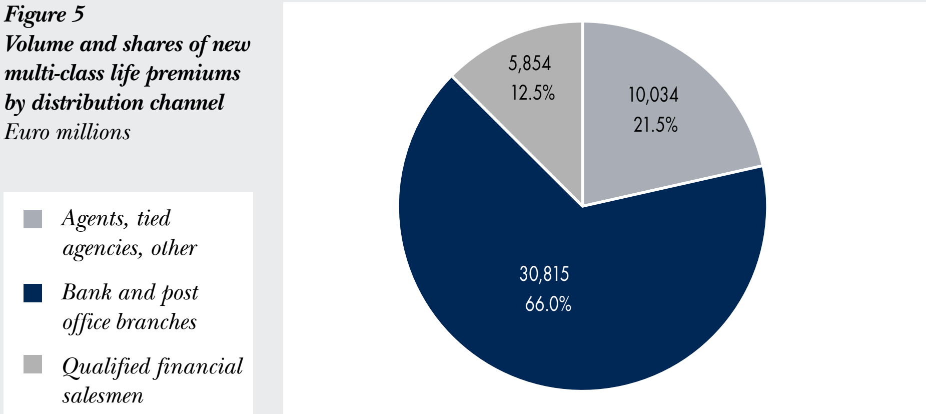
Limiting our analysis to multi-class products in the five years 2017-2021, we see that in the last year the share of new premiums accounted for by Class I was significantly higher than in 2017-2018, 1 percentage point more than in 2019 and about 2 points lower than in 2020 (Figure 4). In 2021, the broad upward movement in financial and stock markets (with prices actually surpassing those of the pre-crisis period) led, especially in the second half of the year, to a significant growth of their indexes and a consequent rise in Class III premiums, which is also reflected in the composition of the multi-class products.

Figure 4
% distribution of Class I and Class III new multi-class premiums in 2017-2021



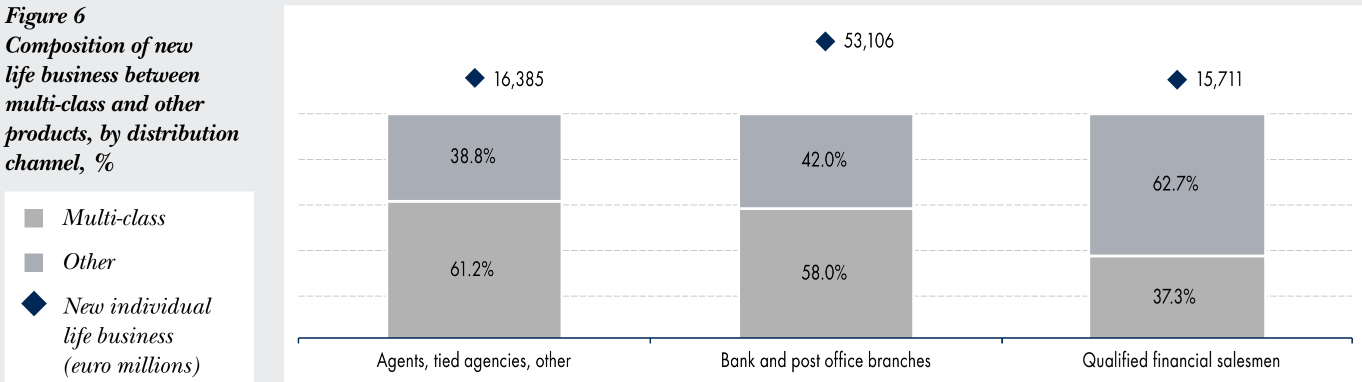
As to the various distribution channels (Figure 5), bank and post office branches distributed €30.8 billion worth of multi-class products in 2021. This was up 35.1% on 2020 in volume but down in percentage terms, accounting for 66.0% (68.6% in 2020 and 72.6% in 2019), and nevertheless higher than the share of total new life business marketed through that channel (62.3%). Financial salesmen distributed 12.5% of new multi-class business, for a total of €5.9 billion, higher than in 2020 (11.2%) but lower than their share of overall new business (18.4%). Insurance agencies and other channels placed a 21.5% share of multi-class products (20.2% in 2020), more than the market share of these channels in total life insurance business (19.2%, of which 17% from agencies alone).

Figure 5
Volume and shares of new multi-class life premiums by distribution channel
Euro millions



As regards the composition of total new life business according to distribution channel, 61.2% of premiums earned by agencies and other channels consisted in multi-class products (47.5% in 2020); these products accounted for 58.0% of bank and post office branches' premiums, up from 42.2% in 2020, while for financial salesmen the share decreases by more than 4 percentage points to 37.3% (Figure 6).

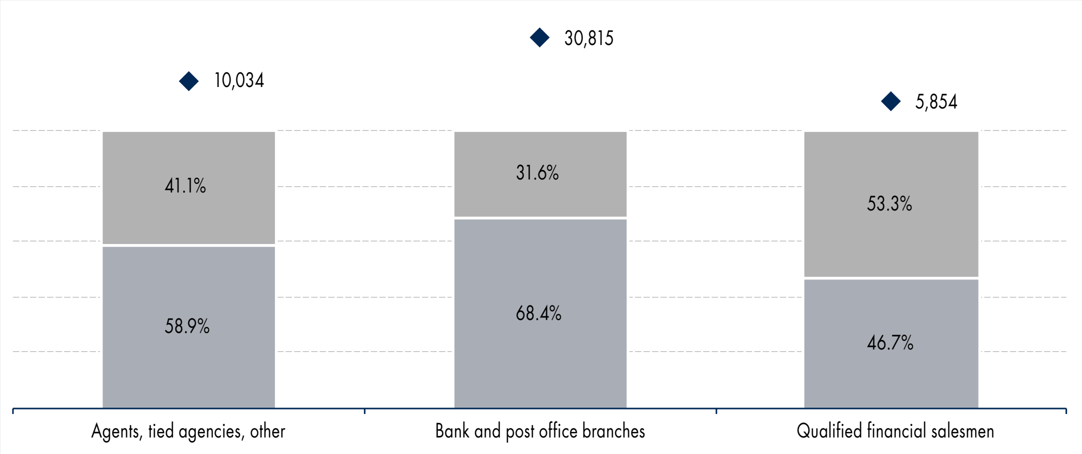
Figure 6
Composition of new life business between multi-class and other products, by distribution channel, %



For multi-class policies distributed by bank and post office branches the share invested in the Class I component was preponderant (68.4%), for those placed by agencies it was smaller (58.9%), while for financial salesmen, unlike the other channels, again in 2021 the largest share was Class III with 53.3% of the total (Figure 7).

Figure 7
New life business, multi-class, Class I and Class III premiums by distribution channel

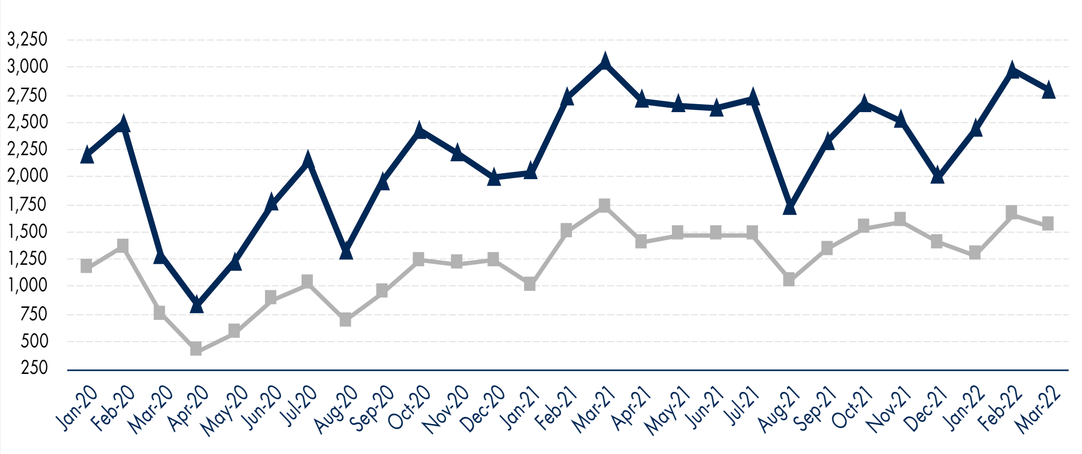
Class I
Class III
Multi-class premiums (euro millions)



Looking at monthly multi-class premiums in 2020-21 and the first part of 2022, the Class I component is still dominant compared with Class III, which shows a more volatile trend than Class I (Figure 8).

Figure 8
Monthly trend of Class I and III new business in multi-class products
Euro millions

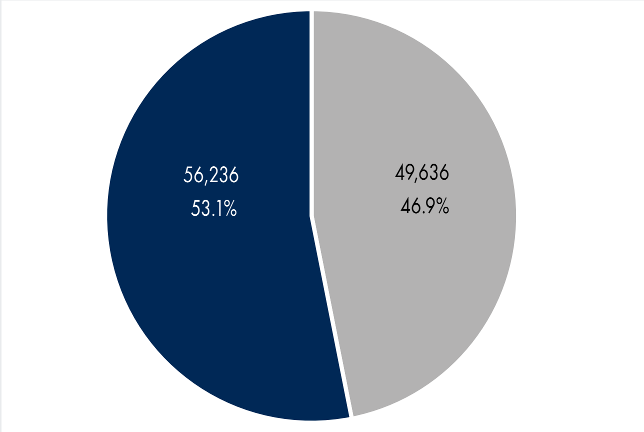
Class I – multi-class products
Class III – multi-class products



2021 cash flows and provisions

Total premiums written for pure multi-class policies (excluding pension and individual saving plans) amounted to €49.6 billion in 2021, or 46.9% of all life business, a significant rise from 33.7% in 2020 (Figure 9). Premiums generated by multi-class products rose by 45.3% from 2020 (+46.0% in Class I and +44.1% in Class III).

Figure 9
Multi-class and other products: written premiums
Euro million

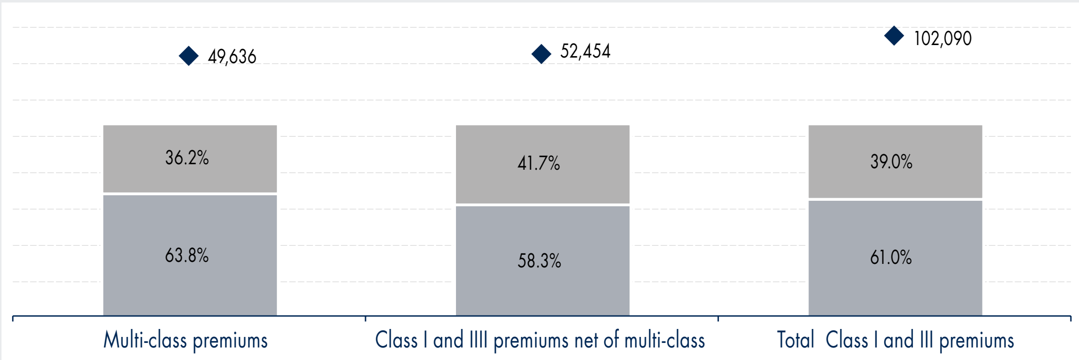


Multi-class products
Other products

For written premiums as well, the Class I component of multi-class products, which accounted for 63.8% in 2021 (63.5% in 2020), was higher than its share of total Class I and III premiums (61.0%) or of "single-class" product premiums (58.3%) (Figure 10).

Figure 10
% Composition of written life premiums, 2021, multi-class, Class I and Class III premiums by product type

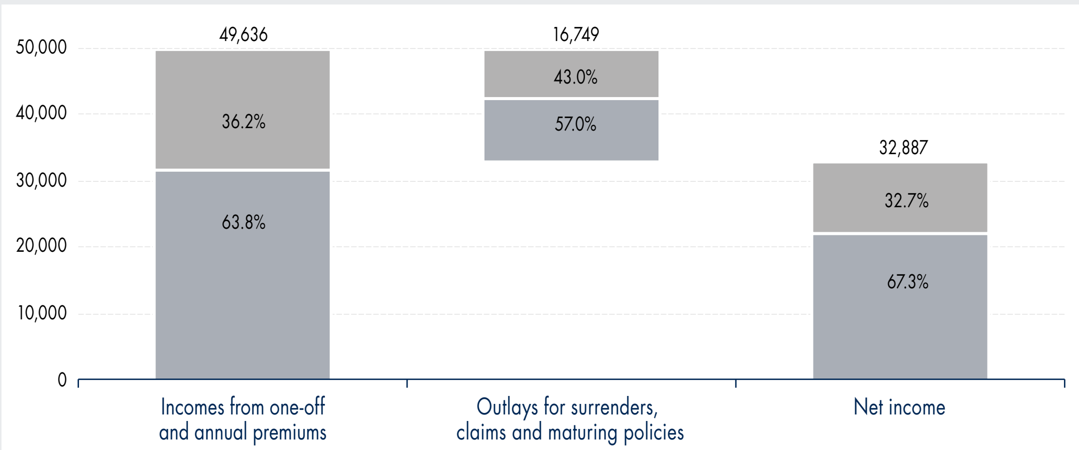
Class I
Class III
Written premiums (euro million)



Total expenditures for multi-class policies amounted to €16.7 billion (17.3% more than in 2020), 80% of which for surrenders and the rest almost exclusively claims for death and other events affecting human life covered by life policies. The balance between income (premiums) and outlays (payments for surrenders, policies maturing, annuities and claims) was therefore substantially positive at €32.9 billion (up 64.9%), more than the total net flow for life business during the year (€30.2 billion) (Figure 11).

Figure 11
Net premium income (premiums net of expenditures) for multi class products
Euro million

Class I
Class III

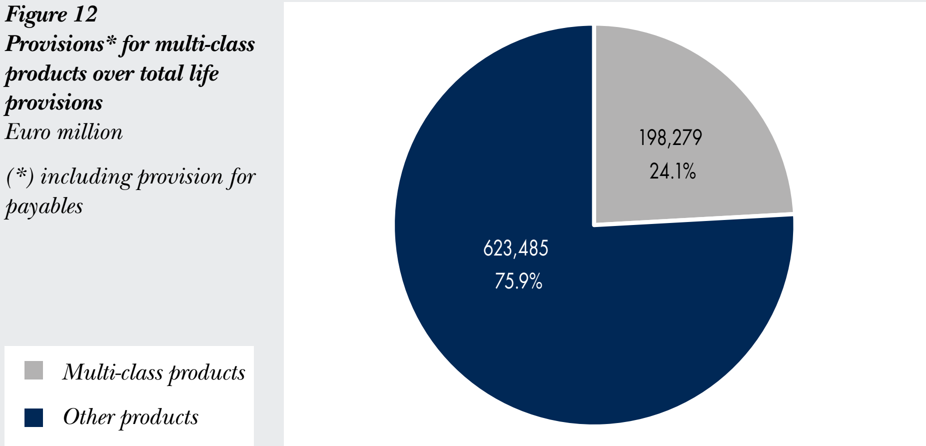


In detail, the portion of multi-class policies corresponding to Class I products produced a positive cash flow of €22.1 billion, far greater than the €12.6 billion produced by all policies in this class; the portion invested in funds (Class III) generated €10.8 billion, around 60% of the total net cash flow generated by Class III policies overall (€18.3 billion).

At the end of 2021, the life technical provisions (also including provisions for payable amounts) covering multi-class contracts amounted to €198.3 billion (+23.5% on 2020), or 24.1% of the overall life provisions in the Italian market (20.8% in 2020) (Figure 12).

Figure 12
Provisions* for multi-class products over total life provisions
Euro million

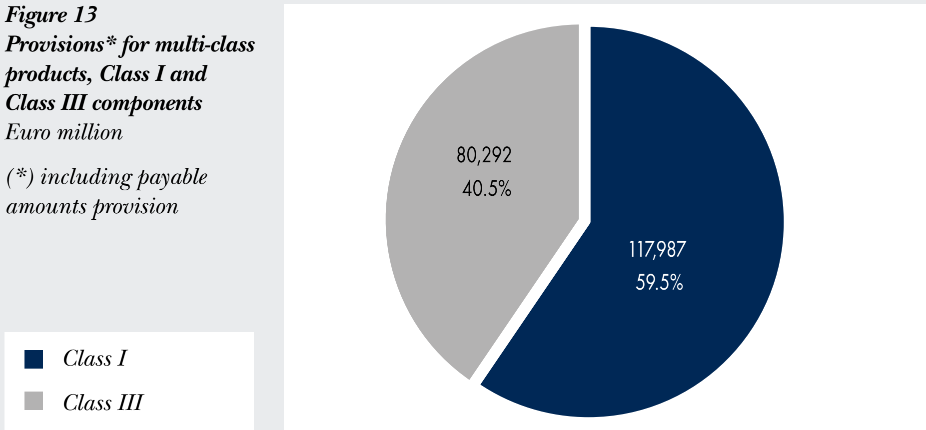
(*) including provision for payables



As for multi-class policy provisions, 59.5%, amounting to €118.0 billion, was in respect of the Class I component (up by 21.0% compared with 2020), and the remaining 40.5% was for Class III, up by 27.4% (Figure 13).

Figure 13
Provisions* for multi-class products, Class I and Class III components
Euro million

(*) including payable amounts provision



LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

The impact of the pandemic crisis on households' disposable income was absorbed in 2021. Disposable income rebounded (expanding by 3.8% after contracting by 2.7% in 2020), boosted by a remarkable growth in employees' compensation (+7.6%, -6.7% in 2020), self-employment income (+7.5%, -11.3%) and property income (+1.6%, -4.2%). The reacceleration in consumer prices resulted in more moderate growth in real income (or purchasing power), which nevertheless remained positive (+2.1%, after diminishing by 2.5% in 2020) (Table 1).

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

	Composition %	Change %		
	2021	2019	2020	2021
Compensation of employees	62.7	2.2	-6.7	7.6
Income from self-employment[2]	23.3	-2.2	-11.3	7.5
Net income from property[3]	21.3	0.5	-4.2	1.6
Social benefits and other net transfers	36.4	3.6	10.9	0.4
Net social contributions (–)	24.3	3.0	-4.9	6.8
Current taxes on income and property (–)	19.4	3.3	-2.9	7.3
Gross disposable income	100.0	0.7	-2.7	3.8
in real terms[4]	–	0.1	-2.5	2.1
Average propensity to save[5]	–	7.4	15.1	12.5

(1) *Referred to consumer households.*
(2) *Mixed income and withdrawals from income of quasi-corporations.*
(3) *Gross result (mainly rental income), net income from land and intangible assets, net interest, dividends and other profits distributed by companies*
(4) *Deflated by consumption deflator of consumer households.*
(5) *% ratio between savings, gross of amortization and net of variations in pension fund reserves, and gross disposable income.*

Source: Based on ISTAT and Bank of Italy data

The recovery is also confirmed by the performance of anti-cyclical components, such as the sharp slowdown in the growth of social benefits (+0.4% from +10.9%) and the shift into positive territory of net social contributions (+6.8% from -4.9%) and income tax in general (+7.3% from -2.9%).

Households' propensity to save remained at an exceptionally high level (12.5%) even though it declined by 3 percentage points.

Financial saving

In 2021, the net financial saving of Italian households and non-profit institutions serving households (for brevity, simply "households") amounted to €73.8 billion, dropping sharply from €112.5 billion the previous year, but still several times higher than in previous years. The decline in the flow of saving was the result of a surge in divestment of households' assets, from €3.5 billion in 2020 to €35 billion in 2021, clearly indicating that the economic recovery enabled Italians to proceed with consumption plans that had been deferred during the pandemic. Financial inflows dropped only marginally, from €116 billion to €109 billion (Table 2).

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

ITEMS	YEAR-END STOCKS (millions of euro)	YEAR-END STOCKS / TOTAL ASSETS (%)		FLOWS (millions of euro)	
	2021	2020	2021	2020	2021
ASSETS [(2)]					
Bank instruments	200,683	3.8	3.8	19,543	15,249
Deposits [(3)]	1,428,435	27.8	27.2	85,141	57,266
Italian	1,397,056	27.1	26.6	86,163	57,266
sight deposits	974,138	18.3	18.5	89,145	71,793
other deposits	422,919	8.9	8.0	-2,982	-14,527
Foreign	31,379	0.6	0.6	-1,022	0
Bonds	233,220	5.3	4.4	-25,967	-23,459
Italian	164,876	3.8	3.1	-22,152	-14,805
of which: Government	121,634	2.7	2.3	-2,302	-6,170
bank	29,996	0.7	0.6	-18,267	-6,383
Foreign	68,343	1.6	1.3	-3,815	-8,654
Shares of common funds	771,061	13.8	14.7	35,974	38,301
Italian	234,979	4.6	4.5	7,586	-9,729
Foreign [(4)]	536,082	9.3	10.2	28,388	48,030
Shares and other equity	1,251,471	22.4	23.8	-21,880	-16,373
Italian	1,146,786	20.6	21.8	-24,341	-16,867
Foreign	104,685	1.9	2.0	2,461	494
Insurance, pension funds, severance pay	1,213,808	24.0	23.1	30,604	29,856
of which: reserves of the life sector	886,716	17.6	16.9	24,095	20,938
Other assets issued by residents [(5)]	157,356	2.9	3.0	-7,440	8,087
Total assets	**5,256,034**	**100.0**	**100.0**	**115,974**	**108,927**
memo item: managed savings [(6)]	1,790,515	33.9	34.1	64,562	64,867
LIABILITIES					
Short-term debt [(7)]	46,101	4.3	4.6	-5,973	2,549
of which: bank	42,747	4.0	4.3	-4,286	2,152
Medium and long-term debt [(8)]	727,711	72.9	72.7	14,292	25,313
of which: bank	620,128	62.3	61.9	14,558	19,815
Other liabilities [(9)]	227,815	22.8	22.7	-4,798	7,180
Total liabilities	**1,001,627**	**100.0**	**100.0**	**3,521**	**35,043**
BALANCE	4,254,407			112,454	73,884

(1) Consumer households, producer households and non-profit institutions serving households. For a definition of series and calculation methods, see the item Italian assets and liabilities under the Methodological Note to the Appendix. The last figures are rounded.
(2) Managed asset portfolios are not specified. Invested assets are included in the single instruments.
(3) Includes Bancoposta current accounts and Cassa Depositi e Prestiti liabilities.
(4) The methodological revisions introduced by ECB Guideline 2018/19 in the field of external statistics affected the data on the households' foreign common funds.
(5) Trade credits, derivatives, employees' stock-options and other minor items.
(6) Investment funds, life insurance, pension funds and supplementary funds, excluding severance pay.
(7) Includes funds from factoring companies.
(8) Includes securitized loans, payables to leasing companies, consumer credit from financial companies and loans from other residents.
(9) Trade payables, severance pay funds and minor items.

Sources: Conti Finanziari, Banca d'Italia

As for assets, net inflows to all asset classes increased in 2021, with the exception of government and corporate bonds (-€23.5 billion, -€26.0 billion in 2020) and equities (-€16.3 billion from -€21.9 billion). Managed assets – defined as the sum of investment fund units, life insurance, pension funds and supplementary pensions (excluding severance pay) – had investment inflows similar to 2020 (+€59.2 billion). The investment flow into insurance policies dropped slightly but remained strongly positive (+€20.9 billion).

At the end of 2021, the stock of financial assets held by Italian households amounted to €5,256 billion, up by more than €500 billion from a year earlier. The largest share of Italian households' financial wealth still consists in liquid instruments, i.e. bank deposits (27.2%, 27.8% at end-2020), followed by shares and other equity (23.8%, 22.4%), followed closely by insurance, pension funds and employee severance pay provisions (23.1%, 24.0%) – including life insurance provisions (16.9%, 17.6%). At the end of 2021, mutual fund units accounted for 14.7% of the financial assets of Italian households (13.8% a year earlier).

Given the ostensible contradiction between the evolution of Italian households' portfolio mix and that of their asset inflows and outflows, a methodological observation is in order here. The weight of some asset classes – such as managed assets, including life policies – diminished even though they registered substantial inflows over the year. This contradiction is resolved when one considers that the amounts are calculated at current prices – i.e. incorporating the wealth effects given by the increase and decrease of assets' prices from one year to the next – while the flows are valued at constant asset prices, i.e. net of the wealth effects given by price variations.

By way of example, we can observe that the share of households' wealth invested in shares and other equity rose by 1.4 percentage points in 2020 despite a net outflow in excess of €16 billion. Conversely, the managed asset share (investment funds, life policies and pension funds) remained broadly unchanged regardless of inflows of almost €60 billion.

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

Enrollments in supplementary pension plans continued the gradual growth of recent years; the number of new members came to 664,000 in 2021, around 178,000 more than the previous year.

At the end of 2021, the number of pension plan accounts was 9.7 million, with 4.2% growth from the previous year (Table 1).

Table 1
Evolution of accounts by pension plan

Pension plans	Number of accounts 2020	Number of accounts 2021	Change %
Occupational, FondInps	3,261,244	3,457,302	6.0%
Open funds	1,627,731	1,735,459	6.6%
Individual retirement plans	3,849,410	3,935,186	2.2%
Pre-existing funds	646,934	648,370	0.2%
Total	**9,341,137**	**9,733,947**	**4.2%**

Source: ANIA elaborations based on COVIP data

At the end of 2021, the effective number of enrollees (shorn of multiple enrollments) was 8.8 million, 34.7% of the labor force (persons employed plus job seekers above 15 years of age), with 3.9% growth from the previous year (Table 2). However, in 2021 the number of enrollees who had stopped paying contributions remained significant at more than 2.4 million: such non-payment was most common for open retirement plans.

Table 2
Evolution of enrollments by pension plan

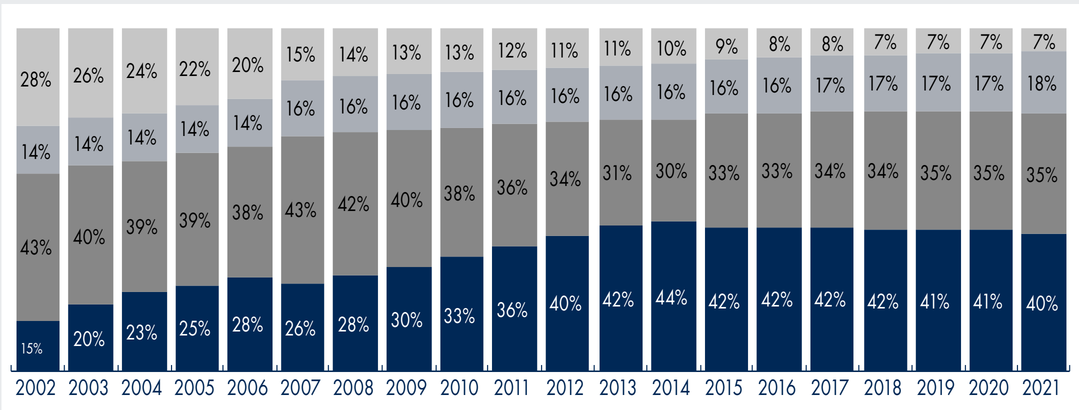
Pension plans	Number of participants 2020	2021	Change %
Occupational, FondInps	3,184,463	3,368,703	5.8%
Open funds	1,590,319	1,694,029	6.5%
Individual retirement plans	3,688,131	3,766,952	2.1%
Pre-existing funds	616,529	622,036	0.9%
Total	**8,443,271**	**8,771,149**	**3.9%**
Labor force (millions)	25.6	25.3	-1.2%
Share of labor force	33.0%	34.7%	1.7%

Source: ANIA elaborations based on COVIP data

In particular, open funds showed the sharpest growth in enrollments (+6.5%), followed by occupational pension funds, which instead showed the highest increase in absolute terms (more than 184,000) (Figure 1). Over the last three years, the percentage shares of participants in pension plans were mostly unchanged.

Figure 1
Existing positions by type of pension fund, 2002-2021

Pre-existing funds
Open funds
Occupational
Ind. ret't plans



Source: ANIA elaborations based on COVIP data

The total contributions paid to pension funds went up by 6.1% from 2020 (Table 3). In particular, this increase was due chiefly to open funds, inflows to which gained almost 12.7%, while increases in the other pension plans were rather limited.

Table 3
Pension fund contributions, 2020-2021 *(euro million)*

Pension plans	Contributions 2020	2021	Change %
Occupational, FondInps	5,488	5,788	5.5%
Open funds	2,343	2,641	12.7%
Individual retirement plans	4,834	5,129	6.1%
Pre-existing funds	3,922	4,044	3.1%
Total	**16,592**	**17,602**	**6.1%**

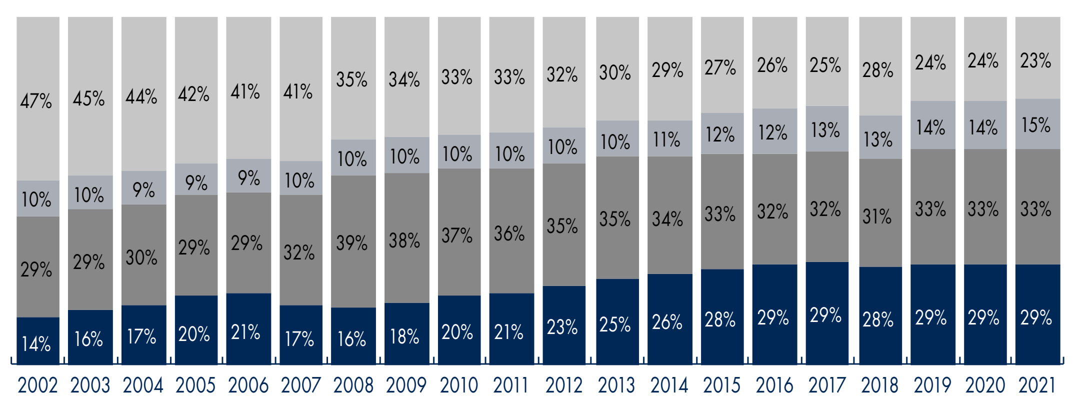
Source: ANIA elaborations based on COVIP data

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

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

Pre-existing funds
Open funds
Occupational
Ind. ret't plans

Source: ANIA elaborations based on COVIP data



During 2021 financial markets were highly volatile, with positive overall performance for managed assets. While the revaluation of severance pay entitlements was 3.6% in 2021, the average yield, net of operating expenses, on the various occupational pension plan lines was 4.9%, that on open funds 6.4%, that on IRP segregated accounts 1.3%, and that on unit-linked IRPs 11.0%.

The resources allocated to benefits exceeded €213 billion, or 12.0% of nominal GDP and 4.1% of households' financial saving, with growth of 7.8% with respect to the end of 2020 (Table 4).

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

Pension plans	Resources managed 2020	Resources managed 2021	Change %
Occupational, Fondinps	60,368	65,322	8.2%
Open funds	25,373	28,966	14.2%
Individual retirement plans	46,104	51,326	11.3%
Pre-existing funds	66,022	67,636	2.4%
Total	**197,866**	**213,251**	**7.8%**
Share of GDP	12.0%	12.0%	0.0%
Share of households' financial savings	4.1%	4.1%	0.0%

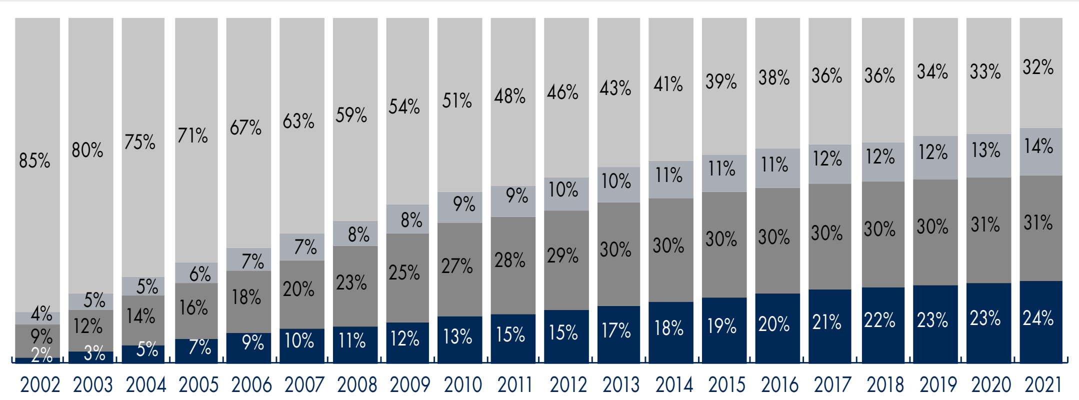
Source: ANIA elaborations based on COVIP data

The sharpest increase in relative terms was recorded by resources managed by open funds. Individual retirement plans recorded the highest increase in absolute terms. Pre-existing funds, despite their more limited growth than the other forms in 2021 and the progressive decline in their share of resources in relation to those of the other pension types, continued to account for the largest share of resources (Figure 3), equal to a third of the total.

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

Pre-existing funds
Open funds
Occupational
Ind. ret't plans

Source: ANIA elaborations based on COVIP data



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

The return on with-profit policies

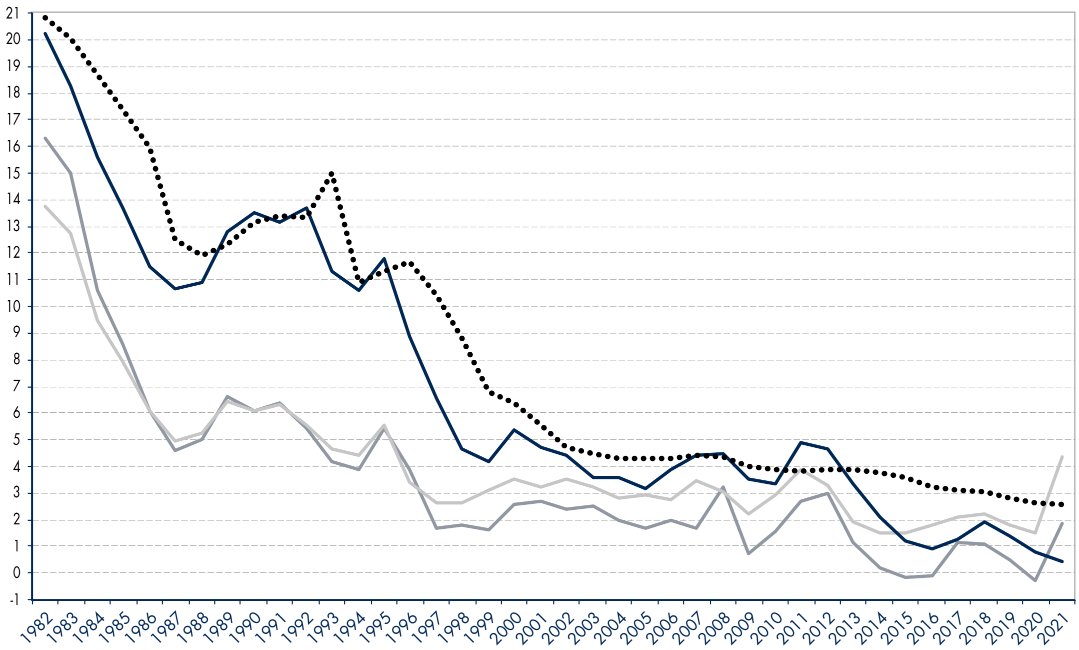
The benefits generated by with-profit policies grow according to the returns on the segregated funds, special insurance funds mostly invested in fixed-income securities, entered in the accounts, for the purpose of determining their return, at purchase or book value, a method also defined as "historical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

Historically, the average return on the hundreds of segregated funds in the Italian market has always been positive and higher than inflation and the rate of revaluation of severance pay entitlements, except in 2021, and also higher than the yield on government securities (Figure 1). Over the last five years, in particular, the average yield amounted to 2.8% (2.57% in 2021), against 1.1% for the Rendistato index (a basket of government securities with residual maturity of more than one year), 2.4% for severance pay entitlements, and inflation of 0.9%.

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

Inflation
Revaluation of severance pay entitlements
Return on government securities (*)
Segregated Fund Yield

(*) Weighted average return of a basket of government securities with residual maturity of more than one year ANIA based on ISTAT data and Bank of Italy data



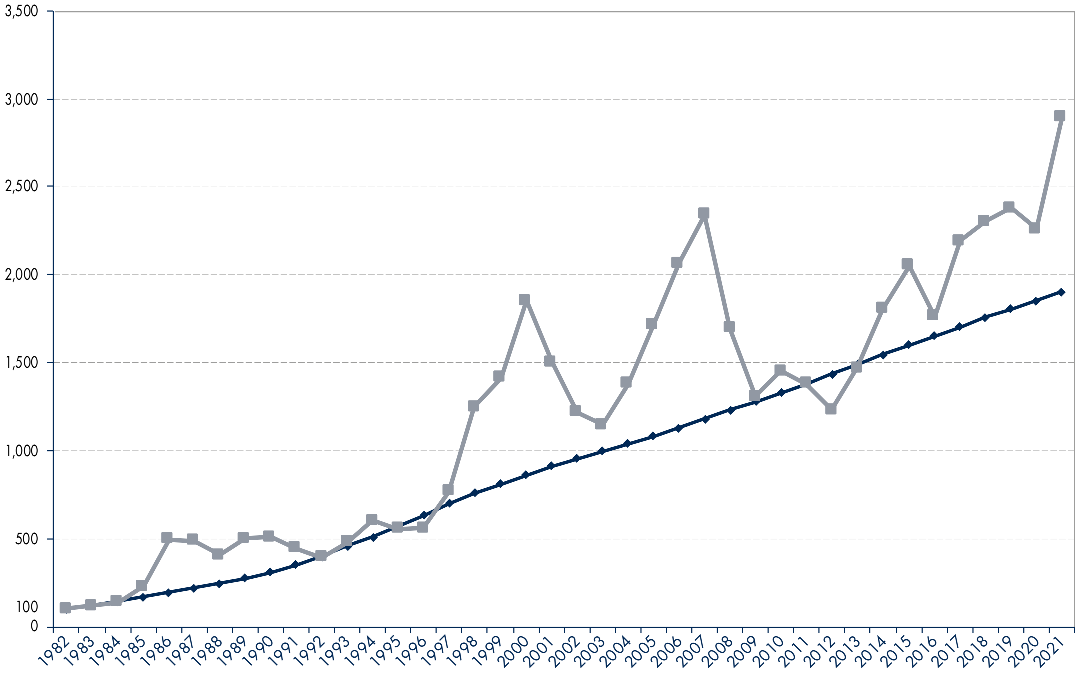
Investing the equivalent of €100 in a segregated fund in 1982, according to the average annual returns of those funds, at the end of last year the investment

Figure 2
Yields of segregated funds and Italian shares

Segregated funds gross yield

Shares yield (Datastream index including dividends; annual average)

Source: ANIA based on Refinitiv data



value would have amounted to €1,900 (Figure 2), with an average annual return of 7.8% – 4.6% in real terms – and annualized volatility (standard deviation) of 5.5%.

The same investment in Italian equities, assuming full re-investment of dividends, would have reached over the same time frame the value of €2,892, with an average annual return slightly above 9.0% and annualized volatility of 27.5%.

Over this period the Sharpe ratio, the ratio of return to standard deviation, which serves to adjust performance for financial risk, was 1.43 for segregated funds and 0.33 for investment in Italian equities. Even if the figures do not consider investment costs and the fact that over the long term the absolute result is best for equity investments, the Sharpe ratio confirms the advantages of investing in segregated funds: positive and stable returns, as well as neutralization of volatility and fluctuations in the value of the investment.

Segregated funds' investment composition and returns in 2021

ANIA has detailed data on the asset volumes and yields of segregated funds and their performance in 2021. The data comprise the summary report and the investment mix of each fund at the end of the year and a comparison withthe 2020 data. The data cover 294 segregated funds (295 in 2020), 7 of which are characterized by the presence of a profit-reinvestment fund, instituted by 40 insurance companies.

In 2021 (Table 1), the assets managed increased by 3.1% to €587.5 billion, covering contractual commitments of the insurers for €574.8 billion (€559.8 in 2020), with a coverage ratio of 102.2% (101.8% in 2020).

Table 1
Breakdown of investments of segregated funds. From the online "Portale informativo annuale sulle Gestioni Separate – Edizione 2021*"
In thousands of euros

Items	2020		2021		Annual change
	Amounts	%	Amounts	%	
Bonds and other fixed-income securities	460,469,223	80.8%	468,697,100	79.8%	1.8%
BTPs	228,699,371	40.1%	223,957,930	38.1%	-2.1%
Listed bonds in Euro	119,018,612	20.9%	123,067,461	20.9%	3.4%
Equity securities	9,105,899	1.6%	9,610,480	1.6%	5.5%
Listed shares in Euro	6,459,457	1.1%	6,438,958	1.1%	-0.3%
Other assets	100,376,523	17.6%	109,175,768	18.6%	8.8%
UCITS	91,185,657	16.0%	95,659,343	16.3%	4.9%
Liabilities	-799	0.0%	-1,065	0.0%	-33.3%
Balance of assets in segregated funds	569,950,846	100.0%	587,482,283	100.0%	3.1%
Mathematical provisions	559,835,854		574,838,392		2.7%
Average rate of return in period	*2.62%*		*2.57%*		
Coverage rate of assets vs mathematical provisions	*101.81%*		*102.20%*		

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

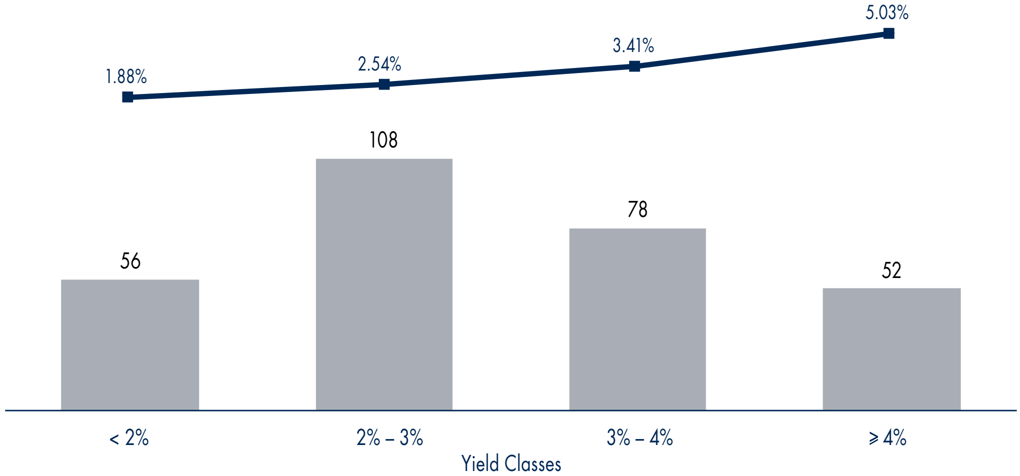
Analyzing the composition of assets, investments in fixed-income securities went up by 1.8% in 2021, but their share of the total edged further downwards (from 80.8% in 2020 to 79.8% in 2021); in particular, BTPs remained the main asset (38.1%, 40.1% in 2020) for a total amount of €224.0 billion (-2.1% from 2020).

The investment in equity securities remains marginal (1.6% of the total in 2021); among the other assets, the investment in UCITS crept up from 16.0% in 2020 to 16.3% in 2021, reaching €95.7 billion.

In the very low or even negative interest rate environment that prevailed through 2021, segregated fund yields continued their downtrend over the last few years. The average return on segregated funds in 2021 came to 2.57%, down from 2.62% in 2020, 2.84% in 2019, 3.03% in 2018 and 3.13% in 2017. The average return of the 7 segregated funds with profit-reinvestment funds was 1.71% in 2021.

Figure 3 gives the breakdown of segregated funds in 2021 by yield. Of the 294 funds, 108 (accounting for 74 percent of the average stock of invested

Figure 3
Distribution of segregated funds by return in 2021
Number of funds
Average return

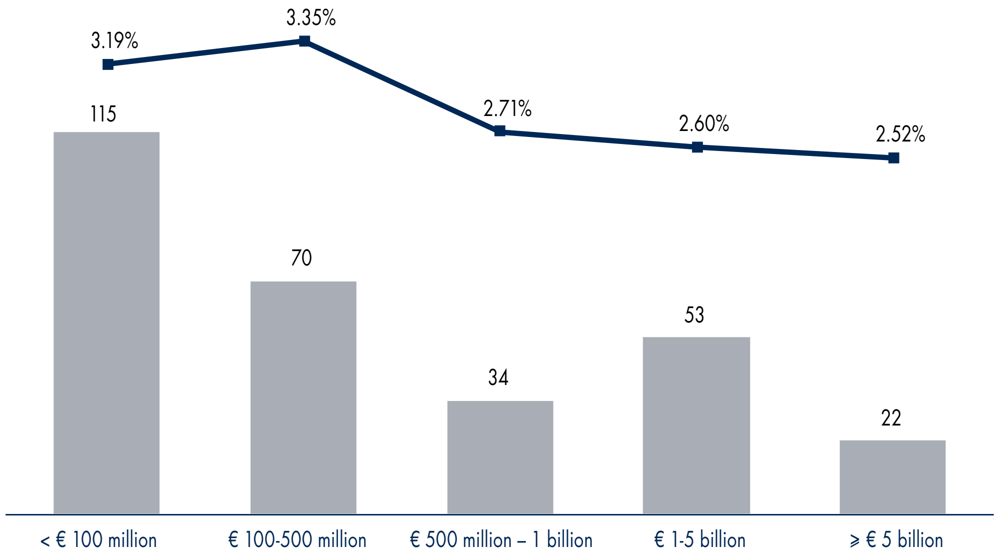


assets) achieved returns of between 2% and 3%, a range that spans the 2.57% average market performance; 56 funds (14 percent of total invested assets) failed to yield 2%, and the rest (130 funds, with an asset share of 12 percent) achieved gross returns better than 3%.

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

Figure 4
Distribution of segregated funds according to average stock of assets – 2021

Number of funds
Average return



In particular, all asset classes below the largest (funds over €5 billion, representing almost 70 percent of the total and with a 2.52% average return) achieved returns exceeding the market average (2.57%), with the 70 segregated funds with assets between €100 million and €500 million showing the best performance (3.35%).

HIGHER INVESTMENT CEILINGS FOR INDIVIDUAL SAVING PLANS (PIR)

The 2022 Budget Law (Law 234 of 30 December 2021) amended the quantitative investment limits for tax benefit purposes in favor of the participants (natural persons not engaging in business activity) in long-term Individual Saving Plans (PIRs) regulated by Article 1, paras. 100-114, of Law 232 of 11 December 2016 (2017 Budget Law).

Article 1, para. 26, of the 2022 Budget Law raised both the ceilings on investments eligible for tax benefits in Individual Saving Plans: the "annual ceiling" is increased from €30,000 to €40,000 and the "overall ceiling" from €150,000 to €200,000.

In this respect, the Revenue Agency's circular 19/E of 29 December 2021 clarified that the overall investment ceiling in Individual Saving Plans can be reached in any number of years (obviously at least five) since "no fixed time limit was set for reaching the maximum ceiling".

The amended quantitative limits refer to the so-called "traditional PIRs", which are subject to the original portfolio mix regulations laid down by the 2017 budget law and then amended by the 2019 budget law (Law 145/2018) and, again, by the "Tax provisions" annexed to the 2020 Budget Law (Decree Law 124/2019).

It is worth recalling that "traditional PIRs" fall into three categories according to their date of creation, following the names used by the Revenue Agency in Circular 19/E of 2021:

– "PIR 1.0", created from 1 January 2017 (when the regulations pursuant to paras. 100-114 of Article 1 of the 2017 Budget Law entered into force) to 31 December 2018;
– "PIR 2.0", created from 1 January to 31 December 2019;
– "PIR 3.0", created from 1 January 2020 onwards.

The so-called "alternative PIRs", introduced by para. 2-bis of Article 13-bis of Decree Law 124/2019, retain their specific investment ceilings, respectively €300,000 (annual) and €1,500,000 (overall) and were not amended by the 2022 Budget Law.

The amendment introduced by the 2022 Budget Law set no specific time limitations; it forms part of para. 101 of Article 1 of the 2017 Budget Law, which refers to tax benefit investment limits in "traditional PIRs".

This circumstance plausibly implies that the amendment affects all existing individual saving plans (from 1 January 2017 onwards) and as a consequence the new limits will also apply to the investments made from 1 January 2022 onwards, regardless of the PIR type (1.0, 2.0 or 3.0).

By way of example, with reference to a PIR 1.0 created in 2017 (the year in which the relevant provisions came into force) in which €130,000 was invested, it will be possible to invest an additional €70,000 still eligible for the tax benefit, since the overall ceiling was raised from €150,000 to €200,000.

Obviously, the yearly limit must always be complied with. This means that, in the same example, no potential tax benefit investment can exceed the limit of €40,000, and the remaining €30,000 would have to be postponed to the next or subsequent years.

The foregoing is corroborated by some significant statements in the technical report regarding the estimates of the impact of the measures introduced by the Budget Law on tax revenue. The document indicates that the tax revenue estimates related to the raising of the PIR investment ceilings were carried out "following the same estimation methodology and the same reference data used to assess the financial effects of the original provisions of law". Further, "the provision amends the traditional PIR regulation at Art. 1, para. 101, of Law 232 of 11 December 2016, raising the investment ceilings (...) on the aforementioned plans (...)".

On closer inspection, individual saving plans are mentioned only generically, suggesting that the tax revenue estimates were carried out referring to "new investments" (made from 1 January 2022 onwards) in relation to the whole group of PIRs created since 1 January 2017.

Preliminary contacts with experts at the Department of Finance and the Revenue Agency confirmed the correctness of this interpretation.

THE ALIGNMENT OF NATIONAL LEGISLATION WITH INDIVIDUAL PAN-EUROPEAN PENSION PRODUCTS (PEPPS)

EU regulation 2019/1238 of the European Parliament and Council allowed EU citizens to access a new type of pension product called Pan-European Personal Pension Products (PEPP), which in the view of the European institutions should flank national products and become a reference for workers who move between Member States, enabling them to keep the same overall social security position divided into "sub-accounts" for each stay in any Member State.

The Regulation is applicable from 22 March 2022, but some of its provisions need to be implemented by national law. There are also some regulatory options whose application (or non-application) is left to the decision of the Member States. In this regard, Italian Law 53 of 22 April 2021 delegated the Government to adopt one or more Legislative Decrees for the implementation of the Regulation.

On its website, the Treasury Department of the Ministry of Economy and Finance published for public consultation, expiring on 12 March 2022, a draft Legislative Decree that would:

– designate COVIP as the competent authority charged in general with supervising the compliance of PEPP providers with the requirements and, after consulting with the other authorities, preparing the registration and cancellation procedure. COVIP shall also be the only entity entrusted with the exchange of information with the competent authorities of other Member States and with the communications with EIOPA;
– provide for the Bank of Italy, Consob and IVASS to carry out supervisory activities as dictated by the Regulation and in line with the relevant sectoral law and the division of competences at national level;
– regulate the admissible destocking operations pursuant to Legislative Decree 252/2005 for individual pension plans;
– guarantee a high degree of flexibility in servicing beneficiaries, allowing satisfaction of the different needs of savers;
– prohibit the allocation or transfer of severance fund assets to PEPPs.

The draft decree contains the European provisions that are already applicable – such as compulsory financial protections or guarantees for all PEPP lines or divisions, compulsory consultancy and the 1% cap on costs for the base PEPP option – and also specifies applicability to PEPPs of many regulations already envisaged in Italy for existing pension products (occupational pension funds, open funds and individual retirement plans). In particular, the same tax treatment is envisaged for contributions – for which the same deductibility criteria are envisaged – as for yields and payments, retaining the favorable treatment for all those who choose to convert at least 50% of the accumulated capital into a life annuity.

Among the main differences with respect to existing pension products, as noted above the draft decree would prohibit the transfer of resources from a severance pay fund to a PEPP. In addition, the decree does not allow the transfer of PEPP funds to other pension products and, conversely, does not allow the transfer of resources from an occupational fund, an open fund or an individual retirement plan to a PEPP.

After consulting with its members, ANIA presented its own observations in the course of the consultation. First of all, ANIA stressed that the highly detailed regulations governing the features of these products, already established by the EU institutions, together with the fact that at national level they are not put on the same plane as the other Italian pension products, might be an obstacle to the marketing of PEPPs in countries like Italy, where the range of pension products available is already highly diversified. ANIA also asked the Government to seize this opportunity to update the definition of “guaranteed” products in Legislative Decree 252/2005, aligning it with the definition in the PEPP Regulation. Finally, ANIA further suggested amendments to regulatory provisions, tax rules included, to align PEPPs with other pension products.

IVASS CONSULTATIONS ON REVISION OF THE RULES ON LINKED PRODUCTS AND INNOVATION IN LIFE PRODUCTS

On 11 March 2022, IVASS released discussion document 1/2022, with preliminary remarks about future regulatory action on life products, together with consultation document 3/2022, listing the new regulations on unit- and index-linked insurance investment products.

Document 1 outlines the conditions for extending the profit-reinvestment fund, with the customer's consent, to with-profit contracts that are related exclusively to segregated accounts that accept new subscriptions, thus excluding multi-class contracts.

According to the guidelines of the Supervisory Authority, the insurance company sends the information document with the terms of the proposed modification – which must be limited to the change in the yield rate to take account of the reinvestment mechanism – to the policyholder, specifying that acceptance is optional and free of charge and will be applied only to those policyholders who explicitly opt in. In this regard, IVASS offered to draft a standard information note to deliver to customers.

After reaching a sufficient number of acceptances, the company would proceed to insert the profit-reinvestment fund into the existing fund for the policyholders who opt in and to split the segregated funds, pursuant to current legislation, thus separating profit-reinvestment contracts from those that will retain the previous terms.

In order to assess the impact of this measure, IVASS asked the companies for the following information:

- expectations on the proportion of policyholders who will opt in;
- how the company intends to carry out this operation, with particular attention to the fund splitting;
- name and size of the segregated funds that could be involved, indicating the insurance contracts involved (in terms of mathematical provisions, residual maturity, guaranteed yield);
- details of the securities embodying capital gains that could feed the profit-reinvestment fund for the segregated funds possibly involved.

Secondly, Document 1 sets out new criteria for determining the demographic risk that will characterize linked-type products. The Authority holds that the offer must be more explicitly qualified from the insurance perspective by the inclusion of a significant component embodying demographic guarantee.

To this end, while IVASS does not intend to require any preset threshold or quantity, it refers to benefits related to the size of the premium, the increase in the value of the investment, or a combination of the two, asking the respondents to provide examples and simulations at different levels (insured capital in case of death ranging from 70% to 100% of the invested premium net of costs, or increases amounting to at least 10% of the investment value).

Document 1 also asked for suggestions on how to introduce new profit-sharing products into the Italian insurance market, such as those with matching adjustment and others common in Germany, where the profits shared are originated from financial, demographic or expenditure gains. Finally, IVASS asked market operators and the participants in the consultation for any input that may be useful to innovate the supply of insurance products. With regard to consultation document 3/2022 on the revision of linked product regulations, the Authority states that it is necessary to extend the regulations to all companies, including those of other EU countries, in order to ensure fair competition among all the undertakings operating in Italy and equal treatment in terms of the offer made to potential policyholders. This way, the risk profile of products that may be purchased by customers from different financial players can be equalized.

Further, on the issue of the investments suitable to serve as underlying assets for unit-linked products, the regulations were made more consistent with the rules laid down by the Bank of Italy – in particular, those in Title V, Chapter III, Section II (UCITS) of the Regulation on the collective management of savings – with specific reference to UCITS, insurance investment funds and other listed and unlisted instruments.

Regarding the regulation of products linked to internal funds, the current rule attaching major importance to ratings and envisaging a 5% investment limit for instruments rated lower than BB will be superseded. The new regulations, based on the rules governing UCITS, set requirements for the instrument, among which rating is only one of the potential criteria for assessment, in order to give ensurers greater flexibility in choosing instruments, even non-listed ones, facilitating the offer of individual saving plans (PIRs).

Further on internal funds, specific and wide-ranging measures on investment limits were preserved: exposure towards the same issuer, with the indication of thresholds that can be raised under specific conditions; investments in bank deposits or OTC derivatives; investment limits for open UCITS; unlisted financial instruments; overall exposure to derivatives; investments in a single issuer or issuers belonging to the same group, where a control relationship exists. At the same time, instruments no longer consistent with evolving Italian and European regulations were abrogated. For retirement-related policies in particular, the ceiling on investment in unlisted non-liquid securities was raised.

As far as demographic risk is concerned, IVASS requires insurers to introduce an assessment process involving the internal functions to determine the suitability of the demographic guarantees in the product.

The revision of the regulation on internal funds envisages increased disclosure of commissions, which must be more detailed, specifying the application methods. A more stringent discipline was adopted for overperformance commissions, aligned with the Bank of Italy rules and updated following the indications of ESMA.

As to products directly related to UCITS units, the IVASS proposals are patterned on the rules of the Bank of Italy, in order to ensure equal treatment of operators. As for existing provisions, it is still possible for the insurance company to charge a management commission if it provides an actual management service – including at least safeguard and monitoring activities – based on a consistent investment strategy with pre-set risk-yield objectives. The service shall be indicated in the terms of the policy according to pre-set and verifiable methodologies and parameters. However, when there are “connected” UCITS (constituted by companies belonging to the same group), the commissions applied by the insurance undertaking must be reduced by the manager’s remuneration, in line with the identical provisions of the Bank of Italy Regulation on the collective management of savings.

The rules on index-linked products are basically confirmed, with a few updates due to changes in insurance provisions and with reference to admissible indexes.

UPDATE ON DORMANT POLICIES

With its market letter of 12 December 2021, IVASS asked Italian insurance companies, representatives of third country undertakings and foreign companies operating in Italy under freedom of establishment or freedom to provide services to submit, by 28 February 2022, a complete list of the tax codes of policyholders of all contracts in their portfolios as of 31 December 2021 and issued in the exercise of life and accident insurance (the latter only for contracts envisaging payments in case of accidental death). Companies could also provide the tax codes of no longer active contracts for which there are doubts whether the insured parties are still alive or there is a need to check the possible date of death.

As usual, after receiving information from the Tax Registry, IVASS sent to each company the list of tax codes of deceased persons together with the date of death and a list of tax codes for which no match was found in the Tax Registry (because they were missing or wrong), in order to allow the company to carry out the necessary checks (search for beneficiaries, liquidation of policies, potential transfers to the dormant policy fund).

Meanwhile, discussions are continuing with the Revenue Agency, with a view to specifying the operational modalities for direct access on the part of insurers to the Tax Registry and with the Ministry of the Interior for direct access, in the future, of insurance undertakings to the National Registry of the Resident Population (*Anagrafe Nazionale della Popolazione Residente*, ANPR).

4

NON-LIFE INSURANCE

NON-LIFE INSURANCE

In 2021, non-life classes' premium income amounted to €34.1 billion, up 1.8% from 2020. Their share of total premiums (life and non-life) dropped slightly from 24.9% to 24.4% as a result of the sharper increase in life premiums. The combined ratio for this accident year worsened (90.3% against 85.0% in 2020), and almost came back to pre-pandemic levels due to an increase in claims.

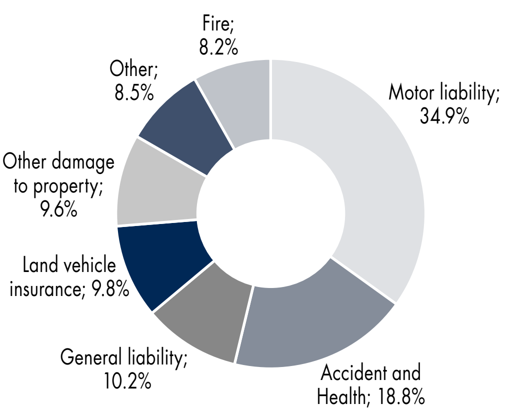
NON-LIFE TECHNICAL ACCOUNT

After the drop in non-life business in 2020 due to the negative effects of the pandemic (-2.3%), in 2021 the volume of **direct written premiums** of the 69 Italian and extra-EU companies in this sector rose by 1.8%, amounting to €34,145 million. This growth is to the resultant of:

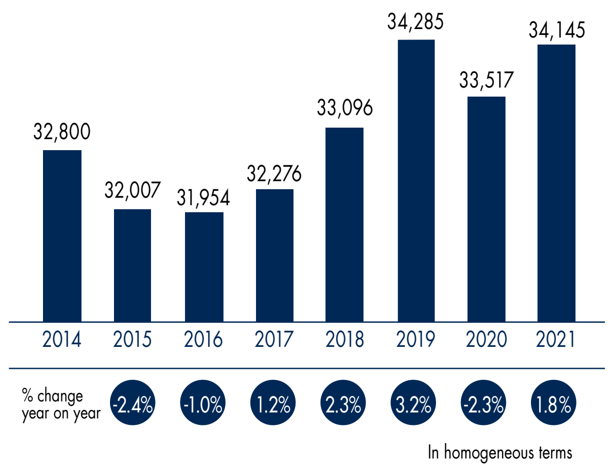
– a sharp fall in motor and watercraft liability (-4.5%);
– a significant expansion of other non-life business, whose premiums rose by 5.6%.

The ratio to total premiums (non-life plus life) was equal to 24.4%, down from 24.9% in 2020 due to the greater growth in life premiums.

Breakdown of main non-life classes* *2021



Direct premiums and change on year (%)
Euro million



Earned premiums, calculated as the difference between written premiums and the changes in premium reserves and other balance items, amounted to €33,865 million, with an increase of 2.0% compared with 2020.

The **incurred claims cost**, defined as the sum of the total settlement costs and the total amount reserved for all claims incurred in the current financial year, amounted to €22,515 million, up 9.5% from 2020 due to a broad rise in claims during the year. Given that premiums recorded a smaller rise, the ratio of claims to premiums worsened by 4.5 percentage points compared with 2020 (from 62.0% to 66.5%).

NON-LIFE INSURANCE

Non-life technical account
Euro million

	2014	2015	2016	2017	2018	2019	2020	2021
Written premiums	32,800	32,007	31,954	32,304	33,096	34,285	33,517	34,145
Changes in premium reserve and other items (-)	-388	-176	104	499	556	812	322	280
Incurred claims (-):	21,201	20,080	20,008	20,234	20,372	21,204	18,892	20,924
- incurred claims cost for the current accident year (-)	22,301	21,691	21,842	22,311	22,431	23,356	20,566	22,515
- excess/shortfall of reserves for claims in previous years	1,100	1,611	1,833	2,077	2,059	2,153	1,674	1,591
Balance of other technical items	-527	-599	-612	-609	-577	-593	-823	-605
Operating expenses (-)	8,599	8,647	8,767	8,907	9,172	9,549	9,410	9,733
- commissions	5,350	5,378	5,565	5,688	5,844	6,023	5,912	6,182
- other acquisition costs	1,629	1,617	1,489	1,477	1,523	1,674	1,662	1,636
- other administration costs	1,621	1,652	1,713	1,742	1,806	1,852	1,836	1,915
Direct technical balance	**2,860**	**2,856**	**2,462**	**2,055**	**2,419**	**2,126**	**4,070**	**2,603**
Investment income	1,278	1,220	1,044	1,155	704	1,194	651	839
Direct technical account result	**4,138**	**4,077**	**3,507**	**3,210**	**3,123**	**3,320**	**4,721**	**3,442**
Reinsurance result	-600	-495	-587	-253	-333	-319	-830	-496
Overall technical account result	**3,538**	**3,581**	**2,920**	**2,958**	**2,790**	**3,000**	**3,891**	**2,946**
Annual % change in premiums	-2.7%	-2.4%	-1.0%	1.2%	2.3%	3.2%	-2.3%	1.8%
Combined ratio	**90.1%**	**89.4%**	**90.3%**	**91.2%**	**90.3%**	**91.2%**	**85.0%**	**90.3%**
- Expense ratio	26.2%	27.0%	27.4%	27.6%	27.7%	27.9%	28.1%	28.5%
- Commissions/Gross written premiums	16.3%	16.8%	17.4%	17.6%	17.7%	17.6%	17.6%	18.1%
- Other acquisition costs/Gross written premiums	5.0%	5.1%	4.7%	4.6%	4.6%	4.9%	5.0%	4.8%
- Other administration costs/Gross written premiums	4.9%	5.2%	5.4%	5.4%	5.5%	5.4%	5.5%	5.6%
- Loss ratio:	63.9%	62.4%	62.8%	63.6%	62.6%	63.3%	56.9%	61.8%
- Loss ratio for the current accident year	67.2%	67.4%	68.6%	70.1%	68.9%	69.8%	62.0%	66.5%
- Excess/shortfall of reserves for previous years claims/Earned premiums	3.3%	5.0%	5.8%	6.5%	6.3%	6.4%	5.0%	4.7%
Technical balance/Earned premiums	**8.6%**	**8.9%**	**7.7%**	**6.5%**	**7.4%**	**6.4%**	**12.3%**	**7.7%**
Technical account result/Earned premiums	**12.5%**	**12.7%**	**11.0%**	**10.1%**	**9.6%**	**9.9%**	**14.2%**	**10.2%**
Overall technical account result/Earned premiums	**10.7%**	**11.1%**	**9.2%**	**9.3%**	**8.6%**	**9.0%**	**11.7%**	**8.7%**
Premiums to total life and non-life premiums ratio (%)	*22.9%*	*21.8%*	*23.8%*	*24.7%*	*24.5%*	*24.4%*	*24.9%*	*24.4%*

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

Incurred claims, which along with the cost incurred for the current accident year include any excess/shortfall of the amounts reserved for claims incurred in previous accident years, amounted to €20,924 million, up 11% from 2020. A factor in this result was the significant release of provisions set aside for claims incurred in the previous years, amounting to €1,591 million and a 4.7% incidence on premiums (€1,674 million and 5.0% in 2020). The ratio of incurred claims to earned premiums thus worsened compared with 2020, rising from 56.9% to 61.8%.

Operating expenses, i.e. costs of contract acquisition, premium collection and dealers' organization and management expenses, as well as administration expenses for technical management increased by 3.4% to €9,733 million, and were equal to 28.5% of direct premiums (28.1% in 2020). Other administration expenses increased slightly in relation to premiums, from 5.5% to 5.6%, while other acquisition expenses dropped (from 5.0% to 4.8%). The **combined ratio** – the sum of **loss ratio** and

expense ratio – amounted to 90.3% in 2021, up from 85% in 2020 and going back to the average for the five years before the pandemic. The incidence of commissions paid grew from 17.6% to 18.1%.

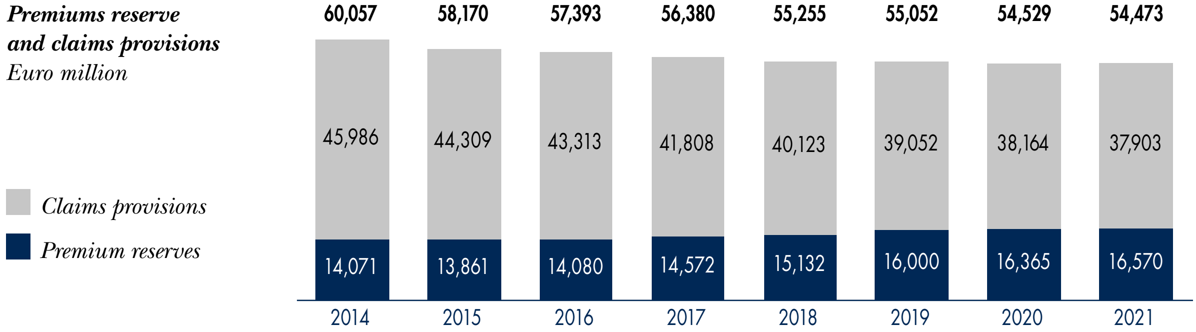
The **technical balance for direct business** was positive by €2,603 million, but down 36% from 2020.

