ANIA
Associazione Nazionale
fra le Imprese Assicuratrici

ITALIAN INSURANCE IN 2011 2012

SUMMARY

SUMMARY

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THE RESULTS FOR THE YEAR

Total premium income diminished by 11.9% in 2011…

Italian insurance companies' total direct and indirect premium income from domestic and foreign business, gross of cessions and retrocessions, contracted by 11.9% in 2011 after growing by 8.4% in 2010.

…with the decline concentrated in the life sector (down by 18%), while non-life insurance premiums rose by 2.5%

All of the decline came from the life sector, where premiums fell by 18% as a result of the fall in households' disposable income and the rise in interest rates on government securities. Non-life insurance premiums grew by 2.5% (2.4% in 2010).

In non-life business, the overall technical result was virtually nil

The overall technical result of the non-life sector amounted to Euro 103 million (0.3% of premiums); in 2010 it had been negative by Euro 375 million.

In the life sector, an increase in surrenders…

In life insurance business, the fall in premiums was accompanied by an 11% increase in the cost of claims, due in part to a 30% rise in the amount of surrenders.

…was a major factor keeping net premium income close to zero…

Overall net premium income, defined as the difference between premiums and the amounts paid for claims plus the change in the amounts reserved, was practically nil, whereas in both 2009 and 2010 it had been positive by about Euro 23 billion.

…and the technical reserves remained unchanged

The technical reserves increased by 0.4% to Euro 428 billion, compared with growth of 8.5% in 2010.

The negative technical result of the life sector as a whole was due mainly to accounting losses on government securities…

The life sector again showed a negative overall technical result (Euro -3.4 billion, compared with Euro -0.3 billion in 2010). This was chiefly the consequence of accounting losses booked on financial investments, particularly government securities.

…which had a direct impact on the accounts of Classes I and V

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

The technical result of the traditional insurance classes was negative, that of linked-policies just barely positive

This explains why the technical results of Classes I and V were strongly negative (by Euro 3.2 billion and Euro 0.5 billion million respectively), while that of Class III was positive (by Euro 0.2 billion)

The Report presents detailed information on the current value of insurance companies' investments

The Report offers detailed information on the current value of investments for non-life policies and life policies other than linked policies. At the end of April 2012 the balance between unrealized capital gains and losses was negative by some Euro 4.4 billion. In particular, the balance for the non-life sector was positive by Euro 2.3 billion, that for the life sector negative by Euro 6.7 billion. The overall negative balance was determined by the performance of government securities,

on which there were net unrealized capital losses amounting to Euro 6.9 billion in the life sector alone.

Overall, the Italian insurance industry booked an after-tax loss of Euro 3.7 billion, compared with one of Euro 700 million in 2010. The total return on equity was -7.2% (-1.4% in 2010).

Overall, the Italian insurance industry made a net loss of Euro 3.7 billion, with ROE of -7.2%…

At the end of 2011 Italian insurance companies had a solvency margin of Euro 45 billion, against a capital requirement of Euro 22.1 billion. According to ISVAP data, for calculating the available solvency margin the companies used Euro 3.6 billion deriving from the anti-crisis measures, the bulk of it in the life sector (Euro 3.2 billion). In particular, the margin held for life policies amounted to Euro 26.8 billion, or 1.75 times the legal minimum of Euro 15.3 billion (1.54 times net of the effects of the anti-crisis measures), compared with a multiple of 1.87 at the end of 2010. For non-life insurance the margin held came to Euro 18.3 billion, or 2.69 times the required minimum of Euro 6.8 billion, compared with 2.88 times a year earlier.

…the solvency margin still remains ample, about double the required minimum

The Report presents international comparisons:

The Report presents the customary annual update (to 2010) on the tax rates applied to insurance premiums in the countries of the European Union. The indirect taxation of insurance premiums has not changed in Italy, and this year remains among the highest in Europe. With fiscal federalism, the taxation of motor liability insurance premiums has increased considerably. Up to the end of April 2012 only 20 Italian provinces had not decided any rise in tax rates. Receipts from the tax totaled Euro 2.3 billion in 2011, up 17.5% from 2010, according to the Bank of Italy.

…of the level of taxation of premiums, higher in Italy than in the rest of Europe and pushed up further as a result of fiscal federalism…

The Report offers a comparison of the economic results of insurance companies in the main countries (Italy, France, Germany, the United Kingdom and the United States) for the period 2005-10, based on the profit-and-loss account data in Bureau van Dijk's ISIS database.

…on the economic results of the insurance industry in the main countries…

For listed companies only, insurers' return on equity in Italy and the other main European countries can be compared, bearing in mind that this exercise uses consolidated financial statement data, i.e. inclusive of the business of foreign subsidiaries, drawn up according to IAS rules. Based on these data, listed Italian insurance companies' median ROE was 3.0% (4.9% in 2010), lower than in the other countries. In the United Kingdom, listed insurance companies' ROE fell from 14.2% to 7.4%, in Germany from 12.3% to 8.8%, in France from 11.8 to 9.9%.

…and on listed insurance companies' ROE

FORECASTS FOR 2012

Given the negative outlook for Italian GDP growth and the prospect of continuing financial market uncertainty engendered by sovereign debt fears in the euro area, it is estimated that total premium income will contract in 2012 for the second year running. As in 2011, the decline will be concentrated in the life insurance sector, where premiums had risen sharply in 2009 and 2010 thanks to sales of Class I products with guaranteed returns.

EXECUTIVE SUMMARY

Total insurance premium income is projected at Euro 106.6 billion in 2012…

Total premium income for direct Italian insurance business is forecast at Euro 106.6 billion this year, down 3.3% from 2011, cutting its ratio to GDP from 6.98% to 6.74%.

…with premiums in the non-life sector holding at the previous year's level…

In the **non-life sector**, premium income is forecast to remain broadly unchanged in 2012. The overall stability reflects modest growth of 1% in motor and maritime liability insurance premiums and a marginal contraction of 0.9% in the other non-life classes owing to the poor state of the economy. The sharpest decline (4.0%) is expected in land-vehicle insurance premiums, mainly because of steeply falling new car sales (the forecast is for a drop of 18% this year on the heels of the 11% decrease recorded in 2011). No significant change is expected for property (fire and other), accident and sickness and general liability insurance.

Total non-life premium income for 2012 is estimated at Euro 36.4 billion. The ratio of premiums to GDP is forecast to hold steady at 2.3%.

…while life insurance premiums could contract by around 5%…

In the **life sector**, after the 18% fall experienced in 2011, premium income is expected to decline by a further 5%, owing both to Italian households' limited saving capacity and to heightened competition from banks, which are inclined to market their own funding products in order to strengthen their liquidity buffers.

…in detail, premium income is forecast at Euro 53 billion for Class I products…

In the first five months of the year new life business amounted to Euro 21.7 billion, compared with Euro 26.0 billion in the same period of 2011. The contraction was concentrated in Class I products, with premiums down by over 20% compared with the year-earlier period; however, the twelve-month rate of contraction eased steadily during these months (38% in February, 30% in March, 25% in April). Premiums on products marketed through banks were down 23% in January-May. Assuming short-term interest rates (proxied by three-month Treasury bills) hold at their end-May level of 1% and financial market strains are not aggravated, the rate of contraction in premium income can be expected to abate still further to a decline of 6.5% for the year as a whole, with premiums declining from Euro 56.7 billion to Euro 53 billion.

…and Euro 12.7 billion for Class III policies…

New business for Class III (linked) policies, by contrast, increased by 9% in the first five months compared with the year-earlier period. Assuming no significant shocks to the equity markets, premiums from these financial insurance products can be expected to increase by 2.0% with respect to 2011 to a total of Euro 12.7 billion.

…to total nearly Euro 70 billion in the life sector

Total life sector premium income is forecast to come to about Euro 70 billion, its ratio to GDP declining from 4.67% to 4.44%.

LIFE INSURANCE – DIRECT ITALIAN BUSINESS

In 2011 Italian households' real disposable income fell further…

Italian households' real disposable income contracted by 0.6% last year after declining by 0.5% in 2010, owing to the acceleration in consumer price inflation to an annual average of 2.8% (1.5% in 2010).

…and their propensity to save diminished

Households' final consumption outpaced disposable income, determining a further reduction of 0.9 percentage points in the household saving rate, the eighth consecutive yearly decline since 2004. Gross of debt amortizations and net of changes in pension fund reserves, the flow of saving fell to 8.8% of gross disposable income, the lowest figure since 1990.

The flow of financial investment continued to shrink…

In 2011 the net flow of financial investment by Italian households (including non-profit institutions) amounted to nearly Euro 41 billion, down by more than one-third from the previous year's figure of Euro 62 billion. However, the decline in the flow of investment in financial assets was offset by an equally steep fall in new borrowing (from Euro 39 billion to Euro 21 billion), largely ascribable to financial institutions' tightening of the conditions on medium- and long-term loans.

…and financial saving declined somewhat

Financial saving, defined as the difference between the flows of financial assets and liabilities, diminished slightly, declining from Euro 23 billion to Euro 20 billion (1.3% of nominal GDP).

Households invested in government securities and bank instruments…

Last year saw another inversion in the trend of households' investment preferences. The net flow toward fixed-income assets issued by domestic issuers, especially public institutions, turned positive. The largest net inflow went to securities issued by general government entities (Euro 61 billion, against a net outflow of Euro 18 billion in 2010). Bank instruments attracted a net inflow of Euro 6.5 billion, against a net outflow of Euro 24 billion in 2010. The net inflow into postal instruments (including instruments issued by Cassa Depositi e Prestiti) shrank to Euro 4 billion from Euro 12 billion. The inflow of net investment in shares and other equity was just one-fifth of the previous year's amount (Euro 11 billion, against Euro 53 billion).

…and made net disposals of investment fund units. Net investment inflows to life insurance policies were practically nil

The flow of resources to new investments was stoked in part by further outflows from investment funds (Euro 23 billion, against Euro 2 billion in 2010) and from other external assets (Euro 14 billion against Euro 1 billion in 2010), and also by outflows from corporate bonds (Euro 17 billion, compared with an inflow of Euro 5 billion in 2010). Lastly, in 2011 Italian households significantly reduced their net acquisitions of assets in the form of life insurance policies, with net inflows falling from Euro 24 billion in 2010 to practically nil.

The stock of financial assets showed a small decline from a year earlier, with a slightly larger portion invested in government securities

At the end of 2011 the stock of financial assets held by Italian households amounted to Euro 3,554 billion, down by Euro 90 billion or 2.5% from a year earlier; the decline was due to the depreciation of assets. As to the composition of the aggregate portfolio, the portion invested in government securities increased by 1.3 percentage points while that invested in shares and other equity declined by 2.9 points. All the other components recorded changes of less than one percentage point; these included a slight increase (0.3 points) in the portion invested in life insurance reserves.

EXECUTIVE SUMMARY

Households' net wealth amounted to nearly 8 times disposable income in 2011

According to Bank of Italy calculations based on ISTAT data, households' net wealth was equal to slightly under 8 times disposable income in 2011, compared with a multiple of 8.3 in 2010. With investment in real assets broadly stable, the decline in Italian households' saving was reflected in a significant reduction in net financial wealth, which was equal to 2.38 times disposable income on 31 December 2011 (2.56 times at the end of 2010).

Life insurance premium income contracted by 18%…

Life insurance premium income totaled almost Euro 74 billion, down 18% from 2010, reflecting developments in both the traditional and the linked segment. The contraction was a direct consequence of the acute turbulence in the financial markets, especially in the second half of the year, and the persistently negative state of the economy. Still, the volume of business of the total life sector in 2011 was some 20% above the average for the three years 2006-08.

…and the decline concerned both traditional and linked products…

Premiums from Class I policies fell by 16.4% to Euro 56.7 billion, those from Class V policies by about 40% to Euro 3.1 billion. Premium income in the linked segment declined from Euro 15.4 billion to Euro 12.5 billion, with declines for both unit- and index-linked policies.

…the cost of claims grew by 11%, owing above all to the increase in surrenders…

The cost of claims, defined as the amounts paid and the change in the amounts reserved against claims net of recoveries, came to Euro 74 billion, growing by about 11% partly as a result of the increase of 27% in the amount of surrenders compared with the previous year.

…net premium income was slightly negative…

Owing to the rise in the cost of claims, net premium income was slightly negative (Euro -104 million); in both 2009 and 2010 it had been positive by over Euro 23 billion.

…and the overall technical result was negative

The technical reserves stood at Euro 413 billion at the end of the year, with an increase of 0.5% (compared with 8.5% in 2010).

Operating expenses fell sharply (-11.7%), but their ratio to premiums rose from 4.8% to 5.1%. The result on investments fell further, to just above Euro 3 billion (Euro 12.6 billion in 2010 and Euro 24.0 billion in 2009), helping to make the overall technical account result negative by Euro 3.4 billion (Euro -314 million in 2010). Consequently, the ratio of the overall loss to premiums went from -0.3% in 2010 to -4.6% and its ratio to the technical reserves from -0.08% to -0.85%).

The Report contains information on:
…the average yield of life insurance policies' segregated portfolios of assets…

The Report estimates the yield of life policies' segregated asset portfolios at 3.85% in 2011 (3.90% in 2010).

…and enrolments in supplementary pension plans

COVIP data on enrolments in supplementary pension plans as of 31 December 2011 confirm the slow pace of growth registered in previous years. In 2011 the number of participants increased by less than 300,000 (5.0%) to reach a total of over 5.5 million, corresponding to 24.1% of the 23 million persons in employment or self-employment.

NON-LIFE INSURANCE – DIRECT ITALIAN BUSINESS

Non-life premium income rose by 2.6%…

Direct Italian non-life premium income came to Euro 36.4 billion in 2011, up 2.6% from the previous year. Growth was led by the 4.1% gain in motor insurance (motor liability and land-vehicle policies), which accounts for 57% of the non-life total. Non-life policies' share of total premium income expanded from 28.3% to 33.0% as a result of the sharp decline registered in the life sector. Non-life premiums were equal to 2.33% of GDP (2.29% in 2010).

…and the combined ratio improved. Although investment income was down, the overall technical result was slightly positive

With the expense ratio holding stable, the decline in the loss ratio caused the combined ratio for the year to improve from 100.2% in 2010 to 97.9%. Although profits from investment fell by nearly half compared with 2010 and the contribution of reinsurance was negative, the overall technical result was slightly positive (Euro 67 million).

The Report also contains:
…an examination of medical malpractice insurance…

The Report offers a study of liability insurance for healthcare organizations and malpractice insurance for individual physicians. In 2010 the number of claims dipped by 1% after jumping by 15% in 2009. Over a longer time horizon, the phenomenon shows no sign of abating. Over ten years (2000-2010), total premiums in the medical insurance sector recorded average annual growth of 7.8% (6.2% for healthcare institutions and 10.5% for individual practitioners).

…an analysis of credit insurance…

Credit insurance premium income totaled Euro 447 million, up 12.8% from Euro 396 billion in 2010. Fully 83% of the credit insurance premium income booked in 2011 came from policies for so-called domestic receivables, i.e. claims arising between firms in Italy, 9% from "other guarantees" (export receivables, instalment sales, mortgage loans and supported loans backed by collateral, leasing claims), and 8% from policies linked to "loans backed by a pledge of one-fifth of salary".

…and surety insurance…

Surety insurance premium income totaled Euro 527 million in 2011, up by 1.4% from just under Euro 520 million in 2010. The Report describes the trends in policies for the different types of risk covered.

…statistics on the performance of accident insurance…

The Report presents statistics on the technical performance of accident insurance business, broken down by type of guarantee: death, permanent disability, temporary disability and reimbursement of medical expenses.

…and sections on the prevalence of health and other non-life policies, the legal and insurance issues raised by the Costa Concordia disaster, and the performance of Cat bonds

Other sections describe developments in Italian households' resort to sickness and accident insurance and other non-life policies (other than motor), as found by the Bank of Italy's 2010 Survey of Household Income and Wealth; legal and insurance issues raised by the wreck of the Concordia Costa; contractual and insurance issues relating to pleasure craft; the reform of the regulated professions; the impact of the floods that hit Genoa and the Cinque Terre area in 2011; and developments in the market for Cat bonds and reinsurance treaties in 2011.

MOTOR LIABILITY INSURANCE

Motor liability premiums rose by 5.2%…

Total premium income on motor liability policies came to Euro 17.8 billion in 2011, up 5.2% (4.4% in 2010). The increase stemmed from tariff revisions to compensate for the strongly negative variation in the technical account of the previous three years.

…while the number of insured vehicles dipped by 0.5%…

According to a survey conducted by ANIA using a methodology consistent with ISVAP's requirements for insurers, there were 41.3 million insured motor vehicles in Italy in 2011, down slightly (0.5%) from 2010.

…the average premium increased by 5.8%

As a result, after falling by a cumulative 11.8% between 2005 and 2009 and then increasing by 4.7% in 2010, the average price of motor liability insurance rose by a further 5.8% in 2011. The average cost of coverage in 2011 was thus about the same as in 2006.

A decline in the number accidents drove the claims rate sharply down…

The total number of accidents giving rise to damage compensation was 2.7 million in 2011, down 12.3% from 2010. Claims frequency – the number of claims over the number of vehicles exposed (the average number insured during the year) – came to 6.49%, significantly lower than in 2010. Counting claims from accidents incurred but not reported (IBNR), claims frequency fell from 8.12% to 7.16%.

…but the benefit was severely reduced by the rising average cost of claims…

The cost of claims during the year was Euro 13.4 billion, down 3.1%. Given the decline in the number of claims (including IBNR), the average claims cost rose 10.5% to Euro 4,549, compared with Euro 4,117 in 2010. Net of IBNR, contributions to the road accident victims fund and other, residual items, the average claims cost was Euro 4,337 in 2011 (Euro 4,057 in 2010).

…the total claims cost rose by 2%, owing in part to insufficient reserves against claims from previous years…

The total cost of claims, which includes not only current-generation claims but also the possible insufficiency of reserves against previous years' claims, was Euro 14.8 billion, about 2% more than in 2010. The rise reflected the insufficiency, for the third straight year, of the reserve for prior-year claims, a gap of Euro 1.3 billion, twice as much as in 2010.

…the loss ratio improved…

The rise in claims costs was more than offset by the rise in premium income, so the loss ratio improved by 2.6 percentage points, from 87.1% to 84.5%.

…and the expense ratio also declined slightly…

Operating expenses came to Euro 3.2 billion (Euro 3.1 billion in 2010). This item comprises administrative expenses for technical management and the costs of acquiring contracts, collecting premiums and organizing the distribution network. Its ratio to premium income was 18.2% last year, down from 18.4%, essentially owing to a reduction in the costs of contract acquisition, whose ratio to premiums fell from 3.5% to 3.3%. The cost of fundraising and that of ordinary administration held broadly unchanged as a percentage of premium income.

…but the technical account result remained negative as investment earnings fell by half

The technical balance on direct business was negative by Euro 730 million (it had been negative by Euro 1,221 million in 2010). Since investment income was Euro 272 million (less than half as much as in 2010), the overall technical account result was negative by Euro 458 million (Euro -725 million in 2010). Owing to the negative balance on reinsurance business the overall technical account result was negative by Euro 476 million (Euro -744 million in 2010). The ratio to total premium income earned thus improved from -4.5% to -2.7%.

The Report also contains sections on:
…the prevalence and cost of personal injury indemnities in proportion to total claims…

The Report has a special section showing that the cost of personal injury claims, at about Euro 8.9 billion in 2011, accounts for over two thirds of the total cost of motor liability indemnities; Euro 3.4 billion went for permanent disabilities of between 1% and 9% and the remaining Euro 5.5 billion for more severe injury. Italy has a very high percentage of accidents involving personal injury claims (22.7%, compared with a European average of 10%); in some parts of the country the figure is over 40%.

…a European comparison of the main technical indicators…

The Report presents the results of a study showing that Italy continues to combine one of the highest average claim costs in Europe with an equally high claims frequency. The end result is that Italy has the highest "pure premium" – cost of compensation paid by insurers – in Europe.

…an assessment of the direct indemnity system five years since its introduction…

Another special section draws a balance on the application of the rules for direct indemnity, after five years. Speed of settlement of motor liability claims has increased progressively, so that the proportion of claims settled in the same year they were lodged was 71.3% in 2011, up from 65.2% in 2006.

…an account of the method of calculating the fixed compensation amounts for 2012…

Again for 2012 the Report details the way in which the amounts insurers pay to one another in compensation for claims settled via direct indemnity were calculated. In the geographical areas with a coefficient of 1, the amount for accidents involving motorcycles and motor scooters was set at Euro 3,800, that for other vehicles at Euro 1,900.

…the regulatory changes introduced by the "liberalizations" decree…

There is an extensive discussion of the regulatory changes involving motor liability insurance, insurance intermediation, and consumer protection introduced by the "liberalizations" decree, converted with substantial amendments into Law 27 of 24 March 2012. Articles 29 to 34-ter on motor liability insurance contain rules to combat insurance fraud, the exaggeration of very mild personal injuries, and failure to take out compulsory insurance, rules to facilitate and encourage price comparison between companies, and two questionably worded provisions on policy pricing.

…the raising of the compulsory minimum cover as of June 2012…

Starting on 12 June 2012, the compulsory minimum cover provided by motor vehicle liability policies – for each accident, and regardless of the number of victims – may not be less than Euro 5 million for personal injury and Euro 1 million for property damage. All policies providing for less cover are deemed to be automatically adjusted upward to those levels.

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…the Regional Administrative Tribunal decision on fines for insurers that fail to communicate accident data to the claims database…

In February 2012 the Regional Administrative Tribunal found in favor of the insurance companies' appeal against the criteria applied by ISVAP for levying and quantifying fines for failure to communicate data to the claims database (Sentence 1596, 16 February 2012).

…the geographical distribution of motor liability insurance agents

There is a special chapter on:

This year's Report describes ANIA's second annual sample survey on the geographical distribution of insurance agents for motor vehicle and boat liability insurance.

The Report contains a chapter recounting the initiatives of the ANIA Foundation for Road Safety and the ANIA-Consumers Forum.

…the initiatives of ANIA's Foundation for Road Safety…

A section assesses how successful Italy was in attaining the European Commission's objective of cutting traffic deaths by half between 2000 and 2010. A box sets out methodological clarifications on the characteristics of the different sets of statistics on number of accidents, deaths and injuries collected by Istat, the Highway Policy and ANIA.

Two sections describe the Foundation's inquiries into the degree of Italian motorists' compliance with the rules of the road and their behavior using two-wheeled vehicles (including bicycles).

…and the ANIA-Consumers Forum

The ANIA-Consumers Forum dealt with a number of issues in the course of the year. One study, conducted together with Censis, inquires into questions of welfare for three types of person who seem to be worst off in terms of social protection: young people not in education, training or employment, non-self-sufficient old people (whose impact on society will be increasing in the future) and immigrants, a vital and growing part of many social milieus.

Together with the Ministry of Education, Universities and Research, the Bank of Italy and a variety of other public and private institutions, the ANIA-Consumers Forum shares in the funding of the Survey on Health, Ageing and Retirement in Europe, designed for interdisciplinary study of ageing.

The Forum drafted a paper entitled "Motor liability insurance: Proposals to contain costs and prices" that was presented publicly in June 2011. One of the proposals set out was greater recourse to out-of-court procedures as alternative mechanisms for resolving disputes between insurers and customers.

THE REGULATORY FRAMEWORK

The Report discusses:

…the EU Commission's white paper on pensions…

In the white paper on pensions, presented on 16 February 2012, the European Commission pledges among other things to draft a revision of Directive 2003/41/EC on company and occupational pension funds, in order to adapt and update controls on solvency requirements and produce a proposal for a directive on pension portability, laying down minimum rules for vesting and safeguarding

supplementary pension entitlements, thus fostering cross-border mobility of workers.

…its proposals for revision of the measures concerning the markets in financial instruments…

In the context of reform to make the financial system more secure, transparent and responsible in response to the financial crisis, on 20 October 2011 the Commission presented its proposal for revision of the directive on the market in financial instruments.

…its activity during the year…

On 29 November 2011 the Commission released proposals for a directive and for a regulation on alternative dispute resolution to foster easier access to such mechanisms and thus increase resort to them.

On 25 January 2012 the Commission proposed comprehensive reform of the 1995 rules on personal data protection, designed to strengthen privacy and put an end to the fragmentation now afflicting privacy rules in the 27 member states.

On 19 January 2011 the Commission released its "Omnibus II" proposal for a directive integrating the legislative framework governing financial supervision in Europe.

On 15 November, in view of developments in the debt crisis within the euro area, the Commission presented proposals for a regulation and a directive on credit rating agencies, integrating the EU legislation already adopted between 2009 and 2011.

After a communication in 2009 and a public consultation in 2010, the Commission is now about to issue a proposal for a regulation to enhance transparency and comparability of packaged retail investment products.

…the implications of the US government's anti-evasion measure for the insurance industry…

The Report discusses the implications for the insurance industry of the 2009 measure taken by the US government in the framework of the Foreign Account Tax Compliance Act.

…some proposals for a fiscal directive…

There is an account of some proposals for a directive on tax matters (VAT on financial services, the taxation of savings, a common company tax base and the taxation of financial transactions). Two sections are given over to the International Accounting Standards Board projects on "Insurance Contracts" and "Financial Instruments: Recognition and Measurement".

…the reiteration of the anti-crisis measures regarding solvency margins…

The *Gazzetta Ufficiale* of 27 February 2012 published the law converting the Omnibus Decree, which reiterated, with some amendments, the anti-crisis measures for the sterilization of unrealized capital losses for purposes of individual and adjusted solvency ratios.

…and the valuation of securities…

On 27 September 2011 ISVAP issued measure 2934, implementing the decree of the Minister for the Economy and Finance dated 27 July 2011 for the reiteration of the anti-crisis measures relating to the valuation of securities.

EXECUTIVE SUMMARY

…ISVAP Regulation 39 on executive remuneration…

On 9 June 2011 ISVAP issued Regulation 39 on the remuneration of managers in insurance companies. The aim is to make executive pay consistent with the standards emerging internationally in response to the financial crisis.

…the main changes to the self-regulatory code for listed companies…

The Report describes the main changes introduced by the new version of the self-regulatory code for listed companies, the fruit of the work of the Committee for Corporate Governance created by ABI, ANIA, Assonime, Assogestione, Borsa Italiana and Confindustria.

…the regulation on requirements of experience, integrity and independence for corporate officers…

A new regulation, which went into effect on 24 January 2012, implements Articles 76 and 77 of the Private Insurance Code, laying down the requirements of experience, integrity and independence of corporate officers and of integrity for shareholders of insurance companies.

…Article 5 of Decree Law 1/2012 on administrative protection against vexatious clauses…

Article 5 of Decree Law 1, 24 January 2012, converted with amendments into Law 27 of 24 March 2012, adds Article 37-bis to the Consumer Code (Legislative Decree 206/2005); this provides a new administrative protection against vexatious clauses in contracts between professionals and consumers.

…the EU Court of Justice decision on differentiation of premiums according to gender…

Following the decision of the EU Court of Justice of 1 March 2011 declaring the differentiation of premiums and coverage based on the sex of the insured party to be invalid starting 21 December 2012, the European Commission published its guidelines to assist both consumers and insurance companies

…the reform of the taxation of financial income…

Decree Law 138 of 13 August 2011 significantly reforms the taxation of financial incomes starting in 2012. One of the main provisions is the establishment of a single tax rate of 20% for all financial incomes. However, the 12.5% rate is maintained for income from certain instruments.

In implementation of Legislative Decree 231/2007, Article 7.2, ISVAP, in agreement with the Bank of Italy and Consob, issued Regulation 41 of 15 May 2012 on anti-money-laundering organization, procedures and internal controls.

…and ANIA's guidelines on mediation

Following the entry into force of Legislative Decree 28/2010 on mediation for alternative dispute resolution and of ministerial implementing decree 180/2010, ANIA formed a working group to study the matter and devise useful operational solutions for the market. The group drafted a set of guidelines defining the mediation procedures in detail.

THE ITALIAN INSURANCE MARKET: KEY FIGURES 2011

1

During 2011 the number of companies operating in Italy decreased, due to mergers and acquisitions. Foreign branches with registered offices in Italy increased.

Number of companies in EU (15) countries

Data as at 31 December

	2006	2007	2008	2009	2010
Austria	72	71	71	72	127
Belgium	161	156	151	148	145
Denmark	201	202	202	159	184
Finland	66	63	63	63	63
France	477	464	461	452	441
Germany	613	609	607	604	604
Greece	90	86	85	82	82
Ireland	229	233	236	227	227
Italy	246	243	247	241	242
Luxembourg	95	94	96	97	97
Netherlands	360	345	329	287	268
Portugal	76	83	85	87	82
United Kingdom	1,050	1,017	972	934	1,314
Spain	354	357	296	294	292
Sweden	392	392	381	381	386
Total	**4,482**	**4,415**	**4,282**	**4,128**	**4,554**

Source: Insurance Europe

Premiums per company in EU (15) countries

Euro million

	2006	2007	2008	2009	2010
Austria	217	224	228	228	132
Belgium	183	200	194	192	203
Denmark	93	97	102	128	114
Finland	226	239	251	257	296
France	413	422	397	442	468
Germany	264	268	271	284	296
Greece	49	58	60	66	64
Ireland	71	78	57	55	56
Italy	433	408	373	489	520
Luxembourg	12	13	20	19	21
Netherlands	204	217	239	271	291
Portugal	173	166	180	167	199
United Kingdom	280	360	254	218	157
Spain	149	152	200	208	196
Sweden	59	63	66	62	73
Total	**228**	**249**	**226**	**235**	**220**

Source: Insurance Europe

OPERATING INSURANCE COMPANIES

As at 31 December 2011, 239 insurance companies were operating in Italy (242 at 31 December 2010), of which 142 were insurance companies with registered offices in Italy (151 at 31 December 2010) and 97 were branch offices of foreign insurance companies (91 at 31 December 2010), mainly from European Union member States (95). During the last two years there have been cases of companies operating in Italy that decided to modify their presence on the territory operating as branch offices of European companies and not as Italian and non-EU companies; this explains the increase of foreign companies with registered offices in the EU and the decrease of Italian companies and branch offices of non-EU companies.

Moreover, as at 31 December 2011, 977 insurance companies with registered offices in the EU (or in other States belonging to the EEA) were operating in freedom of services. 75 insurance companies write only life insurance business (of which 18 are foreign branch offices) and 132 companies write only non-life business (of which 59 are foreign branch offices); 24 companies (of which 10 are foreign branch offices) write both life and non-life business, accounting for 40% of the total premium collection in terms of market share; 8 companies write only reinsurance business. Now, following corporate operations, all 8 reinsurance companies are foreign branch offices.

171 insurance companies are ANIA members (of which 32 are corresponding members): these insurance companies represent about 90% of the premiums of the entire market.

Considering the legal status of the 142 companies that have legal offices in Italy, 138 are joint stock companies, 3 are mutual companies and one is a cooperative company.

Number of companies by legal status

BUSINESS SECTOR		DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL
	(situation as at 31 December)	Limited companies	Cooperatives	Mutuals	Total	with head office in non-EU countries	with head office in EU countries	
Non-life	2010	74	-	2	76	2	53	131
	2011	69	-	2	71	2	59	132
Life	2010	61	-	-	61	-	20	81
	2011	57	-	-	57	-	18	75
Professional reinsurers	2010	-	-	-	-	-	7	7
	2011	-	-	-	-	-	8	8
Multi branches	2010	12	1	1	14	-	9	23
	2011	12	1	1	14	-	10	24
Total	**2010**	**147**	**1**	**3**	**151**	**2**	**89**	**242**
	2011	**138**	**1**	**3**	**142**	**2**	**95**	**239**

In 2011 the overall result of the insurance sector was negative by Euro 3.7 billion, leading to a return on equity (ROE) of the sector equal to -7.2% (-1.4% in 2010). After having been negative in 2010, the technical result for non-life classes was again slightly positive (0.1 billion); life classes on the other hand registered a strongly negative result (-3.4 billion), worse than in 2008, when the insurance sector still suffered from the effects of the financial crisis of the last months of the year due to the failure of Lehman Brothers.

INCOME STATEMENT

Income statement *– Euro million*

	2004	2005	2006	2007	2008	2009	2010	2011
Technical account of non-life and life classes (*)								
Written premiums	100,098	108,451	106,273	96,765	89,157	115,199	123,546	108,409
Changes in reserves (-)	40,427	41,999	19,189	-9,495	-22,241	40,953	32,825	3,184
Investment income	16,316	20,064	15,132	10,835	-9,813	26,845	14,109	3,998
Other technical income	1,215	1,321	1,337	1,433	1,527	1,448	1,484	1,428
Incurred claims (-)	58,826	68,236	83,971	99,010	91,087	84,207	92,105	99,378
Operating expenses (-)	11,927	12,567	13,345	13,390	12,573	12,633	12,540	12,281
Other technical costs (-)	1,430	1,241	1,434	1,631	2,035	2,230	2,311	2,268
Balance	**5,019**	**5,792**	**4,803**	**4,497**	**-2,583**	**3,470**	**-642**	**-3,276**
Technical account - non-life (*)								
Written premiums	34,208	34,663	35,458	35,211	34,328	33,791	32,954	34,041
Changes in premiums reserves (-)	599	638	629	602	265	-21	496	462
Investment income	2,234	2,318	2,115	2,131	829	2,439	1,095	639
Other technical income	371	319	371	365	423	472	440	451
Incurred claims (-)	24,269	24,294	25,058	24,634	25,403	26,865	25,106	25,193
Operating expenses (-)	7,949	8,184	8,366	8,646	8,462	8,465	8,141	8,319
Other technical costs (-)	1,045	883	1,082	1,000	1,085	1,165	1,121	1,054
Balance	**2,951**	**3,302**	**2,808**	**2,825**	**365**	**228**	**-375**	**103**
Technical account life (*)								
Written premiums	65,890	73,788	70,815	61,554	54,829	81,409	90,592	74,368
Changes in technical provisions (-)	39,828	41,361	18,561	-10,097	-22,506	40,974	32,329	2,722
Investment income	14,082	17,745	13,017	8,704	-10,642	24,406	13,014	3,359
Other technical income	844	1,001	967	1,068	1,104	976	1,044	977
Incurred claims (-)	34,557	43,942	58,913	74,376	65,684	57,342	66,999	74,185
Operating expenses (-)	3,978	4,383	4,979	4,744	4,111	4,169	4,399	3,962
Other technical costs (-)	385	358	352	631	950	1,064	1,190	1,214
Balance	**2,068**	**2,490**	**1,995**	**1,672**	**-2,948**	**3,242**	**-267**	**-3,379**
Non-technical account								
Other non-life income	810	894	777	911	-416	939	201	-725
Other life income	1,127	1,179	1,238	980	462	1,177	839	265
Balance of other income and expenses	-1,016	-862	-1,062	-957	-1,601	-1,244	-1,763	-1,552
Balance of ordinary activities	**5,940**	**7,003**	**5,757**	**5,431**	**-4,138**	**4,342**	**-1,365**	**-5,288**
Balance of extraordinary activities	**1,027**	**691**	**941**	**1,476**	**751**	**840**	**614**	**473**
Taxes on income (-)	1,731	1,837	1,537	1,558	-1,407	1,312	-48	-1,112
Result for the financial year	**5,236**	**5,857**	**5,161**	**5,349**	**-1,980**	**3,870**	**-703**	**-3,703**
Return on Equity	**13.6%**	**13.8%**	**11.4%**	**12.5%**	**-4.7%**	**8.5%**	**-1.4%**	**-7.2%**

(*) *Technical items net of cessions and retrocessions*

TECHNICAL ACCOUNT

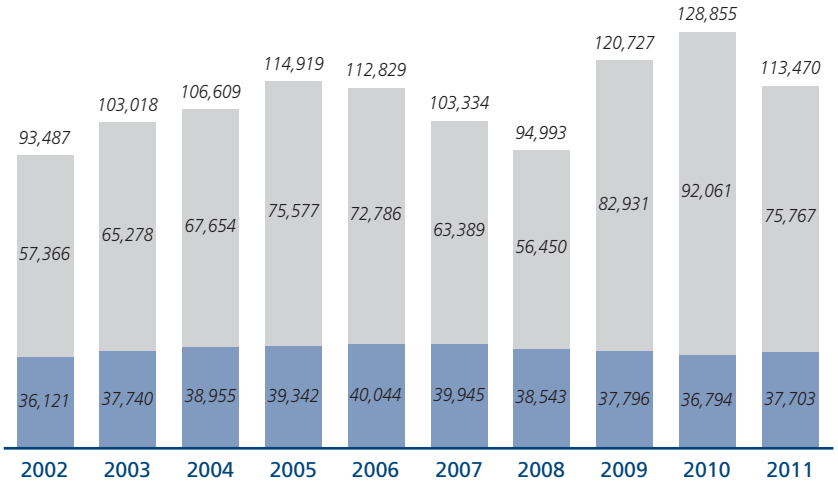
Premium income

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 foreign non-European Union companies, totaled Euro 113,470 million in 2011. In particular, Euro 37,703 million was collected in non-life classes and Euro 75,767 million in life classes.

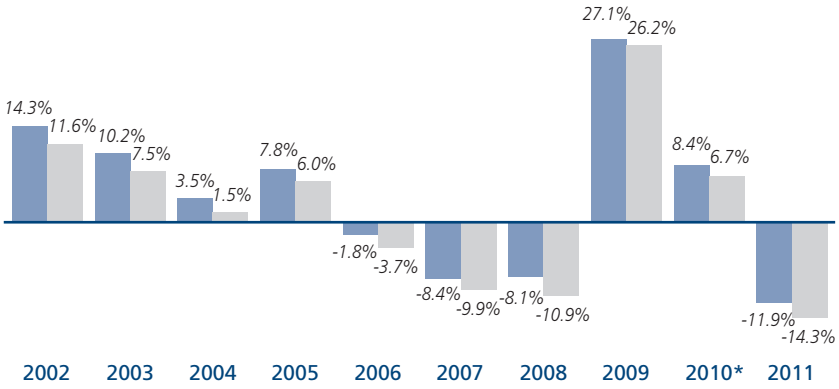
Overall premiums recorded a decrease in 2011, equal to -11.9% (+8.4% in 2010). This negative result was influenced by life sector premiums, which, after the increase recorded in 2009 and 2010, decreased by 17.7% in 2011.

Total premiums

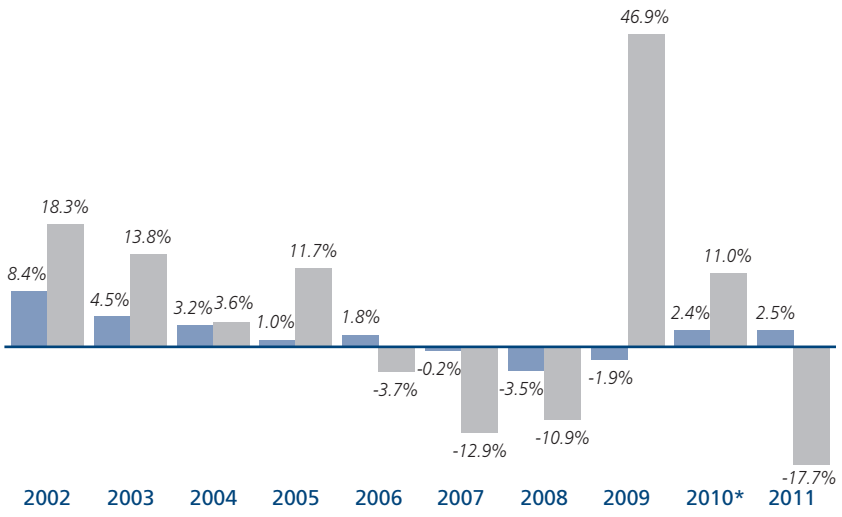
Euro million



Nominal and real growth of total premiums



** The changes (%) were calculated in homogeneous terms*



** The changes (%) were calculated in homogeneous terms*

Premiums in non-life classes increased by 2.5% compared to 2010 (2.4% in 2010).

As a result of these trends, the share of life premiums in the total decreased compared to the previous year (from 71.4% to 66.8%).

The percentage of **premiums ceded to reinsurance** increased (from 4.1% in 2010 to 4.5% in 2011). The overall amount of these premiums was equal to Euro 5,061 million, of which Euro 3,662 million in non-life classes and Euro 1,399 million in life classes.

Overall premiums, net of the share of ceded premiums, reached Euro 108,409 million (with a 12.3% decrease compared to the previous year): Euro 34,041 million in non-life classes and Euro 74,368 million in life classes.

Claims, benefits and provisions

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

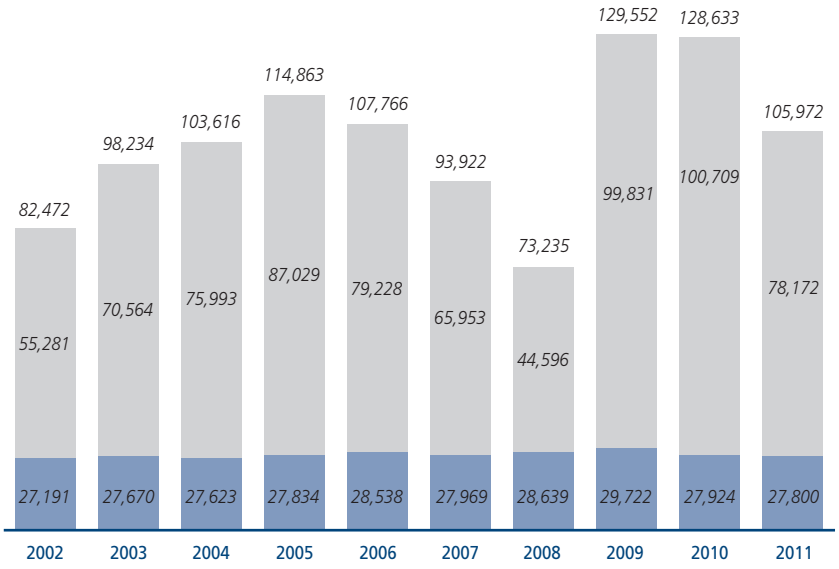
- incurred claims cost and changes in premium reserves for the non-life classes;
- incurred claims cost and changes in mathematical reserves and the other technical reserves for the life classes.

The amount of these benefits was Euro 105,972 million (-17.6% compared to 2010): Euro 27,800 million in non-life classes (-0.5%) and Euro 78,172 million in life classes (-22.4%).

The **reinsurance contribution** was equal to Euro 3,410 million (-7.9%), of which Euro 2,144 million for non-life classes and Euro 1,266 million for life classes.

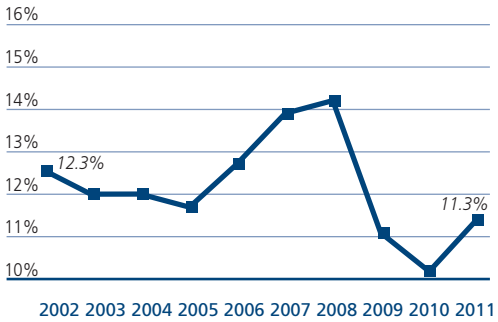
The **amount of benefits** was therefore Euro 102,562 million (-17.9%): Euro 25,655 million in non-life classes and Euro 76,907 million in life classes.

Claims, benefits and provisions
Euro million



Operating expenses

Ratio of operating expenses to premiums
Incidence on net written premiums (%)



Operating expenses for direct and indirect business, net of reinsurance, including acquisition costs, costs arising from premium collection, costs relating to the organization and management of the distribution network and the administration expenses relating to technical management of insurance business, totalled Euro 12,281 million with a decrease of -2.1% compared to 2010.

Due to a decrease 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 increased from 10.1% in 2010 to 11.3% in 2011 (it was 14.1% in 2008). In particular, the operating expenses for non-life business were equal to Euro 8,319 million, with an incidence on premiums of 24.4% (24.7% in 2010); for life business, they were equal to Euro 3,962 million, with an incidence on premiums of 5.3% (4.9% in 2010).

Technical account result

The **technical account result**, net of reinsurance, was negative by Euro 3,276 million, equal to -3.0% of direct and indirect premiums (it was equal to -0.5% in 2010). There was a positive result for non-life classes by Euro 103 million (it was negative and equal to Euro 375 million in 2010); the incidence of this result on premiums improved from -1.1% in 2010 to 0.3% in 2011.

There was a negative result for life classes of Euro 3.4 billion (it was negative and equal to Euro -0.3 billion in 2010); the ratio to premiums thus worsened from -0.3% in 2010 to -4.5% in 2011.

Technical account result / Premiums

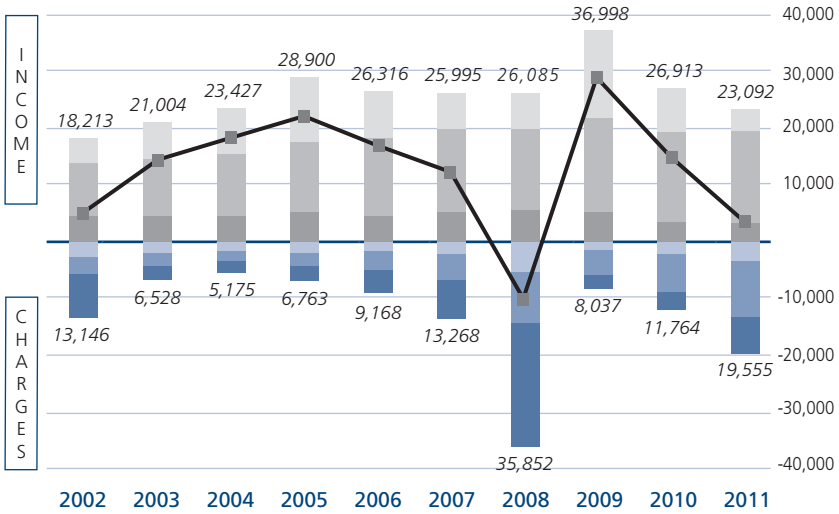
Incidence on net written premiums (%)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	2.8%	4.3%	5.0%	5.3%	4.5%	4.6%	-2.9%	3.0%	-0.5%	-3.0%
Non-life	4.1%	7.4%	8.6%	9.5%	7.9%	8.0%	1.1%	0.7%	-1.1%	0.3%
Life	2.1%	2.7%	3.1%	3.4%	2.8%	2.7%	-5.4%	4.0%	-0.3%	-4.5%

INVESTMENT INCOME

In 2011 **investment income**, equal to Euro 23,092 million, decreased by about 14% (it was equal to 26,913 in 2010). In particular:

- non-life investment income, equal to Euro 3,098 million, decreased by 7.9% compared to 2010;
- life investment income (C class), equal to Euro 16,254 million, increased by 2.5% compared to 2010;
- life investment income (D class), equal to Euro 3,740 million, halved compared to 2010.



Investment income and charges

Euro million

Non-life investment income
Life investment income (Class C)
Life investment income (Class D)
Non-life investment charges
Non-life investment charges (Class C)
Non-life investment charges (Class D)
Net results of investment (income-charges)

More in detail, as highlighted in the chart, the **ordinary gross investment income for life and non-life classes**, equal to Euro 23,092 million, is divided as follows:

- *shares and holdings*, for an amount of Euro 1,597 million (-7.8% compared to 2010), representing 6.9% of the total;

- *investments for the benefit of insured and investment income deriving from pension funds management*, for an amount of Euro 3,740 million (-51.4% compared to 2010), representing 16.2% of the total;
- *land and buildings*, for an amount of Euro 226 million (+2.4% compared to 2010), representing 1.0% of the total;
- *revaluations and realized investments*, for an amount of Euro 2,845 million (-31.0% compared to 2010), representing 12.3% of the total;
- *securities, bonds and other investments*, for an amount of Euro 14,685 million (11.7% compared to 2010), representing 63.6% of the total.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Shares	13.7	12.0	9.5	10.8	11.1	13.8	13.3	5.5	6.4	6.9
Land and buildings	2.6	1.5	1.1	0.8	0.9	0.9	0.9	0.6	0.8	1.0
Other investments	46.8	41.9	42.7	37.5	44.6	47.2	47.9	32.9	48.8	63.6
Revaluations	12.9	12.9	11.7	11.1	12.3	13.5	13.1	19.4	15.3	12.3
Income from linked and pension funds	24.0	31.7	35.0	39.8	31.1	24.6	24.7	41.6	28.6	16.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Investment charges increased from Euro 11,765 million in 2010 to Euro 19,554 million in 2011 (+66.2%). In particular:

- non-life investment charges, equal to Euro 3,184 million, increased by 54.0%. The result of investment net of such charges was negative by Euro 86 million (positive and equal to Euro 1,296 million in 2010).
- life investment charges (C class), equal to Euro 9,831 million, increased by 50%. The result of investment net of such charges was positive and equal to Euro 6,423 million and it decreased by 30.8% (it was Euro 9,280 million in 2010).
- life investment charges (D class) equal to Euro 6,540 million, more than doubled; as a consequence, the result of investment net of charges was negative and equal to Euro -2,800 million (positive and equal to Euro 4,574 million in 2010).

Overall, the net result of investment for the whole insurance sector was positive and equal to Euro 3,537 million (positive and equal to Euro 15,149 million in 2010).

Extraordinary income, gross of charges, was equal to Euro 1,355 million (Euro 1,261 million in 2010) and the relative charges were equal to Euro 882 million (Euro 647 million in 2010).

RESULT FOR THE FINANCIAL YEAR

The **result for ordinary activity, non-life and life**, amounted to Euro -5,288 million (it was negative and equal to Euro 1,365 million in 2010). The **result for extraordinary activity** was positive and equal to Euro 473 million (614 Euro million in 2010). Overall, the result before taxes was negative by Euro -4,815 million.

Considering the (positive) effect of **taxes** equal to Euro -1,112 million, the **overall result** of the sector highlights a loss equal to Euro 3.703 million.

In particular, the trend of taxes was determined by the recognition of deferred taxes, which can be attributed to the recognition of the tax savings deriving from tax losses carried forward.

BALANCE SHEET

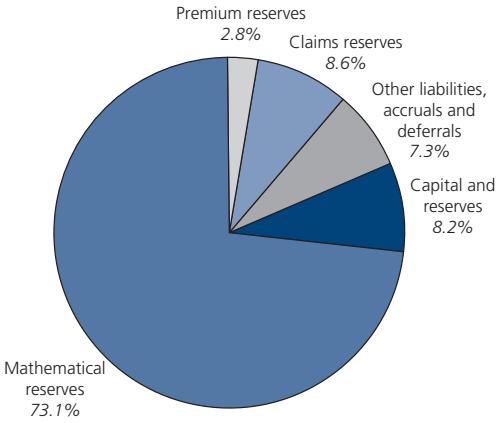
Liabilities

Total liabilities carried in the balance sheet amounted to Euro 585,570 million (substantially unvaried compared to 2010).

In particular:

- *capital and reserves*, equal to Euro 48,190 million (8.2% of total liabilities) decreased by 4.1% compared to 2010; for the different components, an increase of 3.9% of the subscribed capital was recorded compared to 2010, equal to Euro 12,455 million; equity reserves, equal to Euro 39,442 million, increased by 1.2% compared to 2010.
- *technical provisions*, representing commitments undertaken on behalf of the insured, were equal to Euro 494,497 million and recorded an increase of 0.5% compared to 2010; they represented 84.4% of the total. Life reserves, weighing for 73.1% on the total, increased by 0.4%, while non-life reserves (claims and premiums) increased by 1.2%
- *other liabilities*, equal to Euro 42,156 million (7.2% of the total), decreased by 3.5% compared to the previous year, and the breakdown for this item was as follows: funds for risks and charges decreased by 7.9%, deposits received from reinsurers decreased by 6.0%, subordinated liabilities decreased by 0.4% and debts and other liabilities decreased by 3.1%;
- *accruals and deferrals* totalled Euro 727 million (0.1% of the total).

