



Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo

(only the Italian version is authentic)

REGULATION NO. 22 OF 4 APRIL 2008

REGULATION CONCERNING THE PROVISIONS AND LAYOUT OF THE ACCOUNTS OF THE FINANCIAL STATEMENTS AND HALF-YEARLY REPORTS OF THE INSURANCE AND REINSURANCE UNDERTAKINGS REFERRED TO IN TITLE VIII (FINANCIAL STATEMENTS AND ACCOUNTING RECORDS) CHAPTER I (GENERAL PROVISIONS ABOUT FINANCIAL STATEMENTS), CHAPTER II (FINANCIAL STATEMENTS) AND CHAPTER V (STATUTORY AUDITS OF THE ACCOUNTS) OF LEGISLATIVE DECREE NO. 209 OF 7 SEPTEMBER 2005 - CODE OF PRIVATE INSURANCE.

AMENDED AND SUPPLEMENTED BY ISVAP ORDER NO. 2771 OF 29 JANUARY 2010 AND ISVAP ORDER NO. 2845¹ OF 17 NOVEMBER 2010, AMENDMENTS AND SUPPLEMENTS ARE REPORTED IN ITALICS.

ISVAP

Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Supervisory Authority for Private Insurance Undertakings and Insurance Undertakings of Public Interest)

HAVING REGARD to law no. 576 of 12 August 1982, as subsequently amended and supplemented, on the reform of insurance supervision;

HAVING REGARD to legislative decree no. 173 of 26 May 1997, as subsequently amended and supplemented, on the implementation of directive 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings;

HAVING REGARD to legislative decree no. 58 of 24 February 1998, as subsequently amended and supplemented, on the approval of the consolidated text of provisions on financial intermediation in accordance with article 8 and 21 of law no. 52 of 6 February 1996;

HAVING REGARD to the Legislative Decree no. 209 of 7 September 2005, as subsequently amended and supplemented, regarding the Code of Private Insurance;

adopts the following:

REGULATION

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¹ Beginning with the 2010 financial statement, ISVAP order no. 2845 of 17th November 2010 replaces modules 37 and 40 as referred to in annex 3 of this Regulation.

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Title I General provisions

Art. 1 (Legislative sources)

1. This regulation has been adopted in accordance with articles 5 (para. 2), 89 (para. 2), 90 (para. 1, 2 and 3), 190 (para. 1 and 2) and 191 (para. 1 letter f) of legislative decree no. 209 of 7 September 2005, and articles 18 (para. 2), 20 (para. 5) and 55 (para. 3) of legislative decree no. 173 of 26 May 1997.

Art. 2 (Definitions)

1. For purposes of this Regulation, the following definitions shall apply:
 - a) "auditing actuary": an actuary registered in the professional register as per law no. 194 of 9 February 1942, whether the administrator of an auditing company or appointed thereby in accordance with article 103, paragraph 1 of legislative decree no. 209 of 7 September 2005;
 - b) "CARD": an agreement between insurers for direct compensation and the regulation of the reimbursements and compensations ensuing from damages as per articles 141, 149 and 150 of legislative decree no. 209 of 7 September 2005 and presidential decree no. 254 of 18 July 2006;
 - c) "CARD-CID": part two of the CARD for the direct compensation of damages related to drivers, vehicles and the transported goods owned by vehicle drivers or vehicle owners;
 - d) "CARD-CTT": part three of the CARD for exercise of the right of recourse for damages to transported third parties and to the property of transported third parties;
 - e) "CID": Convenzione Indennizzo Diretto (Direct Compensation Agreement) in force for claims with dates of occurrence falling on or before 31 January 2007;
 - f) "decree": legislative decree no. 209 of 7 September 2005, introducing the Code of Private Insurance;
 - g) "managing lump sums": lump-sums and reimbursements owed to the undertaking (in accordance with the CARD) for the claims and/or claims items managed as a managing undertaking on behalf of other undertakings;
 - h) "debtor lump sums": lump-sums and reimbursements owed by the undertaking (in accordance with the CARD) as the undertaking liable for payment of the claims and/or claims items managed by other undertakings and for which its policyholders are liable, in full or in part;

