

I t a l i a n   i n s u r a n c e   i n   2 0 0 9 / 2 0 1 0



**ANIA**

Associazione Nazionale  
fra le Imprese Assicuratrici

**I t a l i a n   i n s u r a n c e   i n   2 0 0 9 / 2 0 1 0**





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# Executive summary

## THE RESULTS FOR THE YEAR

*Total premium income grew by 27.1%*

Italian insurance companies' total direct and indirect premium income, gross of cessions and retrocessions, rose by 27.1% in 2009 after falling by 8% in both 2008 and 2007.

*The growth was concentrated in the life sector (+47%); non-life premiums fell by 1.9%*

The growth was concentrated in the life sector, whose premiums increased by 47% as a result of Italian savers' marked preference for traditional insurance policies that guarantee repayment of the invested capital and a minimum, contractually defined yield. Non-life insurance premiums fell by 1.9% after a decline of 3.5% in 2008.

*The overall technical result of the non-life sector was negative owing to the increase in the cost of claims...*

The overall technical result of direct non-life business was negative by Euro 69 million, or 0.2% of premiums, whereas it had been positive by 0.8% in 2008. The sharp increase (+5.0%) in the cost of claims, due in part to inadequate amounts reserved for prior-year claims, was compensated for by the threefold growth of profits on investment, which had plunged by 60% in 2008.

*...while the expense ratio remained unchanged*

Expenses amounted to 24.5% of premiums, holding at about the same level as in 2007-08 (in 2006, before the ban on tied agency agreements, it had stood at 23.3%).

*In the life sector, the growth in premiums was accompanied by a decrease in surrenders...*

The surge in premiums in the life sector was accompanied by a decline of 12.7% in the cost of claims. This was partly the result of a reduction of 23% in surrenders compared with 2008.

The mathematical reserves, which had declined by 6.2% in 2008 and 2.7% in 2007, increased by Euro 40 billion, or 12%. A contributory factor was the swing of net premium income – defined as the difference between premiums and the cost of claims – from minus Euro 11.0 billion in 2008 to plus Euro 23.9 billion last year.

*...which, together with a rebound of financial investments, produced a significant improvement in the overall technical result...*

The overall technical result of the life sector was positive by Euro 3.3 billion, whereas it had been negative by Euro 3.0 billion in 2008. The improvement stemmed largely from the recovery in the value of financial investments.

For linked policies, the risk on financial investments is borne by the insured: changes in the value of securities are reflected in the amount of the insured's reserve. For Class I and Class V policies, instead, unrealized losses on the securities portfolios are sustained by the insurance company. Only realized losses (or gains) count toward determining the return for the policyholder, who in any case receives at least the contractually guaranteed minimum yield.

*...concentrated mainly in Classes I and V*

This explains why the improvement in the technical result was concentrated in Classes I and V, whose result was positive by Euro 1.7 billion and Euro 0.7 billion respectively (against negative figures of Euro 2.5 billion and Euro 0.9 bil-



lion in 2008). For Class III the result was positive by Euro 0.6 billion (Euro 0.4 billion in 2008).

Overall, the Italian insurance industry made an after-tax profit of Euro 3.9 billion, compared with a loss of nearly Euro 2 billion in 2008. Its overall Return on Equity was 8.6%, compared with a negative return of 4.7% in 2008.

At the end of 2009 Italian insurance companies had a solvency margin of Euro 45.7 billion, against a capital requirement of Euro 20.2 billion. In particular, the margin held for life policies amounted to Euro 26.5 billion, or 1.97 times the legal minimum (Euro 13.5 billion), compared with 1.70 times at end-2008. For non-life insurance, it amounted to Euro 19.2 billion, or 2.85 times the legal minimum (Euro 6.7 billion), compared with 2.61 times a year earlier.

The Report presents the customary annual update on the tax rates applied to insurance premiums in the countries of the European Union. In 2009 the level of indirect taxation of insurance premiums did not change in Italy, remaining among the highest in Europe.

*Overall, the insurance industry made a profit, with ROE of 8.6%*

*The solvency margin is more than double the required minimum*

*The Report presents international comparisons of the level of taxation of premiums in Europe*

### THE FORECASTS FOR 2010

The economic recovery forecast for 2010, though expected to be slow and extremely gradual, could have a beneficial impact on the premium income of the non-life sector. Motor liability insurance, which contracted overall by nearly 8% in the three years 2007-09, will be a factor in the expansion. The adjustments made necessary by the increase in compulsory minimum coverage that took effect in December 2009 and the need to restore the technical accounts to equilibrium suggest that the total volume of premiums will expand by between 3% and 4% for the year. This forecast is consistent with initial motor liability data indicating an increase of 1.5% in the first quarter compared with a year earlier.

By contrast, land-vehicle insurance premiums are forecast to fall by 1.0% in 2010, reflecting the expected drop in sales of new vehicles, which will lower the value of the insured stock. The volume of premiums in the property sector (fire and other property insurance) and from general liability insurance is likely to be about the same as in 2009, while a slight expansion is expected for accident and sickness insurance.

Total non-life premium income is consequently forecast to grow to Euro 37.4 billion in 2010, increasing by 2.1%; as a proportion of GDP it will only edge up from 2.41% to 2.44%.

In the life sector, premium income is expected to follow the torrid expansion recorded in 2009 (+48.7%) with slower growth this year. In the first five months of 2010 new life business amounted to nearly Euro 32 billion, against Euro 22

*The economic recovery forecast this year could have a beneficial impact on non-life premium income...*

*... whereas the growth in premium income in the life sector is expected to slow from the torrid pace recorded in 2009*





billion in the same period a year earlier, but the pace of growth began to ease significantly as early as April. In particular, new business for Class I products expanded by 26% by comparison with the year-earlier period, whereas at the end of March the growth rate for the quarter had stood at 60%. By contrast, premiums written on Class III (linked) policies tripled in the first five months of 2010 compared with the depressed levels recorded in the year-earlier period.

Assuming a decline in volatility on the financial markets in the second half of the year and a moderate increase in savers' appetite for risk, the volume of premiums in the life sector is forecast to increase by 7% for the year. In particular, premiums on traditional Class I policies will contract by about 5% while those on financial insurance products (linked policies) look set to double.

The premium income of the life sector is forecast to reach Euro 87 billion and to increase from 5.33% to 5.65% of GDP.

Consequently, in 2010 total life and non-life premiums on direct Italian insurance business are forecast to grow by 5.5% to Euro 124 billion and to increase from 7.74% to 8.09% in relation to GDP.

### LIFE INSURANCE – DIRECT ITALIAN BUSINESS

*Italian households' disposable income and propensity to save declined in 2009...*

Italian households' disposable income fell by 2.7% in nominal terms (-2.5% in real terms). Their saving rate declined from 11.5% of disposable income in 2008 to 10.8% last year, despite the contraction of 1.8% in consumption. It should be noted, however, that the expected monetary erosion of financial assets also declined; the saving rate adjusted for expected inflation rose from 8.8% to 9.9%.

*...and both the gross flow of financial investment and the flow of liabilities diminished again*

Consequently, the annual gross flow of households' financial investment continued to diminish, falling from Euro 82.1 billion to Euro 68.9 billion in 2009; in parallel, that of financial liabilities declined from Euro 26.9 billion to Euro 19.2 billion. Overall, households' financial saving – the difference between the gross flows of assets and liabilities – fell from 3.5% to 3.3% of GDP.

*Italian households' preference went to bank instruments, shares and other equity, and life insurance policies...*

The bulk of households' investment flow went to instruments issued by Italian banks (Euro 47 billion, down from Euro 95 billion in 2008) and shares and other equity (Euro 49 billion, up from Euro 28 billion). There was a distinct inversion of trend regarding life insurance policies, with net investment of Euro 24 billion in 2009 following net disinvestment of Euro 10 billion in 2008. There was a net inflow of household savings into Italian and foreign investment funds after years of massive disposals (including one of Euro 65 billion in 2008): in 2009 households put more than Euro 8 billion into these instruments, the entire amount going to foreign funds.



The drastic fall in yields on fixed-income securities, especially government paper, induced Italian households to reduce their holdings of Italian government securities, which registered an outflow of nearly Euro 60 billion (against an inflow of Euro 4 billion in 2008), concentrated in the short-term component. A large volume of net disinvestment (Euro 24 billion) was recorded for external assets.

*...and the fall in yields induced savers to pare their holdings of government securities...*

With the recovery of the financial markets, the value of Italian households' total financial assets grew by more than Euro 70 billion compared with 2008.

*...while the recovery of the financial markets boosted the value of households' financial assets...*

At the end of the year shares made up 23.7% of the portfolio (23.4% at end-2008). Some 29% of the portfolio was invested in instruments issued by Italian banks (half of which in the form of current accounts); 17.6% in life and non-life insurance products, employee severance pay funds and pension funds (for life insurance policies alone, 10.7%, compared with 9.7% at end-2008); and 9% in postal savings products. Investment funds and Italian government securities made up about 5% each.

*...of which shares represent 23.7% and life insurance policies 10.7%*

At the end of 2009 the portfolio of financial assets was equal to 3.4 times disposable income, against a multiple of 3.2 a year earlier; increases of comparable magnitude were also recorded in the other main countries. Subtracting liabilities, net financial wealth amounted to 2.6 times disposable income (just under 2.5 times at end-2008).

*The household sector's portfolio at the end of 2009 was equal to 3.4 times disposable income*

In 2009 premiums from direct life business grew by 48.7% to Euro 81.1 billion. This ended a contraction that had begun in 2006 and that saw premium income fall to its low for the decade in 2008 as the financial crisis deepened. Last year's expansion was the net result of a decline in insurance products of a financial nature, whose performance depends directly on that of the financial markets, and a surge in premiums from traditional policies featuring a guaranteed minimum yield.

*Direct life premiums grew by 48.7%*

Premiums from linked policies, which had declined by 36.1% in 2008, plunged by roughly one half to Euro 9.7 billion. The market still needs to adjust to the regulatory changes that made it necessary to revise the characteristics of the products offered. On the other hand, premium income booked in Italy by insurance companies that operate under the freedom to provide services and essentially offer linked policies increased by 9% to more than Euro 7 billion, according to our estimates.

*This expansion is the outcome of contrasting trends, with linked policies down sharply...*

Following a contraction of 30% in 2008, premiums from Class V redemption policies jumped by 60% to total Euro 5 billion. More notably still, premiums from traditional Class I policies doubled and their share of total life premiums rose from 57.6% to 79.8%.

*...and premiums from Class I policies doubling...*

Demand was thus distinctly oriented toward traditional savings products offering a guaranteed return based on the performance of separate portfolios.

*...as demand flowed to guaranteed-yield savings products connected to separate portfolios*



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These products are attractive to savers not only because their returns are currently competitive with those offered by government securities. Especially at times of high volatility like the present, they neutralize the fluctuations in the value of the investment and the risk of market timing by virtue of their unique features, such as the offer of a minimum yield – guaranteed both contractually and economically by the solvency margin that companies are legally required to hold – and consolidation of results, which means that the insured benefit can never diminish.

*Operating expenses fell markedly in relation to premiums*

Operating expenses declined from 7.4% to 5.0% of premiums, despite the larger share of premiums from Class I policies, previously characterized by significantly higher costs. For Class I policies, in particular, operating expenses fell from 9.1% to 5.0% of premiums.

*A large contribution to the positive result of the overall technical account came from the rebound in the value of investments*

The strong recovery in the value of financial investments was a major factor in the positive overall technical result of Euro 3.3 billion (compared with a negative result of Euro 3.0 billion in 2008), of which over half (Euro 1.7 billion) pertained to Class I.

The ratio of the overall technical result to technical reserves (analogous to the indicator commonly used in the asset management industry) was positive and equal to 91 basis points, compared with a negative ratio of 87 basis points in 2008.

*The Report provides a description of new developments in supplementary pension provision*

According to COVIP data, there were 5.1 million members of private pension plans at the end of 2009, up by 4.2% from a year earlier. In particular, the number of private sector employees enrolled in pension plans rose over the year by 3.3% to 3.7 million. Some 22% of all active payroll and self-employed workers were enrolled at the end of 2009.

On 28 October 2009 COVIP published a resolution containing new “provisions regarding the composition and functioning of open pension funds’ oversight body”, thereby approving the new version of Annex 2 of the model pension fund rules.

### NON-LIFE INSURANCE – DIRECT BUSINESS IN ITALY

*Direct non-life premiums declined by 2.0% in 2009*

In 2009, premium income from direct non-life insurance in Italy was equal to Euro 36.7 billion, representing a decline of 2.0% from 2008 but a slight rise in proportion to GDP to 2.41%. Motor liability premiums fell by 3.6%, while other casualty insurance premiums held nearly stable, falling by just 0.3%.

*The Report presents:*

*...a comparison of non-life insurance coverage in Italy with that in other European countries...*

Using CEA data, our annual Report this year compares the relative extent of insurance coverage in a number of European countries. In 2009, non-life pre-



mium income was equal to 2.4% of GDP in Italy, compared with 3.2% in France and the United Kingdom and 3.6% in Germany. Not counting motor insurance, the gap vis-à-vis the rest of Europe widens: 1.1% of GDP in Italy against 2.1% in United Kingdom, 2.3% in France and 2.7% in Germany.

Under-insurance is a factor of economic vulnerability for Italy. It does not depend on the quality of insurance supply, which is the same as elsewhere in Europe – in fact, all the main European insurance companies operate in Italy, with substantial market shares – but on regulations that unlike those in other countries simply do not foster efficient public-private partnership in essential fields like health care, supplementary retirement provision, and natural disaster management.

The Report also offers several assessments of the extent of insurance coverage of Italian households. One is on property insurance, based on data from the Bank of Italy's Survey of Household Income and Wealth for 2008. An estimated 5.5 million households have at least one non-life policy (not counting compulsory motor liability insurance), or 22.9% of Italy's 24 million resident households. The survey results also indicate that about 1.2 million households, 5% of the total, had at least one sickness and/or accident policy in 2008.

We also provide an ample discussion of the findings of a study conducted by ANIA together with IRSA on the causes for the limited insurance cover of Italian small and medium-sized businesses and the possible repercussions on their access to credit. The project designed an ad hoc survey – *Indagine sull'Assicurazione delle Piccole e Medie Imprese Italiane* – that was conducted in 2008 and 2009 on a sample of Italian firms with fewer than 250 workers to gather information on insurance cover, credit access, and firms' financial accounts, plus information on businessmen's characteristics and propensities – such as risk aversion, confidence in insurance and perception of the likelihood of the firm's failing – as well as the allocation of their private, family assets and their holdings of personal insurance policies.

A Health Ministry decree of 27 October 2009 institutes a register of private health insurance funds and specifies the criteria of calculation relating to continued enjoyment of the tax treatment previously in place.

This year's Report analyzes the performance of medical malpractice insurance, both institutional liability insurance for healthcare structures and individual coverage for medical professionals. In 2008 the number of claims filed was nearly 30,000, more than three times as many as in 1994 (9,500). Claims against individual doctors, after rising in 2007, fell back to the average of the past five years (about 12,000), while damage claims against healthcare structures jumped by 10% to nearly 18,000.

*...an inquiry into the extent of non-life coverage among Italian households (other than motor insurance)...*

*...a discussion of a study by ANIA-IRSA of the extent of casualty insurance among Italian small and medium-sized businesses...*

*...a summary of the provisions of the ministerial decree of 27 October 2009...*

*...a study on the technical performance of medical malpractice insurance*



## MOTOR LIABILITY INSURANCE

*Motor liability premiums fell by 3.6% in 2009...*

The absolute value of motor liability premiums fell in 2009 for the third consecutive year. Total premium income came to Euro 17 billion, down by 3.6% from 2008, when it had fallen by 3.3%. This was due in part to a general limitation of price increases by insurance companies, which often apply discounts to their list prices, and in part to the impact of the new bonus-malus rules, under which a large number of policyholders enjoyed a better merit class than they would otherwise have been eligible for.

*...and the average policy premium by 3.9%*

A survey conducted by ANIA using a methodology consistent with that required of insurers by ISVAP found that 43.5 million vehicles were insured in Italy in 2009, just 0.2% more than in 2008. Thus the average cost of coverage fell by 3.9%, owing to sharp competition among insurance companies.

*Premiums have fallen by 11.8% in the last five years...*

In the last five years the average motor liability policy premium has come down by a total of 11.8%: by 1.5% in 2005, 0.8% in 2006, 2.7% in 2007, 3.6% in 2008 and 3.9% in 2009.

*...while according to ISTAT motor liability premiums rose by 2.9% in 2009. ISTAT's method, however, neglects:*

ISTAT's motor liability insurance index rose by an average of 2.9% in 2009, against just 0.8% for the overall consumer price index. However, ISTAT's method calculates the change in the price of policies for "fixed" motorist profiles (a fixed-weight, Laspeyres index), which therefore does not take account of:

*...bonus effects...*

– the effects of the bonus for drivers who do not cause accidents (92% of the total);

*...premium discounts...*

– discounts, which have become more common owing to mounting competition and on which caps have been barred (Law 248/2006);

*...policyholders who change insurer to get a better price...*

– the growing number of motorists who change insurer every year to get a better price. Sample surveys put this portion at between 9% and 12% of all policyholders;

*...and changes to the bonus-malus rules*

– the effects of the new rules governing bonus-malus clauses. In practice, these measures improperly impose "discounts" for certain classes of policyholders: specifically, members of households acquiring an additional vehicle and motorists held to be jointly responsible for an accident but not the "principal" driver at fault.

*These changes had particularly powerful effects in 2008 and 2009...*

As a result, the gap between the ISTAT index and the average motor insurance price index widened substantially in 2008 and 2009: to 6 percentage points in 2008 and 6.8 points in 2009, compared with 4.2 in 2007 and an average of 2.2 in the period from 2003 to 2006. In a highly competitive market, the widening of the differential was due essentially to steeper discounts and to the measures that enabled a large number of insured to qualify, improperly, for a better merit class than that to which they were really entitled.

*...as is shown in a special section of the Report*

A special section of this year's Report is given over to the impact of the changes to the bonus-malus rules. The findings show, first of all, the rapid



emptying of the entry class (class 14). From 2004 through 2006 this level had accounted for around 5.5% of all the vehicles insured; its share fell significantly already in 2007, to 4.6%, and then drastically to 2.0% in 2008, when the full effects of the measure were felt. It slipped further to 1.6% in 2009. At the same time, there has been a very sharp increase in the percentage in the best merit class (class 1). Going by the “scale of coefficients of the administered tariff” (Interministerial Committee on Prices regulation of 1993), holding the other policyholder characteristics constant, we can estimate that the measures resulted in an overall premium shortfall of about 6% in 2008-2009. And the figure may well be underestimated, in view of the fact that insurance companies use even more accentuated scales of coefficients. Last year, we found, 2.8 million vehicles (9% of all those insured) benefited from these unduly favorable conditions. About 1.8 million were in the best universal conversion merit class, accounting for fully 10 percent of all the vehicles in the class.

Claims frequency – defined as the ratio between the number of claims incurred and reported during the accident year that have given or will give rise to compensation and the number of vehicles exposed to the risk of claim-generating accident (measured on the basis of days of exposure during the year, or “vehicle-years”) – was 7.76% last year, about the same as in 2008. Including the estimate of claims incurred but not reported (IBNR), claims frequency was 8.59% in 2009.

*Claims frequency was basically stable (+ 0.2%) in 2009...*

The total damages paid (for both property damage and personal injury) came to Euro 14.9 billion in 2009. Considering that the number of claims, including the IBNR estimate, came to 3,737,563, up by just 0.6% from 2008, the average cost of claims for the period rose by 0.5% from Euro 3,972 to Euro 3,992. Not counting IBNR claims and the contribution to the fund for road accident victims, the average cost of claims incurred in 2009 was Euro 3,902, down very marginally from Euro 3,913 in 2008.

*...while average claim cost rose by 0.5%*

Total costs for claims, which in addition to current-generation claims include those of previous generations, rose by 3% last year, in part because the reserves set aside in previous accident years fell Euro 185 million short of what was needed (compared with an excess of Euro 89 million in 2008). Another factor in the insufficiency was the revaluation of claims necessitated by many recent court decisions on personal damages for serious personal injury.

*Overall, claims costs during the year increased by 3%, owing in part to insufficient reserves set aside in previous years...*

Overall, the ratio of claims costs to premium income for the year rose to 88.9% (from 82.4% in 2008).

*...and the ratio of claims costs to premiums thus rose by 6.5 percentage points*

Operating expenses – administrative costs for technical management and costs for contract acquisition, premium collection and the organization and operation of the distribution network – came to Euro 3.2 billion in 2009, down from Euro 3.3 billion the previous year. Their ratio to premium income rose

*Operating expenses rose marginally in relation to premiums...*



## Executive summary

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from 18.6% to 18.9%, essentially because of the increase from 13.9% to 14.1% in the costs connected with the sale and marketing of policies.

*...and the overall technical result worsened slightly*

The technical balance on direct business was negative by Euro 1,582 million (compared with negative Euro 433 million in 2008). Despite a threefold increase in investment income, the overall technical result was a loss of Euro 373 million (compared with one of Euro 91 million in 2008). The ratio to total premium income for the year was -2.2%, compared with -0.5%.

*This year's Report has special inquiries into:  
...the cost of compensation for personal injury...*

The Report has a special section on the cost of damages for personal injury in the motor liability sector, which accounted for two thirds of total settlements, or Euro 9.5 billion: Euro 3.5 billion in compensation for permanent disability of between 1 and 9 percent, the remaining Euro 6 billion for more severe disability or death. Italy has the highest incidence in Europe of motor liability claims involving personal injury (more than 21%, as against a European average of 10%). And in some parts of Italy the rate is higher than 40%. There is, in fact, widespread speculation involving personal injury claims, concentrating on very mild injuries (1-2% disability), which account for 13% of claims and more than 70% of non-severe injuries. Italian insurers indemnify these claims with about Euro 1.7 billion a year, or 11% of total motor liability compensation.

*...claim costs at European level...*

A CEA study shows that Italy combines one of the highest average claim costs in Europe with an equally high claims frequency. The result is the highest net risk premium in Europe. That is, the amount of damages paid by insurers in Italy is higher than in all the other countries examined.

*...the percentage of CARD claims involving joint liability...*

A study on the direct indemnity system estimates that 7.0% of CARD claims (CID or CTT) in 2008 involved joint liability of two motorists, compared with 6.4% in 2007.

*...the determination of the fixed compensation amounts for CARD in 2010 and...*

A second piece describes the methods for calculating the fixed compensation amounts for 2010. At the urging of the insurance industry, the amounts were modified and differentiated according to type of vehicle.

*...the geographical distribution of the offices for motor liability settlement*

A third contribution this year analyzes the geographical distribution of the insurance company structures for the settlement of motor liability claims, based on data observed annually by ISVAP. We find that the diminution in their number over the years has resulted from reorganization in the wake of mergers or acquisitions and from the increasing use of call centers (especially for handling the simplest claims). The study shows no significant correlation between the reduction in the number of settlement structures and changes in the technical indicators of claims frequency and average cost, hence with changes in the industry's revenue requirement.



# The Italian insurance market: key figures 2009

The number of companies operating in Italy decreased, due to important mergers and acquisitions in the insurance market.

## OPERATING INSURANCE COMPANIES

As at 31 December 2009, 241 insurance companies were operating in Italy (247 at 31 December 2008), of which 156 were insurance companies with registered office in Italy (163 at 31 December 2008) and 85 were branch offices of foreign insurance companies (84 at 31 December 2008), mainly from European Union member States (82). Moreover, as at 31 December 2008, 922 insurance companies with registered office in the EU (or in other States belonging to the EEA) were operating under the freedom to provide services. 80 insurance companies write only life insurance business (of which 16 are foreign branch offices) and 130 companies write only non-life business (of which 52 are foreign branch offices); 24 companies (of which 10 are foreign branch offices) write both life and non-life business, accounting for 45% of the total premium collection in terms of market share; 7 companies write only reinsurance business. Now, following mergers and acquisitions, all 7 reinsurance companies are foreign branch offices.

182 insurance companies are ANIA members (of which 32 are corresponding members): these insurance companies account for more than 90% of the premiums of the entire market.

Considering the legal status of the 156 companies that have legal offices in Italy, 152 are limited share companies, 3 are mutual companies and one is a cooperative society.

### NUMBER OF COMPANIES BY LEGAL STATUS

BUSINESS SECTOR	(situation as at 31 December)	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL
		Limited companies	Cooperatives	Mutuals	Total	with head office in EXTRA-EU countries	with head office in EU countries	
Non-life	2008	78	-	2	80	3	50	133
	2009	76	-	2	78	3	49	130
Life	2008	65	-	-	65	-	14	79
	2009	64	-	-	64	-	16	80
Professional reinsurers	2008	1	-	-	1	-	7	8
	2009	-	-	-	-	-	7	7
Multi branches	2008	15	1	1	17	-	10	27
	2009	12	1	1	14	-	10	24
Total	2008	159	1	3	163	3	81	247
	2009	152	1	3	156	3	82	241

### NUMBER OF COMPANIES IN EU (15) COUNTRIES

Data as at 31 December

	2004	2005	2006	2007	2008
Austria	71	73	72	71	71
Belgium	181	171	161	156	151
Denmark	213	206	201	202	202
Finland	68	67	66	63	65
France	475	486	477	464	461
Germany	633	632	613	609	607
Greece	99	95	90	86	85
Ireland	217	226	229	233	236
Italy	246	245	246	243	247
Luxembourg	95	95	95	94	96
Netherlands	363	352	368	352	335
Portugal	70	70	76	83	85
United Kingdom	1,167	1,118	1,050	1,017	972
Spain	379	362	354	357	296
Sweden	428	415	392	392	381
<b>Total</b>	<b>4,705</b>	<b>4,613</b>	<b>4,490</b>	<b>4,422</b>	<b>4,290</b>

Source: CEA

### PREMIUMS PER COMPANY IN EU (15) COUNTRIES

Euro million

	2004	2005	2006	2007	2008
Austria	197	210	217	224	228
Belgium	157	198	183	200	193
Denmark	75	82	93	97	99
Finland	194	213	226	239	243
France	333	362	413	422	397
Germany	240	250	264	268	271
Greece	37	41	49	55	56
Ireland	55	60	71	78	57
Italy	411	448	433	408	373
Luxembourg	10	12	12	13	20
Netherlands	134	137	199	213	229
Portugal	150	192	173	166	180
United Kingdom	211	238	280	360	255
Spain	120	135	149	152	200
Sweden	45	54	59	63	65
<b>Total</b>	<b>185</b>	<b>204</b>	<b>228</b>	<b>248</b>	<b>225</b>

Source: CEA





# The Italian insurance market: key figures 2009

In 2009 the Italian insurance industry returned to profitability; the overall result was positive by almost Euro 4 billion and led to a Return on Equity (ROE) equal to 8.6%. The technical result of non-life business was slightly positive and in further decline compared to last year, while life companies registered a result equal to Euro 3.2 billion.

## INCOME STATEMENT

INCOME STATEMENT  
Euro million

	2003	2004	2005	2006	2007	2008	2009
<b>Technical account of non-life and life classes (*)</b>							
Written premiums	95,646	100,098	108,451	106,273	96,765	89,157	115,199
Changes in reserves (-)	43,720	40,427	41,999	19,189	-9,495	-22,241	40,946
Investment income	13,090	16,316	20,064	15,132	10,835	-9,813	26,842
Other technical income	1,135	1,215	1,321	1,337	1,433	1,527	1,448
Incurred claims (-)	48,994	58,826	68,236	83,971	99,010	91,087	84,206
Operating expenses (-)	11,346	11,927	12,567	13,345	13,390	12,573	12,632
Other technical costs (-)	1,656	1,430	1,241	1,434	1,631	2,035	2,229
<b>Balance</b>	<b>4,155</b>	<b>5,019</b>	<b>5,792</b>	<b>4,803</b>	<b>4,497</b>	<b>-2,583</b>	<b>3,476</b>
<b>Technical account - non-life (*)</b>							
Written premiums	32,729	34,208	34,663	35,458	35,211	34,328	33,790
Changes in premiums reserves (-)	656	599	638	629	602	265	-24
Investment income	2,012	2,234	2,318	2,115	2,131	829	2,437
Other technical income	371	371	319	371	365	423	472
Incurred claims (-)	23,633	24,269	24,294	25,058	24,634	25,403	26,865
Operating expenses (-)	7,522	7,949	8,184	8,366	8,646	8,462	8,463
Other technical costs (-)	874	1,045	883	1,082	1,000	1,085	1,164
<b>Balance</b>	<b>2,427</b>	<b>2,951</b>	<b>3,302</b>	<b>2,808</b>	<b>2,825</b>	<b>365</b>	<b>231</b>
<b>Technical account - life (*)</b>							
Written premiums	62,917	65,890	73,788	70,815	61,554	54,829	81,409
Changes in technical provisions (-)	43,064	39,828	41,361	18,561	-10,097	-22,506	40,970
Investment income	11,078	14,082	17,745	13,017	8,704	-10,642	24,405
Other technical income	764	844	1,001	967	1,068	1,104	976
Incurred claims (-)	25,361	34,557	43,942	58,913	74,376	65,684	57,342
Operating expenses (-)	3,824	3,978	4,383	4,979	4,744	4,111	4,169
Other technical costs (-)	782	385	358	352	631	950	1,064
<b>Balance</b>	<b>1,728</b>	<b>2,068</b>	<b>2,490</b>	<b>1,995</b>	<b>1,672</b>	<b>-2,948</b>	<b>3,245</b>
<b>Non-technical account</b>							
Other non-life income	518	810	894	777	911	-416	942
Other life income	868	1,127	1,179	1,238	980	462	1,179
Balance of other income and expenses	-951	-1,016	-862	-1,062	-957	-1,601	-1,217
<b>Balance of ordinary activities</b>	<b>4,590</b>	<b>5,940</b>	<b>7,003</b>	<b>5,757</b>	<b>5,431</b>	<b>-4,138</b>	<b>4,380</b>
<b>Balance of extraordinary activities</b>	<b>1,132</b>	<b>1,027</b>	<b>691</b>	<b>941</b>	<b>1,476</b>	<b>751</b>	<b>842</b>
Taxes on income (-)	1,929	1,731	1,837	1,537	1,558	-1,407	1,320
<b>Result for the financial year</b>	<b>3,793</b>	<b>5,236</b>	<b>5,857</b>	<b>5,161</b>	<b>5,349</b>	<b>-1,980</b>	<b>3,902</b>
<b>Return on Equity</b>	<b>10.6%</b>	<b>13.6%</b>	<b>13.8%</b>	<b>11.4%</b>	<b>12.5%</b>	<b>-4.7%</b>	<b>8.6%</b>

(\*) Technical items net of cessions and retrocessions

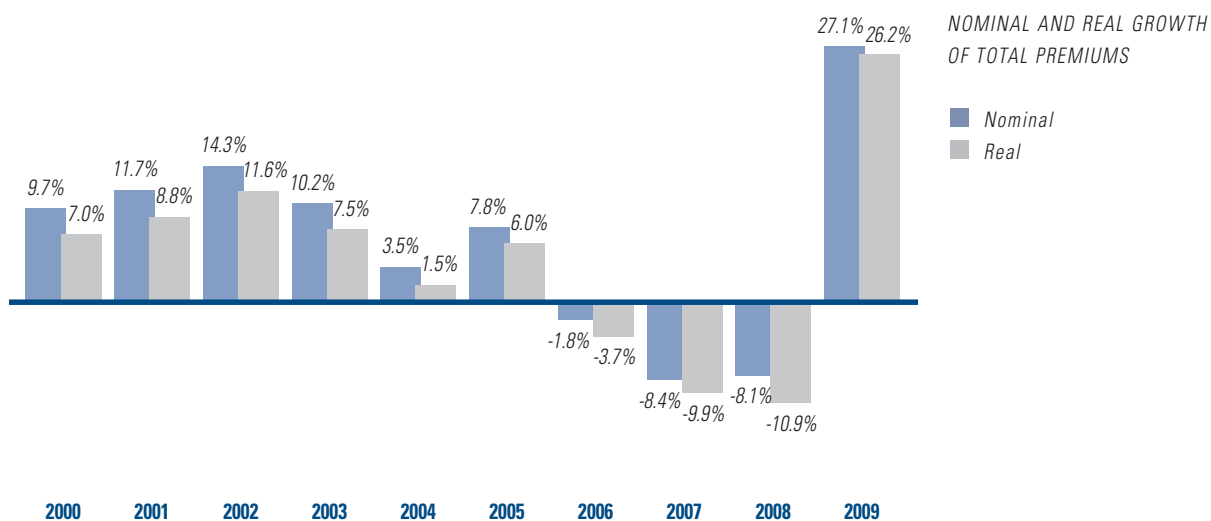
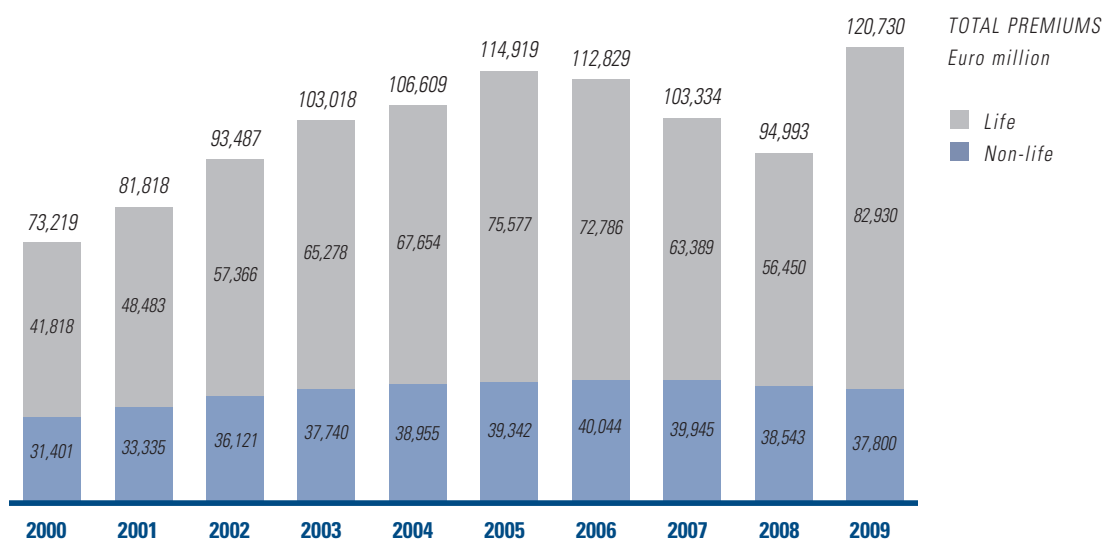


# The Italian insurance market: key figures 2009

## TECHNICAL ACCOUNT

### Premium income

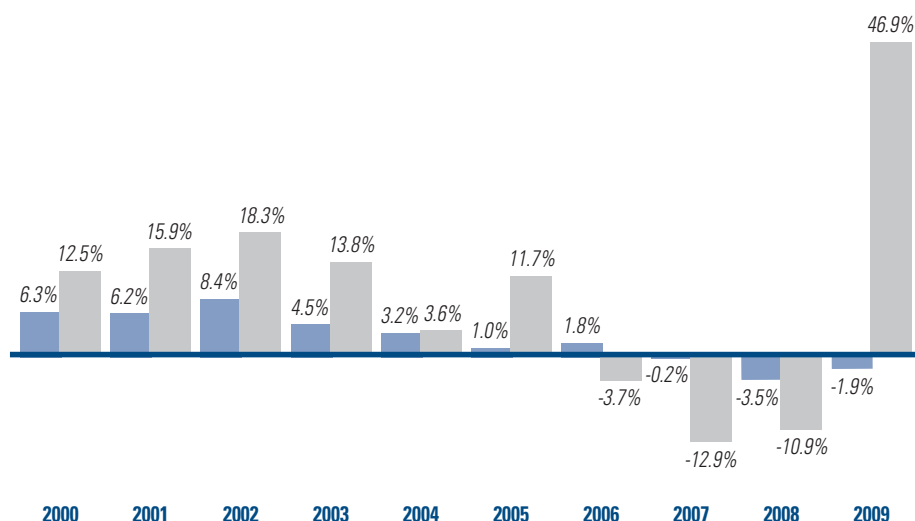
The total gross premiums for domestic and foreign business, direct and indirect, gross of reinsurance, collected by the companies with registered offices in Italy and by the branches of non-European Union companies totalled Euro 120,730 million in 2009. In particular, Euro 37,800 million was collected in non-life classes and Euro 82,930 million in life classes.



# The Italian insurance market: key figures 2009

NOMINAL GROWTH  
OF LIFE AND NON-LIFE PREMIUMS

■ Non-life    ■ Life



After the reduction recorded in 2007 (-8.4%) and in 2008 (-8.1%), overall premiums expanded by 27.1% in 2009. This result was determined by the life sector, whose premiums increased in 2009 by 46.9% (they had decreased by 10.9% in 2008 and by 12.9% in 2007).

For the third consecutive year, premiums in non-life classes decreased: in 2009 they fell by 1.9% (-3.5% in 2008). As a result of these trends, the share of life premiums increased from 59.4% to 68.7% of the total.

The percentage of **premiums ceded to reinsurance** decreased (from 6.1% in 2008 to 4.6% in 2009). These premiums amounted to Euro 5,532 million, of which Euro 4,010 million in non-life classes and Euro 1,522 million in life classes.

**Overall premiums, net of the share of ceded premiums**, came to Euro 115,198 million (with a 29.2% increase compared to the previous year): Euro 33,790 million in non-life classes and Euro 81,408 million in life classes.

## Claims, benefits and provisions

**Benefits to insured** and other beneficiaries, **gross of reinsurance**, are obtained as the sum of the following components:

- incurred claims cost and changes in premium reserves for the non-life classes;
- incurred claims cost and changes in mathematical reserves and the other technical reserves for the life classes.



# The Italian insurance market: key figures 2009

These benefits amounted to Euro 129,545 million (+76.9% compared to 2008): Euro 29,719 million in non-life classes (+3.8%) and Euro 99,826 million in life classes (123.8%).

The **reinsurance contribution** was equal to Euro 4,393 million (+0.1%), of which Euro 2,878 million for non-life classes and Euro 1,515 million for life classes.

The **amount of benefits** was therefore Euro 125,152 million (+81.8%): Euro 26,841 million in non-life classes and Euro 98,311 million in life classes.

## Operating expenses

**Operating expenses** for direct and indirect business, net of reinsurance, including acquisition costs, costs arising from premium collection, costs relating to the organisation and management of the distribution network and the administration expenses relating to technical management of insurance business, totalled Euro 12,632 million with an increase of 0.5% compared to 2008.

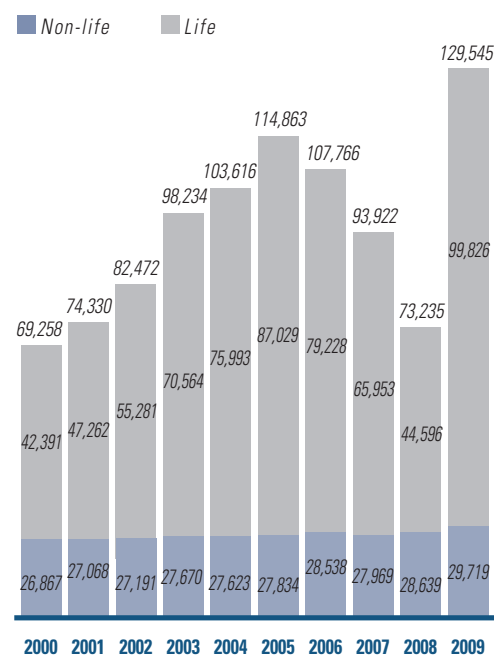
Thanks to an increase in the overall written premiums and to a change in the mix between life and non-life business, the incidence of operating expenses on written premiums decreased from 14.1% in 2008 to 11.0% in 2009. In particular, the operating expenses for non-life business were equal to Euro 8,463 million, with an incidence on premiums of 25.0% (24.7% in 2008); for life business, they were equal to Euro 4,169 million, or 5.1% of premiums (7.5% in 2008).

## Technical account result

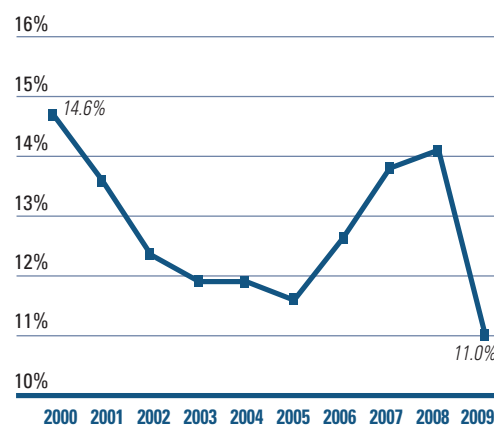
The **technical account result**, net of reinsurance, was positive by Euro 3.5 billion, equal to 3.0% of direct and indirect premiums (it was negative and equal to 2.9% in 2008). There was a positive result for non-life classes totalling Euro 231 million (Euro 365 million in 2008); in proportion to premiums the result decreased slightly from 1.1% in 2008 to 0.7% in 2009.