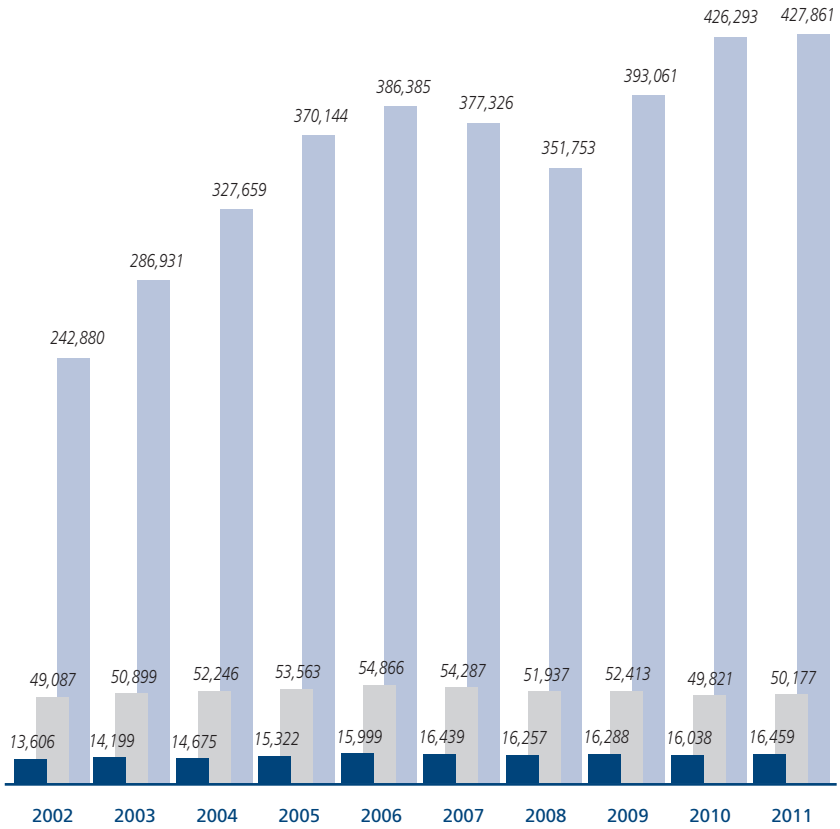
Breakdown of liabilities (%) – 2011



Euro 585,570 million

Total technical provisions

Euro million



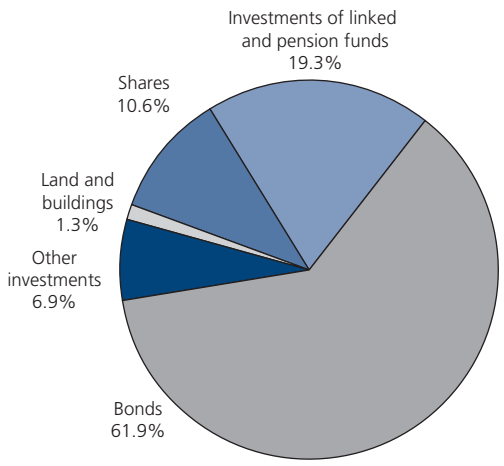
Assets

Investments, the reinsurance share of technical provisions, amounts owed by debtors, other assets, accruals and deferred income amounted to Euro 585,570 million, equaling the total amount of liabilities.

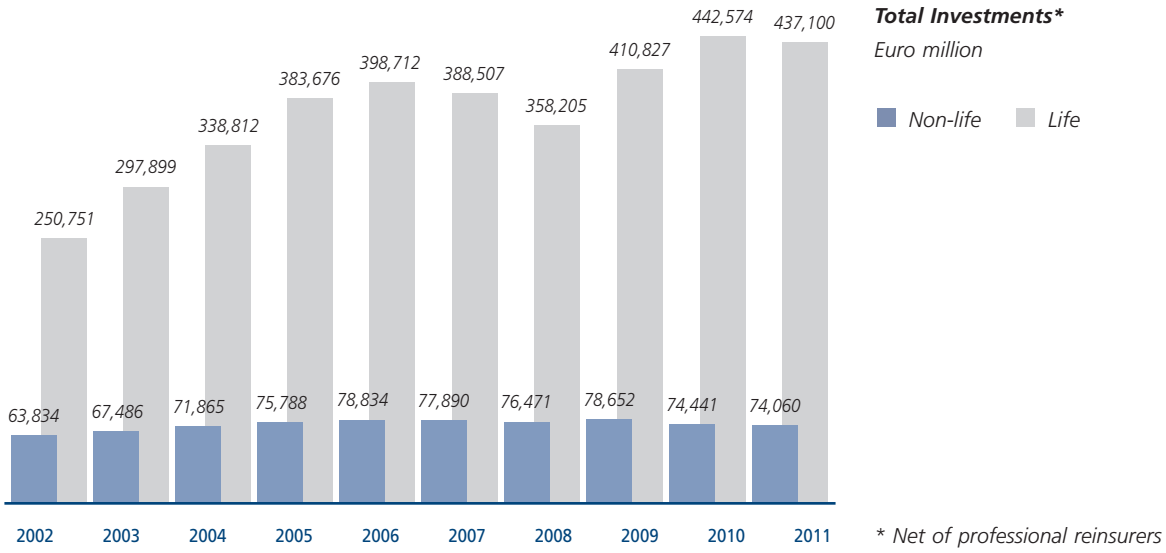
In particular:

- *investments* reached Euro 511,160 million (-1,1% compared 2010), representing 87.3% of total assets. Investments in non-life classes were equal to Euro 74,060 million (-0.5% compared to 2010) and investments in life classes were equal to Euro 437,100 million (-1.2% compared to 2010).
  All the other forms of investment, except those related to the life sector D class which decreased by 12.0% (98.676 million) and those related to stock and shares which decreased by 4.2% (54.360 million), increased as follows:
  - investments in land and buildings equal to Euro 6,900 million, increased by 5.9%;
  - investments in loans and deposits equal to Euro 35,170 million, increased by 1.3%;
  - investments in bonds and other fixed income securities equal to Euro 316,054 million, increased by 3.0%;
- the *technical provisions borne by reinsurers* amounted to Euro 17,506 million, decreased by 6.6% and represent 3.0% of the total assets;
- *amounts owed by debtors* were equal to Euro 26,866 million (4.6% of the total), with an increase of 1.1%. These refer to amounts owed deriving from direct

Breakdown of investments (%) – 2011



Euro 511,160 million



insurance activities (Euro 11,368 million), amounts owed deriving from reinsurance activities (Euro 1,443 million), and other amounts owed (Euro 14,054 million);

– *amounts owed by shareholders* (Euro 3 million), intangible assets (Euro 6,001 million consisting of commissions and other expenses) and other assets (Euro

Balance sheet *– Euro million*

	2004	2005	2006	2007	2008	2009	2010	2011
LIABILITIES	**475,716**	**526,899**	**547,569**	**537,180**	**505,362**	**560,780**	**586,815**	**585,570**
CAPITAL AND RESERVES	44,780	51,301	50,297	46,042	40,932	51,803	50,260	48,190
Subscribed capital	*10,991*	*12,982*	*13,402*	*11,399*	*11,472*	*11,925*	*11,985*	*12,451*
Equity reserves	*28,621*	*32,463*	*31,837*	*29,370*	*31,440*	*36,351*	*38,977*	*39,442*
Profit for the financial year	*5,169*	*5,857*	*5,058*	*5,273*	*-1,980*	*3,527*	*-703*	*-3,703*
TECHNICAL PROVISIONS	394,581	439,029	457,250	448,052	419,947	461,762	492,151	494,497
Non-life classes	*66,921*	*68,885*	*70,865*	*70,726*	*68,194*	*68,701*	*65,859*	*66,636*
Life classes	*327,659*	*370,144*	*386,385*	*377,326*	*351,753*	*393,061*	*426,292*	*427,861*
OTHER LIABILITIES	35,989	36,141	39,352	42,465	43,820	46,436	43,703	42,156
Subordinated liabilities	*2,862*	*3,295*	*4,725*	*6,085*	*6,924*	*8,374*	*8,753*	*8,721*
Provisions for risks and charges	*2,105*	*2,219*	*2,206*	*2,133*	*2,117*	*1,711*	*1,771*	*1,631*
Deposits received from reinsurers	*12,876*	*12,994*	*12,999*	*13,109*	*12,660*	*12,398*	*11,999*	*11,279*
Debts and other liabilities	*18,146*	*17,632*	*19,423*	*21,139*	*22,119*	*23,954*	*21,180*	*20,525*
ACCRUALS AND DEFERRALS	366	428	670	621	663	779	701	727
ASSETS	**475,716**	**526,899**	**547,569**	**537,180**	**505,362**	**560,780**	**586,815**	**585,570**
AMOUNTS OWED BY SHAREHOLDERS	15	3	25	30	6	41	15	3
INTANGIBLE ASSETS	4,262	3,947	3,839	3,441	3,021	6,891	6,310	6,001
INVESTMENTS:	416,322	465,109	483,143	470,989	434,676	489,479	517,014	511,160
Land and buildings	*4,842*	*5,805*	*5,933*	*5,808*	*6,265*	*6,526*	*6,513*	*6,900*
Shares and holdings	*48,793*	*54,096*	*55,532*	*56,249*	*54,976*	*59,635*	*56,751*	*54,360*
Bonds and other fixed income securities	*208,051*	*235,036*	*252,727*	*239,081*	*226,866*	*273,755*	*306,898*	*316,054*
Loans and deposits	*30,460*	*33,603*	*29,100*	*32,529*	*29,590*	*32,351*	*34,708*	*35,170*
Investments for the benefit of life insurance policyholders and the investments deriving from the management of pension funds	*124,176*	*136,569*	*139,852*	*137,322*	*116,980*	*117,211*	*112,144*	*98,676*
TECHNICAL PROVISIONS BORNE BY THE REINSURERS	20,753	21,072	20,770	20,658	19,411	19,283	18,737	17,506
AMOUNTS OWED BY DEBTORS	21,020	21,529	22,381	23,400	25,706	25,563	26,576	26,866
OTHER ASSETS	10,149	11,652	13,168	14,342	18,131	14,617	13,068	18,789
ACCRUALS AND DEFERRED INCOME	3,194	3,587	4,242	4,321	4,411	4,907	5,093	5,245

18,789 million) reached a total of Euro 24,793 million (4.2% of the overall amount), thus recording a 27.8% increase;

– *accruals and deferred income* amounted to Euro 5,245 million (0.9% of the total), increased by 3.0%.

THE SOLVENCY MARGIN

At the end of 2011 insurance companies with registered offices in Italy, excluding reinsurers, had a solvency margin of Euro 45.0 billion for their total assets in the life and non-life sectors, showing a 3% decrease compared to the previous year. The margin is twice the minimum requirement (equal to 22.1 billion).

According to data collected from the Italian insurance supervision authority (ISVAP), the amount used by companies for the computation of the solvency margin was Euro 3.6 billion (Euro 3.2 billion from life sector) coming from the application of anti-cyclical measures.

For life business, the margin (Euro 26.8 billion) was equal to 1.75 times (1.54, without considering the effects of the above mentioned measure and 1.87 in 2010) the minimum requirement (Euro 15.3 billion), determined in terms of mathematical provisions and capital at risk. The ratio is in reduction compared to the 1.87 value in 2010.

For non-life business the margin (Euro 18.3 billion) was 2.69 times the minimum requirement (Euro 6.8 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 higher and equal to 2.88 in 2010.

Solvency margin 2004-2011
Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
LIFE								
Solvency margin	20,954	23,999	24,435	22,722	19,699	26,578	27,362	26,781
Solvency margin required by law	10,266	11,544	12,041	11,890	11,587	13,444	14,668	15,315
Cover ratio	*2.04*	*2.08*	*2.03*	*1.91*	*1.70*	*1.98*	*1.87*	*1.75*
NON-LIFE								
Solvency margin	17,308	20,826	20,382	17,585	16,805	19,236	19,018	18,252
Solvency margin required by law	5,825	6,095	6,263	6,473	6,446	6,758	6,599	6,789
Cover ratio	*2.97*	*3.42*	*3.25*	*2.72*	*2.61*	*2.85*	*2.88*	*2.69*
TOTAL								
Solvency margin	38,262	44,825	44,817	40,307	36,504	45,814	46,380	45,033
Solvency margin required by law	16,091	17,639	18,304	18,363	18,033	20,202	21,267	22,104
Cover ratio	*2.38*	*2.54*	*2.45*	*2.20*	*2.02*	*2.27*	*2.18*	*2.04*

Source: ISVAP

THE CURRENT VALUE OF THE SECURITIES PORTFOLIO

To obtain detailed information on the current value of investments and assess the effects of unrealized capital gains or losses on the overall portfolio, ANIA carries out a sample survey using a methodology consistent with the one specified in ISVAP

Regulation 36/2011. The latest survey takes 30 April 2012 as the valuation date. It covers practically the totality of Class C investments for the non-life and life sectors, except for loans and deposits with credit institutions and ceding undertakings, which account for an average of 3-4%; it does not cover investments relating to linked policies and pension funds (Class D). The current value of assets was calculated by summing their book value (the value stated in the accounts before balance-sheet valuations) and the balance between unrealized capital gains and losses.

The current value of the Class C investments monitored on 30 April 2012, estimated on a sample of companies accounting for more than 90% of the market in terms of investments, amounted to Euro 407 billion, compared with end-2011 figures of Euro 378 billion for the sample companies (Table 1) and Euro 412 billion for all insurance companies. In general, the difference between the 2011 balance-sheet value and the current value considered in the survey depends on the fact that the balance-sheet value:

- for investments held on a durable basis, does not incorporate unrealized capital gains and losses;
- for investments not held on a durable basis, incorporates neither unrealized capital gains nor, in the case of insurance companies that used the option provided by the Anti-Crisis Decree (Decree Law 185/2008 as amended), unrealized capital losses. In particular, ANIA estimates that this provision of the decree had a positive impact of Euro 4 billion on the insurance industry's result for the year.

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

Euro million

	Current value of investment			% composition of investments 30 April 2012	Current value of investments		
	Durable	Non-durable	Total		Memo: total investments		
	30 April 2012				*December 2009*	*December 2010*	*December 2011*
Total non-life	49,189	28,367	77,555	19.1%	83,027	77,003	75,622
Total life	176,020	153,136	329,156	80.9%	285,303	311,450	302,151
Total overall	**225,208**	**181,503**	**406,711**	**100.0%**	**368,330**	**388,453**	**377,772**

	Balance of valuation gains/losses			Balance of valuation gains/losses		
	Durable	Non-durable	Total	Memo: total investments		
	30 April 2012			*December 2009*	*December 2010*	*December 2011*
Total non-life	1,972	340	2,312	4,298	1,538	-836
Total Life	-8,865	2,160	-6,705	5,933	-5,371	-29,220
Total overall	**-6,894**	**2,500**	**-4,393**	**10,231**	**-3,832**	**-30,056**

Of the Italian insurance industry's Euro 407 billion of Class C investments at current value at end-April, Euro 77.6 billion (20%) referred to the non-life sector and Euro 329.2 billion (80%) to the life sector (Table 1). Taking the two sectors together, Euro 225 billion (55%) was in durable investments and Euro 182 billion (45%) in investments not held on a durable basis. Overall, **the balance between unrealized capital gains and losses was negative by Euro -4.4 billion** (it had been negative by about Euro 30 billion at the end of 2011). The improvement came mainly from the reduction in the yields on debt securities, particularly Italian government securities. The two sectors' contributions differed: the non-life sector's balance was positive by Euro 2.3 billion and the life sector's negative by Euro 6.7 billion (though Euro 22 billion less so than just four months earlier).

Non-life sector

The largest asset class (47.5% of the total) consisted in debt securities and other fixed-income securities, mainly not held on a durable basis, with a current value of Euro 36.9 billion at the end of April, slightly more than at the end of 2011 (Table 2). The next-largest class was shares and other equity in affiliated undertakings (32.7%), whose value was unchanged from the end of 2011.

The balance between valuation gains and losses at the end of April 2012 was positive by Euro 2.3 billion (it had been positive by Euro 1.5 billion at the end of 2010 and negative by Euro 836 million at the end of 2011). The positive balance was due chiefly to investments held on a durable basis (nearly Euro 2.0 billion), above all shares and other equity (Euro 1.1 billion, compared with Euro 0.7 billion at the end of 2011). The investment sector with the largest positive balance in absolute terms was land and buildings (Euro 1.4 billion). As in the previous year's survey, the balance between valuation gains and losses on debt securities and other fixed-income securities negative, but only slightly and with a vast improvement from the end of 2011.

The ratio of the balance between unrealized gains and losses to book value was equal to 3.1% overall: 4.2% for durable and 1.2% for non-durable investments (Figure 1). The ratio was highest for shares and other equity, with a positive balance equal to about 40% of book value, followed by land and buildings (25%).

It is worth looking more closely at investments in government securities, whose relative importance differs between the durable and non-durable investment portfolios (Table 3). In particular, government securities, with a current value of Euro 9.8 billion at the end of April 2012, made up about 20% of total Class C investments held on a durable basis, an increase by comparison with rising year-end figures of 13% in 2009, 14% in 2010 and 19% in 2011. Valuation gains and losses were virtually in balance. Government securities worth nearly Euro 14 billion accounted for practically half the Class C investments not held on a long-term basis, with valuation gains and losses again in balance.

Table 2 – Total insurance market – Non-life sector

Euro million

	Current value of investment			% composition of investments 30 April 2012	Current value of investments		
	Durable	Non-durable	Total		Memo: total investments		
	30 April 2012				*December 2009*	*December 2010*	*December 2011*
C.I Land and buildings (A)	**7,195**	**7**	**7,203**	**9.3%**	**6,289**	**7,034**	**7,424**
C.II.1 Shares and other equity in affiliated undertakings	25,194	160	25,354	32.7%	28,240	25,839	25,324
C.II.2 Debt securities issued by affiliated undertakings	234	542	776	1.0%	657	712	798
Total C.II.1 and C.II.2 (B)	**25,429**	**702**	**26,130**	**33.7%**	**28,897**	**26,551**	**26,122**
C.III.1 Shares and other equity	2,535	1,301	3,836	4.9%	4,961	4,140	3,705
C.III.2 Investment fund units	418	3,040	3,458	4.5%	3,279	3,145	3,406
C.III.3 Debt securities and other fixed-income securities	13,612	23,263	36,875	47.5%	39,523	35,935	34,766
– of which: listed and unlisted gov't securities	*9,820*	*13,922*	*23,742*	*30.6%*	*24,737*	*22,054*	*22,230*
C.III.5 Participation in investment pools	0	0	0	0.0%	0	0	0
C.III.7 Sundry financial investments	0	54	54	0.1%	79	197	198
Total C.III.1, 2, 3, 5, 7 (C)	**16,565**	**27,658**	**44,222**	**57.0%**	**47,842**	**43,418**	**42,075**
Overall total (A + B + C)	**49,189**	**28,367**	**77,555**	**100.0%**	**83,027**	**77,003**	**75,622**

	Balance of valuations gains/losses			Balance of valuations gains/losses		
	Durable	Non-durable	Total	Memo: total investments		
	30 April 2012			*December 2009*	*December 2010*	*December 2011*
C.I Land and buildings (A)	**1,399**	**0**	**1,399**	**1,182**	**1,417**	**1,454**
C.II.1 Shares and other equity in affiliated undertakings	50	-4	46	1,040	-136	-441
C.II.2 Debt securities issued by affiliated undertakings	3	12	15	24	12	-7
Total C.II.1 and C.II.2 (B)	**53**	**8**	**61**	**1,064**	**-125**	**-448**
C.III.1 Shares and other equity	1,154	-60	1,095	870	756	688
C.III.2 Investment fund units	-68	76	8	82	-1	-34
C.III.3 Debt securities and other fixed-income securities	-566	307	-259	1,098	-498	-2,608
– of which: listed and unlisted gov't securities	*-315*	*-10*	*-326*	*575*	*-490*	*-1,729*
C.III.5 Participation in investment pools	0	0	0	0	0	0
C.III.7 Sundry financial investments	0	9	9	2	-11	112
Total C.III.1, 2, 3, 5, 7 (C)	**520**	**332**	**852**	**2,052**	**246**	**-1,841**
Overall total (A + B + C)	**1,972**	**340**	**2,312**	**4,298**	**1,538**	**-836**

Figure 1 – Balance of valuation gains/losses as a % of book value of investments at 30 April 2012 – Non-life sector

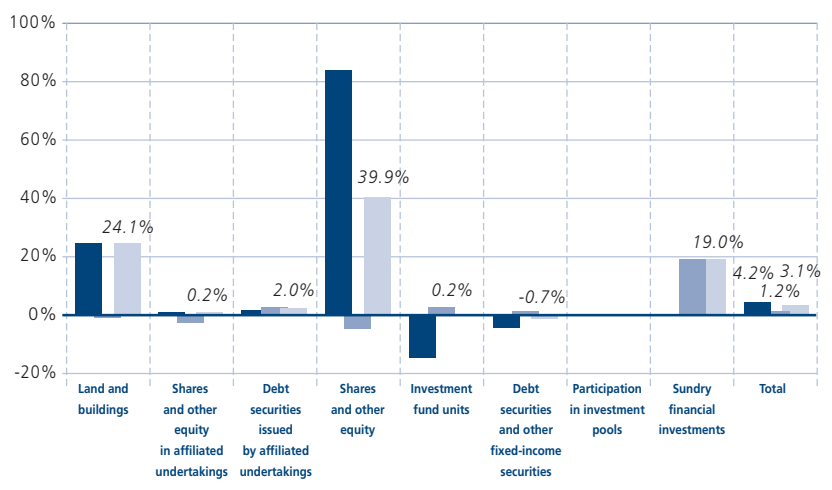


Table 3
Investments in government securities (listed and unlisted) – Non-life sector
Euro billion

	Portfolio held on a durable basis			
	Book value	**Current value**	**Balance of valuation gains/losses**	**Gov't securities/ Total Class C assets (current value)**
2009	5.6	5.8	0.2	13%
2010	6.4	6.3	-0.1	14%
2011	10.2	9.3	-1.0	19%
Apr. 12	10.1	9.8	-0.3	20%
	Portfolio not held on a durable basis			
	Book value	**Current value**	**Balance of valuation gains/losses**	**Gov't securities/ Total Class C assets (current value)**
2009	18.6	19.0	0.4	50%
2010	16.2	15.8	-0.4	50%
2011	13.7	13.0	-0.8	47%
Apr. 12	13.9	13.9	0.0	49%

Life sector

Debt securities and other fixed-income securities were also the top investments in the life sector, with a current value of Euro 278 billion at the end of April 2012, up Euro 26 billion from the end of 2011 (Table 4). Shares and other equity in affiliated undertakings came to Euro 21.4 billion (6.5% of the total) and investment fund units to just over Euro 18 billion (5.5%).

The balance between unrealized capital gains and losses was negative on 30 April but less so than at the end of last year: Euro 6.7 billion against more than Euro 29 billion. With the significant upturn in the financial markets in the early months of 2012, the balance improved sharply for virtually all assets; for debt securities there was an amelioration of more than Euro 20 billion (of which Euro 15 billion for government securities).

The ratio of the balance between unrealized gains and losses to book value for the life sector was negative and equal to -2.0% overall; it was -4.8% for

Table 4 – Total insurance market – Life sector

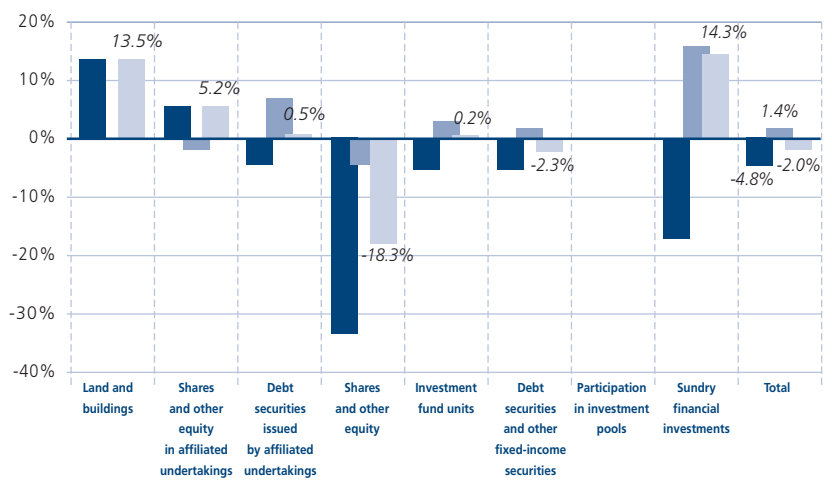
Euro million

	Current value of investment			% composition of investments 30 April 2012	Current value of investments		
	Durable	Non-durable	Total		Memo: total investments		
	30 April 2012				*December 2009*	*December 2010*	*December 2011*
C.I Land and buildings (A)	**1,128**	**0**	**1,128**	**0.3%**	**1,307**	**911**	**1,149**
C.II.1 Shares and other equity in affiliated undertakings	21,214	147	21,361	6.5%	19,062	21,704	21,127
C.II.2 Debt securities issued by affiliated undertakings	2,144	1,975	4,119	1.3%	2,122	3,693	3,244
Total C.II.1 and C.II.2 (B)	**23,359**	**2,122**	**25,480**	**7.7%**	**21,184**	**25,398**	**24,370**
C.III.1 Shares and other equity	2,366	3,915	6,281	1.9%	10,103	8,185	6,829
C.III.2 Investment fund units	5,093	13,046	18,139	5.5%	12,682	15,359	16,112
C.III.3 Debt securities and other fixed-income securities	144,070	133,944	278,013	84.5%	237,013	258,257	252,048
– of which: listed and unlisted gov't securities	*112,290*	*90,600*	*202,890*	*61.6%*	*153,756*	*177,516*	*181,930*
C.III.5 Participation in investment pools	0	0	0	0.0%	1,455	0	30
C.III.7 Sundry financial investments	4	110	114	0.0%	1,559	3,341	1,613
Total C.III.1, 2, 3, 5, 7 (C)	**151,533**	**151,015**	**302,547**	**91.9%**	**262,812**	**285,141**	**276,632**
Overall total (A + B + C)	**176,020**	**153,136**	**329,156**	**100.0%**	**285,303**	**311,450**	**302,151**

	Balance of valuations gains/losses			Balance of valuation gains/losses		
	Durable	Non-durable	Total	Memo: total investments		
	30 April 2012			*December 2009*	*December 2010*	*December 2011*
C.I Land and buildings (A)	**134**	**0**	**134**	**168**	**161**	**142**
C.II.1 Shares and other equity in affiliated undertakings	1,060	-3	1,057	785	582	734
C.II.2 Debt securities issued by affiliated undertakings	-102	122	20	54	-28	-295
Total C.II.1 and C.II.2 (B)	**957**	**119**	**1,076**	**839**	**554**	**438**
C.III.1 Shares and other equity	-1,218	-187	-1,405	-276	-729	-2,213
C.III.2 Investment fund units	-293	324	31	122	284	-572
C.III.3 Debt securities and other fixed-income securities	-8,444	1,889	-6,556	5,078	-5,647	-27,047
– of which: listed and unlisted gov't securities	*-6,880*	*4*	*-6,876*	*2,928*	*-5,705*	*-22,177*
C.III.5 Participation in investment pools	0	0	0	8	0	0
C.III.7 Sundry financial investments	-1	15	14	-5	7	32
Total C.III.1, 2, 3, 5, 7 (C)	**-9,956**	**2,041**	**-7,915**	**4,926**	**-6,086**	**-29,800**
Overall total (A + B + C)	**-8,865**	**2,160**	**-6,705**	**5,933**	**-5,371**	**-29,220**

investments held on a durable basis and +1.4% for non-durable investments (Figure 2). The highest positive ratio was that of sundry financial investments (14.3%), followed by investments in land and buildings (13.5%) and by shares and other equity in affiliated undertakings (5.2%). The highest negative ratio was recorded for shares and other equity, standing at -18.3% overall (-34.0% for durable investments and -4.6% for non-durable investments).

Figure 2 – Balance of valuation gains/losses as a % of book value of investments at 30 April 2012 – Life sector



Investments in government securities again deserve closer examination (Table 5). On 30 April 2012 they made up a substantial portion of both durable and non-durable investments (60-65%), totaling more than Euro 110 billion for the former and Euro 90 billion for the latter. For durable investments, the balance between valuation gains and losses was negative by about Euro -7 billion, though with an improvement of some Euro 10 billion form the end of 2011. For non-durable investments, the balance was nil (compared with Euro -5.5 billion at the end of last year).

Table 5
Investments in government securities (listed and unlisted) – Life sector
Euro billion

Portfolio held on a durable basis				
	Book value	**Current value**	**Balance of valuation gains/losses**	**Gov't securities/ Total Class C assets (current value)**
2009	71.1	72.8	1.7	55%
2010	95.7	92.4	-3.3	58%
2011	119.0	102.3	-16.7	63%
Apr. 12	119.2	112.3	-6.9	64%
Portfolio not held on a durable basis				
	Book value	**Current value**	**Balance of valuation gains/losses**	**Gov't securities/ Total Class C assets (current value)**
2009	79.7	80.9	1.2	53%
2010	87.5	85.1	-2.4	56%
2011	85.1	79.6	-5.5	57%
Apr. 12	90.6	90.6	0.0	59%

THE ITALIAN INSURANCE INDUSTRY IN THE INTERNATIONAL SETTING

2

THE INTERNATIONAL SETTING

Premiums in 2010
USD million

	LIFE	NON-LIFE	TOTAL
North America	557,802	723,861	1,281,663
Latin America	54,547	73,320	127,867
Europe	965,661	654,776	1,620,437
of which: Western Eur.	*946,042*	*586,590*	*1,532,632*
Central/Eastern Europe	*19,619*	*68,187*	*87,806*
Asia	855,370	305,748	1,161,118
of which: Japan	*440,950*	*116,489*	*557,439*
Africa	47,244	19,475	66,719
Oceania	39,448	41,713	81,161
Total	**2,520,072**	**1,818,893**	**4,338,965**

Source: Swiss Re - SIGMA World Insurance in 2010

Real growth rate in 2010 (%)

	LIFE	NON-LIFE	TOTAL
North America	-0.6	0.5	0.0
Latin America	12.2	5.5	8.2
Europe	2.8	0.3	1.8
of which: Western Eur.	*2.8*	*0.6*	*1.9*
Central/Eastern Europe	*5.7*	*-2.1*	*-0.4*
Asia	6.3	9.8	7.2
of which: Japan	*0.0*	*0.6*	*0.1*
Africa	-2.4	4.1	-1.1
Oceania	2.7	2.0	2.3
Total	**3.2**	**2.1**	**2.7**

Source: Swiss Re - SIGMA World Insurance in 2010

In 2010 premiums written worldwide totalled USD 4,339 billion, after two years of reduction, and registered a 2.7% increase in real terms compared to the previous year. In 2009 premiums had registered a decline of 0.3%.

Life premium volume totalled USD 2,520 billion, up by 3.2% compared to 2009 (-0.8% the previous year). The positive performance of the Asian emerging markets and of some European insurance sectors significantly contributed to the increase of life insurance premiums. American and English companies still registered limited decreases in premium collection.

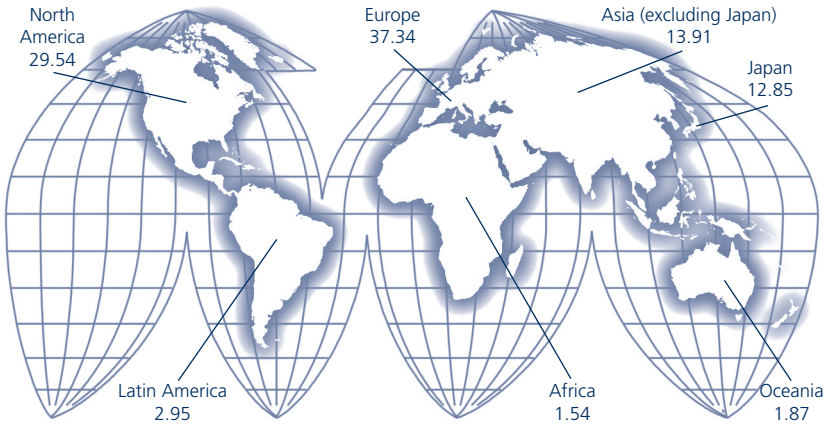
Non-life premium volume grew with respect to 2009 levels: the premium volume equal to USD 1,819 increased (+2.1%) compared to the previous year; in 2009 the volume increased by 0.3% compared to 2008.

The strong growth registered for new Asian emerging markets and new industrialized economies contributed to the increase in non-life insurance premiums. American and European insurance sector experienced a weak growth in premium collection, except for some countries and in some lines of business.

In most countries, the financial crisis did not hit the insurance sector significantly. In the next years insurance demand is expected to grow for emerging economies. The life sector will probably benefit from population ageing. Some critical and challenging points which must be taken into account for the future growth of insurance sector could be:

- the economic recovery may be slackened by the sovereign debt crisis in some European countries;
- the development of new regulations like Solvency II may imply stricter capital requirements, with a consequent impact on profitability.

Worldwide direct insurance in 2010
Market shares



Source: Swiss Re - SIGMA World Insurance in 2010

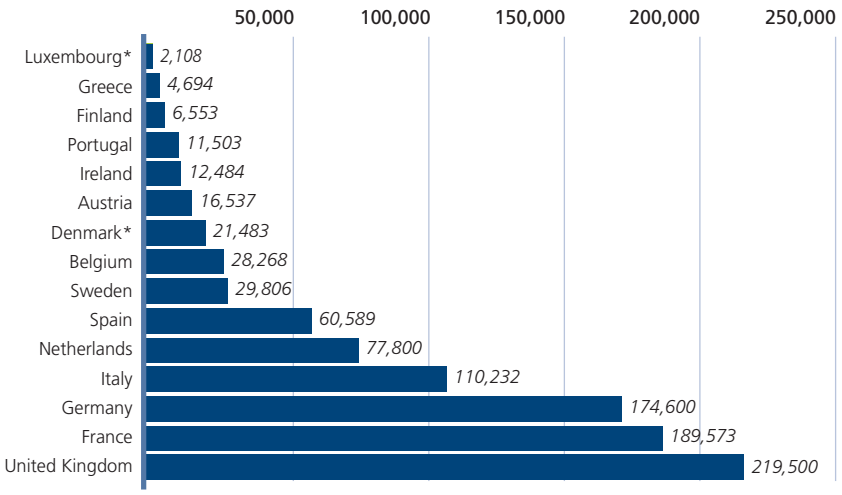
THE MAIN MARKETS IN THE EUROPEAN UNION

In 2011 insurance companies in the first 15 EU Member States wrote premiums for Euro 965,730 million, a value decreased compared to the previous year (-3.2%); in 2010 premiums registered an increase (+4.8%).

The highest growth rates were observed in Spain (+5.9%), Sweden (+5.3%) and in the United Kingdom (+2.7%), the negative rates that contributed most to the premium decline were registered in France (-8.5%) and in Italy (-12.3%), on the other hand Germany was almost unchanged (-0.6%).

With regard to the life sector, premiums totalled Euro 573,066 million in 2011 with a 7.0% decrease compared to the previous year (+5.6% in 2010). Italy (-18.0%), France (-13.8%) and Germany (-4.7%) registered a strong reduction.

In 2011 non-life premiums totalled Euro 392,664 million with a 3.1% increase compared to the previous year (+3.5% in 2010). This result was mainly determined by the United Kingdom (+4.4%), France (+3.5%) and Germany (+3.4%); growth rates were positive, but for lower amounts, in Italy (+2.1%) and Spain (+6.1%).

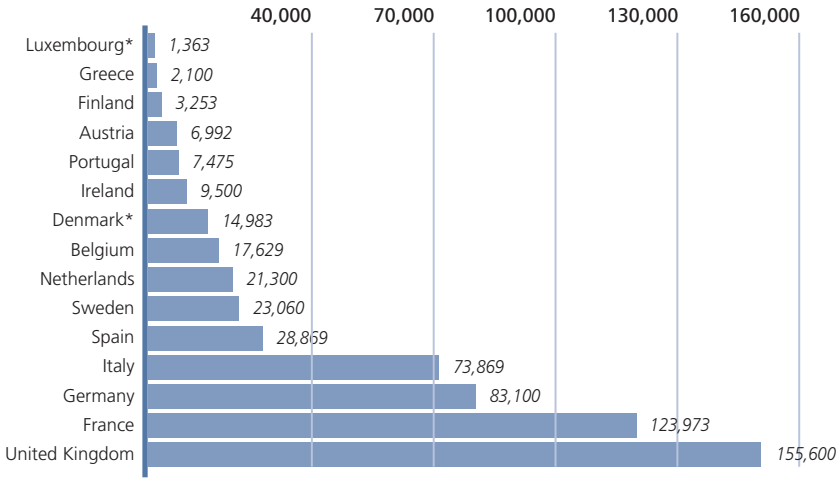


Direct premiums in the European Union (15) in 2011
Total
Euro million

(*) 2010 data

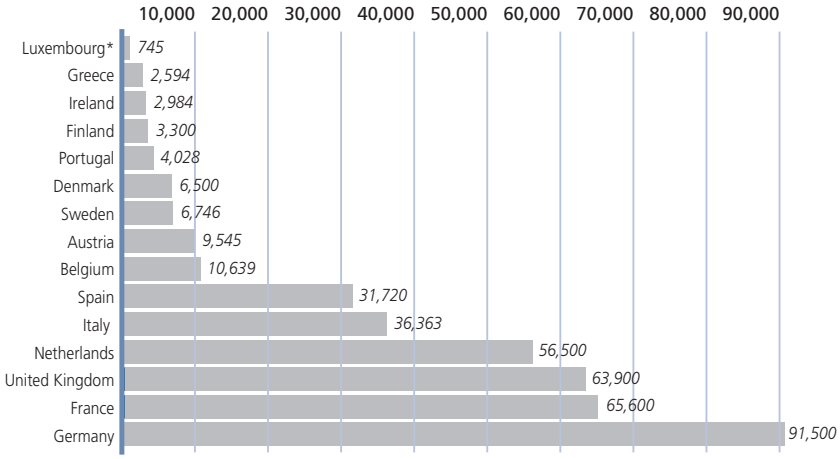
Source: Insurance Europe

Direct premiums in the European Union (15) in 2011
Life
Euro million



Source: Insurance Europe *(*) 2010 data*

Direct premiums in the European Union (15) in 2011
Non-life
Euro million



Source: Insurance Europe *(*) 2010 data*

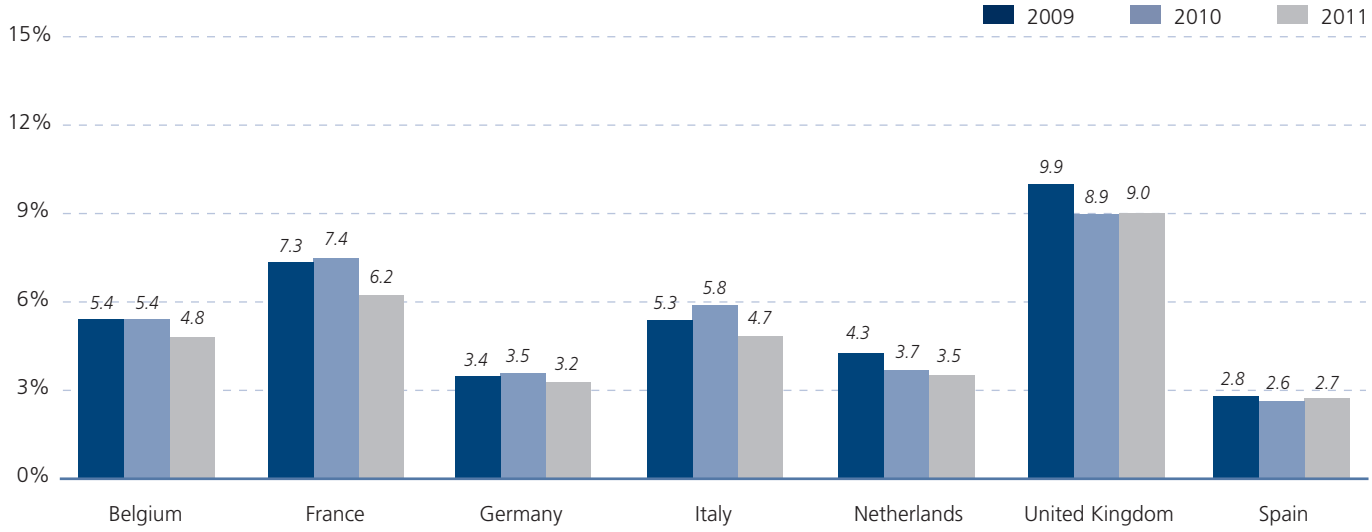
THE IMPORTANCE OF INSURANCE BY COUNTRY

Between 2009 and 2011 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 2011 provided by Insurance Europe 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 in France, passing from 7.4% in 2010 to 6.2% in 2011; in Belgium from 5.4% to 4.8% and in Italy, where in 2011 it was equal to 4.7% (5.8% in 2010). A gradual

decline was registered in the Netherlands where the index declined from 4.3% in 2009 to 3.5% in 2011 and in Germany where it decreased from 3.5% registered in 2010 to 3.2% in 2011.

Life premiums / GDP (%)



Source: Insurance Europe

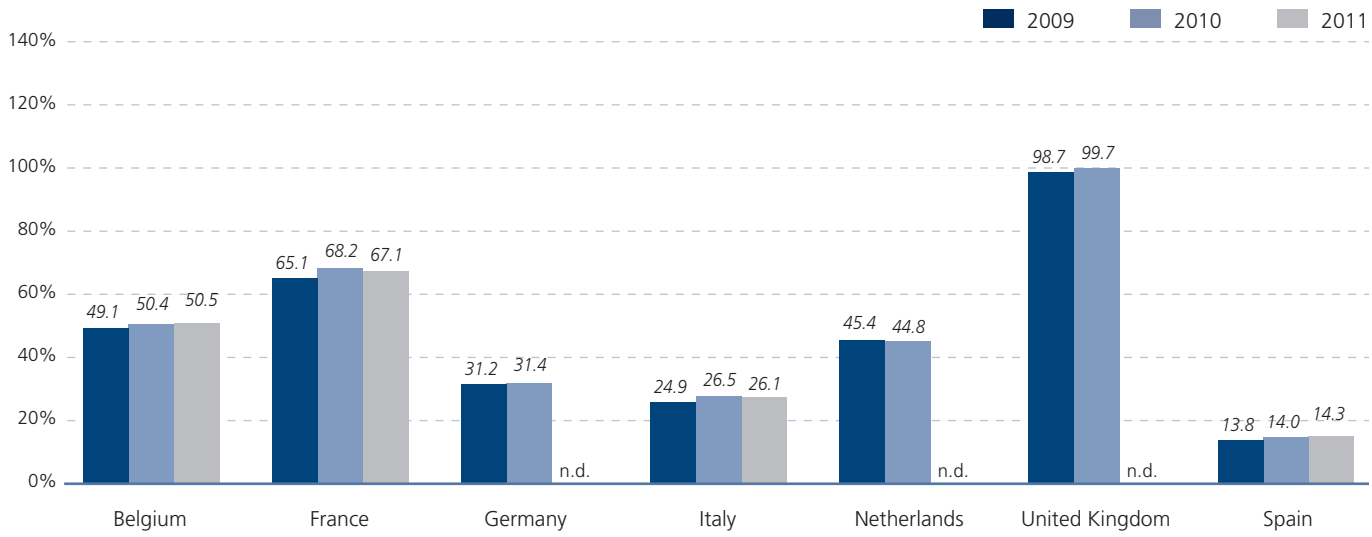
The trend of the index was positive only in the United Kingdom, with a value equal to 9.0% in 2011 (8.9% in 2010), and in Spain, where in 2011 it was equal to 2.7% (2.6% in 2010).

As regards life insurance provisions, due to the lack of data for 2011 for the Netherlands, the United Kingdom and Germany, for these three countries the analysis was restricted to the year 2010.

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 26.5% in 2010 to 26.1% in 2011. In Italy the ratio remained lower than in the other European countries except Spain, where the ratio passed from 13.8% in 2009 to 14.3% in 2011. In 2010 the United Kingdom continued to register the highest indicator (99.7% from 98.7% in 2009), followed by France where the ratio decreased from 68.2% in 2010 to 67.1% in 2011. In Belgium the ratio reached a value of 50.5% in 2011 (50.4% in 2010), whereas in 2010 the Netherlands and Germany registered respectively values of 44.8% and 31.4%.

In the non-life sector Italy again had the lowest ratio of premiums to GDP. In 2011 the indicator remained stable at 2.3% as the previous year (a slight decrease compared to the value of 2.4% in 2009) showing a large "gap" compared to the other European countries. The ratios in Belgium (2.9%), France (3.3%) and Germany (3.6%) were almost unchanged. Opposite trends are instead recorded in

Mathematical provisions / GDP (%)



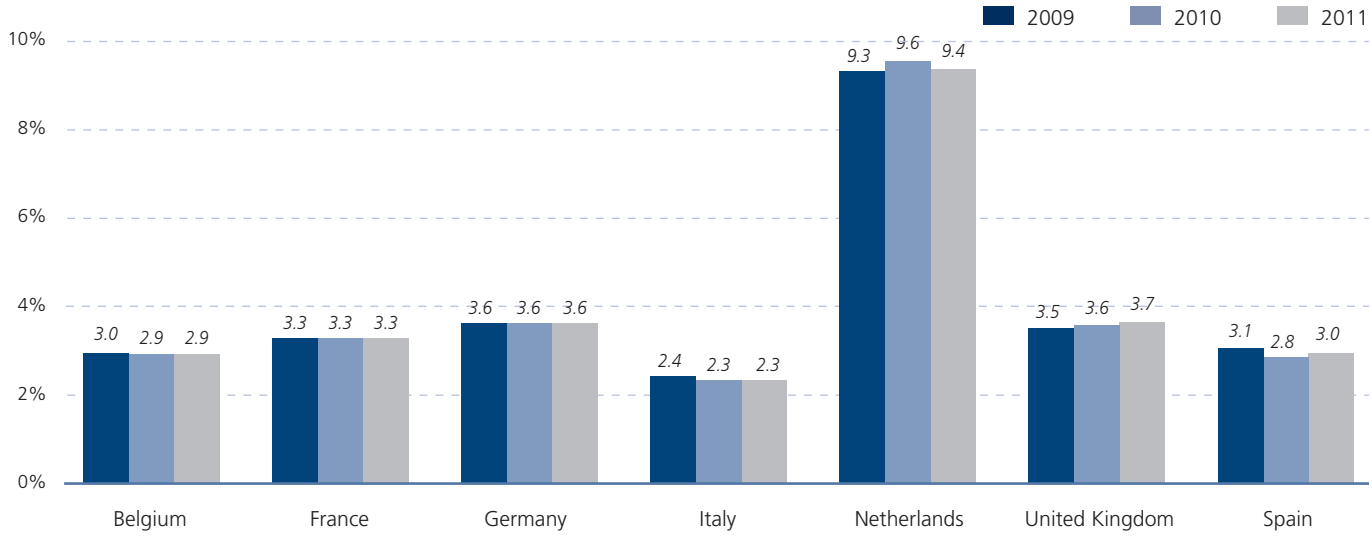
Source: Insurance Europe

the United Kingdom and Spain that respectively reached values in 2011 equal to 3.7% (3.6% in 2010) and 3.0% (2.8% in 2010).

Finally, the Netherlands, reflecting more positive effects in terms of premium collection from the privatization of the health system started in 2006, registered a value equal to 9.4 (9.6% in 2010), the highest in Europe and almost seven percentage points higher than the Italian ratio.

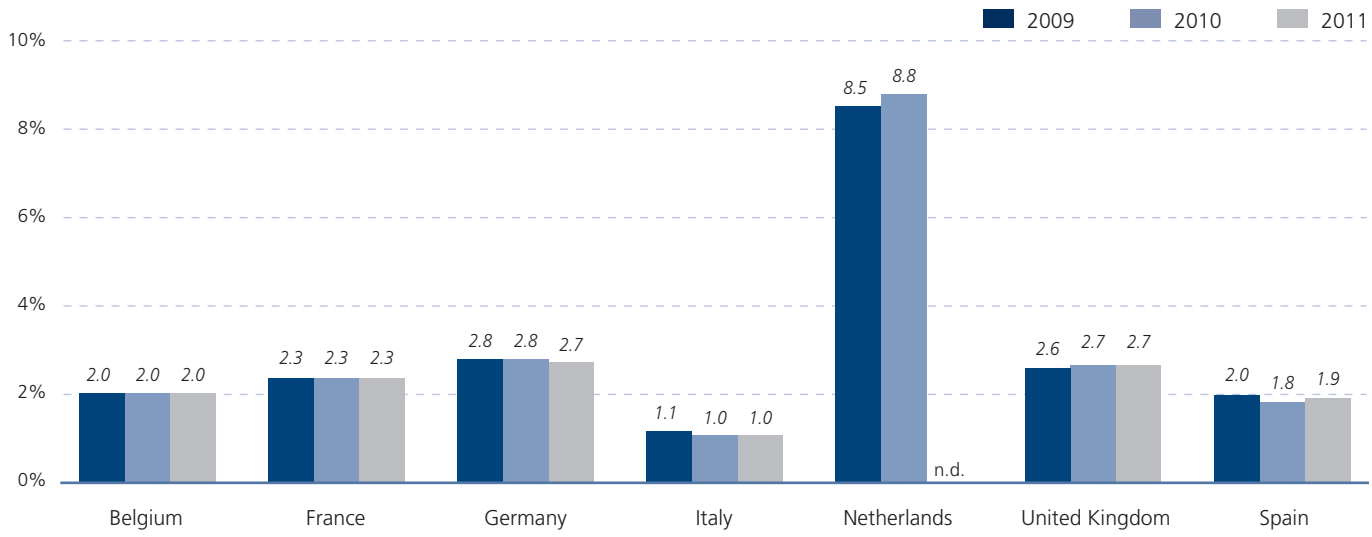
The gap between Italy and the other European countries looks even wider, in the non-life insurance "penetration" index, if motor liability premiums are excluded

Non-life Premiums / GDP (%)



Source: Insurance Europe

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



Source: Insurance Europe

(mandatory by law everywhere). In 2011 the ratio was equal to 1.0% in Italy, whereas it doubled for Belgium, Spain and more for France. Data remained unvaried compared to the previous year in the United Kingdom (2.7%) and slightly decreased in Germany (from 2.8% in 2010 to 2.7% in 2011).

TAXATION OF PREMIUMS IN THE EUROPEAN UNION

Once more this year the incidence of indirect taxation on insurance premiums in Italy is among the highest in the EU.

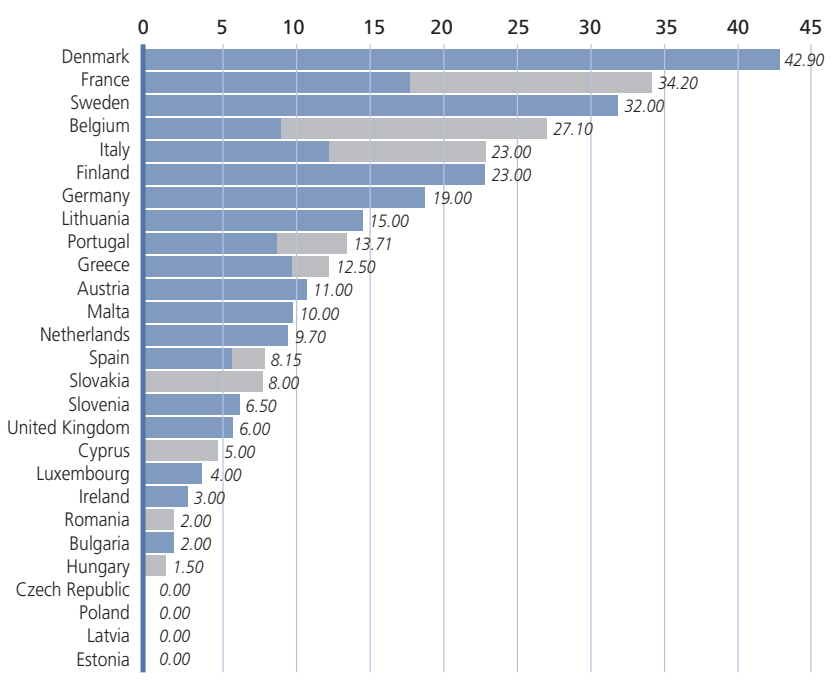
The following tables show details concerning motor insurance, fire, general liability and goods in transit.

