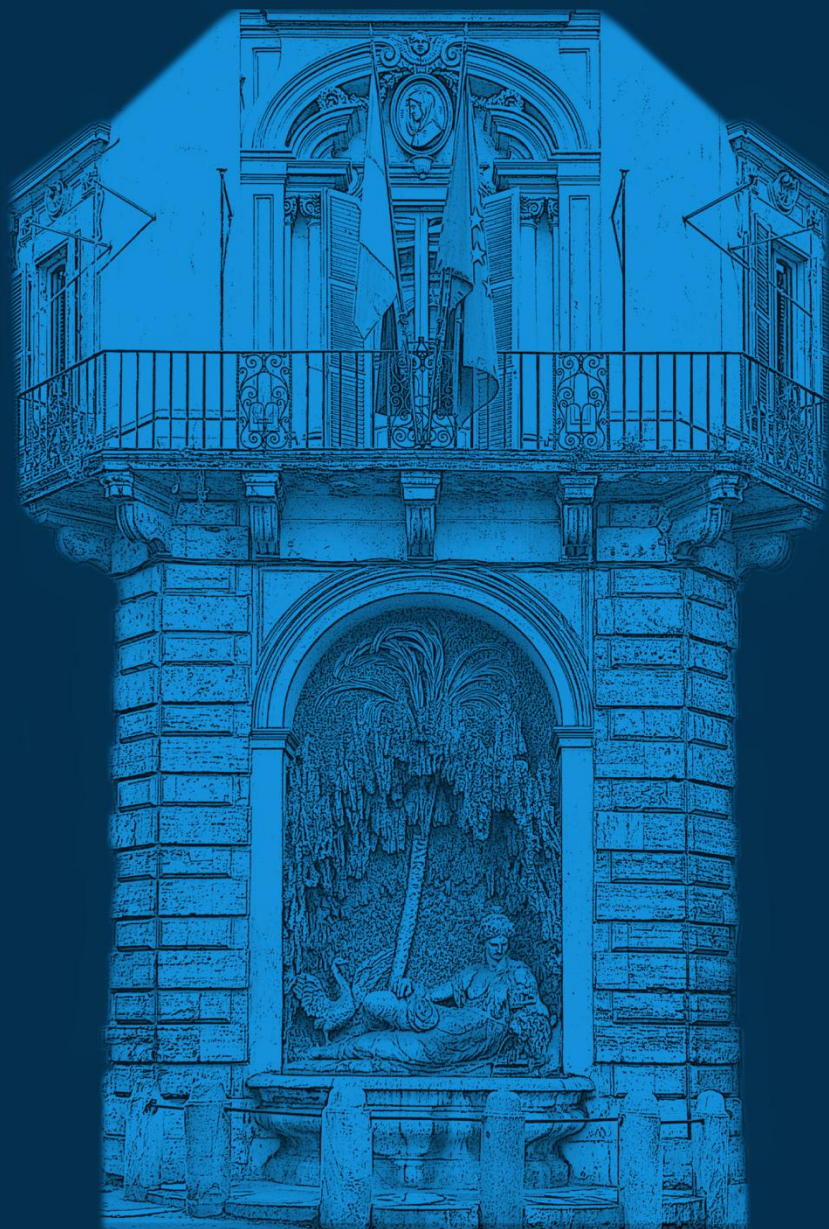


Report on the activities pursued by IVASS in the year 2013



Rome, 26 June 2014

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I - THE INSURANCE MARKET

1. - The international insurance market

1.1 - The global insurance market

The latest official statistics disclosed by the OECD¹ relating to 2012, revealed signs of recovery with regard to the insurance markets when compared with the previous year. On the basis of the latest surveys from the countries involved², growth in premium income in real terms³ was on average 2.9% both in the life business and the non-life business (-0.2% and +1.5% respectively in 2011).

However, if the individual national or international situations are observed, highly contrasting trends can be seen which reflect the different economic and financial situations, in turn the result of specific competitive and development dynamics.

On a general note, it can be maintained that in many nations, especially in the European Union and chiefly in the Euro Zone, the insurance markets continued to feel the effects of the financial and economic crisis, characterised by low or even negative growth rates, high unemployment rates, uncertain economic prospects and the adoption of austerity measures. Especially with regard to the nations affected the most by the crisis, in which generally high and rising levels of competition on the market are observed, a decrease has been seen in premium income essentially in the life business, but also at times in the non-life business.

In other countries, especially the emerging economies of Asia and Latin America, premium income by contrast has continued to report sustained growth rates, while in other advanced economy countries a pick up in growth has been witnessed after a number of negative years.

¹ Source: OECD Global Insurance Statistics.

² The figures relating to the premiums written and outgoings for payments are taken from the OECD publication: Global Insurance Market Trends 2013 and Global Insurance Market Trends 2012.

On the basis of the latest figures available, the volume of insurance premiums achieved in OECD countries is equal to around 83% of global premium income, both in the life and non-life business.

³ The change rates in real terms of the premium income were calculated using the Consumer Price Index (CPI) obtained from the OECD source: Main Economic Indicators (MEI) and from other sources.

1.1.1 – Life business

Premiums

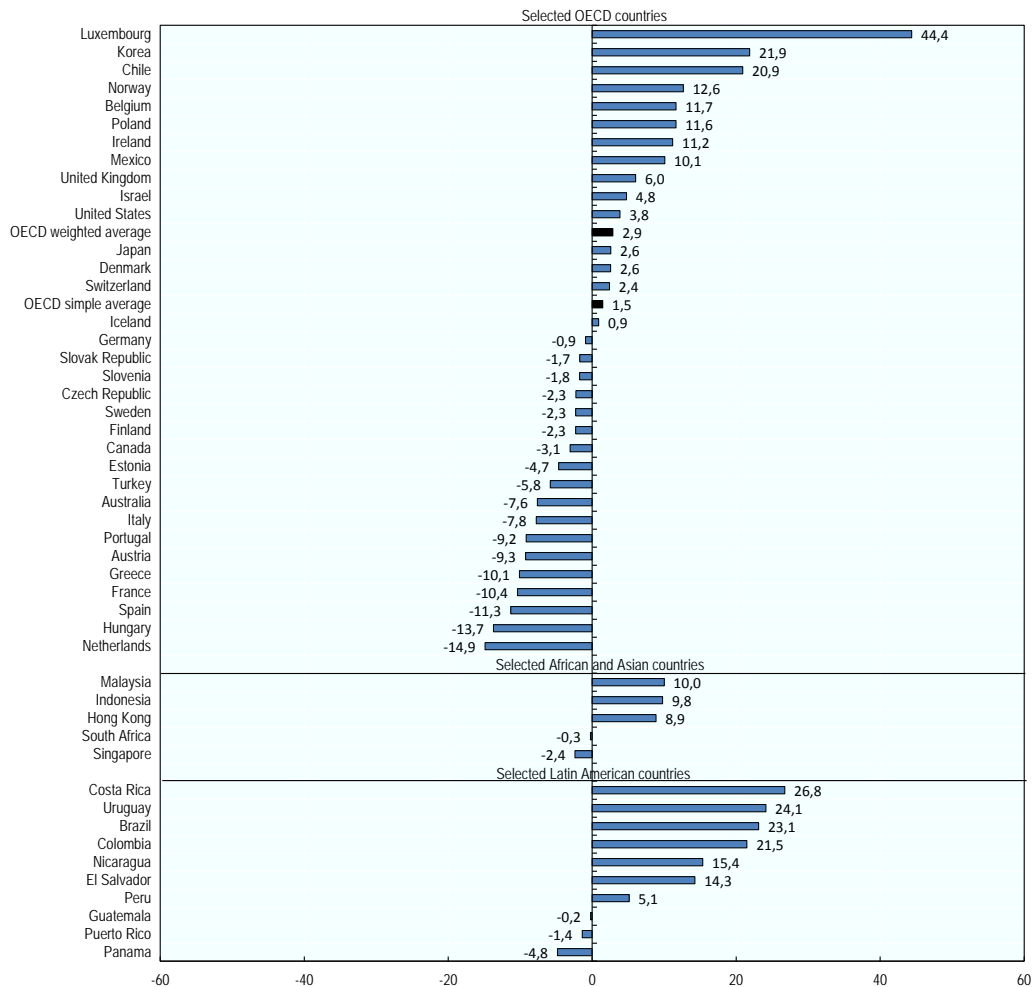
With regard to life business, the OECD reported average growth in 2012 of 2.9% after the drop of 0.2% in 2011, with extremely varied trends among the various countries. The development seen in emerging economies (chiefly the Asiatic ones and Latin America), was accompanied by encouraging signs originating from important advanced economies, such as the USA and Japan. Conversely, in other countries, especially in the Euro Zone, the premium income capacity continued to fall, above all else due to the weakness of the actual economic scenario, where often a reduction in household disposable income was seen, seeing families' savings margins whittled away, as they allocated them mainly to short-term investments, often proposed by the banking sector.

Graph I.1 discloses the change in premium income reported between 2011 and 2012 in the various countries involved in the survey. The comparison between this change and that recorded between 2010 and 2011⁴ reveals stable growth, around 4% in the USA, slowing down, but always around 3-4% in Israel and Japan and undergoing a decisive pick up in the United Kingdom which, after a stagnant 2011, reported a growth rate of around 6%.

Among non-OECD countries, there was a reduction in premium income in Singapore and part of South Africa; other countries, essentially the emerging Asiatic economies (for example Malaysia and Hong Kong), reported growth in the premium income capacity for the life business.

⁴ See footnote 2.

Graph I.1 - Rates of change in real terms of the premium income for the life business (2011-2012)



Source: OECD - Global Insurance Market Trends 2013

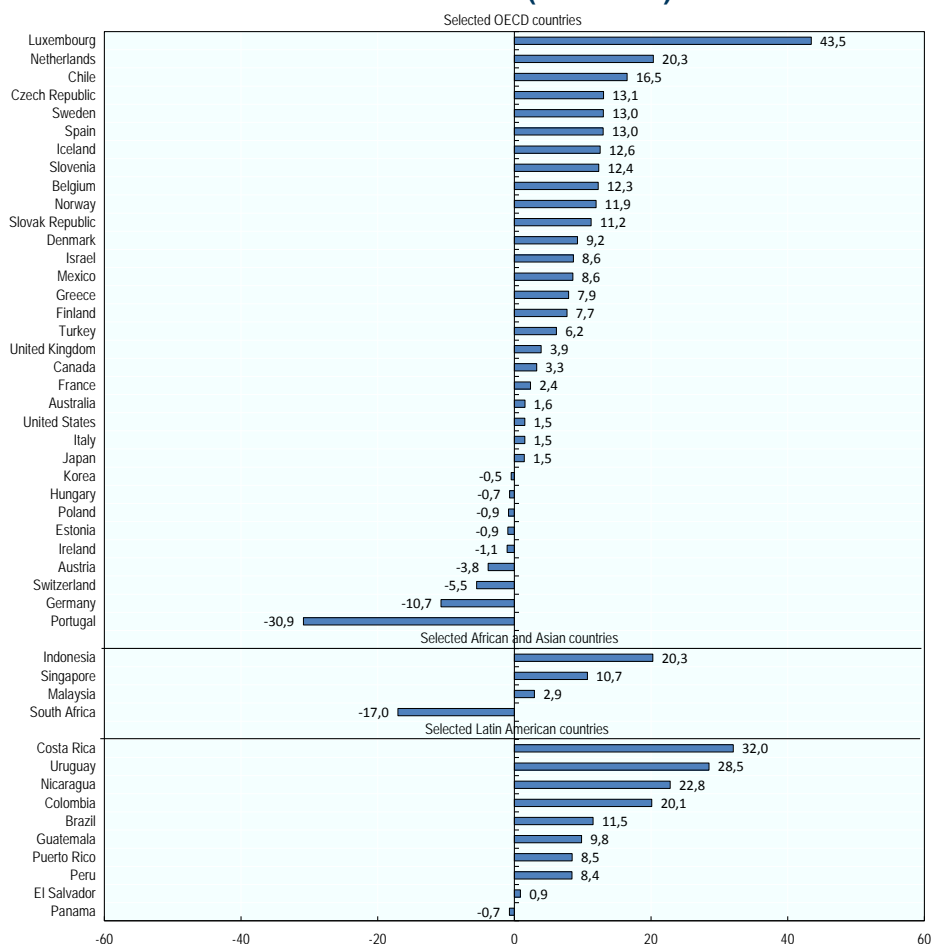
Claims

With regard to outgoings for payments in the life business, due to claims, surrenders, capital and annuities accrued, overall a tendency towards growth was seen less emphasised than in 2011, when the economic-financial crisis and the competitive pressure provided by the banking sector had disclosed the heaviest effects, with a high number of surrender requests made by policyholders. The following graph illustrates the 2011-12 change; in line with premium income, it is useful to compare this change with that reported between 2010 and 2011.

Among the leading countries forming part of the OECD, there was a decrease in outgoings for payments in the USA (from +3% in 2011 to +1.5% in 2012), in France (from +26.7% in 2011 to +2.4% in 2012), in Italy (from +10.5% in 2011 to +1.5% in 2012), in Germany (from +17.2% in 2011 to -10.7% in 2012), where a turnaround in the trend was in fact reported.