There was a positive result for life classes of Euro 3.2 billion (it was negative and equal to Euro 2.9 billion in 2008); the ratio to premiums went from -5.4% in 2008 to 4.0% in 2009.

CLAIMS, BENEFITS AND PROVISIONS  
Euro million



RATIO OF OPERATING EXPENSES TO PREMIUMS  
Incidence on net written premiums (%)



TECHNICAL ACCOUNT RESULT  
Incidence on net written premiums (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total	1.8	2.7	2.8	4.3	5.0	5.3	4.5	4.6	-2.9	3.0
Non-life	-1.1	2.2	4.1	7.4	8.6	9.5	7.9	8.0	1.1	0.7
Life	3.7	3.1	2.1	2.7	3.1	3.4	2.8	2.7	-5.4	4.0

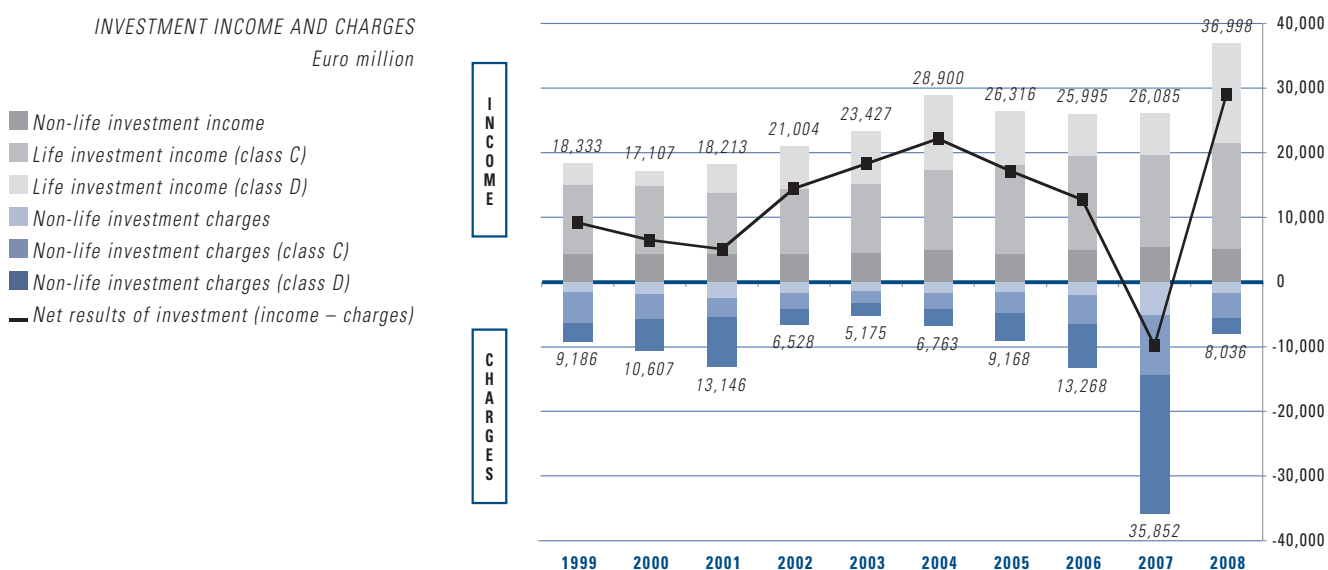


# The Italian insurance market: key figures 2009

## INVESTMENT INCOME

In 2009 **investment income**, equal to Euro 36,998 million, increased by more than 40% (it was equal to Euro 26,085 in 2008). In particular:

- non-life investment income, equal to Euro 5,106 million, decreased by 6.6%;
- life investment income (C class), equal to Euro 16,496 million, increased by 16.5%;
- life investment income (D class), equal to Euro 15,396 million, increased by 138.6%.



More in detail, as highlighted in the chart, the **ordinary gross investment income for life and non-life classes**, equal to Euro 36,998 million, is divided as follows:

- *shares and holdings*, Euro 2,030 million (-41.5% compared to 2008), representing 5.5% of the total;
- *investments for the benefit of insured and investment income deriving from pension fund management*, Euro 15,396 million (+138.6% compared to 2008), representing 41.6% of the total;
- *land and buildings*, Euro 216 million (-8.8% compared to 2008), representing 0.6% of the total;
- *revaluations and realised investments*, Euro 7,183 million (+109.5% compared to 2008), representing 19.4% of the total;
- *securities, bonds and other investments*, Euro 12,174 million (-2.6% compared to 2008), representing 32.9% of the total.



## The Italian insurance market: key figures 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Shares	7.1	11.9	13.7	12.0	9.5	10.8	11.1	13.8	13.3	5.5
Land and buildings	3.8	4.1	2.6	1.5	1.1	0.8	0.9	0.9	0.9	0.6
Other investments	44.9	49.7	46.8	41.9	42.7	37.5	44.6	47.2	47.9	32.9
Revaluations	25.8	17.5	12.9	12.9	11.7	11.1	12.3	13.5	13.1	19.4
Income from linked and pension funds	18.4	16.8	24.0	31.7	35.0	39.8	31.1	24.6	24.7	41.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

BREAKDOWN OF GROSS ORDINARY INVESTMENT  
INCOME – LIFE AND NON-LIFE (%)

**Investment charges** decreased from Euro 35,852 million in 2008 to Euro 8,036 million in 2009 (-77.6%). In particular:

- non-life investment charges, equal to Euro 1,727 million, decreased by 65.8%. The result of investment net of such charges remained positive by Euro 3,379 million (Euro 413 million in 2008);
- life investment charges (C class), equal to Euro 3,942 million, decreased by 58%. The result of investment net of such charges was positive and equal to Euro 12,554 million (Euro 4,786 million in 2008);
- life investment charges (D class) equal to Euro 2,367 million, decreased by 89%; as a consequence, the result of investment net of charges was positive and equal to Euro 13,029 million (negative and equal to Euro 14,966 million in 2008).

Overall, the net result of investment for the whole insurance sector was positive and equal to Euro 28,963 million (negative and equal to Euro 9,767 million in 2008).

**Extraordinary income**, gross of charges, was equal to Euro 1,434 million (Euro 1,376 million in 2008) and the related charges amounted to Euro 592 million (Euro 625 million in 2008).

### RESULT FOR THE FINANCIAL YEAR

The **result for ordinary activity, non-life and life**, amounted to Euro 4,380 million (it was negative and equal to Euro 4,138 million in 2008). The **result for extraordinary activity** was positive and equal to Euro 842 million (751 Euro million in 2008). Overall, the result before taxes was positive by Euro 5,222 million.

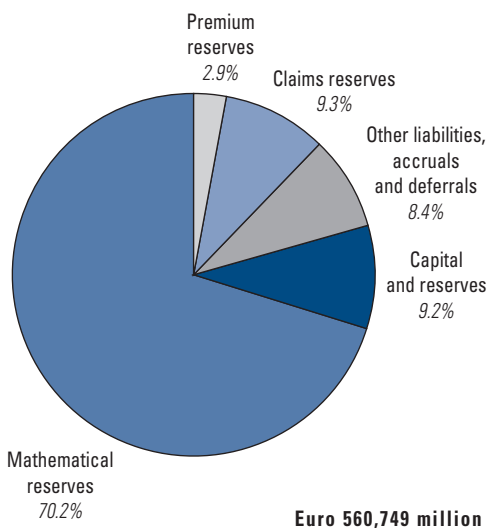
Considering the effect of **taxes** equal to Euro 1,320 million, the **overall result** of the sector shows profits equal to Euro 3,902 million (losses of Euro 2,000 million in 2008).



# The Italian insurance market: key figures 2009

BREAKDOWN OF LIABILITIES (%) - 2009

## BALANCE SHEET



### Liabilities

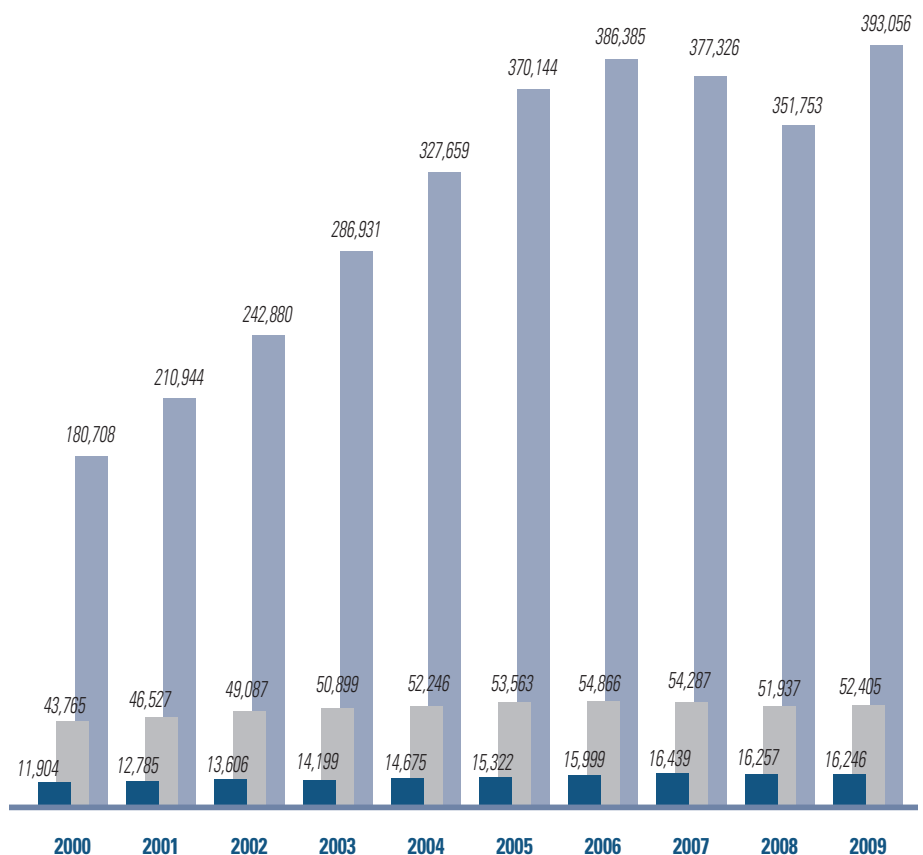
Total liabilities carried in the balance sheet amounted to Euro 560,749 million (+11.0% compared to 2008).

In particular:

- *capital and reserves*, equal to Euro 51,818 million (9.2% of total liabilities) increased by 26.6% compared to 2008; for the different components, an increase of the subscribed capital was recorded compared to 2008, equal to Euro 11,913 million; equity reserves, equal to Euro 36,344 million, increased by 15.6%. The difference recorded for profit (Euro 3,561 million under Liabilities and Euro 3,902 million in the technical account) is due to accounting treatment as a result of mergers between major companies in the insurance industry;
- *technical provisions*, representing commitments undertaken on behalf of the insured, were equal to Euro 461,707 million and recorded a increase of 9.9% compared to 2008; they represented 82.3% of the total. Life reserves, making up 70.1% of the total, increased by 11.7% and non-life reserves (claims and premiums) by 0.7%;
- *other liabilities*, equal to Euro 46,446 million (8.3% of the total), increased by 6.0% and the breakdown for this item was as follows: subordinated liabili-

TOTAL TECHNICAL PROVISIONS  
Euro million

■ Premium reserves  
■ Claims reserves  
■ Mathematical reserves



# The Italian insurance market: key figures 2009

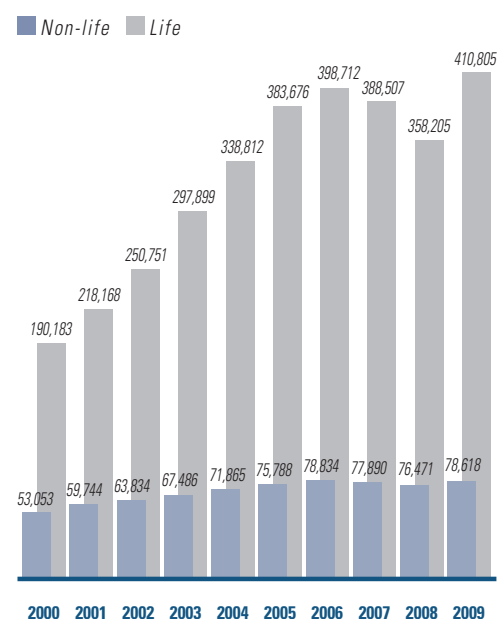
	2003	2004	2005	2006	2007	2008	2009
<b>LIABILITIES</b>	<b>429,890</b>	<b>475,716</b>	<b>526,899</b>	<b>547,569</b>	<b>537,180</b>	<b>505,362</b>	<b>560,749</b>
<b>CAPITAL AND RESERVES</b>	<b>41,342</b>	<b>44,780</b>	<b>51,301</b>	<b>50,297</b>	<b>46,042</b>	<b>40,932</b>	<b>51,818</b>
<i>Subscribed capital</i>	10,529	10,991	12,982	13,402	11,399	11,472	11,913
<i>Equity reserves</i>	27,033	28,621	32,463	31,837	29,370	31,440	36,344
<i>Profit for the financial year</i>	3,780	5,169	5,857	5,058	5,273	-1,980	3,561
<b>TECHNICAL PROVISIONS</b>	<b>352,029</b>	<b>394,581</b>	<b>439,029</b>	<b>457,250</b>	<b>448,052</b>	<b>419,947</b>	<b>461,707</b>
<i>Non-life classes</i>	65,098	66,921	68,885	70,865	70,726	68,194	68,652
<i>Life classes</i>	286,931	327,659	370,144	386,385	377,326	351,753	393,056
<b>OTHER LIABILITIES</b>	<b>36,203</b>	<b>35,989</b>	<b>36,141</b>	<b>39,352</b>	<b>42,465</b>	<b>43,820</b>	<b>46,446</b>
<i>Subordinated liabilities</i>	2,666	2,862	3,295	4,725	6,085	6,924	8,374
<i>Provisions for risks and charges</i>	2,189	2,105	2,219	2,206	2,133	2,117	1,676
<i>Deposits received from reinsurers</i>	13,231	12,876	12,994	12,999	13,109	12,660	12,398
<i>Debts and other liabilities</i>	18,117	18,146	17,632	19,423	21,139	22,119	23,998
<b>ACCRUALS AND DEFERRALS</b>	<b>316</b>	<b>366</b>	<b>428</b>	<b>670</b>	<b>621</b>	<b>663</b>	<b>778</b>
<b>ASSETS</b>	<b>429,890</b>	<b>475,716</b>	<b>526,899</b>	<b>547,569</b>	<b>537,180</b>	<b>505,362</b>	<b>560,749</b>
<b>AMOUNTS OWED BY SHAREHOLDERS</b>	<b>45</b>	<b>15</b>	<b>3</b>	<b>25</b>	<b>30</b>	<b>6</b>	<b>41</b>
<b>INTANGIBLE ASSETS</b>	<b>3,707</b>	<b>4,262</b>	<b>3,947</b>	<b>3,839</b>	<b>3,441</b>	<b>3,021</b>	<b>6,889</b>
<b>INVESTMENTS:</b>	<b>370,814</b>	<b>416,322</b>	<b>465,109</b>	<b>483,143</b>	<b>470,989</b>	<b>434,676</b>	<b>489,423</b>
<i>Land and buildings</i>	4,534	4,842	5,805	5,933	5,808	6,265	6,526
<i>Shares and holdings</i>	43,763	48,793	54,096	55,532	56,249	54,976	59,631
<i>Bonds and other fixed income securities</i>	186,564	208,051	235,036	252,727	239,081	226,866	273,726
<i>Loans and deposits</i>	28,837	30,460	33,603	29,100	32,529	29,590	32,351
<i>Investments for the benefit of life insurance policyholders and the investments deriving from the management of pension funds</i>	107,116	124,176	136,569	139,852	137,322	116,980	117,190
<b>TECHNICAL PROVISIONS BORNE BY THE REINSURERS</b>	<b>21,789</b>	<b>20,753</b>	<b>21,072</b>	<b>20,770</b>	<b>20,658</b>	<b>19,411</b>	<b>19,257</b>
<b>AMOUNTS OWED BY DEBTORS</b>	<b>20,333</b>	<b>21,020</b>	<b>21,529</b>	<b>22,381</b>	<b>23,400</b>	<b>25,706</b>	<b>25,500</b>
<b>OTHER ASSETS</b>	<b>10,198</b>	<b>10,149</b>	<b>11,652</b>	<b>13,168</b>	<b>14,342</b>	<b>18,131</b>	<b>14,733</b>
<b>ACCRUALS AND DEFERRED INCOME</b>	<b>3,004</b>	<b>3,194</b>	<b>3,587</b>	<b>4,242</b>	<b>4,321</b>	<b>4,411</b>	<b>4,906</b>

## BALANCE SHEET

Euro million

## TOTAL INVESTMENTS\*

Euro million



(\*) Net of professional reinsurers

ties increased by 20.9% (from Euro 6,924 million to Euro 8,374 million) and debts and other liabilities by 8.5% (from Euro 22,119 million to Euro 23,998 million). Funds for risks and charges (Euro 1,676 million) decreased by 20.8%, while deposits received from reinsurers decreased by 2.1%, from Euro 12,660 million to Euro 12,398 million;

– *accruals and deferrals* amounted to Euro 778 million (0.1% of the total).

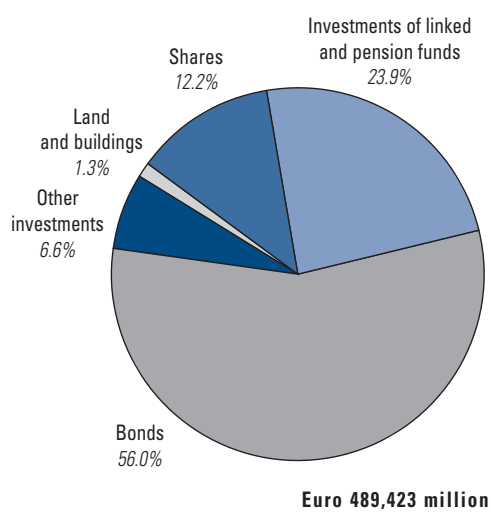




# The Italian insurance market: key figures 2009

BREAKDOWN OF INVESTMENTS (%) - 2009

## Assets



Investments, the reinsurance share of technical provisions, amounts owed by debtors, other assets, accruals and deferred income amounted to Euro 560,749 million, equal to liabilities.

In particular:

- *investments* reached Euro 489,423 million, representing 87.3% of total assets. Investments in non-life classes were equal to Euro 78,618 million (+2.8% compared to 2008) and investments in life classes were equal to Euro 410,805 million (+14.7%).

All the other forms of investment increased as follows:

- investments for the benefit of life insurance policyholders, equal to Euro 117,190 million, up by 0.2%;
- investments in land and buildings equal to Euro 6,526 million, up by 4.2%;
- investments shares and holdings equal to Euro 59,631 million, up by 8.5%;
- investments in loans and deposits equal to Euro 32,351 million, up by 9.3%;
- investments in bonds and other fixed income securities equal to Euro 273,726 million, up by 20.7%;
- the *technical provisions borne by reinsurers* amounted to Euro 19,257 million, down by 0.8%, and represent 3.4% of the total assets;
- *amounts owed by debtors* were equal to Euro 25,500 million (4.5% of the total), with a decrease of 0.8%. These refer to amounts deriving from direct insurance activities (Euro 12,112 million), amounts deriving from reinsurance activities (Euro 1,818 million), and other amounts owed (Euro 11,571 million);
- *amounts owed by shareholders* (Euro 41 million), intangible assets (Euro 6,889 million consisting of commissions and other expenses) and other assets (Euro 14,733 million) reached a total of Euro 21,663 million (3.9% of the overall amount), recording an 2.4% increase;
- *accruals and deferred income* amounted to Euro 4,906 million (0.9% of the total), up by 11.2%.

## THE SOLVENCY MARGIN

At the end of 2009 insurance companies with registered office in Italy, excluding reinsurers, had a solvency margin of Euro 45.7 billion for their total assets in the life and non-life sectors, showing an increase compared to the previous year. The margin is 2.26 times higher than the minimum requirement (equal to Euro 20.2 billion), an increase from 2008 (2.02 times higher).



## The Italian insurance market: key figures 2009

For life business, the margin (Euro 26.5 billion) was equal to 1.97 times the minimum requirement (Euro 13.5 billion), determined in terms of mathematical provisions and capital at risk. The ratio had been 1.70 in 2008. For non-life business the margin (Euro 19.2 billion) was 2.85 times the minimum requirement (Euro 6.7 billion), determined in terms of the amount of premiums written and the average cost of claims in the last three years (taking the higher of the two criteria). The ratio had been 2.61 in 2008.

	2003	2004	2005	2006	2007	2008	2009
<b>LIFE</b>							
Solvency margin	20,000	20,954	23,999	24,435	22,722	19,699	26,469
Solvency margin required by law	9,132	10,266	11,544	12,041	11,890	11,587	13,464
Cover ratio	2.19	2.04	2.08	2.03	1.91	1.70	1.97
<b>NON-LIFE</b>							
Solvency margin	15,615	17,308	20,826	20,382	17,585	16,805	19,203
Solvency margin required by law	5,356	5,825	6,095	6,263	6,473	6,446	6,744
Cover ratio	2.92	2.97	3.42	3.25	2.72	2.61	2.85
<b>TOTAL</b>							
Solvency margin	35,615	38,262	44,825	44,817	40,307	36,504	45,672
Solvency margin required by law	14,488	16,091	17,639	18,304	18,363	18,033	20,208
Cover ratio	2.46	2.38	2.54	2.45	2.20	2.02	2.26

SOLVENCY MARGIN 2002-2008  
(EXCLUDING REINSURERS)

Euro million

Source: ISVAP





# The Italian insurance industry in the international setting

## THE INTERNATIONAL SETTING

In 2008 premiums written worldwide totalled USD 4,270 billion reflecting, for the first time since 1980, a decrease of 2.0% in real terms compared to the previous year (+3.6% in 2007).

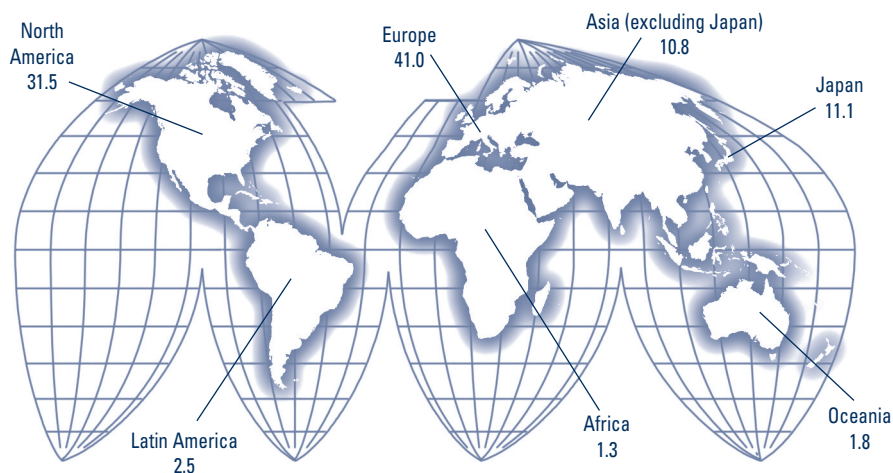
This result is mainly due to the performance of the life sector, with life insurance premiums totalling USD 2,490 billion, down by 3.5% in real terms (+5.1% in 2007); non-life premium volume registered a slight decrease of barely 0.8% compared to the previous year (+1.5% in 2007), reaching USD 1,779 billion.

The escalation of the global financial crisis in the last months of 2008 contributed to determine different trends in written premiums growth between emerging and industrialized countries, both in the life and in the non-life sector.

The life insurance market in industrialized countries<sup>1</sup> has experienced a decrease in sales of unit linked products, whose performance is closely tied to financial markets' trends; overall, written premiums decreased by 5.3% in real terms in industrialized countries, mainly in North America and Europe. In emerging countries<sup>2</sup>, regions such as Eastern Europe, Asia and Latin America, written premiums increased by 14.6%.

The non-life market was again characterized by divergent trends between industrialized countries and emerging countries: premiums collection decreased in advanced countries (-1.9% in comparison to 2007), while it grew in emerging countries (+7.1%).

WORLDWIDE DIRECT INSURANCE IN 2008 - MARKET SHARES



Source: Swiss Re - SIGMA

(1) North America, Western Europe (excluding Turkey), Japan, Hong Kong, Singapore, South Korea, Taiwan, Oceania, Israel.

(2) Latin America, Central and Eastern Europe, South and East Asia, the Middle East (excluding Israel) and Central Asia, Turkey, Africa.

PREMIUMS IN 2008  
USD million

	LIFE	NON-LIFE	TOTAL
North America	626,066	719,751	1,345,817
Latin America	40,889	64,044	104,933
Europe	1,050,815	702,386	1,753,201
of which:			
Western Europe	1,025,261	631,021	1,656,282
Central/Eastern Europe	25,554	71,365	96,919
Asia	690,951	242,407	933,358
of which:			
Japan	367,112	106,085	473,197
Africa	37,866	16,847	54,713
Oceania	43,835	33,881	77,716
<b>Total</b>	<b>2,490,422</b>	<b>1,779,316</b>	<b>4,269,738</b>

Source: Swiss Re - SIGMA World Insurance in 2008

REAL GROWTH RATE IN 2008 (%)

	LIFE	NON-LIFE	TOTAL
North America	-3.4	-2.8	-3.1
Latin America	7.0	9.5	8.4
Europe	-11.1	-0.5	-6.2
of which:			
Western Europe	-11.6	-1.1	-6.9
Central/Eastern Europe	18.7	5.7	9.0
Asia	8.2	2.3	6.6
of which:			
Japan	9.6	-2.1	6.8
Africa	5.5	3.0	4.9
Oceania	17.6	-1.0	8.6
<b>Total</b>	<b>-3.5</b>	<b>-0.8</b>	<b>-2.0</b>

Source: Swiss Re - SIGMA World Insurance in 2008



# The Italian insurance industry in the international setting

## THE MAIN MARKETS IN THE EUROPEAN UNION

In 2009 insurance companies in the first 15 EU member states wrote premiums for Euro 965,720 million, virtually the same as in 2008 (+0.1%); in 2008 premiums registered a 6.1% decrease compared to the previous year.

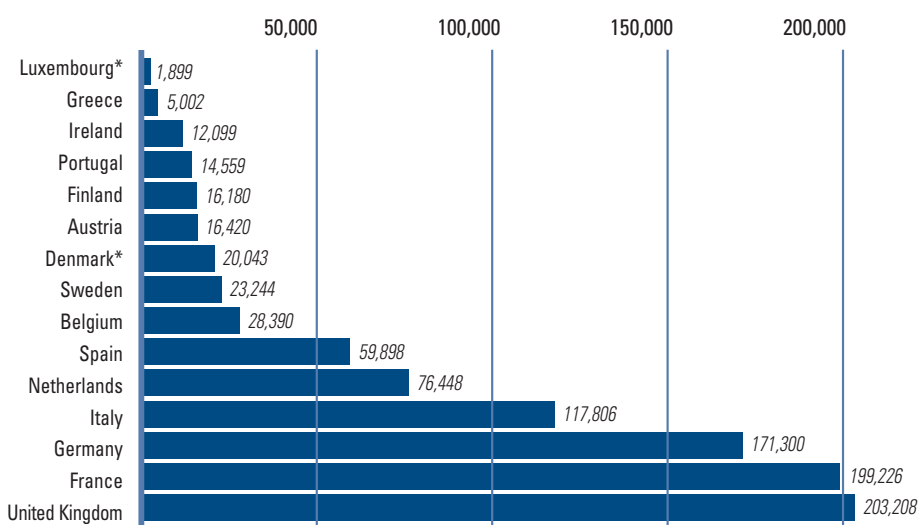
The sharpest growth rates were observed in Italy (+28.0%), France (+8.8%) and Germany (+4.1%), whereas premium collection decreased in the United Kingdom (-18.0%, also due to the depreciation of sterling against the euro), Sweden (-5.9%), Portugal (-5.0%) and Belgium (-2.6%).

With regard to the life sector, premiums totalled Euro 602,277 million in 2009 with a 1.7% increase compared to the previous year (-8.1% in 2008). A large drop was registered by United Kingdom (-17.9%), the Netherlands (-8.0%) and Belgium (-4.7%). The sharpest increases were observed in Italy (+48.7%), France (+12.0%), Germany (+7.1%) and Spain (+2.3%).

In 2009 non-life premiums totalled Euro 363,444 million with a 2.5% decrease compared to the previous year (-2.6% in 2008). This result was mainly determined by Sweden (-24.4%), the United Kingdom (-18.4%) and Italy (-2.0%); growth rates were positive in the Netherlands (+4.0%), France (+2.2%) and Germany (+1.3%).

DIRECT PREMIUMS IN THE EUROPEAN UNION (15) IN 2009

TOTAL  
Euro million

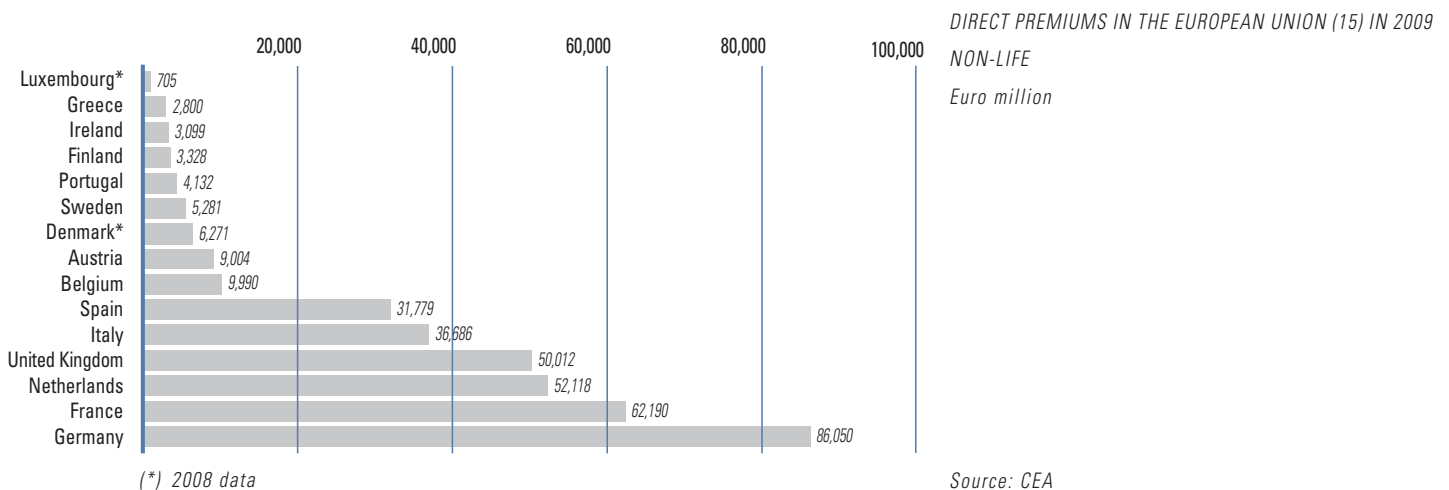
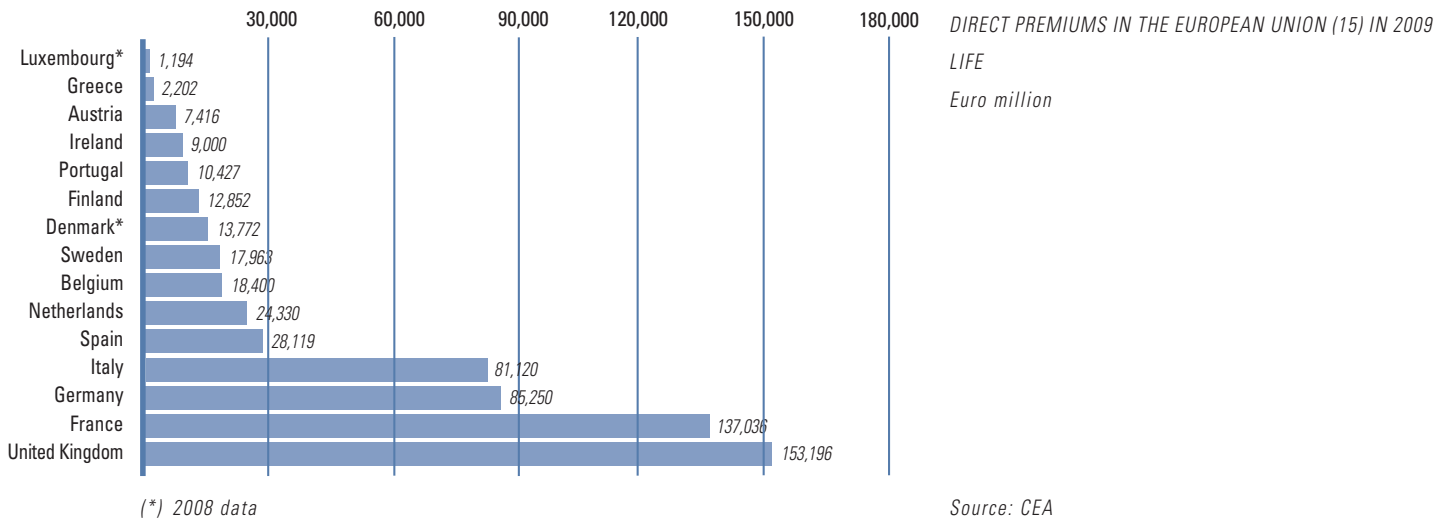


Source: CEA

(\*) 2008 data



# The Italian insurance industry in the international setting



## THE IMPORTANCE OF INSURANCE BY COUNTRY

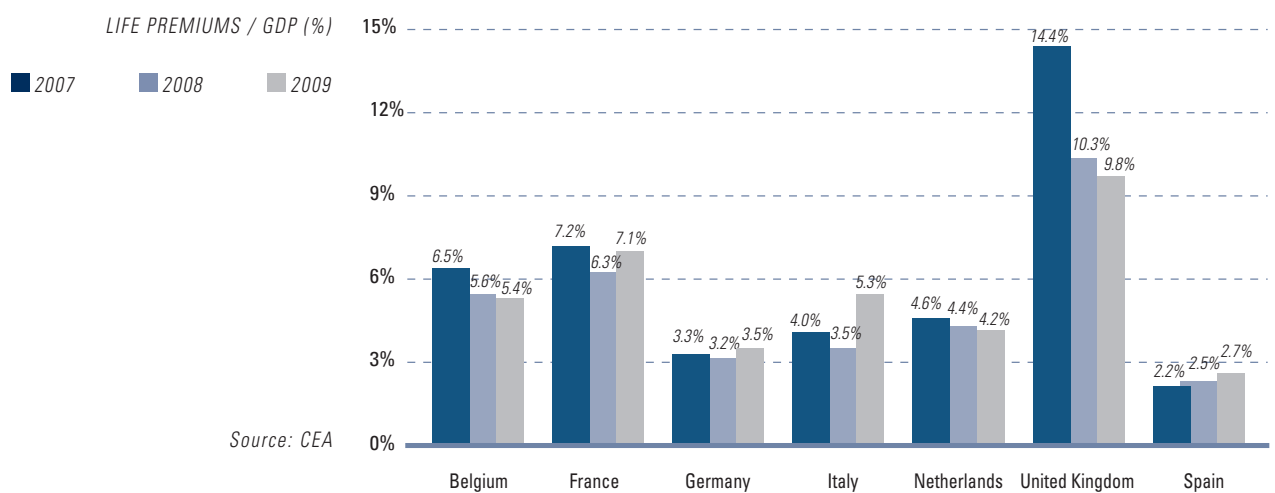
Between 2007 and 2009 the ratio of premium volume to GDP – the insurance “penetration” index – moved differently in the life and non-life sectors. It is necessary to point out that data relative to 2009 provided by CEA are still provisional and, in some cases, they are estimates made by insurance associations of the respective countries.

With regard to the life sector, in the three-year period the ratio decreased gradually in the Netherlands, passing from 4.6% in 2007 to 4.2% in 2009, in



## The Italian insurance industry in the international setting

Belgium, from 6.5% to 5.4%, but above all in the United Kingdom, from 14.4% to 9.8%. The trend of the index was positive instead in Spain, with a value equal to 2.7% in 2009 (2.2% in 2007), and above all in Italy, where in 2009 it was equal to 5.3%, a much higher value compared to the previous years (4.0% in 2007 and 3.5% in 2008). In 2009 the French index was almost equal to the figure observed in 2007 (7.1%), whereas in 2008 it had fallen to 6.3% due to a sharp reduction in premium volume. Germany registered a slight increase in 2009 passing to 3.5%.

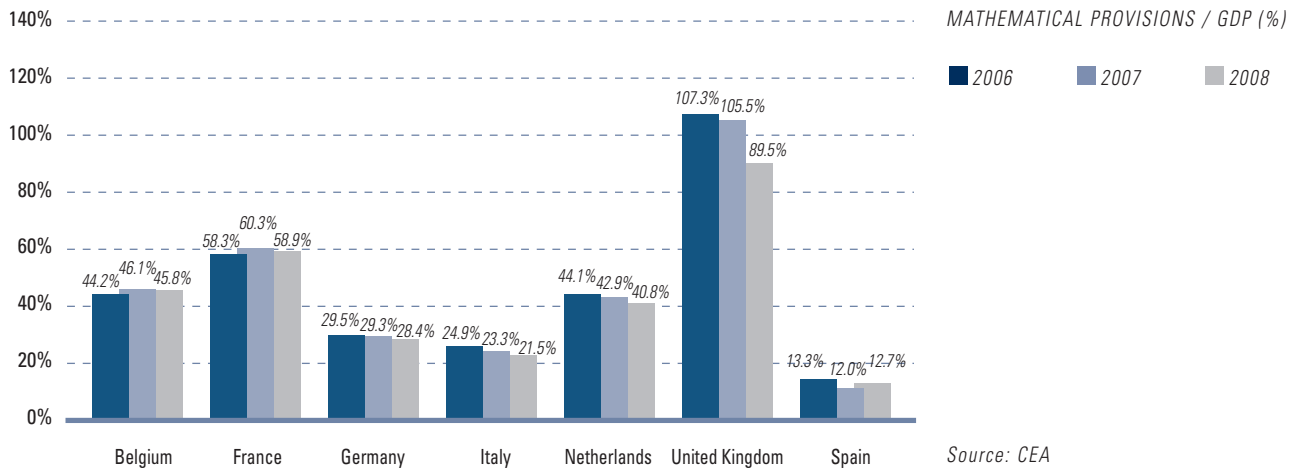


As regards life insurance provisions, because of the lack of data for 2009, the analysis was restricted to the three-year period 2006-2008.

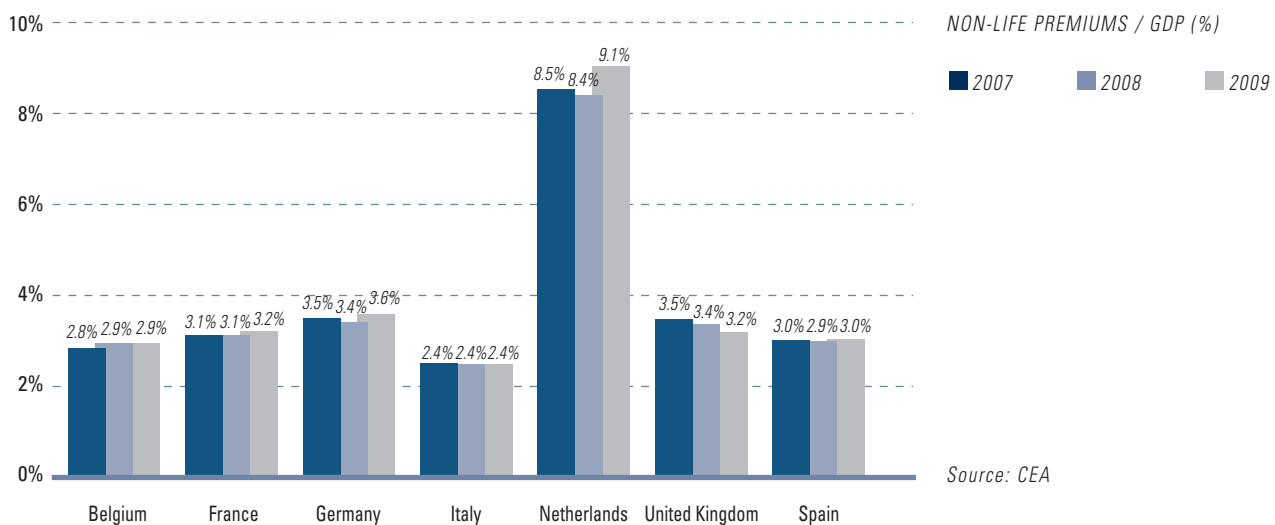
In Italy the ratio of life insurance provisions to GDP, an indicator showing the degree of maturity of the life insurance market, decreased slightly from 24.9% in 2006 to 21.5% in 2008; in Italy the ratio remained lower than in the other European countries except Spain, which was the only country registering a positive trend, passing from 12.0% in 2007 to 12.7% in 2008. In 2008 the United Kingdom continued to register the highest indicator at 89.5%, even if down sharply from 105.5% in 2007 and 107.3% in 2006, followed by France with a value equal to 58.9% in 2008 (60.3% in 2007), Belgium (45.8% in 2008), the Netherlands (40.8% in 2008, compared to 44.1% in 2006) and Germany (28.4% in 2008, one percentage point below the level of the two previous years).