In motor insurance, taxes and other charges amount to 23% of premiums, well above the European average of 18%. However, the percentage of the tax burden does not take into account the increases approved at local level by the many Italian provinces that have made use of the option granted to them by the provincial legislation on federalism, to increase or decrease the rate of 12.50% by 3.5 percentage points.

At the end of April only 20 provinces hadn't already increased taxes and only 3 had acted to reduce them.

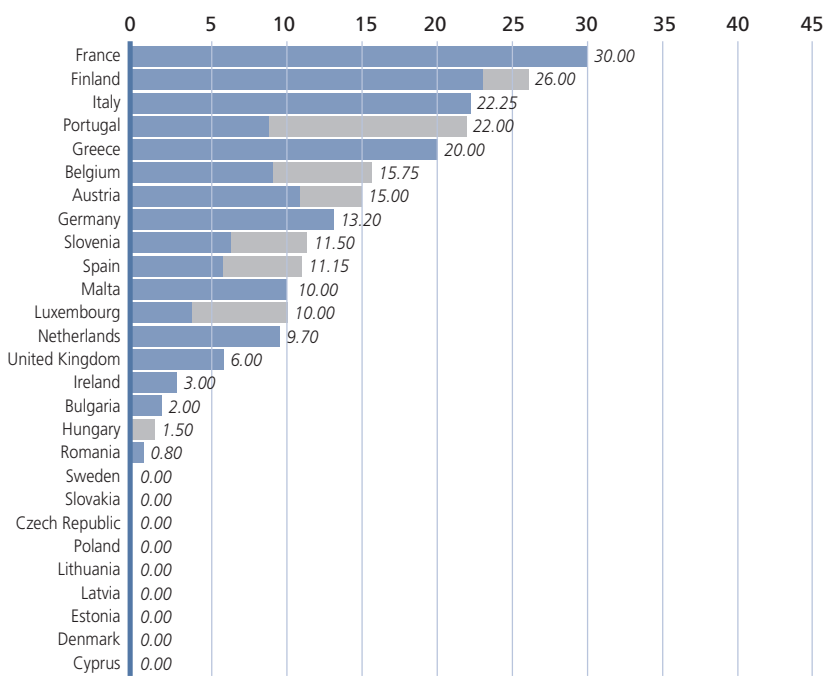
In 2011 tax revenue amounted, according to the Bank of Italy, to 2,3 billion, 17.5% more than in 2010. On average, the overall taxation in that class in our country is approaching 26%.

Motor (%)



Source: Insurance Europe

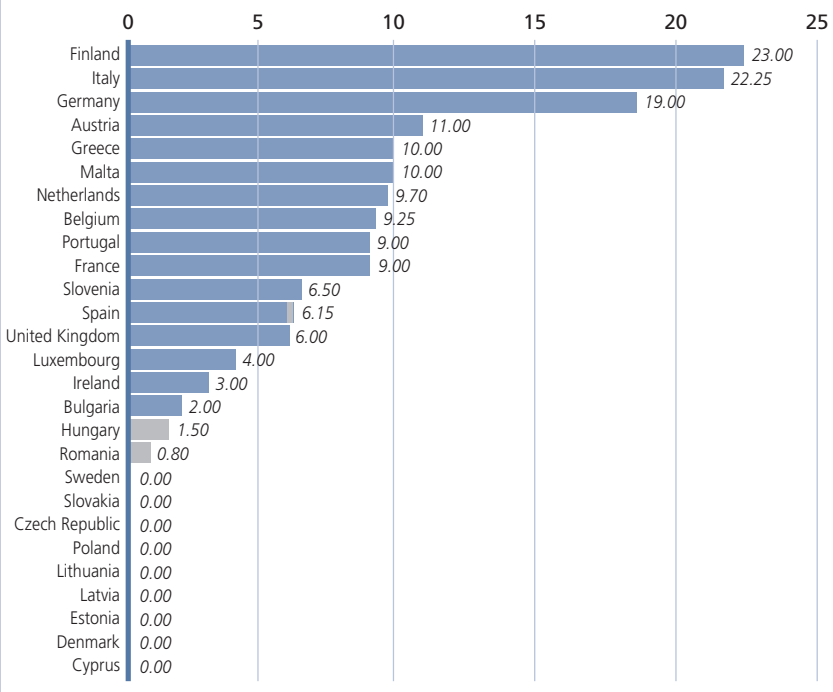
Fire (%)



Source: Insurance Europe

The tax rate on Italian fire insurance premiums, at 22.25%, is higher than in Germany and the United Kingdom (13.2% and 6% respectively), but it continues to be lower than in France (30%).

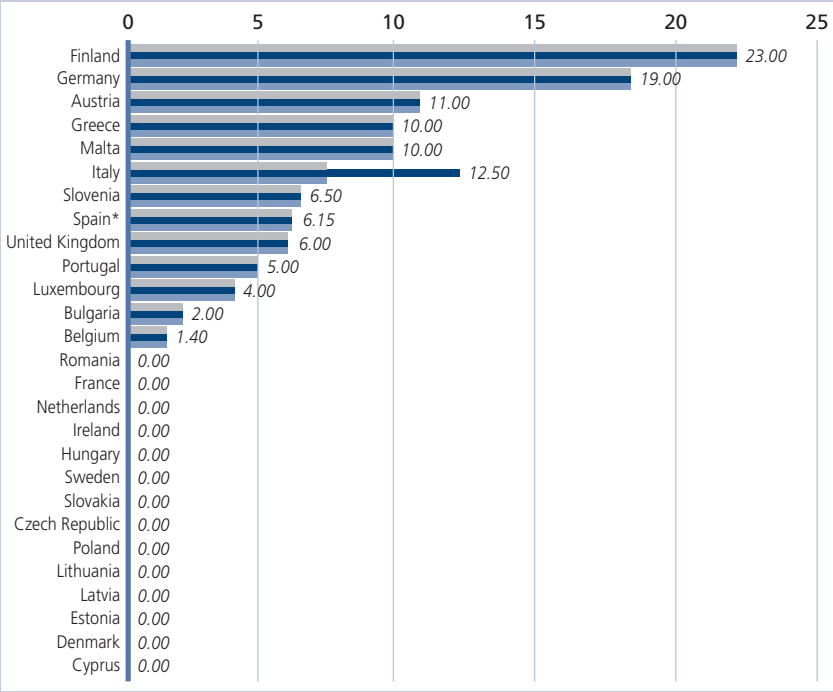
Aside from Finland (23%), the tax rate on Italian general liability insurance premiums is the highest in Europe (22.25%), exceeding the tax rates applied in Germany (19%), France (9%), Spain (6.15%) and the United Kingdom (6%).



General liability (%)

Taxes *Other charges*

Source: Insurance Europe



Goods in transit – Taxes (%)

Via air
Via land
Via sea

Source: Insurance Europe
(*) Spain's data include taxes (6.00) and other charges (0.15)

Unvaried remain shipping insurance premiums, 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 (23%), Germany (19%) and Austria (11%); a 6% tax rate is applied in the United Kingdom, whereas in France and in most other countries no such provision is established for these lines of business.

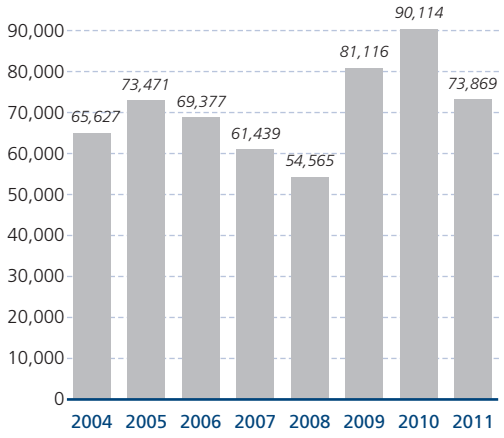
LIFE INSURANCE

3

LIFE INSURANCE

Direct Premiums

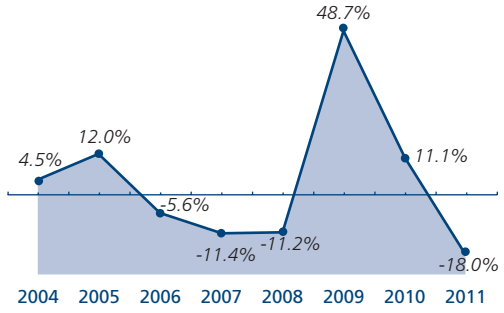
Euro million



In 2011 premiums in life insurance business decreased by 18% compared with 2010 to slightly under Euro 74 billion as the result of a reduction both in traditional policies (Class I and Class V) and in linked polices (Class III). The decrease in premiums, combined with an increase in benefits, cut the net cash flow almost to zero. And given the contraction in investment income to just over Euro 3 billion, the overall result of the technical account was negative, with a sharp worsening compared to 2010.

DOMESTIC BUSINESS

Direct Premiums – Annual growth rate

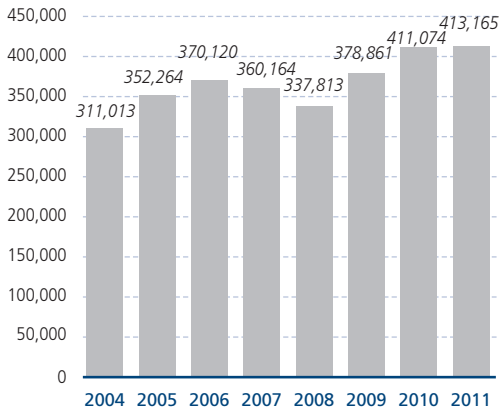


Premiums for direct domestic business for the 70 insurance companies operating in life classes amounted to Euro 73,869 million, with a decrease (-18.0%) compared to 2010 when life premiums registered an increase by 11.1%. The drop of life insurance is due to the strong financial market turmoil which characterized especially the second half of the year and to the steadily negative economic situation. Furthermore, life premium collection in 2011 increases in policyholders' demand for products offering minimum guarantees followed in 2009-2010. In 2011, the turnover of the life insurance sector was still higher by about 20% than the average one recorded in 2006-2008. In percentage, life premiums represented 67.0% of the total business (life and non-life) in 2011, with decrease in market share of over 4 percentage points compared to 2010. On the other hand premiums collected in Italy by companies operating under **freedom to provide services** – essentially Class III products (Linked) – increased. ANIA estimated that in 2011 the premiums written by these companies amounted to about Euro 13 billion, with a 10% increase compared to 2010.

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 73,974 million, with an 11% increase also due to the rise of surrenders compared to the previous year (+27%).

Total life technical reserves

Euro million



In 2011 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 and equal to Euro -104 million; both in 2009 and 2010 it had been positive for over Euro 23 billion.

The lack of a positive net cash flow contributed to the fact that **the change in mathematical and other technical provisions** was only equal to Euro 2,607 million, recording a strong reduction (it was equal to Euro 32,184 million in 2010).

The technical provisions were equal to Euro 413,165 million, thus increasing by 0.5% (+8.5% in 2010).

Life technical account

Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	65,627	73,471	69,377	61,439	54,565	81,116	90,114	73,869
Incurred claims (-)	34,313	43,710	57,804	74,316	65,547	57,198	66,801	73,974
Changes in technical provisions (-)	39,666	41,196	18,303	-10,245	-22,636	41,114	32,184	2,607
Balance of other technical items	476	697	633	468	104	19	-126	-273
Operating expenses (-)	3,864	4,308	4,589	4,681	4,056	4,090	4,300	3,796
Investment income	13,523	17,062	12,126	8,176	-11,030	23,996	12,617	3,028
Direct technical account result	**1,783**	**2,016**	**1,440**	**1,331**	**-3,328**	**2,730**	**-680**	**-3,752**
Reinsurance result and other items	249	327	471	292	320	442	366	321
Overall technical account result	**2,032**	**2,343**	**1,911**	**1,623**	**-3,008**	**3,172**	**-314**	**-3,431**
Net cash flow	**31,314**	**29,761**	**11,573**	**-12,877**	**-10,982**	**23,918**	**23,313**	**-104**
Annual % changes in premiums	4.5%	12.0%	-5.6%	-11.4%	-11.2%	48.7%	11.1%	-18.0%
Expense ratio	5.9%	5.9%	6.6%	7.6%	7.4%	5.0%	4.8%	5.1%
Investment income/Technical provisions	4.6%	5.1%	3.4%	2.2%	-3.2%	6.7%	3.2%	0.7%
Technical account result/Gross written premiums	**2.7%**	**2.7%**	**2.1%**	**2.2%**	**-6.1%**	**3.4%**	**-0.8%**	**-5.1%**
Overall technical account result/Gross written premiums	**3.1%**	**3.2%**	**2.8%**	**2.6%**	**-5.5%**	**3.9%**	**-0.3%**	**-4.6%**
Overall technical account result/Technical provisions	**0.70%**	**0.71%**	**0.53%**	**0.44%**	**-0.86%**	**0.89%**	**-0.08%**	**-0.85%**

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

Operating expenses were equal to Euro 3,796 million (Euro 4,300 million in 2010); 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 organization and operation of the distribution network. The decrease in operating expenses (-11.7%) was lower than premium decrease; the incidence increased from 4.8% in 2010 to 5.1% in 2011.

The result of investment income in 2011 was equal to Euro 3,028 million (it was equal to Euro 12,617 in 2010 and Euro 23,996 million in 2009). This issue weighed on the **result of the technical account for direct business** and reflected a loss of Euro -3,752 million (it was negative and equal to Euro -680 million in 2010). In 2011 the ratio to premiums declined to -5.1% from -0.8% in 2010.

The net result for reinsurance activities and indirect insurance business was positive at Euro 321 million (Euro 366 million in 2010).

The **overall technical account result** was negative by Euro 3,431 million (it was Euro -314 million in 2010). Clearly there was a deterioration both in the ratio to premiums (from -0.3% in 2010 to -4.6% in 2011) and in the ratio to technical reserves (from -0.08% in 2010 to -0.85% in 2011).

INDIVIDUAL LIFE CLASSES

Class I – Life insurance

Class I – Life

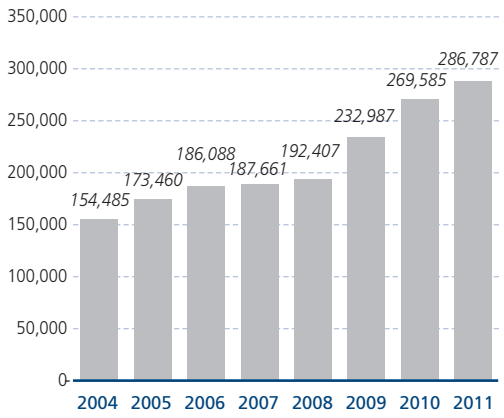
Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	30,101	33,871	32,746	27,166	31,430	64,741	67,844	56,699
Incurred claims (-)	16,761	18,253	23,064	28,995	29,745	28,974	35,683	44,008
Changes in technical provisions (-)	15,692	18,610	12,796	1,531	4,713	40,477	36,522	17,696
Balance of other technical items	-88	-41	-113	-192	-357	-337	-566	-760
Operating expenses (-)	2,048	2,365	2,634	2,811	2,845	3,284	3,316	3,075
Investment income	5,950	6,458	6,610	7,025	3,433	9,518	7,106	5,306
Direct technical account result	**1,462**	**1,060**	**749**	**662**	**-2,797**	**1,187**	**-1,137**	**-3,534**
Reinsurance result and other items	247	371	459	335	332	419	398	347
Overall technical account result	**1,709**	**1,431**	**1,208**	**997**	**-2,465**	**1,606**	**-739**	**-3,187**
Net cash flow	**13,340**	**15,618**	**9,682**	**-1,829**	**1,685**	**35,767**	**32,161**	**12,691**
Annual % changes in premiums	8.3%	12.5%	-3.3%	-17.0%	15.7%	106.0%	4.8%	-16.4%
Expense ratio	6.8%	7.0%	8.0%	10.3%	9.1%	5.1%	4.9%	5.4%
Investment income/Technical provisions	4.1%	3.9%	3.7%	3.8%	1.8%	4.5%	2.8%	2.0%
Technical account result/Gross written premiums	**4.9%**	**3.1%**	**2.3%**	**2.4%**	**-8.9%**	**1.8%**	**-1.7%**	**-6.2%**
Overall technical account result/Gross written premiums	**5.7%**	**4.2%**	**3.7%**	**3.7%**	**-7.8%**	**2.5%**	**-1.1%**	**-5.6%**
Overall technical account result/Technical provisions	**1.17%**	**0.87%**	**0.67%**	**0.53%**	**-1.30%**	**0.76%**	**-0.29%**	**-1.18%**
Premiums to total life premiums ratio (%)	*45.9%*	*46.1%*	*47.2%*	*44.2%*	*57.6%*	*79.8%*	*75.3%*	*76.8%*

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

Technical provisions – Class I – Life

Euro million



The **premiums for direct domestic business** collected by the 71 companies operating in this class amounted to Euro 56,699 million; the decrease was equal to 16.4% compared to 2010. It should be noted that the new business of these premiums was negatively correlated (-0.88 in the period from January 2005 to March 2012) with the trend in nominal interest rates offered by Italian government securities (Treasury bills 3 months); therefore the increase of Italian government securities' rate from about 0.7% (January 2011) to almost 2% (December 2011) helped to cut new life monthly business during the period from almost Euro 5 billion to about Euro 3 billion. However the ratio of premiums for the class to total life premiums rose from 75.3% in 2010 to 76.8% in 2011, mainly due to the fact that the premiums for the other more representative life classes declined, compared to 2010, by a higher percentage.

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, achieved Euro 44,008 million, in increase (+23.3%) compared to 2010. It is also due to the strong increase in surrenders which reached about Euro 30 billion (it was equal to Euro 21 billion in 2010).

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 positive at Euro 12,691 million, in decrease compared with 2010 when it was equal to Euro 32,161 million.

The **change in mathematical and other technical provisions** was equal to Euro 17,696 million, recording a decrease of more than 50% compared to 2010. The contribution of the net collection to the variation of the mathematical provisions, equal to 70%, decreased compared to 90% recorded in 2009 and 2010. The stock provisions during 2011 increased by 6.4% and reached the amount of Euro 286,787 million.

Operating expenses were equal to Euro 3,075 million (Euro 3,316 million in 2010). The ratio to premiums increased from 4.9% in 2010 to 5.4% in 2011.

Considering investment income (Euro 5,306 million), which decreased by 25% compared to 2010, the **result of the technical account for direct business** reflected a loss of Euro 3,534 million (it was negative at Euro 1,137 million in 2010). The ratio to premiums fell from -1.7% in 2010 to -6.2% in 2011.

The net result for reinsurance activities and indirect insurance business was positive at Euro 347 million.

The **overall technical account result** was negative at Euro -3,187 million. The incidence on premiums was equal to -5.6% (-1.1% in 2010), while the ratio to technical reserves declined from -0.29% in 2010 to -1.18% in 2011.

Class III – Life insurance linked to investment funds or index-linked insurance

Premiums for direct domestic business collected by the 64 insurance companies operating in this class amounted in 2011 to Euro 12,496 million (Euro 15,409 million in 2010). The reduction in premiums compared to 2010 was equal to almost 19% and is due to the decrease in both unit-linked and index-linked policies. Consequently the percentage in relation to overall direct life premiums decreased slightly from 17.1% in 2010 to 16.9% in 2011

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 23,485 million and registered a decrease compared to 2010 (-4.9%); surrenders, equal to about Euro 12 billion, registered a decrease of more than 3%.

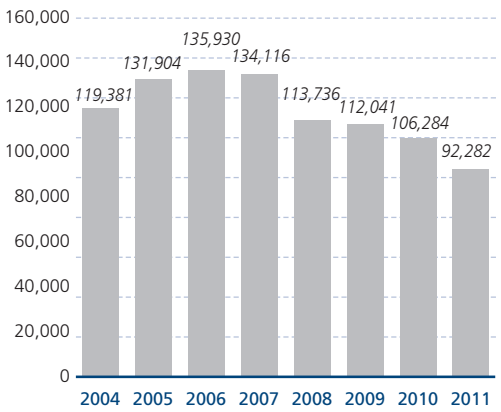
On the whole the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was for the fourth year in a row negative and equal to Euro 10,989 million (Euro -9,285 million in 2010).

Class III – Investment funds
Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	24,756	26,389	27,385	29,053	18,558	9,732	15,409	12,496
Incurred claims (-)	13,370	20,797	25,192	28,821	23,156	22,580	24,694	23,485
Changes in technical provisions (-)	16,146	12,634	4,220	-1,862	-20,215	-1,351	-5,712	-14,081
Balance of other technical items	589	757	759	671	467	370	445	423
Operating expenses (-)	1,614	1,706	1,747	1,661	1,072	632	837	582
Investment income	5,993	8,781	3,723	-418	-14,603	12,714	4,543	-2,683
Direct technical account result	**207**	**790**	**708**	**686**	**409**	**955**	**578**	**251**
Reinsurance result and other items	5	-45	16	-33	-9	18	-33	-23
Overall technical account result	**212**	**745**	**724**	**653**	**400**	**973**	**545**	**228**
Net cash flow	**11,386**	**5,592**	**2,193**	**232**	**-4,598**	**-12,848**	**-9,285**	**-10,989**
Annual % changes in premiums	-6.5%	6.6%	3.8%	6.1%	-36.1%	-47.6%	58.3%	-18.9%
Expense ratio	6.5%	6.5%	6.4%	5.7%	5.8%	6.5%	5.4%	4.7%
Investment income/Technical provisions	5.4%	7.0%	2.8%	-0.3%	-11.8%	11.3%	4.2%	-2.7%
Technical account result/Gross written premiums	**0.8%**	**3.0%**	**2.6%**	**2.4%**	**2.2%**	**9.8%**	**3.8%**	**2.0%**
Overall technical account result/Gross written premiums	**0.9%**	**2.8%**	**2.6%**	**2.2%**	**2.2%**	**10.0%**	**3.5%**	**1.8%**
Overall technical account result/Technical provisions	**0.19%**	**0.59%**	**0.54%**	**0.48%**	**0.32%**	**0.86%**	**0.50%**	**0.23%**
Premiums to total life premiums ratio (%)	*37.7%*	*35.9%*	*39.5%*	*47.3%*	*34.0%*	*12.0%*	*17.1%*	*16.9%*

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

Technical provisions
Class III – Investment funds
Euro million



The negative **change in mathematical and other technical provisions** increased from Euro -5,712 million in 2010 to Euro -14,081 million in 2011. The mathematical provisions stock declined by about 13% compared to the previous year.

Operating expenses were equal to Euro 582 million (Euro 837 million in 2010) while the ratio to premiums was 4.7%, with a reduction compared to 2009 (6.5%) and to 2010 (5.4%).

Despite the loss on the investment income (from Euro 4,543 million in 2010 to Euro -2,683 million in 2011), the **result of the technical account for direct business** was positive at Euro 251 million, although down compared to the value of 2010. As a consequence the ratio to premiums fell from 3.8% in 2010 to 2.0% in 2011.

The net result for reinsurance activities and indirect insurance business was negative at Euro 23 million.

The **overall technical account result** was positive at Euro 228 million (Euro 545 million in 2010). Both the ratio to premiums (equal to 1.8%) and the ratio to the technical reserves (equal to 0.23%) decreased with respect to 2010.

Class IV – Healthcare
Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	18	24	23	30	25	26	27	32
Incurred claims (-)	9	12	7	7	8	9	9	8
Changes in technical provisions (-)	2	2	3	6	3	4	6	6
Balance of other technical items	0	-2	0	1	-1	-1	-2	-2
Operating expenses (-)	2	3	3	3	3	5	4	8
Investment income	0	1	0	0	0	2	2	1
Direct technical account result	**5**	**6**	**10**	**15**	**10**	**9**	**8**	**10**
Reinsurance result and other items	-4	-5	-9	-12	-6	0	-0	0
Overall technical account result	**1**	**1**	**1**	**3**	**4**	**9**	**8**	**10**
Net cash flow	**9**	**12**	**16**	**23**	**17**	**17**	**18**	**24**
Annual % changes in premiums	9.2%	28.9%	-2.4%	32.8%	-17.1%	4.3%	4.1%	16.6%
Expense ratio	11.6%	12.5%	12.3%	9.9%	12.8%	18.0%	15.1%	23.9%
Investment income/Technical provisions	3.9%	5.6%	2.6%	3.0%	2.3%	6.6%	6.7%	2.5%
Technical account result/Gross written premiums	**27.7%**	**23.6%**	**42.7%**	**49.9%**	**40.9%**	**33.7%**	**30.6%**	**30.5%**
Overall technical account result/Gross written premiums	**3.5%**	**6.0%**	**2.3%**	**9.8%**	**17.4%**	**33.7%**	**29.8%**	**30.2%**
Overall technical account result/Technical provisions	**9.67%**	**14.93%**	**4.34%**	**18.32%**	**21.57%**	**37.43%**	**28.34%**	**28.94%**
Premiums to total life premiums ratio (%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*

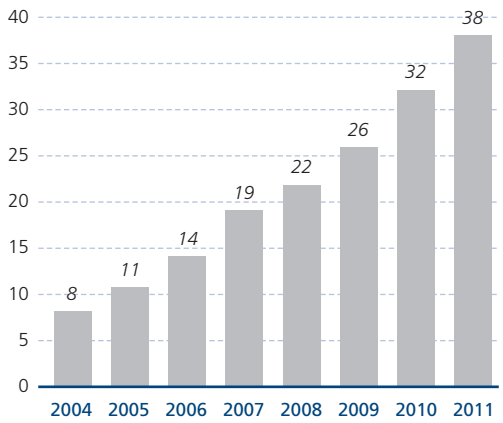
Indexes and changes (%) are calculated on data in Euro thousand

Class IV – Long-term healthcare insurance

Premiums for direct domestic business for the 33 insurance companies operating in this class amounted to Euro 32 million (+16.6% compared to 2010).

The **overall technical account result** was positive at Euro 10 million (Euro 8 million in 2010). The ratio to premiums was 30.2% (29.8% in 2010) whereas the ratio to the technical reserves was almost 29%.

Technical provisions
Class IV – Healthcare
Euro million



Class V – Capitalization operations

Premiums for direct domestic business for the 66 insurance companies operating in this class amounted to Euro 3,131 million, with a decrease of approximately 40% compared to 2010. The percentage of overall direct life premiums decreased from 5.7% in 2010 to 4.2% in 2011.

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 6,060 million (Euro 5,809 million in 2010).

Class V – Capitalization

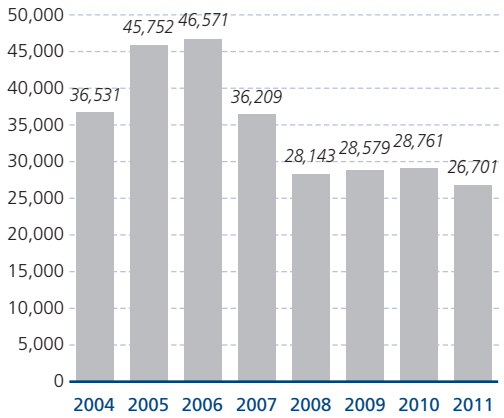
Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	10,554	12,692	8,938	4,469	3,196	5,078	5,154	3,131
Incurred claims (-)	4,149	4,615	9,478	16,380	12,494	5,461	5,809	6,060
Changes in technical provisions (-)	7,631	9,418	1,017	-10,562	-8,077	492	182	-1,999
Balance of other technical items	-29	-20	-19	-19	-23	-31	-29	48
Operating expenses (-)	190	223	188	177	101	136	110	87
Investment income	1,558	1,751	1,747	1,542	413	1,371	839	513
Direct technical account result	**113**	**167**	**-17**	**-3**	**-932**	**329**	**-137**	**-456**
Reinsurance result and other items	1	5	5	3	4	5	2	-3
Overall technical account result	**114**	**172**	**-12**	**0**	**-928**	**334**	**-135**	**-459**
Net cash flow	**6,405**	**8,077**	**-540**	**-11,911**	**-9,298**	**-383**	**-655**	**-2,929**
Annual % changes in premiums	26.2%	20.3%	-29.6%	-50.0%	-28.5%	58.9%	1.5%	-39.3%
Expense ratio	1.8%	1.8%	2.1%	4.0%	3.2%	2.7%	2.1%	2.8%
Investment income/Technical provisions	4.8%	4.3%	3.8%	3.7%	1.3%	4.8%	2.9%	1.9%
Technical account result/Gross written premiums	**1.1%**	**1.3%**	**-0.2%**	**-0.1%**	**-29.2%**	**6.5%**	**-2.6%**	**-14.6%**
Overall technical account result/Gross written premiums	**1.1%**	**1.4%**	**-0.1%**	**0.0%**	**-29.0%**	**6.6%**	**-2.6%**	**-14.7%**
Overall technical account result/Technical provisions	**0.35%**	**0.42%**	**-0.03%**	**0.00%**	**-2.88%**	**1.18%**	**-0.47%**	**-1.66%**
Premiums to total life premiums ratio (%)	*16.1%*	*17.3%*	*12.9%*	*7.3%*	*5.9%*	*6.3%*	*5.7%*	*4.2%*

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

Technical provisions – Class V – Capitalization

Euro million



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 and equal to Euro -2,929 million, in decrease compared to 2010 (Euro -655 million).

The **change in mathematical and other technical provisions** was negative at Euro -1,999 million (Euro 182 million in 2010).

Operating expenses were equal to Euro 87 million (Euro 110 million in 2010). The ratio to premiums came up from 2.1% in 2010 to 2.8% in 2011.

Considering the decrease in investment income of Euro 513 million, the **result of the technical account for direct business** was negative at Euro 456 million (it was negative and equal to Euro 137 million in 2010).

The net result for reinsurance activities and indirect insurance business was negative at Euro 3 million.

The **overall technical account result** was negative at Euro 459 million (it was Euro -135 million in 2010).

Class VI – Pension funds

Euro million

	2004	2005	2006	2007	2008	2009	2010	2011
Gross written premiums	198	495	285	720	1,356	1,539	1,679	1,512
Incurred claims (-)	24	33	64	113	146	173	606	413
Changes in technical provisions (-)	194	532	267	643	939	1,492	1,185	986
Balance of other technical items	3	4	7	9	18	17	26	17
Operating expenses (-)	10	11	17	29	35	33	34	44
Investment income	23	71	46	26	-273	392	127	-108
Direct technical account result	**-4**	**-6**	**-10**	**-30**	**-19**	**250**	**8**	**-22**
Reinsurance result and other items	0	0	0	0	0	0	-1	0
Overall technical account result	**-4**	**-6**	**-10**	**-30**	**-19**	**250**	**7**	**-22**
Net cash flow	**174**	**462**	**221**	**607**	**1,210**	**1.366**	**1.073**	**1.099**
Annual % changes in premiums	54.4%	150.4%	-42.4%	152.5%	88.3%	13.5%	9.1%	-9.9%
Expense ratio	5.0%	2.3%	6.0%	4.0%	2.6%	2.2%	2.0%	2.9%
Investment income/Technical provisions	4.4%	8.2%	3.5%	1.4%	-9.6%	9.0%	2.2%	-1.6%
Technical account result/Gross written premiums	**-2.0%**	**-1.2%**	**-3.4%**	**-4.1%**	**-1.4%**	**16.2%**	**0.5%**	**-1.5%**
Overall technical account result/Gross written premiums	**-2.0%**	**-1.2%**	**-3.4%**	**-4.1%**	**-1.4%**	**16.2%**	**0.4%**	**-1.5%**
Overall technical account result/Technical provisions	**-0.79%**	**-0.66%**	**-0.74%**	**-1.62%**	**-0.68%**	**5.73%**	**0.12%**	**-0.34%**
Premiums to total life premiums ratio (%)	*0.3%*	*0.7%*	*0.4%*	*1.2%*	*2.5%*	*1.9%*	*1.9%*	*2.0%*

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

Class VI – Pension fund management

Premiums for direct domestic business for the 40 insurance companies operating in this class amounted to Euro 1,512 million, with a 9.9% decrease compared to 2010, when the premiums collection amounted to Euro 1,679 million.

Amounts paid for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 413 million (Euro 606 million in 2010).

The **change in mathematical and other technical provisions** was equal to Euro 986 million, down compared to 2010 when it was Euro 1,185 million.

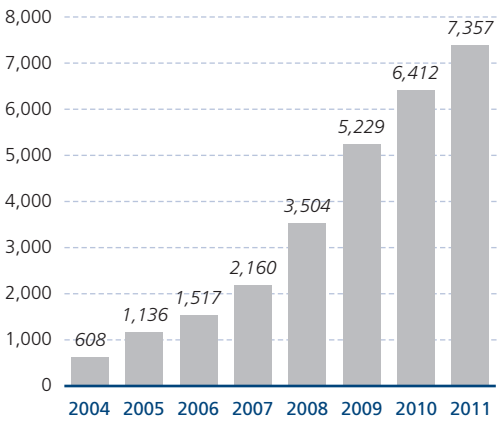
Operating expenses were equal to Euro 44 million (Euro 34 million in 2010). The ratio to premiums was 2.9% (2.0% in 2010).

Considering investment incomes (Euro -108 million), the **result of the technical account for direct business** was negative at Euro 22 million (Euro 8 million in 2010).

The **overall technical account result** was negative by the same amount, since the net result for reinsurance activities was nil in 2011.

Technical provisions – Class VI – Pension funds

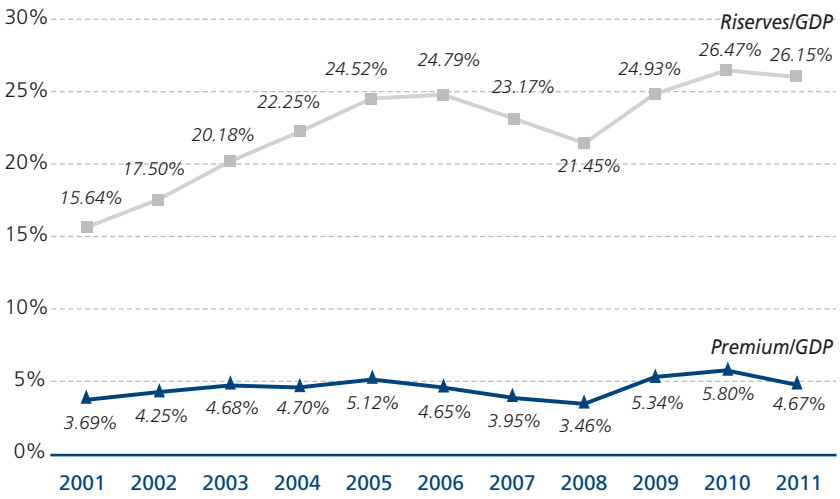
Euro million



LIFE INSURANCE AND GDP

The slight growth of the technical reserves in 2011 (+0.5%) determined a substantial stability of the ratio of mathematical reserves to GDP (equal to 26.15%). The ratio of life premiums to GDP decreased by about 1 percentage point in 2011 and was equal to 4.67%, after leaping from 5.34% in 2009 to 5.80% in 2010.

Premiums and reserves as a % of GDP



THE EVOLUTION OF THE SUPPLY OF LIFE PRODUCTS IN THE LAST FIVE YEARS

Estimates of the share of guaranteed savings pertaining to life products

On the basis of available insurance company data and using a number of proxies and assumptions, we can estimate the share of the stock of insurance companies' reserves whose end-of-contract value is guaranteed by the companies.

For 2011 the share is estimated at just over three quarters of the reserves set aside by insurance companies (Figure 1). In particular, "with-profit policies" and profit-sharing policies (Class I and Class V products) account for 75% of the total reserves (70% in 2010) and Class III and Class VI products for an additional 2.5% (5% in 2010).

The share of savings whose value at policy maturity is guaranteed by the companies comprises:

– the reserves for with-profit and profit-sharing policies;

– the reserves for unit-linked products that are invested in internal funds/UCITS which insurance companies classify as "guaranteed";
– the reserves corresponding to index-linked products backed by the insurer's guarantee;
– the reserves invested in the guaranteed sub-funds of pension funds.

The remaining portion of the reserves set aside by insurance companies amounted to just under 25% at the end of 2011; around three-fifths of this portion was invested in products in which the insured are exposed to the performance of associated funds or sub-funds (mostly unit-linked policies and pension funds) and two-fifths in products with explicit or implicit protection mechanisms based on financial instruments (for example, "protected" unit-linked policies or index-linked products tied to structured financial portfolios that provide for at least the premium to be repaid to the policyholder at the contract's maturity).

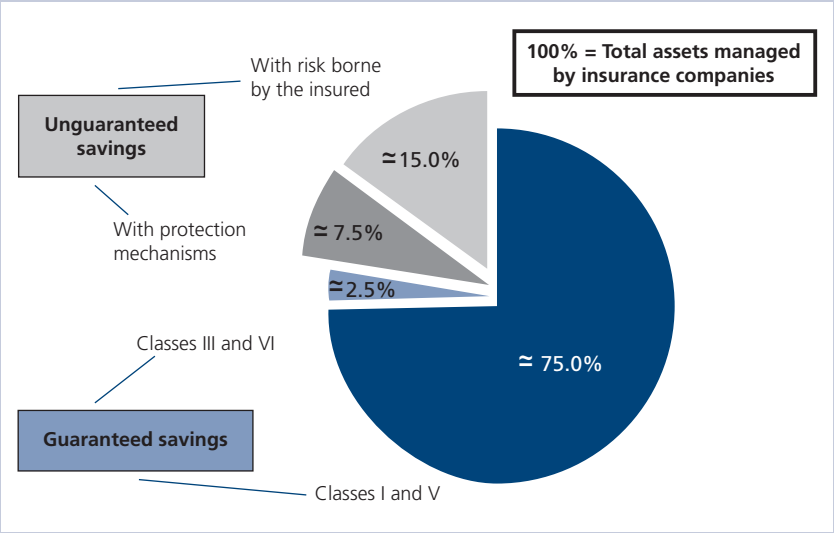


Figure 1
% Composition of the assets managed by insurance companies: estimates for 2010

Source: Based on ISVAP and COVIP data

Asset allocation of life products

Using industry statistics and adopting some additional proxies and assumptions, we can also estimate the effective asset allocation of life products on the basis of balance-sheet data on assets covering reserves ([1]).

At the end of 2011 government securities made up more than half of the assets covering the commitments deriving from life products, corporate bonds about three-tenths and shares one-tenth (Table 1).

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

Table 1
Asset allocation of life products in 2011
(%)

Macro-asset class	Asset allocation corresponding to life products			
	Total life market	Sub-total proft-sharing products	Sub-total class III and VI products	
			All class III and VI products	*of which: unit-linked*
Government securities	53.9%	65.5%	17.9%	24.3%
Bonds	31.3%	24.9%	51.2%	32.7%
Shares and other equity	9.9%	4.3%	27.1%	37.3%
Liquidity	2.5%	2.1%	3.7%	5.8%
Property and other	2.4%	3.2%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Sources: Based on ISVAP and COVIP data

For with-profit and profit-sharing products offering guaranteed minimum returns, the portion of government securities rises to nearly two-thirds while that of corporate bonds falls to less than a quarter and shares to 4.3%.

For Class III and Class VI products, where the results of the investment are typically linked to the performance of the financial markets, we find an evident search for a higher combination of risk and return. In particular, shares made up more than a quarter of the total portfolio and corporate bonds more than half, thanks in part to their importance in respect of index-linked policies.

Examining the trend in asset allocation corresponding to all life products in recent years (Figure 2), we find a return to the primacy of government securities with respect to corporate bonds. In 2008 the portions invested in these two asset classes were about the same; in 2002 there had been a gap of about 20 percentage points in favor of government securities. Over the same period the portion invested in equities gradually declined, while the share invested in liquid assets, real estate and other assets remained roughly unchanged.

Restricting our discussion to life products with a return guaranteed by the company (Figure 3), we see a partial shift in the composition of the financial portfolio back towards government securities, which in 2011 accounted for nearly two-thirds of the total, down from close to 70% in the early 2000s but up from less than 60% in 2008-09. This trend is mirrored by the portion invested in corporate bonds, which after topping 30% in 2008-09 fell back at the end of last year to approach the levels recorded up to the mid-2000s (i.e. close to 20%). The portion invested in shares is more stable, always within 1 percentage point of 6%. At all events, it should be borne in mind that for life products carrying a guaranteed minimum yield the actual yield for the policyholder is not a direct mark-to-market function of the corresponding asset allocation, owing both to the contractual guarantees and to the specific method of determining the return (valuation of assets at cost and impact of capital gains/losses only if realized).

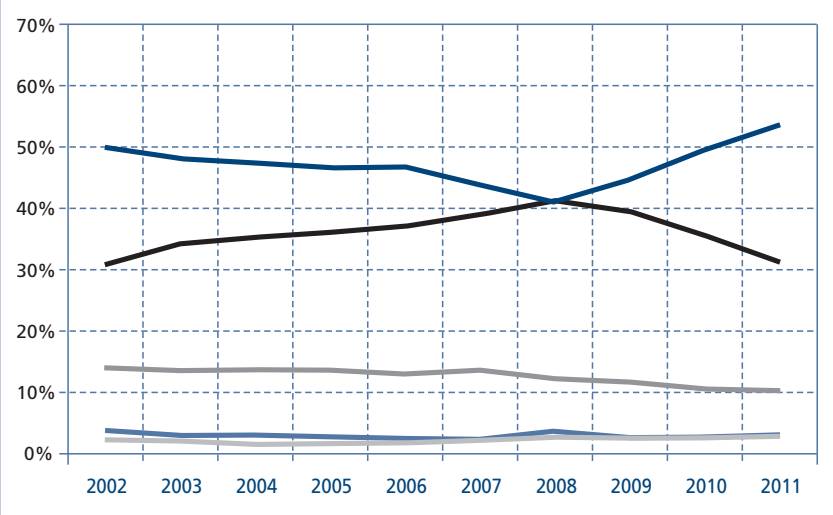


Figure 2
Evolution of asset allocation of total life products

Government securities
Bonds
Shares
Liquidity
Property and other

Source: Based on ISVAP data

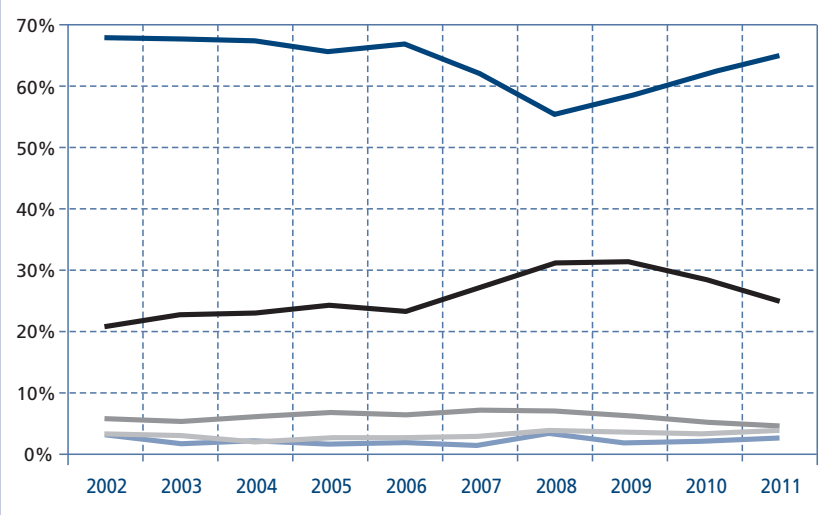


Figure 3
Evolution of asset allocation of profit-sharing life products
(%)

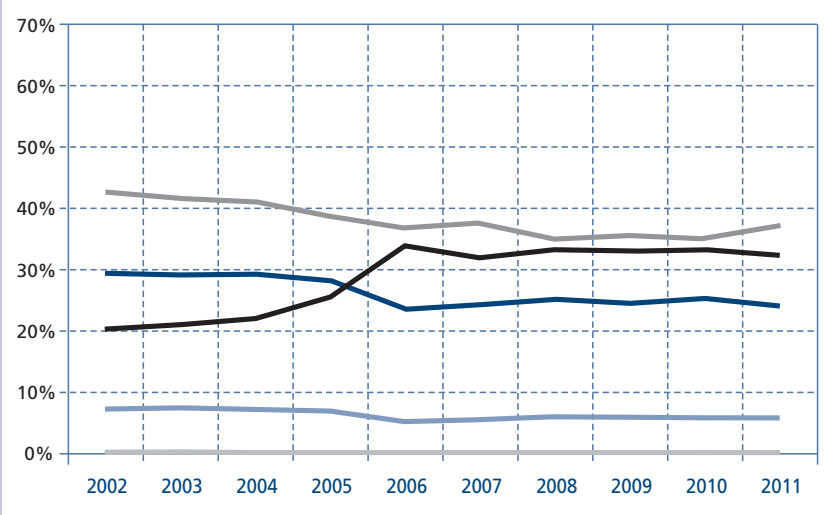
Government securities
Bonds
Shares
Liquidity
Property and other

Source: Based on ISVAP data

Lastly, the asset allocation corresponding to unit-linked policies includes a larger dose of equities, whose portion of the portfolio has nevertheless gradually diminished in recent years to the benefit of fixed-income securities, especially corporate bonds (Figure 4).

In particular, in 2011 shares made up close to four-tenths of the total, whereas they had exceeded that threshold in the early 2000s; corporate bonds now stably account for about a third of the total portfolio, compared with just over one-fifth in the early 2000s.

Figure 4
Evolution of asset allocation of unit-linked products
(%)



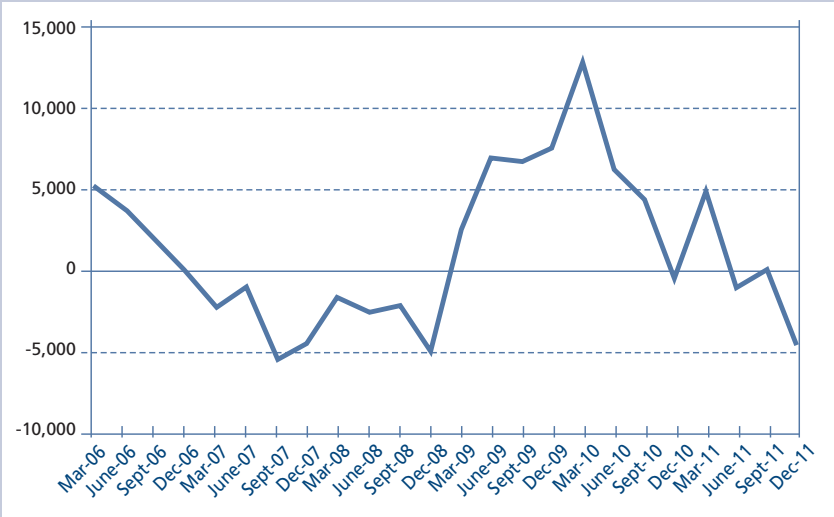
Source: Based on ISVAP data

The evolution of net premium income in the life sector

In the period 2006-11 the quarterly performance of net premium income in the life sector – the difference between premiums and amounts paid for surrenders, policies maturing, claims and annuities – seesawed between positive periods (all of 2006 and the entire two years 2009-10) and negative periods (Figure 5).

For traditional policies and those offering a guaranteed return (Class I and Class V), in the same years there was a significant negative correlation between net premium income and the nominal rates on Italian government securities (Figure 6). Thanks to specific features of the separate asset portfolios to which the majority of traditional policies are linked, these policies can be an especially attractive alternative for customers when government securities yields fall below the returns that traditional insurance contracts can guarantee.

Figure 5
Net premium income in each quarter, 2006-2011
Euro million



Source: ANIA

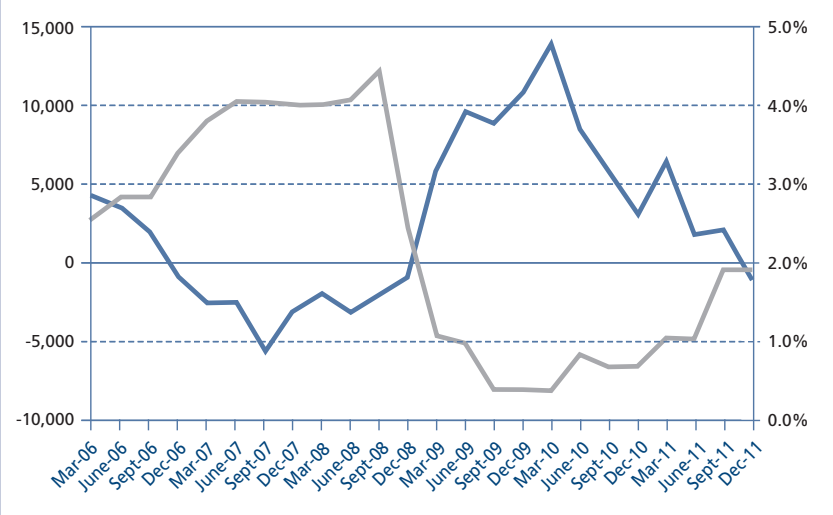


Figure 6
Net premium income of traditional policies in each quarter and yield on Italian Treasury bills (BOTs), 2006-2011

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

Sources: ANIA, Thomson Reuters Datastream

For linked policies, the quarterly series of net premium income in the period 2006-11 shows a progressive deterioration, with net premium income becoming negative practically from 2008 on and a positive correlation with the performance of Italy's FTSE-MIB stock exchange index (Figure 7).

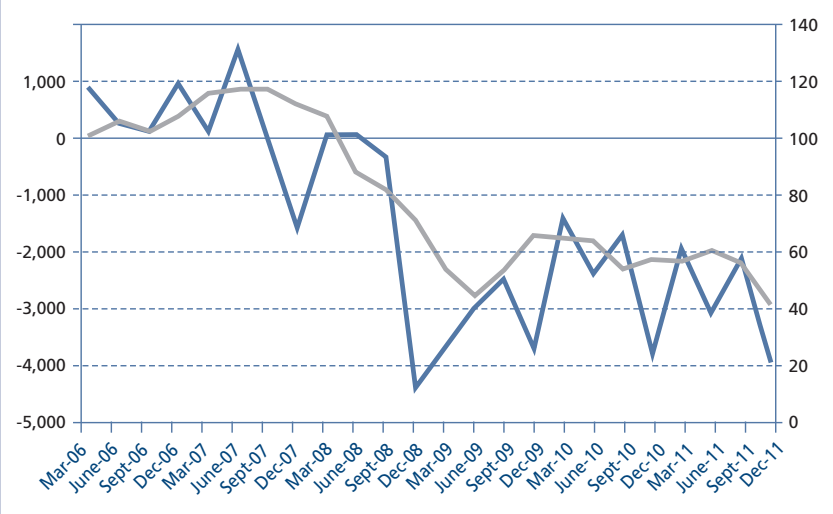


Figure 7
Net premium income of linked policies in each quarter and FTSE MIB index, 2006-2011

Net premium income (Class III) in Euro million (left-hand scale)
Observations of basic index, 1 January 2006 = 100 (right-hand scale)

Sources: ANIA, Thomson Reuters Datastream

LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

Italian households' nominal disposable income recorded growth of 2% in 2011, up from 1% in 2010 (Table 1). However, their real purchasing power fell by 0.6%, after declining by 0.5% in 2010, as the average annual rate of consumer price inflation accelerated from 1.5% to 2.8%.

The chief determinant of the trend in households' disposable income was earnings from payroll employment, which accounted for nearly 43% of the total and grew by 1.8% in 2011 (1.1% in 2010). There was a further gain in the share of income from self-production (imputed rent and ordinary maintenance of owner-occupied dwellings, value of domestic services), up by 4.5% (2.7% in 2010), which accounted for nearly 12% of total disposable income. Property income fell by 1.9% after dropping by 7.0% in 2010, reflecting the collapse in dividends (-17.7% compared with -3.4% in 2010), which was mitigated by the improvement in net interest income (up 7.8%, against a decline of 10.8% in 2010); other property income (rentals of land and income of the insured in respect of the return on insurance technical reserves) registered another moderate decline (-3.9%; -2.6% in 2010).