With regard to the countries not forming part of the OECD, sharp increases were seen in 2012 in the outgoings in Latin America and the emerging Asiatic economies (for example Singapore), countered by premium income disclosing decisive growth. In conclusion, there was a drop in payment for claims in South Africa.

Graph I.2 - Rates of change of the outgoings for payments in nominal terms within the life business (2011-2012)



Source: OECD - Global Insurance Market Trends 2013

Investments

In the majority of the OECD countries, the life business insurers continued to invest mainly in fixed-income assets, essentially public and private bond instruments. This has permitted them to more easily achieve a “matching” with respect to the commitments deriving from the long-term contracts and improve the management of liquidity. Particularly high percentages with respect to the total of the investments (around 80%) emerge in Italy and France; also in other countries such as the USA, Spain, Ireland and United Kingdom more than 60% of the investments comprise bonds. The Netherlands and Germany are under 50%, where the main portion of the investments of life insurers is allocated to unit trusts.

In the majority of the countries, the portion invested in shares or equities remains under 10% on average. In the USA, a changeover took place in 2012 from bond investments to those in shares, while in the UK an opposite trend was seen. The portion invested in properties was even lower.

During 2012, a decisive improvement was seen in the profitability of the investments, fundamentally due to the positive evolution of the financial markets, after years marked by negative results and highly volatile trends. However, this could be a momentary effect; the trends could in fact change on maturity of the securities or if the interest rates disclose an upwards trend.

Profitability

The profitability of the life insurers disclosed a decisive improvement in 2012 with respect to the previous years, also if it remains affected by marked volatility, especially in the Euro Zone.

In general, the profitability continues to be conditioned by the continuation of the scenario of low interest rates which influences the ability of the insurers to offer products with a high savings component and with competitive rates of return, and makes it more costly to envisage the trend in the rates for those long-term life products which contemplate a guarantee of return. With regard to the insurers who hold very significant percentages of bonds, there is greater difficulty in achieving suitable profit margins once their obligations vis-à-vis the policyholders have been met.

The continuation of the interest rates at low levels has not however significantly influenced the countries in which minimum returns are not envisaged, or are so at lower levels, and in which the returns of the national debt are still considerably high.

Capitalisation

The capitalisation of the insurance undertakings in the life business improved significantly with respect to the first few years of the financial crisis, even if a consistent part of the enhancement can be attributed to the growth in the profits not realised on securities, essentially determined by a context characterised by the drop in interest rates.

1.1.2 - Non-life business

Premiums

With reference to the non-life business, the OECD reported average growth in real terms⁵ in premium income equal to 2.9%, up with respect to the +1.5% in 2011.

The change between 2011 and 2012 is illustrated in graph I.3. A comparison with the rates of change reported between 2010 and 2011 reveals substantial growth in various non-OECD countries, especially the emerging ones, such as the Asiatic economies and Brazil for example.

Also in other OECD advanced economy countries there was an increase in premium income in 2011-2012: the USA, for example, reported a pick up from +1.8% in 2011 to +3.5% in 2012.

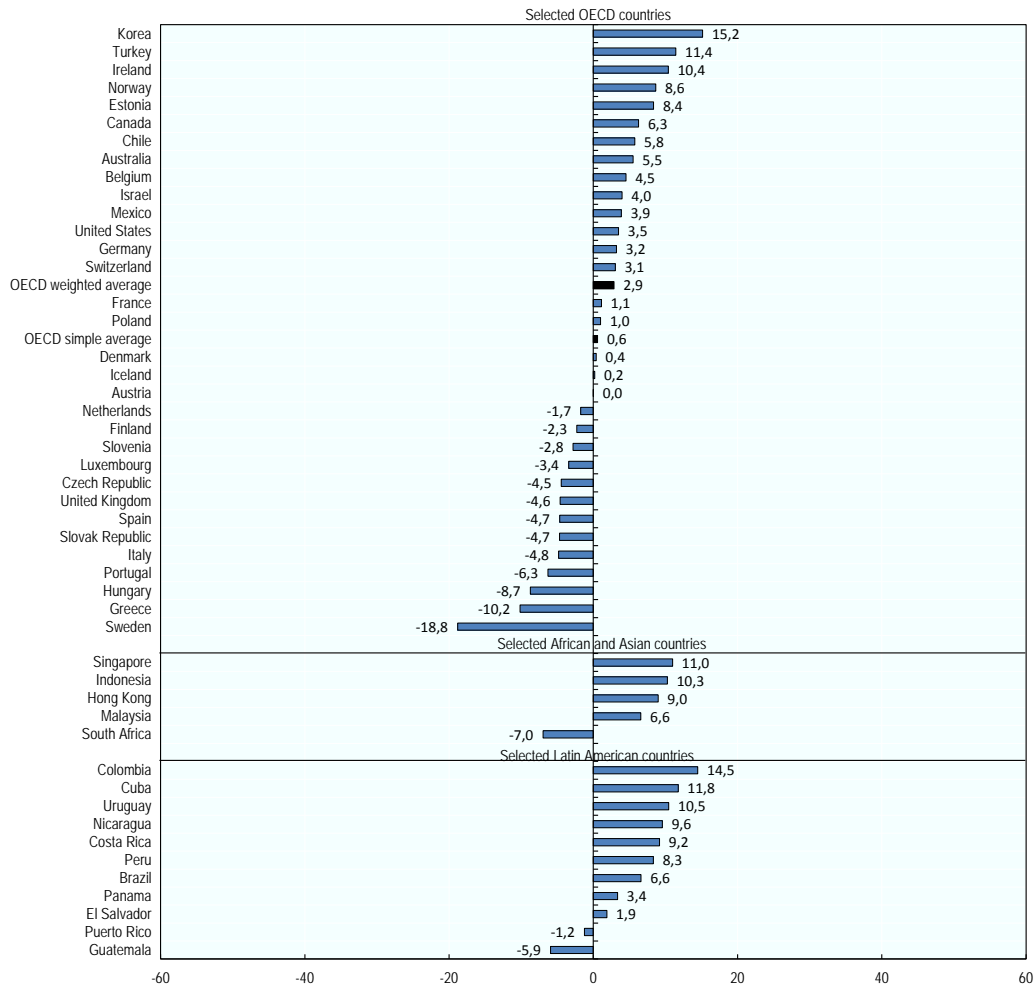
The volume of premiums in the sector saw a pick up in their growth rate in Germany (+3.2%; +0.7% in 2011) and in Switzerland, while in Spain (-4.7%, compared with premiums down slightly in 2011), premium income emphasised the downward trend. Also in the United Kingdom, the tendency towards a drop worsened (-4.6%; -0.6% in 2011), while in France a slight increase was confirmed, around 1%.

In the majority of the advanced-economy countries which present negative trends, the reduction in premium income was mainly attributable to the motor class; also third-party liability insurance was affected. The continuation of the economic crisis, together with the adoption by the national governments of austerity measures, which reduced the disposable income of households, was also reflected in the drop in the circulation of vehicles, the main cause of the decrease in claims in the sector.

In emerging economies, by contrast, due to the increase in the disposable income of households, an increase was seen in premium income which also involved the motor and health-accident sectors.

⁵ See footnote 3.

Graph I.3 - Rates of change in real terms of the premium income for the non-life business (2011-2012)



Source: OECD - Global Insurance Market Trends 2013

Claims

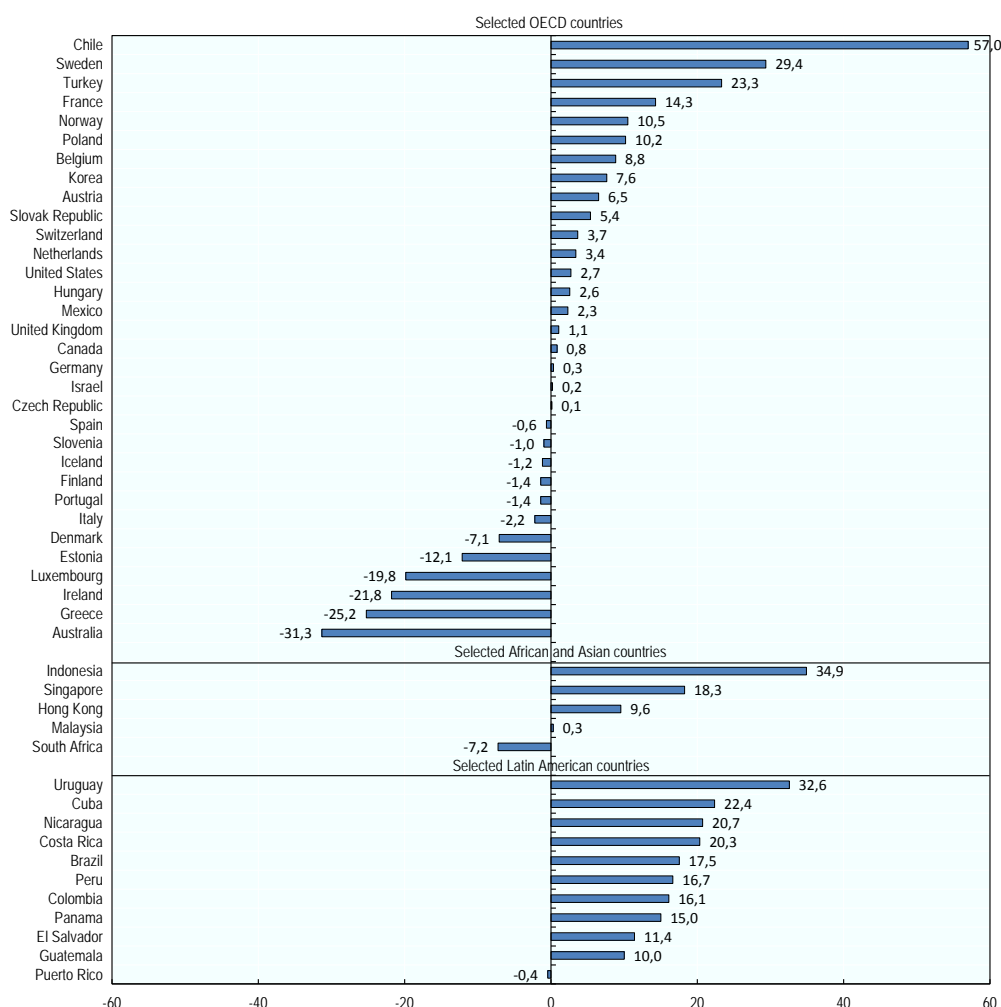
With regard to payments for claims, graph I.4 shows the 2011-12 change; comparing it with that reported between 2010 and 2011 for the leading advanced-economy OECD countries not belonging to the Euro Zone, mention is made in 2012 of the sharp decreases reported for example in Australia (-31.3%; +44.8% in 2011), attributable to the decrease in the impact of the natural catastrophes which hit the country in 2011 (as occurred in Japan). By contrast, the persistence of these events during 2012 in the USA contributed towards keeping the rates of increase of the outgoings for claims positive (+2.6% compared with +9% in 2011).

Having taken into account the high costs associated with the catastrophe claims, the insurers increased the levels of the premiums required from their customers, also so as to meet the rise in the prices of reinsurance coverage.

With reference to the countries in the Euro Zone, apart from exceptional cases (France, Belgium, Poland and Austria), a deceleration was seen or even a reduction in payments for claims.

Within the sphere of the countries not belonging to the OECD, sharp increases were seen in 2012 in payments for claims in Latin American countries (+17.5% in Brazil, +32.6% in Uruguay) and in the emerging Asiatic countries (see for example +34.9% in Indonesia, +18.3% in Singapore and +9.6% in Hong Kong, which had reported a drop of a good 23.8% in 2011), contrasted by an increase in premium income as occurred in the life business.