Adding investment income of €839 million (up from €651 million in 2020), the **direct technical account result** was positive by €3,442 million (€4,721 million in 2020). Its ratio to earned premiums came to 10.2% (14.2% in 2020).

The result for reinsurance cessions and net indirect business was negative by €496 million (against -€830 million in 2020). Therefore the **overall technical account result** was positive by €2,946 million (€3,891 million in 2020). Its ratio to accrued premiums came to 8.7% (11.7% in 2020).

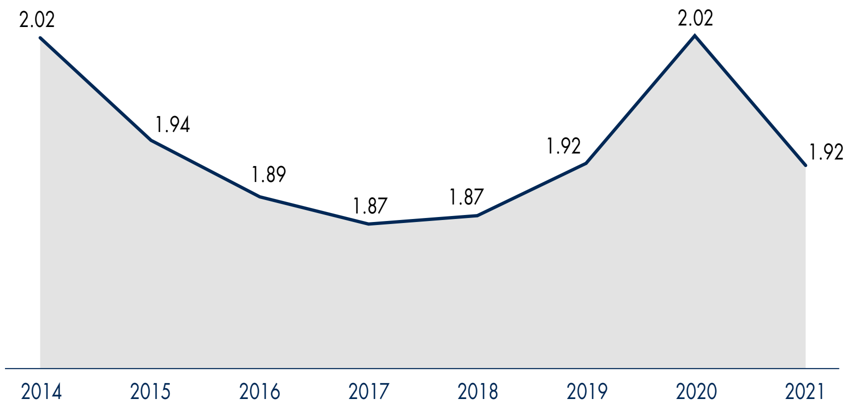
Direct technical reserves, net of sums to be recovered from policyholders and third parties, were equal to €54,473 million at the end of 2021, of which €16,570 million consisted of premium reserves and €37,903 million of claims provisions (for both the current and previous policy generations).

Premiums reserve and claims provisions
Euro million



The ratio of direct non-life insurance premiums to GDP dropped from 2.02% in 2020 to 1.92% in 2021, going back to 2019 levels, as a consequence of the sharper increase in GDP.

Non-life premiums/GDP (%)



SHARE OF RETAIL AND CORPORATE POLICIES IN NON-LIFE BUSINESS

ANIA has started a program of monitoring the breakdown of non-life premiums according to type of insured party: individual risk (retail) and commercial risk (corporate). However, the retail category, generally involving a single natural person or, at most, their family, and the corporate category, generally referring to a business/commercial activity, might differ slightly between different insurance undertakings.

Hereunder are the results of a survey, in which practically the entire insurance market (companies accounting for 94% of written premiums) took part.

Share of retail and corporate policies in non-life business

	Retail premiums %	Corporate premiums %
Motor liability	89	11
Land vehicle insurance	82	18
Total motor vehicles	87	13
Accident	78	22
Sickness	37	63
Transport	5	95
Fire	53	47
Other property damage	52	48
General liability	49	51
Credit	5	95
Suretyship	9	91
Miscellaneous financial loss	61	39
Assistance	81	19
Legal expenses	89	11
Total other non-life	52	48
Total non-life	67	33

Source: ANIA survey, March 2022

These are the main conclusions:

- the motor vehicle business (motor liability and land vehicle insurance) generally have retail customers and a limited share of corporate business. In particular, 89% of motor liability premiums are paid by individuals and households. Other classes with strong retail prevalence are accident insurance (78%), assistance (81%) and legal expenses (89%) which in fact are often purchased by customers together with a motor liability policy.
- other classes have a customer base consisting almost entirely of businesses. In general, all transportation classes have a 95% corporate share, while in credit and suretyship the corporate share amounts to 95% and 91%, respectively.

- Fire, other property damage and general liability are distributed more or less equally between retail and corporate policies.
- Nearly two-thirds of sickness insurance premiums are ascribable to corporate policies, which tend to be purchased by employers as a fringe benefit for their employees and to supplement the compulsory insurance for the indemnification of healthcare costs borne by the employee and their family.
- as far as non-life business is concerned (with the exception of motor liability and land vehicles), for the most part the shares of retail and corporate customers are roughly equal.

On the whole, the survey showed a clear predominance of the retail over the corporate component (67% to 33%).

5

MOTOR INSURANCE

Written motor liability premiums fell by 4.5% in 2021, on a homogeneous basis, following the contraction of almost 6% in 2020. The combined ratio for the 2021 accident year, heavily affected by claims costs, was 100%, up by a further 10 percentage points over 2020. The positive contribution of the financial component, i.e. returns on investment, which was larger than in 2020, together with the mobilization of the reserves against previous years' claims, helped to keep the positive technical result more or less in line with those recorded before the pandemic. The technical indicators for land vehicle insurance worsened, while the overall technical result remained positive.

THE TECHNICAL ACCOUNT FOR MOTOR LIABILITY INSURANCE

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

Premiums for direct domestic business, collected by the 42 companies operating in this class, totaled €11,926 million in 2021, down 4.5% on 2020, calculated for a homogeneous set of firms.

The fall in written premiums was due to the decline in the average premium, which by ANIA's estimate came down significantly again in 2021 (by 4.0%) as well as a slippage in the number of vehicles insured (-0.5%). The decline in the average premium stemmed both from a revision in pricing policies, reflecting the technical data showing a reduction in the claims rate, and the continuing, intense pressure of competition between insurers. This was the tenth consecutive year of decline (or at most no variation) in the average premium, resulting in an overall drop in premium volume of nearly €6 billion between 2011 and 2021 (**and nearly €1.5 billion in 2020 and 2021 alone**), or a drop of 35% (**and about 10% in the last two years**).

In addition, a portion of motor liability premium income in Italy (6% of the total, or €786 million) was accounted for by EU companies operating under freedom of establishment. Unlike Italian insurers, these companies turned in an increase in written premiums in 2021, amounting to some 15%. Overall, Italian, EU and non-EU insurers collected total premium income of €12,712 million in 2021, down 3.5%. For all insurers operating in Italy, the decline in total earned premiums was the resultant of a reduction of 5.7% in the average premium and an increase of 1.5% in the number of vehicles insured.

No data on technical results are available for the non-Italian EU companies, as they are subject to the home country supervisory authorities under the principle of home country control.

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €12,213 million, 2.5% less than in 2020.

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 2021,

MOTOR INSURANCE

Motor and marine liability insurance
€ million

	2014	2015	2016	2017	2018	2019	2020	2021
Gross written premiums	15,211	14,218	13,526	13,234	13,252	13,244	12,492	11,926
Changes in premium reserves and other items (-)	-347	-232	-164	-17	17	-16	-35	-287
Incurred claims (-)	10,818	10,421	10,421	10,053	10,073	10,110	8,221	9,079
– incurred claims cost for the current accident year (-)	11,176	11,032	11,022	10,773	10,631	10,665	8,540	9,551
– excess/shortfall of reserves for those claims	358	611	601	720	558	555	318	472
Balance of other technical items	-143	-127	-172	-185	-187	-190	-330	-143
Operating expenses (-)	3,187	3,060	2,900	2,805	2,795	2,815	2,684	2,603
– commissions	1,634	1,571	1,521	1,457	1,440	1,430	1,348	1,296
– other acquisition costs	789	731	631	614	601	645	631	597
– other administration costs	765	757	749	734	753	740	704	710
Direct technical balance	**1,410**	**842**	**196**	**208**	**180**	**144**	**1,292**	**388**
Investment income	654	600	500	531	312	508	249	350
Direct technical account result	**2,064**	**1,442**	**696**	**738**	**493**	**652**	**1,541**	**738**
Reinsurance results	-1	10	-16	-37	-26	-8	-38	-3
Overall technical account result	**2,063**	**1,452**	**680**	**702**	**466**	**644**	**1,503**	**735**
Annual % change in premiums	-6.5%	-6.5%	-5.6%	-2.2%	0.1%	-0.8%	-5.7%	-4.5%
Combined ratio	**90.5%**	**93.6%**	**97.6%**	**97.1%**	**97.2%**	**97.5%**	**87.1%**	**96.2%**
– Expense ratio:	21.0%	21.5%	21.4%	21.2%	21.1%	21.3%	21.5%	21.8%
– Commissions/Gross written premiums	10.7%	11.1%	11.2%	11.0%	10.9%	10.8%	10.8%	10.9%
– Other acquisition costs/Gross written premiums	5.2%	5.1%	4.7%	4.6%	4.5%	4.9%	5.1%	5.0%
– Other administration costs/Gross written premiums	5.0%	5.3%	5.5%	5.5%	5.7%	5.6%	5.6%	6.0%
– Loss ratio:	69.5%	72.1%	76.1%	75.9%	76.1%	76.2%	65.6%	74.3%
– Loss ratio for the current accident year	71.8%	76.3%	80.5%	81.3%	80.3%	80.4%	68.2%	78.2%
– Excess/shortfall of reserves for previous years claims/Earned premiums	2.3%	4.2%	4.4%	5.4%	4.2%	4.2%	2.5%	3.9%
Technical balance/Earned premiums	**9.1%**	**5.8%**	**1.4%**	**1.6%**	**1.4%**	**1.1%**	**10.3%**	**3.2%**
Technical account result/Earned premiums	**13.3%**	**10.0%**	**5.1%**	**5.6%**	**3.7%**	**4.9%**	**12.3%**	**6.0%**
Overall technical account result/Earned premiums	**13.3%**	**10.1%**	**5.0%**	**5.3%**	**3.5%**	**4.9%**	**12.0%**	**6.0%**
Premiums over total non-life premiums (%)	*46.4%*	*44.4%*	*42.3%*	*41.0%*	*40.0%*	*38.6%*	*37.3%*	*34.9%*
Premiums of EU representatives	**805**	**762**	**631**	**618**	**679**	**610**	**664**	**786**
Annual change in premiums (%)	-0.6%	-11.8%	-15.8%	-3.6%	9.8%	5.5%	9.2%	14.7%
Total premiums of Italian, other EU and non-EU insurers	**16,016**	**14,980**	**14,157**	**13,852**	**13,931**	**13,854**	**13,156**	**12,712**
Annual change in premiums (%)	-7.0%	-6.5%	-5.5%	-2.2%	0.6%	-0.6%	-5.0%	-3.5%

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

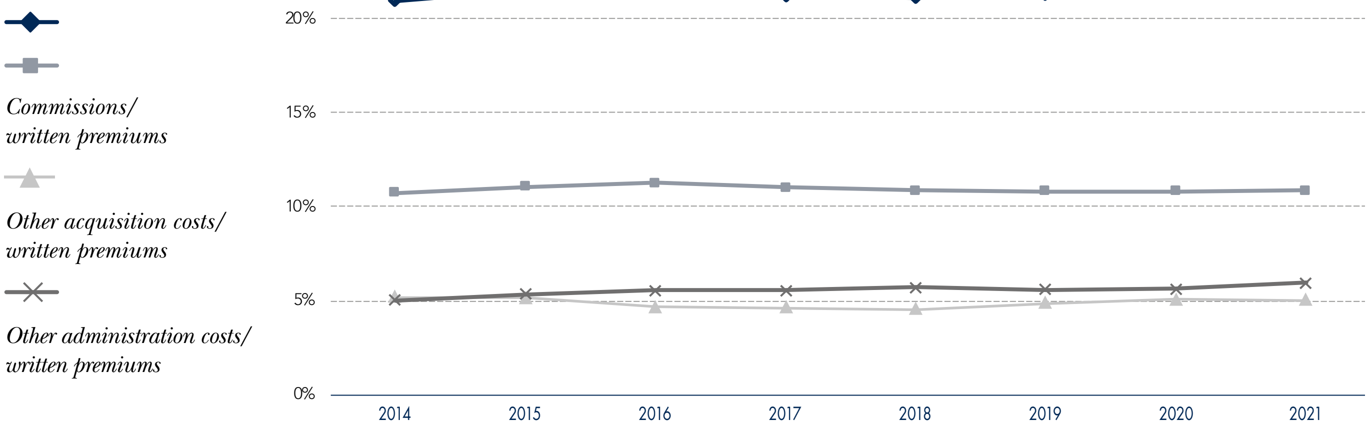
amounted to €9,551 million, nearly 12% higher than in 2020. The increase can be attributed to the rise in the number of claims in 2021 (+16.7%), attenuated by a 4.1% decrease in the average claim cost. It is worth noting, however, that while the number of claims increased owing to the gradual return to normal patterns of social life and mobility, it has not yet fully made up the sharp pandemic-engendered drop of 30% registered in 2020. On the other hand, the average claim cost, at €4,987, while down from the 2020 peak of €5,202, was still higher than in 2019 (€4,560).

Owing to an increase of 12% in claims costs and a decrease of 2.5% in accrued premiums, the claims/premiums ratio worsened by 10 percentage points, jumping from 68.2% to 78.2%.

The **incurred claims cost for the financial year**, which also includes the excess/shortfall of reserves for claims incurred in previous accident years, was equal to €9,079 million, compared with €8,221 million in 2020. The difference with respect to incurred claims cost reflected the utilization of €472 million in excess reserves for previous years. The excess of previous years' reserves came to 3.9% of accrued premium income, and the loss ratio accordingly rose sharply, from 65.6% in 2020 to 74.3% in 2021.

Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs, premium collection costs and costs relating to the organization and management of the distribution network – amounted to €2,603 million (€2,684 million in 2020). The ratio of expenses to premium income edged up from 21.5% to 21.8%. In particular, the incidence of commissions went up marginally (from 10.8% to 10.9%) and that of "other administration costs" rose more significantly, from 5.6% to 6.0%, while that of other acquisition costs slipped from 5.1% to 5.0%.

Operating expenses
Incidence on net written premiums (%)



Adding the loss ratio (for the current year 2021 or the entire financial year) to the expense ratio gives the **combined ratio** (for the current year or for the entire policy year, which also includes the excess/shortfall of reserves set aside against claims incurred in previous accident years). The figure, plotting the combined ratio from 2014 to 2021, shows that:

1) the combined ratio for the accident generation of 2021 deteriorated sharply, as noted, rising by 10.4 percentage points from 2020 to 100%, practically the same as in the years before the pandemic (2018-2019);

2) starting in 2014, and more significantly in the years that followed, the balance-sheet combined ratio for the policy year (current year + previous year) was always lower than that for the current year alone, showing that in the last eight years there was always a surplus (sometimes quite substantial) of reserves against previous years' claims;

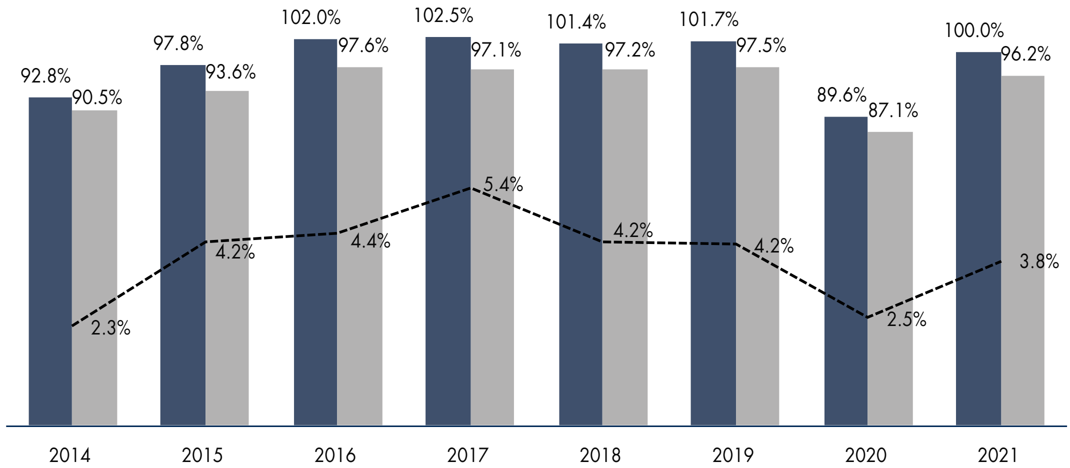
3) the ratio of the surplus reserves for previous-years claims to written premiums has ranged, in the eight years, between 2% and 5%.

Combined ratio (%)

Combined ratio (current year)

Combined ratio (current and previous year)

Excess/shortfall claims reserve



The foregoing variations in the relevant components produced a positive **technical balance** of €388 million, down sharply from €1,292 million in 2020.

Owing to the gain in profits from investments to €350 million, the **result of the technical account** for direct business was positive by €738 million (€1,541 million in 2020).

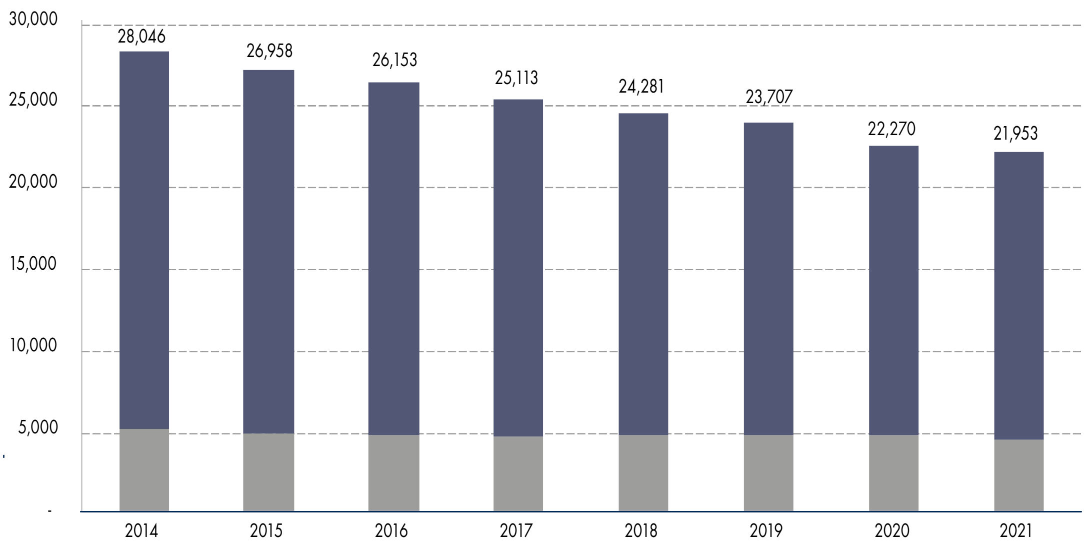
Taking the balance for reinsurance into account (negative by €3 million in 2021), the **overall technical account result** was positive by €735 million, less than half the €1,503 million recorded in 2020. The overall technical result thus came to 6.0% of accrued premiums for the year, half the figure recorded in 2020.

The **technical reserves** for direct business of the motor and marine liability sector, net of recoverable sums, amounted to €21,953 million in 2021, down 1.5% from 2020. Among these reserves, the premium reserve was about €4,300 million, while the claims reserve for current and previous accident years was about €17,700 million.

Technical reserves, motor and marine liability
€ million

Premium reserves

Claims reserves



THE TECHNICAL ACCOUNT OF LAND VEHICLE INSURANCE OPERATIONS

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

Premiums for direct domestic business for the 44 insurance companies operating in this class amounted to €3,346 million in 2021, accounting for 9.8% of total non-life insurance premiums. This represented an increase in premiums of 6.5%, returning to the growth rates recorded since 2016 after the pandemic-induced interruption of 2020. However, the fourth quarter saw a deceleration in premium income. This type of coverage, in fact, is closely correlated with new car sales, which according to ACI had soared by 50% in the first half on an annual basis before slowing in the third and fourth quarters, producing an increase of 10% for the year (and a drop of 24% for the fourth quarter alone).

Accrued premiums, i.e. total premiums net of the change in premium reserves and some other balance items, came to €3,245 (+4.3%).

Land vehicle insurance
€ million

	2014	2015	2016	2017	2018	2019	2020	2021
Gross written premiums	2,387	2,455	2,634	2,800	2,966	3,112	3,142	3,346
Changes in premium reserves (-)	-13	54	87	119	106	86	32	101
Incurred claims (-)	1,459	1,396	1,463	1,626	1,687	2,068	1,729	1,986
– incurred claims cost for the current accident year (-)	1,512	1,463	1,515	1,673	1,726	2,088	1,735	2,020
– excess/shortfall of reserves for those claims	53	67	53	47	38	20	6	34
Balance of other technical items	-10	-11	-14	-11	-10	-9	-13	-13
Operating expenses (-)	692	733	804	861	935	998	993	1,066
– commissions	460	492	547	594	641	671	677	723
– other acquisition costs	117	119	122	125	137	164	152	162
– other administration costs	115	121	134	142	157	163	165	181
Direct technical balance	**238**	**261**	**268**	**184**	**228**	**-49**	**375**	**180**
Investment income	38	36	32	39	25	45	22	39
Direct technical account result	**276**	**298**	**300**	**222**	**254**	**-4**	**397**	**220**
Reinsurance results	-27	-36	-64	-36	-37	116	24	15
Overall technical account result	**249**	**262**	**237**	**186**	**217**	**112**	**420**	**234**
Annual % changes in premiums	-1.1%	2.9%	6.5%	6.3%	5.9%	4.4%	1.0%	6.5%
Combined ratio	**89.8%**	**88.0%**	**87.9%**	**91.4%**	**90.5%**	**100.4%**	**87.2%**	**93.1%**
– Expense ratio:	29.0%	29.8%	30.5%	30.7%	31.5%	32.1%	31.6%	31.8%
– Commissions/Gross written premiums	19.3%	20.0%	20.8%	21.2%	21.6%	21.6%	21.6%	21.6%
– Other acquisition costs/Gross written premiums	4.9%	4.9%	4.6%	4.4%	4.6%	5.3%	4.8%	4.9%
– Other administration costs/Gross written premiums	4.8%	4.9%	5.1%	5.1%	5.3%	5.2%	5.2%	5.4%
– Loss ratio:	60.8%	58.2%	57.4%	60.6%	59.0%	68.3%	55.6%	61.2%
– Loss ratio for the current accident year	63.0%	60.9%	59.5%	62.4%	60.3%	69.0%	55.8%	62.3%
– Excess/shortfall of reserves for previous years claims/Earned premiums	2.2%	2.8%	2.1%	1.7%	1.3%	0.7%	0.2%	1.0%
Technical balance/Earned premiums	**9.9%**	**10.9%**	**10.5%**	**6.8%**	**8.0%**	**-1.6%**	**12.0%**	**5.6%**
Technical account result/Earned premiums	**11.5%**	**12.4%**	**11.8%**	**8.3%**	**8.9%**	**-0.1%**	**12.7%**	**6.8%**
Overall technical account result/Earned premiums	**10.4%**	**10.9%**	**9.3%**	**7.0%**	**7.6%**	**3.7%**	**13.5%**	**7.2%**
Premiums over total non-life premiums ratio (%)	*7.3%*	*7.7%*	*8.2%*	*8.7%*	*9.0%*	*9.1%*	*9.4%*	*9.8%*

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

The **incurred claims cost for the current accident year**, defined as the sum of the total paid and the total reserved for all claims incurred in the current accident year, amounted to €2,020 million, up by €300 million or 16% compared with 2020. The rise in claims during the year clearly reflected the extremely sharp drop in auto thefts and collision claims in general during the pandemic year, given that restrictions on driving and the series of lockdowns and curfews severely limited both traffic circulation and criminal activity (and auto theft in particular). And in fact claims costs returned to their 2019 level. As this cost rose more than premiums, the loss ratio for the year 2021 worsened from 55.8% to 62.3%.

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 €1,986 million, up from €1,729 million in 2020. The loss ratio with respect to earned premiums thus worsened from 55.6% to 61.2%.

Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs, premium collection costs and costs relating to the organization and management of the distribution network – amounted to €1,066 million (€993 million in 2020). The ratio to premium income in 2021 was 31.8% (31.6% in 2020).

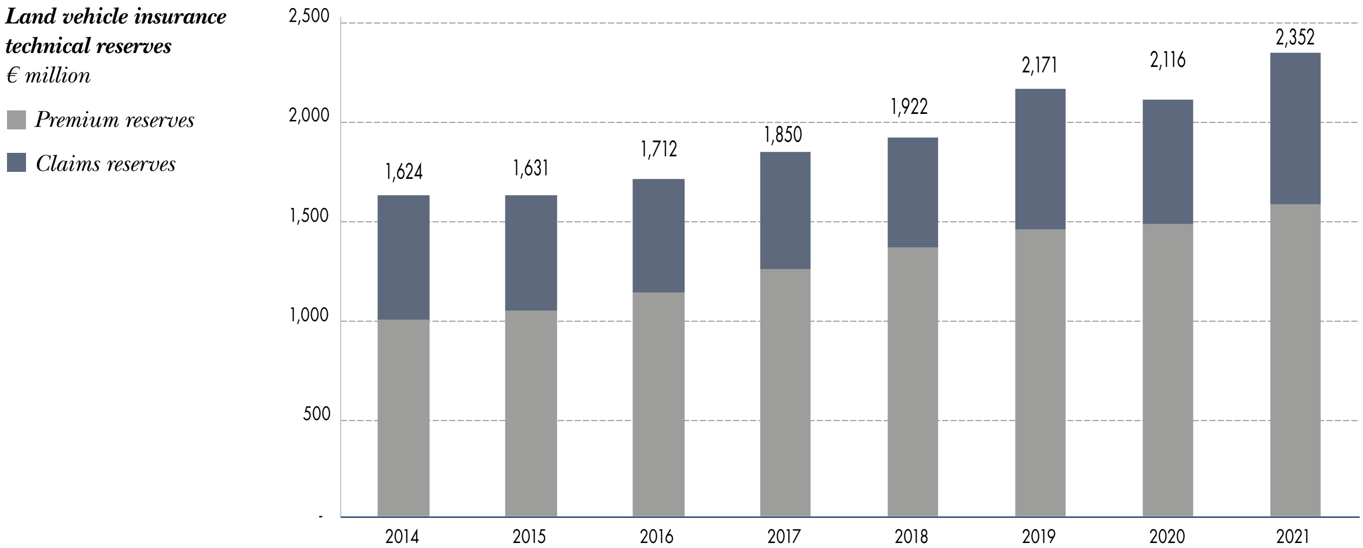
The **technical balance** for direct business was positive by €180 million (€375 million in 2020).

Including investment income, the **technical account result** was positive by €220 million, down from €397 million in 2020.

Thanks to the positive balance on reinsurance, the **overall technical account** came to €234 million (€420 million in 2020), but its ratio to premiums was practically halved from 13.5% to 7.2%%.

Technical reserves for direct business, net of recoverable sums, amounted to €2,352 million in the land vehicles class in 2021, gaining 11% for the year and posting an all-time high. Among these reserves, claims reserves accounted for some €770 million, while premium reserves amounted to €1,600 million.

Land vehicle insurance technical reserves
€ 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 2021. We have compared them with the data for 2020 and 2019 (Table 1).

Table 1 – Car and SUV thefts by region

Region	Auto thefts**			change %			% of cars reg'd. 2021*	Car thefts per 1,000 registered		
	year 2021	year 2020	year 2019	2021 on 2020	2020 on 2019	2019 on 2018		2021	2020	2019
PIEDMONT	3,183	3,028	4,326	5.1%	-30.0%	-8.2%	7.2%	1.11	1.04	1.47
VALLE D'AOSTA	17	15	10	13.3%	50.0%	-44.4%	0.6%	0.07	0.07	0.05
LOMBARDY	6,868	6,491	9,151	5.8%	-29.1%	-12.5%	15.6%	1.10	1.04	1.47
LIGURIA	319	308	408	3.6%	-24.5%	-17.4%	2.1%	0.38	0.36	0.48
FRIULI-VENEZIA GIULIA	303	280	274	8.2%	2.2%	-19.2%	2.0%	0.37	0.35	0.34
TRENTINO-ALTO ADIGE	98	96	147	2.1%	-34.7%	-47.3%	3.1%	0.08	0.08	0.13
VENETO	938	903	1,126	3.9%	-19.8%	-4.4%	8.0%	0.29	0.28	0.35
EMILIA-ROMAGNA	1,354	1,310	1,872	3.4%	-30.0%	-5.3%	7.4%	0.46	0.45	0.64
NORTH	*13,080*	*12,431*	*17,314*	*5.2%*	*-28.2%*	*-11.0%*	*46.1%*	*0.71*	*0.68*	*0.94*
TUSCANY	964	913	1,300	5.6%	-29.8%	-23.4%	6.5%	0.37	0.35	0.50
UMBRIA	215	204	265	5.4%	-23.0%	-27.4%	1.6%	0.33	0.32	0.41
MARCHE	380	358	444	6.1%	-19.4%	-28.8%	2.6%	0.37	0.34	0.43
LAZIO	12,629	11,815	14,939	6.9%	-20.9%	-11.0%	9.6%	3.31	3.09	3.91
CENTER	*14,188*	*13,290*	*16,948*	*6.8%*	*-21.6%*	*-13.0%*	*20.4%*	*1.75*	*1.64*	*2.09*
ABRUZZO	763	733	960	4.1%	-23.6%	-14.1%	2.3%	0.85	0.82	1.07
MOLISE	312	293	327	6.5%	-10.4%	16.4%	0.5%	1.45	1.36	1.52
CAMPANIA	18,695	17,887	20,501	4.5%	-12.8%	5.8%	9.0%	5.22	5.01	5.74
CALABRIA	1,768	1,674	2,128	5.6%	-21.3%	-23.8%	3.3%	1.33	1.27	1.61
PUGLIA	12,106	11,218	14,373	7.9%	-22.0%	-8.6%	6.1%	4.97	4.63	5.93
BASILICATA	184	167	263	10.2%	-36.5%	-9.0%	1.0%	0.48	0.44	0.69
SOUTH	*33,828*	*31,972*	*38,552*	*5.8%*	*-17.1%*	*-2.6%*	*22.2%*	*3.82*	*3.63*	*4.38*
SICILY	8,070	7,861	11,751	2.7%	-33.1%	-1.1%	8.6%	2.36	2.32	3.47
SARDINIA	587	556	760	5.6%	-26.8%	-13.8%	2.7%	0.54	0.51	0.70
ISLANDS	*8,657*	*8,417*	*12,511*	*2.9%*	*-32.7%*	*-2.0%*	*11.3%*	*1.92*	*1.88*	*2.80*
TOTAL ITALY	69,753	66,110	85,325	5.5%	-22.5%	-6.5%	100.0%	1.75	1.67	2.15

Sources: (*) Ministry of Infrastructures and Transport / ACI – No. vehicles registered at 31 December 2021.
(**) Ministry of Interior – The data for 2021 are subject to rectification.

The number of vehicle thefts increased somewhat last year, from 66,110 to 69,753 or by 5.5%. But it must be remembered that in 2020 the containment measures and restrictions adopted to combat the Covid-19 epidemic, with lockdowns and curfews in effect for most of the year, were instrumental in fostering a sharp drop of 22.5% in auto theft by comparison with 2019. Thus despite the increase registered in 2021, the number of thefts was still well below pre-Covid levels. With respect to 2019, in fact, it was 18% lower. This trend was not paralleled, however, by that in recoveries of stolen vehicles by the law enforcement forces (Table 2): whereas in 2020 the percentage of stolen vehicles recovered slipped to 36.8% (about 24,300 vehicles), it edged up to 38.4% (or 26,800 vehicles) in 2021, better than the 38.2% posted in 2019.

Using ACI's data on the provincial distribution of cars in circulation in 2021 as a base, we can make an approximate calculation of theft rates. Overall in 2021, 1.75 vehicles per 1,000 were stolen, up 4.8% from 1.67‰ in 2020, but still below the rate registered in 2019, namely 2.15‰. The rate varies significantly on a regional basis, however.

The regions of the South again showed the highest incidence of vehicle theft in 2021, the average increasing by over 5% with respect to 2020 (from 3.63‰ to 3.82‰). In this part of the country, just over 35% of stolen vehicles are recovered by the police. Basilicata recorded an increase of 10% in car thefts in 2021 (although in absolute terms the numbers for this small region are low indeed), while in Puglia the increase came to 8% and in the other southern regions it was around average (5.8%). The smallest increase (4.1%) was in Abruzzo, followed by Campania (+4.5%). Again in 2021, the region with the highest theft rate in Italy in 2020 was Campania, at 5.22‰, ahead of Puglia (4.97‰).

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

Region	Stolen vehicles recovered*			% stolen vehicles recovered		
	2021	2020	2019	2021	2020	2019
PIEDMONT	1,604	1,442	1,832	50.4%	47.6%	42.3%
VALLE D'AOSTA	13	11	7	76.5%	73.3%	70.0%
LOMBARDY	2,746	2,483	3,475	40.0%	38.3%	38.0%
LIGURIA	244	220	301	76.5%	71.4%	73.8%
FRIULI-VENEZIA GIULIA	138	123	112	45.5%	43.9%	40.9%
TRENTINO-ALTO ADIGE	82	76	108	83.7%	79.2%	73.5%
VENETO	629	574	694	67.1%	63.6%	61.6%
EMILIA-ROMAGNA	985	899	1,256	72.7%	68.6%	67.1%
NORTH	*6,441*	*5,828*	*7,785*	*49.2%*	*46.9%*	*45.0%*
TUSCANY	633	578	864	65.7%	63.3%	66.5%
UMBRIA	151	137	162	70.2%	67.2%	61.1%
MARCHE	175	159	220	46.1%	44.4%	49.5%
LAZIO	3,724	3,319	4,414	29.5%	28.1%	29.5%
CENTER	*4,683*	*4,193*	*5,660*	*33.0%*	*31.6%*	*33.4%*
ABRUZZO	343	310	389	45.0%	42.3%	40.5%
MOLISE	47	43	48	15.1%	14.7%	14.7%
CAMPANIA	5,960	5,459	6,995	31.9%	30.5%	34.1%
CALABRIA	1,021	919	1,066	57.7%	54.9%	50.1%
PUGLIA	4,503	4,054	5,344	37.2%	36.1%	37.2%
BASILICATA	44	41	60	23.9%	24.6%	22.8%
SOUTH	*11,918*	*10,826*	*13,902*	*35.2%*	*33.9%*	*36.1%*
SICILY	3,428	3,187	4,942	42.5%	40.5%	42.1%
SARDINIA	333	298	330	56.7%	53.6%	43.4%
ISLANDS	*3,761*	*3,485*	*5,272*	*43.4%*	*41.4%*	*42.1%*
TOTAL ITALY	26,803	24,332	32,619	38.4%	36.8%	38.2%

Source:
(*) Interior Ministry – the data for 2021 are operational, not definitive.

The Center regions registered a 6.8% increase in auto theft in 2021, outpacing the national average, and a recovery rate of just a third. Lazio was again the central region accounting for the majority of thefts; it showed an increase of 6.9% for the year, and remains one of the worst regions in Italy in terms of recovery rate (29.5%). Car theft increased in all the other central regions as well, most markedly in Marche, where it rose by 6.1%; the incidence of theft rose by 5.6% in Tuscany and 5.4% in Umbria. All these last three regions show very high recovery rates; in Umbria fully 70% of all stolen vehicles are recovered by the law enforcement bodies. In the regions of central Italy the incidence of theft to cars on the road was under 0.37‰, if we exclude Lazio, where it came to 3.31‰. The Center regions account for some 20.4% of passenger cars in Italy.

The North also recorded an increase in the number of thefts, amounting to 5.2%, with nearly half the vehicles stolen being recovered. By region, excluding the tiny region of Valle d’Aosta where the number of thefts is practically negligible, the sharpest rise in 2021 came in Friuli-Venezia Giulia, with an increase of over 8% (and note that this was the only region in Italy to record an increase even in the pandemic year). Thefts increased by 5% in Piedmont and 6% in Lombardy in 2021 but remained below their 2019 levels, while in Veneto, Liguria and Emilia-Romagna the rise was less than 4%. The smallest increase (2.1%) was in Trentino-Alto Adige, which also scored the highest recovery rate (nearly 85%). It is worth remarking that the North has nearly half of all Italy’s passenger cars (46.1% in 2021) and also the lowest incidence of theft, averaging 0.71‰ overall and a strikingly low 0.08‰ in Trentino-Alto Adige and 0.07‰ in Valle d’Aosta.

The island regions registered the smallest increase in auto theft in 2021 (up 2.9%), while 43.4% of the vehicles stolen were recovered. Sicily recorded an increase of 2.7% in the incidence of car theft, the rate edging up from 2.32‰ to 2.36‰, while Sardinia recorded a rise of 5.6%, from 0.51‰ to 0.54‰.

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

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

PASSENGER CAR FIRE AND THEFT COVERAGE IN ITALY

ANIA gathers annual statistics on the technical performance and the diffusion of the various kinds of land vehicle insurance. This means mainly car theft and fire, collision (so-called partial or full "kasko"), breakage of windows and windshields, damage from weather, vandalism, or political events. This section reports the preliminary results for 2021 and a homogeneous comparison with 2020 and 2019 for the most common types of coverage, namely fire and theft. The observation is for a sample of companies that account for 94% of premium income in this class and refers only to private passenger cars (no fleet or other multi-vehicle policies).

Let us emphasize that as far as claims are concerned, last year saw a generalized increase by comparison with 2020, when the restrictions and limitations instituted to counter the spread of the Covid-19 epidemic had resulted in a sharp drop in claims. Last year's upturn brought fire claims back to pre-pandemic levels, while theft claims were still below the value registered in 2019, given that the early part of 2021 was still marked by some restrictive measures or curfews, limiting personal mobility.

Diffusion of coverage

Based on our sample, we estimate that there were 9.6 million passenger car fire and theft policies in Italy in 2021, up from about 9.4 million in the previous two years. One factor in the rise may have been the growth in new car registrations (up 5.4% according to ACI), which is generally the main cause of purchases of this type of voluntary insurance coverage.

Nationwide, this works out to a coverage ratio of over 33% of all cars with motor liability insurance. But the geographical distribution is quite uneven. The regions with higher-than-average coverage are found in the Center and North: more than half the cars (53.6%) in Lombardy, about 44% in Lazio, 42% in Piedmont, 36% in Emilia Romagna and 33% in Liguria. Very low diffusion of around 20% is registered mainly in the regions of the South: Puglia, 20.0%; Sicily, 20.3%; Campania, 20.4%; and Calabria, 20.7%. However, the northern regions of Trentino-Alto Adige and Valle d'Aosta too have only about 21% theft coverage.

Claims frequency

Claims frequency (i.e. the ratio of claims in a year to the number of vehicles insured) is much higher for **theft** insurance (**6.13** claims per **1,000 insured vehicles** in 2021, up slightly from 2020 but significantly lower than the 8.14‰ in 2019) than for **fire** (**0.33 per 1,000 insured cars** in 2021, up from 0.28‰ in 2020 and about the same as in 2019; see Tables 1 and 2).

Table 1
Statistical data, passenger car theft insurance

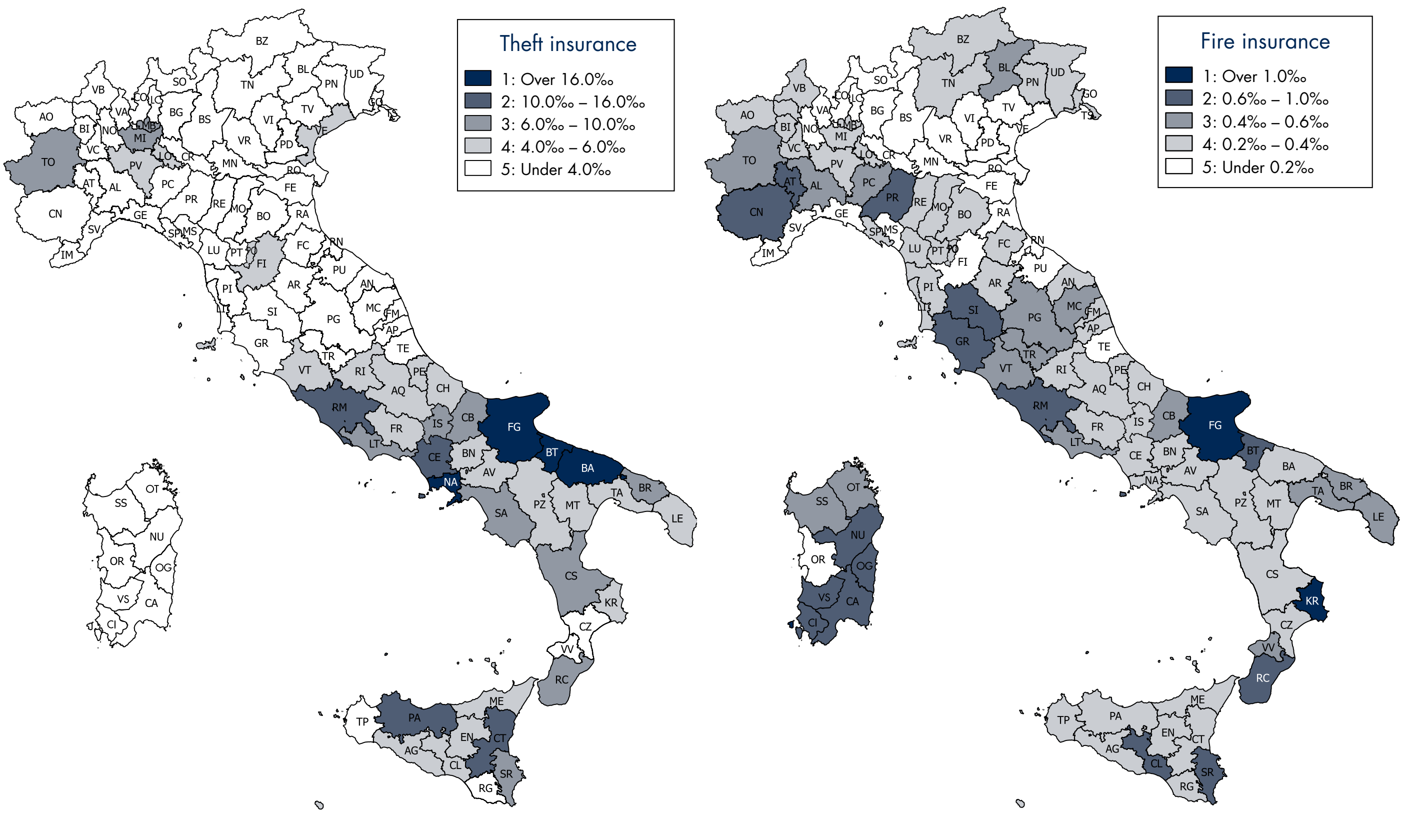
	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Friuli-Venezia Giulia	1.8%	1.7%	1.7%	1.58‰	1.54‰	2.72‰	24.5%	21.4%	20.0%
Veneto	8.6%	8.5%	8.3%	2.96‰	3.30‰	3.97‰	18.9%	20.2%	17.9%
Trentino-Alto Adige	1.3%	1.3%	1.2%	1.23‰	1.94‰	2.52‰	31.8%	31.7%	28.2%
Emilia-Romagna	8.8%	8.8%	8.6%	3.35‰	4.01‰	5.26‰	22.5%	21.0%	20.0%
TOTAL NORTH-EAST	*20.5%*	*20.3%*	*19.9%*	*2.90‰*	*3.37‰*	*4.33‰*	*21.0%*	*20.9%*	*19.2%*
Piedmont	10.0%	10.1%	10.3%	6.01‰	5.44‰	8.24‰	29.7%	31.9%	31.6%
Lombardy	27.9%	28.3%	28.5%	4.92‰	4.97‰	7.18‰	32.8%	34.5%	34.5%
Liguria	2.3%	2.4%	2.4%	2.46‰	2.96‰	4.02‰	27.1%	19.7%	21.3%
Valle d'Aosta	0.2%	0.2%	0.2%	2.56‰	2.61‰	3.26‰	25.2%	33.1%	21.7%
TOTAL NORTH-WEST	*40.4%*	*41.0%*	*41.4%*	*5.04‰*	*4.96‰*	*7.25‰*	*31.7%*	*33.3%*	*33.2%*
Tuscany	4.6%	4.7%	4.7%	3.45‰	3.19‰	4.34‰	21.3%	23.4%	22.2%
Marche	1.9%	1.9%	1.8%	2.04‰	2.45‰	4.34‰	32.9%	34.9%	37.6%
Umbria	1.2%	1.2%	1.2%	2.89‰	3.75‰	4.83‰	31.9%	26.1%	26.9%
Lazio	11.5%	11.8%	12.0%	10.09‰	9.38‰	11.34‰	63.9%	66.0%	63.1%
TOTAL CENTER	*19.2%*	*19.5%*	*19.7%*	*7.25‰*	*6.89‰*	*8.62‰*	*50.1%*	*51.5%*	*49.5%*
Molise	0.5%	0.5%	0.5%	8.90‰	7.64‰	10.06‰	51.8%	63.8%	62.2%
Campania	4.5%	4.3%	4.2%	13.63‰	12.91‰	17.29‰	58.4%	61.4%	55.5%
Basilicata	0.6%	0.6%	0.6%	4.47‰	4.35‰	7.49‰	65.8%	74.0%	68.7%
Abruzzo	2.0%	2.0%	2.0%	4.22‰	3.93‰	5.68‰	44.0%	50.9%	54.7%
Calabria	1.8%	1.8%	1.8%	5.74‰	5.87‰	7.78‰	49.5%	48.7%	46.9%
Puglia	3.8%	3.6%	3.5%	18.09‰	18.71‰	22.89‰	80.6%	83.4%	83.3%
TOTAL SOUTH	*13.3%*	*12.7%*	*12.5%*	*11.82‰*	*11.57‰*	*14.92‰*	*67.0%*	*70.4%*	*67.2%*
Sardinia	1.7%	1.7%	1.7%	2.52‰	2.13‰	3.23‰	39.3%	48.2%	42.5%
Sicily	4.5%	4.4%	4.5%	8.53‰	7.86‰	9.82‰	40.9%	42.6%	46.2%
TOTAL ISLANDS	*6.2%*	*6.1%*	*6.2%*	*6.87‰*	*6.27‰*	*7.99‰*	*40.6%*	*43.1%*	*45.7%*
TOTAL ITALY	100.0%	100.0%	100.0%	6.13‰	6.05‰	8.14‰	42.2%	43.2%	41.6%

This indicator too displays great geographical variability (Figure 1). The region with the greatest frequency of theft claims in 2021 was again Puglia, with 18 cars stolen for every 1,000 insured – down in any case from 19 in 2020 and even more sharply from 23 in 2019 – followed by Campania (almost 14 in 2021, up from 13 in 2020 but down from 17 in 2019), Lazio (10, slightly more than in 2020 but fewer than in 2019) and Molise (9, up 1 from 2020 but down 1 from 2019).

By province, the highest frequencies in 2021 were registered in Barletta-Andria-Trani (30 auto theft claims for every 1,000 vehicles insured, compared with 27 in 2020 and 32 in 2019), Foggia (almost 28, against 29 in 2020 and 37 in 2019), Bari (almost 21, compared with 23 in 2020 and 26 in 2019), Naples (19, against 18 in 2020 and 23 in 2019) and Palermo (14, against 11 and 9 in 2020 and 2019).

The most "virtuous" regions are practically all in the Center-North: notably Trentino-Alto Adige, which scored 1.23 thefts per 1,000 vehicles insured in 2021 (down from 1.94‰ in 2020 and 2.52‰ in 2019), and Friuli-Venezia Giulia with 1.58‰, about the same as in 2020 but lower than the score of 2.72‰ in 2019. Marche too was well below the national average, with just

Figure 1
Claims frequency for car theft and fire insurance by province – 2021



2.04 thefts per 1,000 cars insured, as were Umbria (2.89‰) and Veneto (2.96‰).

Sardinia also registered a low claims frequency of 2.52 thefts per 1,000 vehicles insured in 2021, more than in 2020 but down from over 3 in 2019. The provinces with the lowest theft rates in Italy are Gorizia, Oristano, Bolzano, Belluno, Pordenone and Verbania, all under 1.2‰.

By comparison with the national claims frequency of 0.33‰ for fire insurance, the rate was particularly low in Veneto and Liguria, 0.14‰ and 0.16‰ respectively (as in 2020), or less than half the national average. Lombardy, Friuli-Venezia Giulia, Basilicata and Campania also scored below the average, although with frequencies higher than in 2020 (Table 2, Figure 1). The regions with the highest fire claims frequencies in 2021 were Sardinia (0.65 per 1,000 vehicles insured), Lazio (0.59‰), Puglia (0.55‰), and Calabria (0.50‰). The latter two regions, however, recorded a diminution with respect to 2020. Above-average frequencies were also found in Molise and Umbria, both around 1.5 times the national average. By province the highest risk levels for fire insurance claims in 2021 were registered in Crotone, Foggia, and Siena, at around 1.00‰, followed by Grosseto, Reggio Calabria, and Asti at around 0.80‰. The most “virtuous” provinces were Mantua, Vicenza, Cremona, and Prato, with rates of 0.10‰ or less.

Table 2
Statistical data, passenger car fire insurance

	Composition of coverage (% of total)			Claims frequency (‰)			Average degree of damage (%)		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Friuli-Venezia Giulia	1.8%	1.8%	1.8%	0.24‰	0.14‰	0.22‰	41.5%	30.8%	32.1%
Veneto	9.1%	9.0%	8.8%	0.14‰	0.14‰	0.16‰	40.1%	46.5%	56.8%
Trentino-Alto Adige	1.5%	1.4%	1.4%	0.32‰	0.35‰	0.31‰	33.4%	29.7%	19.9%
Emilia-Romagna	8.8%	8.8%	8.6%	0.31‰	0.26‰	0.32‰	37.3%	44.1%	51.4%
TOTAL NORTH-EAST	*21.3%*	*21.0%*	*20.6%*	*0.23‰*	*0.21‰*	*0.24‰*	*37.7%*	*42.0%*	*48.0%*
Piedmont	10.2%	10.3%	10.5%	0.43‰	0.33‰	0.41‰	55.5%	60.0%	65.4%
Lombardy	27.5%	27.9%	28.0%	0.21‰	0.21‰	0.24‰	50.1%	64.8%	58.7%
Liguria	2.3%	2.4%	2.4%	0.16‰	0.16‰	0.26‰	44.5%	57.3%	70.1%
Valle d'Aosta	0.2%	0.2%	0.2%	0.36‰	0.22‰	0.07‰	33.3%	11.3%	17.6%
TOTAL NORTH-WEST	*40.1%*	*40.7%*	*41.1%*	*0.27‰*	*0.23‰*	*0.29‰*	*51.4%*	*62.3%*	*61.5%*
Tuscany	4.6%	4.7%	4.7%	0.32‰	0.26‰	0.24‰	40.1%	40.8%	44.9%
Marche	2.0%	1.9%	1.9%	0.26‰	0.19‰	0.21‰	52.3%	35.9%	54.0%
Umbria	1.2%	1.2%	1.2%	0.44‰	0.26‰	0.28‰	28.5%	41.0%	52.6%
Lazio	11.2%	11.5%	11.7%	0.59‰	0.35‰	0.36‰	55.8%	72.0%	69.4%
TOTAL CENTER	*19.0%*	*19.3%*	*19.4%*	*0.48‰*	*0.31‰*	*0.31‰*	*47.6%*	*57.0%*	*59.1%*
Molise	0.5%	0.5%	0.5%	0.46‰	0.33‰	0.28‰	46.0%	65.0%	72.1%
Campania	4.5%	4.2%	4.1%	0.24‰	0.23‰	0.32‰	87.1%	102.5%	79.9%
Basilicata	0.6%	0.6%	0.6%	0.24‰	0.19‰	0.28‰	51.6%	65.2%	94.7%
Abruzzo	2.0%	2.0%	1.9%	0.29‰	0.28‰	0.25‰	49.5%	59.4%	52.0%
Calabria	1.7%	1.7%	1.7%	0.50‰	0.70‰	0.73‰	76.9%	109.2%	84.7%
Puglia	3.9%	3.7%	3.6%	0.55‰	0.59‰	0.68‰	100.2%	90.7%	89.6%
TOTAL SOUTH	*13.1%*	*12.6%*	*12.4%*	*0.38‰*	*0.41‰*	*0.47‰*	*84.3%*	*91.3%*	*81.8%*
Sardinia	1.7%	1.7%	1.7%	0.65‰	0.64‰	0.81‰	80.6%	81.5%	93.9%
Sicily	4.4%	4.4%	4.5%	0.38‰	0.39‰	0.42‰	78.9%	90.3%	81.6%
TOTAL ISLANDS	*6.2%*	*6.1%*	*6.2%*	*0.46‰*	*0.46‰*	*0.53‰*	*79.9%*	*86.8%*	*87.1%*
TOTAL ITALY	100.0%	100.0%	100.0%	0.33‰	0.28‰	0.32‰	54.2%	63.5%	63.3%

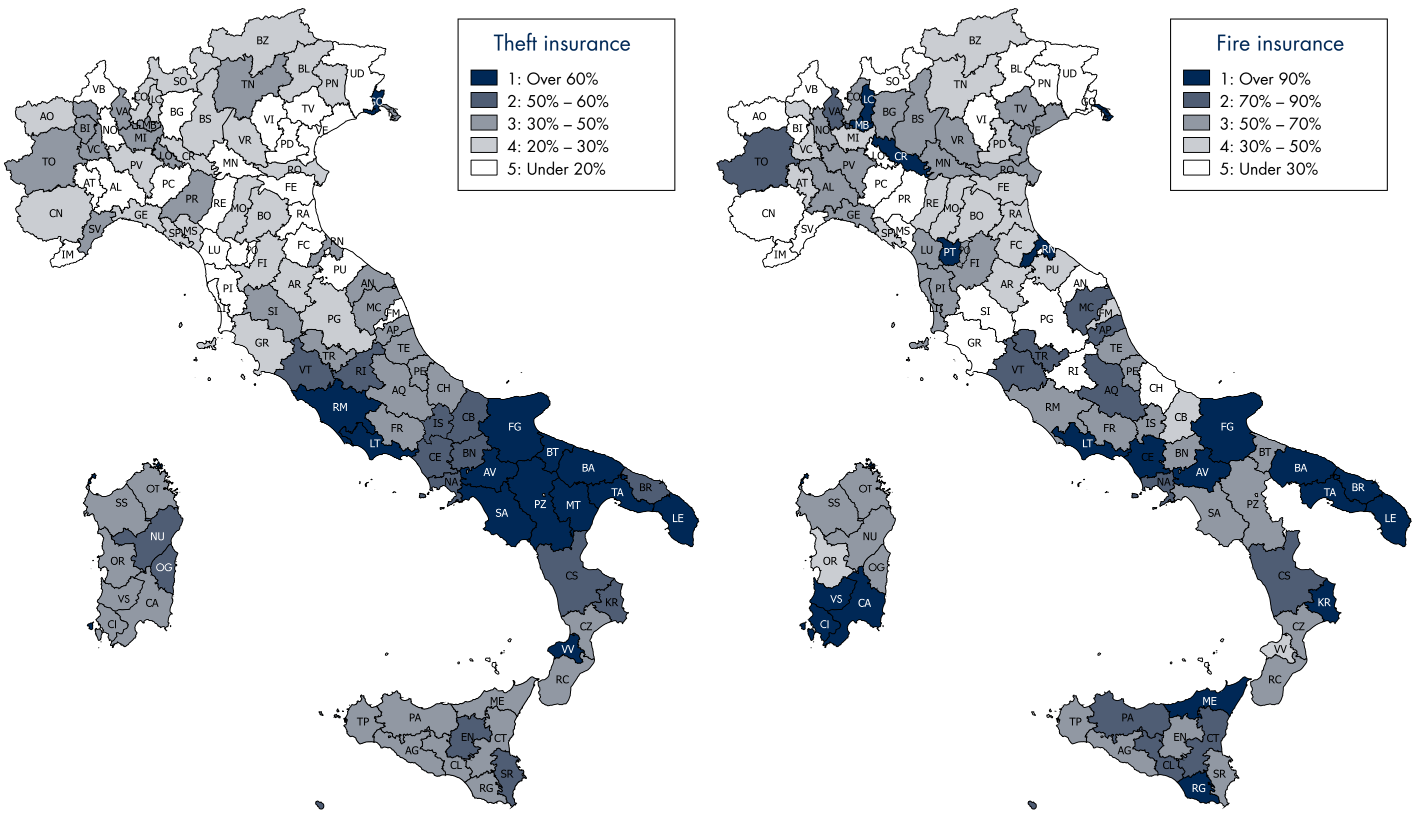
Average degree of damage

The other significant indicator in analyzing technical trends in fire and theft insurance is the average degree of damage, i.e. the percentage of the value of the good insured that is lost. For given that in the case of both (partial) theft and fire the entire value of the car is not necessarily lost, it is worth determining what portion of damage is indemnified in relation to the value insured. This indicator is normally less than 100%; a value greater than 100% can arise only due to an accounting effect in quantifying the insured value exposed to risk during the year.

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

For **theft** insurance, the **degree of damage averaged 42.2%** nationwide in 2021, 1 percentage point lower than in 2020 and about half a point higher than in 2019, which means that partial auto theft remains quite a significant phenomenon: the average incidence of damage in fact does not even come

Figure 2
Average degree of damage for fire and theft insurance by province – 2021



to half the value insured. For **fire** insurance the damage rate was **54.2%**, down nearly 10 points compared with 2020 (63.5%) and 2019 (63.3%). That is, in the last year there were a large number of partial fire claims for relatively small amounts (the average cost of these claims, in fact, fell from €7,000 in 2019 and 2020 to €6,000 in 2021).

Again, the degree of damage varies significantly by region and province for both types of coverage (Figure 2). For theft, the values were higher than the national average in the South: nearly twice the average in Puglia (80.6%), followed by Basilicata (65.8%), Lazio (63.9%), Campania (58.4%), Molise (51.8%), and Calabria (49.5%). The provinces with the highest figures in 2021 were Barletta-Andria-Trani (practically 100% of the value of the insured vehicle), Brindisi (91%), Bari (80%), Foggia, Matera and Taranto (74%), and Vibo Valentia and Gorizia (70%).

For fire insurance, the results are similar: degree of damage of 100% in Puglia, 87% in Campania, 81% in Sardinia, 79% in Sicily, and 77% in Calabria. More in detail, values of 100% or more were recorded in many provinces, such as Rimini, Ragusa, Trieste, Brindisi, Avellino, Bari, Cremona, Lecce, and Taranto.

THE AVERAGE COST AND FREQUENCY OF MOTOR LIABILITY CLAIMS

Analysis of the overall loss ratio of the motor liability insurance sector for the entire market must take into account both the number of claims made during the year (which in proportion to the number of vehicles insured gives the claims frequency) and their average cost. Recall that the data for all of 2020 and part of 2021 as well reflect the succession of restrictions, of varying severity, on the circulation of persons and vehicles imposed to combat the Covid-19 pandemic. Their main effect was a significant reduction in claims rates, unparalleled since motor liability insurance was made compulsory. Accordingly, the time series, for number of claims and all the technical indicators, must be read in the light of this very particular feature of the last two years.

Number of claims. The total number of indemnifiable claims incurred and reported is given by the sum of claims incurred and settled during the year and of claims reserved (which will give rise to a payment in the future), but does not include the estimate of those incurred but not reported (IBNR) during 2021 but that will be reported in future years. By this count, the number of claims lodged with Italian or non-EU insurance companies rose by 17.9% last year, from 1,494,163 to 1,761,454 but did not regain pre-pandemic levels (2,140,440 in 2019).

Claims frequency (excluding IBNR, Table 1, Panel A). Claims frequency as shown in Panel A of Table 1 is defined as the ratio of the number of claims incurred and reported during the accident year that have given or will give rise to compensation to the number of vehicles exposed to the risk of claim-generating accidents (measured on the basis of days of exposure during the year, converted into “vehicle-years”). This technical indicator rose from 3.82% in 2020 to 4.53% last year, an increase of 18.4%. Although the restrictive measures were gradually eased in the course of 2021, vehicle circulation did not recover its 2019 level, and motor liability claims frequency, while up by 18%, was still lower than in 2019 (4.5% as against 5.4%).

Claims frequency rose by slightly more than the number of claims, given that in 2021 the number of vehicle-years insured by Italian and non-EEA companies dipped by 0.5%.[1]

Trends in claims frequency were quite regular through 2019 but changed drastically with the Covid-19 pandemic and the consequent restrictions enacted in 2020 and maintained, if in more moderate fashion, in the early months of 2021. Excluding the first quarter of 2021, when claims frequency

[1] The absolute number of vehicle years was 38.9 million. Including all the other types of insurers operating in Italy (i.e. those doing business under the freedom to provide services), the total number of vehicle-years insured comes to 43.0 million, up 1.5% on 2020.

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

	PANEL A: Excludes claims IBNR, contribution to the Road Accident Victims Guarantee Fund and other residual items								PANEL B: Includes claims IBNR, contribution to the Road Accident Victims Guarantee Fund and other residual items	
Year	Claims frequency %	Change %	Average claim cost - property damage	Change %	Average claim cost - personal injury	Change %	Average total claim cost **	Change %	Claims frequency %	Average claim cost.
2000	9.82%	-1.3%	1,278	2.9%	9,920	14.9%	2,809	13.1%	10.95%	2,825
2001	8.54%	-13.1%	1,431	12.0%	11,175	12.7%	3,186	13.4%	9.55%	3,207
2002	7.82%	-8.4%	1,535	7.3%	12,686	13.5%	3,532	10.9%	8.78%	3,503
2003	7.66%	-2.1%	1,634	6.4%	13,542	6.7%	3,805	7.7%	8.63%	3,771
2004	7.61%	-0.6%	1,701	4.1%	13,206	-2.5%	3,982	4.7%	8.58%	3,964
2005	7.55%	-0.8%	1,644	-3.3%	13,106	-0.8%	4,047	1.6%	8.51%	4,038
2006	7.47%	-1.1%	1,674	1.8%	13,233	1.0%	4,100	1.3%	8.47%	4,080
2007	7.61%	1.9%	1,764	5.4%	11,958	-9.6%	3,967	-3.2%	8.52%	4,014
2008	7.73%	1.6%	1,772	0.5%	11,830	-1.1%	3,913	-1.4%	8.57%	3,972
2009	7.77%	0.5%	1,725	-2.7%	11,694	-1.1%	3,903	-0.3%	8.60%	3,986
2010	7.36%	-5.2%	1,716	-0.5%	12,052	3.1%	4,057	4.0%	8.12%	4,117
2011	6.53%	-11.3%	1,803	5.0%	13,155	9.2%	4,345	7.1%	7.21%	4,519
2012	5.87%	-10.1%	1,899	5.3%	14,804	12.5%	4,495	3.5%	6.48%	4,763
2013	5.65%	-3.8%	1,883	-0.8%	15,986	8.0%	4,564	1.5%	6.24%	4,828
2014	5.48%	-2.9%	1,894	0.6%	16,150	1.0%	4,532	-0.7%	6.05%	4,796
2015	5.55%	1.2%	1,908	0.7%	16,389	1.5%	4,467	-1.5%	6.11%	4,721
2016	5.65%	1.8%	1,912	0.2%	16,132	-1.6%	4,374	-2.1%	6.20%	4,597
2017	5.61%	-0.7%	1,941	1.5%	16,297	1.0%	4,326	-1.1%	6.13%	4,507
2018	5.43%	-3.2%	1,980	2.0%	17,026	4.5%	4,361	0.8%	5.95%	4,552
2019	5.41%	-0.4%	1,998	0.9%	17,112	0.5%	4,348	-0.3%	5.91%	4,560
2020	3.82%	-29.4%	2,257	13.0%	20,690	20.9%	4,918	13.1%	4.20%	5,202
2021*	4.53%	18.4%	2,280	1.0%	19,460	-5.9%	4,737	-3.7%	4.92%	4,987

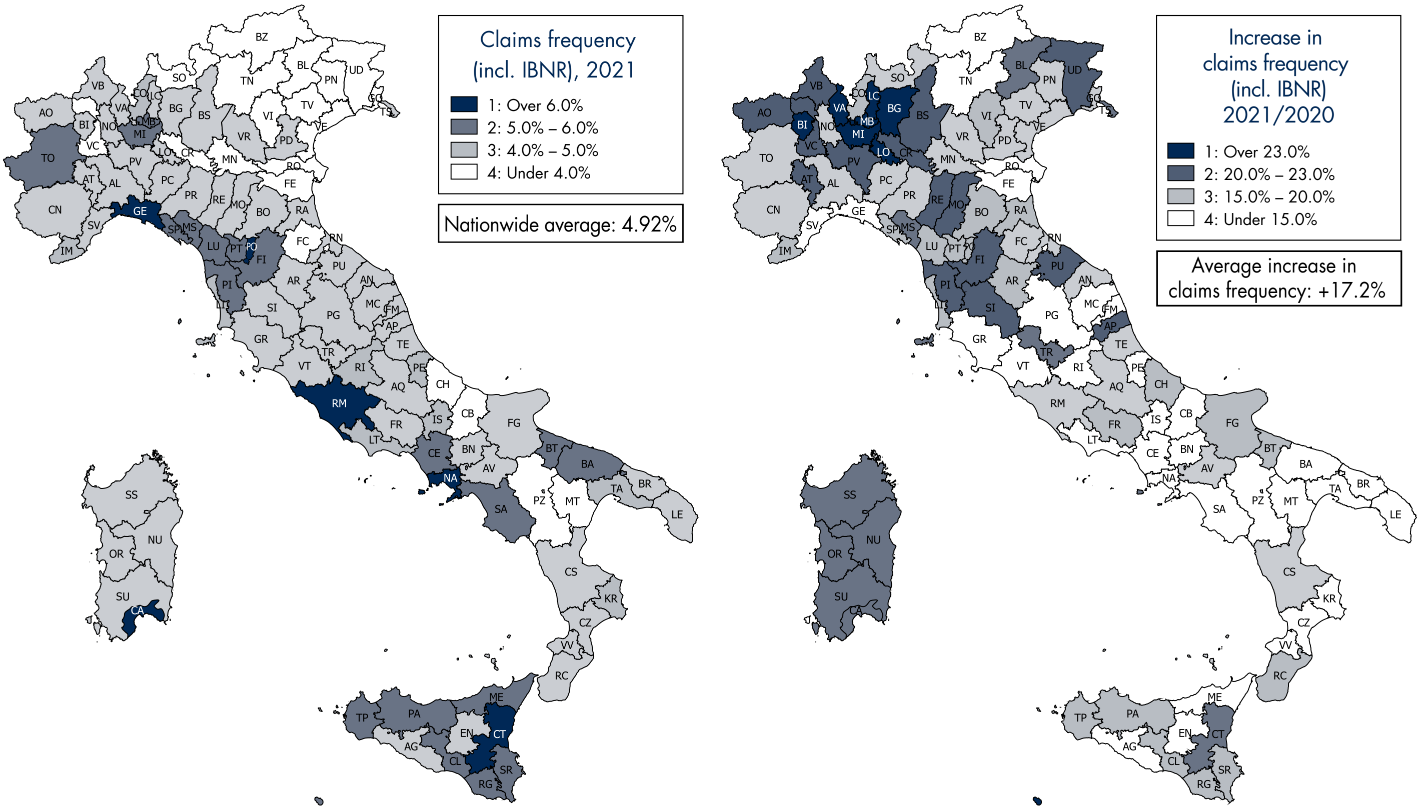
(*) ANIA estimates based on advance information on 2021 financial statements.
(**) Source: IVASS; for 2021, data from supervisory reporting forms.

was still declining as a result of the restrictive measures that remained in force, in the last three quarters as restrictions eased claims frequency increased, although without coming back up to pre-pandemic levels. The first quarter saw a decrease of 8% by comparison with the first quarter of 2020, but the second quarter registered a jump of 70% over the year-earlier quarter, when lockdown and traffic restrictions were more stringent. The third quarter saw an increase of 21%; the fourth, 18%.