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

	2008	2009	2010	2011
Gross operating result (a) (+)	7.1	1.1	2.7	4.5
Compensation of employees (b) (+)	3.9	-1.1	1.1	1.8
Transferred share of mixed income (+)	-0.6	-2.9	0.2	2.4
Net property income (+)	-0.5	-30.6	-7.0	-1.9
of which:				
Net interest	*11.2*	*-35.5*	*-10.8*	*7.8*
Dividends	*-18.1*	*-34.7*	*-3.4*	*-17.7*
Other net property income (c)	*0.7*	*-6.7*	*-2.6*	*-3.9*
Other profits distributed by corporations and quasi-corporations (+)	-4.3	-4.8	3.9	-1.0
Gross primary income (d)	**2.2**	**-4.4**	**0.9**	**1.7**
Current taxes on income and wealth (-)	5.2	-2.9	2.4	0.1
Net social contributions (e) (-)	6	-1.6	0.8	1.2
Net social benefits (+)	4.9	4.8	2.5	2.3
Other net transfers (f) (+)	-5.5	-5.5	8.4	25.9
Gross disposable income (g)	**1.6**	**-2.6**	**1.1**	**2.0**
Adjustment for change in net equity of households in pension funds (+)	19.7	-8.8	-9.5	-19.0
Final consumption expenditure (-)	2.3	-1.7	2.7	2.9
Gross saving (h)	**-2.5**	**-9.5**	**-12.5**	**-7.0**
Capital taxes (-)	72.6	1,104.10	-77.0	-56.3

Source: ISTAT, Conti economici nazionali

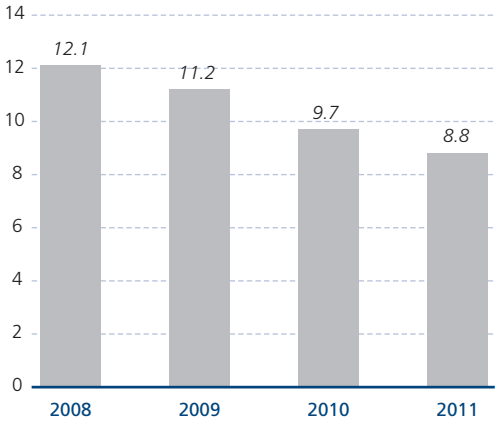
(a) Net proceeds from activities connected with production for self-consumption. They include the value of imputed rents (owner-occupied dwellings and ordinary maintenance) and the value of domestic services; (b) Domestic incomes plus net incomes from abroad; (c) Rentals of land and property income attributed to the insured in respect of the yields of insurance technical reserves; (d) Operating result plus compensation of employees, share of mixed income transferred by producer households, net property income and other profits distributed by corporations and quasi-corporations; (e) Actual social contributions (including amounts transferred to severance pay funds) and notional contributions paid by consumer households, net of those received as employers; (f) Insurance premiums net of claims payments, net transfers to/from general government, non-profit institutions serving households and rest of the world; (g) Primary income minus current taxes and net social contributions, plus net social benefits and net current transfers; (h) Gross disposable income minus final consumption expenditure, plus adjustment for change in net equity of households in pension funds

Current taxes were practically unchanged (up by only 0.1% compared with the previous year's increase of 2.4%), while net social contributions registered another slight rise (1.2%, against 0.8% in 2010).

Households' final consumption outpaced disposable income, determining a further reduction of 0.9 percentage points in the household saving rate, the eighth consecutive yearly decline since 2004. Gross of debt amortizations and net of changes in pension fund reserves, the flow of saving fell to 8.8% of gross disposable income, the lowest figure since 1990 (Figure 1).

The crisis has had a greater impact on the saving capacity of lower-income and younger households. According to the Bank of Italy's Survey on Household Income and Wealth, between 2008 and 2010 the median propensity to save fell by more than half a percentage point; the reduction was sharper, exceeding 4 percentage points, for households whose head was younger than 35 and for those in the lowest income quartile, whose propensity to save fell virtually to nil in the two years.

Figure 1 – Saving rate of consumer households (% 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

Financial saving

In 2011 the net flow of financial investment by Italian households and non-profit institutions (for brevity, simply "households") amounted to nearly Euro 41 billion, down by more than one-third from the previous year's figure of Euro 62 billion (Table 2). However, the decline in the flow of investment in financial assets was offset by an equally steep fall in new borrowing (from Euro 39 billion to Euro 21 billion), largely ascribable to financial institutions' tightening of the conditions on medium- and long-term loans.

As a consequence financial saving – the difference between the flows of financial assets and liabilities – diminished slightly, from Euro 23 billion to Euro 20 billion (1.3% of nominal GDP).

Last year saw another inversion in the trend of households' investment preferences. The net flow toward fixed-income assets issued by domestic issuers, especially public institutions, turned positive, draining substantial resources from riskier investments. The largest net inflow went to securities issued by general government entities (Euro 61 billion, against a net outflow of Euro 18 billion in 2010). Bank instruments attracted a net inflow of Euro 6.5 billion, against a net outflow of Euro 24 billion in 2010. The net inflow into postal instruments (including instruments issued by Cassa Depositi e Prestiti) shrank to Euro 4 billion from Euro 12 billion. The inflow of net investment in shares and other equity was just one-fifth of the previous year's amount (Euro 11 billion, against Euro 53 billion).

These inflows were stoked in part by further outflows from investment funds (Euro 23 billion, against Euro 2 billion in 2010) and from other external assets (Euro 14 billion against Euro 1 billion in 2010), and also by outflows from corporate bonds (Euro 17 billion, compared with an inflow of Euro 5 billion in 2010).

Table 2 – Financial assets of Italian households

INSTRUMENTS	YEAR-END STOCKS				FLOWS			
	Euro million		% of total		Euro million		% of total	
	2010	2011	2010	2011	2010	2011	2010	2011
Notes and coins	113,067	118,003	3.1	3.3	5,304	6,363	8.6	15.5
Bank instruments	1,010,304	1,014,505	27.7	28.5	-23,960	6,544	-38.7	16.0
of which: *sight deposits*	510,623	497,836	14.0	14.0	-10,140	-6,244	-16.4	-15.2
other deposits	131,303	143,010	3.6	4.0	-4,152	-757	-6.7	-1.8
medium- and long-term securities	364,731	373,659	10.0	10.5	-9,669	13,545	-15.6	33.0
Post-office deposits and other post-office funding	324,610	330,151	8.9	9.3	11,904	4,363	19.2	10.6
Government securities	156,834	200,011	4.3	5.6	-17,635	61,329	-28.5	149.6
of which: *short-term*	10,942	24,294	0.3	0.7	-13,355	14,064	-21.5	34.3
medium- and long-term	142,245	175,717	3.9	4.9	-4,280	47,265	-6.9	115.3
Medium- and long-term corporate securities	3,647	2,990	0.1	0.1	4,577	-17,388	7.4	-42.4
Investment fund units	233,428	208,355	6.4	5.9	-1,968	-22,661	-3.2	-55.3
of which: *Italian*	142,245	118,821	3.9	3.3	-19,300	-26,601	-31.1	-64.9
foreign	87,535	89,534	2.4	2.5	17,332	3,940	28.0	9.6
Shares and other equity	827,939	703,864	22.7	19.8	53,375	11,459	86.1	28.0
of which: *Italian*	787,819	663,688	21.6	18.7	51,811	9,447	83.6	23.0
foreign	40,120	40,176	1.1	1.1	1,564	2,012	2.5	4.9
Other external assets	200,602	177,566	5.5	5.0	-1,425	-14,365	-2.3	-35.0
of which: *deposits*	32,826	29,841	0.9	0.8	-3,153	847	-5.1	2.1
short-term securities	-	402	0.0	0.0	11	43	0.0	0.1
medium- and long-term securities	164,129	147,323	4.5	4.1	1,717	-15,256	2.8	-37.2
Insurance. pension fund reserves and severance pay entitlements	671,105	678,878	18.4	19.1	27,711	4,687	44.7	11.4
of which: *reserves of the life sector*	415,793	417,497	11.4	11.7	23,837	10	38.5	0.0
Other assets	116,714	119,507	3.2	3.4	4,092	653	6.6	1.6
Total assets	**3,647,308**	**3,554,132**	**100.0**	**100.0**	**61,975**	**40,985**	100.0	100.0
Total liabilities	**921,857**	**935,916**	**100.0**	**100.0**	**38,620**	**20,749**		
BALANCE	**2,725,451**	**2,618,216**			**23,355**	**20,236**		

Source: Based on Banca d'Italia, Conti finanziari

Lastly, in 2011 Italian households significantly reduced their net acquisitions of assets in the form of life insurance policies, with net inflows falling from Euro 24 billion in 2010 to practically nil.

At the end of 2011 the stock of financial assets held by Italian households amounted to Euro 3,554 billion, down by Euro 90 billion or 2.5% from a year earlier; the decline was due to the depreciation of assets. As to the composition of the aggregate portfolio, the portion invested in government securities increased by 1.3 percentage points while that invested in shares and other equity declined by 2.9 points. All the other components recorded changes of less than one per-

centage point; these included a slight increase (0.3 points) in the portion invested in life insurance reserves.

According to Bank of Italy calculations based on ISTAT data, households' net wealth was equal to nearly 8 times disposable income in 2011, compared with a multiple of 8.3 in 2010. With investment in real assets broadly stable, the decline in Italian households' saving was reflected in a significant reduction in net financial wealth, which was equal to 2.38 times disposable income on 31 December 2011 compared with 2.56 times at the end of 2010 (Table 3).

Country	Financial assets			Net financial wealth		
	2007	2010	2011	2007	2010	2011
Italy	**3.52**	**3.42**	**3.24**	**2.76**	**2.56**	**2.38**
France	2.94	3.01	2.91	2.06	2.07	1.96
Germany	2.77	2.76	2.70	1.81	1.85	1.80
Spain	2.83	2.53	2.43	1.44	1.16	1.11
Euro area	3.13	3.09	3.00	2.08	1.99	1.92
United Kingdom	4.62	4.43	4.28	2.89	2.85	2.75
United States	4.85	4.34	4.19	3.50	3.12	3.01
Japan	4.95	4.90	-	3.71	3.69	-

Table 3 – Households' financial assets in relation to disposable income

Sources: Banca d'Italia and ISTAT for the Italian data. For the other countries: Banque de France and INSEE (France); Deutsche Bundesbank (Germany); Banco de España (Spain); Eurostat and ECB (for the euro area); Bank of England and Central Statistical Office (United Kingdom); Federal Reserve System-Board of Governors and Bureau of Economic Analysis (United States); Bank of Japan and Cabinet Office (Japan)

SUPPLEMENTARY PENSION PLANS: ENROLMENTS AND NEW REGULATIONS

Enrolments

COVIP data on enrolments in supplementary pension plans as of 31 December 2011 confirm the slow pace of growth registered in previous years. In 2011 the number of participants increased by some 250,000 (5.0%) to reach a total of over 5.5 million (Table 1), corresponding to 24.1% of the 23 million persons in employment or self-employment. In particular, the number of private-sector employees enrolled rose by 4.1% to almost 4 million at the end of the year.

Pension plans	Number of participants		%
	December 2010	December 2011	change
Occupational pension funds	2,010,904	1,994,280	-0.8
Open pension funds	848,415	881,311	3.9
Individual retirement plans	1,770,285	2,025,331	14.4
Pre-existing pension funds	667,930	664,957	-0.5
Total (*)	**5,271,884**	**5,536,780**	**5.0**
of whom: private-sector employees	3,835,764	3,992,964	4.1

Table 1
Enrolments in supplementary pension plans

(*) The total includes FONDINPS and excludes the persons enrolled in both "old" and "new" individual retirement plans (about 67,000 at the end of 2010). Estimates for the number of participants in "old" individual retirement plans and pre-existing pension funds

Membership of occupational pension funds fell again last year; participation in open pension funds grew slightly and the number of persons covered by individual retirement plans rose appreciably.

Supplementary pension plans' resources grew by 9.1%, to Euro 90.8 billion. Owing to the poor performance of the financial markets, especially in the second half of the year and by comparison with a 3.5% revaluation of accrued severance pay, the average return of occupational pension funds was practically nil, while those of open pension funds and Class III individual retirement plans were negative by 2.4% and 5.7% respectively. Individual plans tied to segregated asset portfolios returned an average of 3.5%, the same as accrued severance pay. The equity sub-funds of the different types of scheme turned in the worst results.

New regulations – Rules on implementation of the investment policy

On 16 March 2012 COVIP issued rules on implementation of the investment policy by supplementary pension plans, as required by Article 6, paragraphs 5-ter and 5-quarter, of Legislative Decree 252/2005.

The rules apply to all pension schemes entered in the COVIP register that have 100 or more participants, including pre-existing pension funds that sign Class I, Class III or Class V insurance agreements and those that run the pension plans for insurance companies' employees; they do not apply to pre-existing internal funds (consisting merely in an accounting entry among the companies' liabilities). The initial threshold of 100 participants refers to the number at 31 December 2011.

The document on the investment policy envisaged by the new rules is to be adopted by the board of directors of the pension plan or of the company that established it. It defines the financial strategy that will be pursued in order to obtain efficient risk-return combinations within the relevant span of time, compatibly with the participants' pension needs.

In particular, the document must specify:

1) the investment policy's objectives;
2) the criteria for implementing it;
3) the tasks and duties of the persons involved in the investment process;
4) the system for monitoring the policy's implementation and its results.

Occupational and pre-existing pension funds formulate the management agreements they enter into or, in the case of direct management, the strategies to be pursued on the basis of the guidelines laid down in the document, while the companies that set up open pension funds and individual retirement plans will have to follow the guidelines in investing the resources earmarked for pension benefits.

The document is to be revised at least every three years, and the factors taken into account in making any changes to it must be stated in a board resolution. A special section of the document is to list the changes made in the last three years.

The document must be transmitted to the pension plan's control body and to the person responsible for it, to the persons entrusted with financial management and to the depositary bank, and within twenty days of its adoption, to COVIP. It must be made available on request to participants, beneficiaries and their representatives. As the Report presenting the new COVIP rules states, pension plans or the companies establishing them can decide whether to publish the document on their own websites.

Under Article 3 the document must set out investment objectives, which must in any case be directed to efficient risk-return combinations over a time horizon consistent with that of the benefits and such as to maximize the accumulation of assets while holding risk within limits acceptable to the subscriber. However, the specification of the objectives shall not constitute, vis-à-vis the fund members, a commitment to their attainment.

Where life-cycle mechanisms are included in the objectives of the investment policy, the document must state that fact, explain how they operate and specify the number of sub-funds to be established, taking into account the socio-demographic characteristics and pension needs of the reference population. For each sub-fund established, the document must indicate the average expected yield (in real terms) and its variability over the time horizon (in years) of operation. The probability that, on the basis of past experience, the return on the investment might be lower than a given limit over the time horizon of operation must also be indicated.

Article 4 establishes the criteria for carrying out the investment policy. The document on the investment policy must indicate, on a general basis, the strategic allocation of assets, i.e. the percentage of the assets to be invested in the various classes of instruments (specifying the geographical areas, branches of economic activity, reference currencies and the margins within which any deviations are to be kept), the financial instruments to be invested in and the associated risks, the management mode (direct or indirect) and style (active, passive or a combination of the two) to be adopted, the characteristics of mandates (for management under an agreement) and, where applicable, the criteria for exercising the voting rights pertaining to the fund.

Article 5 defines the tasks and duties of the persons involved in the investment process. These persons are, for occupational funds and, where they are envisaged, for pre-existing funds: the board of directors and committees appointed by it, staff employed in the financial function, advisors, managers and the depositary bank. For open pension funds and individual retirement plans, it is left to the companies instituting them to state, in the document, the persons entrusted with the various tasks specified in the Article 5.

In addition to establishing precise, detailed tasks for each person ([1]), Article 5 also lays down experience and independence requirements for some persons.

Article 6 concerns controls and checks on the implementation of the investment policy and on the financial results achieved. In fact, the document must also describe the procedures and methods used to measure and compare actual and expected results. These procedures and methods, for which the article establishes detailed requirements, must be specified in the pension plan's operating manual or in a separate, equivalent document. The checks on procedures, results and reasons for their deviation from expectations, and the examination of the performance of the financial markets provide the essential elements for an adequate evaluation of the correspondence of the investment policy's implementation to its objectives.

Lastly, Article 1, paragraph 2, of the new rules establishes a principle of proportionality with respect to the size of the pension plan, the management model adopted and the complexity of operations. It is thought that this can give rise to appropriate simplifications both in the drafting of the document on the investment policy and in the consequent implementation and monitoring of that policy. The rules, further, clarify that the companies establishing open pension funds and individual retirement plans will specify, in the document, the persons to whom the tasks provided for in the COVIP rules may be assigned, so as to avoid overlap with persons or functions already envisaged by the regulations governing the sector.

Supplementary pension plans with 1,000 or more participants on 31 December 2011 must comply with the new rules by 31 December 2012. For those with fewer participants as of that date, the deadline for compliance is 31 December 2013.

New regulations – Equal treatment of men and women in supplementary pension funds

Provisions adopted by COVIP on 21 September 2011 establish equality of treatment between the sexes in supplementary pension funds. The new rules, which derive from the transposition of Community legislation into Italian law, state that pension schemes that can receive collective enrolments – namely, newly estab-

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([1]) For example, the board must adopt a suitable investment policy to reach the strategic objectives and verify compliance with it; examine the reports on financial operations and assess the proposals of the finance function and the recommendations of the financial committees and the advisor, taking the related decisions; confer and revoke management mandates or, in the case of direct management, identify the persons entrusted with management; periodically review the investment policy and modify it as necessary; exercise oversight on the activity performed by the finance function, taking the related decisions; approve the procedures for internal control of financial operations, taking into account the proposals of the finance function; determine the strategy for exercising the voting rights pertaining to the fund.

lished occupational pension funds, open pension funds with provision for collective enrolment and pre-existing pension funds – may, where they directly disburse annuities, differentiate between the benefits for men and women only if reliable, pertinent and accurate actuarial data justify differential treatment.

Where benefits are differentiated by sex, the COVIP rules lay down verification and disclosure requirements for the pension plan. The new provisions are without detriment both to ISVAP provisions concerning annuities disbursed via insurance companies and to the judgment of the Court of Justice of the European Union declaring invalid, with effect from 21 December 2012, Article 5, paragraph 2, of Directive 2004/113/EC permitting insurance companies to envisage differences between the sexes in determining individuals' premiums and benefits.

New regulations – Updated guidelines on transfers of pension positions

At the end of last year ANIA, together with the other organizations of the sector ([2]) and COVIP, which had already signed the Guidelines on transfers of individuals' positions between supplementary pension plans, signed a document containing standard transfer application forms for plan members. The forms were drawn up by a working group composed of experts from the signatory organizations. There is a separate form for each type of scheme: open pension fund, individual retirement plan, occupational pension fund or pre-existing pension fund, and Fondinps.

Apart from embodying the Guidelines and specifying the data to be transmitted from the fund of origin to that of destination, the standard forms are designed to facilitate the processing of transfers of individuals' pension positions. The standard forms may also be adopted by schemes that deem it useful to follow the Guidelines, regardless of formal adherence thereto. They can be customized with the addition of the firm's logo, name, the name of the group to which it belongs and the pension plan's COVIP registration number.

([2]) ABI, Assofondipensione, Assogestioni, Assoprevidenza and Mefop.

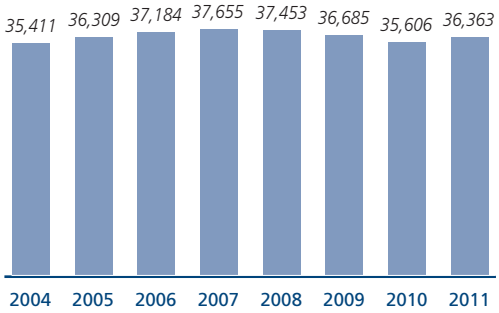
NON-LIFE INSURANCE

4

NON-LIFE INSURANCE

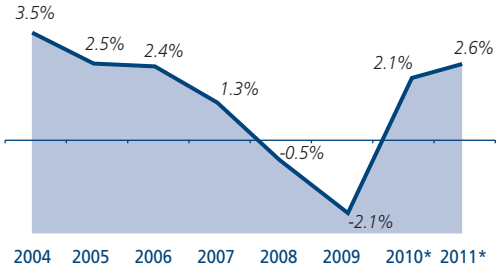
Direct premium

Euro million



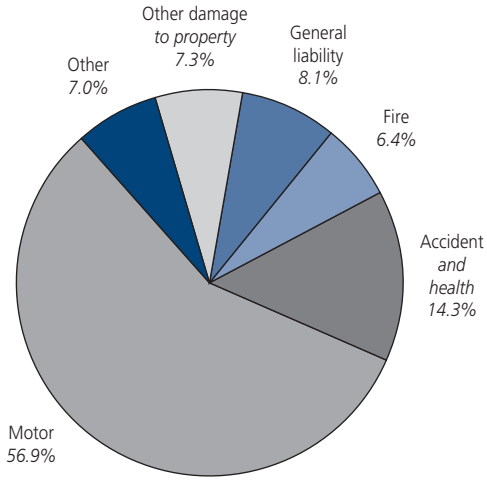
In 2011 non-life premium income amounted to Euro 36,363 million, with a 2.6% increase compared to 2010. Its share of total premiums increased from 28.3% to 33.0%, mainly because life sector premiums diminished sharply. Given a stable expense ratio, the improvement in the loss ratio caused the combined ratio to fall to 97.9% (100.2% in 2010); despite the worsened investment result, nearly halved compared to 2010, and the negative reinsurance result, the overall technical account was slightly positive (67 million).

Growth rate of direct premiums



(*) In homogeneous terms

Breakdown of main non-life classes



36,363 million

DOMESTIC BUSINESS

Premiums for direct domestic business for the 100 insurance companies operating in non-life classes were equal to Euro 36,363 million, with a 2.6% increase in nominal terms compared to the previous year (calculated in homogeneous terms). This trend was determined above all by the increase (+4.1%) in motor insurance business (motor third party liability insurance, third party liability insurance for watercraft and land vehicle insurance), which represents about 57% of overall non-life income. The percentage share of the total of non-life and life premiums was equal to 33.0%, increasing from 28.3% in 2010, mainly as a consequence of the sharp decrease of life premiums.

The **incurred claims cost for the current accident year**, defined as the sum of the total paid and the total reserved for all claims incurred in the current accident year, amounted to Euro 25,259 million (Euro 26,255 million in 2010), with a 3.8% decrease compared to the previous year; the ratio to earned premiums was equal to 70.5%, down from 74.8% in 2010.

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 (Euro -1.2 billion in 2011 against Euro -0.3 billion in 2010), was equal to Euro 26,439 million (Euro 26,601 million in 2010), with a 0.6% decrease. The ratio to earned premiums was equal to 73.8%, with an improvement compared to 75.8% in 2010.

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 organization and management of the distribution network, were equal to Euro 8,758 million with a 0.7% increase and an incidence on direct premiums equal to 24.1%, in slight decrease compared to the previous year (24.4%). The ratio of commission expenses to written premiums also decreased slightly (15.9%) and so did the ratio of acquisition costs to written

Non-life technical account

Euro million

	2004	2005	2006	2007	2008	2009	2010*	2011*
Gross written premiums	35,411	36,309	37,184	37,655	37,453	36,685	35,606	36,363
Changes in premiums reserves (-)	610	627	622	570	351	34	524	530
Incurred claims (-):	24,549	24,841	25,861	26,079	27,538	28,973	26,601	26,439
- incurred claims cost for the current accident year (-)	24,928	25,709	26,509	26,597	27,917	28,873	26,255	25,259
- excess/shortfall of reserves for those claims incurred in previous accident years	379	868	648	518	379	-100	-345	-1,180
Balance of other technical items	-591	-561	-717	-653	-747	-716	-687	-612
Operating expenses (-)	8,058	8,392	8,660	9,191	9,158	9,053	8,696	8,758
- commissions	5,338	5,546	5,755	6,011	6,008	5,898	5,724	5,764
- other acquisition costs	1,046	1,105	1,170	1,238	1,327	1,370	1,374	1,350
- other administration costs	1,674	1,741	1,735	1,942	1,823	1,785	1,598	1,644
Direct technical balance	**1,603**	**1,888**	**1,324**	**1,162**	**-341**	**-2,091**	**-902**	**25**
Investment income	1,917	1,991	1,854	1,924	774	2,368	1,038	603
Direct technical account result	**3,520**	**3,879**	**3,178**	**3,086**	**433**	**277**	**137**	**628**
Reinsurance results and other items	-864	-845	-661	-515	-142	-344	-577	-561
Overall technical account result	**2,656**	**3,034**	**2,516**	**2,571**	**291**	**-67**	**-441**	**67**
Annual % changes in premiums	3.5%	2.5%	2.4%	1.3%	-0.5%	-2.1%	2.1%	2.6%
Combined ratio	**93.3%**	**92.7%**	**94.0%**	**94.7%**	**98.7%**	**103.7%**	**100.2%**	**97.9%**
- Expense ratio	22.8%	23.1%	23.3%	24.4%	24.5%	24.7%	24.4%	24.1%
- Commissions/Gross written premiums	15.1%	15.3%	15.5%	16.0%	16.0%	16.1%	16.1%	15.9%
- Other acquisition costs/Gross written premiums	3.0%	3.0%	3.1%	3.3%	3.5%	3.7%	3.9%	3.7%
- Other administration costs/Gross written premiums	4.7%	4.8%	4.7%	5.2%	4.9%	4.9%	4.5%	4.5%
- Loss ratio:	70.5%	69.6%	70.7%	70.3%	74.2%	79.1%	75.8%	73.8%
- Loss ratio for the current accident year	71.6%	72.1%	72.5%	71.7%	75.2%	78.8%	74.8%	70.5%
- Excess/shortfall of reserves for previous years claims/Earned premiums	1.1%	2.4%	1.8%	1.4%	1.0%	-0.3%	-1.0%	-3.3%
Technical balance/Earned premiums	**4.6%**	**5.3%**	**3.6%**	**3.1%**	**-0.9%**	**-5.7%**	**-2.6%**	**0.1%**
Technical account result/Earned premiums	**10.1%**	**10.9%**	**8.7%**	**8.3%**	**1.2%**	**0.8%**	**0.4%**	**1.8%**
Overall technical account result/Earned premiums	**7.6%**	**8.5%**	**6.9%**	**6.9%**	**0.8%**	**-0.2%**	**-1.3%**	**0.2%**

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

(*) The changes (%) were calculated in homogeneous terms

premiums (3.7%). The ratio of administration expenses to written premiums was stable (4.5%).

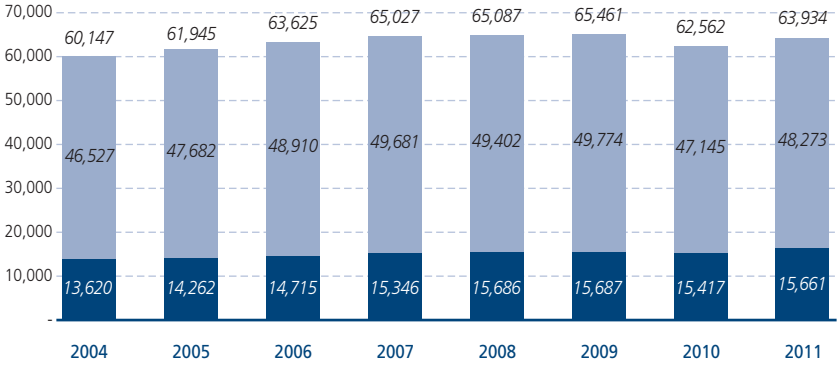
The **technical balance for direct business** was positive at Euro 25 million (negative at Euro 902 million in 2010).

Counting investment income, equal to Euro 603 million (nearly halved compared to 2010), the **direct technical account result** was positive at Euro 628 million (Euro 137 million in 2010). The incidence on premiums was equal to 1.8% (0.4% in 2010).

The passive reinsurance and net indirect business result was negative by Euro 561 million (about the same as in 2010).

NON-LIFE INSURANCE

Premium reserves and claims reserves
Euro million



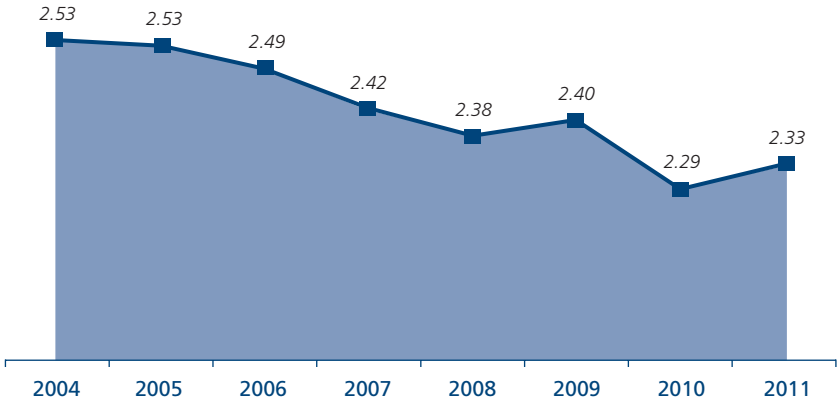
The **overall technical account result** was positive at Euro 67 million (negative at Euro 441 million in 2010). The ratio to earned premiums was equal to 0.2% (-1.3% in 2010).

Technical reserves, net of recoverable sums, amounted approximately to Euro 64 billion in 2011; of this, about Euro 15.7 billion related to premium reserves while more than Euro 48 billion was due to claims reserves for the current and previous accident years.

NON-LIFE INSURANCE AND GDP

The ratio of non-life premium to GDP increased slightly from 2.29% in 2010 to 2.33% in 2011.

Non-life premiums / GDP (%)



MOTOR INSURANCE

5

MOTOR INSURANCE

In 2011 motor insurance premiums registered a 5.2% increase, following the 2010 increase of 4.4%. The growth in premiums, even in the presence of a moderate increase in claims costs, caused the combined ratio to recover from 105.5% in 2010 to 102.7% in 2011. Despite the improvement in the technical balance, the significant decline in the investment result compared to 2010 produced a negative overall balance on the technical account, though smaller than in the previous year. The overall technical results for land vehicles remained positive, at the same level as in 2010; for the fourth consecutive year total premiums registered a decrease (-2.0%).

MOTOR LIABILITY OPERATIONS

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

Premiums for direct domestic business, collected by the 57 companies operating in this class, totalled Euro 17,794 million in 2011, with a 5.2% increase compared to 2010. This was due to the adjustment of premiums by insurers in order to cope with the worsening of the technical result. These premiums represented 48.9% of the total for non-life classes (47.5% in 2010). In addition, it is necessary to consider the significant share of premiums (more than 5% of the overall premiums of this sector, amounting to over Euro 950 million) collected by branch offices of foreign companies registered in EU countries operating under the freedom to provide of services. No information about the technical results is available for these companies as they are subject to the home country supervisory authorities (in accordance with the home country control principle in the EU).

The **incurred claims cost for the current accident year**, defined as the sum of the total cost paid and the total cost reserved for all claims incurred in the current accident year, amounted to Euro 13,441 million, with a 3.1% decrease compared to 2010. 2011, the fifth year of application of the direct indemnity system, was characterized by an opposite change in technical loss indicators: claims frequency registered a 12% decrease that was basically offset by the 10% increase in average claims cost; overall, incurred claims cost for the current accident year registered a slight decrease. In particular, the total number of claims (and the claims frequency indicator) diminished, probably because of the decreased vehicle use – especially in urban centers – owing to higher fuel prices (on average 15%). Instead, average claims cost registered an increase due to the change in the settled claims mix consistently with the hypothesis that smaller claims diminished.

Motor liability

Euro million

	2004	2005	2006	2007	2008	2009	2010*	2011*
Gross written premiums	18,087	18,198	18,416	18,239	17,637	16,994	16,913	17,794
Changes in premiums reserves (-)	91	82	64	-10	-167	-5	306	299
Incurred claims (-):	14,375	14,284	14,588	14,732	14,672	15,106	14,467	14,787
- incurred claims cost for the current accident year (-)	14,561	14,756	14,940	14,794	14,761	14,912	13,865	13,441
- excess/shortfall of reserves for claims incurred in previous accident years	186	472	352	62	89	-194	-602	-1,346
Balance of other technical items	-228	-211	-232	-226	-290	-267	-244	-202
Operating expenses (-)	3,169	3,235	3,276	3,346	3,275	3,208	3,116	3,236
- commissions	1,949	1,944	1,962	1,936	1,882	1,808	1,787	1,892
- other acquisition costs	437	468	498	514	559	574	585	581
- other administration costs	783	823	816	896	834	826	745	762
Direct technical balance	**224**	**386**	**256**	**-55**	**-433**	**-1,583**	**-1,221**	**-730**
Investment income	1,077	1,104	992	963	344	1,217	496	272
Direct technical account result	**1,301**	**1,490**	**1,248**	**908**	**-89**	**-366**	**-725**	**-458**
Reinsurance results and other items	-61	-16	9	49	-2	-15	-19	-18
Overall technical account result	**1,240**	**1,474**	**1,257**	**957**	**-91**	**-381**	**-744**	**-476**
Annual % changes in premiums	2.5%	0.6%	1.2%	-1.0%	-3.3%	-3.6%	4.4%	5.2%
Combined ratio	**97.4%**	**96.6%**	**97.3%**	**99.1%**	**101.0%**	**107.7%**	**105.5%**	**102.7%**
- Expense ratio	17.5%	17.8%	17.8%	18.3%	18.6%	18.9%	18.4%	18.2%
- Commissions/Gross written premiums	10.8%	10.7%	10.7%	10.6%	10.7%	10.6%	10.6%	10.6%
- Other acquisition costs/Gross written premiums	2.4%	2.6%	2.7%	2.8%	3.2%	3.4%	3.5%	3.3%
- Other administration costs/Gross written premiums	4.3%	4.5%	4.4%	4.9%	4.7%	4.9%	4.4%	4.3%
- Loss ratio:	79.9%	78.8%	79.5%	80.7%	82.4%	88.9%	87.1%	84.5%
- Loss ratio for the current accident year	80.9%	81.5%	81.4%	81.1%	82.9%	87.7%	83.5%	76.8%
- Excess/shortfall of reserves for previous years claims/Earned premiums	1.0%	2.6%	1.9%	0.3%	0.5%	-1.1%	-3.6%	-7.7%
Technical balance/Earned premiums	**1.2%**	**2.1%**	**1.4%**	**-0.3%**	**-2.4%**	**-9.3%**	**-7.4%**	**-4.2%**
Technical account result/Earned premiums	**7.2%**	**8.2%**	**6.8%**	**5.0%**	**-0.5%**	**-2.2%**	**-4.4%**	**-2.6%**
Overall technical account result/Earned premiums	**6.9%**	**8.1%**	**6.8%**	**5.2%**	**-0.5%**	**-2.2%**	**-4.5%**	**-2.7%**
Premiums to total non-life premiums ratio (%)	*51.1%*	*50.1%*	*49.5%*	*48.4%*	*47.1%*	*46.3%*	*47.5%*	*48.9%*

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

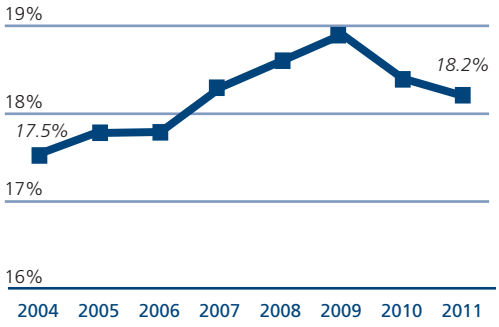
(*) The changes (%) were calculated in homogeneous terms

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 14,787 million (Euro 14,467 million in 2010) with an 2.2% increase compared to 2010. This was due to a shortfall of reserves for the third consecutive year for claims incurred in previous accident years (Euro 1,346 million, more than double compared to 2010). The increase in claims costs was partially compensated for by the increase in written premiums, so that the loss ratio improved by about 2.6 percentage points (from 87.1% in 2010 to 84.5% in 2011).

Operating expenses amounted to Euro 3,236 million (Euro 3,116 million in 2010) and include administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organization and management of the distribution network. The ratio of the expenses to premiums (18.2%) decreased slightly compared to

MOTOR INSURANCE

Operating expenses to premiums ratio (%)



2010; this trend was mainly determined by the decrease in acquisition costs (from 3.5% in 2010 to 3.3% in 2011). The ratio of commissions and administration costs to written premiums were both broadly stable.

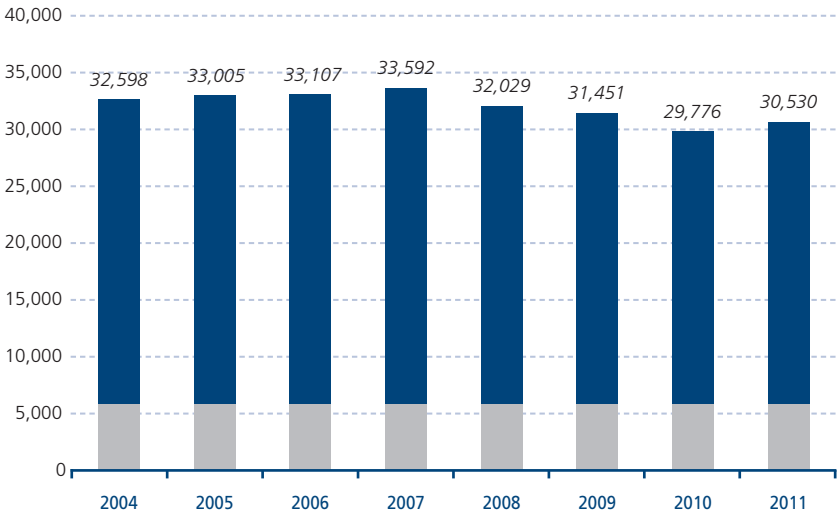
The **technical balance for direct business** was negative at Euro 730 million (negative at Euro 1,221 million in 2010).

Considering investment income (Euro 272 million), which more than halved compared to 2010, the **technical account result for direct business** was negative at Euro 458 million (negative at Euro 725 million in 2010).

Taking the balance for reinsurance into account (negative at Euro 18 million), the **overall technical account result** was negative at Euro 476 million (negative at Euro 744 million in 2010).

Motor liability technical reserves

Euro million



Technical reserves, net of recoverable sums, amounted to Euro 30,530 million in 2011, with a 2.5% increase compared to 2010. Among these, the premium reserve was about Euro 6,000 million while the claims reserve for current and previous accident years was about Euro 24,500 million.

LAND VEHICLES INSURANCE OPERATIONS

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

Premiums for direct domestic business for the 63 insurance companies operating in this class amounted to Euro 2,890 million in 2011 (-2.0% compared to

Land vehicles
Euro million

	2004	2005	2006	2007	2008	2009	2010*	2011*
Gross written premiums	3,145	3,154	3,205	3,284	3,208	3,132	2,950	2,890
Changes in premiums reserves (-)	45	61	61	104	-13	-12	-17	-12
Incurred claims (-):	1,260	1,417	1,485	1,579	1,933	2,131	1,857	1,810
- incurred claims cost for the current accident year (-)	1,388	1,514	1,569	1,666	1,990	2,157	1,891	1,867
- excess/shortfall of reserves for claims incurred in previous accident years	128	97	84	87	57	27	34	57
Balance of other technical items	-46	-36	-51	-39	-38	-34	-34	-31
Operating expenses (-)	759	748	765	827	824	830	781	762
- commissions	531	518	534	569	559	562	530	520
- other acquisition costs	88	89	92	100	108	114	119	119
- other administration costs	140	141	139	158	157	154	131	123
Direct technical balance	**1,035**	**892**	**843**	**735**	**426**	**149**	**296**	**299**
Investment income	57	59	56	58	27	79	31	18
Direct technical account result	**1,092**	**951**	**899**	**793**	**453**	**228**	**327**	**317**
Reinsurance results and other items	-46	-19	-38	-27	-5	30	-20	-23
Overall technical account result	**1,046**	**932**	**861**	**766**	**448**	**258**	**307**	**294**
Annual % changes in premiums	2.7%	0.3%	1.6%	2.5%	-2.3%	-2.4%	-1.3%	-2.0%
Combined ratio	**64.8%**	**69.5%**	**71.1%**	**74.8%**	**85.7%**	**94.3%**	**89.0%**	**88.7%**
- Expense ratio	24.1%	23.7%	23.9%	25.2%	25.7%	26.5%	26.5%	26.4%
- Commissions/Gross written premiums	16.9%	16.4%	16.7%	17.3%	17.4%	17.9%	18.0%	18.0%
- Other acquisition costs/Gross written premiums	2.8%	2.8%	2.9%	3.1%	3.4%	3.6%	4.0%	4.1%
- Other administration costs/Gross written premiums	4.4%	4.5%	4.3%	4.8%	4.9%	4.9%	4.4%	4.3%
- Loss ratio:	40.7%	45.8%	47.2%	49.7%	60.0%	67.8%	62.6%	62.4%
- Loss ratio for the current accident year	44.8%	48.9%	49.9%	52.4%	61.8%	68.6%	63.7%	64.3%
- Excess/shortfall of reserves for previous years claims/Earned premiums	4.1%	3.1%	2.7%	2.7%	1.8%	0.8%	1.2%	2.0%
Technical balance/Earned premiums	**33.4%**	**28.8%**	**26.8%**	**23.1%**	**13.2%**	**4.7%**	**10.0%**	**10.3%**
Technical account result/Earned premiums	**35.2%**	**30.7%**	**28.6%**	**24.9%**	**14.1%**	**7.3%**	**11.0%**	**10.9%**
Overall technical account result/Earned premiums	**33.7%**	**30.1%**	**27.4%**	**24.1%**	**13.9%**	**8.2%**	**10.4%**	**10.1%**
Premiums to total non-life premiums ratio (%)	*8.9%*	*8.7%*	*8.6%*	*8.7%*	*8.6%*	*8.5%*	*8.3%*	*7.9%*

Index and changes (%) are calculated on data in Euro thousand
(*) The changes (%) were calculated in homogeneous terms

2010), accounting for 7.9% of total non-life insurance premiums. The reduction, for the fourth consecutive year, was mainly due to both the deepening economic crisis, which persuaded some insured not to subscribe accessory coverage, and the contraction in new vehicles registered (-11%) in 2011.

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 1,867 million, with a 1.2% decrease compared to 2010. The ratio to earned premiums was equal to 64.3%, about 0.6 percentage points higher than in the previous year.

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 1,810 million (Euro 1,857 million in 2010). The ratio to earned premiums was equal to 62.4%, in line with that of 2010 (62.6%).

Operating expenses amounted to Euro 762 million (Euro 781 million in 2010) 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 organization and management of the distribution network. The ratio of the operating expenses to premiums was 26.4% (26.5% in 2010).

The **technical balance for direct business** was positive at Euro 299 million (Euro 296 million in 2010).

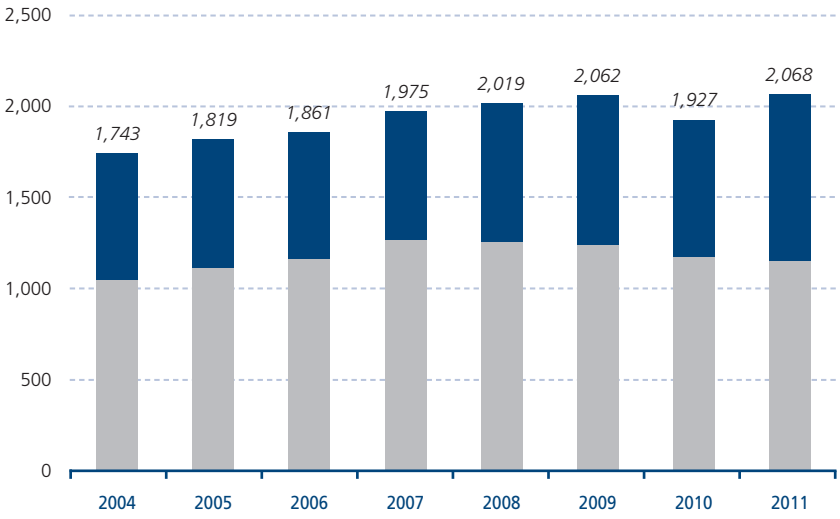
Considering investment income, the **technical account result for direct business** was positive at Euro 317 million (Euro 327 million in 2010).

Taking the balance for reinsurance into account, the **overall technical account result** was positive at Euro 294 million (Euro 307 million in 2010), equal to 10.1% of premiums (10.4% in 2010).

Technical reserves, net of recoverable sums, amounted to Euro 2,068 million in 2011, with a 7.3% increase compared to 2010. Among these, the premium reserve was about Euro 900 million while claims reserve for the current and previous accident years was about Euro 1,150 million.

Land vehicle tecnical reserves

Euro million



THE AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY IN THE EUROPEAN CONTEXT

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

Number of claims. The total number of claims incurred and reported is given by the sum of claims incurred and settled during the year and of claims reserved (which will give rise to a payment in the future), but does not include the estimate of those incurred but not reported (IBNR) during 2011 but that will be reported in future years. By this count, the number of claims lodged with Italian or non-EU insurance companies totaled 2,678,124 in 2011, down 12.8% from 3,070,201 in 2010. This decline was due in significant measure to the exclusion from direct Italian insurance business of the portfolios of two insurers that did business in 2010 but were subjected to administrative liquidation in 2011. Even so, recalculating the percentage change on a uniform basis (i.e. counting the 2010 figure net of these two insurers' business) there was still a 12.3% decline in claims.

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, converted into "vehicle-years"). This technical indicator fell from 7.36% in 2010 to 6.49% in 2011, marking a decline of 11.9% on a homogeneous basis. After three years of rising claims frequency from 2007 through 2009, then, frequency turned down in 2010 and declined more sharply last year. The improvement may have been due to less driving owing to higher fuel prices (an increase of more than 15% on average in 2011) and increasing resort to the practice of informal settlement of small claims by policyholders themselves, in order to avoid having to pay higher premiums. Moreover, after years of steady increase, the number of vehicles insured declined in 2011 for the second year, by 0.5% (from 41.456 million to 41.269 million, net in 2010 of the vehicles covered by the two liquidated insurers). The decrease was most pronounced in areas where claims frequency tends to be higher than average.

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.

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

	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	
Year	Claims frequency %	% change	Average claim cost - property damage	% change	Average claim cost - personal injury	% change	Average total claim cost**	% change	Claims frequency %	Average claim cost
2000	9.82%	-1.3%	1,278	2.9%	9,920	14.9%	2,809	13.1%	10.95%	2,825
2001	8.54%	-13.1%	1,431	12.0%	11,175	12.7%	3,186	13.4%	9.55%	3,207
2002	7.82%	-8.4%	1,535	7.3%	12,686	13.5%	3,532	10.9%	8.78%	3,503
2003	7.66%	-2.1%	1,634	6.4%	13,542	6.7%	3,805	7.7%	8.63%	3,771
2004	7.61%	-0.6%	1,701	4.1%	13,206	-2.5%	3,982	4.7%	8.58%	3,964
2005	7.55%	-0.8%	1,644	-3.3%	13,106	-0.8%	4,047	1.6%	8.51%	4,038
2006	7.47%	-1.1%	1,674	1.8%	13,233	1.0%	4,100	1.3%	8.47%	4,080
2007	7.61%	1.9%	1,764	5.4%	11,958	-9.6%	3,967	-3.2%	8.52%	4,014
2008	7.73%	1.6%	1,772	0.5%	11,830	-1.1%	3,913	-1.4%	8.57%	3,972
2009	7.77%	0.5%	1,725	-2.7%	11,694	-1.1%	3,903	-0.3%	8.60%	3,986
2010	7.36%	-5.2%	1,716	-0.5%	12,052	3.1%	4,057	4.0%	8.12%	4,117
2011*	6.49%	-11.9%	1,777	3.5%	13,076	8.5%	4,337	6.9%	7.16%	4,549

** ANIA estimates based on advance information on 2011 financial statements. Changes are affected by the withdrawal from direct Italian business of two insurers subjected to administrative liquidation in 2011*
*** Source: ISVAP; for 2011, the data are from ISVAP reporting forms*

These items have been excluded from the 2011 data in order to allow uniform comparison with the data for previous years, derived from ISVAP analysis using this methodology. On this basis, the average claim cost in 2011 was €4,337, up 6.9% from €4,057 in 2010.

Number of claims and average cost (including IBNR). The total number of claims, including the IBNR estimate, came to 2,995,022 in 2011, down by 12.7% from 2010, and down by 12.3% on the basis of a comparable sample (Panel B of Table 1); claims frequency also declined, by 11.9%, from 8.12% to 7.16%. 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 9.8% to €4,549; for the comparable sample, the rise came to 10.5%.

On a comparable basis (i.e. net of the two insurers that were liquidated last year), the 11.9% fall in claims frequency was accompanied by a 10.5% rise in average claims cost, so that taking account of the 0.5% decline in the number of insured

vehicles, **there was a decline of 3.1% in the overall cost of claims for the year (item 18, ISVAP form 17)**.

Italy continues to combine one of the highest average claim costs in Europe with high though improving claims frequency. A survey conducted by ANIA with data for 2010 (or, when these are not available, for 2009) counting claims incurred during the year and excluding those not resulting in compensation, shows that Italian claims frequency (8.1%) was the highest in Europe (Germany had a frequency of 6.1% and France of 4.4%). Even with the diminution recorded in 2011, the Italian figure would still be among the highest in Europe, at 7.2%. And the average cost of claims in Italy was also much higher than in the other main European countries: €4,117 in 2010, compared with €3,500 in Germany and €3,300 in France (Table 2).

Table 2 – Main technical indicators in Europe, 2010

Claims frequency		Average claims cost (€)		Pure premium cost (€)			% claims with personal injury	
Country	Value	Country	Value	Country	Value	% diff. Italy/others	Country	Value
(1)	(2)	(3)	(4)	(5)	(6)=(2)*(4)	(7)	(8)	(9)
SPAIN	9.3%	**ITALY**	**4,117**	**ITALY**	**335**		**ITALY**	**22.7%**
ITALY	**8.1%**	GERMANY*	3,505	GERMANY*	213	57%	SPAIN	18.3%
GERMANY*	6.1%	FRANCE*	3,308	SPAIN	161	108%	FRANCE*	13.8%
FRANCE*	4.4%	SPAIN	1,729	FRANCE*	147	128%	GERMANY	n.d.