# The Italian insurance industry in the international setting



In the non-life sector Italy again had the lowest ratio of premiums to GDP. In the three-year period (2007-2009) the indicator remained steady at 2.4%, showing a large “gap” compared to the other countries. The ratios in Belgium (2.9%), Spain (3.0%) and France (3.2%) were almost unchanged. The United Kingdom was the only country which recorded a decrease, passing from 3.5% in 2007 to 3.2% in 2009. Germany’s index was equal to 3.6% in 2009, increasing compared to 3.4% in 2008). Finally, the Netherlands, reflecting more positive effects in terms of premium collection from the privatization of the health system begun in 2006, registered a value equal to 9.1% in 2009, the highest in Europe and almost seven percentage points higher than the Italian ratio.



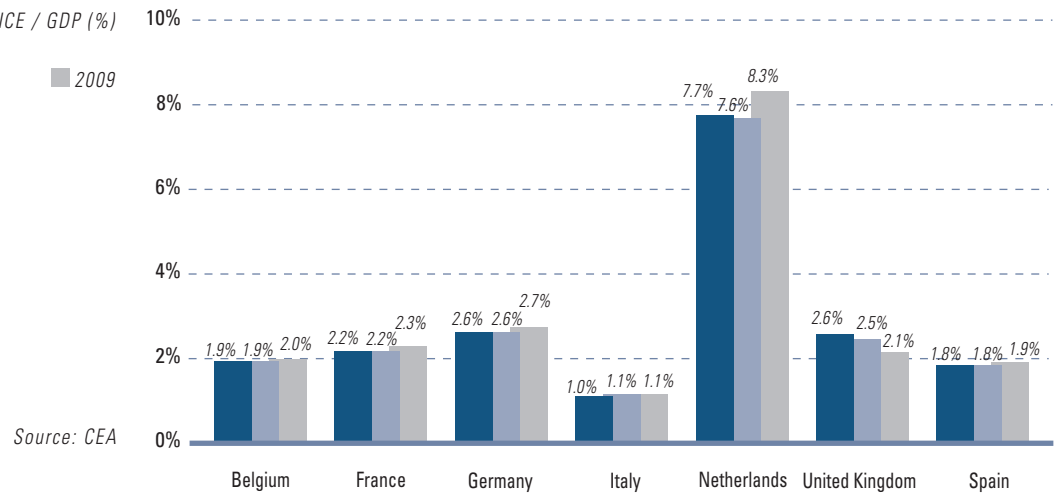


# The Italian insurance industry in the international setting

The gap between Italy and the other European countries looks even wider, in the non-life insurance “penetration” index, if motor premiums are excluded (mandatory by law everywhere). In 2009 the ratio was equal to 1.1% in Italy (stable compared to the previous year), while other countries registered values on average two times higher (as in Spain, Belgium, United Kingdom and France). The Netherlands registered the highest value (8.3% in 2009) while Germany, thanks to a slight increase recorded last year, reached a value equal to 2.7%.

NON-LIFE PREMIUMS EX. MOTOR INSURANCE / GDP (%)

■ 2007 ■ 2008 ■ 2009



## TAXATION OF PREMIUMS IN THE EUROPEAN UNION

This year again among, the incidence of indirect taxation on insurance premiums in Italy is the highest in the EU.

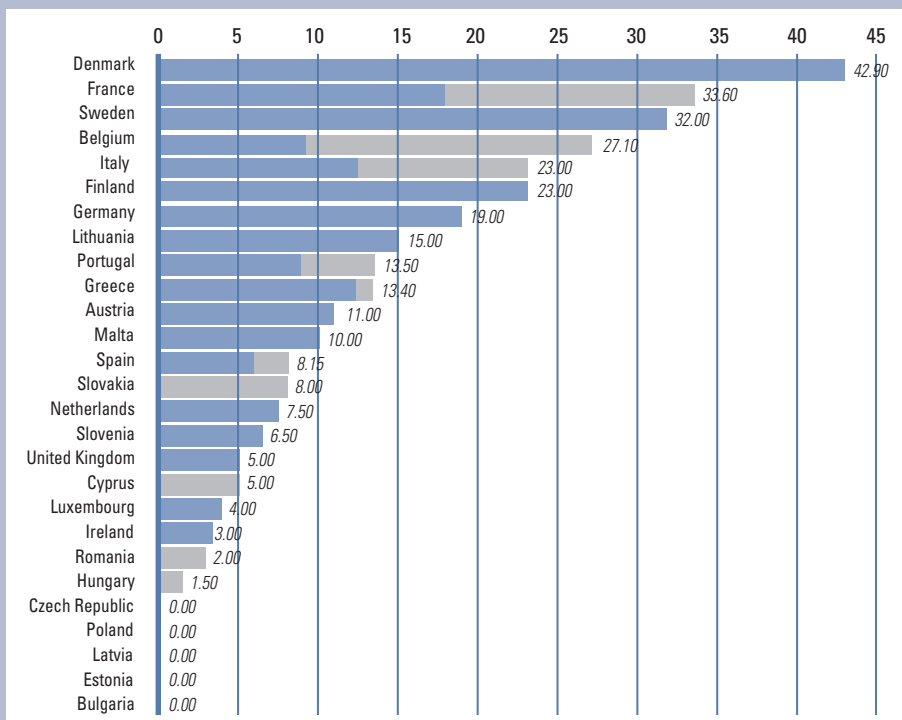
In particular, in motor insurance, taxes and other charges amount to 23% of premiums, well above the European average of 17%. In particular, taxation is lower in the United Kingdom (5%), the Netherlands (7.5%) and Spain (8.15%). Germany applies slightly higher taxes on average (19%), while in France the incidence on premiums reaches 33.6%.

The tax rate on Italian fire insurance premiums, at 22.25%, is higher than in Germany and the United Kingdom (13.2% and 5% respectively), but it continues to be lower than in France (30%).

Aside from Finland (23%), the tax rate on Italian general liability insurance premiums is the highest in Europe (22.25%), exceeding the tax rates applied in Germany (19%), France (9%), Spain (6.15%) and the United Kingdom (5%).



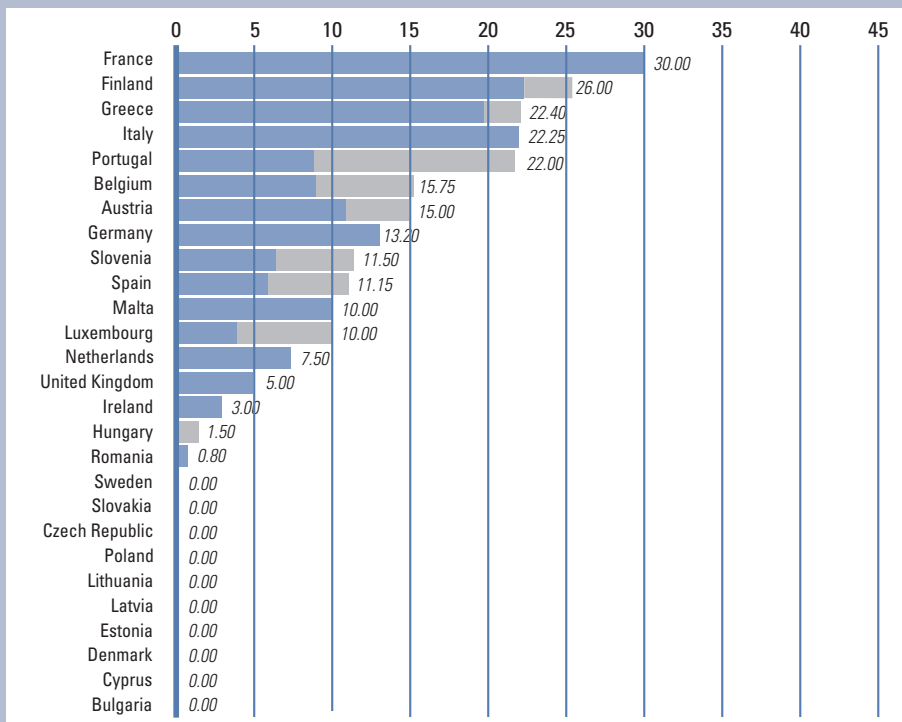
# The Italian insurance industry in the international setting



MOTOR (%)

■ Taxes ■ Other charges

Source: CEA



FIRE (%)

■ Taxes ■ Other charges

Source: CEA

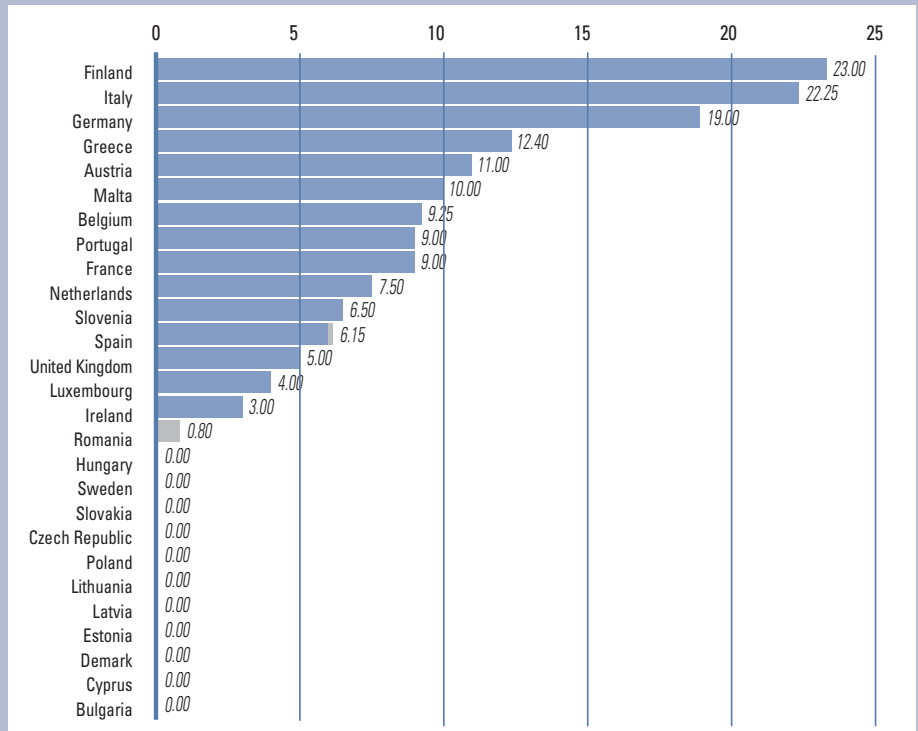
Shipping insurance premiums are taxed at 7.5% for goods transported via sea and air and at 12.5% for those transported via land. The European countries with the highest tax rates are Finland (22%), Germany (19%) and Greece



# The Italian insurance industry in the international setting

GENERAL LIABILITY (%)

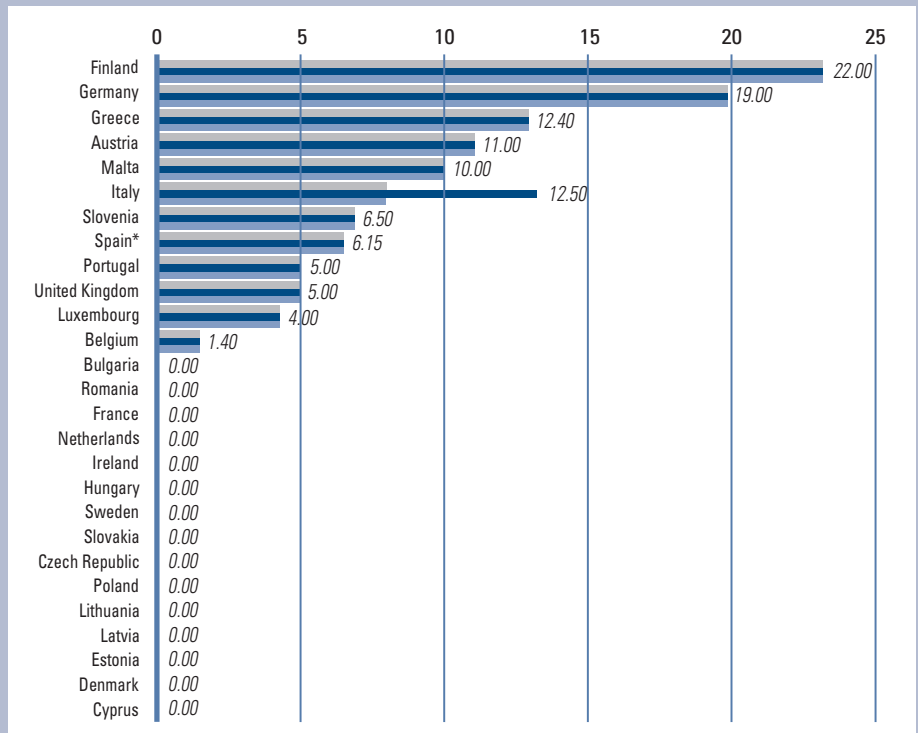
■ Taxes ■ Other charges



Source: CEA

GOODS IN TRANSIT – TAXES

■ Via air ■ Via land ■ Via sea



Source: CEA

(\*) Spain's data include taxes (6.00) and other charges (0.15)

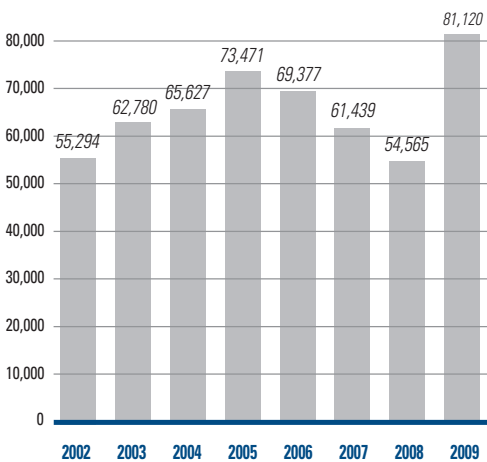
(12.4%); a 5% tax rate is applied in the United Kingdom, while in France and in most other countries no such provision is established for these lines of business.





# Life insurance

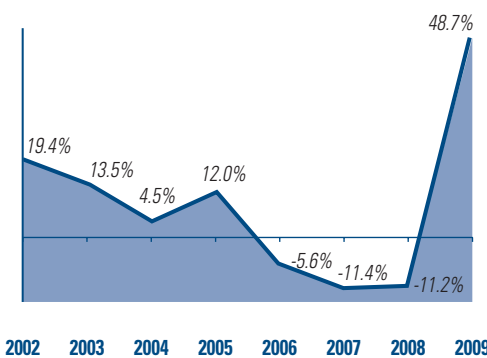
DIRECT PREMIUMS  
Euro million



In 2009 premiums in life insurance business increased by 48.7% to more than Euro 81 billion. This was the net result of the strong increase registered in the Class I (+106%) and the decrease in linked policies (-47.6%). The total premium growth, the reduction in payments and the positive investment result produced a profit in the overall technical account, with a clear improvement compared to the previous year.

## DOMESTIC BUSINESS

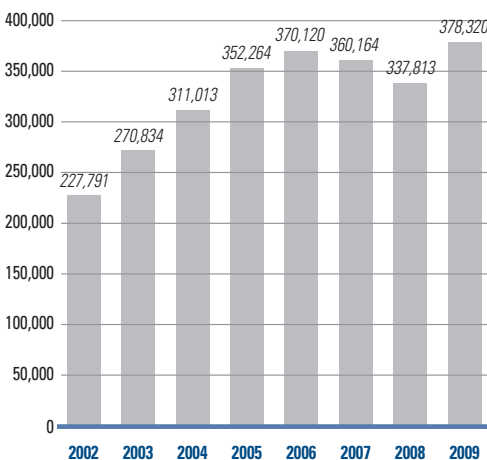
DIRECT PREMIUMS  
Annual growth rate



Premiums for direct domestic business for the 77 insurance companies operating in life classes amounted to Euro 81,120 million, with a strong increase compared to 2009 (+48.7). This growth follows the decreases registered from 2006 to 2008, when premium income was affected by the financial turmoil, reaching a ten-year low in 2008.

In percentage, life premiums represented 69% of the total business (life and non-life) in 2009 with an increase in market share of 10 percentage points compared to 2008. The change registered in premiums collected in Italy by companies operating under the **freedom to provide services** – essentially Class III products (Linked) – was also positive. ANIA estimated that in 2009 the premiums written by these companies amounted to over Euro 7 billion, with a 9% increase compared to 2008.

TOTAL LIFE TECHNICAL RESERVES  
Euro million



Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 57,198 million, a 12.7% decrease.

Mathematical provisions were equal to Euro 378,320 million, a 12.0% increase compared to 2008; this result is mainly due to the revaluation of the stock induced by returns of the stock market, combined with a result of net cash flow that was positive.

The change in mathematical and other technical provisions was positive at Euro 41,046 million (it was negative by Euro 22,636 million in 2008).

In 2009 the net cash flow, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was positive at Euro 23,922 million; both in 2007 and 2008 it had been negative by over Euro 10,000 million. This result reflected, besides a strong increase in premiums, the reduction of surrenders, which decreased by nearly 23.0% compared to 2008.



## LIFE TECHNICAL ACCOUNT

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	55,294	62,780	65,627	73,471	69,377	61,439	54,565	81,120
Incurred claims (-)	21,783	25,453	34,313	43,710	57,804	74,316	65,547	57,198
Changes in technical provisions (-)	31,504	43,257	39,666	41,196	18,303	-10,245	-22,636	41,046
Balance of other technical items	284	427	476	697	633	468	104	11
Operating expenses (-)	3,379	3,745	3,864	4,308	4,589	4,681	4,056	4,022
Investment income	1,845	10,661	13,523	17,062	12,126	8,176	-11,030	23,999
<b>Direct technical account result</b>	<b>757</b>	<b>1,413</b>	<b>1,783</b>	<b>2,016</b>	<b>1,440</b>	<b>1,331</b>	<b>-3,328</b>	<b>2,864</b>
Reinsurance result and other items	279	293	249	327	471	292	320	435
<b>Overall technical account result</b>	<b>1,036</b>	<b>1,706</b>	<b>2,032</b>	<b>2,343</b>	<b>1,911</b>	<b>1,623</b>	<b>-3,008</b>	<b>3,299</b>
<b>Net cash flow</b>	<b>33,511</b>	<b>37,327</b>	<b>31,314</b>	<b>29,761</b>	<b>11,573</b>	<b>-12,877</b>	<b>-10,982</b>	<b>23,922</b>
Annual % changes in premiums	19.4%	13.5%	4.5%	12.0%	-5.6%	-11.4%	-11.2%	48.7%
Expense ratio	6.1%	6.0%	5.9%	5.9%	6.6%	7.6%	7.4%	5.0%
Investment income/Technical provisions	0.9%	4.3%	4.6%	5.1%	3.5%	2.3%	-3.2%	6.6%
<b>Technical account result/Gross written premiums</b>	<b>1.4%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>2.2%</b>	<b>-6.1%</b>	<b>3.5%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>1.9%</b>	<b>2.7%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>2.8%</b>	<b>2.6%</b>	<b>-5.5%</b>	<b>4.1%</b>
<b>Overall technical account result/Technical provisions</b>	<b>0.49%</b>	<b>0.68%</b>	<b>0.70%</b>	<b>0.71%</b>	<b>0.54%</b>	<b>0.46%</b>	<b>-0.87%</b>	<b>0.91%</b>

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

**Operating expenses** were equal to Euro 4,022 million (Euro 4,056 million in 2008); they also include the administration expenses relating to the technical management of insurance business, in addition to acquisition costs, costs arising from premium collection and costs relating to the organisation and operation of the distribution network. Despite the strong growth in life business, operating expenses did not increase at the same rate, mainly due to the growth in share of single premium policies, whose expenses have a lower impact than periodic and recurrent premiums, and to the sharp increase in the average single premium.

The result of investment income in 2009 was equal to Euro 23,999 million (it was negative at Euro 11,030 in 2008). This affected the **result of the technical account for direct business** and reflected a gain of Euro 2,864 million (it was negative by to Euro 3,328 million in 2008). In 2009 the ratio to premiums recovered to 3.5% from -6.1% in 2008.

The net result for reinsurance activities and indirect insurance business was positive at Euro 435 million (Euro 320 million in 2008).

**The overall technical account result** was positive by Euro 3,299 million (it was negative by Euro 3,008 million in 2008). Clearly there was an improvement both in the ratio to premiums (from -5.5% in 2008 to 4.1% in 2009) and in the ratio to technical reserves (from -0.87% in 2008 to 0.91% in 2009).



## INDIVIDUAL LIFE CLASSES

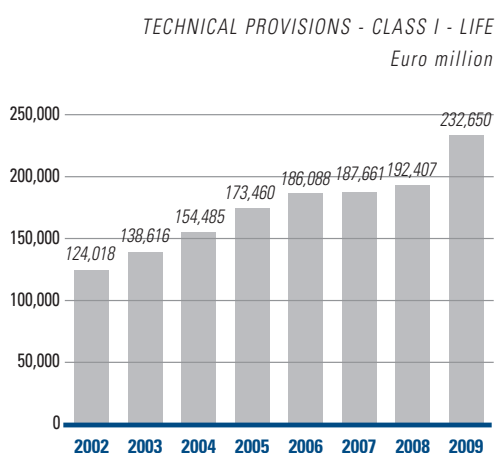
### Class I - Insurance on length of human life

Thanks to the strong increase in new traditional policies – based on a minimum guaranteed return – mainly sold by banks, the **premiums for direct domestic business** collected by the 77 companies operating in this class amounted to Euro 64,746 million; the increase was equal to 106.0% compared to 2008. The ratio of premiums for the class to total life premiums rose from 57.6% in 2008 to 79.8% in 2009.

CLASS I - LIFE  
Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	23,991	27,788	30,101	33,871	32,746	27,166	31,430	64,746
Incurred claims (-)	13,660	14,839	16,761	18,253	23,064	28,995	29,745	28,974
Changes in technical provisions (-)	12,233	14,737	15,692	18,610	12,796	1,531	4,713	40,444
Balance of other technical items	-109	-96	-88	-41	-113	-192	-357	-346
Operating expenses (-)	1,770	1,941	2,048	2,365	2,634	2,811	2,845	3,216
Investment income	4,399	5,350	5,950	6,458	6,610	7,025	3,433	9,562
<b>Direct technical account result</b>	<b>618</b>	<b>1,525</b>	<b>1,462</b>	<b>1,060</b>	<b>749</b>	<b>662</b>	<b>-2,797</b>	<b>1,328</b>
Reinsurance result and other items	293	292	247	371	459	335	332	376
<b>Overall technical account result</b>	<b>911</b>	<b>1,817</b>	<b>1,709</b>	<b>1,431</b>	<b>1,208</b>	<b>997</b>	<b>-2,465</b>	<b>1,704</b>
<b>Net cash flow</b>	<b>10,331</b>	<b>12,949</b>	<b>13,340</b>	<b>15,618</b>	<b>9,682</b>	<b>-1,829</b>	<b>1,685</b>	<b>35,772</b>
Annual % changes in premiums	23.6%	15.8%	8.3%	12.5%	-3.3%	-17.0%	15.7%	106.0%
Expense ratio	7.4%	7.0%	6.8%	7.0%	8.0%	10.3%	9.1%	5.0%
Investment income/Technical provisions	3.7%	4.1%	4.1%	3.9%	3.8%	3.9%	1.8%	4.6%
<b>Technical account result/Gross written premiums</b>	<b>2.6%</b>	<b>5.5%</b>	<b>4.9%</b>	<b>3.1%</b>	<b>2.3%</b>	<b>2.4%</b>	<b>-8.9%</b>	<b>2.1%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>3.8%</b>	<b>6.5%</b>	<b>5.7%</b>	<b>4.2%</b>	<b>3.7%</b>	<b>3.7%</b>	<b>-7.8%</b>	<b>2.6%</b>
<b>Overall technical account result/Technical provisions</b>	<b>0.77%</b>	<b>1.38%</b>	<b>1.17%</b>	<b>0.87%</b>	<b>0.69%</b>	<b>0.55%</b>	<b>-1.32%</b>	<b>0.81%</b>
Premiums to total life premiums ratio (%)	43.4%	44.3%	45.9%	46.1%	47.2%	44.2%	57.6%	79.8%

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



Demand is strongly oriented towards traditional savings products with a guaranteed yield, linked to separate portfolios. These products, besides guaranteeing, at present, competitive returns compared to those offered by government securities, are especially attractive to customers in periods, like the present one, characterised by high volatility, because they neutralise investment value oscillations and entry timing risk. All this thanks to specific features such as minimum yield – guaranteed by contract by the solvency margin that undertakings must have by law – and consolidation of results, by virtue of which benefits do not decrease.

On the other hand, thanks to the high demand for guaranteed insurance solutions, undertakings strictly control the sustainability of the level of guarantees offered, also presenting innovative solutions to guarantee structure. In a context of low interest rates, which could continue, finding



assets on the market that help to obtain a higher performance than the minimum guaranteed could turn out to be less easy. We must consider that companies' portfolios still include a significant share of contracts on which commitments, in terms of minimum guaranteed yield, undertaken in the past years and still in force, are higher than the levels foreseen by the present offer.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, came to Euro 28,974 million, in slight decrease (-2,6%) compared to 2008.

In line with the growth in new business, the **change in mathematical and other technical provisions** was equal to Euro 40,444 million, a ten-fold increase compared to 2008; in 2009 the change in mathematical provisions was equal to Euro 232,650 million, a 21.0% increase compared to 2008.

Overall, the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was positive at Euro 35,772 million, whereas it had been negative by Euro 1,685 million in 2008.

**Operating expenses** were equal to Euro 3,216 million (Euro 2,845 million in 2008). The ratio to premiums decreased from 9.1% in 2008 to 5.0% in 2009.

Considering investment income (Euro 9,562 million), the result of the **technical account for direct business** reflected a gain of Euro 1,328 million (it was negative by Euro 2,797 million in 2008). The ratio to premiums rose from -8.9% in 2008 to 2.1% in 2009.

The net result for reinsurance activities and indirect insurance business was positive at Euro 376 million.

**The overall technical account result** was positive at Euro 1,704 million. The incidence on premiums was equal to 2.6%; at the same time the ratio to technical reserves rose from -1.32% in 2008 to 0.81% in 2009.

### **Class III - Life insurance linked to investment funds or index-linked insurance**

As a consequence of the financial crisis that began in the second half of 2008 and lasted until the first quarter of 2009, savers lost interest in linked policies, whose performance is closely related to the trend of the stock markets. In addition the insurance market is undergoing adjustment to the entry into force of the new regulation of index-linked policies that has affected insurance supply.





# Life insurance

CLASS III - INVESTMENT FUNDS

Euro million

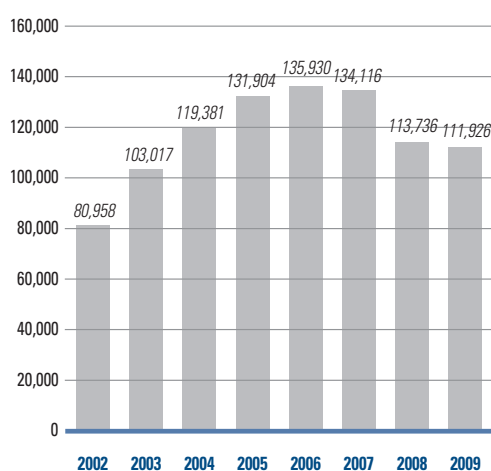
	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	24,559	26,488	24,756	26,389	27,385	29,053	18,558	9,732
Incurred claims (-)	5,562	7,590	13,370	20,797	25,192	28,821	23,156	22,580
Changes in technical provisions (-)	14,233	22,145	16,146	12,634	4,220	-1,862	-20,215	-1,000
Balance of other technical items	341	548	589	757	759	671	467	372
Operating expenses (-)	1,378	1,578	1,614	1,706	1,747	1,661	1,072	632
Investment income	-3,318	4,156	5,993	8,781	3,723	-418	-14,603	12,664
<b>Direct technical account result</b>	<b>409</b>	<b>-121</b>	<b>207</b>	<b>790</b>	<b>708</b>	<b>686</b>	<b>409</b>	<b>556</b>
Reinsurance result and other items	-19	-5	5	-45	16	-33	-9	55
<b>Overall technical account result</b>	<b>390</b>	<b>-126</b>	<b>212</b>	<b>745</b>	<b>724</b>	<b>653</b>	<b>400</b>	<b>611</b>
<b>Net cash flow</b>	<b>18,997</b>	<b>18,898</b>	<b>11,386</b>	<b>5,592</b>	<b>2,193</b>	<b>232</b>	<b>-4,598</b>	<b>-12,848</b>
Annual % changes in premiums	4.0%	7.9%	-6.5%	6.6%	3.8%	6.1%	-36.1%	-47.6%
Expense ratio	5.6%	6.0%	6.5%	6.5%	6.4%	5.7%	5.8%	6.5%
Investment income/Technical provisions	-4.5%	4.5%	5.4%	7.0%	2.8%	-0.3%	-11.9%	10.8%
<b>Technical account result/Gross written premiums</b>	<b>1.7%</b>	<b>-0.5%</b>	<b>0.8%</b>	<b>3.0%</b>	<b>2.6%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>5.7%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>1.6%</b>	<b>-0.5%</b>	<b>0.9%</b>	<b>2.8%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>2.2%</b>	<b>6.3%</b>
<b>Overall technical account result/Technical provisions</b>	<b>0.53%</b>	<b>-0.14%</b>	<b>0.19%</b>	<b>0.59%</b>	<b>0.55%</b>	<b>0.49%</b>	<b>0.32%</b>	<b>0.52%</b>
Premiums to total life premiums ratio (%)	44.4%	42.2%	37.7%	35.9%	39.5%	47.3%	34.0%	12.0%

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

**Premiums for direct domestic business** collected by the 65 insurance companies operating in this class amounted in 2009 to Euro 9,732 million, falling by half compared to 2008, they had totalled roughly Euro 30,000 million two years earlier. Consequently the percentage in relation to overall direct life premiums fell from 34.0% in 2008 to 12.0% in 2009.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 22,580 million and registered a decrease compared to 2008 (-2.5%).

TECHNICAL PROVISIONS - CLASS III - INVESTMENT FUNDS  
Euro million



The negative **change in mathematical and other technical provisions** decelerated from a decline of Euro 20,215 million in 2008 to one of Euro 1,000 million in 2009. The stock of the mathematical provisions declined by 1.6% compared to 2008.

On the whole the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was negative for the second year in a row and equal to Euro 12,848 million, down further from Euro 4,598 million registered in 2008. This result was due to both the great fall in premium collection observed in 2009 and the increase in amounts surrendered.

**Operating expenses** were equal to Euro 632 million (Euro 1,072 million in 2008) whilst the ratio to premiums was 6.5%, with an improvement of 5.8% compared to 2008.



## CLASS IV - HEALTHCARE

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	10	17	18	24	23	30	25	25
Incurred claims (-)	3	7	9	12	7	7	8	9
Changes in technical provisions (-)	4	2	2	2	3	6	3	4
Balance of other technical items	1	0	0	-2	0	1	-1	0
Operating expenses (-)	0	4	2	3	3	3	3	5
Investment income	1	0	0	1	0	0	0	2
<b>Direct technical account result</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>10</b>	<b>15</b>	<b>10</b>	<b>9</b>
Reinsurance result and other items	-2	-5	-4	-5	-9	-12	-6	0
<b>Overall technical account result</b>	<b>3</b>	<b>-1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>9</b>
<b>Net cash flow</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>12</b>	<b>16</b>	<b>23</b>	<b>17</b>	<b>16</b>
Annual % changes in premiums	-10.3%	61.3%	9.2%	28.9%	-2.4%	32.8%	-17.1%	-1.2%
Expense ratio	2.3%	21.8%	11.6%	12.5%	12.3%	9.9%	12.8%	19.0%
Investment income/Technical provisions	5.9%	1.4%	3.9%	5.6%	2.7%	3.2%	2.6%	7.1%
<b>Technical account result/Gross written premiums</b>	<b>44.2%</b>	<b>24.2%</b>	<b>27.7%</b>	<b>23.6%</b>	<b>42.7%</b>	<b>49.9%</b>	<b>40.9%</b>	<b>35.6%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>28.9%</b>	<b>-6.2%</b>	<b>3.5%</b>	<b>6.0%</b>	<b>2.3%</b>	<b>9.8%</b>	<b>17.4%</b>	<b>34.4%</b>
<b>Overall technical account result/Technical provisions</b>	<b>12.48%</b>	<b>-6.93%</b>	<b>9.67%</b>	<b>14.93%</b>	<b>4.58%</b>	<b>19.60%</b>	<b>23.75%</b>	<b>39.29%</b>
Premiums to total life premiums ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

Due to the recovery in investment income, which amounted to Euro 12,664 million (against a loss of 14,603 in 2008), the result of the **technical account for direct business** was positive at Euro 556 million, increasing with respect to 2008. As a consequence the ratio to premiums rose from 2.2% to 5.7%.

The net result for reinsurance activities and indirect insurance business was positive at Euro 55 million.

**The overall technical account result** was positive at Euro 611 million (Euro 400 million in 2008). Both the ratio to premiums (equal to 6.3%) and the ratio to the technical reserves (equal to 0.52%) increased with respect to 2008.

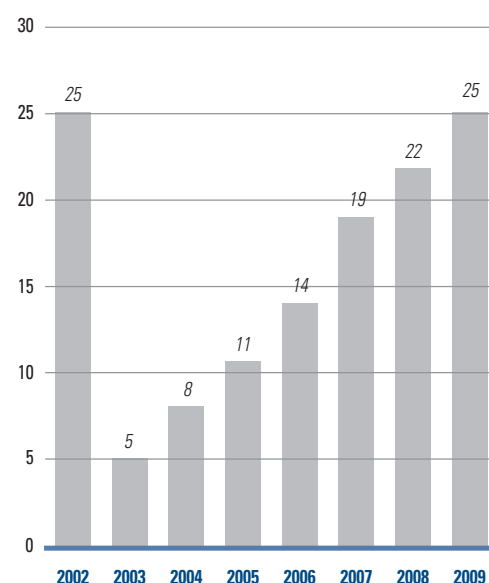
### Class IV - Long-term healthcare insurance

**Premiums for direct domestic business** for the 27 insurance companies operating in this class amounted to Euro 25 million (-1.2% compared to 2008).

**The overall technical account result** was positive at Euro 9 million (Euro 4 million in 2008). The ratio to premiums was 34.4% (17.4% in 2008) while the ratio to the technical reserves was about 40%.

### TECHNICAL PROVISIONS - CLASS IV - HEALTHCARE

Euro million



# Life insurance

## CLASS V - CAPITALIZATION

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	6,610	8,360	10,554	12,692	8,938	4,469	3,196	5,078
Incurred claims (-)	2,551	3,003	4,149	4,615	9,478	16,380	12,494	5,461
Changes in technical provisions (-)	4,951	6,243	7,631	9,418	1,017	-10,562	-8,077	107
Balance of other technical items	52	-26	-29	-20	-19	-19	-23	-32
Operating expenses (-)	224	215	190	223	188	177	101	136
Investment income	792	1,136	1,558	1,751	1,747	1,542	413	1,378
<b>Direct technical account result</b>	<b>-272</b>	<b>9</b>	<b>113</b>	<b>167</b>	<b>-17</b>	<b>-3</b>	<b>-932</b>	<b>720</b>
Reinsurance result and other items	7	11	1	5	5	3	4	5
<b>Overall technical account result</b>	<b>-265</b>	<b>20</b>	<b>114</b>	<b>172</b>	<b>-12</b>	<b>0</b>	<b>-928</b>	<b>725</b>
<b>Net cash flow</b>	<b>4,059</b>	<b>5,357</b>	<b>6,405</b>	<b>8,077</b>	<b>-540</b>	<b>-11,911</b>	<b>-9,298</b>	<b>-383</b>
Annual % changes in premiums	106.5%	26.5%	26.2%	20.3%	-29.6%	-50.0%	-28.5%	58.9%
Expense ratio	3.4%	2.6%	1.8%	1.8%	2.1%	4.0%	3.2%	2.7%
Investment income/Technical provisions	4.0%	4.4%	4.8%	4.3%	4.0%	3.8%	1.2%	4.4%
<b>Technical account result/Gross written premiums</b>	<b>-4.1%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>-0.2%</b>	<b>-0.1%</b>	<b>-29.2%</b>	<b>14.2%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>-4.0%</b>	<b>0.2%</b>	<b>1.1%</b>	<b>1.4%</b>	<b>-1.0%</b>	<b>0.0%</b>	<b>-29.0%</b>	<b>14.3%</b>
<b>Overall technical account result/Technical provisions</b>	<b>-1.35%</b>	<b>0.08%</b>	<b>0.35%</b>	<b>0.42%</b>	<b>-0.03%</b>	<b>0.00%</b>	<b>-2.72%</b>	<b>2.31%</b>
Premiums to total life premiums ratio (%)	12.0%	13.3%	16.1%	17.3%	12.9%	7.3%	5.9%	6.3%

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

### Class V - Capitalization operations

**Premiums for direct domestic business** for the 66 insurance companies operating in this class amounted to Euro 5.078 million with a 60% decrease compared to 2008. The percentage of overall direct life premiums consequently increased from 5.9% in 2008 to 6.3% in 2009.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 5,461 million (Euro 12,494 million in 2008).

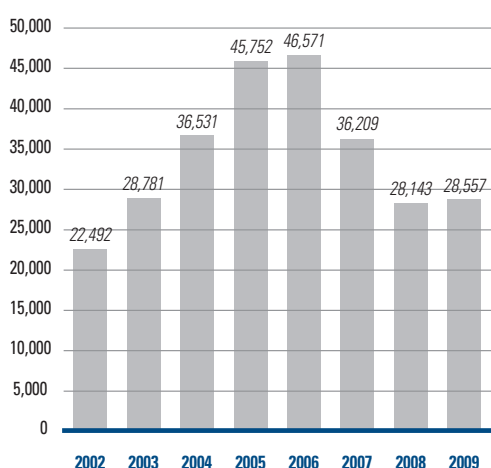
The **change in mathematical and other technical provisions** was positive at Euro 107 million (minus Euro 8,077 million in 2008).

Overall, the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was nearly nil, after the significant decrease registered in 2008. As in Class I, this result was due to both the positive performance in premium collection observed and the decrease in amounts surrendered in 2009.

**Operating expenses** were equal to Euro 136 million (Euro 101 million in 2008). The ratio to premiums thus came down from 3.2% in 2008 to 2.7% in 2009.

Counting investment income equal to Euro 1.378 million, the **technical account for direct business** showed a positive result of Euro 720 million (minus Euro 932 million in 2008).

TECHNICAL PROVISIONS - CLASS V - CAPITALIZATION  
Euro million



## CLASS VI - PENSION FUNDS

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	124	128	198	495	285	720	1,356	1,539
Incurred claims (-)	8	15	24	33	64	113	146	173
Changes in technical provisions (-)	85	131	194	532	267	643	939	1,491
Balance of other technical items	2	3	3	4	7	9	18	14
Operating expenses (-)	7	8	10	11	17	29	35	33
Investment income	-30	19	23	71	46	26	-273	395
<b>Direct technical account result</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-6</b>	<b>-10</b>	<b>-30</b>	<b>-19</b>	<b>251</b>
Reinsurance result and other items	0	0	0	0	0	0	0	0
<b>Overall technical account result</b>	<b>-4</b>	<b>-4</b>	<b>-4</b>	<b>-6</b>	<b>-10</b>	<b>-30</b>	<b>-19</b>	<b>251</b>
<b>Net cash flow</b>	<b>116</b>	<b>113</b>	<b>174</b>	<b>462</b>	<b>221</b>	<b>607</b>	<b>1,210</b>	<b>1,366</b>
Annual % changes in premiums	36.6%	3.4%	54.4%	150.4%	-42.4%	152.5%	88.3%	13.5%
Expense ratio	5.8%	6.4%	5.0%	2.3%	6.0%	4.0%	2.6%	2.2%
Investment income/Technical provisions	-12.1%	5.2%	4.4%	8.2%	3.9%	1.5%	-10.9%	10.2%
<b>Technical account result/Gross written premiums</b>	<b>-3.1%</b>	<b>-3.3%</b>	<b>-2.0%</b>	<b>-1.2%</b>	<b>-3.4%</b>	<b>-4.1%</b>	<b>-1.4%</b>	<b>16.3%</b>
<b>Overall technical account result/Gross written premiums</b>	<b>-3.2%</b>	<b>-3.3%</b>	<b>-2.0%</b>	<b>-1.2%</b>	<b>-3.4%</b>	<b>-4.1%</b>	<b>-1.4%</b>	<b>16.3%</b>
<b>Overall technical account result/Technical provisions</b>	<b>-1.60%</b>	<b>-1.20%</b>	<b>-0.79%</b>	<b>-0.66%</b>	<b>-0.82%</b>	<b>-1.77%</b>	<b>-0.77%</b>	<b>6.49%</b>
Premiums to total life premiums ratio (%)	0.2%	0.2%	0.3%	0.7%	0.4%	1.2%	2.5%	1.9%

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

The net result for reinsurance activities and indirect insurance business was positive at Euro 5 million.