The final annual estimates of fuel consumption released by the Ministry for Economic Development show an upturn in fuel consumption on the order of 17%, attesting to greater vehicle use during the year, but the quantity was still 4% less than in 2019. The failure to regain that level of fuel consumption was due in part to the rise in prices in the closing months of the year, which intensified in early 2022.

Average cost of claims (excluding IBNR, Table 1, Panel A). The average cost of claims shown in Panel A of Table 1 is derived by dividing the total cost of

Figure 3
Claims frequency by province, 2021, and variation vis-à-vis 2020



claims (paid and reserved) by their number. The indicator takes account both of payments made in final or partial settlement and of settlements that companies expect to make in the future for claims that have been reported but whose amount has yet to be determined (reserved amounts). It excludes claims incurred but not reported (IBNR reserves), contributions to the Road Accident Victims Guarantee Fund and some residual items. These items have been excluded from the 2021 data in order to allow uniform comparison with the data for previous years, derived from analyses conducted by the insurance supervisor using this methodology. Based on these calculations, the average claim cost in 2021 was €4,737, down 3.7% from €4,918 in 2020. In detail, the average cost of claims involving only material damage increased by 1.0% to €2,280 in 2021 (following a 13% rise in 2020), while that of claims involving personal injury (including the material damage component of mixed claims) declined by 5.9% to €19,460; in 2020, by contrast, it had jumped by 21% to €20,690, owing to the greater average severity of accidents, as restrictions thinned traffic and allowed higher driving speeds for those vehicles that were authorized to circulate.

Number of claims and average cost (including IBNR, Table 1, Panel B). The total number of claims, including the IBNR estimate, came to 1,915,317 in 2021, an increase of 16.7%, raising claims frequency by 17.2%, from 4.20% to 4.92%. Counting all the components included in the definition of the cost of claims for the period (item 18 of Supervisory Form 17), i.e. including IBNR reserves, the contribution to the Road Accident Victims Guarantee Fund and other, residual items, the average cost of claims for the period decreased by 4.1% to €4,987. The 16.7% rise in the number of claims (including the estimate of late reports or IBNR claims) was thus partially counteracted by the 4.1% reduction in their average cost, so the total cost of claims for the year rose by 12%.

In interpreting the provincial breakdown of claims frequency including IBNR (Figure 3, left-hand map), we must bear in mind that in the first part of the year traffic restrictions varied geographically and thus had differential effects on accidents depending on regional Covid-19 risk categories. The provinces with the highest claims frequencies in 2021 were Naples (8.27%), Cagliari (6.97%), Prato (6.86%), Rome (6.68%), Genoa (6.66%), and Catania (6.42%), all far above the national average of 4.92%. Other provinces significantly above the national average were Palermo (5.97%), Caserta (5.88%), Barletta-Andria-Trani (5.83%), Turin (5.63%), Milan (5.60%), Florence (5.58%), and Caltanisetta (5.52%). Once again, the lowest claims frequencies were recorded in the provinces of the North-East. In particular, the best performances were turned in by Rovigo (3.10%), Pordenone (3.26%), Gorizia (3.34%), and Udine (3.42%). After them came the provinces of Potenza, Bolzano, Ferrara, Vercelli, and Sondrio, with rates of at most 3.62%. Frequencies below the national average were also achieved in other southern provinces, such as Matera and Campobasso (3.90% and 3.77% respectively), as well as Oristano, Cosenza, and Reggio Calabria, ranging between 3.99% and 4.07%.

The right-hand map in Figure 3 shows provincial increases in claims frequency in 2021. Nationwide, for all vehicles, the increase came to 17.2%. But the provincial breakdown shows that in some parts of Italy the percentage was well above 23%, with peaks of 26.6% in Bergamo and 27.4% in Lodi. The other provinces of Lombardy also registered larger-than-average increases, since Lombardy was the region affected most severely in 2020 by the traffic restrictions, by reason of the large number of Covid cases and deaths, resulting in a disproportionate decline in claims. The provinces with the smallest increases in 2021 – all less than 11% – were Campobasso, Nuoro, Rieti, Isernia, and Crotone.

IMPACT OF CHANGES TO MOBILITY, FUEL COSTS AND INFLATION ON NUMBER AND COST OF MOTOR LIABILITY CLAIMS

To estimate the number and the cost of the motor liability claims insurers will have to handle in 2022, we take account of two factors that will affect people's mobility.

Factor 1: changes in habits and lifestyles, which following the Covid19 pandemic have resulted in a "new normal"; it is now established, for instance, that:

- some portion of workers will continue to work from home;
- the proportion who use public vis-à-vis private transport has changed; and
- leisure-time activities (cinema, theater) have also been affected.

Factor 2: energy costs, already rising in late 2021, accelerated further with the outbreak of the war in Ukraine, reaching all-time highs in the first quarter of 2022.

To see how these factors affected motor liability claims frequency, we identified a set of significant independent variables, applying to them a multiple-correlation model to quantify the relations between these and the number of claims (our dependent variable). The independent variables are:

- **changes in mobility**, measured by open-source Google Maps data, which measure the variation in mobility habits with respect to the median for a specific day in the period of five weeks from 3 January to 6 February 2020 (taken as pre-Covid reference period). In particular they refer to changes in individuals' travel to work; residence; grocery stores, markets, food specialty shops, pharmacies and para-pharmacies (hereafter, grocery stores and pharmacies); public transport centers such as metro stations (public transport stations); and restaurants, cafés, shopping malls, theme parks, museums, bookstores and cinemas (recreational locations);
- **daily changes in fuel prices**, measured as the average weighted price of gasoline, diesel fuel and LPG at the pump (both "with service" and "self-service"), weighted by consumption volume.

The study analyzes the correlation between number of claims received by insurers and the variables explaining changes to mobility, assuming, for instance, that the greater the number of people who stay home, the fewer accidents there will be; or conversely, the greater the number of people who travel to work, the greater the probability of accidents. The direct effect of fuel prices on mobility was also included, on the assumption that the higher the cost, the less the utilization of private vehicles.

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

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

First of all, the model identified the most significant causal variables and excluded those most strongly correlated with each other, which in "explaining" the dependent variable (number of claims) with the same degree of significance made the model over-parametrized. In the end, the mobility variables taken into account referred to travel to: 1) workplaces; 2) residential areas; 3) groceries and pharmacies; 4) recreational locations; 5) public transport stations. In addition, the average price of fuel proved to be highly significant.

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

- travel to places of work is the preponderant factor in explaining the number of claims; a 10% increase in the number of such trips results in a 21% increase in the number of claims;
- variation in recreational travel is also significant; an increase of 10% in mobility for this purpose increases claims by 3%;
- less significant is the trend in trips to groceries/pharmacies; here a 10% increase results in an increase in claims of less than 2%;
- there is a negative, if modest, correlation with the use of public transport; and a more marked negative correlation with the number of people who stay home. A 10% increase in the former implies a decline of just under 1% in claims, while a 10% increase in people staying home brings a significant reduction of almost 17% in the number of claims;
- as expected, the average cost of fuel displays a strong negative correlation with claims; a 10-cent price rise reduces claims by almost 6%.

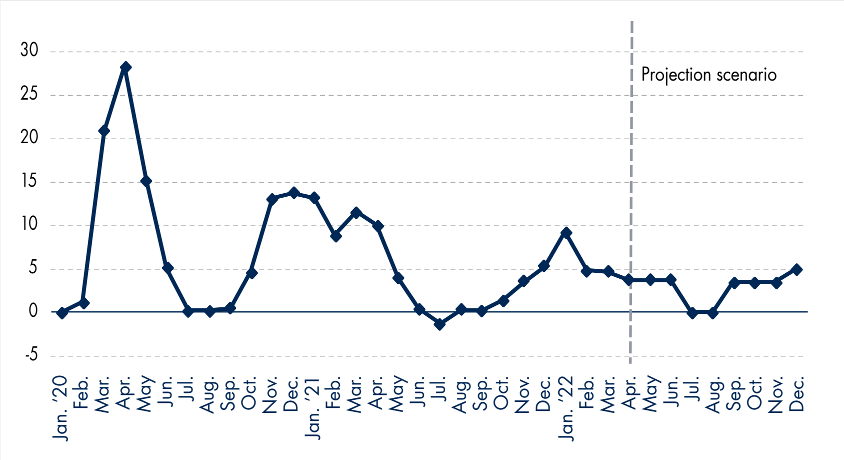
Table 1
Regression model results

Independent variable	Estimated correlation coefficient	Assumed variation in independent variable	Estimated change in number of claims, 2022
Travel to:			
Place of work	0.0188	10%	20.7%
Recreational activity	0.0026	10%	2.7%
Groceries/pharmacies	0.0018	10%	1.8%
Public transport station	- 0.0007	10%	-0.7%
Residential areas	-0.0191	10%	-17.4%
Price of fuel	- 0.5822	€ 0.10	-5.7%

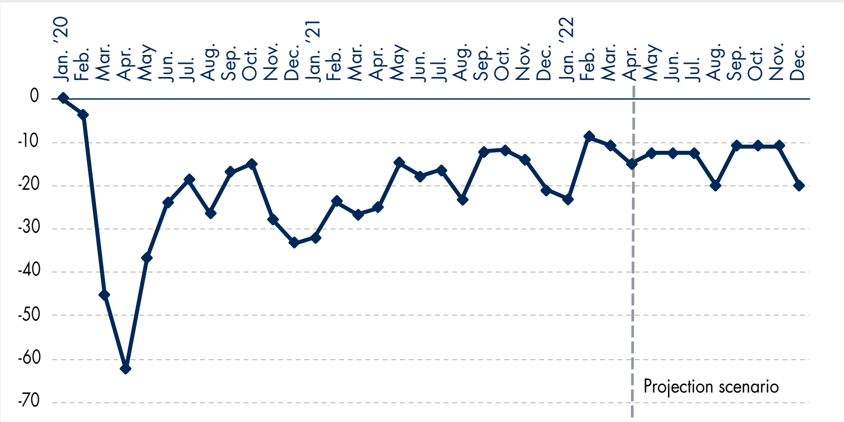
The regression model estimates, retrospectively and with a high degree of accuracy (R^2 of almost 95%), the number of claims recorded in 2021, based on patterns in individual mobility as derived from the open data sources used.

Drawing on the Google Maps mobility data for 2020, 2021 and 2022 (through April), we projected the future trends for May-December 2022 (Figure 1).

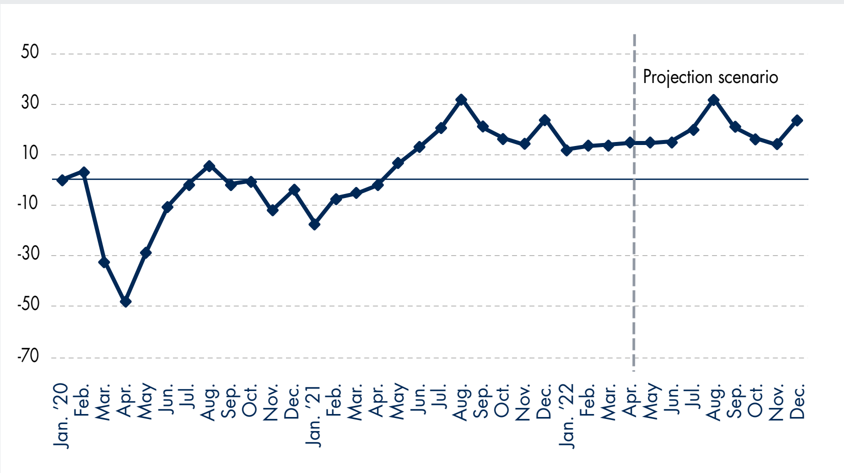
Figure 1
Trend in travel to residential areas



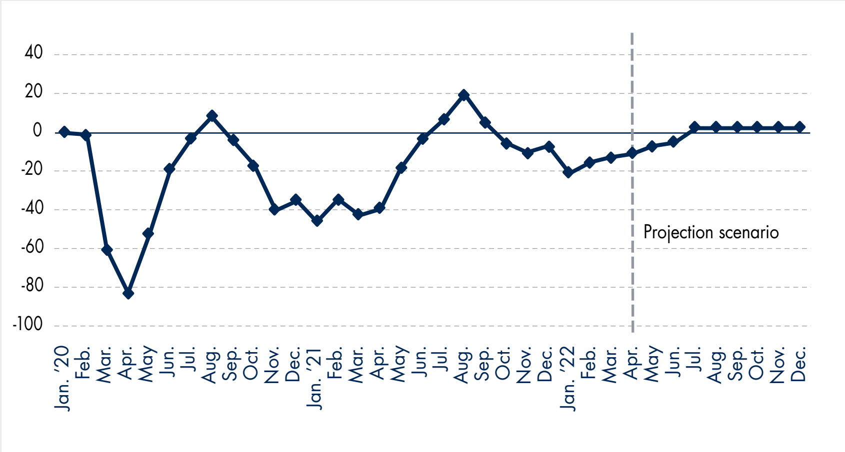
Trend in travel to workplace



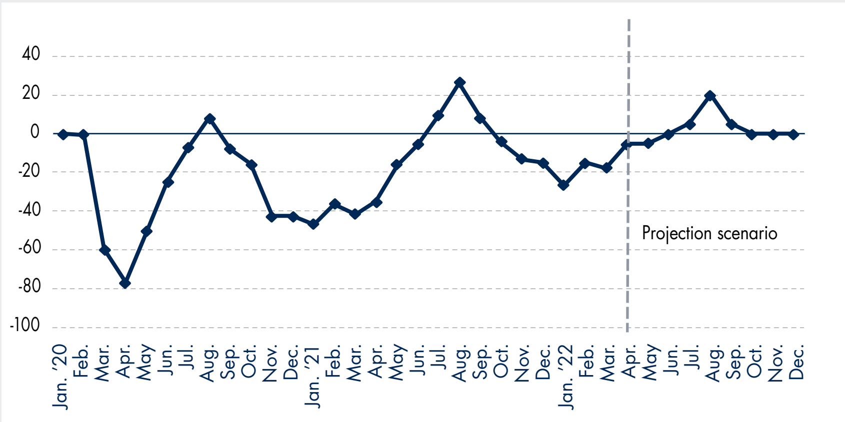
Trend in travel to groceries/pharmacies



Trend in recreational travel



Trend in travel to public transport stations



The following hypotheses were made:

1) continued positive variation (+3% to +5%) in the number of persons gravitating around residential areas;

2) a decrease of 12% in the number of persons traveling to their place of work by comparison with the pre-Covid period (with two negative spikes of -20% corresponding to the August and Christmas vacation periods);

3) higher than pre-pandemic levels (January and February 2020) in the number of persons traveling to food stores and pharmacies (expected up by 15% to 30%); this trend should continue in the last part of 2022, with peaks in August and December corresponding to summer and Christmas holidays;

4) recreational activity will gradually regain pre-Covid levels, as was already the case in 2021, until the downturn corresponding to the autumn wave of the epidemic;

5) a similar pattern in public transport: the curve is rising progressively and expectations are that the percentage will return to early-2020 levels;

6) fuel prices – considering the extension of the cut in excise taxes to 8 July 2022 and the heightened uncertainty for subsequent months, three possible scenarios have been hypothesized (Table 2 and Figure 2):

- *Low*: following the cut in excise taxes, fuel prices continue falling to return to their end-2020 level;
- *Medium*: once the excise tax cut is terminated, after an initial increment of 15 cents the price of fuel follows WTI crude oil futures, which now indicate a gradual decline through the end of the year;
- *High*: after the excise tax cut, fuel prices rise to the peak levels registered in certain days before the price-stabilization measures (€2.20/liter).

Table 2 and Figure 2 – Fuel price and change estimates for 2022 (€/liter)

Month	Scenario		
	Low	Medium	High
April	1.75	1.75	1.75
May	1.75	1.75	1.75
June	1.75	1.75	1.75
July	1.74	1.89	1.99
August	1.72	1.91	2.13
September	1.69	1.87	2.20
October	1.66	1.83	2.26
November	1.64	1.79	2.33
December	1.61	1.77	2.41

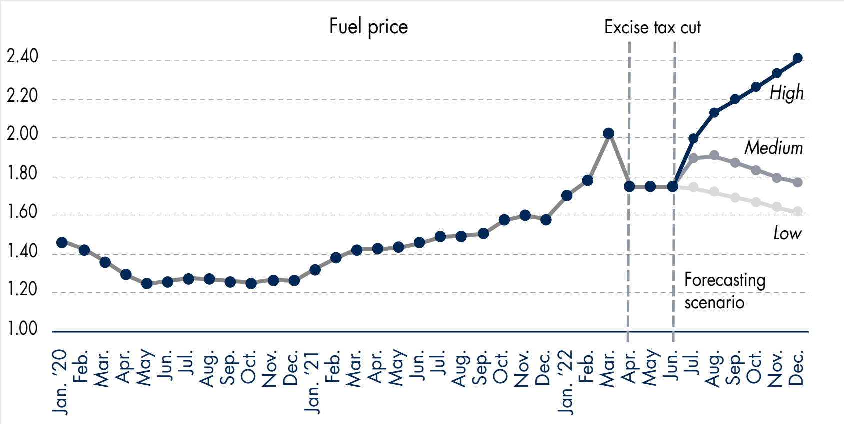


Table 3
Regression model estimates of change in claims, 2022

	2022		
	Low	Medium	High
Estimated change in no. claims	+6.0%	+0.8%	-9.1%

The correlation analysis and the forecasting hypotheses indicate the following possible results (Table 3):

1) the variation in the number of claims in 2022 will range between a decline of 9% (in the "high" scenario) and a rise of 6% ("low" scenario), with a "medium" scenario of +0.8%. In this latter case, there would be only a marginal increase in claims for the year;

2) the annualized variation in claims in 2022 implicitly takes account of the fact that the first quarter is compared with that of 2021, when more or less severe restrictions were in place throughout the country. This implies a marked upward shift in the number of claims in the first quarter, but this should be offset in the rest of the year, as the forecasting model hypothesizes.

However, there is another key factor in the technical performance of motor liability insurance in 2022 – the resurgence of inflation. Accelerating prices would impact on the rise in the average cost of material damage claims (higher prices for raw materials, spare parts and labor) and on that of personal injury claims.

- **The average cost of material damage claims** is a specific item within the ISTAT cost-of-living basket. It is linked to the prices of spare parts and accessories for private vehicles and is monitored regularly. At the end of March 2022, the estimated 12-month rise came to 3.0% (compared with 0.4% in March 2020 and 0.9% in March 2021 – Figure 3). But at the end of May the increase was 4.2%. So there is no denying that this acceleration in the price index will be reflected in a rise in the average cost of claims for material damage; our estimate puts the increase at 5.4% on the "high" hypothesis, no change on the "low" hypothesis.

Figure 3
12-month % change in price index of spare parts and accessories for private vehicles

Source: ISTAT

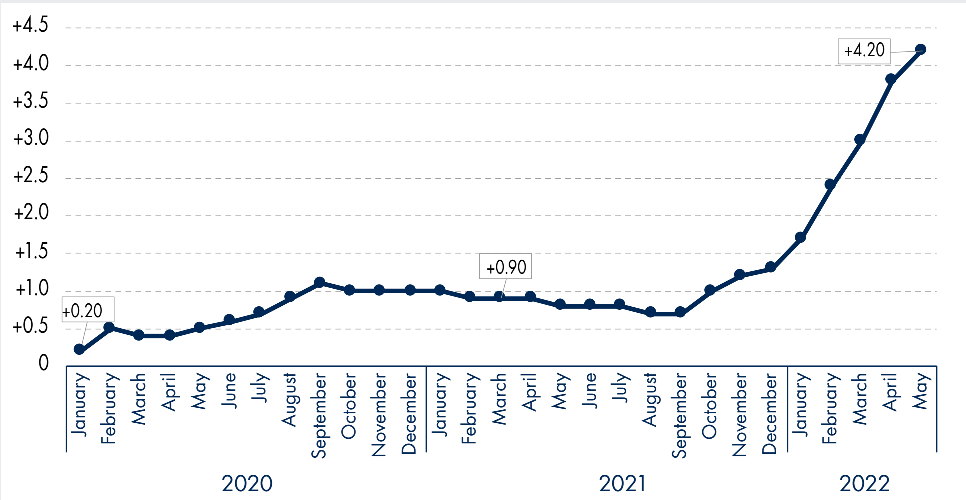
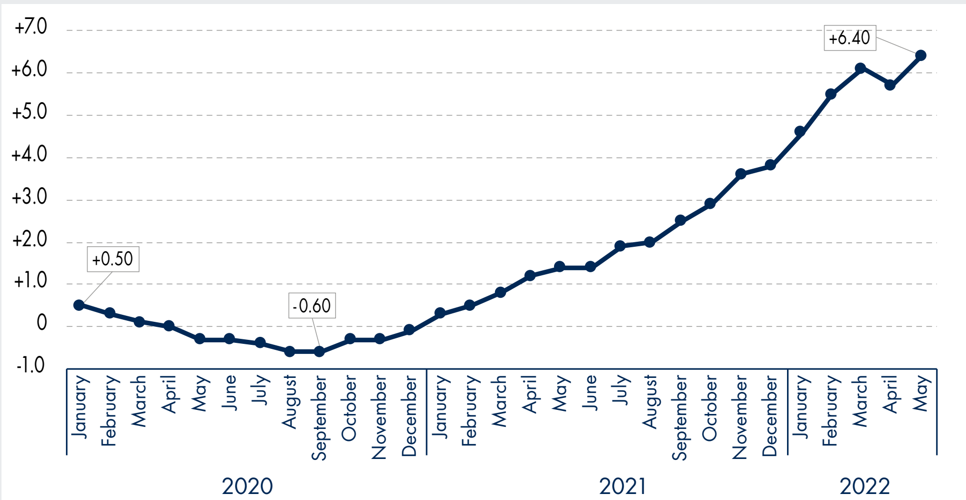


Figure 4
12-month % change in consumer price index for production and clerical worker households

Source: ISTAT



- **The cost of personal injury claims** needs to be divided into minor and serious injuries:

  – **permanent micro-injuries** (minor injuries) are subject to annual revision of the base points in the biological damage table for minor injury, as a function of the 12-month change in the CPI in the month of April. At present – presumably owing to the pandemic and then possibly to the fact that in April 2020 the change was nil – the last revision was effected by Ministerial Decree of 22 July 2019. So it is plausible that the revaluation will be applied in 2022; accordingly we have used the 12-month rise in the CPI in April (+6.0%), including the recovery of the missing revaluations for 2019 and 2020 (Figure 4). This hypothesis applies both to the "medium" and to the "high" scenario (Table 4). If again there is no revaluation, the change in the cost of permanent micro-injuries will be zero ("low" hypothesis).

– **permanent macro-injuries**, which are generally revalued along with minor injuries, have been revalued here on the basis of the general CPI net of energy and fresh food products (the baseline index), estimated in April 2022 at 0.0%, 2.7% and 5.0% on the low, medium and high hypotheses respectively.

The combined effect of changes in the number and average cost of claims (all components: material damage, minor and severe personal injury) for the 2022 accident generation implies a claims cost nearly 8% higher in the low scenario, 6% higher in the medium scenario, and 2.5% lower in the high scenario.

Table 4
Recapitulation of % changes in number and average cost of claims, 2022

	2020	2021		2022		
				Low	Medium	High
		Est'd % change, no. claims		+6.0%	+0.8%	-9.1%
Overall average claims cost	+13.1%	-3.7%		+1.7%	+5.1%	+7.1%
Total claims cost	**-21.0%**	**+13.5%**		**+7.8%**	**+6.0%**	**-2.6%**
Average cost of material damage claims	+13.0%	+1.0%	(c)	+0.0%	+2.9%	+5.4%
Average cost of personal injury claims	+20.9%	-5.9%		-1.4%	+2.2%	+3.8%
of which:						
with permanent injury of less than 9%	+2.2%	+2.4%	(b)	+0.0%	+6.0%	+6.0%
with permanent injury of more than 9%	+11.5%	-5.0%	(a)	+0.0%	+2.7%	+5.0%

	Low	Medium	High
(a): Range of variation in Consumer Price Index	0.0%	2.7%	5.0%
(b): Range of variation in Consumer Price Index (April)	0.0%	6.0%	6.0%
(c): Range of variation in index of prices of spare parts and accessories for private vehicles	0.0%	2.9%	5.4%

COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and bodily harm) for claims incurred in 2021 came to €9.5 billion.[1] Of this, 59% (€5.6 billion) was in relation to personal injury (including the property-damage component of mixed claims). The remaining 41% (€3.9 billion) was in relation to damage to vehicles (cost of spare parts and labor for repairs).

(1) ANIA's estimate, based on data from Italian insurers and units of non-EU insurance companies operating in Italy. The data are for the cost of claims (amounts paid and reserved) for accidents occurring in 2021. The total cost of claims for the year, including excess or shortfall of reserves against claims for previouis years, was €9.1 billion.

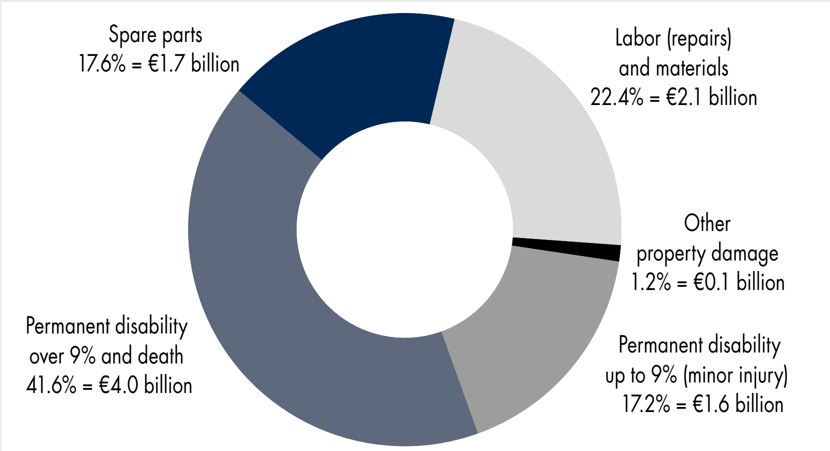
As regards personal injury compensation specifically, two facts stand out for 2021 (Figure 1):

- compensation for mild injuries involving permanent disability of 1 to 9 percent amounted to €1.6 billion (17.2% of the total claims cost);
- severe injuries involving more than 9 percent permanent disability or death generated outlays of €4.0 billion (41.6% of total claims cost).

Figure 1
Distribution of total cost of liability compensation, 2021

■ *Compensation for property damage (€3.9 billion, 41.2% of total claims cost)*

■ *Compensation for personal injury (€5.6 billion, 58.8% of total claims cost)*



The gradual relaxation in the course of 2021 of the restrictive measures and limits on vehicle circulation enacted in 2020 to fight the Covid-19 epidemic not only increased the number of accidents reported to insurance companies (claims frequency rose from 3.82% in 2020 to 4.53% last year); it also altered the type of claims (but not the mix). We see, in fact, that the proportion of accidents involving at least some personal injury was 14.3% in 2021, about the same as in 2020 (Table 1).

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total claims frequency	5.87%	5.65%	5.48%	5.55%	5.65%	5.61%	5.43%	5.41%	3.82%	4.53%
% claims with only property damage	*79.9%*	*81.0%*	*81.5%*	*82.3%*	*82.7%*	*83.4%*	*84.2%*	*84.5%*	*85.6%*	*85.7%*
Frequency of claims with only property damage	4.69%	4.57%	4.47%	4.57%	4.67%	4.68%	4.57%	4.57%	3.27%	3.88%
% claims involving personal injury	*20.1%*	*19.0%*	*18.5%*	*17.7%*	*17.3%*	*16.6%*	*15.8%*	*15.5%*	*14.4%*	*14.3%*
Frequency of claims involving personal injury	1.18%	1.07%	1.01%	0.98%	0.98%	0.93%	0.86%	0.84%	0.55%	0.65%
Frequency of claims with up to 9% permanent disability	1.121%	1.016%	0.963%	0.932%	0.927%	0.874%	0.817%	0.798%	0.519%	0.610%
of which:										
1% permanent disability	0.506%	0.477%	0.428%	0.414%	0.410%	0.392%	0.352%	0.344%	0.223%	0.266%
2% permanent disability	0.294%	0.243%	0.233%	0.222%	0.207%	0.197%	0.181%	0.178%	0.112%	0.134%
3% permanent disability	0.137%	0.128%	0.116%	0.114%	0.121%	0.112%	0.112%	0.110%	0.069%	0.081%
4% permanent disability	0.071%	0.065%	0.071%	0.065%	0.070%	0.064%	0.065%	0.062%	0.042%	0.050%
5% permanent disability	0.043%	0.042%	0.041%	0.046%	0.049%	0.041%	0.042%	0.042%	0.029%	0.031%
6% permanent disability	0.027%	0.025%	0.028%	0.027%	0.030%	0.027%	0.025%	0.025%	0.017%	0.019%
7% permanent disability	0.019%	0.017%	0.019%	0.018%	0.019%	0.018%	0.016%	0.017%	0.014%	0.012%
8% permanent disability	0.014%	0.012%	0.015%	0.016%	0.013%	0.015%	0.015%	0.013%	0.010%	0.011%
9% permanent disability	0.010%	0.007%	0.011%	0.009%	0.008%	0.009%	0.009%	0.008%	0.005%	0.006%
Frequency of claims with over 9 percent permanent disability	0.059%	0.057%	0.052%	0.051%	0.051%	0.049%	0.045%	0.044%	0.034%	0.038%

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

This stability in the composition of claims, however, was accompanied by a reduction of 5.9% in the average amount of personal injury claims, which came to €19,500 in 2021 as against €21,000 in 2020; it nevertheless remained above the €17,000 recorded in 2019. The average cost of material damage claims, meanwhile, was broadly unchanged at €2,280 (Table 2).

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total average claim cost	4,495	4,564	4,532	4,467	4,374	4,326	4,361	4,347	4,918	4,737
% of claims with only property damage	*33.3%*	*33.2%*	*34.1%*	*35.1%*	*36.2%*	*37.4%*	*38.2%*	*38.8%*	*39.3%*	*41.2%*
Average cost of claims with only property damage	1,899	1,883	1,894	1,908	1,912	1,941	1,980	1,998	2,257	2,280
% incidence of personal injury claims (value)	*66.7%*	*66.8%*	*65.9%*	*64.9%*	*63.8%*	*62.6%*	*61.8%*	*61.2%*	*60.7%*	*58.8%*
Average cost of claims with personal injury	14,804	15,986	16,150	16,389	16,132	16,297	17,026	17,112	20,690	19,460
of which:										
Average cost of claims with personal injury up to 9 pct. permanent disability	5,951	5,756	5,668	5,508	5,605	5,397	5,758	5,774	5,903	6,042
Average cost of claims with personal injury over 9 pct. permanent disability	191,379	198,045	210,061	216,797	209,325	212,086	222,736	220,373	245,632	233,350

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

The total cost of compensation for personal injury was €5.6 billion in 2021, or 58.8% of the total claims cost. This proportion had been higher in 2020 (60.7%) owing to the increase in the number of serious accidents (the average cost of personal injury claims rose by 21% with respect to 2019) induced by restrictions on driving, which thinned traffic and so favored higher speeds for those vehicles that were authorized to circulate. Even so, the total cost in 2020 was lower, at €5.2 billion, because of the reduction in the number of accidents during the year. The amount of material damage compensation increased in 2021 from €3.3 billion to €3.9 billion, or 41.2% of the total claims cost (up from 39.3% in 2020).

Minor injury – permanent disability of 1-9 percent. The frequency of accidents involving minor personal injury (i.e. the ratio between the number of claims with 1-9-point permanent disability to the total number of risks insured) rose from 0.519% in 2020 to 0.610% in 2021, or by over 17%, slightly less than the 18.4% growth in the overall claims frequency. The increase was distributed unevenly between the various degrees of mild injury: an average of 20% in the frequency of 1- and 2-point claims, 17% for 3- and 4-point claims, 8% for 5- and 6-point claims, 9% for 7-point claims, 13% for 8-point claims and 25% for 9-point claims. In any case, it is worth noting that those in the 1-4-point range account for the great majority of mild injuries (87% in 2021).

The average claims cost for mild injuries was €6,042 in 2021, up 2.4% over 2020 (Table 2); this contrasted with the decline of 5.9% in overall average claims costs for personal injury. The average for 2022 is the highest in the last decade.

Death and permanent disability of more than 9 percent. The frequency of these claims came to 0.038% in 2021, up 12%; this was a more moderate increase than that in the overall claims frequency (18.4%) or in the frequency of mild injury claims (17.3%).

Turning to the cost of these more serious injury claims of more than 9 percent disability (including damages for fatalities), the average came to over €233,000 in 2021 (down from €246,000 in 2020), representing a decrease of 5%, while the overall average claim cost declined by 3.7%.

The geography of personal injury claims. Although 2020 (the year of the most recent available data at province level) was exceptional owing to the pandemic-related traffic restrictions, the provincial distribution of personal injury claims followed broadly the same pattern as in previous years. Figure 2 and Table 3 show that the provinces of the South were far out of line with the national average of 13.4%. The highest provincial proportions are found in Puglia (25.1% in Foggia, 24.4% in Taranto, 22.5% in Barletta-Andria-Trani, 22.3% in Lecce, 22.2% in Brindisi, 21.6% in Bari) and in Calabria (20.6% in Crotone, 20.3% in Vibo Valentia, 18.8% in Reggio Calabria, 18.3% in Catanzaro, 18.2% in Cosenza). Exceptionally high rates were also posted in Salerno (20.7%), Messina (20.0%), Latina (19.6%) and Rimini (18.4%). Almost all provinces, in any case, registered a decline in the indicator by comparison with 2019, in line with the reduction in the national average.

Figure 2
Proportion of claims involving personal injury, by province, 2020

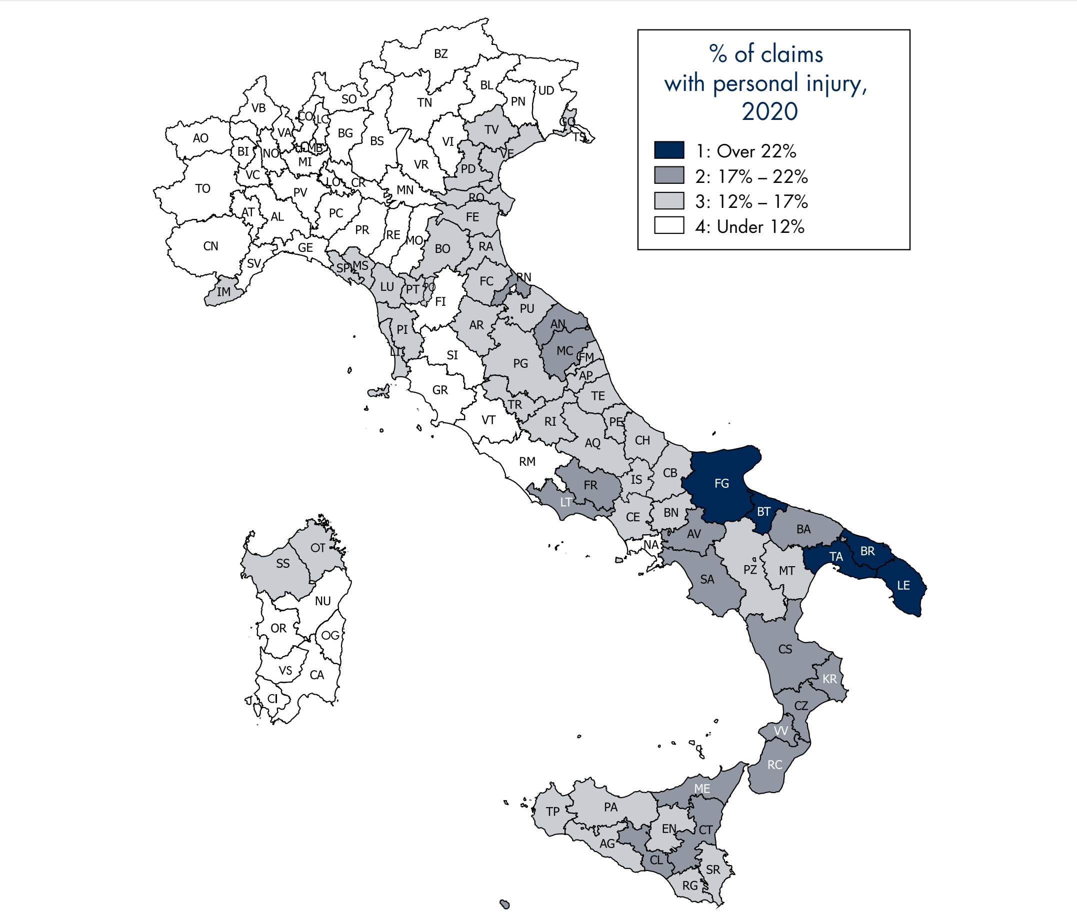


Table 3 – Incidence of claims with personal injury, by province, 2018-2020 (*)

Province	Year 2020	Year 2019	Year 2018	Change % 2020/2019
(1)	(2)	(3)	(4)	(5)
FOGGIA	25.1%	26.6%	27.8%	-5.8%
TARANTO	24.4%	27.5%	29.7%	-11.3%
BARLETTA-ANDRIA-TRANI	22.5%	24.7%	27.9%	-8.8%
LECCE	22.3%	24.6%	25.8%	-9.2%
BRINDISI	22.2%	25.2%	25.6%	-11.8%
BARI	21.6%	23.6%	25.1%	-8.4%
SALERNO	20.7%	23.2%	24.2%	-10.6%
CROTONE	20.6%	23.0%	27.2%	-10.3%
VIBO VALENTIA	20.3%	23.3%	25.7%	-12.9%
MESSINA	20.0%	22.5%	26.5%	-11.1%
LATINA	19.6%	22.0%	22.7%	-10.9%
REGGIO CALABRIA	18.8%	22.0%	25.1%	-14.5%
RIMINI	18.4%	20.4%	19.7%	-9.6%
CATANZARO	18.3%	21.0%	22.7%	-12.7%
COSENZA	18.2%	20.6%	22.8%	-11.8%
FROSINONE	18.1%	20.2%	20.6%	-10.4%
CALTANISSETTA	17.9%	20.7%	21.6%	-13.4%
AVELLINO	17.8%	23.1%	24.5%	-22.9%
CATANIA	17.8%	19.0%	21.3%	-6.5%
MACERATA	17.6%	19.6%	18.5%	-10.2%
ANCONA	17.0%	19.4%	18.6%	-12.3%
MASSA-CARRARA	16.9%	17.8%	20.5%	-4.9%
VENICE	16.9%	19.0%	18.6%	-11.0%
PESCARA	16.8%	19.2%	19.2%	-12.3%
CHIETI	16.8%	19.4%	19.1%	-13.2%
PESARO-URBINO	16.6%	18.0%	17.9%	-7.8%
CASERTA	16.4%	17.5%	18.7%	-6.1%
ASCOLI PICENO	16.4%	17.8%	18.1%	-7.9%
TERNI	16.3%	18.1%	16.5%	-9.9%
FERMO	16.2%	19.3%	19.4%	-16.0%
SIRACUSA	16.1%	17.9%	20.1%	-10.0%
BENEVENTO	15.8%	18.1%	18.3%	-12.5%
AGRIGENTO	15.6%	17.5%	18.9%	-10.8%
PISA	15.5%	17.3%	18.5%	-10.1%
TERAMO	15.4%	17.6%	17.7%	-12.6%
PISTOIA	15.2%	16.5%	16.9%	-7.6%
LUCCA	15.1%	17.9%	17.7%	-15.8%
TRAPANI	15.0%	16.5%	21.1%	-8.8%
ENNA	14.8%	17.7%	22.0%	-16.4%
RAGUSA	14.8%	17.2%	19.8%	-14.0%
RIETI	14.8%	16.8%	15.1%	-12.1%
MATERA	14.7%	17.3%	18.9%	-14.8%
PERUGIA	14.6%	16.6%	15.4%	-12.3%
FERRARA	14.3%	15.5%	15.8%	-7.7%
PADUA	14.2%	16.2%	16.5%	-12.5%
LA SPEZIA	14.1%	15.2%	16.2%	-7.0%
ROVIGO	14.0%	16.2%	16.4%	-13.4%
BOLOGNA	13.8%	14.7%	14.8%	-6.3%
TREVISO	13.7%	14.8%	15.3%	-7.3%
RAVENNA	13.7%	14.0%	15.3%	-2.3%
CAMPOBASSO	13.6%	15.1%	15.3%	-10.1%
LIVORNO	13.4%	15.1%	15.1%	-11.0%
POTENZA	13.3%	15.0%	15.5%	-11.1%
FORLÌ-CESENA	13.3%	14.5%	13.8%	-8.3%
SASSARI	13.2%	14.3%	16.0%	-7.8%
GORIZIA	13.0%	13.8%	14.3%	-5.8%

Province	Year 2020	Year 2019	Year 2018	Change % 2020/2019
(1)	(2)	(3)	(4)	(5)
PALERMO	13.0%	14.2%	17.5%	-8.7%
L' AQUILA	13.0%	14.9%	15.8%	-13.1%
AREZZO	12.7%	14.3%	14.5%	-11.1%
PRATO	12.6%	12.3%	12.8%	2.2%
ISERNIA	12.5%	15.0%	15.4%	-16.5%
IMPERIA	12.5%	14.3%	14.2%	-12.8%
TURIN	12.0%	13.3%	14.0%	-10.0%
PIACENZA	11.8%	12.7%	12.9%	-6.7%
VICENZA	11.7%	12.9%	13.0%	-9.6%
ROME	11.6%	12.6%	12.9%	-7.9%
TRIESTE	11.5%	12.2%	11.9%	-5.5%
VERONA	11.5%	13.1%	13.4%	-12.0%
PAVIA	11.5%	13.6%	13.7%	-15.3%
REGGIO EMILIA	11.5%	12.9%	13.0%	-10.8%
VARESE	11.5%	13.7%	13.6%	-16.0%
FLORENCE	11.4%	12.0%	12.7%	-5.0%
GROSSETO	11.4%	11.9%	13.1%	-4.5%
LODI	11.2%	14.8%	14.4%	-24.2%
NAPLES	11.2%	12.6%	13.7%	-11.3%
UDINE	11.2%	11.0%	11.8%	1.5%
PARMA	11.1%	12.1%	13.0%	-8.1%
SAVONA	11.1%	12.8%	14.3%	-13.2%
MONZA-BRIANZA	11.1%	13.7%	14.3%	-19.1%
MILAN	11.0%	12.7%	13.1%	-13.1%
MEDIO CAMPIDANO	10.8%	9.7%	12.3%	11.6%
VITERBO	10.8%	12.4%	11.5%	-13.1%
PORDENONE	10.7%	11.1%	11.8%	-3.4%
MODENA	10.7%	12.3%	12.5%	-13.3%
COMO	10.4%	12.2%	13.0%	-15.1%
OGLIASTRA	10.3%	9.5%	17.6%	8.9%
CREMONA	10.1%	11.6%	12.6%	-12.8%
BERGAMO	10.0%	12.0%	12.1%	-16.3%
NOVARA	10.0%	11.8%	12.3%	-15.1%
SONDRIO	9.9%	11.5%	11.3%	-14.2%
SIENA	9.9%	12.5%	11.6%	-21.2%
MANTUA	9.8%	12.0%	12.4%	-18.0%
OLBIA-TEMPIO	9.8%	10.7%	15.6%	-8.2%
CARBONIA-IGLESIAS	9.7%	11.2%	13.1%	-13.2%
CAGLIARI	9.6%	11.6%	12.2%	-17.0%
LECCO	9.5%	11.3%	12.0%	-16.1%
VERCELLI	9.4%	10.2%	10.5%	-7.4%
GENOA	9.0%	10.3%	13.7%	-12.3%
ALESSANDRIA	8.9%	11.0%	11.6%	-18.7%
ORISTANO	8.8%	10.7%	11.1%	-17.5%
BRESCIA	8.8%	10.3%	10.6%	-14.5%
CUNEO	8.7%	10.5%	10.5%	-17.3%
ASTI	8.6%	10.7%	9.9%	-19.4%
BELLUNO	8.6%	9.9%	10.6%	-12.9%
NUORO	8.5%	9.6%	11.0%	-11.8%
VERBANIA	8.4%	9.8%	10.7%	-14.0%
TRENTO	8.2%	8.8%	9.5%	-6.4%
AOSTA	7.9%	10.3%	10.4%	-23.0%
BIELLA	7.8%	8.8%	9.4%	-11.8%
BOLZANO	7.5%	8.3%	8.6%	-9.7%
TOTAL	13.4%	15.0%	15.7%	-10.8%

(*) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total for 2020 (13.4%) from the IVASS data (14.4%), which lack the provincial breakdown.

ANIA'S PROJECT ON NON-ECONOMIC DAMAGES DUE TO PERSONAL INJURY

The world of motor insurance is rife with major initiatives implying a new conception of the role of the insurer, thanks among other things to the ever-faster development of technology. These initiatives are carried forward by ANIA and by those insurance companies that want to abandon the role of "third-party payer" (intervening when the damage is done) to that of "ally" alongside the policy-holder, to prevent and reduce risk in the common interest of limiting exposure to the risk stemming specifically from road circulation, providing value-added services to the insured and the damaged party. "Insurance alliance" and the logic of service concern the entire duration of the relationship enshrined in the insurance contract; and they may also lead to a diminution in litigation and thus, indirectly, a reduction in the cost of insurance itself.

From this standpoint, ANIA has focused on the issue of non-economic damages in cases of serious accidents, which is important both to public opinion and to the professionals involved – lawyers, forensic medical specialists, insurers – with the common purpose of guaranteeing an indemnity to the damaged party that corresponds as closely as possible to the latter's changed needs and at the same time ensuring an efficient, sustainable structure of indemnities. This calls for a structure that provides full indemnity for damage sustained, precludes "blind spots" where no indemnification is available, avoids disparities of treatment depending on location of the accident and prevents the duplication of compensation, which is inequitable and also harmful for system stability.

In confronting the delicate issue of non-economic damages in the Italian legal system, and specifically damages in relation to serious injury stemming from traffic accidents, a first, preliminary necessity was to gauge Italy's position in relation to the other main European countries. This comparison brought out three major findings:

- the level of non-economic damages in Italy is high, ranging between €50,000 and €60,000, compared with an average of €30,000 to €40,000 in the other main countries (Boston Consulting Group, 2021 study for ANIA);
- the compensation for fatalities in Italy is very high, on the order of over €600,000, against the average of €200,000 for the other countries surveyed (Boston Consulting Group, 2021 study for ANIA);
- third, the average cost in Italy of claims for permanent disability of more than 9 percent has risen constantly over the years. From an average of €167,000 in 2010, this cost rose to €220,000 in 2019 and then jumped by 19% to over €262,000 in 2020 (the overall average claims cost also rose, by 13%, according to ANIA data):

Litigation is also a significant consideration for the motor liability insurance business. In Italy, some 25% of reserved claims are eventually litigated, compared with 15% in the other countries. There is therefore ample room for a policy of reducing the backlog of pending litigation, thus containing the resulting social cost (late payment of the amounts set aside for subsequent payment of claims), and shortening civil trial times.

ANIA has long been engaged in a number of studies to ensure the most effective possible approach to the complex institutional discussions under way on this issue. One initiative is ANIA's working group on "damage to the person". The group brings together experts from insurance undertakings, forensic medical experts, and accountants to study specific forms of compensation for serious injury in certain cases, in particular annuities, as provided for by Article 2057 of the Civil Code, as an alternative or supplement to the traditional lump-sum payment. Examination of the feasibility of this indemnification option was inspired by some jurisprudence, which starting mostly in 2015 saw the annuity as a viable form of compensation for serious injury, not only as regards motor liability but also for medical malpractice. This option was seen as a way of meeting the special need of the seriously injured for a permanent source of income over the long term rather than a single, lump-sum payment.

In view of this emerging judicial orientation, ANIA decided to engage in a series of specific studies of the feasibility of this form of indemnification for certain persons, such as minors and the legally incapable, who need specific protection against the danger of the capital compensation being eroded over time, and to guarantee to them the care and assistance that their condition requires.

The working group's method of inquiry called first of all for a survey on the initial experimentation of the benefits of Italy's main social security institutions, INPS (the pension administration) and INAIL (the work accident administration). This survey was then included in a mapping that can be consulted by means of a special prototype IT tool. The intention is to facilitate settlements, avoiding duplications and, on the other hand, vacuums or shortcomings in compensation.

The next step was the drafting of an ANIA position paper: "The customer-centered insurance strategy and serious injury – New forms of compensation: the annuity". The paper explores the possibility of the annuity option for minors and for persons who need continuous care over the long term.

In the immediate, the objective is to make available to insurers instruments for calculation and guidelines for their autonomous determination of the annuity for persons with aggravated mortality risk, beginning experimentation designed to value both the economic impact of the annuity option and the technical-operational implications for insurance companies, always without prejudice to the latter's freedom of judgment or the competitive dynamics of the market.

In the longer term, the aim is to begin a constructive discussion with governmental institutions and to inform them of the legislative and regulatory modifications that the insurance industry sees as necessary to facilitate greater recourse in Italy to forms of compensation, alongside the lump-sum payment, that are more appropriate to the intention of all-round "taking into charge" of severely injured persons and their needs in their changed conditions of life.

The ultimate intention is that the work of insurers and ANIA on compensation for non-economic damage can help, through a proactive attitude and concrete initiatives, to put the market in a better position to foresee judicial tendencies and so lay the basis for more effectively fulfilling their role of full, complete protection for the parties damaged by severe injury. On 31 May 2022 ANIA held a workshop for insurance undertakings, presenting the state of advancement of the ANIA Project on non-economic damages in cases of personal injury, and in particular setting out the results to date of the working group on the application of compensation in the form of annuity.

Among other things, the workshop served to point out to the insurers that this form of settlement has attracted considerable interest also for the Justice Observatory of the Court of Milan, which has formed an ad hoc working group of its own on this form of compensation, which exerts impacts in a variety of fields, such as motor liability, health, and life insurance. ANIA formally communicated to the Milan Observatory its willingness to share the specific experience that the insurance industry has acquired in this area.

MOTOR INSURANCE PRICE TRENDS IN ITALY AND EUROPE

The change in the average motor liability premium

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

Motor insurance premium income was one of the items affected most severely by the pandemic in 2020, with a drop of 5.7% from 2019. In response to the sharp decline in traffic circulation and therefore in accidents, insurers revised their pricing policies, cutting the cost of coverage for their customers. They offered discounts on policy renewals (in recognition of the non-use of vehicles during the lockdown), and these reductions lowered the average motor liability premium by 4.6%, corresponding to a decline of €800 million in premium income.

The effects continued in 2021, as ISTAT's consumer price index shows, and they appear to have lasted into 2022 as well, insofar as the changes to habits and lifestyles consequent to the pandemic – working from home, new patterns in use of mass public transit and private cars, leisure time activities, and so on – altered the claims rate.

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

Table 1 shows the average Italian price for insurance of a vehicle and its component factors, as estimated by ANIA, between 1994 (the year insurance prices were liberalized) and 2021. Following the decline registered in 2020, owing evidently to the exogenous factor of the pandemic, 2021 saw a further fall of 4.5% in total premium income, which given the 0.5% decline in the number of vehicles insured resulted in a fall of 4.0% in the average premium and a diminution of some €600 million in premium income. That is, the last two years have brought a loss of some €1.3 billion in premium income.

This continued the longest downtrend in the history of the Italian insurance market, which began in the autumn of 2012. The decreases of the past nine

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

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

years (by a total of 31.5%) have brought the index of average insurance coverage prices in 2021 (Table 1, column 3) back down to the level registered in 1996. The price reduction is also confirmed by IVASS's quarterly survey of actual motor liability insurance prices. This Survey of Effective Motor Insurance Prices (IPER),[(2)] covering passenger cars only, confirms the extent of the nine-year decline in prices as observed by ANIA.

Table 1 – Motor liability insurance premiums, 1994-2021

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

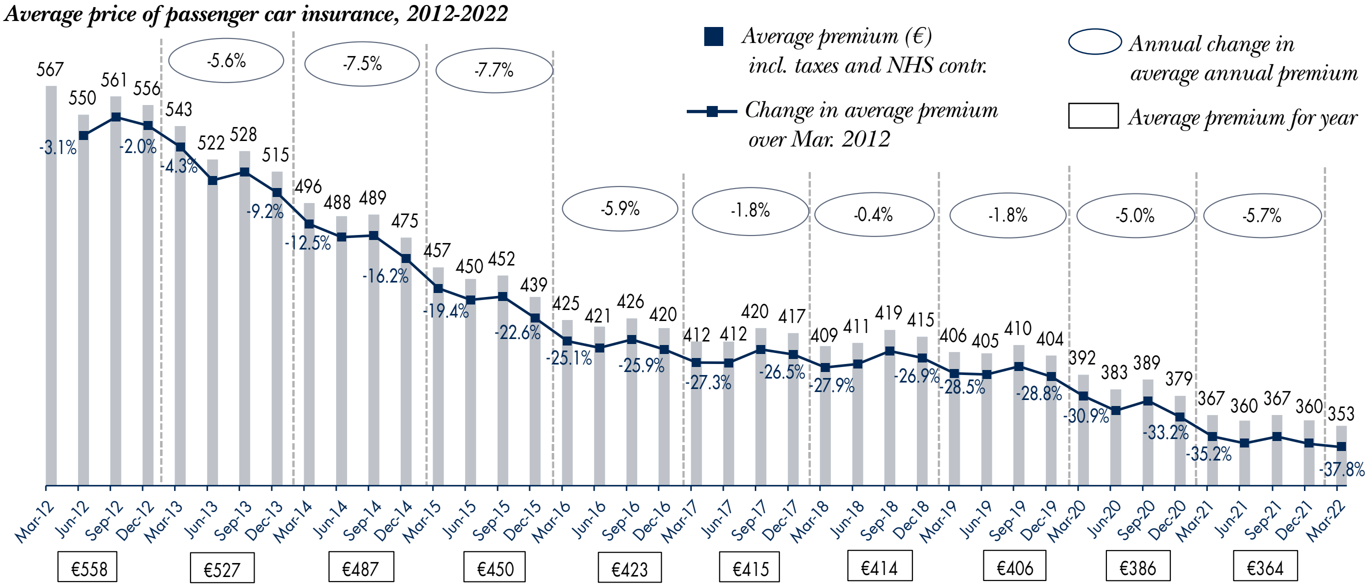
(a) Premiums only of Italian companies and units of companies with registered offices in non-EEA countries.
(b) Through 2008, based on ACI data. Starting with 2009, the number is calculated on the basis of the change in the actual number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which IVASS specifically requests of insurance companies in anticipating their financial reports. Preliminary data showed a modest decline of 0.5% in the number of vehicle/years insured by Italian and non-EEA companies in 2021, to 38.9 million. Counting all the other types of insurer doing business in Italy, the number of insured vehicles rose by 1.5%.
(c) The percentage change in premiums in 2019, 2013 and 2010 is calculated in uniform terms.

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

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

- The survey shows that the average yearly price (the average of the four quarterly values) of passenger car insurance fell from €558 in 2012 to €364 in 2021, or by 34.8%, in line with the insurance price index shown in Table 1;
- For 2021 alone, the IPER survey shows that the cost of passenger car insurance was 5.7% lower than in 2020, dropping from €386 to €364;
- Between the peak of March 2012 and the latest quarter for which data are available (March 2022), the average motor liability premium fell by €214, from €567 to €353, or by 38%.

Figure 1
Average price of passenger car insurance, 2012-2022



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

The IPER data for the first quarter of 2022 are confirmed by ANIA's quarterly monitoring,(3) which indicates that the average pre-tax price of motor liability insurance declined by 3.6% and the average premium, net of taxes and NHS contributions, came to €307,(4) or €142 less than the €449 recorded in March

(3) Since 2013 ANIA has conducted a quarterly survey, covering over 85% of the Italian insurance market in terms of premiums, to estimate the price paid for the renewal of motor liability policies. This survey excludes fleet policies and, for better comparability, considers only annual policies expiring in the relevant month and excludes temporary policies. The premiums are net of taxes and NHS contributions.

(4) Including taxes (15.7%) and NHS contributions (10.5%), which amounted on average to 26.2% of the pre-tax premium in 2021, the average post-tax cost for all vehicles in March 2022 came to €387. For private passenger cars alone, the figure was €391. This amount differs from that given by IVASS and is generally higher, in that the ANIA survey covers only policy renewals within companies' portfolios, for which the previous year's premium is known. This therefore excludes new policies issued during the month, which refer at least in part to motorists who have changed insurer in order to get a cheaper policy and who accordingly get larger reductions, on average, than those staying with the same company. Further, the premium reported by the companies surveyed does not take account of contractual changes or any additional discounts with respect to the previous year.

2012 – an overall fall of 31.7% (Table 2). In detail, premiums on cars fell by 3.5% in the year to March 2022 and those on motorcycles by 1.9%, while those on motor scooters edged up by 0.9%.

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

Month / Year	Average premium (pre-tax) (€)	% change over year-earlier month
March 2022 – All policies	307	-3.6
of which:		
Private passenger cars	310	-3.5
Private motorcycles	206	-1.9
Private motor scooters	142	0.9

Motor liability premiums in Italy and Europe

Looking, for purposes of comparison, to the rest of Europe (Table 3), based on Eurostat data (which are essentially the same as those observed by ISTAT for Italy and its counterpart institutions for the other countries), we find that only four countries registered decreases in the motor liability price index between 2015 and 2021, namely Greece (-16.2%), Denmark (-3.1%), Italy (-2.2%) and Belgium (-0.8%). In the rest of Europe the index rose – quite sharply in the Netherlands (+26.7%), Finland (+19.5%), Norway (+18.7%), and France (+15.9%). The increases were more moderate, but still significant, in Spain (+12.1%), Austria (+9.3%), and Ireland (+8.5%). The United Kingdom registered a substantial increase between 2005 and 2021 (+12.8%), despite a decline of 9% in 2021 itself. The latest data (for May 2022) confirm the downtrend for the same countries as in 2021 (Greece, Denmark, Italy, and Belgium), and show decreases also in Ireland (-8.5%), the Netherlands (-6.8%), Sweden (-1.9%), and France (-0.5%). All the other countries recorded rises of less than 2.5%, except Norway (+6.7%) and Britain (+8.3%).

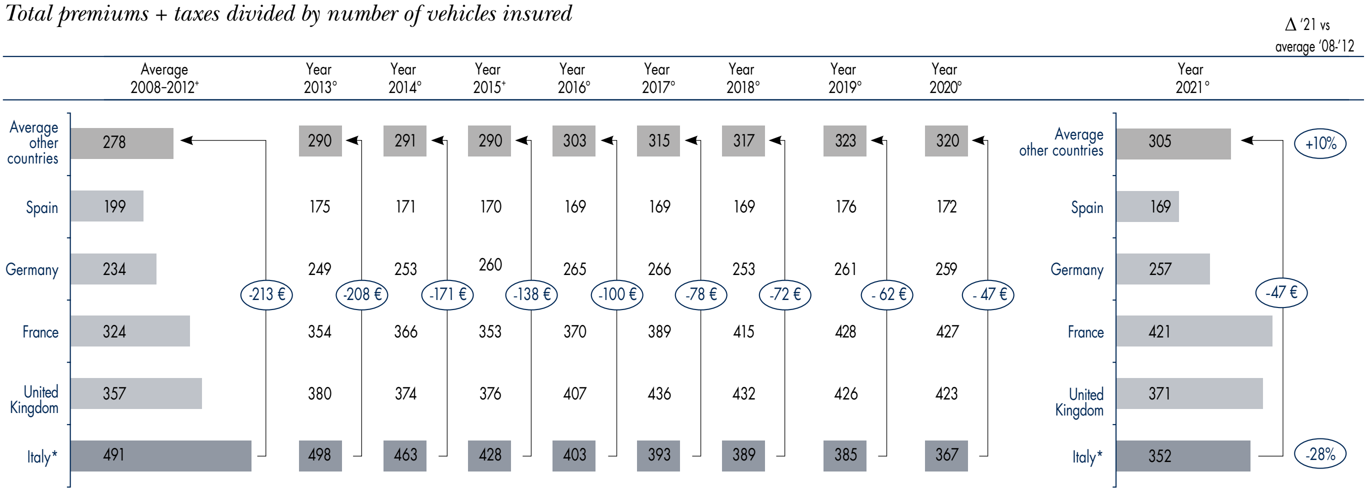
Table 3
Change in transport equipment insurance price index (%)

	AVERAGE FOR YEAR							TOTAL	12-MONTH CHANGE
	2015	2016	2017	2018	2019	2020	2021	2015-2021	May 2022 - 2021
Italy	-1.8%	-0.1%	1.4%	1.0%	-0.4%	-0.8%	-1.5%	-2.2%	-1.3%
Austria	1.7%	1.8%	2.0%	1.5%	-0.2%	1.4%	0.9%	9.3%	0.3%
Belgium	0.5%	0.1%	-0.3%	-1.3%	-1.1%	-0.7%	2.0%	-0.8%	-2.8%
Denmark	1.9%	-0.1%	-2.3%	1.1%	-2.5%	1.8%	-2.9%	-3.1%	-4.8%
Finland	6.0%	2.7%	1.0%	1.2%	1.0%	3.2%	2.9%	19.5%	2.2%
France	1.7%	1.3%	1.4%	3.2%	3.0%	2.6%	1.8%	15.9%	-0.5%
Germany	-1.6%	2.1%	0.3%	-4.7%	3.5%	0.8%	0.6%	0.8%	2.0%
Greece	-9.1%	-3.9%	-3.3%	-1.1%	0.3%	0.9%	-0.8%	-16.2%	-1.5%
Ireland	19.6%	24.6%	-5.7%	-8.7%	-4.9%	-6.0%	-5.4%	8.5%	-8.5%
Luxembourg	0.1%	1.7%	0.0%	1.0%	1.4%	0.5%	-1.1%	3.6%	0.3%
Netherlands	3.4%	2.1%	6.2%	3.9%	5.2%	3.7%	-0.4%	26.7%	-6.8%
Norway	0.2%	-0.4%	-0.5%	1.6%	4.2%	5.9%	6.7%	18.7%	6.7%
Spain	1.8%	2.5%	2.6%	1.7%	2.1%	-0.1%	0.9%	12.1%	2.5%
Sweden	1.9%	-0.1%	0.2%	0.2%	-1.4%	1.2%	1.0%	3.0%	-1.9%
EU 27	0.4%	2.7%	2.3%	-0.3%	1.9%	0.6%	0.4%	7.2%	1.4%
United Kingdom	3.0%	11.9%	10.9%	-3.9%	-1.4%	2.0%	-8.7%	12.8%	8.3%

Sources: Eurostat; for UK, Office for National Statistics.

Accordingly, the gap between Italian prices and those in the other main countries remained very narrow. The Boston Consulting Group study conducted for ANIA in 2014 found that between 2008 and 2012 motor liability coverage cost €213 more in Italy than in Germany, France, Spain and the United Kingdom, on average. But an update of this study found that by 2015 the gap had diminished to €138. Using the trends in motor liability price indices released by Eurostat, ANIA has estimated that the gap has since narrowed further, steadying at just €47 in 2021, the same as in 2020 (Figure 2). Note that in 2021 the average for the other countries was affected significantly by the sharp reduction in Britain, down 13% from €423 to €371. As noted, however, the Office for National Statistics data for April 2022 show an upturn in the transport equipment insurance index, which rose by nearly 8%.

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



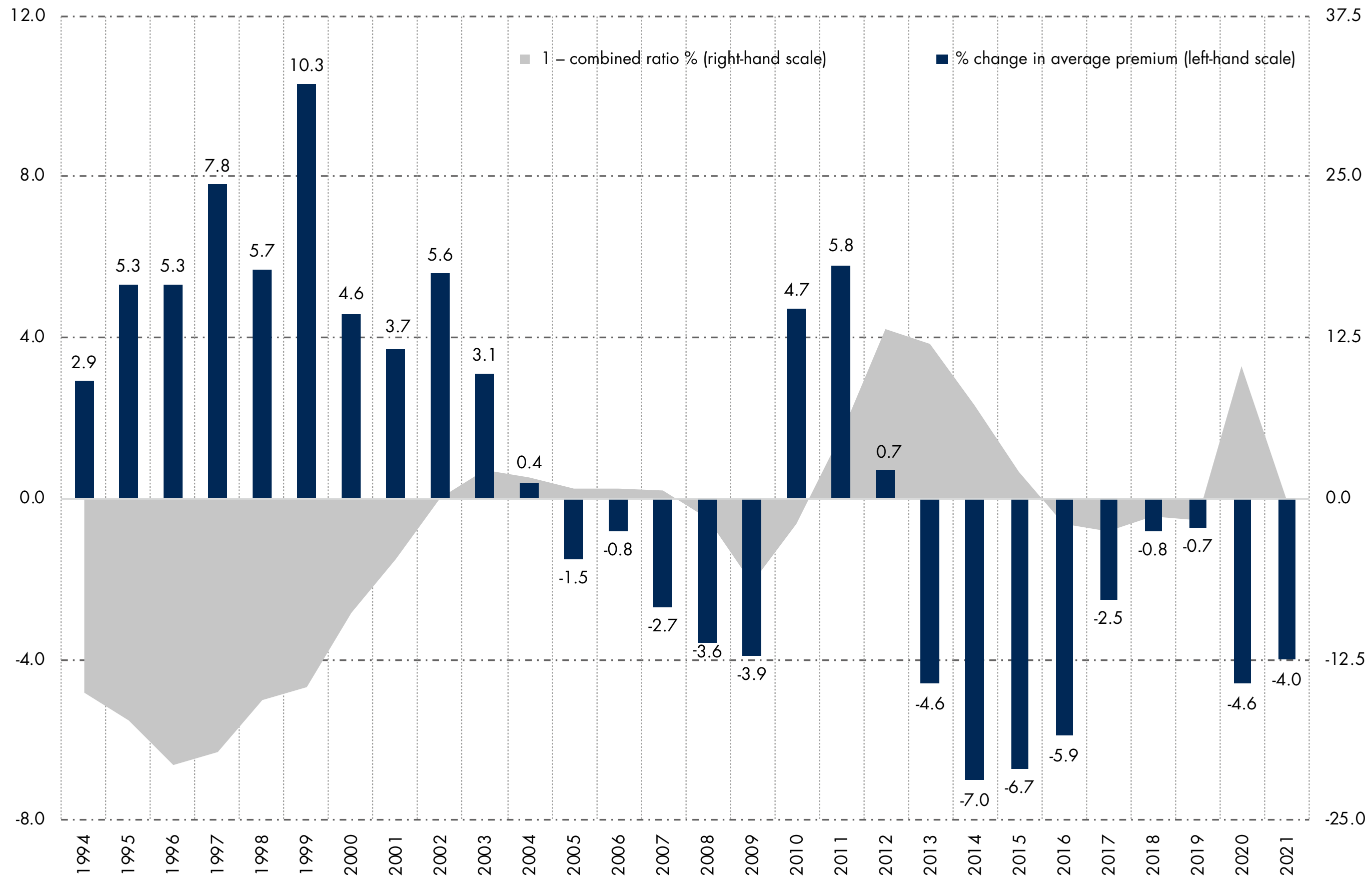
(+) Source: BCG – Documento Finale Confronto sul Mercato RCA in Europa.
(°) ANIA estimates based on Eurostat and Insurance Europe data.
(*) The slight differences between the premium for Italy given here and that found by IVASS's IPER survey are due to the fact that IVASS counts only private passenger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

Policy premiums (or prices) are strictly correlated with insurers' profitability, as gauged by the combined ratio, which is the sum of the loss ratio for the accident year (i.e. claims costs over premiums) and the expense ratio (i.e. operating expenses over written premiums). Profits or losses obviously depend on the adequacy of prices with respect to the risks underwritten.