- i) "investment fund": an independent pool of assets, divided into parts, pertaining to a number of participants and managed collectively; the assets of the fund, whether open- or closed-end, can be collected through one or more issues of units;
- j) "open pension funds": the pension funds established by insurance undertakings and regulated in accordance with article 12 of legislative decree no. 252 of 5 December 2005, designated for the management of complementary pension plans open to individual and collective membership;
- k) "individual pension plans": the individual pension plans as referred to in article 13, paragraph 1, letters a) and b) of legislative decree no. 252 of 5 December 2005;
- l) "non-life business": the non-life insurances as referred to in article 2 paragraph 3 of Legislative Decree no. 209 of 7 September 2005;
- m) "life business": the life insurances as referred to in article 2 paragraph 1 of Legislative Decree no. 209 of 7 September 2005;
- n) "undertaking liable for payment": the undertaking for which the damages caused, in full or in part, by its policyholders are reimbursed by other undertakings on its behalf;
- o) "managing undertaking": the undertaking which pays compensation on behalf of the insurer of the vehicle liable, in full or in part, for the accident;
- p) "ISVAP" or "the Authority": Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Supervisory Authority for Private Insurance Undertakings and Insurance Undertakings of Public Interest);
- q) "undertakings for collective investment in transferable securities" (UCITS): Unit trusts and SICAVs;
- r) "administrative body": the board of directors, or the management board in undertakings which have adopted the system pursuant to article 2409 octies of the Italian Civil Code, or the general representative for branch offices;
- s) "control body": the statutory board of auditors, or, in undertakings which have adopted the system referred to in article 2409 octies of the Italian Civil Code, the board of surveillance or the management control committee;
- t) "international accounting principles": the international accounting standards and the relative interpretations adopted in accordance with article 6 of the EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002;
- u) "half-yearly report": the report on the undertaking's performance for the first half-year of business;
- v) "direct compensation": the procedure for the settlement of damages envisaged by articles 141, 149 and 150 of legislative decree no. 209 of 7 September 2005 and presidential decree no. 254 of 18 July 2006;
- w) "surrender value of the contract": the right of the policyholder to request early payment of the accrued capital of a life contract in accordance with article 1925 of the Italian Civil Code;
- x) "surrender of the claim": the right of the policyholder civilly liable to reimburse the sums claimed according to tariff formulas with variations in the premium in relation to whether claims occur;
- y) "CARD claims": claims and/or claims items regulated by the direct compensation procedure, dealt by the undertaking as managing undertaking on behalf of the insurance undertakings of the liable vehicles (undertakings liable for payment). This also covers claims settled using the direct compensation procedure and involving vehicles insured by the same company that occur after 1 January 2009;
- z) "NO CARD claims": claims and/or claims items regulated by the ordinary system and not falling within the scope of CARD. This also covers claims settled using the direct compensation procedure and involving vehicles insured by the same company and that occur up until 31 December 2008;

- aa) "open-ended investment company" (SICAVs): a joint stock company with a variable share capital which has as its exclusive purpose the collective investment of the assets collected through the medium of a public offering of their shares;
- bb) "audit firm": a company registered in the special registry envisaged by legislative decree no. 58 of 24 February 1998 and charged with the accounting audit of the financial statements;
- cc) "consolidated law on financial mediation": legislative decree no. 58 of 24 February 1998.

Article 3 (Scope)

1. The Regulation applies to insurance and reinsurance undertakings having their head office on the territory of the Italian Republic and to branches of insurance and reinsurance undertakings with head offices in a third State and that, on the basis of article 91, paragraph 2 of the decree, issue their financial statements in accordance with legislative decree no. 173 of 26 May 1997, as well as, for article 25 only, the undertakings referred to in article 91, paragraph 1 of the decree that issue their financial statements in accordance with international accounting principles.

Title II **Financial statements, half-yearly report and chart of accounts**

Chapter I **Financial statements**

Art. 4 (Financial statements)

1. The undertaking issues:
 - a) the balance sheet and the profit and loss account according to the models referred to in annex 1;
 - b) the note on the financial statements and the annexes to the note according to the models and provisions referred to in annex 2;
 - c) the financial report written in free form and annexed to the financial statements.
2. Undertakings operating exclusively in reinsurance are not required to issue the annexes to the note referred to in annex 2 and indicated by numbers 1, 2, 3, 11, 12, 22, 24, 25, 27, 29 and 31. Undertakings operating exclusively in reinsurance, for both non-life and life classes, are authorized to issue the annexes to the note indicated by numbers 7, 8, 21, 23 and 32 only for the total activities carried out (in the non-life business section), without prejudice to the obligation to report, within classes Dbis of the Assets (technical provisions for reinsurers) and C of the Liabilities (technical provisions) of the balance sheet, the technical commitments separately for the two classes of business.
3. In the note, the undertaking indicates the goods and relationships included in the designated assets constituted in accordance with article 2447*bis* of the Italian Civil Code.

4. In the note, the undertaking may provide information in addition to that required by the provisions of law or by the present regulation, as long as it does not reduce the clarity and explanatory impact of the note itself.
5. The note employs units of thousands of Euros.
6. The rounded amount of the totals and sub-totals of the balance sheet and the profit and loss account is obtained as the sum of the rounded amounts for the separate summands according to the provisions referred to in article 15, paragraph 3. The rounding of the data in the note is carried out to ensure consistency with the figures in the schemes of the balance sheet and the profit and loss account.