The **overall technical account result** was positive at Euro 725 million (it was negative by 928 million in 2008).

### Class VI - Pension fund management

**Premiums for direct domestic business** for the 42 insurance companies operating in this class amounted to Euro 1,539 million, with a 13.5% increase from Euro 1,356 million in 2008.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 173 million (Euro 146 million in 2008).

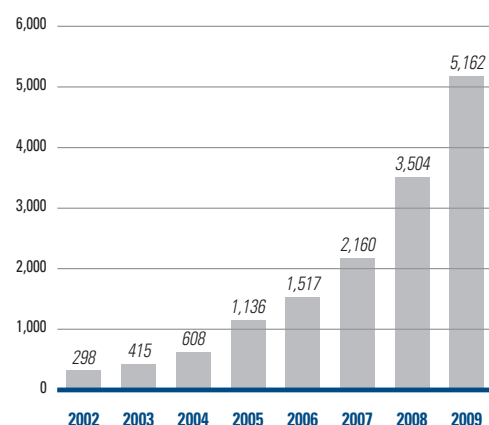
The **change in mathematical and other technical provisions** was equal to Euro 1,491 million, with an increase around of 60% compared to 2008.

**Operating expenses** were equal to Euro 33 million (Euro 35 million in 2008). The ratio to premiums was 2.2% (2.6% in 2008).

Counting investment income (Euro 395 million), the **result of the technical account for direct business** reflected a profit of Euro 251 million (against a loss of Euro 19 million in 2008).

The **overall technical account result** was negative by the same amount, since the net result for reinsurance activities and indirect insurance business was nil in 2009.

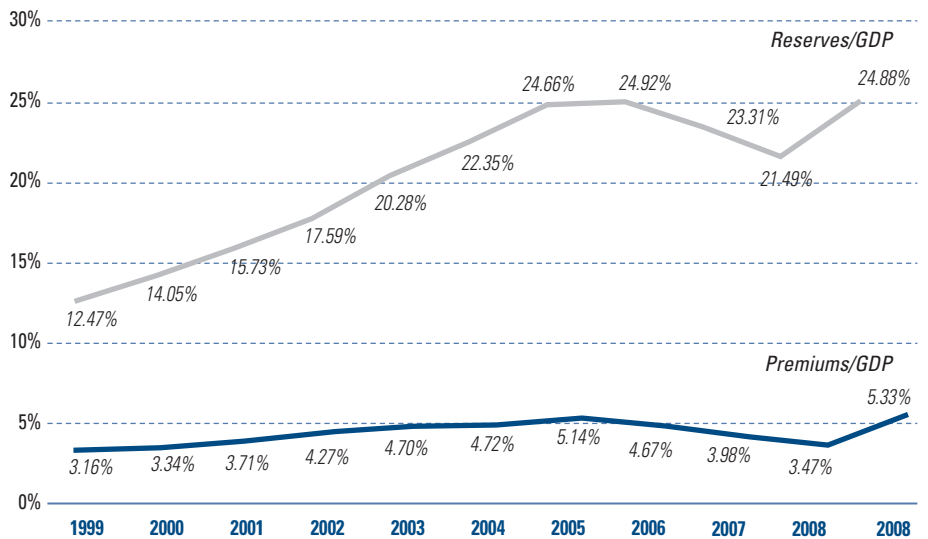
TECHNICAL PROVISIONS - CLASS VI - PENSION FUNDS  
Euro million



## LIFE INSURANCE AND GDP

After three consecutive years of decrease, the ratios of premiums and mathematical reserves to GDP both increased in 2009, mainly as consequence of the extraordinary growth of life premiums. In particular the ratio of mathematical reserves to GDP in 2009 (24.88%) reached the same level as 2006. The ratio of premiums to GDP increased from 3.47% in 2008 to 5.33%, approximately the same value as 2005 (5.14%).

PREMIUMS AND RESERVES AS A % OF GDP



## LIFE INSURANCE AND ITALIAN HOUSEHOLD SAVING

Italian households' disposable income fell by 2.7% in nominal terms in 2009, a contraction that comes after years of uninterrupted albeit slowing growth. Factors in this development were the drop of 43.4% in households' net interest income and the decline in earnings due to the fall in the number of persons in work (2.7% in payroll employment and 2.6% in self-employment). By contrast, disposable income was buoyed by general government measures, with a reduction of 3.1% in current taxes and an increase of 5.2% in social benefits.

In real terms, disposal income fell by 2.5% after declining by 0.9% in 2008. Since the contraction in consumption, though sharp, was less than in 2008 (1.8% against 0.8%), the household saving rate fell considerably, from 11.5% to 10.8%. It should be noted, however, that the expected monetary erosion of



financial assets also declined; the saving rate adjusted for expected inflation rose from 8.8% to 9.9%.

The annual gross flow of households' financial investment continued to diminish, falling from Euro 82.1 billion to Euro 68.9 billion in 2009; in parallel, that of financial liabilities declined from Euro 26.9 billion to Euro 19.2 billion (Table 1). Overall, households' financial saving – the difference between the gross flow of assets and that of liabilities – contracted by more than Euro 5 billion with respect to 2008. As a proportion of GDP at market prices, it declined from 3.5% to 3.3%.

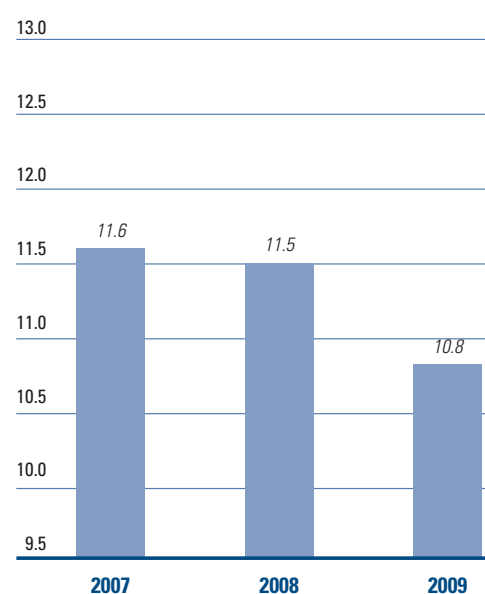
The bulk of households' investment flow went to instruments issued by Italian banks (Euro 47 billion, down from Euro 95 billion in 2008) and shares and other equity (Euro 49 billion, up from Euro 28 billion). There was a distinct inversion of trend regarding life insurance policies, with net investment of Euro 24 billion in 2009 following net disinvestment of Euro 10 billion in 2008. There was a net inflow of household savings into Italian and foreign investment funds after years of massive disposals (including one of Euro 65 billion in 2008): in 2009 households put more than Euro 8 billion into these instruments, the entire amount going to foreign funds.

The drastic fall in yields on fixed-income securities, especially government paper, induced Italian households to reduce their holdings of Italian government securities, which registered an outflow of nearly Euro 60 billion (against an inflow of Euro 4 billion in 2008), concentrated in the short-term component. A large volume of net disinvestment (Euro 24 billion) was recorded for external assets.

With the recovery of the financial markets, the value of Italian households' total financial assets showed moderate growth in 2009, increasing by more than Euro 70 billion compared with 2008. At the end of the year shares made up 23.7% of the portfolio (23.4% at end-2008). Some 29% of the portfolio was invested in instruments issued by Italian banks (half of which in the form of current accounts); 17.6% in life and non-life insurance products, employee severance pay funds and pension funds (for life insurance policies alone, 10.7%, compared with 9.7% at end-2008); and 9% in postal savings products. Investment funds and Italian government securities made up 5.2% and 5.5% of the portfolio (4.6% and 7.5% respectively at the end of 2008). The portion invested in foreign securities was down considerably from a year earlier.

At the end of 2009 the portfolio of financial assets was equal to 3.4 times disposable income, against a multiple of 3.2 a year earlier; increases of comparable magnitude were also recorded in the other main countries (Table 2). Subtracting liabilities, net financial wealth amounted to 2.6 times disposable income (just under 2.5 times at end-2008).

FIGURE 1  
HOUSEHOLD SAVING RATE  
(% of disposable income)



Source: ISTAT. The saving rate is defined as the ratio of saving (gross of amortizations and net of changes in pension fund reserves) to gross disposable income



# Life insurance

TABLE 1 - FINANCIAL ASSETS OF ITALIAN HOUSEHOLDS

	FLOWS				STOCKS			
	Euro million		% of total		Euro million		% of total	
	2008	2009	2008	2009	2008	2009	2008	2009
Notes and coin	10,546	7,062	12.8	10.3	98,620	106,636	2.8	3.0
Instruments issued by banks	94,822	46,994	115.5	68.3	1,000,287	1,036,779	28.4	28.8
<i>of which: sight deposits</i>	16,983	19,932	20.7	28.9	493,099	513,217	14.0	14.3
<i>other deposits</i>	27,069	5,853	33.0	8.5	144,408	149,811	4.1	4.2
<i>medium and long-term securities</i>	50,770	21,210	61.9	30.8	362,780	373,751	10.3	10.4
Deposits and other post-office funding	9,584	17,948	11.7	26.1	295,859	313,885	8.4	8.7
Government securities	3,930	-59,978	4.8	-87.1	264,160	199,250	7.5	5.5
<i>of which: short-term</i>	13,899	-63,365	16.9	-92.0	95,098	28,459	2.7	0.8
<i>medium and long-term</i>	-9,969	3,388	-12.1	4.9	169,063	170,791	4.8	4.8
Other securities issued by enterprises	-3,044	142	-3.7	0.2	10,566	10,517	0.3	0.3
Investment fund units	-64,633	8,365	-78.8	12.1	162,018	188,102	4.6	5.2
<i>of which: Italian</i>	-41,959	-480	-51.1	-0.7	123,275	135,349	3.5	3.8
<i>foreign</i>	-22,674	8,844	-27.6	12.8	35,221	52,753	1.0	1.5
Shares and other equity	28,302	49,230	34.5	71.5	824,180	853,465	23.4	23.7
<i>of which: Italian</i>	30,278	50,922	36.9	74.0	764,304	783,879	21.7	21.8
<i>foreign</i>	-1,976	-1,692	-2.4	-2.5	59,876	69,586	1.7	1.9
Other external assets	4,528	-24,429	5.5	-35.5	158,496	133,034	4.5	3.7
Insurance premium reserves (*)	-5,494	28,643	-6.7	41.6	588,197	632,310	16.7	17.6
<i>of which: reserves of the life sector</i>	-10,548	24,343	-12.9	35.4	341,647	383,752	9.7	10.7
Other assets	3,530	-5,122	4.3	-7.4	123,275	120,805	3.5	3.4
<b>Total assets</b>	<b>82,073</b>	<b>68,854</b>	<b>100.0</b>	<b>100.0</b>	<b>3,522,136</b>	<b>3,594,783</b>	<b>100.0</b>	<b>100.0</b>
<b>Total liabilities</b>	<b>26,903</b>	<b>19,184</b>			<b>840,447</b>	<b>859,954</b>		
<b>BALANCE</b>	<b>55,170</b>	<b>49,670</b>			<b>2,681,689</b>	<b>2,734,829</b>		

Source: Based on Banca d'Italia, Conti finanziari

(\*) The item includes employee severance pay funds and pension funds as well as the reserves of the life and non-life sectors

TABLE 2  
RATIO OF HOUSEHOLDS' FINANCIAL ASSETS  
TO DISPOSABLE INCOME

	Financial assets			Net financial wealth		
	2006	2008	2009	2006	2008	2009
<b>Italy</b>	<b>3.50</b>	<b>3.24</b>	<b>3.40</b>	<b>2.77</b>	<b>2.47</b>	<b>2.59</b>
France	2.89	2.69	2.87	2.00	1.75	1.89
Germany	2.75	2.65	2.78	1.77	1.73	1.87
Spain	2.93	2.36	2.42	1.62	1.03	1.11
Euro area	3.13	2.81	2.97	2.11	1.76	1.90
United Kingdom	4.63	4.03	4.33	2.96	2.34	2.75
United States	4.76	3.86	4.09	3.43	2.55	2.82
Japan	4.97	4.57	-	3.69	3.36	-

Source: Bank of Italy



### NEW DEVELOPMENTS IN SUPPLEMENTARY PENSION PROVISION

#### Enrolments

The COVIP data on private pension plans' enrolments and rates of return, updated to 31 December 2009, permit a balance to be drawn of the situation in the sector of supplementary pension provision.

The balance shows some indisputably positives, such as the fact that the number of enrolments grew again in 2009, lifting the total number of participants past the 5 million mark. On the other hand, the development attained by supplementary pension provision – covering some 22% of all active payroll and self-employed workers – is still plainly inadequate and far below the desired level.

The COVIP figures give an end-2009 total of 5.1 million participants, up by 4.2% from a year earlier. In particular, the number of private sector employees enrolled in pension plans rose over the year by 3.3% to 3.7 million.

The number of participants in occupational pension funds fell by 0.2%, while participation grew in open pension funds by 3.1% and in newly instituted individual retirement plans by 27.3%. With regard to the forms of retirement saving instituted earlier, there was a slight contraction in the number of participants: 3.0% for old individual retirement plans and 0.6% for so-called pre-existing pension funds.

Three years after the entry into force of the last reform in this sector, therefore, the impetus to participation that arose in 2007, when payroll workers had to elect whether or not to contribute their maturing severance pay to a supplementary pension plan, seems to be fading. At the enrolment rate of recent years, it would take a couple of decades for a substantial share of workers to enjoy a significant supplement to their basic public pension. Younger workers and most employees of small and medium-sized enterprises, as well as the overwhelming majority of public sector employees and self-employed workers, continue to balk.

Pension funds' yields in 2009 benefited from the recovery of the financial markets. Overall, supplementary pension schemes returned 8.5%, compared with a revaluation of 2.0% of severance pay funds.

Riding the wave of the stock markets, equity sub-funds turned in the best performances; the equity sub-funds of occupational pension funds returned 16.1% and those of individual retirement plans 23.3%. However, bond and guaranteed sub-funds also outperformed severance pay funds. The separate asset portfolios serving individual retirement plans returned an average of 3.5%.





### COVIP regulation on open pension funds' oversight body

On 28 October 2009 COVIP published a resolution containing new "provisions regarding the composition and functioning of open pension funds' oversight body", thereby approving the new version of Annex 2 of the model pension fund rules. In the case of the enrolment of 500 or more employees of the same company or group, the provisions require that the oversight body be supplemented with representatives of the groups of workers enrolled on a collective basis and of their respective employers.

Companies that institute open pension funds must bring the composition of the current oversight bodies into line by 30 April 2010 and adapt Annex 2 of the rules of open pension funds under the procedures established in Article 3 of the COVIP regulation of 4 December 2003.

The new COVIP regulation charges the oversight body with representing the participants' interests and checking on the correct administration and management of the fund. In particular, the body must receive from the person responsible for the fund:

- information on the overall activity of the fund (annual statement of operations, periodic report, information document);
- the report on the activity performed by the person responsible for the fund;
- timely information on events that "significantly affect the profitability of investments and the characteristics of the fund";
- reports at least every four months on complaints handling, the time taken to pay the amounts requested in respect of advances, redemptions and transfers to other funds, and other operational issues.

In addition, the oversight body may ask the person responsible for the fund to gather additional information and may report to the board of directors of the company that instituted the fund or to the person responsible for the fund on matters concerning the fund's performance; only after this phase will the oversight body report the alleged irregularities to COVIP, except in cases of urgency.

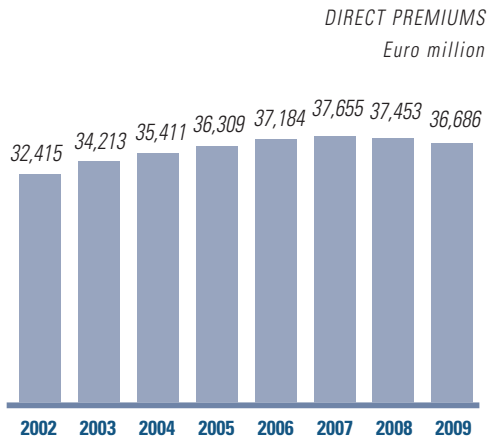
COVIP specifies that the oversight body is composed of two members designated by the instituting company, which also nominates an alternative, and is supplemented – in the case of collective enrolments, including those deriving from "multi-party" agreements involving the enrolment of 500 or more workers – with the appointment of two additional members for each company or group, one representing the company or group and the other the workers, with a maximum of twelve members in all.



Members of the oversight body must meet the integrity and experience requirements laid down by the provisions in force (Legislative Decree 252/2005 and Labour Ministry Decree 79 of 15 May 2007) pending the creation at Consob of the register of independent directors, from which the members of the oversight body will have to be selected when the register is operational. Members of the oversight body remain in office for three years and may not serve for more than three consecutive terms.

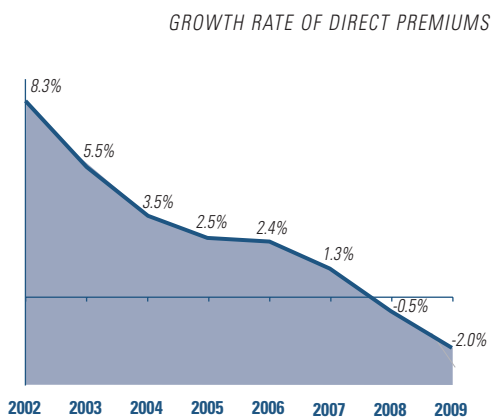


# Non-life insurance



Non-life premium income amounted to Euro 36,686 million, 2.0% less than in 2008, and their share of total premiums decreased from 41% to 31% mainly because of the growth of the life sector. In the presence of a stable expense ratio, the worsening of the loss ratio caused the combined ratio to deteriorate to 103.3%; consequently, the overall technical account was negative at about Euro 70 million.

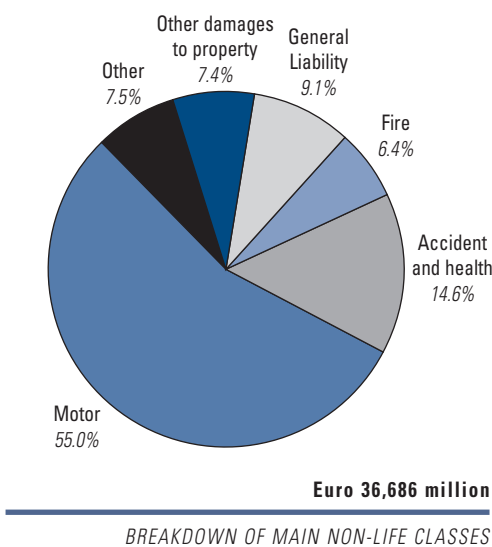
## DOMESTIC BUSINESS



Premiums for direct domestic business for the 110 insurance companies operating in non-life classes were equal to Euro 36,686 million, with a 2.0% decrease compared to the previous year. This trend was determined above all by the decrease (-3.4%) in motor insurance business (motor third party liability insurance, third party liability insurance for watercraft and land vehicles insurance), which represents about 55% of overall non-life income. The percentage share of the total of non-life and life premiums was equal to 31.2%, decreasing from 40.7% in 2008, mainly as a consequence of the extraordinary growth of life premiums.

The incurred claims cost for the current accident year, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 28,815 million (Euro 27,917 million in 2008), with a 3.2% increase compared to the previous year; the ratio to earned premiums was equal to 78.6%, up from 75.2% in 2008.

The incurred claims cost for the financial year, which includes, compared to the incurred cost of the current year, also the excess/shortfall of reserves for those claims incurred in previous accident years, was equal to Euro 28,907 million (Euro 27,538 million in 2008), with a 5.0% increase. The ratio to earned premiums was equal to 78.8%, increasing from 74.2% in 2008.



Operating expenses, which include administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network, were equal to Euro 9,006 million (Euro 9,158 million in 2008) with a 1.7% decrease and an incidence on direct premiums equal to 24.5%, in line with the previous year. The ratios of commissions and administration expenses to written premiums were both substantially stable (15.9% and 4.8% respectively). The ratio of acquisition costs to written premiums increased slightly from 3.5% in 2008 to 3.8% in 2009.



# Non-life insurance

## NON-LIFE TECHNICAL ACCOUNT

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	32,415	34,213	35,411	36,309	37,184	37,655	37,453	36,686
Changes in premiums reserves (-)	764	734	610	627	622	570	351	8
Incurred claims (-):	23,654	24,306	24,549	24,841	25,861	26,079	27,538	28,907
- incurred claims cost for the current accident year (-)	23,407	24,456	24,928	25,709	26,509	26,597	27,917	28,815
- excess/shortfall of reserves for those claims incurred in previous accident years	-247	150	379	868	648	518	379	-92
Balance of other technical items	-460	-503	-591	-561	-717	-653	-747	-814
Operating expenses (-)	7,331	7,703	8,058	8,392	8,660	9,191	9,158	9,006
- commissions	4,843	5,138	5,338	5,546	5,755	6,011	6,008	5,832
- other acquisition costs	953	1,004	1,046	1,105	1,170	1,238	1,327	1,395
- other administration costs	1,535	1,561	1,674	1,741	1,735	1,942	1,823	1,779
<b>Direct technical balance</b>	<b>206</b>	<b>967</b>	<b>1,603</b>	<b>1,888</b>	<b>1,324</b>	<b>1,162</b>	<b>-341</b>	<b>-2,049</b>
Investment income	1,211	1,629	1,917	1,991	1,854	1,924	774	2,310
<b>Direct technical account result</b>	<b>1,417</b>	<b>2,596</b>	<b>3,520</b>	<b>3,879</b>	<b>3,178</b>	<b>3,086</b>	<b>433</b>	<b>261</b>
Reinsurance results and other items	-124	-407	-864	-845	-661	-515	-142	-330
<b>Overall technical account result</b>	<b>1,293</b>	<b>2,189</b>	<b>2,656</b>	<b>3,034</b>	<b>2,516</b>	<b>2,571</b>	<b>291</b>	<b>-69</b>
Annual % changes in premiums	8.3%	5.5%	3.5%	2.5%	2.4%	1.3%	-0.5%	-2.0%
<b>Combined ratio</b>	<b>97.3%</b>	<b>95.1%</b>	<b>93.3%</b>	<b>92.7%</b>	<b>94.0%</b>	<b>94.7%</b>	<b>98.7%</b>	<b>103.3%</b>
- Expense ratio	22.6%	22.5%	22.8%	23.1%	23.3%	24.4%	24.5%	24.5%
- Commissions/Gross written premiums	14.9%	15.0%	15.1%	15.3%	15.5%	16.0%	16.0%	15.9%
- Other acquisition costs/Gross written premiums	2.9%	2.9%	3.0%	3.0%	3.1%	3.3%	3.5%	3.8%
- Other administration costs/Gross written premiums	4.7%	4.6%	4.7%	4.8%	4.7%	5.2%	4.9%	4.8%
- Loss ratio:	74.7%	72.6%	70.5%	69.6%	70.7%	70.3%	74.2%	78.8%
- Loss ratio for the current accident year	74.0%	73.1%	71.6%	72.1%	72.5%	71.7%	75.2%	78.6%
- Excess/shortfall of reserves for previous years claims/ Earned premiums	-0.8%	0.4%	1.1%	2.4%	1.8%	1.4%	1.0%	-0.2%
<b>Technical balance/Earned premiums</b>	<b>0.7%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>5.3%</b>	<b>3.6%</b>	<b>3.1%</b>	<b>-0.9%</b>	<b>-5.6%</b>
<b>Technical account result/Earned premiums</b>	<b>4.5%</b>	<b>7.8%</b>	<b>10.1%</b>	<b>10.9%</b>	<b>8.7%</b>	<b>8.3%</b>	<b>1.2%</b>	<b>0.7%</b>
<b>Overall technical account result/Earned premiums</b>	<b>4.1%</b>	<b>6.5%</b>	<b>7.6%</b>	<b>8.5%</b>	<b>6.9%</b>	<b>6.9%</b>	<b>0.8%</b>	<b>-0.2%</b>

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

The **technical balance for direct business** was negative at Euro 2,049 million (negative at Euro 341 million in 2008).

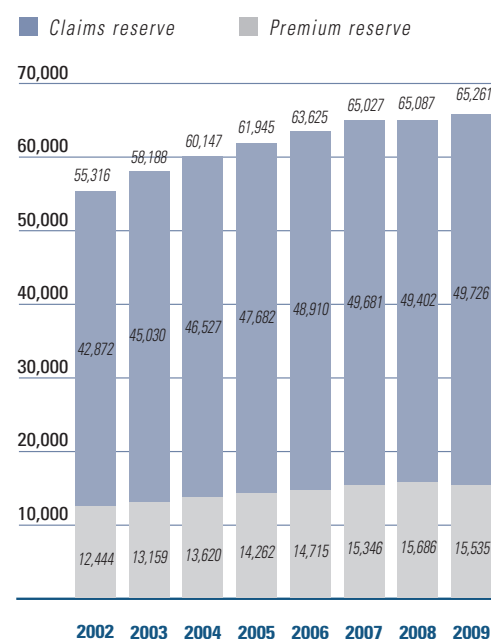
Counting investment income, equal to Euro 2,310 million, the **direct technical account result** was positive at Euro 261 million (Euro 433 million in 2008). This was equal to 0.7% of premiums (1.2% in 2008).

The passive reinsurance and net indirect business result was negative by Euro 330 million (compared with Euro 142 million in 2008).

The **overall technical account result** showed a loss of Euro 69 million (profit of Euro 291 million in 2008). The ratio to earned premiums was equal to -0.2% (0.8% in 2008).

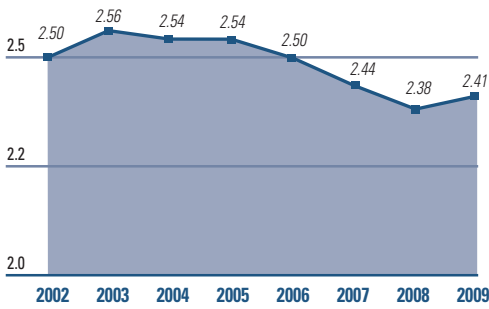
Technical reserves amounted to Euro 65,261 million in 2009, with a slight increase compared to the previous year. Among these, premium reserves were at Euro 15,500 million while claims reserves for the current and previous accident years were at Euro 49,700 million.

## PREMIUM RESERVES AND CLAIMS RESERVES



# Non-life insurance

NON-LIFE PREMIUMS / GDP (%)



The ratios indicated take account of the revision of gross domestic product data recently carried out by ISTAT.

## NON-LIFE INSURANCE AND GDP

After six years of decline, the ratio of non-life premium to GDP increased slightly as a consequence of the greater contraction in GDP than in premiums; in particular, in 2009 this ratio was equal to 2.41% (2.38% in 2008).

## NON-LIFE COVERAGE (EXCLUDING MOTOR INSURANCE) AMONG ITALIAN HOUSEHOLDS

Again in 2008, the Bank of Italy's survey on household income and wealth included questions on insurance. The heads of household were asked whether one or more members of the household had some non-life insurance policy (theft, fire, general liability beyond compulsory motor insurance) and how much was spent on it during the year (Figure 1).

FIGURE 1  
QUESTIONNAIRE ON NON-MOTOR HOUSEHOLD  
INSURANCE

Source: Bank of Italy

Household insurance (excluding compulsory motor vehicle insurance)			
<b>F23.</b> Did you or a member of the household pay premiums in 2008 on insurance for fire, theft, hail, liability, etc. (do not include compulsory motor vehicle insurance)? <b>ASS3</b>			
- Yes ..... 1			
- No ..... 2 → END OF SECTION			
<b>NASS31..NASS33</b>	... Motor vehicles	... Land and houses	... People
<b>F24.</b> How many policies do you have for ...	[...]	[...]	[...]
<b>F25.</b> How much did the household spend overall on insurance policies in 2008?		€ [..][..][..][..][..][..][..][..][..][..] <b>ASS3S</b>	

The survey conducted in 2008 produced an estimate that 5.5 million Italian households had some sort of optional casualty insurance, or 22.9% of the total of 24 million resident households. This represented a definite increase compared with 4.8 million and 21.1% in the previous survey, conducted in 2006.



Non-life insurance is more common in the North, with 37.0% of households holding at least one policy, up from 32.3% in 2006 (Figure 2). In the Center, however, the share holding non-life policies declined from 21.5% in 2006 to 19.6% in 2008; and in the South it fell from 3.7% to 3.1%.

Homeowners are most likely to have non-motor insurance, the share rising from 26.1% nationwide in 2006 to 27.8% in 2008 (Figure 3). But the share among renters also increased, from 8.7% to 11.6%. The incidence of policy-holding among households whose primary residence was held under a lease/purchase contract rose sharply, from 10.9% to 14.8%. It declined among those whose homes were under usufruct.

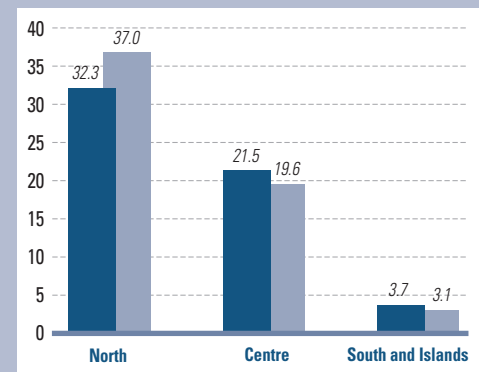
The likelihood of holding non-life insurance (except motor insurance) continues to be strongly correlated with household income. The increase in the holding of these policies between 2006 and 2008 was fairly evenly distributed by income quintiles, with rises ranging from 1 percentage point in the lowest-income quintile to 3 points in the highest (Figure 4).

## INSURANCE OF SMALL AND MEDIUM-SIZED FIRMS

### The ANIA-IRSA study on insurance and small businesses

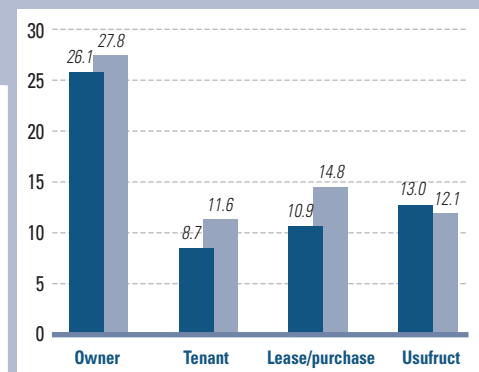
In 2008 ANIA initiated a research project funded by Istituto per la Ricerca e lo Sviluppo delle Assicurazioni (IRSA) to study the behavior of small and medium-sized enterprises (SMEs) with respect to insurance. The project, coordinated by Luigi Guiso of the European University Institute, brought together a team of scholars and relied on the findings of an ad hoc survey – *Indagine sull'Assicurazione delle Piccole e Medie Imprese Italiane* – conducted in 2008 and 2009 on a sample of Italian firms with fewer than 250 workers. The sample consisted of 2,295 firms, 98.5% of them private. By location, 59% were in the North, 19% in the Centre and 22% in the South or islands. By ownership, 85% were controlled by an individual or a family and 8% by a group of unrelated persons. The average sample firm had 32 workers and had been in business for 26 years, though there were some very young firms (in business for less than 5 years). A third were manufacturing firms, slightly under a third were in wholesale or retail trade, and another third in services, including transport services. Most were set up as private limited companies (58%) or general partnerships (14%); 16% were public limited companies, a few of which (33) had stock exchange listing.

FIGURE 2  
NON-LIFE (NON-MOTOR) COVERAGE  
BY GEOGRAPHICAL AREA (%)



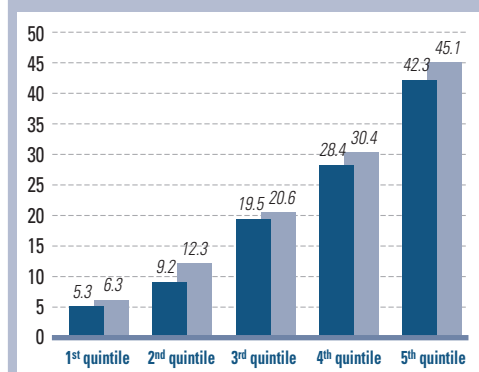
Source: Based on Bank of Italy data

FIGURE 3  
NON-LIFE (NON-MOTOR) COVERAGE  
BY HOME OWNERSHIP STATUS (%)



Source: Based on Bank of Italy data

FIGURE 4  
NON-LIFE (NON-MOTOR) COVERAGE  
BY INCOME OF HOUSEHOLD HEAD (%)



Source: Based on Bank of Italy data



The ANIA survey enables us to gauge the extent of firms' insurance cover, identifying the factors affecting the demand for insurance and the reasons it is so limited. In particular, we can explain the interaction between degree of coverage and access to the credit market. The survey has another unique feature: in addition to data on insurance coverage, conditions of access to credit and firms' financial statements, it gathers, through direct interview, information on businessmen's characteristics and propensities – such as risk aversion, confidence in insurance, perception of the likelihood of the firm's failing – plus the allocation of their private, family assets and their holdings of personal insurance policies. These data permit an examination of the correlation between firms' insurance choices and the characteristics of the owner and his family.

### Extent of coverage of Italian SMEs

In confirmation of the thesis that Italy's small and medium-sized enterprises do not insure against all the risks to which they are exposed, the survey found that 14% of Italian firms lack insurance against fire and other property damage – the most commonly insured type of risk. The propensity for such insurance increases with the size of the firm; more than 20% of small firms (no more than 15 workers) lack such coverage. Theft insurance policies are held by 69% of all firms (64% of small firms); 33% of all firms and 42% of small firms lack third-party and employee liability insurance, and nearly 90% have no insurance against environmental risk (Figure 1).

Overall, most SMEs are insured for at most three types of risk, only 14% for five types. More than 70% of the firms that lacked insurance said that the main reason was low exposure to the type of risk involved, but a significant share (about 10%) said that certain types of insurance cover had never been offered to them, that they were unaware of their existence (Table 1).

The firms that were insured reported a very high degree of satisfaction with their policy. On a scale of 0 to 10, 80% of the insured firms put their satisfaction at 7 or better, while just 2% gave scores of worse than 5 (Figure 2).

The study underscores the complementarity between insurance and risk prevention on the part of management. In particular, the firms subscribing to insurance policies are also those that take the greatest precautions to prevent risk (for instance, by installing fire detection systems) and to cope with its consequences (as by special balance sheet provisions).

Econometric analysis by the project team found that the firms that are more likely to have insurance are those that:



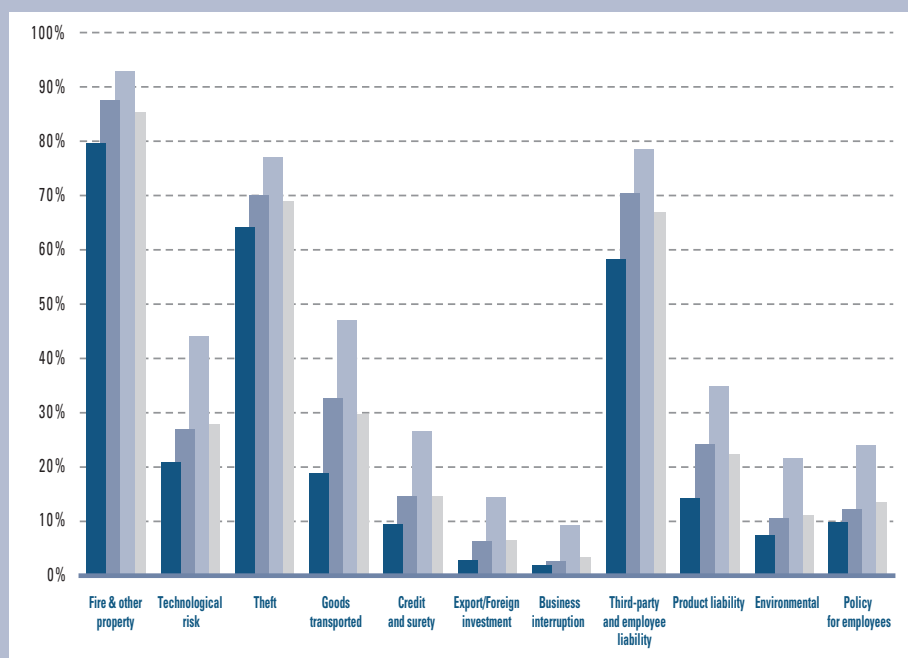


FIGURE 1  
PERCENTAGE OF FIRMS INSURED BY TYPE OF COVERAGE AND FIRM SIZE

■ 1-15 workers  
■ 16-40 workers  
■ 41-249 workers  
■ Total firms

Source: ANIA, Indagine sull'Assicurazione delle Piccole e Medie Imprese Italiane

	Risk is small	Cost too high	Contract does not provide fair coverage	Was not offered	Portion of firms lacking cover
Fire and other property	74.1	13.6	5.3	7.0	14.0
Technological risk	81.1	4.7	2.3	12.0	71.7
Theft	77.5	10.2	6.8	5.5	30.5
Third-party and employee liability	72.0	12.7	5.6	9.8	32.3
Product liability	78.4	6.8	3.8	11.0	77.4
Environmental liability	83.0	4.7	2.2	10.2	88.5

TABLE 1  
REASONS FOR NON-COVERAGE  
(% OF ALL FIRMS)

Source: ANIA, Indagine sull'Assicurazione delle Piccole e Medie Imprese Italiane

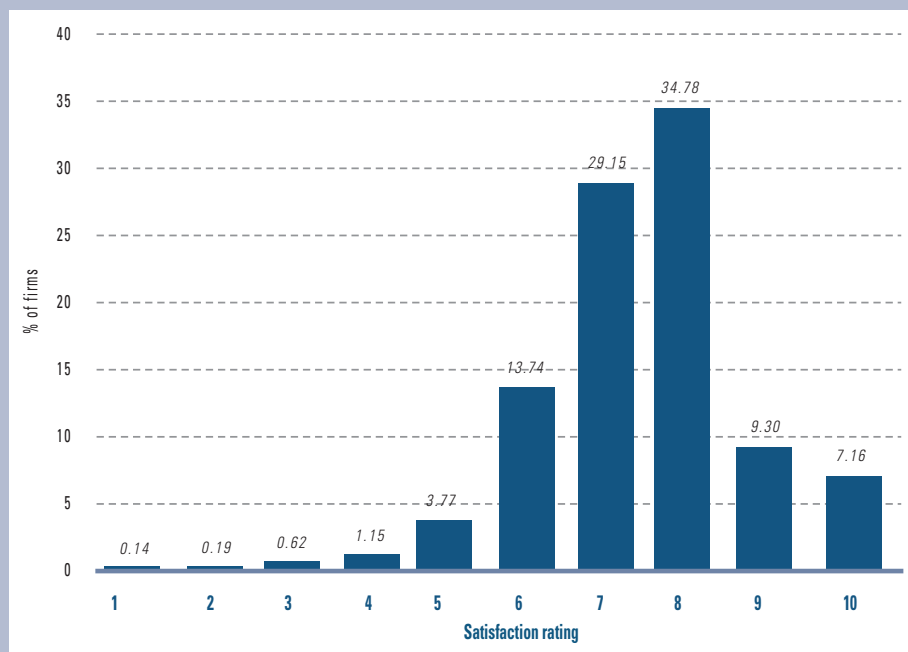


FIGURE 2  
INDEX OF CUSTOMER SATISFACTION WITH POLICIES

Source: ANIA, Indagine sull'Assicurazione delle Piccole e Medie Imprese Italiane

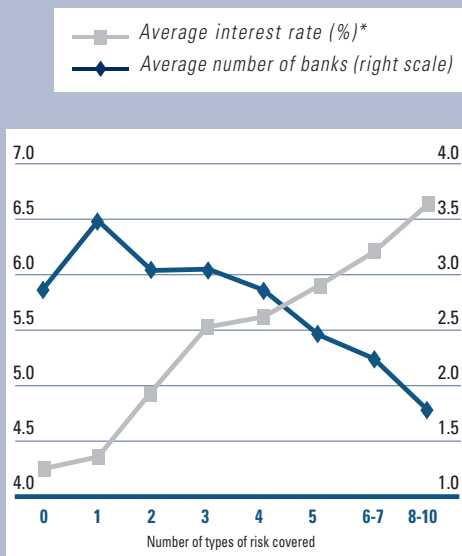




# Non-life insurance

- estimate the greater probability that a harmful event will occur or are more uncertain over this probability (what the economic literature calls “ambiguity aversion”);
- have more confidence in insurance (the sample firms’ confidence in insurance worked out to 5.1 on a scale of 0 to 10, half a point higher than that of banks and slightly lower than that of other businessmen);
- are run by entrepreneurs who have taken out more insurance cover for themselves and their families.