Comparing the complement to 1 of the combined ratio (a negative value indicates a loss, a positive one a profit) with average premium variations over the long run, we can track the "insurance underwriting cycle" (Figure 3). From the price liberalization of 1994 to 2002, the sector's technical results were sometimes sharply negative, and insurers had to bring the accounts back into balance by raising average premiums (the "hard" phase of the cycle). Once the technical results came back into positive territory (in 2002), companies began lowering prices (the "soft" phase). However, there is a lag between the inversion in the profitability trend and that in the price trend. Prices, in fact, can only reflect changes in claim frequency with a lag of months, insofar as the data for the calculation to estimate new premium rates are drawn from past experience, are therefore not available immediately, and can take a considerable amount of time to process. The most recent trends indicate that in view of the positive technical results achieved starting in 2012, we have witnessed the sharpest cut in average premium rates since the 1994 liberalization (down 25.2% from 2013 to 2019).

In 2020 the cycle felt the impact of the pandemic-related traffic restrictions, which limited driving and reduced the number of claims, producing a positive margin due to the misalignment between premiums and the claims frequency. Already by 2021, however, the margin was driven to nil given that, as noted, there is a minimum amount of time needed, technically, to align prices, and in 2021 the average premium came down by 5.7%.

Figure 3 – The insurance policy underwriting cycle



The logic underlying the insurance cycle is clear. In high-profit years, insurers are more optimistic and compete harder for new business. In the case of motor liability insurance, as the demand is inelastic, this means winning accounts away from other insurance companies. In a mature and highly competitive market, this implies price cuts in order to gain market share. As a consequence, profits tend to decrease both because of steadily lower premiums and because of the acquisition of poorer quality policy risks. Profits do not return to growth until insurers adjust their prices and become more selective in screening the motorists they choose to underwrite. This brings profits back up, and the cycle starts over.

Remember that different companies have different operating expenses, hence different minimum acceptable profit margins. Perceptions and expectations of future profits and losses develop in different ways and on different calendars, and individual insurers' strategies are not known. Hence no coordination of market actions is possible; this implies that the cyclical process never attains a point of equilibrium and so should be never-ending.

DIRECT INDEMNITY

CALCULATION OF THE SINGLE COMPENSATION AMOUNTS FOR 2022

The Technical Committee has set the single compensation amounts for payments between insurance companies for 2022 under current regulations. The applicable legislation is Article 29 of Decree Law 1/2012 ("Urgent measures for competition, infrastructural development and competitiveness"), converted into Law 27 of 24 March 2012, and the implementing provisions in IVASS's Measure 79 of 14 November 2018.[(1)]

Specifically, the compensation amount is divided into two components:

– a single "CARD-CID" amount for mild personal injury to the driver and damage to the vehicle insured and property transported, itself broken down into two vehicle categories, namely "motorcycles/scooters" and "vehicles other than motorcycles/scooters". The single amount, relating only to property damage, has been set distinctly for three geographical macro-areas;
– for the "CARD-CTT" procedure relating to personal injury to passengers and damage to their property, reimbursement is now on the basis of the actual settlement (again in 2022, no deductible was deemed necessary in view of the average costs of these claims at 31 October 2021).

The study to determine the single compensation amount was based on CONSAP's statistics, which refer to settlements of all claims admitted to the clearing house between 1 January 2009 and 31 October 2021, which are sufficiently

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

representative of the costs of the claim generation needed to determine the compensation amount.

The statistical time series was affected last year by the easing of traffic restrictions related to the Covid-19 pandemic and the resulting resumption of circulation. In 2021 there was a significant increase in the claims rate for both vehicle classes: 22% for "motorcycles/scooters" and 14% for "vehicles other than motorcycles/ scooters". This partially offset the diminution registered in 2020. The database is sufficient both in number and in historical depth of observations to represent the phenomenon at hand.

Calculation of the CARD-CID amount

The examination of average definitive settlements revealed a moderate increase in 2021 in indemnities for damage to vehicles and property transported both for motorcycles/scooters and for other vehicles. The average settlement for injury to driver also rose in both classes, but more modestly.

Table 1
Determination of average cost of property damage claims by province groups
(€)

	MOTORCYCLES/SCOOTERS			OTHER VEHICLES		
	Group 1	Group 2	Group 3	Group 1	Group 2	Group 3
Average cost of damage to vehicle and property transported, to 30/06/2022	1,574	1,574	1,574	1,759	1,759	1,759
Adjustment coefficient by area	*1.27*	*1.00*	*0.83*	*1.19*	*1.00*	*0.86*
Average cost of claims by macro-area	2,003	1,574	1,308	2,101	1,759	1,510

MEMO:

	2015	2016	2017	2018	2019	2020	2021	2022
Average cost of damage to vehicle and property transported (€) (*)	1,556	1,550	1,559	1,588	1,601	1,628	1,661	1,741
Change (%)	*-5.8%*	*-0.4%*	*0.6%*	*1.9%*	*0.8%*	*1.7%*	*2.0%*	*4.8%*

(*) Average cost for all sectors.

The reference values for 2022 were set on the basis of the average costs of definitive settlement of claims of all the claim generations available (2012-2021). The method adopted for projecting the ultimate cost of claims of both types was the classical actuarial "chain ladder," based on the time series of average cost increases of previous claim generations according to claim duration. As in the past, for greater stability of results and reflection of trends in settlements in recent years, the chain ladder coefficients were calculated as a weighted average of the last three financial years. The coefficients so derived were then applied, as usual, to the average cost of the first claim generation, which already includes one year of development (calculated as the weighted average of average costs observed for the last three generations available: 2018, 2019, 2020).

The amounts were then first projected through December and then inflated for one additional year (given that they are to apply to all of 2022) based on the inflation forecast of 1.5% set in the Italian government's Economic and Financial Document 2021 update.

The base value for average cost of property damage is (Table 1):

– €1,574 for "motorcycles/scooters"
– €1,759 for the broader class of "other vehicles".

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

– €4,657 for "motorcycles/scooters"
– €2,372 for the broader class of "other vehicles".

Determination of geographical adjustments

The CONSAP statistics on settlements of claims incurred from 1 January 2017 to 31 October 2021 were used to identify three geographical macro-areas. Determination of the geographical indices was by the same methodology as in the past. Based on average settlement cost, provinces were divided into three groups (so-called geographical "areas") depending on deviation from the national mean. The first "area" comprises all provinces with costs more than 10% higher than the mean; the second, those with a deviation of less than 10% either above or below; and the third, those with costs more than 10% below the mean. The average costs for the "areas" so defined were related to the overall average for all provinces and then normalized with respect to the central group, producing three adjustment coefficients (Table 2).

Table 2
Determination of single CARD-CID compensation amounts by province groups
(€)

	MOTORCYCLES/SCOOTERS				OTHER VEHICLES			
	Group 1	Group 2	Group 3	*% of claims*	Group 1	Group 2	Group 3	*% of claims*
Average cost of damage to vehicle and property transported	2,003	1,574	1,308	*99.44%*	2,101	1,759	1,510	*99.94%*
Average cost of personal injury to driver with permanent disability of less than 9%	4,657	4,657	4,657	*37.48%*	2,372	2,372	2,372	*7.47%*
Average cost of claims by province group	3,738	3,311	3,047		2,277	1,935	1,686	
SINGLE CARD-CID AMOUNT (*)	3,736	3,310	3,045		2,283	1,940	1,690	

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

For "motorcycles/scooters", provinces with fewer than 450 claims were excluded, given the high volatility of costs there. These provinces were then all classed in the central group. The determination of the groups also factored in the new province structure of Sardinia, instituted by Regional Council Resolution 23/5 of 20 April 2016. In particular, for 2017 the old data on the provinces of Medio-Campidano and Carbonia-Iglesia (combined in the new province of Sud Sardegna) were aggregated; those of Olbia-Tempio (abolished) included in Sassari, and those of Ogliastra (abolished) in Nuoro. Starting in 2018, insurers have classified the data directly in the new provinces.

The single CARD-CID compensation amounts, separately for the two vehicle classes, were computed as the average of property damage and personal injury costs, weighted by their share of total claims (Table 2). The share incidence was calculated as the percentage of total valid CARD-CID claims involving the various types of damage, by vehicle type. The incidence of claims for the two types of damage was estimated by the established procedure, calculated as the average for the last three claims generations. However, as in the previous year a derogation was again decided on, excluding the 2020 claims generation – which as a result of traffic restrictions involved an incidence of personal injury claims far lower than in previous years – and to complete the three years using the 2018 generation.

THE IT PLATFORM FOR CARD DOCUMENT EXCHANGE: DATA AND MAIN RESULTS FOR 2021

Starting 1 March 2017 a sophisticated IT platform for document exchange enables insurers adhering to the CARD Convention to view the evidence produced by the other party's insurer to confirm or contest the claim submitted by its own policyholder and/or to apply the direct indemnity procedure on a timetable compatible with the legal deadline for the presentation or denial of a settlement offer.

The main results for 2021 are summarized below; recall that comparison with 2020 is distorted by the highly particular pattern stemming from pandemic situation. The accidents occurring in 2021 reported to the CARD system as of March 2022 numbered 1,474,502, of which 906,098 (61.5%) were presented with the amicable CAI form signed by both drivers. The remaining 38.5% (568,404 claims) were handled on the basis of unilateral requests for indemnity; of these, 239,495 (42.1%) were handled via the document exchange procedure.

In 172,538 cases (or 72.0% of all the cases handled via document exchange), liability was determined after viewing the documentation produced by the other insurer. In 38,969 cases (16.3%), liability was determined by the conciliation procedure under the Convention. In 27,988 cases (11.7%) liability was assigned on a presumptive basis owing to the lapsing of the deadline for providing documentary evidence under the Convention.

Claims reported using the form signed by both drivers ("CAI2" claims) resulted in a rate of disputes between insurers of just 0.8% in 2021, the same as 2020. Meanwhile, the number of CAI2 claims itself increased by nearly 19% in absolute terms, following the generalized fall in accidents in 2020 owing to pandemic-related restrictions. By contrast, cases of unilateral claims ("CAI1") resulted in a dispute rate of almost 7%, down slightly (by 0.19 percentage points) by comparison with 2020, again showing the effects of the pandemic.

PROJECT FOR REVISION OF CARD RULES

In response to the supervisory authority and emerging requests from the insurance market, ANIA formed a Focus Group on revision of the body of CARD Convention rules that has built up over the years by accretion, so as to make it more amenable to interpretation. The Group began work in late May 2020 with the aim of drafting a proposal for the overall revision of the CARD rules in order to:

– abrogate anachronistic rules;
– eliminate overlapping and stratification;
– introduce innovative elements;
– align the IT procedures with the provisions of the Convention.

The Group formed three sub-groups, one for each of the three CARD Convention sections:

– Part I: Rights and obligations of undertakings;
– Part II: Convention on direct indemnity;
– Part III: Convention for third-party passengers.

ANIA coordinates the work and assists the three sub-groups in their analysis of specific issues. The Association brings together the various proposals for revisions, additions and modifications and assesses them jointly. Once drafted, the proposals are presented, for updating and circulation, to the Group on Evolution of the Convention Rules, the Working Group on Claims, and the Standing Committee on Motor Insurance.

The meetings planned with the Focus Group and IVASS are under way, continuing the overall revision of the Convention rules in conformity with the foregoing philosophy and objectives. At the same time, attention is given to the IT impact of the computerization of certain specific functions in connection with the revision.

REGULATORY AND JUDICIAL DEVELOPMENTS

ANIA'S PROPOSAL FOR BONUS-MALUS REFORM

Italians' access to motor liability insurance has improved in recent years thanks to the more efficient provision of services and claims settlement, and to structural initiatives on the part of governmental institutions. In a European perspective, the price gap between Italy and the other main countries (France, Spain, UK, Germany) narrowed from an average of €213 in the years 2008-2012 to just €47 in 2021, by ANIA's estimate based on Eurostat/BCG data. The price differences within Italy for areas with different accident rates have also narrowed, with a decline of nearly 40% in the premium gap between high-price and low-price areas, according to IVASS's IPER survey.

Nevertheless, there remains substantial room for further improvement for Italian policyholders, both in terms of access to coverage and in terms of price differentials.

To work on the factors underlying the persistence of the price differential with the rest of Europe and sustain the current favorable trend for Italian policyholders, ANIA and Italian insurers have long argued for the legislative enactment of further structural measures. These should come within the framework of a broad reform for coordination, simplification and innovation of the body of motor insurance regulations that has built up over the years, becoming excessively complex and in large part obsolete.

In this context, ANIA has drafted a consistent plan for reform of motor liability insurance, designed to rationalize a series of crucial matters:

- greater traffic risk in Italy, resulting in more accidents producing moderately severe and severe injury;
- level of indemnity for severe and fatal injuries higher than in the other European countries;
- higher rate of litigation, higher number of lawsuits for claims settlement than in the rest of Europe;
- less common resort in Italy to indemnity for severe injury in specific forms or as an annuity;
- rate of motor liability fraud still nearly twice that in other European countries;
- the large number of uninsured vehicles, this too practically twice the EU rate;
- Bonus-Malus system's loss of efficacy, its inability to reward good drivers.

Among these points, one of the most crucial is revision of the Bonus-Malus system. By now it is clear that the information provided by the insured party's merit class is almost irrelevant in rewarding policyholders for good conduct. In fact, over 80% of all drivers are now in the best merit class. At the conclusion of discussions with IVASS in 2020, ANIA took note of the supervisor's position that the Association proposal for reform – based on an Individual Insurance History Index – is not feasible. IVASS argued that this constituted too sharp a break with the existing system.

Instead, an alternative revision of the Bonus-Malus system was developed, using an updated set of merit classes based on new criteria and new parameters for assessing the risk in connection with drivers' conduct, such as to effectively reward virtuous and deter dangerous behavior. For instance, such a system might use the motorist's "driver's license points" status and history of traffic violations.

The proposal to employ more variables – rather than the single variable now in use, namely number of accidents over time – would also, at least indirectly, attenuate the weight of territorial factors in the determination of motor liability premium levels. The Association's proposal for a new Bonus-Malus model was submitted to IVASS for its assessment. It is one of the priority issues for examination by the technical talks on reform of motor liability insurance in Italy.

THE NEW BASE CONTRACT AND PREMIUM ESTIMATOR

As of 30 April 2021 it became obligatory for insurers to provide, at the request of the insured, premium estimates for the "base contract" referred to in Decree 54/2020 of the Ministry for Economic Development (MISE). ANIA and insurance companies took an active part – contributing technical and operational suggestions for developing the requisite specifications – in the technical talks organized by IVASS to examine and institute the IVASS-MISE Public Premium Estimator, which insurers must now use to furnish estimates for the base contract.

On 26 March 2021 IVASS posted for consultation its draft Regulation 3/2021 for implementation of the Public Estimator with a view to the obligation on insurance intermediaries and the additional obligations on insurers in connection with the requirements for intermediaries. ANIA took part in the consultation, presenting a detailed, reasoned summary of its considerations and proposals for improvement of the text of the regulation. On 25 May the consultation on regulation of base contract premium estimator requirements for motor liability insurance pursuant to Article 132-bis of the Insurance Code terminated.

In view of the many, substantial observations formulated by ANIA and by the other participants at the conclusion of this first consultation, which were submitted to IVASS in a single document highlighting the main problems cited by Italian insurance undertakings, IVASS heavily revised and supplemented the text and posted the new version for a new consultation. This second consultation on the draft regulation implementing Article 132-bis of the Insurance Code opened on 17 March 2022. IVASS posted the consultation paper, No. 5/2022, on its website, containing the provisions for the creation of a system for online comparison of premium estimates for the base motor liability contract for insurance undertakings operating in Italy. The Regulation must implement the obligation, under Article 132-bis, on all insurance intermediaries to inform the prospective policyholder, prior to the stipulation of any motor liability contract, of the base contract premium estimates of all the insurance companies on whose behalf they act as mandatary. The consultation ran for 30 days, i.e. until 16 April.

The new draft incorporated a number of the proposals submitted by ANIA and the insurance companies in the first consultation, such as making it optional for insurers to offer "additional" clauses to the base contract and providing that the insurer give an estimate for the base contract with "additional clauses offered" not in all circumstances but only "following its own assessment and initiative".

IVASS accepted ANIA's call to eliminate the obligation on insurers to survey and communicate periodically to IVASS references and updates on first-level intermediaries and to transmit, monthly, the motor liability contracts stipulated, including a report on the estimates derived from the Estimator. The supervisor also provided, as requested, that intermediaries have direct access to the IVASS Estimator without authentication via Professional SPID or prior registration. However, IVASS judged that as regards insurance companies the requirement of prior authentication via SPID cannot be dispensed with, insofar as in order to supplement the Estimator insurers must have a reserved area.

IVASS did not agree with the proposal of ANIA, the insurance companies and other stakeholders to restrict the information requirement for the base contract to initial contracts only, eliminating it for contract "renewals". ANIA again made this proposal to exclude "renewals" from the rules on the base contract offer, submitting additional legal arguments, in the framework of the usual document transmitted to IVASS at the end of the consultation, summarizing the comments from insurers on IVASS draft regulation 5/2022.

Finally, as to the term envisaged for entry into force of the new regulation, IVASS noted: "Given the complexity of the issues to be regulated and the large number of addressees, the date of entry into effect could be modified depending on the findings of the Public Consultation." Considering the substantial IT and operational implications of the Regulation, ANIA postulated that it is indispensable for IVASS to provide for a suitably long term for entry into effect, so as to enable insurers to adapt processes and IT procedures, with the necessary preliminary dialogue with IVASS in the framework of the technical talks with ANIA and the insurance companies, to be convened as a matter of the utmost urgency, to discuss among other matters the use of the industry's motor liability databases by the IVASS Estimator (PREVENTIVASS). We consider that the term for entry into force should be no less than 12 months from the publication of the Regulation in the *Gazzetta Ufficiale*, and in any case no sooner than 1 June 2023.

The publication of the final text of the Regulation on base contract and PREVENTIVASS is expected by July 2022.

IPER-IVASS SURVEY OF ACTUAL MOTOR LIABILITY PRICES – NEW FUNCTIONS FOR ISTAT

In March 2021 IVASS initiated a series of technical talks with representatives of ISTAT, the Bank of Italy, and ANIA to provide the statistical institute with the tools needed for the full success of the project for the inflation survey. As far as motor liability prices are concerned, the new survey should not consider fixed policyholder profiles but the premium actually paid by the insured, using statistical harmonized Eurostat methodologies consistent with European Regulations.

To this end, the supervisory institute noted the potential synergies with its decade-old IPER sample survey. IPER gauges effective motor liability premiums, on a quarterly basis, using data supplied by insurers enriched by ANIA with additional information (such as technical data on vehicles). However, for use by ISTAT to update the inflation survey, IPER needed certain modifications, to be made in the highly delicate context of the migration of the IVASS infrastructures to the Bank of Italy's information technology system. In particular, ISTAT pointed out the priority necessity, for compliance with European provisions, of speedier data transmission and more frequent observations than IPER's present standards.

The talks involved broad, fruitful collaboration of the stakeholders, both private and governmental, all of whom directed their professional experience and expertise to the success of the project, with full availability and in a cooperative, proactive spirit. The stakeholders contributed actively to developing the technical and legal provisions that can permit ISTAT to perform its new functions, at the same time improving the overall efficiency of the IPER survey, under the principle of synergy among general government bodies enshrined in the digital administration code and consistent with the economic sustainability of the motor liability insurance system.

Unquestionably, the project entailed complexities. It involved a series of steps, beginning with a joint preliminary study by the committee participants, which identified two distinct phases in the modification of IPER as a function of the new ISTAT survey.

The committee further agreed on the need to stress the importance of the IPER project to motor insurers and to fully inform them on the operational profiles and successive steps of the project. On 4 May 2022 a workshop for the motor insurance market was held (in video conference mode): *Rilevazione IPER IVASS: nuova versione e nuove funzionalità ISTAT* ("IVASS IPER survey: new version and the new functions of ISTAT"). The speakers described, for insurers, the main innovations to IPER, the reasons for the changes, and the prime objectives of the new instruments, also offering operational indications.

The workshop made it clear that a fruitful public-private partnership can make an active, effective contribution to the practical realization of projects like the new IPER survey. The project is strategic, especially in the present difficult moment, historically and economically, when there is certainly a need for an inflation gauge that truly mirrors consumers' actual behavior and is in line with harmonized EU rules.

The committee's technical talks are continuing, with the ambitious goal of achieving speedier IPER observations and at the same time completing the migration to the Bank of Italy system by mid-2023.

"SOFT," SUSTAINABLE MOBILITY – LAW 156/2021

"Light" or "soft" mobility is, potentially, a viable alternative to daily movements in the urban environment, from the perspective of intermodal mobility, helping to reduce traffic congestion while protecting health and the environment. At the same time, however, if these new, "light" forms of mobility are to be treated on a par with traditional vehicles – cars and motorcycles – there is no doubt that they must be subjected to well-defined rules in a regulatory context that safeguards drivers and third parties in the case of accidents.

The increasing use of "soft" means of mobility (electric or "e-scooters" and other agile equipment, ordinarily with power assistance or electric, such as segways, overboards and monowheels) has stemmed from the changing needs of urban mobility with the epidemic, in part fueled or incentivated by emergency regulations. National legislation instituted incentives for the use of bicycles, e-bikes and light electrically powered vehicles, first of all with the Budget Law for 2019, Law 145 of 23 December 2018, which authorized experimental on-road circulation by these light vehicles.

The law defines these means of transport as "vehicles," thus extending the roster of vehicle types envisaged by Article 46 et seqq. of the Highway Code.

Law 8 of 28 February 2020, converting with amendments the omnibus decree (Decree Law 162/2019), has provisions on the circulation of electrical micromobility vehicles and atypical vehicles. In particular, it extended for a year, to 27 July 2022, the period of experimentation and treatment as bicycles, also outside the designated experimental areas, for e-scooters that meet the technical and construction requirements laid down in the "Micromobility" decree.

Law 156 of 9 November 2021 converted with amendments Decree Law 121 of 10 September 2021 – the "Infrastructure Decree" enacting urgent measures for investment and safety of infrastructures, transport and traffic circulation, for the operations of the Ministry of Infrastructure and Sustainable Mobility, the Superior Council for Public Works, and the National Agency for highway and motorway infrastructure safety.

Among other things, the "Infrastructure Decree" amended 40 articles of the Highway Code, introducing various rules on e-scooters. First of all it established standards for these light electrical vehicles; in order to circulate on public roadways, they must conform to certain specifications: an electrical motor with nominal continuous power of no more than 0.5 KW (500 watts); a speed governor that caps speed at 20 km/h (down from 25 km/h in the previous law), their speed limit on roadways (in pedestrian areas, it is 6 km/h); a bell; apposition of the “EC” stamp; if marketed subsequent to 1 July 2022, turn signals and brakes on both wheels (those already circulating on that date are nevertheless required to comply by 1 January 2024).

In short, the issue of light electric vehicles, and e-scooters in particular, has been the subject of a series of rules and experimentations, owing especially to their ever-increasing use by young people. However, there is no consistent body of regulation.

As electrically propelled means of transport are considered to be “vehicles”, liability for any accident is to be assessed in accordance with Article 2054 of the Civil Code. The injured party’s right to compensation for the damage caused by these vehicles lapses after two years, save longer terms where a crime is involved. There is an urgent need for legislation not only to clarify the issue of determination of liability for accidents but also to coordinate existing rules with the special nature of these new types of vehicle. What is needed, in fact, is the consistent treatment and regulation of all light electrical vehicles (light e-bikes, monowheels, segways, overboards), not rules for e-scooters exclusively. The objective must be to reconcile the incentives for sustainable mobility with the primary purpose of safeguarding the safety of all road users – including the drivers of these new vehicles – in a coordinated and uniform fashion at national level, over and above any municipal-level experimentation.

Clearly, systematic regulation to amend the Highway Code would have been preferable to rules enacted as part of a much more general provision. But Law 156/2021 converting the “Infrastructure” decree merely regulated certain aspects of the circulation of e-scooters for which there was the most evidence of accidents and danger to road users.

As to insurance, the law assigns the Ministry of Infrastructure and Sustainable Mobility to conduct an inquiry to ascertain the necessity of compulsory liability insurance for e-scooters; it provides that within 180 days of the entry into effect of the decree the Ministry shall transmit to the relevant Parliamentary committees its report on the findings of the inquiry.

ANIA sees the need for regulation to ensure the correct and safe, integrated use of light electrically powered vehicles, including e-scooters, at the same time developing means of identifying them, as well as for further inquiry into the possible need to make liability insurance compulsory. To this end, it must be made clear whether the intention is to introduce an individual license-plate or instead to retain the present system of identification of the vehicle, not the driver.

One legislative option is compulsory general third-party liability insurance for individual owners of e-scooters as well as for rental companies; the other option, namely the introduction of compulsory motor liability insurance, would enhance the security of all users of the roadways and also benefit damaged parties in terms of indemnification of damage due to traffic circulation. For the time being, we can only await the findings of the ministerial committee of inquiry and the subsequent legislative action by Parliament.

At present, then, only rental and sharing companies are required to have general third-party liability insurance, with ceilings, often cumulative, set at municipal level (they are variable but tend to be on the order of €5 million or €6 million).

INTERNATIONAL DEVELOPMENTS

ITALIAN INSURANCE ACTION ON UKRAINIAN VEHICLES

Since the outbreak of the war in Ukraine on 24 February 2022, European Union countries have seen the entry of vehicles from that country lacking the Green Card and any other form of motor liability insurance. ANIA has discussed the issue with insurance associations in other EU countries at extraordinary ad hoc meetings of the Motor Working Group within the framework of Insurance Europe. The meetings dealt with the situation of Ukrainian vehicles circulating within the EU but lacking the compulsory insurance cover and with actions already taken in some countries. The aim was to consider possible instruments for handling these clearly exceptional circumstances in the future as well.

It emerged that both the countries closest to Ukraine, such as Poland, the Czech Republic, Hungary and Romania, and other European countries – such as Norway, Sweden, Denmark, Germany, France, Spain and Italy – have acted in favor of Ukrainian refugees driving vehicles lacking the Green Card to permit their circulation in the host countries.

The actions taken have been essentially of two kinds:

- the Guarantee Funds of the host countries have waived the right of recourse on accidents caused by uninsured Ukrainian citizens in their territory for a period of one to three months, possibly renewable;
- the host country Green Card Bureaus have issued so-called "border insurance" free of charge, for a period of one to three months, possibly renewable, where the Bureau has Green Card offices that can issue such policies. In Italy, border policies are issued by the national Green Card Bureau or Italian Central Office (UCI) through the border offices or the Milan UCI.

Starting with the first request, the Italian Central Office has issued free 30-day policies for the refugees arriving in Italy who have applied for them. The UCI has provided timely and detailed information on this action on behalf of Ukrainian refugees in evidently difficult situations to the relevant institutions – law enforcement bodies, IVASS, the CONSAP Road Victims Guarantee Fund, and ANIA, in a communiqué of 17 March 2022.

ANIA's Executive Committee passed a resolution supporting this initiative and issued a press release, thus responding to the Commission's appeal to the European insurance industry to devise insurance solutions to meet the needs of Ukrainian refugees both economically and as regards practical obligations.

In any case, the industry will have to deal with the theme of a possible intervention by the Commission to develop an instrument common to all EU members for a common response to the problems arising in connection with the emergency in Ukraine. At present, the number of Ukrainian vehicles circulating in Italy is modest (about 250 border policies issued through April 2022), in contrast with a country like Poland, with much higher numbers. The Ukrainian Bureau continues to be operative and is working to introduce the online issue of Green Cards in black-and-white, digital format; that is, Ukrainian refugees can also turn to a Ukrainian insurer for a green card payable in local currency. The Ukrainian Bureau has prepared a list of all the companies authorized for such issues, with links to their websites.

As for transnational insurance matters and the possible problems in relations with Russia in connection with the sanctions enacted against that country and Belarus, discussion has been initiated with stakeholders, who can apply to the Commission for explanations concerning the interpretation and application of the sanctions. In this regard, let us note the Green Card system's revocation of the bilateral agreements with Russia and Belarus, approved by a third of the Council of Bureaux. This initiates a process that will institute, as of the date when the decision becomes official, a transitional period during which the Councils of the two countries must in any case continue to fulfill their obligations in relation to Green Cards already issued and still valid.

REGULATION EU 2019/2144: EDR (BLACK BOXES) AND NEW STANDARD ADAS EQUIPMENT

Regulation EU 2019/2144 concerns type-approval requirements for motor vehicles and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants and vulnerable road users. The objective of the Regulation is to ensure the proper functioning of the internal market through the introduction of harmonized technical requirements concerning the safety and environmental performance of motor vehicles and their trailers.

Under the Regulation, as of 6 July 2022 the installation of an Event Data Recorder system (EDR) becomes mandatory for all new types of vehicle in categories M1 and N1 (i.e. passenger cars, multipurpose vehicles, pick-ups and vans). As of 7 July 2024 installation of such systems becomes mandatory for all new vehicles in those categories. Installation of an EDR system on vehicles of categories M2, M3, N2 and N3 (buses, coaches and heavy trucks) is mandatory as of 7 January 2026 for new types of vehicle and as of 7 January 2029 for all new vehicles in those categories.

Essentially, from 6 July 2022 onwards in all EU countries, including Italy, all light commercial vehicles manufactured must have as standard equipment an installed "black box." And starting 7 July 2024 all new passenger cars marketed must be so equipped. In 2029 this requirement is extended to heavy vehicles as well. For cars already in circulation nothing changes, in the absence of further regulation.

As we know, the event data recorder can record and memorize data for an interval running from the instants just before to those just after an accident. The data recorded are the vehicle's speed, braking, position and tilt on the road, the state and rate of activation of all its safety systems. The data recorder cannot be deactivated by the driver, and the data must be protected against manipulation and misuse.

As to privacy, the Regulation stipulates that the mandatory EDR cannot store any data that could allow the vehicle or holder to be identified. The data are therefore anonymized, but remain at the disposal of the authorities for analysis of accidents, to reconstruct the dynamic and assign liability. The data recorded and stored shall be anonymized and made available to the national authorities exclusively for analysis of the accident and for type-approval of the systems and components in conformity with the Union's data protection law.

Regulation EU 2019/2144 also provides that as of 6 July 2022 newly type-approved cars must have other advanced safety systems, Advanced Driver Assistance Systems such as intelligent speed assistance, which helps drivers to go at the most appropriate speed for the road they are on. Other safety systems are the alcolock interface, which prevents ignition of the motor if the driver has imbibed above a given ceiling, driver monitoring systems, automatic emergency braking, and lane-keeping aid.

MINIMUM DAMAGES COVERED BY LIABILITY INSURANCE: INFLATION ADJUSTMENT

To date, the European Commission has made three adjustments of the minimum damages covered by motor insurance to inflation (i.e. to the European Consumer Price Index), once every five years starting from 11 June 2005 as prescribed by the motor insurance directive (codified version, Directive 2009/103/EC, Article 9.2).

By Communication 2021/C 423/11, published 19 October 2021 in the *Official Journal of the European Union*, the Commission revised the minimum amounts to take account of changes to the ECPI published by Eurostat for the member countries as a group.

In this regard, Italian regulation (Article 128 of the Insurance Code) provides that the indexing of the minimum amounts for Italy to the ECPI every five years – the latest adjustment came on 11 June 2017 – requires preliminary issue of a decree by the Ministry for Economic Development (Article 128.4). This decree, which as this Report goes to press has not yet been issued, is necessary to make operational as of 11 June 2022 Italy's option for the adjustment, namely:

– for personal injury: €6,450,000 per accident, regardless of the number of injured parties;
– for material damage: €1,300,000 per accident, regardless of the number of damaged parties.

Lastly, let us recall that with the publication of the Ministry decree, the increase to the minimum amounts applies automatically – for all types of motor vehicle – both to existing motor liability contracts and to those stipulated as from that date.

6

OTHER NON-LIFE INSURANCE

OTHER NON-LIFE INSURANCE

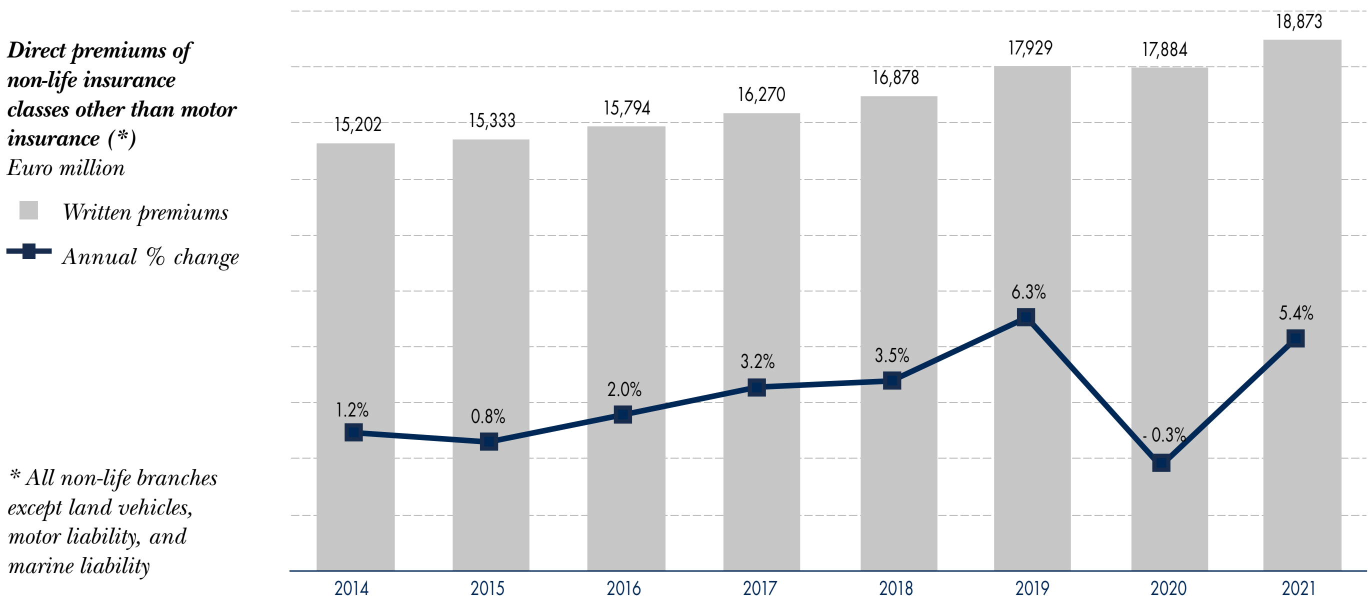
Written premium income of non-life business other than motor vehicle insurance (which means excluding motor liability and third-party liability insurance for watercraft and land vehicle insurance), grew by 5.4% over 2020, when they had remained stable due to the pandemic. The loss ratio worsened, but thanks to a less unfavorable reinsurance result the overall result remained broadly unchanged.

NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

Written premium income of domestic non-life business other than motor vehicle insurance (which means excluding motor liability and third-party liability insurance for watercraft and land vehicle insurance), amounted to €18,873 million in 2021, up by 5.4% (for a homogeneous group of companies) from 2020. The following classes showed a positive variation equal to or exceeding the average: financial loss (+5.5%), assistance (+5.6%), fire (+5.7%), watercraft (+6.2%), other property damage (+6.3), legal expenses (7.7%), credit (+11.3%), suretyship (+11.5%) and aircraft (+23.8%). Accident (+3.4%), goods in transit (+4.2%), general liability (+5.2%) and sickness (+5.4%) also grew from last year. Conversely, railway rolling stock (-13.3%) and aircraft liability (-17.6%) shrank. Non-motor insurance premiums' share of total non-life premiums increased from 53.4% to 55.3%.

Earned premiums, calculated as the difference between written premiums and the changes in premium reserves and other balance items, amounted to €18,407 million, with 5% growth compared with 2020.

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*

The **incurred claims cost**, defined as the sum of settlement costs and amounts reserved for claims incurred in 2021, amounted to €10,944 million, up by nearly 6% from 2020. Since this cost item had a sharper increase than premiums, the loss ratio worsened (from 58.6% in 2020 to 59.5% in 2021).

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 €9,858 million, up more than 10.0% over 2020. There was a €300 million drop in the positive release of the amount reserved for claims incurred in previous years.

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

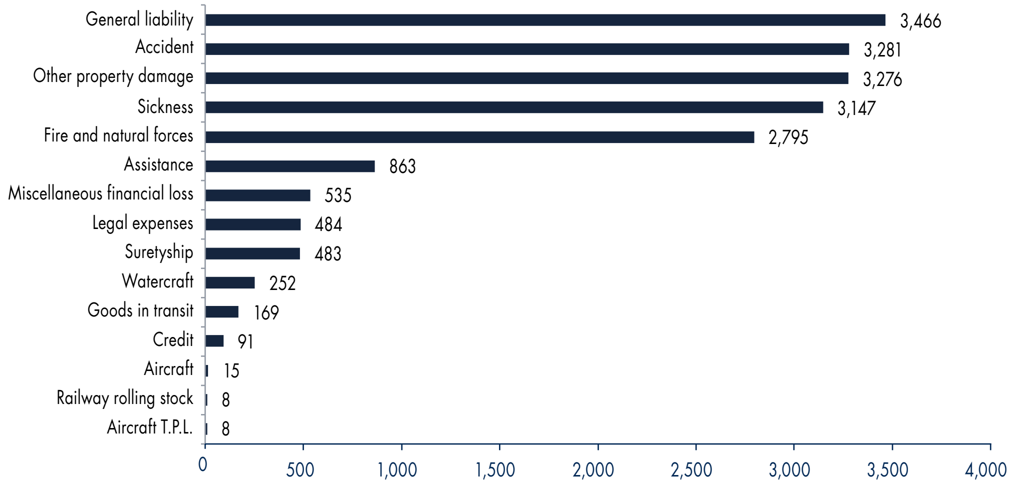
(millions of euro)	2014	2015	2016	2017	2018	2019	2020	2021
Gross written premiums	15,202	15,333	15,794	16,270	16,878	17,929	17,884	18,873
Changes in premium reserve and other items (–)	-28	1	181	397	434	742	326	466
Incurred claims (–):	8,924	8,263	8,124	8,555	8,612	9,025	8,941	9,858
- incurred claims for the current year (–)	9,613	9,196	9,304	9,865	10,075	10,604	10,292	10,944
- excess/shortfall of reserves for those claims in previous	689	933	1,179	1,310	1,463	1,578	1,350	1,085
Balance of other technical items	-375	-462	-426	-413	-380	-394	-480	-449
Operating expenses (–)	4,720	4,854	5,063	5,242	5,442	5,736	5,733	6,064
– commissions	3,256	3,315	3,497	3,636	3,762	3,922	3,887	4,164
– other acquisition costs	723	767	736	739	784	866	879	877
– other administration costs	741	773	830	866	896	949	967	1,024
Direct technical balance	**1,211**	**1,753**	**1,999**	**1,664**	**2,010**	**2,031**	**2,403**	**2,035**
Investment income	587	584	512	586	367	640	380	450
Direct technical account result	**1,798**	**2,337**	**2,511**	**2,250**	**2,377**	**2,671**	**2,783**	**2,485**
Reinsurance result	-572	-469	-507	-180	-270	-428	-816	-508
Overall technical account result	**1,226**	**1,868**	**2,003**	**2,070**	**2,107**	**2,244**	**1,967**	**1,977**
Annual % change in premiums	1.2%	0.8%	2.0%	3.2%	3.5%	6.3%	-0.3%	5.4%
Combined ratio	**89.6%**	**85.6%**	**84.1%**	**86.1%**	**84.6%**	**84.5%**	**83.0%**	**85.7%**
- Expense ratio	31.0%	31.7%	32.1%	32.2%	32.2%	32.0%	32.1%	32.1%
– Commissions/ Written premiums	21.4%	21.6%	22.1%	22.4%	22.3%	21.9%	21.7%	22.1%
– Other acquisition costs/Written premiums	4.8%	5.0%	4.7%	4.5%	4.6%	4.8%	4.9%	4.6%
– Other administration costs/Written premiums	4.9%	5.0%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%
- Loss ratio:	58.6%	53.9%	52.0%	53.9%	52.4%	52.5%	50.9%	53.6%
- Loss ratio for the current year	63.1%	60.0%	59.6%	62.1%	61.3%	61.7%	58.6%	59.5%
- Excess/shortfall of reserves for previous years	4.5%	6.1%	7.6%	8.3%	8.9%	9.2%	7.7%	5.9%
Technical balance/Earned premiums	**8.0%**	**11.4%**	**12.8%**	**10.5%**	**12.2%**	**11.8%**	**13.7%**	**11.1%**
Technical balance/Earned premiums	**11.8%**	**15.2%**	**16.1%**	**14.2%**	**14.5%**	**15.5%**	**15.9%**	**13.5%**
Overall technical account result/Earned premiums	**8.0%**	**12.2%**	**12.8%**	**13.0%**	**12.8%**	**13.1%**	**11.2%**	**10.7%**
Technical account result/Earned premiums	*46.3%*	*47.9%*	*49.4%*	*50.4%*	*51.0%*	*54.2%*	*53.4%*	*55.3%*

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

The loss ratio to earned premiums therefore worsened (from 50.9% in 2020 to 53.6% in 2021). The classes where the loss ratio improved were fire, whose loss ratio dropped from 69.0% in 2020 to 61.3% in 2021, aircraft liability (from 83.9% to 37.5%), credit (from 64.9% to 26.2%), financial loss (38.2% to 22.2%) and suretyship (from 38.5% to 17.7%). The classes showing a deterioration – whose incidence in terms of premiums is greater than the others – were sickness, whose loss ratio increased from 68.6% in 2020 to 81.8% in 2021, other property damage (from 62.0% to 63.2%), general liability (from 36.5% to 45.8%) and accident (from 35.3% to 38.7%).

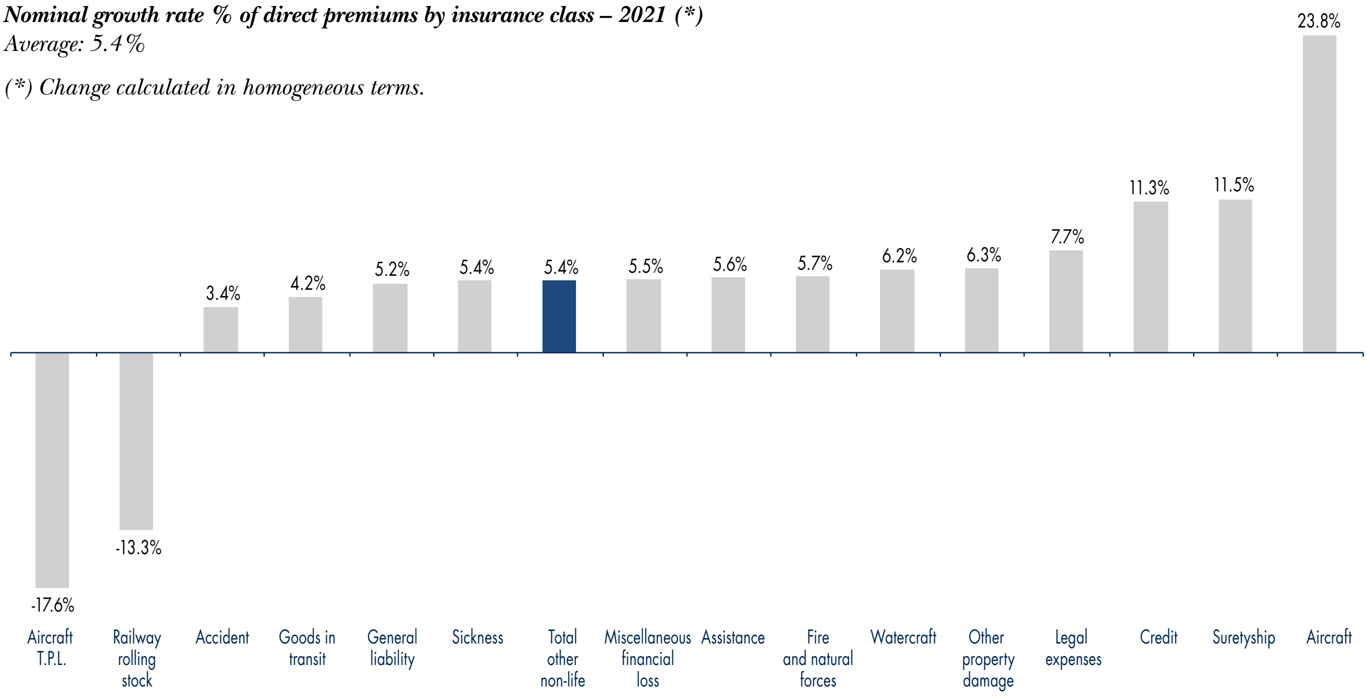
OTHER NON-LIFE INSURANCE

Premiums from direct domestic business by insurance class - 2021
Euro million

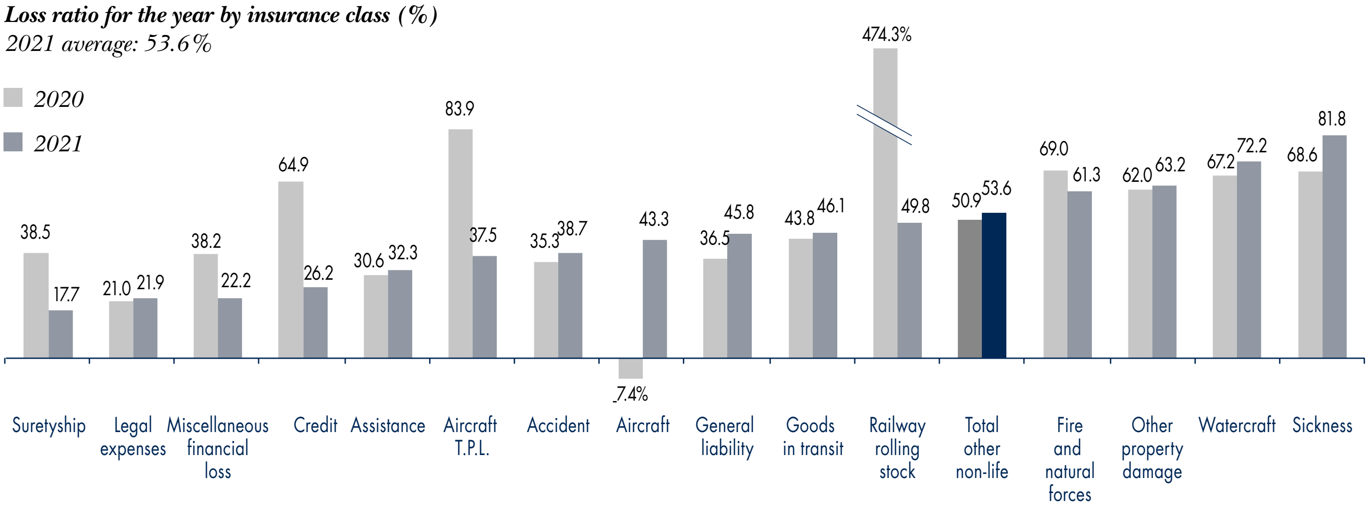


Nominal growth rate % of direct premiums by insurance class – 2021 (*)
Average: 5.4%

(*) Change calculated in homogeneous terms.

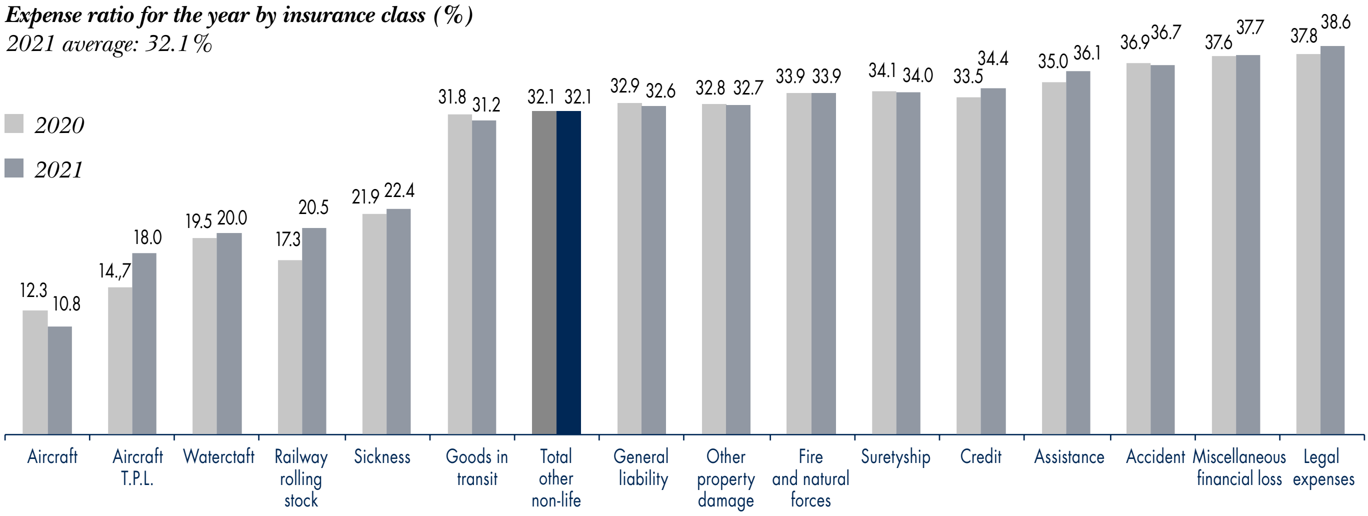


Loss ratio for the year by insurance class (%)
2021 average: 53.6%



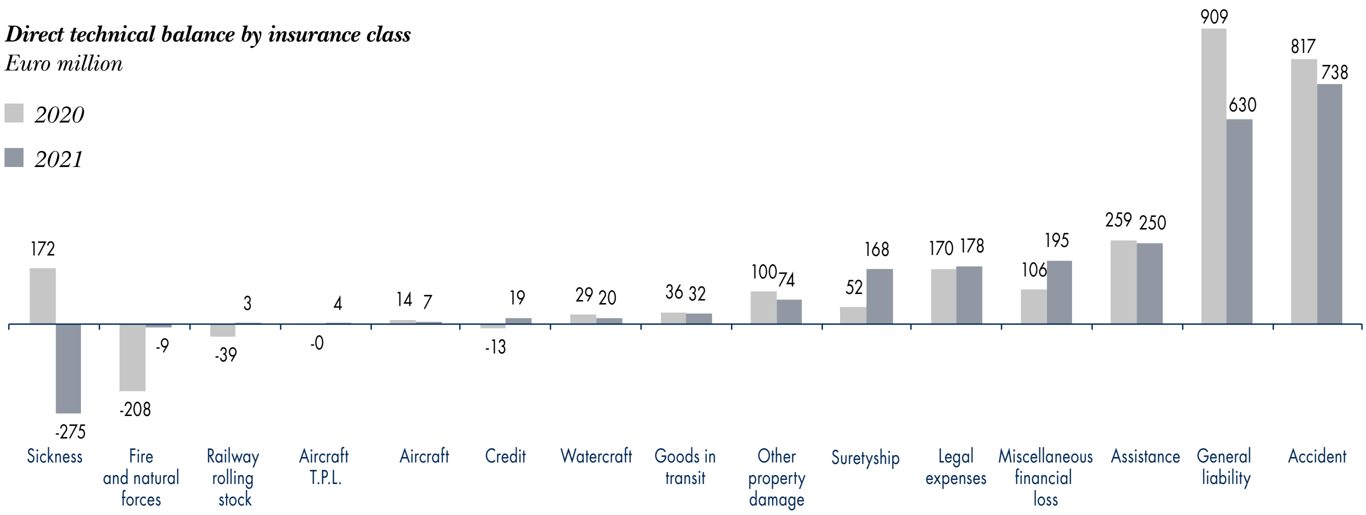
Operating expenses – administration expenses relating to the technical management of insurance business, acquisition costs and costs relating to the organization and management of the distribution network – amounted to €6,064 million in 2021 (€5,733 million in 2020). The ratio of expenses to premiums was 32.1%, the same as in 2020. In particular, the ratio of agent commissions to premiums rose from 21.7% in 2020 to 22.1% in 2021, while that of other acquisition costs went down from 4.9% to 4.6% and that of other administration expenses stayed at 5.4%. The business segments with the highest indicators were legal expenses (38.6%), miscellaneous financial loss (37.7%), accident (36.7%), assistance (36.1%) and credit (34.4%). Lower ratios, under 20%, were recorded for watercraft (20.0%), aircraft liability (18.0%) and aircraft (10.8%).

Expense ratio for the year by insurance class (%)
2021 average: 32.1%



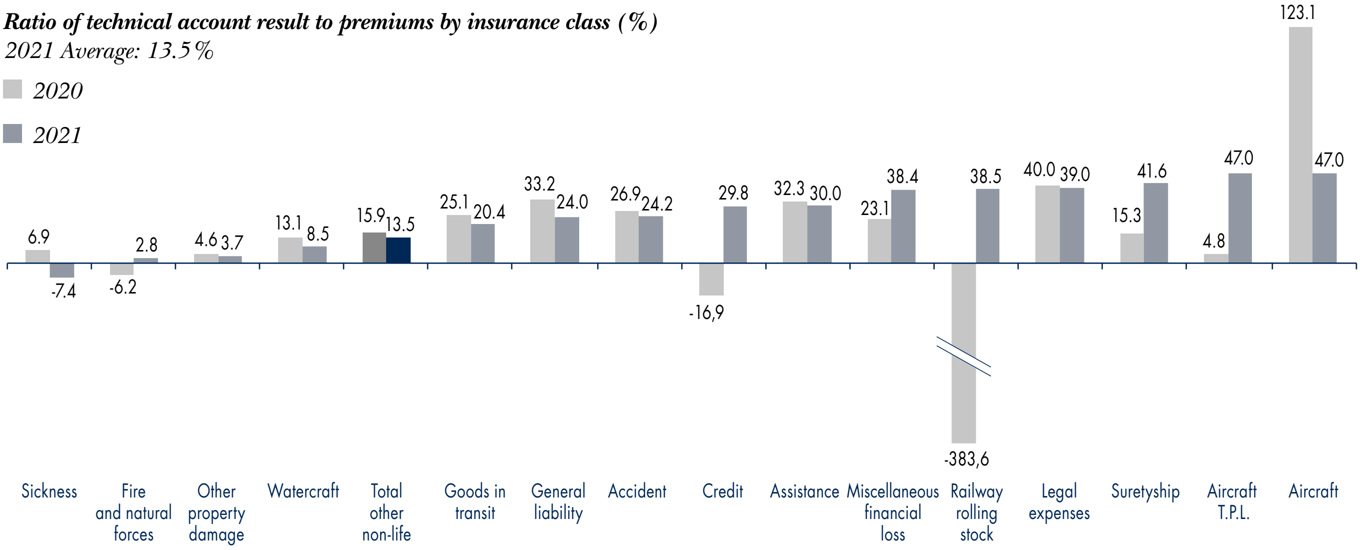
The **technical balance** for direct business was positive by €2,035 million (down from €2,403 million in 2020). More specifically, positive balances exceeding €150 million were scored by suretyship (€168 million, €52 million in 2020), legal expenses (€178 million, €170 million in 2020), miscellaneous financial loss (€195 million, €106 million in 2020), assistance (€250 million, €259 million in 2020), general liability (€630 million, €909 million in 2020) and accident (€738 million, €817 million in 2020). The balance was negative for sickness (-€275 million) and fire (-€9 million).

Direct technical balance by insurance class
Euro million



OTHER NON-LIFE INSURANCE

Ratio of technical account result to premiums by insurance class (%)
2021 Average: 13.5%

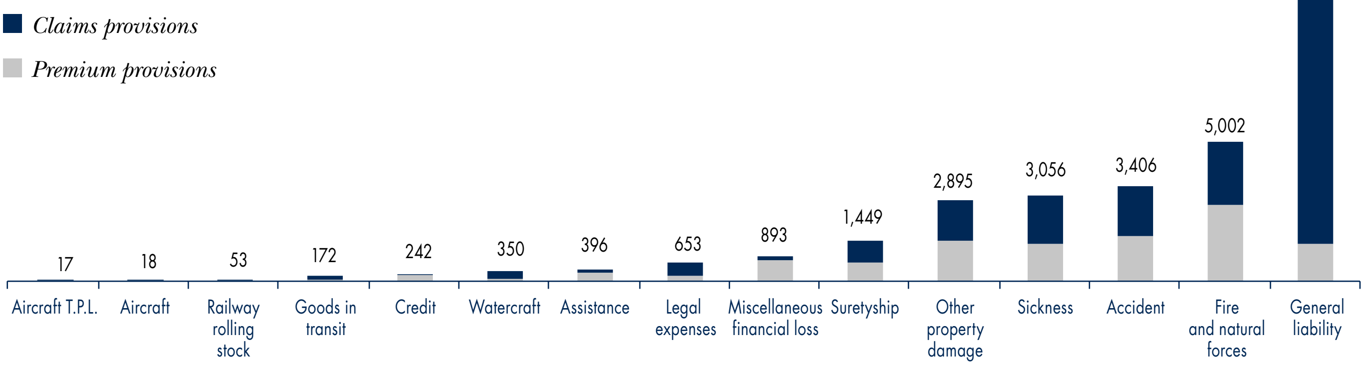


Since investment income totaled €450 million in 2021 (€380 million in 2020), the **direct technical account result** was positive by €2,485 million, down from €2,783 million; its ratio to earned premiums was 13.5% (15.9% in 2020). More specifically, negative or below-average ratios were registered in the following lines: sickness (-7.4%), fire (+2.8%), other property damage (+3.7%), watercraft (+8.5%). Among the most important classes in terms of premiums, aircraft and aircraft liability (47.0%), suretyship (41.6%), legal expenses (39.0%), railway rolling stock (+38.5%) and miscellaneous financial loss insurance (+38.4%) performed particularly well.

Counting also the balance for reinsurance (negative by €508 million), the **overall technical account** result was positive by €1,977 million (€1,967 million in 2020), equal to 10.7% of premiums (11.2% in 2020).

The **direct technical provisions** of non-life insurance classes other than motor insurance, net of sums to be recovered from policyholders and third parties, amounted to €30,168 million in 2021: €10,674 million in premium provisions and €19,494 million in claims provisions. General liability was the business segment with the highest technical provisions (€11,567 million counting claims and premium provisions for 2021); total provisions top €3 billion for sickness (€3,056 million), accident (€3,406 million) and fire insurance (€5,002 million).

Technical provisions for non-life insurance classes other than motor insurance – 2021
Valori in milioni



NATURAL CATASTROPHE: DISASTERS IN 2021, AN ESTIMATE OF THE CURRENT EXPOSURE OF THE ITALIAN INSURANCE INDUSTRY

The adverse climate developments recorded in 2020 continued throughout 2021.

According to the Sigma Swiss Re report 2002, the number of natural disasters came to 186 in 2021 (190 in 2020), causing losses for €240 billion worldwide, far above the €170 billion lost in 2020. In this scenario, only €100 billion was covered by insurance policies, up from the previous year (€80 billion) and the fourth highest value recorded by the Sigma Swiss Re report to date.

Overall catastrophic event-related losses include man-made disasters as well, amounting to around €250 billion.

Along with the earthquake that struck Haiti on 14 August 2021, the most devastating event, there were more than 50 floods around the world during the year; the most serious one occurred in Central-Western Europe in July 2021 (dealing an insurance loss in excess of €11 billion, the most costly natural disaster ever recorded in the EU).

The total damage due to floods amounted to €70 billion (around 70% of the total insured amount), of which only 25% is covered by insurance.

The most expensive event in 2021 was Hurricane Ida, which hit southern Louisiana on 21 August 2021, doing damage worth €26-28 billion.

Despite the significant intervention of the insurance sector, the protection gap is still wide in terms of exposure both to primary and to secondary risks. The global protection gap (considering the damage caused by natural and man-made disasters) was over €140 billion in 2021.

Among the European countries most highly exposed to catastrophic events, Italy has the biggest protection gap. According to Swiss Re estimates, it amounted to 89% (€45 billion) in 2011-2021. The earthquake risk gap in particular is one of the biggest in the world.

According to this study, earthquakes and floods are no longer the sole concerns. According to the European Severe Weather Database, extreme weather events in Italy, including heavy rainfall, hail and tornadoes, increased fourfold in the last decade, from 348 in 2011 to 1,602 in 2021.

For years ANIA has stressed the need for a national insurance scheme based on a public-private partnership to cover damage from earthquakes and floods. Such schemes have been put in place by the majority of European countries exposed to this kind of risk, since the economic damage cannot be borne exclusively by the public sector, nor can it be entirely sustained by the private sector.

According to the PERILS survey on catastrophic event risk exposure in Italy for 2022 (with the participation of 70% of the market in terms of fire insurance premiums), overall exposure of the insurance market to such risks is:

- for businesses, counting buildings, goods and incidental damage, around €755 billion in respect of earthquakes (-1.7% compared with 2021) and €754 billion in respect of floods (+1.1% from 2021), net of the contractual limits set by the insurance policies. Some 1.04 million businesses are insured against earthquakes and 1.03 million against floods. Marche and Valle d'Aosta are estimated to be the regions contributing the most to the increase in insurance against both risks;
- for homeowners – for buildings, goods and incidental damage – around €264 billion in respect of earthquakes (+17.8% compared with 2021) and €141 billion in respect of floods (+37.2%), net of the contractual limits set by the insurance policies. Sicily, Umbria, Marche and Friuli-Venezia Giulia are estimated to be the regions contributing the most to the increase in insurance against earthquakes and floods. A total of 906,000 residential units were insured against earthquakes and 435,000 against floods, so many dwellings with fire insurance are assumed to have earthquake insurance as well.

Geographically, total insurance exposure to natural catastrophe risk (business and residential) is concentrated mostly in the North of Italy, nearly two thirds of the total. The central regions are becoming increasingly important, with nearly 20% of total exposures.

Given the absolute levels of insurance coverage described above, the variations from the previous year may be partly due to the steady, year-to-year improvement in insurers' classification of data as a consequence of greater attention to risk management. However, it is important to make it clear that these are estimates, thus subject to some deviations from what will actually occur during the year.

AGRICULTURAL RISKS: AGRICAT FUND AND INDEX-BASED INSURANCE

Agricat National Mutual Insurance Fund

The vulnerability of the Italian territory inevitably carries repercussions for the agri-food sector, a strategic industry for Italy accounting for €522 billion in output, more than 15% of the average GDP in recent years.

Here too, despite the possibility for agricultural undertakings to purchase insurance policies with 70% of the premium covered by public funds, the extent of underinsurance is very considerable.

According to Ismea data, in 2021, of the 770,000 Italian farms benefiting from the Common Agricultural Policy (CAP) only 74,000, under 10%, have their production covered by a weather/catastrophe insurance policy. Even so, the total insured value is over €8.9 billion, 5% up from 2020.

This situation is partially due to the rigidity of the incentive system, which is bound to specific insurance policies envisaging a pre-set combination of risks. This mix does not always match farmers' concrete preferences. A higher degree of freedom in the policies offered would allow companies to tailor their policies to the needs of the farmers and would encourage the latter to seek coverage against those risks they are still exposed to, affording them better protection.

Over the last few years crops have been extremely hard hit by adverse events such as droughts, ice and frost along with heavy rains, sometimes off-season, entailing significant losses for the insurance industry.

In order to cope with the increasing exposure of the industry towards natural disasters and to restore the balance of the system, the 2022 Budget Law created a national mutual fund to cover natural disasters such as droughts, floods, ice and frost, which will enter into force on 1 January 2023 and benefit from total appropriations of €645 million through 2027: €5 million for 2022 and €128.3 million per year in 2023-2027.

These resources will be supplemented by the €250 million provided for increasing the allocation for co-funded insurance policies up to 2027.

The mechanism governing the operation of the Fund is not known yet, but for some time ANIA has been working with other agricultural institutions to guarantee full synergy with the new insurance instrument.

Index-based insurance in agriculture

Given the limited propensity of farmers to take out insurance policies and the increasing frequency and severity of adverse weather events, making the current insurance system economically unsustainable, since 2017 the Agricultural Risk Management Plan (Piano di Gestione del Rischio in Agricoltura – PGRA) has envisaged the possibility of experimental insurance policies.

In particular, for some risks farmers can take out index-based (or parametric) policies. These are "insurance contracts covering the loss of insured production owing to quantitative and/or qualitative damage due to adverse climate developments, identified by a positive or negative deviation from a biological and/or meteorological index. The damage will be recognized according to the effective deviation from the value of the aforementioned index."

Public co-funding is available for these insurance products too (albeit less than for traditional policies) and amounts to 65% of the eligible expenditure if the policy fulfills the conditions set by the Ministry of Agriculture and Forestry in the annual PGRA.

At present, the index-based policies may be used to cover bovine and bee-related output, including the loss of milk and honey production due to weather and climate events, as well as some vegetable crops (grains, fodder crops, oil plants and seeds, tomatoes, citrus fruit, cucurbits (squash, watermelon, etc.), wine grapes, hazelnuts and olives) against adverse climate developments and against natural disasters, of a frequency and on conditions established by the Plan itself.

Index-based policies may be used to cover risks that are ordinarily not insurable, as a complementary instrument alongside a traditional policy or in those cases where traditional coverage may be too expensive.

By comparison with traditional policies, index-based policies are more flexible and customizable. They also have advantages in the settlement phase, since the use of certified indexes on the adverse events reduces administration costs and allows for speedier compensation.

This kind of coverage has become popular worldwide, in particular with regard to weather events, natural disasters and the agricultural sector.

Companies have been offering this class of products for some years, even though most index-based policies on the market are "hybrid" products, envisaging parametric damage assessment only for some guarantees and applying traditional settlement formulas to other cases.

The responses of insurers to ANIA's December 2021 survey on PGRA-compliant index-based policies shows that, while these products still account for very low amounts, insured assets and written premiums have been growing rapidly in recent years. In particular, the amounts covered by index-based policies went from €1.2 million in 2018 to €10 million in 2021, while written premiums rose from €60,000 in 2018 to over €700,000 in 2021.

The insurance industry believes that the instruments are very interesting especially for the future, with a view among other things to broadening the range of insurance products on offer.

As testified before the committee assigned to prepare the 2022 PGRA, the insurance industry hopes that the public funds for these experimental policies will be increased and that eligibility for index-based products will be extended to all crops.