Art. 5

(Report by undertakings pursuing assistance)

1. Undertakings pursuing the insurance class 18 Assistance as referred to in article 2, paragraph 3 of the decree accompany their financial statements with a report on the management methods used for the claims of that insurance class, including detailed descriptions of the staffing and equipment (own or of third parties), used to meet the commitments assumed in the stipulated contracts.
2. The report includes all of the information needed to demonstrate the staff's fulfilment of the professionalism requirements and the equipment's technical compliance as referred to in article 30, paragraph 3 of the decree and related implementation measures.
3. If the undertaking utilizes third-party staffing and equipment, the report describing the organizational structure or structures being used also indicates the means and resources that are dedicated specifically to the undertaking itself.

Art. 6

(Supervisory information related to financial statements)

1. The undertaking provides the supervisory information related to financial statements referred to in annex 3 and according to the instructions referred to in annex 4.
2. Undertakings that are required to supplement the provision for unearned premiums in accordance with article 37, paragraph 4 of the decree submit separate statements as annexes to module 31 for the relevant class, written in free form, to illustrate the calculation methods used to apply the implementation measures of article 37.
3. Undertakings authorized to carry on non-life insurance other than credit and suretyship accompany module 17 of each of the individual classes of reference with an annexed statement, written in free form, to report the equalisation provisions for risks arising from natural catastrophes and for damage derived from nuclear energy, the bases used for calculating the provision and the determination methods referred to in article 37, paragraph 7 of the decree and related implementation measures as well as the total provision at the end of the financial year. This same statement indicates the procedures for using the provision, if necessary, specifying the amount withdrawn and the total for the equalisation provision at the end of the financial year.

4. The undertaking submits statements, written in free form, reporting – in application of article 22 and 23 – the details for the separate entries on the balance sheet in question, including the related amounts, and the calculation method used to determine the allocated investment returns transferred and for the subdivision of investment returns to the technical account for life and non-life between the Italian portfolio and the foreign portfolio, between distinct classes in the Italian portfolio and between insurance and reinsurance (Italian portfolio) for each insurance class.
5. Undertakings carrying on exclusively reinsurance are not required to fill out the supervisory forms referred to in annex 3 and indicated by numbers 7, 19, 22 through 35/A and 37 through 41. Undertakings carrying on exclusively reinsurance, for non-life and life business, fill out modules 1, 2, 3, 4, 5, 6 and 8 corresponding to the decisions made for the note (distinction between non-life business and life business).
6. The supervisory forms are written with thousands of Euros as the units, except for those indicated by numbers 28, 29, 29A and 29B which, together with the related annexes, are published in units of Euros with no decimal place.
7. The data included in the information provided for supervisory purposes must correspond with the data indicated on the financial statement.

Art. 7

(Submission of financial statements to ISVAP)

1. Within one month after the date of approval, the undertaking provides ISVAP with the financial statement, the related annexes, the documents referred to in article 93 of the decree and the supervisory information referred to in article 6.
2. The undertaking provides ISVAP with two copies of the financial statement and the documents referred to in article 93 of the decree, three copies of the supervisory information from article 6, one copy of the accounts and summary statements of essential account data for subsidiaries and affiliated companies in accordance with article 2429, paragraphs 3 and 4, of the Civil Code and one copy of the reports on open pension funds and the related audit firm report. An original copy of the documents being provided to ISVAP is signed by the legal representative of the undertaking and accompanied by a certificate declaring the effective filing of the documents referred to in article 93 of the decree. The summarized list of supervisory information for submission to ISVAP, as referred to in article 6, is signed by the legal representative of the undertaking to certify its completeness and the truthfulness of the data provided on the specific activities that occurred during the financial year of reference. An original copy of the reports referred to in article 24, paragraph 2, for submission to ISVAP is signed respectively by the head of auditing and by the auditing actuary.
3. Within the time limits noted in paragraph 1, the undertaking transmits the financial statement data via computer and according to the instructions furnished by ISVAP.
4. *Undertakings, with the exception of reinsurance undertakings, transmit the data for the financial statement estimates referred to in annex 4bis via computer by 1 March of the*

year after the year of reference, in accordance with the instructions referred to in annex 4ter.²

Art. 8
(Submission of data to CONSAP)

1. For purposes of determining the size of the contribution to pay to CONSAP - autonomous management of the National guarantee fund (Fondo di garanzia per le vittime della strada), in accordance with article 285, paragraph 3 of the decree, the undertakings authorised to provide civil liability insurance for damage caused by the circulation of motor vehicles and ships inform CONSAP directly, within one month of the approval of the financial statements, of the total amount of premiums earned for that financial year and for previous years, entered under item 303 of modules 17 on the technical accounts for classes 10 and 12.