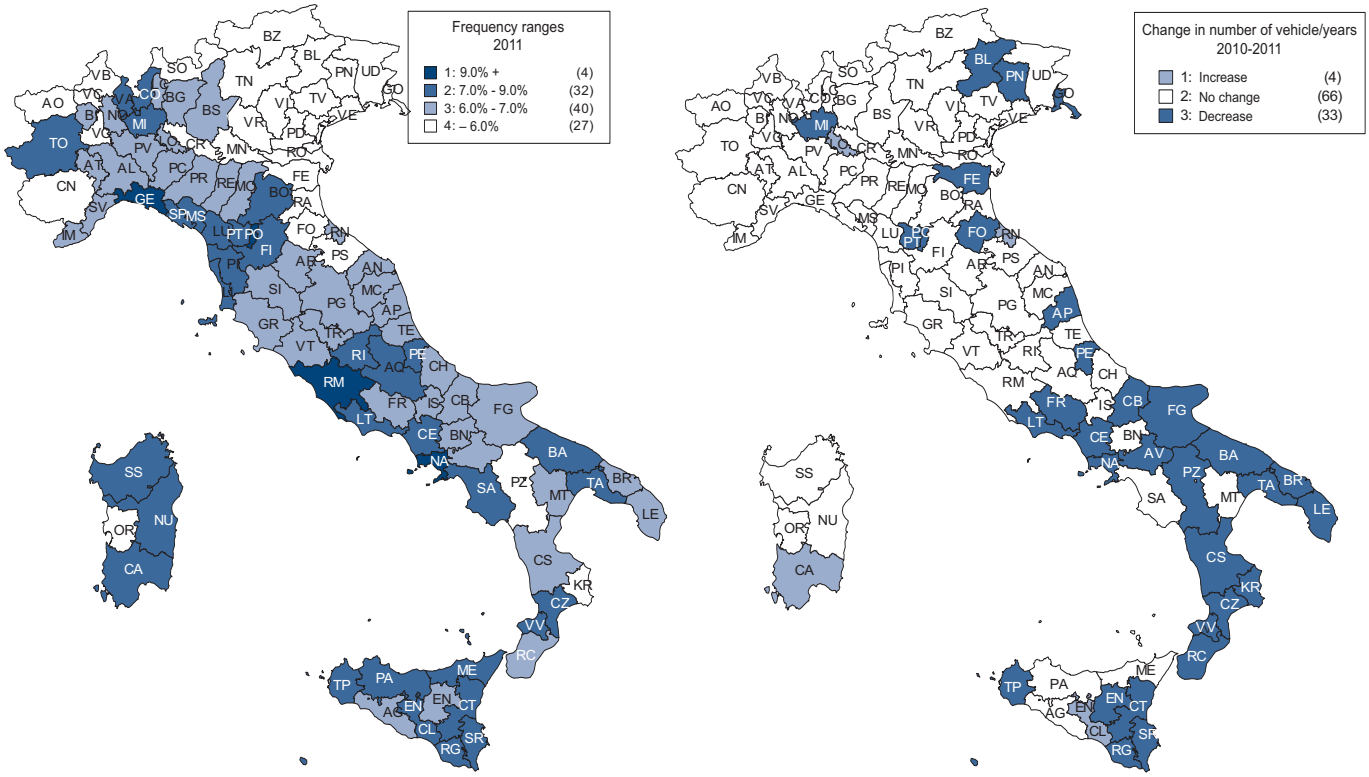
(*) Data for 2009

Looking at the "pure premium" cost – i.e. the product of claims frequency and average claim cost – we can see that in Italy this indicator is 60% higher than in Germany, twice as high as in Spain and more than twice as high as in France. A decisive factor in this difference is the national disparity in the proportion of claims that involve compensation for personal injury: 23% in Italy as against 14% in France and 18% in Spain.

As noted, last year Italy saw a slight decline in the number of vehicles insured. The fall was more pronounced in some parts of the country (Figure 1, right-hand map). Most of the provinces registering a diminution were located in the Center and South of Italy.

Comparing the map of claims frequency (Figure 1, left-hand map) with that of the change in number of vehicles insured, we see that there is considerable overlap – that is, many of the provinces where the number of vehicles declined were among those where claims frequency was highest. This is most evident in the regions of Campania, Calabria and Sicily. The trend presumably contributed to the nationwide decline in claims frequency in 2011. By comparison with 2010, in fact, the share of insured vehicles in low-frequency provinces increased (e.g. in the regions of the North-East), while that of the high-frequency provinces decreased.

Figure 1 – Claims frequency by province, 2011, and change in risks covered, 2010-2011



COMPENSATION FOR PERSONAL INJURY

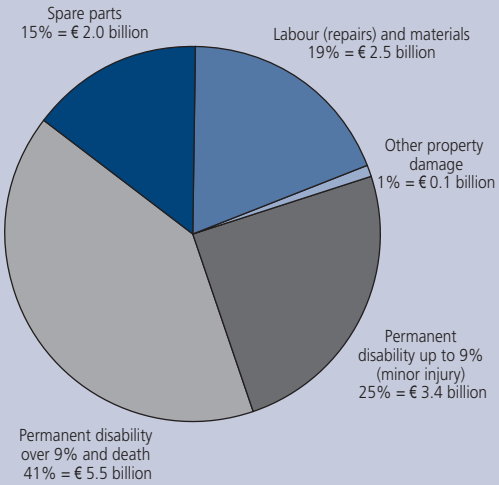
The total damages paid (for both property damage and personal injury) came to €13.4 billion in 2011. Of this, almost two thirds (€9 billion) was in relation to personal injury (including the property-damage component of mixed claims); €3.4 billion consisted in compensation for permanent disability of between 1 and 9 percent, the remaining €5.5 billion for more severe disability or death (Figure 1).

In 2007, 21.0% of all motor liability claims involved personal injury. This rose to 21.3% in 2008, 21.8% in 2009 and 22.7% in 2010. Already enormously high by comparison with the European average of about 10%, in parts of Italy the proportion doubles, exceeding 45% (practically half) in some provinces.

There is widespread exaggeration of personal injury claims, concentrating on very mild injuries (1%-2% disability), which account for some 15% of claims and 78% of non-severe injuries. Italian insurers indemnify these claims with over €2.1 billion a year, or more than 16% of total motor liability compensation (Table 1). Just note that of the 680,000 accidents involving a personal injury claim in 2011, over 600,000 were non-severe (no more than 9% disability) and 465,000 were for very mild disability (1%-2%). Most of these latter claims are for "whiplash" injuries that in other countries do not give rise to recognition of permanent disability but only compensation for temporary injury and medical costs commensurate with the very limited discomfort sustained, generally quite short-lived.

ANIA's annual statistics for a representative sub-sample of insurers that supplied detailed data allow calculation of the percentage distribution of claims by type of damage and severity of injury in 2010. We also estimated the average cost of personal injury claims separately for drivers, passengers, and bystanders. The average cost of personal injury compensation for the three groups increased by between 11% and 13% in 2010 over 2009. Once again, the cost was considerably greater for bystanders, who are more exposed to more severe injury. It is also possible that in the case of bystanders courts may tend to award higher amounts for the other components of non-economic damages (e.g. moral dam-

Figure 1
Distribution of total cost of liability compensation



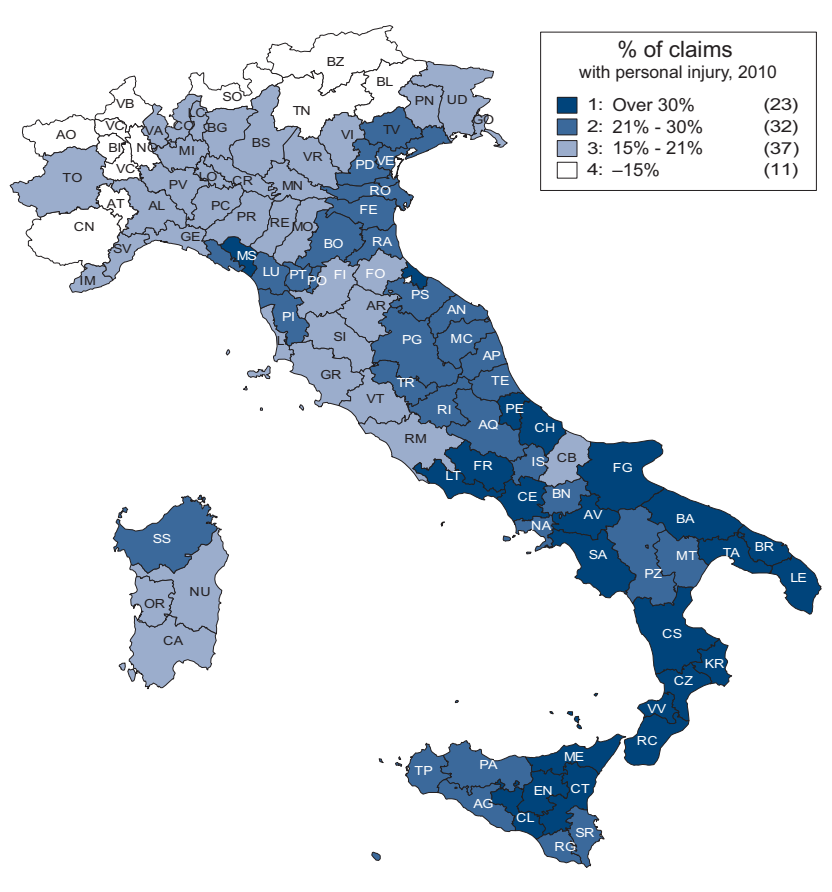
- *Compensation for property damage (€ 4.6 billion, 34% of the total)*
- *Compensation for personal injury (€ 8.9 billion, 66% of total claims cost). Includes property damage in mixed claims*

Table 1 – Distribution of claims by type of damage and severity of injury

Permanent disability %	% Distribution Number of claims	% Distribution Amount of claim	Average cost of personal injury (*euro*)		
			Driver	Passenger	Bystander
1	8.6%	7.9%	3,221	3,307	4,653
2	6.9%	8.3%	4,223	4,351	5,568
3	2.4%	3.7%	5,692	5,837	7,266
4	1.0%	1.8%	7,257	7,310	9,061
5	0.5%	1.1%	8,833	8,761	12,081
6	0.3%	0.7%	10,809	11,092	13,889
7	0.2%	0.5%	12,088	14,798	17,863
8	0.1%	0.5%	14,337	20,550	21,554
9	0.1%	0.5%	23,366	24,984	29,165
Up to 9%	*20.1%*	*25.1%*	**4,551**	**4,360**	**7,625**
Over 9%	*2.6%*	*40.9%*			
Tot. personal injury claims	**22.7%**	**66.0%**			
Tot. property damage claims	**77.3%**	**34.0%**			
Total claims	**100.0%**	**100.0%**			
MEMORANDUM ITEM	**Number of claims**	**Amount of claims**			
	2,995,022	**13.4 mld**			

Source: ANIA. Data partially estimated

Figure 2
Proportion of claims involving personal injury, by province, 2010



ages) and more generous compensation in the framework of the "personalization" of damages for the particular condition of the claimant. It should also be borne in mind that the distribution of costs by type of claimant may also be affected by the differing distribution of ages within each percentage point of disability. These factors may help explain why, for a given percentage of disability, the monetary compensation awards differ between drivers, passengers and bystanders.

The Law of 27 March 2012, converting Decree Law 24/2012 on liberalization, introduces some significant modifications to the rules governing motor liability insurance, including a provision to counter the widespread exaggeration of very mild personal injuries. The new rule impacts directly on one of the main cost factors in this line of insurance and is designed to overcome the typically Italian anomaly of an abnormally high incidence of very mild injuries due to motor vehicle accidents; the law seeks to establish the conditions under which mild injuries are eligible for compensation. The intention is to lay down a general rule, but with specific operational effects, that no personal injury compensation can be claimed for any mild injury in the absence of a forensic examination which, depending on type of injury, makes a specific observation of the claimant's injury (either visual or via diagnostic instruments). That is, it will no longer be possible

to obtain compensation solely on the basis of the claimant's subjective report of an ailment.

As to more serious injuries (those involving at least 10% permanent disability), once again we must note that 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.

Figure 2 and Table 2 show that once again in 2011 a number of southern provinces, especially in Puglia, Calabria, and parts of Campania and Sicily, were far out of line in terms of the incidence of accidents involving personal injury claims. Against the national average of 22.7%, for instance, the incidence was 45% in the province of Brindisi, 44% in Taranto, 41% in Crotone and 39% in Foggia and Lecce.

Table 2 – Incidence of claims with personal injury, by province, 2008-2010 (°) (%)

Province	Year 2010	Year 2009	Year 2008	Change 2010/2009
(1)	(2)	(3)	(4)	(5)
BRINDISI	44.5	43.5	41.6	*2.41*
TARANTO	44.4	41.5	40.0	*6.97*
CROTONE	41.0	43.6	44.0	*-6.07*
FOGGIA	39.3	38.3	37.2	*2.48*
LECCE	39.1	36.1	34.4	*8.22*
BARI	37.9	36.1	34.6	*4.93*
VIBO-VALENTIA	36.9	35.6	36.7	*3.83*
LATINA	36.2	34.5	32.9	*4.88*
CATANZARO	36.0	34.3	32.0	*5.17*
AVELLINO	35.1	35.4	33.3	*-0.80*
MESSINA	34.1	31.9	30.0	*6.88*
PESCARA	33.7	30.9	30.5	*9.27*
SALERNO	33.5	32.1	31.1	*4.13*
REGGIO-CALABRIA	33.4	33.3	31.0	*0.12*
CHIETI	33.1	29.5	28.4	*12.25*
CASERTA	32.5	31.1	30.5	*4.55*
CALTANISSETTA	31.5	28.8	26.7	*9.33*
RIMINI	31.3	29.3	28.9	*6.61*
COSENZA	30.6	29.3	29.5	*4.64*
CATANIA	30.3	28.9	26.5	*5.04*
MASSA-CARRARA	30.2	30.0	30.2	*0.72*
FROSINONE	30.2	28.2	26.6	*7.35*
ENNA	30.0	27.4	27.0	*9.28*
AGRIGENTO	29.9	28.4	26.6	*5.14*
TERAMO	29.7	26.0	25.9	*14.16*
BARLETTA-ANDRIA-TRANI*	29.2	n.d.	n.d.	*n.d.*
SASSARI	28.9	25.0	24.7	*15.36*
RAGUSA	28.8	26.3	26.7	*9.36*
PISTOIA	27.8	27.3	27.5	*1.72*
PISA	27.5	27.0	26.1	*1.58*
ANCONA	27.2	26.4	24.9	*3.11*
BENEVENTO	26.4	25.4	23.4	*3.75*
SIRACUSA	26.1	24.3	22.9	*7.57*
MACERATA	25.9	25.2	24.7	*2.78*
ASCOLI-PICENO	25.6	24.2	24.2	*5.88*
MATERA	25.3	24.4	24.1	*3.86*
POTENZA	24.8	23.4	21.3	*6.14*
TRAPANI	24.6	21.4	20.7	*15.13*
LUCCA	24.6	25.4	23.9	*-3.17*
LA-SPEZIA	24.4	23.0	25.9	*6.21*
VENICE	24.2	24.0	23.7	*0.91*
PESARO-URBINO	24.1	25.3	24.4	*-4.53*
ISERNIA	23.8	20.8	21.2	*14.28*
RAVENNA	23.5	24.5	23.5	*-3.86*
PRATO	23.0	22.7	23.7	*1.22*
NAPLES	22.9	22.3	21.1	*2.88*
L'AQUILA	22.7	19.4	20.7	*16.94*
TERNI	22.7	20.6	20.0	*10.00*
FERRARA	22.7	22.1	21.7	*2.46*
PADUA	22.3	21.5	21.0	*3.81*
PERUGIA	22.3	21.7	21.4	*2.55*
BOLOGNA	22.2	21.9	22.3	*1.39*
PALERMO	22.1	20.1	20.8	*9.73*
FERMO*	22.0	n.d.	n.d.	*n.d.*
RIETI	22.0	20.0	19.3	*9.85*
OGLIASTRA	21.6	17.3	19.3	*24.59*
TREVISO	21.5	19.9	19.9	*8.03*
ROVIGO	21.4	21.4	19.3	*0.31*
FLORENCE	20.8	22.3	22.1	*-6.63*
REGGIO-EMILIA	20.4	20.9	20.3	*-2.24*
GORIZIA	20.3	18.3	17.7	*10.98*

continue

Table 2 – continued

Province	Year 2010	Year 2009	Year 2008	Change 2010/2009
(1)	(2)	(3)	(4)	(5)
LODI	20.2	17.9	18.8	*13.09*
CARBONIA-IGLESIAS	20.1	18.7	17.8	*7.48*
MEDIO-CAMPIDANO	20.1	18.1	17.9	*10.84*
AREZZO	20.1	20.6	20.7	*-2.71*
ROME	20.0	18.8	18.5	*6.17*
CAMPOBASSO	19.9	17.3	17.9	*14.94*
LIVORNO	19.8	18.9	17.7	*4.92*
FORLÌ-CESENA	19.7	21.2	21.6	*-7.05*
OLBIA-TEMPIO	19.7	18.7	17.9	*5.42*
TURIN	19.7	18.6	17.5	*5.76*
CAGLIARI	19.6	18.7	18.4	*4.54*
VERONA	19.2	18.9	18.9	*1.90*
PIACENZA	19.1	19.1	18.8	*-0.21*
MILAN	18.9	17.2	17.5	*10.32*
VARESE	18.6	17.6	17.9	*5.68*
GROSSETO	18.3	17.2	17.6	*6.50*
PAVIA	18.2	16.9	17.4	*7.91*
MODENA	17.9	17.8	17.4	*0.56*
VITERBO	17.6	16.6	15.9	*6.19*
ORISTANO	17.6	16.3	16.3	*8.09*
PARMA	17.4	16.0	16.4	*8.78*
VICENZA	17.4	16.3	16.9	*6.92*
MANTUA	17.4	16.4	16.9	*5.76*
CREMONA	17.3	17.0	17.4	*1.78*
TRIESTE	17.3	18.6	16.3	*-7.08*
PORDENONE	17.3	15.8	16.7	*9.94*
SIENA	17.3	16.6	16.2	*4.17*
GENOA	17.2	12.4	13.6	*38.37*
COMO	17.1	17.0	16.6	*0.80*
NUORO	17.0	14.9	14.9	*13.90*
SAVONA	16.3	15.2	14.9	*6.84*
BERGAMO	16.0	16.2	16.2	*-0.85*
IMPERIA	15.8	15.9	16.0	*-0.44*
LECCO	15.6	14.6	14.6	*6.71*
UDINE	15.5	15.2	15.4	*1.84*
ALESSANDRIA	15.1	13.9	14.3	*8.82*
BRESCIA	15.0	14.5	14.8	*3.30*
ASTI	14.8	13.0	13.1	*13.19*
NOVARA	14.8	14.5	14.7	*1.85*
BELLUNO	13.8	12.8	12.4	*8.20*
MONZA-BRIANZA*	13.8	n.d.	n.d.	*n.d.*
SONDRIO	13.8	13.1	13.1	*5.27*
VERCELLI	13.7	12.5	13.3	*9.72*
AOSTA	13.2	13.0	12.5	*1.57*
CUNEO	13.1	12.3	12.0	*6.44*
VERBANIA	12.9	12.8	12.8	*1.05*
TRENTO	12.8	12.4	12.8	*3.26*
BOLZANO	11.3	10.7	10.7	*5.79*
BIELLA	11.0	10.2	10.6	*7.57*
TOTAL	**23.1**	**22.2**	**21.6**	***2.91***

(°) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total (23.1%) from the ISVAP data (22.7%), which lack the provincial breakdown

(*) The provinces of Barletta-Andria-Trani, Fermo, and Monza-Brianza were formed in 2010 (previously they had been comprised mainly in the provinces of Bari and Foggia, Ascoli Piceno, and Milan respectively)

LEGAL TABLE FOR ECONOMIC AND FORENSIC EVALUATION OF SEVERE PERSONAL INJURY (ARTICLE 138 OF THE INSURANCE CODE) – UNREASONABLE OPPOSITION TO ITS PROMULGATION

The price of compulsory motor liability insurance depends on the costs of compensation, some €14.8 billion against premium income of €17.8 billion. Significant reduction of insurance premiums requires decisive action to reduce costs and to eliminate the serious anomalies of the Italian insurance sector by comparison with other European countries.

One of the greatest problems with the structure of compensation costs – along with widespread fraud (which costs an estimated €1.5 billion in property and injury compensation), and the excessively high number of claims for very mild personal injuries that are not compensated in other countries (value estimated at

over €2 billion) – is the high evaluation of economic damages awarded by courts for severe injury (total of €6 billion).

On this question, Article 138 of the Insurance Code (Legislative Decree 209/2005) provides for the issue of a single national table for the economic and forensic evaluation of severe personal injury due to traffic accidents. The evident purpose of such a table is to guarantee the certainty and economic compatibility that the system requires. The work on establishing the forensic evaluation standards has been completed long since, after a complicated process involving four ministries, a forensic commission at the Ministry of Health and the observations of ISVAP, experts and the insurance industry.

The draft of the presidential decree that is to promulgate the table was presented at the Council of Ministers in August 2011 and transmitted to the Council of State, which in November (Act 04318/2011) gave a substantially positive opinion, with just a few technical objections. The Council noted, in fact, that the table of economic values also included those referring to mild disabilities, which are covered in Article 139 of the Insurance Code, and suggested a comprehensive presidential decree implementing both of the articles governing disability due to traffic accident injuries; it also noted some inconsistencies in the progression of the coefficients in the tables. At present the draft measure is back before the competent ministers pending definitive promulgation.

In any event, the economic values set forth in the tables have been sharply criticized. Some critics contend that they are far below those currently applied by the main Italian courts, and such as to make the measure "a serious affront to human dignity, not responding to the necessities of solidarity, succor, reparation, and release from motor vehicle liability." Actually, apart from criticism often reflecting the vested interests of those who take such passionate positions, the values set out in the table of the draft decree in course of approval are considerably higher, for the more severe injuries, than in the rest of Europe, as the following table shows.

MORAL/PHYSICAL DAMAGES
PERCENTAGE OF PERMANENT DISABILITY

Country	10% disability			25% disability			60% disability			90% disability		
	Age of person			Age of person			Age of person			Age of person		
	20	40	60	20	40	60	20	40	60	20	40	60
ITALY (*)	16,000	14,800	12,800	64,600	57,400	49,900	306,600	272,300	236,800	590,000	524,000	455,700
FRANCE	26,000	23,000	22,000	69,000	64,000	59,000	230,000	170,000	130,000	455,000	374,000	350,000
GERMANY	10,000	10,000	10,000	35,000	35,000	35,000	70,000	70,000	70,000	250,000	250,000	250,000
UNITED KINGDOM	28,700	28,700	28,700	41,400	41,400	41,400	103,500	103,500	103,500	212,800	212,800	212,800
SPAIN	9,800	8,900	7,500	36,500	33,500	28,000	104,500	96,500	81,000	259,000	239,000	201,000
BELGIUM	10,300	8,200	4,800	76,000	59,000	37,200	152,000	118,000	74,500	272,500	212,700	134,000
NETHERLANDS	15,000	15,000	12,500	35,000	30,000	30,000	65,000	60,000	55,000	150,000	150,000	125,000

(*) For Italy these are the minimum values in the table of the draft presidential decree, net of the possible increase of 30% in respect of personalization. For the other countries, they are the maximum values. Temporary disability is not considered

The table is based, for Italy, on the table minima, without extra personalized damages, given in the draft decree. Except for Spain, which several years ago enacted an extremely detailed law on the assessment of damages due to road accidents covering all possible cases, the values for the other countries are derived from practice, a sort of self-regulatory code recognized by all the parties involved.

Naturally, as regards non-economic damages ([1]), the comparison of damages due to injury with permanent effects takes account of the different legal systems, hence the differing configurations of the individual items making up the total. Aside from the temporary injury component, which is not counted even for Italy, where applicable the recognized damage figures here include moral damages and suffering.

This European comparison makes it clear that the values in the Italian table are not a violation of human dignity, unless one contends that all of Europe has damage compensation practices that violate human dignity, and that they are economically sustainable within the framework of social protection created by compulsory motor liability insurance. The insurance industry has to attain a balance between the resources required to procure insurance and those needed to compensate accident victims. Economic sustainability therefore depends in part on the amount of damages assessed for personal injury. Higher levels of protection obviously correspond to more resources to be drawn from premiums, hence higher prices and charges. For this reason it is important not to block the promulgation of a measure that would have an immediate, positive effect on the costs sustained by the motor liability insurance system and hence on the prices paid by policyholders.

DECREE LAW 1/2012 FOR LIBERALIZATION, CONVERTED INTO LAW 27/2012. ARTICLES 29 THROUGH 34-TER: THE PROVISIONS ON MOTOR LIABILITY INSURANCE

Decree Law 1/2012, of 24 January, on liberalizations, known also as the "Grow Italy" decree, converted with amendments into Law 27/2012 of 24 March, containing "Urgent measures for competition, the development of infrastructures and competitiveness," laid down a series of rules on motor liability insurance, insurance

([1]) For economic damages the problem does not arise, as these are easily quantified on the basis of current and future income loss, medical expenses sustained, and the expense of the necessary assistance. The comparison with the other countries is not decisive in this sphere, because differences depend on the differing income levels of the various countries.

intermediation and consumer protection in the insurance industry. Articles 29 through 34-ter bear directly on motor liability insurance. They contain norms to counter fraud, speculative exaggeration of very mild injuries, and non-compliance with the insurance obligation, together with rules to favour price comparison between insurers and two questionably worded provisions on insurance pricing.

The measures that are useful, insofar as they introduce elements of greater efficiency, are mainly those to counter the speculative exploitation of very mild injuries (a provision included in an amendment added to the conversion law), non-compliance with insurance obligations, and the falsification of paper documents through "dematerialization" of insurance certificates and windshield stickers and for technological controls of vehicles, plus some measures on damage compensation procedures whereby insurers may suspend payment when they have information (deriving from ISVAP's accident database) indicating the likelihood of fraud.

Article 29 – The efficiency of direct indemnity

Determination of the fixed compensation amounts is assigned to ISVAP

The article provides that the costs and deductibles used to determine fixed compensation amounts between insurance companies be calculated annually by criteria that serve to stimulate the productive efficiency of the companies and in particular to curb the cost of reimbursement (paragraph 1). The conversion into law assigned responsibility for defining these criteria and for setting the annual limit on compensation to ISVAP (paragraph 1-bis).

Although the literal wording is not entirely clear, the new rule would appear to assign to ISVAP the responsibility for defining the criterion to adopt to provide an incentive for efficiency in claims liquidation with special regard to anti-fraud measures by individual insurers, as well as the power to set the fixed compensation amounts and deductibles. However, the norm does not appear to have abrogated the powers of the Technical Committee instituted by the implementing regulation on direct indemnity (Presidential Decree 254/2006, Article 13) as regards the calculations for estimating average costs and deductibles, without prejudice to their final determination by ISVAP.

Elimination of the possibility of direct repair of property damage

In converting the decree law, Parliament eliminated the provision in Article 29.2 for insurance companies to provide compensation in "specific" form for property damage rather than pecuniary compensation. The legislators did not accept the insurance industry's proposal for a mechanism incentivating this alternative compensation procedure with different but fairer conditions than those set out in the original text of the decree, which ordered a 30% reduction in payments to claimants who did not accept direct repair, without specifying the amounts to which the reduction was to apply. The industry proposal was that if the claimant

refused the services of repair shops under convention to the insurer, the money damages paid could not be greater than the actual expense that the company would have sustained for the repair. On this point, therefore, the implementing regulation on direct indemnity (Presidential Decree 254/2006, Article 14) retains all its validity; this provision provides an incentive for policy clauses agreeing to direct repair in exchange for a lower premium.

Articles 30-33. Anti-fraud measures

The measures against motor liability fraud replicate and supplement those of the anti-fraud bill passed by the Chamber of Deputies and now before the Senate, save for the institution of a central anti-fraud agency, which is not included here. ANIA examined these measures and set out its proposals for changes to them in the course of the public hearings on that bill.

Article 30 – Suppression of fraud

This article requires insurance companies to submit to ISVAP an annual report on their anti-fraud activity, with detailed information on the number of claims in which there is risk of fraud, the number of legal actions or criminal denunciations presented, and management initiatives. The report must use a template that ISVAP is to prepare within three months of the entry into force of the law converting the decree (26 March 2012). ISVAP is also assigned to assess the adequacy of the measures described in these reports with respect to the objective of countering fraud. The insurance companies must also make an estimate, to be included in the report or in the notes to their financial statements, of the reduction in claims costs achieved thanks to their anti-fraud action.

The law also strengthened, with respect to the original decree, the provision of Article 30 introducing a sanction on insurers for failure to submit the annual anti-fraud report to ISVAP, of between €10,000 and €50,000 (paragraph 1-bis).

Article 31 – Measures against falsification of stickers

The law provides for the gradual "dematerialization" of insurance windshield stickers (paragraph 1) via the complete replacement of paper documents by electronic and ICT systems for checking the vehicle's regular insurance coverage by accessing databases through the remote checking devices envisaged by the Highway Code. The implementation of this complicated process is to come with the issue, within six months of the entry into effect of the law, of a regulation by the Ministry for Economic Development, in concert with the Ministry of Infrastructure and Transport, after consultation with ISVAP. In addition, the law provides that "dematerialization" is to be completed within at most two years from the issue of the implementing regulation. To support insurers in this dematerialization effort,

at the start of 2011 ANIA began a project of its own, which is now in the development stage. The insurance industry is convinced that this is the only realistic means of effectively countering sticker and document falsification.

Article 31 also requires the Ministry for Infrastructure and Transport to compile periodic lists of uninsured vehicles, using data that the insurance companies are to supply free of charge for this purpose. These lists are to be used to warn the owners of the vehicles (paragraph 2). The law amended the original decree to provide that the owners of vehicles notified of their inclusion in the list of uninsured vehicles shall have 15 days to regularize their insurance position before their data are transmitted to the police and prefectures (paragraph 2). The article also establishes that the insurer must continue to issue to the policyholder an "attestation" demonstrating the signing of the contract (policy) or regular payment of the premium (receipt), and that this document shall pre-empt any charge made under Article 31, even once the dematerialization of motor liability certificates has been fully completed (paragraph 2-bis). In a provision that is difficult to comprehend, the law converting the decree also provides for a role of the Government Printing Office in the process of dematerializing the stickers.

Finally, Article 31 establishes the possibility, informing motorists of the fact, of ascertaining fulfillment of the obligation to insure vehicles in circulation (Article 193 of the Highway Code) also by means of the remote checking equipment envisaged by the Highway Code (such as limited-traffic-zone monitors and electronic toll-collection systems), derogating from the requirement of immediate notification of the violation to the motorist. To implement this provision, a decree is to be issued by the Ministry for Infrastructure and Transport in concert with the Ministry for Economic Development after consulting ISVAP and, with reference to the protection of privacy, the Personal Data Protection Authority (paragraph 3).

The interministerial implementing decree for Article 31 could therefore be useful in overcoming some voids in earlier application rules for an analogous prior law. Since 1 January 2012, in fact, highway police can use their own distance monitoring equipment to verify insurance coverage under the "Stability Law" (the national budget) for 2012 (Law 183/2011, Article 13), which amended Article 193 of the Highway Code (introducing three new paragraphs (4-ter, 4-quater and 4-quinquies). However, that provision lacks the implementing rules and has accordingly encountered considerable difficulties in practice.

Article 32 – Inspection of vehicles and insurance policies linked to "black box" technology

Article 32 introduces the possibility for insurers to ask policyholders voluntarily to have the vehicle inspected before the signing of the contract. If the insured agrees, the company must reduce the premium (paragraph 1, supplementing Article 132 of the Insurance Code on the obligation of contracting). The article also provides

for compulsory reduction of the motor liability premium for policyholders who agree to install a "black box" to record the actions of the vehicle (paragraph 1, with further additions to Article 132 of the Insurance Code). The designation of eligible electronic means, called "black box" or equivalent or other devices, must be by decree of the Ministry for Infrastructure and Transport in concert with the Ministry for Economic Development. The conversion law amended the original text of this rule, requiring that all the costs of installation, removal, replacement, operation and portability of the black box shall be charged to the insurance company and establishing further that the premium reduction must be "significant" (a term added by the conversion law) with respect to the prices established pursuant to Article 132 of the Insurance Code. The law also added to the original decree the provision that the premium reduction must be effected either upon the signing of the contract or at successive expirations, providing that the standards laid down in the contract have been complied with (for instance, observance of the rules of the road and maintenance of a prudent driving style).

On the occasion of the conversion of the decree law, ANIA called the attention of the Government and of Parliament to the penalizing effects of the changes to the original text of Article 32. In particular, the Association pointed out that the amended rules would discourage the hoped-for diffusion of these instruments, which could reduce motor liability risk, especially in view of their potential to make motorists more responsible both in their driving and in the statements made in case of any accidents. This instrument, by favouring less expensive motor liability contracts, could prove decisive especially in the parts of the country with very high claims frequency, owing in part to fraud. The amendments to the original text, by imposing the unilateral defrayal of all the costs relating to black boxes, alter the economic practice followed to date, which thanks to the equitable sharing of costs between insurer and insured has permitted significant reductions in premium prices.

The conversion law also contains two new provisions. One assigns ISVAP, in concert with the Minister for Economic Development and the Personal Data Protection Authority, to issue the implementing rules on the collection, management and utilization of the data recorded by the black boxes, in particular for pricing purposes and for the determination of liability in case of accident (paragraph 1-bis). The other assigns the Ministry for Economic Development, after consulting the Personal Data Protection Authority, to issue the implementing rules for the "interoperability" of these electronic devices if the policyholder changes insurers, by defining a common technological standard (hardware and software) for the collection, management and utilization of the data collected, with which insurance companies must comply within two years of the issue of the rules (paragraph 1-ter).

Both the implementing regulations must be issued within 90 days of the law's entry into force (26 March 2012), and the provisions on black boxes will only be applicable after the issue of the regulations, which could further alter the legislative framework.

Black boxes and ISVAP's letter of 19 April 2012

ISVAP opposed the modification of Article 132 of the Insurance Code effected by Article 32 as described above. We observed that this would introduce "an obligation upon insurers to offer consumers, along with 'basic' motor liability coverage, also black-box policies, in exchange for a significant reduction of the premium."

However, a careful reading of Article 132 does not suggest that Parliament intended to introduce such a precise, unequivocal obligation upon insurance companies. Nor is the summary argument set out by ISVAP to sustain the thesis of an obligatory offer convincing, namely that the obligation stems from the rationale for the rule (lower insurance prices) and from its literal wording. In ISVAP's view, the insured's option to allow the installation of the black box implies that the insurer must offer the opportunity. Rather, the obligation to offer a significant discount on motor liability premiums for policyholders who elect to install the black box, regardless of its legitimacy in respect of the freedom to set prices, is totally independent of the rules governing the offer of the contract, which ISVAP contends is obligatory. The rule, in fact, states that if a contract with those characteristics is agreed to, the insured has the right to a discount. But it does not establish that all insurers must offer this type of contract.

As to the obligation to contract, which obtains for the compulsory motor liability insurance industry, note that this obligation entails the requirement on the insurer to accept all the proposals for insurance contracts presented to the insurance company on the basis of the policy terms and prices that the companies themselves must establish for all risks; it does not entail the duty to prepare specific policy terms and prices, aside from the bonus-malus and deductible clauses, which must be applied for specific types of vehicle pursuant to Article 133 of the Insurance Code. In other words, the law does not impose any particular type of contract in order to comply with the obligation to insure; in fact, where it is considered that some specific type of contract content must be provided, this is provided for expressly, as in the case of clauses alternative to bonus-malus or deductible.

The Order of Actuaries has also stated its opinion on the negative effects of the obligation to offer black box policies in ISVAP's interpretation. In a technical opinion of 26 April 2012 transmitted to the Minister for Economic Development and to the President of ISVAP, the Order criticized, in its own sphere of competence, that reading of Article 32.1 as liable to produce the opposite effect to that desired, i.e. to increase rather than lower the expected premium income requirement.

Article 32 – Risk attestation

Article 32, which amends and adds to Article 134 of the Insurance Code, entirely transposes the rules envisaged in the antifraud bill concerning the "dematerial-

ization" of the risk attestation (paragraph 2). It makes it compulsory to feed a database of risk attestations, to replace the current paper attestation with data in the database, and for insurance companies to acquire, upon the signing of a policy contract, the risk attestation directly and electronically through the risk attestation database and ISVAP's motor liability accident database.

Since the Insurance Code, Article 134.1 and Article 134.2, gives the insurance supervisory authority the regulatory power to determine the procedures for implementing the law on risk attestations, an ad hoc provision by ISVAP is needed for the entry into force of all the provisions on risk attestations, including that requiring that the attestation specify the type of damages liquidated (property damage or injury) as well as that requiring insurers to acquire the attestation in electronic rather than paper form (insofar as to date there was no attestation database to which it was obligatory to transmit data).

Article 32 – Liquidation of claims

The rule, which was modified in the conversion law, also takes from the antifraud bill the rules on motor liability claims liquidation. The provisions amend Article 148 of the Insurance Code and are applied in the direct indemnity procedure.

Inspection to verify damage to property and injuries (Article 32, paragraph 3a and 3c)

These two provisions, amending Article 148.1 of the Insurance Code, set the minimum length of time during which damaged property must be available for inspection by the insurer at two business days. The original text of the decree law had set the term at five consecutive business days (as against eight under the previous code), beginning on the date on which the insurer receives the claim. Two days is not enough time to organize and carry out inspections by the claims adjuster, especially if the two days specified by the damaged party are consecutive and immediately following receipt of the claim. Nor is the problem resolved by the provision, in paragraph 3(b), that for property damage too the damaged party cannot refuse examinations that are strictly necessary to damage assessment (on pain of suspension of the time limit for the insurer to make an offer) because in any case (Article 148.1, last sentence) the damaged party's right to compensation remains, even if he elects not to proceed to effect the repair, and without having to present the invoice demonstrating the repairs needed. Unless corrected by subsequent legislation, the amendment will cause additional fraud to the detriment of the insurance industry and hence of all policyholders.

Suspension of time limit for offer after consultation of ISVAP's claims database (Article 32.3[b])

This measure introduces a new paragraph (2-bis) into Article 148 of the Insurance Code, allowing the insurance company to suspend the time limit for making an

offer of compensation if consultation of the ISVAP claims database referred to in Article 135 finds at least two parameters of significant risk of fraud. The suspension, which cannot exceed 30 days, must be notified to the damaged party and to ISVAP and motivated by the need for further investigation of the claim. Within the term of 30 days the insurance company must communicate to the damaged party its conclusions on the claim, and if it takes legal action against the claimant it is not required to present an offer. The short time allowed for additional investigation and the alternative between compensation offer and legal action against the claimant are open to all the objections already submitted to Parliament in the course of the discussion of the antifraud bill.

Database on damaged parties and witnesses (Article 32.3-bis)

This rule, which was inserted by the conversion law, amends the provisions of Article 135 of the Insurance Code on ISVAP's motor liability claims database, providing for the institution at the insurance supervisor of two more autonomous databases, the "register of damaged parties" and the "register of witnesses". These data are already provided for, in any case, in the general ISVAP claims database. The measure also rewords Article 135.3 of the Code, assigning to ISVAP more detailed regulatory powers: a) to determine who shall have access to the databases (with provision for access by "third parties" in addition to the law enforcement authorities and insurance companies); b) to establish the requirements for consultation of the databases by insurers in settling claims. The implementing rules will be drafted in concert with the Ministry for Economic Development, the Interior Ministry and the privacy authority.

Compensation for minor injuries must be based on scientific, objective forensic examinations (Article 32.3-ter and Article 32.3-quater)

This is the most significant new provision introduced with the conversion of the decree into law. It impacts directly on one of the key cost factors in motor liability insurance in Italy, with the aim of defusing the typically Italian anomaly of an abnormally high incidence of extremely mild personal injury due to traffic accidents. The intent is clear, but the legislative technique chosen makes the new rule hard to interpret, in that the matter is governed by two provisions which, in laying down the conditions for compensation of claims for mild personal injury, refer to two different notions: paragraph 3-ter of Article 32 to the sub-category of permanent biological damage and paragraph 3-quater to the broad category of personal injury.

In particular, paragraph 3-ter supplements Article 139.2 of the Insurance Code. The article consists in two lettered points governing, respectively, the criteria for settlement of permanent biological damage and those for the settlement of temporary biological damage. The sentence added by paragraph 3-ter of Article 32, regardless of its placement in Article 139.2 of the Insurance Code, establishes that "in any case mild injuries that are not susceptible to objective clinical or instrumental verification cannot give rise to compensation for permanent biolog-

ical damage." Article 32.3-quater, with wording broader in scope and more comprehensive than the previous formulation, establishes that "personal damage for mild injuries, referred to in Article 139 of the Insurance Code … shall be eligible for compensation only after a forensic examination in which the existence of the injury is ascertained either visually or by means of equipment."

This norm would appear to be intended to establish a rule that is general but with specific applications: that a mild injury of any sort is not eligible for compensation in the absence of a forensic examination that permits, depending on the type of injury, a visual or instrumental verification of the injury complained of by the damaged party. Visual verification must be understood to mean objective observation, with no need for diagnostic instruments, that finds the existence of an injury, as in the case of scrapes, cuts, bruises, haematomas, swellings or amputations. Verification by means of diagnostic instruments refers to techniques such as X-rays, sonar scans and magnetic resonance that objectively document the existence of the injury.

It follows that pursuant to paragraph 3-quater it will not be possible to recognize an injury when only subjective disturbances or suffering is present. Further, as the rule excludes the existence of personal damage in the absence of objective evidence on the basis of scientifically rigorous criteria, this means that temporary disability and the related medical costs are also ineligible.

These two provisions, which went into effect on 26 March 2012, apply to all cases pending on that date, regardless of the date of the accident.

Article 33 – Sanctions for fraud in attestations of disability

The law extends the applicability and stiffens the penalties and fines for medical professionals who engage in fraud with respect to those already in effect (Decree Law 78/2010, converted with amendments into Law 122/2010, Article 10-bis on "verifications of micro-disabilities consequent to traffic accidents"). The rules are extended to all personal injuries (not only those causing "micro-disabilities") and to property damage and are also extended to additional potential offenders (e.g., insurance claims adjusters). The conversion law introduced paragraph 1-bis, which amends Article 642 of the Penal Code on insurance fraud, increasing the minimum sentence to one year and the maximum to five years.

Article 34 – Obligation of price comparison

The original structure of Article 34 stands confirmed. It lays down that intermediaries that distribute motor liability insurance products are required, before the signing of the contract, to inform the customer in correct, transparent and complete fashion of the price and other contract terms offered by at least three dif-

ferent insurance companies not belonging to the same group. To this end, the intermediary can use the data that insurance companies are required to post on their websites.

This requirement applies only to distribution via intermediaries. Naturally the intermediary must be "authorized" to offer motor liability policies. That is, it must be an agent (section A of the single register of intermediaries), broker (section B), bank or other financial intermediary (section D), or the employee of an intermediary registered in section A, B or D (section E). The minimum number of three insurance companies of whose prices and contract terms the customer must be informed always applies. This means, for example, that in the case of tied agents, banks and bank employees operating under an exclusive mandate, the requirement must be discharged by supplying the prices and contract terms not only of the mandatary firm but also of at least two other insurers not belonging to the same group.

The conversion law confirms the civil sanction of contract nullity in favour of the policyholder alone in case of violation of the requirement, reducing the fine envisaged by paragraph 3 for the insurance company, which is jointly and severally liable together with the non-compliant agent (more properly, intermediary) and referring to the amounts laid down in Article 324 of the Insurance Code (from €1,000 to €10,000, compared with the previous amounts of €50,000 to €100,000). The law also assigns ISVAP to prepare a twice-yearly report on the efficacy of Article 34 and post it on its website.

Because the law does not establish the manner in which the information is to be supplied (although it can apparently be excluded that there is an obligation to provide material on paper), it is provided that ISVAP prepare, within four months of the entry into force of the conversion law, an operational standard for the implementation of Article 34. Accordingly, ISVAP considers that the efficacy of the provisions under the article is temporarily suspended by effect of the decree law, pending the issue of the implementing rules.

Provisions on premiums and ISVAP's letter of 19 April 2012

Two new rules introduced in the conversion of the decree into law bear on pricing:

a) undifferentiated prices for policyholders in the best merit class (Article 32.3-quinquies)
b) automatic application of premium reduction for year without accidents (Article 34-bis)

ISVAP stated its position on these norms in its letter to insurance operators.

a) Undifferentiated prices for policyholders in the best merit class

The law adds paragraph 3-quinquies to Article 32, providing that "for the best merit class, subjective and objective conditions being equal, every insurance company must offer identical terms." The norm affects only one type of policyholder,

namely those in the best bonus-malus merit class according to the scale used by each insurer. The purpose is to guarantee that for these motorists, if subjective and objective risk conditions are the same, the insurer must make the same price offer. That is, the rule formally imposes the obligation to apply equal charges – i.e. identical prices as publicized under the rules now in force – in the presence of equal subjective and objective factors in the personalization of risk adopted by insurers as a function of the technical bases used pursuant to Article 35 of the Insurance Code.

Here it is worth noting that in an effort to interpret as innovative a rule that if read literally would appear simply to confirm the established practice of the industry, the media endorsed the interpretation that the rule obliged insurers to offer motorists in the best merit class, all other things being equal, the same premium cost throughout the national territory.

ISVAP, considering that the rule is not straightforward to interpret, requested the opinion of the Ministry for Economic Development, which ISVAP endorsed in its letter to insurance companies of 19 April 2012. For the ministry, the interpretation of an absolute ban on using geographical location for risk assessment "would run counter to the principle of pricing freedom laid down in Community law and specifically in Article 6 of Directive 92/49/EEC (ministerial note of 18 April 2012). In the ministry's view such an interpretation, with its high risk of subsequent annulment or non-application, would not only produce harmful effects of uncertainty for the market and for motorists themselves but even in the short term would not be in the true interests of consumers, insofar as it would result in an "unjustified redistribution of costs according to a poorly understood standard of mutualism which, radically departing from the ordinary link between subjective and objective conditions of risk and prices, would result in a nationwide leveling of prices to the benefit of motorists in some areas and to the detriment of those in other areas and/or in an abnormal worsening of the price terms for policyholders in lower merit classes even in the areas benefiting."

For that matter, in 2002 the glaring violation of the Community principle of pricing freedom resulted in the abrogation, just days after its entry into force, of a measure that expressly and unequivocally imposed undifferentiated prices throughout the national territory for the most virtuous policyholders.

Further, as regards the lack of innovation that purportedly characterizes paragraph 3-quinquies, the provision is in any case such as to affect the business practices of insurance companies, because it strengthens pricing transparency. It provides policyholders with clear, complete information on all the parameters applied by each insurer and ensures that the measure will be fully effective also in the verification of compliance with the requirement of equal prices in equal conditions.

b) Automatic application of premium reduction for year without accidents

The second rule on pricing introduced by the conversion law is contained in Article 34-bis. The article supplements Article 133 of the Insurance Code, which lays

down the pricing formulas for passenger cars, motorcycles/scooters and other categories of vehicle specified by ISVAP. The formulas include not only the policy with a deductible but also the bonus-malus formula, defined as a clause providing for "an increase or decrease in the premium for policy renewal at every annual expiry depending on whether or not claims-generating accidents have happened during a specified period of time." In the conversion of the decree into law, the following provision was added to Article 133.1: "The aforesaid reduction in the premium shall be applied automatically, save in the case of even better terms, in the amount previously quantified in relation to the merit class assigned to the policy and indicated explicitly in the contract. Failure to comply with the provision of paragraph 1 shall entail the levying of a fine, by ISVAP, of between €1,000 and €50,000."

What is new in the rule is the obligation for the insurance contract to specify the amount of the reduction applicable to the current premium upon the signing of a new contract or renewal in the absence of accidents. This means that the contract must specify not only the set of merit classes and the rules governing movements between them but also the amount of the reductions (or increases) in prices calculated by multiplying the premium by various coefficients for the various merit classes.

In the reading of the insurance sector, therefore, the measure is designed to increase contract transparency and enhance policyholder information and awareness concerning the rules governing premium reductions in the absence of accidents. However, ISVAP has interpreted the provision for automatic reduction of the premium on bonus-malus contracts when no claim has been incurred during the past year as guaranteeing that the policyholder's premium payment on the new contract will be less than on the previous year's contract (letter to insurance companies, 19 April 2012). In order to do so, the supervisory authority suggests a solution of which there is no trace in the law itself, namely that after the first year with the reduced premium the insurer may indicate that in the subsequent year the premium may vary in relation to changes in the company's premium income requirement. In practice, that is, for the vast majority of motorists who do not cause accidents, insurers could modify their prices every two years. But the law lays down that the reduction under the bonus-malus clause must be calculated with respect to the premium charge (defined by Article 133 of the Insurance Code as the "premium applied upon the stipulation of the contract or the renewal"). Nor could it be otherwise, for if the overall cost of damage compensation has risen during the past year, this necessitates the adjustment of premiums for the next year, the increase being shared among all the insured (principle of mutualism). Obviously the increase for a motorist entitled to a reduction for not having had an accident will be diminished or eliminated as a result of the discount provided for by contract. And if the company's overall premium income requirement does not increase, the insured will have an effective reduction in the premium by comparison with the previous year, in the amount provided for by contract.

ISVAP's interpretation of this norm would require estimating the larger component of the premium income requirement (that associated with motorists entitled to the no-accident bonus) over two years, limiting (for these motorists) the application of the necessary price changes to every other year, and so exposing the system to the risk of significant losses in the event of prices inadequate to the actual evolution of the loss ratio. In other words, this interpretation would require charging to the motorists who do cause accidents (around 8% each year) not only the increase in premiums due to their own liability but also that deriving from the discounts granted to the other 92% of motorists. The relatively few policyholders in the "malus" class would thus have to sustain premium increases of well over 100%. The increased premium income requirement could also have to be sustained by new drivers and paradoxically also by those who are already in the top merit class and thus have no right to further reductions.

In short, as the Order of Actuaries pointed out in its technical opinion transmitted to the Minister for Economic Development and the President of ISVAP, the supervisory authority's interpretation could have distorting effects on the market that contrast with the reason for the rule (consumer protection) and imply a potential rise in prices. ISVAP's reading, apart from the criticism that it introduces legal obligations on insurers that are not envisaged in the primary legislation, would also appear to run counter to the Community principle of freedom to set prices, in that it would introduce an annual price freeze, on an open-ended basis, for a single category of insured. It was precisely for violation of the principle of free pricing that the Court of Justice in 2003 condemned Italy for the motor liability price freeze enacted by Decree Law 70/2000 (Court of Justice judgment of 25 February 2003, case C59/01).

Article 34-ter – Certificate of conclusion of inquiry

Article 34-ter, added in the conversion of the decree, introduces a new article, Article 150-bis, into the Insurance Code. Paragraph 1 requires insurance companies to indemnify the damages to vehicles due to fire or theft regardless of the request for a certificate of conclusion of inquiry. The law regulates a matter that both ISVAP and ANIA, in the past, have called to the attention of insurers, urging reasonable use of the contract clause requiring exhibition of the certificate of the conclusion of inquiry. It was recommended that requests for the certificate be limited to circumstances in which there are definite grounds for suspecting attempted fraud against the insurer. The new measure, in Draconian fashion, simply prohibits such requests save in the circumstances envisaged in paragraph 2 of the new Article 150-bis of the Insurance Code, whose wording itself is not entirely clear.

One can apparently infer that an insurer can suspend the payment for damages when a criminal proceeding is under way for insurance fraud (Article 642 of the Penal Code) perpetrated by means of a request for indemnity for damage to an insured vehicle due to theft or fire until the certificate of conclusion of inquiry is issued. The provision went into force on 26 March 2012.

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 2010, a total of 69,763 fraudulent claims were detected, equal to 2.30% of all claims incurred and reported; in 2009 the number was 81,040, or 2.55%. That is, whereas in 2009 there had been an upturn after years of steady decline in motor insurance fraud, the downward trend resumed in 2010 in all geographical areas. ISVAP's data report only frauds detected by the insurers themselves with the limited resources at their disposal.

Again in 2009 Northern Italy showed the lowest incidence of fraud, equal to 0.84% of claims (0.93% in 2009). And save for Valle d'Aosta, the only northern region in which the rate rose (though the number of claims is very small and hence highly variable from year to year), all the other regions of the North registered a decline in the rate of fraud. Veneto and Friuli-Venezia Giulia showed the most marked declines (respectively from 0.81% to 0.65% and from 0.40% to 0.32%), followed by Trentino-Alto Adige (0.40% to 0.33%) and Liguria (1.68% to 1.47%). Liguria remains the most fraud-prone region of the North, Valle d'Aosta the least fraud-prone in all of Italy (0.29%).

The incidence of fraud diminished slightly in the South as well, from 6.79% to 6.55%, but the rate of fraudulent claims remains highest in this part of Italy. The region with the highest share of fraudulent claims is Campania (9.58%, still an improvement from 9.96% in 2009). The provinces of Caserta and Naples continued to head the list at 12.38% and 10.91% respectively. Fraud decreased somewhat in Puglia as well, from 6.27% to 5.93%. The provinces of Foggia, Taranto and Brindisi showed the highest incidence in the region. Excluding Abruzzo, where there was an improvement, the other southern regions all recorded rises in fraud. In Molise in particular, the number of fraudulent claims more than doubled from 172 to 378.