FIGURE 3  
INDEX OF INSURANCE COVER  
AND CREDIT MARKET



(\* ) The rate charged by the principal bank

Source: ANIA, Indagine sull’Assicurazione delle Piccole e Medie Imprese Italiane

## Insurance and access to credit

The businesses with more insurance cover get lower interest rates from banks, are less likely to report being credit-rationed, and manage to obtain loans from a larger number of banks (Figure 3).

Econometric estimates show that – controlling for firm size, location and economic sector – insurance coverage against one additional risk (the number envisaged ranges from 0 to 10) corresponds to a reduction of 17 basis points in the interest rate on bank loans (the average rate is 5.8%), a reduction of 2 percentage points in the probability of being credit-rationed (36% of the sample reported having been denied credit at least once in the last five years), an increase of 0.1 in the number of banks granting credit to the firm (the sample average was 2.4), and a fall of 1.3 percentage points in the share of credit coming from the main bank (the sample firms got an average of 64% of their credit from the main bank).

Finally, the study’s findings suggest that firms’ credit ratings would benefit if banks’ internal rating systems made more systematic use of data on firms’ insurance cover.



**Motor insurance premiums registered a further decrease in 2009 (-3.6%). This reduction, together with an increase in claims costs, caused the combined ratio to deteriorate from 101.0% to 107.7%. The worsening of the technical balance, despite a positive investment result, produced a negative overall balance on the technical account. The overall technical results for land vehicles remained positive, though down sharply compared to 2008; for the second consecutive year overall premiums registered a decrease.**

### MOTOR LIABILITY MANAGEMENT

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

**Premiums for direct domestic business**, collected by the 63 companies operating in this class, totalled Euro 16,994 million in 2009, reflecting a reduction of 3.6% compared to the previous year; they represent 46.3% of the overall premiums for non-life classes (47.1% in 2008). For the third consecutive year the overall premiums for this class registered a decrease. This was due to the curbing of premium rates by the companies that often use price flexibility and to the effects of a provision that allows many policyholders to have a more favourable merit class than the one they would have had otherwise.

The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 14,919 million, with a 1.0% increase compared to 2008 (Euro 14,761 million). In 2009, the third year of application of the direct indemnity system, claims frequency held substantially stable while average claims cost registered a slight increase (from Euro 3,972 to Euro 3,992).

The **incurred claims cost for the financial year**, which also includes the excess/shortfall of reserves for those claims incurred in previous accident years, was equal to Euro 15,104 million (Euro 14,672 million in 2008) with an almost 3.0% increase compared to 2008. This was partially due to a shortfall of reserves for those claims incurred in previous accident years (equal to Euro 185 million) because of the revaluation adjustment of severe physical damage arising from the new valuation tables settled by several Italian courts. The increase in claims costs, combined with the reduction in written premiums, led to a worsening of the loss ratio of about 7 percentage points (from 82.4% in 2008 to 88.9% in 2009).



# Motor insurance

## MOTOR LIABILITY

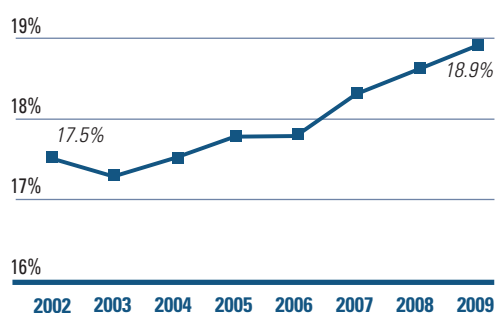
Euro million

	2002	2003	2004	2005	2006	2007	2008	2009*
Gross written premiums	16,653	17,646	18,087	18,198	18,416	18,239	17,637	16,994
Changes in premium reserves (-)	341	280	91	82	64	-10	-167	-5
Incurred claims (-):	13,735	14,177	14,375	14,284	14,588	14,732	14,672	15,104
- incurred claims cost for the current accident year (-)	13,438	13,982	14,561	14,756	14,940	14,794	14,761	14,919
- excess/shortfall of reserves for those claims incurred in previous accident years	-297	-195	186	472	352	62	89	-185
Balance of other technical items	-166	-178	-228	-211	-232	-226	-290	-268
Operating expenses (-)	2,921	3,047	3,169	3,235	3,276	3,346	3,275	3,209
- commissions	1,804	1,900	1,949	1,944	1,962	1,936	1,882	1,799
- other acquisition costs	399	418	437	468	498	514	559	588
- other administration costs	718	729	783	823	816	896	834	822
<b>Direct technical balance</b>	<b>-510</b>	<b>-36</b>	<b>224</b>	<b>386</b>	<b>256</b>	<b>-55</b>	<b>-433</b>	<b>-1,582</b>
Investment income	648	888	1,077	1,104	992	963	344	1,181
<b>Direct technical account result</b>	<b>138</b>	<b>852</b>	<b>1,301</b>	<b>1,490</b>	<b>1,248</b>	<b>908</b>	<b>-89</b>	<b>-401</b>
Reinsurance results and other items	36	-12	-61	-16	9	49	-2	28
<b>Overall technical account result</b>	<b>174</b>	<b>840</b>	<b>1,240</b>	<b>1,474</b>	<b>1,257</b>	<b>957</b>	<b>-91</b>	<b>-373</b>
Annual % changes in premiums	8.5%	6.0%	2.5%	0.6%	1.2%	-1.0%	-3.3%	-3.6%
<b>Combined ratio</b>	<b>101.7%</b>	<b>98.9%</b>	<b>97.4%</b>	<b>96.6%</b>	<b>97.3%</b>	<b>99.1%</b>	<b>101.0%</b>	<b>107.7%</b>
- Expense ratio	17.5%	17.3%	17.5%	17.8%	17.8%	18.3%	18.6%	18.9%
- Commissions/Gross written premiums	10.8%	10.8%	10.8%	10.7%	10.7%	10.6%	10.7%	10.6%
- Other acquisition costs/Gross written premiums	2.4%	2.4%	2.4%	2.6%	2.7%	2.8%	3.2%	3.5%
- Other administration costs/Gross written premiums	4.3%	4.1%	4.3%	4.5%	4.4%	4.9%	4.7%	4.8%
- Loss ratio:	84.2%	81.6%	79.9%	78.8%	79.5%	80.7%	82.4%	88.9%
- Loss ratio for the current accident year	82.4%	80.5%	80.9%	81.5%	81.4%	81.1%	82.9%	87.8%
- Excess/shortfall of reserves for previous years claims/ Earned premiums	-1.8%	-1.1%	1.0%	2.6%	1.9%	0.3%	0.5%	-1.1%
<b>Technical balance/Earned premiums</b>	<b>-3.1%</b>	<b>-0.2%</b>	<b>1.2%</b>	<b>2.1%</b>	<b>1.4%</b>	<b>-0.3%</b>	<b>-2.4%</b>	<b>-9.3%</b>
<b>Technical account result/Earned premiums</b>	<b>0.8%</b>	<b>4.9%</b>	<b>7.2%</b>	<b>8.2%</b>	<b>6.8%</b>	<b>5.0%</b>	<b>-0.5%</b>	<b>-2.4%</b>
<b>Overall technical account result/Earned premiums</b>	<b>1.1%</b>	<b>4.8%</b>	<b>6.9%</b>	<b>8.1%</b>	<b>6.8%</b>	<b>5.2%</b>	<b>-0.5%</b>	<b>-2.2%</b>
Premiums to total non-life premiums ratio (%)	51.4%	51.6%	51.1%	50.1%	49.5%	48.4%	47.1%	46.3%

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

(\*) The figures for 2009 exclude the data of an insurance company that was put in compulsory liquidation at the end of the year. A comparison with the 2008 results made on the same basis (i.e. excluding also for this year this company) would show gross written premiums decreasing by 3.3% (instead of 3.6% shown in table), while the incurred claims cost for the financial year would increase by 3.5% (instead of 2.9%)

### OPERATING EXPENSES TO PREMIUMS RATIO (%)



**Operating expenses** amounted to Euro 3,209 million (Euro 3,275 million in 2008) and include administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of the expenses to premiums (18.9%) increased slightly compared to 2008 mainly due to the increase in the distribution costs (13.4% in 2007, 13.9% in 2008 and 14.1% in 2009). This increase can be attributed to the ban on tied agency clauses between agents and insurers, which led companies to review commissions paid to the distribution networks to guarantee their fidelity. Also the ratio of the other administration

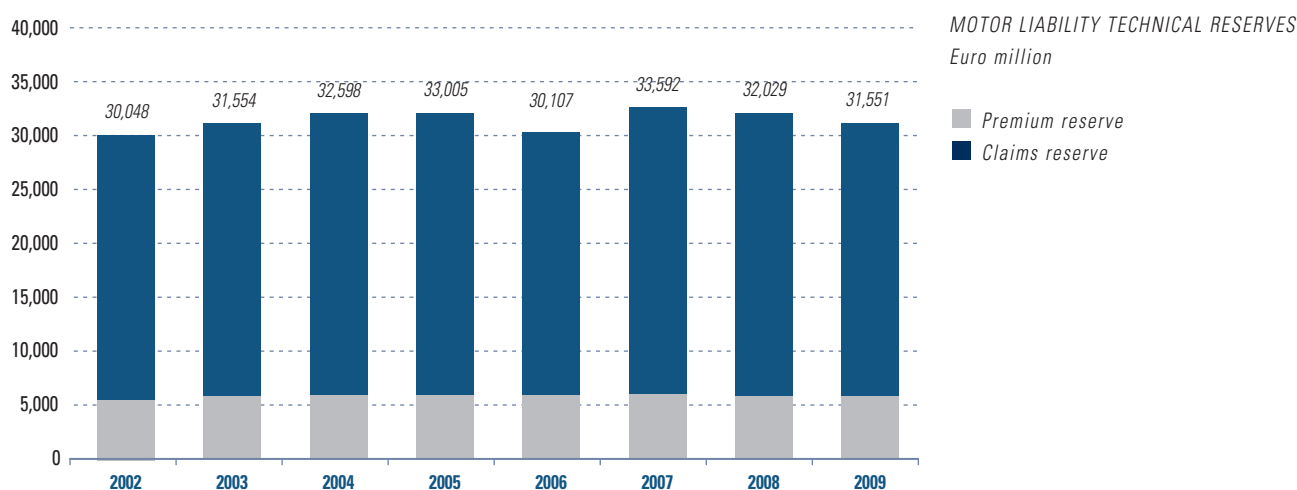


costs to written premiums registered a slight increase from 4.7% in 2008 to 4.8% in 2009.

The **technical balance for direct business** was negative at Euro 1,582 million (negative at Euro 433 million in 2008).

Considering investment income (Euro 1,181 million, three times higher than the previous year), the **technical account result for direct business** was negative at Euro 401 million (negative at Euro 89 million in 2008).

Taking the balance for reinsurance into account (Euro 28 million), the **overall technical account result** was negative at Euro 373 million (negative at Euro 91 million in 2008), equal to 2.2% of earned premiums.



**Technical reserves** amounted to Euro 31,551 million in 2009, with a slight reduction compared to the previous year. Among these, the premium reserve was Euro 5,748 million (Euro 5,779 million in 2008) while the claims reserve for current and previous accident years was Euro 25,803 million (Euro 26,250 million in 2008).

### LAND VEHICLES INSURANCE MANAGEMENT

This class, defined by law as “land vehicle hulls”, includes insurance against all forms of damage to or loss of land motor vehicles.



# Motor insurance

LAND VEHICLES

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	2,955	3,062	3,145	3,154	3,205	3,284	3,208	3,133
Changes in premium reserves (-)	70	52	45	61	61	104	-13	-16
Incurred claims (-):	1,205	1,257	1,260	1,417	1,485	1,579	1,933	2,122
- incurred claims cost for the current accident year (-)	1,306	1,361	1,388	1,514	1,569	1,666	1,990	2,148
- excess/shortfall of reserves for those claims incurred in previous accident years	101	104	128	97	84	87	57	26
Balance of other technical items	-32	-40	-46	-36	-51	-39	-38	-41
Operating expenses (-)	709	738	759	748	765	827	824	826
- commissions	494	517	531	518	534	569	559	558
- other acquisition costs	83	88	88	89	92	100	108	116
- other administration costs	132	133	140	141	139	158	157	152
<b>Direct technical balance</b>	<b>939</b>	<b>975</b>	<b>1,035</b>	<b>892</b>	<b>843</b>	<b>735</b>	<b>426</b>	<b>160</b>
Investment income	34	47	57	59	56	58	27	69
<b>Direct technical account result</b>	<b>973</b>	<b>1,022</b>	<b>1,092</b>	<b>951</b>	<b>899</b>	<b>793</b>	<b>453</b>	<b>229</b>
Reinsurance results and other items	-30	-50	-46	-19	-38	-27	-5	39
<b>Overall technical account result</b>	<b>943</b>	<b>972</b>	<b>1,046</b>	<b>932</b>	<b>861</b>	<b>766</b>	<b>448</b>	<b>268</b>
Annual % changes in premiums	5.1%	3.6%	2.7%	0.3%	1.6%	2.5%	-2.3%	-2.3%
<b>Combined ratio</b>	<b>65.7%</b>	<b>65.8%</b>	<b>64.8%</b>	<b>69.5%</b>	<b>71.1%</b>	<b>74.8%</b>	<b>85.7%</b>	<b>93.8%</b>
- Expense ratio	24.0%	24.1%	24.1%	23.7%	23.9%	25.2%	25.7%	26.4%
- Commissions/Gross written premiums	16.7%	16.9%	16.9%	16.4%	16.7%	17.3%	17.4%	17.8%
- Other acquisition costs/Gross written premiums	2.8%	2.9%	2.8%	2.8%	2.9%	3.1%	3.4%	3.7%
- Other administration costs/Gross written premiums	4.5%	4.4%	4.4%	4.5%	4.3%	4.8%	4.9%	4.9%
- Loss ratio:	41.8%	41.7%	40.7%	45.8%	47.2%	49.7%	60.0%	67.4%
- Loss ratio for the current accident year	45.3%	45.2%	44.8%	48.9%	49.9%	52.4%	61.8%	68.2%
- Excess/shortfall of reserves for previous years claims/ Earned premiums	3.5%	3.5%	4.1%	3.1%	2.7%	2.7%	1.8%	0.8%
<b>Technical balance/Earned premiums</b>	<b>32.5%</b>	<b>32.4%</b>	<b>33.4%</b>	<b>28.8%</b>	<b>26.8%</b>	<b>23.1%</b>	<b>13.2%</b>	<b>5.1%</b>
<b>Technical account result/Earned premiums</b>	<b>33.7%</b>	<b>33.9%</b>	<b>35.2%</b>	<b>30.7%</b>	<b>28.6%</b>	<b>24.9%</b>	<b>14.1%</b>	<b>7.3%</b>
<b>Overall technical account result/Earned premiums</b>	<b>32.7%</b>	<b>32.3%</b>	<b>33.7%</b>	<b>30.1%</b>	<b>27.4%</b>	<b>24.1%</b>	<b>13.9%</b>	<b>8.5%</b>
Premiums to total non-life premiums ratio (%)	9.1%	9.0%	8.9%	8.7%	8.6%	8.7%	8.6%	8.5%

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

**Premiums for direct domestic business** for the 71 insurance companies operating in this class amounted to Euro 3,133 million in 2009 (-2.3% compared to 2008), accounting for 8.5% of the overall non-life insurance premiums. The reduction, which is the same as the year before, was mainly due to the sharpening economic crisis, which persuaded some insured not to subscribe accessory coverage.

The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 2,148 million, with a 7.9% increase compared to Euro 1,990 million in 2008; this may be attributed both to a larger number of claims related to natural events and to fire; the latter is a frequent



phenomenon registered also in other countries during economic crisis. The ratio to earned premiums was equal to 68.2%, about 6.5 percentage points higher than in 2008.

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 Euro 2,122 million (Euro 1,933 million in 2008). The ratio to earned premiums was equal to 67.4%, up from 60.0% in 2008.

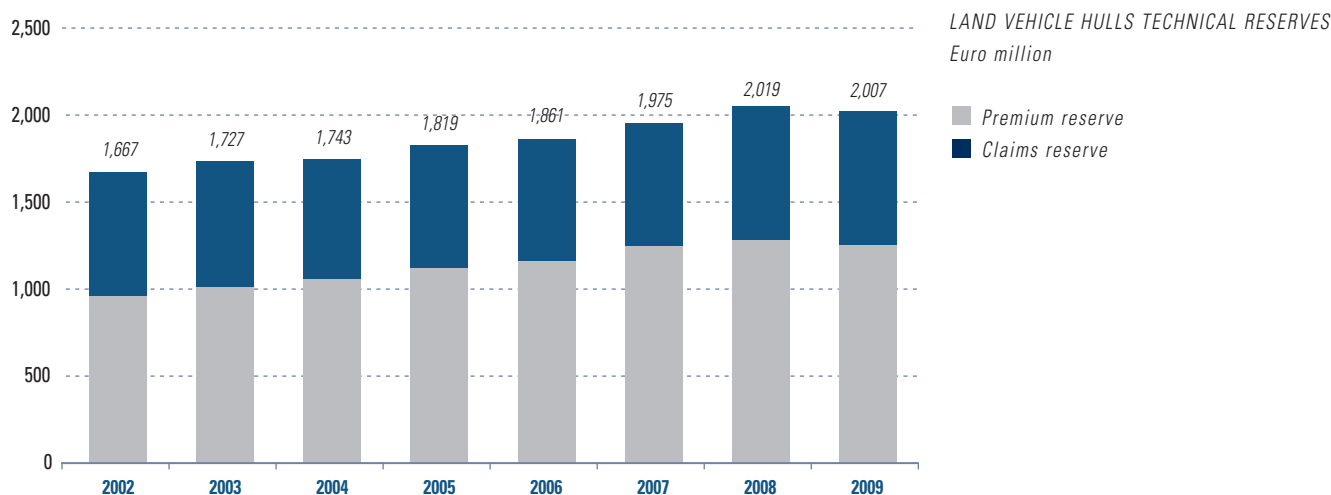
**Operating expenses** amounted to Euro 826 million (Euro 824 million in 2008) and include administration expenses relating to the technical management of insurance business and acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of the operating expenses to premiums was 26.4% (25.7% in 2008).

The **technical balance for direct business** was positive at Euro 160 million (Euro 426 million in 2008).

Considering investment income, the **technical account result for direct business** was positive at Euro 229 million (Euro 453 million in 2008).

Taking the balance for reinsurance into account, the **overall technical account result** was positive at Euro 268 million (Euro 448 million in 2008), equal to 8.5% of premiums (13.9% in 2008).

**Technical reserves** amounted to Euro 2,000 million in 2009, with a slight reduction compared to the previous year. Among these, premium reserves were at Euro 780 million while claims reserves for the current and previous accident years were at Euro 1,220 million.



## THE AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY IN THE MOTOR LIABILITY SECTOR

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

**Number of claims.** The total number of claims incurred and reported is given by the sum of claims incurred and settled during the year and of claims reserved (which will give rise to a payment in the future), but does not include the estimate of those incurred during 2009 but which will be reported in future years (IBNR). By this count, the number of claims totaled **3,373,792** in 2009, up 0.5% from the 3,355,827 in 2008.

**Claims frequency (excluding IBNR).** Claims frequency as shown in Panel A of Table 1 is defined as the ratio between the number of claims incurred and reported during the accident year that have given or will give rise to compensation and the number of vehicles exposed to the risk of claim-generating accident (measured on the basis of days of exposure during the year, or "vehicle-years"). Considering that the number of vehicle-years increased by 0.2% (from 43.385 to

TABLE 1 - AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY IN THE MOTOR AND MARINE LIABILITY INSURANCE SECTORS  
Euro

YEAR	PANEL A: Excludes claims IBNR, the contribution to the Road Accident Victims Guarantee Fund and other residual items								PANEL B: Includes claims IBNR, the contribution to the Road Accident Victims Guarantee Fund and other residual items	
	% 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%	-1.26%	1,278	2.93%	9,920	14.91%	2,809	13.07%	10.95%	2,825
2001	8.54%	-13.08%	1,431	12.02%	11,175	12.65%	3,186	13.41%	9.55%	3,207
2002	7.82%	-8.42%	1,535	7.26%	12,686	13.53%	3,532	10.87%	8.78%	3,503
2003	7.66%	-2.09%	1,634	6.44%	13,542	6.75%	3,805	7.74%	8.63%	3,771
2004	7.61%	-0.63%	1,701	4.10%	13,206	-2.48%	3,982	4.65%	8.58%	3,964
2005	7.55%	-0.75%	1,644	-3.33%	13,106	-0.76%	4,047	1.62%	8.51%	4,038
2006	7.47%	-1.09%	1,674	1.83%	13,233	0.97%	4,100	1.31%	8.47%	4,080
2007	7.61%	1.89%	1,764	5.35%	11,958	-9.64%	3,967	-3.24%	8.52%	4,014
2008	7.73%	1.58%	1,772	0.46%	11,830	-1.07%	3,913	-1.36%	8.57%	3,972
2009*	7.76%	0.39%	n.a	n.a	n.a	n.a	3,902	-0.28%	8.59%	3,992

(\*) ANIA estimates based on ANIA quarterly statistics and advance information on 2009 financial statements

(\*\*) Source: ISVAP; for 2008, the data are from ISVAP reporting forms



43.487 million) (1), the claims frequency rate rose from 7.73% in 2008 to 7.76% last year, an increase of 0.4 percent. Thus there was a further slight deterioration in 2008 after the worsening in claims frequency in 2007 (+ 1.9%) and its continuation in 2008 (+ 1.6%). The figure for 2009 is near that observed in 2002-03, meaning that the progress made in the last 7 or 8 years has been practically wiped out.

**Average cost of claims (excluding IBNR).** The average cost of claims shown in Panel A of Table 1 is derived by dividing the total cost of claims (paid and reserved) by their number. The indicator takes account both of payments made in final or partial settlement and of compensation payments that companies expect to make in the future for claims that have been reported but whose amount has yet to be determined (reserved amounts). It excludes incurred but non-reported claims (IBNR reserves), contributions to the Road Accident Victims Guarantee Fund and other residual items. On this basis, the average claim cost in 2009 was Euro **3,902**, down 0.3% from Euro 3,913 in 2008.

**Number of claims and average cost (including IBNR).** The total number of claims, including the IBNR estimate, came to **3,737,563** in 2009, up by just 0.6% from 2008 (Panel B of Table 1). Since the number of vehicles insured rose by 0.2%, the claims frequency rose by 0.3 percent, from 8.57% to **8.59%**. Counting all the components included in the definition of the costs of claims for the period (item 18 of ISVAP 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 rose by 0.5% from Euro 3,972 to Euro **3,992**.

Thus the 0.6% increase in the number of claims was accompanied by an increase of 0.5% in average claim cost, resulting in an increase in the **overall cost of claims for the year (item 18, ISVAP form 17) of 1.1%**.

**Claims frequency (including IBNR).** Like the frequency of claims excluding IBNR, after years of steady reduction (by 22.6% between 2000 and 2006), the overall frequency, including the IBNR estimate, turned back upward in 2007, rising from 8.47% in 2006 to 8.52% in 2007, to 8.57% in 2008 and 8.59% last year (Panel B, Table 1).

The increase in frequency has been particularly severe in some parts of the country, where it has gone above 15% (Figure 1). Seventeen provinces registered frequencies of more than 10% in 2009. Fourteen of these are in the South. Since 2007, claims frequency has risen practically throughout the South and in much of the Centre, but in just a few provinces in the North.

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(1) According to provisional data from ACI, the number of vehicles circulating grew by 1.5% in the twelve months to December 2009. This figure may be overestimated owing to the still incomplete registration of the balance between new vehicles registered and cancellations from the registry.



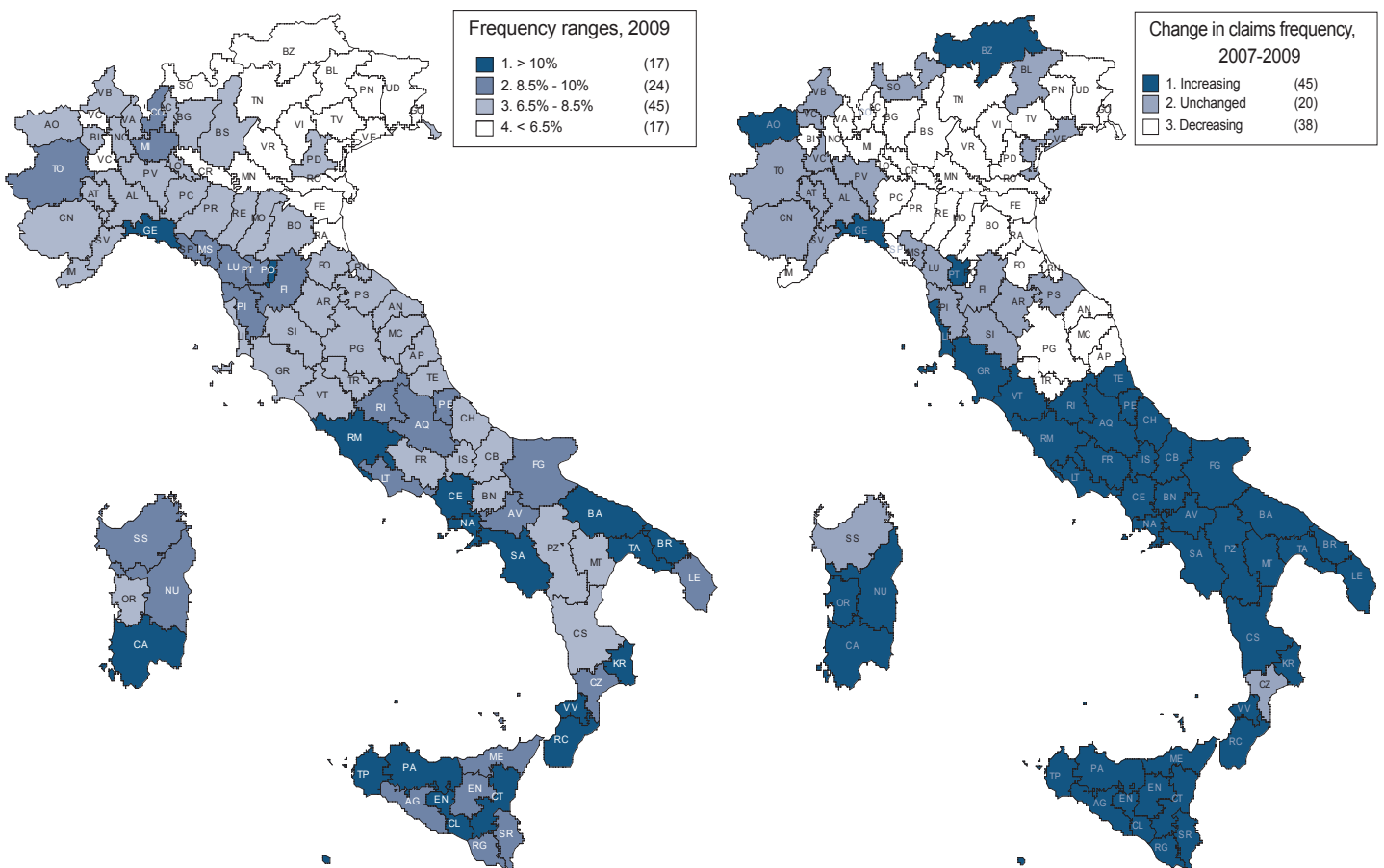


# Motor insurance

Naples was again the city with the highest claims frequency at 16.41%, up by more than 40 per cent since 2007. The second-highest rate was in Prato (12.33%), but here there was a slight improvement last year, the rate coming down by 2.3 per cent). The sharpest rises since 2007, apart from Naples, have been registered in Caserta (23.5 percent), Reggio Calabria (17.9 percent) and Salerno (17.1 percent).

The most “virtuous” provinces are clustered in the North-East. Rovigo was again the city with the lowest claims frequency (5.02%), and since 2007 it has achieved a reduction of 6.4 percent. Pordenone too is one of the least accident-prone cities, with a claims frequency of 5.05% in 2009, reflecting one of the sharpest reductions of all since 2007 (16.8 percent). Both these cities have always been among the most virtuous in Italy, while Gorizia has joined the club with a claims frequency of 5.30% in 2009 thanks to a reduction of 17.3 percent over the previous two years. The other most-improved cities in 2009 by comparison with 2007 were Rimini (frequency down by 23.8 percent), Piacenza (19.7 percent) and Novara (15.5 percent).

FIGURE 1 – CLAIMS FREQUENCY BY PROVINCE, 2009



## COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and personal injury) came to Euro 15 billion in 2009. Of this, almost two thirds (Euro 9.5 billion) was in relation to personal injury; Euro 3.5 billion consisted in compensation for permanent disability of between 1 and 9 percent, the remaining Euro 6 billion for death or more severe disability (Figure 1).

In 2007, 21.0% of all motor liability claims involved personal injury. In 2008 this rose to 21.3%. Already very high by European standards (about 10 percentage points above the European average), in some parts of Italy the proportion is over 40%. Figure 2 shows that the problem provinces of the South are far out of line with respect to the national average. For instance: Crotona, 44%; Brindisi, 41%; Taranto, 40%; Foggia, 37%.

FIGURE 2 - PROPORTION OF CLAIMS INVOLVING PERSONAL INJURY, BY PROVINCE, 2008

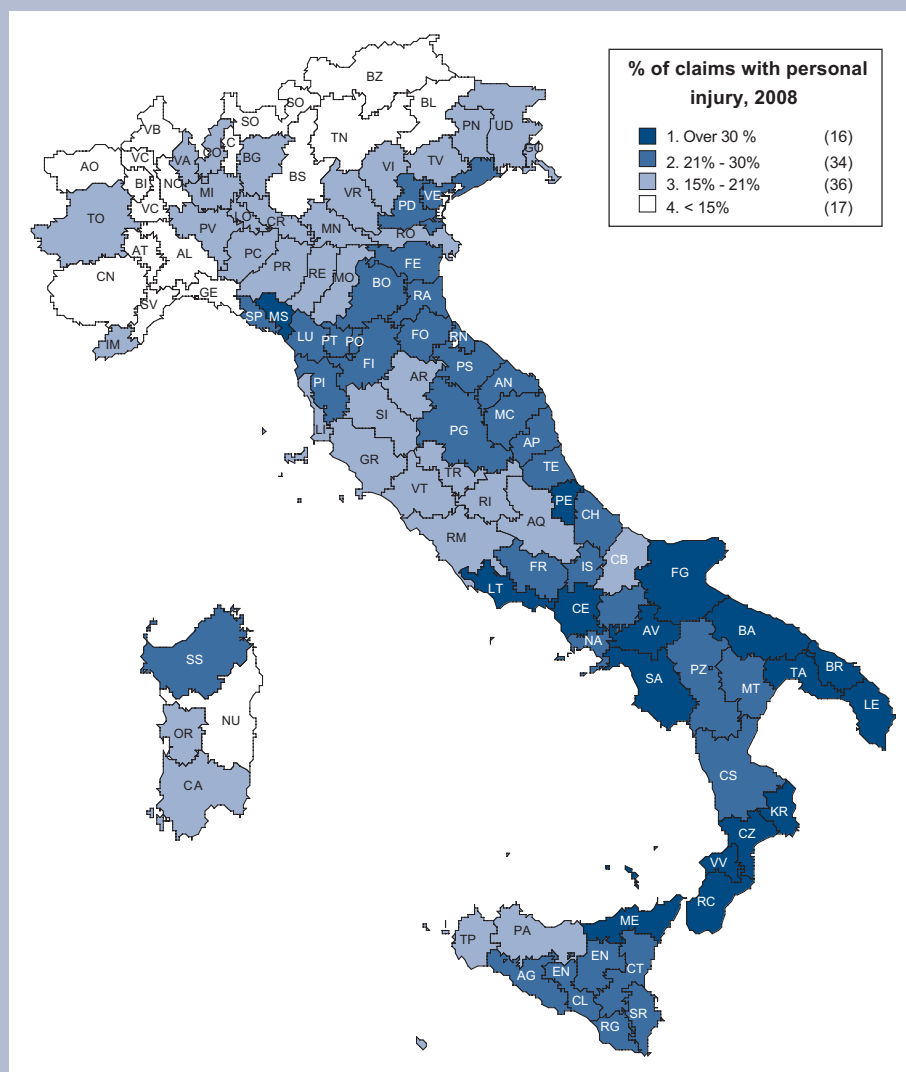
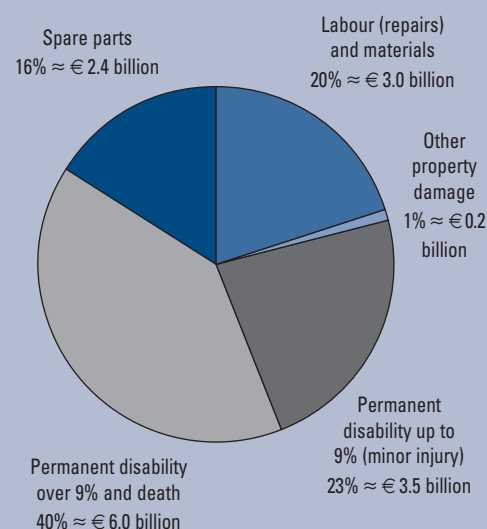


FIGURE 1  
DISTRIBUTION OF TOTAL COST OF LIABILITY  
COMPENSATION



- Compensation for property damage (about Euro 5.5 billion, 36% of the total)
- Compensation for personal injury (about Euro 9.5 billion, 64% of total claims cost). Includes property damage in mixed claims (18%)

TABLE 1 - DISTRIBUTION OF CLAIMS BY TYPE OF CLAIM AND BY PERCENTAGE OF PERMANENT DISABILITY

Permanent disability %	% Distribution Number of claims	% Distribution Amount of claim
1	6.1%	4.0%
2	7.2%	7.4%
3	2.7%	4.0%
4	1.2%	2.3%
5	0.6%	1.6%
6	0.4%	1.3%
7	0.2%	1.1%
8	0.2%	0.9%
9	0.1%	0.9%
Up to 9	18.6%	23.6%
Over 9	2.7%	39.2%
<b>Tot. personal injury claims</b>	<b>21.3%</b>	<b>62.8%</b>
<b>Tot. property damage claims</b>	<b>78.7%</b>	<b>37.2%</b>
<b>Total claims</b>	<b>100.0%</b>	<b>100.0%</b>
<b>MEMORANDUM ITEM:</b>	<b>Number of claims</b>	<b>Amount of claim</b>
	<b>3,737,563</b>	<b>€ 14.9 billion</b>

Source: ANIA. Data partially estimated



# Motor insurance

TABLE 2 - INCIDENCE OF CLAIMS WITH PERSONAL INJURY, BY PROVINCE, 2007-2008\* (%)

Province	2008	2007	Change 2008 / 2007	Province	2008	2007	Change 2008 / 2007
(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
CROTONE	44.0	41.0	7.19%	TERNI	20.0	18.3	8.92%
BRINDISI	41.6	38.0	9.51%	TREVISO	19.9	18.9	5.25%
TARANTO	40.0	36.6	9.19%	ROVIGO	19.3	20.1	-3.56%
FOGGIA	37.2	33.7	10.19%	OGLIASTRA	19.3	20.3	-4.88%
VIBO VALENTIA	36.7	34.0	7.93%	RIETI	19.3	18.3	5.04%
BARI	34.6	32.6	5.85%	VERONA	18.9	19.2	-1.86%
LECCE	34.4	31.0	10.72%	LODI	18.8	17.2	9.80%
AVELLINO	33.3	28.5	16.83%	PIACENZA	18.8	17.1	9.70%
LATINA	32.9	30.7	7.17%	ROME	18.5	18.0	3.29%
CATANZARO	32.0	29.4	8.96%	CAGLIARI	18.4	18.1	1.30%
SALERNO	31.1	29.2	6.36%	VARESE	17.9	17.3	3.69%
REGGIO CALABRIA	31.0	27.3	13.64%	MEDIO CAMPIDANO	17.9	18.1	-1.08%
PESCARA	30.5	28.1	8.57%	OLBIA-TEMPIO	17.9	16.9	5.58%
CASERTA	30.5	29.4	3.83%	CAMPOBASSO	17.9	16.8	6.27%
MASSA CARRARA	30.2	28.6	5.65%	CARBONIA-IGLESIAS	17.8	17.0	5.07%
MESSINA	30.0	29.0	3.32%	LIVORNO	17.7	17.9	-0.97%
COSENZA	29.5	25.8	14.32%	GORIZIA	17.7	18.4	-3.94%
RIMINI	28.9	26.6	8.74%	GROSSETO	17.6	17.5	0.65%
CHIETI	28.4	26.1	9.08%	MILAN	17.5	16.4	6.75%
PISTOIA	27.5	24.6	11.76%	TURIN	17.5	17.4	0.16%
ENNA	27.0	23.4	15.58%	PAVIA	17.4	16.7	4.41%
CALTANISSETTA	26.7	24.0	11.18%	MODENA	17.4	17.7	-1.68%
RAGUSA	26.7	24.6	8.41%	CREMONA	17.4	17.6	-1.27%
AGRIGENTO	26.6	23.2	14.88%	VICENZA	16.9	16.3	3.42%
FROSINONE	26.6	25.2	5.57%	MANTUA	16.9	15.5	9.03%
CATANIA	26.5	24.5	8.10%	PORDENONE	16.7	15.8	5.68%
PISA	26.1	24.3	7.27%	COMO	16.6	16.4	1.56%
TERAMO	25.9	25.2	2.94%	PARMA	16.4	15.7	4.24%
LA SPEZIA	25.9	25.2	2.83%	ORISTANO	16.3	15.3	6.66%
ANCONA	24.9	24.1	3.21%	TRIESTE	16.3	16.1	1.23%
MACERATA	24.7	24.7	-0.06%	SIENA	16.2	16.2	0.04%
SASSARI	24.7	22.7	8.81%	BERGAMO	16.2	15.8	2.52%
PESARO-URBINO	24.4	23.6	3.48%	IMPERIA	16.0	14.7	8.89%
ASCOLI PICENO	24.2	22.3	8.73%	VITERBO	15.9	15.2	4.58%
MATERA	24.1	22.1	8.63%	UDINE	15.4	15.3	0.85%
LUCCA	23.9	22.7	5.42%	NUORO	14.9	14.8	0.90%
PRATO	23.7	20.9	13.25%	SAVONA	14.9	15.2	-2.49%
VENICE	23.7	22.7	4.02%	BRESCIA	14.8	15.3	-3.15%
RAVENNA	23.5	24.2	-2.81%	NOVARA	14.7	15.0	-2.01%
BENEVENTO	23.4	22.9	2.20%	LECCO	14.6	14.7	-0.52%
SIRACUSA	22.9	19.9	14.96%	ALESSANDRIA	14.3	13.6	4.82%
BOLOGNA	22.3	21.7	2.59%	GENOA	13.6	13.5	0.65%
FLORENCE	22.1	20.9	5.63%	VERCELLI	13.3	13.6	-2.40%
FERRARA	21.7	22.1	-1.98%	SONDRIO	13.1	14.4	-8.63%
FORLÌ-CESENA	21.6	19.2	12.42%	ASTI	13.1	12.7	2.63%
PERUGIA	21.4	21.0	1.63%	VERBANIA	12.8	12.2	5.21%
POTENZA	21.3	19.5	9.32%	TRENTO	12.8	13.0	-1.42%
ISERNIA	21.2	20.2	4.75%	AOSTA	12.5	11.8	6.22%
NAPLES	21.1	21.3	-0.96%	BELLUNO	12.4	12.8	-3.00%
PADUA	21.0	19.9	5.29%	CUNEO	12.0	12.4	-3.91%
PALERMO	20.8	19.6	6.00%	BOLZANO	10.7	10.7	0.28%
AREZZO	20.7	19.1	8.51%	BIELLA	10.6	11.0	-3.69%
TRAPANI	20.7	19.6	5.59%				
L'AQUILA	20.7	19.5	6.01%				
REGGIO EMILIA	20.3	18.8	7.65%				
				<b>TOTAL</b>	<b>21.6%</b>	<b>20.4%</b>	<b>5.77%</b>

(\* ) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total (21.6%) from the ISVAP data (21.3%), which lack the provincial breakdown



There is widespread speculation in personal injury claims, concentrating on very mild injuries (1-2 percent disability), which account for 13.3 percent of claims and more than 70 percent of non-severe injuries. Italian insurers indemnify these claims with about Euro 1.7 billion a year, or more than 11% of total motor liability compensation (Table 1). As to more serious injuries (those involving more than 9 percent permanent disability), the rules governing their economic valuation and forensic assessment have yet to be promulgated, even though the procedure for their approval has been completed long since.

The new compensation tables of the Court of Milan, introduced last summer and applied by a steadily increasing number of other courts, increase the compensation for these damages by 15%, according to estimates by some insurers. If for the sake of simplicity we apply this increment to serious personal injury (over 9 percent permanent disability), calculated as total compensation for personal injury net of indemnities for property damage in these claims (about Euro 1 billion), it will necessitate an increase of about 5% in premium revenue requirements.