ITALIAN INSURANCE EXPOSURE TO NATURAL DISASTERS AND EVENTS FOR BUSINESSES AND HOUSEHOLDS

With the aim of reducing the insurance gap by actions targeted to some specific insurance segments, ANIA launched a survey to assess the market penetration of insurance policies against the main natural disasters, dividing it between residential and business insurance in Italy over the last three years.

This survey investigated the risks associated with natural disasters and fire as a whole, specifying for the latter the information related to claims for so-called "major fires", meaning those man-made disasters entailing multiple risk units. The types of coverage surveyed were: earthquake, flood, fire, major fire and other natural events including all other natural disasters such as hail, strong wind, excessive rainfall or snow.

The monitoring included the number of policies, the premiums and the amounts insured, along with the number and value of claims for each risk class.

Information about **residential** insurance was divided into:

- Individual dwellings: all dwellings insured with individual policies;
- Comprehensive building policies: buildings or parts thereof, mostly used as dwellings, insured by comprehensive building policies.

Information about **business** insurance was divided into:

- Large Enterprises: enterprises with at least 250 employees and/or annual turnover of over €50 million;
- Medium-sized Enterprises: enterprises with 50 to 249 employees and/or annual turnover of €10 million-€50 million;
- Small Enterprises: enterprises with 10-49 employees and/or annual turnover of €2 million - €10 million;
- Micro Enterprises: enterprises with fewer than 10 employees and/or annual turnover of less than €2 million.

Commercial activities (including chains) were classed in one of these categories according to the staff or turnover standard.

As this report is being drafted, a sufficiently representative set of Italian and foreign insurers had participated in the survey (more than 50% of total fire premiums in 2021). To assess the robustness of the sample and the reliability of results, some of the indicators emerging from this survey have been compared with other statistics from ANIA and outside sources. In particular:

- in terms of premiums, the amount per insurance company is consistent with the information contained in the supervisory reports for fire insurance.(1) This class also includes – albeit with a smaller incidence – risks other than those assessed in this survey (€1,400 million of written

(1) Reference is made to written premiums under item 3 of Form 17 in the IVASS fire class supervisory report.

premiums in 2021 by the sample insurers according to Form 17, against €1,393 million in this survey);
- in terms of claims, considering all guarantees surveyed for both risk types (business and residential), the overall loss ratio is consistent with the fire class supervisory report[(2)] (a 67% loss ratio for the 2021 claim generation of the sample in Form 17, against 65% in this survey);
- as far as dwellings are concerned, the average amounts insured by individual dwelling and comprehensive building policies are consistent with the ANIA survey on residential fire policies covering practically the entire insurance market (in 2021 the average amounts were €185,000 for individual dwellings and €1.480 million for comprehensive building policies according to the ANIA survey on residential fire policies and €207,000 and €1.451 million in this survey);
- in addition, in 2021 the proportion of fire policies with extension to natural disasters (considering both individual dwellings and comprehensive buildings) was consistent with the result of the ANIA survey on residential fire policies (11% according to the previous ANIA survey and 9% according to this one).

An initial estimate of the main technical indicators for the whole market was made on the basis of the data obtained from the sample. The main results are set forth below.[(3)]

Enterprises

As stated above, the survey identified the individual insured risk units within a given enterprise. This means that, especially for large and medium-sized firms, the number of units insured is greater than the number of enterprises split into size classes by number of employees as surveyed by ISTAT. However, ISTAT also surveys the local units of active enterprises,[(4)] which, even though they cannot be directly used to assess insurance penetration, are as close as possible to the concept of insured unit.

Table 1 is the 2021 comparison of the distribution, by firm size, of the insured units as surveyed by our statistics and the ISTAT survey of local units. Insurance data clearly show an unbalanced distribution between large, medium and small firms that is not reflected in the ISTAT data, which, in turn, shows that almost all local units are in the micro-enterprise class (fewer than 10 employees). This is certainly due to a far higher insurance penetration for enterprises with more than ten employees.

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(2) Reference is made to the ratio of incurred claims under item 10 and written premiums under item 3 of Form 17 of the IVASS fire class supervisory report.

(3) Please note: these results are subject to rectification when more insurance companies take part in the survey.

(4) Local units means operational or administration and management facilities (laboratory, workshop, production plant, warehouse, storage facility, office, shop, branch, agency) located in places other than the headquarters and in which one or more specific activities of the enterprise are carried out. Therefore, multi-localized enterprises carry out their activities in multiple locations, each of which is considered as a local unit.

Table 1
Enterprises – Insured risk unit distribution in 2021 – number of local units surveyed by ISTAT

TYPE OF ENTERPRISE	% distribution of insured units	Average Insured Value (in euros)	% distribution of active enterprise local units (ISTAT)
Large	6.7%	5,420,411	0.1%
Medium-sized	5.3%	2,763,265	0.7%
Small	30.1%	746,236	4.9%
Micro	57.9%	392,063	94.3%
Total	100.0%	737,427	100.0%

The average insured value is proportional to the size of the enterprise: €5.5 million for large enterprises, half as much (€2.8 million) for medium-sized firms, €750,000 for small enterprises and less than €400,000 for micro enterprises.

Another important piece of information drawn from the survey (Table 2) is the percentage of dwellings with an extension of fire insurance to natural disasters. What stands out is that the extension to other natural events (hail, windstorms, excessive rainfall or snow) is almost always present in all types of enterprises; crucially, the extension to earthquakes and floods is purchased by nearly all large enterprises, two-thirds of medium-sized enterprises, a third of small enterprises and a negligible portion of micro enterprises (8% for earthquake and only 3% for flood).

Table 2
Enterprises – % of insured units with natural events extensions in fire policies – 2021

TYPE OF ENTERPRISE	Flood	Earthquake	Other natural events
Large	91%	93%	98%
Medium-sized	67%	64%	100%
Small	28%	32%	84%
Micro	3%	8%	87%

(*) Percentages may be slightly overestimated due to the presence of stand-alone policies only covering natural events.

Table 3 is the ratio of accepted claims[5] (including late-reported claims) through April 2022 to premiums paid in 2021.

Table 3
Enterprises – Loss ratio per guarantee class – 2021

TYPE OF ENTERPRISE	Earthquake	Flood	Other natural events	Fire (*)	Total
Large	0.2%	66.3%	207.2%	54.9%	55.7%
Medium-sized	0.3%	27.2%	180.0%	85.3%	84.1%
Small	0.1%	14.5%	114.4%	79.5%	74.4%
Micro	2.1%	42.5%	94.0%	66.4%	73.6%
Total	0.3%	50.6%	127.1%	67.8%	68.1%

(*) Fire also includes "major fire" claims.

[5] These are the amounts paid or allocated to the claims provision and comprise, apart from the settlement sums for the policyholder, only the legal expenses for the other party and court costs (unallocated loss adjustment expenses (ULAE) are not included). In case of deductibles, the claim amount was considered to be net of the deductible.

The earthquake extension insurance has a loss ratio close to zero. This is consistent with the return time of this disaster risk, characterized by long periods with no claims but very high damage intensity in case of event. Flood extension has an average loss ratio of 50.6%, with figures ranging from 15% for small enterprises to 66% for large enterprises, which are the most frequently insured. Very high values are reported for other natural events, a policy purchased by nearly all fire-insured enterprises: from 94% for micro enterprises to over 200% for large enterprises. Basic fire insurance has an overall loss ratio of 68%, and comparable values are recorded for the overall insurance average. Considering that operating expenses are equivalent to some 35% of premiums, the combined ratio (sum of the two ratios) exceeds 100%, showing negative results for this insurance class (even though earthquake insurance had no significant claims in 2021).

Dwellings

As for dwellings, here we comment only on the loss ratio for 2021. More detailed information on risks is available in the ANIA residential dwellings survey.

Earthquake extension has a very low loss ratio for dwellings too (1.1%), for the same reasons discussed above. Flood extensions recorded an average ratio of 94%, exceeding 100% by far in individual dwellings and recording a moderate 28% in comprehensive building policies. For other natural events, the loss ratio for individual dwellings was 82.9%, for comprehensive building policies 56%. If individual dwellings have a worse trend for natural disasters, for basic fire coverage the opposite is observed: the overall loss ratio is 58.5%, with comprehensive building policies at 72% and individual dwellings slightly below 50%. Putting all extensions together with the basic coverage, the average loss ratio comes to slightly over 60%.

Table 4
Dwellings – Loss ratio per guarantee class – 2021

Risk sector	Earthquake	Flood	Other natural events	Fire	Total
Single dwellings	1.3%	106.1%	82.9%	48.6%	57.0%
Comprehensive building policy	0.0%	27.9%	56.1%	72.3%	64.8%
Total	1.1%	93.9%	71.0%	58.5%	60.2%

THE DISTRIBUTION OF FIRE INSURANCE WITH EXTENSION TO NATURAL DISASTERS

With a view to continuing assessment of the impact of the 2018 Budget Law, which introduced tax incentives for natural disaster insurance policies for dwellings, ANIA carried out a new statistical study (whose date of assessment is 31 March 2022) to quantify the number of policies and the risk exposure (value insured) of Italian homes insured against fire, with a special focus on policy extension to natural disasters and how this has changed from the two previous editions of the survey (31 March 2020 and 31 March 2021).

Again, the survey saw the participation of a large sample of companies (representing more than 92% of all fire policy premiums), and on this basis the exposure for the entire market was estimated. The results for the main factors in the fire insurance policies examined by the survey are set out below.

Type of policy. On 31 March 2022, the total number of active policies (for the whole market) was **11.9 million**, up by 5.9% from the previous survey and by 14.4% from March 2020 (an extra 1.5 million policies in two years). The total number of policies is growing in line with the last two years. **The total value insured was €3,923 billion** for the 11.9 million policies, up by nearly 3.3% compared with 2020 but broadly unchanged from 2021 (Table 1). By type of policy, in 2021 over 49% are multi-risk policies,[1] down by five points from 2021 (the absolute number of policies dropped by 3.2% from the previous year); 39% are pure fire policies (single risk), up by over five points, nearly 10% are comprehensive building policies, and only 0.4% are policies covering earthquake but not fire. In 2020 the survey also began to report flood-only policies or earthquake plus flood (without fire); in 2022 there is an increase in policies covering both risks (from scarcely 1,000 in 2020 to over 75,000

Table 1 – Type of policy

Type of policy	March 2022		March 2021		March 2020		March 2022		March 2021		March 2020		% change 2022 vs 2020	
	No. policies	% No. Policies	No. policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
Multi-risk	5,889,851	49.4%	6,082,365	54.0%	6,061,432	58.2%	1,273,620	32.5%	1,455,877	36.4%	1,473,626	38.8%	-2.8%	-13.6%
Fire (single risk)	4,696,080	39.4%	3,831,100	34.0%	3,104,153	29.8%	757,673	19.3%	663,332	16.6%	587,159	15.5%	51.3%	29.0%
Comprehensive building policy	1,183,926	9.9%	1,207,807	10.7%	1,194,875	11.5%	1,839,043	46.9%	1,832,493	45.8%	1,717,759	45.2%	-0.9%	7.1%
Earthquake only	44,557	0.4%	56,948	0.5%	53,279	0.5%	18,028	0.5%	21,606	0.5%	17,586	0.5%	-16.4%	2.5%
Earthquake and/or flood only	97,462	0.8%	75,239	0.7%	1,064	0.0%	32,929	0.8%	22,977	0.6%	536	0.0%	[…]	[…]
Flood only	704	0.0%	661	0.0%	595	0.0%	1,316	0.0%	1,252	0.0%	669	0.0%	18.4%	96.7%
Total	11,912,582	100.0%	11,254,119	100.0%	10,415,398	100.0%	3,922,609	100.0%	3,997,536	100.0%	3,797,336	100.0%	14.4%	3.3%

All estimates are based on a sample of insurers representing 92% of fire and natural forces premiums in 2021.
All values reported are 100% of the market.

[1] Multi-risk policies cover several risks such as theft, fire and third-party liability. However, the survey data refer only to fire insurance.

in 2021 and nearly 98,000 in 2022), while the number of flood-only policies remains negligible.

The distribution of the amounts insured shows that 47% of the assets insured are covered by comprehensive building policies (these obviously being the most significant in terms of value), 33% by multi-risk policies and over 19% by individual fire policies (single risk).

Risk sector. Table 2 shows that 88% of fire insurance policies are for dwellings (1.5 million policies more than in March 2020), nearly 11% for other buildings(2) (slightly decreasing from the last survey) and only 1.7% (as in 2020 and 2021) for ancillary commercial units, i.e. those units used for business activities and located on the ground floor of mainly residential buildings. Clearly, in terms of amounts insured the percentage distribution varies greatly, as buildings, having a greater value than individual dwellings, account for almost half the total amount insured (48.4%), almost on a par with dwellings, while only 2.3% relates to ancillary commercial units.

Table 2 – Risk sector

Risk sector	March 2022		March 2021		March 2020		March 2022		March 2021		March 2020		% change 2022 vs 2020	
	No. policies	% No. Policies	No. policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
Dwelling	10,425,431	87.5%	9,757,539	86.7%	8,909,776	85.5%	1,933,729	49.3%	2,025,718	50.7%	1,856,157	48.9%	17.0%	4.2%
Building	1,283,117	10.8%	1,299,144	11.5%	1,316,354	12.6%	1,899,578	48.4%	1,885,195	47.2%	1,857,980	48.9%	-2.5%	2.2%
Ancillary commercial unit	204,034	1.7%	197,436	1.8%	189,268	1.8%	89,302	2.3%	86,623	2.2%	83,199	2.2%	7.8%	7.3%
Total	11,912,582	100.0%	11,254,119	100.0%	10,415,398	100.0%	3,922,609	100.0%	3,997,536	100.0%	3,797,336	100.0%	14.4%	3.3%

All estimates are based on a sample of insurers representing 92% of fire and natural forces premiums in 2021.
All values reported are 100% of the market.

It is worth noting that since 1,283,000 policies cover entire buildings, and since the average number of apartments per building is 4.3(3) based on ISTAT data, the **overall number of dwellings insured for the whole market** may be estimated at roughly **16.2 million** = [10.425 mln (dwellings) + 1.283 mln (multi-apartment buildings) x 4.34 + 0.204 mln (ancillary units)]. Of **all dwellings included in ISTAT's census** in 2011 (**31.2 million**), **52.0%** have fire insurance, an accelerating trend from previous years (50.2% in 2021, 47.9% in 2020, 46.0% in 2019, 42.8% in March 2018, 42.2% in 2016).

Policy extension to natural disasters. Italy is characterized by an approach to the management of damage caused by natural disasters which traditionally relies on ex-post state intervention. This approach to damage management,

(2) ISTAT's definition of building: "roofed construction, separated by streets or empty spaces, or by other buildings through main walls going from the foundations to the roof top seamlessly, having one or more than one free access to the street and, possibly, one or more than one independent staircase".
(3) This differs from the number published by ISTAT (3.3 nationwide) for two reasons: 1) in calculating the average number of dwellings per building, ISTAT counts buildings with just one dwelling; for the present statistic, however, as single dwellings are counted separately, the average per building is calculated only for buildings with more than one dwelling; and 2) because the provincial distribution of insured dwellings differs from that of all the dwellings found in the census. This is why our estimate of dwellings per building (4.3) is higher than that indicated by ISTAT.

implemented repeatedly over time, has strengthened the widespread belief that there is a last-resort guarantor in charge of reconstruction. This is why insurance coverage against natural disasters is so rare: 88.7% of fire policies have no such coverage extension (Table 3).

Table 3 – Policy extension to natural disasters

Policy extension to natural disasters	March 2022		March 2021		March 2020		March 2022		March 2021		March 2020		% change 2022 vs 2020	
	No. policies	% No. Policies	No. policies	% No. Policies	No. policies	% No. Policies	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	Value insured (euro mln)	% Insured value	No. policies	Insured value
No extension	10,561,960	88.7%	9,805,923	87.1%	9,205,483	88.4%	3,529,225	90.0%	3,510,438	87.8%	3,400,298	89.5%	14.7%	3.8%
Earthquake only	579,337	4.9%	819,604	7.3%	662,159	6.4%	197,739	5.0%	324,963	8.1%	270,105	7.1%	-12.5%	-26.8%
Flood only	275,483	2.3%	287,301	2.6%	233,510	2.2%	55,965	1.4%	57,531	1.4%	45,593	1.2%	18.0%	22.8%
Earthquake and flood	495,801	4.2%	341,291	3.0%	314,246	3.0%	139,680	3.6%	104,603	2.6%	81,340	2.1%	57.8%	71.7%
Total	11,912,582	100.0%	11,254,119	100.0%	10,415,398	100.0%	3,922,609	100.0%	3,997,536	100.0%	3,797,336	100.0%	14.4%	3.3%

All estimates are based on a sample of insurers representing 92% of fire and natural forces premiums in 2021.
All values reported are 100% of the market.

A survey of all active policies at 31 March 2022 found that 11.3% have an extension of coverage to natural disasters, dropping for the very first time since the survey has been carried out (from 12.9% in March 2021, 11.6% in March 2020 and 8.5% in March 2019). However, it has more than doubled from 5.1% in September 2016. Note that the absolute number of policies with an extension to natural disasters dropped by nearly 100,000 from the previous year. The reduction of the ratio (11.3%) also depends in part on the increase in single-risk policies covering fire only (Table 1).

As of 31 March 2022, there were some **1.4 million policies with extension to natural disasters** on the market (1.4 million in 2021, 1.2 million in 2020, 826,000 in 2019, and only 440,000 in 2016), a number obtained as the sum of straight earthquake policies (579,000), straight flood policies (275,000) and combined earthquake and flood policies (496,000). Compared with the survey carried out in 2020, the number of straight earthquake policies dropped by 12.5% in favor of combined policies (+57.8%), while straight flood policies increased by 18.0%.

To promote nat-cat policies (earthquake and floods), Law 205/2017 established, from the year 2018, tax incentives for anyone taking out this type of homeowner insurance. To see the impact of the law, **considering only the policies with nat-cat extension subscribed from 2018 to March 2022, this type of policy accounted for 77% of the 1.4 million active policies**. The tax incentives would therefore appear to be having an effect, even if still quite limited.

Based on the number of active policies with extension to natural disasters and using the same calculation method to “convert” policies into dwellings covered (as described earlier in the “Risk sector” section), the **number of dwellings insured against natural disasters as at 31 March 2022 is estimated at 1.5 million** (it was around 1.6 million in 2021, 1.4 million in 2020, under a million in 2019 and only 600,000 in 2016). In relation to the total number of dwellings counted by ISTAT (31.2 million) **insurance penetration would appear to be still very moderate at 4.9%** (down from 5.1% in 2021, but more than 4.5% in 2020, 3.2% in 2019 and 2.0% in 2016). Comparison with 2009 (when dwellings insured against natural disasters numbered a mere 35,000) shows a 40-fold increase in insurance coverage, signifying that the Italian population is increasingly sensitive to this type of risk insurance: since 2009 there have been more than 40 floods and several major earthquakes, which has evidently increased awareness of the need to protect real estate property.

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

- the **amounts insured** come to €198 billion for **straight earthquake policies** and to **€56 billion** for **straight flood policies**, plus an additional **€140 billion** for **combined policies covering both these risks. Overall total exposure thus amounts to roughly €393 billion** (it was €487 billion in 2021, €397 billion in 2020, €275 billion in 2019 and only €175 billion in 2016);
- **the average policy premium (net of taxes[4]) of fire insurance** for the 11.9 million policies surveyed is **€167**. Given that these policies provide insurance for 16.2 million dwellings, the average premium per dwelling would be €122. As for the **extension to natural disasters, the average premium (net of taxes)** for the nearly 1.4 million policies insuring against either earthquake or flood or both, is **€142**. As these policies cover about 1.5 million dwellings, the average premium per dwelling would be around €127.

Incidence (%) of dwellings covered by fire insurance on all existing dwellings. Analyzing the incidence by province of insured over total dwellings (52.0% at national level – see above), we find that almost everywhere in the North of Italy more than 75% of dwellings have fire insurance, whereas in the South the proportion is around 20% and in central Italy one in two (Figure 1). In Milan, Monza-Brianza and Trieste, nearly 90% of dwellings are insured, and 85% in Bolzano, Florence, Brescia, Varese, Gorizia, Bologna and Trento compared with only 11% in Benevento, Potenza and Sud Sardegna, and scarcely 9% in Agrigento, Enna and Crotone.

Incidence (%) of dwellings covered by natural disaster insurance on all existing dwellings. Also significant is the analysis of the incidence by province of dwellings insured against natural disasters (4.9% at national level). This indicator exceeds 10% only in Trento, Florence, Siena, Mantua and Brescia (Figure 2); generally, across the North, the incidence comes to 6.2%. In Emilia-Romagna, the provinces with the highest incidence are Bologna, Ferrara, Modena and Reggio Emilia (over 8%), followed by Parma (7.0%). In central Italy, where the average incidence of nat-cat policies is around 5.3%, the greatest incidence is found in Florence (11.4%), Siena (10.8%), Ancona (9.2%), Prato (9.2%) and Pistoia (9.0%), whereas in the South the percentage of insured dwellings averages about 1.6%.

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(4) Taxation currently amounts to 22.25% of the premium.

Figure 1
Incidence (%)
of dwellings covered by fire insurance on all existing dwellings.

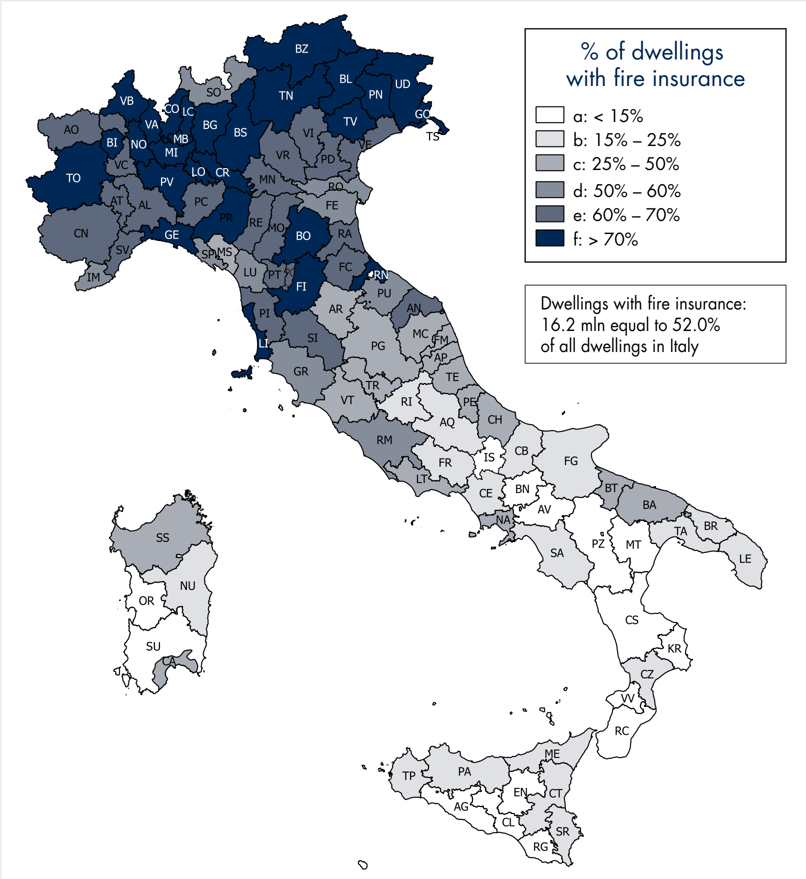
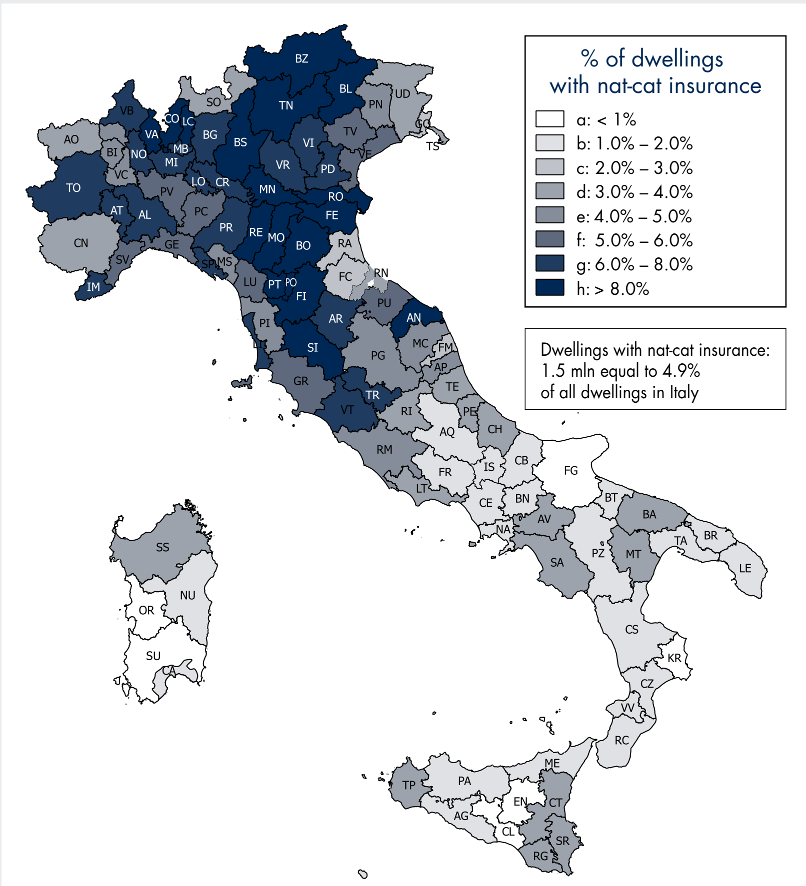


Figure 2
Incidence (%)
of dwellings covered by natural disasters insurance on all existing dwellings



MEDICAL MALPRACTICE: REGULATORY UPDATE

The Gelli Law (Law 24/2017) was the first national regulation with an organic approach towards healthcare security and the liability of healthcare operators, introducing an insurance obligation both for practitioners and for public and private healthcare facilities.

However, healthcare liability regulation is still an on-going process, in that the Law envisaged several implementing decrees that have yet to be adopted.

Among those envisaged by the Law, those most relevant for the insurance industry still remain to be issued.

Minimum requirements decree

Art. 10, par. 6, of the Gelli law provided for the issuance of a decree by the Ministry for Economic Development (MISE), together with the Ministries of Health and Finance, having heard insurance authorities and associations (including IVASS and ANIA), to set minimum requirements for insurance policies and other similar measures, including direct risk-taking. The draft decree – which underwent numerous amendments over time that were not always made known to the other stakeholders, as ANIA observed to the authorities – has some major problems of substance. Those issues were set out by ANIA in the observations sent to the consultative section of the Council of State, which will provide its opinion on the version approved by the Region-State Conference of 9 February 2022. The main shortcomings of the decree are reported hereunder.

- Absence in the law, and in any case inapplicability, of the Bonus-Malus mechanism that the draft decree hypothesizes. The primary legislation – article 10, paragraph 6 of Law 24/2017 – which delegates the adoption of the provision to secondary regulation, envisages that the Decree shall set “the minimum requirements of insurance policies” (a) for public and private healthcare and socio-healthcare facilities and (b) for the medical staff, and in particular (and limited to) the “risk classes to be matched to different maximum coverages”. However, the draft decree envisages the determination of merit classes by analyzing the amount of claims of the insured party (Bonus-Malus: this mechanism, limiting the independence of companies in setting a premium, is not envisaged by the primary legislation and goes against the voluntas legis, since Parliament, in amending the Gelli Law to add the criteria and the principles set by the Balduzzi decree, did not introduce any such mechanism. Moreover, the mechanism taken from the motor liability sector is – from a technical perspective – inappropriate for malpractice liability. Actually, one must consider that this sector is characterized by a sometimes very long delay in the detection, or reporting, of most claims from the date of occurrence (long-tail claims). In addition, the investigation phase often takes a very long and generally unpredictable time, with the further and not uncommon possibility of having to wait for the outcome of civil litigation and/or criminal trials. It would therefore be impossible to have a quick calculation of the merit class and, as a consequence, to apply the Bonus-Malus mechanism to medical malpractice. What is more, the mechanism seems to be hardly effective and applicable to the coverage of healthcare facilities issued in the field of public contracts, since the duration of coverage generally lasts for multiple years (in some tenders it could even exceed ten or twenty years) during which a number of claims could be submitted. For this reason, an adjustment of the merit class would be impossible, as there are no annual renewals.

– Lack of clarity on enforceable exceptions. Art. 12 of the Gelli Law regulating direct action (this too taken, questionably, from motor liability regulations) provides, under paragraph 2: “The exceptions deriving from the contract, up to the maximum coverage, different from what is established by the decree under article 10, paragraph 6, establishing the minimum requirements of insurance policies for public and private healthcare and socio-healthcare facilities and for the medical staff under article 10, paragraph 2, shall not be enforceable against the damaged party”. The provision – where it states that the “exceptions deriving from the contract, different from what is established by the decree” shall not be enforceable – is not completely clear and may give rise to doubts as to interpretation. Furthermore, the decree does not appear to be coordinated with the (subsequent) provisions of Art. 38-bis of Decree Law 152/2021.
– Unfair limitation of the right of rescission not envisaged in the primary legislation. Although not envisaged in the primary legislation, the decree provides that the insurer may not apply the right of rescission except in the case of a “reiterated gross negligence by the insured party ascertained by a definitive, non-appealable verdict”. Therefore, according to Art. 5-bis of the decree, it would seem to be necessary that (a) the misconduct of the insured party is ascertained by a definitive verdict and (b) the misconduct must be “reiterated”, but without clarifying what is meant by reiteration. This provision, which is not envisaged in the primary legislation, represents a further limitation of the insurer’s freedom of rescission and, therefore, of the autonomy of private parties, guaranteed by Article 41 of the Constitution.
– Lack of clarity on the non-availability of the self-insurance fund and disparity of treatment. In other parts of the decree, it is noted that where a healthcare facility, instead of acquiring insurance coverage, elects to adopt different risk coverage measures, the decree, under Article 9, paragraph 2, lays down that the fund set aside by the healthcare facility “shall be used exclusively for damage compensation originated by healthcare services provided without a non-availability limitation on a cash basis.” Again, this provision is unclear. Further, unlike the treatment of insurance company assets, this fund would be subject solely to the control of the internal Board of Auditors, with no evaluation by IVASS, notwithstanding its evident social importance. In addition, the healthcare facility is not even obliged to comply with the solvency

requirements for insurance companies, thus representing an evident, formal and substantial disparity of treatment.

Decree on policy data

A second draft decree from the Ministry of Economic Development, for which the legislative process has yet to be completed, should identify insurance policy data and other similar measures as well as establishing the modalities and timing for the communication of the aforementioned data by public and private healthcare and socio-healthcare facilities and medical staff to the Observatory envisaged by the Gelli law. Last summer, ANIA received a draft decree from the Ministry assigning the insurance companies the duty to send insurance policy data. After calling on the Ministry to remove this obligation for the insurance companies, since it was not envisaged by the law, ANIA proceeded to specify the numerous qualitative and technical/IT difficulties inherent in collecting and transmitting additional or different data from those already provided to IVASS for the yearly compulsory medical malpractice liability survey.

Severe injury decree

In another aspect of medical malpractice liability, the insurance and healthcare sectors are anxious to see the presidential decree implementing Art. 138 (Non-pecuniary damage due to severe injury) of the Insurance Code – severe injury tables – which has not yet been issued. The provision, initially envisaged in the Insurance Code (Legislative Decree 209/2005) for motor liability, was recalled by the Gelli Law (art. 7, para. 4), envisaging that the damage caused in the course of the activity of a public or private healthcare or socio-healthcare facility or by the medical staff shall be compensated according to the tables under articles 138 and 139 of the Insurance Code. Finally, Law 15 of 25 February 2022 partly amended Article 138 of the Insurance Code, providing for the adoption of the decree with the severe injury tables. This provision is still pending.

MEDICAL MALPRACTICE: THE MAIN DATA

While the first months of 2021 were still marked by more or less strict limitations to social and economic activities to mitigate the health emergency caused by the Covid-19 pandemic, the progressive spread of vaccinations allowed for provisions to loosen and overcome the restrictions, gradually returning to "normal". All through 2020 and part of 2021 the normal activity of healthcare facilities and professionals was completely disrupted, with exhausting working times and strict safety measures to prevent new infections. Excluding Covid-19-related pathologies, the number of hospital admissions dropped drastically, and this may have contributed to the reduction in the number of medical malpractice claims. In order to calculate the actual number of Covid-related medical malpractice claims, IVASS extended its survey also to a section specifically dedicated to this type of claim. The number of Covid-related claims lodged in 2021 came to 940 (just over 400 in 2020). In detail, 61% (580 claims) of them involved public healthcare facilities, 26% (240 claims) involved private healthcare facilities, and 13% (120 claims) involved medical staff. Considering that the total number of medical malpractice claims in 2021 was about 17,200, Covid-related claims accounted for 5.5% by number (2.4% in 2020); by amount, €61 million, or 10.8% of the amount of indemnified claims in 2021 (6.7% in 2020) was set aside for these Covid-related claims.

Volume of premiums

In order to provide a correct and comprehensive picture of the technical trends of insurance coverage for medical malpractice, ANIA has relied, for the past six years now, on the results of a survey based on data provided by insurance companies to the supervisory authority and to ANIA.[1]

The total volume of premiums for this business came to €646 million in 2021 and increased by 6.8% compared to the previous year (Table 1). The volume of premiums of public healthcare institutions was 3.6% higher than in 2020 at €250 million; that of private institutions increased for the sixth consecutive year (+8.0%) to around €138 million, as did premiums of individual practitioners' policies, which amounted to €257 million (rising by 9.5%).

(1) The following sectors have been analyzed:
- healthcare facilities' medical malpractice policies: the policies covering third-party liability for healthcare facilities have been analyzed making a distinction between public and private ones. This type of insurance coverage aims at protecting the facility from any third-party damages, including patients, damages related to the medical activity performed by the facility or by the employed staff and/or other staff. The insurance can generally be extended to the damages related to the management of the healthcare facility, such as the misuse of medical equipment and the employer's liability to workers. Within the limits of the policies for medical activity, other facilities such as nursing homes, medical laboratories, testing centers and universities were also included.
- individual practitioners' liability: the survey included those policies covering professional third-party liability for all staff operating in the medical field (such as nurses and paramedics), in addition to practitioners that are declared partly or totally responsible for damages against the insured.

Table 1 – Medical malpractice premiums by healthcare facility and medical staff (*)
€ thousand

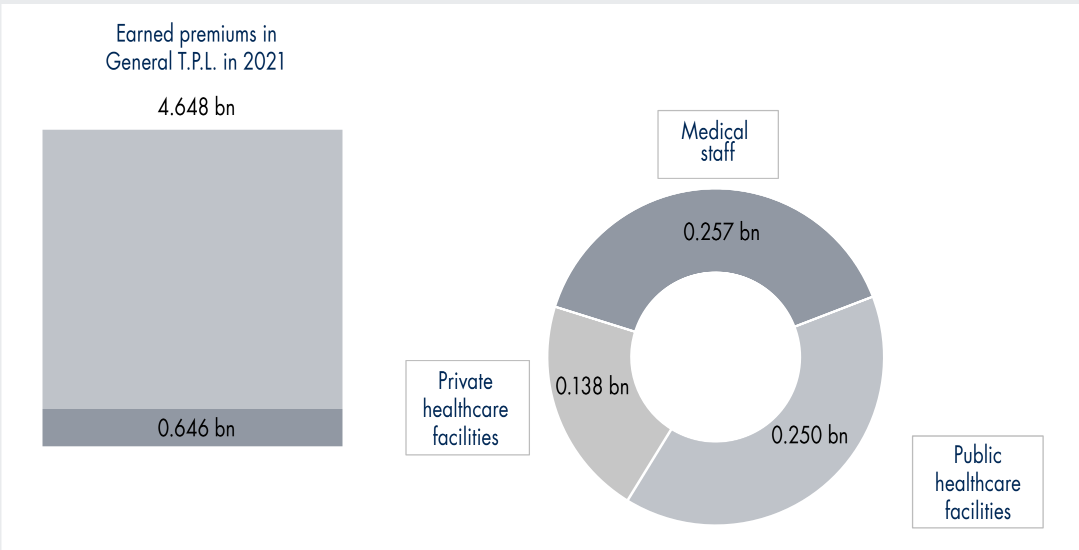
Year of registration	Public healthcare facilities	Annual % change	% distribution on total	Private healthcare facilities	Annual % change	% distribution on total	Medical staff	Annual % change	% distribution on total	Total medical malpractice	Annual % change	% distribution on total
2010	519,969		70%	79,505		11%	140,485		19%	739,959		100%
2011	460,709	-11.4%	63%	103,856	30.6%	14%	169,736	20.8%	23%	734,301	-0.8%	100%
2012	423,957	-8.0%	60%	99,590	-4.1%	14%	184,080	8.5%	26%	707,628	-3.6%	100%
2013	342,036	-19.3%	55%	89,410	-10.2%	15%	185,130	0.6%	30%	616,576	-12.9%	100%
2014	296,763	-13.2%	50%	105,074	17.5%	18%	189,009	2.1%	32%	590,846	-4.2%	100%
2015	267,842	-9.7%	43%	87,821	-16.4%	14%	260,947	38.1%	42%	616,610	4.4%	100%
2016	292,493	9.2%	48%	95,057	8.2%	16%	218,498	-16.3%	36%	606,047	-1.7%	100%
2017	276,039	-5.6%	46%	101,426	6.7%	17%	220,427	0.9%	37%	597,892	-1.3%	100%
2018	271,466	-1.7%	44%	113,992	12.4%	18%	233,526	5.9%	38%	618,983	3.5%	100%
2019	231,527	-14.7%	40%	116,079	1.8%	20%	231,520	-0.9%	40%	579,126	-6.4%	100%
2020	241,234	4.2%	40%	128,198	10.4%	21%	234,943	1.5%	39%	604,375	4.4%	100%
2021	249,822	3.6%	39%	138,460	8.0%	21%	257,267	9.5%	40%	645,550	6.8%	100%

(*) The volume of premiums was calculated on the total number of companies operating in this sector, while the technical indicators reported in the following tables are based on a slightly lower number of companies that provided information both on premium income and on claims.

	Public healthcare facilities	Private healthcare facilities	Medical staff	Total medical malpractice
% change 2010 - 2021	-52.0%	74.2%	83.1%	-12.8%
Annual average	-6.4%	5.2%	5.7%	-1.2%

Figure 1
Medical malpractice premiums as % of total T.P.L. premiums – 2021

Medical malpractice



Number and average cost of claims

The first technical element to consider in order to assess the riskiness of a particular segment is the number of claims received by insurance companies every year. For all medical malpractice insurance, the number of claims made in 2021 was 17,209, of which 5,376 for policies taken out by public healthcare institutions and over 3,500 by private institutions, plus 8,300 from individual practitioners (Table 2).

Table 2
Number of reported claims

Year of claim	Public healthcare facilities	Annual % change	Private healthcare facilities	Annual % change	Medical staff	Annual % change	Total medical malpractice	Annual % change
2010	16,178		5,886		9,659		31,723	
2011	14,440	-10.7%	5,266	-10.5%	13,291	37.6%	32,997	4.0%
2012	13,733	-4.9%	4,670	-11.3%	15,430	16.1%	33,833	2.5%
2013	11,741	-14.5%	3,833	-17.9%	15,978	3.6%	31,552	-6.7%
2014	9,698	-17.4%	3,477	-9.3%	15,342	-4.0%	28,517	-9.6%
2015	7,536	-22.3%	3,257	-6.3%	14,011	-8.7%	24,804	-13.0%
2016	6,473	-14.1%	3,008	-7.6%	12,633	-9.8%	22,114	-10.8%
2017	6,467	-0.1%	3,302	9.8%	13,253	4.9%	23,022	4.1%
2018	6,310	-2.4%	3,087	-6.5%	9,998	-24.6%	19,395	-15.8%
2019	6,489	2.8%	3,392	9.9%	9,575	-4.2%	19,456	0.3%
2020	5,716	-11.9%	3,212	-5.3%	8,052	-15.9%	16,980	-12.7%
2021	5,376	-5.9%	3,533	10.0%	8,300	3.1%	17,209	1.3%
% change 2010 - 2021		-66.8%		-40.0%		-14.1%		-45.8%
Annual average		-9.5%		-4.5%		-1.4%		-5.4%

For all medical malpractice, the number of claims in 2021 edged up by 1.3% from 2020, but was down 11.5% from 2019; those of public healthcare facilities dropped by 5.9%, while for private healthcare facilities they showed an increase of 10%; as for individual practitioners' claims, they went up by 3.1%. Over the period 2010-2021, the number of claims received for the entire medical malpractice class almost halved; from nearly 32,000 in 2010 to 17,000 in 2021. This positive trend is mainly attributable to public healthcare facilities leaving the insurance coverage system (in certain regions) in favor of self-insurance of risk, bringing the number of claims for this sector down by two thirds between 2010 and 2021. In the same period, the number of claims submitted by private healthcare facilities also went down (-40%) while individual practitioners' claims diminished more moderately (-14.1%).

Number of no-payment claims

The medical malpractice insurance business is characterized by a large number of claims which, after ascertainment of the effective liability of the practitioner or healthcare institution, do not result in any compensation actually being paid, since in many cases it is found that there was no act of negligence causing the damage. More specifically, there has been an exponential increase in the number of criminal and civil proceedings aimed at holding the practitioner or institution liable for events which, instead, cannot be attributed to erroneous action by the physician or mismanagement of the clinic.

Table 3 shows the situation as at 31 December 2021 of medical malpractice claims that insurers closed without compensation (rejected or no-payment claims), according to year of registration. It is useful to look not mainly at the absolute number of no-payment claims but at their incidence on the total.

Table 3 – Number of no-payment claims on 31 December 2021

Year of registration	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims	Number of no-payment claims	Incidence (%) of no-payment claims over total claims
2010	7,305	45%	3,284	56%	6,698	69%	17,287	54%
2011	7,317	51%	3,105	59%	10,177	77%	20,599	62%
2012	7,689	56%	2,683	57%	12,198	79%	22,570	67%
2013	6,534	56%	2,257	59%	12,653	79%	21,444	68%
2014	5,964	61%	2,137	61%	11,566	75%	19,667	69%
2015	4,721	63%	1,949	60%	10,173	73%	16,843	68%
2016	4,067	63%	1,827	61%	9,457	75%	15,351	69%
2017	3,647	56%	1,917	58%	9,531	72%	15,095	66%
2018	3,438	54%	1,638	53%	6,022	60%	11,098	57%
2019	2,847	44%	1,605	47%	5,045	53%	9,497	49%
2020	1,941	34%	1,078	34%	2,667	33%	5,686	33%
2021	1,430	27%	536	15%	1,624	20%	3,590	21%

Considering the oldest claims (registered between 2010 and 2017), on average at the end of 2021 nearly two thirds of all malpractice claims had been closed without compensation.

Interestingly, no-payment claims show similar trends for public and private healthcare institutions, although the latter recorded a slightly higher incidence of no-payment for the older generations of claims. The incidence of no-payment claims for medical staff comes close to 80% of reported claims for the older claim generations.

Incidence of claims and amounts settled and reserved over total claims by year of registration

The percentages settled (whether by number or by amount) are relatively low for the more recent generations of claims, because after such a short time both the effective liability of the insured and the value of the damage are generally quite uncertain (Table 4). The older the generation of claims, the higher the percentages: even so, a full 12 years after submission, nearly 8.7% of claims, for the whole class, remained unsettled, accounting for 15.0% of the amount reserved for that claim generation. Medical staff insurance showed the highest incidence of claims to be paid, both in terms of number (9.3%) and in terms of amount (19.1%) for the oldest claims (2010); for (public and private) healthcare facilities, this percentage is 8.5% of claims on average and 14% of the total cost of claims.

Table 4 – Incidence (%) of number and value of indemnified claims at 31 December 2021 – % distr. paid/reserved

Year of registration	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	% N. of paid claims	% N. of reserved claims	% N. of paid claims	% N. of reserved claims	% N. of paid claims	% N. of reserved claims	% N. of paid claims	% N. of reserved claims
2010	91.4%	8.6%	91.7%	8.3%	90.7%	9.3%	91.3%	8.7%
2011	91.2%	8.8%	89.2%	10.8%	88.6%	11.4%	90.2%	9.8%
2012	89.1%	10.9%	88.0%	12.0%	85.1%	14.9%	87.8%	12.2%
2013	85.4%	14.6%	84.2%	15.8%	80.8%	19.2%	83.7%	16.3%
2014	76.7%	23.3%	81.4%	18.6%	79.2%	20.8%	78.5%	21.5%
2015	69.1%	30.9%	76.7%	23.3%	75.1%	24.9%	73.2%	26.8%
2016	60.4%	39.6%	73.8%	26.2%	65.9%	34.1%	65.4%	34.6%
2017	53.6%	46.4%	64.2%	35.8%	61.8%	38.2%	59.3%	40.7%
2018	48.0%	52.0%	56.4%	43.6%	53.2%	46.8%	51.9%	48.1%
2019	42.3%	57.7%	42.7%	57.3%	34.7%	65.3%	38.9%	61.1%
2020	26.6%	73.4%	25.4%	74.6%	18.4%	81.6%	22.5%	77.5%
2021	**8.4%**	**91.6%**	**9.1%**	**90.9%**	**6.6%**	**93.4%**	**7.7%**	**92.3%**

Year of registration	Public healthcare facilities		Private healthcare facilities		Medical staff		Total medical malpractice	
	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims	% amount of paid claims	% amount of reserved claims
2010	85.0%	15.0%	87.5%	12.5%	80.9%	19.1%	85.0%	15.0%
2011	81.6%	18.4%	83.3%	16.7%	79.0%	21.0%	81.5%	18.5%
2012	86.4%	13.6%	87.3%	12.7%	72.1%	27.9%	84.3%	15.7%
2013	80.8%	19.2%	76.8%	23.2%	68.3%	31.7%	77.7%	22.3%
2014	70.4%	29.6%	62.7%	37.3%	64.4%	35.6%	68.1%	31.9%
2015	65.1%	34.9%	58.9%	41.1%	57.9%	42.1%	62.6%	37.4%
2016	52.5%	47.5%	56.0%	44.0%	45.9%	54.1%	51.4%	48.6%
2017	38.2%	61.8%	38.8%	61.2%	36.5%	63.5%	37.9%	62.1%
2018	22.8%	77.2%	35.4%	64.6%	25.3%	74.7%	25.5%	74.5%
2019	15.3%	84.7%	22.9%	77.1%	16.4%	83.6%	16.7%	83.3%
2020	4.4%	95.6%	10.7%	89.3%	9.7%	90.3%	6.8%	93.2%
2021	**0.4%**	**99.6%**	**2.1%**	**97.9%**	**4.2%**	**95.8%**	**1.8%**	**98.2%**

Average claim cost by claim generation

Table 5 reports the average cost of claims (paid and reserved) for the three types of policy and by year of registration, showing that the average claim cost tends to increase as the percentage settled rises and the data are consolidated (it is worth noting that the amounts only take direct claim costs into account, leaving indirect costs out).

At first, in fact, insurers often underestimate the cost of claims, because the evaluation of physical impairment is complex and adequate information is commonly not available immediately after the occurrence of the event. This is compounded by uncertainty in evaluating damages owing to frequent changes in court rulings in this field. For instance, for claims made against public healthcare institutions in 2010, insurance companies registered an average claim cost of about €37,000. Three years later, the cost had risen by 60%, reaching €60,000, and it continued to grow further to €66,000 at the end of 2021 to end at what can be presumed to be the “ultimate” average cost for that generation of claims.

Private healthcare facilities registered a similar, and in some years more marked, trend, as did individual practitioners, although to a lesser extent. The average claim cost 12 years after registration for claims made in 2010 was lower (around €60,000) for private healthcare institutions and just over half that amount (a bit more than €33,000) for individual practitioners.

Table 5 – Average claim cost by year of registration, 31/12/2021
(€)

Sector	Year of registration	Years of development											
		1	2	3	4	5	6	7	8	9	10	11	12
Public healthcare facilities	2010	36,747	46,465	53,697	59,364	62,880	65,313	65,806	65,729	65,703	66,353	66,472	66,401
	2011	49,046	56,989	61,152	63,751	64,569	63,863	63,031	63,654	63,630	62,929	63,680	
	2012	53,281	69,210	74,710	71,742	74,050	64,009	62,789	63,239	62,435	64,651		
	2013	50,664	62,535	67,641	72,204	71,570	69,685	71,119	71,489	76,248			
	2014	58,562	73,723	85,034	92,590	85,509	87,380	81,666	89,179				
	2015	68,543	97,916	109,691	107,811	108,996	91,884	102,347					
	2016	86,857	111,190	121,722	124,134	105,120	121,676						
	2017	80,447	107,826	104,585	86,805	93,936							
	2018	72,868	87,880	89,393	91,951								
	2019	83,201	88,721	91,007									
	2020	79,519	89,113										
	2021	72,343											
Private healthcare facilities	2010	26,746	39,467	47,598	52,108	52,514	53,080	53,717	55,057	56,737	60,078	60,615	60,033
	2011	35,710	43,142	52,299	55,993	59,591	58,299	57,623	61,305	64,596	66,512	64,143	
	2012	42,504	51,545	58,202	71,443	72,566	72,036	71,899	71,962	71,982	73,854		
	2013	53,605	69,016	68,816	64,887	64,367	59,865	64,323	61,276	62,066			
	2014	43,341	51,703	60,446	62,856	53,976	56,376	53,647	54,830				
	2015	36,379	57,295	54,399	47,718	50,636	46,891	49,289					
	2016	40,445	46,145	41,002	46,081	45,708	47,166						
	2017	45,043	44,165	53,873	51,320	55,572							
	2018	35,192	47,984	48,032	50,228								
	2019	35,332	47,607	45,182									
	2020	44,201	54,602										
	2021	32,826											
Medical staff	2010	21,217	24,154	28,796	34,710	35,263	37,680	37,457	36,462	33,816	34,141	33,786	33,365
	2011	20,461	24,154	33,738	34,864	40,617	41,179	41,764	39,359	38,746	37,667	37,955	
	2012	19,236	23,775	29,128	38,157	40,551	37,363	35,936	34,100	32,739	32,250		
	2013	24,282	28,488	39,695	46,497	42,374	38,563	37,380	35,196	36,212			
	2014	21,694	26,114	30,958	31,487	30,719	29,555	27,933	27,201				
	2015	21,962	20,682	29,267	29,562	29,081	27,366	27,443					
	2016	19,256	22,734	31,978	33,923	32,594	32,314						
	2017	18,497	20,534	28,580	28,585	27,758							
	2018	17,119	18,696	25,079	25,341								
	2019	15,483	17,840	24,662									
	2020	19,205	21,417										
	2021	20,592											
TOTAL MEDICAL MALPRACTICE	2010	31,139	39,531	46,460	52,219	54,707	56,870	57,278	57,289	57,152	58,472	58,683	58,477
	2011	37,097	43,601	51,136	53,816	57,148	56,747	56,550	57,033	57,548	57,215	57,299	
	2012	37,672	47,882	54,640	60,844	63,245	57,520	56,535	56,384	55,717	56,977		
	2013	39,311	48,232	56,989	61,506	59,982	57,347	58,627	58,132	60,867			
	2014	36,723	46,723	56,009	59,943	55,989	56,973	55,173	57,534				
	2015	38,582	47,949	59,493	58,278	59,759	54,952	57,518					
	2016	41,785	52,327	63,995	67,580	63,147	66,699						
	2017	40,264	49,192	58,945	54,251	56,160							
	2018	35,341	43,098	51,555	52,744								
	2019	37,421	44,081	52,606									
	2020	41,337	50,315										
	2021	38,279											

Loss ratios

The high settlement costs (rising over time) have produced extremely negative results for the sector's technical account, hence high loss ratios. As with other business segments, for a correct assessment of the performance of medical malpractice insurance we must also examine the loss ratio (claims in relation to premiums) over the entire period.

Table 6 gives medical malpractice insurance loss ratios for the whole sector and separately for healthcare institutions and individual practitioners, for the various claims generations.

Table 6 – Loss ratio at 31/12/2021

Sector	Year of registration	Years of development											
		1	2	3	4	5	6	7	8	9	10	11	12
Public healthcare facilities	2010	104.4%	116.9%	115.2%	111.7%	111.2%	109.6%	107.9%	107.6%	106.9%	111.3%	114.4%	114.2%
	2011	122.5%	128.2%	119.0%	112.1%	108.4%	104.4%	100.8%	101.6%	102.6%	102.1%	102.9%	
	2012	120.8%	134.2%	122.6%	112.8%	112.4%	96.4%	93.7%	94.2%	98.7%	99.8%		
	2013	122.4%	128.0%	122.7%	120.3%	116.2%	112.9%	113.9%	124.4%	126.8%			
	2014	123.5%	143.2%	134.7%	128.8%	114.2%	112.2%	121.9%	121.6%				
	2015	120.8%	146.5%	140.0%	120.3%	114.2%	114.1%	110.1%					
	2016	109.5%	131.6%	120.8%	110.9%	106.1%	101.7%						
	2017	116.4%	139.3%	120.5%	103.8%	97.3%							
	2018	105.0%	120.1%	110.6%	98.6%								
	2019	138.5%	148.2%	143.3%									
	2020	114.3%	139.5%										
	2021	114.3%											
Private healthcare facilities	2010	152.4%	179.6%	183.5%	179.5%	169.0%	164.4%	165.9%	172.2%	179.2%	194.0%	198.2%	196.5%
	2011	142.3%	142.8%	142.4%	141.6%	134.7%	125.6%	118.2%	129.1%	139.0%	143.2%	137.1%	
	2012	166.3%	178.8%	161.7%	182.9%	177.0%	158.2%	154.7%	157.2%	154.6%	154.7%		
	2013	188.4%	210.2%	180.9%	155.6%	133.4%	119.9%	125.2%	119.6%	116.7%			
	2014	118.7%	116.3%	117.7%	104.5%	82.4%	79.9%	74.7%	74.6%				
	2015	112.1%	136.1%	119.4%	89.4%	88.1%	78.3%	81.4%					
	2016	99.3%	99.1%	73.4%	72.0%	65.1%	65.0%						
	2017	113.3%	89.5%	94.2%	78.5%	80.5%							
	2018	77.4%	84.7%	72.4%	67.3%								
	2019	94.5%	101.4%	72.9%									
	2020	103.4%	91.8%										
	2021	76.4%											
Medical staff	2010	94.9%	100.4%	97.0%	97.5%	89.0%	89.1%	85.3%	81.9%	73.0%	72.2%	71.7%	70.3%
	2011	91.3%	96.1%	101.8%	89.6%	87.6%	85.2%	79.8%	73.1%	71.1%	69.4%	69.6%	
	2012	88.7%	93.2%	85.8%	84.8%	83.2%	69.0%	64.3%	60.1%	57.8%	56.6%		
	2013	113.0%	114.1%	108.6%	105.9%	87.4%	74.9%	69.1%	65.3%	65.8%			
	2014	111.1%	104.8%	88.8%	76.4%	68.2%	61.1%	58.2%	54.9%				
	2015	67.7%	62.4%	59.3%	51.2%	44.8%	41.8%	40.6%					
	2016	63.6%	67.3%	59.9%	54.4%	49.8%	47.5%						
	2017	66.2%	64.6%	58.1%	51.9%	47.3%							
	2018	58.2%	56.8%	48.5%	43.1%								
	2019	51.9%	53.1%	48.3%									
	2020	52.0%	49.1%										
	2021	53.4%											
TOTAL MEDICAL MALPRACTICE	2010	107.8%	120.5%	119.1%	116.3%	113.2%	111.6%	109.8%	109.7%	108.3%	112.8%	115.3%	114.7%
	2011	117.9%	122.6%	118.2%	110.9%	107.2%	102.8%	98.2%	98.7%	100.3%	100.2%	99.8%	
	2012	118.4%	129.3%	118.0%	115.0%	113.5%	97.6%	94.3%	93.8%	95.4%	95.7%		
	2013	129.0%	135.5%	126.7%	120.9%	109.6%	101.9%	101.4%	105.0%	106.1%			
	2014	118.5%	125.6%	116.4%	107.0%	93.3%	89.4%	92.3%	91.0%				
	2015	96.7%	108.8%	102.5%	86.4%	80.8%	78.2%	76.3%					
	2016	91.2%	103.3%	91.6%	84.6%	79.5%	76.5%						
	2017	97.2%	103.4%	93.0%	80.4%	76.0%							
	2018	82.2%	89.6%	80.0%	71.8%								
	2019	95.0%	100.8%	91.4%									
	2020	87.7%	94.2%										
	2021	82.0%											

At 31 December 2021, the average loss ratio over the total medical malpractice premiums for older generations was practically 100%, or more.

Observing this technical indicator for the three sectors separately, public and private healthcare institutions have the highest loss ratios and are therefore critical in shaping the overall trend for this insurance class. For the 2010-2013 claims generations, private institutions recorded the worst technical results. Especially in the more recent years (from 2014 on), public healthcare institutions registered the highest loss ratios, ranging between 97% and 143%, and given the greater impact of this group in terms of number of claims and premiums, their loss ratio tends to dominate the movement of the indicator for the entire class. The loss ratio for individual practitioners was well below 100% for all generations.

CURRENT EXPOSURE TO CYBER RISK

The Covid-19 pandemic

The severe restrictive measures introduced everywhere in response to the health crisis brought about by the Covid-19 pandemic, especially in the early phase, led to the acceleration of the digital transition of production processes. The more or less stringent restrictions on personal mobility in the course of this protracted crisis called for massive use of digital platforms on which to transfer the majority of personal interactions for production purposes.

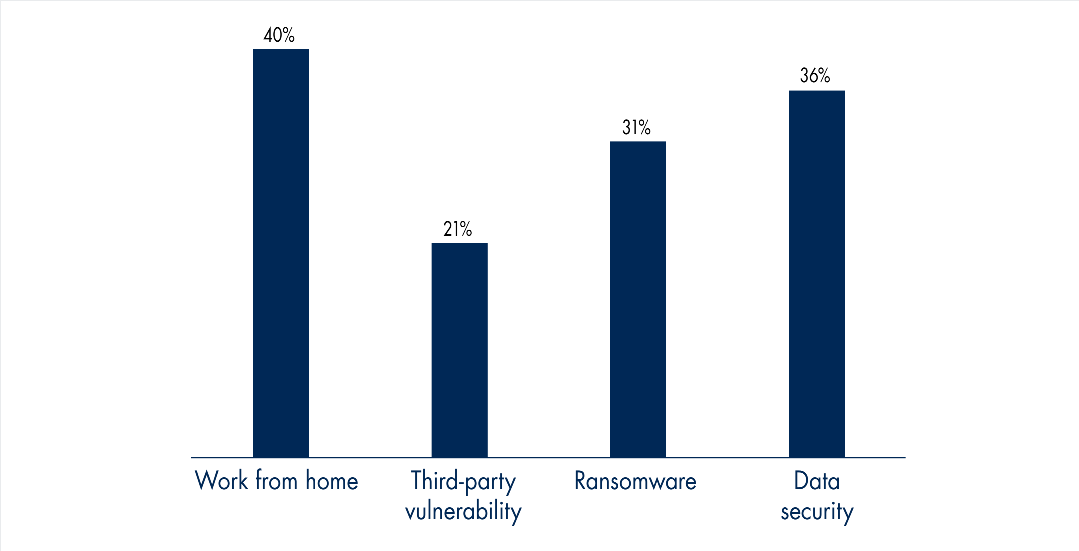
The shift to a decentralized human resource management model multiplied the quantity, the scope and the contents of digital information flows, as was easily foreseeable, but also and most of all it generated a profound change of the IT system architecture, joining professional and private infrastructures together.

Before the pandemic, the academic and business communities agreed that the progressive adoption of digital technologies would increase the risk of breach, theft or damage to digitized information. The forced migration to a disseminated IT infrastructure model unexpectedly revealed different weaknesses from the expected problems relating to own or third-party data integrity.

This change of paradigm encountered different levels of preparedness. Businesses in certain sectors already had digital agendas to manage the transition, although perhaps not such a sudden one, while in other sectors the transition occurred on the spot, with a trial and error adaptive model. According to a focus group of businesses led by the broker Aon, the capacity to manage these new problems dropped sharply over the last years (Figure 1).

Figure 1
Cyber-risk preparedness

% of businesses



Source: Aon

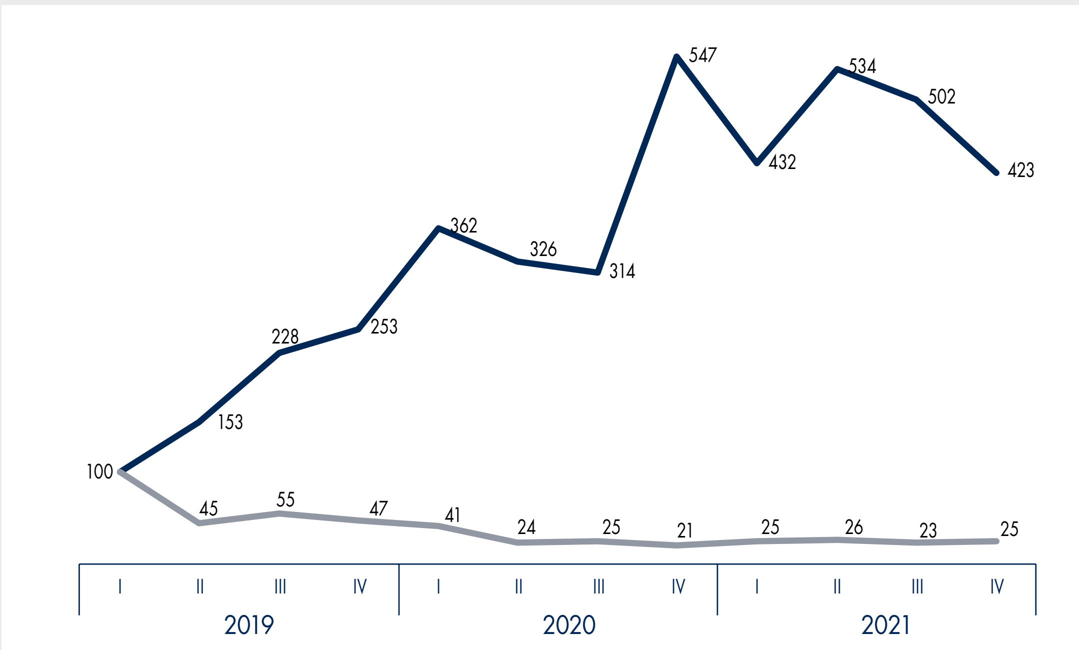
Only 4 businesses out of 10 said they had a strategy to deal with the heightened vulnerability due to remote working and just 2 of 10 judged themselves able to cope with the IT breach risk arising from exposure to third parties (suppliers, subcontractors, consultants); 36% of the panel had implemented appropriate data protection measures, 30% ransomware attack countermeasures.

In fact the data show a sharp increase in ransomware attacks. Over the last three years, successful ransomware attacks rose fourfold, while database breaches plummeted by 75%. The information at our disposal does not suffice to ascertain whether these trends are driven by an increased interest in ransomware attacks on the part of cyber criminals, by stronger system resilience against data breaches, or a combination of the two (Figure 2).

Figure 2
Ransomware and data breaches, 2019-21

Ransomware

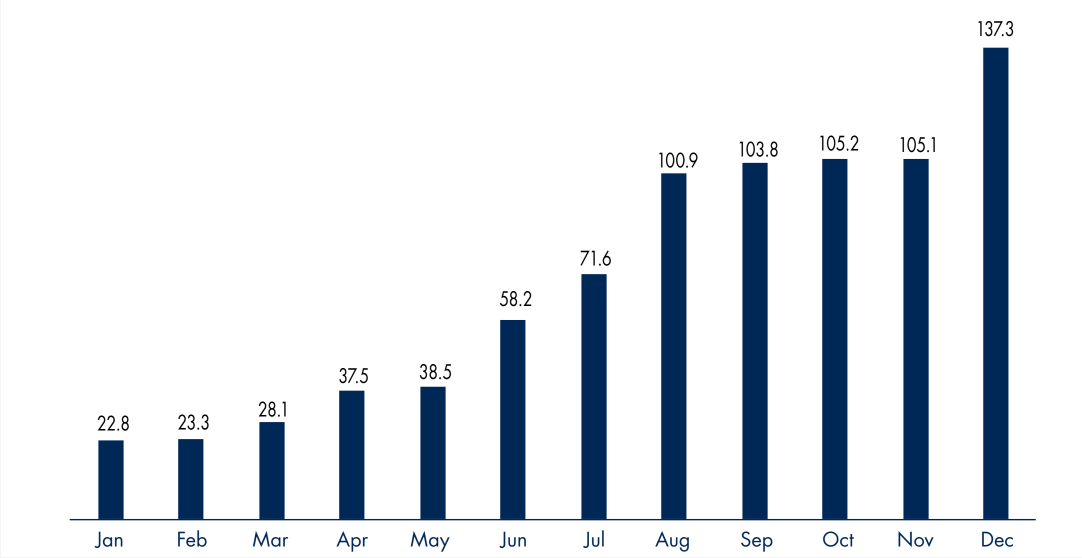
Data breach



Source: Aon

The response of the insurance industry has been evident in the rise in insurance premiums, with accelerating monthly growth that surpassed 100% in the last months of 2021 (Figure 3).

Figure 3
% change in Cyber coverage



Source: Aon

There is more. The characteristics of insurance cover too are evolving, with an increasing retention rate, especially among medium-sized enterprises. The insurance industry also registered a significant reduction in its capacity in respect of these types of risk, leading to a generalized lowering of minimum coverage ceilings.

Russia-Ukraine War

In addition to these very complex developments, extremely critical issues have been posed by the Russian invasion of Ukraine. A large share of cyber threats already came from those areas, and many experts agree that cyber attacks form part of the arsenal of the two militaries.

On 16 January, a few weeks before the conflict started, Ukraine was targeted by a cyberterrorist attack that blocked 70 government sites, the electrical and heating grid, and the banking system for many hours. According to the government in Kiev, there was evidence proving that the attack was unleashed by hackers working for the Russian government.

Recently, the National Security Agency of the United States stated that for some time now there has been an ongoing parallel cyber conflict involving other countries, U.S. included, while the threats from notorious Russian hacking groups against countries considered to be “unfriendly” towards Moscow have multiplied (although so far those threats do not seem to have been translated into action).

This source of risk may represent a serious problem for the insurance industry, given the specific nature of military cyber threats, which distinguishes them sharply from “conventional” threats in terms of scale, targets and modalities.

PROPOSAL FOR THE RATIONALIZATION OF THE VALUE ADDED TAX ON THE OUTPATIENT AND HOSPITALIZATION HEALTHCARE SERVICES OF PRIVATE HEALTHCARE FACILITIES WITH NO CONVENTION WITH THE NATIONAL HEALTH SERVICE

Article 10 of Presidential decree 633/1972 containing the provisions on value added tax implementing EC rules lists the transactions that are VAT-exempt.