Graph I.4 - Rates of change of the outgoings for payments in nominal terms for claims in the non-life business (2011-2012)

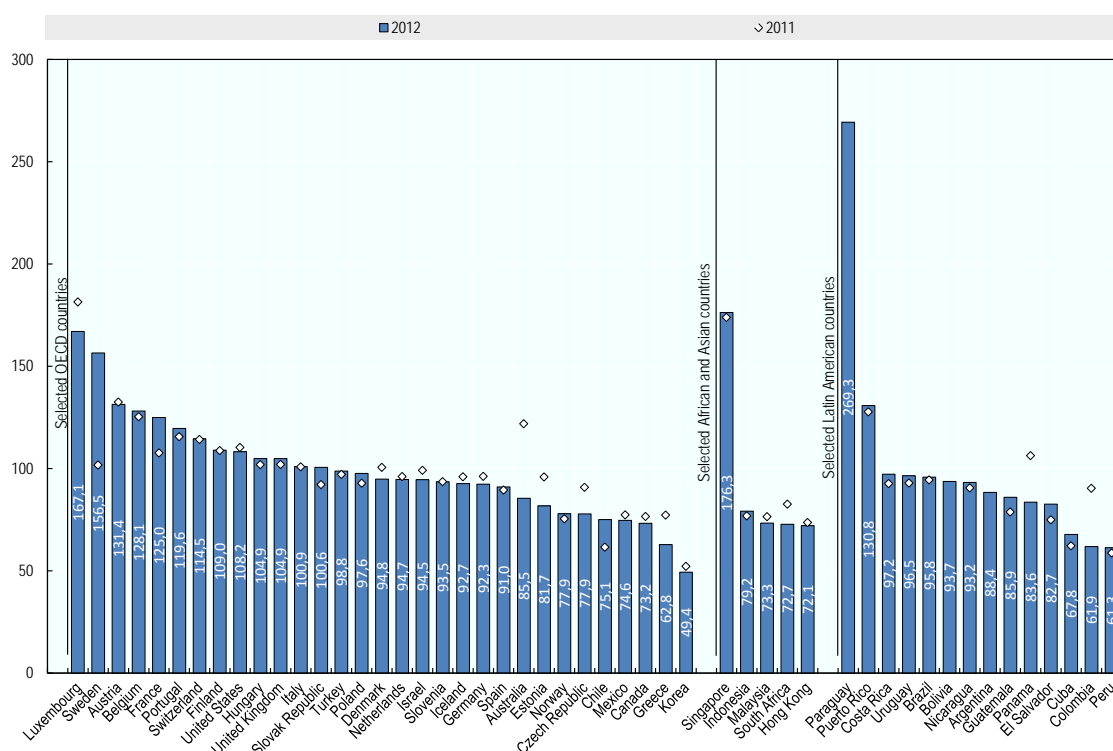


Source: OECD - Global Insurance Market Trends 2013

With regard to the trend of the combined ratio (claims and management costs/ premiums ratio), despite a differentiation persisting in the local situations, essential stability was seen in general in the USA along with a sharp improvement in Australia, among the non-Euro countries. The combined ratio reported a slight improvement in Germany (92.3%; 96.1% in 2011) and a deterioration in France (125.0%; 107.6% in 2011).

The strong competitive climate which currently characterises the non-life business is focusing the corporate policies of many undertakings on the cutting of costs also by means of the development of new sales channels and the adoption of targeted marketing strategies.

Graph I.5 - Combined ratio for the non-life business (2011-2012)



Source: OECD - Global Insurance Market Trends 2013

Investments

Also with regard to the non-life business, in the majority of the OECD countries the insurers continued to invest mainly in bonds. Particularly high percentages with respect to overall investments emerge in Italy and France, but also in other countries such as the USA and Ireland.

In the majority of the countries, the portion invested in shares or equities is on average higher with respect to the life business; in conclusion, the portion invested in properties is marginal.

Also with regard to the non-life business in 2012, a decisive improvement was seen in the profitability of the investments, attributable to the positive evolution of the financial markets.

Profitability

Despite the diversity of the individual national situations, the profitability of the non-life business disclosed an improvement in 2012 with respect to the previous years, even if it remains affected by a marked volatility, which reflects the technical management of certain business such as those associated with the occurrence of catastrophic events and with the general economic trend (motor vehicle, property and casualty). The profitability of the investments mainly linked with the trend of the financial markets is then also important for the non-life business.

Capitalisation

In the main countries of the OECD, with the exception of the individual national specificities, the capitalisation of the insurance undertakings in the non-life sector improved significantly with respect to the first few years of the financial crisis, in the majority of the cases due to the positive evolution of the financial management and in some cases also due to the dynamics of the combined ratio.

1.2 - The European insurance market

The risks which affect the European insurance sector⁶ did not undergo any notable deterioration during 2013.

The effects of the weak macroeconomic scenario and the low interest rates continue to constrict the sales of insurance products and force some undertakings on the one hand to expand beyond their national borders, especially in emerging economies which offer new outlets for the development of the business, and on the other to re-define the type of products offered on domestic markets.

In the life sector, the supply on domestic markets has gradually gone from products with a guaranteed return (traditional products) to those with greater presence of the financial component (in particular unit-linked products), albeit with differentiated growth among the various countries of the Euro Zone.

With regard to the non-life business, the profitability of the same, despite the presence of a lower profitability of the investments, has held up in the majority of the classes.

⁶ EIOPA Financial Stability Report (Autumn 2013 and May 2014). The Financial Stability Report draws both quantitative and qualitative information from the Italian supervisory authorities. The report covers the developments which have taken place on the markets up until April 2014.

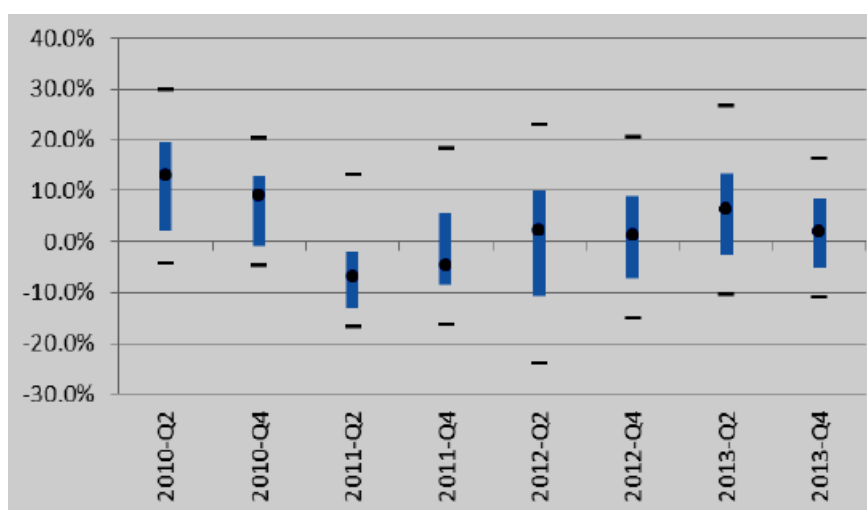
1.2.1 – Life business

Premiums

During 2013, the insurance industry as a whole saw sales recover, after an unfavourable economic cycle phase.

As illustrated in graph I.6, life business reported median growth of 6.4%⁷ in mid 2013 and 2% at year end, drawn along by the leading insurers at European level. However, the persistence of negative production growth rates in certain European markets is also revealed, as shown by the 25th percentile (around -5%).

Graph I.6 - Changes in trends in life market business (gross premiums written) Median, interquartile range, 10th and 90th percentile



Source: EIOPA Financial Stability Report, May 2014

In the presence of the drop in demand for traditional life products, due to the progressive reduction in the return guarantees offered by the sector, the general pick up in the life market appears to be supported, in some countries, by marketing policies mainly linked to banking distribution, in favour of products with a more distinct financial content. The supply of unit-linked investment products is in fact on the up, with respect to traditional savings products, meaning that the market is in competition with the investment fund sector (UCITS).

The expectations for overall recovery in the life sector remain uncertain, and linked to factors outside the insurance market, mainly high unemployment in many countries and the low returns of the investments in the general context of expansive monetary policies.

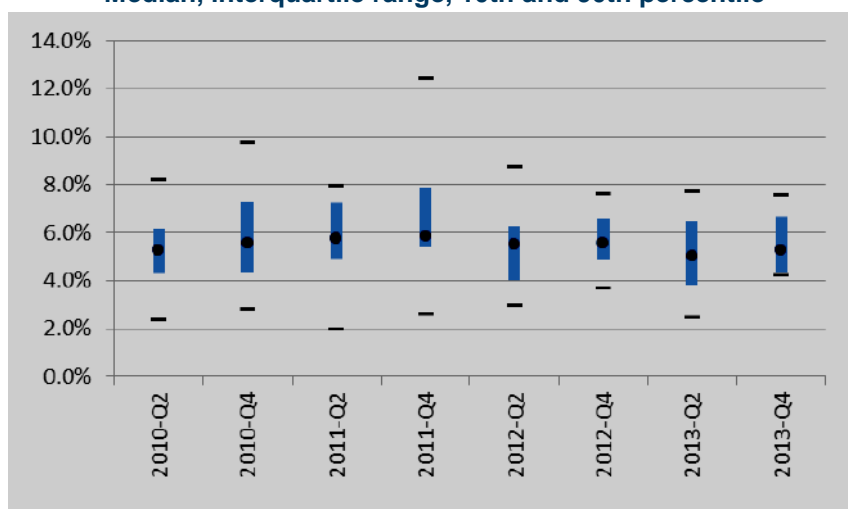
⁷ In this case, the median expresses the value of the increase in premium income, under which half of the undertaking of the sample of insurers is situated.

Claims

Life assurance savings products reported - on a European basis - surrender rates on the up especially in the last quarter of the year, since heavy penalties are not in force in many countries.

During the last quarter of 2013, the surrender rates increased on average from 5.9% to 6.2%. Graph I.7 shows the trend of the median rate of the surrenders and the 10th and 90th percentile.

Graph I.7 - Surrender rates of the life market (gross premiums written)
Median, interquartile range, 10th and 90th percentile



Source: EIOPA Financial Stability Report, May 2014

In detail during the last half of 2013, the median surrender rate returned to the values of the first half of 2010 (around 5%) but with less volatility.

Investments

Over the last three years, the profitability of the investments (Return on Assets) of the life business came to around 0.4%. This level is in some cases supported by investments with a higher return in the presence of the greater undertaking of liquidity risks.

Profitability

The European life assurance industry currently produces profits: the ROE is greater than 10%, with a relatively contained variability.

Capitalisation and solvency

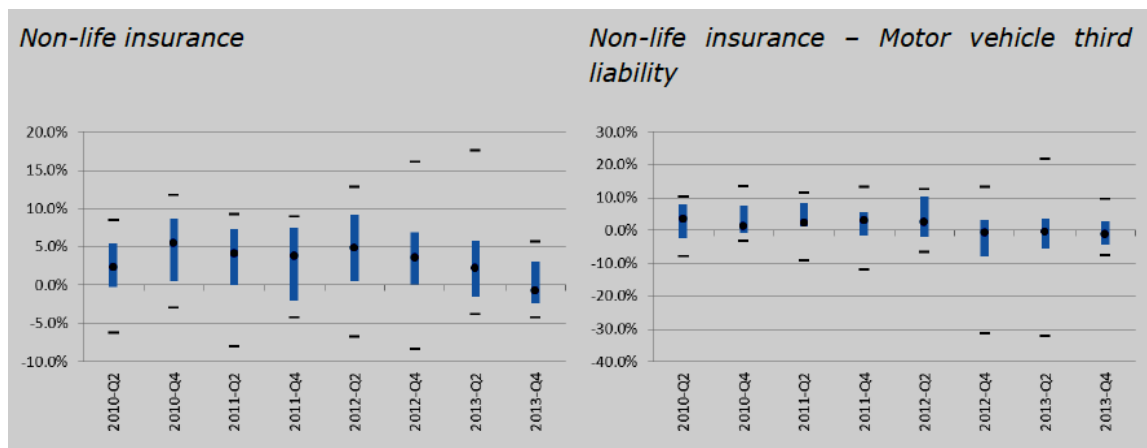
The solvency of the life insurers remains abundantly above the regulatory requirements; in fact, even if the median value has not essentially changed, the distribution of the undertakings involved in the survey is concentrated above the value of 200%.

1.2.2 - Non-life business

Premiums

Premium income of the non-life business is falling in Europe. For the first year since the start of the financial crisis, a large part of the leading undertakings reported a slight drop in premiums. Furthermore, as shown by graph I.8, certain undertakings reported considerable decreases in premium income, without however touching the all-time lows of the post-crisis period.

Graph I.8 - Changes in trends in non-life market and motor TPL business (gross premiums written) Median, interquartile range, 10th and 90th percentile



Source: EIOPA Financial Stability Report, May 2014

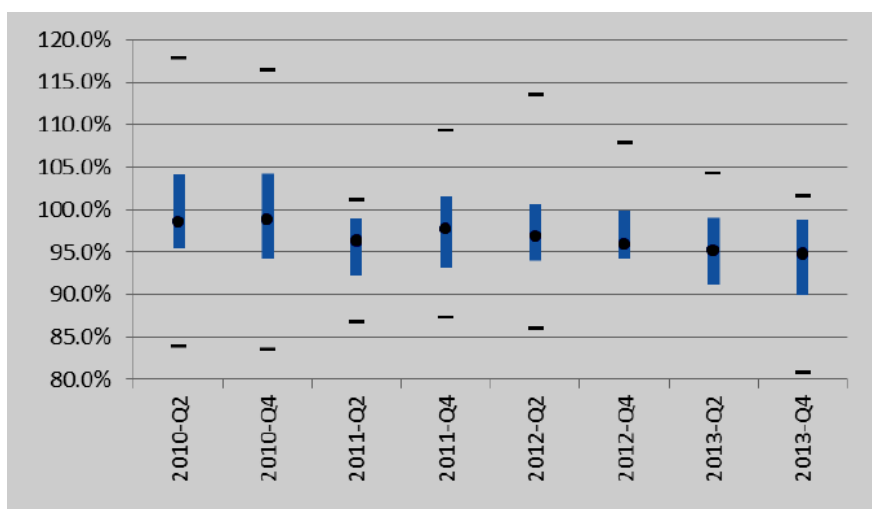
According to the analysis of the EIOPA Financial Stability Report, May 2014, the decrease - registered above all else in the motor liability class - can be interpreted not only as a shock on the demand further to the fall in incomes, but also as a pulling back of supply. Therefore, the improvement in the economic conditions in certain European regions, in particular the pick up in sales of motor vehicles, represent positive signs for the vehicle industry.