### GEOGRAPHICAL DISTRIBUTION OF MOTOR INSURANCE FRAUD

Each year ISVAP calculates the incidence of cases of ascertained insurance fraud on total claims (and amounts), in order to estimate the extent and impact of this type of crime. In 2008, a total of 76,784 fraudulent claims were detected, equal to 2.31% of all claims incurred and reported; in 2007 the number was 83,305, or 2.54%.

ISVAP's official data report only frauds detected by the insurers themselves with the limited resources at their disposal. As an example, the reported incidence of fraudulent claims is 10% in the United Kingdom and 5% in France. The low Italian figure appears implausible.

Northern Italy shows the lowest incidence of fraud, equal to 0.85% of claims in 2008. Save for Liguria, at 1.6%, all the other northern regions are below 1%. Valle d'Aosta and Trentino-Alto Adige have the lowest rates of motor insurance fraud in Italy. The incidence of fraud has always been highest in the South: 6.30% last year. The three regions farthest above the national average are Campania, Puglia and Calabria. In Campania, more than 10% of all claims involve fraud. Puglia also shows a high incidence of 5.5%, and Calabria one of 3.82%. In the Centre, the region of Lazio shows the highest incidence of fraud,



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MOTOR LIABILITY INSURANCE FRAUD IN ITALY BY REGION. 2008

Region	2008	
	% fraudulent claims (no.)	% fraudulent claims (value)
(1)	(2)	(3)
PIEDMONT	0.96%	1.02%
VALLE D'AOSTA	0.25%	0.24%
LOMBARDY	0.85%	0.99%
TRENTINO ALTO ADIGE	0.35%	0.30%
VENETO	0.71%	0.84%
FRIULI VENEZIA GIULIA	0.47%	0.39%
LIGURIA	1.59%	1.62%
EMILIA ROMAGNA	0.70%	0.79%
<b>NORTH</b>	<b>0.85%</b>	<b>0.93%</b>
TUSCANY	1.18%	1.02%
UMBRIA	0.46%	0.45%
MARCHE	1.23%	0.92%
LAZIO	1.66%	1.58%
<b>CENTRE</b>	<b>1.38%</b>	<b>1.24%</b>
ABRUZZO	1.00%	0.97%
MOLISE	1.28%	1.03%
CAMPANIA	9.51%	8.13%
PUGLIA	5.49%	5.18%
BASILICATA	1.93%	1.89%
CALABRIA	3.82%	3.97%
<b>SOUTH</b>	<b>6.30%</b>	<b>5.62%</b>
SICILY	2.91%	2.93%
SARDINIA	0.81%	0.75%
<b>ISLANDS</b>	<b>2.41%</b>	<b>2.41%</b>
<b>TOTAL ITALY</b>	<b>2.31%</b>	<b>2.24%</b>

Source: ISVAP – Indagine sul fenomeno della criminalità nel settore assicurativo. Data for 2008 (Letter dated 6 October 2009)

at 1.66% of all claims – still nearly a percentage point below the national average.

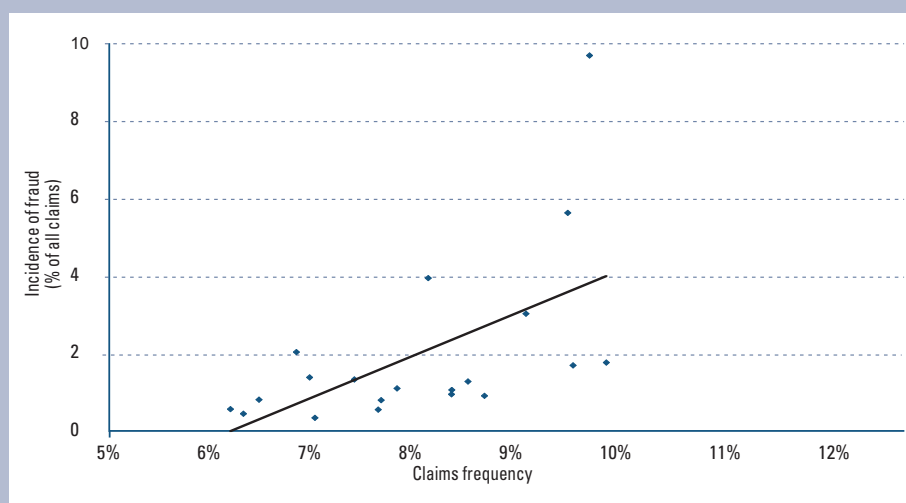
The incidence of fraud is slightly higher than average in the island regions, at 2.41% in 2008. However, this reflects essentially the high rate in Sicily (2.91%), while Sardinia shows an incidence well below the national average, at 0.81%.



By province, Caserta and Naples recorded the highest incidence of motor insurance fraud (12.22% and 11.41% respectively). The lowest was in Verbania, at just 0.13%.

The size of the fraudulent claims also varies significantly with location. In the South, they accounted for nearly 6% of the total amount claimed, compared with an average of only around 1% in the Centre and North.

The correlation coefficient between claims frequency and the incidence of ascertained fraudulent claims was calculated by ISVAP at 0.59 on a regional basis in 2008, a statistically significant value. By province, the correlation was practically the same, at 0.58. These values strongly suggest that claims frequency is influenced by fraud: the areas where fraud is most common are also those with the highest claim frequencies.



REGIONAL CORRELATION BETWEEN CLAIMS FREQUENCY AND INCIDENCE OF FRAUD IN MOTOR LIABILITY INSURANCE: 2008

### THE TECHNICAL INDICATORS – A EUROPEAN COMPARISON

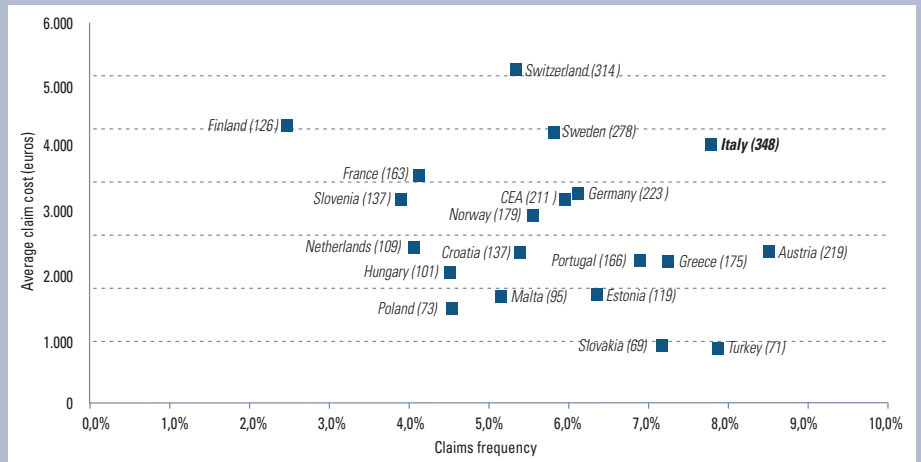
In all non-life insurance, and hence in motor insurance, complete analysis of the risk of insurance coverage requires data not only on the probability of a policy's actually giving rise to damages (i.e. the claims frequency, the ratio of claims made to vehicles insured) but also on the amount of compensation paid (the average claim cost). Multiplying the average claim cost by the claims frequency makes it possible to determine the "pure premium" requirement – the net risk premium that corresponds to the cost of insurance per



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policyholder if there were no operating expenses (administrative and acquisition costs), no remuneration for the shareholder and no investment income (Figure 1).

FIGURE 1 - NET RISK PREMIUM, CLAIMS FREQUENCY AND AVERAGE COST: 2007  
(in brackets, net risk premium in euros)



Source: CEA - The European Motor Insurance Market, February 2010

Italy combines one of the highest average claim costs in Europe with an equally high claims frequency. The result is the highest net risk premium in Europe. Claims paid by insurers are higher in Italy than in all the other countries covered by the CEA statistics. The data also permit a comparative breakdown of the main loss ratio factors that determine the net risk premium. First, however, we must underscore that the international comparison reflects a

TABLE 1  
TECHNICAL LOSS INDICATORS IN EUROPE, 2008

Country	Claims frequency (%)	Average cost of claims (€)	Incidence of personal injury claims, 2006 (%)
AUSTRIA	9.0	2,247	10.0
FINLAND	2.8	4,445	n.a.
FRANCE	4.4	3,515	10.0
GERMANY	6.6	3,264	9.8
GREECE	8.2	n.a.	4.0
<b>ITALY</b>	<b>8.6</b>	<b>3,972</b>	<b>21.0</b>
NORWAY	5.8	2,889	6.8
NETHERLANDS*	4.5	3,909	n.a.
POLAND	5.1	1,600	5.5
PORTUGAL	7.3	1,826	7.2
SPAIN	n.a.	n.a.	17.8
SWEDEN	7.7	5,033	16.3
SWITZERLAND*	6.0	5,236	7.5

Source: CEA - The European Motor Insurance Market, February 2010  
(\* ) Data on claims frequency and average cost are for 2007



good number of other factors, including regulatory framework, disparate economic and social conditions, variable density of vehicles in circulation, the different degrees to which motorists are law-abiding, and the functioning of the judicial system.

Italian claims frequency, based on reporting year and not counting claims on which no action was taken, was the highest among all the countries examined in 2008 at 8.6% (the data for the United Kingdom and Spain, both of which had higher frequencies than Italy in 2007, are not comparable) <sup>(1)</sup>. Lower frequencies than Italy are registered by such major countries as Germany (6.6%) and France (4.4%), while Finland is best by far with 2.8%.

The same data permit comparison of the average cost of the claims registered, dividing the total cost of claims reported in 2008 (settled and reserved) by their number. In Italy this average cost was almost Euro 4,000, the highest anywhere except Switzerland, Sweden and Finland, all of which have lower claims frequencies than Italy. The average claim cost in France was about Euro 500 lower than in Italy; the disparity was more substantial for Germany, at about Euro 700

The high average cost of claims in Italy compared with the other countries is largely due to the higher proportion of claims involving personal injury. The anomalous high number of minor injuries helps to produce a frequency of personal injury claims unparalleled in the rest of Europe. For example, Italy's 43.5 million insured vehicles registered 3.7 million claims, for total settlements worth Euro 15 billion. France, with 39.4 million vehicles, produced just 1.7 million claims and total settlements worth Euro 6.5 billion. If Italy's claims frequency and average cost were the same as in France, damage settlements would fall by more than 50 percent. That is, the net risk premium would be cut in half, with a comparable benefit in terms of the final premium paid by motorists.

In addition, in France policies also covering own vehicle damage are very common. French motorists pay a premium for both types of coverage comparable to what Italians pay for liability insurance alone.

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<sup>(1)</sup> The impossibility of comparison stems, for the U.K., from the fact that most policies provide for "comprehensive" coverage, comprising both liability and fire/theft, so claims frequency is not comparable with liability-only policies.

For Spain, a similar problem exists, in that in calculating claims frequency not only liability claims are counted but also claims for other accident-related coverage (assistance, glass breakage, and driver injury). Further, the calculation does not include claims not resulting in compensation.





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## MOTOR LIABILITY INSURANCE PRICES IN THE LONG TERM

Given compulsory liability insurance, the annual rise in premium income is a gauge of the increase in the total amount spent by policyholders for coverage. To calculate the average price of individual coverage, however, one must obviously take account of the variation in the number of vehicles insured. Dividing premium volume by number of vehicles, one gets the average per-vehicle price of coverage <sup>(1)</sup>.

Table 1 shows the average price for insurance of a vehicle and its component factors over the years. The results can be summarized as follows:

TABLE 1 - MOTOR LIABILITY INSURANCE PREMIUMS (EXCLUDING MARITIME). 1994-2009

YEAR	1. Premiums (Source: ISVAP) <sup>°</sup>			2. No. vehicles in circulation (Source: ACI)*		3. Average price of coverage per vehicle (index: 1994=100)		4. Memo. item: ISTAT motor liability index		5. Memo. item: ISTAT consumer price index	
	(Mn. euro)	Index	Annual % change	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

(°) For 2009, excludes the premiums of one insurer subjected to compulsory liquidation

(\*) Starting with 2008, calculated on the basis of the change in the number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which ISVAP has specifically requested of insurance companies. According to preliminary data, the number of vehicle-years insured in 2009, about 43 million, increased by just 0.2% with respect to 2008

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

- the motorist's actual merit class, i.e. whether in the reporting year he is in a better class than the previous year (which happens 90% of the time);
- discounts with respect to listed prices, so that if a motorist gets a discount in the reporting year that he didn't have the year before, the deflator finds a reduction (or smaller increase) in price.



- the average price for motor liability insurance has fallen steadily over the past five years: by 1.5% in 2005, 0.8% in 2006, 2.7% in 2007, 3.6% in 2008 and 3.9% in 2009;
- the overall reduction thus comes to 11.8% in five years.

In the market, “list prices” – which do not correspond exactly to the actual prices paid for new or renewed motor liability policies – were 7.4% higher in May 2010 than in May 2009 (Istat). The Istat result differs from other surveys, which found a larger increase, because it considers different risk profiles, more representative of all of Italy, and also factors in the application of the law mandating the “family” bonus-malus.

In addition, the change for the year reflects the rise in the compulsory minimum cover – in effect from December 2009 – from Euro 774,685 to Euro 2.5 million for personal injury plus Euro 500,000 for material damage.

It bears repeating that list prices do not reflect the prices actually paid by motorists but are the maximum reference price for each type of risk coverage. Accordingly, variations are not a reliable indicator of the actual change in real spending by consumers. List prices, that is, may be misleading in that:

- 1) They ignore the bonus for drivers who do not cause accidents (92 percent of the total);
- 2) They take no account of discounts, which have become more common owing to sharpening competition and on which caps have been barred by Law 248/2006, known as the Bersani decree;
- 3) They do not consider the growing number of motorists who change insurer every year to get a better price. Sample surveys put this portion at between 9% and 12% of all policyholders. Obviously, the number who switch is directly proportional to price trends, diminishing when prices fall, as in the past five years, and increasing when they rise;
- 4) They do not take account of the second Bersani decree’s impact on bonus-malus clauses. In practice, the measure improperly imposes “discounts” for certain classes of policyholders: specifically, members of households acquiring an additional vehicle and motorists held to be jointly responsible for an accident but not the “principal” driver at fault.

The real price of motor liability insurance is the premium paid to take out a new policy or renew an old one. The sum of all the premiums paid by the insured is the national community’s total expenditure for the purchase of motor liability insurance. It corresponds to the entire market’s premium income as reported in the insurers’ financial statements.

Table 2 compares Istat’s list price index and the real price of liability insurance, from financial statements, over the past five years (also giving the

TABLE 2  
MOTOR LIABILITY INSURANCE PRICES

Year	Istat price (% change) (a)	ANIA price (% change) (b)*	Difference (% points) (b-a)
2005	1.7	-1.5	-3.2
2006	2.3	-0.8	-3.1
2007	1.5	-2.7	-4.2
2008	2.4	-3.6	-6.0
2009	2.9	-3.9	-6.8
May 2010**	7.4		

(\*) For 2009, estimated data

(\*\*) Twelve-month change



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change between 2009 and 2010 according to Istat). The gap between the change in the Istat index and that in the average premium cost widened to between 6 and 7 percentage points in 2008 and 2009, compared with 4.2 points in 2007 and an average of just 2.2 points from 2003 to 2006. Since by construction the Istat index cannot reflect the impact of the new bonus-malus rules (discussed elsewhere), which inevitably shift policyholders towards the better merit classes, or of the ban on discount caps offered by agents, it is plausible that these two measures contributed substantially to the widening of the gap between 2007 and 2009.

The latest available Eurostat data indicate that in May 2010 the average list price of motor liability insurance was 7.4% higher than twelve months earlier (Table 3). Comparable rises were reported also for France (7.6%) and Germany (5.6%). The sharpest rise in Europe was in the United Kingdom (26.7%!), and over the five years from 2005 through 2009 the rise in British list prices came to 15.8%.

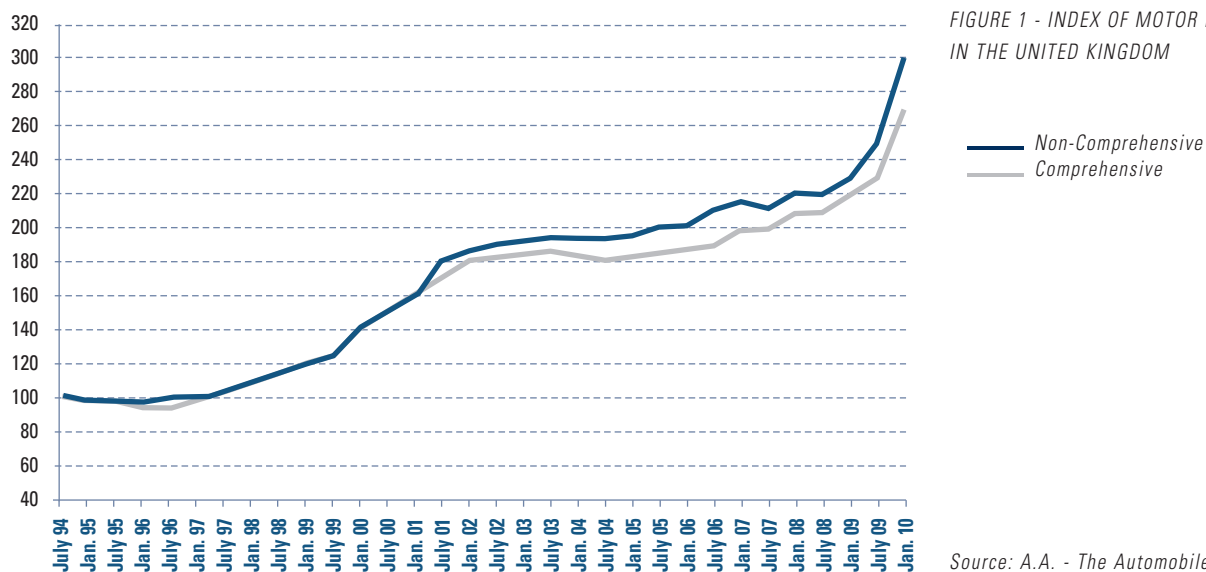
TABLE 3 - CHANGE IN TRANSPORT EQUIPMENT  
INSURANCE PRICE INDEX (%)

	AVERAGE FOR YEAR					TOTAL	12-MONTH
	2005	2006	2007	2008	2009	2005-2009	May 2009 - 2010
<b>Italy</b>	1.7%	2.3%	1.5%	2.4%	2.9%	9.3%	7.4%
<b>Austria</b>	2.7%	-4.4%	0.3%	0.3%	2.3%	-1.6%	2.4%
<b>Belgium</b>	0.6%	1.6%	6.3%	1.4%	-1.2%	8.1%	-1.1%
<b>Denmark</b>	2.6%	6.0%	0.7%	1.8%	0.6%	9.2%	1.4%
<b>Finland</b>	3.5%	1.6%	2.9%	4.6%	5.5%	15.4%	4.0%
<b>France</b>	-1.9%	-0.8%	-1.6%	0.5%	1.6%	-0.4%	7.6%
<b>Germany</b>	-5.0%	-1.6%	1.8%	2.8%	2.0%	5.1%	5.6%
<b>Greece</b>	3.0%	2.6%	2.1%	2.6%	7.0%	15.0%	18.0%
<b>Ireland</b>	-7.7%	-5.9%	-10.9%	-3.6%	11.5%	-9.9%	-0.9%
<b>Luxembourg</b>	0.2%	0.0%	0.0%	0.0%	0.9%	0.9%	-4.2%
<b>Norway</b>	1.8%	-1.3%	-0.5%	3.5%	4.2%	5.9%	4.1%
<b>Netherlands</b>	0.5%	-4.3%	-2.7%	0.6%	1.8%	-4.8%	-0.6%
<b>United Kingdom</b>	-1.8%	0.0%	3.2%	1.7%	10.3%	15.8%	26.7%
<b>Spain</b>	2.4%	2.0%	1.7%	2.0%	1.3%	7.2%	2.2%
<b>Sweden</b>	5.6%	4.1%	11.4%	3.7%	2.0%	22.6%	2.8%
<b>EU 25</b>	-0.8%	0.0%	1.4%	1.7%	2.1%	5.3%	6.1%

Source: Eurostat

Overall, in the long run the price rises in the U.K. and Italy have been comparable. In United Kingdom (Figure 1) the premiums for comprehensive coverage (liability, fire/theft, and own damage) rose by 270% between 1994 and 2010, while those for liability coverage alone (the less common “non-comprehensive” policies) rose by 300% (against 278% in Italy; Table 1).





## COMPETITION BETWEEN INSURERS: LIABILITY POLICY PRICES AS POSTED ONLINE

Apart from the competition on the content of cover and the quality of customer service, price competition between insurers has now attained unprecedented levels. In April 2010 ANIA conducted a study of Italian motor liability insurance premiums, based on publicly available data drawn from insurance company websites. The study covered the main insurers (accounting for nine-tenths of total premiums in the sector) and monitored the premiums charged in the 20 regional capitals. The present analysis looks specifically at three policyholder profiles for passenger cars, representing 70 percent of all vehicles. The results are reported in Table 1.

The price observed refers to a potential customer requesting an estimate online, and as such does not take account of discounts from the posted prices that companies may offer upon policy renewal (there is widespread flexibility on premiums) but does include taxes equal to 12.5% and the contribution to the fund for road accident victims of 10.5%. The values found in April 2010 do reflect the raising of the compulsory minimum cover per accident from Euro 774,685 to Euro 2.5 million for personal injury plus Euro 500,000 for property damage, pursuant to Article 128 of the Insurance Code, which went into effect in December 2009.

According to the study, the average premiums, weighted by the companies' market shares and geographical distribution, were as follows:



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TABLE 1 - MOTOR INSURANCE PREMIUMS INCLUDING 12.5% TAX AND 10.5% CONTRIBUTION TO ACCIDENT VICTIMS FUND (Euro)

	Milan	Bologna	Perugia	Rome	Naples	Potenza	Bari	ITALY	
<b>Average</b>	<b>405.17</b>	<b>524.07</b>	<b>420.84</b>	<b>522.36</b>	<b>819.42</b>	<b>340.44</b>	<b>520.88</b>	<b>510.95</b>	<b>PROFILE 1</b>
Minimum	263.09	374.76	300.23	353.88	445.00	218.55	317.00		Housewife, age 36,
Maximum	519.48	700.10	602.57	747.07	979.23	546.46	631.00		best merit class,
Max/Min	2.0	1.9	2.0	2.1	2.2	2.5	2.0		petrol-engine
Variation coeff. (%)	17.3	16.4	18.9	17.2	17.1	24.9	16.0		hatchback, 1100 cc.
	Milan	Bologna	Perugia	Rome	Naples	Potenza	Bari	ITALY	
<b>Average</b>	<b>645.32</b>	<b>843.94</b>	<b>681.51</b>	<b>837.25</b>	<b>1,374.65</b>	<b>537.76</b>	<b>847.99</b>	<b>811.19</b>	<b>PROFILE 2</b>
Minimum	310.23	455.36	361.97	429.21	745.00	307.03	468.42		Office worker, male,
Maximum	832.00	1,124.00	871.00	1,081.00	1,894.82	733.46	1,141.32		age 40, best merit
Max/Min	2.7	2.5	2.4	2.5	2.5	2.4	2.4		class, diesel sedan,
Variation coeff. (%)	19.4	18.7	19.4	19.0	19.0	20.1	16.6		1900 cc.
	Milan	Bologna	Perugia	Rome	Naples	Potenza	Bari	ITALY	
<b>Average</b>	<b>1,188.98</b>	<b>1,518.13</b>	<b>1,212.51</b>	<b>1,524.27</b>	<b>2,340.96</b>	<b>989.16</b>	<b>1,492.02</b>	<b>1,448.62</b>	<b>PROFILE 3</b>
Minimum	560.07	837.59	661.95	802.79	1,421.00	482.76	1,013.00		Office worker, male,
Maximum	1,534.13	2,094.87	1,759.18	2,041.97	2,909.56	1,592.53	1,872.70		age 45, entry merit
Max/Min	2.7	2.5	2.7	2.5	2.0	3.3	1.8		class, petrol-engine
Variation coeff. (%)	21.0	20.6	22.2	19.3	17.2	26.7	16.3		hatchback, 1100 cc.

Source: ANIA. based on data from insurance company websites

- **Profile 1: Euro 510.95** (a low of Euro 340 in Potenza and a high of Euro 819 in Naples) for the lowest-risk type of motorist (36-year-old housewife in the best merit class, hatchback car with an 1,100-cc engine);
- **Profile 2: Euro 811.19** (a low of Euro 538 in Potenza and a high of Euro 1,375 in Naples) for a 40-year-old office worker in the best merit class, sedan with a 1,900-cc engine);
- **Profile 3: Euro 1,448.62** (a low of Euro 989 in Potenza and a high of Euro 2,341 in Naples) for a 45-year-old office worker in the entry-level merit class, 1,100-cc hatchback).

To estimate the dispersion of premiums, we calculated two indicators for the same motorist profiles and for a selection of provinces: the ratio of the highest to the lowest premium and the variation coefficient, i.e. the ratio of the standard deviation to the mean of all premiums. These measure policyholders' potential chance to take advantage of competition. Specifically, we find that in nearly all the cities analysed the ratio between the high and low premium is between 2 and 3, which implies possible savings on the order of 50 to 66 per cent for the motorists who are paying the top premium for their profile.

Figure 1 below shows the maximum, minimum and average premiums found in each of the twenty regional capital cities for the three motorist profiles. For Profile 1 (36-year-old housewife in the best merit class) – the one with the lowest average premium, representing the best policyholders – companies charge premiums fairly close to the average. In the median city, the difference



between the mean and the minimum is Euro 116 (on a mean of Euro 510 for this profile). For Profile 2 the difference increases to Euro 262 (on a mean of Euro 811) and for Profile 3 to Euro 414 (on Euro 1,449). That is, by seeking out the best offer for his or her category, the average customer can save something like 20 or 30 percent. And obviously the potential saving is much greater for those paying more than the average premium.

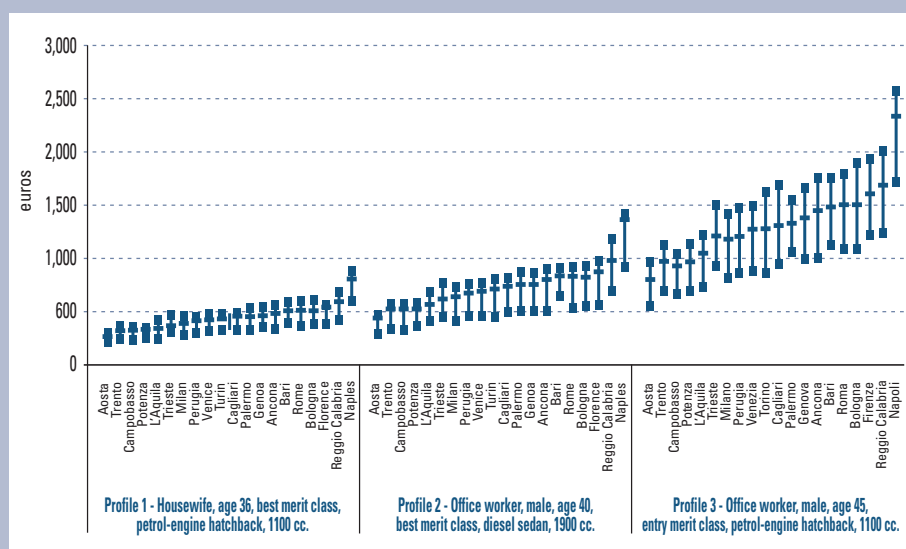


FIGURE 1  
PASSENGER CAR PREMIUMS BY REGIONAL CAPITAL,  
APRIL 2010

It should be noted that the premiums observed by ANIA are based solely on the most common, readily comparable risk factors that insurers take into account in pricing risk profiles. But actually, more and more frequently firms compete precisely in this sphere, seeking to “personalize” premiums by introducing a whole series of new risk factors. Table 2 shows those most commonly applied in the Italian motor liability market.

Main driver/owner <i>(the same information can also be required for any additional drivers)</i>	Vehicle	Cover
<ul style="list-style-type: none"> <li>- Age</li> <li>- Sex</li> <li>- Marital status</li> <li>- Residence</li> <li>- Number children</li> <li>- Years with driver's license</li> <li>- Type of license</li> <li>- License points</li> <li>- Occupation</li> </ul>	<ul style="list-style-type: none"> <li>- Use</li> <li>- Make and model</li> <li>- Engine power (KW)</li> <li>- Weight</li> <li>- Age</li> <li>- Type of fuel</li> <li>- Value</li> <li>- Max speed</li> <li>- Driver/owner same?</li> <li>- First vehicle?</li> <li>- No. other vehicles in h'hold</li> <li>- Km. per year</li> <li>- Type burglar alarm</li> <li>- Garage?</li> </ul>	<ul style="list-style-type: none"> <li>- Type of price</li> <li>- Exclusions, additional cover</li> <li>- Risk certificate (accidents in past 5 years)</li> <li>- Bonus/malus class</li> <li>- Premium by instalments?</li> <li>- Cover amount</li> </ul>

TABLE 2  
MAIN RISK FACTORS CONSIDERED BY INSURERS  
IN SETTING LIABILITY PREMIUMS



# Motor insurance

TABLE 1  
DISTRIBUTION OF CARS BENEFITING  
FROM "HOUSEHOLD BONUS": 2009

Universal conversion class	No. cars benefiting from household bonus	Proportion of vehicle class benefiting (%)
(1)	(2)	(3)
1	1.777	10.0%
2	0.127	8.5%
3	0.127	8.0%
4	0.070	6.9%
5	0.059	6.5%
6	0.051	5.9%
7	0.046	5.5%
8	0.042	5.0%
9	0.048	5.3%
10	0.077	8.0%
11	0.138	12.5%
12	0.112	11.5%
13	0.037	6.1%
14	0.024	4.5%
15-18	(...)	(...)
<b>Total</b>	<b>2.749</b>	<b>9.0%</b>

(...) Not significant

## THE EFFECT OF THE NEW RULES ON THE BONUS-MALUS SCALE

With measure 2590 issued in February 2008, ISVAP required that for any new insurance policy on an additional vehicle for a household benefiting from the "household bonus", the risk certificate must carry an attestation to that effect. The attestation must be retained on subsequent years' risk certificates as well. The rule went into effect in July 2008. Thanks to this requirement, we can quantify the number of motorists benefiting from a better merit class than they would have enjoyed based solely on their own track record.

Table 1 shows that last year 2.8 million vehicles (9 percent of all those insured) benefited from the conditions imposed by Law 40/2007. About two-thirds of them (1.8 million) were in the best universal conversion merit class, accounting for fully 10 percent of all the vehicles in the class. This distribution is the result of three years of evolution under the new rules.

The alterations to the implicit penalty mechanisms of the bonus-malus system are highlighted more clearly if we examine the change in the distribution among the 18 merit classes over the past six years. The values reported in Table 2 show, first of all, the rapid emptying of the entry class (class 14). From 2004 through 2006 this level had accounted for around 5.5% of all insured vehi-

TABLE 2 - ECONOMIC EFFECT OF SLIPPAGE IN BONUS-MALUS RATINGS

Universal conversion class	Bonus-malus tariff coefficient	Percentage composition of insured vehicles by year					
		2009	2008	2007	2006	2005	2004
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	0.50	58.3%	55.2%	51.1%	48.8%	48.1%	46.0%
2	0.53	5.0%	5.1%	5.2%	4.9%	5.5%	5.1%
3	0.56	5.3%	5.1%	5.6%	5.6%	5.4%	5.5%
4	0.59	3.3%	3.2%	3.2%	3.6%	3.8%	3.7%
5	0.62	3.0%	3.1%	3.2%	3.1%	3.7%	3.9%
6	0.66	2.8%	2.9%	3.1%	3.0%	3.1%	3.8%
7	0.70	2.7%	2.8%	2.9%	3.1%	3.1%	3.4%
8	0.74	2.7%	2.8%	2.9%	2.9%	3.2%	3.6%
9	0.78	2.9%	2.8%	3.0%	3.0%	3.1%	4.0%
10	0.82	3.2%	3.2%	3.1%	3.7%	3.2%	3.3%
11	0.88	3.6%	3.5%	3.4%	3.3%	3.4%	3.5%
12	0.94	3.1%	4.1%	3.8%	4.0%	3.7%	3.9%
13	1.00	2.0%	3.4%	4.6%	4.6%	4.5%	4.3%
<b>14</b>	<b>1.15</b>	<b>1.6%</b>	<b>2.0%</b>	<b>4.6%</b>	<b>5.8%</b>	<b>5.5%</b>	<b>5.4%</b>
15	1.30	0.3%	0.4%	0.3%	0.4%	0.4%	0.4%
16	1.50	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
17	1.75	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
18	2.00	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Weighted ave. coeff.</b>		<b>0.5993</b>	<b>0.6148</b>	<b>0.6356</b>	<b>0.6471</b>	<b>0.6444</b>	<b>0.6495</b>
<b>% change</b>		<i>2009 vs 2008</i> <b>-2.5%</b>	<i>2008 vs 2007</i> <b>-3.3%</b>	<i>2007 vs 2006</i> <b>-1.8%</b>	<i>2006 vs 2005</i> <b>0.4%</b>	<i>2005 vs 2004</i> <b>-0.8%</b>	



cles; its share fell significantly already in 2007, to 4.6%, and then drastically to 2.0% in 2008, when the full effects of the measure were felt. It slipped further to 1.6% in 2009.

At the same time, there has been a very sharp increase in the percentage in the best merit class (class 1). It is normal, of course, for the merit distribution to “creep” towards the top class, since each year more than 92 per cent of the insured cause no accident. But the fact that the best merit class expanded so sharply in 2007 and even more so in 2008 and 2009, in the presence of a virtually constant if not increasing accident frequency, is certainly not normal. That is, since 10 percent of those in class 1 are there thanks to Law 40/2007, had this rule not been passed the proportion of all vehicles in the class would fall from 58.3 percent to 52 or 53 percent.

For a summary if approximate gauge of the economic effect of this shift in merit class distribution, let us look at the “scale of coefficients of the administered tariff” (Interministerial Committee on Prices regulation of 1993), given in column 2. Under this scale, the premium paid by a policyholder in class 1 is equal to half that of class 13 and a quarter of that of class 18. And the scale of coefficients now in use by insurers is more variable (with a larger reduction: in some instances, the best class shows a coefficient as low as 0.35 with respect to class 13).

The average coefficient, weighting the scale by the distribution according to class, was 0.599 in 2009, down from 0.615 in 2008 and 0.636 in 2007. This means that, other characteristics of policyholders being equal, the shift in the distribution by class resulted in a 2.5% fall in the weighted average cost of motor liability coverage in 2009 and 3.3% in 2008. And these figures are probably underestimated, in view of the fact that the insurance companies actually apply reduction coefficients of more than 50 percent of the administered tariff.

Overall, the measures resulted in a premium shortfall of about 6% in 2008-2009.

### **DIRECT INDEMNITY: SETTING THE FIXED COMPENSATION AMOUNTS FOR 2010**

As we observed in our previous two annual reports, the start-up of the direct indemnity system has entailed a laborious process for setting the fixed compensation amounts, i.e. the determination of payments between insurers laid down by law at the specific indication of the anti-trust authority. Until 2008 the mechanism was not differentiated according to the type of vehicle involved in the accident. This posed the problem of insurance covering motorcycles and scooters, as the fixed amounts did not provide fair reimbursement for insurers settling their own policyholders’ claims. Since accidents involving motorcycles





and scooters have a higher incidence of personal injury and hence higher costs per claim, the insurers of the non-liable party were paying systematically more than the fixed compensation amounts that they received as reimbursement from the liable party's insurer. This affected liability premiums for these vehicles, as the companies with a larger proportion of motorcycles/scooters in their portfolios had to raise premiums.

The initial solution, adopted in 2008 and 2009, was to differentiate compensation amounts according to type of claim, one for material damage and another, higher one for minor personal injury. This may well have resulted in some inefficiency, because it undercuts insurers' incentive to really combat claims for minimal injuries.

Finally, in 2010, thanks to a reform passed at the urging of the insurance industry, the problem has been resolved, differentiating the compensation amounts for motorcycles and scooters from those for all other vehicles, but not differentiating between material damage and personal injury. The corrective effect should come in the next few years. Presidential Decree 28 of 18 February 2009 introduced the previously precluded possibility of basing compensation between insurers on average claims costs differentiated also by class of vehicle and not only, as previously, by geographical area or by claims with and without personal injury. This preclusion had severely distorted pricing requirements between vehicle classes and for the insurers whose portfolios were concentrated in specific classes.

The insurance authority's decision was taken in April 2009, and in order not to intervene during the year and to avoid complicating operations, no immediate change was allowed to the compensation amounts already set: the new principles would apply only from 1 January 2010. The amounts for 2010 were laid down by the Technical Committee on the basis of the criteria for differentiation specified by decree of the Ministry for Economic Development of 11 December 2009.

At present there are two distinct fixed compensation amounts:

- **the CARD CID single amount** for minor injury to the driver and property damage to the vehicle and objects transported, in two broad vehicle classes: "motorcycles and scooters" and "vehicles other than motorcycles and scooters". The single amount is then differentiated by three geographical areas, but only for property damage;
- **the CARD CTT** covering injury to passengers and damage to their property, again differentiated by the two broad vehicle classes. The amount reflects the deductibles envisaged under the CARD convention.

The analysis towards setting the amounts took account of two sets of statistics:

- those of CONSAP, the claims clearing house operator, covering the period from 1 February 2007 to 30 November 2009; however, only claims paid from 1 January 2009 onwards carry the indication of the broad vehicle class;



- those of ISVAP, which in a circular dated 24 July 2009 asked for the data on CARD claims lodged between 1 February 2007 and 31 December 2008 and settled by 30 June 2009. These data, distinct by type of damage, year of accident and of settlement, and vehicle class, were used to determine costs according to the date of the claims, above all for personal injury, for which a time series of settlement costs by year is needed, to represent the exhaustion of each generation of claims.

### **Determination of the CARD-CID compensation amounts**

The value of the average cost of property damage was obtained separately for motorcycles/scooters and all other vehicles, as now permitted by ministerial decree, as the weighted average of the 2007 and 2008 generations of claims with settlement.

The claim costs were then revalued to 30 June 2010. That is, the amounts of claims settled in 2007 and 2008 were revalued to 30 June 2009 according to the consumer price index for clerical and production worker households assuming uniform distribution of payments over each year. Between 30 June 2007 and 30 June 2009, this price index rose by a total of 4.16%. The amounts so obtained, together with those for claims paid in the first six months of 2009, were then further revalued for one year by the target inflation rate for 2010 of 1.5%, laid down in the government's economic and financial planning document for 2010-2013.

There was no revaluation of claims reserved, as the rules provide that these be computed at their final cost, taking into account changes in settlement costs in connection with the duration of the payment process and expected changes in the economic picture, in particular the inflation outlook.

On this basis, the fixed compensation amounts were computed at:

- Euro 1,875 for motorcycles/scooters;
- Euro 1,496 for other vehicles.

Using the same methodology, the average cost for claims of minor personal injury to drivers at 30 June 2010 was computed at:

- Euro 4,948 for motorcycles/scooters;
- Euro 3,225 for other vehicles.

### **Determination of the geographical adjustment coefficients**

The three geographical areas were defined using CONSAP's data on payments for property damage to vehicles and objects transported, in definitive settlement of claims arising out of accidents occurring between 1 January and 30 November 2009, separately for motorcycles/scooters and other vehicles. This is because property damage claims are settled faster than injury claims, and the items thus definitively determined sooner. So for property claims it is possible



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to count only the amounts of claims actually settled, not those reserved. Moreover, to define the geographical areas all that is needed is a gauge of the difference between the cost in any given province and the national average. However, for motorcycles/scooters the CONSAP data covered a limited number of claims, so for this class they were supplemented with data drawn from ANIA's motor liability database for the settled claims generations of 2007 and 2008.

The indices used to set the fixed compensation amounts differentiated by geographical area were constructed as follows. The provinces were divided into three sets (geographical areas), according to their difference from the national average claim cost. The first macro-area comprises the provinces whose cost is more than 10% greater than the national average, the second those in the range +/- 10%, the third those with costs more than 10% lower than the average. The ratio of the average cost in each set to the overall average was used to generate the correction factors (coefficients) given in Table 1.

TABLE 1 - DETERMINATION OF AVERAGE COST OF PROPERTY DAMAGE CLAIMS BY GEOGRAPHICAL AREA

Euro

	MOTORCYCLES/SCOOTERS			OTHER VEHICLES		
	Set 1	Set 2	Set 3	Set 1	Set 2	Set 3
Average cost of property damage claims, 30/6/2010	1,875	1,875	1,875	1,496	1,496	1,496
Coefficient for geographical areas	1.17	1.01	0.80	1.19	1.00	0.81
Reference average claims cost for area	2,194	1,894	1,500	1,780	1,496	1,212

### MEMORANDUM:

	2007	2008	2009	2010*
Reference average claims cost for property damage to vehicle and objects transported	1,416	1,415	1,450	1,520
Change (%)		-0.1%	2.5%	4.8%

(\*) For 2010, comparison is with the average cost for all vehicles

For motorcycles/scooters, provinces with fewer than 250 accident claims were not considered, in view of the great volatility of average costs there. These provinces were subsequently included in the central set (1).