With particular reference to healthcare services, the following items are exempt:

– pursuant to para. 18 of art. 10, diagnostic, treatment and rehabilitation services provided in the exercise of medical professions and arts subject to a supervisory authority;
– pursuant to para. 19 of art. 10, hospitalization and treatment services, including the administration of drugs, medical care and food provided by hospitals, clinics or healthcare facilities having a convention with the National Health Service.

A literal interpretation of the decree, that is, would mean that services provided by private clinics and healthcare facilities with no convention with the healthcare system, as well as lodging provided to persons accompanying the patient – not necessarily by the clinic itself – must be taxed at the ordinary VAT rate of 22%.

It goes without saying that this system penalizes the clients of private healthcare facilities and also affects the insurance system, in particular in the healthcare policy market.

In fact, including the VAT charged to the insured party in the settlement of claims regarding healthcare services invoiced at the ordinary tax rate has very strong adverse effects on the level of premiums, making them unaffordable for the majority of the population.

For these reasons, ANIA through an ad hoc working group, has drafted a proposal shared with Associazione Italiana Ospedalità Privata (AIOP, the association of Italian private healthcare facilities) to neutralize the impact of VAT currently applied in full to the healthcare services provided by private healthcare facilities with no public convention in case of invoices not issued directly by the practitioner to the patient. In this regard, the proposal suggests extending the tax exemption where some specific conditions are met.

The draft also suggests a lower VAT rate (10%) for lodging services to people accompanying the patient (even when provided by subjects other than the healthcare facility itself).

These proposed modifications also respond to the need to streamline the invoicing procedures to patients, and at the same time they are intended to enhance the transparency of invoiced healthcare costs.

7

INSURANCE FRAUD

MOTOR INSURANCE FRAUD

Fraud statistics

Using IVASS's definitive data for 2020 and preliminary data for 2021, we can produce a breakdown by province and type of damage claimed of the percentage incidence of claims likely to involve the risk of fraud, those subjected to further investigation (specifying the number of cases in which no payment is made), and those in which the insurer has lodged a civil or criminal complaint. The data (Table 1) come from the compulsory antifraud reports that all undertakings authorized to do motor liability insurance business in Italy must submit yearly to IVASS (IVASS Regulation 44/2012).

Table 1 – Motor liability insurance fraud by region, 2020-2021

REGION	NUMBER OF CLAIMS INCURRED (*)		% OF CLAIMS EXPOSED TO RISK OF FRAUD		% OF CLAIMS EXPOSED TO RISK SUBJECTED TO FURTHER INQUIRY		% OF CLAIMS SUBJECTED TO FURTHER INQUIRY IN WHICH NO PAYMENT WAS MADE		% OF CLAIMS SUBJECTED TO FURTHER INQUIRY IN WHICH INSURER LODGED CIVIL OR CRIMINAL COMPLAINT	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
EMILIA ROMAGNA	171,205	146,708	19.8%	20.6%	9.3%	10.1%	9.9%	13.9%	0.9%	1.0%
FRIULI-VENEZIA GIULIA	38,445	30,899	18.8%	18.7%	6.7%	6.9%	12.6%	15.0%	1.0%	0.4%
LIGURIA	74,939	64,238	20.4%	21.4%	9.8%	10.3%	14.6%	16.7%	1.2%	3.0%
LOMBARDY	446,930	336,117	16.8%	18.2%	7.2%	8.0%	11.2%	14.8%	1.3%	0.8%
PIEDMONT	178,338	149,759	20.4%	21.8%	8.9%	9.5%	12.9%	15.4%	1.7%	1.4%
TRENTINO ALTO ADIGE	50,850	41,775	25.4%	25.7%	6.2%	6.3%	16.9%	18.7%	0.7%	3.4%
VALLE D'AOSTA	4,324	3,858	17.3%	18.3%	8.2%	8.1%	17.5%	22.9%	0.8%	0.6%
VENETO	167,692	139,071	15.6%	15.4%	6.3%	6.5%	11.5%	13.9%	0.7%	0.4%
NORTH	*1,132,723*	*912,425*	*18.3%*	*19.3%*	*7.8%*	*8.4%*	*11.9%*	*14.9%*	*1.2%*	*1.2%*
LAZIO	306,803	262,510	23.5%	24.7%	13.1%	14.7%	12.8%	14.5%	1.3%	1.1%
MARCHE	54,483	46,053	19.5%	20.3%	10.2%	10.1%	10.3%	12.4%	0.9%	0.6%
TUSCANY	159,751	138,258	19.5%	20.4%	9.4%	10.1%	10.8%	13.6%	0.9%	1.4%
UMBRIA	29,327	28,098	20.9%	21.9%	10.4%	11.4%	13.0%	16.1%	0.8%	1.2%
CENTER	*550,364*	*474,919*	*21.8%*	*22.8%*	*11.6%*	*12.7%*	*12.1%*	*14.2%*	*1.1%*	*1.1%*
ABRUZZO	39,492	37,059	21.9%	22.7%	9.9%	10.2%	15.0%	17.8%	1.9%	0.9%
BASILICATA	15,364	13,502	27.0%	28.1%	14.9%	15.8%	16.8%	15.9%	2.9%	0.9%
CALABRIA	49,509	42,394	33.6%	33.6%	21.0%	21.8%	14.0%	16.2%	1.4%	2.3%
CAMPANIA	223,003	194,353	51.7%	53.1%	36.8%	37.9%	16.4%	17.7%	2.2%	2.4%
MOLISE	8,526	8,549	37.2%	39.0%	23.7%	25.4%	18.8%	18.6%	2.1%	1.1%
PUGLIA	122,072	108,069	29.1%	29.4%	16.4%	17.7%	13.0%	12.1%	1.6%	1.0%
SOUTH	*457,966*	*403,926*	*40.0%*	*40.8%*	*26.4%*	*27.3%*	*15.6%*	*16.6%*	*2.0%*	*2.0%*
SARDINIA	51,989	50,666	17.1%	17.2%	8.0%	8.9%	13.1%	14.7%	0.7%	0.6%
SICILY	174,794	151,397	25.9%	25.5%	13.8%	14.9%	11.3%	15.2%	0.8%	1.2%
ISLANDS	*226,783*	*202,063*	*23.9%*	*23.4%*	*12.5%*	*13.4%*	*11.5%*	*15.1%*	*0.8%*	*1.1%*
TOTAL ITALY	2,367,836	1,993,333	23.9%	24.9%	12.7%	13.7%	13.4%	15.4%	1.5%	1.5%
MEMO:	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
TOTAL ITALY	2,810,303	2,813,191	23.9%	22.3%	12.9%	13.3%	12.9%	14.9%	1.2%	1.2%

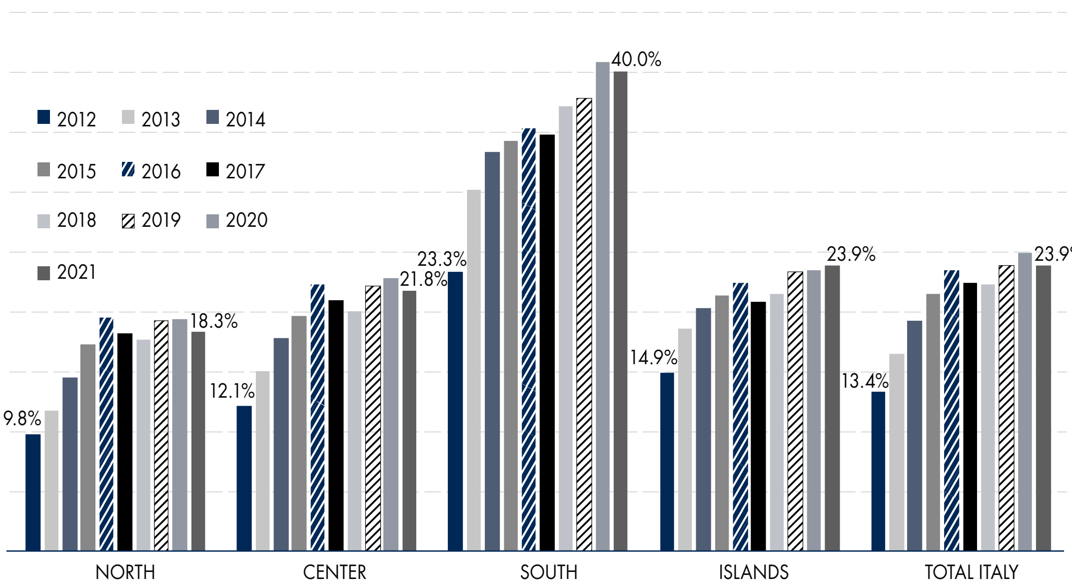
(*) "Claims incurred" excludes those involving liability of the vehicle and includes all class 10 claims (land vehicles) for which the insurer, during the year, has received an accident report or claim for damages pursuant to Articles 148 and 149 of Legislative Decree 209/2005. Claims are those reported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

Let us recall that for our purposes "fraud risk" is defined as the risk of economic loss due to customer misconduct vis-à-vis the insurer, often taking the form of simple falsehoods, either during the contractual procedure or in the claims handling process. In particular, claims exposed to the risk of fraud are those having at least one of the parameters of significance laid down by IVASS in Measure 2827/2010 as requirements for consulting the "claims database" created for the express purpose of preventing and combating motor liability fraud.

The relevant claims are those lodged with insurance companies in 2021, which numbered 2,367,836, up 19% from 2020, when accidents and claims were reduced sharply by the extraordinary restrictions of varying severity on traffic circulation imposed during the year. Last year's increase in claims was most substantial in the regions of the North (24%), more moderate in the Center (16%), the peninsular South (13%) and the island regions (12%).

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 2021 was 23.9% nationwide, down only slightly from 24.9% in 2020 (the highest level of the past decade) and still at or above the levels recorded in previous years: 23.9% in 2019, 22.3% in 2018, 22.4% in 2017, but just 13.4% in 2012 (Figure 1).

Figure 1
% of total claims exposed to risk of fraud



The lowest rate of fraud risk in 2021 was again registered in the North at 18.3%, down from 19.3% the previous year. The share of claims subjected to further investigation also declined, from 8.4% to 7.8%. Ultimately, 11.9% of the claims subjected to further investigation were closed without settlement (14.9% in 2020); in 1.2% of the cases the insurer lodged a civil or criminal complaint, the same as the previous year. The northern region with the highest incidence of suspect claims was Trentino-Alto Adige at 25.4%, down slightly for the year. Those with the lowest incidence were Veneto at 15.6% and Lombardy at 16.8%.

As to further investigations concluded without compensation – that is, cases of successful anti-fraud action by insurers – the highest rates were in Liguria and Trentino-Alto Adige (15% to 17% of the cases investigated, ignoring Valle d'Aosta given its great volatility owing to the very small number of claims in that tiny region). The overall figure for the North was 11.9%. The region showing the highest percentage of civil and penal complaints was Piedmont at 1.7%, compared with the northern Italian average of 1.2%; the regions with the lowest rates, all below 1%, were Friuli Venezia Giulia, Valle d'Aosta and Emilia Romagna.

Fraud risk in central Italy was found in 21.8% of all claims submitted in 2021, down by 1 percentage point on the year. Insurers conducted more than the ordinary inquiry in respect of 11.6% of total claims (down from 12.7%), terminating 12.1% of these without compensation (down from 14.2% in 2020) but lodging a civil or penal complaint in just 1.1% of these cases, unchanged from the previous year. The highest incidence of suspect cases was in the Lazio region (23.5%, down from 24.7%). The region where settlement without compensation was most common was Umbria (13.0% of the suspect cases, as against 16.1% in 2020). The central regions with the lowest exposure to fraud risk were Marche and Tuscany at around 20%, while that with the most civil and penal complaints was Lazio (1.3%, up from 1.1% in 2020).

Once again in 2021, the highest incidence of fraud risk was found in the South: a full 40% of all claims were suspect, down marginally from 40.8% in 2020. The claims subjected to additional inquiry came to 26.4% of the total, compared with 27.3% the previous year. Of these cases, 15.6% were terminated without compensation. Insurance companies lodged civil or penal complaints in respect of 2.0% of the claims, unchanged from the previous year. The regions with higher-than-average percentages were Basilicata (2.9%), Campania (2.2%) and Molise (2.1%). The share of complaints increased in all the southern regions except Calabria and Campania.

In the island regions the incidence of claims with risk of fraud was in line with the national average at 23.9%. Sicily was above the average at 25.9%, while Sardinia was well below it at 17.1%. The percentage of cases terminated without settlement declined in both regions, from 14.7% to 13.1% in Sardinia and from 15.2% to 11.3% in Sicily. The share of criminal or civil complaints also diminished, from 1.1% to 0.8%.

The extremely low number of civil and criminal complaints of alleged insurance fraud depends on a series of specific penal procedural problems:

- this offense is ordinarily punishable only via complaint by a party (entailing high legal costs, the risk of a counter-complaint, and little chance of actually recovering the amounts lost);
- the law precludes punishment for very minor offenses; and in most cases of insurance fraud this clause applies, given the ordinarily small amount involved and the fact that the guilty parties are not generally habitual offenders;
- many public prosecutors' offices, clogged with extremely numerous criminal cases, are unable to conclude the trials before the statute of limitations expires; 70% of first hearings in these insurance fraud cases

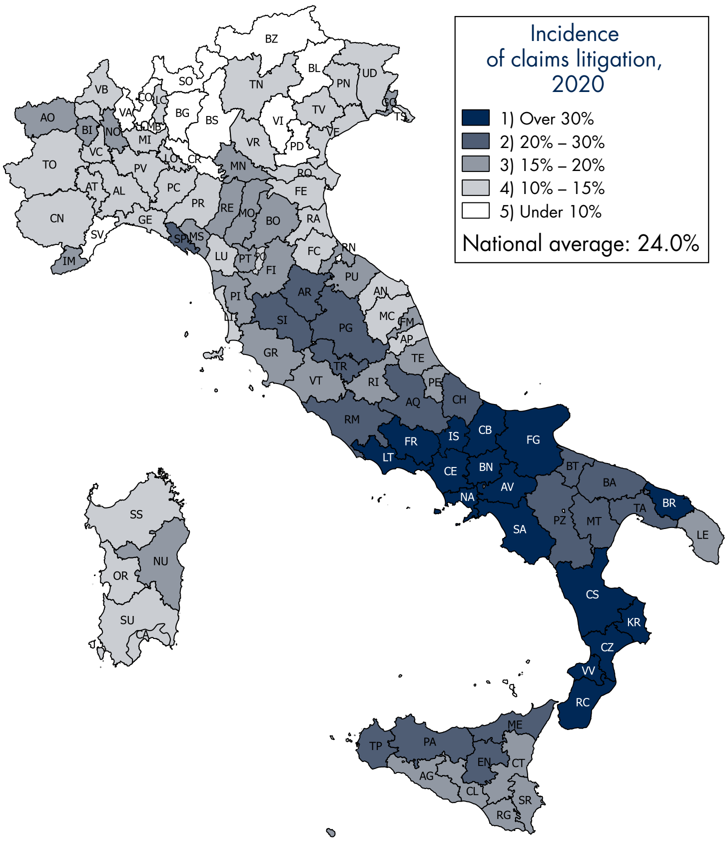
come 3 years after the complaint is filed. On the average, 4 years elapse between the initiation of penal action and the lower-court verdict; in this context, all the offender has to do is lodge an appeal to reach the statute of limitations, namely 6 years.

Let us recall, further, the problems inherent in civil justice, where a good portion of motor liability disputes are handled by justices of the peace, for whom the law does not establish a conflict of interest between this function and that of lawyer involved in traffic accident litigation.

The data published by IVASS in an ad hoc Bulletin on motor insurance fraud[1] permit derivation of the provincial distribution of contested claims subject to litigation[2] and their incidence on the claims reserved at the end of the year.

Figure 2 shows that the incidence of litigation of total claims in the Center of Italy, save for a few provinces in Tuscany, Lazio and Umbria, does not exceed the national average. It is generally lower in the North (under 10% in many provinces). In the South, by contrast, it is commonly much higher, with some provinces in the regions of Campania, Molise, and Calabria showing incidences of twice the national average.

Figure 2
Proportion of claims litigated – 2020



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(1) *Bollettino Statistico* No. 17, December 2021: *Il contenzioso assicurativo nel comparto r.c. auto e natanti (2010-2020)*.

(2) Litigated claims are defined as those subject to the specific annual observation by IVASS (Regulation 36 of 28 February 2017). ANIA's analysis is limited to claims in civil litigation in the lower court, which numbered 203,153 at 31 December 2020, accounting for over 95% of all civil suits (and over 94% including criminal cases).

Among the factors facilitating motor liability fraud we must mention a series of rules governing the insurer's formulation of a settlement offer: designed to speed up the settlement process, these often appear to be incompatible with thorough-going antifraud action:

- the lengthy time allowed for submitting claims (2 years, and up to 5 in cases of personal injury), which enables fraudulent parties to eliminate the evidence that insurers can use to detect fraud; in the province of Naples, for instance, nearly 12% of claims are filed more than a year after the date of the accident, compared with a national average of "late" claims of 3.2%;
- the deadline of 5 days for ascertaining vehicle damage is too short, and in certain regions in particular it is virtually impossible to estimate the damage before repair work begins;
- the deadline for the formulation of the indemnity offer is incompatible with the type of investigation required to demonstrate fraud. And even the derogation provided for under the Insurance Code, by which the insurer may suspend the term for the offer in order to conduct anti-fraud inquiry, is inadequate, given that at the end of the inquiry the insurer is required either to settle the claim or to lodge a formal legal complaint. The rule, in fact, does not envisage the possibility of simple withdrawal of the claim by the claimant.

Accordingly, ANIA has analyzed the vehicle damage claims for accidents that occurred and were settled in 2021 (and, for comparison, in 2020) that were settled via direct indemnity and with the CID claim form signed by both damaged and liable parties. In particular, we calculated the number of days between the date of the accident and the submission of the claim to the insurance company.

The study found that for these claims, which are settled most quickly (an average of 34 days, as in 2020), an average of 6.2 days elapses between the date of the accident and the date when it is reported to the insurer (Table 2).

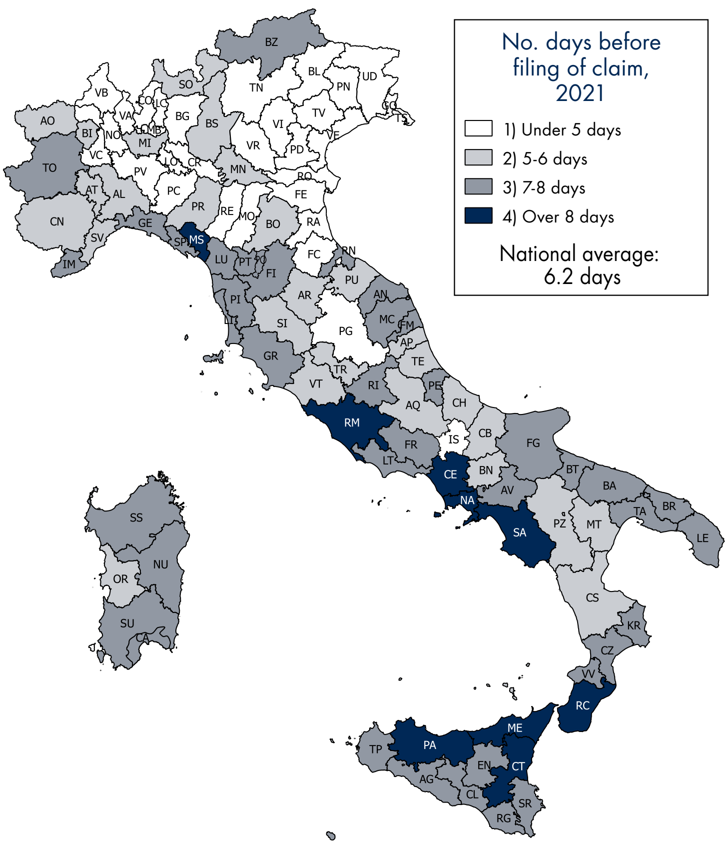
A regional breakdown, however, shows that the time period involved is shorter than average in almost all the regions of the North, while in most of the regions of the Center and the South it is regularly higher, and nearly twice the average in Campania. In that region in 2021, 10.5 days elapsed, on average, between accident and report. And on the provincial level (Figure 3) we find an average of over 13 days in Naples, 10 days in Reggio Calabria, and 9 days in Massa Carrara, Messina, Caserta and Salerno. The indicator is lowest (under 4.5 days) in the northern provinces of Gorizia and Pordenone. In the major cities values range from 5.2 days in Bologna and Milan to 6.3 in Turin, 7.3 in Florence, and 8.6 in Palermo and Rome.

Motor insurance fraud is strictly correlated, geographically, with the circulation of uninsured vehicles, but estimating the extent of insurance evasion is no easy task. First of all, it would require strict, constant checks by the law enforcement bodies (virtually impossible, as a practical matter); at the same time it would require a central computer database of all the fines for driving without insurance levied by the Highway Police, municipal police and Carabinieri (at the moment

Table 2
Time to report and time to settlement of consensual damage claims

Area	Region	Days between accident date and report date		Days between claim filing and settlement	
		2021	2020	2021	2020
	Liguria	6.9	7.7	36.7	36.2
	Lombardy	5.1	5.6	35.4	36.8
	Piedmont	5.7	6.4	34.5	35.8
	Valle d'Aosta	5.6	6.0	31.0	31.9
North-West	*Total*	*5.7*	*6.4*	*34.5*	*35.8*
	Emilia-Romagna	5.0	5.6	32.9	34.8
	Friuli-Venezia Giulia	4.6	4.8	35.7	34.0
	Trentino-Alto Adige	5.5	5.9	32.9	31.9
	Veneto	4.7	5.1	35.0	34.6
North-East	*Total*	*5.5*	*5.9*	*32.9*	*31.9*
	Lazio	8.2	9.2	38.2	37.8
	Marche	6.1	6.5	30.4	30.6
	Tuscany	6.8	7.5	35.6	35.3
	Umbria	5.2	5.6	25.8	26.8
Center	*Total*	*6.8*	*7.5*	*35.6*	*35.3*
	Abruzzo	5.9	6.7	25.7	27.1
	Basilicata	5.6	6.4	23.0	22.9
	Calabria	7.2	8.1	28.5	28.4
	Campania	10.5	12.2	33.0	32.4
	Molise	5.2	6.4	22.0	21.7
	Puglia	6.7	7.2	29.0	28.8
South	*Total*	*5.9*	*6.7*	*25.7*	*27.1*
	Sardinia	6.5	6.9	28.8	27.2
	Sicily	7.7	8.4	29.3	28.9
Islands	*Total*	*7.7*	*8.4*	*29.3*	*28.9*
	TOTAL ITALY	6.2	6.8	33.6	33.9

Figure 3
Time to consensual claim filing (vehicle damage only), 2021



no such database exists). ANIA has accordingly estimated, as in previous years, the total number of uninsured vehicles on the roads on the basis of the open access data of the Motor Vehicles Bureau, which holds the data of the Public Automobile Registry (PRA). We have refined and cleaned these data and run screenings of the available information by the methodology described below.

First, note that the Motor Vehicles Bureau database is enormous: it covers all registered vehicles, divided into 4-wheeled vehicles (cars etc.) and 2-wheeled vehicles (motorcycles and scooters) and broken down by region, province and municipality. The data used for the present analysis refer to vehicles registered as at 31 December 2021. The data items used for the study comprise, in particular:

- date of initial registration of the vehicle;
- status of compulsory inspection;
- status of compulsory insurance.

ANIA has its own data on the number of motor liability insurance policies in being at any given date, which added to the estimated number of uninsured vehicles at that date should give the total number of vehicles in circulation.

It should be underscored that in order to produce a realistic estimate of the number of uninsured vehicles from the Motor Vehicles Bureau database, the vehicles have been screened by date of registration in order to exclude five categories:

a) vehicles held in judicial depositories, which are numerous (over 300 in Italy's 107 provinces) but for which there is no central database of vehicles held;
b) vehicles that are not used (hence, non-circulating) but nevertheless regularly registered and kept in private garages or parking places;
c) vehicles abandoned on the street (mostly motorcycles and scooters), for which it is often impossible to identify the owner (burned, or license plate removed);
d) used vehicles registered with auto dealers but which will only be insured at the moment of sale to the customer (so-called "zero mileage" cars);
e) vehicles with temporary insurance (mostly motorcycles and scooters that have coverage for the spring and summer only and might therefore be without insurance at the time of the Public Automobile Registry "snapshot".

The screening and hypotheses used are as follows:

– Four-wheeled vehicles

- by date of original registration, very old vehicles (prior to 1970) are excluded;
- next, a count is made of all vehicles that according to the PRA circulate with regular inspection but without insurance; the hypothesis is that this is the real "hard core" of insurance evasion, because these are vehicles that have been inspected (and are therefore in a condition to circulate) but that do not pay their insurance premiums;
- for vehicles that have not been inspected and have no insurance, exclusion of all those originally registered prior to 2010; in fact, the time series by

year of original registration shows a "break" in the frequency distribution at that year, so newer vehicles can be considered "representative" of a second "hard core" of uninsured vehicles, while the older ones can be presumed to belong to the categories unused/abandoned or judicial depository;

– Two-wheeled vehicles

- here too, a first screening excludes all those originally registered prior to 1970;
- the percentage of insurance evasion is determined on the basis of the total number of insured vehicles according to ANIA, together with the total information on number of motorcycles and scooters according to the PRA. The percentage of two-wheeled vehicles with temporary coverage is substantial, in fact, and if this were not taken properly into account we would find a very high incidence of non-insurance.

On these assumptions, even though the data for the first part of 2021 are still affected by traffic restrictions, we estimate that in 2021 **2.4 million vehicles, 5.2% of the total in circulation, lacked insurance coverage**. This was down from 5.9% in 2020, the total number of vehicles in circulation having increased by over a million. As in previous years, there is very significant geographical variation: against the national average of 5.2%, the proportion was 8.4% in the South, about average in the Center, and much lower (3.3%) in the North (Table 3).

Table 3 – Estimate of uninsured vehicles, 2021, by geographical area
(millions)

Area	Total insured vehicles	Est. uninsured vehicles	Memo: est. uninsured vehicles						Total vehicles on road	% uninsured vehicles (*)	Memo: % uninsured vehicles					
	2021	2021	2020	2019	2018	2017	2016	2015	2021	2021	2020	2019	2018	2017	2016	2015
North	21.8	0.8	0.8	0.8	0.9	0.9	0.9	1.1	22.5	3.3%	3.8%	3.8%	3.9%	4.1%	4.3%	5.2%
Center	9.6	0.5	0.6	0.6	0.6	0.6	0.7	0.9	10.2	5.4%	6.0%	6.0%	6.1%	6.3%	6.6%	8.2%
South	11.6	1.1	1.2	1.2	1.2	1.2	1.3	1.4	12.7	8.4%	9.4%	9.4%	9.6%	10.1%	10.7%	11.1%
TOTAL ITALY	43.0	2.4	2.6	2.6	2.7	2.8	2.9	3.4	45.4	5.2%	5.9%	5.9%	6.0%	6.3%	6.7%	7.6%

(*) ANIA, based on Motor Vehicles Bureau data

The reduction in the circulation of uninsured vehicles may have depended in part on stepped-up checks by law enforcement bodies to counter insurance evasion, thanks among other things to the ANIA Foundation, which in the past three years has supplied police forces with the technology to improve on-road checks of vehicles in order to monitor, check, prevent and combat violations of the Highway Code, and in particular Article 193 (lack of compulsory insurance) and Article 80 (lack of mandatory inspection). This anti-fraud action focused on 29 provinces identified by IVASS as at highest risk of accident (IVASS Regulation 37 of 27 March 2018).

Unfortunately, it is not yet possible to carry out the sort of controls specified by Law 27/2012, namely via devices or equipment for distance checks (via reading of license plates in circulation with remote IT devices); in fact, the implementing regulations establishing the specifications and the mode of application for these remote observation systems have not been issued. This method would unquestionably permit the rapid, automatic performance of far more checks than are now performed by the police forces and so produce an even sharper reduction in the frauds perpetrated by those driving without insurance.

A more detailed geographical breakdown of the incidence of uninsured vehicles shows that practically all the regions of the North, and their capital cities, are at or well below the national evasion rate of 5.2%. In the Center, it is above all the Lazio region and the city of Rome whose rates are high, at 8.0% and 8.8% respectively, twice those of the other regions of the Center. In the South there is a range from values broadly in line with the national average in such regions as Molise, Basilicata, and Sardinia up to nearly twice the nationwide rate in Calabria and above all Campania; in Naples in particular, one of every seven vehicles on the roads is uninsured, and in Reggio Calabria one in eight (Table 4).

Table 4
Estimate of uninsured vehicles, 2021
Regions and regional capitals
(millions of vehicles)

Region/Capital	Total insured vehicles	Est. uninsured vehicles	Total vehicles on road	% uninsured vehicles (*)
	2021	2021	2021	2021
Bologna	0.736	0.025	0.761	3.3%
Total EMILIA ROMAGNA	3.599	0.120	3.718	3.2%
Trieste	0.175	0.004	0.179	2.5%
Total FRIULI VENEZIA GIULIA	1.049	0.026	1.075	2.4%
Genoa	0.574	0.020	0.594	3.3%
Total LIGURIA	1.170	0.041	1.210	3.4%
Milan	1.964	0.116	2.080	5.6%
Total LOMBARDY	7.367	0.295	7.662	3.9%
Turin	1.593	0.077	1.670	4.6%
Total PIEDMONT	3.463	0.140	3.603	3.9%
Trento	0.535	0.010	0.545	1.9%
Total TRENTINO ALTO ADIGE	1.027	0.019	1.047	1.9%
Aosta	0.118	0.007	0.125	5.5%
Total VALLE D'AOSTA	0.118	0.007	0.125	5.5%
Venice	0.575	0.015	0.590	2.5%
Total VENETO	3.991	0.104	4.096	2.5%
TOTAL NORTH	*21.784*	*0.752*	*22.536*	*3.3%*
Pescara	0.218	0.012	0.230	5.3%
Total ABRUZZO	1.002	0.052	1.054	4.9%
Rome	2.475	0.240	2.716	8.8%
Total LAZIO	3.655	0.316	3.971	8.0%
Ancona	0.365	0.012	0.377	3.1%
Total MARCHE	1.224	0.043	1.268	3.4%
Florence	0.716	0.027	0.743	3.6%
Total TUSCANY	2.932	0.108	3.040	3.6%
Perugia	0.603	0.023	0.626	3.7%
Total UMBRIA	0.796	0.031	0.827	3.7%
TOTAL CENTER	*9.610*	*0.550*	*10.160*	*5.4%*
Potenza	0.279	0.016	0.294	5.3%
Total BASILICATA	0.415	0.024	0.439	5.5%
Reggio Calabria	0.280	0.038	0.319	12.0%
Total CALABRIA	1.166	0.119	1.285	9.3%
Naples	1.284	0.219	1.503	14.5%
Total CAMPANIA	3.025	0.373	3.397	11.0%
Campobasso	0.185	0.010	0.194	5.0%
Total MOLISE	0.262	0.014	0.277	5.2%
Bari	0.799	0.047	0.846	5.5%
Total PUGLIA	2.565	0.166	2.731	6.1%
Cagliari	0.279	0.022	0.301	7.2%
Total SARDINIA	1.138	0.069	1.207	5.7%
Palermo	0.666	0.068	0.734	9.3%
Total SICILY	3.044	0.298	3.341	8.9%
TOTAL SOUTH	*11.615*	*1.063*	*12.678*	*8.4%*
TOTAL ITALY	43.008	2.365	45.374	5.2%

(*) ANIA, based on Motor Vehicles Bureau data

INSURANCE FRAUD IN NON-MOTOR CLASSES

Insurance fraud is not limited to motor liability; on the contrary, it concerns most of the sectors in which insurers operate, to various extents. In order to obtain an estimate of the incidence of insurance fraud in non-life classes other than motor liability and in life insurance classes (only in respect of pure risk policies), in 2020 ANIA launched a statistical survey, with the collaboration of the anti-fraud officers of member companies, to collect data on the phenomenon starting in 2018.

With reference to the data that IVASS already requires for the motor liability anti-fraud reports pursuant to Regulation 44/2012, for each class the following data were collected for each year:

- number of claims;
- number of claims subjected to further investigation for risk of fraud (independently of year of claim);
- number of investigated claims closed without settlement;
- number of claims for which insurer lodged civil or criminal complaint;
- qualitative description of main types of fraud.

Insurers were also asked, where possible, to break the data down by region of claim. Where this data was unavailable, they were asked to sort the claims according to region where the policy was taken out.[3]

The survey participants accounted for 55% of the market in terms of non-life, non-motor liability premiums and 50% in terms of Class I life premiums. These samples were used to estimate total claims for the year (Table 1).[4]

Table 1
Estimated claims in non-motor liability non-life and pure life insurance classes

Class	Estimated no. claims (total market)			
	2021	2020	2019	2018
Non-life classes (other than motor liability)	11,593,133	10,619,112	11,494,865	9,951,307
Life Class I (pure risk)	71,578	63,845	57,935	61,572
Total	12,383,720	11,696,105	12,649,652	10,962,290

Taking into account all non-life classes combined (except motor liability), claims subjected to further investigation in connection with fraud risk accounted for 2.2% of total claims filed in 2021, comparable to the 2.4% recorded in 2020 and considerably higher than in 2018 (0.9%) or 2019 (1.1%). The incidence of claims terminated without settlement on total

[3] For policies marketed online, the region is that of the policyholder; for those sold via bank or post office branches, that where the branch is located.
[4] The figures for 2018-2020 for all the tables given here differ from those of last year's Report owing to rectifications notified by the participating companies.

claims investigated edged up from 6.3% in 2020 to 6.8% in 2021 (see Table 2). There was a further decline (from 1.2% to 0.5%) in the incidence of civil or criminal complaints on total investigated claims.

With regard to life policies covering pure risk, the incidence of claims subjected to further investigation in connection with fraud risk on total claims filed in 2021 was 0.05%, less than in 2020. At the same time, the incidence of claims closed without settlement on total claims investigated dropped drastically, from 91.7% in 2020 to 33.3% last year. The proportion of claims subjected to inquiry for which insurers lodged a civil or criminal complaint against the policyholder also declined sharply, from 52.1% to 27.8% (still higher than in 2018 and 2019, however).

Table 2
Indicators of anti-fraud action for life (pure risk) and non-life, non-motor classes

Class	No. of claims investigated / no. of claims filed				No. of claims closed without settlement / no. of claims investigated				No. of formal legal complaints / no. of claims investigated			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Non-life classes (except motor liability)	2.2%	2.4%	1.1%	0.9%	6.8%	6.3%	11.9%	11.0%	0.5%	1.2%	2.5%	3.2%
Life Class I	0.0%	0.2%	0.2%	0.1%	33.3%	91.7%	55.6%	45.7%	27.8%	52.1%	11.1%	8.6%
Total	2.2%	2.4%	1.1%	0.9%	6.8%	6.3%	11.9%	11.0%	0.6%	1.3%	2.5%	3.2%

Considering only the most representative non-life classes in terms of claims filed (at least 35% of total claims for that specific class), and also having an incidence of at least 1% of claims subjected to further investigation, the classes with the highest fraud rates are accident, sickness, land vehicles, marine craft, goods in transit, fire and natural forces, other damage to property and general third-party liability insurance (see Table 3). More in detail:

- For accident and sickness: the incidence of claims subjected to anti-fraud inquiry in 2021 was 4.6% and 2.2% respectively. This represented an increase over the previous three years for accident insurance (3.7% in 2020, 2.8% in 2019, 2.0% in 2018) and a slight decline for the year for sickness insurance (2.9% in 2020, 0.3% in 2019, 0.3% in 2018);
- For land vehicles, the incidence of claims subjected to further investigation was 2.8%, up from 2.1% in 2020, 2.4% in 2019, and 2.6% in 2018;
- For marine craft insurance: despite the low frequency of claims associated with the specificity of the type of risk insured, the share of claims for which anti-fraud activity was conducted in 2021 more than doubled, from 4.3% to a full 10% (1.2% in 2018, 2.6% in 2019). In particular, in the pleasure craft market there was a sharp rise in claims for the sinking of vessels that had been unused for years, simulated thefts, and self-inflicted damage;
- For fire and natural forces, the incidence of fraud investigations was 2.3% in 2021, up from the previous three years (1.2% in 2018, 1.5% in 2019, 1.4% in 2020);

- For goods in transit: the proportion of claims subjected to further investigation was 2.6% in 2021, sharply down from the peak of 8.5% in anti-fraud action in 2020 (1.2% in 2018, 1.9% in 2019);
- For other property damage and general t.p.l., the fraud risk incidence was about the same as in 2020 but higher than in 2018.

Table 3 – Indicators of anti-fraud action for specific non-life classes

Non-life classes	No. of claims investigated / no. of claims filed				No. of claims closed without settlement / no. of claims investigated				No. of formal legal complaints / no. of claims investigated			
	2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
Class 1 – Accident	4.6%	3.7%	2.8%	2.0%	16.8%	17.4%	13.3%	16.0%	0.8%	7.8%	5.9%	9.1%
Class 2 – Sickness	2.2%	2.9%	0.3%	0.3%	1.8%	1.6%	9.1%	2.3%	0.0%	0.0%	0.0%	0.1%
Class 3 – Land vehicles	2.8%	2.1%	2.4%	2.6%	6.6%	5.0%	4.2%	4.0%	1.9%	3.8%	3.4%	2.9%
Class 6 – Marine craft	10.0%	4.3%	2.6%	1.2%	9.9%	9.8%	9.8%	17.5%	1.6%	2.4%	1.5%	3.8%
Class 7 – Goods in transit	2.6%	8.5%	1.9%	1.2%	11.3%	7.3%	14.5%	24.9%	0.3%	0.2%	0.6%	0.0%
Class 8 – Fire and natural forces	2.3%	1.4%	1.5%	1.2%	14.4%	14.9%	11.2%	14.9%	1.7%	2.2%	2.2%	3.9%
Class 9 – Other property damage	1.9%	2.0%	2.2%	1.3%	11.9%	13.5%	10.2%	12.8%	0.6%	0.7%	0.6%	1.1%
Class 13 – General third-party liability	4.4%	3.9%	4.0%	2.8%	24.5%	32.7%	28.6%	28.1%	1.3%	4.8%	2.9%	3.9%

The percentage of investigated claims closed without payment was the same as in 2020 for sickness, marine craft, and fire insurance; it increased for land vehicles and goods in transit; and decreased for the remaining classes, namely accidents, other property damage, and general t.p.l. Specifically, third party liability was the class with the highest incidence of investigated cases closed without settlement in 2021, at 24.5%, followed by accident insurance at 16.8%.

Geographically, the highest incidence of suspected fraud is found in the regions of the North, with 2.8% of all claims subjected to investigation. Next is the South, at 2.4%, more than twice the rate in the island and central regions (Table 4). In particular, the rate was stable for 2021 in all parts of Italy except the Center, where the incidence of suspect claims diminished.

Especially high investigation rates were recorded in Lombardy (3.6%) and Piedmont (3.3%), decreasing in the former and increasing in the latter with respect to 2020. Campania also showed a high rate (3.1%), increasing by comparison with the three previous years.

The regions with the sharpest declines in the incidence of suspected fraud were Liguria (dropping from 6.9% to 2.1%) and Abruzzo (from 4.2% to 2.6%).

The proportion of claims terminated without settlement following anti-fraud action diminished in the South to 14% (the lowest figure in the last four years) but increased in the Center to 11.3%, higher than in 2020 but lower than in 2018 and 2019.

Table 4 – Indicators of anti-fraud action for life (pure risk) and non-life, non-motor classes by region and geographical macro-area

Geographical macro-area	Region	No. of claims investigated/ no. of claims filed				No. of claims closed without settlement / no. of claims investigated				No. of formal legal complaints /no. of claims investigated			
		2021	2020	2019	2018	2021	2020	2019	2018	2021	2020	2019	2018
NORTH	Emilia-Romagna	2.1%	2.8%	1.7%	1.4%	12.8%	12.4%	13.8%	12.9%	0.5%	1.1%	1.0%	1.3%
	Friuli-Venezia Giulia	1.5%	1.2%	1.3%	1.0%	11.0%	11.2%	11.1%	15.1%	0.4%	0.9%	1.5%	1.7%
	Liguria	2.1%	6.9%	1.9%	1.5%	15.9%	3.8%	12.7%	10.3%	0.6%	0.2%	0.8%	1.5%
	Lombardy	3.6%	4.7%	1.4%	1.1%	4.0%	2.7%	6.9%	6.8%	0.2%	0.2%	0.6%	1.1%
	Piedmont	3.3%	2.1%	1.1%	1.0%	2.5%	4.3%	8.4%	7.5%	0.3%	0.5%	1.9%	1.4%
	Trentino-Alto Adige	1.7%	1.9%	1.6%	1.1%	12.2%	12.1%	5.5%	14.1%	1.0%	0.3%	3.5%	2.6%
	Valle D'Aosta	1.2%	1.3%	1.1%	0.7%	20.3%	26.2%	29.3%	15.5%	0.7%	0.0%	0.8%	0.0%
	Veneto	1.0%	0.7%	0.6%	0.5%	13.6%	18.5%	15.2%	13.7%	0.4%	0.4%	0.5%	1.2%
	Total North	*2.8%*	*2.9%*	*1.2%*	*1.0%*	*5.1%*	*4.9%*	*9.4%*	*8.9%*	*0.3%*	*0.3%*	*1.0%*	*1.3%*
CENTER	Lazio	0.6%	1.4%	0.5%	0.5%	9.9%	4.6%	13.2%	13.5%	1.2%	1.2%	5.1%	3.5%
	Marche	1.9%	1.7%	1.7%	1.4%	13.7%	17.0%	10.3%	20.6%	1.0%	2.0%	1.8%	3.0%
	Tuscany	1.5%	1.7%	1.1%	0.9%	12.1%	11.5%	14.2%	12.8%	0.7%	2.1%	0.9%	3.1%
	Umbria	2.3%	2.6%	2.1%	1.4%	14.3%	15.6%	11.5%	14.7%	1.7%	1.5%	10.3%	0.7%
	Total Center	*0.9%*	*1.5%*	*0.7%*	*0.7%*	*11.3%*	*7.2%*	*13.1%*	*14.0%*	*1.0%*	*1.4%*	*3.7%*	*3.1%*
SOUTH	Abruzzo	2.6%	4.2%	4.2%	4.8%	19.6%	18.2%	31.2%	11.2%	1.6%	1.5%	0.6%	2.2%
	Basilicata	1.6%	1.8%	1.5%	2.2%	15.5%	18.9%	14.0%	19.1%	2.0%	7.9%	31.8%	24.7%
	Calabria	2.2%	1.9%	1.7%	1.5%	12.6%	15.6%	13.8%	17.8%	2.4%	6.1%	8.1%	16.0%
	Campania	3.1%	2.8%	2.0%	2.1%	13.7%	17.8%	22.6%	23.5%	2.4%	22.0%	22.7%	24.5%
	Molise	1.4%	1.9%	1.0%	0.9%	19.3%	51.6%	47.1%	19.6%	6.4%	11.3%	61.8%	109.8%
	Puglia	1.8%	1.8%	1.3%	1.3%	11.7%	12.3%	13.6%	11.5%	2.2%	8.2%	10.0%	10.9%
	Total South	*2.4%*	*2.5%*	*2.1%*	*2.2%*	*14.0%*	*17.0%*	*23.1%*	*15.9%*	*2.3%*	*11.8%*	*11.1%*	*13.4%*
ISLANDS	Sardinia	1.1%	1.5%	1.2%	1.2%	15.3%	15.8%	15.0%	18.4%	1.2%	0.5%	3.4%	2.8%
	Sicily	1.7%	1.6%	1.1%	1.0%	13.1%	14.2%	17.0%	14.0%	2.3%	12.1%	3.5%	9.5%
	Total Islands	*1.4%*	*1.6%*	*1.2%*	*1.0%*	*13.7%*	*14.7%*	*16.3%*	*15.8%*	*2.0%*	*8.4%*	*3.4%*	*6.7%*
	Not specified	0.7%	0.5%	0.3%	0.2%	26.4%	48.0%	42.3%	46.8%	0.2%	0.5%	2.2%	11.6%
	Total Italy	2.2%	2.4%	1.1%	0.9%	6.8%	6.3%	11.9%	11.0%	0.6%	1.3%	2.5%	3.2%

Insurance companies were asked to report the most frequent type of fraud recorded in the last year for each insurance class. These were:

- Life insurance (pure risk): reticent statements (omission of pre-existing pathologies) when stipulating a contract, unclear information about beneficiaries, submission of forged or false documentation, false death certificates;
- Accident: false physician's statement and coexistence of multiple policies for the same risk, not declared pursuant to Article 1910 of the Civil Code, to procure unwarranted extra compensation for the same accident, false description of accidents that would otherwise not be eligible, pre-existing multiple accidents, diagnostic and medical centers not actually operational;
- Sickness: reticent statements when stipulating the contract (unreported pre-existing conditions), false medical documentation;
- Land vehicles: claims for pre-existing damage, simulated vehicle theft or damages due to road accidents reported as vandalism, untruthful

accounts of the dynamic of accidents otherwise ineligible, overestimated damage claims;

- Marine craft: claims for the sinking of vessels not used for years, simulated theft, self-inflicted damage;
- Goods in transit: simulated damage and theft, forged documentation, excessive damage claims;
- Fire and natural forces: arson, coexistence of multiple unreported guarantees, excessive damage claims, claims for pre-existing damage;
- Other property damage: simulated theft, deliberate damage to water pipes, coexistence of multiple unreported guarantees, false documentation, excessive damage claims, multiple policies with various insurers not reported pursuant to Article 1910 of the Civil Code, claims for pre-existing damage;
- General third-party liability: undue assumption of liability by the insured party for damages suffered by relatives or acquaintances, omission of statement of family relation, policies underwritten specifically for the purpose of subsequently submitting claims for pre-existing damage, claims for accidents that occurred in a place different from that insured, accidents occurring differently from the way they are reported, claims for pre-existing damage, false description of accident, excessive damage claims;
- Miscellaneous financial loss: reporting claims for loss of employment with attempted falsification of documents, claims for loss/theft of credit or debit card (often in conjunction with other objects) and subsequent fraudulent use of those items, recidivism and multiple claims, falsified documentation, unreported pre-existing veterinary pathologies, false statements of reasons for trip cancellations;
- Legal expenses: knowledge of risk for pre-existing event, recurrent presence of the same lawyer in events with similar characteristics, multiple claims by the same policyholder;
- Assistance: underwriting of travel policies after the trip has already started, simulated mechanical failures and events, speculation on replacement cars.

COST AND SAVING OF ANTI-FRAUD ACTION

To calculate the industry-wide cost to insurers of their anti-fraud action in 2021, and also to estimate the amount they saved thanks to it, ANIA has initiated a survey with the cooperation of insurance undertakings' anti-fraud officers.

Referring to the information IVASS already requires from insurers in their motor liability fraud reports pursuant to Regulation 44/2012, ANIA asked insurers to use the same method to calculate the saving both for motor and for non-motor insurance. In addition, insurers were asked to add the saving derived from "better settlements" (i.e., claims for which anti-fraud investigation led to a saving on settlement amounts). The companies taking part in the survey accounted for nearly 60% of premiums in motor liability and over 50% in non-motor insurance.

This sample data then served as the basis for the estimate of the total cost of insurers' anti-fraud action in 2021 and of the saving (cases closed with no settlement and those with "better settlement"),[5] as follows:

Table 5
Net saving from anti-fraud action, 2021
Euro million

Insurance class	Estimate for entire market		
	Saving (1)	Cost (2)	Net saving (3) = (1) - (2)
Motor liability	509.0	70.0	439.0
Non-motor	229.5	13.6	215.9
Total	755.1	86.8	668.3

As Table 5 shows, in the motor liability branch the entire industry spent €70 million to combat fraud in 2021 and brought home total savings of over €500 million. For non-motor insurance, the figures were respectively €14 million and €230 million. The total net gain for insurers from anti-fraud activity (which cost €87 million) thus came to an estimated €670 million. In short, anti-fraud action in the insurance market is a key strategy, effective in limiting the cost of undue settlements.

ANIA'S ANTI-FRAUD ACTION IN 2021

With a series of studies and inquiries, ANIA continued its activity directed to developing the most effective strategies for supporting insurers in battling fraud. In particular, the Association invested significant resources in its

[5] In calculating the saving from "better settlement," as well as the total cost, insurers may have applied non-homogeneous standards. For costs, some companies may have neglected certain expenses actually sustained (the cost of developing cloud infrastructure, say, or of advanced analytics for models and forecasts, and the personnel assigned by outsourcers to developing tools and models for investigation and checks. This could well entail an underestimate of the total cost.

campaign to sensitize public opinion to the harm that insurance fraud does to the entire group of honest policyholders. The ANIA-Consumers Forum held a series of workshops on the issue for various consumer organizations.

ANIA's work to support law enforcement bodies in collecting information for investigation of insurance-related crimes continued last year. In addition, with a view to favoring the action of investigative magistrates, ANIA continued its dialogue with public prosecutors' offices aimed at producing memorandums of understanding to foster coordinated action against insurance fraud by ANIA – in synergy with insurance companies themselves – together with law enforcement bodies and prosecutors.

On 1 December 2021 ANIA and the Rome Public Prosecutor's Office signed a letter of intent for the conclusion, in the near future, of a memorandum of understanding to specify operational best practices to ensure rapid and fluid communication and information exchange on episodes in the insurance field deemed to be of penal relevance, hence more timely and effective action against insurance fraud and connected crimes.

Projects completed in 2021 included the drafting of anti-fraud guidelines for claims adjusters in the property damage sector, supplementing the work initiated in 2019 to lay down guidelines for the anti-fraud action of persons acting for the insurer (forensic physicians, lawyers, investigators); these guidelines are a useful tool in the creation of comprehensive and standardized fraud complaint files to facilitate Prosecutor's offices in their investigations. These measures should also serve to speed up the procedures and avoid the real risk of the statute of limitations expiring before the legal process has been concluded.

The Association also worked closely together with the Antitrust Authority (Market and Competition Guarantee Authority, AGCM) on an anti-fraud project designed to constitute two specific anti-fraud tools:

1) a platform for collecting information (non-sensitive) on fraudulent practices observed by insurers throughout the business, so as to facilitate insurers in picking up phenomena likely to be connected with organized crime or simply recurrent patterns of fraud in the national market;

2) a non-motor anti-fraud portal, using algorithms and predictive models to assign an indicator of anomaly to each claim handled, available for consultation by insurers doing business in Italy, IVASS, and the governmental institutions involved.

After obtaining the Antitrust Authority's official approval of the project, ANIA made the platform available to the market. It is proving to be of the greatest efficacy in bringing out recurrent fraudulent activity to the detriment of a number of different insurers at once. However, the realization of the non-motor fraud portal has been suspended, pending transposition of the observations of the Data Protection Authority on the treatment of some of the data to be fed into the database and on the permissible modes of consultation.

8

HUMAN RESOURCES AND LABOR

STAFF AND LABOR COSTS

Personnel make-up and costs: the statistics

At the end of 2021, the Italian insurance industry's managerial and non-managerial staff numbered 46,524, up 0.5% from a year earlier, when total staff came to 46,300. This modest upturn reversed the downtrend of 2020, when staff shrank by nearly 1%. In any event, over the past decade variations in staff size, increases and decreases alike, have always been small, with no perceptible trend.

The staff estimate for the entire Italian insurance industry, which includes some 3,500 employees of subsidiaries covered by the industry-wide labor contract, is based on data from a sample of companies accounting for about 86% of total insurance employment.

Staff comprises administration personnel (36,908 employees), dealers and organization staff (5,894), contact center staff (2,358)[1], and managers (1,364).

Interestingly, for the entire industry, the number of women employed rose by 1.3%, while male employees decreased very marginally (-0.2%). At the end of 2021 female personnel thus accounted for 47.7% of the total, slightly up from a year earlier (47.4%). About 52% of all insurance employees are now university graduates, and another 44% have upper secondary school diplomas.

The total cost of staff (including administration staff, managers and contact center personnel but not dealers and their organization staff) amounted to €3,909 million in 2021, 2.5% more than the previous year. This increase derived chiefly from ongoing major corporate restructuring and reorganization, continuing those of previous years. These processes entailed recourse to the special benefits of the ANIA/AISA Solidarity Fund, accompanying the older employees involved toward retirement, with incentives for leaving their jobs.

The per capita cost[2] for these employees came to €96,185, up 3.3% for the year.

However, the total cost for dealers and related staff increased by 14.8% to €374 million, owing to the combined effect of the positive employment trend (+4.3%) and of the rise in commissions, which gained around 20%.

Their per capita costs thus increased by 9.8% in 2021 to €64,800.

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[1] Contact center staff is subdivided into contact center operations employees (formerly called "call center, first section") numbering 1,613, and contact center sales employees (formerly called "call center, second section") numbering 745.

[2] In accordance with the established practice, to enhance the statistical significance of the data, per capita labor costs are calculated using the semi-sum method as the total staff cost for a given year over the average number of employees in service during that year and the previous one.

HUMAN RESOURCES AND LABOR

Data for entire market, projecting to 100 those supplied by insurers accounting for 86%

Number of staff

Year	Administrative (*)	Dealers	Total
2011	42,193	5,284	47,477
2012	42,498	5,214	47,712
2013	42,747	5,189	47,936
2014	42,199	5,253	47,452
2015	41,536	5,218	46,754
2016	41,598	5,252	46,850
2017	41,402	5,156	46,558
2018	41,073	5,124	46,197
2019	41,270	5,398	46,668
2020	40,651	5,649	46,300
2021	40,630	5,894	46,524

(*) Administrative, contact center and managerial staff

Total staff costs
Euro million

Year	Administrative (*)	Dealers	Total
2011	3,284	267	3,551
2012	3,478	262	3,740
2013	3,635	262	3,897
2014	3,742	274	4,016
2015	3,735	292	4,027
2016	3,832	287	4,119
2017	3,857	285	4,142
2018	3,824	278	4,103
2019	3,882	311	4,193
2020	3,815	326	4,141
2021	3,909	374	4,283

(*) Administrative, contact center and managerial staff

Change in total staff costs (from the previous year) (%)

Year	Administrative (*)	Dealers	Total
2011	2.9%	1.5%	2.7%
2012	5.9%	-1.7%	5.3%
2013	4.5%	0.0%	4.2%
2014	3.0%	4.3%	3.0%
2015	-0.2%	6.6%	0.3%
2016	2.6%	-1.7%	2.3%
2017	0.6%	-0.6%	0.6%
2018	-0.8%	-2.3%	-0.9%
2019	1.5%	11.7%	2.2%
2020	-1.7%	4.8%	-1.2%
2021	2.5%	14.8%	3.4%

(*) Administrative, contact center and managerial staff

Change in per capita staff costs (from the previous year) (%)

Year	Administrative (*)	Dealers	Total
2011	2.5%	3.4%	2.6%
2012	5.0%	0.5%	4.8%
2013	3.8%	0.9%	3.7%
2014	3.3%	3.9%	3.3%
2015	1.3%	6.3%	1.5%
2016	3.3%	-1.7%	2.9%
2017	0.8%	0.0%	0.8%
2018	-0.2%	-1.1%	-0.2%
2019	1.7%	9.1%	2.1%
2020	-1.2%	-0.2%	-1.3%
2021	3.3%	9.8%	3.6%

(*) Administrative, contact center and managerial staff

For the entire industry – i.e., administration and managerial staff, contact centers, and dealers and their organizational staff – the companies' total staff labor costs increased by 3.4% to €4,283 million, and per capita costs rose by 3.6% to € 92,280.

LABOR REGULATIONS AND THE INDUSTRY SOLIDARITY FUND

Last year ANIA's activities of support and advice to insurers again included labor issues, illustrating and explaining the numerous laws and regulations that were enacted because of the epidemiological emergency.

The first part of 2022, instead, was marked by the emergency consequent to the war between Russia and Ukraine, which led legislators to introduce and extend a number of labor regulations.

The most important provisions regarding the insurance industry are discussed below.(3)

1) The 2022 Budget Law enacts a reform of unemployment benefit programs when the employment relationship is not interrupted, clearly the fruit of the social dialogue between Ministry of Labor and Social Policies and the social partners. The overall design (social shock absorbers with continuing employment relationship and involuntary unemployment, active labor policies) is for a benefit system as universal as possible, using both passive policies marked by considerable inclusiveness as regards type of industry, regardless of size requirements, and reinforced active labor policies more closely interwoven with income support. The reform implements the principle of "differentiated universalism," i.e. a model diversified according to the characteristics of each sector.
   The law, in accord with ANIA's position, confirms that wage supplementation shall be managed exclusively by existing bilateral funds (hence including the insurance industry fund), which in the meantime, through regular and above all special benefits, have dealt with major corporate crises and restructurings without aggravating general labor costs and smoothly accompanying many workers towards retirement who otherwise would have been in serious difficulties.
   Turning to the specific points of the reform, while the basic structure of our Intersectoral Solidarity Fund is not altered, the law introduced

(3) The most significant provisions are those of Law 106 of 23 July 2021; Decree-law 105 of 23 July 2021 (converted into Law 126 of 16 September 2021); Decree-law 111, 6 August 2021 (converted with amendments into Law 133, 24 September 2021); Decree-law 127, 21 September 2021 (converted with amendments into Law 165, 19 November 2021); Decree-law 146, 21 October 2021 (converted with amendments into Law 215, 17 December 2021); Decree-law 221, 24 December 2021 (converted with amendments into Law 11, 18 February 2022); Law 234, 30 December 2021 (the 2022 Budget Law); Decree-law 1, 7 January 2022 (converted with amendments into Law 18, 4 March 2022); Decree-law 24, 24 March 2022 (converted with amendments into Law 52, 19 May 2022); and Law 51, 20 May 2022.

significant changes to the wage supplementation system (above all special benefits). On close inspection, these provisions also affect regular benefits payable in connection with corporate restructuring and/or crisis, or major reorganization in cases of reduction or temporary suspension of production (this benefit was paid for the first time by insurance firms in dealing with the Covid-19 pandemic, mostly in 2020). The Rules of all bilateral solidarity funds already in being must conform with these changes by 31 December 2022. The social partners will have to decide whether or not to include in the Rules the new benefit introduced by Law 51 of 20 May 2022 for managing generational turnover. Specifically, the Law allows the funds "to provide, as an option, for monthly payment of retirement contributions within the framework of the processes connected with generational turnover on behalf of workers who attain the requirements for old-age or early retirement pensions over the next three years, at the same time allowing hiring by the same employer of workers of at most 35 years of age for a period of at least three years."

2) As regards pensions, in order to attenuate the impact of the stiffening of age requirements with the expiry of the "quota 100" rules (allowing retirement at 62 with 38 years of contributions), a new "quota 102" rule was introduced for 2022 only, allowing retirement at 64 with 38 years of contributions.
   This new early retirement procedure flanks the traditional old age pension (67 years of age and 20 years of contributions) and early retirement (42 years and 10 months for men, 41 years and 10 months for women, with a moving three-month window for cessation of work). The so-called "woman's option" was prorogued for 2022, namely retirement with at least 35 years of contributions by 31 December 2021 and at least 58 years of age (for employees) or 59 years (for self-employed workers), hence with no change from the previous extensions of the provision. Finally, the so-called "social APE" procedure (a benefit paid by INPS until the worker meets the requirement for the old age pension, for specific classes of worker deserving special protections and who are at least 63 with 30 years of contributions) is also confirmed for 2022, and with an extension of those potentially eligible.

3) As to fixed-term employment, the law allows collective bargaining agreements to specify the justified causes for the initiation, extension or renewal of a fixed-term contract (including via temporary employment agencies), without prejudice to the limit of at most 24 months total. In addition, solely for the case in which the contract between the user and the temporary employment agency is itself fixed-term, the possibility for the user to employ the temporary worker for a period of more than 24 months, not necessarily continuous, is extended to 30 June 2024, on condition that the agency has notified the user that the worker has been hired to a fixed-term contract.

4) With regard to family support and gender parity, the requirement of compulsory paternity leave when a child is born is confirmed, and indeed extended structurally to 10 days.

On an experimental basis for 2022, a 50% exemption from social security contributions is accorded to mothers who are employees in the private sector from the time of their return to the job following compulsory maternity leave and for a maximum of one year from the date of said return.
Further, the law extends to 31 March 2022 the possibility for working parents to enjoy partially paid leave in case the of suspension of the child's in-class didactic or educational activities, the child's infection with Covid-19, or the child's quarantine ordered by the Prevention Department of the competent Local Health Unit for exposure to the virus regardless of where such exposure took place.
As to gender parity, finally, the law provides that the Prime Minister's Office shall draft and adopt a Strategic Plan for gender parity in Italy consistent with the objectives of the European Strategy for 2020-2025. The Plan is to identify best practices for combating gender stereotyping, closing the gender gap in the labor market, reaching equal participation in the various sectors of the economy, and achieving gender balance in the decision-making process.

5) For "fragile" workers the provisions for simplified remote working are extended further, to 30 June 2022, or, where it is not possible to assign the worker to different tasks or to remote work, treatment of the period of absence from the job as equivalent to hospitalization.

6) As to remote working, there is further extension, to 31 August 2022, of the provisions on simplified remote working. For the insurance industry, this entails:

   - the possibility of remote working under any and all employment contracts, in compliance with the principles established by current legislation (Law 81 of 22 May 2017), even in the absence of individual agreements with the employee;
   - fulfillment of the information requirements for the protection of the health and safety of employees working remotely, also by using the documents made available on the INAIL website;
   - obligation to communicate to the Ministry of Labor and Social Policies, via electronic means, the names of the employees and the dates on which they stopped working remotely using the documentation made available on the Ministry's website.

7) As of 15 October 2021, all private sector workers were required to have the Covid-19 "Green Pass" in order to gain access to their workplace. The requirement also extends to all those who, on whatever basis, perform work or training or volunteer activity in those places, including under outsourcing contracts.
In view of the continuing pandemic, in order to limit the effects in workplaces, specific rules were enacted for workers older than 50, who starting 15 February 2022 could accede to their places of work only if they had the "Super green pass", i.e. a certificate attesting to their completion of the entire vaccine cycle or else their full recovery from Covid-19.

Lastly, given the Government's abrogation of the state of emergency for Covid-19 as of 31 March 2022, the green certification rules were further amended, requiring all workers (including those over 50) only to have the so-called basic green pass up to 30 April 2022. Starting 1 May, that is, all Covid-19 certification requirements for access to the place of work are abrogated.

8) The 2022 Budget Law extends the provision for the expansion contract through 2022 and 2023, reducing the size requirement from 100 to 50 employees. Based on the specifications provided by the ministry at the time and after completing a complex trade union procedure at the Ministry for Labor and Social Policies, insurance companies may access only a specific type of early retirement plan. This measure, which is analogous to the special benefits of the industry Solidarity Fund, is targeted specifically to workers who are not more than 5 years away from fulfilling the requirements for the old age or early retirement pension and who have explicitly manifested their written consent to the consensual termination of the employment contract.

The Intersectoral Solidarity Fund for income support, jobs, occupational reconversion, and requalification for employees in insurance and social assistance (Ministerial Decree 78459/2014)

As to the Intersectoral Fund's activity, insurance companies and groups engaged in major corporate reorganization will have recourse to the Fund's extraordinary benefits again in 2022.

Since its foundation the Fund has paid benefits of some €450,000 to insurance industry workers in the form of training allowances and nearly €19 million in regular benefits.

Single National Fund for insurance against risk of non-self-sufficiency (Long Term Care Fund)

The activity of the Board of Directors of the LTC Fund to ensure payment to eligible beneficiaries continued also throughout 2021.

LABOR RELATIONS AND COLLECTIVE BARGAINING, INDUSTRY-WIDE AND COMPANY-LEVEL

On 7 December 2021, after extensive talks at the Ministry of Labor and Social Policies, the principal insurance employer organizations (ANIA among them) and the main trade unions signed an important Memorandum of Understanding on remote working. The Memorandum was fruit, first of all, of the need to adapt to the transformation of work organization produced by digitization as well as the consequences of the pandemic. Recognizing the need for better definition of remote work and for additional support to workers and employers in recourse to it, also making collective bargaining a privileged source of regulation of remote working, it was decided, at the impulse of the Minister, to draft and submit to the social partners a Memorandum laying down guidelines to establish a useful framework for future collective bargaining, at both industry and company or local level. This is without prejudice to agreements already in being (including the guidelines underwritten by ANIA and the trade unions on 24 February 2021 and the company-level bargaining agreements within the insurance industry).

The national collective bargaining contract for non-managerial employees of the insurance and assistance industries lapsed on 31 December 2019. On 8 March 2022 the trade unions submitted to ANIA their platform of demands for the contract renewal, as regards both salaries and working conditions.

The union platform is divided into four major areas: 1) contract coverage, 2) digitization/technological innovation, 3) civil and social rights, and 4) economic provisions.

The main union requests as regards the extent of **contract coverage** are directed to further strengthening ANIA's industry-wide collective bargaining agreement as point of reference for all insurance-related business: extending coverage to employees of companies engaged in auxiliary services functional to insurance; harmonization of salaries and working conditions of employees of social assistance companies with those laid down for insurance employees in the industry-wide contract.

The principal demand relating to **digitization/technological innovation** is for the institution of a National Joint Observatory to monitor the impact on work organization.

As to **civil and social rights**, the trade union requests relate to improved protections for workers with disabilities and for the parents of children with learning disorders and also to measures relevant to sickness, parental status and, more generally, persons in severe personal or family difficulties. At the same time the unions call for enhancing the responsibilities and tasks of the National Equal Opportunity Committee.

Economic demands: the overall demand for the typical insurance employee (Grade 4, Class 7) is for an increase of €210 in gross monthly salary (a raise of about 10%). In addition to the updating of the wage tables the unions are also asking a 10% increase in all indemnity and/or modal items specified in the industry-wide contract and in meal tickets (both paper-based and electronic).

For contact center personnel the request is for the application – albeit on a diversified basis – of the salary assigned to grade 3 administrative personnel (including any bonus stipulated by the supplementary company-level contract). For team coordinators, the unions call for the salary of grade 5 staff.

For assistance company staff (formerly AISA personnel), lastly, the unions call for gradual salary harmonization with the non-managerial personnel of insurance companies proper, specifying the procedure for converting the ex-AISA wage tables into those of ANIA.

On first inspection, these wage demands far exceed the reference indexes specified in the contract renewals since 2009.

On 6 June 2022 ANIA's delegation met with the national secretariats of the main insurance trade unions to formally open contract talks (this followed a meeting on 22 April at which – pursuant to the collective bargaining agreement – the unions summarized the main points of their negotiating platform). At the June meeting ANIA made its observations on the union platform. First of all, the Association noted the complexity of the overall context, both internationally and as regards the Italian labor market. Second, it stressed the need for the talks to deal with significant issues for safeguarding the particular characteristics of the insurance industry.

On the issues raised by the unions, ANIA argued for treating the issue of personnel classification too with the objective of greater work and employment flexibility in the light of the profound transformation of work organization brought about by digitization. ANIA also stressed that the system of social shock absorbers, represented by the insurance industry Solidarity Fund, is in need of revision if it is to preserve its capacity to handle corporate restructuring, staff conversion, retraining, and accompaniment towards retirement.