Claims

Graph I.9 illustrates the technical trend of the non-life business which benefits from reduced tariff risks, as reflected by the median combined ratio of around 95%.

The technical results in Europe were affected by the catastrophic events during the year, especially within the sphere of the coverage of the flood and hail risks, whose economic impact has not yet been fully assessed.

Graph I.9 - Performance of the combined ratio, non-life market
Median, interquartile range, 10th and 90th percentile



Source: EIOPA Financial Stability Report, May 2014

Investments

The non-life insurance companies are also exposed to the risks of low interest rates. The contained profitability on the investments, in particular bond-based, reduces the margins of integration of the “technical” profitability of the risks underwritten. In the current economic situation, therefore, the leading European insurers in the non-life business could, in their entirety, in the absence of upwards reviews of the pricing policies, implement more aggressive investment policies in the search for higher returns.

The non-life business investments are also linked to the performance of the stock markets, albeit with a low exposure. The potential impact of a drop in share prices is however contained. The sector is exposed to the real estate property sector to a potentially greater extent with respect to the effective incidence on the investments, due to the indirect links with the banking sector.

Profitability

The profitability of the business continues to depend on the performance of the financial markets. The profitability of the non-life insurance sector benefits from relatively contained underwriting risks, as disclosed by the combined ratio.

Capitalisation and solvency

Also in the non-life sector, as in the life business, the solvency ratio is abundantly above the regulatory requirements, standing at values which range around 300%.

Overview of the risks for the European insurance industry

The Risk Dashboard, envisaged by the new European supervisory legislation, is drawn up by EIOPA⁸ and required from the European Supervisory Authorities (ESAs). It has the purpose of providing a quarterly overview of the evolution of the risks and vulnerabilities of the European insurance industry, on the basis of a framework determined in cooperation with the ESAs, the European Systemic Risk Board (ESRB) and the European Central Bank.

The purpose of the Risk Dashboard is to analyse the so-called “systemic risk” for the insurance sector, the risk, in other words, that the market is influenced not only by just the specific factors of the sector but also by the risks which directly concern the financial and manufacturing sectors, due to the high degree of interdependence of the same.

The Risk Dashboard contains information concerning 7 categories of risk for the insurance market, obtained by the aggregation of 40 indicators (qualitative and quantitative) created on the basis of both the market conditions and the data collated for the leading 30 insurance groups in the Euro Zone and Switzerland. The risk categories considered by the analysis include: macroeconomic risk, credit risk, market risk, liquidity and funding risk, insurance risk, profitability and solvency and “interconnection” risk.

The statistical analysis carried out in the first stage is followed by possible discretionary assessment by experts (expert judgement) which may, if need be, complete or change the results obtained by the previous estimate. The 7 risk categories are classified on the basis of the aggregate score, the change with respect to the previous quarter, the impact on the insurance sector and the timescales envisaged for their probable manifestation.

Overview of the risks

→ *Macroeconomic risks*

The macroeconomic conditions in European countries have improved but elements of fragility still remain. The main vulnerabilities are represented by the high level of national debt and unemployment. The current unemployment levels condition the growth of the insurance market, especially with regard to the life insurance companies since during periods of marked economic uncertainty demand for insurance drops to the minimum necessary requirement for protection. Further elements of weakness of the economic scenario are represented by the persistent pressure of the European sovereign debt crisis, muffled economic growth in the Euro Zone and structural differences between the economies which lead to a fragmentation of the European market, and in particular in the differentials of the cost for accessing credit by undertakings.

→ *Market risks*

The risk posed by the prolonged period of interest rates at all-time lows, both short and long-term, remains dominant. The context of low returns poses problem of pressure on the profitability above all else of the life insurers and thus the gap between profitability of the investments and contractual guarantees of a minimum return decreases.

→ *Credit risk*

Government securities of the countries in the Euro Zone remain the principle category of investment covering insurance liabilities and therefore dependence on the deterioration of the economic and financial conditions continues. Furthermore, any political tensions may pose additional elements of risk.

→ *Liquidity and funding risks*

The liquidity and funding risk has increased with respect to the end of 2013 due to surrenders. A slight tendency towards less liquid investments is underway, aimed to offset the low returns of the majority of the investments.

⁸ EIOPA-FS-14/028
























→ *Profitability and solvency risks*

Certain national supervisory authorities, when contrasting the low interest rates, request additional reserve requirements thereby reducing the earnings of the insurers. By contrast, in other jurisdictions the reserves are decreased. In short, the return prospects will depend on the future development of the interest rates.

→ *Insurance technical risks*

The economic effects of the damage caused by the floods in the area of Central-Eastern Europe during the first few months of 2013 and the violent hailstorms which hit Northern Germany at year end are still not fully known. The initial estimates disclose for the European insurance sector losses from natural catastrophic events which are less than the losses suffered in 2012.

The scenario which follows illustrates the perception of the risks in the European insurance market.

risk type	risk level	risk trend	impact on the insurance sector	comments
market			HIGH	environment for investment characterised by low interest rates in the short and long term high equity exposures in certain countries
macro			HIGH	recovery remains fragile in a fragmented European market, where there is still a spread among "core"/"peripheral" countries in credit for businesses high public debt entails a permanent downgrade risk high unemployment in many European countries, where demand is more vulnerable to falling incomes, affects life assurance income
liquidity & funding			HIGH	surrenders on the increase in certain countries less liquid investments (partially compensatory effects of low interest rates)
credit			MEDIUM	high exposures on debt securities The riskiness of sovereign and corporate securities could be not fully reflected in credit spreads
profitability & solvency			MEDIUM	solvency considerably higher than the regulatory requirement both for life and non life undertakings reductions in provisions but also further reserving for low rates in some countries (Germany) shortage in liquidity of investments as source of yield in a low rate environment; solid ROE and ROA
interlinkages/ imbalances			HIGH	risk of contagion among bank bonds (quality of assets) and sovereign bonds (downgrade risk): possible consequences in terms of access to finance in the capital market
insurance			MEDIUM	moderate growth of premium collection in non life business; reduction in tax benefits for life assurance products not yet known impacts for the catastrophe events of 2013
<div> <div> risk level VERY HIGH  HIGH  MEDIUM  LOW  </div> <div> risk trend  growing considerably  growing  stable  falling  falling sharply </div> </div>				

Overview of the risks in the first quarter of 2014

The uncertain macroeconomic scenario for Europe is conditioned by the “Japanese scenario”, featuring an inflationary trend which is permanently too low in certain member nations, together with a very slow pick up in employment.

The impact of the weak economic situation on the insurance sector therefore remains one of the main concerns since economic conditions in Europe are still fragile.

The combined effect of these factors on the insurance sector may produce slowdowns in the rate of expansion of production, especially in the life business. In detail, risks involving early exit from life policies without guaranteed returns may come about.

The expectations of the market with regard to the insurance sector seem to improve as indicated by the significant decrease of the CDS spread on insurance securities.

In the weak macroeconomic context which, as mentioned, implies a reduction in demand for insurance products, the insurance groups are attempting to expand the sphere of activities outside Europe so as to increase their profitability.

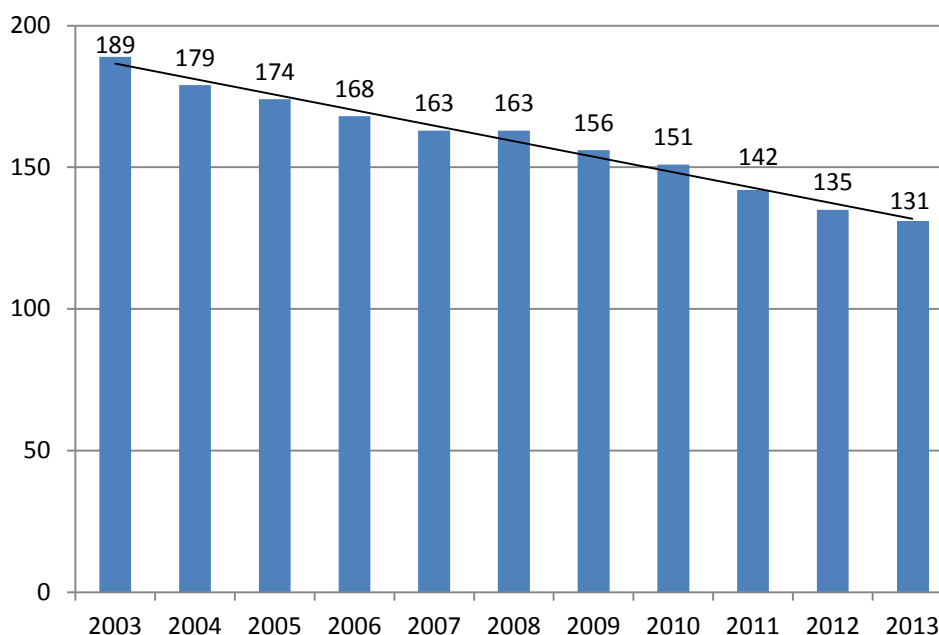
The contagion and liquidity risks are not an immediate concern. In this connection, the surrender risk continues to stabilise at a lower level than that registered in the previous two-year period.

2. - The Italian insurance market

2.1 - Market structure

Over the years, the number of undertakings making up the Italian insurance market has gradually dropped by almost one third.

Graph I.10 - Domestic undertakings



Source: IVASS

There are no longer specialist reinsurers for both life or non-life business, present on the Italian insurance market.

As at 31 December 2013 the undertakings authorised to pursue insurance and reinsurance business in Italy under the supervision of IVASS - domestic undertakings and branches of foreign undertakings with head office in a non-EU country - were 133 (137 in 2012), 131 of which domestic and 2 branches.

Of these undertakings, 50 pursued just the life business (of which 9 also pursued supplementary accident and health insurance), 69 the non-life business and 14 were composites.

With respect to the end of 2012, 6 undertakings terminated the pursuit of insurance business as a consequence of mergers by incorporation, including 3 as from January 2014 (3 non-life undertakings, 1 life undertaking and 2 composites), and one new authorisation was issued.

As of the same date, various undertakings with head office in another EU or European Economic Area (EEA) State were also operating in Italy and were supervised by the Supervisory Authorities of their respective countries of origin. Specifically, there were 93 branches of undertakings with head office in another EU member State (17 in life assurance, 63 in non-life insurance and 13 composites) carrying out business under the right of establishment, while 979 undertakings with head office in an EU member State or in another country of the EEA, 169 of which in life assurance, 752 in non-life insurance and 57 composites, were licensed to pursue business in Italy under the freedom to provide services, also through establishments within the EU.

Around 34% of the branches licensed to pursue business in Italy had their head office in the United Kingdom, 18% in France, 14% in Ireland and 11% in Germany, while the remaining percentage

was spread across undertakings with head offices in Luxembourg and Belgium (both around 5%), Austria and Spain (both around 4%), the Netherlands, Liechtenstein and Gibraltar.

Table I.1 - Breakdown of EU/EEA undertakings carrying on business under the right of establishment by head office country	
Head office country:	
United Kingdom	34%
France	18%
Ireland	14%
Germany	11%
Belgium	5%
Luxembourg	5%
Austria	4%
Spain	4%
Others	5%
Number of undertakings	93

Source: IVASS

Newly-authorised branches were five: two Spanish, one German, one French and one Belgian. The number of branches of specialist reinsurers with head offices in the EU remained at seven, as in 2012.

Out of 752 undertakings authorised to write non-life business in Italy under the freedom to provide services, 24% were based in the United Kingdom, 13% in Germany, 12% in Ireland, 11% in France and 6% in the Netherlands.

Out of 170 undertakings authorised to write life business in Italy under the freedom to provide services, 19% and 18% respectively were based in Luxembourg and the United Kingdom, 16% in Ireland, 12% in France and 9% in Germany. The remaining 13% was spread across the undertakings with head offices in the other EU and EEA countries, particularly in the Netherlands.

The 57 composite undertakings were based mainly in Austria (35%), in France (12%), in Belgium (11%), in Spain (7%) and in the United Kingdom (7%). The remaining 28% was spread across undertakings with head offices in other EU and EEA countries, with the highest proportions in the Czech Republic and Poland.

In 2013, 34 undertakings were authorised to pursue insurance business by way of freedom to provide services, of which in detail 6 with head offices in Germany and 5 in Malta.