Among the regions of the Center, Lazio displays the highest fraud rate, though it came down to 1.68% in 2010 from 2.03% in 2009. The decline was due essentially to the city of Rome, where the number of frauds fell by more than 20%.

The incidence of fraud in the island regions was basically in line with the national average, at 2.37% in 2010. However, this reflects a higher rate in Sicily (2.84%), while Sardinia shows an incidence well below the national average, at 0.95%.

The amount of compensation in connection with fraudulent claims also varies significantly with location. In the South, it came to nearly 7% of total damages, compared with an average of under 1% in the Center and North.

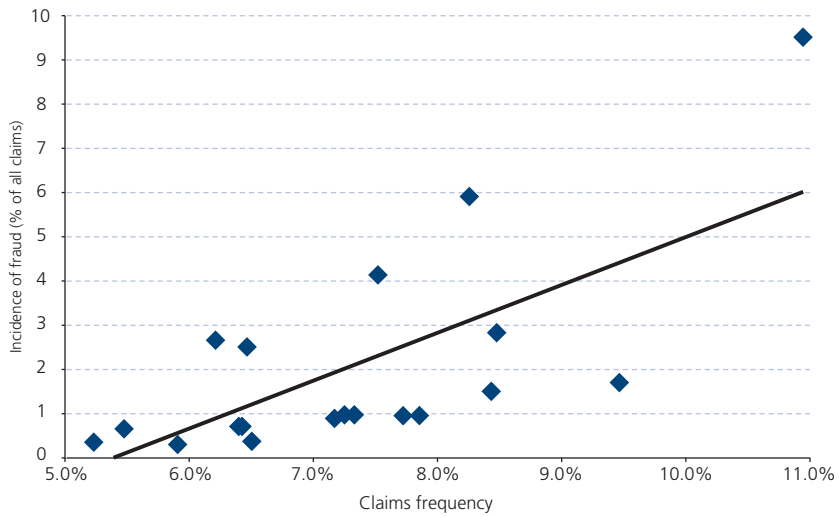
Motor liability insurance fraud in Italy by region (°)

	2010		2009	
Region	**% fraudulent claims (no.)**	**% fraudulent claims (value)**	**% fraudulent claims (no.)**	**% fraudulent claims (value)**
(1)	**(2)**	**(3)**	**(4)**	**(5)**
PIEDMONT	0.96%	0.85%	1.01%	0.95%
VALLE D AOSTA	0.29%	0.40%	0.25%	0.48%
LOMBARDY	0.89%	0.86%	0.98%	1.17%
TRENTINO-ALTO ADIGE	0.33%	0.28%	0.40%	0.41%
VENETO	0.65%	0.59%	0.81%	0.81%
FRIULI VENEZIA GIULIA	0.32%	0.27%	0.40%	0.40%
LIGURIA	1.47%	1.52%	1.68%	1.79%
EMILIA ROMAGNA	0.71%	0.78%	0.74%	0.83%
NORTH	**0.84%**	**0.80%**	**0.93%**	**0.99%**
TUSCANY	0.95%	1.00%	1.08%	1.35%
UMBRIA	0.36%	0.45%	0.51%	1.16%
MARCHE	0.70%	0.68%	1.01%	0.98%
LAZIO	1.68%	1.44%	2.03%	1.94%
CENTER	**1.26%**	**1.14%**	**1.53%**	**1.58%**
ABRUZZO	0.98%	1.00%	1.02%	1.13%
MOLISE	2.66%	2.26%	1.14%	1.98%
CAMPANIA	9.58%	10.22%	9.96%	9.08%
PUGLIA	5.93%	6.24%	6.27%	5.46%
BASILICATA	2.52%	3.57%	2.13%	2.06%
CALABRIA	4.15%	4.52%	4.11%	4.07%
SOUTH	**6.55%**	**6.92%**	**6.79%**	**6.12%**
SICILY	2.84%	2.84%	3.13%	3.02%
SARDINIA	0.95%	0.96%	0.88%	0.76%
ISLANDS	**2.37%**	**2.36%**	**2.58%**	**2.44%**
TOTAL ITALY	**2.30%**	**2.42%**	**2.55%**	**2.47%**

(°) The data for 2010 are net of one insurance company liquidated in 2011 and one placed under extraordinary administration, as well as of two insurers whose policy portfolios were entirely assigned to representatives in Italy of EEA companies. For purposes of comparability with 2010, the data for 2009 have been recalculated net of those four companies

Source: ISVAP – Indagine sul fenomeno della criminalità nel settore assicurativo. Based on data for 2010 (letter dated 29 July 2011)

The correlation coefficient between claims frequency and the incidence of ascertained fraud was calculated by ISVAP at 0.70 on a regional basis in 2010, a statistically significant value. By province, the correlation was also highly significant, at 0.55. 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: 2010

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 ([1]).

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:

- after falling steadily from 2005 to 2009, with a total decrease of 11.8%, the average price for motor liability insurance rose by 4.7% in 2010 and by a further 5.8% in 2011;
- overall, in any event, from 2005 through 2011 there was a slight reduction of 2.4% in the average premium, which means that last year motorists paid about the same premium as in 2005;

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

- the motorist's actual merit class, so that if in the reporting year he is in a better class than the previous year (which happens over 95% of the time), the deflator finds a reduction (or smaller increase) in price;
- discounts with respect to listed prices, so that if a motorist gets a discount in the reporting year that he didn't have the year before, the deflator finds a reduction (or smaller increase) in price.

Table 1 – Motor liability insurance premiums, 1994-2011

YEAR	1. Premiums			2. No. vehicles in circulation (*)		3. Average price of coverage per vehicle		MEMO. ITEM 4. ISTAT motor liability index		MEMO. ITEM 5. 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
2010	16,881	204.4	4.4	133.9	-0.3	152.7	4.7	298.2	7.2	147.1	1.5
2011	17,760	215.0	5.2	133.1	-0.5	161.5	5.8	314.3	5.4	151.2	2.8
March 2012			*1.4*		*-0.7*		*2.1*		*4.9*		*3.0*

(*) Starting with 2009, the number is calculated on the basis of the change in the number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which ISVAP has specifically requested of insurance companies. Preliminary data put the number of insured vehicle/years in 2011 at 41.3 million, down 0.5% from 2010. The change is calculated in uniform terms, i.e. counting the same insurance companies in 2010 as at the end of 2011. For previous years, number of vehicles registered according to ACI

(**) The percentage change in premiums is calculated in uniform terms, i.e. counting the same insurance companies in 2009 as at end-2010 and in 2010 the same as at the end of 2011

– in the first three months of 2012 there was a sharp rise of 2.1% in the average premium.

In the market as a whole, "list prices" – which do not correspond exactly to the actual prices paid for new or renewed motor liability policies – were 4.3% higher in April 2012 than in April 2011 (Istat). The Istat result differs from other surveys insofar as it covers only selected risk profiles, considered representative of all of Italy, and also factors in the application of the law mandating the "family" bonus-malus.

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 in them are not a reliable indicator of the change in actual spending by consumers. List prices, that is, may be misleading in that:

1) They ignore the bonus for drivers who do not cause accidents (more than 94 percent of the total, since only those who have primary or equal responsibility are ineligible for the bonus).
2) They do not consider discounts, caps on which are barred by Law 248/2006, known as the Bersani decree.
3) They do not consider the growing number of motorists who change insurer every year to get a better price. Obviously, the number who switch is directly proportional to price trends, diminishing when prices fall, as in 2005-2009, 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 "primary" driver at fault.

The actual 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 actual cost of liability insurance, from financial statements, over the past six years (also giving the change between May 2011 and 2012 according to Istat). In the years from 2006 to 2009 the gap between the change in the Istat index and that in the average premium cost widened to between 6 and 7 percentage points, since by construction the Istat index cannot reflect the impact of the new bonus-malus rules, which as noted elsewhere inevitably shift policyholders towards the better merit classes, or of the upward trend in discounts. In 2010 and even more in 2011, by contrast, the gap narrowed, essentially because the scope for discounts offered by insurance agents diminished with the worsening of insurers' technical accounts.

The latest available Eurostat data indicate that in May 2012 the average list price of motor liability insurance in Italy was 4.6% higher than twelve months earlier (Table 3), compared with an average increase of just 0.9% in all of Europe. The countries with the largest increases in the motor liability insurance index were Luxembourg (8.3%) and the United Kingdom (6.2%). The twelve-month increase was lower than average in Sweden, Spain and the Netherlands, somewhat higher than average in the other countries; the only country registering a decrease (of 5.2%) was Germany. From 2007 through 2011 motor insurance prices rose by 87% in the UK and 37% in Greece. In Italy the five-year increase came to 20.8%, owing mostly to the rises registered in the last two years. In 2010-2011 the rise came to 13%.

Table 2
Motor liability insurance prices

Year	Istat price (% change) (a)	ANIA price (% change) (b) (*)	Difference (% points) (b-a)
2006	2.3	-0.8	-3.1
2007	1.5	-2.7	-4.2
2008	2.4	-3.6	-6.0
2009	2.9	-3.9	-6.8
2010	7.2	4.7	-2.5
2011	5.4	5.8	0.4
May 2012 (**)	4.6		

(*) For 2011, estimated data
(**) Twelve-month change

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

	AVERAGE FOR YEAR					TOTAL	12-MONTH
	2007	2008	2009	2010	2011	2007-2011	May 2011-2012
Italy	**1.5%**	**2.4%**	**2.9%**	**7.2%**	**5.4%**	**20.8%**	**4.6%**
Austria	0.3%	0.3%	2.3%	2.8%	2.7%	**8.6%**	1.7%
Belgium	6.3%	1.4%	-1.2%	0.3%	0.4%	**7.2%**	1.6%
Denmark	0.7%	1.8%	0.6%	4.0%	1.4%	**8.7%**	2.2%
Finland	2.9%	4.6%	5.5%	4.0%	3.0%	**21.7%**	3.2%
France	-1.6%	0.5%	1.6%	6.6%	1.0%	**8.1%**	2.1%
Germany	1.8%	2.8%	2.0%	4.2%	1.5%	**12.9%**	-5.2%
Greece	2.1%	2.6%	7.0%	13.2%	8.1%	**37.2%**	1.9%
Ireland	-10.9%	-3.6%	11.5%	1.4%	5.0%	**2.0%**	2.3%
Luxembourg	0.0%	0.0%	0.9%	-2.6%	2.6%	**0.8%**	8.3%
Norway	-0.5%	3.5%	4.2%	4.2%	4.3%	**16.6%**	3.6%
Netherlands	-2.7%	0.6%	1.8%	0.1%	3.5%	**3.1%**	0.8%
United Kingdom	3.2%	1.7%	10.3%	30.8%	23.3%	**86.8%**	6.2%
Spain	1.7%	2.0%	1.3%	1.8%	2.8%	**10.0%**	0.4%
Sweden	11.4%	3.7%	2.0%	2.0%	-1.2%	**18.7%**	0.2%
EU 27	**1.4%**	**1.7%**	**2.1%**	**6.0%**	**5.2%**	**17.4%**	**0.9%**

Source: Eurostat

DIRECT INDEMNITY FIVE YEARS ON: AN APPRAISAL

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

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

- in 2007 direct indemnity was in effect for only eleven months; further, the procedure was not open to accidents involving two drivers insured by the same company (cases of so-called "natural" direct indemnity);
- starting 1 January 2008, albeit on a voluntary basis, "natural" claims involving two drivers insured by the same company could be entered into the CARD direct indemnity system;
- starting in 2009 it became obligatory for insurers to handle eligible "natural" claims through the CARD system;
- the differing procedures for determining the fixed compensation amounts have also affected the technical indicators. In 2007 there was a single amount for CID compensation payments. In 2008 and 2009 there were separate amounts for property damage and for minor personal injury. In 2010 the single compensation amount covering both property damage and minor personal injury was reinstated, but calculated separately for motorcycles/scooters and

other vehicles. The method for determining the fixed compensation amount for passengers has not changed over time;
– in addition, the turnover in scooters and the increase in their number have affected the distribution of claims and their average amount according to procedure (only scooters with the new type of licence plate can be handled by the direct indemnity method).

Finally, direct indemnity involves claims whose total cost is only half the overall cost of motor liability claims. This proportion must accordingly be borne in mind in appraising the potential reduction of claim costs.

In general, direct indemnity has certainly had a positive impact on the speed of settlement by insurers. Claims frequency, which rose constantly from 2007 through 2009, turned back downwards in 2010, and the decrease accelerated in 2011. The pattern for the average cost of claims was exactly the opposite: after three years of reduction, 2010 saw a rise that sharpened in 2011, with the highest average claim cost since the introduction of the new system (Table 1).

Table 1
Technical indicators, motor liability insurance

Year	Claims frequency	Average cost of claims (€)	Speed of settlement (**)
2006 (*)	7.47%	4,100	65.2%
2007	7.61%	3,967	67.6%
2008	7.73%	3,913	69.7%
2009	7.77%	3,903	69.0%
2010	7.36%	4,057	70.5%
2011	6.49%	4,337	71.3%

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

In detail:

– settlement speed has increased; claims settled in the same year they were incurred rose from 65.2% of the total in 2006 to 71.3% in 2010;
– claims frequency (not counting claims lodged late) was 6.49% in 2011, down 12 per cent from 2010 (in 2006 it had been 7.47%);
– the average cost of claims (settled and reserved during the year) was €4,337 in 2011, up nearly 7% from 2009 (in 2006 it had been €4,100).

Direct indemnity: the data

Incidence of CARD claims. In the fifth year of direct indemnity, the percentage of claims handled through the CARD direct indemnity convention diminished mar-

ginally to 79.7%, compared with 80.7% in 2010, presumably due on the one hand to Constitutional Court judgment 180/2010, which affirmed the damaged party's right to take action directly against his own insurer and that of the liable driver, and on the other hand to the recent expansion of the policy portfolios (particularly in some parts of Italy) of representatives of insurers from other EU countries that are not part of the direct indemnity system. In 2009 the incidence of CARD claims was 79.5% of the total for all vehicles; in 2008 it was 73.1%, and in 2007, 71.2%.

The proportion of claims not eligible for direct indemnity (for at least one type of damages) came to 21.1% in 2011. CARD and non-CARD claims together add up to more than 100% because a single accident can cause damages that are covered by CARD and others that are not.

The incidence of direct indemnity procedures differs according to vehicle type (Table 2). For cars and motorcycles/scooters, which make up 80% of all insured vehicles, the proportion of claims handled via the direct indemnity procedure is between 82% and 85%. For trucks, 64.9% of accidents are covered by the CARD convention, but the percentage is considerably higher for smaller trucks (71.4% for those below 3.5 tons, 45.3% for those above that threshold). As a whole, this category showed the largest decline in the percentage of claims settled through CARD last year; for trucks smaller than 3.5 tons the incidence fell by more than a full percentage point, from 72.5% to 71.4%.

Table 2 – Proportion of claims handled via CARD convention (*)

Type of vehicle	2011			2010		2009		2008		2007	
	% Insured vehicles	% CARD claims	% Non-CARD claims	% CARD claims	% Non-CARD claims	% CARD claims	% Non-CARD claims	% CARD claims	% Non-CARD claims	% CARD claims	% Non-CARD claims
Private passenger cars	71.3	84.5	16.2	85.0	15.7	84.9	15.6	80.7	19.9	78.8	21.4
Motorcycles/scooters	11.9	76.5	24.7	74.9	26.2	73.1	27.8	66.4	34.4	59.5	40.7
– *of which motorcycles*	*8.1*	81.7	19.6	82.3	18.9	82.9	18.1	79.4	21.4	77.7	22.8
– *of which scooters*	*3.8*	58.6	42.4	51.0	49.7	43.0	57.8	31.3	69.5	16.3	83.4
Trucks	7.8	64.9	35.7	65.9	34.5	64.5	36.0	55.6	44.9	52.4	47.8
– *of which < 3.5 tons*	*6.4*	71.4	29.2	72.5	28.0	71.3	29.2	62.4	38.0	59.4	40.7
– *of which > 3.5 tons*	*1.4*	45.3	55.3	46.4	54.1	44.7	55.6	37.8	62.8	34.4	65.7
Other vehicles	9.0	60.0	40.9	62.5	38.4	58.4	42.9	57.6	44.0	34.7	65.1
Total	**100.0**	**79.7**	**21.1**	**80.7**	**20.0**	**79.5**	**21.2**	**73.1**	**27.5**	**71.2**	**29.0**

(*) Based on quarterly motor liability statistics. A claim may involve some damages handled via the CARD direct indemnity convention and others handled outside it and may therefore be counted in both items; consequently, the total may be greater than 100%

Other vehicle types – taxicabs, buses, agricultural vehicles, circulating mobile machinery, and all cars and motorcycles/scooters not for private use or not insured under the bonus-malus system (excluding all vehicles covered by fleet insurance

policies) – account for 9.0% of the total. The incidence of direct indemnity for this group slipped from 62.5% in 2010 to 60.0% in 2011.

Claims frequency. Claims frequency (excluding late reports) decreased by 11.9 per cent in 2011, from 7.36% to 6.49% (7.61% in 2007, 7.73% in 2008, 7.77% in 2009). Thus claims frequency improved substantially in 2011 for the second year after three consecutive increases, getting back down to lower levels than in the past (Table 3).

Table 3
Claims frequency by type of vehicle and settlement procedure (*)

Settlement procedure/year	All vehicles	Passenger cars	Trucks < 3.5 tons	Trucks >3.5 tons	Motorcycles	Scooters
CARD 2007	4.98%	5.90%	4.39%	4.09%	3.65%	0.49%
CARD 2008	5.66%	6.60%	4.71%	4.61%	4.05%	0.96%
CARD 2009	6.17%	7.19%	5.21%	4.97%	4.37%	1.32%
CARD 2010	5.95%	6.92%	5.12%	4.95%	3.87%	1.46%
CARD 2011	5.17%	5.97%	4.50%	4.35%	3.50%	1.56%
Non-CARD 2007	2.64%	2.38%	4.54%	10.59%	1.39%	2.88%
Non-CARD 2008	2.13%	1.85%	3.26%	8.74%	1.24%	2.42%
Non-CARD 2009	1.64%	1.42%	2.29%	6.64%	1.03%	1.91%
Non-CARD 2010	1.47%	1.32%	2.05%	6.02%	0.92%	1.48%
Non-CARD 2011	1.37%	1.23%	1.98%	5.71%	0.90%	1.21%
TOTAL 2007	7.61%	8.30%	8.85%	14.37%	5.03%	3.28%
TOTAL 2008	7.73%	8.47%	7.81%	12.64%	5.28%	3.17%
TOTAL 2009	7.77%	8.59%	7.42%	11.28%	5.36%	3.12%
TOTAL 2011	7.36%	8.18%	7.10%	10.74%	4.73%	2.87%
TOTAL 2011	6.49%	7.17%	6.39%	9.73%	4.35%	2.69%

(*) Excluding claims reported late, i.e. incurred during the year but reported in a subsequent year. These represent an additional 10 to 15 percent of the percentages shown

There are several reasons for the reversal. One contributing factor may have been decreased vehicle use owing to higher fuel prices (which rose by over 15% in 2011, on average). Second, there was a further slight decrease, nationwide, in the number of vehicles insured; and the decrease was concentrated in the provinces with relatively high claims frequency, further improving the technical indicator at national level. Finally, policyholders had greater recourse last year to informal settlement for minor accidents, as is confirmed by the number of claims submitted to the claims clearing house operated by Consap.

The number of CARD claims tends to increase, because the number eligible for the direct indemnity procedure increases.

Speed of settlement. The claims settled definitively within the first year represented 71.3% of all claims incurred in 2011, up from 70.4% in 2010 (69.0% in 2009, 69.7% in 2008, 67.6% in 2007). One factor in the improvement is the increase for claims involving private passenger cars, from 71.8% to 72.8%, this being the

largest vehicle class. There was also a gain in settlement speed for claims involving trucks, from 69.4% to 70.0%. The only class registering a deterioration was motorcycles/scooters, from 55.1% to 54.6%, accounted for essentially by scooters only (with a decline from 62.5% to 60.4%), while settlement speed for motorcycle accidents was essentially unchanged.

Claims involving motorcycles and motor scooters, especially the latter, continue to be marked by especially slow settlement. This is due to the fact that a higher proportion of accidents involving these vehicles result in personal injury, so that also in the case of CARD claims for damages by motorcycle/scooter users, settlement is slower than for other types of vehicle. Further, as the drivers and passengers of these vehicles are more vulnerable, injuries are often severe and the claim is therefore handled by the traditional, non-CARD procedure, reducing settlement speed.

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

Type of vehicle	2011			2010			2009			2008			2007		
	All claims %	CARD claims %	Non-CARD claims %	All claims %	CARD claims %	Non-CARD claims %	All claims %	CARD claims %	Non-CARD claims %	All claims %	CARD claims %	Non-CARD claims %	All claims %	CARD claims %	Non-CARD claims %
Private passenger cars	72.8	78.8	42.4	71.8	78.0	40.1	70.3	76.2	40.4	71.1	77.3	48.8	68.3	72.5	50.5
Motorcycles/scooters	54.6	58.4	42.1	55.1	58.5	43.8	54.5	57.3	46.1	57.4	58.9	54.4	57.3	55.4	59.0
– of which motorcycles	52.9	58.2	29.9	52.8	58.2	28.9	52.2	57.4	28.6	54.4	59.3	37.2	52.3	*56.1*	37.1
– of which scooters	60.4	59.3	61.3	62.5	60.4	62.1	61.9	56.8	62.8	65.6	56.1	68.6	69.3	*47.4*	73.3
Trucks	70.0	77.1	57.4	69.4	76.3	55.1	68.0	74.6	55.2	68.5	74.5	61.3	67.3	69.8	63.6
– of which < 3.5 tons	71.1	78.6	53.6	70.5	77.8	51.3	68.9	76.1	51.3	70.1	76.4	60.5	68.7	*71.8*	63.0
– of which > 3.5 tons	66.7	70.2	63.6	66.0	69.0	61.1	65.2	67.5	61.2	64.3	66.1	62.5	63.8	*61.2*	64.4
Other vehicles	73.2	77.4	66.5	71.4	74.9	63.0	72.4	75.9	64.6	69.3	72.3	63.7	69.4	66.6	70.6
Total	**71.3**	**77.3**	**47.5**	**70.4**	**76.1**	**46.5**	**69.0**	**74.8**	**46.6**	**69.7**	**75.6**	**53.3**	**67.6**	**73.9**	**58.1**

Table 5

Average claim cost by type of settlement procedure

Euro

Procedure/year	All claims	*% change*
CARD 2007	2,436	
CARD 2008	2,563	*5.2%*
CARD 2009	2,555	*-0.3%*
CARD 2010	2,667	*4.4%*
CARD 2011	2,750	*3.1%*
Non-CARD 2007	6,840	
Non-CARD 2008	7,407	*8.3%*
Non-CARD 2009	8,847	*19.4%*
Non-CARD 2010	9,488	*7.2%*
Non-CARD 2011	10,160	*7.1%*
TOTAL 2007	3,967	
TOTAL 2008	3,913	*-1.4%*
TOTAL 2009	3,903	*-0.3%*
TOTAL 2010	4,057	*3.9%*
TOTAL 2011	4,337	*6.9%*

A closer analysis of settlement speed distinguishes between the two types of claims handled, namely CARD and non-CARD. Table 4 shows that 77.3% of the CARD (direct indemnity) claims were settled within the year in 2011 (76.1% in 2010), and just 47.5% of the non-CARD claims (46.5% in 2009). The difference depends on the fact that the non-CARD claims comprise not only multiple-vehicle accidents but also all claims for severe personal injury (permanent disability of the non-liable driver of more than 9%, injury to bystanders and passengers of the liable vehicle), which generally take considerably longer to settle.

Average claims cost. After three years in which direct indemnity had a beneficial impact on the average cost of claims (reducing it by 5% between 2006 and 2009), the trend was reversed in 2010, and the rise accelerated in 2011, the cost increasing by 7% from €4,057 to €4,337 (Table 5). One factor may well have been drivers' greater recourse to informal settlement, which excluded a number of small claims from the system.

Here again, straight comparison of the average cost of CARD and non-CARD claims is improper, in that the differing incidence of claims due to changes in the compensation procedure certainly affected claims cost. In the last two years, however, no significant changes of this sort have occurred, so the comparison is possible. We find that the average cost of CARD claims increased by 3.1% in 2011, from €2,667 to €2,750, while that of non-CARD claims rose by 7.1% to €10,160.

THE MOTOR LIABILITY DATABASE: THE REGIONAL ADMINISTRATIVE TRIBUNAL DECISION CONCERNING ISVAP'S RULES ON FINES AND THE ANNULMENT OF THE PROCEEDINGS

In February 2012 the Regional Administrative Tribunal found in favour of the insurance companies' appeal against the criteria applied by ISVAP for levying and quantifying fines (under Article 316.2 of the Insurance Code, Legislative Decree 209/2005) for failure to communicate data to the claims database (Decision 1596, 16 February 2012).

The question brought before the Tribunal concerned the correctness of ISVAP's position on the requirement to transmit data to the motor liability claims database, as set out in its interpretative note of 24 March 2011 and in its charges against individual insurance companies. In a substantial modification of its established practice, the insurance authority had specified that the companies were obliged to transmit the data on each claim; that is, each claim was treated as the object of a specific communication requirement, whose violation is sanctioned as such under Article 316 of the Insurance Code. Essentially, under this new interpretation the authority related fines not to the required periodic reports of data, as the text of the law provides and as ISVAP itself had done until then, but to reports of the data on every single claim. This interpretation, which was applied in the sanction proceedings against the insurers that appealed to the Tribunal, resulted in an amount of fines so great as to jeopardize the stability of the insurance companies.

The administrative Tribunal sustained the appellants' objections to the admissibility of these fines and annulled ISVAP's interpretative note and the sanction proceedings against the insurers, ruling that they were illegitimate and in violation of the law. In short, the Tribunal reaffirmed the established interpretation of Article 316, namely that it refers "unequivocally" to omission, incompleteness or inaccuracy of the insurers' periodic reports and not, as ISVAP had asserted, to individual claims.

MOTOR LIABILITY PREMIUMS AND NATIONALITY/ CITIZENSHIP PARAMETERS: ANTIDISCRIMINATION RECOMMENDATION TO INSURERS AND THE EUROPEAN COMMISSION'S LETTER

In January 2012 the National Office against Racial Discrimination, under the Equal Opportunity Department of the Office of the Prime Minister, posted guidelines for insurance companies, recommending that insurers not apply parameters of nationality or citizenship in setting motor liability insurance premiums, as such standards were deemed to be potentially discriminatory (Recommendation 16, 31 January 2012). This concluded the technical talks between the Office, ANIA and ISVAP on the use of this pricing parameter.

During the talks on the scope of the anti-discrimination provision, ANIA sustained the position that under Article 21.2 of the EU Charter of Fundamental Rights a discriminatory act subsists only when the difference of citizenship is the exclusive element considered in differentiating contractual or price conditions. It was noted that this is absolutely not the case in the setting of motor liability prices in Italy, and statistical evidence for Italy was presented on the disparities in accident frequency in connection with drivers' nationality or citizenship. It was shown that in Italy, far from being an exclusive and therefore illegitimate and discriminatory standard, citizenship is used together with many other objective and subjective elements to personalize contracts, and solely to make premiums commensurate with risk indicators.

But the National Office, while acknowledging the objections and the documentation presented, nevertheless considered that the application of a nationality/citizenship standard was potentially such as to have a discriminatory effect, asserting that the parameter is totally lacking in objectivity and thus should not be among the technical factors used for the differentiation of risk.

Consistent with this conclusion, the Office issued guidelines that it deemed more suitable pursuant to Legislative Decree 215/2003, Article 7.2(e). And after recommending "continued attention to the situations brought to light and avoidance of conduct that might seem discriminatory" it called on "all insurance companies to offer motor liability contracts to motorists of non-Italian citizenship on the same terms, all other conditions being equal, as those offered to Italian citizens and in any case prices independent of the policyholder's citizenship."

In April the European Commission set out its position in still more definite terms in a letter responding to a complaint from the Association for Legal Studies on Immigration concerning the application of these pricing parameters in Italy (letter of 17 April 2012 from the Insurance and Pensions Unit of the DG Internal Market and Services). In its response to the Association, the Commission argued that "provision for a citizenship standard in setting insurance premiums can constitute

an unjustified discriminatory restriction of the freedom to avail oneself of a service, in that citizenship (unlike, say, driving experience) does not impact on the user's driving ability and therefore does not constitute a factor to be taken into consideration in calculating insurance premiums."

THE "DEMATERIALIZATION" PROJECT

Together with information technology experts and motor liability insurers' representatives, last year ANIA initiated the Executive Committee project for the dematerialization of windshield stickers attesting to insurance coverage and of risk attestations (bonus-malus class). The project is designed to combat the growing amount of fraud in certifying coverage and of falsification of the relevant contractual documents, in particular the risk attestation.

Through ANIA's Corporate Information Technology Service, we are now completing, enlarging and integrating two of our most important databases:

- SITA (information system on insured vehicles), with the data on the insurance cover of over 40 million vehicles according to licence plate; the database now covers 95% of all vehicles circulating in Italy;
- ATRC (risk attestation database), an electronic/digital file of the insurance documents attesting to the driver's risk level (bonus-malus class), which are now issued in paper-based format and are accordingly easy to falsify; monthly feeds to the database are now being made by about 98% of the entire Italian insurance market.

In order to enable insurers to check the status of their feed-in to the SITA and ATRC databases, ANIA has introduced a web portal, continuously adapted, for real-time access to the index of completeness of the data transmitted.

This part of the project has involved a number of meetings (some of them tailored to company and/or group) for analysis and the sharing of solutions for the phasing-in of dematerialization. The meetings were held within a brief span of time early in 2012, following the passage of Law 1 of 24 January on "liberalizations" (the so-called "Grow Italy" decree), which provides that the dematerialization of motor liability insurance documents must be completed within two years of the issue of the law's implementing regulations.

OTHER NON-LIFE INSURANCE CLASSES

6

OTHER NON-LIFE INSURANCE CLASSES

The premiums collected in non-life classes other than motor vehicle insurance increased slightly in 2011. Thanks to the improvement in the combined ratio which came down by almost 3 percentage points to 94%, the technical account result was positive by Euro 250 million, even though the contribution of investment profits was further reduced from 2010.

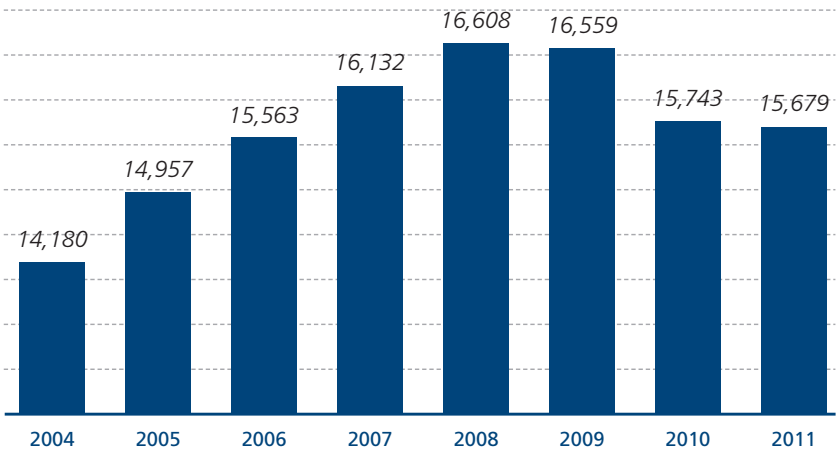
NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR CLASSES

The premiums for direct domestic business collected in non-life insurance classes other than motor classes (namely, excluding land vehicles and motor and marine vehicle third party liability) were equal to Euro 15,679 million in 2011, up by 0.6% compared to 2010.

The classes that registered an increase in written premiums were miscellaneous financial loss (+9.0%), assistance (+7.4%), goods in transit (+5.3%), legal expenses (+4.1%), credit (+2.8%), suretyship (+1.7%) and other damages to property (+1.2%).

In particular, as a consequence of the crisis in the second half of 2011, the volume of premiums for credit and suretyship classes experienced a growth due to the increase in number of new subscribers (companies/corporates) looking for protection through this type of contract, and to an upward revision of the average premium applied. The class relevant to goods in transit, despite the crisis in risk coverage, recorded a growth of premiums in 2011, as a consequence both of the cost increase of the raw material (hence of the value of the goods) and of premium regulation along with innovation in contracts.

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



Almost all the other classes recorded a decrease. The effects of the economic crisis had a considerable impact especially on the classes of transport and general third party liability. In particular, the transport sector (except goods in transit) experienced a reduction in the premium rates (consequence of a reduction of the insured values) and in the number of clients. For general T.P.L., a decrease in turnover forced the companies to ask for deferments (discounts on the assessment of premium installments). Fire and natural forces, accident and medical sectors remained substantially stable.

The incidence of premiums for other insurance on the total of non-life premiums decreased from 44.2% in 2010 to 43.1% in 2011, mainly because of the increase recorded on premiums for motor insurance.

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

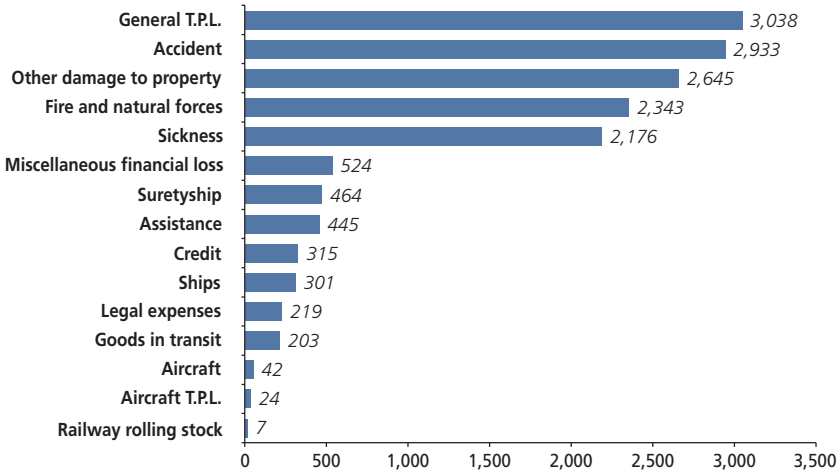
	2004	2005	2006	2007	2008	2009	2010*	2011*
Gross written premiums	14,180	14,957	15,563	16,132	16,608	16,559	15,743	15,679
Changes in premium reserves (-)	474	484	497	476	531	51	235	243
Incurred claims (-):	8,914	9,140	9,788	9,768	10,933	11,736	10,276	9,841
- incurred claims cost for the current accident year (-)	8,979	9,439	10,000	10,137	11,166	11,804	10,499	9,950
- excess/shortfall of reserves for those claims incurred in previous accident years	64	298	212	369	233	68	223	109
Balance of other technical items	-318	-314	-434	-388	-419	-414	-408	-379
Operating expenses (-)	4,130	4,409	4,619	5,018	5,059	5,015	4,799	4,761
- commissions	2,858	3,084	3,259	3,506	3,567	3,528	3,407	3,351
- other acquisition costs	521	548	580	624	660	682	670	651
- other administration costs	751	777	780	888	832	805	722	758
Direct technical balance	**343**	**610**	**225**	**482**	**-334**	**-657**	**24**	**456**
Investment income	784	829	806	903	403	1,072	510	313
Direct technical account result	**1,128**	**1,439**	**1,031**	**1,385**	**69**	**415**	**534**	**768**
Reinsurance results and other items	-758	-811	-632	-537	-135	-359	-539	-520
Overall technical account result	**370**	**628**	**398**	**848**	**-66**	**56**	**-5**	**249**
Annual % changes in premiums	5.0%	5.5%	4.1%	3.7%	3.0%	-0.3%	0.4%	0.6%
Combined ratio	**94.2%**	**92.6%**	**94.6%**	**93.5%**	**98.5%**	**101.4%**	**96.7%**	**94.1%**
- Expense ratio	29.1%	29.5%	29.7%	31.1%	30.5%	30.3%	30.5%	30.4%
- Commissions/Gross written premiums	20.2%	20.6%	20.9%	21.7%	21.5%	21.3%	21.6%	21.4%
- Other acquisition costs/Gross written premiums	3.7%	3.7%	3.7%	3.9%	4.0%	4.1%	4.3%	4.1%
- Other administration costs/Gross written premiums	5.3%	5.2%	5.0%	5.5%	5.0%	4.9%	4.6%	4.8%
- Loss ratio:	65.0%	63.2%	65.0%	62.4%	68.0%	71.1%	66.3%	63.8%
- Loss ratio for the current accident year	65.5%	65.2%	66.4%	64.8%	69.4%	71.5%	67.7%	64.5%
- Excess/shortfall of reserves for previous years claims/ Earned premiums	0.5%	2.1%	1.4%	2.4%	1.4%	0.4%	1.4%	0.7%
Technical balance/Earned premiums	**2.5%**	**4.2%**	**1.5%**	**3.1%**	**-2.1%**	**-4.0%**	**0.2%**	**3.0%**
Technical account result/Earned premiums	**8.2%**	**9.9%**	**6.8%**	**8.8%**	**0.4%**	**2.5%**	**3.4%**	**5.0%**
Overall technical account result/Earned premiums	**2.7%**	**4.3%**	**2.6%**	**5.4%**	**-0.4%**	**0.3%**	**0.0%**	**1.6%**
Premiums to total non-life premiums ratio (%)	*40.0%*	*41.2%*	*41.9%*	*42.8%*	*44.3%*	*45.1%*	*44.2%*	*43.1%*

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

OTHER NON-LIFE INSURANCE CLASSES

Direct premiums by insurance class – 2011

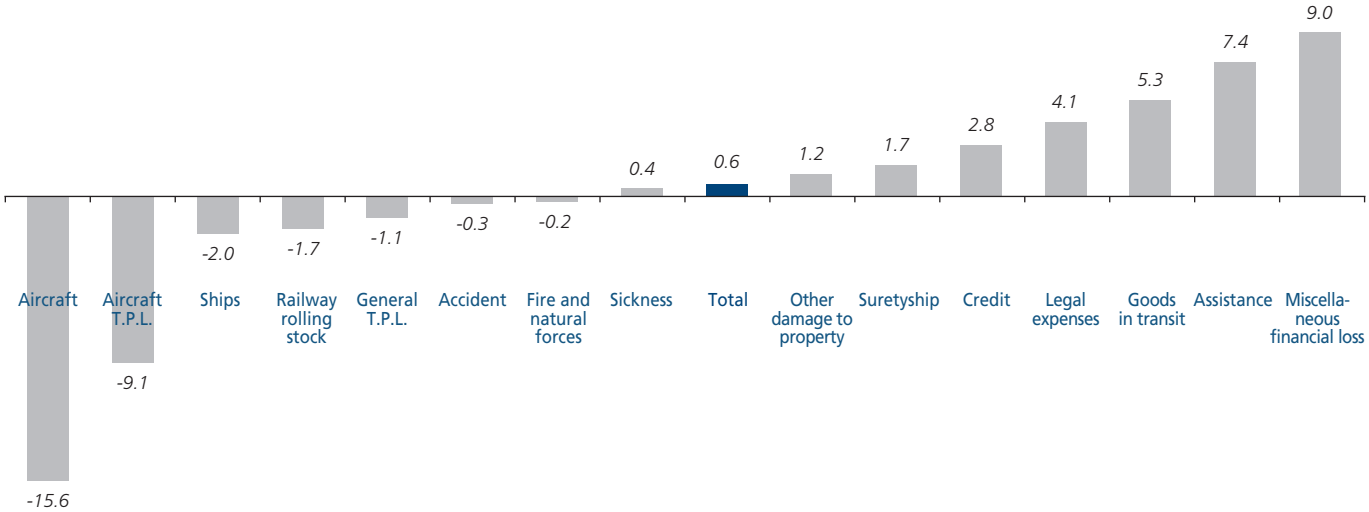
Euro million



Growth rate of direct premiums by insurance class – 2011*

2011 average: 0.6%

(*) Change calculated in homogeneous terms



The **incurred claims cost for the financial year**, defined as the total costs paid and reserved for all claims incurred in the policy year, was equal to Euro 9,950 million, with a decrease of 5.2% compared to the previous year. Considering that written premiums for the financial year decreased slightly, the loss ratio for the current accident year thus improved, going from 67.7% in 2010 to 64.5% in 2011. There are several reasons for the decrease of the total claim costs in the last financial year. The property sector (fire and other damage to property) experienced a decrease in claims relating to weather conditions or catastrophes. Additionally, in this sector, more attention was paid to the monetary assessment of damages for the coverage of overall property, as well as to the quality of the accounts selected, through the adoption of stricter guidelines for evaluation.

The general T.P.L sector experienced an improvement in claim costs, due to the reduction of the number of claims and to their average cost, particularly for the public sector, as a consequence of higher policy deductibles.

For the accident and medical sectors, the improvement in claim costs in 2011 was due to a decrease in claims. In detail, for the accident sector, this was due to higher deductibles, while for the medical sector, it was a consequence of less resort to medical services (not under convention with the national health service due to the economic crisis) and of an increase of the policy exclusions. With the exceptions of the aviation sector, the cost of claims showed an improvement also on all the other transport sectors. A contribution to this came from a decrease in the number of claims and in the average costs, resulting from greater attention paid by the insurance companies during the selection and subscription of the risks.

On the contrary, the aggravation of the loss ratio for the credit sector must be highlighted. This sector recorded an increase in claim frequency and the related average costs, following the deterioration of the national economic scene and of the quality of the account subscribed. However, it must be pointed out that this trend has to be ascribed to about half of the total sector, due to the fact that, in 2011, a primary insurance company (moving its headquarter from Italy to another country within the European Economic Area) started to operate under freedom of establishment and no capital information has been recorded since then.

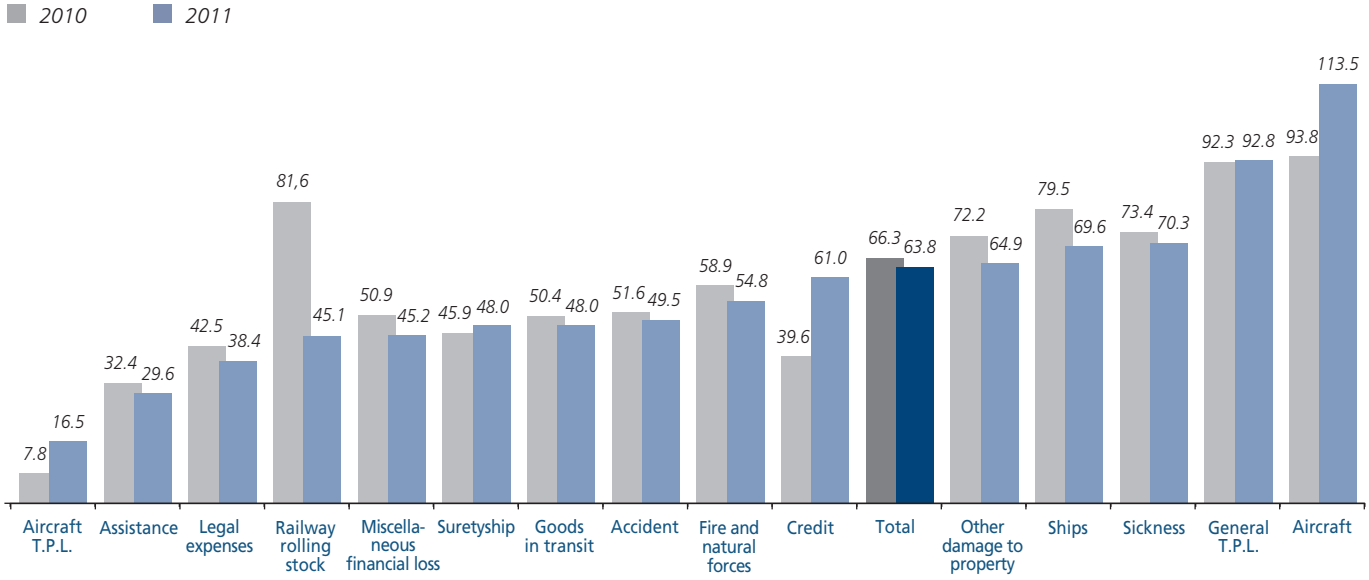
The incurred claims cost, which also includes the possible excess/shortfall for claims incurred in previous accident years, was equal to Euro 9,841 million, 4.2% less than 2010. In almost all other non-life classes, with the exception of general third party liability classes, sums registered were higher than the previous years. The ratio between this incurred claims cost and earned premiums was equal to 63.8%, a decrease if compared to last year (66.3%). The insurance classes that contributed most to the improvement of this indicator – and whose weight, in terms of written premiums, is greater compared to other classes – were accident, for which the loss ratio decreased from 51.6% in 2010 to 49.5% in 2011, fire and natural forces (from 58.9% to 54.8%), health (from 73.4% to 70.3%) and other damages to property (from 72.2% to 64.9%).

Operating expenses were equal to Euro 4,761 million (Euro 4,799 million in 2010) 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 organization and management of the distribution network. The incidence of these operating expenses on premiums was equal to 30.4%, down from 30.5% in 2010. Notably, the expense ratio of the agent commissions decreased from 21.6 % in 2010 to 21.4% in 2011, whilst administrative

expenses were up from 4.6% in 2010 to 4.8% in 2011. The classes showing the highest expense ratio were miscellaneous financial loss (44.7%),legal expenses (38.1%); ratios lower than 20% were observed in ships (17.8%), aircraft (14.0%) and railway rolling stock (12.9%).

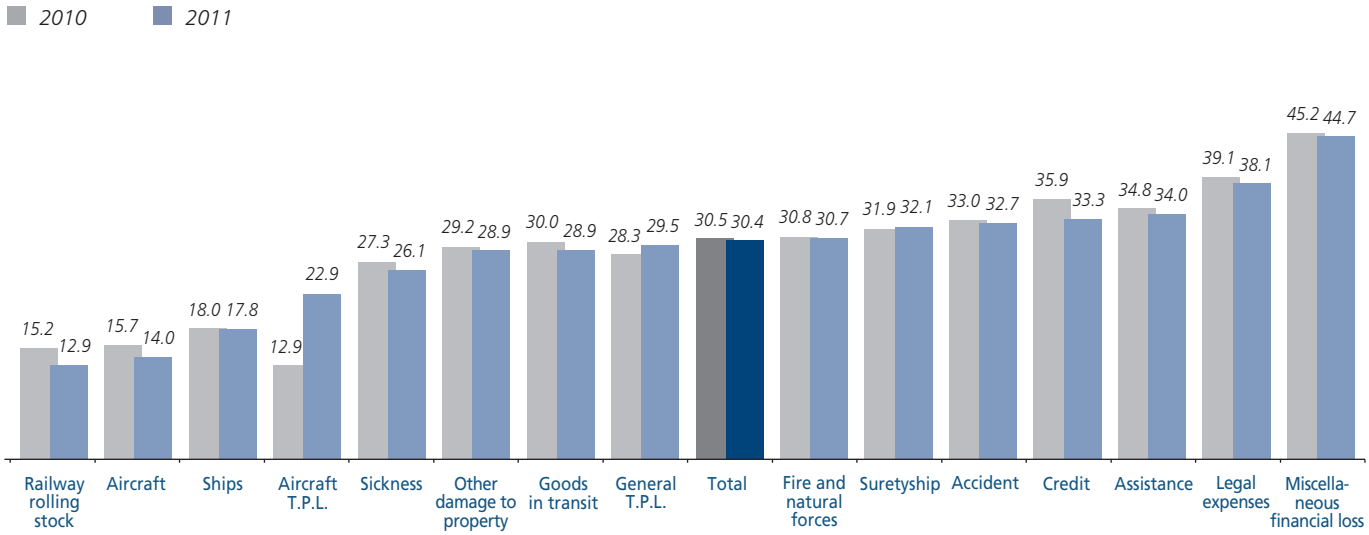
Loss ratio for the year by insurance class (%)

2011 average: 63.8%



Operating expenses by insurance class % incidence on premiums

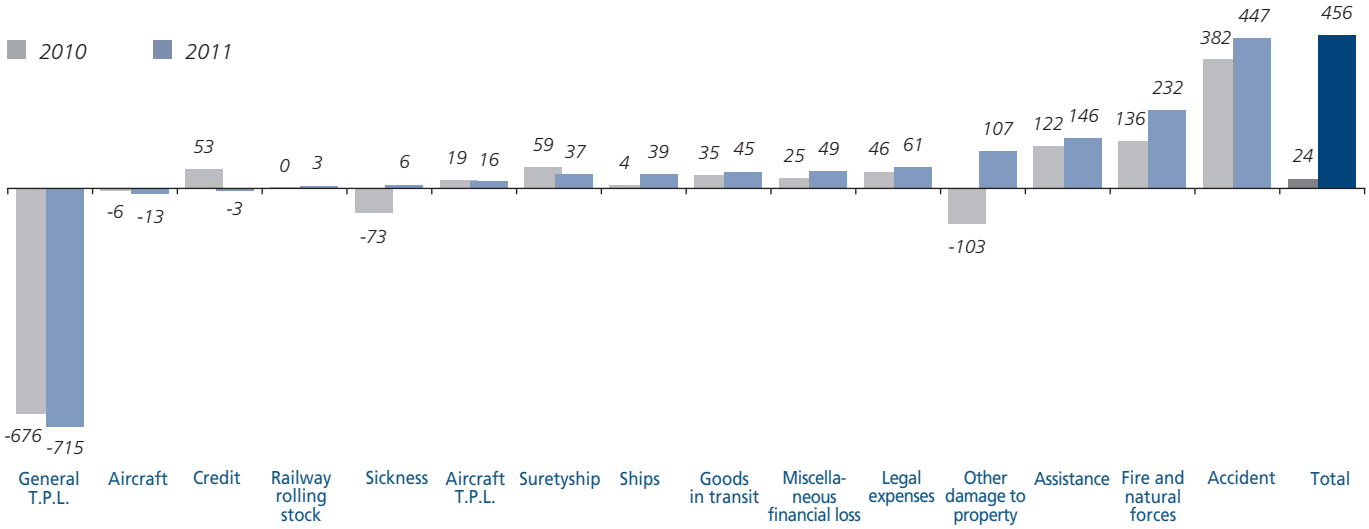
2011 average: 30.4%



The **technical balance** for direct business was positive at Euro 456 million (positive at Euro 24 million in 2010). This improvement was due to the previously mentioned decrease in incurred claims cost; in particular a positive technical balance, larger than Euro 100 million, was recorded by the following classes: other damage to property (Euro 107 million against Euro -103 million in 2010); assistance (Euro 146 million against Euro 122 million in 2010); fire and natural forces (Euro 232 million against Euro 136 million in 2010) and accident (Euro 447 million against 382). Negative balances were registered for general third party liability (Euro -715 million), aircraft (Euro -13 million) and credit (Euro -3 million).

Direct technical balance by insurance class

Euro million



Considering that **investment income** amounted to Euro 313 million in 2011, the **direct technical account result** was positive by Euro 768 million (Euro 534 million in 2010).