Chapter II
Half-yearly report

Art. 9
(Half-yearly report)

1. The undertaking publishes a half-yearly report including the balance sheet and the profit and loss account referred to in annex 5. The undertaking encloses to the half-yearly report the financial statement written in free form.
2. The half-yearly report employs units of thousands of Euros.
3. The half-yearly report is accompanied by a comment written according to the models and provisions referred to in annex 6 and containing:
 - a) information that illustrates the assessment criteria utilized and the financial situation and economic performance for the half-year, as presented in accounting statements;
 - b) the description of any events that occurred after the close of the half-year that could have a significant impact on the financial and economic situation and the economic experience of the undertaking;
 - c) business performance information that allows for making reasonable predictions of the outcomes for the financial year in progress;
 - d) other complementary information that serves for evaluating the undertaking's management and the results for the period.
4. In regard to the technical provisions, the undertaking uses the comment to illustrate any methods used for the application of the assessment criteria that differ from the ones used to draft the financial statements.
5. In exceptional cases when the undertaking writes up its half-yearly report using different assessment criteria than the ones used to write up the latest financial statements, the comment serves for explaining the different criteria utilized, the justifications and the

² Paragraph modified by ISVAP Order no. 2771 of 29 January 2010. The previous version stated "*Undertakings, with the exception of reinsurance undertakings, transmit, in accordance with the instructions furnished by ISVAP, the data for the financial statement estimates via computer by 15 March of the year after the year of reference.*".

impact on the representation of the financial and economic situation and the economic performance.

Art. 10
(Term of approval)

1. The administrative body of undertakings that do not operate exclusively in reinsurance approves the half-yearly report within three months after the first half of the financial year has come to an end.
2. The administrative body of undertakings that pursues exclusively reinsurance approves the half-yearly report within five months after the first half of the financial year has come to an end.

Art. 11
(Comments of the control body)

1. The half-yearly report may be accompanied by comments, if any, of the control body. For this purpose, the undertaking's administrators provide the control body with an approved half-yearly report within the time limit indicated in article 10.

Art. 12
(Supervisory information related to half-yearly reports)

1. The undertaking furnishes supervisory information related to the half-yearly report as indicated in annex 7 and according to the instructions indicated in annex 8.
2. Undertakings pursuing exclusively reinsurance are not required to fill out the supervisory statements indicated in annex 7 by numbers 1, 3, 4 and 8 and is authorised to fill out statement 7 for total activities performed.
3. The data reported in the supervisory reporting must correspond with the undertaking's accounting records or, for amounts not directly detectable from the accounting, in any case, with internal management evidence.

Art. 13
(Submission of the half-yearly report to ISVAP)

1. Within one month of approval, the undertaking provides ISVAP with the supervisory information indicated in article 12, the audit firm's report, any relevant comments by the control body and a copy of the approval resolution issued by the administrative body.
2. The undertaking provides ISVAP with two copies of the half-yearly report and three copies of the supervisory information referred to in article 12. An original copy of the half-yearly report and the supervisory information indicated in article 12 for submission to ISVAP is signed by the undertaking's legal representative. An original copy of the documents referred to in articles 11 and 27 for submission to ISVAP is signed respectively by the members of the control body and by the head of auditing.

3. Within the time limits indicated in paragraph 1, the undertaking transmits the data for the half-yearly report via computer in accordance with the instructions furnished by ISVAP.

Chapter III - Structuring of the accounting system

Art. 14 (Chart of accounts)

1. In its own management, the undertaking adopts the chart of accounts indicated in annex 9 and containing the list of accounts, the directions for structuring the accounting system and the instructions for correct inflow to the accounts and the entries on the financial statements and the half-yearly report.
2. The undertaking keeps the following records on file in accordance with the provisions of article 2220 of the Civil Code:
 - a) the internal management evidence for the figures reported on the financial statements, the half-yearly report and any supervisory information not directly indicated in the accounting;
 - b) the analytical evidence for investments (lands and buildings, investments in undertakings in the group and subsidiaries, other financial investments and deposits with ceding undertakings), for investments for the benefit of the policyholders who bear the risk and deriving from pension fund management, for credits derived from direct insurance and reinsurance operations, for other credits, for bank deposits and postal accounts, for debts and for deposits received by reinsurers and registered as liabilities on the statement of liabilities.

Art. 15 (Procedures for publishing accounting information)

1. For purposes of filling out the annexes to the note and the supervisory reporting, the undertaking subdivides the account values:
 - a) between Italian and foreign portfolios, as defined in article 1, paragraph 1, letter pp) of the decree, for insurance and associated cessions, and in article 1, paragraph 1, letter qq) of the decree, for reinsurance and associated retrocessions;
 - b) by class based on the classification indicated in article 2, paragraph 1 for life classes, and paragraph 3 for non-life classes, of the decree, for the Italian portfolio (direct, ceded, accepted and retroceded).
2. For purposes of paragraph 1, letter a), a member State of the European Economic Area is treated as equivalent to a Member State of the European Union. In cases of reinsurance managed through a reinsurance intermediary with a ceding undertaking that is temporarily unknown, the nationality of the intermediary may be used as the nationality of reference.
3. The amounts registered in the financial statements and the half-yearly report are rounded up or down to the nearest divisional unit; figures equal to exactly half are rounded up.