2.2 - Market concentration

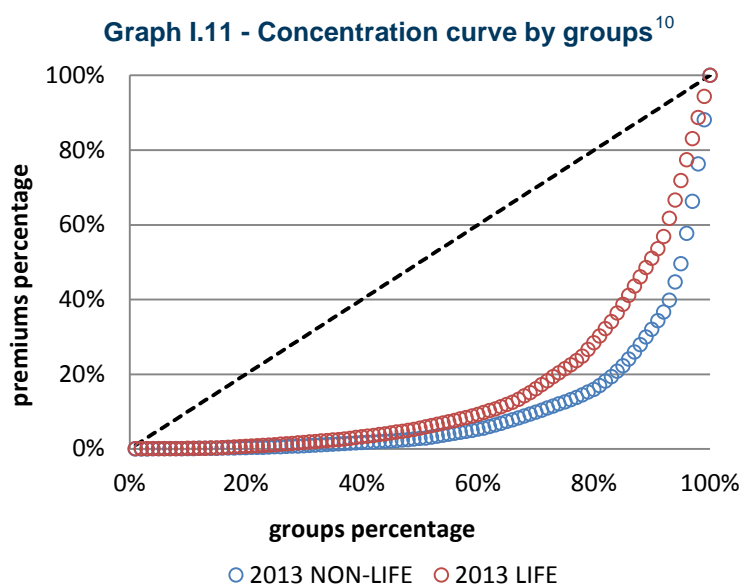
The Italian insurance market continues to present a high concentration, as illustrated by the sum of the market shares.

In 2013 the concentration index by groups⁹ valued as the concentration ratio (calculated on premiums earned) was, on the whole for life and non-life undertakings, equal to 58.6% of the market (59.2% in 2012).

In life business (graph I.11) the share held by the top five insurance groups came to 65.3% in 2013 (66.1% in 2012). In the non-life business, the market shares disclosed by the top five insurance groups came to 72.5% (73% in 2012).

For comparative purposes, in the banking sector the top five groups held 47% of the business at the end of 2013.

The figures relating to the premium income underwent a number of changes due to merger transactions and/or transfers of portfolios: the top five life undertakings collected 49.2% of premiums (46.4% in 2012), while the share held by the top five non-life undertakings was equal to about 53.3% (46.1% in 2012).



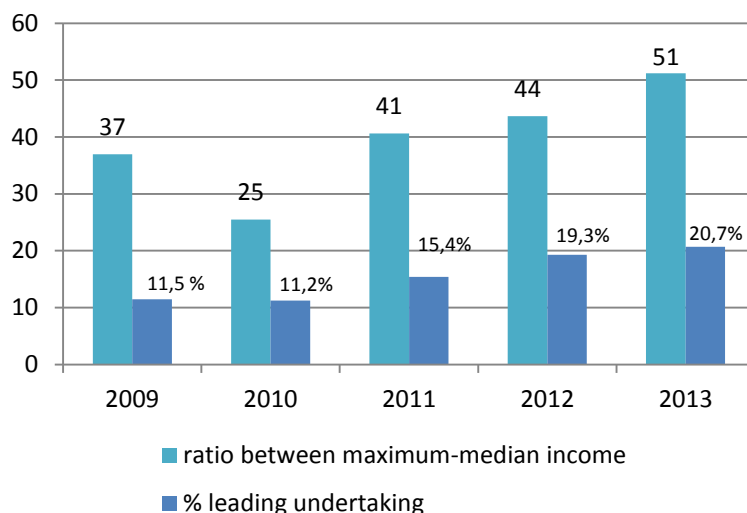
Source: IVASS

Limited to with-profit policies, the leading life product, the following graph shows the extent of the distance between the premium income of the leading undertaking (maximum figure) and that of the average undertaking (median).

⁹ In cases of participations on a 50/50 basis premiums are subdivided at a rate of 50%.

¹⁰ The groups considered are 41 in the non-life business and 35 in the life business and are arranged in rising order of premium volumes.

Graph I.12 With-profit products
Distance between leading and average undertaking



Source: IVASS

The graph reveals the rising concentration of the premium income, attributable also in part to the merger transactions concerning a few undertakings, as illustrated by the market share of the leading undertaking, in the with-profit sector, out of the total of the individual policies.

2.3 - Premium income and investments based on shareholdings and on the main activity of the parent group

The market profile with regard to the type of shareholding ownership and the industrial sector of the controlling entity is presented in table I.2.

Table 1.2 - Premium income and assets compared to ownership structure and parent group

	premiums (Italian direct business)	%	class C investments	%
Companies controlled by EU foreign entities	26.340.434	22,2%	88.189.293	18,9%
Companies controlled by non EU entities	1.838.556	1,5%	8.609.056	1,8%
Non-EU branches	372.541	0,3%	456.642	0,1%
Companies controlled by the State and by Italian public entities	14.084.286	11,9%	59.382.993	12,7%
Companies controlled by Italian private entities subdivided by dominant economic sector of the group, of which:	69.932.557	58,9%	281.715.563	60,4%
<i>industrial and services sectors</i>	307.260	0,4%	205.070	0,1%
<i>insurance sector</i>	49.748.549	71,1%	215.891.378	76,6%
<i>banking and financial sector</i>	19.876.748	28,4%	65.619.115	23,3%
Companies owned on a 50/50 basis by banks and insurance companies, of which:	6.217.599	5,2%	27.774.544	6,0%
<i>Italian insurance companies</i>	166.868	3%	235.009	0,8%
<i>foreign EU insurance companies</i>	6.050.731	97%	27.539.535	99,2%

Source: IVASS

The analysis of the data shows that in 2013 private Italian entities held 58.9% of the business and 60.4% of the class C investments; foreign entities of EU nationality, respectively held 22.2% and

18.9%. Among the private Italian entities, those in the banking and financial sector were predominant, after the insurance sector, both in terms of premiums and investments. In fact, the banks held 28.4% of premium income in 2013 and 23.3% of the class C investments. The presence of industry and services in the insurance sector was practically negligible.

2.4 - Insurance and reinsurance intermediaries

2.4.1 - Intermediaries registered in the Single Register (RUI)

As at 31 December 2013, there were 243,499 intermediaries (245,157 in 2012) registered in the Single Register, which add to the 8,022 foreign intermediaries registered in the Enclosed list (7,513 in 2012).

The table contains detailed information on the number of intermediaries registered in the individual sections:

Table I.3 - Single Register of Intermediaries		
Sections	Type of intermediary	Number of registered intermediaries
A	Agents	26,331
		natural persons
		9,611
B	Brokers	3,822
		natural persons
		1,463
C	Direct canvassers	8,563
		natural persons
D	Banks, financial intermediaries, Sim (stock brokerage companies) and Poste Italiane s.p.a. - Bancoposta services division	653
		companies
E	Staff involved in mediation outside the premises of the intermediary registered in section A, B or D, for which they conduct business, including their employees and collaborators	180,706
		natural persons
		12,350
Enclosed list	Intermediaries having their residence or head office in another EEA Member State	8,022

Source: IVASS (RUI)

Changes in the RUI during 2013

The following table shows the procedures concluded during the year

Table I.4 - RUI: Measures							
	Sect. A	Sect. B	Sect. C	Sect. D	Sect. E	Enclosed list	Total
Registrations	467	149	10,202	14	38,497	761	50,090
Removals	992	146	16,159	38	22,049	258	39,642
Reinstatements	36	10	466	2		1	515
Moving from one section to another	692	95	5,060		559		6,406
Extension of business abroad	235	825					1,060
Non operating/operating	765	232		45			1,042
Registration outcome of disciplinary proceedings	103	31			233		367
Changes in personal data	2,461	803	5	81	1,400	128	4,878
Total	5,751	2,291	31, 892	180	62,738	1,148	104,000

Source: IVASS (RUI)

The qualifying examination for registration in Sections A & B of the Register - 2012 session - was concluded in November 2013, in which 2,746 candidates participated out of 5,115 admitted: 677 were judged suitable.

The qualifying examination for the 2013 session was announced through order n. 13 of 11 December 2013: 6,098 applications were received (5,167 in the previous edition).

The 2013 session took the form of just a written examination, since in the meantime IVASS measure n. 12 dated 3 December 2013 had come into force, which eliminated the oral examination with a view to streamlining and rationalising the activities associated with the selection process, also having regard to the aim of achieving the maximum possible harmonisation between the rules for accessing insurance mediation activities and those applied in the financial and credit sectors.

3. - Premium income

In 2013 gross premiums written of the Italian and foreign portfolio were 122.2 billion euro, with an increase of 12.8% compared to 2012 (108.4 billion euro). Premiums of the Italian insurance and reinsurance portfolio amounted to 119.8 billion euro (+12.9% compared to 2012).

Premiums from just Italian direct business amounted to 118.8 billion euro (+13% with respect to 2012): of this, 71.6% concerned the life business, equal to 85.1 billion euro (+22.1% compared to 2012), while 28.4% concerned non-life business, equal to 33.7 billion euro (-4.9% compared to 2012).

The incidence of Italian direct business in the motor insurance sector (motor vehicle liability and land vehicles) was 15.7% of the total market, and 55.3% of the non-life sector (respectively 19.2% and 57% in 2012).

The ratio between the premiums of the Italian direct insurance portfolio and the GDP increased slightly from 6.71% in 2012 to 7.62% in 2013.

Table I.5 - Premiums of the Italian direct insurance portfolio

	(million euro)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Life	65.627	73.471	69.377	61.439	54.565	81.120	90.102	73.869	69.715	85.099
% var.	-	12,0%	-5,6%	-11,4%	-11,2%	48,7%	11,1%	-18,0%	-5,6%	22,1%
Non-life	35.412	36.309	37.125	37.656	37.452	36.679	35.853	36.359	35.413	33.687
% var.	-	2,5%	2,2%	1,4%	-0,5%	-2,1%	-2,3%	1,4%	-2,6%	-4,9%
of which: motor insurance	21.207	21.325	21.583	21.492	20.814	20.094	19.926	20.652	20.190	18.644
% var.	-	0,6%	1,2%	-0,4%	-3,2%	-3,5%	-0,8%	3,6%	-2,2%	-7,7%
of which: other non-life classes	14.205	14.984	15.542	16.164	16.638	16.585	15.927	15.707	15.223	15.043
% var.	-	5,5%	3,7%	4,0%	2,9%	-0,3%	-4,0%	-1,4%	-3,1%	-1,2%
Life and non-life Total	101.039	109.780	106.502	99.095	92.017	117.799	125.955	110.228	105.128	118.786
% var.	-	8,7%	-3,0%	-7,0%	-7,1%	28,0%	6,9%	-12,5%	-4,6%	13,0%

Source: IVASS

3.1 - Life business

Bucking the trend with respect to the previous two years, in particular with regard to the sharp drop in 2011 (-18%), during 2013 premium income from the life sector (direct Italian business) disclosed a net pick up on the previous year (+22.1%), standing at the 2009 level in nominal terms.

The pick up was due above all else to the class I and III products which reported an increase with respect to 2012: premium income in class I ended 2013 with an increase of around 26.7% (in the presence of a reduction of 9.7% in 2012), while class III disclosed an increase of 12.4% (repeating the growth for the previous year, of 10.4%). In the following table I.6 one can also observe the considerable increase in class I during 2009 which corresponds to the start of the financial crisis which customers reacted to by replacing investment in high loss risk products with safer traditional class I products.

Table I.6 - Life assurance - Premium income by insurance class (Italian direct business)

	(million euro)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
class I	30.101	33.871	32.746	27.166	31.430	64.741	67.844	56.698	51.191	64.959
% variat.	-	12,5%	-3,3%	-17,0%	15,7%	106,0%	4,8%	-16,4%	-9,7%	26,89%
class II	0	0	0	0	0	0	0	0	0	0
% variat.	-	-	-	-	-	-	-	-	-	-
class III	24.756	26.389	27.385	29.053	18.558	9.732	15.409	12.496	13.800	15.514
% variat.	-	6,6%	3,8%	6,1%	-36,1%	-47,6%	58,3%	-18,9%	10,4%	12,4%
class IV	18	24	23	30	25	26	27	32	44	52
% variat.	-	28,9%	-2,4%	32,8%	-17,1%	4,3%	4,1%	16,6%	36,8%	19,0%
class V	10.554	12.692	8.938	4.469	3.196	5.078	5.154	3.131	2.815	3.282
% variat.	-	20,3%	-29,6%	-50,0%	-28,5%	58,9%	1,5%	-39,3%	-10,1%	16,6%
class VI	198	495	285	720	1.356	1.539	1.679	1.512	1.866	1.292
% variat.	-	150,4%	-42,4%	152,5%	88,3%	13,5%	9,1%	-9,9%	23,4%	-30,7%
total	65.627	73.471	69.377	61.439	54.565	81.116	90.114	73.869	69.715	85.099
	-	12,0%	-5,6%	-11,4%	-11,2%	48,7%	11,1%	-18,0%	-5,6%	22,1%

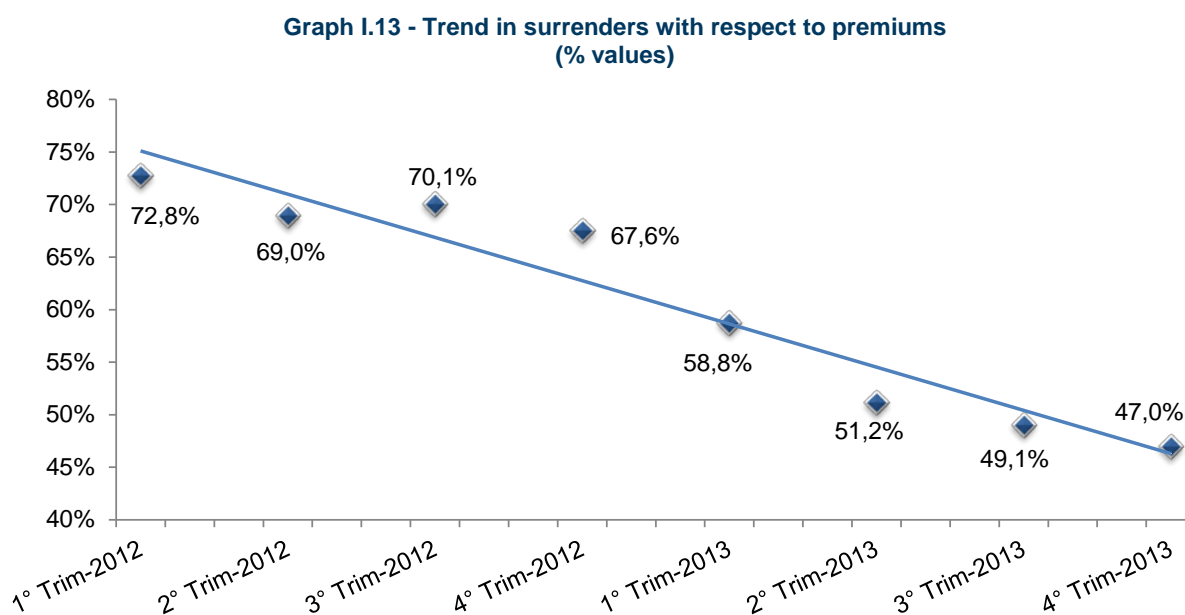
Source: IVASS

In correspondence with the turnaround in the premium income trend, after two years of decrease linked to the long-term economic instability during the sovereign debt crisis, one can see a symmetrical pick up in the life business also in terms of net premium income (expressed as the balance between premiums and the claims burden) which, as shown in the following table, was once again positive, standing close to the levels reported at the start of the last five-year period.