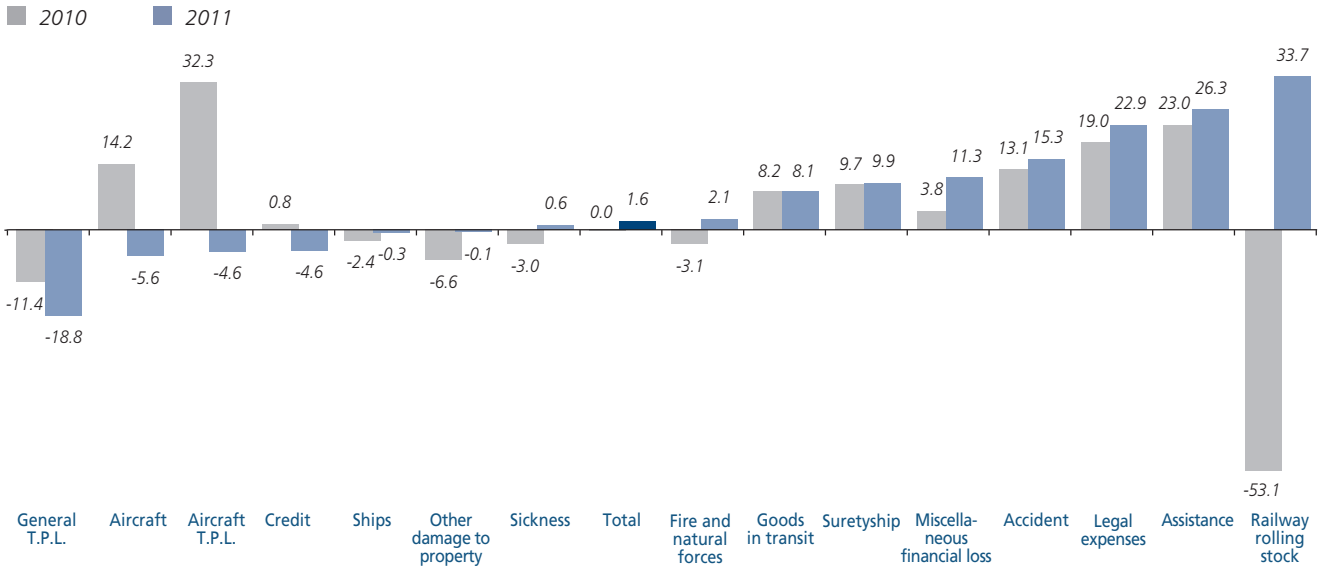
Also considering the reinsurance balance, the **overall technical account result** was positive by Euro 249 million (negative by Euro 5 million in 2010), with an incidence on premiums of 1.6% (close to 0% in 2010). In particular, ratios higher than 10% were registered for the following branches: miscellaneous financial loss (11.3%), accident (15.3%), legal expenses (22.9%), assistance (26.3%) and railway rolling stock (33.7%). Negative values were registered for general T.P.L. stock (-18.8%), aircraft (-5.6%), credit and aircraft T.P.L. (-4.6%).

Technical reserves for non-life insurance classes other than motor classes, net of recoverable sums, totaled Euro 31,335 million in 2011; premium reserves were at 8,490 million while the claims reserve reached 22,845 million.

The largest portion of reserves are those set aside for general third party liability (Euro 13,777 million for both premium and claims), followed by reserves for other damage to property (Euro 3,381 million), accident (Euro 3,531 million) and fire and natural forces (Euro 3,761 million).

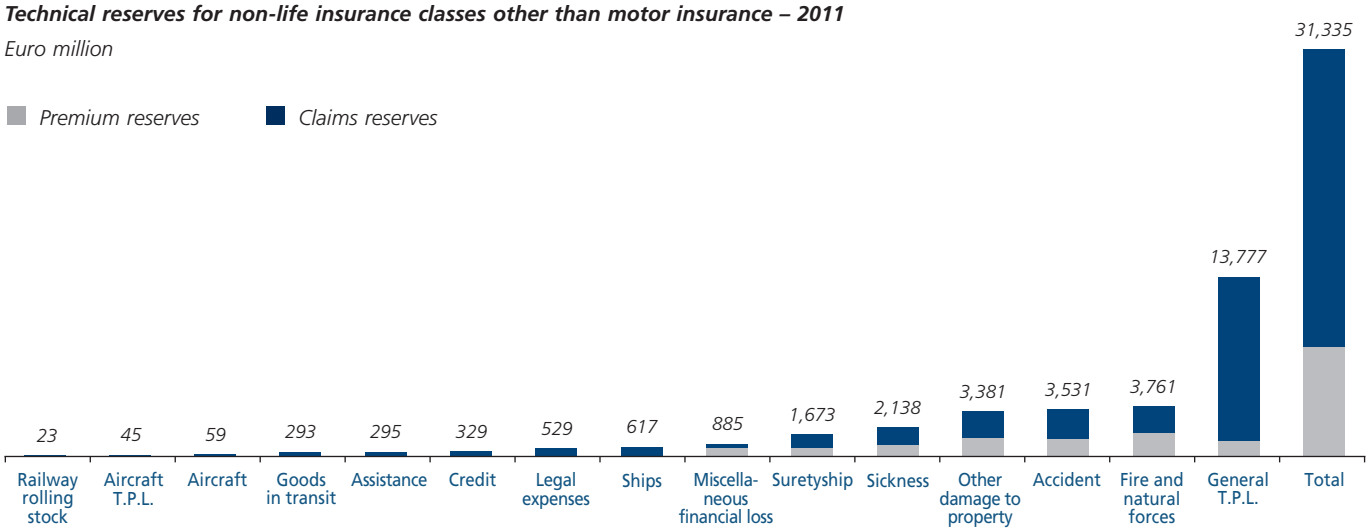
OTHER NON-LIFE INSURANCE CLASSES

% incidence of overall technical account result on earned premiums by insurance class



Technical reserves for non-life insurance classes other than motor insurance – 2011

Euro million



NON-LIFE COVERAGE (OTHER THAN MOTOR INSURANCE) AMONG ITALIAN HOUSEHOLDS IN 2010

Sickness and accident policies

The Bank of Italy's biennial Survey on Household Income and Wealth regularly features a section on insurance coverage, and the 2010 survey was no exception.

The head of each sample household was asked whether one or more members of the household had health insurance – an accident or sickness policy – and how much the annual premiums cost (Figure 1).

Figure 1 – Questionnaire: health policies (accident and sickness)

Health insurance (accident and sickness)

F26. Did you or another member of your household have private health insurance (for accidents or sickness) in 2010?

– Yes 1
– No ..... 2 ➔ ***QUEST. F29***

F27. How many health policies did your household have in 2010? |……|

(Interviewer, use one column for each policy)

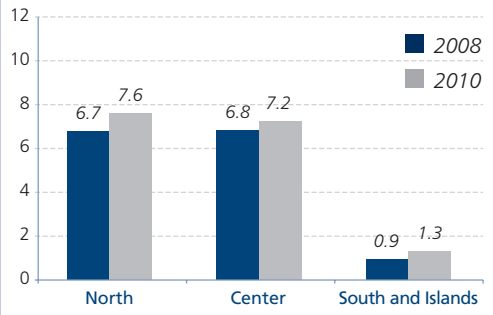
	1st Policy	2nd Policy	3rd Policy	4th Policy	5th policy
F28. How much did your household pay for this policy in 2010?	€ |…|…|·|…|…|…|	€ |…|…|·|…|…|…|	€ |…|…|·|…|…|…|	€ |…|…|·|…|…|…|	€ |…|…|·|…|…|…|

Source: Bank of Italy

According to estimates based on the 2010 survey, 1.3 million of the 24.1 million households resident in Italy had at least one sickness or accident policy, compared with 1.2 million of 24.2 million households in the previous survey. Between 2008 and 2010 the incidence of coverage rose from 5.0 to 5.5%.

The increase involved all the geographical areas. It was largest in the North, where the incidence of coverage rose from 6.7% to 7.6%.; in both the South and Center the share of insured households rose by 0.4 percentage points, to 1.3% and 7.2% respectively (Figure 2).

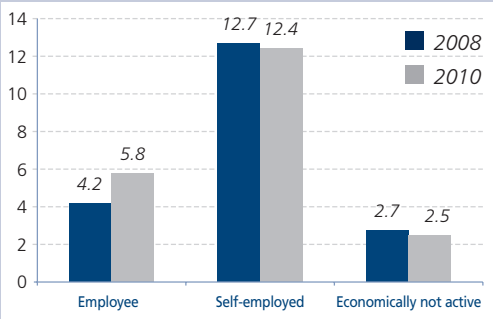
Figure 2 – Incidence of health policies by geographical area (%)



Source: Based on Bank of Italy data

From the standpoint of the occupational status of the head of household, employee households accounted for all of the increase, more than offsetting a slight decline in coverage among households whose head is self-employed or economically inactive. Among employee households (whose number decreased by 257,000 between 2008 and 2010), the share of those insured rose from 4.2% to 5.8% (equivalent to 148,000 additional households). Among households whose head is economically inactive, the incidence of coverage declined by 0.2 points to 2.5%, while among those whose head is self-employed it fell by 0.3 points to 12.4% (Figure 3). The latter reduction resulted from an increase of 93,000 in the number of households, not offset by a proportionate rise in the number of insured, which remained almost unchanged at 487,000.

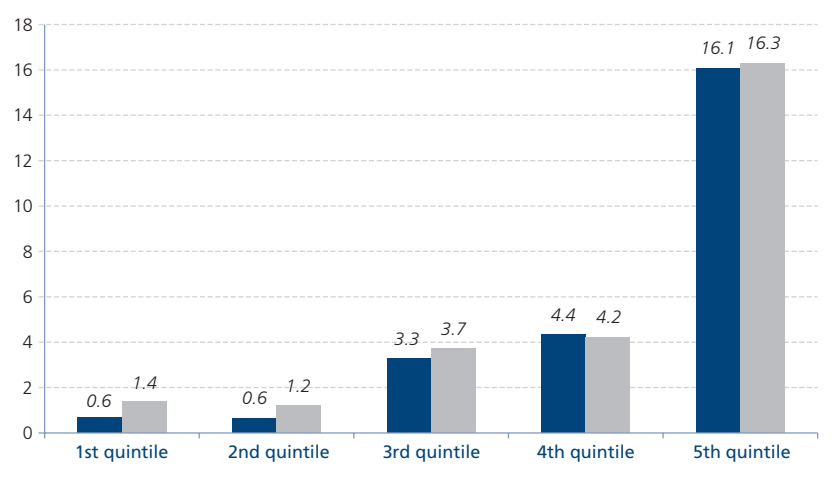
Figure 3 – Incidence of health policies by occupational status of head of household (%)



Source: Based on Bank of Italy data

As in the previous survey, coverage is shown to increase with the income of the head of household (although little difference is found between the first and second quintiles). In 2010, 16.3% of households in the fifth quintile had a health policy, up from16.1% in 2008. The growth in coverage was slightly more pronounced in the first, second and third quintiles, while for households belonging to the fourth quintile the incidence of health coverage continued to decline, falling from 4.4% to 4.2% (Figure 4).

Figure 4
Incidence of health policies by income quintile of head of household (%)



Source: Based on Bank of Italy data

Casualty insurance

In the same section of the sample survey, heads of households are asked whether one or more members of the household have a non-life policy (theft, fire, general liability, excluding compulsory motor insurance) and the amount spent on it during the year (Figure 5).

On the basis of the 2010 survey, some 6.2 million of the total 24 million resident households have at least one such non-life policy. The share of insured households rose to 25.5%, up by 2.6 percentage points from 2008, when there were 5.5 million insured households. The 2010 survey found the incidence of coverage in central Italy up sharply, from 19.6% to 35.9%, corresponding to a gain of

Figure 5 – Questionnaire: non-life insurance (excluding compulsory motor vehicle insurance)

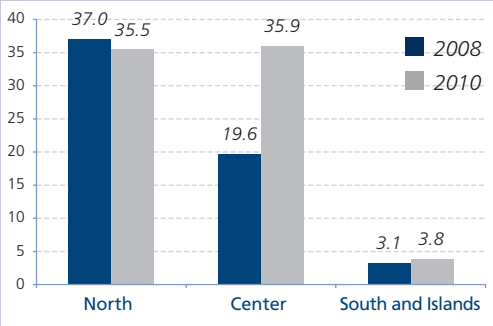
Non-life insurance (excluding compulsory motor vehicle insurance)			
F29. Did you or a member of your household pay premiums in 2010 for theft, fire, hail, liability, etc. (do not include compulsory motor vehicle insurance)? – Yes ..... 1 – No ..... 2 ➔ ***END OF SECTION***			
F30. How many policies did you have for…	…Transport equipment	…Houses and land	…Persons
	|……|	|……|	|……|
F31. How much did your household spend on these policies in 2010? € |…|…|·|…|…|…|			

Source: Bank of Italy

730,000 households. The incidence of coverage in the Center was 0.4 percentage points higher than that in the North, where it dipped to 35.5%. Between 2008 and 2010 the share of insured households in the South and Islands rose from 3.1% to 3.8% (Figure 6).

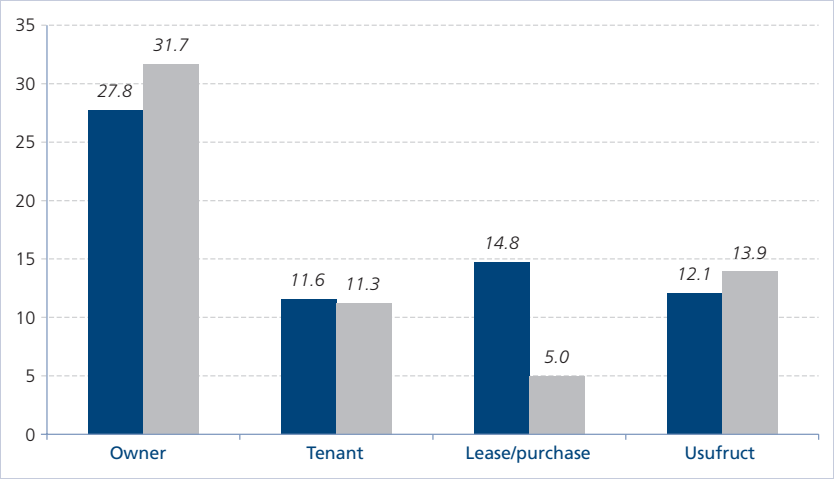
As in the previous survey, homeowners were more likely than other households to have non-life, non-motor insurance, the share of insured households rising from 27.8% in 2008 to 31.7%. The incidence of policy-holding among households whose homes were under usufruct increased from 12.1% to 13.9%, while among tenant households it fell by 0.3 percentage points, to 11.3%. After gaining 3.9 percentage points in 2008 with respect to 2006, the incidence of policy-holding among households whose primary residence was held under a lease/purchase contract plummeted from 14.8% to 5.0% (Figure 7).

Figure 6
Incidence of non-life (non-motor) policies by geographical area (%)



Source: Based on Bank of Italy data

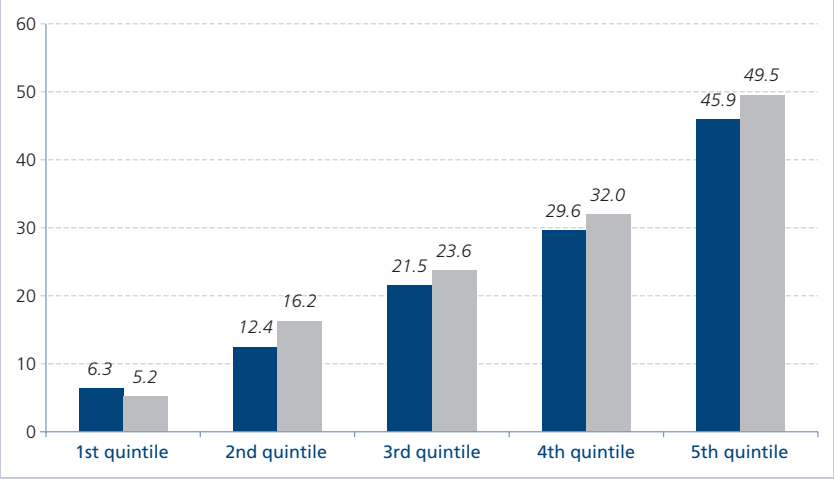
Figure 7
Incidence of non-life (non-motor) policies by home ownership status (%)



Source: Based on Bank of Italy data

The incidence of non-life, non-motor insurance continues to be strongly correlated with household income. The increase observed between 2008 and 2010 was fairly evenly distributed among the different income quintiles, with gains ranging between 2 and 4 percentage points in all quintiles of the income distribution except the lowest, where incidence of coverage declined from 6.3% to 5.2% (Figure 8).

Figure 8
Incidence of non-life policies by income quintile of head of household (%)



Source: Based on Bank of Italy data

MEDICAL MALPRACTICE INSURANCE

The rise in medical malpractice cases shows no signs of abating. The number of claims for damages continues to increase, as do the amounts claimed.

Notable among the recent trends and developments in the sector are:

- persistent uncertainty engendered by recurrent court decisions that tend to enlarge the grounds for damages and make it hard to predict the amounts awarded. The continual evolution of the relevant jurisprudence has also undercut principles once deemed firmly established by precedent. For example, on 19 January 2011 the Court of Florence, separate section at Pontassieve, sentenced a pediatrician's substitute to one year of imprisonment and a doctor on duty to a term of 8 months for negligent homicide, and ordered the defendants and the pediatrician who had been away on vacation to pay damages of Euro 3 million to the family. In effect, along with the direct, subjective liability of the substitute, the judge also upheld the principle of the objective accountability of the pediatrician for an unwise choice of substitute;
- the decision of the regional government of Liguria to centralize the handling of malpractice claims of a number of healthcare facilities, transferring only those of considerable amount to the insurance market. Regional Law 28/2011 of 26 October 2011 instituted a special fund for direct insurance of malpractice risk. The fund pays indemnities of up to Euro 350,000 for a single event (without a deductible) and the region buys insurance to cover damages in excess of that amount;
- the obligation, introduced in the second set of budgetary measures (Decree Law 138/2011, converted into Law 148/2011) and subsequently in the "Liberalizations Decree" (Decree Law 1/2012, converted into Law 27/2012), for all professionals (including physicians) to be covered by liability insurance by 13 August 2012. Alongside this obligation, which is not backed by sanctions, it is also compulsory for all professionals to inform new clients of the insurance policy taken out and the coverage ceiling. As for the possibility of obtaining liability insurance for physicians, there is a wide range of supply for doctors attached to hospitals and for independent physicians in fields of medicine that are not high risk; the supply tends to diminish both for private physicians and for national health service doctors seeing patients privately under an authorized private arrangement in riskier fields of medicine (such as cosmetic surgery, orthopedics and gynecology).

Since 2004 ANIA has compiled annual statistics on this highly topical insurance sector, one unfortunately with sharply negative technical accounts. The statistics report the volume of business and claims frequency since 1994, with the construction of technical indices. Two insurance categories are considered:

- institutional liability for healthcare organizations: comprises all policies covering healthcare facilities' liability for medical damages, be they public or private

(the survey does not cover nursing homes, medical analysis laboratories, diagnostic centers or universities);

– individual malpractice insurance for physicians: comprises all policies covering doctors' liability, regardless of whether they belong to a healthcare organization.

Estimating premium volume

Direct Italian medical liability insurance business is estimated at Euro 500 million in 2010, 58% of it accounted for by institutional policies and 42% by individual policies ([1]). The statistics do not include the premiums of European insurance companies that operate in Italy under the freedom to provide services, some of which are very active in malpractice business. In 2010 premium volume showed an increase of about 3 percentage points compared with 2009. This came mainly from the growth of 5.3% in premiums from individual practitioners, probably due in part to the price revision necessitated by the persistent technical imbalance in this business sector. The premiums paid by healthcare institutions also rose, though by a more modest 1.5%.

Over ten years (2000-2010), total premiums in the medical insurance sector recorded average annual growth of 7.8% (6.2% for healthcare institutions and 10.5% for individual practitioners).

Number and average cost of claims

As Table 1 reports, the number of claims filed with Italian insurers in 2010 was estimated at about 33,700, two-thirds of them involving institutional policies; the number was practically the same as that of the previous year (down 1.0%).

Table 2 gives the breakdown of total claims (institutional liability and individual malpractice) into those settled and those reserved, both by number and by amount, according to their year of registration. The percentages settled (whether by number or by amount) are low for the more recent generations of claims, because both the effective liability of the insured and the value of the damage are generally quite uncertain. With the passage of time the percentage of settled claims rises, to over 90% for those older than ten years.

The average claim cost tends to increase as the percentage settled rises, which is to say as the data solidify. At first, in fact, insurers often underestimate the cost of claims, because the evaluation of physical impairment is complex and adequate

([1]) ANIA's estimate for the entire market is based on a sample survey of companies that accounted for 32% of the premium income from general third-party liability insurance in 2010.

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%
2009	21,476	21.0%	12,559	6.0%	34,035	15.0%
2010	21,353	-0.6%	12,329	-1.8%	33,682	-1.0%

(*) ANIA estimate of total number of claims filed based on a sample of insurance companies whose premium income in 2010 accounted for 32% of the entire general third-party liability total

Table 2
Percentage of total medical liability claims settled at 31/12/2010: Number and amount, by year of registration

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	97.0%	3.0%	92.2%	7.8%
1995	97.1%	2.9%	92.4%	7.6%
1996	96.5%	3.5%	90.7%	9.3%
1997	95.8%	4.2%	89.1%	10.9%
1998	95.3%	4.7%	90.0%	10.0%
1999	92.4%	7.6%	83.2%	16.8%
2000	90.0%	10.0%	80.0%	20.0%
2001	85.6%	14.4%	73.2%	26.8%
2002	82.1%	17.9%	65.0%	35.0%
2003	77.5%	22.5%	62.6%	37.4%
2004	72.5%	27.5%	55.1%	44.9%
2005	65.9%	34.1%	45.5%	54.5%
2006	61.2%	38.8%	40.0%	60.0%
2007	47.9%	52.1%	30.3%	69.7%
2008	39.9%	60.1%	26.5%	73.5%
2009	26.9%	73.1%	17.3%	82.7%
2010	9.8%	90.2%	3.5%	96.5%

information is commonly not available immediately after the occurrence of the event. This is compounded by uncertainty in evaluating damages owing to frequent changes in court rulings in this field.

Consequently, the average cost of claims tends to rise over time (Table 3). For claims filed in 1994, for example, after eight years, in 2002, insurers estimated the average cost at Euro 16,400, but two years later, after ten years, the estimate had doubled to what now appears to be the "final" average cost of claims of that generation (about Euro 28,000). The same pattern can be observed for all the generations of claims, sometimes with an acceleration. For the 2004 generation, for example, the average doubled after only four years, from Euro 22,700 in the year of registration to over Euro 44,000 in 2008.

Table 3 – Average cost of medical liability claims, 2002-2010

Euro

Year of registration	At 31.12.2002	At 31.12.2004	At 31.12.2005	At 31.12.2006	At 31.12.2007	At 31.12.2008	At 31.12.2009	At 31.12.2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1994	16,410	30,212	28,898	29,833	28,421	28,904	29,012	28,023
1995	14,418	21,464	21,406	22,976	22,488	22,687	22,676	22,190
1996	16,961	23,253	22,000	21,789	21,622	23,819	23,493	23,028
1997	25,331	31,082	29,594	29,214	28,961	32,948	31,940	31,950
1998	17,939	24,517	22,474	30,152	29,966	34,271	33,924	33,184
1999	22,820	28,144	28,556	32,063	32,571	37,281	36,511	36,584
2000	22,254	32,298	33,887	37,600	37,634	39,968	40,605	40,134
2001	21,843	31,675	33,152	36,757	35,974	40,042	40,159	37,457
2002	20,157	33,026	35,298	39,903	38,490	42,732	43,196	42,371
2003		30,306	34,379	39,475	39,080	44,521	47,241	46,169
2004		22,706	29,755	36,545	38,349	44,083	43,304	43,653
2005			26,670	33,174	35,471	42,383	42,245	41,277
2006				30,659	33,408	41,476	42,019	41,779
2007					26,670	38,266	38,816	39,537
2008						29,505	34,067	39,427
2009							25,083	33,225
2010								27,689

Loss ratios

These rapidly rising 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) for the entire medical liability branch year by year (Table 4).

At 31 December 2010 the average loss ratio for all generations was almost 170%. For the most recent generation the ratio came to 153%. As for the evolution of

Table 4 – Loss ratio (claims/premiums): Total medical liability insurance

2010 average: 168%

Year of registration	At 31.12.2002	At 31.12.2004	At 31.12.2005	At 31.12.2006	At 31.12.2007	At 31.12.2008	At 31.12.2009	At 31.12.2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1994	199%	251%	241%	251%	238%	240%	241%	237%
1995	182%	212%	216%	206%	202%	201%	201%	203%
1996	187%	198%	195%	191%	187%	199%	198%	195%
1997	223%	320%	300%	293%	286%	336%	323%	323%
1998	168%	340%	313%	288%	284%	341%	331%	323%
1999	179%	262%	266%	249%	246%	330%	321%	321%
2000	151%	216%	219%	208%	206%	233%	217%	214%
2001	154%	218%	218%	200%	192%	215%	204%	187%
2002	149%	232%	229%	199%	192%	207%	199%	275%
2003		196%	199%	171%	162%	173%	177%	215%
2004		145%	170%	154%	150%	144%	140%	162%
2005			173%	162%	155%	133%	131%	118%
2006				158%	157%	150%	141%	128%
2007					140%	130%	123%	109%
2008						111%	147%	138%
2009							153%	155%
2010								153%

the loss ratio over time, as the percentage settled rises and information is stabilized, we find two distinct patterns:

- For the generations of claims registered from 1994 to 2004, the loss ratio estimated at 31 December 2010 was particularly high (ranging from 162% for claims registered in 2004 to 323% for the 1997 and 1998 generations).
- From 2005 onwards the loss ratio is lower, though it is still clearly at levels that make this business unprofitable: loss ratios range from 109% for 2007 filings to 153% for those registered in 2010.

The difference between claim generations presumably depends on insurers' improving ability to estimate and forecast trends.

REFORM OF THE REGULATED PROFESSIONS

Decree Law 138/2011 (the second budget adjustment package, converted, with amendments, into Law 148/2011) liberalized the regulated professions.

In particular, Article 3.5 lays down that the professional associations must ensure observance of free competition, foster a widespread geographical distribution of

professionals and promote a differentiation and plurality of supply so as to give the public real choice. To that end, within twelve months of the entry into force of the decree, i.e. by 13 August 2012, the professional associations must be reformed to implement the following principles:

- freedom of access to the profession, but still with a compulsory state examination;
- obligation for professionals to engage in ongoing, permanent training;
- upgrading of the apprenticeship for access to the profession, in order to ensure actual training and better conduct of the profession;
- a fee agreement in writing between the parties when the client engages the professional, with the professional fee schedules taken as reference;
- freedom of professionals to publicize their activities, qualifications and professional specialties, office structures, and fees;
- disciplinary bodies separate from administrative bodies;
- obligation for professionals to have a suitable insurance policy for the risks deriving from their professional activity, possibly by means of an agreement negotiated by their respective professional associations. At the time his services are engaged, the professional must inform the client of the maximum insurance cover.

The insurance policy mentioned above is not to be considered a condition of access to the profession; although it is compulsory for the professional and is intended to protect the client, no sanction is envisaged for failure to have such cover.

THE MAIN HYDROGEOLOGICAL EVENTS IN ITALY IN 2011

In 2011 exceptionally heavy rainfall hit the territory of Italy, causing floods and landslides particularly in the regions of Liguria, Tuscany, Piedmont, Basilicata, Campania and Puglia and on the Tuscan island of Elba.

Especially severe were the floods that devastated the Cinque Terre area and the city of Genoa in Liguria, causing numerous deaths and injuries and significant damage to public and private buildings, infrastructure and communication networks.

On 25 and 26 October 2011 the cities of La Spezia (Liguria) and Massa Carrara (Tuscany) were hit by driving rain that lasted 15 hours, followed by a series of flash floods that swept masses of debris into the streams that flow directly into the Cinque Terre (particularly the villages of Vernazza and Monterosso). In addition

to enormous physical damage, the event left 13 dead and many injured among the local population. Given the rarity of the event, the Council of Ministers declared a state of emergency in the area.

On 4 November another storm system with heavy rains crossed North-West Italy. The blows fell heaviest on the city of Genoa, with 6 deaths and huge damage to property.

According to the estimates in Swiss Re's annual publication on natural catastrophes in all the countries of the world, the floods that struck Liguria and Tuscany on 25 and 26 October caused damage amounting to Euro 420 million, of which barely Euro 11 million insured. The losses from the floods in Italy between 4 and 7 November totaled Euro 1.2 billion, of which Euro 500 million borne by insurers.

THE COSTA CONCORDIA ACCIDENT: THE APPLICABLE LAW AND QUESTIONS OF LIABILITY

The tragic shipwreck of the Costa Concordia, with its toll of lives and the specter of an environmental disaster, fortunately averted, has raised a series of questions which are largely still open: the safety of giant cruise ships, the results of the long, complex operations to remove the wreck, the responsibilities of the shipowner and the master, the causes of the accident and how it unfolded, and, not least, the repercussions on the global cruise and shipbuilding industries and on the insurance and reassurance market.

The legal issues in play are numerous and complex. The first matter of dispute is the regime applicable to the accident. The way this preliminary question is answered has important consequences in terms of the limits on damages payable, the burden of proof on the parties, and the time limit for enforcing the right to compensation. There are three theories or approaches, reflecting the applicability of three different regimes.

Regime governing travel contracts

Under this approach, the claims brought by passengers would be subject to the provisions of the International Convention on Travel Contracts (CCV) adopted in Brussels in 1970, ratified by Italy, and Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours (it too transposed into Italian law), insofar as the accident occurred during a cruise included in a package offered by Costa.

Costa's general terms and conditions refer to the provisions of the CCV as residual regulation that comes into play in the absence of "*a national or international reg-*

ulation compulsorily applying to the individual stage or service in which the damage took place". Nevertheless the application of the CCV and the EU and Italian legislation on package tours and travel contracts can be held to be justified by the fact that although the accident took place during the sea transit, that transit was part of a cruise offering passengers a wide array of activities (such as sports or recreational activities with excursions ashore) that expose passengers to risks which have no direct relationship to carriage by sea. If the claims were brought under the CCV, limitation of liability under Article 13 would apply, namely 50,000 Germinal gold francs for cases of personal injury, equal today to around Euro 600,000, while for loss or damage to baggage the limit would be slightly less than Euro 24,000. These are the limits which, albeit with a good deal of wavering and imprecision, were often cited by comments in the press in the days following the accident. A consequence of the application of the above-mentioned rule is the assertion of the right of passengers to request compensation for their "spoiled vacation", extending (following some pronouncements of the Court of Justice and of the Italian courts) to moral damages for the stress and suffering visited on them by the shipwreck.

Regime governing the carriage of passengers as provided in EU Regulation no. 392/2009

Under this approach, the matter would be governed by the provisions of the Athens Convention, which introduced a uniform regime for the carriage of passengers by sea. Under the Convention the carrier may limit its liability for passengers' personal injury or death, but the carrier forfeits this benefit "if it is proved that *the damage resulted from an act or omission of the carrier done with the intent to cause such damage, or recklessly and with the knowledge that such damage would probably result.*"

Italy, along with many other countries, is not a signatory either of the 1974 Athens Convention or of the successive 2002 Protocol. Nevertheless, it has been asserted that the Convention's liability and limitation regime is applicable inasmuch as the essential provisions of the Athens Convention (as amended by the 2002 Protocol) have been transposed in EU Regulation no. 392/2009, which was adopted precisely in order to overcome the slowness of several member states to ratify the Convention and which, pursuant to Article 12, will apply from the date the Athens Convention enters into force for the Union (the Union presented its instrument of accession to the Athens Protocol on 31 December 2011) and in any case from not later than 31 December 2012.

If the 2002 Protocol and/or EU Regulation 392/2009 were applicable, the carrier's liability for death would be limited to 400,000 Special Drawing Rights, equal at the current conversion rate to approximately Euro 470,000, that is to say much less than the equivalent limitation under the CCV. However, it is improbable that the liability towards passengers in the Costa Concordia accident can be governed by the Athens Protocol for states – Italy included – that have not yet ratified the Protocol.

Navigation Code regime

A third line of reasoning holds that since the accident took place on board a ship flying the Italian flag and in Italian territorial waters, and since the package tour contract was signed with a company based in Italy, Italian law (the Italian Navigation Code) should apply. In this case there would be no limitation of liability for death or injuries (because the Code does not contain a provision limiting the amount of damages that can be awarded to passengers or their relatives in case of death or injury), but a very low limit on liability for loss of baggage (Euro 6.20/kilo of goods lost or damaged).

It remains possible, in any event, for the shipowner to limit its overall debt (Article 275 of the Navigation Code). Italy has ratified neither the 1957 and 1976 Conventions on Limitation of Liability for Maritime Claims (LLMC) nor the Protocol amending the 1976 Convention, adopted in London on 2 May 1996. The ratification procedure was initiated some time ago but has yet to be completed. Consequently, at the time of writing the Navigation Code would apply.

The system established by Article 275 of the Navigation Code is particular and differs in significant ways from the Convention regime. Under Italian law:

- The limitation is granted only to the shipowner, whereas the Conventions extend the limitation to other persons (such as the master, the charterer and the operator).
- The limit applies to all the obligations arising during and as a consequence of the voyage (thus, in the case in point, including liabilities for towing, salvage, injury to the persons and damage to the things carried), whereas the Conventions identify some occurrences or events not covered by the limitation of liability: the 1957 Convention, for example, does not permit the limitation of liabilities for towing and salvage, for the General Average contribution and for wages and other sums due to the crew; the 1976 London Convention contemplates not only the two-fold limit for damage to things and injuries to persons, but in the case of passenger ships, a totally separate limit for passengers alongside the other two.
- The sum corresponding to the limit of liability is based on the value of the ship, whereas in the 1976 Convention it is tied to tonnage by a mechanism that can produce an appreciably higher compensation ceiling than that applicable under Italian law. In fact, according to the criteria established in Article 276 of the Navigation Code to determine the value of the ship for the purposes of limitation, in the event of the total loss of the ship the ceiling is equal to one-fifth of the sound value of the ship at the beginning of the voyage; if the ship is saved, the ceiling will not exceed two-fifths of the value.
- The benefit of limitation ceases to apply if the shipowner commits fraud or gross negligence. In principle, this provision is in common with the Conventions of 1957 and 1976, which sanction the exclusion of the limitation of liability where the event is ascribable to the person entitled to the benefit. However, in Italian law the benefit ceases upon the occurrence of conduct of a markedly less severe degree of negligence than under the Convention regime,

which refers to the concept of *recklessness* (an action committed rashly and in an awareness that it would probably result in injury). In other words, in Italian law, the gross negligence of the master, by now ascertained, does not, in principle, prevent the owner from invoking the limit, unless there was a clear violation of the duty of oversight and management on the owner's part. This is why it has become so important to understand whether the ship intentionally deviated from its original course and whether (in spite of Costa Crociere's allegations) it was common practice for the Costa Concordia to deviate from its original course and to sail dangerously close to the Island of Giglio, and whether the so -called "flyby" was part of Costa's promotional policy.

A final observation concerns the possibility of class actions being brought against Costa Crociere. Costa Crociere has offered Euro 11,000 (about $14,250) in compensation to passengers who were not harmed in the disaster, plus an additional Euro 3,000 to reimburse expenses incurred after the event. A settlement has virtually been reached with all the Italian consumer rights' associations except Codacons, which is preparing a class action in the United States on behalf of the passengers and victims. The flat amount agreed as compensation exceeds the compensation limits envisaged by the international conventions and the laws in force, and is greater than the average amount of damages awarded by Italian courts in recent years in claims by unharmed passengers against travel organizers for breach of travel contract (so-called spoiled vacation claims). However, the case here is definitely exceptional, and Costa (together with its insurers) no doubt prefers to quickly settle the vast majority of the potential claims arising from the accident. Nevertheless, it is clear that actions seeking higher compensation and the award of punitive damages will be brought directly against Carnival, the owner of Costa Crociere S.p.A., in the United States, thus sidestepping Costa Crociere and Italian jurisdiction.

CREDIT INSURANCE

Firms that sell goods or services on credit are exposed to the risk of partial or total non-payment by their customers. Credit insurance protects an insured business against this risk: the insurance company takes the place of the debtor in performing the obligations to the insured.

The cost of the policy is normally calculated by applying a percentage to the total business turnover of the insured firm, to obtain a minimum premium to be paid on a provisional basis (in actual practice, the percentage applied is 50%, although it may be somewhat different in a few limited cases). The final premium (the so-called premium settlement clause) is determined on the basis of variable risk factors that the insured undertakes to communicate during the term of the contract (for example,

Figure 1 – Premium income (including balances of prior-year portfolio movements) – Euro (000's)

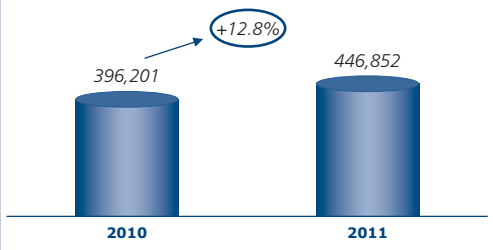


Figure 2 – New business as a share of premium income net of the balance of prior-year portfolio movements – Euro (000's)

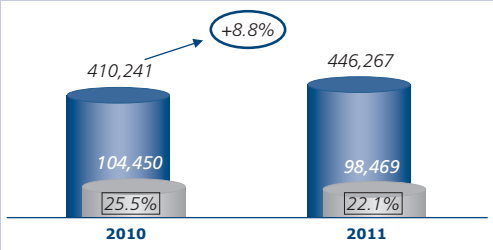
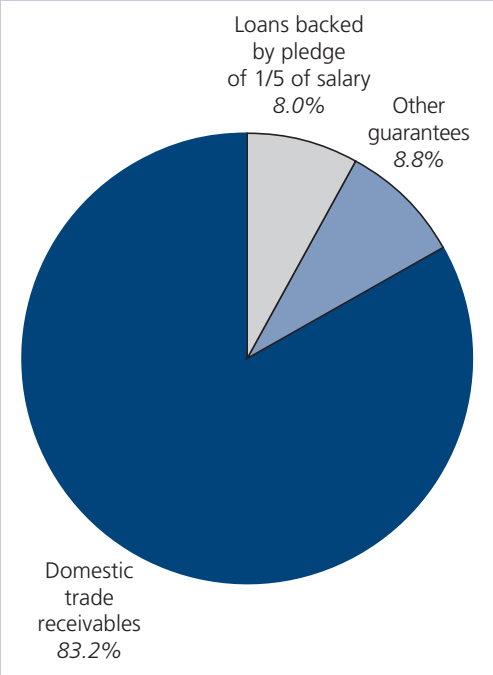


Figure 3 – Distribution of guarantees insured – 2011



the actual number of sales made during the coverage period). In other words, provision is made for the premium to be adjusted to the risk actually taken on, with deferred payment of the variable portion, if any. This mechanism transfers to subsequent years positive or negative premium balances due to the portfolio movements of the previous years. In 2010 the balance was negative by about Euro 14 million (in respect of premium settlements for 2009, when the recession hit firms' revenues), and that balance reduced the real level of premium income in 2010.

ANIA has begun an annual survey designed to keep all the specific types of credit insurance risk distinct – Article 14 of ISVAP Regulation 29/2009 established that in the case of loans backed by the pledge of one-fifth of the borrower's salary, where the lender takes out insurance against the possibility of default by the borrower, the insurance is to be recorded in the accounts of credit insurance – and to guarantee homogeneous temporal comparisons by quantifying any prior-year premium balances. The 2011 survey sampled companies that accounted for more than 97% of 2011 credit insurance premium income.

Credit insurance premium income totaled Euro 446.9 million, up 12.8% from Euro 396.2 billion in 2010 (Figure 1). Adjusting the amount of premiums for prior-year portfolio movements, the increase comes to 8.8% inasmuch as in 2010 the negative balance of Euro 14 million had reduced premium income. Premiums from new business written made up 22.1% of the total (25.5% in 2010) and amounted to Euro 98.5 million, 5.7% less than in 2010 (Figure 2).

In a setting characterized by acute uncertainty and anemic economic growth at best, it seems that firms paid more attention to protecting themselves from payment default.

Fully 83% of the credit insurance premium income booked in 2011 came from policies for so-called domestic receivables, i.e. claims arising from transactions between firms in Italy (Figure 3; Table 1). Premium income from these policies totaled Euro 371.9 million, up by 18.5% from Euro 313.7 million in 2010. Taking account of the balance of portfolio movements, which reduced premiums by Euro 13.8 million in 2010 – in 2011, by contrast, the balance was positive, if just by Euro 0.5 million – the real increase comes to 13.4%. Premiums from new business grew by 8.4% to nearly Euro 60 million; however, their share of total premiums net of the balance declined from 16.8% in 2010 to 16.1%. In any event, these policies were the only type to record a gain in new business.

Premiums collected for "other guarantees" (export receivables, instalment sales, mortgage loans and supported loans backed by collateral, leasing claims) rose by 5.3% to Euro 39.3 million in 2011 (Euro 37.3 million in 2010) and made up just under 9% of the total for this insurance class. New business fell by 23% compared with 2010, from Euro 4.1 million to just over Euro 3 million, and accounted for about 8% of premium income.

Premiums from insurance policies linked to loans backed by a pledge of one-fifth of salary came to Euro 35.7 million in 2011 (8% of the credit insurance total) and

Table 1 – Gross credit insurance premium income

Euro (000's)

2011								
Types of risk	Gross premium income booked 2011	% *distribution*	Balance of prior-year portfolio movements	Premium income net of balance of prior-year portfolio movements	% *distribution*	*of which:* New business	% *distribution*	% *New business/premiums net of prior-year port. movements*
(1)	(2)	(3)	(4)	(5)=(2)–(4)	(6)	(7)	(8)	(9)=(7)/(5)
Domestic trade receivables	371,890	*83.2%*	522	371,368	*83.2%*	59,689	*60.6%*	16.1%
Loans backed by 1/5 of salary	35,704	*8.0%*	63	35,641	*8.0%*	35,578	*36.1%*	99.8%
Other guarantees	39,258	*8.8%*	0	39,258	8.8%	3,203	*3.3%*	8.2%
Total	**446,852**	***100.0%***	**585**	**446,267**	***100.0%***	**98,469**	***100.0%***	**22.1%**

2010								
Types of risk	Gross premium income booked 2010	% *distribution*	Balance of prior-year portfolio movements	Premium income net of balance of prior-year portfolio movements	% *distribution*	*of which:* New business	% *distribution*	% *New business/premiums net of prior-year port. movements*
(1)	(2)	(3)	(4)	(5)=(2)+(4)	(6)	(7)	(8)	(9)=(7)/(5)
Domestic trade receivables	313,714	*79.2%*	-13,806	327,521	*79.8%*	55,087	*52.7%*	16.8%
Loans backed by 1/5 of salary	45,198	*11.4%*	-234	45,432	*11.1%*	45,198	*43.3%*	99.5%
Other guarantees	37,289	*9.4%*	0	37,289	*9.1%*	4,165	*4.0%*	11.2%
Total	**396,201**	***100.0%***	**-14,040**	**410,241**	***100.0%***	**104,450**	***100.0%***	**25.5%**

% change on previous year			
Types of risk	Premium income	Premiums net of prior-year balance	New business
(1)	(2)	(3)	(4)
Domestic trade receivables	18.5%	13.4%	8.4%
Loans backed by 1/5 of salary	-21.0%	-21.6%	-21.3%
Other guarantees	5.3%	5.3%	-23.1%
Total	**12.8%**	**8.8%**	**-5.7%**

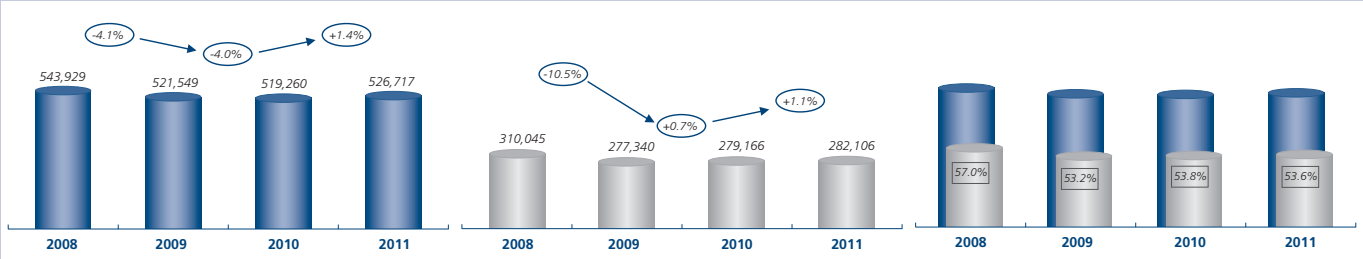
showed a sharp drop of 21% from the previous year (Euro 45.2 million). All of these policies are new business, since the premium is paid at a single time. The contraction in premiums was due mainly to the decline in the supply of personal loans. In addition, in times of acute economic uncertainty, insurers become stricter in applying the parameters for writing policies since they take on much of the default risk.

TYPES OF RISK INSURED IN SURETY COVERAGE

Surety insurance premium income totaled Euro 526.7 million in 2011, up by 1.4% from just under Euro 520 million in 2010 (Figure 1). Premiums from new business accounted for 53.6% of the total (53.8% in 2010), growing by 1.1% to Euro 282.1 million.

After the slight decline in premiums recorded in 2010, the modest growth last year was achieved despite a slowdown in the second half (in the first half premiums had increased by 2.5% overall and those from new business by 6.2%). Nevertheless, 2011 premium income was still well below the 2008 level: the negative phase that began in 2009 in the wake of the recession has yet to be overcome.

Figura 1 – Surety insurance premium income, 2008-2011
Euro (000's)



Total premiums *New business* *New business/Total premiums*

In 2011 the bulk of surety premium income (63%) again came from two main types of risk: "tender" policies (mostly for public procurement contracts) and "equivalent-to-tender" policies (mainly for building permits). Premium income from these two types of risk declined by 0.4% and 0.8% respectively to a total of Euro 331.8 million, from Euro 333.6 million in 2010. Of all the specific types of risk covered, only policies covering public procurement contracts registered growth in premiums (up 2.2%). New business was generally down, by 5.3% for tender and 4.0% for "equivalent" policies; however, premiums from new business other than "provisional

policies for participation in tenders" and policies for public procurement contracts or foreign procurement contracts awarded grew by 15.9% (Table 1).

Guarantees for "tax refunds" – guarantees provided to the tax authorities for the possible restitution of improper tax refunds following receipt of a rectification notice from the competent authorities – accounted for 9.5% of premium income in 2011 (10.1% in 2010) and amounted to just over Euro 50 million, down 4.9%. This reflected the contraction in premiums from sureties for instalments of taxes/social security contributions and from sureties for VAT appeals (down 30.1% and 38.1% respectively). Premiums for sureties for VAT and other tax refunds, which account for 85% of the total for this type of risk, grew by 2.2%.

Table 1 – Types of risk covered by surety insurance in 2011
Euro

Type of risk	Gross Premiums	*% distrib. subcategory*	*Change from 2010*	*of which:* premiums: new business	*% distrib. subcategory*	*Change from 2010*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
EAGF-EEC Regulations	**11,231,613**		***11.8%***	**7,046,247**		***13.8%***
Tenders	**214,712,888**	***100%***	***-0.4%***	**103,315,996**	***100%***	***-5.3%***
- provisional policies for participation in tenders	*33,581,352*	*16%*	*-10.1%*	*31,954,554*	*31%*	*-11.3%*
- definitive policies guaranteeing public procurement contracts	*157,803,741*	*73%*	*2.2%*	*61,325,704*	*59%*	*-4.6%*
- guarantees for foreign procurement contracts	*1,500,055*	*1%*	*-14.1%*	*463,092*	*0%*	*-14.4%*
- other contract guarantees	*21,827,743*	*10%*	*-1.6%*	*9,572,646*	*9%*	*15.9%*
Equivalent to tenders	**117,092,164**	***100%***	***-0.8%***	**41,446,962**	***100%***	***-4.0%***
- policies under Law 210/2004	*22,886,231*	*20%*	*11.0%*	*15,121,103*	*36%*	*-2.5%*
- policies for building permits	*80,079,928*	*68%*	*-2.7%*	*20,172,967*	*49%*	*-5.6%*
- other	*14,126,007*	*12%*	*-6.2%*	*6,152,892*	*15%*	*-2.3%*
Grants	**31,850,455**		***9.9%***	**19,494,902**		***28.1%***
Customs	**19,413,546**		***16.4%***	**10,005,292**		***21.3%***
Payment guarantees	**8,695,346**		***-2.5%***	**3,235,510**		***-2.6%***
Waste management	**38,676,612**	***100%***	***9.4%***	**31,600,573**	***100%***	***17.4%***
- of which: cross-border	*8,964,181*	*23%*	*11.7%*	*7,637,761*	*24%*	*6.9%*
Taxes	**50,089,985**	***100%***	***-4.9%***	**47,675,500**	***100%***	***-4.9%***
- VAT and other tax refunds	*42,606,520*	*85%*	*2.2%*	*41,506,314*	*87%*	*1.5%*
- Tax/social security contribution instalments	*5,923,311*	*12%*	*-30.1%*	*5,408,475*	*11%*	*-31.1%*
- VAT appeals and the like	*1,010,081*	*2%*	*-38.1%*	*289,441*	*1%*	*-48.0%*
Other guarantees	**34,954,390**		***6.1%***	**18,285,476**		***8.4%***
Total	**526,717,000**		***1.4%***	**282,106,458**		***1.1%***

Premium income from "waste management" policies rose by 9.4% to Euro 38.7 million and accounted for more than 7% of the surety insurance total. About a quarter of waste management premiums, or nearly Euro 9 million, referred to cross-border shipment of waste, covering possible expenses incurred for transport, disposal or recovery of waste and costs for environmental clean-up. New business accounted for 82% of the total, rising by more than 17% to Euro 31.6 million.

Premium income from policies on "grants" (guaranteeing the proper destination of funds from European organizations, Italian central and local government bodies for specific projects) rose by 9.9% to Euro 31.9 million. These contracts, which accounted for 6% of all surety insurance premiums, recorded the greatest increase of any segment in 2011, 28.1% (Table 2).

Table 2 – Types of risk covered by surety insurance: 2011 and 2010 compared

Type of risk	% distribution premium income		% distribution new business		New business/Total premiums	
	2011	2010	2011	2010	2011	2010
(1)	(2)	(3)	(4)	(5)	(6)	(7)
EAGF-EEC Regulations	**2.1%**	**1.9%**	**2.5%**	**2.2%**	**62.7%**	**61.7%**
Tenders	**40.8%**	**41.5%**	**36.6%**	**39.1%**	**48.1%**	**50.6%**
- provisional policies for participation in tenders	*6.4%*	*7.2%*	*11.3%*	*12.9%*	*95.2%*	*96.4%*
- definitive policies guaranteeing public procurement contracts	*30.0%*	*29.7%*	*21.7%*	*23.0%*	*38.9%*	*41.7%*
- guarantees for foreign procurement contracts	*0.3%*	*0.3%*	*0.2%*	*0.2%*	*30.9%*	*31.0%*
- other contract guarantees	*4.1%*	*4.3%*	*3.4%*	*3.0%*	*43.9%*	*37.2%*
Equivalent to tenders	**22.2%**	**22.7%**	**14.7%**	**15.5%**	**35.4%**	**36.6%**
- policies under Law 210/04	*4.3%*	*4.0%*	*5.4%*	*5.6%*	*66.1%*	*75.2%*
- policies for construction permits	*15.2%*	*15.9%*	*7.2%*	*7.7%*	*25.2%*	*26.0%*
- other	*2.7%*	*2.9%*	*2.2%*	*2.3%*	*43.6%*	*41.8%*
Grants	**6.0%**	**5.6%**	**6.9%**	**5.4%**	**61.2%**	**52.5%**
Customs	**3.7%**	**3.2%**	**3.5%**	**3.0%**	**51.5%**	**49.5%**
Payment guarantees	**1.7%**	**1.7%**	**1.1%**	**1.2%**	**37.2%**	**37.2%**
Waste management	**7.3%**	**6.8%**	**11.2%**	**9.6%**	**81.7%**	**76.2%**
- of which: cross-border	*1.7%*	*1.5%*	*2.7%*	*2.6%*	*85.2%*	*89.0%*
Taxes	**9.5%**	**10.1%**	**16.9%**	**18.0%**	**95.2%**	**95.1%**
- VAT and other tax refunds	*8.1%*	*8.0%*	*14.7%*	*14.7%*	*97.4%*	*98.1%*
- Tax/social security contribution instalments	*1.1%*	*1.6%*	*1.9%*	*2.8%*	*91.3%*	*92.6%*
- VAT appeals and the like	*0.2%*	*0.3%*	*0.1%*	*0.2%*	*28.7%*	*34.1%*
Other guarantees	**6.6%**	**6.3%**	**6.5%**	**6.0%**	**52.3%**	**51.2%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**53.6%**	**53.8%**

HUMAN RESOURCES AND THE OPERATIONAL AREA

7

STAFF AND LABOUR COSTS

Data concerning the whole market, obtained by extrapolating data provided by a sample of companies accounting for 75% of the market

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
2010	41,730	5,456	47,185
2011	42,193	5,284	47,477

(*) 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	3,390
2009	3,142	261	3,403
2010	3,192	263	3,456
2011	3,284	267	3,551

(*) 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
2010	1.6	0.7	1.6
2011	2.9	1.5	2.7

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
2010	1.3	-0.2	1.2
2011	2.5	3.4	2.6

By the end of 2011 the Italian insurance industry employed a total of 47,477 people, 0.6% more than the previous year, when the employees numbered 47,185 (-0.4% compared to 2009). The estimate for the whole market was made using data from a representative sample of companies.