Title III
Implementation measures for legislative decree no. 173 of 26 May 1997

Chapter I - Market value of lands and buildings

Art. 16

(Scope of the assessment criteria for lands and buildings)

1. Undertakings determine the market value for lands and buildings in accordance with the criteria and procedures indicated in articles 17 through 20.
2. The provisions referred to in articles 17 through 20 also apply to the determination of the market value of lands or buildings owned by real estate companies in which the undertaking owns more than 50 per cent of the share capital.

Art. 17

(Market value of lands and buildings)

1. The market value is the price at which real property can be sold at the time of the assessment through a private contract between a seller and a buyer, assuming the sale occurs under normal conditions, i.e.:
 - a) both parties are acting under conditions of equality, liberty and prudence and in an informed manner;
 - b) a reasonable amount of time is available, taking into account the nature of the good, for completing the procedures required for selling the property, engaging in negotiations, determining the final price, the conditions for stipulation of the act;
 - c) the market conditions are conducive to regular sale;
 - d) the property is listed on the market for a reasonable length of time;
 - e) the seller is not being forced into the operation by circumstances pertinent to his/her economic and financial situation;
 - f) the buyer has no special interests in the property that are economically irrelevant to the market.
2. The market value is determined through a separate assessment for each land lot or building. The assessment of multiple sources of income may be conducted conjointly if they share the same functional destination. This circumstance is duly illustrated in the estimate referred to in article 20.
3. The assessment of lands or buildings must be updated in response to significant variations in their characteristics or in the market of reference and, in any case, at least once every five years.

Art. 18

(Criteria for determining the market value of lands and buildings)

1. The market value is determined with the help of patrimonial methods based on the intrinsic and extrinsic characteristics of the properties and their profitability. Factors that

are specific to the undertaking and of no economic significance for the market are not factored in to the assessment.

2. The intrinsic characteristics pertain to the substance of the property, such as the type and quality of construction and the state of preservation. The extrinsic characteristics are determined by legal factors that are external to the property, such as zoning restrictions and usage rights of others, as well as economic factors, such as maintenance costs and profitability. Extrinsic characteristics include the possibility of using the source of income in a different way than the current one, as long as they are permissible on the basis of objectively assessed characteristics.
3. The market value is calculated net of the ownership transfer taxes for the property and any other expenses.
4. If reliable and duly documented information is available for the market price of properties comparable to the one being assessed, the property values may be determined in reference to such prices after making any necessary adjustments to reflect the property's characteristics, its profitability and any other factors deemed relevant, and as long as the characteristics of the properties used for comparison present a sufficient degree of homogeneity with those of the property being assessed.

Art. 19

(Special criteria for determining the market value
of lands and buildings that are being rented or under construction)

1. The market value of properties already being rented is determined on the basis of the rent as related to the contract's expiration date, any clauses on rent adjustments options for its revision.
2. The market value of a lands lot or building that is being leased with an option to purchase is calculated by updating the rents and the surrender value of the property in accordance with a rate that is identified through reference to the yield for low-risk financial activities with a residual duration corresponding to that of the rental contract. Alternatively, the market value may be equated to the market value at the time when the lands lot or building was rented out, reduced by the partial share, accrued at the time of the assessment, of the difference between the aforementioned market value and the surrender value upon conclusion of the contract.
3. The market value of a building under construction is equated to the sum of the market value of the area plus the costs sustained up until the time of assessment or, alternatively, to the market value of the building upon the completion of construction minus the remaining costs required to finish it.

Art. 20

(Estimate of the market value for lands and buildings)

1. The market value of each land lot or building derives from an estimate that is signed by an expert and that contains, among other things, the identification information for the property, the description of its primary features, location, zoning class, current use and profitability. The detailed estimate clearly expresses the logical progression of the

operations that were applied and the decisions that were made in order to arrive at the determination of the market value.