"Equal pay between men and women: How to get there?". Conference organized by Ente Bilaterale Nazionale per la Formazione Assicurativa (national joint agency for insurance training - ENBIFA) and Commissione mista Nazionale per la Pari Opportunità del settore assicurativo (mixed national committee for equal opportunity in insurance - CNPO). 26 October 2021

On 26 October 2021 ENBIFA and CNPO held a webinar on wage equality between men and women in the insurance industry, with broad participation on the part of insurance undertakings and trade unions. The report on a study conducted by Deloitte Consulting and ANIA SAFE depicted the state of gender wage disparity in the insurance industry, with some information on the Italian and European context. The data set forth are of considerable interest, showing a trend to improvement in recent years.

The other participants recounted a variety of significant experiences drawn from other situations, consistent with the purposes of the CNPO, namely spreading the culture of equal opportunity, diversity and inclusion, and drawing on the experience of other countries and industries.

"Technology, the customer experience, human relations in the insurance industry". Conference organized by ENBIFA. 20 January 2022

This conference saw the participation of a good number of representatives of insurance undertakings and trade unions. It was preceded by an ad hoc survey of insurance customer satisfaction, conducted in collaboration with the CAFRE center (Centro interdipartimentale per l'Aggiornamento, la Formazione e la Ricerca Educativa) of the University of Pisa, SOIS (Società Italiana di Sociologia) e LINK (Laboratorio Università Aziende, CAFRE University of Pisa). The conference focused on the dynamics of change induced by new technologies and identified possible courses of action for the adaptation of insurance organization to these changes in the long term.

ISSDC – Insurance Sectoral Social Dialogue Committee. Joint declaration of the European Insurance Social Partners on Diversity, Inclusion and non-Discrimination in the Sector – 9 March 2022

The Joint Declaration commits the European insurance social partners to foster diversity, inclusion and non-discrimination and to promote these values throughout the sector, specifically through the structures for social dialogue at all levels. Workplaces that are respectful, tolerant and inclusive are fundamental for the satisfaction, commitment and empowerment of employees and for the growth, success, innovation, creativity and sustainability of the industry. It is the duty of all staff members to encourage policies and conduct that foster diversity and inclusion as essential components of the corporate culture.

Diversity can take a variety of forms of difference: age, gender, gender identity, sexual orientation, education, skills, creed or religion, race, ethnic origin, socioeconomic and cultural background, nationality, disabilities, family situation, and so on. Inclusion on the job means recognizing, taking account of and capitalizing on people's diverse backgrounds, knowledge and skill sets, needs and experiences and using these differences to forge a cohesive, diversified, efficacious work force.

Agreements with trade unions on corporate reorganization and restructuring

Throughout 2021 and the first part of 2022, ANIA continued to provide consulting and support to insurance companies in relation to corporate and group reorganization and restructuring and to the procedures for applying for the regular Covid-19 benefits, above all to assist them as regards implementation of the procedures for negotiation with the trade unions laid down in the industry-wide bargaining agreement. The talks resulted in agreements with the trade unions preliminary to recourse to the benefits of ANIA's Intersectoral Solidarity Fund.

9

INSURANCE DISTRIBUTION

INSURANCE DISTRIBUTION

The share of life premiums written through bank and post office branches decreased in 2021 for the second consecutive year, while that accounted for by financial salesmen increased significantly. In the non-life sector, agents retained their position as the main channel of insurance distribution, despite a marginal decline in market share, while bank and postal branches again gained in percentage terms. However, an ANIA study based on data from the Italian Association of Insurance and Reinsurance brokers (AIBA) has shown that the insurance company figures underestimate the importance of brokers in the non-life sector.

LIFE INSURANCE

Written life premiums expanded by 4.5% in 2021, totally recouping the loss registered during the pandemic in 2020.

Bank and post office branches, while continuing to account for the majority of life insurance distribution, recorded a decline of 2.2% in premium income in 2021; their average variation over five years accordingly remained negative at -0.8%. Their incidence (55.4%) thus shrank further, from 61.1% in 2019 and 59.2% in 2020 (Table 1).

Financial salesmen, scoring a sharp gain of 36.5%, became the second-leading life insurance distribution channel in 2021, with a market share of 17.9%, up from 13.7% the previous year and a five-year average of 14.7%.

Business intermediated through agencies, after a decline in 2020, increased by 6.6%. However, despite their progressive gain in market share over the past four years to 15% (from 13.2% in 2018, 14.4% in 2019 and 14.7% in 2020), agencies slipped to third place in life policy distribution, behind financial salesmen, whereas in the two previous years they had been outperformed only by bank branches.

Table 1 – Breakdown of distribution channels, 2017-2021. Life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Annual change (%)					Average change (%)
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	(2017-2021)	2017	2018	2019	2020	2021	(2017-2021)
Bank branches [1]	60,425	62,389	64,735	59,964	58,619	61.3	61.1	61.1	59.2	55.4	*59.6*	-6.0	3.2	3.8	-7.4	-2.2	*-0.8*
Financial salesmen	14,759	14,184	13,983	13,856	18,911	15.0	13.9	13.2	13.7	17.9	*14.7*	3.4	-3.9	-1.4	-0.9	36.5	*6.4*
Agents	13,699	13,459	15,317	14,922	15,910	13.9	13.2	14.4	14.7	15.0	*14.3*	-6.6	-1.8	13.8	-2.6	6.6	*3.8*
Direct sales	8,789	10,183	10,410	11,036	10,317	8.9	10.0	9.8	10.9	9.7	*9.9*	5.2	15.8	2.2	6.0	-6.5	*4.1*
Brokers	939	1,833	1,567	1,551	2,116	1.0	1.8	1.5	1.5	2.0	*1.6*	42.4	95.3	-14.5	-1.0	36.4	*22.5*
TOTAL	98,611	102,048	106,012	101,329	105,873	100.0	100.0	100.0	100.0	100.0	*100.0*	-3.6	3.5	3.9	-4.4	4.5	*1.8*

(1) *Data for this channel includes post office branches*

Direct sales, which in addition to the Internet and telephone channels also includes policies marketed through tied agencies, saw a 6.5% decline in 2021 after four consecutive years of growth, with a consequent decline in market share from 10.9% to 9.7%, not far from the five-year average of 9.9%.

With still marginal premium income despite strong growth over the past five years, brokers accounted for some €2 billion in premium income in 2021, or 2% of the total market. For 2021 alone this channel increased by 36.4%.

By type of life insurance business (Tables 2 and 3), Class I premiums (i.e., for traditional life insurance policies) decreased by 5.2%, owing to the persistent environment of low interest rates in 2021 accompanied, starting in the autumn, by rising inflation. The two main distribution channels for this class both recorded contractions. Banks and post offices dropped by 9.6%, slipping from 63.7% to 60.8% of the total; and agents, whose premium volume contracted by 4.3%, slightly better than the market as a whole, retained a 17.5% market share. Direct sales gained 4.6%, bringing their market share up from 10.5% to 11.5%. The premium income generated by financial salesmen also increased, by 3.1%, accounting for 7.7% of all Class I life premiums in 2021 (up from 7.1%). The premium income produced by brokers soared by 74.8%, bringing their market share from 1.3% to 2.4%.

Unlike traditional policies, Class III products (unit and index linked) grew strongly (+34.5%), with gains over the entire spectrum of channels. The only channel with below-average growth for this class was bank and post

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

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
YEAR 2021						
I - Life	17.5	2.4	60.8	7.7	11.5	100.0
III - Investment funds	10.4	0.8	49.5	34.8	4.6	100.0
IV - Health	67.6	9.2	12.8	0.4	10.0	100.0
V - Capitalization	24.2	19.0	21.9	0.9	34.0	100.0
VI - Pension funds	18.5	1.5	32.9	9.9	37.2	100.0
Individual retirement policies (2)	36.7	0.1	27.1	19.1	17.0	100.0
TOTAL LIFE	15.0	2.0	55.4	17.9	9.7	100.0
YEAR 2020						
I - Life	17.4	1.3	63.7	7.1	10.5	100.0
III - Investment funds	9.0	0.6	56.2	30.3	3.9	100.0
IV - Health	46.4	36.3	12.1	0.3	4.9	100.0
V - Capitalization	19.0	21.3	32.6	1.3	25.7	100.0
VI - Pension funds	9.5	0.6	19.9	5.2	64.7	100.0
Individual retirement policies (2)	37.2	0.2	28.3	18.0	16.3	100.0
TOTAL LIFE	14.7	1.5	59.2	13.7	10.9	100.0

Table 3
% change 2021/2020 in life premium volume by class and distribution channel 2021/2020

Class	Agents	Brokers	Bank branches (1)	Financial salesmen	Direct sales	Total
I - Life	-4.3	74.8	-9.6	3.1	4.6	-5.2
III - Investment funds	54.2	76.4	18.3	54.6	58.3	34.5
IV - Health	42.3	-75.1	3.4	63.2	98.3	-2.2
V - Capitalization	-19.1	-43.6	-57.5	-55.2	-16.3	-36.7
VI - Pension funds	18.8	39.7	1.0	17.0	-64.8	-38.8
Individual retirement policies(2)	5.1	-6.1	2.0	12.8	11.2	6.6
TOTAL LIFE	6.6	36.4	-2.2	36.5	-6.5	4.5

(1) Data for this channel includes post office branches
(2) Individual retirement plan premiums (written as per Article 13, paragraph 1(b) of Legislative Decree 252/2005) are a subgroup of individual policies in Class I (life) and Class III (investment funds).

office branches (+18.3%), and while still accounting for the largest market share at 49.5% it lost a full 7 percentage points (from 56.2% in 2020). This favored market share gains for all the other distribution channels. Financial salesmen, whose volume of premiums increased by 54.6%, raised their market share from 30.3% in 2020 to 34.8% last year. Agents' market share gained from 9.0% to 10.4%, thanks to premium growth of 54.2%. Direct sales, with premium expansion of 58.3%, improved their share from 3.9% to 4.6%, while brokers scored the sharpest percentage gain of all (+76.4%) but continued to be marginal in this class with a market share of just 0.8%.

As for capital redemption policies (Class V), premiums suffered a sharp decrease (down 36.7%) by comparison with 2020. The decrease involved all distribution channels, but relative market shares nevertheless changed with respect to 2020. Direct sales and agencies lost 16.3% and 19.1% of their premium income, respectively, but this was less than the average for the class, so they were the first and second distribution channels, respectively. Direct sales increased their share from 25.7% to 34.0% and agencies from 19.0% to 24.2%. Next came bank and post office branches, which owing to a drop of 57.5% in premium income, lost their leading position in market share, distributing about 22% of Class V policies, down from 32.6% in 2020. Brokers, with a drop of 43.6%, slipped from 21.3% to 19.0% of the entire market in this class, while financial salesmen, with a contraction of over 55% in premium income, accounted for just 0.9% of the total.

Class VI products (pension funds) recorded the worst performance for the entire life sector in 2021, with a drop of 38.8% in premium income. Direct sales were mainly responsible, with a decrease of 64.8% in fundraising; even though this channel's market share was nearly halved by comparison with 2020, at 37.2% it remained the main form of distribution for these products. All the other channels gained in premiums and hence in market share. Bank and post office branches, while gaining just 1.0% in absolute terms, increased their market share from 19.9% to 32.9%; agencies, with a volume expansion of some 19%, doubled their market share to 18.5% of Class VI products; financial salesmen, with a rise in premiums of 17.0%, saw their market share rise from 5.2% to 10%; and brokers, with a gain of about 40% in volume, increased their (marginal) share from 0.6% in 2020 to 1.5% in 2021.

In 2021, premiums/contributions of individual retirement policies confirmed their upward trend across all channels, with a gain of 6.6%. Premiums rose across all the main distributors, except for the ever more marginal channel of brokers. More specifically, agents remain the main distribution channel, despite a slight contraction in their share – which in 2021 came to 36.7% of the market – due to an increment in premium volume (5.1%) that was lower than the average for this class. The incidence of bank and post office branches declined from 28.3% to 27.1%, as their modest gain in sales (2.0%) underperformed the market as a whole. Financial salesmen ranked third in the sale of individual retirement policies, with a slight increase in market share to 19.1%. Direct sales also gained in relative terms, increasing their share in this class from 16.3% to 17.0% in 2021.

NON-LIFE INSURANCE

Following the contraction registered in 2020 owing to the pandemic, non-life premium income returned to growth last year (+1.8%), thanks to the broad upturn in economic activity.

Table 4 – Breakdown of distribution channels, 2017-2021. Non-life classes

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Annual change (%) [3]					Average change (%)
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021	(2017-2021)	2017	2018	2019[3]	2020	2021	(2017-2021)
Agents	24,643	24,912	25,417	24,880	25,276	76.3	75.3	74.1	74.2	74.0	74.8	0.1	1.0	2.0	-2.1	1.5	0.6
Brokers [1]	3,013	3,155	3,136	3,249	3,048	9.3	9.5	9.1	9.7	8.9	9.3	3.0	4.6	-0.6	3.6	-6.3	0.3
Direct sales (*)	1,185	1,359	1,536	1,473	1,589	3.7	4.1	4.7	4.5	4.7	4.3	1.5	15.8	13.0	-4.1	7.9	7.6
Distance sales (**)	1,389	1,419	1,546	1,511	1,403	4.3	4.3	4.3	4.5	4.1	4.3	-0.7	1.6	0.9	-2.3	-7.2	0.2
Bank branches [2]	1,981	2,176	2,577	2,278	2,671	6.1	6.6	7.5	6.8	7.8	7.0	12.9	9.7	18.0	-11.6	17.2	7.8
Financial salesmen	91	74	87	125	159	0.3	0.2	0.3	0.4	0.5	0.3	39.9	-18.7	16.6	44.1	27.2	14.9
TOTAL	32,304	33,096	34,299	33,517	34,145	100.0	100.0	100.0	100.0	100.0	100.0	1.2	2.3	3.2	-2.3	1.8	1.4

(*) *Pursuant to Article 107-bis, paragraph 1, of Legislative Decree 68/2018, the activity of insurance distribution may be exercised directly by the undertaking through: a) Headquarters and tied agencies, i.e. subsidiary or business agencies directly tied to the insurance undertaking, which perform marketing functions with offices open to the public; b) Accessory market participants registered in section F of the Single Register of Intermediaries who act with the insurance undertaking's mandate; c) Direct producers registered in Section C of the Single Register of Intermediaries who deal in insurance distribution in the life, non-life and health insurance business.*

(**) *Internet and telephone sales.*

(1) *Brokers' contribution over the years does not include the share of premiums generated through this channel with presentations via agencies and not directly to the company (estimated at 23.1 percentage points in 2021).*

(2) *Data for this channel includes premiums distributed by post office branches.*

(3) *Changes (%) are calculated on a homogeneous basis in terms of companies covered.*

In detail, after the decline of 2.1% registered in 2020, premiums sold through insurance agents returned to growth (+1.5%), which remained the predominant channel, slipping very marginally from 74.2% to 74.0% of the market (Table 4). With less than average growth in 2021 and practically no growth over the past five years, this channel has been gradually losing share (from 76.3% in 2018).

Brokers, whose premium volume dropped by 6.3%, saw their market share decline from 9.7% to 8.9%. It should be noted, however, that this share is underestimated, insofar as a significant portion of the premium income they generate (estimated at 23.1% of the entire market in 2021) 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 €10.9 billion (€3.0 billion in the official statistics) or 32.0% of all non-life premiums (8.9% in the official statistics). As a consequence, the volume effectively accounted for by agents should be adjusted down to €17.4 billion (and not €25.3 billion, as in the official statistics) and their market share from 74.0% to 50.9%. For motor liability insurance, brokers' share in 2021 would thus come to 10% against 4.4% in the insurance company figures, while agents' share would come down from 83.1% to 77.4%. But this anomaly is significant mainly in the non-motor classes, where brokers' share should be adjusted from 12.6% in the official statistics to 49.7%, while that of agents would be reduced from 66.7% to 29.6%.

To estimate the market shares accounted for by brokers, ANIA uses data from the Italian Association of Insurance and Reinsurance brokers (AIBA) and additional information gathered from the leading Italian insurance brokers.

Table 5 – Estimated market shares of agents and brokers

Year	MOTOR				NON-MOTOR				TOTAL			
	Brokers share		Agents share		Brokers share		Agents share		Brokers share		Agents share	
	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)	Insurance company data (%)	ANIA estimate (%)
2012	3.3	9.8	86.8	80.3	13.3	58.4	73.4	28.3	7.6	30.7	81.0	57.9
2013	3.5	9.8	86.3	80.0	13.3	58.1	73.3	28.5	7.9	31.4	80.5	57.0
2014	3.6	10.8	85.7	78.5	14.7	61.3	71.8	25.2	8.7	34.2	79.3	53.8
2015	3.7	10.9	85.3	78.1	13.6	57.7	71.3	27.2	8.4	33.3	78.6	53.7
2016	4.5	12.2	84.2	76.6	13.9	58.3	69.8	25.5	9.2	35.0	77.1	51.3
2017	4.7	9.1	83.8	79.4	13.9	52.6	68.9	30.2	9.3	31.1	76.3	54.6
2018	5.1	9.9	83.1	78.3	13.7	54.9	67.8	26.6	9.5	32.9	75.3	51.9
2019	4.9	9.3	82.6	78.2	13.0	48.9	66.4	30.5	9.1	30.1	74.1	53.2
2020	5.2	11.0	82.7	76.9	13.6	54.9	66.8	25.6	9.7	34.5	74.2	49.5
2021	4.4	10.0	83.1	77.4	12.6	49.7	66.7	29.6	8.9	32.0	74.0	50.9

In particular, AIBA lacks official data on the volume of premiums handled by brokers; instead, it derives an estimate from their payments to the compulsory Guarantee Fund plus a portion of premiums deriving from brokerage fees (not subject to the compulsory contribution). On this basis AIBA estimates brokers' premiums for the entire non-life sector at about €14.7 billion, which is higher than ANIA's own estimate, owing essentially to the different estimate of premiums based on brokerage fees and to AIBA's inclusion of the premiums collected by EU insurance companies, which are not counted in ANIA's statistics.

For completeness, Table 5 shows the estimated non-life market shares of agents and brokers from 2012 on, adjusted as above. Note that in these ten years the share of total non-life insurance accounted for by brokers fluctuated between 30% and 35%, whereas the gap between the figures derived from the insurance companies and those estimated by ANIA on AIBA data was over 23 percentage points in 2021.

The volume of premiums collected via direct sales increased by 7.9% in 2021, more than the sector's average, thus bringing this channel's share, at 4.7%, back up to its 2019 level (after falling to 4.5% in 2020). The volume of direct distance sales, through internet and telephone, shrank by 7.2% on the year bringing this channel's share to the lowest value recorded in five years, 4.1%.

The marketing of non-life policies through bank and post office branches, after the downturn in 2020, returned to strong growth last year, with a gain of 17.2%, about the same as in 2019. This channel's market share accordingly rose from 6.8% to 7.8%.

Financial salesmen continue to have an extremely marginal market share (0.5% in 2021).

INSURANCE DISTRIBUTION

Table 6
Breakdown (%) of non-life market by class and distribution channel

Class	Agents	Brokers (1)	Bank branches (2)	Financial salesmen	Direct sales (*)	Direct distance sales: Telephone	Direct distance sales: Internet	Total
YEAR 2021								
Motor liability	84.9	3.7	2.5	0.0	0.6	1.7	6.7	100.0
Land vehicle insurance	76.6	6.7	8.6	0.3	2.3	1.2	4.4	100.0
Total motor	83.1	4.4	3.8	0.1	1.0	1.6	6.2	100.0
Health and accident	53.1	10.9	15.6	1.6	17.4	0.7	0.7	100.0
Transport [3]	33.2	63.8	0.2	0.0	2.6	0.3	0.1	100.0
Property [4]	74.0	11.0	10.8	0.4	2.3	0.5	1.1	100.0
General liability	79.4	11.0	5.9	0.3	3.1	0.1	0.1	100.0
Credit and suretyship	70.8	21.1	4.1	0.0	4.0	0.0	0.0	100.0
Total non-motor	66.7	12.6	11.1	0.8	7.6	0.5	0.7	100.0
TOTAL NON-LIFE	74.0	8.9	7.8	0.5	4.7	0.9	3.2	100.0
YEAR 2020								
Motor liability	84.5	3.6	2.7	0.0	0.6	1.8	6.8	100.0
Land vehicle insurance	75.7	11.4	4.4	0.1	2.4	1.3	4.6	100.0
Total motor	82.7	5.2	3.0	0.0	0.9	1.7	6.4	100.0
Health and accident	53.8	12.4	13.4	1.3	17.4	1.0	0.8	100.0
Transport [3]	35.6	61.9	0.2	0.0	2.0	0.3	0.1	100.0
Property [4]	74.2	11.4	10.2	0.5	2.0	0.7	1.1	100.0
General liability	78.2	13.5	5.6	0.1	2.3	0.1	0.1	100.0
Credit and suretyship	70.3	19.8	5.5	0.2	4.2	0.0	0.0	100.0
Total non-motor	66.8	13.6	10.1	0.7	7.4	0.6	0.7	100.0
TOTAL NON-LIFE	74.2	9.7	6.8	0.4	4.4	1.2	3.4	100.0

Table 7
Change (%) in non-life premium volume by class and distribution channel 2021/2020 [5]

Class	Agents	Brokers (1)	Bank branches (2)	Financial salesmen	Direct sales (*)	Direct distance sales: Telephone	Direct distance sales: Internet	Total
Motor liability	-4.1	-1.9	-13.7	(...)	1.0	-14.3	-6.3	-4.5
Land vehicle insurance	7.7	-37.4	108.5	121.1	0.1	-4.7	1.9	6.5
Total motor	-1.9	-17.7	21.8	175.8	0.5	-12.8	-5.1	-2.3
Health and accident	2.9	-8.1	21.5	28.6	4.5	-23.1	-0.4	4.4
Transport [3]	-2.4	8.0	28.1	100.0	32.1	1.8	-34.3	4.7
Property [4]	5.7	2.3	12.7	-3.7	19.0	-27.4	5.4	6.0
General liability	6.8	-14.4	10.2	144.4	44.5	-4.1	8.1	5.2
Credit and suretyship	12.1	19.0	-16.1	-98.8	6.0	-100.0	(...)	11.5
Total non-motor	5.2	-2.6	16.0	22.3	8.7	-24.2	3.3	5.4
TOTAL NON-LIFE	1.5	-6.3	17.2	27.2	7.9	-16.2	-4.1	1.8

(*) Pursuant to Article 107-bis, paragraph 1 of Legislative Decree 68/2018, the activity of insurance distribution may be exercised directly by the undertaking through: a) Headquarters and tied agencies, i.e. subsidiary or business agencies directly tied to the insurance undertaking, which perform marketing functions with offices open to the public; b) Accessory market participants registered in section F of the Single Register of Intermediaries who act with the insurance undertaking's mandate; c) Direct producers registered in Section C of the Single Register of Intermediaries who deal in insurance distribution in the life, non-life and health insurance business.
(1) Brokers' contribution over the years does not include the share of premiums generated through this channel with presentations via agencies and not directly to the company (estimated at 23.1 percentage points in 2021).
(2) Data for this channel includes premiums earned through post office branches.
(3) The class of transport insurance consists of: railway rolling stock, aircraft, ships and watercraft, goods in transit, and aircraft and marine third-party liability.
(4) The Property class comprises: fire and natural forces, other damage to property, miscellaneous financial loss, legal expenses and assistance.
(5) Changes (%) are calculated on a homogeneous basis in terms of companies covered.

As for motor insurance (third party liability and land vehicles) agents are still the main sales channel, accounting for over 83% of the entire market in 2021, up slightly from 2020. The volume of premiums brought in through this channel again declined (-1.9%), but less sharply than the entire market (-2.3%) (Tables 6 and 7). In 2021 direct distance sales remained the second-leading channel for motor insurance, accounting for 7.8% of the business, down from 2020, as telephone sales fell by 12.8% and internet sales by 5.1%. Brokers also saw a decrease in premiums, which fell by 17.7%, the sharpest decline in the sector, and their market share accordingly shrank from 5.2% to 4.4%. By contrast, bank and post office branches registered a sharp increase of 21.8% in the volume of premiums intermediated in 2021, driving their market share up from 3.0% to 3.8%.

The other non-life classes were boosted in 2021 by the general recovery in economic activity, gaining 5.4% in premium income by comparison with 2020. Agents remained the main channel, their market share unchanged at 66.7% as the volume of premiums grew at about the same pace as the overall market (5.2%). Brokers suffered a decrease in premium volume of 2.6%, bringing their market share down to 12.6%. Bank and post office branches scored an increase of 16.0% in non-motor, non-life business, raising their market share to 11.1%.

AGENTS' PENSION FUND

Activity of the Board of Directors

During the 2021 financial year, the Board of Directors continued the process of adapting the Pension Fund to EU-derived regulations, with special reference to the new regulatory framework governing institutions for occupational retirement provision laid down by Directive EU 2016/2341 (the IORP II Directive). This means the progressive strengthening and consolidation of complementary private retirement provisions, enhancement of the capacity of pension funds, development of procedures and strategies for fruitfully serving fund members' needs.

The Fund completed its adaptation to IORP II, preparing the entire documentation required and completing the revision of its system of governance.

After instituting the three new key functions (risk management, actuarial, and internal audit), the Board of Directors, together with the three function heads, adopted policies governing the relevant activities, methodologies, duties and safeguards. These documents set out the guidelines the Fund will adopt to govern the performance of the risk management, actuarial and internal audit functions, in compliance with the legislation and regulations in force. These policies will be re-examined by the Board at least every three years and in case of any significant changes to the sector.

The Board has drafted a paper describing the Fund's governance, which is to be revised annually and posted on the website together with the financial report for the year.

The last in this set of mandatory documents, finally, is the "Document on Corporate Governance Policies," which sets out the Fund's organizational arrangements as regards the more specific, technical aspects of its governance and operations. Lastly, there is an "Operational manual of Fund procedures," which lists the procedures and describes the operational practices of each area of the Fund.

Internal Control Function

ElleGi Consulenza S.p.A., the company to which the internal control function was outsourced, submitted the annual report summarizing the outcome of the periodic checks carried out, specifying for each area examined the matters examined and the activities undertaken. The outcome of the checks conducted in the course of 2021 was judged to be positive.

As of 2021 the internal control function was replaced by the new internal audit function, in adaptation to the new rules introduced by the IORP II directive. The internal audit function was outsourced for three years to

ElleGi Consulenza, for reasons of business continuity. The company will focus mainly on so-called third-level controls, the chief objective being to evaluate the adequacy and efficacy of the Fund's internal audit system.

Technical Results and possible benefit increase

As of 31 December 2020, on the basis of the Fund's membership at that time, the Technical Financial Statements for ordinary and supplementary operations showed an overall surplus of €140 million, in addition to mandatory supplementary assets equal to 4% of the technical provisions. A copy of the Statements was transmitted to the supervisory authority. As a consequence of the reduction of 0.25 percentage points in the technical rate decided by the Board of Directors, technical provisions increased by a further €49 million, a clear sign of the Fund's financial soundness.

The Board of Directors accordingly proceeded with its project for increasing benefits for Fund enrollees and retirees, using a part of the technical surplus.

The project calls for two actions:

a) increase in the guaranteed minimum (safeguard clause) in the case of redemptions and transfers;

b) increase in the amount of the pensions projected for enrollees during the pay-in period and of the actual pension benefit for members already retired.

The plan to increase benefits will be concluded with definitive approval by the supervisory authority, with two essential steps: modification of the Board of Directors' rebalancing plan and approval of the consequent statutory amendments by the Delegates Meeting.

Technical balance sheet, 31/12/2021

At 31 December 2021, the technical balance sheet, including the provision for supplementary assets equal to 4% of provisions, showed a **surplus of €195.6 million**.

Enrollees

Between 1 January and 31 December 2021 there were 268 new enrollments, 68 more than the previous year (128 agents who started their activity in 2021 and 140 with seniority of service who took advantage of the possibility of enrolling without paying the charge for the years of agency activity prior to their enrollment) plus 45 enrollments of agents who had stopped paying their contributions.

In 2021, 373 paying enrollees left the fund (of whom 96 definitive cancellations: 57 owing to redemption, 17 to transfer, and 22 to death).

As of 31 December 2021, contributing enrollees numbered 11,596, of whom 11,525 active agents, another 63 agents of retirement age voluntarily continuing to contribute, and 8 contributing retirees. The 11,588 non-retired enrollees comprised 9,116 men and 2,472 women.

Retirees and pension contributions

As of 31 December 2021 pensions being paid numbered 11,464.

In 2021 the regular yearly contribution – consisting of a base contribution plus an equal amount in supplementary contributions – amounted to €2,756, evenly divided between agent and insurance company. In 2022, consequent to the rise of 3% in the INPS consumer price index, the regular annual contribution was increased to €2,839 per agent/company account.

In addition to annual ordinary contributions, there may be supplementary contributions paid under Article 7, para. IV(c), of the Bylaws; these amount to a minimum of €310 (€155 from the company and €155 from the agent) and can be increased with no ceiling, at the discretion of and charged solely to the agent.

Contributions for operating expenses

In 2021, charges for operating expenses amounted to €164 per capita; for 2022 the Board of Directors decided to increase the amount of charges for operating expenses paid by enrollees to €172, while keeping the charge on retirees unchanged.

Delegates Meeting, 2022

The Delegates Meeting unanimously approved the financial statement and balance sheet for 2021, with an operating surplus of just over €59 million and a net return on assets of 5.93%. The Meeting also approved, unanimously, an amendment to the Bylaws to increase present and future pension benefits by utilization of over €70 million from the technical surplus, as proposed by the Board of Directors. The amendment must now be submitted to COVIP for definitive approval.

The Meeting also elected the members of the Fund's corporate bodies, re-appointing the members of the Board of Directors and the Board of Auditors, who thus have a further three-year term of office. The Directors are Francesco Libutti, Roberto Pisano and Guido Ferrara as representatives of the agents and Stella Aiello, Franco Ellena and Massimo Nicoletti as representatives of the insurance companies. The Auditors elected are Silvia Carofalo and Omero Martella as representatives of the agents and Giuseppe Alpestri and Roberto Munno as representatives of the insurers.

"MYSTERY SHOPPING" – IVASS DRAFT REGULATION

On 16 March 2022 IVASS posted for consultation its draft Regulation on outsourcing of so-called "mystery shopping" for purposes of consumer protection, pursuant to Article 144-bis of the Consumer Protection Code. In its role as consumer protection authority for the insurance industry, that is, IVASS has implemented Article 144-bis, with its rules governing activities of mystery shopping as a tool in support of supervisory evaluation of the market conduct of insurance companies and intermediaries. Further, the draft lays down implementing rules governing the ways in which the supervisory authority can outsource mystery shopping, the requirements for the third parties to which this activity is outsourced, and their duties and retribution.

ANIA took part in the consultation, submitting its observations to IVASS. The Association contended that a top priority for the industry is to specify the true purposes, and the objective and subjective perimeter that IVASS, in conferring the assignment, will specify for the mystery shopping outsourcer. In particular, ANIA emphasized the principle that mystery shopping should not be considered an instrument of supervisory inspection but must be seen as a means of inquiry to gain concrete knowledge of insurers' actual market practices, in order to design and promote correctives where effectively necessary.

That is, given the nature of mystery shopping – which cannot be described as supervisory activity according to supervisory rules – it is clear that the findings cannot lead directly to any disciplinary proceeding against a company "visited in incognito," much less to the levying of a sanction, where market conduct non-compliant with sectoral regulations is uncovered. This position is further justified by the fact that persons acting "under cover" not only do not qualify as civil servants and so are not subject to the stringent standards of conduct that apply to public employees and their equivalents, but are not even required to have any officially recognized or certified training in insurance such as to enable them to draft a report calling for inspections, much less sanctions.

We hope to see mystery shopping included properly in a regulatory framework that within the next few months will see the adoption of additional measures that the insurance industry has long been waiting for: an out-of-court arbitration system for the settlement of disputes between insurers, intermediaries and consumers, on the model of those already in being for banking (the ABF) and finance (ACF); and new rules on insurance companies' controls over the distribution network.

DELEGATED REGULATION (EU) 2021/1257: INTEGRATION OF SUSTAINABILITY FACTORS INTO THE PRODUCT OVERSIGHT AND GOVERNANCE REQUIREMENTS AND THE ASSESSMENT OF THE SUITABILITY OF INSURANCE PRODUCTS

On 2 August 2021 the *Official Journal of the European Union* published Delegated Regulations (EU) 2021/1257, amending Delegated Regulations (EU) 2017/2358 (on product oversight and governance for insurance undertakings and insurance distributors) and (EU) 2017/2359 (on disclosure requirements and rules of conduct for the distribution of insurance-based investment products) as regards the integration of sustainability factors, risks and consumer preferences into the product oversight and governance requirements.

Regulation 1257, which applies as of 2 August 2022, lays down that customers' sustainability preferences must be taken into consideration both in the product oversight and governance phase (POG) for all insurance products in general, and in the assessment of a product's suitability, with special reference to insurance-based investment products (IBIPs).

This initiative by EIOPA forms part of the European Commission's strategy for the formation of a sustainable finance framework, which already comprises:

- Regulation EU 2019/2088, the *Sustainable Finance Disclosure Regulation*, laying down disclosure requirements for the integration of sustainability risks and consideration of the adverse impact on sustainability in investment decisions and advice on insurance-based investment products. The Regulation, which went into force as of 10 March 2021, is scheduled to be fully phased in during 2023;
- Regulation EU 2020/852, instituting a sustainable finance taxonomy, a framework for determining whether economic activities can be considered eco-sustainable. Entered into effect on 1 January 2022, the Regulation provides for progressive, step-by-step implementation;
- Regulation EU 2019/2089, the *Benchmark Regulation*, amending Regulation EU 2016/1011 as regards EU climate transition benchmarks, EU Paris-aligned benchmarks and sustainability-related disclosures for benchmarks. The amendments go fully operational by 31 December 2022.

In addition, note that in the course of 2021 the relevant European supervisory authorities (EBA, EIOPA and ESMA), under the powers conferred on them by the SFDR, completed the relevant regulatory technical standards, with detailed provisions on the disclosure templates required by the SFDR. These templates shall accompany pre-contract and periodic disclosures concerning IBIPs that can qualify as "green." The text, now before the European Commission, will then be approved by the Parliament and the European Council.

In April 2022 EIOPA launched a public consultation on its guidelines for integrating customers' sustainability preferences into the assessment of suitability of insurance-based investment products. The draft guidelines offer guidance on how to help customers better understand the concept of sustainability preferences and their investment choices; on the collection of information on sustainability preferences from customers; on how to match customer preferences with products, based on the SFDR product disclosures; on when to assess sustainability preferences (i.e. only once the suitability of the product has been assessed according to the customer's knowledge and experience, financial situation and other investment objectives); and on the sustainable finance-related competences expected of insurance intermediaries and insurance undertakings who provide advice on IBIPs.

The European insurance industry participated in the consultation, acting through Insurance Europe (IE). In its response, IE noted that EIOPA's approach to the guidelines is considerably less flexible than that taken by the European Securities and Markets Authority (ESMA) in dealing with the same initiative. It is accordingly essential that the guidance allow insurance distributors enough room for maneuver to permit pragmatic and efficient implementation in the various EU markets, with a view to helping customers to make their sustainability choices in an appropriate manner.

Lastly, IE underscored the problems that European market participants will face in applying such sweeping guidelines in such a short time. The mere technical implementation alone would suggest at least deferring the application date to 1 January 2023, in concomitance with those of the SFDR.

UPDATING OF POG IN THE LIGHT OF NEW VALUE-FOR-MONEY PROVISIONS

ANIA's study paper on the product oversight and governance process (POG) has been updated in order to take account of the new safeguards introduced by IVASS Regulation 45/2020 on POG for insurance products and by CONSOB's Intermediaries Regulation. The latter, in Book IX – on disclosure requirements and rules of conduct for the distribution of insurance-based investment products – envisages, in Title V, a special set of rules on IBIPs for authorized insurance distributors (banks, financial intermediaries, Poste Italiane).

The update, while maintaining the provisions of the 2018 edition, offers operational suggestions, without prejudice to the principle of entrepreneurial freedom for insurers, hence their independent determination of the most effective instruments for applying and implementing the POG safeguards.

Under the proportionality principle, in adopting these instruments consideration must also be given to the company's structural characteristics (dimensions and complexity of activities), the type of distribution channels used, the product catalogue, corporate culture and tradition, business objectives (industrial plans) and the models adopted. The latter must be such as to serve customers' needs over the entire product life cycle through the phases of product design, marketing, oversight and governance (i.e. the complete POG process).

This will also avoid, or prevent, possible harm to customers' interests and will ensure proper management of any conflicts of interest by the distribution network.

After an introductory section tracing the history of the regulations in this matter, the paper analyzes the various phases of the POG process: product creation, testing, choice of distribution channel, monitoring of product and of the distributor's activity, and any remedial action by the producer, separately for major categories of insurance product (motor, non-motor non-life, life, and IBIPs).

An especially significant aspect of the IVASS regulation is the introduction of the concept of "value for money," as part of the testing of insurance products. That is, the value attributed to the product when it is marketed must be suitable, and it must be guaranteed continuously through regular monitoring of the product.

The analysis of the POG process, that is, has been integrated with the findings of ANIA's working groups on the issue. These studies serve to describe the context, the presuppositions and the variety of possible indicators that insurers, during product testing, may consider in determining the value of a product for the customer. At the same time the European reference framework too has been updated, reflecting the greater attention now paid to value for money as regards insurance products.

IVASS MEASURE 111/2021 FOR MITIGATION OF MONEY LAUNDERING AND TERRORIST FINANCING RISK

Gazzetta Ufficiale No. 176, 24 July 2021, published IVASS Measure 111/2021, of 13 July, laying down provisions on procedures for money laundering risk mitigation, to determine the size and organizational characteristics that require obliged persons to institute the anti-money-laundering (AML) and internal audit functions and name an AML officer and a suspicious transaction report (STR) officer. The Measure went into effect as of 25 July 2021.

The definition of "obliged persons" includes insurance intermediaries doing life insurance business and entered in section A, B, or D of the Single Register of Insurance Intermediaries (RUI) and equivalent EU insurance intermediaries included in the list annexed to the Register.

IVASS made application of the new requirements subject to specific size and organizational characteristics (for insurance companies and intermediaries), setting thresholds above which intermediaries (too) must institute the AML and internal audit functions, appoint officers heading those functions, and name an officer for STRs.

Agents and brokers must institute the AML function when they have both of the following characteristics:

1) 30 or more employees or collaborators entered in Section E of the RUI; and

2) distribution of insurance products generating gross written premium volume of more than €15 million.

Agents and brokers operating as individual enterprises are not required to name an AML officer, as they themselves perform this duty when, exceeding the foregoing size thresholds, they are required to institute the AML function.

Agents and brokers must institute the internal audit function when they are organized as companies and have both of the following characteristics:

1) 100 or more employees or collaborators entered in Section E of the RUI; and

2) distribution of insurance products generating gross written premium volume of more than €20 million.

The obligation to institute the AML and internal audit functions and appoint an STR officer applies only when these thresholds are exceeded for at least two consecutive years.

For initial application of the new rule, insurance companies notified agents and brokers of their premium income data for 2019 and 2020, enabling them to effect their assessments and take any action required, notifying IVASS by 30 November 2021 and, once the rules are fully phased in, by 30 September every year.

If agents or brokers are not above the threshold making institution of the AML function mandatory, they are nevertheless required to specify their policies in this regard, describing the roles and duties of the persons involved in managing AML risk, handling information flows with the competent functions of the insurance companies for which they act, monitoring the conduct of employees and collaborators, and detailing the process instituted as regards the modality, frequency and instruments of reporting, customer due diligence, mode of data collection and storage, and professional training and updating.

As a minimum, the requisite organizational and operational measures should name one or more reference persons to monitor external rules and define internal rules, to circulate the relevant documents (policy, analytical document, circulars, operational manuals), to organize training, and to draft internal reports. Human resources should be properly assigned in relation to lines of business (saving/investment, protection, retirement provisions), customer type (individuals, companies), and transaction amount.

The checks conducted should at least identify one or more reference persons for the controls (single or sample; daily, weekly or monthly; possibly with a checklist) on compliance with rules of conduct and the instructions of the principal (the insurer), and reports on these checks. If the checks reveal shortcomings or anomalies, adequate corrective measures must be taken.

Further, these insurance intermediaries are called on to institute a detailed procedure, under the proportionality principle, for suspicious transaction reports, including through suitable instructions from the principal to ensure uniform conduct, application throughout the entire structure, full utilization of the relevant information and traceability of the assessment process, confidentiality of the STRs, and instruments, including information technology, to detect anomalous transactions and transmit them to the principal insurer and to Italy's Financial Intelligence Unit.

These organizational and operational measures must be implemented in compliance with the provisions of the agency mandates (or instructions) and free collaboration contracts.

Where, instead, agents and brokers do have characteristics requiring institution of the AML function, they must adopt strategic guidelines, corporate policy and an analytical AML document, taking account of the matters governed in their distribution agreements with the insurers. This provision is quite similar to that for agents and brokers below the obligation threshold; the difference is that for the latter only organizational and operational measures are asked for, whereas for the former reference is to higher-level actions (guidelines, policy, analytical document).

Finally, insurance intermediaries listed in Section D of the RUI must institute safeguards, controls and procedures governing the distribution of life insurance products that comply with the "provisions on internal organization, procedures and controls intended to prevent the use of intermediaries and other persons performing financial activities … for the purpose of money laundering and terrorist financing," issued by the Bank of Italy pursuant to Legislative Decree 231/2007, Article 7.1. These intermediaries are also required to notify their principal insurance company of any STRs, including those already transmitted to the FIU, and must inform the insurer of any report on the same customer. Such transactions are those in which premiums are paid in cash or in securities already reported independently by the bank, investment firm, post office, or other financial intermediary.

Insurance intermediaries entered in Section D of the RUI must also factor the money-laundering risk in connection with the distribution of life insurance products into their overall annual self-assessment of risk in compliance with the provisions of the Bank of Italy. In this context, insurance business is to be treated as a separate business line subject to AML/ATF risk assessment.

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THE CONDUCT OF INSURANCE BUSINESS

SOLVENCY II

THE 2020 SOLVENCY II REVIEW: STATE OF THE ART

On 22 September 2021 the European Commission adopted the package of proposals for amendment to the Solvency II regulation, i.e. Directive 2009/138/EC, in force since 1 January 2016. The measures proposed are the end-product of a process lasting over two years, during which the Commission availed itself of the technical advice of EIOPA – set out in its "Opinion on the Solvency II 2020 Review" released on 17 December 2020 – and the feedback from the European insurance industry in the various phases of the consultation and the impact assessments.

After weighing EIOPA's technical proposals, the Commission published the draft proposals for modification of the present regulatory framework, opening the usual brief consultation (the "better regulation" procedure), which was concluded on 12 January 2022. ANIA contributed to the consultation both as part of the working groups of Insurance Europe and with a response of its own, centering on the issues of greatest interest to the Italian insurance market.

The observations submitted during the consultation were presented to the European Parliament and the Council, initiating the standard codecision procedure. In March the Parliament's Economic and Monetary Affairs Committee began work with a first public hearing on the issue, while the Council, under French presidency, agreed on its position on 17 June.

Days earlier, on 13 June, the Economic and Monetary Affairs Committee had released a proposal for a report on the revision of the Solvency II Directive and a proposal for an Insurance Recovery and Resolution Directive (IRRD).

The Parliament should vote on the Solvency II Directive by the end of 2022. The last stage of talks – through the "Trilogue" of representatives of the Council Presidency, the Commission and the Parliament – should be held in early 2023. Once agreement is reached the definitive text will be published in the *Official Journal of the European Union*.

The Solvency II review also included continuation of the work on revision of the reporting and disclosure requirements, centering on modification of the implementing technical standards (ITS). This process followed a separate, more rapid if parallel course, in order to ensure implementation of some major modifications already under current regulations rather than wait for the conclusion of the entire review process.

On the same day as its Opinion, in fact, EIOPA also published its paper on quantitative reporting templates, subsequently opened for a consultation starting 23 July and terminating 17 October 2021. The output of the consultation and the feedback from an ad hoc workshop organized by EIOPA itself in December led to the publication, on 31 March 2022, of the draft amendments to the ITS. The draft will be evaluated by the Commission for three months, extendable for another month. In the absence of opposition, the approval of the Parliament and the Council is expected by 31 July 2022.

The Commission's proposed amendments

The package of proposed amendments to the Solvency II regulations consists in:

- a legislative proposal, to amend the Solvency II Directive;
- a communication on the review of the Directive with indications on the second-level measures that will be adopted at a second stage;
- a legislative proposal for a new Insurance Recovery and Resolution Directive, IRRD.

As regards the proposal for amendment of the Solvency II Directive, the main measures concern: i) Long Term Guarantees; ii) the standard formula; iii) the valuation of technical provisions; iv) the proportionality principle; v) reporting; vi) macroprudential instruments; and vii) amendments relating to the European Green Deal.

A number of the proposals for modification of the LTG measures relate to the volatility adjustment; broadly in line with the Opinion of EIOPA, they are intended to: i) raise the General Application Ratio from 65% to 85%; ii) introduce a credit spread sensitivity ratio (CSSR) based on the characteristics of the undertaking's asset and liability portfolios;(1) iii) change the method for calculating the national component and activation conditions (the so-called "macroeconomic" VA). The detailed methodology for calculating the risk correction is deferred to Level 2 (delegated acts).

As to the extrapolation of the risk-free interest rate curve, the modifications bear both on the principles and on the extrapolation methodology. The provision is for a linear phase-in mechanism (unlike EIOPA's proposal) for the convergence parameter, to be applied through 2031. The definitive parameter, still to be finalized, will apply starting 1 January 2032.

As to the changes to the standard formula, details of which are deferred to Level 2, the Commission is weighing the possibility of reviewing the delegated regulation, in a position quite close to the EIOPA Opinion, in order to: i) modify (with a 5-year phase-in mechanism) the calculation methodology for the interest rate risk sub-module;(2) ii) enhance accessibility of the eligibility criteria for the class of long-term equity assets introduced by Delegated Regulation (EU) 2019/981, Article 171-a; iii) lower the parameter of correlation between spread risk and interest rate risk.

(1) In contrast with the EIOPA proposal, the Commission does not institute an application ratio based on the undertaking's liquidity characteristics (ex-AR 5).

(2) With some differences with respect to EIOPA's technical opinion as regards the shock to the extrapolated portion of the curve.

On internal models, the Commission confirmed the introduction of the enhanced property principle for those using the dynamic volatility adjustment. The principle is that the insurer shall apply the higher solvency capital requirement between that calculated using the value adjustment based on the EIOPA reference portfolio and that valued using the undertaking's own portfolio.

On the instruments for valuing technical provisions, the package anticipates several desirable future changes to the risk margin: modifying the calculation mechanism on the basis of the so-called *lambda* approach proposed by EIOPA and reducing the cost of capital rate from 6% to 5%.

The measures for simplification and proportionality further provide for: i) raising the threshold for exclusion from the scope of Solvency II;(3) ii) defining the classification criteria for a new category of low-risk profile undertakings/groups and the measures to be taken (exemptions and/or simplifications in the areas of reporting, governance, ORSA, macroprudential measures, and the standard formula). Apart from simplified reporting requirements for these undertakings and groups, the legislative package also makes changes to the structure of the Solvency and Financial Condition Report (SFCR) and auditing and disclosure requirements.(4)

As to second pillar measures and macroprudential instruments, the main proposals concern: i) inclusion in the ORSA and in the prudent person principle of assessments of the impact of plausible macroeconomic and financial developments and those deriving from climate change risk(5) on the insurer's risk profile, business decisions and solvency needs, as well as of the impact of the undertaking's own activities on market drivers; ii) new requirements for liquidity management and planning; and iii) new powers of intervention for the supervisory authorities where vulnerabilities are not adequately addressed or in order to maintain solvency of undertakings in exceptional circumstances (imposing a temporary freeze on life policy surrenders or suspending or limiting dividends).

Further, the Commission has asked EIOPA for some assessments in keeping with the European Green Deal objectives, including an exploration, by June 2023, of the possible prudential treatment of exposures in relation to investments and business activities associated with environmental and/or social objectives and the possibility of regular review of the scope and calibration of the parameters of the standard formula as regards NatCat risk.

(3) The threshold for gross annual premiums from €5 million to €15 million; total technical provisions, from €25 million to €50 million.
(4) Additional modifications form part of the process of revising the implementing technical standards (ITS).
(5) The change envisages the introduction of a new article requiring analysis and identification of all material exposures to climate change risk (with assessment of the impact of long-term scenarios on business in case of significant exposures).

Lastly, the legislative proposal suggests some additional measures bearing on supervisory quality, supervision of groups, and cross-border activities.

As to the proposed Insurance Recovery and Resolution Directive, the Commission sets the objective of creating a uniform framework at European level so as to make sure that insurance undertakings and authorities have the means to intervene in timely and rapid fashion in situations of crisis, including cross-border crisis, to protect policyholders, minimizing the impact on the economy, the financial system, and taxpayers.

While it takes as reference the Bank Recovery and Resolution Directive and the Central Counterparty Recovery and Resolution Directive, the IRRD also reflects specific features of the insurance industry and its prudential framework. The text must be transposed by the Member States within 18 months from its entry into force.

The IRRD measures concern: i) the designation by each Member State of national resolution authorities (the central bank, competent ministries, public administrative authorities or others endowed with public administrative powers); ii) design of preventive instruments and powers, complementary to the interventions envisaged by the Solvency II regime to ensure that national supervisory authorities are in a position to deal effectively with deterioration in financial positions or violation of regulatory requirements on the part of insurers and reinsurers without having to introduce new intervention thresholds; iii) conferring on the national resolution authorities of instruments for resolution and harmonized powers to take rapid and effective action when it is not possible to avoid the failure of a (re)insurance undertaking; iv) measures to guarantee effective cross-border cooperation between national resolution authorities.

ANIA's response to the Better Regulation consultation

As noted above, ANIA contributed to the consultation both as part of the working groups of Insurance Europe and with a response of its own, centering on the issues of greatest interest to the Italian insurance market.

The Association maintained the following positions:

- volatility adjustment: in line with the EIOPA approach, elimination or reduction of the procyclical elements in the Commission's risk-correction proposal, by modifying the latter's parameters so as to take account of "exceptional" circumstances in which insurers' portfolio spread is more than twice the long-term average.
- Interest rate risk in the standard formula: setting a realistic, rising floor to make sure that the new method for calculating the capital requirement for interest rate risk takes account of the effective dynamic of rates in negative rate scenarios.
- Long-term equity assets: less restrictive eligibility criteria for favorable treatment, in particular with regard to the requirements on liability duration, to permit shorter-term application.

- Internal models: elimination or reduction of the new requirements for insurers using internal models, including the enhanced prudency principle, because it results in an excessive, unjustified increase in operating and computing costs.

Draft amendments to the implementing technical standards for reporting and disclosure

These amendments complement and refine the proposals set forth in the "Report on quantitative reporting templates" released 17 December 2020 on the occasion of the publication of EIOPA's Opinion on the Solvency II review process, drafted following two earlier consultations.

The proposed amendments comprise: i) simplification of the quarterly report; ii) elimination of some models; iii) new risk-based thresholds in order to make the reporting and disclosure requirements more proportionate and risk-based.

The draft would amend the consultation document as follows:

- defer by one year the entry into effect of the new ITS, making them applicable in 2024 with reference to YE 2023 (for the annual report) and Q4 2023 (for quarterly reporting);
- extend to two years the reference period for verification of compliance with the proportionality thresholds for compilation of the QRT at solo and group level;
- eliminate some solo and group templates, including the solo templates for premiums, claims and expenditures by country, those on transactions in derivatives and on guarantees on variable yields;
- introduce some new templates, including: investments exposed to climate change risk (S.06.04), composition of non-life obligations, the cyber underwriting cycle, and various templates for internal models;
- introduce new risk-based thresholds in relation to proportionality requisites;
- modify the scope of reporting addressed to financial stability, among other things by introducing several templates for liquidity risk and one for the duration of technical provisions.

Some of the changes introduced in December 2020 with the "Report on quantitative reporting templates" remained unaffected by the consultation. Among the more important are:

- the retention, unchanged, of the template on premiums/revenues to be compiled according to IFRS 17 standards;
- introduction of the template for non-life policies to provide information product-by-product, as is already done for life insurance;
- introduction of the template on the impact of LTG and transitional measures, including data on the SCR and the minimum capital requirement (MCR).

ANIA'S INITIATIVE ON SOLVENCY II FINANCIAL STATEMENTS

The Solvency II regime requires, starting with the data available at 31 December 2016, that insurers issue a public Solvency and Financial Condition Report (SFCR) providing information on a mass of data on the technical results, governance, internal control systems and capital management of insurance and reinsurance undertakings and groups.

Against this background, in 2016 ANIA launched a project to support insurers, initially envisaging an online forum for the original preparation of the SFCR and an analysis of the qualitative and quantitative reporting to be included in the Reports, in order to highlight the differences and the good practices of the market.

Given the importance of this initiative, in the course of the years ANIA SAFE decided to renew the project.

The analysis of the data at 31 December 2020 is based on a sample of 95 Italian insurance companies that account for over 99% of total premiums, including both solo reports and those forming part of "single" reports. It also covered the group reports of the 18 Italian insurance groups and those of the 40 largest European groups.

With respect to previous exercises, the scope of the information was extended, both for solo insurers and for groups; for example there was a focus on the information produced in response to the Covid-19 health emergency, based partly on supervisory interventions. In fact, EIOPA treated the situation created by the pandemic as a "major development" and in March 2020 expressly invoked the applicability of Article 54 (1) of the Solvency II Directive, hence the need for disclosure to encompass all relevant information on its effects.

As this was the initiative's fifth year, it was possible to make a comparative analysis of last year's information with the data available at the end of each year from 2016 through 2019. With the years, insurance companies consolidated their proficiency in Solvency II disclosure. This is confirmed by the trend in the depth, timeliness and consistency of the information provided with respect to the expectations of the insurance regulator.

Quantitatively, the data for 2020 show a rise in the solvency ratio – the ratio of eligible own funds to the Solvency Capital Requirement – to 240% for the entire market (9 percentage points higher than a year earlier). The Italian ratio is higher than those of the United Kingdom (156%), the Netherlands (187%), Belgium (201%), and Spain (239%) and almost on a par with France (244%). Among the major countries, the leader continues to be Germany, with a solvency ratio of 296% (edged out overall by Cyprus with 297%).

As to the risk modules that determine the overall requirement, the most important is again market risk, whose weight in the Basic SCR was unchanged at 78%.

The diversification benefit between modules remained practically unchanged at -21%; the weight of the adjustment for the loss-absorption capacity of the technical provisions increased (+4%), while that of deferred taxes was unchanged, with a downward effect of the two adjustments on the SCR that came back to 27%, as in 2018.

The undertakings using the volatility adjustment (VA) numbered 64, 2 fewer than in 2019; the average benefit for the solvency ratio was 10 percentage points, slightly more than in 2019 but considerably less than in 2018, when it was 20 points. Two insurers applied, in addition to the VA, also the transitional measures on technical provisions.

Total assets in the Market Value Balance Sheet once again exceeded one trillion euros, rising to €1,088 billion at the end of 2020 from €1,019 billion a year earlier. As in previous years, financial investments accounted for more than 75% of this; government securities were valued at €430 billion, up €30 billion.

For Italian insurance groups too, the rise in the market solvency ratio continued in 2020 (228%, up from 225%).

With regard to the main European groups, in general there was greater recourse to the transitional measures and to the matching adjustment, with variable effects on the solvency ratio.

THE 2021 EIOPA STRESS TEST

On 16 December EIOPA published the results of its 2021 stress test, conducted from May through August 2021, involving 44 European insurers (43 groups and one stand-alone undertaking) in 20 Member States, which account for some 75% of European insurance assets.

The stress test posited a scenario developed in collaboration with the European Systemic Risk Board (ESRB), considering the possible evolution of the Covid-19 pandemic in a “lower for longer” interest rate environment.

The scenario posited a series of specific market and insurance shocks, with a “double hit” effect (of opposite sign, on interest rates and on the risk premiums of the main asset classes) on the solvency balance of insurance undertakings at 31 December 2020 and, for the first time, on their liquidity position (in the first quarter of 2021).

The results demonstrate that notwithstanding the serious economic and financial implications of the pandemic, the European insurance industry reconfirmed its soundness and its capacity to absorb severe shocks as regards both capital management and liquidity management.

Further, comparing the two approaches envisaged – i.e. either with or without the possibility of resort to reactive management actions (RMA) – the test showed that the industry is endowed with solid, effective instruments for dealing with unfavorable economic and market developments.

On 20 January IVASS issued a press release on the aggregate results of the stress test for 12 Italian insurers (four involved at the European level and eight to which IVASS extended the test at national level). They were basically in line with the European sample as regards both the capital and the liquidity components.

As in the European test, moreover, no Italian insurer had a ratio of assets to liabilities of less than 100% in either approach.

As in the previous years' EIOPA stress tests, in collaboration with a consulting company ANIA conducted the collection, aggregation and analysis of the results for Italy, releasing the findings on 15 December.

INTEGRATION OF SUSTAINABILITY CRITERIA IN SOLVENCY II

In the second half of 2021 and early 2022, EIOPA continued its work to integrate environmental risk, and climate change risk in particular, into the Solvency II framework. The European Union's commitment to a rapid and efficacious transition to sustainability objectives began with is adherence to the Paris Agreement of December 2015 and continued through the Action Plan to finance sustainable development (March 2018) and the European Green Deal in December 2019.

The first step towards the extension of the Solvency II framework to sustainability issues came in July 2018 with the European Commission's call to EIOPA for technical advice, followed on 30 September 2019 by the publication of its Opinion on Sustainability within Solvency II. The Opinion called on insurance undertakings to consider climate risks within a one-year time horizon through their governance systems, risk management systems and their Own Risk and Solvency Assessment (ORSA), insofar as these risks were not adequately taken into account in the existing Solvency II capital requirements.

On the basis of the Opinion, both the Commission and EIOPA began work to strengthen selected parts of the three pillars of Solvency II: quantitative requirements; organizational requirements; and reporting requirements. To date the Commission has worked only on the first two pillars:

- Pillar I: i) request to EIOPA for technical advice on differentiated prudential treatment of sustainable investments; ii) mandate to EIOPA for regular review of the parameters for calculating the capital requirement on natural catastrophe, both to be completed by the end of June 2023.
- Pillar II: modifications of the Solvency II delegated acts so as to: i) integrate sustainability risks into insurance undertakings' governance,

applicable as of 2 August 2022;[6] ii) proposed amendment to the Solvency II Directive to introduce assessment of the materiality of climate risk in ORSA.

As for the insurance regulator itself, EIOPA developed proposals relating to all three pillars:

- Pillar I: it analyzed and weighed the possibility of integrating climate change risks into the standard formula, specifically: i) into the NatCat risk module;[7] ii) into the underwriting and pricing module for non-life companies.[8]
- Pillar II: it held a consultation to develop a guide to application of the assessment of climate risk materiality in ORSA.[9]
- Pillar III: it presented to the Commission a draft of amendments to the ITS,[10] which supplement the Quantitative Reporting Template (QRT) with requests for information on ESG-compliant assets.

For the future, EIOPA is also weighing the idea of including a climate change risk component in the next stress test, on the basis of the paper, published on 28 January 2022, laying down the methodological standards for insurance stress testing focused on climate risk.

The integration of environmental risks into Pillar I

For Pillar I, in integrating environmental risks EIOPA concentrated on the non-life underwriting module and market risk components. On non-life underwriting risk, the main developments were:

Pricing and reservation risk:

- EIOPA's "Report on non-life underwriting and pricing in light of climate change" (8 July 2021) emphasized that non-life insurers in particular need to include climate change risks in their pricing policies and underwriting process, possibly by strengthening the adjustment[11] and mitigation[12] measures as regards those risks. Given the prospect of increasing climate change risk and the consequent increase in the frequency and intensity of the damage it will cause, current practices,[13] in the Authority's view,

[6] Delegated Regulation (EU) 2021/1256 amending Delegated Regulation 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings (21 April 2021).
[7] Methodological paper on potential inclusion of climate change in the Nat Cat standard formula (8 July 2021).
[8] Report on non-life underwriting and pricing in light of climate change (8 July 2021).
[9] The definitive text is scheduled for release at the end of June 2022.
[10] EIOPA released its draft amendments to the implementing technical standards on 31 March 2022.
[11] Preventive actions (by insurer or insured parties) to limit the effects of climate change on insured losses.
[12] Actions (by the insured or the insured party) to limit greenhouse gas emissions.
[13] For the most part short-term contracts with annual review.

would entail the risk of a progressive rise in premiums, in the long run making them unsustainable both for insurance companies and for prospective policyholders.

- Data collection from 6 April to 1 June 2022, centering on pricing or premium risk, on whose basis EIOPA will weigh the possibility of differential prudential treatment depending on the presence or absence of measures of adjustment and mitigation[14] and issue a draft report at the end of the year.

Natural catastrophe risk:

- in its "Methodological paper on potential inclusion of climate change in the Nat Cat standard formula" (8 July 2021), EIOPA points out the need to develop a methodology for integrating climate change into the standard formula risk submodule, define a series of methodological steps, consider the need for more frequent parameter recalibration, and further study the inclusion of emerging risks like fire and drought.
- In its "Discussion paper on physical climate change risks" (20 May 2022), EIOPA further develops the work on analysis and assessment of climate risk that began on 15 December 2020 with the publication of a sensitivity analysis of the transition risks in European insurance undertakings' investment portfolios; the new paper presents the initial findings of a data collection exercise performed in 2021. The paper focuses on real estate, examining the risks considered to be most significant from both the present and the long-term perspective, such as storm risk, forest fire risk, and flooding risk. Although the results indicate that the sample insurers have the capacity to handle the claims deriving from these three main types of natural catastrophe, EIOPA holds that maintaining this capacity to provide financial protection from the consequences of natural catastrophes will depend on their ability to gauge the potential impact of climate changes and adopt their corporate strategies.

Turning to market risk, already in its "Opinion on sustainability within Solvency II" EIOPA had responded to the Commission's request to check the adequacy of the capital requirements of the market risk submodule, focusing on equity risk, real estate risk, and spread risk. The Opinion failed to find sufficient grounds for differential prudential treatment of "sustainable" assets and suggested further study on the basis of more granular data.

On the occasion of the publication of the proposal for amendment to the Directive, the Commission mandated EIOPA to start additional study to assess the adequacy of the capital requirements against sustainable investments and assets and to produce, by June 2023, an opinion on possible special prudential treatment of such exposures.

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(14) Based on the classification and definitions of the EU Taxonomy Climate Delegated Act (in effect from 1 January 2022).

The integration of environmental risks into Pillar II

For Pillar II, EIOPA's work on integrating environmental risks concentrated on governance and ORSA. In particular:

- with the amendments in July 2021 to Delegated Regulation 35,[15] applicable as of 2 August 2022, the Commission requires insurance companies: i) to identify and assess significant sustainability risks for their business (climate risks in particular) and integrate them into the calculation of the undertaking's overall solvency capital requirement; ii) to include sustainability considerations in their risk management policies; iii) to integrate sustainability risks into the assessment of uncertainty relating to the estimates made in calculating technical provisions; iv) to extend the "prudent person principle" to embrace sustainability risks in the assessment of the safety, quality, liquidity and profitability of the portfolio and of the long-term impact of the investments (reflecting, where relevant, the ESG preferences of policyholders and beneficiaries; and v) to disclose information on the consistency of compensation policy with the integration of sustainability risks.
- With its "Opinion on the supervision of climate change risk scenarios in ORSA," issued in April 2021, EIOPA called on companies: i) to include an assessment of the materiality of climate change risk, both short-term and long-term, in ORSA ; ii) to calculate risks under at least two long-term climate change scenarios (rise in global temperatures of less than/more than 2° C.); iii) to determine the materiality of exposures to climate change risk by a combination of quantitative and qualitative analyses, explaining any findings of non-materiality; and iv) to include the results of these analyses in their supervisory reporting.

Following up on this Opinion, in December EIOPA launched a public consultation, followed by two specific workshops to produce application guidance for gauging materiality in the EIOPA scenarios. The guidance: i) defines the scope of application and the risks subject to analysis, as well as mapping the drivers of climate change risk with respect to the traditional types of risk contemplated by Solvency II (market, counterparty, underwriting, operational, reputational, and strategic); ii) gives indications on the assumptions to make in assessing the materiality of climate risks, both quantitative and qualitative; iii) gives practical examples of application. Publication of the final text is scheduled for June 2022.

The integration of environmental risks into Pillar III

For Pillar III, EIOPA concentrated mainly on modifying the Quantitative Reporting Templates (QRTs). In particular, in March 2022 EIOPA submitted to the Commission its draft amendments to the Implementing Technical

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(15) Enacted with Delegated Regulation (EU) 2021/1256.

Standards in the framework of supervisory reporting and disclosure requirements. Among other things, the amended standards would include a specific new template and an additional information requirement in the template on the undertaking's assets exposed to climate change risk.

The EIOPA amendments would require insurers to report, for their portfolio investments, the first four digits of the NACE code, indicating the economic sector of the investee entity and the portion of these assets in total assets, distinguishing investments exposed to physical risk (based on location of the building or property) and transition risk (based on economic sector).

The draft amendment, published on 31 March, is currently under evaluation by the Commission, which has three months, extendable for one additional month, to approve it.

Methodological principles of insurance stress testing, focus on climate risk

With reference to insurance stress testing, on 27 January 2022 EIOPA issued the third in a series of papers on methodological principles of insurance stress testing, this one with a focus on climate risk.

The paper is intended to design a common conceptual approach to the assessment of insurers' vulnerability to climate change risk in adverse scenarios, in the light of the increasing importance of this risk in the insurance industry and of the objectives of sustainable finance set by EIOPA in its plan of activities for 2022-2024.

The paper: i) formalizes the definitions of climate change risk (physical risk and transition risk) and its transmission channels; ii) sets out the objectives of a stress test to investigate the impact of the risks in connection with climate change; iii) analyzes the modalities for developing stress test scenarios (general principles, technical specifications, granularity, time horizon); iv) gives indications as to possible alternative approaches to modelling these risks and shocks; and v) identifies potential assessment metrics.

METHODOLOGY FOR INTEGRATION OF CLIMATE CHANGE RISK INTO SOLVENCY II

Since the beginning of work on integrating sustainability risk into the Solvency II framework, EIOPA has called on insurance undertakings – and therefore also on supervisory authorities – to improve their approach to the assessment, monitoring and management of environmental risk, with special attention to global warming and climate change.

In light of the present state of methodologies, the scientific literature and the quantity and quality of the data available, EIOPA considers that the best approach is the combined application of Pillar II measures with ad hoc sensitivity analyses and stress testing. EIOPA accepted the Commission's request to produce a technical opinion, by the summer of 2023, on the differentiation of the treatment of investments depending on their sustainability characteristics.

EIOPA then, in its recommendations, called on insurers to integrate climate change risk, in the short and especially in the long term, into their system of governance, their risk management and the ORSA process and to treat it like all the other risks to which insurance undertakings are or could be exposed. They were also asked to carry out the necessary assessments to determine the degree of materiality of the exposure. At the same time, EIOPA pledged to support insurers in this process by developing a set of methodological standards (to be applied both by the insurance companies themselves in their internal assessments and by the supervisory authority in its periodic stress tests) and suggestions for application (through guidance and ad hoc seminars).