Table I.7 - Charges (surrenders, accrued capital and annuities) and Premiums from life business 2005-2013 - Italian direct portfolio									
	(million euro)								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
total premiums	73.471	69.377	61.439	54.565	81.120	90.113	73.869	69.715	85.099
claims incurred	-43.710	-57.804	-74.354	-65.565	-57.059	-66.800	-73.966	-75.022	-66.787
of which surrender	-25.017	-35.412	-48.765	-41.828	-32.092	-36.494	-46.492	-47.198	-40.086
of which accrued capital and annuities	-16.192	-19.670	-22.447	-20.551	-21.386	-26.062	-22.976	-22.567	-21.257
net income	29.761	11.573	-12.915	-11.000	24.061	23.313	-97	-5.307	18.312

Source: IVASS

The following graph I.13 shows the trend, in the last two years, of the “surrender over premiums” ratio for all the life classes.



Source: IVASS

The analysis of the trend over time highlights the continual drop in the index, indicating a constant improvement in the market liquidity position.

Table I.8 specifically shows the ratio between premium income and burdens net of surrenders. At a first glance the data suggests that the market once again has excess net liquidity expressed in terms of ratio between incoming liquidity (premiums) and outgoing liquidity (liabilities).

Table I.8 - Current ratio - Ratio between premium income and claims - net of surrenders

	(million euro)								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
net income	48.454	33.965	12.674	12.737	49.028	53.619	27.377	22.517	45.013
net expenses	18.693	22.392	25.589	23.737	24.967	30.306	27.474	27.824	26.701
ratio	2,59	1,52	0,50	0,54	1,96	1,77	1,00	0,81	1,69

Source: IVASS

3.1.1 - Life products

Traditional policies accounted for 78% of all the individual products (74% in 2012), whilst so-called financial products, i.e. unit and index linked policies, accounted for 19% (21% in 2012).

Table I.9 - Life assurance - individual policies - Premium income by type of product (Italian direct business)

		(million euro)				
		2004	2005	2006	2007	2008
increasing benefits policies	class I	27.762	31.237	29.391	23.494	26.445
	class V	6.623	8.575	5.522	2.267	1.465
total increasing benefits		34.385	39.812	34.913	25.761	27.910
annual % variation		-	15,8%	-12,3%	-26,2%	8,3%
incidence of increasing benefits policies over total individual policies		57%	59%	55%	46%	58%
unit-linked policies	class III	12.157	12.967	14.252	14.964	10.439
	class V	605,1	374,4	10,1	16,7	2,7
index-linked policies	class III	12.564	13.411	13.111	14.075	8.060
	class V	84,9	0,04	-	-	-
total "financialised" policies		25.411	26.752	27.373	29.056	18.501
annual % variation		-	5,3%	2,3%	6,1%	-36,3%
incidence of "financialised" policies over total individual policies		42%	40%	43%	52%	38%
total individual policies *		60.344	67.256	63.412	55.913	48.440

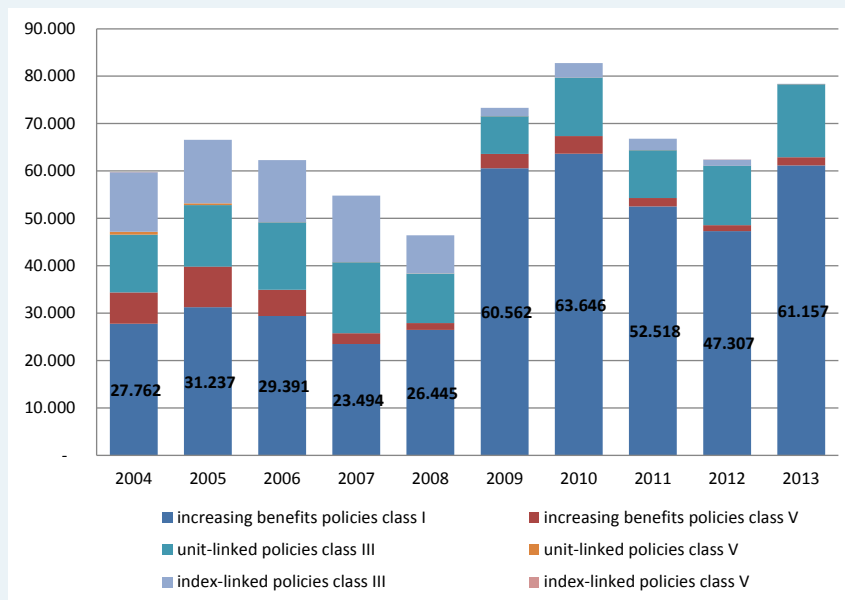
		2009	2010	2011	2012	2013
increasing benefits policies	class I	60.562	63.646	52.518	47.307	61.157
	class V	3.049	3.710	1.788	1.268	1.735
total increasing benefits		63.611	67.356	54.306	48.575	62.892
annual % variation		127,9%	5,9%	-19,4%	-10,6%	29,5%
incidence of increasing benefits policies over total individual policies		85%	79%	78%	74%	78%
unit-linked policies	class III	7.925	12.339	10.097	12.496	15.383
	class V	12,4	2,6	5,1	1,6	1,1
index-linked policies	class III	1.773	3.058	2.385	1.291	120
	class V	-	0,01	-	66,7	-
total "financialised" policies		9.710	15.399	12.487	13.856	15.505
annual % variation		-47,5%	58,6%	-18,9%	11,0%	11,9%
incidence of "financialised" policies over total individual policies		13%	18%	18%	21%	19%
total individual policies *		74.652	85.569	69.340	65.274	80.459

* Until 2009 the total individual policies did not contain class VI, for it was not available; class VI has been included since 2010

Source: IVASS

In contrast to 2012, a year when only investments in financial policies and pensions funds held, as well as, to a residual extent, those linked to situations of dependency in the event of illness or accident (long term care), during 2013 insurance savings once again focused on with-profit policies , returning to stand at the 2009 and 2010 levels in nominal terms.

**Graph I.14 - Breakdown of individual policies
(million euro)**



Source: IVASS

Table I.10 shows the return profile of the segregate funds compared with the return on benchmark ten-year BTPs (long-term treasury bonds), as developing during the financial crisis:

Table I.10 - Return on separately managed accounts *

	2008	2009	2010	2011	2012
gross average return on separately managed accounts	4,34%	4,03%	3,87%	3,84%	3,87%
10-year guiding return (long-term Treasury bonds)	4,47%	4,01%	4,60%	6,81%	4,54%
Average rate of return of government bonds	4,47%	4,01%	4,04%	5,42%	4,54%
Guaranteed maximum rate of interest	3,25%	3,25%	3,25%	4,00%	4,00%
<i>* separately managed accounts in euro</i>					

Source: IVASS

3.1.2 - The distribution of life business

Banks and post offices continued to be the most used distribution channel in the life sector during 2013, with an increasing incidence compared to the previous year, of nearly 10 percentage points (59.1%; 48.6% in 2012). This was mainly due to the pick up in savings vis-à-vis traditional policies, which reported an increase in business of 29.5%. The trend towards expansion of the channel is partly attributable to the importance undertaken by the phenomenon of “bancassurance” (operational integration between banks and insurance companies), characterising the reduction of the direct offer of insurance throughout Italy.

Vice versa, the distribution of life products by financial promoters dropped (16.7% in 2013; 23.3% in 2012), with an approximate 12% decrease in premiums compared to the previous financial year.

The agency channel also reported a drop, passing from 26.6% in 2012 to 23% in 2013; this decrease was seen in particular in class I products (23.6%; 27.7% in 2012), while in class III premium income once again started to rise, after two years of falling, however remaining lower than the 2010 level (6.1%; 5.5% in 2012). On a more general note, the channel is subject to remuneration anchored to volumes sold and the selection of the risks.

Table I.11 - Distribution channels life business 2013 (%)										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
banks and post offices	59,2%	61,4%	59,5%	58,0%	53,7%	58,8%	60,3%	54,7%	48,6%	59,1%
agencies	30,0%	29,5%	30,7%	31,0%	34,3%	23,7%	22,6%	25,6%	26,6%	23,0%
financial promoters	9,2%	7,5%	8,3%	9,0%	10,1%	16,3%	15,8%	18,3%	23,3%	16,7%
direct sales and brokers	1,6%	1,6%	1,5%	2,0%	1,9%	1,2%	1,3%	1,4%	1,5%	1,2%

Source: IVASS

3.2 - Non-life business

In 2013 non-life premium income (Italian direct business) dropped once again (-4.9%), after the decrease of 2.6% in 2012, mainly due to motor insurance (-7.7%), which represents 55.3% of premium income in the non-life segment of Italian direct business.

Table I.12 - Non-life premium income (premiums written of Italian direct business)

(ml. euro)						
Sector	Insurance class	2012	%	2013	%	Δ%
Health sector	Accident	2.976.183	8,4%	2.957.572	8,8%	-0,6%
	Sickness	2.136.348	6,0%	2.069.913	6,1%	-3,1%
	Total	5.112.531	14,4%	5.027.485	14,9%	-0,4%
Motor insurance	Motor liability	17.541.878	49,5%	16.230.275	48,2%	-7,5%
	Liability for ships	34.123	0,1%	32.432	0,1%	-5,0%
	Land vehicles	2.648.499	7,5%	2.413.240	7,2%	-8,9%
	Total	20.224.500	57,1%	18.675.947	55,4%	-7,7%
Transport	Railway rolling stock	8.562	0,0%	3.813	0,0%	-55,5%
	Aircraft	36.727	0,1%	22.376	0,1%	-39,1%
	Ships	259.019	0,7%	244.105	0,7%	-5,8%
	Goods in transit	213.670	0,6%	187.025	0,6%	-12,5%
	Aircraft liability	18.846	0,1%	13.697	0,0%	-27,3%
	Total	536.824	1,5%	471.016	1,4%	-12,3%
Property sector	Fire and natural forces	2.306.491	6,5%	2.283.687	6,8%	-1,0%
	Other damage to property	2.610.941	7,4%	2.663.338	7,9%	2,0%
	Financial loss	459.900	1,3%	456.781	1,4%	-0,7%
	Total	5.377.332	15,2%	5.403.806	16,0%	0,5%
General liability	General liability	2.939.133	8,3%	2.847.890	8,5%	-3,1%
Credit/Suretyship	Credit	84.372	0,2%	85.480	0,3%	1,3%
	Suretyship	387.508	1,1%	379.287	1,1%	-2,1%
	Total	471.880	1,3%	464.767	1,4%	-1,5%
Legal expenses/Assistance	Legal expenses	278.425	0,8%	290.969	0,9%	4,5%
	Assistance	472.778	1,3%	505.114	1,5%	6,8%
	Total	751.203	2,1%	796.083	2,4%	6,0%
Total Non-life		35.413.403	100,0%	33.686.994	100,0%	-4,9%

Source: IVASS

Premium income in the health and property segments is stable (respectively -0.4% and +0.5%), while that of the general liability insurance class is down slightly (-3.1%); an increase was seen for the legal protection and assistance insurance classes taken together (+0.6%). There was a reduction in premium income for the motor liability insurance class, of -7.5%, which in 2013 represents 48.3% of all the non-life insurance classes (49.6% in 2012). The sickness insurance class was down (-3.1%), while accident insurance remained stable.