2. In signing the estimate, the assessor certifies, accepting full accountability, that he/she has truly and faithfully carried out these operations without any scope other than that revealing the true property value. The expert provides an appropriate explanation whenever it is impossible to determine the market value of a lands lot or building.
3. The administrative body of the undertaking deliberates on the task of determining the market value of lands lots or buildings and its assignment to an expert who is:
 - a) registered for at least five years without interruption in a professional registry, membership in which signifies the qualification to make technical and economic assessments of real property;
 - b) equipped with experience in the real property assessment fields that are commensurate with the task being assigned;
 - c) in possession of the integrity requirements as indicated for the representatives of insurance and reinsurance undertakings in accordance with article 76, paragraph 1 of the decree and related implementation measures.
4. If the task is entrusted to a legal entity, the administrative body verifies that:
 - a) the company's organizational structure is on par with the task to be undertaken;
 - b) the company object explicitly includes the assessment of real property;
 - c) the estimates are signed by at least one administrator who possesses the prerequisites prescribed for physical persons in paragraph 3.
5. ISVAP, where it deems appropriate, may order the undertaking to solicit the Agenzia per il Territorio (Territorial Agency), as per article 64, paragraph 3 of legislative decree no. 300 of 30 July 1999, for an opinion on the technical-economic adequacy of the estimate. The undertaking bears responsibility for covering these expenses.

Chapter II - Transfer of investments from class D to class C assets

Art. 21

(Transfer conditions and procedures)

1. Undertakings authorised for life classes may transfer investments from class D to class C assets in the following cases only:
 - a) following a claim payment, surrender, expiration or withdrawal made without resorting to the liquidation of the class D investments for the corresponding contract and using a different type of the undertaking's own funds, for the share of class D business not liquidated to pay for those enjoying the right;
 - b) following the constitution, among the class C technical provisions, of the provision for the sums payable for class D contracts, for the total of the provision constituted for sums payable;
 - c) following the reaching of mortality bonuses, for the bonus amount realized.

2. The transfers referred to in paragraph 1 are based on the current value at the time when the surplus assets are realized.

Chapter III - Allocation of investment returns

Art. 22

(Allocation of investment returns - Non-life business)

1. The undertaking authorized to provide non-life insurance and reinsurance determines the allocation of investment returns to transfer from the technical account to the non-technical account according to the following steps and criteria:
 - a) determination of the net investment return for the total proceeds from investments at a net of the financial fees registered in the non-technical account. If this figure is negative, there is no need to make any transfer to the technical account;
 - b) calculation of the half-sum for the technical provisions (premium provisions, provisions for claims outstanding, provisions for bonuses and rebates, reserve for increasing age for sickness insurance, equalisation provisions for credit insurance, for risks arising from natural catastrophes and damage derived from nuclear energy) of insurance and reinsurance, assumed net of reinsurance cessions, at the end of the previous financial year and at the end of the financial year;
 - c) calculation of the half-sum for net assets and subordinated liabilities at the end of the previous financial year and the end of the financial year;
 - d) determination of the ratio between the amount indicated in letter b) and the sum of the amounts indicated in letters b) and c);
 - e) quantification of the allocated investment return to be transferred to the technical account for non-life classes to an extent equal to the class of the ratio indicated in letter d) and the net profit on investments indicated in letter a).
2. The allocated investment return transferred to the technical account is attributed to the Italian and foreign portfolio, to the individual classes of business and to insurance and reinsurance in accordance with the following criteria:
 - a) the allocated investment return transferred to the technical account and its subdivision between insurance and reinsurance in the Italian portfolio and the foreign portfolio is carried out in proportion to the ratio between technical provisions, net of reinsurance cessions, for each portfolio and the sum of the same net technical provisions for the Italian and foreign portfolios;
 - b) the portion of the allocated investment return for the Italian portfolio to be assigned to each class of business is determined on the basis of the ratio between the sum of the net technical provisions for insurance and reinsurance for each class and the sum of the same net technical provisions for the total of all classes pursued;
 - c) within each class, the allocated investment return is assigned to the risks of direct insurance on the basis of the incidence of the net technical provisions for direct insurance on the sum of the same net technical provisions for insurance and reinsurance: the residual amount is assigned to reinsurance.
3. The technical provisions indicated in paragraphs 1 and 2 refer to the compulsory provisions constituted in the financial statements upon closure.

4. The items to be considered on the financial statement and the calculation methods to be used for the investment returns transferred to the technical account are reported in annex 10.

Art. 23

(Allocation of investment returns - Life business)