(1) The provinces of Monza-Brianza, Fermo, and Barletta-Andria-Trani, not included in the sample used to identify the macro-areas for motorcycles/scooters, were inserted among those with fewer than 250 claims, since the number of claims recorded by CONSAP in these provinces in the first eleven months of 2009 was less than 100.



TABLE 2 - DETERMINATION OF THE CARD-CID AMOUNTS BY GEOGRAPHICAL AREA

Euro

	MOTORCYCLES/SCOOTERS				OTHER VEHICLES			
	Set 1	Set 2	Set 3	Incidence of claims (%)	Set 1	Set 2	Set 3	Incidence of claims (%)
Average cost of property damage claims	2,194	1,894	1,500	96.20%	1,780	1,496	1,212	99.03%
Average cost of personal injury to driver, less than 9% permanent disability	4,948	4,948	4,948	39.75%	3,225	3,225	3,225	12.08%
<b>Single CARD-CID compensation amount</b>	<b>4,077</b>	<b>3,789</b>	<b>3,410</b>		<b>2,152</b>	<b>1,871</b>	<b>1,589</b>	

The single CARD-CID compensation amount for each of the two categories of vehicle was computed as the average cost for property damage and for personal injury, weighted according to their respective incidences (Table 2). Incidence was calculated as the ratio of claims for each type of damage to total CARD-CID claims settled, for each type of vehicle. For any new provinces established in the future, in calculating the amounts reference will be to the territory in which they were located prior to institution. "Special category" license plates will be classed in Set 2 except for Republic of San Marino (RSM) and Vatican City (CV) plates, which will be classed with the provinces of Rimini and Rome respectively.

### Fixed compensation amounts for injury to third-party passengers (CARD-CTT)

Article 38 of the CARD-CIT convention provides that the settlements made by the mandatory insurer for personal injury to passengers and damage to their property shall be reimbursed by a fixed compensation amount for each passenger suffering damage, the amount to be set by the Committee each year. The reimbursement amount due to the mandatory insurer does not reflect legal, operating and inspection costs.

The reimbursement:

- is due when the settlement exceeds a fixed deductible set by the Committee;
- is equal to the fixed compensation amount less the fixed deductible, when the settlement is no more than Euro 5,000;
- is equal, for settlements larger than Euro 5,000, to the full fixed compensation amount plus the difference between the settlement and the Euro 5,000 ceiling, less a proportional deductible that cannot exceed a maximum expressed as a monetary value. The proportional deductible and the maximum on it are set by the Committee.



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Expressed as a formula:

$$\text{Reimbursement} = \text{compensation amount} + (\text{settlement} - \text{ceiling}) \\ - \min(\text{max, proportional deductible} \times \text{settlement}).$$

The limitations of the CONSAP data broken down by vehicle class apply here as well, so again they were supplemented by those generated by a specific breakdown by ISVAP. Again, as for the CID component, Presidential Decree 28/2009 allows the compensation amounts relative to third-party passengers to be differentiated between motorcycles/scooters and other vehicles. These distinct amounts were determined as the weighted average of the average costs of settled claims generated in 2007 and 2008, taken from ISVAP statistics, revalued to 30 June 2010 by the same methodology as for the CID amounts.

The two fixed compensation amounts were:

- **Euro 4,011** for motorcycles/scooters;
- **Euro 3,150** for all other vehicles.

The deductibles and ceilings were unchanged from 2009:

- fixed deductible: **Euro 500**;
- proportional deductible: **10%** of the settlement, with a ceiling of **Euro 20,000**;
- ceiling: **Euro 5,000**.

The formula thus becomes:

$$\text{Reimbursement} = \text{compensation amount} + (\text{settlement} - 5,000) \\ - \min(20,000, 10\% \times \text{settlement}).$$

### MEMORANDUM:

	2007	2008	2009	2010*
Average reference cost, passenger damages (€)	3,250	3,300	3,300	3,222
% change		1.5%	0.0%	-2.4%

(\*) Comparison with average costs for all sectors

### DIRECT INDEMNITY: INCIDENCE OF CLAIMS INVOLVING JOINT LIABILITY

The yearly statistics on motor liability insurance show the percentage of accident claims in which both policyholders are at fault, i.e. those in which there is joint liability, in 2008 and compare it with 2007, the first year for which these data are available.

Proper comparison must take a series of relevant structural differences between the two years into account:



- direct indemnity was instituted on 1 February 2007 and was thus in effect for only eleven months that year;
- on 1 January 2008 the single CID compensation amount was subdivided into two distinct amounts for property damage to vehicle and transported objects and for minor personal injury to the non-liable driver;
- starting 1 January 2008, albeit on a voluntary basis, claims involving two drivers insured by the same company could be entered into the direct indemnity system.

ANIA data <sup>(1)</sup> limited to claims eligible for the CARD direct indemnity procedure (CID and CTT) show that 7% of claims involved joint liability in 2008, compared with 6.4% in 2007.

By type of vehicle, as in 2007 again in 2008 buses had the highest average incidence of joint liability (11.8%, down slightly from 12.5%). All the other types of vehicles had a slightly greater incidence of joint liability claims in 2008 than in 2007. Passenger cars showed the sharpest increase, from 6.0% to 6.7%. The class with the lowest incidence was taxicabs (Table 1).

There was a modest increase in the regional variability of joint liability claims (Table 2). The portion of claims with joint liability in 2008 ranged from 5.0% in Trentino-Alto Adige to 8.8% in Puglia. Particularly high proportions of joint liability claims were recorded in Bari (8.0% in 2007 and 10.3% in 2008), Catania (7.5% and 9.0%) and Naples (6.9% and 8.9%). Most of the cities where the incidence increased most markedly were in the South: Crotone and Lecce showed a rise of about 50% (from 3.6% to 5.3%). Those with the lowest incidences were Nuoro (3.7%), Gorizia (4.3%) and Vibo Valentia (4.4%). Gorizia was also the city where the incidence of joint liability claims fell most sharply (by 23%).

## THE STRUCTURES FOR MOTOR LIABILITY SETTLEMENT

Policyholders and claimants most often form their opinion of insurers' efficiency from the way they handles claims. In the case of motor liability insurance, this became especially clear in 2007 when direct indemnity was made compulsory, forging a closer, more immediate bond between the company and the policyholder to be indemnified.

To gauge the distribution over the territory of the structures for the settlement of motor liability claims, ISVAP conducts an annual census of "base units" and

<sup>(1)</sup> From a survey of a representative sample of insurers accounting for over 82% of motor liability premiums in 2008.

TABLE 1 - DIRECT INDEMNITY CLAIMS WITH JOINT LIABILITY - 2007-08

TYPE OF VEHICLE	Percentage claims w. joint liability, 2008	Percentage claims w. joint liability, 2007
Passenger car	6.7%	6.0%
Taxi	5.6%	5.5%
Bus	11.8%	12.5%
Truck	8.5%	8.2%
Motorcycle	9.1%	8.6%
Excavators etc.	10.9%	10.6%
<b>TOTAL</b>	<b>7.0%</b>	<b>6.4%</b>

TABLE 2 - DIRECT INDEMNITY CLAIMS WITH JOINT LIABILITY BY REGION - 2007-08

REGION	Percentage claims w. joint liability, 2008	Percentage claims w. joint liability, 2007
Abruzzo	7.3%	6.8%
Basilicata	5.7%	5.3%
Calabria	5.6%	4.5%
Campania	8.5%	6.5%
Emilia Romagna	6.7%	6.6%
Friuli Venezia Giulia	5.4%	6.0%
Lazio	6.5%	6.2%
Liguria	6.5%	6.2%
Lombardy	7.0%	6.9%
Marche	6.1%	5.8%
Molise	6.5%	5.1%
Piedmont	7.4%	6.8%
Puglia	8.8%	7.5%
Sardinia	5.2%	4.8%
Sicily	8.0%	6.6%
Tuscany	6.4%	5.8%
Trentino	5.0%	5.6%
Umbria	5.5%	6.0%
Valle d'Aosta	7.7%	6.3%
Veneto	6.4%	6.5%
<b>TOTAL</b>	<b>7.0%</b>	<b>6.4%</b>



## Motor insurance

“contact points”. A base unit is an office with a portfolio of claims to handle, a physical office and staff; a “contact point” is a secondary office subordinate to a base unit, where adjusters go periodically to negotiate and/or settle claims. Accordingly, base units often have jurisdiction over two or more provinces, even more than one region.

The territorial distribution of these structures has been affected, especially in recent years, by reorganization in the wake of mergers or acquisitions. One of the most common new solutions, especially for “simple” claims (minor accidents in which there is no question which driver is liable), is a call centre to handle the entire adjustment and settlement phase. In ten years the portion of all claims so handled has risen from 2.8% to 22.3% (Table 1). These have centralized the handling of claims in place of the base units and especially the contact points, whose numbers have diminished. Another factor contributing to the reduction in base units and contact points has been the spread of “on-the-spot settlement” directly by the claims adjuster, up to certain amounts. In addition, since 2007 the direct indemnity procedure has simplified settlement and thus favoured the handling of ever more claims by call centres. In 2008 nearly a third of all claims were settled through call centres or on-the-spot (some of the latter, in any case, are handled by the centres), compared with just a tenth a decade earlier.

TABLE 1 - MOTOR LIABILITY CLAIMS HANDLED, BY SETTLEMENT STRUCTURE

Year	Total claims handled*	No. handled by call centres	Call centre/total (%)	Other claims, not handled by call centres**	Other/total (%)	MEMO:			
						Claims settled “on the spot”	“On-the-spot”/total (%)	Contact points	“Other”/contact points (%)
(1)	(2)	(3)	(4)=(3)/(2)	(5) = (2) - (3)	(6)=(5)/(2)	(7)	(8)=(7)/(2)	(9)	(10)=(5)/(9)
1999	7.715.959	214.933	2,8%	7.501.026	97,2%	904.233	11,7%	9.459	793
2000	7.071.900	485.274	6,9%	6.586.626	93,1%	838.028	11,9%	8.660	761
2001	6.901.738	686.887	10,0%	6.214.851	90,0%	987.893	14,3%	7.861	791
2002	6.680.339	728.136	10,9%	5.952.203	89,1%	957.811	14,3%	6.828	872
2003	6.539.993	926.191	14,2%	5.613.802	85,8%	827.539	12,7%	6.647	845
2004	6.532.704	1.012.227	15,5%	5.520.477	84,5%	766.717	11,7%	6.207	889
2005	6.367.204	1.057.485	16,6%	5.309.719	83,4%	827.916	13,0%	6.074	874
2006	6.288.850	1.064.115	16,9%	5.224.735	83,1%	819.128	13,0%	5.435	961
2007	6.284.973	1.313.467	20,9%	4.971.506	79,1%	661.164	10,5%	5.227	951
2008	6.291.620	1.401.566	22,3%	4.890.054	77,7%	703.917	11,2%	4.722	1.036

(\*) Comprises claims reserved at end of year and those lodged and reopened during the year, net of those assigned to reserve at end of previous year

(\*\*) Comprises claims handled by base units and contact points plus those settled on the spot without involvement of call centre

Central management of claims at call centres has altered the geography of base units and contact points radically. Apart from the substitution effect already mentioned, it has also centralized the handling of claims arising in every province in the area where the call centre is located, normally in the



North and most often in Milan. Net of claims handled by call centres, those handled by contact points numbered 4,890,054 in 2008, down from 4,971,506 in 2007 (Table 2). This works out to an average of 1,036 claims per contact point in 2008, or about 5 per working day, compared with 4 in 1999.

TABLE 2 - CONTACT POINTS AND CLAIMS HANDLED, 2007-2008, BY REGION

Region	2008				2007				CHANGE (%)	
	Contact points	Total claims handled*	% of total claims	Claims per contact point	Contact points	Total claims handled*	% of total claims	Claims per contact point	Contact points	Claims per contact point
North	2,616	3,477,550	55.3%	1,329	2,858	3,366,706	53.6%	1,178	-8.5%	12.8%
Centre	1,066	1,161,888	18.5%	1,090	1,178	1,240,502	19.7%	1,053	-9.5%	3.5%
South	597	1,172,715	18.6%	1,964	693	1,197,291	19.1%	1,728	-13.9%	13.7%
Islands	443	479,467	7.6%	1,082	498	480,474	7.6%	965	-11.0%	12.2%
<b>Total Italy</b>	<b>4,722</b>	<b>6,291,620</b>	<b>100.0%</b>	<b>1,332</b>	<b>5,227</b>	<b>6,284,973</b>	<b>100.0%</b>	<b>1,202</b>	<b>-9.7%</b>	<b>10.8%</b>
<b>Total net of call ctrs.</b>	<b>4,722</b>	<b>4,890,054</b>		<b>1,036</b>	<b>5,227</b>	<b>4,971,506</b>		<b>951</b>		<b>8.9%</b>

(\* ) Comprises claims reserved at end of year and those lodged and reopened during the year, net of those assigned to reserve at end of previous year

Restructuring, that is, has meant the institution of central settlement units, endowed with advanced information technology for optimal management of claims and faster settlement times.

Another question is whether the resulting reduction in the number of contact points between 1999 and 2008 led to slacker control over settlement costs. To inquire into this, we can divide the provinces of Italy between those where the number of points was reduced by more and by less than the average (Table 3). In the provinces where the reduction was sharper, claims frequency fell from 11.1% in 1999 to 8.6% in 2008, practically identical to the reduction recorded in the other provinces (from 11.0% to 8.5%). The average cost of claims in the former increased from Euro 2,532 to Euro 4,092 (61.7%), compared with 56.1% in the others. The pure net risk premium thus rose 25.1% in the provinces where the number of contact points was reduced more sharply, against 21.2% in the others.

If the overall rise in the cost of claims in the sharp-reduction provinces had been no more than in the others during the decade, in 2008 the total, nationwide cost would have been 2% lower than it actually was. The amount is quite small (a rise of just 0.2% per year) and not statistically significant. In fact, the correlation coefficient between reduction in number of contact points and net





## Motor insurance

risk premium is -0.05 and is not statistically significant at the 10 percent level. In the same way, the correlations with changes in claims frequency and average claim cost are insignificant.

TABLE 3 - MOTOR LIABILITY SETTLEMENT STRUCTURES, 1999-2008

Provincial rate of decline in contact points:	31 DECEMBER 1999				31 DECEMBER 2008				CHANGE 2008/1999 (%)			
	Contact points	Claims frequency	Average claim cost (€)	Net risk Premium (€)	Contact points	Claims	Average cost (€)	Net risk premium (€)	Contact points	Claims	Average cost (€)	Net risk premium (€)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<i>Above average</i>	4,569	11.1%	2,532	282	1,896	8.6%	4,092	353	-58.5%	-22.6%	61.7%	25.1%
<i>Below average</i>	4,890	11.0%	2,468	271	2,826	8.5%	3,853	328	-42.2%	-22.4%	56.1%	21.2%
<b>TOTAL ITALY</b>	<b>9,459</b>	<b>11.1%</b>	<b>2,499</b>	<b>276</b>	<b>4,722</b>	<b>8.6%</b>	<b>3,972</b>	<b>340</b>	<b>-50.1%</b>	<b>-22.5%</b>	<b>59.0%</b>	<b>23.2%</b>

Source: ISVAP

Correlation coefficient	Change in claims frequency	Change in average claim cost	Change in net risk premium
<i>Change in no. contact points</i>	<b>0.13</b>	<b>-0.10</b>	<b>-0.05</b>



## Other non-life insurance classes

In 2009 premiums written in non-life classes other than motor insurance decreased slightly, by 0.3%. A deterioration of over 2 percentage points in the combined ratio cause a negative direct technical balance of more than Euro 600 million; thanks to gains from investments, the overall technical balance turned out just barely positive.

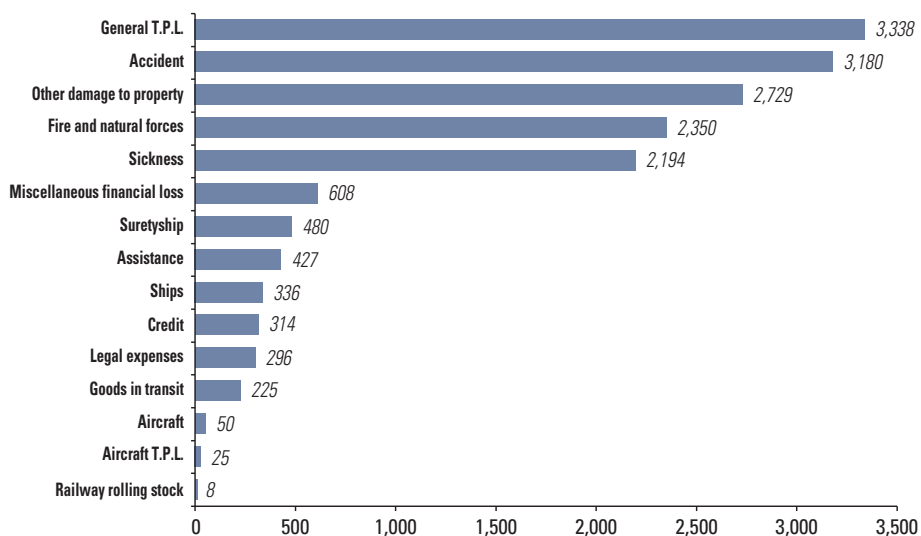
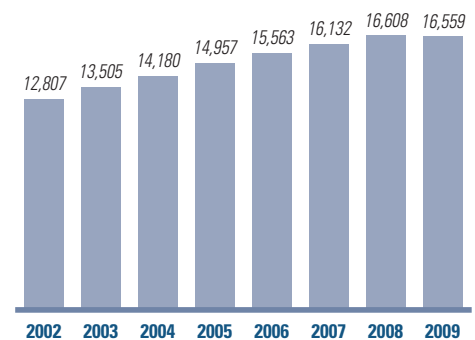
### NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

Premiums for direct domestic business collected in non-life insurance classes other than motor classes (that is excluding land vehicles, motor third party liability and marine vehicle third party liability) were equal to Euro 16,559 million in 2009, down by 0.3% compared to 2008. This is the first decrease registered in the last decade, even though only in nominal terms. Classes registering an increase in written premiums were ships (+7.5%), assistance (+4.6%), legal expenses (+3.7%), sickness (1.6%), general T.P.L. (+0.7%) and fire and natural forces (+0.2).

All other classes registered a decrease. In particular, classes like property and accident experienced a reduction in the retail portfolio, due to the difficult economic environment discouraging new subscriptions and due to long-term policies' withdrawals. Reductions in the world production and trade determined a decrease in shipping volumes and in the value of the goods shipped, hence a decrease in premiums concerning the relevant class.

Premium incidence of other non-life insurance classes on the total non-life premiums increased from 44.3% in 2008 to 45.1% in 2009, mainly because of the decrease in motor insurance premiums.

DIRECT PREMIUMS  
NON-LIFE INSURANCE CLASSES  
OTHER THAN MOTOR INSURANCE  
Euro million

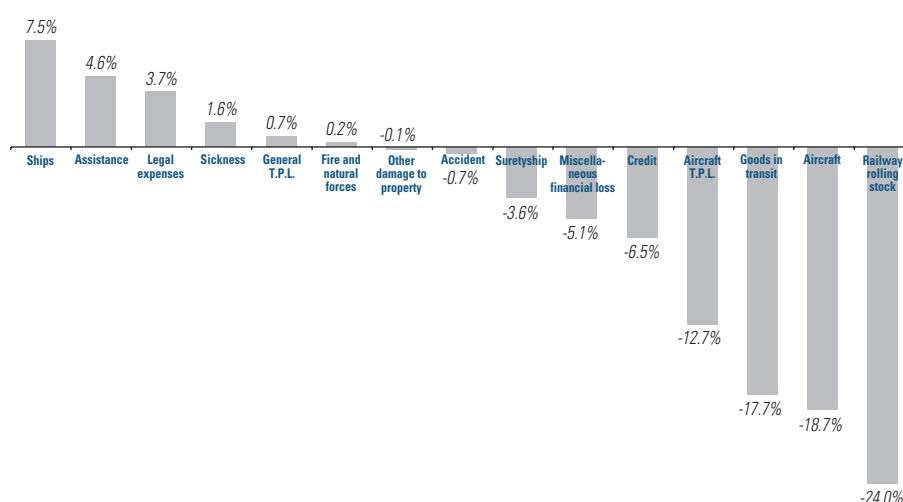


DIRECT PREMIUMS BY INSURANCE CLASS – 2009  
Euro million



## Other non-life insurance classes

GROWTH RATE OF DIRECT PREMIUMS  
BY INSURANCE CLASS – 2009



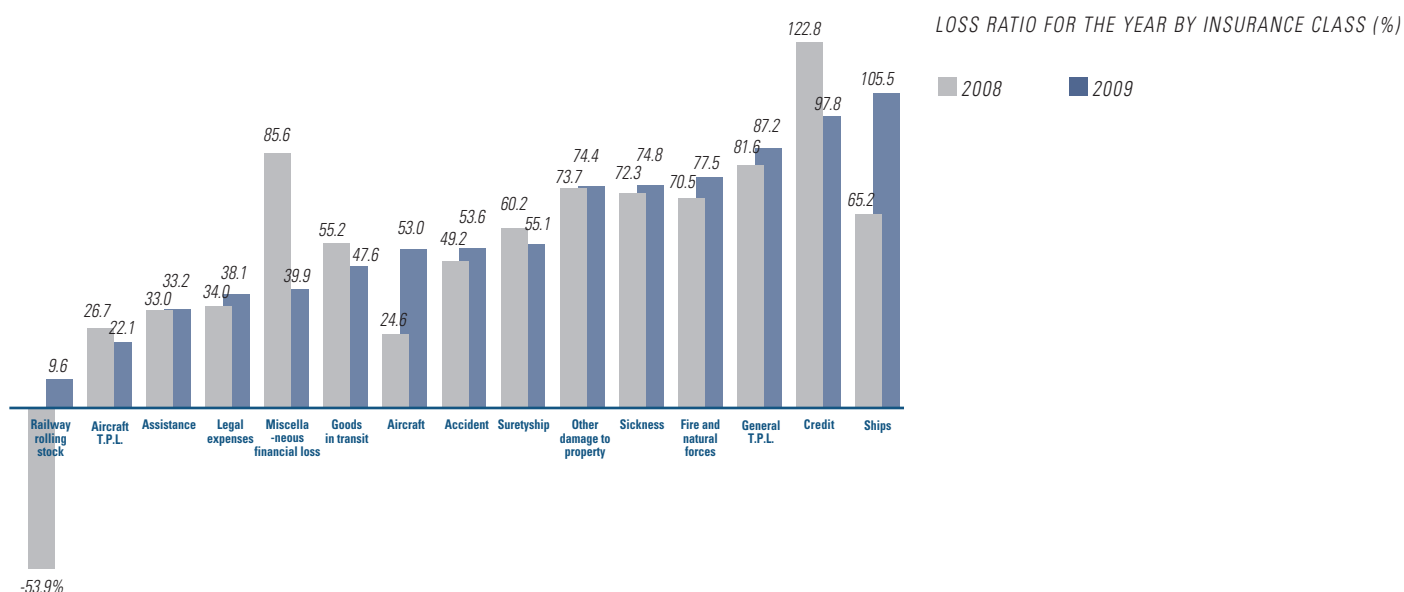
### NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE

Euro million

	2002	2003	2004	2005	2006	2007	2008	2009
Gross written premiums	12,807	13,505	14,180	14,957	15,563	16,132	16,608	16,559
Changes in premium reserves (-)	353	402	474	484	497	476	531	28
Incurred claims (-):	8,714	8,872	8,914	9,140	9,788	9,768	10,933	11,681
- incurred claims cost for the current accident year (-)	8,663	9,114	8,979	9,439	10,000	10,137	11,166	11,748
- excess/shortfall of reserves for those claims incurred in previous accident years	-51	242	64	298	212	369	233	67
Balance of other technical items	-263	-283	-318	-314	-434	-388	-419	-506
Operating expenses (-)	3,701	3,919	4,130	4,409	4,619	5,018	5,059	4,971
- commissions	2,545	2,723	2,858	3,084	3,259	3,506	3,567	3,475
- other acquisition costs	471	497	521	548	580	624	660	691
- other administration costs	685	699	751	777	780	888	832	805
<b>Direct technical balance</b>	<b>-223</b>	<b>28</b>	<b>343</b>	<b>610</b>	<b>225</b>	<b>482</b>	<b>-334</b>	<b>-627</b>
Investment income	529	695	784	829	806	903	403	1,060
<b>Direct technical account result</b>	<b>305</b>	<b>723</b>	<b>1,128</b>	<b>1,439</b>	<b>1,031</b>	<b>1,385</b>	<b>69</b>	<b>433</b>
Reinsurance results and other items	-130	-346	-758	-811	-632	-537	-135	-397
<b>Overall technical account result</b>	<b>175</b>	<b>377</b>	<b>370</b>	<b>628</b>	<b>398</b>	<b>848</b>	<b>-66</b>	<b>36</b>
Annual % changes in premiums	8.8%	5.4%	5.0%	5.5%	4.1%	3.7%	3.0%	-0.3%
<b>Combined ratio</b>	<b>98.9%</b>	<b>96.7%</b>	<b>94.2%</b>	<b>92.6%</b>	<b>94.6%</b>	<b>93.5%</b>	<b>98.5%</b>	<b>100.7%</b>
- Expense ratio	28.9%	29.0%	29.1%	29.5%	29.7%	31.1%	30.5%	30.0%
- Commissions/Gross written premiums	19.9%	20.2%	20.2%	20.6%	20.9%	21.7%	21.5%	21.0%
- Other acquisition costs/Gross written premiums	3.7%	3.7%	3.7%	3.7%	3.7%	3.9%	4.0%	4.2%
- Other administration costs/Gross written premiums	5.3%	5.2%	5.3%	5.2%	5.0%	5.5%	5.0%	4.9%
- Loss ratio:	70.0%	67.7%	65.0%	63.2%	65.0%	62.4%	68.0%	70.7%
- Loss ratio for the current accident year	69.6%	69.6%	65.5%	65.2%	66.4%	64.8%	69.4%	71.1%
- Excess/shortfall of reserves for previous years claims/ Earned premiums	-0.4%	1.8%	0.5%	2.1%	1.4%	2.4%	1.4%	0.4%
<b>Technical balance/Earned premiums</b>	<b>-1.8%</b>	<b>0.2%</b>	<b>2.5%</b>	<b>4.2%</b>	<b>1.5%</b>	<b>3.1%</b>	<b>-2.1%</b>	<b>-3.8%</b>
<b>Technical account result/Earned premiums</b>	<b>2.5%</b>	<b>5.5%</b>	<b>8.2%</b>	<b>9.9%</b>	<b>6.8%</b>	<b>8.8%</b>	<b>0.4%</b>	<b>2.6%</b>
<b>Overall technical account result/Earned premiums</b>	<b>1.4%</b>	<b>2.9%</b>	<b>2.7%</b>	<b>4.3%</b>	<b>2.6%</b>	<b>5.4%</b>	<b>-0.4%</b>	<b>0.2%</b>
Premiums to total non-life premiums ratio (%)	39.5%	39.5%	40.0%	41.2%	41.9%	42.8%	44.3%	45.1%



## Other non-life insurance classes



The **incurred claims cost for the financial year**, defined as the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 11,748 million (Euro 11,166 million in 2008), with an increase of 5.2% compared to the previous year. Considering that written premiums for the financial year slightly decreased, the loss ratio for the current accident year worsened, increasing from 69.4% in 2008 to 71.1% in 2009. There are many reasons for the increase in total claims costs over the last financial year. The property sector experienced an increase in claims frequency, partly due to more intense bad weather conditions (hail, rain, strong wind) and partly due to higher incidence of fraud in small claims (such as claims for malfunctions of electric or electronic appliances). Moreover, certain events implied particularly burdensome average costs (the Aquila earthquake, the railway accident in Viareggio and the Messina landslide), thus significantly contributing to the level of total claims cost. Accident and sickness classes also registered an increase in claims cost, mainly due to a qualitative deterioration of the portfolio and changes in the guarantee mix. Notably, in the sickness class a higher recourse to insurance policies with high claims frequency was registered, such as those covering specialist examinations or dental care.

The **incurred claims cost**, which also includes the possible excess/shortfall for claims incurred in previous accident years, totaled Euro 11,681 million, 6.8% more than in 2008. The ratio between this incurred claims cost and earned premiums was equal to 70.7%, an increase of 68.0% when compared to the previous year. The insurance classes that contributed the most to the worsening of this indicator – and whose weight, in terms of written premiums, is more relevant in comparison to other classes – were fire and natural forces, whose loss ratio passed from 70.5% in 2008 to 77.5% in 2009, and general



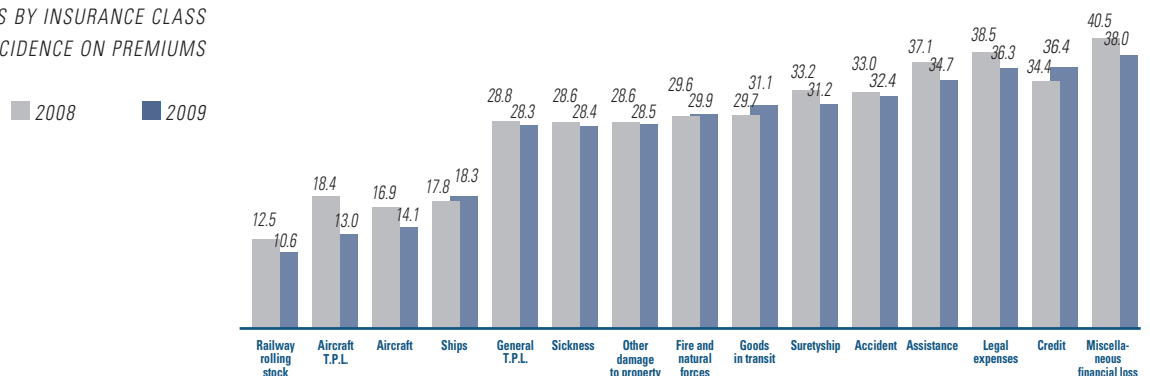
## Other non-life insurance classes

T.P.L. (from 81.6% to 87.2%). It should be noted, however, that the claims frequency in the aircraft class and ships class registered the highest deterioration in terms of premium percentage; in the aircraft class the loss ratio increased from 24.6% in 2008 to 53.0% in 2009, whereas the ship class loss ratio increased from 65.2% in 2008 to 105.5% in 2009. The limited number of insured risks in these two classes cause the risk indicators to vary significantly from year to year.

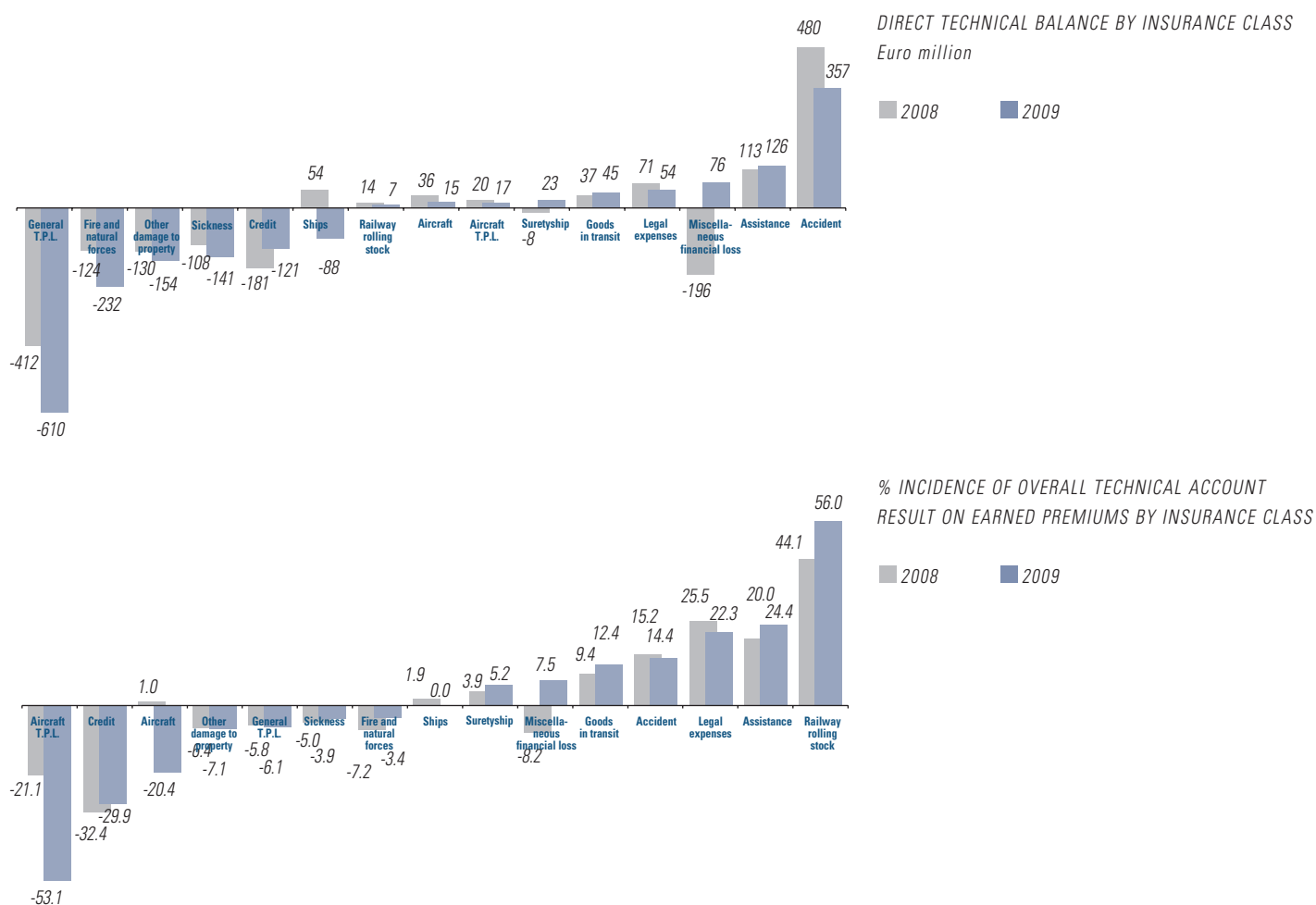
**Operating expenses** were equal to Euro 4,971 million (Euro 5,059 million in 2008) and include administration expenses relating to the technical management of the insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The incidence of these operating expenses on premiums was equal to 30.0%, down from 30.5% in 2008. Notably, the expense ratio of agent commissions decreased from 21.5% in 2008 to 21.0% in 2009, after the increase recorded in 2007 following the introduction of the Bersani decree regarding the provision on multi-mandate agents. The classes showing the highest expense ratio were miscellaneous financial loss (38.0%), credit (36.4%) and legal expenses (36.3%); ratios lower than 20% were observed in ships (18.3%), aircraft (14.1%), aircraft third party liability (13.0%) and railway rolling stock (10.6%).

The **technical balance for direct business** was negative at Euro 627 million (Euro -334 million in 2008). This deterioration was due to the previously mentioned increase in incurred claims cost and to the decrease in written premiums; in particular a positive technical balance, higher than Euro 50 million, was recorded by the following classes: accident (Euro 357 million against Euro 480 million in 2008); assistance (Euro 126 million against Euro 113 million in 2008); miscellaneous financial losses (Euro 76 million against a loss of Euro 196 million in 2008) and legal expenses (Euro 54 million against Euro 71 million in 2008). The largest negative balances were registered for general third party liability (Euro -610 million), fire and natural forces (Euro -232 million), other damage to property (Euro -154 million), sickness (Euro -141 million) and credit (Euro -121 million).

OPERATING EXPENSES BY INSURANCE CLASS  
% INCIDENCE ON PREMIUMS



## Other non-life insurance classes



Considering that **investment income amounted to Euro 1,060 million in 2009** (a sharp increase compared to Euro 403 million reached in 2008), the **direct technical account result** was positive by Euro 433 million (Euro 69 million in 2008).

Taking the reinsurance balance into account, the **overall technical account result** was positive by Euro 36 million (negative by Euro 66 million in 2008), with an incidence on premiums close to 0% (-0.4% in 2008). In particular, ratios higher than 10% were registered for the following branches: goods in transit (12.4%), accident (14.4%), legal expenses (22.3%), assistance (24.4%) and railway rolling stock (56.0%). Negative values were registered for aircraft (-20.4%), credit (-29.9%) and aircraft third party liability (-53.1%).

**Technical reserves** for non-life insurance classes other than motor classes totaled Euro 31,703 million in 2009, a 2% increase when compared to the amount reached in 2008; premium reserves were at Euro 8,563 million while claims reserve were at Euro 23,140 million. The largest portion of reserves are those set aside for general third party liability (Euro 14,432 million for

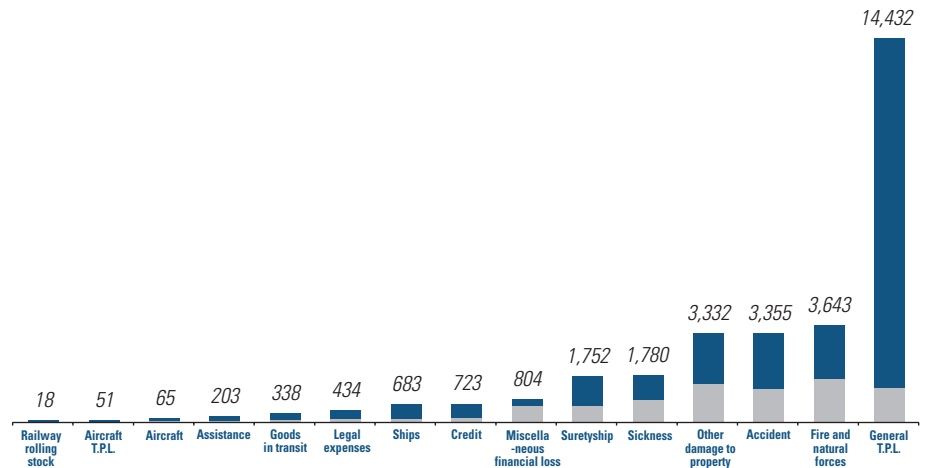


## Other non-life insurance classes

both premium and claims), followed by reserves for fire and natural forces (Euro 3,643 million), accident (Euro 3,355 million) and other damage to property (Euro 3,332 million).

TECHNICAL RESERVES FOR NON-LIFE INSURANCE  
CLASSES OTHER THAN MOTOR INSURANCE - 2009  
Euro million

■ Claims reserves    ■ Premium reserves



### PRIVATE HEALTH INSURANCE COVERAGE OF ITALIAN HOUSEHOLDS IN 2008

The Bank of Italy's Survey on Household Income and Wealth regularly features a section on insurance coverage, and the 2008 survey was no exception. The head of each sample household was asked whether any member of the household had private health insurance (i.e. accident and sickness insurance) and how much the annual premiums cost (Figure 1).

According to the 2008 survey, an estimated 1.2 million households (5.0% of the 24 million households resident in Italy) had at least one accident or sickness policy. The coverage estimate based on the previous survey, conducted in 2006, had been higher: 1.4 million households, or 6.1% of the total.

The drop in the incidence of coverage between 2006 and 2008 was concentrated in the North, where the share of households with at least one member holding a private health policy declined from 9.6% to 6.7%. In the Centre the coverage ratio rose from 6.4% to 6.8% and in the South from 0.6% to 0.9% (Figure 2).



## Other non-life insurance classes

FIGURE 1 - QUESTIONNAIRE: SICKNESS AND ACCIDENT POLICIES

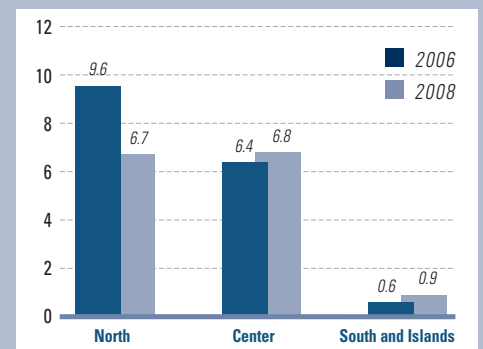
Health (accident and sickness)										
<b>F19.</b> Did you or another member of your household have private health insurance in 2008? <b>ASS4</b>										
– Yes ..... 1										
– No ..... 2 → <b>Quest. F23</b>										
<b>F20.</b> How many health policies did your household have in 2008? [.....] <b>NASS4</b>										
<i>(Interviewer, use one column for each policy)</i>										
	1st Policy		2nd Policy		3rd Policy		4th Policy		5th Policy	
<b>ASS4C11 ... 19 .. ASS4C51 ... 59</b>	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]
<b>F21.</b> Which members of your household did the policy cover in 2008? (Member reference number(s) – Section A – Composition of household)	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]	[...]
<b>ASS4S1 ... 5</b>										
<b>F22.</b> How much did your household pay for this policy in 2008?	€[...]	[...]	€[...]	[...]	€[...]	[...]	€[...]	[...]	€[...]	[...]