3.2.1 - The distribution of non-life business

Table I.13 shows the times series of the composition of the distribution of the non-life insurance classes by channel. With respect to 2012, the portion of premium income earned via the agency channel disclosed a drop of around one percentage point (83.2% in 2013), while the sale of policies via brokers and via the banking channel came to 7.7% and 3.6% of the total respectively, with less than 0.2% of the business via financial promoters. The incidence of other forms of direct sales progressively increased (5.5%).

During the ten-year period 2004-2013, the progressive albeit slow growth of the direct sales channels, bank branches and financial promoters was seen, eroding the share of the agency channel.

Table I.13 - Distribution channels non-life business (%)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
agencies	87,6%	87,1%	87,1%	87,0%	86,4%	85,1%	84,4%	83,7%	84,1%	83,2%
brokers	7,7%	7,6%	7,3%	7,0%	7,5%	8,4%	8,0%	8,0%	7,4%	7,6%
direct sale	3,6%	3,9%	3,9%	4,0%	3,8%	3,9%	4,1%	4,7%	5,2%	5,5%
banks and financial promoters	1,1%	1,4%	1,7%	2,0%	2,3%	2,7%	3,5%	3,6%	3,3%	3,7%

Source: IVASS

4. - The financial position

The extraordinary accounting measures on the valuation of securities and the solvency calculation, launched in 2008 by decree-law n. 185/2008, were also in force in 2013 and were extended to the implementation of the Solvency II directive; their application was limited solely to debt securities issued or guaranteed by EU States.

During 2013, recourse to these measures was almost completely exhausted in terms of the number of undertakings concerned and, consequently, also market share. Going into details:

- there were 2 undertakings concerned (1 life assurance and 1 non-life insurance) belonging to the same group (9 groups in 2012), for a marginal market share of 0.6% of premiums of the Italian direct insurance portfolio (2012: 12 undertakings, of which 6 pursued life assurance and 6 non-life insurance, representing a market share of 2.1%; 69, 25 and 9 undertakings, respectively, in 2011, 2010 and 2009).
- the gross provision unavailable for distribution, as per the anti-crisis measures, emerged as having an even more negligible amount (1.2 million euro) in 2012 (34.2 million euro) with practically nil effects on the insurance market in 2013. The provision unavailable for distribution, net of tax charges (around 93% pertaining to the life business) was 0.8 million euro (22.3 million euro in 2012). The whole of this provision consisted of profits (only 18% in 2012), without therefore availing of available profit provisions (67% in 2012) or profits for subsequent years (15% in 2012).

The values shown hereinafter in the report take into account the effects - now no longer significant in terms of quantity - of the anti-crisis measures, except where otherwise specified.

4.1 - Assets and investments

At the end of 2013, the volume of investments for the whole insurance market (excluding reinsurance undertakings) was equal to 562.9 billion euro, divided up, with regard to 86% (483.9 billion euro) into life business and the rest 14% (79.0 billion euro) in non-life business. The investments were up by 6.8% when compared with the previous year.

Investments relating to just class C, where the risk is borne by life undertakings, went from 353.7 billion euro in 2012 to 387.0 billion euro in 2013, with an increase of 9.4% on 2012.

The overall investment of the life and non-life business in bonds and other fixed-income securities accounted for 78.1% (unchanged with respect to 2012), with an increase in equivalent value of 8.5%.

The shares in the portfolio increased by 14.6% compared to the previous year (-6.7% in 2012), raising the related incidence on the total investments from 11.6% in 2012 and 12.3% in 2013.

The presence of the real estate sector fell slightly (incidence passed from 1.6% in 2012 to 1.4% in 2013), while that of unit trusts and SICAVs rose slightly (5.6% in 2013, 5.3% in 2012).

Table I.14 below shows the trend in the composition of investments (except those where the risk is borne by policyholders) in the financial years from 2006 to 2013.

Table I.14 - Life (class C) and non life investments								
	(million euro)							
	2006	2007	2008	2009	2010	2011	2012	2013
real estate	1,7%	1,9%	2,0%	1,8%	1,6%	1,7%	1,6%	1,4%
shares	16,4%	17,1%	17,3%	16,0%	14,0%	13,2%	11,6%	12,3%
bonds	74,1%	72,0%	71,4%	73,5%	75,8%	76,6%	78,1%	78,1%
units in unit trusts and SICAVs	3,5%	4,6%	4,6%	4,6%	4,8%	5,2%	5,3%	5,6%
other investments	4,2%	4,5%	4,7%	4,1%	3,8%	3,3%	3,4%	2,7%
total investments	337.694	329.075	317.696	372.268	404.870	412.472	429.454	466.128

Source: IVASS

In the life business, investment in bonds remained high: it increased by 9.1% (323 million euro in 2012; 296 million euro in 2013), remaining stable in terms of incidence over total life business investments, 83.4% in 2013.

The incidence of the share market increased from 7.2% in 2012 to 7.7% in 2013, while that of investments in unit trusts and SICAVs grew slightly (5.7% in 2013; 5.4% in 2012).

Table I.15 - Life (class C) investments								
	(million euro)							
	2006	2007	2008	2009	2010	2011	2012	2013
real estate	0,4%	0,4%	0,5%	0,4%	0,3%	0,3%	0,2%	0,1%
shares	10,4%	11,0%	10,5%	10,0%	8,8%	8,0%	7,2%	7,7%
bonds	80,9%	79,0%	78,5%	79,8%	81,6%	82,4%	83,7%	83,4%
units in unit trusts and SICAVs	3,3%	4,5%	4,8%	4,8%	4,9%	5,3%	5,4%	5,7%
other investments	5,1%	5,0%	5,7%	5,0%	4,4%	4,1%	3,5%	3,1%
total investments	258.860	251.185	241.225	293.616	330.429	338.436	353.734	387.071

Source: IVASS

The investments relating to index-linked and unit-linked products and those deriving from the management of pension funds (whose risk is borne by the policyholder - class D) which amounted, at the end of 2013, to 96.8 billion euro (97.5 billion euro in 2012), showed a decrease equal to 0.7% after a reduction of 1.4% in the previous year. Going into details, 90.3% of those investments refer to benefits related to unit-linked and index-linked products, and the remaining 9.7% to investments deriving from pension fund management.

As to the non-life business, in 2013 investments in bonds reached 51.7% (52% in 2012). The incidence of the investments in shares and participations increased, going from 32.4% in 2012 to about 35% in 2013, while those in unit trusts and units in SICAVs reported a slight increase (4.6% in 2012; 4.8% in 2013). The investment in real estate registered an overall decrease of 4.3%, after an increase of 4.8% in 2012, with an incidence over the total non-life business of 7.5% (8.2% in 2012).

Table I.16 - Non-life investments

	(million euro)							
	2006	2007	2008	2009	2010	2011	2012	2013
real estate	6,1%	6,0%	6,7%	6,8%	7,5%	8,0%	8,2%	7,5%
shares	36,2%	36,0%	38,4%	38,1%	37,1%	35,8%	32,4%	35,0%
bonds	52,0%	49,0%	48,8%	50,0%	49,9%	50,4%	52,0%	51,7%
units in unit trusts and SICAVs	4,2%	5,0%	3,8%	4,1%	4,2%	4,6%	4,6%	4,8%
other investments	1,5%	4,0%	2,3%	1,0%	1,3%	1,2%	2,7%	1,0%
total investments	78.834	77.890	76.471	78.652	74.441	74.037	75.720	79.057

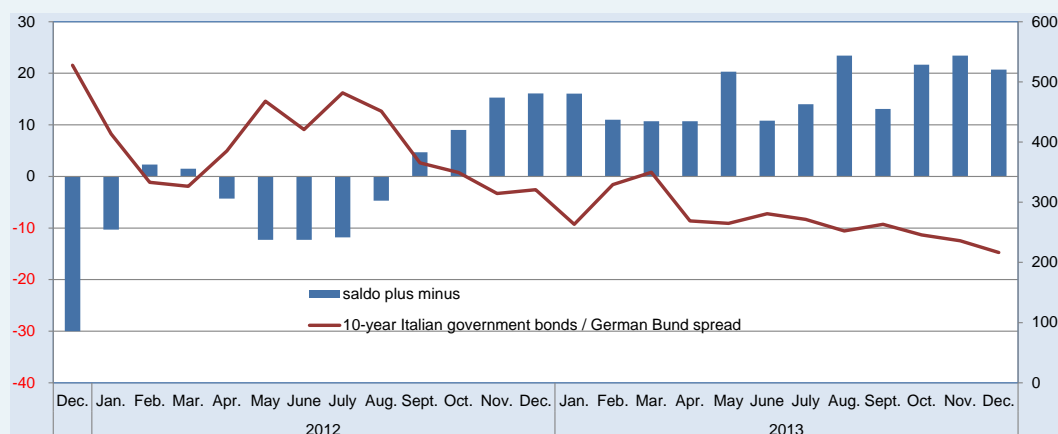
Source: IVASS

Monitoring of investments (gain-loss balance)

Graphs I.15 and I.16 show the performances of hidden capital gains/losses respectively in the class C investments and in investments linked to segregate funds, compared with the trend in the rate spreads of Italian 10-year government securities.

The graph discloses the continual positive balance between hidden capital gains and losses due in particular to the downward trend of the spread on Italian government securities - around 217 base points as of 30 December 2013, at the lowest levels since the start of the year - which started to be registered as from August 2012 - and which seems to have consolidated in 2013.

Graph I.15 – Performance of hidden capital gains/losses -total class C investments and the spread on Italian 10-year government securities (billion euro)

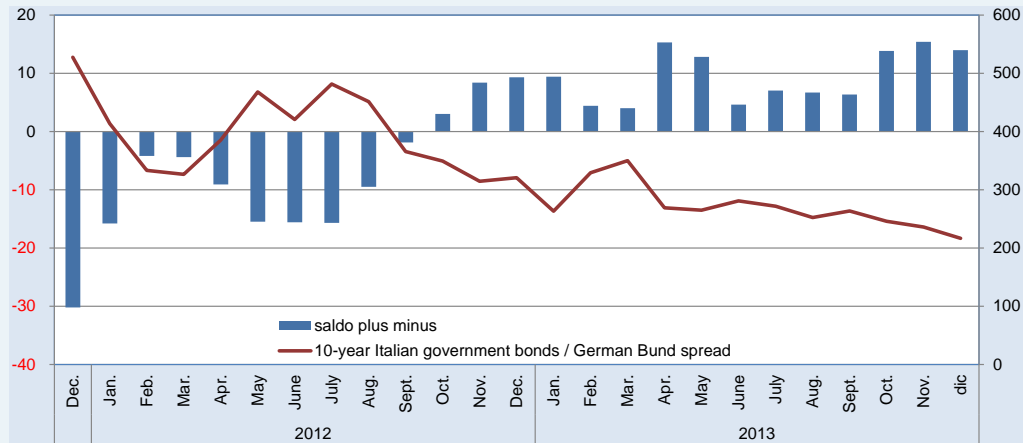


Source: IVASS

During 2013, hidden net capital gains increased by more than 6 billion euro in class C investments, passing from 15 to 21 billion euro.

Hidden net capital gains increased by more than 5 billion euro in segregate funds, passing from 9 billion euro at the end of 2012 to more than 14 billion euro at the end of last year.

Graph I.16 – Performance of hidden capital gains/losses - total segregate funds and the spread on Italian 10-year government securities (billion euro)



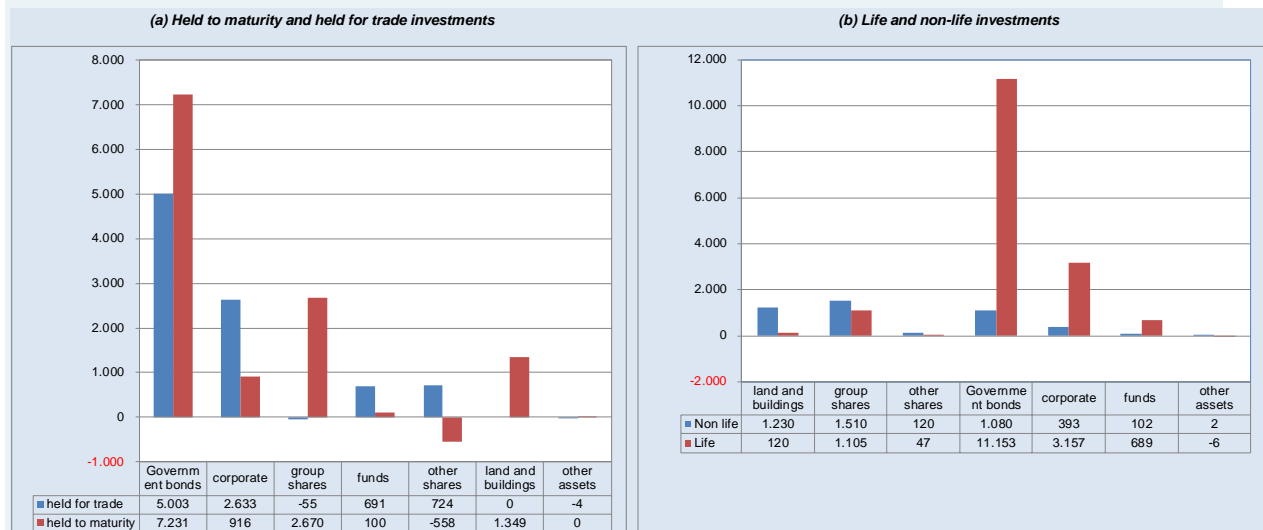
Source: IVASS

At the end of 2013, 57% of the net capital gains relating to class C investments was attributable to fixed assets.