1. The undertaking authorized to pursue life insurance and reinsurance determines the allocated investment return to be transferred from the technical account to the non-technical account in accordance with the following steps and criteria:
 - a) determination of the net investment return for the total proceeds from investments at a net of the financial fees registered in the technical account. This excludes the proceeds and unrealized capital gains as well as the financial charges and unrealized capital losses related to investments for the benefit of policyholders who bear the risk and to investments related to pension fund management. If the difference between the total investment proceeds and the total financial charges registered in the technical account is negative, no transfer to the non-technical account needs to be made;
 - b) calculation of the half-sum for net assets and subordinated liabilities at the end of the previous financial year and the end of the financial year;
 - c) calculation of the half-sum for the technical provisions (mathematical provisions, provisions for unearned premiums - ancillary risks, provisions for sums payable, provisions for bonuses and rebates and other technical provisions) for insurance and reinsurance, assumed net of reinsurance cessions at the end of the previous financial year and the end of the financial year;
 - d) determination of the ratio between the amount indicated in letter b) and the sum of the amounts indicated in letters b) and c);
 - e) quantification of the allocated investment return to be transferred to the non-technical account to an extent equal to the class of the ratio indicated in letter d) and the net profit on investments indicated in letter a).
 - f) if the investment return that is assigned to the technical account of the life classes in application of the criteria indicated in the preceding paragraphs is less than the sum of the investment returns contractually paid to policyholders during the financial year, then the allocated investment return to be transferred to the non-technical account should be reduced appropriately, down to zero if necessary, to the extent equal to the lower value.
2. The allocated investment return transferred to the non-technical account is attributed to the Italian and foreign portfolio, to the separate classes of business and to insurance and reinsurance in accordance with the following criteria:
 - a) the subdivision between Italian and foreign portfolios (insurance and reinsurance) of the allocated investment return that ends up being assigned to the technical account is carried out in proportion to the ratio between the technical provisions, net of reinsurance cessions, in relation to each portfolio and the sum of the net technical provisions of the Italian and foreign portfolios themselves;
 - b) the portion of the allocated investment return for the Italian portfolio to be assigned to each class of business is determined on the basis of the ratio between the sum of the net technical provisions for insurance and reinsurance for each class and the sum of the same net technical provisions for the total of all classes pursued;
 - c) within each class, the allocated investment return is assigned to the risks of insurance on the basis of the incidence of the net technical provisions for insurance on the sum

of the same net technical provisions for the insurance and reinsurance classes: the residual amount is assigned to reinsurance.

3. The technical provisions indicated in paragraphs 1 and 2 refer to the compulsory provisions constituted in the financial statements upon closure with the technical provisions being excluded whenever the policyholders bear the risk of the investment and the provisions derived from pension fund management.
4. The entries to be considered on the financial statement and the calculation methods to be used for the investment returns to be transferred to the technical account are reported in annex 11.

Title IV Auditing

Art. 24 (Report by the auditing firm)

1. The undertaking's financial statement is subject to verification by an audit firm. The audit firm employs the services of an auditing actuary.
2. The audit firm report, accompanied by the auditing actuary's report, is included as an annex to the financial statements.

Art. 25 (Auditing actuary)

1. If there is no actuary among the administrators of the audit firm, then the audit firm names the auditing actuary in its proposal to the undertaking along with the related field of intervention and the honorarium.
2. Within fifteen days of appointment in accordance with article 159 of the consolidated law on financial mediation, the audit firm informs ISVAP of the auditing actuary's name and field of intervention in compliance with the provisions indicated in article 26, paragraphs 1 and 2, as well as any additional areas of verification. If the auditing actuary is not an administrator of the audit firm, an honorarium is also specified in the aforementioned communication.
3. A collaborative appointment may not be granted to an actuary who finds him/herself in one of the situations of incompatibility envisaged by article 160 of the consolidated law on financial mediation and related implementation measures.
4. The situations of incompatibility envisaged by article 160 of the consolidated law on financial mediation and related implementation measures for partners and administrators of the audit firm are signalled in reference to the partners, the administrators and anyone engaged in any capacity whatsoever, including autonomous collaborators and employees, at the organised professional structure, whatever its name, where the actuary engages in his/her own business.

5. The auditing actuary and the legal representative of the undertaking provide ISVAP, within fifteen days of the assignment of the position by the audit firm, with the statements declaring the absence of any motive for incompatibility and issued in compliance with annex 12.
6. Should one of the situations of incompatibility referred to in paragraphs 3 and 4 be encountered, the auditing actuary informs ISVAP, the audit firm and the undertaking that engaged the audit position and presents the initiatives to be undertaken in order to eradicate the situation, the related time frame and the precautions to be adopted as provisional measures with immediate effect. The undertaking and the audit firm may submit their own observations to ISVAP.
7. If one of the situations of incompatibility referred to in paragraphs 3 and 4 that affect the auditing actuary exist, then the undertaking informs ISVAP as soon as it arises.

Art. 26

(Field of intervention, report and analysis by the auditing actuary)

1. The auditing actuary, in the report indicated in article 24, and in accordance with the templates referred to in annex 13, publishes an expression of his/her own judgment regarding the sufficiency of the technical provisions registered in the liabilities of the statement of liabilities for the financial statement in accordance with existing provisions of law and regulations and with proper actuarial techniques and full respect for the following principles, if and when they apply to any particular type of provision:
 - a) use of appropriate technical bases;
 - b) use of prudential transition assumptions;
 - c) use of appropriate calculation methods.
2. For purposes of issuing the judgment referred to in the previous paragraph, the auditing actuary conducts his/her own verifications based on the outcomes of the analysis conducted by the audit firm on the portfolios used for reference and related baseline data.
3. The outcomes of the Auditing actuary's efforts to issue a final judgment are reported in an analytical report, which is submitted to the audit firm, that explains the preliminary operations conducted, the basic techniques and assumptions applied and the methods and calculation criteria employed, as well as the operational steps followed to assess the technical provisions and the subsequent results. The audit firm forwards a copy of the analytical report to the undertaking in a timely manner, who then submits it to ISVAP together with the financial statement.
4. The auditing actuary keeps the data and documents related to the work that was carried out on file for a period of ten years after the date of issue of the audit report referred to in article 24.