Source: Bank of Italy

The decline in health insurance coverage was evenly distributed among households grouped according to the occupational status of the head of household. In absolute terms, the largest reduction (130,000) occurred among employee households, where the incidence of coverage fell from 5.7% to 4.2%. Among the self-employed, who resort more frequently to insurance, the percentage of covered households declined from 13.6% to 12.7%. Lastly, among households whose head was economically inactive (whose number grew by 600,000 in the two years between the surveys), the coverage ratio fell from 3.5% to 2.7% (Figure 3).

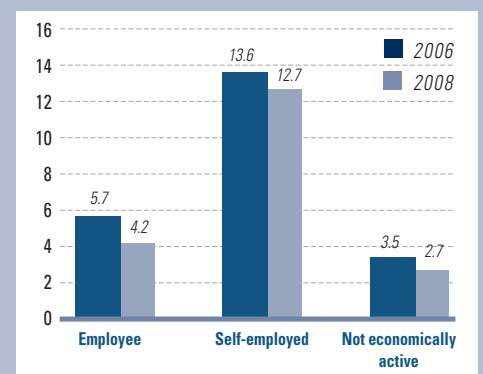
Unsurprisingly, the incidence of health insurance coverage increases with the head of household's income. In 2008 barely 0.6% of households in the first (lowest) income quintile had a health policy, against 15.7% of those in the fifth quintile (Figure 4). The incidence of private health insurance was slightly lower than in 2006 in the second, third and fifth quintiles; it dropped sharply (from 8.6% to 4.4%) in the fourth quintile.

FIGURE 2 - INCIDENCE OF HEALTH POLICIES BY GEOGRAPHICAL AREA, %



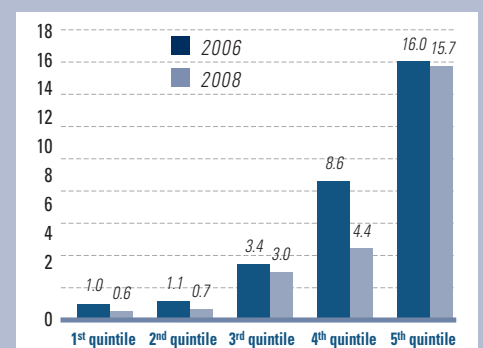
Source: Based on Bank of Italy data

FIGURE 3 - INCIDENCE OF HEALTH POLICIES BY OCCUPATIONAL STATUS OF HEAD OF HOUSEHOLD, %



Source: Based on Bank of Italy data

FIGURE 4 - INCIDENCE OF HEALTH POLICIES BY INCOME OF HEAD OF HOUSEHOLD, %



Source: Based on Bank of Italy data





### SUPPLEMENTARY HEALTH INSURANCE FUNDS

The 2008 Finance Law modified the tax treatment of private health insurance funds supplementing the National Health Service and contract-based, company-level assistance schemes. A Health Ministry decree issued on 31 March 2008 defined the areas of intervention of these funds and a decree issued on 27 October 2009 by the Ministry of Labor, Health and Social Policies – the so-called Registry Decree – governs their implementation.

The aim is to complete the “second pillar” of Italy’s health and social assistance system, given that some 83% of private health and welfare spending in Italy is still borne directly by households, while the role of insurance companies and welfare funds is very limited.

The legislation permits supplementary health insurance funds to intervene in the following areas:

- additional services and treatments not among those that the National Health Service is required to supply to all citizens free of charge or with a co-payment, including unconventional drugs, thermal cures and dentistry;
- patient co-payments for social and health services provided by the National Health Service;
- services provided intramurally by National Health Service personnel on a private professional basis;
- social and health services intended mainly to enable old or permanently disabled people to remain in their own home or in suitable living facilities, and rehabilitation services for the temporarily disabled (for the level of services not guaranteed by the public system).

By contrast, the fields in which entities, funds and mutual-aid societies whose assistance purpose lies outside the field of operations of supplementary health insurance funds and which grant health and social benefits are laid down in their own bylaws and rules.

Regarding tax treatment, Article 10(1)(e-ter) of the Income Tax Code allows deductions of up to Euro 3,615.20 of annual contributions to supplementary health insurance funds. For entities or funds instituted at company level for exclusively welfare and assistance purposes, Article 51(2)(a) of the Code excludes employer or employee contributions from income within the same ceiling of Euro 3,615.20 per year.

Pursuant to the ministerial decree of 31 March 2008, in order to enjoy the tax benefits, funds having exclusively assistance purposes referred to in Article 51(2)(a) of the Income Tax Code must certify that at least 20% of the benefits they provide concern, jointly or separately, dental care and health or welfare-related assistance for persons who are not self-sufficient.



The ministerial decree of 27 October 2009, in instituting the Register of Health Insurance Funds, further specified the criteria for calculating the 20% of resources that must be reserved to the above-mentioned types of services in order for company health funds to continue to qualify for the favorable tax treatment envisaged by Article 51(2)(a) of the Income Tax Code.

In detail, the decree makes the tax benefit subject to the condition that at least 20% of the total resources committed by a company health fund for providing its members with the services and benefits envisaged by the bylaws must go to dental and health or welfare-related assistance for persons who are not self-sufficient.

ANIA has argued that this check must be conducted beforehand, i.e. in relation to the sums "earmarked" for these forms of assistance. By the interpretation that ANIA has always considered consistent with the intent of the drafters of the legislation, insurance premiums paid – and the resources thus committed – should be counted toward the threshold of 20% of resources reserved for the specified services.

An official reply by the Ministry of Health has helped to resolve some interpretative doubts, clarifying that for the funds that entrust management of the health cover to insurance companies, the premium paid to the manager is the sole cost incurred and thus represents the cost of services and benefits provided. Accordingly, for purposes of determining the amount of resources employed and compliance with the 20% threshold, the company must supply the fund with a special declaration to the effect that the premium paid goes to cover the benefits and services specified by the ministerial decree of 27 October 2009.

The decree also clarifies that benefits and services provided at a flat rate to persons whose inability to care for themselves is attested to by a medical certificate will be included in determining compliance with the 20% threshold. Lastly, it lays down that the requirement concerning enumerated services and benefits amounting to at least 20% of total resources must be fulfilled starting from the 2010 operating year, in order to qualify annually for the favorable tax treatment referred to above from 2012 on.

### MEDICAL MALPRACTICE INSURANCE

For some time now there has been talk of a medical practice emergency in Italy, as elsewhere. News reports on presumed malpractice victims appear more and more often, although this must not be read as a sign that a crisis is



## Other non-life insurance classes

overwhelming the Italian healthcare system, which in fact continues to provide treatment and services to millions of patients every year. What is truly in the throes of a crisis is the doctor-patient relationship, owing to the patients' ever-higher expectations and their consequent inclination to blame medical facilities and doctors in the event of adverse outcomes. In addition, the increasing frequency of court cases ending in judgments against physicians who did not order tests has induced doctors to practice "defensive medicine" – prescribing extra tests, treatments and examinations that are not strictly necessary, or perhaps avoiding treatments with high patient risk in favor of others that minimize the uncertainty of outcomes – with added costs for the National Health Service.

A concrete sign of mounting patient distrust is the rising number of malpractice claims filed with insurance companies. Between 1994 and 2008, according to ANIA's annual statistical survey, the number of malpractice claims filed for the two types of policy available (institutional liability for healthcare structures and individual coverage for professionals) more than tripled, from 9,500 to nearly 30,000. In 2008 the number of claims involving individual physicians, which had surged in 2007, fell back to its average level for the five previous years, but those involving institutional liability jumped by a further 10% to almost 18,000 (Table 1).

TABLE 1 - NUMBER OF CLAIMS FILED\*

Year of registration	Institutional liability	% change on previous year	Individual malpractice	% change on previous year	Total medical liability	% change on previous year
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994	6,345		3,222		9,567	
1995	11,411	79.9%	5,892	82.9%	17,303	80.9%
1996	13,028	14.2%	4,028	-31.6%	17,057	-1.4%
1997	18,672	43.3%	4,829	19.9%	23,501	37.8%
1998	21,678	16.1%	6,036	25.0%	27,714	17.9%
1999	23,261	7.3%	9,073	50.3%	32,334	16.7%
2000	23,249	0.0%	10,078	11.1%	33,327	3.1%
2001	21,911	-5.8%	11,238	11.5%	33,149	-0.5%
2002	19,028	-13.2%	11,443	1.8%	30,471	-8.1%
2003	16,566	-12.9%	10,874	-5.0%	27,440	-9.9%
2004	16,356	-1.3%	11,988	10.2%	28,344	3.3%
2005	16,343	-0.1%	12,290	2.5%	28,633	1.0%
2006	16,424	0.5%	11,959	-2.7%	28,383	-0.9%
2007	16,128	-1.8%	13,415	12.2%	29,543	4.1%
2008	17,746	10.0%	11,851	-11.7%	29,597	0.2%

(\* ) ANIA estimate of total number of claims filed based on a sample of insurance companies whose premium income in 2008 accounted for 35% of the entire general third-party liability total



## Other non-life insurance classes

The growth in the number of claims has been accompanied by a lengthening of the time needed to arrive at a full settlement, due to the frequency of litigation and the inevitably long-drawn-out process of reaching a full and final assessment of any biological damage. You have to go back to the claims generations from 1994 to 1996 in order to find at least 95% settled. In other words, about fifteen years must have elapsed from the year in which the claim was registered, i.e. the year the insurer learns of the case. Less than 10% of the claims filed in 2008 were settled, with disbursements totaling 7% of the amount payable (Table 2).

Year of registration	No. of claims settled (%)	No. of claims reserved (%)	Amount of claims settled (%)	Amount of claims reserved (%)
(1)	(2)	(3)	(4)	(5)
1994	95.8%	4.2%	87.3%	12.7%
1995	96.3%	3.7%	89.0%	11.0%
1996	94.9%	5.1%	84.5%	15.5%
1997	93.9%	6.1%	86.3%	13.7%
1998	92.1%	7.9%	82.2%	17.8%
1999	89.0%	11.0%	74.6%	25.4%
2000	85.6%	14.4%	68.9%	31.1%
2001	80.7%	19.3%	61.4%	38.6%
2002	73.4%	26.6%	54.5%	45.5%
2003	66.5%	33.5%	50.7%	49.3%
2004	57.8%	42.2%	39.3%	60.7%
2005	50.1%	49.9%	29.9%	70.1%
2006	37.8%	62.2%	20.3%	79.7%
2007	29.1%	70.9%	18.8%	81.2%
2008	9.8%	90.2%	6.9%	93.1%

TABLE 2  
% OF TOTAL MEDICAL LIABILITY CLAIMS SETTLED  
AT 31/12/2008: NUMBER AND AMOUNT,  
BY YEAR OF REGISTRATION

Insurers often underestimate the cost of claims in the years immediately following the year of filing, because the evaluation of physical impairment is complex and adequate information is commonly not unavailable soon after the occurrence of the event. Consequently, the average cost of claims tends to rise over time (Table 3). For claims registered in 1994, for example, after eight years, in 2002, insurers estimated the average cost at Euro 16,500, but two years later, after ten years, the estimate had doubled to what now appears to be the average cost of claims of that generation (about Euro 30,000). The same pattern can be observed for all the generations of claims, sometimes with an acceleration. For the 2004 generation, for example, the average more than doubled after only four years, from Euro 20,000 in the year of registration to nearly Euro 45,000 in 2008.



## Other non-life insurance classes

TABLE 3  
AVERAGE COST OF MEDICAL LIABILITY CLAIMS  
(Euro)

Year of registration	At 31/12/2002	At 31/12/2004	At 31/12/2005	At 31/12/2006	At 31/12/2007	At 31/12/2008
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994	16,410	30,212	28,898	29,833	28,421	28,904
1995	14,418	21,464	21,406	22,976	22,488	22,687
1996	16,961	23,253	22,000	21,789	21,622	23,819
1997	25,331	31,082	29,594	29,214	28,961	32,948
1998	17,939	24,517	22,474	30,152	29,966	34,271
1999	22,820	28,144	28,556	32,063	32,571	37,281
2000	22,254	32,298	33,887	37,600	37,634	39,968
2001	21,843	31,675	33,152	36,757	35,974	40,042
2002	20,157	33,026	35,298	39,903	38,490	42,732
2003		30,306	34,379	39,475	39,080	44,521
2004		22,706	29,755	36,545	38,349	44,083
2005			26,670	33,174	35,471	42,383
2006				30,659	33,408	41,476
2007					26,670	38,266
2008						29,505

These cost trends, together with the growing number of claims registered each year, have produced extremely negative results for the sector's technical accounts. As with other business segments, for a correct assessment of the performance of medical liability insurance we must also examine the loss ratio (claims in relation to premiums) year by year (Table 4).

TABLE 4  
LOSS RATIO (CLAIMS/PREMIUMS),  
TOTAL MEDICAL LIABILITY SEGMENT

Year of registration	At 31/12/2002	At 31/12/2004	At 31/12/2005	At 31/12/2006	At 31/12/2007	At 31/12/2008
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1994	199%	251%	241%	251%	238%	240%
1995	182%	212%	216%	206%	202%	201%
1996	187%	198%	195%	191%	187%	199%
1997	223%	320%	300%	293%	286%	336%
1998	168%	340%	313%	288%	284%	341%
1999	179%	262%	266%	249%	246%	330%
2000	151%	216%	219%	208%	206%	233%
2001	154%	218%	218%	200%	192%	215%
2002	149%	232%	229%	199%	192%	207%
2003		196%	199%	171%	162%	173%
2004		145%	170%	154%	150%	144%
2005			173%	162%	155%	133%
2006				158%	157%	150%
2007					140%	130%
2008						111%



The “older” generations of claims, those with more than 90% settlement through the end of 2008 (Table 2), show a significant rise in the technical indicator years after registration. Taking the 1998 generation, for example, the loss ratio rose from 168% in the year of registration to 341% at the end of 2008. For the more recent generations, the gap between the first-year loss ratio and the ratio in subsequent years is smaller. Indeed, since 2003 the ratio has tended to decline after a few years, probably reflecting companies’ extremely prudent initial estimates in the absence of sufficient information. However, the timeframe is still insufficient to serve as the basis for a final assessment of profitability in recent years.

The inevitable adjustment of premiums by insurers in order to cope with the particularly negative developments for the years prior to 2000 and their greater selectivity in acquiring new business, with the inception of risk management activities among healthcare structures, have produced an improvement in the technical indicators, especially since 2004. Nevertheless, the sector has yet to reach technical equilibrium, seeing that the loss ratio for the recent generations still exceeds 100%, even without counting the administrative costs that insurance companies must sustain in any event.

The prospects are such that many insurance companies do not consider it advantageous to operate in this sector, so that the supply of insurance products becomes more limited. Furthermore, the companies that do continue to take on institutional malpractice risk protect themselves by offering policies with large deductibles, leaving the insured to bear a part of the risk. This enables them to keep premiums down, since they do not have to indemnify claims whose amount is small but which do specifically entail high operating costs.

Another development seen in the last few years is increasing resort by healthcare units to “self-insurance”, i.e. the creation of a risk provision in their balance sheets. This is possible only if the unit has dedicated risk management structures for malpractice prevention and for out-of-court dispute settlement procedures, which limit compensation amounts and result in speedier payment.



# Human resources and the operational area

## NUMBER OF STAFF

YEAR	ADMIN.	DEALERS	TOTAL
2002	36,987	2,993	39,980
2003	36,429	2,862	39,291
2004	37,275	2,830	40,105
2005	37,016	2,908	39,924
2006	36,665	3,130	39,795
2007	36,567	3,156	39,723
2007 (*)	41,121	5,157	46,278
2008	41,479	5,352	46,831
2009	41,881	5,488	47,369

(\*) For the first time in 2007 the total includes 4,554 employees of other entities controlled by insurance companies and roughly 2,000 additional dealers as a consequence of a large corporate restructuring

## TOTAL STAFF COSTS Euro million

YEAR	ADMIN.	DEALERS	TOTAL
2002	2,119	117	2,236
2003	2,268	115	2,383
2004	2,379	129	2,508
2005	2,457	142	2,599
2006	2,533	154	2,687
2007	2,711	169	2,880
2007 (*)	2,972	277	3,249
2008	3,118	273	3,391
2009	3,142	261	3,403

(\*) For the first time in 2007 total costs relating to staff include 4,554 employees of other entities controlled by insurance companies and roughly 2,000 additional dealers as a consequence of a large corporate restructuring

## ANNUAL CHANGE IN TOTAL STAFF COSTS (%)

YEAR	ADMIN.	DEALERS	TOTAL
2003	7.0	-1.7	6.6
2004	4.9	12.2	5.2
2005	3.3	10.1	3.6
2006	3.1	8.5	3.4
2007	7.0	9.7	7.2
2008	4.9	-1.6	4.3
2009	0.8	-4.2	0.4

## ANNUAL CHANGE IN STAFF COSTS PER EMPLOYEE (%)

YEAR	ADMIN.	DEALERS	TOTAL
2004	4.5	15.3	5.2
2005	2.3	9.3	2.8
2006	4.1	3.0	3.7
2007	7.6	5.5	7.4
2008	4.6	-3.8	3.8
2009	-0.1	-7.2	-0.8

## STAFF AND LABOUR COSTS

At the end of 2009 the Italian insurance industry employed a total of 47,369 people, 1.1% more than the previous year. The estimate for the whole market was made using data of a very representative sample of companies.

Included among the 41,881 administrative employees were 3,721 employees of entities controlled by insurance companies, to whom the national labour contract of the insurance sector applied. Overall, administrative staff increased in 2009 by 402 (+1.0%), despite a mild decline in executives (-1.6%) to a year-end figure of 1,167. The number of dealers was 5,488, 136 more than the previous year (+2.5%).

Male employees in the insurance sector slightly increased (+92, 0.4% more than in 2008), whereas female ones increased by 2.1% (+365). Overall, female employees accounted for 44.9% of the employment of the whole sector; 36.0% of employees of the insurance industry hold a university degree and 54.3% a high school degree. At the end of 2009 total labour costs of the industry amounted to Euro 3,403 million, of which Euro 3,142 million related to administrative staff and Euro 261 million to dealers.

To obtain per capita labour costs, as well as to derive the trends of the employee base, we adopted the semi-sum method. Moreover we had to employ a number of estimation techniques to allow consistent comparisons with data collected before 2007, when around 5,000 employees and approximately 2,000 dealers of entities controlled by insurance companies were included in the count after a major corporate restructuring.

In 2009 labour costs of administrative staff increased by 0.8%, while the cost per worker, equal to Euro 75,400 remained practically the same (-0.1%).

Total labour costs of dealers decreased by 4.2%, while average cost per dealer (equal to Euro 48,200 in 2009) decreased by 7.2% also due to the increase in the number of workers.

Overall, total staff costs remained unvaried (+0.4%), while unit costs decreased by 0.8%.



In life insurance distribution, 2009 was marked not only by the substantial expansion, after three years of decline, of premiums written through bank branches, but also by significant growth in premiums collected by financial advisers. The volume of business done by agents remained basically unchanged, while that through direct sales rose slightly. For non-life business, the main distribution channel still consists of insurance agents, whose business diminished marginally for the second year, as did that accounted for by direct sales (insurance company agencies). An ANIA study based on data from the Italian Association of Insurance and Reinsurance Brokers (AIBA) has shown that insurance company figures underestimate the importance of brokers in the non-life sector.

### LIFE BUSINESS

The sharp upturn in the life insurance market in 2009 essentially involved distribution via bank branches and financial advisers, and to a lesser extent the other channels (Table 1). Premiums written through bank branches increased by 64.3%, bringing this channel's market share to 58.1%, about the same as in 2006 and 2007. This gain had a considerable impact on the five-year annual average change in premiums collected, which turned positive, equal to 4.1%. There was also a boom in premiums written last year through financial advisers (an increase of 143.3%), making this the second-leading distribution channel. In the last five years advisers have recorded average annual growth of 16.1%. Agents, even though their premium volume was about the same as in 2008, suffered a very significant loss of market share in 2009; their share had

TABLE 1 - LIFE INSURANCE BUSINESS BY DISTRIBUTION CHANNEL, 2005-2009

CHANNEL	Gross written premiums (euro million)					Market share (%)					Average (2005-2009)	Yearly change					(% Average annual change (2005-2009))
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009		2005	2006	2007	2008	2009	
Bank branches (*)	44,523	40,957	35,496	28,688	47,124	60.6	59.0	57.8	52.5	58.1	<b>57.6</b>	15.7	-8.0	-13.3	-19.2	64.3	<b>4.1</b>
Financial advisers	5,584	5,907	5,237	5,409	13,162	7.6	8.5	8.5	9.9	16.2	<b>10.1</b>	-10.7	5.8	-11.3	3.3	143.3	<b>16.1</b>
Agents	13,372	13,830	12,969	12,852	12,917	18.2	19.9	21.1	23.6	15.9	<b>19.7</b>	9.8	3.4	-6.2	-0.9	0.5	<b>1.2</b>
Direct sales	9,110	8,086	6,862	6,811	7,094	12.4	11.7	11.2	12.5	8.7	<b>11.3</b>	10.5	-11.2	-15.1	-0.8	4.2	<b>-3.0</b>
Brokers	882	598	875	805	824	1.2	0.9	1.4	1.5	1.0	<b>1.2</b>	85.8	-32.2	46.5	-8.0	2.3	<b>11.7</b>
<b>Total</b>	<b>73,471</b>	<b>69,377</b>	<b>61,439</b>	<b>54,565</b>	<b>81,120</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>12.0</b>	<b>-5.6</b>	<b>-11.4</b>	<b>-11.2</b>	<b>48.7</b>	<b>4.3</b>

(\*) Includes premiums collected by post office branches.





## Insurance distribution

risen from 18.2% in 2005 to 23.6% in 2008, but fell back to 15.9% last year. Direct sales scored a 4.2% expansion of premium volume, reversing the down-trend of the previous three years (contractions of 11.2% in 2006, 15.1% in 2007 and 0.8% in 2008). Brokers, with a tiny market share averaging just over 1% in the past five years, recorded a modest expansion of 2.3% in premiums written in 2009.

The breakdown of life insurance business by type of policy (Tables 2 and 3) shows the strengthening of the banking channel especially in Class I, life insurance products; banks' share gained more than 15 percentage points in the year. The year-on-year change in premium volume rose nearly threefold by comparison with 2008. Financial advisers increased their share in the distribution of Class I products substantially, from 7.5% to 15.4%, as their premium volume quadrupled. Agents' market share, which had been over 30% in 2008, was halved.

In Class III (linked policies), the overall contraction during the year closely paralleled the slowdown in sales through the banking channel (down 60% compared with 2008), whose market share in this class accordingly plunged from 74.8% to 57.7%. This boosted the share of financial advisers (which more than doubled); the latter's actual premium volume also increased, by 4.5%. The market share of agents also rose modestly to 9%.

TABLE 2  
COMPOSITION OF LIFE MARKET  
BY DISTRIBUTION CHANNEL AND CLASS (%)

CLASS	2009					TOTAL
	AGENTS	BROKERS	BANK BRANCHES (*)	FINANCIAL ADVISERS	DIRECT SALES	
I - Life	16.1	1.1	60.7	15.4	6.7	100.0
III - Linked	9.2	0.0	57.7	32.0	1.0	100.0
IV - Healthcare	26.6	66.8	2.6	0.2	3.8	100.0
V - Capitalization	23.6	1.5	35.5	0.5	38.9	100.0
VI - Pension funds	23.2	0.0	28.5	4.4	44.0	100.0
Ind. ret. plans (**)	41.3	1.7	3.9	40.5	12.6	100.0
<b>TOTAL LIFE</b>	<b>15.9</b>	<b>1.0</b>	<b>58.1</b>	<b>16.2</b>	<b>8.7</b>	<b>100.0</b>
CLASS	2008					TOTAL
	AGENTS	BROKERS	BANK BRANCHES (*)	FINANCIAL ADVISERS	DIRECT SALES	
I - Life	32.3	2.2	44.6	7.5	13.4	100.0
III - Linked	7.9	0.0	74.8	16.1	1.3	100.0
IV - Healthcare	32.2	56.0	3.2	0.2	8.5	100.0
V - Capitalization	30.5	3.1	19.3	0.4	46.8	100.0
VI - Pension funds	19.1	0.1	12.8	3.7	64.4	100.0
Ind. ret. plans (**)	38.4	0.1	9.4	43.4	8.7	100.0
<b>TOTAL LIFE</b>	<b>23.6</b>	<b>1.5</b>	<b>52.5</b>	<b>9.9</b>	<b>12.5</b>	<b>100.0</b>

(\*) Includes premiums collected by post office branches

(\*\*) Premiums for individual retirement plans (contracts under Legislative Decree 252/2005, Article 13.1(b), are a subset of those for individual Class I and Class III policies (life insurance and investment funds)



CLASS	AGENTS	BROKERS	BANK BRANCHES (*)	FINANCIAL ADVISERS	DIRECT SALES	TOTAL
I - Life	3.0	5.3	180.0	320.9	3.4	106.0
III - Linked	-38.4	0.8	-59.5	4.5	-58.0	-47.6
IV - Healthcare	-18.3	17.7	-18.0	-6.0	-55.7	-1.2
V - Capitalization	23.1	-19.9	192.5	97.9	31.9	58.9
VI - Pension funds	37.9	-90.5	153.3	32.8	-22.5	13.5
Ind. ret. plans (**)	2.4	1.765.4	-60.5	-10.9	38.0	-4.6
<b>TOTAL LIFE</b>	<b>0.5</b>	<b>2.3</b>	<b>64.3</b>	<b>143.3</b>	<b>4.2</b>	<b>48.7</b>

TABLE 3  
CHANGE IN PREMIUM VOLUME, 2009/2008,  
BY CLASS AND DISTRIBUTION CHANNEL (%)

(\*) Includes premiums collected by post office branches  
(\*\*) Premiums for individual retirement plans (contracts under Legislative Decree 252/2005, Article 13.1(b), are a subset of those for individual Class I and Class III policies (life insurance and investment funds)

For capitalization policies (Class V), the portion accounted for by direct sales fell again, slipping below 40%. Agents' share also diminished, from 30.5% to 23.6%, while the banking channel improved to 35.5%.

Agents became the leading sales channel for individual retirement products, with 41.3% of the market. Both financial advisers and bank branches lost market shares, the former slipping from 43.4% to 40.5% and the latter falling from 9.4% to 3.9%. However, the portion of premiums/contributions paid into pension funds (Class VI) through the banking channel more than doubled in 2009.

### NON-LIFE BUSINESS

Agents have always been the leading channel of premium collection in the non-life insurance sector. In 2009, for the second consecutive year, they recorded a modest contraction in volume of business (down 2.8%), bringing the average annual growth over the past five years to a very slim 0.2% (Table 4).

Brokers retained second place with 8% of the sector's total premiums, and scored a slight expansion of 2.3% for the year. However, brokers' market share is underestimated in that it does not count the substantial volume of premiums (estimated at 19 percentage points) that the brokers collect but present to agents rather than directly to the insurance companies. Taking this into account, the premiums collected through brokers in 2009 would come to **Euro 9.9 billion**, rather than the Euro 2.9 billion registered in the official statistics: **27.1%** instead of 7.9% of the total. Agents' business volume would accordingly be brought down from Euro 30.5 billion to **Euro 23.5 billion** and their market share from 83.0% to **63.9%**.

This estimate of the share of premiums coming through the brokerage channel has been produced by ANIA on the basis of data provided by the insurance brokers' association AIBA and supplementary information supplied by the



# Insurance distribution

TABLE 4 - NON-LIFE INSURANCE BUSINESS BY DISTRIBUTION CHANNEL, 2005-2009

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average (2005-2009)	Yearly change				(% Average annual change)	
	2005	2006	2007	2008	2009 (°)	2005	2006	2007	2008	2009		2005	2006	2007	2008	2009	(2005-2009)
Agents	30,681	31,315	31,751	31,381	30,516	84.5	84.1	84.3	83.8	83.0	<b>84.0</b>	1.5	2.1	1.4	-1.2	-2.8	<b>0.2</b>
Brokers (*)	2,796	2,779	2,771	2,854	2,921	7.7	7.5	7.4	7.6	7.9	<b>7.6</b>	4.5	-0.6	-0.3	3.0	2.3	<b>1.8</b>
Direct sales	2,251	2,438	2,427	2,359	2,187	6.2	6.6	6.4	6.3	6.0	<b>6.3</b>	6.5	8.3	-0.4	-2.8	-7.3	<b>0.7</b>
<i>of which: phone     and Internet</i>	944	994	1,054	1,042	1,081	2.6	2.7	2.8	2.8	2.9	<b>2.8</b>	10.3	5.3	6.1	-1.1	3.7	<b>4.8</b>
Bank branches (**)	545	624	677	804	1,070	1.5	1.7	1.8	2.1	2.9	<b>2.0</b>	51.4	14.5	8.6	18.6	33.2	<b>24.4</b>
Financial advisers	36	28	29	54	51	0.1	0.1	0.1	0.1	0.1	<b>0.1</b>	27.2	-22.4	2.7	86.9	-5.9	<b>12.3</b>
<b>Total</b>	<b>36,309</b>	<b>37,184</b>	<b>37,655</b>	<b>37,451</b>	<b>36,746</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.5</b>	<b>2.4</b>	<b>1.3</b>	<b>-0.5</b>	<b>-1.9</b>	<b>0.7</b>

(°) The data for 2009 include one insurance company that did not present its accounts, because it was subjected to compulsory liquidation

(\*) The share attributed to brokers does not take account of a portion of premium volume (estimated at 19 percentage points in 2009) originated through this channel but presented to agencies and not directly to insurers

(\*\*) Includes premiums collected by post office branches

leading Italian insurance brokers. The AIBA does not have official data on the volume of business done by brokers but estimates it from their payments to the compulsory guarantee fund, augmented by a portion of premiums calculated on the basis of brokerage fees (not subject to compulsory contributions). AIBA's estimate of the premiums channeled through brokers (nearly Euro 20 billion for the entire non-life sector) is much higher than ANIA's estimate, essentially because of different fee-based calculations.

Total direct sales of non-life insurance products declined again in 2009 (by 7.3%), owing to a contraction in the business of insurance company agencies; direct Internet and telephone sales, however, gained 3.7%. Over the past five years, direct sales have shown an average annual increase of 0.7%, this channel's market share holding at over 6%.

Business done through bank branches has been growing progressively (8.6% in 2007, 18.6% in 2008, 33.2% in 2009), and its market share has therefore been rising (3% of total non-life insurance in 2009). Financial advisers continue to have a tiny share (0.1%).

In the motor insurance sector (liability and land vehicles), the leading channel is agents, accounting for about 90% of the entire market. Their volume of premiums decreased by 3.7% in 2009 (Tables 5 and 6). Next behind agents come direct telephone and Internet sales, accounting for 5% of the market; their volume of business gained 0.8% and 6.1% respectively last year. Brokers, with 3.2% of the market, also scored an increase in 2009 (+18%).



## Insurance distribution

2009								
SECTOR	AGENTS	BROKERS (*)	BANK BRANCHES (**)	FINANCIAL ADVISERS/ INV. FIRMS	INSURANCE CO. AGENCIES	OTHER DIRECT SALES		TOTAL
						TELEPHONE	INTERNET	
Motor liability	90.3	2.7	1.3	0.0	0.7	3.0	2.0	100.0
Land vehicle	86.0	5.6	1.5	0.0	2.4	2.6	1.8	100.0
<b>Total motor</b>	<b>89.6</b>	<b>3.2</b>	<b>1.3</b>	<b>0.0</b>	<b>1.0</b>	<b>2.9</b>	<b>2.0</b>	<b>100.0</b>
Accident and sickness	71.8	12.1	6.7	0.8	7.7	0.5	0.4	100.0
Shipping	32.5	60.3	0.1	0.0	7.0	0.0	0.1	100.0
Property	77.3	11.5	6.1	0.1	4.4	0.4	0.3	100.0
Gen. third party liability	84.0	10.9	1.2	0.1	3.8	0.0	0.1	100.0
Credit and suretyship	77.9	15.6	1.8	0.0	4.7	0.0	0.0	100.0
<b>Total non-motor</b>	<b>75.1</b>	<b>13.8</b>	<b>4.9</b>	<b>0.3</b>	<b>5.4</b>	<b>0.3</b>	<b>0.2</b>	<b>100.0</b>
<b>Total non-life</b>	<b>83.0</b>	<b>7.9</b>	<b>2.9</b>	<b>0.1</b>	<b>3.0</b>	<b>1.7</b>	<b>1.2</b>	<b>100.0</b>

2008								
SECTOR	AGENTS	BROKERS (*)	BANK BRANCHES (**)	FINANCIAL ADVISERS/ INV. FIRMS	INSURANCE CO. AGENCIES	OTHER DIRECT SALES		TOTAL
						TELEPHONE	INTERNET	
Motor liability	90.7	2.2	1.2	0.0	1.2	2.9	1.9	100.0
Land vehicle	87.0	4.8	1.5	0.0	2.7	2.3	1.6	100.0
<b>Total motor</b>	<b>90.1</b>	<b>2.6</b>	<b>1.3</b>	<b>0.0</b>	<b>1.4</b>	<b>2.8</b>	<b>1.8</b>	<b>100.0</b>
Accident and sickness	73.7	12.0	4.4	0.8	8.4	0.4	0.3	100.0
Shipping	36.5	56.5	0.0	0.0	6.9	0.0	0.1	100.0
Property	78.0	12.1	4.2	0.1	4.9	0.4	0.3	100.0
Gen. third party liability	83.0	11.4	0.9	0.1	4.6	0.0	0.1	100.0
Credit and suretyship	79.6	13.6	0.6	0.0	6.3	0.0	0.0	100.0
<b>Total non-motor</b>	<b>75.9</b>	<b>13.9</b>	<b>3.2</b>	<b>0.3</b>	<b>6.1</b>	<b>0.3</b>	<b>0.2</b>	<b>100.0</b>
<b>Total non-life</b>	<b>83.8</b>	<b>7.6</b>	<b>2.1</b>	<b>0.1</b>	<b>3.5</b>	<b>1.7</b>	<b>1.1</b>	<b>100.0</b>

TABLE 5  
NON-LIFE INSURANCE MARKET SHARES  
BY SECTOR AND DISTRIBUTION CHANNEL (%)

(\*) The share attributed to brokers does not take account of a portion of premium volume (estimated at 19 percentage points in 2009) originated through this channel but presented to agencies and not directly to insurers  
(\*\*) Includes premiums collected by post office branches

2009/2008								
SECTOR	AGENTS	BROKERS	BANK BRANCHES	FINANCIAL ADVISERS/ INV. FIRMS	INSURANCE CO. AGENCIES	OTHER DIRECT SALES		TOTAL
						TELEPHONE	INTERNET	
Motor liability	-3.8	19.8	-1.0	-70.4	-40.1	-0.4	5.3	-3.4
Land vehicle	-3.3	14.4	-0.6	-97.3	-11.0	9.2	11.5	-2.1
<b>Total motor</b>	<b>-3.7</b>	<b>18.3</b>	<b>-1.0</b>	<b>-79.4</b>	<b>-31.6</b>	<b>0.8</b>	<b>6.1</b>	<b>-3.2</b>
Accident and sickness	-2.2	1.6	53.8	-4.7	-7.5	13.6	11.6	0.3
Shipping	-16.0	0.6	94.8	-100.0	-5.3	9.0	2.4	-5.8
Property	-1.0	-5.4	44.4	5.2	-11.3	13.4	9.8	0.0
Gen. third party liability	1.9	-3.5	43.6	-0.3	-18.3	56.8	9.5	0.7
Credit and suretyship	-6.7	9.6	198.4	-100.0	-29.1	n.a.	n.a.	-4.7
<b>Total non-motor</b>	<b>-1.3</b>	<b>-1.4</b>	<b>49.8</b>	<b>-3.6</b>	<b>-11.3</b>	<b>14.0</b>	<b>10.6</b>	<b>-0.2</b>
<b>Total non-life</b>	<b>-2.8</b>	<b>2.3</b>	<b>33.2</b>	<b>-5.9</b>	<b>-15.9</b>	<b>1.8</b>	<b>6.5</b>	<b>-1.9</b>

TABLE 6  
CHANGE IN NON-LIFE PREMIUM VOLUME, 2009/2008,  
BY SECTOR AND DISTRIBUTION CHANNEL (%)



## Insurance distribution

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Agents and brokers also remained the leading collectors of non-motor, non-life premiums, with respective market shares of 75.1% and 13.8% in 2009, even though their volume of business contracted. Bank branches strengthened their position in the non-motor insurance sector: an overall expansion of premiums of about 50% compared with 2008, and sharp rises of 53.8% in sickness and accident insurance, 44.4% in property insurance, and 198.4% in credit and suretyship.



### THE ITALIAN INSURANCE INDUSTRY IN 2010

The economic recovery forecast for 2010, though expected to be slow and extremely gradual, could have a beneficial impact on the premium income of the non-life sector, where insurance demand slumped in 2008, and even more sharply in 2009, as an indirect consequence of the recession.

In the **non-life sector**, premiums written are expected to show moderate growth. Motor liability insurance, which contracted overall by nearly 8% in the three years 2007-09, will be a factor in the expansion. The adjustments made necessary by the increase in compulsory minimum coverage that took effect in December 2009 and the need to restore the technical accounts to equilibrium suggest that the total volume of premiums will expand by between 3% and 4% for the year. This forecast is consistent with initial motor liability data indicating an increase of 1.5% in the first quarter compared with a year earlier.

By contrast, land-vehicle insurance premiums are forecast to fall by 1.0% in 2010, reflecting the expected drop in sales of new vehicles, which will lower the value of the insured stock. The volume of premiums in the property sector (fire and other property insurance) and from general liability insurance is likely to be about the same as in 2009, while a slight expansion is expected for accident and sickness insurance.

**Total non-life premium income** is consequently forecast to grow to Euro 37.4 billion in 2010, increasing by 2.1%; as a proportion of GDP it will only edge up from 2.41% to 2.44%.

In the **life sector**, premium income is expected to follow the torrid expansion recorded in 2009 (+48.7%) with slower growth this year. In the first five months of 2010 new life business amounted to nearly Euro 32 billion, against Euro 22 billion in the same period a year earlier, but the pace of growth began to ease significantly as early as April. In particular, new business for Class I products expanded by 26% by comparison with the year-earlier period, whereas at the end of March the growth rate for the quarter had stood at 60%. By contrast, premiums written on Class III (linked) policies tripled in the first five months of 2010 compared with the depressed levels recorded in the year-earlier period.

Assuming a decline in volatility on the financial markets in the second half of the year and a moderate increase in savers' appetite for risk, the volume of premiums in the life sector is forecast to increase by 7% for the year. In particular, premiums on traditional Class I policies will contract by about 5% while those on financial insurance products (linked policies) look set to double.



## Forecasts for 2010

The premium income of the life sector is forecast to reach Euro 87 billion in 2010 and to increase from 5.33% to 5.65% of GDP.

Consequently, in 2010 total life and non-life premiums on direct Italian insurance business are forecast to grow by 5.5% to Euro 124 billion and to increase from 7.74% to 8.09% in relation to GDP.

TABLE 1  
INSURANCE PREMIUMS IN ITALY: FORECASTS  
Euro million

CLASS	PREMIUMS 2009	PREMIUMS 2010	% CHANGE 2009-2008 (*)	% CHANGE 2010-2009 (*)
Motor liability	16,963	17,641	-3.7%	4.0%
Land vehicles	3,133	3,101	-2.3%	-1.0%
Accident	3,180	3,219	-0.7%	1.3%
Sickness	2,194	2,238	1.6%	2.0%
Fire and natural forces	2,350	2,362	0.2%	0.5%
General liability	3,338	3,338	0.7%	0.0%
Other property	2,729	2,743	-0.1%	0.5%
Other non-life	2,800	2,807	-2.9%	0.3%
<b>TOTAL NON-LIFE</b>	<b>36,686</b>	<b>37,449</b>	<b>-2.0%</b>	<b>2.1%</b>
<i>As a % of GDP</i>	<i>2.41%</i>	<i>2.44%</i>		
Class I - Life insurance	64,746	61,735	106.0%	-4.7%
Class III - Investment funds	9,732	19,091	-47.6%	96.2%
Other life classes	6,642	5,994	45.1%	-9.8%
<b>TOTAL LIFE</b>	<b>81,120</b>	<b>86,820</b>	<b>48.7%</b>	<b>7.0%</b>
<i>As a % of GDP</i>	<i>5.33%</i>	<i>5.65%</i>		
<b>TOTAL</b>	<b>117,806</b>	<b>124,270</b>	<b>28.1%</b>	<b>5.5%</b>
<i>As a % of GDP</i>	<i>7.74%</i>	<i>8.09%</i>		

Source: ANIA estimates  
(\*) 2009 data are provisional outturns;  
those for 2010 are estimated







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The data published cover all insurance companies registered in Italy, branch offices of foreign companies registered in extra-EU countries and branch offices of foreign companies that write reinsurance business only.

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2009/2010 figures are provisional

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