In short, EIOPA's approach to integrating climate risks into the regulatory framework is based essentially on three elements: i) the clear identification of their drivers and transmission channels; ii) their "translation" into Solvency II-compliant prudential risks; and iii) the formulation of methodologies for assessment and measurement.

In developing the methodologies, the authority set the further objective of alignment with the work in the same field being done by other international organizations, such as the International Association of Insurance Companies, the Network of Central Banks and Supervisors for Greening the Financial System, and the Global Federation of Insurance Associations.

Climate change risk and its transmission channels

First of all, in gauging the impact of climate change on the insurance industry, EIOPA distinguishes between financial impact and insurance impact properly so called. Analysis indicates that climate change is not only a major source of risk for the financial side of the insurance business (mainly in the form of market and credit risk in relation to portfolio assets) but also a significant source of risk in terms of insurability (affecting insurance products), carrying implications for the protection gap between the magnitude of total and of insured losses.

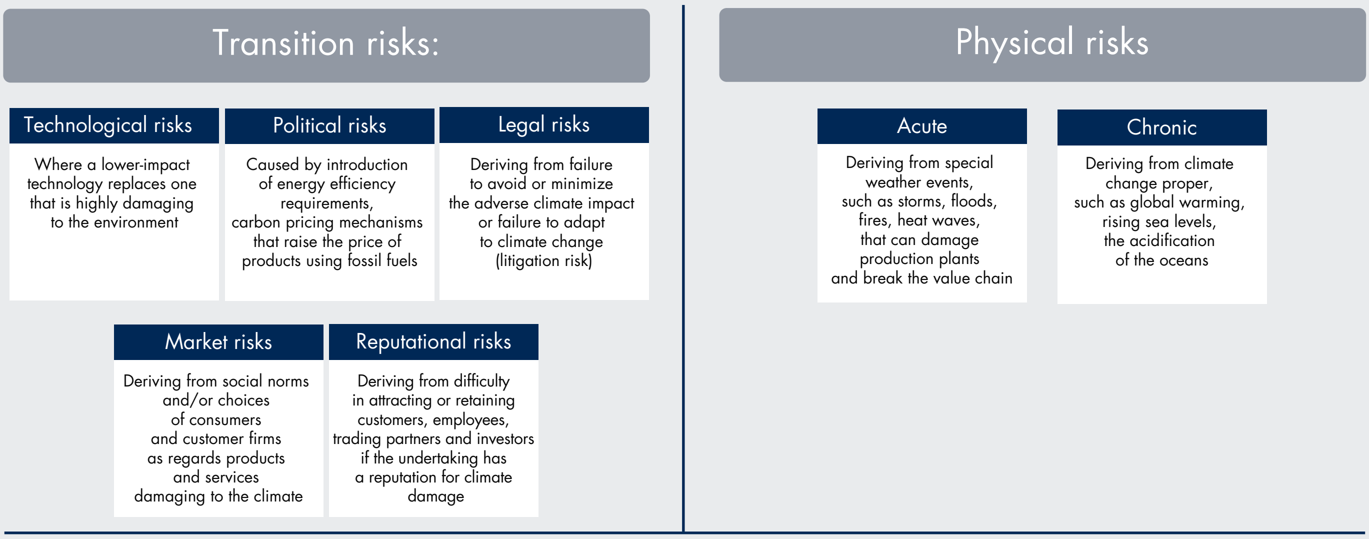
Climate risk, further, can take the material form of physical risk or of transition risk.

Physical risks consist mainly in the potential economic cost and financial loss stemming from the direct impact of increasingly frequent and severe extreme events such as i) weather-related events like heat waves, landslides, flooding, wildfires, storms or ii) climate change properly speaking, such as global warming, rising sea levels, the acidification of the oceans.

Transition risks, instead, are the risks arising in connection with the adaptation to a low-carbon economy according to the Paris Agreement objectives. This process, in fact, may result in the devaluation of some types of asset or of "carbon-sensitive" sectors; it may also have negative impacts induced by policy or regulatory developments or changes in consumer preferences and sentiment.

Both physical risks and transition risks can be further broken down. For the former, we can distinguish between chronic and acute risks, while the latter can be divided into technological, political, legal, market and reputational risks (Figure 1).

Figure 1 – Objectives and modeling of climate change risk in stress testing



In EIOPA's view, a stress test on climate change should follow the same general principles as traditional stress tests, with the same micro- and macro-prudential objectives (see "Methodological principles of insurance stress testing – Climate change component"). However, by comparison with stress tests not involving climate risks, such an exercise needs to have a longer time horizon in view of the long-run , forward-looking nature of these risks. And it needs a more exploratory approach to investigate the possible implications for insurers' business models and spillover effects, given the relative lack of data for the creation and interpretation of quantitative models.

EIOPA further recognizes that the standard approach of the academic literature, and hence of supervisory practice, is to treat physical and transition risks as independent of one another. However, it considers it important to take account of the interrelations between their effects.

With a view to the trade-off between the benefits and disadvantages of the two approaches (the latter above all in terms of operational costs and complexities), EIOPA believes that at present the best level of aggregation for a bottom-up climate stress test would consists at least in assessment of impacts according to economic sector and with shocks calibrated, where possible, at national and regional level.

More in detail, the authority proposes to define multiple scenarios distinguished as follows:

- by sector of exposure in corporate bonds, shares and real estate;
- by nation of exposure to government securities;
- by region, according to specific factors linked to the climate, such as temperature and levels of emission.

EIOPA essentially considers the following approach to be appropriate:

- mid-term time horizon (15-30 years);
- instantaneous shocks to balance sheet on reference date;
- exercise distinguishing between: fixed balance sheet and dynamic/constrained balance sheet, i.e. applying and not applying reactive management actions (RMA);
- collecting qualitative information on evolution of impact of climate change on the insurance business model;
- forward-looking assessment to capture effects of RMA.

As to modelling these risks, EIOPA offers a broad range of examples to utilize, depending on the types of risk to be included in the assessment, and of indications on the metrics to use: balance-sheet, profitability, and other technical indicators.

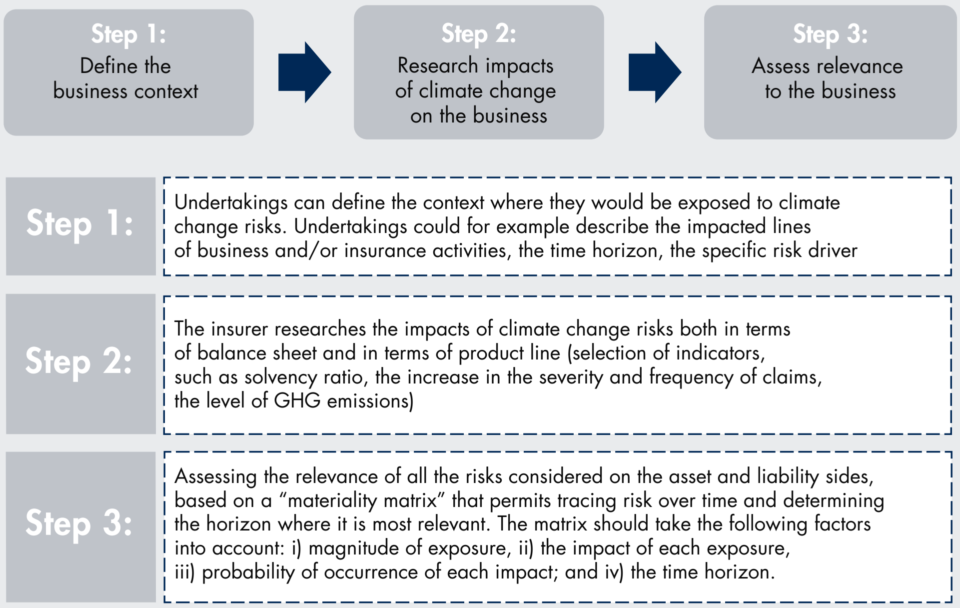
For transition risks, for instance, the assessment should be based mainly on shocks to prices/yields of specific asset classes; for physical risks, it could be based on modifications of the assumptions underlying the calculation of the best estimate or on the parameters used in estimating technical provisions, in the case of liability-side impacts, or changes in the value of the relevant asset class.

Objectives and assessment of climate change risk in ORSA

Solvency II requires insurance undertakings to consider, in their Own Risk and Solvency Assessment, all the risks that they will have to face in the short and the long term, even when these risks are not factored (or not fully factored) into their SCR calculation.

First, EIOPA's indications concerning the procedure for integrating climate risks into ORSA identify the sections of the Assessment where insurers can introduce assessments of climate risk (see Consultation paper on application guidance on using climate change scenarios in ORSA). A good practice, in the Authority's view, is to deal with climate change risks in more than one sector; it urges insurance companies to indicate the extent to which the impact of climate change risk has been analyzed in previous years and to give examples of the impact of physical and transition risks in the short, medium and long term, on time horizons longer than those now ordinarily used in ORSA.

As to the assumptions for running materiality assessments of climate change risk, EIOPA suggests a three-phase analysis:



In the first step, EIOPA suggests defining several scenarios for physical and transition risks and at least two long-term scenarios positing: i) temperature rise of 1.5-2° C. (in line with the EU Commission's commitments) and ii) a temperature rise of more than 2° C.

In giving concrete examples of application, finally, EIOPA distinguishes between insurers that operate mainly in non-life business (which are exposed chiefly to natural catastrophe risk) and life companies (characterized by greater exposure to transition risks due to climate change).

EIOPA's recommended approach, then, is for non-life companies to assess the materiality of climate risk principally (but not solely) through liability analysis, based mainly on the geographical and demographic characteristics of the policies marketed, using the most suitable methodologies and instruments for their own type of business and risk profile. The analytical tools suggested are: i) the NGSF climate impact explorer, which shows the change in the severity of the impact of climate change over time in continents, countries and regions of various degrees of warming; ii) the PESETA IV study, which shows the effects of climate change in Europe for a number of different sectors; and iii) CAT models (computer programs offering a mathematical representation of the physical characteristics of natural catastrophes).

For life insurance companies, EIOPA calls for measuring climate risk through asset analysis, with methodologies based on the classification of investments or the evaluation of degree of consistency with the objectives of the Paris Agreement. In this case the key tools, in the Authority's view, are, for example: i) NACE codes to identify and disaggregate investments by sector or by technology; ii) the Paris Agreement Capital Transition Assessment (PACTA) to measure alignment of an investment portfolio with a range of climate transition scenarios and the Paris objectives; iii) the GHG Protocol for measurement of the greenhouse gas emissions of their investment assets (developed by the Partnership for Carbon Accounting Financials).

OTHER EIOPA CONSULTATIONS AND INITIATIVES

Opinion on risk mitigation techniques

On 12 July 2021, EIOPA issued an opinion on the use of risk mitigation techniques by insurance and reinsurance companies, with a set of recommendations for the competent national authorities.

The document is the product of the public consultation carried out from September to November 2020. The purpose of this process is to foster convergence among supervisory authorities on the use of Solvency II risk mitigation techniques (to reduce the risk of unequal competitive conditions) and to raise awareness among the authorities and the companies on the importance of striking the right balance between the risk effectively transferred and the easing of the capital requirements thanks to the application of the measures.

Supervisory Statement on actions in case of failure to comply with the SCR

On 12 July 2021 EIOPA issued a Supervisory Statement on the actions to take in case of failure to comply with the Solvency Capital Requirement (SCR).

The document is the product of the public consultation carried out from November 2020 to February 2021. The purpose of this process is to foster convergence among supervisory authorities in enforcing the actions envisaged by the Solvency II regime, in particular with regard to the recovery plan in case of failure to comply with the SCR.

In its Statement, EIOPA stresses the importance of a uniform minimum approach to guarantee similar protection of insured parties and beneficiaries all over Europe, especially, but not solely, in a context affected by the uncertainty of Covid-19 and the related potential risks of failing to comply with the SCR in the future.

ORSA Supervisory Statement in the context of the pandemic

On 19 July 2021, EIOPA issued an ORSA Supervisory Statement in the context of the Covid-19 pandemic.

The document is the product of the public consultation carried out from December 2020 to March 2021. The purpose of this process is to foster convergence, orienting insurance companies thanks to common supervisory expectations on ORSA in the context of the pandemic. EIOPA believes that the current situation requires a specific ORSA in those cases where the pandemic had a significant impact on the company's risk profile, in particular whenever the normal ORSA assessment did not allow the company to assess and take the impact of the pandemic into account.

In the Supervisory Statement, the EIOPA expects that most companies have already included pandemic-related scenarios in the ORSA. In addition, EIOPA stresses that several national supervisory authorities have already issued guidelines on this topic.

EIOPA report on companies' key functions supervision

On 11 August 2021 EIOPA published a Report on the supervision of companies' key functions as a follow-up to the 2018 Peer Review on the supervisory practices regarding the proportionality principle in the governance requirements related to the key functions of companies.

The Report assesses how the national supervisory authorities implemented the actions recommended in the Peer Review.

EIOPA found an overall strengthening of supervision on the managers responsible for companies' key functions, as well as, on the whole, a better organized and more proportionate supervisory approach.

With regard to Italy, IVASS is among the national authorities that: i) created specific working groups or divisions to provide support in the application of the principle of proportionality with regard to the key function governance requirements; ii) partially implemented the best practice on the combination of key functions with the members of the Administrative Management or Supervisory Body (AMSB); iii) holds annual meetings with some companies and the key functions. EIOPA will continue to monitor the implementation of recommended actions closely and will also assess how to include best practices in its supervisory handbook to favor a common approach in the application of the principle of proportionality.

EIOPA report on the approach to the transition from IBOR rates and technical documentation for calculating the RFR

On 30 September 2021, EIOPA published a Report on the implementation methods and calendar for the transition from IBOR swap rates (Interbank Offered Rates) to the new Overnight Index Swaps (OIS) reference rates.

The report also includes the results of the request for information on the potential impact of the transition and the feedback received through the public consultation (ended on 23 July 2021).

In order to integrate the new methodology into the Solvency II framework, on 5 October 2021 the Authority published the new technical documentation on the methodology for determining the term structure of the risk-free rate curve (RFR). This was implemented starting in January 2022 and will mostly involve sterling (GBP), the Swiss franc (CHF) and the yen (JPY). In particular, the document contains modifications of: i) the financial instruments to be used in calculating the reference curve for Liechtenstein, Switzerland and Japan (government bonds instead of swaps); ii) the Last Liquid Point (LLP) value for CHF and GBP (respectively, from 25 to 15 years and from 50 to 30 years); iii) the intermediate points for several currencies.

EIOPA Report on crisis recovery and resolution measures

On 8 October 2021, EIOPA published its second Failures and Near Misses Report on business crises and on “near insolvencies” including 219 significant cases in the insurance business.

In the first report, published in August 2018, EIOPA made an initial analysis of the main causes for insolvency in the industry. The report takes stock of the most common actions of insurers and national authorities during bankruptcy recovery and resolution and cases of crisis. The database at the core of the report collects information on the impact of the measures adopted in order to improve supervisory expertise in prevention and in the mitigation of potential losses. The analysis also examines cross-border cases and states that, even though they are only a tiny proportion of reported bankruptcies, the insured parties seem to suffer losses more often in these cases than in crises confined within national borders.

The findings of the report offer further support to EIOPA’s opinion on the need for a common EU recovery and resolution framework and a degree of minimum harmonization through the network of national insurance guarantee schemes (IGS) to mitigate the impact of bankruptcies and better protect the insured parties.

EIOPA Report on the application of capital add-ons in 2020

On 22 November 2021, EIOPA published its yearly report on the application of capital add-ons, referring to 2020. EIOPA stresses that the purpose of the capital add-on measure is to make sure that the regulatory capital requirements reflect the risk profile of an individual company or a group. Therefore, it is important for the national competent authorities (NCAs) to use the add-ons as necessary, with the aim of guaranteeing a broad convergence in terms of supervision and equal conditions among countries.

The Report highlights that in 2020 seven national authorities imposed capital add-ons on nine individual companies (respectively, six non-life and three life companies); in 2019 nine authorities had enforced the measure on ten companies (two life, seven non-life, one mixed). As in 2019, again in 2020 no add-ons were imposed on groups.

EIOPA Report on the use of reporting limitations and exemptions

On 21 December 2021, EIOPA published its yearly report on the use of limitations and exemptions from the Solvency II periodic reporting requirements by NCAs, as envisaged by the Solvency II Directive.

The report is based on Solvency II data for 2020 and the first quarter of 2021. It highlights that in 2020 three authorities granted limitations and exemptions to 113 individual companies and 7 groups, whereas in the first quarter of 2021 eleven authorities granted limitations to 669 individual companies (one Italian) and 27 groups. In the first quarter of the year, large companies completed around 10 forms, while an average of 5 were submitted by smaller companies. In addition, as far as yearly reporting is concerned, the ten largest companies by total assets completed an average of 37 forms, while the ten smallest drafted 28 forms.

EIOPA recommendations on insurance stress tests

On 21 March EIOPA published some recommendations to the Supervisory Authorities and to the insurance industry in the light of the results of the 2021 EIOPA Stress Test (see ANIA Trends Solvency Analysis no. 11 year II) and the main critical issues found. The test was carried out to increase the industry's resilience to capital and liquidity shocks.

EIOPA divided the recommendations into three specific categories: i) vulnerabilities identified; ii) the availability of specific recovery actions; iii) individual companies.

As for vulnerabilities, EIOPA stresses the need to reduce the heavy reliance of companies on transitional measures and recommends that NCAs: i) review the risk management process; ii) assess its appropriateness whenever there has been a significant impact; iii) check that companies allocate sufficient resources to assessing the risks not covered by the Solvency II reporting framework.

On the use of Reactive Management Actions (RMAs), EIOPA calls on the NCAs to investigate the reasons for the failure, for purposes of the stress test exercise, to assess such management actions, requiring those who used them to carry out a more thorough analysis of their feasibility and their impact. The NCAs should also assess how far the decision-making processes, the capacity to collect relevant information and the models employed allow prompt reaction to adverse events.

In order to improve data validation and checking, EIOPA recommends that supervisory authorities adopt control measures for individual insurance undertakings.

EIOPA Supervisory Statement on the supervision of run-off companies

On 7 April 2022, EIOPA published a Supervisory Statement on the supervision of run-off companies. The purpose of the Statement is to define EIOPA's expectations of supervisory authorities in the perspective of European harmonization, in the light of an ever-growing interest of specialized investment entities, such as private equity funds, as well as the absence, in the Solvency II framework, of any specific regulation for companies in liquidation.

The document is the product of the public consultation carried out between July 2021 and October 2021. It centers on total, partial and specialist run-off companies and takes account of the specificity of risks, the principle of proportionality and the prudent person principle. EIOPA believes that proper and equitable management of the business model of run-off companies may bring benefits for the insurance market and the insured parties, allowing for a reduction of costs, introducing improvements to business management or carrying out orderly market exits to avoid the materialization of risks.

ANIA delivered the messages from the Italian insurance market through the reply drafted by Insurance Europe. In this document, the industry welcomes EIOPA's efforts to create a level playing field for the quality standards of the business model for run-off companies, since this might be useful to guarantee the correct functioning of that market segment and at the same time free resources to be employed for new investment challenges or to honor long-term commitments with insured parties. However, the NCAs should try to ensure a regular, quick and appropriate process with reasonable transfer costs and administrative charges.

The final Report was submitted to the Board of Supervisors for the approval of the final version.

EIOPA Report on the revised Guidelines on contract boundaries

On 21 April, EIOPA published its final report on the revised guidelines on contract boundaries in compliance with Solvency II. This is the product of a public consultation started in July 2021 and ended in November 2021.

The new Guidelines originated from the need for harmonization and consistent application of insurance contract boundaries. In particular, they provide further indications on the current requirements and focus on the unbundling of contracts and the valuation of the potential effect of a financial guarantee or cover on the economic terms of the contract.

ANIA conveyed the messages from the Italian insurance market through the reply drafted by Insurance Europe. On the whole, while it acknowledges EIOPA's efforts to further clarify Article 18 of the Solvency II Delegated Acts, the insurance industry believes that some of the proposals might generate confusion, in particular as regards the definition of the thresholds proposed for the valuation of the discernible effect of a guarantee, as well as further clarifications on carrying out convergent practices.

The new guidelines will be implemented from 1 January 2023 onwards, unless national supervisory authorities decide otherwise.

EIOPA Report on the revised guidelines for valuation of technical provisions

On 21 April 2022 EIOPA released its final report on the revision of the guidelines for valuation of technical provisions according to the Solvency II standards. This represented the product of a public consultation held from July to November 2021.

The new guidelines follow from the need to harmonize the methods for valuing technical provisions, to make them consistent by clarifying or modifying some previous guidelines on a limited number of issues deemed crucial from the supervisory standpoint, including: i) modelling biometric factors; ii) apportionment of expenses; iii) changes in expenses; and iv) the assumptions used to calculate expected profits in future premiums.

ANIA passed on the positions of the Italian insurance industry through the response to the consultation prepared by Insurance Europe. All in all, while recognizing the effort exerted by EIOPA, the industry argues that the new guidelines increase the granularity of the calculations required and the operational costs charged to insurance undertakings.

The new guidelines apply as from 1 January 2023, unless national supervisory authorities decide otherwise.

IVASS ACTIONS AND CONSULTATIONS ON SOLVENCY II

Regulation 48/2021 on capital add-ons

On 13 July 2021, IVASS published Regulation 48 on capital add-on provisions pursuant to Title III, Art. 47-sexies and Title XV, Article 216-sexies of the Insurance Code. The Regulation came after the public consultation carried out by the Institute in April.

The purpose of the capital add-on measures is to make sure that capital requirements actually represent the overall risk profile of the company or group. These measures are exceptional and temporary, since they can be applied only when other supervisory measures are ineffective or inadequate and can only be retained as long as the company has not corrected the deviation triggering the measures.

In detail, this regulatory action involves the definition of capital add-on criteria and calculations on the assumption of deviations from governance standards. IVASS, in compliance with the European reference framework, notes that it has followed a principle-based approach, setting operational criteria that allow it to carry out the assessments needed to enforce capital and risk-related measures that are proportionate to the actual shortcomings.

The Regulation was published in the *Gazzetta Ufficiale della Repubblica Italiana* and entered into force the day following the publication.

Letter to the Market on the valuation and prudential treatment of illiquid and/or complex instruments

On 14 July 2021, IVASS issued a Letter to the Market on the valuation and prudential treatment of illiquid and/or complex instruments.

The document invites supervised companies to adopt correct prudential treatment of complex and/or illiquid financial instruments (such as structured securities or derivatives, securities having other debt securities as underlying, Credit-Linked Notes, Collateralized Debt Obligations, Commercial Mortgage Based Securities, securities without an active market or without readily determinable pricing), especially in the risk management area, as well as in the methods used to determine and assess actual risk factors, in the pricing and control systems and in the modalities adopted to calculate the capital absorption of these assets.

The document annexed to the Letter recalls the relevant regulatory provisions with practical examples, as well as the criteria that must guide companies in identifying risk factors, in classifying and valuing financial instruments and in calculating the capital requirement when they operate in a standard formula regime.

ANIA-AIFI WORKING GROUP ON LONG-TERM AND UNLISTED EQUITY

In March, ANIA started a Working Group with the Italian Private Equity, Venture Capital and Private Debt Association (AIFI) to meet the needs of the Italian insurance industry and investment firms to make some of the European measures for the ordinary treatment of equity investments available for the Italian market.

In particular, the discussion focused on the two “special” categories set by Solvency II for which provisions allow for a reduction of capital charges upon fulfillment of a set of requirements: i) long term equity (Reg. 2019/981, art. 171-a) and II) unlisted equity (Reg. 2019/981, art. 168-a).

If the eligibility requirements of Article 171-a are complied with, the long term equity portfolio may have the same percentage given to strategic equities, 22%. If those of Article 168-a are complied with, unlisted equities (generally classified as type 2 equity and subjected to a capital charge of 49%) may be treated as type 1 equity with a 39% charge.

The discussion highlighted that most companies have trouble benefiting from capital charge reductions in both asset classes.

As far as long-term equities are concerned, the biggest hurdles found by the Working Group are: i) the incompatibility of the Italian market (mostly consisting of “segregated accounts”) with criteria a), b), and c) of Article 171-a requiring the Long Term Equity portfolio to be clearly identified, managed and separated from the rest of the account; ii) the inapplicability of criterion g) envisaging for life companies the formation of Homogeneous Risk Groups with a duration of at least 10 years (Italian companies generally have liabilities with shorter durations) and, for non-life companies, compliance with an asset liquidity buffer whose interpretation is complex and ambiguous.

During the Solvency II revision process, ANIA mainly advocated amendments that would allow life companies with shorter durations to benefit from the foregoing provision and to make the liquidity buffer calculation criteria clearer and more readily applicable to non-life companies.

As for unlisted equities, the Working Group found some critical issues in terms of availability and cost of the information needed to check some requirements laid down by Article 168-a (unlisted equity). In addition, the Working Group also found interpretation issues in the definition of “financial leverage”, one of the criteria that may allow companies to classify unlisted equities as type 1 equity without having to verify compliance with Art. 168-a requirements, which are inapplicable, de facto, for the individual instruments with the look-through method.

The latter issue was discussed during the second meeting held in April. After analyzing EIOPA’s opinion in its second set of advice for Solvency II review (February 2018) and in a clarification letter sent to ESMA (25 July 2018), the

Working Group concluded that closed private equity funds may be classified as type 1 regardless of the application of the look-through approach if the following conditions obtain: i) the fund uses only temporary borrowing operations covered by investors' capital contract commitments; and ii) when using derivatives for value hedging purposes, the fund only uses instruments that do not cause any increase in the exposure.

Over the coming months, these topics will be further analyzed and new solutions or positions to be expressed in European Working Groups will be prepared.

SOLO AND CONSOLIDATED ACCOUNTS

IFRS 17: EUROPEAN HOMOLOGATION OF THE STANDARD

In May 2017 the International Accounting Standards Board (IASB) issued its new accounting standard on insurance contracts, IFRS 17, which will apply to the accounts drawn up in compliance with the IAS/IFRS accounting standards.

However, starting from October 2018, IASB carried out some assessments on potential amendments to the standard, given the many critical issues reported by various stakeholders, leading to the publication of a revised standard in June 2020 and the postponement of its entry into force from 1 January 2021 to 1 January 2023. Conversely, the required division of contracts into annual cohorts has remained unaltered, even though IASB recognized that such a requirement might entail unjustified costs for some types of contract. On this point, both the Italian and the European industry always stressed the inconsistency of the requirement with the life insurance business, characterized by intergenerational mutuality, as in the case of Italian Segregated Accounts.

The European Financial Reporting Authority Group (EFRAG), which is tasked with providing its technical opinion to the European Commission for every international accounting standard, published its IFRS 17 Advice in March 2021. EFRAG gave a favorable opinion on compliance with the criteria for the homologation of the standard at European level, with the exception of the annual cohort rule for a specific category of contracts called "intergenerationally-mutualised and cash-flow matched" contracts. On this point, the Board was not able to reach a consensus.

After the conclusion of EFRAG's work, the discussion moved to the Accounting Regulatory Committee (ARC) chaired by the European Commission and made up of the representatives of the EU Member States. In July, ARC voted in favor of a regulation proposal drafted by the Commission envisaging the European homologation of the IFRS 17 standard with an optional exemption from the annual cohort requirement for intergenerationally-mutualised and cash-flow matched contracts, i.e. those identified by EFRAG in its technical opinion.

After scrutiny by the European Parliament and Council, which raised no objections, on 23 November 2021 EU Regulation 2021/2036 was published in the *Official Journal of the European Union*, officially adopting the standard at European level, exemption included.

According to the Regulation, the companies using this option should report, in the notes to the accounts, the use of the exemption as a relevant accounting standard and provide extra explanatory information, such as, for example, the portfolios for which this approach was adopted. However, as stated by the Regulation itself, this should not entail any quantitative impact assessment.

In addition, the Regulation also envisages that the European Commission should re-examine the exemption from the application of annual cohorts by 31 December 2027, taking into account the Post-Implementation Review that IASB must carry out after the implementation of IFRS 17.

IFRS 17: UPDATE OF ISVAP REGULATION 7/2007

Following a public consultation ended on 16 April, on 7 June 2022 IVASS issued Provision 121, amending and supplementing Regulation 7 of 13 July 2007 regarding the accounting reporting formats for insurance and reinsurance companies that must adopt international accounting standards.

In detail, the Authority said the amendments were made mostly in order to transpose the new provisions introduced by IFRS 17 on the presentation and information related to the accounting entries of insurance contracts, to promote transparency and guarantee an appropriate degree of comparability among sectoral data.

The regulatory action on the new IAS/IFRS accounting reporting formats and the related drafting instructions mostly envisages:

- updated Balance Sheet, Income Statement, Comprehensive Income Statement, Cash Flow Statement (direct and indirect) schemes;
- the amendment to the structure of the Statement of Changes in Equity;
- the introduction of new information charts/tables in the schema of the Notes to the Accounts;
- the addition of further details envisaged by the relevant accounting standards to the current charts/tables of the Notes to the Accounts;
- the replacement of some current charts of the Notes to the Accounts with new tables that are more adherent to IAS/IFRS provisions.

IVASS reorganized the Notes to the Accounts with the aim of making the financial statements more readable by rationalizing the information provided directly by the companies and the data required by IVASS. The Authority further observed that it had made the Notes to the Accounts more compliant with IAS 1 (paragraph 113) and, for this purpose, IVASS envisaged that companies shall continue, under their own responsibility, to freely define the structure of their Notes to the Accounts. However, the items and tables defined shall no longer be provided as Annexes, but must be included in the areas of the Notes to the Accounts where those pieces of information are given, insofar as they are information details of specific items of the Balance Sheet and the Income Statement.

As shown by the outcomes of the public consultation, the choice of IVASS is in line with the national approach of the Bank of Italy for the financial statements of banking and financial intermediaries.

ANIA took part in the public consultation phase, highlighting that the approach of IVASS, subsequently confirmed by the Provision ultimately issued, might undermine some core aspects of IFRS 17, creating a unique case in Europe, by:

- affecting the aim of IFRS 17 of overcoming national practices, for international uniformity of the financial statements of insurance companies in order to facilitate comparisons by the investors;
- undermining the competitive advantage of Italian companies that, using the same international accounting standards, should protect investors guaranteeing equal and transparent rules to be able to compete at the same level;
- introducing supervisory aims into the consolidated accounts of insurance groups, which, unlike banking groups, have no role in terms of prudential supervision, nor any statutory value either as regards taxes or dividend distribution;
- creating an information asymmetry, leading Italian companies to publish the IVASS schemes in the Notes to the Accounts, given that this is a binding national provision, and, at the same time, to provide different information to the market, information that is more readily comparable and in any event consistent with IFRS, through market presentations or information notes in the directors' report, with an evident increase in costs and potentially misleading information notes.

IFRS 9: POST-IMPLEMENTATION REVIEW ON THE CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

In October 2020, IASB started the IFRS 9 Post-Implementation Review (PIR) to assess to what extent the objectives of the standard were met, whether the information given is useful to those who read financial statements, whether the estimate of expected costs, in terms of audit, for example, was on the mark, and whether the standard can be applied in a consistent way.

As in the case of the development of the standard itself, IASB decided to conduct the IFRS 9 revision in three steps, starting with Classification and

Measurement requirements, then moving to Impairment and finally to Hedge Accounting.

During the IFRS 9 PIR, in 2021 the Board started the first part on the classification and measurement requirements, including the treatment of “FVOCI equity investments” (Fair Value through Other Comprehensive Income), envisaging two steps. The Board has repeatedly noted that, in the light of the experience with PIRs to date, the review should take between 18 and 24 months.

The first step, completed in the first half of 2021, focused on the detection and the assessment of the features to be examined through an outreach with preparers, auditors, investors, Authorities and Standard setters, to be introduced subsequently in the Request for Information (RFI) launched on 30 September 2021.

Both EFRAG and Insurance Europe – the latter together with the CFO Forum – participated in the consultation. The insurance industry stressed once again, as it has ever since the publication of IFRS 9, the importance of reintroducing the recycling of fair value variations in the Income Statement for FVOCI-classified equity instruments and also for investment funds. This request came together with the proposal for a reversible impairment model to flank the recycling.

A summary of the feedbacks sent to IASB is expected to be released in the next few months. This summary will be the basis for the Exposure Draft containing all IFRS 9 amendment proposals. However, there are already ongoing discussions with the IASB on the main topics to emerge from the consultation process.

ESEF: THE NEW SINGLE ELECTRONIC COMMUNICATION FORMAT

Delegated Regulation 2019/815 instituted the compulsory use of the XHTML format for listed companies when drafting their yearly financial reports, tagging some information of the consolidated accounts with specific Inline XBRL tags. The goal is the adoption of a European Single Electronic Format (ESEF) for all listed companies. At first, the provision was supposed to go into force on 1 January 2020, but with a one-year delay option.

In December 2020 the European Parliament and Council passed, as part of a broader package of measures for the Covid-19 emergency, an amendment to the Transparency Directive, allowing for a one-year postponement of the requirements laid down by the Regulation, under the condition that the Member States would notify the European Commission of their intention to use the option. The provision also specified that, for those listed companies not opting for the postponement, the application of the ESEF provisions on the yearly financial report at 31 December 2020 was still possible.

The omnibus Decree Law 183/2020 introduced the foregoing principle into Italian law. Art. 3, paragraph 11-sexies, of the decree states: "The provision of Delegated Regulation (EU) 2018/815 of the Commission, dated 1 June 2018, shall apply to the financial reports for the financial years starting from 1 January 2021".

In detail, the ESEF Regulation envisages the adoption of two formats: the XHTML format, allowing display of the document on a web page; and the Inline XBRL format, envisaged for those companies drafting consolidated accounts according to the IAS/IFRS framework, requiring the tagging of the account entries with the XBRL language, framing them in the ESMA taxonomy as stated by the Regulation.

In the initial phase, the information items to be tagged are mostly numbers. Starting from 1 January 2022, meaning in the Financial Statements as at 31 December 2022, the Notes to the Accounts will also be subject to compulsory tagging.

The taxonomy adopted by the Regulation is actually an extension of the IFRS taxonomy. A field test was conducted back in 2017, revealing some shortcomings in the taxonomy of that time, especially for the banking and insurance industries, stressing the need for many extensions. The XBRL Italia initiative comes in this context. Several working groups were set up, including one for the insurance financial statements coordinated by ANIA with the following goals:

- analyzing the completeness of the ESMA taxonomy on the items of the insurance financial statements;
- considering potential extensions to the taxonomy for the tagging of missing items (to achieve possible homogeneous extensions at national level);
- sharing the analysis with the Supervisory Authorities.

In conclusion, the working group confirmed the need for a good number of extensions: the overall average customization rate for all the documents in the financial statements (the ratio of total extensions required to the number of taggable items in the financial statements) came to 60% and included some very important items for insurance financial statements.

The proposed extensions were submitted to the Supervisory Authorities (IVASS, Bank of Italy and CONSOB) and published in October 2021 on the XBRL Italia and Agency for a Digital Italy websites. The release points out that these taxonomies are the product of cooperation between XBRL Italia, the industry associations, the Supervisory Authorities and the majority of Italian issuers in the relevant industries. The aim of the taxonomies is to provide the issuers with technical support in communicating the financial statement items in the new electronic format and to preserve homogeneity and standardization when publishing financial information.

The taxonomies will be constantly maintained and updated by the XBRL Italia Association.

The first ESEF-compliant financial statements were accordingly drafted in 2022 (for the 2021 financial year) by the companies required to do so, starting, at the same time, the work to prepare for the tagging of the Notes to the Accounts.

SUSTAINABILITY DISCLOSURE IN THE FINANCIAL SERVICES INDUSTRY

EU Regulation 2019/2088, the Sustainable Finance Disclosure Regulation (SFDR), adopted in November 2019 and amended in June 2020 by EU Regulation 2020/852 (Taxonomy Regulation), came into force on 10 March 2021, introducing new transparency obligations on environmental, social and governance sustainability (the so-called ESG factors) for financial market players and qualified financial salesmen, among which are, as far as the insurance industry is concerned, the insurance companies offering insurance-based investment products (IBIP) and the insurance companies or brokers offering IBIP-related consultancy.

There are two levels of compulsory transparency: subject and product. These obligations must be respectively fulfilled by publishing the required information on the web page and by including it in the pre-contract information document.

The Regulation also envisaged the drafting and the subsequent adoption of Regulatory Technical Standards (RTS) upon proposal of the European Supervisory Authorities (ESAs), namely EBA, EIOPA, and ESMA by 30 December 2020 in order to specify the technical and operational application, especially with regard to the required information content. However, the work of ESA on RTS went beyond the expected term and it was not until February 2021 that the ESA Joint Committee sent the European Commission a report with an initial RTS draft on the contents, methodologies and presentation of the information required by the Regulation, suggesting to start its application from 1 January 2022.

However, the European Commission stated that the Regulation's entry into force would not be subject to the adoption of RTS, underlining that the obligations must be complied with by the deadlines set in the Regulation, albeit in a high level and principle-based way, until such time as the RTS define detailed technical specifications.

In addition, on 25 February 2021, the ESAs published a high-level Supervisory Statement that recommended taking account of the draft RTS when enforcing the provisions, pending the definitive RTS. IVASS and CONSOB both repeated this recommendation, respectively with a press release (5 March 2021) and a call for attention (4 March 2021).

With the purpose of defining the disclosure modalities in pre-contract and regular information notes on investments underlying financial products in environmentally sustainable economic activities (as the Taxonomy Regulation envisages), on 22 October 2021, the ESAs submitted to the Commission a further RTS proposal as envisaged by Articles 8(4), 9(6), 11(5) of the Regulation.

The Commission, at first with a letter dated 8 July 2021 and then with another on 25 November, notified the European Parliament and Council of its intention to bring the RTS (13) together in a single delegated act, announcing, with the first letter, the postponement of application to 1 July 2022 and, with the second, to 1 January 2023, owing to the delay of the ESAs in sending their definitive RTS.

Given this postponement of the entry into force of second level measures (RTS) to 1 January 2023, on 25 March the ESAs updated the February 2021 Supervisory Statement.

On 6 April 2022 the Commission adopted the delegated regulation containing the Regulatory Technical Standards (RTS) based on the suggestions made by the three European Supervisory Authorities (EBA, EIOPA and ESMA) in February and October 2021. The delegated regulation proposal, currently under scrutiny, confirms the 1 January 2023 application date announced by the European Commission in its letter of 25 November 2021.

In April, the ESAs received two mandates from the European Commission: to propose modifications of the RTS regarding the information that must be provided in pre-contract documents, on websites, and in regular reporting on the exposure of financial products to investments connected with fossil fuels and nuclear energy, reflecting the provisions set by the Complementary Climate Delegated Act (CDA) and to review, for example, the Principal Adverse Impact (PAI) indicators as well as the financial product information documents in the RTS.

In Italy, the 2019-2020 European legislation enabling act published in the *Gazzetta Ufficiale* of 23 April 2021 envisages general criteria for transposing the Disclosure regulation into national law. The regulation shall be adopted through one or more legislative decrees within 18 months from the law's entry into force. Accordingly, there will be an adaptation of the primary national legislation, after the Regulation's entry into force, which may also entail adaptations in the secondary legislation.

EU TAXONOMY OF SUSTAINABLE ACTIVITIES

EU Regulation 2020/852 (Taxonomy Regulation) was adopted in June 2020 and defines the general criteria for an activity to be defined as environmentally sustainable. The aim is to incentivate green investments and to prevent "greenwashing", helping the European Union to become climate-neutral by 2050.

The Regulation sets out six environmental goals (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition towards a circular economy, preventing and reducing pollution, and protecting and restoring biodiversity and ecosystems) and allows for the classification of an economic activity as environmentally sustainable if it contributes to at least one of these objectives without damaging any of the others (applying the Do Not Significantly Harm principle, DNSH), if it is carried out in compliance with the minimum safeguards set out in Art. 18 and if it fulfills specific technical criteria.

The Taxonomy Regulation has been applied since 1 January 2022 for the goals of climate change mitigation and adaptation and will be applied for the other four starting 1 January 2023.

In order to implement Articles 10 and 11 of the Regulation, EU Delegated Regulation 2021/2139 of 4 June 2021 (the Climate Delegated Act) was published in the *Official Journal of the European Union* on 9 December 2021. The CDA supplements the Taxonomy Regulation by setting the technical standards for determining the conditions under which an economic activity makes a substantial contribution to climate change mitigation or adaptation without causing any significant harm (DNSH). Further delegated acts for the other four environmental goals should be published in 2022 to come into force on 1 January 2023.

As far as the insurance industry is concerned, Annex II, paragraph 10, sets the technical criteria for considering non-life climate-related peril underwriting (and also reinsurance) as an enabling activity[1] for climate change adaptation (but not climate change mitigation).

In particular, this activity is considered to be enabling if it covers climate-change-derived perils[2] and is related to specific Lines of Business[3]; if it complies with specific technical criteria (leadership in pricing and climate risk modeling techniques, product design, innovative hedging solutions, data sharing and high service levels in post-disaster situations) and does not significantly harm the climate change mitigation goal.

The European Commission's Delegated Regulation 2021/2178 of 6 July 2021 was published in the *Official Journal of the European Union* on 10 December 2021. This act complements the Taxonomy Regulation, specifying the contents and the presentation of the information that companies must communicate in their Non-financial Statements (NFS) pursuant to Article 8 of the Taxonomy Regulation (Disclosure Delegated Act).

In detail, the Delegated Regulation requires the insurance companies to publish the following Key Performance Indicators (KPIs): sustainable investment share and sustainable underwriting share.

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(1) An activity which, under given conditions, enables other activities to provide a substantial contribution to the single objective.

(2) Temperature-related, wind-related, water-related and solid mass-related.

(3) The Solvency II-aligned LoBs are: medical insurance, income protection insurance, workers' compensation insurance, third party motor liability, other motor insurance, marine, aviation and transportation insurance, fire and other damage to property insurance, assistance.

The disclosure required from 1 January 2022 to 31 December 2023 of financial enterprises, which include insurance and reinsurance companies, regards the eligible activities according to the Taxonomy Regulation. From 1 January 2024 onwards, Taxonomy Regulation-aligned activities must be disclosed according to the KPIs defined in the delegated act (from 1 January 2023 for non-financial enterprises).

In March the European Commission published the Complementary Climate Delegated Act proposal on climate change mitigation and adaptation, currently being examined by the European Parliament and Council and whose entry into force is scheduled for 1 January 2023. The act complements the two aforementioned delegated acts, envisaging six more gas- and nuclear-related economic activities and the related technical criteria and disclosure requirements.

The Commission also wishes to complete the taxonomy system to provide a complete classification scheme, covering social as well as environmental issues, by classifying activities not only as sustainable, but also as unsustainable, transitioning, or neutral. The latter means activities with no environmental or social impact.

To this end, in March 2022, during the preparatory work of the Platform on Sustainable Finance, a group of experts providing consultancy to the European Commission on many issues related to the further development of the EU Taxonomy according to the mandate of Art. 20 of the Taxonomy Regulation, the final reports on Social Taxonomy and the extension of the taxonomy on environmental goals were published. An upcoming European Commission report based on the work of the Platform is expected to show the provisions needed to extend the current Taxonomy to include social goals, activities that do not have any significant impact on the environment and those that instead do significant harm.

NEW CORPORATE SUSTAINABILITY REPORTING AND SUSTAINABILITY STANDARDS

On 21 April 2021, the European Commission published the Corporate Sustainability Reporting Directive (CSRD) proposal, whose aim is to amend the scope and the current requirements of the Non-Financial Reporting Directive (Directive 2014/95/EU, or the NFRD).

With CSRD, the Commission underscores its intention to create a set of rules that will rank sustainability reporting on the same plane as financial reporting.

Among the main amendments in the April draft there is a significant extension of the scope of the requirements. The Commission estimates that the number of enterprises subject to the sustainability reporting requirements would increase from 11,000 with the NFRD to around 50,000, including all listed companies in EU regulated markets (with the exception of micro-enterprises) and all large enterprises. The definition of “large” recalls the Accounting Directive. For this reason, it is sufficient to exceed at least one of the two following criteria at the end of the financial year: average number of employees during the financial year of more than 250; and net income from sales and services over €40 million and balance-sheet total over €20 million. For listed small and medium-sized enterprises, a three-year postponement of enforcement is envisaged.

The draft Directive also contains more novelties, such as a further elaboration of the double materiality principle by comparison with the NFRD, the compulsory limited assurance on sustainability information due to the current absence of specific auditing standards, and the inclusion of the sustainability information notes in the directors’ report, thus eliminating the possibility granted by NFRD to provide that information in a separate report.

The CSRD is currently subject to the trilogue, and many of the aforementioned innovations are still under discussion: an agreement may be reached in the summer.

As is known, the draft CSRD assigns EFRAG to develop the sustainability accounting standards. Therefore, along with the legislative process, the Commission asked EFRAG to start the preparatory work on said standards and governance reform even without an official mandate, which will be given only when the Directive is approved.

As for the governance of EFRAG, the new arrangements have almost been finalized. With reference to the standards, a public consultation on the Exposure Drafts of thirteen European Sustainability Reporting Standards (ESRSs) started on 29 April and ended on 8 August.

EFRAG will provide the Commission with the first set of ESRSs according to the results of the consultation. The Commission will then proceed to define a set of delegated acts that, once adopted, will be submitted to the approval of the European Parliament and Council.

In 2023, EFRAG will continue working on a second set of standards, with additional and sector-specific information as well as reporting standards for SMEs.

However, the implementation timeline will depend on the trilogue: should an agreement be reached in the first half of 2022, the Commission might be able to adopt the first set of ESRSs by the end of the year. In that case, enterprises will have to produce their first sustainability reports according to the new Directive and standards in 2024 based on 2023 data, even though there may well be other changes to the initial implementation, given the ongoing discussions.

Meanwhile, at global level, the IFRS Foundation Trustees created a new Board: the International Sustainability Standards Board (ISSB), whose purpose is to develop a global reference in terms of sustainability disclosure standards. At the end of March, the ISSB published the first two draft sustainability standards (one on general sustainability-related disclosure requirements and the other on climate-related disclosure requirements) whose consultation process will end on 29 July.

EUROPEAN SINGLE ACCESS POINT (ESAP)

Within a broader package of measures for the Capital Market Union, on 25 November 2021 the European Commission presented a draft regulation for the creation of a European Single Access Point (ESAP) for financial and non-financial information disclosed by enterprises, accompanied by a draft directive and a draft regulation which, respectively, amend some currently active directives and regulations to allow for the creation of the ESAP.

The ESAP draft regulation does not introduce new disclosure obligations. The aim is to collect relevant data, such as public financial and sustainability information of companies, streamlining what now appears in different European and National registries in a very fragmented and unsystematic way.

The regulation also provides for voluntary disclosure by unlisted firms, including SMEs, with an evident benefit in terms of cross-border visibility, developing new relations with potential investors, and facilitating the access to the capital market.

The setting up of the platform was assigned to the European Securities and Markets Authority (ESMA) in two steps: an initial start-up with a minimum set of functions by 31 December 2024 and full functionality by 31 December 2025. In any case, ESMA will work in close cooperation with EBA and EIOPA, the European authorities for the banking and insurance industries, for the management of ESAP.

In performing its task, ESMA will use collection bodies defined by the same Authority. These will be tasked with data collection, initial quality control and then data transmission to ESMA, which will carry out a second check on data quality. However, to guarantee an appropriate degree of information reliability and trustworthiness, the data sent by the enterprises must carry a qualified electronic seal as defined by European Regulation 910/2014 on the electronic identification of electronic transactions in the internal market.

The access to the information included in the ESAP must be granted to all for free, but the draft regulation specifies that ESMA may charge a fee to users who request very large-volume data flows or frequently updated information.

After publishing the draft, the Commission started a feedback consultation phase. ANIA participated, affirming its support for the draft, but also calling attention to some critical issues, such as the need to give priority to ESG data – in order to allow insurance companies to fulfill the information requirements already envisaged by the Taxonomy Regulation and the SFDR plus the new CSRD-related obligations – and the importance of free access to the insurance industry due to the disclosure obligations already imposed on it, as well as for its central role for a sustainable transformation.

CORPORATE GOVERNANCE SUSTAINABILITY

In its March 2018 "Action Plan: Financing Sustainable Growth", the European Commission contemplated a specific action, number 10, aimed at "fostering sustainable corporate governance and attenuating short-termism in capital markets" in order to weigh, through consultation and analysis, "the possible need to require corporate boards to develop and disclose a sustainability strategy, including appropriate due diligence throughout the supply chain, and measurable sustainability targets and the possible need to clarify the rules according to which directors are expected to act in the company's long-term interest".

Two studies commissioned by the European Commission were conducted in 2020, highlighting the shortcomings in the market and calling on the European Union to take action. In particular, it examined internal due diligence procedures to tackle adverse impacts for sustainability along the whole supply chain and the obligations for directors and sustainable corporate governance.

In 2021 the European Commission announced an initiative for "sustainable corporate governance" with the aim of introducing sustainability into corporate governance practices in order to: i) achieve a better alignment of the long-term interests of enterprises, shareholders, directors, stakeholders and society at large; ii) strengthen the long-term performance of enterprises by adopting sustainable operational models and reducing negative externalities; and iii) create a level playing field, identifying the measures necessary to identify, assess and mitigate negative externalities along the value chain.

After an initial impact assessment published by the European Commission, on 23 February the Commission adopted a draft Directive on corporate sustainability due diligence, to foster sustainable and responsible conduct of enterprises along the global value chains.

The due diligence regulations shall apply to:

- EU companies with more than 500 employees and a global net turnover in excess of €150 million;

- other companies working in the so-called high-impact sectors not reaching these thresholds but having more than 250 employees and a global net turnover in excess of €40 million (for these companies, regulations shall apply two years later than to the larger enterprises);
- third country companies operating in the EU with a threshold for turnover generated within the EU in line with the two previous items.

Small and medium-sized enterprises (SMEs) do not fall directly within the scope of the draft regulation.

The draft applies to the activities of the enterprises and their subsidiaries as well as their direct and indirect business relations ("value chains").

The enterprises will have to detect and avoid, end or mitigate the adverse effects of their activities on human rights and the environment. In particular, in order to comply with due diligence, enterprises shall: introduce due diligence in corporate policies; detect the actual or potential adverse effects on human rights and the environment; prevent or mitigate potential effects; end or minimize actual effects; put complaint procedures in place; and monitor policy effectiveness and publicly disclose the due diligence.

The largest enterprises will also have to develop plans to ensure that their commercial strategy is compatible with the 1.5°C global warming limit set by the Paris Agreement.

The draft also introduces the duty for directors to institute the due diligence and to check its implementation, integrating it into corporate strategy. In addition, the directors will have to take human rights, climate change and the environmental consequences of their own decisions into account in fulfilling their obligation to act in the best interests of the enterprise.

The national authorities designated by the Member States will be in charge of supervising these new regulations and may impose sanctions in case of non-compliance. In addition, any potential damaged party will have the possibility of filing lawsuits for compensation of the damages that could have been averted with appropriate due diligence.

The draft Directive is now before the European Parliament and Council. Once it is adopted, the Member States will have two years to transpose it into national law.

THE ANIA TAX CONTROL FRAMEWORK: A SYSTEMIC SOLUTION FOR THE INSURANCE MARKET

ANIA's Tax Control Framework tool became fully operational in 2021, with full finalization and consequent launch on the market. This IT platform was created by ANIA's tax department in collaboration with ANIA SAFE to detect, measure and manage tax risk. The availability of this tool is one of the bases for access to "cooperative compliance", meaning the benefits of the facilitated collaborative compliance regime with the Revenue Agency.

The cooperative compliance regime, introduced by Legislative Decree 128/2015, features correct performance of tax obligations through an advance determination of taxable income in a framework of constant dialogue with the Revenue Agency, in exchange for the progressive reduction in tax checks and audits, ultimately with a view to reducing disputes.

After an initial phase where the access to the facilitated regime was limited to the largest enterprises (with turnover or revenue of at least €10 billion), access was progressively extended and starting in 2022 now includes enterprises with turnover or revenue of €1 billion (see Art. 1 of the Ministerial Decree of 31 January 2022) and endowed with an internal audit system for the management of tax risk.

This minimum threshold was envisaged for the period 2022-2024. It is therefore reasonable to expect a massive increase in the number of companies (insurance undertakings included) admitted to this facilitated regime.

An essential element for application of cooperative compliance is the Tax Control Framework platform (TCF), based on a system of processes designed to guide undertakings in the crucial actions of detection, assessment and management of the fiscal risk implied in management choices (so-called compliance risk), as a function of a series of variables, including the impact of possible errors in applying the tax rules that govern balance-sheet items, the amount of sanctions, and the adequacy of the safeguards instituted by each firm in the management of compliance with the various taxes.

The platform, developed and realized by ANIA and ANIA SAFE, is currently being used by five primary insurance groups/companies and was presented on a number of occasions to the relevant offices of the Revenue Agency, which especially appreciated its range of impact (in terms of the taxes mapped and potential tax risk monitoring), scalability and flexibility.

The tax perimeter of the ANIA-TCF platform will be further expanded thanks to the possibility of offering access to non-insurance users having specific tax regulations.

The platform is an ever-evolving tool, since it will be subject to constant maintenance and adaptation, by a task force formed and coordinated by the ANIA tax department and ANIA SAFE, bringing together the companies participating in the project with the provider of the platform's technological infrastructure and also, periodically, by a steering committee that will decide on changes or additions considered necessary in the course of the project.

In 2021, ANIA and ANIA SAFE drafted and published a white paper on the potential and goals of the Tax Compliance Framework in the current context of growing tax compliance obligations.

ANIA'S "INFRASTRUCTURE" FUND

In February 2020, ANIA announced the first closing of the F2i ANIA Infrastructure Fund for €320 million. This is an alternative real estate investment fund, a reserved, closed-end fund investing in strategic sectors such as energy, motorways, ports, renewable energy, logistics, transport, health, airports and telecommunications. The Fund is managed by F2i, Italy's leading infrastructural investment fund management operator.

The final closing of the fund, at €516 million, thus exceeding the €500 million investment target, came at the end of April 2022. The fund saw the participation of the main insurance companies, along with a diversified range of domestic and international investors.

The Fund's purpose is primarily core and brownfield infrastructure investment in Italy and unlisted equity instruments with a focus on small to medium-sized operations having individual value of €50-€75 million. Given the nature of core infrastructure, the risk-return profile is conservative for its category, which means low capital absorption for qualified infrastructure equity investments.

The Fund manager's ESG policy

The fund invests in accordance with ESG criteria, selecting only operations that are environmentally and socially sustainable. For this reason, the Fund can be classified as compliant with Art. 8 of EU Regulation 2019/2088 (SFDR) since it fosters, among other things, environmental and social correctness.

In compliance with Art. 8 of the SFDR, the Fund invests in financial instruments solely on the condition that they are issued by enterprises with good governance practices. In addition, the Fund seeks to foster the following environmental and social actions:

- climate change mitigation, pollution prevention and reduction, and contribution to the transition towards a circular economy (the environmental goals of the taxonomy regulation);
- non-discrimination and promotion of workplace safety.

The environmental sustainability of the companies in the Fund's portfolio will be assessed using indicators such as the use of renewable energy, the reduction of greenhouse gas emissions (goals 1 and 2), the reduction and recycling of waste. The social sustainability of the companies in the Fund's portfolio will be assessed with reference to the development of gender equality and diversity within their boards of directors, the number of training hours, and workplace accidents.

The consideration of ESG risks during the selection of the investment will occur through:

1) negative screening, meaning the ex-ante exclusion of all investments in sectors that may be considered as non-ethical or having an excessive adverse impact on sustainability;
2) positive screening, meaning the adoption of positive criteria by focusing on especially ESG-relevant sectors and issues during the scouting;
3) ESG rating, meaning the assessment of the assets consequent to due diligence, at the end of which the outcomes of the ESG analysis are reported in the Investment Memorandum.

Several international standards are used for the accounting of the sustainability performances of the Fund and the companies in the portfolio. Among them is the Global Reporting Initiative (GRI), with qualitative and quantitative indicators for the sustainability issues taken into account while drafting the Aggregate ESG Report. F2i, the Fund manager, also subscribes to the UN Principles for Responsible Investing (UN PRI) and the 17 Sustainable Development Goals (SDG). F2i's due diligence and reporting activities as regards SGRs are based on the standards promoted by GRESB (for infrastructure investments) and SASB (for equity investments).

The annual reports of the Fund also include information on the extent to which environmentally and socially desirable characteristics are pursued by the Fund.

Investments in the ANIA Fund

The period envisaged by the Fund to invest its resources is four years. But already by the beginning of 2022 it had allocated over 50% of the fundraising target.

In addition to investments in railway, air and maritime transport through shareholding in Compagnia Ferroviaria Italiana S.p.A. (CFI), the Olbia and Alghero airports and the port services firm Marter Neri (described in last year's ANIA report), in 2021 the Fund purchased Ital Gas Storage S.p.A. (IGS), an independent company managing the natural gas storage facility located in Cornegliano Laudense (Lodi).

The latter agreement includes an initial sale of 51% of the company's shares by the current owner, Sandstone BV, subsidiary of North Haven Infrastructure Partners II – a fund managed by Morgan Stanley Infrastructure (92.5%) and Whysol Investments (7.5%), the independent investment company funded and led by Alberto Bitetto – to three funds managed by F2i (Fondo per le Infrastrutture Sostenibili, Terzo Fondo F2i and Fondo ANIA). The transfer of the remaining 49% stake will be finalized in 2023.

The storage facility, built in an exhausted natural gas field, has a capacity of 1.6 billion cubic meters and is among the most technologically advanced in the world. Thanks to its high performance (by way of example, it is the only storage system in Italy that can invert the injection/supply flow in 30 minutes), it is beneficial to the national energy system in terms of safety, adequacy and flexibility, thus helping to protect Italy from geopolitical supply risks and unexpected variations in energy demand or in electricity generation from non-programmable renewable sources.

What is more, this investment supports the energy transition since it incentivates and allows the growth of renewable energies. Gas storage facilities with a high level of production flexibility, like other types of storage, will continue to play an important role in encouraging the progressive electrification and decarbonization of production cycles and energy consumption for civilian purposes.

Impact of the energy crisis on the ANIA Fund

The cost of raw materials began to rise in 2021 during the post-lockdown economic recovery, with the consequent increase in global inflation. The war in Ukraine exacerbated the energy crisis, since Europe relies heavily on Russian gas. Alternative solutions, such as going back to nuclear and carbon-generated energy, seem to be problematic in the medium term, so issuing the necessary authorizations and permissions for renewable source facilities is a matter of urgency. In the short run, a number of measures have been taken to reduce gas and electricity consumption where possible and act on gas storage, instituting pricing arrangements that facilitate resupply of the sites by the beginning of the next heating season.

To date, the ANIA Fund has invested in transport and gas storage and, at the moment, it does not seem to be seriously affected by the increase in the cost of raw materials.

The gas storage company has fully regulated revenues, so that to date it has not been affected by the increase in the cost of energy. The company uses electricity mainly for its compression facilities, but so far the cost has been covered by hedging contracts.

Energy consumption for airports is partially correlated with the volume of traffic and partially influenced by the price of fuel. The budgets drafted by the companies already factor in a certain rise in the cost of fuel even if, given the volatility of the gas and electricity market, making a detailed estimate is complicated. At the moment, in any case, no particular problems in this sector have been reported.

In the case of railway traction services, the cost of electricity is constituted by the railway network access price paid by the company to the provider. Since this increased cost is applied uniformly to all the companies offering traction services, this phenomenon is not expected to modify the company's competitive position in this industry.

As for ports, a reduced impact is estimated, given that they are not considered to be particularly energy-intensive. The vast majority of facilities are oil-fueled and, in any case, fuel accounts for a limited proportion of operational costs.

EUROPEAN LONG-TERM INVESTMENT FUNDS: PROPOSALS FOR REVISION

Regulation (EU) 2015/760 on European Long-Term Investment Funds (ELTIF) represents a pan-European framework for alternative investment funds financing long-term investments in the real economy, such as social and infrastructural projects, real estate and SMEs. The ELTIF Regulation sets uniform rules in the field of authorization, investment policies and operating conditions for EU alternative investment funds, marketed within the Union as ELTIFs. Under certain conditions, ELTIFs can also be marketed to retail investors with a pan-European passport.

Since the adoption of the ELTIF legal framework in April 2015, only a small number of ELTIFs have been launched, with a relatively limited amount of assets under management. The ELTIF market's failure to develop as expected highlighted the need for a review of the regulation to better understand the reasons underlying its limited diffusion and to design political options to improve the attractiveness of ELTIFs. In June 2020, the High Level Forum (HLF) on the Capital Market Union formulated a set of specific recommendations requiring a revision of the ELTIF Regulation to extend the range of eligible assets and reduce potential obstacles to investments. The Commission launched a public consultation that was concluded at the beginning of 2021, in which ANIA participated, suggesting:

- an extension of the investment universe;
- a liquidity window mechanism for exiting the investment;
- more flexibility among retail and institutional investment strategies;
- a reconsideration of concentration limits.

The Commission then assessed the HLF recommendations and the consultation, implementing a 2021 action plan on Capital Market Union with four legislative proposals, including ELTIF.

With reference to the ELTIF Regulation proposal, the following was suggested:

a) simplification of the authorization process;

b) extension of the investment universe;

c) review of concentration limits;

d) greater flexibility in terms of financial leverage, liquidity window and foreign currency transactions.

The regulation proposal was sent to the European Parliament and Council for their approval in compliance with the co-decision procedure. It will enter into force twenty days after its publication in the EU *Official Journal* and will be directly applicable in all Member States within six months.

PROPOSAL FOR REVISION OF THE DIRECTIVE ON ALTERNATIVE INVESTMENT FUND MANAGERS (AIFMD)

On 29 January 2021 the consultation on the AIFM Directive was closed; ANIA participated, highlighting:

- the need for greater harmonization among Member States, specifically with reference to intra-EU cross-border activities, where more flexibility in the authorization and marketing process is expected;
- harmonization of reporting, advocating the creation of reporting standards among the different alternative investment funds;
- harmonization of the AIF and UCITS regulatory frameworks, with the advantage of creating equal conditions.

In the light of the results of the public consultation, on 25 November a proposal for modification of the Directive on alternative investment fund managers (AIFMD) to enhance investor protection. The proposal included: a) extension of Liquidity Management Tools (LTM) for open AIF managers; and b) the possibility for AIFs to grant loans, including cross-border loans.

The directive proposal was sent to the European Parliament and Council for their approval in compliance with the co-decision procedure. It will enter into force twenty days after its publication in the *Official Journal* and shall be transposed into national law within 24 months.

PNRR – DIGITAL TRANSITION: THE NATIONAL DIGITAL DATA PLATFORM

Decree Law 77 of 31 May 2021, converted with amendments into Law 108 of 29 July 2021, enacted provisions on the governance of the National Recovery and Resilience Plan (PNRR) and initial measures to strengthen administrative structures to accelerate and streamline the procedures (so-called "Decreto Semplificazioni bis", the second "Simplification Decree"). The Decree amended Legislative Decree 82/2005 (the Digital Administration Code, or CAD), in a part that affects the insurance industry, namely the legislation on substitute declarations in lieu of notarial acts. In principle, the new provisions mean on the one hand that private parties cannot refuse to accept the substitute declarations (so-called "self-certifications") submitted by customers; and on the other that these private parties are entitled to request from the competent government body, with the declarer's consent, written confirmation of what is declared, and that said administrative body is obliged to provide it within the stringent term laid down by the law.

In particular, the Decree repeals the “framework agreement” system among general government bodies for the accessibility and usability of data by the government bodies and private entities. The new provisions extend the scope of the National Digital Data Platform (PDND) envisaged by the CAD by increasing the set of databases of national interest identified by the CAD, most recently adding the national register of motor vehicles and the national register of persons with drivers’ licenses, and attaining effective interoperability among these databases. Once the PDND is fully operational, general government bodies will be able to respond to requests from private parties to verify the content of self-certifications.

In this context the Agency for a Digital Italy (AgID) issued Guidelines on technical interoperability within the general government perimeter, establishing the set of technologies enabling interoperability between government, citizens and enterprises as well as the Technology Guidelines and interoperability security standards through IT system Application Programming Interfaces. These Guidelines establish the appropriate technical solutions for authentication of persons and the protection, integrity and confidentiality of the data exchanged in the interactions among the IT systems of general government and private entities through the use of APIs. The Guidelines must be adopted by all general government bodies in order to guarantee the interoperability of their systems with those of other entities and to foster the comprehensive implementation of the General Government Information System.

The PDND is not active yet, since after completing the technical tests for the correct functioning of the platform, the President of the Council of Ministries or the Minister in charge of technological innovation and digital transition must set the term within which general government bodies and public service managers must obtain accreditation for the platform and develop their interfaces to assure the accessibility and interoperability of their data bases.

OUT-OF-COURT SETTLEMENT PROCEDURES: THE INSURANCE OMBUDSMAN (SECONDARY LEGISLATION)

The Insurance Ombudsman – regulated by Art. 187.1 of the Insurance Code – is not operational yet due to the lack of secondary implementing legislation, namely a decree to be issued by the Minister for Economic Development, in agreement with the Minister of Justice, upon a proposal by IVASS. The decree will specify the types of dispute to be settled by the Ombudsman, the dispute resolution process, and the criteria for naming the members of the board. Also lacking is the subsequent IVASS regulation defining the implementing measures and details.

Once it is operational, the new entity will flank the Banking and Financial Ombudsman (Arbitro Bancario e Finanziario, ABF) at the Bank of Italy and the Financial Dispute Arbiter (Arbitro per le Controversie Finanziarie, ACF) at the CONSOB, in addition to the other out-of-court settlement systems applicable to insurance.

At the hearing of 3 March 2022 before the Parliamentary Commission of Inquiry on the protection of consumers and public utility clients, Prof. Riccardo Cesari, a member of the IVASS Council, testified that "IVASS is working intensively to complete the constitution of the Ombudsman and to launch its activity as soon as possible".

As to the secondary implementing legislation, Prof. Cesari reported that "intensive talks between IVASS and the competent ministries have been under way for some time now to define this regulatory framework. The first IVASS proposal sent to the Ministry for Economic Development dates to August 2019. After an intense dialogue and coordination between the Ministry for Economic Development and the Ministry of Justice, in March 2021 the Development Ministry held an informal consultation with the main stakeholders (including ANIA) with a subsequent fine-tuning of the decree, which is currently following the regulatory process. The road was harder and longer than expected, owing among other things to the need to strike the right balance between the structure of the ombudsman, the different needs of market and consumers, and the peculiarities of the insurance industry. A further obstacle was the necessity for a structure that could meet the 'demand for protection' without violating the organizational and operational sustainability of this new body, penalized by the legal limit of 45 on staff, regardless of the volume of disputes to handle."

IVASS's expectation is that the Insurance Ombudsman will foster trust in the insurance system and, in time, create a body of "case law" that can help codify market best practices. IVASS, like the Bank of Italy, is also considering the use of artificial intelligence for the automatic classification of complaints, to streamline their processing and shorten the time to decision. As to the possible reduction of complaints, considering that in banking there was no such reduction following the institution of the Banking Ombudsman, IVASS expects that the Insurance Ombudsman will not affect operations and supervisory actions relating to customer complaints.

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