Art. 27

(Audit firm report on the half-yearly report)

1. For purposes of applying the limited auditing procedures as referred to in the recommended CONSOB standard for auditing the half-yearly report, the half-yearly report

is subject to verification by the audit firm engaged to express a judgment on the financial statements. The audit firm employs the services of an auditing actuary.

2. The audit firm report is included as an annex to the half-yearly report.

Title IV

Final and transitional provisions

Art. 28 (Repeals)

1. The following are hereby repealed as of the date when this Regulation enters into force, except for the effects referred to in article 29 and article 31, paragraph 2:
 - ISVAP order no. 734 of 1 December 1997;
 - ISVAP order no. 735 of 1 December 1997;
 - ISVAP order no. 760 of 24 December 1997;
 - article 2, paragraph 1 of ISVAP order no. 761 of 29 December 1997;
 - ISVAP order no. 845 of 1 April 1998;
 - ISVAP order no. 1008-G of 5 October 1998;
 - ISVAP order no. 1059-G of 4 December 1998;
 - ISVAP order no. 1140 of 8 March 1999;
 - ISVAP order no. 1207 of 6 July 1999;
 - ISVAP order no. 1915 of 20 July 2001;
 - ISVAP order no. 2184 of 10 April 2003;
 - article 2 of ISVAP order no. 2372 of 16 September 2005;
 - articles 1 through 3, article 6, limited to the words “and no. 575/D of 29 December 2005”, of ISVAP order no. 2495 of 21 December 2006 as well as paragraphs III, IV and V, point 1, of the instructions attached to the same order;
 - paragraphs 7. and 7.1 of ISVAP Circular no. 110 of 27 February 1989;
 - ISVAP Circular no. 183 of 3 September 1992;
 - ISVAP Circular no. 274 of 7 May 1996;
 - ISVAP Circular no. 345/D of 13 October 1998;
 - ISVAP Circular no. 357/D of 12 January 1999;
 - ISVAP Circular no. 360/D of 21 January 1999, in relation to the following sections and paragraphs:
 - section A, paragraph 3;
 - section A.1.1, letter a), paragraphs 4 through 7;
 - sections A.1.4 and A.2.4;
 - sections B, C, E, F, G.1, G.2 and G.3;
 - ISVAP Circular no. 374/D of 12 April 1999;
 - ISVAP Circular no. 380/D of 19 July 1999;
 - ISVAP Circular no. 405/D of 28 March 2000;
 - ISVAP Circular no. 438/D of 5 March 2001;
 - ISVAP Circular no. 496/D of 22 January 2003;
 - ISVAP Circular no. 520/D of 10 December 2003;
 - ISVAP Circular no. 575/D of 29 December 2005.

Art. 29
(Transitional provisions)

1. Undertakings authorised to provide insurance and reinsurance in the non-life classes referred to in article 2, paragraph 3 of the decree may draw upon the derogation referred to in article 3, paragraphs 2 and 3, of ISVAP order no. 734 of 1 December 1997 for insurance contracts under way on the date of 1 January 1998 or stipulated between 1 January 1998 and 31 December 2000, up until the expiration of the contracts and the final settlement of any related claims.
2. Undertakings authorised to pursue credit insurance for the insurance contracts stipulated and renewed by 31 December 1991, submits, as an annex to module 31 as referred to in annex 3 for the same class, the information concerning the methods of determination of the premium provision indicated in article 7, paragraph 4 of ISVAP Regulation no. 7 of 4 March 2008.
3. During the Regulation's initial application, undertakings whose assets include residual tied assets covering the suretyship - Italian direct portfolio (non-life business) - and tied assets covering the mathematical provisions - Italian direct portfolio (life business) - submits, together with the supervisory information referred to in article 6, the analytical list of the aforementioned assets including an indication of the value of the balance and the current value.

Art. 30
(Publication)

1. This Regulation shall be published in the Italian Official Journal, in ISVAP's Bulletin and on its website.

Article 31
(Entry into force)

1. This Regulation shall enter into force on the day after it is published in the Italian Official Journal.
2. The Regulation's provisions shall apply starting with the half-yearly report of 30 June 2008.

Rome, 4 April 2008

The President
(Giancarlo Giannini)