Included among the 42,193 administrative employees there are 3,863 employees of entities controlled by insurance companies, to whom the national labor contract of the insurance sector applied. Overall, administrative staff increased in 2011 by 463 (+1.1%), despite a decrease in the number of executives (-0.4%), at the end of the year equal to 1,139. The number of dealers was 5,284, 172 less than the previous year (-3.2%).

The number of male employees decreased by 90 units (-0.5% less than 2010) while female employees increased by 1.6% (+252), accounting for 45.9% of the total at the end of the year. Considering all the employees of the insurance sector, 38.3% were university graduates and 53.5% had a high school diploma.

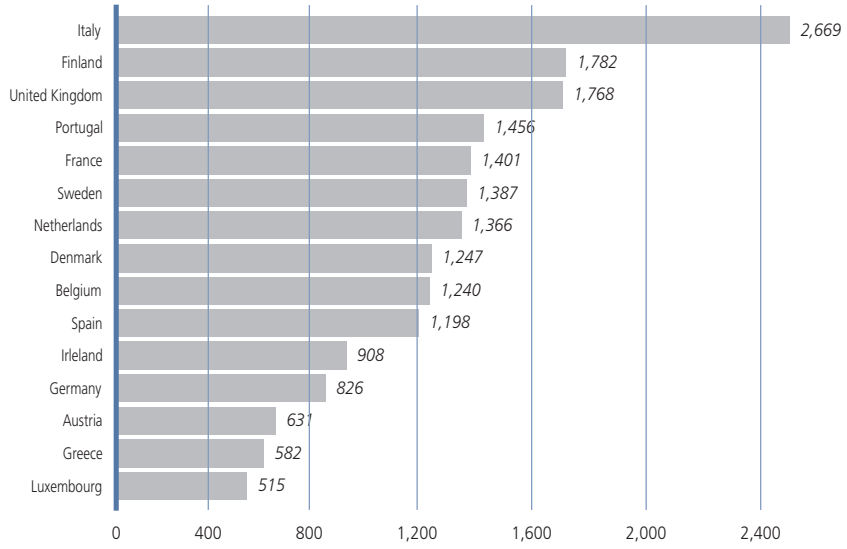
By the end of 2011 total labor costs of the industry amounted to Euro 3,551 million: Euro 3,284 million related to administrative staff and Euro 267 million to dealers.

To obtain per capita labor costs, as well as to derive the trends of the employee base, we adopted the semi-sum method, that is comparing the overall cost of a specific year to the arithmetic average of employees in the year considered and in the previous one

In 2011 labor costs of administrative staff increased by 2.9%, and the cost per worker, equal to Euro 78,300, increased by 2.5%.

Total labor costs of dealers increased by 1.5%, while average cost per dealer (equal to Euro 49,700 in 2011) increased by 3.4%.

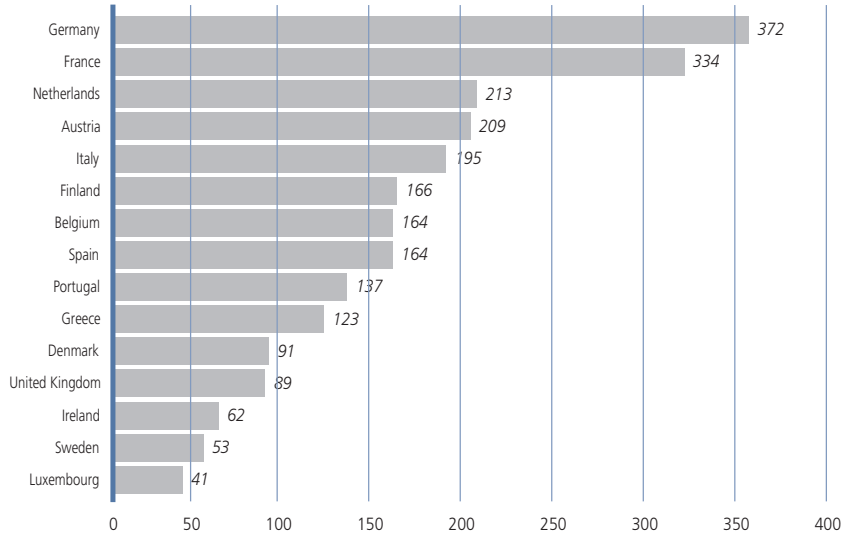
Overall, total staff costs increased by 2.7%, in line with unit costs (+2.6%).



Premiums per employee in EU-15 countries – 2010

Euro (000's)

Source: Insurance Europe



Employees per company in EU-15 countries – 2010

Source: Insurance Europe

INSURANCE DISTRIBUTION

8

INSURANCE DISTRIBUTION

In life insurance distribution, 2011 was marked by a significant decline in premiums written through bank branches and post offices. Premiums collected by all other sectors experienced a slackening except for direct sales. Insurance agents, whose business increased marginally, still are the main distribution channel in the non-life business. Premiums collected directly by internet and telephone kept growing. An ANIA study based on data from the Italian Association of Insurance and Reinsurance Brokers (AIBA) shows that insurance company figures underestimate the importance of brokers in the non-life sector.

LIFE BUSINESS

The rapid growth in the life insurance market that had lasted for two years ended in 2011, in particular for banks branches and post offices, followed by brokers, agents and financial advisors. Direct sales premiums increased (Table 1).

Premiums written through bank branches and post offices decreased by 25.6% in 2011, causing a contraction in the market share of this channel (54.7%, 60.3% in 2010) and impacting slightly positively on the five-year average annual change in premiums collected (+2.6%).

Premiums written in 2011 through financial advisers (the second-leading distribution channel) decreased, but less markedly (-5.5%) after the remarkable expansion registered in 2009 and, to a lesser extent, in 2010. In the last five years the business of advisers has grown at an average annual rate of 21%.

Table 1 - Life insurance business by distribution channel, 2007-2011

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Yearly change					Average annual % change
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	(2007-2011)	2007	2008	2009	2010	2011	(2007-2011)
Bank branches (*)	35,496	28,688	47,210	54,310	40,419	57.8	52.5	58.1	60.3	54.7	***56.7***	-13.3	-19.2	64.3	15.0	-25.6	***2.6***
Financial advisers	5,237	5,409	13,141	14,367	13,582	8.5	9.9	16.2	15.9	18.4	***13.8***	-11.3	3.3	143.3	9.3	-5.5	***21.0***
Agents	12,969	12,852	12,897	13,811	12,103	21.1	23.6	15.9	15.3	16.4	***18.5***	-6.2	-0.9	0.5	7.1	-12.4	***-1.4***
Direct sales	6,862	6,811	7,057	6,689	6,994	11.2	12.5	8.7	7.4	9.5	***9.9***	-15.1	-0.8	4.2	-5.2	4.6	***0.4***
Brokers	875	805	811	936	771	1.4	1.5	1.0	1.0	1.0	***1.2***	46.5	-8.0	2.3	15.4	-17.6	***-2.5***
Total	**61,439**	**54,565**	**81,116**	**90,114**	**73,869**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***100.0***	**-11.4**	**-11.2**	**48.7**	**11.1**	**-18.0**	***3.8***

(*) Includes premiums collected by post office branches

Because the decrease in premiums intermediated by agents (-12.4%) was smaller than that in the market, their market share expanded in 2011 to slightly above 16%.

Direct sales, which refers essentially to sales through subsidiary agencies and business agencies, increased substantially, growing by 4.6%, while the business intermediated by all other distribution channels was contracting, boosting their market share to 9.5% (7.4% in 2010).

Brokers, with a tiny market share (Euro 771 million in 2011), recorded a drop of -17.6% in premiums written in 2011.

From the breakdown of life insurance business by type of policy (Tables 2 and 3) we find that in Class I (insurance on life span) direct sales recorded a positive performance, growing by 9.2%, raising this channel's market share from 6.4% in 2010 to 8.3% in 2011. All other channels recorded a significant contraction in the amount of premiums intermediated, particularly banks and post branches, whose market shares dropped by 6 percentage points (from 60.7% in 2010 to 55.1% in 2011), with a reduction in premium collection of -24.2% compared to 2010.

The decrease of Class III life (linked policies) premiums affected all distribution channels except agents; in particular, bank branches and post offices suffered a

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

Class	Agents	Brokers	Bank branches (*)	Financial advisers	Direct sales	Total
2011						
I - Life	18.0	1.0	55.1	17.6	8.3	100.0
III - Linked	6.7	0.0	64.4	28.2	0.7	100.0
IV - Healthcare	27.2	53.4	14.3	0.3	4.7	100.0
V - Capitalization	24.1	5.8	26.4	1.1	42.6	100.0
VI - Pension funds	18.3	0.7	20.5	3.6	56.8	100.0
Ind. ret. plans (**)	38.7	0.1	20.0	29.3	12.0	100.0
Total life	**16.4**	**1.0**	**54.7**	**18.4**	**9.5**	**100.0**
2010						
I - Life	16.6	1.0	60.7	15.3	6.4	100.0
III - Linked	4.8	0.0	69.2	25.3	0.7	100.0
IV - Healthcare	31.0	60.0	3.8	0.0	5.2	100.0
V - Capitalization	27.2	4.2	40.1	1.0	27.6	100.0
VI - Pension funds	22.1	0.5	23.4	3.4	50.6	100.0
Ind. ret. plans (**)	37.9	0.1	18.4	35.0	8.7	100.0
Total life	**15.3**	**1.0**	**60.3**	**15.9**	**7.4**	**100.0**

(*) 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)

Table 3
Change in premium volume, 2011/2010, by class and distribution channel (%)

Class	Agents	Brokers	Bank branches (*)	Financial advisers	Direct sales	Total
I - Life	-9.5	-19.1	-24.2	-3.8	9.2	-16.4
III - Linked	13.7	-15.2	-24.6	-9.6	-14.4	-18.9
IV - Healthcare	2.4	3.7	342.4	890.8	6.8	16.6
V - Capitalization	-46.2	-16.8	-59.9	-30.2	-6.2	-39.3
VI - Pension funds	-25.5	35.9	-21.2	-2.8	1.2	-9.9
Ind. ret. plans (**)	23.2	23.7	31.1	1.0	66.2	20.7
Total life	**-12.4**	**-17.6**	**-25.6**	**-5.5**	**4.6**	**-18.0**

(*) 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)

sizeable contraction of more than 24%, reducing their market share from 69.2% in 2010 to 64.4% in 2011. In terms of premiums collected agents registered an increase of 13.7% and financial advisers a decrease of 9.6%, while both saw increases in their market shares.

Capitalization policies premiums (Class V) in 2011 registered the sharpest contraction as sales through banks and post offices plunged by 59.9%, their market share of premiums in this class dropping from 40.1% in 2010 to 26.4%; on the other hand direct sales' market share rose to 42.6% in 2011, from 27.6% in 2010, despite a decline in premium collection of 6.2%.

Agents were again the leading sales channel for individual retirement products, with 38.7% of the market (37.9% in 2010). In 2011 direct sales improved too, increasing premiums by 66.2%, with an increase of almost 4 percentage points in market share, from 8.7% in 2010. Financial advisers lost market shares, slipping from 35% in 2010 to 29.3% in 2011; bank branches and post offices slightly improved their presence in this market, bringing their market share to 20% from 18.4% in 2010. Brokers' channel remained stable.

As regards premiums/contributions to pensions funds (Class VI), the portion collected by bank branches decreased to the benefit of an increase of that collected by the direct channel, leaving all other types of intermediaries unchanged.

NON-LIFE BUSINESS

Agents, with an 82% share, have always been the leading channel of premium collection in the non-life insurance sector. Premiums collected by agents grew in

2011 by 1.8% with respect to the previous year; in the last five years the average growth rate was negative (-1.3%) (Table 4).

Brokers retained second place with 7.6% of the sector's total premiums, scoring an increase of 3.1% for the year.

However, brokers' market share is underestimated in that it does not count the substantial volume of premiums (estimated at 22.6 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 2011 would come to **Euro 11.0 billion**, rather than the Euro 2.8 billion registered in the official statistics: **30.2%** instead of 7.6% of the total. Agents' business volume would accordingly be brought down from Euro 29.8 billion to **Euro 21.5 billion** and their market share from 81.8% to **59.2%.**

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 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 18 billion for the entire non-life sector) is much higher than ANIA's estimate, essentially because of different fee-based calculations.

Table 4 - Non-life insurance business by distribution channel, 2007-2011

CHANNEL	Gross written premiums (Euro million)					Market share (%)					Average	Yearly change					Average annual % change
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	(2007-2011)	2007	2008	2009	2010 (***)	2011 (***)	(2007-2011)
Agents	31,751	31,383	30,465	29,329	29,752	84.3	83.8	83.0	82.4	81.8	***83.1***	1.4	-1.2	-2.9	1.6	1.8	**-1.3**
Brokers (*)	2,771	2,854	2,916	2,730	2,768	7.4	7.6	7.9	7.7	7.6	***7.6***	-0.3	3.0	2.2	-2.0	3.1	**0.0**
Direct sales	2,427	2,359	2,183	2,357	2,549	6.4	6.3	6.0	6.6	7.0	***6.5***	-0.4	-2.8	-7.4	11.9	8.6	**1.0**
of which: phone and Internet	*1,054*	*1,042*	*1,079*	*1,273*	*1,489*	*2.8*	*2.8*	*2.9*	*3.6*	*4.1*	***3.2***	*6.1*	*-1.1*	*3.6*	*18.1*	*17.0*	**7.2**
Bank branches (**)	677	804	1,068	1,142	1,247	1.8	2.1	2.9	3.2	3.4	***2.7***	8.6	18.8	32.9	7.3	9.2	**13.0**
Financial advisers	29	54	51	48	47	0.1	0.1	0.1	0.1	0.1	***0.1***	2.7	86.2	-5.7	-5.8	-2.1	**10.1**
Total	**37,655**	**37,453**	**36,685**	**35,606**	**36,363**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***100.0***	**1.3**	**-0.5**	**-2.1**	**2.1**	**2.6**	**-0.7**

(*) The share attributed to brokers does not take account of a portion of premium volume (estimated at 22.6 percentage points in 2011) originated through this channel but presented to agencies and not directly to insurers
(**) Includes premiums collected by post office branches
(***) The changes (%) were calculated in homogeneous terms

Total direct sales of non-life insurance products increased in 2011 (by 8.6%), owing to an increase in direct Internet and telephone sales (+17.0%). In 2011 this channel's market share was 6.5%. Over the past five years, direct sales have shown an average annual increase of 1.0%, whereas the average annual increase of internet and telephone sales in the same period of time was of 7.2%.

Business done through bank branches, which accounted for 3.4% of total non-life insurance in 2011, continued growing in 2011 (+9.2%), slightly increasing its market share with respect to the previous year.

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 88.1% of the entire market. Their volume of premiums increased by 3.8% in 2011 (Tables 5 and 6).

Table 5
Non-life insurance market shares by sector and distribution channel (%)

Sector	Agents	Brokers (*)	Bank branches (**)	Financial advisers/ inv. firms	Insurance co. agencies	OTHER DIRECT SALES Telephone	OTHER DIRECT SALES Internet	Total
2011								
Motor liability	88.1	3.0	1.4	0.0	0.7	2.8	4.0	100.0
Land vehicle	84.0	6.8	1.5	0.1	2.0	2.4	3.3	100.0
Total motor	***87.6***	***3.5***	***1.4***	***0.0***	***0.9***	***2.7***	***3.9***	***100.0***
Accident and sickness	69.1	11.8	7.7	0.7	9.6	0.5	0.6	100.0
Shipping (°)	28.4	66.3	0.0	0.0	5.2	0.0	0.0	100.0
Property (°°)	77.5	10.7	7.5	0.1	3.1	0.4	0.6	100.0
Gen. third party liability	84.9	9.0	1.8	0.1	4.1	0.1	0.1	100.0
Credit and suretyship	79.1	12.4	3.9	0.0	4.6	0.0	0.0	100.0
Total non-motor	***74.3***	***13.0***	***6.1***	***0.3***	***5.6***	***0.3***	***0.5***	***100.0***
Total non-life	**81.8**	**7.6**	**3.4**	**0.1**	**2.9**	**1.7**	**2.4**	**100.0**
2010								
Motor liability	89.3	2.7	1.2	0.0	0.8	3.2	2.8	100.0
Land vehicle	84.6	4.5	3.0	0.0	2.2	3.1	2.6	100.0
Total motor	***88.6***	***3.0***	***1.5***	***0.0***	***1.0***	***3.2***	***2.7***	***100.0***
Accident and sickness	71.0	11.4	7.6	0.7	8.3	0.5	0.4	100.0
Shipping (°)	28.3	65.0	0.0	0.0	6.6	0.0	0.0	100.0
Property (°°)	77.6	11.3	6.1	0.1	4.1	0.5	0.4	100.0
Gen. third party liability	83.5	10.7	1.5	0.1	4.2	0.0	0.1	100.0
Credit and suretyship	76.0	15.6	3.4	0.0	4.9	0.0	0.0	100.0
Total non-motor	***74.6***	***13.5***	***5.3***	***0.3***	***5.6***	***0.3***	***0.3***	***100.0***
Total non-life	**82.4**	**7.7**	**3.2**	**0.1**	**3.0**	**1.9**	**1.7**	**100.0**

(*) The share attributed to brokers does not take account of a portion of premium volume (estimated at 22.6 percentage points in 2011) originated through this channel but presented to agencies and not directly to insurers
(**) Includes premiums collected by post office branches
(°) Shipping sector includes: Railway rolling stock, Aircraft, Ships, Goods in transit and Aircraft T.P.L.
(°°) Property sector includes: Fire and natural forces, Other damage to property, Miscellaneous financial loss, Legal expenses and Assistance

Table 6
Change in non-life premium volume, 2011/2010, by sector and distribution channel (%)

2011/2010 (***)								
Sector	**Agents**	**Brokers (*)**	**Bank branches (**)**	**Financial advisers/ inv. firms**	**Insurance co. agencies**	**OTHER DIRECT SALES**		**Total**
						Telephone	**Internet**	
Motor liability	3.8	14.8	21.0	-91.3	-5.1	-7.9	51.5	5.2
Land vehicle	-2.7	49.2	-51.6	107.7	-12.6	-24.5	22.8	-2.0
Total motor	***2.9***	***22.5***	***-0.4***	***-33.3***	***-7.6***	***-10.3***	***47.5***	***4.1***
Accident and sickness	-2.7	3.3	0.6	2.1	15.9	-4.1	42.2	0.0
Shipping (°)	-0.5	1.1	-15.0	n.d.	-22.1	-0.7	3.9	-0.9
Property (°°)	1.7	-2.9	24.8	1.3	-21.4	-5.0	50.5	1.8
Gen. third party liability	0.6	-16.7	22.9	2.3	-4.1	17.9	27.8	-1.1
Credit and suretyship	2.2	4.3	-4.7	n.d.	-0.1	n.d.	n.d.	2.1
Total non-motor	***0.2***	***-2.9***	***11.8***	***0.8***	***-1.0***	***12.1***	***62.9***	***0.6***
Total non-life	**1.8**	**3.1**	**9.2**	**-2.1**	**-1.7**	**-9.2**	**47.9**	**2.6**

(*) The share attributed to brokers does not take account of a portion of premium volume (estimated at 22.6 percentage points in 2011) originated through this channel but presented to agencies and not directly to insurers
(**) Includes premiums collected by post office branches
(***) The changes (%) were calculated in homogeneous terms
(°) Shipping sector includes: Railway rolling stock, Aircraft, Ships, Goods in transit and Aircraft T.P.L.
(°°) Property sector includes: Fire and natural forces, Other damage to property, Miscellaneous financial loss, Legal expenses and Assistance

Next behind agents come direct telephone and Internet sales, accounting for 7.0% of the market, thanks especially to the strong growth in sales through the internet (+51.5% with respect to 2010). Brokers, with 3.0% of the market, also scored a substantial increase in 2011 (+ 14.8%), as did premiums intermediated by bank branches and post offices (+21.0%).

Agents and brokers also remained the leading collectors of non-motor, non-life premiums, with respective market shares of 74.3% and 13.0% in 2011, even though their volume of business increased slightly (+0.2% for agents), whereas brokers' decreased slightly (-2.9%).

The share of the market held by employed agents remained constant at 5.6%, despite the slight contraction in premiums collected (-1.0%).

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

9

THE ANIA FOUNDATION FOR ROAD SAFETY

ROAD ACCIDENTS IN ITALY: THE FIGURES FOR 2010

ISTAT data on road accidents in Italy, monitored in connection with the efforts to achieve the European Commission's objective of halving the number of traffic fatalities between 2001 and 2010, show that such accidents numbered 211,404 in 2010, resulting in 4,090 deaths and 302,735 injuries (Table 1). After one of the sharpest falls in the decade in 2009 (10.3%), in 2010 the diminution was more modest, 3.5%.

Table 1
Deaths and injuries from road accidents in Italy, 2000 to 2010

	Deaths		Injuries	
	Number	% change on previous year	Number	% change on previous year
2000	7,061	5.6	360,013	13.7
2001	7,096	0.5	373,286	3.7
2002	6,980	-1.6	378,492	1.4
2003	6,563	-6.0	356,475	-5.8
2004	6,122	-6.7	343,179	-3.7
2005	5,818	-5.0	334,858	-2.4
2006	5,669	-2.6	332,955	-0.6
2007	5,131	-9.5	325,850	-2.1
2008	4,725	-7.9	310,745	-4.6
2009	4,237	-10.3	307,258	-1.1
2010	4,090	-3.5	302,735	-1.5

Sources: ACI, ISTAT

In fact, the number of traffic fatalities in Italy has fallen steadily since 2002. Overall, it fell by 42.4% between 2001 and 2010, less than the objective of 50% set in Lisbon. In absolute terms, in any case, this achievement represents the saving of 3,000 lives a year.

ITALY AND EUROPE: THE ROAD SAFETY BALANCE FOR THE DECADE

Considering the data on road accidents in Europe in the light of the 2001 Lisbon objective set by the European commission, we see a total of 31,111 traffic deaths in the EU-27 countries in 2010, a decrease of 42.8% in the decade. This means that Europe as a whole did not quite succeed in reaching the goal.

Italy, as we have seen, cut the number of fatalities by 42.4%, just barely worse than the European average and thus equally short of the 50% target. The seriousness of the situation is best highlighted by referring to absolute numbers. Italy had the greatest number of road fatalities of all EU member countries in 2010.

Furthermore, the decrease over the decade in Italy was less than in the other main EU member states: Spain (-55.2%), France (-51.1%) and Germany (-47.7%).

Finally, considering the traffic fatality rate – the number of deaths as a proportion to population – Italy ranked 12th in the EU in 2010, as in 2009, with 6.8 deaths per 100,000 inhabitants; the EU average was 6.2.

Table 2
Deaths in road accidents in the EU-27 countries

	Number		Percentage change	Deaths per 100,000 pop.
	2001	2010	2010/2001	
Austria	958	552	-42.4	6.6
Belgium	1,486	840	-43.5	7.7
Bulgaria	1,011	775	-23.3	10.2
Cyprus	98	60	-38.8	7.5
Denmark	431	265	-38.5	4.8
Estonia	199	78	-60.8	5.8
Finland	433	270	-37.6	5.0
France	8,162	3,992	-51.1	6.2
Germany	6,977	3,651	-47.7	4.5
Greece	1,880	1,281	-31.9	11.3
Ireland	411	212	-48.4	4.7
Italy	7,096	4,090	-42.4	6.8
Latvia	558	218	-60.9	9.7
Lithuania	706	300	-57.5	9.0
Luxembourg	70	32	-54.3	6.4
Malta	16	15	-6.3	3.6
Netherlands	1,083	640	-40.9	3.9
Poland	5,534	3,907	-29.4	10.2
Portugal	1,670	845	-49.4	7.9
United Kingdom	3,598	1,943	-46.0	3.1
Czech Republic	1,334	802	-39.9	7.6
Romania	2,454	2,377	-3.1	11.1
Slovakia	625	353	-43.5	6.5
Slovenia	278	138	-50.4	6.7
Spain	5,517	2,470	-55.2	5.4
Sweden	531	266	-49.9	2.8
Hungary	1,239	739	-40.4	7.4
EU27	**54,355**	**31,111**	**-42.8**	**6.2**

Source: Community Road Accident Data Base (Care)

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

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

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

The Highway Police data show that the number of fatalities continued to fall in 2011, at a slightly faster rate than in 2010 (8.6% as against 6.3%).

Table 3
Deaths and injuries in road accidents in Italy, 2001 to 2011

	PANEL A: HIGHWAY POLICE				PANEL B	
	Deaths		Injuries		Memo: ISTAT data	
	Number	% change	Number	% change	No. deaths	No. injuries
2001	2,309	n.a.	74,169	n.a.	7,096	373,286
2002	2,520	9.1	84,217	13.5	6,980	378,492
2003	2,187	-13.1	72,342	-14.1	6,563	356,475
2004	1,891	-13.5	66,777	-7.7	6,122	343,179
2005	1,860	-1.6	64,997	-2.7	5,818	334,858
2006	1,889	1.6	66,057	1.6	5,669	332,955
2007	1,682	-10.9	63,763	-3.5	5,131	325,850
2008	1,507	-10.4	57,656	-9.6	4,725	310,745
2009	1,295	-14.1	53,756	-6.8	4,237	307,258
2010	1,213	-6.3	51,163	-4.8	4,090	302,735
2011	1,109	-8.6	47,618	-6.9	n.a.	n.a.

Source: Polizia Stradale, ISTAT

Nevertheless, ISTAT statistics on road accidents (and, naturally, the partial data collected by the Highway Police) cannot be considered representative of the totality of accidents on Italian roads. In particular, the number of accidents recorded by ISTAT (211,404 in 2010) represented barely 5.9% of the 3,535,512 accidents for which insured parties filed claims with insurers ([1]).

Examining the insurance data in detail (Table 4), as we have seen some 3.5 million motor liability claims were filed in 2010. In most instances, compensation was paid for damage to vehicles or property, but a significant portion (more than 800,000, or 23%) also involved personal injury. Italy is among the European countries with the highest percentage of claims for personal injury, at about twice the EU average.

It is worth noting that more than a million persons received compensation for the over 800,000 personal injury claims filed with insurance companies in 2010, since some injury claims involve more than one person. With the inception of the direct indemnity system in 2007, insurance companies' databases were reorganized, so we now also have data on non-liable drivers and passengers who sustain personal injury. This allows us to make a more precise estimate of the average number of persons involved in a claim: 1.34 in 2009 and 1.33 in 2010.

It should also be borne in mind that the number of injuries and deaths in the insurance companies' statistics do not include persons who were involved in accidents but not entitled to indemnification, such as liable drivers and those hurt in one-vehicle accidents, nor does it reflect compensation payments by the Road Accident Victims Guarantee Fund for accidents caused by uninsured or unidentified vehicles.

The difference between the insurance statistics and the ISTAT data thus stems mainly from the fact that the latter do not include accidents with no police intervention, which give rise to the majority of claims. Most of the personal injuries for which the insurance sector pays compensation are minor and are caused for the most part by accidents in urban centers, for which the police are rarely called in. To quantify the phenomenon, consider that of the 800,000 motor vehicle personal injury claims recorded by insurance companies in 2010, more than 700,000 (88%) involved temporary or permanent disability of less than 9%. And of the latter, some 550,000 (78%) were for a permanent disability of between 1% and 2%, corresponding to those generally recognized for so-called whiplash. Considering the average number of persons injured in a road accident, these claims correspond to between 700,000 and 800,000 persons injured, which may help explain the wide gap between the two sources.

([1]) This figure counts all the accidents that occurred in 2010, including an estimate for claims handled by Italian representatives of insurance companies headquartered in countries belonging to the European Economic Area.

Table 4 – Deaths and injuries in road accidents in Italy, 2000-2010: insurance data

Generation of event	Number of claims paid and reserved*	% of claims with personal injury	Number of claims with personal injury	% change on previous year	Average number of persons injured per accident	Total number of persons sustaining personal injury - ANIA
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2000	4,521,607	17.7%	801,250	n.a.	n.a.	n.a.
2001	4,066,529	18.4%	746,313	-6.9	n.a.	n.a.
2002	3,836,135	17.9%	687,052	-7.9	n.a.	n.a.
2003	3,708,020	18.2%	675,955	-1.6	n.a.	n.a.
2004	3,673,744	19.8%	728,413	7.8	n.a.	n.a.
2005	3,654,072	21.0%	765,953	5.2	n.a.	n.a.
2006	3,661,945	21.0%	768,336	0.3	n.a.	n.a.
2007	3,685,452	21.0%	772,305	0.5	1.25	965,381
2008	3,716,084	21.3%	791,047	2.4	1.30	1,028,362
2009	3,741,283	21.8%	817,467	3.3	1.34	1,092,086
2010	3,535,512	22.7%	802,561	-1.8	1.33	1,069,815

(*) Includes the estimate of claims IBNR and starting in 2010 also an estimate of claims handled by Italian representatives of insurance companies headquartered in other European Economic Area countries

THE ANIA-CONSUMERS FORUM

The ANIA-Consumers Forum is a foundation constituted by ANIA, with representatives of insurance companies and consumer organizations and independent members. Last year, insurers and consumers met to talk about major issues relevant to the insurance industry and to the entire society. Topics included motor liability insurance and alternative dispute resolution mechanisms. The Forum also contributed to initiatives and studies on the social role of insurance in the new welfare system and expanded its insurance education projects for students and adults.

FOCUS: INSURANCE EDUCATION

One of the Forum's official purposes is to enable consumers to make informed choices by means of information and educational initiatives relating to insurance. The consumer and industry representatives in the Forum are in agreement on the necessity for consumers to be well informed when they make significant financial decisions for themselves and their families. People obviously need to have a certain amount of knowledge in order to devise an economic plan for their children's education, manage credit rationally, procure appropriate insurance cover, and prepare properly for their retirement years.

Pursuing the objective of educating young people and adults for greater awareness of the issues, the Forum regularly conducts insurance training for consumer association staff and has developed a program of activities directed to education on risk, risk prevention and mutuality for the schools.

SECURITY SCHOOL

The Form has realized a multi-year project for the schools called "Me & Risks", in collaboration with the European Association for Economic Education and with the expert advice of the Catholic University in Milan. The project is sponsored by Lombardy's regional scholastic office and Lombardy's unit of the National Agency for the Development of School Autonomy. Through the "Me & Risks" project, insurers – together with the Bank of Italy, ANASF and PattiChiari – take part in regular talks on financial education organized in Milan by the regional scholastic office. The project has been commended by Insurance Europe as an instance of best practice in financial education by the insurance industry.

The initiative is aimed at middle school students and envisages 10 hours of classroom time. The teachers have a guide and a series of teaching slides to explain

each topic in class, while the students can test their knowledge using work sheets calling for both individual and group work; they are also given a magazine with games and information flashes. The final test is patterned after the PISA-OECD problem-solving model, an internationally recognized test that measures students' achievement level in utilizing the skills acquired during their school careers to solve problems of daily life.

The course was presented on a trial basis during the 2010-11 school year, and the students' learning achievements were significant. The results, as analyzed by the Catholic University in Milan, were disseminated to teachers through a dedicated website (www.ioeirischi.it) and a newsletter ("Io & i rischi News"), produced in cooperation with the publication "Help Consumatori" and sent to over 10,000 potentially interested users.

During the 2011-12 school year the "Me & Risks" course was extended for the first time to schools throughout Italy: 215 classes in 116 middle schools in 15 regions. A competition will reward the best classes and students with multimedia equipment and technological gadgets. Over the next two years the Forum will extend the project to other levels – technical institutes, academic high schools, elementary schools – and diversify teaching methods using material tailored to different ages and courses of study.

TRAINING FOR CONSUMER ASSOCIATION STAFF

The Forum is also engaged in training courses in insurance for consumer organization staff. It has produced an e-learning platform (www.elearning.ania.it) for online refresher courses and updating. The initiative is the fruit of a specific agreement between ANIA and 14 consumer organizations: ACU, Adiconsum, ADOC, Assoutenti, Cittadinanzattiva, Casa del Consumatore, Codacons, Codici, Confconsumatori, Federconsumatori, Lega Consumatori, Movimento Consumatori, Movimento Difesa del Cittadino and Unione Nazionale Consumatori. The partners have a shared commitment to ensuring the high quality of activities to orient and inform the public, carried out by the consumer associations through their own widespread network of local affiliates.

The contents of this platform were further developed in 2011 by an ad hoc working group including one representative from each of the consumer associations party to the agreement. There were also local training seminars involving a good number of consumer organization staff in the larger cities.

CONDUCT OF INSURANCE BUSINESS

10

THE OMNIBUS DECREE: REITERATION OF THE ANTI-CRISIS MEASURES

The *Gazzetta Ufficiale* of 27 February 2012 published the law converting the Omnibus Decree, which reiterated, with some amendments, the anti-crisis measures for the sterilization of unrealized capital losses for purposes of individual and adjusted solvency ratios. Unlike their predecessors, the new measures are structural and apply from 2012 until the entry into effect of the Solvency II directive. Their scope has been restricted to government securities only, thus excluding shares and corporate bonds.

As under the previous anti-crisis measures, in calculating the individual solvency ratio a company can enter government securities in the balance sheet at their cost and class them in the trading book, against a corresponding unavailable reserve provision. The new measure also specifies that the sterilization of capital losses cannot apply to durable losses and can be effected only after verifying consistency with the structure of the financial commitments associated with the insurance portfolio.

For purposes of adjusted solvency ratios, a recognized element in the group solvency margin is unrealized capital losses on government securities classed, in the individual balance sheets, as long-term investment securities. Further, it is required that groups retain an amount of financial resources corresponding to the valuation difference resulting from the application of the rule.

ISVAP must issue a regulation defining the procedures and conditions for implementation of the law. The authority, where it sees a potential threat to an insurer's solvency, can activate the supervisory instruments envisaged in the Insurance Code. It can also, with a view to stability, take special measures bearing on the company's governance, general organizational requirements, management compensation and, as necessary, restricting or limiting the distribution of dividends or other capital elements.

ISVAP MEASURE 2934 AMENDING REGULATIONS 28 AND 37

On 27 September 2011 ISVAP issued measure 2934, implementing the decree of the Minister for the Economy and Finance dated 27 July 2011 for the reiteration of the anti-crisis measures relating to the valuation of securities assets. The measure amends ISVAP Regulation 28/2009 implementing the provisions on the valuation of asset items in the trading book and ISVAP Regulation 37 of 15 March 2011 implementing the provisions on verification of adjusted solvency ratios.

As regards Regulation 28, the main changes for the 2011 financial year were as follows:

The limit to eligibility of the unavailable reserve is raised from 20% to 30% where the unavailable reserve component deriving from the valuation of debt securities issued or guaranteed by Member States of the European Union represents at least 75% of the reserve.

The limit to eligibility of the unavailable reserve is raised from 20% to 40% where the unavailable reserve component deriving from the valuation of debt securities issued or guaranteed by Member States of the European Union represents the entirety of the reserve.

The limit to eligibility of the unavailable reserve is raised from 20% to a point between 30% and 40%, determined as a function of the weight (between 75% and 100%) of this component in the total unavailable reserve computed among the elements forming the margin.

The limit of 50% (set also on subordinated liabilities and hybrid capital instruments) is raised to a maximum of 70%, provided that the residual duration of the subordinated liabilities and hybrid instruments computed among the elements constituting the margin is more than three years and that the unavailable reserve component of the margin in excess of 50% derives entirely from valuations of debt securities issued or guaranteed by Member States of the European Union. Percentages between 50% and 70% can be attained depending on the amount of subordinated liabilities and the eligibility of the unavailable reserve.

As regards Regulation 37, the amendment raises from 20% to 30% (of the lesser between margin requirement and margin available) the limit to the eligibility of capital losses on government securities classed in the consolidated balance sheet as available-for-sale financial assets (but as long-term investments in the individual balance sheet) as a constituent element, together with the unavailable reserve (pursuant to Regulation 28).

REGULATION 39 OF 9 JUNE 2011 ON EXECUTIVE COMPENSATION IN INSURANCE

On 9 June 2011 ISVAP issued Regulation 39 on the remuneration of managers in insurance companies. The aim is to make executive pay consistent with the standards emerging internationally in response to the financial crisis. For the banking industry, harmonized rules have been established by Directive 2010/76/EC (the third Capital Requirements Directive), but the insurance industry still awaits the introduction of a single European regulatory framework. For the time being new rules – which will be less detailed, as is stated in the report

accompanying ISVAP's regulation – are entrusted to the second-level measures of the Solvency II directive.

In general, Regulation 39 seeks to guide insurance companies to remuneration policies that reward real, durable results, properly adjusted for risk. The main points of the Regulation consist in:

- the principles that must govern decision-making on executive compensation;
- the rules on the remuneration of members of companies' governing bodies, staff, and others;
- the provisions that relate to checking on the implementation of compensation policies and the obligation to inform the competent governing bodies and the shareholders' meeting of the findings;
- the need for the new rules to be phased in, in order to take account of positions and contracts in being and the possibility of modifying them in the light of the rules (as an initial application, insurance companies made, and communicated by 30 November 2011, an assessment of the degree of compliance of their present compensation systems with the provisions of the Regulation and specified the measures required for compliance and a timetable for their introduction).

NEW REGULATION ON EXPERIENCE, INTEGRITY AND INDEPENDENCE OF CORPORATE OFFICERS OF INSURANCE COMPANIES

Ministerial Decree 220 of 11 November 2011 went into effect on 24 January 2012. The Decree implements Articles 76 and 77 of the Private Insurance Code, laying down the requirements of experience, integrity and independence of corporate officers and of integrity for shareholders of insurance companies. Previously the matter had been governed by Decree 186/1997 of the Minister for Industry, Commerce and the Artisanal Trades, which was in force to 30 June 2010.

One of the changes introduced by the new Regulation involves the integrity requirements for the insurance industry, which are now in line with those for banking (under Ministerial Decree 161/1998) and financial consultancy (Ministerial Decree 206/2008). The new rules provide that the position of director, chief executive officer or member of the board of auditors cannot be held by persons who have been subjected, at the request of the parties, to a penalty for the crimes specified in Paragraph 1(c), sub-paras. 1 and 2, save in the case of lapse of the statute of limitations (Article 5.2). However, a plea bargain is not grounds for ineligibility if the sentence is for less than one year.

In addition to the experience and integrity requirements laid down in Decree 186/1998, the Regulation also establishes the requirement of independence for all corporate officers, including directors and chief executive officers. As this inde-

pendence is required of all corporate officers, it obviously does not refer to independence from the company or group (as it does in the case of members of the board of auditors) but only to any relationships, specified by the Regulation, with other insurance companies that can engender situations of "conflict of interest" (Article 6.1). In other words, the rule does not apply to positions or relationships with other companies within the same insurance group, as defined by Article 82 of the Private Insurance Code (Article 6.2). Persons who believe that they perform functions or have financial or work relationships that could compromise their independence must declare them to the competent corporate bodies for an assessment of compatibility (Article 6.3).

Ban on interlocking positions (Law 214/2011, Article 36)

Another measure to counter the risks arising from conflicts of interest is Article 36 of Law 214 of 22 December 2011 (the "Save Italy" decree, which went into effect on 28 December), which imposes a stricter ban, prohibiting persons who hold positions in the management, oversight or control bodies and top-level officers in credit, insurance or financial enterprises or groups from holding or exercising analogous positions or functions in competitor enterprises or groups (paragraph 1).

Paragraph 2 defines competitor enterprises as those operating in the same geographical and product market. In this case too the ban on multiple positions, like the independence requirement, does not apply to enterprises within the same group, in the broader acceptation of the antitrust law (Law 287/1990, Article 7).

To clarify the standards for application of the ban on interlocking positions, on 20 April 2012 the supervisory authorities (Bank of Italy, Consob and ISVAP) published a set of guidelines. Their criteria largely confirm the broad interpretation advocated by the Antitrust Authority but also introduce some new features, in particular lower thresholds below which the ban does not apply. The exceptions to the ban on multiple positions concern:

- company size – the ban does not cover situations in which none of the enterprises or groups involved has total nationwide sales of more than Euro 47 million;
- type of business – the ban does not cover companies performing accessory or instrumental services, such as back-office, credit recovery, claim management and settlement.

For insurance companies these sales thresholds – which are to be regularly updated pursuant to Law 287/1990 – refer to premium income.

The guidelines reaffirm that the ban does not apply to positions with the same group, in the broader acceptation of antitrust law, which comprises both de jure control (individual or joint) and de facto control. Finally, in order to define geographical and product markets the guidelines naturally refer to antitrust practice

and the communications of EU and national antitrust authorities. They also give a list of examples of markets that might be identified. For the insurance industry, product markets are defined with reference to the single insurance classes; the geographical dimension is nationwide. The distribution market is also relevant to the ban on interlocking positions.

THE MAIN TAX MEASURES

Taxation of financial income at 20%

Decree Law 138 of 13 August 2011 significantly reforms the taxation of financial incomes starting in 2012. One of the main provisions is the establishment of a single tax rate of 20% for all financial incomes, in place of the 12.5% and 27% rates previously in effect depending on type of financial instrument. However, the 12.5% rate is maintained for income from certain types of instruments, including government and equivalent securities, even when investment in them is indirect, via insurance policies or investment funds.

Turning to income from life insurance and with-profits policies in particular, the lower tax is applied by means of a diminution in the taxable income from the particular fund underlying the policy, based on the amount of government and equivalent securities making up the aggregate; this adjusted income is then taxed at 20%. Policyholders thus benefit indirectly from the tax break on government securities. The method for calculating the share of income to exclude from the tax base was established by a decree of the Minister for the Economy and Finance dated 13 December 2011; the method chosen is asset-based: for each policy, the reduction in taxable income depends on the average annual percentage of assets invested directly or indirectly via investment funds in the specified government or equivalent securities. Each percentage that contributes to determine the average is to be measured each year during the life of the contract on the basis of the yearly financial reports for the contract's particular fund. If no financial report is approved during the life of the contract, the last approved report is used.

The implementing decree lays down an analogous criterion for the taxation of income from investment fund shares or units.

For insurance policies subscribed up to 31 December 2011, the taxable income is divided into two parts. One, relative to the period between the subscription date and 31 December 2011, is constituted by the difference between mathematical reserves and premiums paid at that date and is subject to the old 12.5% tax rate; the second, calculated by the new criteria, is taxed at 20%. Retaining the 12.5% rate for income accrued to 31 December 2011 avoided retroactive effects of the new tax rate, which would have triggered early surrenders.

Allowance for corporate equity

The "Save Italy" decree (Decree Law 201 of 6 December 2011) assists the growth of firms that strengthen their capital, in the form of a tax allowance for those that starting in 2011 increase their shareholders' equity through payments of cash by present or new partners or shareholders and through retained earnings, except for those allocated to unavailable reserves. Unavailable reserves are defined as those consisting of unrealized profits as defined in Article 2433 of the Civil Code, in that they derive from valuation, and those consisting of realized profits which, under the law, are or become undistributable and unusable to increase share capital or to cover losses.

The increase in shareholders' equity corresponding to the increments just specified is decreased by all capital payments, of whatever nature, to partners or shareholders.

The tax break consists in a deduction from total taxable income of an amount corresponding to the notional return on the change in shareholders' equity (the base for the corporate equity allowance). The notional return on the additional equity is a percentage rate specified annually in a decree that the Minister for the Economy and Finance must issue before the end of the year after the year to which it refers. For 2011, 2012 and 2013 the rate is 3%.

The implementing decree of 14 March 2012 introduced rules for eligibility for the allowance in the framework of the consolidated fiscal accounting regime and fiscal transparency. The rules apply autonomously to each company that has increased its shareholders' equity. The implementing decree also has anti-avoidance measures to prevent the multiplication of the benefit, in particular within groups, without prejudice to firms' right to request a waiver under Presidential Decree 600/1973, Article 37-bis, paragraph 8, where they consider that the multiplication effect is absent.

Lastly, the decree establishes that the increase for purposes of the corporate equity allowance – the net between positive and negative variations – may not in any case exceed shareholders' equity as entered in the balance sheet (including profit for the year).

Application of the stamp tax on communications concerning Class III policies and Class V capitalization operations

Articles 19.1, 19.2 and 19.3 of the "Save Italy" decree (Decree Law 201/2011) redefine the scope of the stamp tax both in terms of persons and of matters subject. The changes affect the insurance industry significantly. The new law introduces, as of 1 January 2012, an annual tax of 1 per mille (1.5 per mille beginning in 2013) on statements of account to customers relating to financial products, including those not subject to the deposit requirement, except for pension funds and healthcare funds. The tax is calculated, for each item, on the total market value or, if this is not available, on the nominal or redemption value. For insurance companies the financial products subject to the levy are specified in Article 1.1

(w-bis) of the Consolidated Law on Finance. These are unit and index-linked life insurance policies (Class III) and capitalization operations (Class V) referred to in Legislative Decree 209/2005, Article 2.1.

The implementing decree issued by the Minister for the Economy and Finance lays down that the stamp tax on the statements relating to these products is due upon redemption or surrender. The particular characteristics of insurance products, in fact, would make annual payment with recovery from the policyholder difficult, in that insurance companies cannot deduct the tax payment from any customer current account.

The minimum tax is Euro 34.20 and the maximum, for the year 2012 only, is Euro 1,200. In the case of periodic reports or the closing or opening of a relationship during the year, the amount of the tax is pro rated according to the period of time covered. The implementing decree specifies that these measures apply to the total amount of financial products held by the customer at a single management entity. This clarification avoids a situation in which a person with multiple policies in 2012 at a single insurance company, each worth less than Euro 34,200, would have to pay the Euro 34.20 minimum on each one, totaling more than the tax owed by another person with just one policy for an amount equal to that of all of the former's policies.

Stamp tax on disclosed foreign assets and extraordinary tax on withdrawn disclosed financial assets

Article 19 also enacts "a special annual stamp tax" on assets disclosed under the foreign assets disclosure scheme. The standard tax rate is 4 per mille; for 2012 the tax is 10 per mille and for 2013, 13.5 per mille. Intermediaries are required to withhold the tax from the account of the person who disclosed the assets or collect it from the taxpayer. The intermediary must make the stamp tax payment by 16 July each year with reference to the value of the assets still held in anonymous form at 31 December of the previous year. For 2012 alone, the value is that at 6 December 2011.

The intermediary must report to the Revenue Agency the names of taxpayers for whom the tax has not been applied and paid. In this case the tax will be assessed and collected by the Revenue Agency itself.

With reference to disclosed foreign assets withdrawn from the deposit, administration or management account opened under the disclosure scheme or otherwise disposed of between 1 January and 6 December 2011, an extraordinary tax of 10 per mille is due for 2012 only.

Considering that the disclosed assets may be used to purchase insurance policies while still maintaining the status of anonymity under the disclosure scheme, the implementing instructions issued by the Director of the Revenue Agency lay down that if the anonymous assets are invested in an insurance policy or disclosed as a consequence of the surrender of an anonymous policy, the annual tax and the extraordinary tax must be collected by the insurance company.

FORECASTS FOR 2012

11

THE ITALIAN INSURANCE INDUSTRY IN 2012

Given the negative outlook for Italian GDP growth and the prospect of continuing financial market uncertainty engendered by sovereign debt fears in the euro area, it is estimated that total premium income will contract in 2012 for the second year running. As in 2011, the decline will be concentrated in the life insurance sector, where premiums had risen sharply in 2009 and 2010 thanks to sales of Class I products with guaranteed returns.

Total premium income for direct Italian insurance business is forecast at Euro 106.6 billion this year, down 3.3% from 2011, cutting its ratio to GDP from 6.98% to 6.74%.

Table 1
Insurance premiums in Italy: forecasts
Euro million

CLASS	Premiums 2011	Premiums 2012	% Change* 2011-2010	% Change* 2012-2011
Motor liability	17,794	17,972	5.2%	1.0%
Land vehicles	2,890	2,775	-2.0%	-4.0%
Accident	3,038	3,023	-0.3%	-0.5%
Sickness	2,176	2,187	0.4%	0.5%
Fire and natural forces	2,343	2,331	-0.2%	-0.5%
General liability	2,933	2,889	-1.1%	-1.5%
Other property	2,645	2,672	1.2%	1.0%
Other non-life	2,544	2,531	3.8%	-0.5%
TOTAL NON-LIFE	**36,363**	**36,379**	**2.6%**	**0.0%**
As a % of GDP	*2.30%*	*2.30%*		
Class I - Life insurance	56,699	52,991	-16.4%	-6.5%
Class III - Investment funds	12,496	12,741	-18.9%	2.0%
Other life classes	4,675	4,463	-31.8%	-4.5%
TOTAL LIFE	**73,869**	**70,194**	**-18.0%**	**-5.0%**
As a % of GDP	*4.67%*	*4.44%*		
ALL CLASSES	**110,233**	**106,573**	**-12.2%**	**-3.3%**
As a % of GDP	*6.98%*	*6.74%*		

** Calculated on a homogeneous sample*

In the **non-life sector**, premium income is forecast to remain broadly unchanged in 2012. The overall stability reflects modest growth of 1% in motor and maritime liability insurance premiums and a marginal contraction of 0.9% in the other non-life classes owing to the poor state of the economy. The sharpest decline (-4.0%) is expected in land-vehicle insurance premiums, mainly because of steeply falling new car sales (the forecast is for a drop of 18% this year on the heels of the 11% decrease recorded in 2011). No significant change is expected for property (fire and other), accident and sickness and general liability insurance.

Total non-life premium income for 2012 is estimated at Euro 36.4 billion. The ratio of premiums to GDP is forecast to hold steady at 2.3%.

In the **life sector**, after the 18% fall experienced in 2011, premium income is expected to decline by a further 5%, owing both to Italian households' limited saving capacity and to heightened competition from banks, which are inclined to market their own funding products in order to strengthen their liquidity buffers.

In the first five months of the year new life business amounted to Euro 21.7 billion, compared with Euro 26.0 billion in the same period of 2011. The contraction was concentrated in Class I products, with premiums down by over 20% compared with the year-earlier period; however, the twelve-month rate of contraction eased steadily during these months (-38% in February, -30% in March, -25% in April). Premiums on products marketed through banks were down 23% in January-May. Assuming short-term interest rates (proxied by three-month Treasury bills) hold at their end-May level of 1% and financial market strains are not aggravated, the rate of contraction in premium income can be expected to abate still further to a decline of 6.5% for the year as a whole, with premiums declining from Euro 56.7 billion to Euro 53 billion.

New business for Class III (linked) policies, by contrast, increased by 9% in the first five months compared with the year-earlier period. Assuming no significant shocks to the equity markets, premiums from these financial insurance products can be expected to increase by 2.0% with respect to 2011 to a total of Euro 12.7 billion.

Total life sector premium income is forecast to come to about Euro 70 billion, its ratio to GDP declining from 4.67% to 4.44%.

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.

2011/2012 figures are provisional

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