In terms of profitability, 19% of the overall hidden losses - just over 970 million of the 3.8 billion euro - concern current assets.

Net capital gains on class C investments were concentrated on Government securities and corporate bonds for life undertakings and on shares and real estate for non-life undertakings.

Graph I.17 - Hidden capital gains balance on class C investments (million euro)



Source: IVASS

4.1.1 - Assets covering technical provisions

For the life and non-life insurance, assets representing item C technical provisions increased by about 7.4% (426,634 million euro). As to the composition of securities representing technical provisions (class C) at the end of 2013¹¹ undertakings continued to show their interest in debt securities, whose incidence over the total investments covering technical provisions, equal to 83.2% in 2013 remained high (82.3% in 2012).

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
government bonds	152.523	168.089	180.780	161.111	141.716	173.377	204.617	221.787	241.326	265.460
bonds	47.533	58.316	61.449	70.344	81.274	93.275	96.841	88.848	85.488	89.632
shares	17.608	21.784	22.038	23.671	19.986	20.137	18.008	15.534	12.704	12.233
harmonised UCITS	8.038	8.156	8.481	10.989	9.754	10.897	11.239	13.357	12.277	15.756
real estate	7.686	9.155	9.616	10.125	11.941	12.209	14.023	15.414	15.263	15.353
credits	10.417	9.525	9.833	9.979	12.763	11.962	11.680	12.652	12.899	11.583
deposits	3.345	4.043	4.471	4.029	8.681	6.209	5.716	10.565	10.280	9.643
alternative investments	-	-	-	123	323	851	1.158	1.186	1.291	1.445
other assets	668	709	841	731	639	544	516	530	490	467
other categories	3.585	3.949	3.805	3.627	4.746	5.359	6.708	5.290	5.136	5.062
total assets	251.404	283.727	301.313	294.727	291.823	334.819	370.508	385.163	397.153	426.634

Source: IVASS

4.1.2 - The portfolio of debt securities

The portfolio of debt securities registered in 2013 an increase in listed and non listed Government bonds (about 10%), with an incidence over the total assets of 62.2% (60.8% in 2012). In life business and in non-life business, this category of securities represented 75.8% and 66.6%, respectively, of the total debt securities (74.7% and 67% in 2012).

The presence of corporate bonds increased by 4.8% after a drop of 3.8% in the previous year; the percentage of these bonds over the total debt securities however fell from 26.2% in 2012 to 25.2% in 2013 (respectively 21% and 21.5% with respect to the total representative assets).

¹¹ The figures shown are based on the information relating to representative assets as at the IVth quarters 2012 and 2013.

Table I.18 - Debt securities representing technical provisions

(million euro)								
Life and non-life		2006		2007		2008		2009
Representative assets	Amounts	inc. % over total debt securities	Amounts	inc. % over total debt securities	Amounts	inc. % over total debt securities	Amounts	inc. % over total debt securities
Listed Government bonds	179.383	75,6%	159.641	69,0%	140.110	62,8%	171.831	64,4%
Unlisted Government bonds	1.397	0,6%	1.470	0,6%	1.606	0,7%	1.546	0,6%
Total	180.780	76,2%	161.111	69,6%	141.716	63,5%	173.377	65,0%
Listed bonds	53.531	22,6%	64.855	28,0%	76.903	34,5%	88.452	33,2%
Unlisted bonds	2.918	1,2%	5.489	2,4%	4.386	2,0%	4.823	1,8%
Total	56.449	23,8%	70.344	30,4%	82.289	36,9%	93.275	35,0%
Total debt securities	€237.229	100%	€231.455	100%	€223.005	100%	€266.652	100%
Total representative assets	€301.313	-	€294.727	-	€291.823	-	€334.819	-

Life and non-life		2010		2011		2012		2013
Representative assets	Amounts	inc. % over total debt securities	Amounts	inc. % over total debt securities	Amounts	Inc. % si tot. titoli di debito	Amounts	inc. % over total debt securities
Listed Government bonds	202.406	67,1%	219.428	70,6%	236.533	72,4%	262.997	74,1%
Unlisted Government bonds	2.211	0,7%	2.359	0,8%	4.793	1,5%	2.462	0,7%
Total	204.617	67,9%	221.787	71,4%	241.326	73,8%	265.460	74,8%
Listed bonds	91.555	30,4%	82.490	26,6%	80.002	24,5%	85.891	24,2%
Unlisted bonds	5.286	1,8%	6.359	2,0%	5.487	1,7%	3.732	1,1%
Total	96.841	32,1%	88.849	28,6%	85.488	26,2%	89.623	25,2%
Total debt securities	€301.458	100%	€310.636	100%	€326.814	100%	€355.083	100%
Total representative assets	€370.508	-	€385.163	-	€397.153	-	€426.634	-

Source: IVASS

The portfolio breakdown of debt securities based on the interest rate type showed a consolidation of the propensity to fixed-income securities (increase of 10%, including zero coupon bonds), whose incidence over the total investment in bonds was 86% in 2013 (85% in 2012; 82.4% in 2011; 79.8% in 2010).

Fixed-income securities increased especially in the life business - where the equivalent value increased by 10.5% compared to 2012, with an incidence over debt securities of 87.4% (86.3% in 2012); with regard to non-life business, there was an increase in equivalent value in fixed-income securities of around 4.6% when compared with 2012, with an incidence over the debt securities of 74.4% (74.9% in 2012).

Table I.19 - Securities by type of rate - Life and Non-life (% over total)

Category	2006	2007	2008	2009	2010	2011	2012	2013
fixed rate	70,3%	69,9%	70,6%	73,6%	75,0%	77,1%	79,4%	80,5%
zero coupon	3,5%	3,6%	3,6%	5,1%	4,9%	5,2%	5,7%	5,5%
Fixed-income total	73,8%	73,5%	74,2%	78,7%	79,9%	82,4%	85,0%	86,0%
Variable	26,2%	25,9%	25,2%	21,0%	19,8%	17,2%	14,7%	13,7%

Source: IVASS

Tables I.20 and I.21 show the breakdown by residual maturity of fixed-income securities in the portfolio.

Tavola I.20 - Titoli per vita residua - gestione vita								
Durata	2006	2007	2008	2009	2010	2011	2012	2013
> 5 anni	50,3%	56,3%	56,1%	55,9%	57,3%	53,3%	54,8%	59,1%
tra 2 e 5 anni	18,6%	18,1%	19,1%	23,8%	21,9%	23,0%	19,6%	19,5%
< 2 anni	31,1%	25,6%	24,8%	20,3%	20,9%	23,7%	25,6%	21,4%

Tavola I.21 - Titoli per vita residua - gestione danni								
Durata	2006	2007	2008	2009	2010	2011	2012	2013
> 5 anni	35,5%	32,3%	34,3%	33,5%	28,6%	27,5%	35,6%	45,6%
tra 2 e 5 anni	19,2%	18,6%	23,3%	28,4%	27,6%	31,7%	25,1%	23,8%
< 2 anni	45,3%	49,1%	42,4%	38,1%	43,8%	40,8%	39,3%	30,6%

Source: IVASS

The figures reveal, both for the life and non-life classes, an increase in the incidence of the longer maturities.

In detail, in the life business, securities with longer maturities (more than 5 years) accounted for the largest portion, that is 59%, up by nearly 4 percentage points compared to the prior year. The incidence of securities with an intermediate maturity of between two and five years was by contrast stable (from 19.5% to 19.6%), the amount of which increased by 10%; by contrast, the incidence of those with a shorter maturity, whose amount recorded a decrease of 7% compared to 2012, fell (from 25.6% to 21.4%).

Again with regard to non-life business, there was a sharp increase in the incidence of securities with a residual duration of more than five years (45.6% in 2013, greater by 10 percentage points with respect to the previous year), while the incidence of securities with intermediate durations fell (25.1% in 2012; 23.8% in 2013) and in particular that of securities with a residual duration of less than two years (39.3% in 2012; 30.6% in 2013).

Mini bonds

ISVAP Regulation n. 36/2011, implementing Italian decree-law Destinazione Italia, recently admitted so-called mini bonds as cover for technical provisions, or rather securities issued by unlisted companies and their possible securitisations.

The sector of the Italian undertakings, in fact, since it is characterised by a heavy dependency on bank lending and scant access to funding both on the capital market and via corporate bonds, has been affected by the trend in the spread with respect to the so-called "core" European countries in the cost of bank lending, which remains high despite borrowing costs being supported by the monetary policies at all-time lows.

The offer of mini bonds derives from the issue of securities and their eventual securitisation. These securities however feature reduced liquidity, lack a rating and are not listed on a regulated market¹².

The potential absorption capacity of the insurance market is around 25 billion for mini bonds and securitisations, equal to the limit of 3% reserved for each of the two categories of investments covering technical provisions.

4.2 - The financial position: the solvency margin

As at 31 December 2013, the overall life and non-life technical provisions amounted to 530.9 billion euro (504.1 billion euro at the end of 2012). Going into details:

¹² In this connection, the Italian Stock Exchange has launched a specific dedicated trading platform (Extra-MOT-Pro).

- in life business the total technical provisions were equal to 466.1 billion euro (437.3 billion euro in 2012), with an incidence of traditional provisions equal to 79.3% (the remaining 20.7% regarded provisions for unit- and index-linked contracts);
- in non-life business, technical provisions were 64.8 billion euro (66.8 billion euro in 2012), 76.3% of which were provisions for claims outstanding.

At the end of 2013, the equity amounted to 63.9 billion euro (54.3 billion euro in 2012)¹³. Undertakings' own funds amounted to 57.1 billion euro. Going into details, capital provisions represented 76% of undertakings' own funds, while the remaining 24% was undertakings' corporate capital and endowment and guarantee funds.

The solvency margin¹⁴

The following table shows the solvency margin to be established and that existing according to current regulations, divided up into life and non-life business, in the last five years.

Table I.22 - Life and non-life solvency margin															
															(million euro)
	2009			2010			2011			2012			2013		
	Owned (a)	Minimum required (b)	Solvency ratio (a/b)	Owned (a)	Minimum required (b)	Solvency ratio (a/b)	Owned (a)	Minimum required (b)	Solvency ratio (a/b)	Owned (a)	Minimum required (b)	Solvency ratio (a/b)	Owned (a)	Minimum required (b)	Solvency ratio (a/b)
Non-lif	19.236	6.758	2,85	19.018	6.599	2,88	18.465	6.786	2,72	18.542	6.748	2,75	16.227	6.348	2,56
Life	26.578	13.444	1,98	27.362	14.668	1,87	26.825	15.400	1,74	31.624	15.980	1,98	29.019	16.581	1,75
Total	45.813	20.202	2,27	46.380	21.267	2,18	45.290	22.186	2,04	50.166	22.728	2,21	45.247	22.930	1,97

Source: IVASS

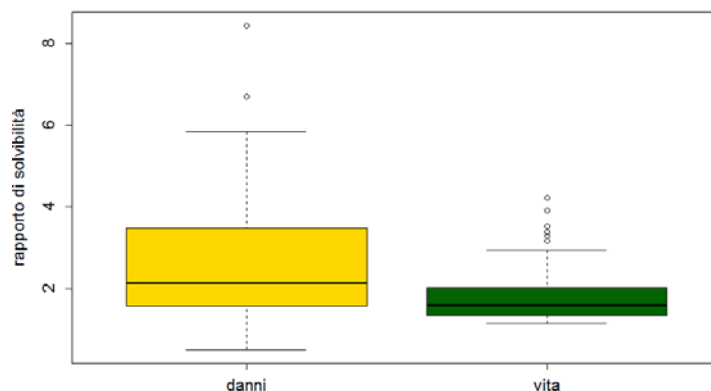
The surplus with respect to the margin to be established amounted to 12.4 billion euro in the life business, equal to a coverage ratio of 1.75 (1.98 in 2012), and to 9.9 billion euro in the non-life business, for a coverage ratio of 2.56 (2.75 in 2012).

Graph I.18 shows the illustrative statistics of the solvency situation at the end of 2013.

¹³ The considerable increase in equity reported by the market in 2013 (equal to around 9,600 million euro) was essentially due to the revaluation of assets originating within the sphere of the corporate reorganisation of the Generali Group.

¹⁴ The figures on the margin do not include Assicurazioni Generali S.p.A. since following the corporate reorganisation transaction, in concurrence with the almost complete transfer of the portfolio and the considerable equity revaluation, an anomalous solvency ratio was registered, not significant economically.

Graph I.18 - Solvency ratio by segment



Source: IVASS

The figures highlight how with regard to the non-life business, half of the undertakings stand at values lower than or equal to 2.1, while with regard to life business the values are lower than or equal to 1.6.

The solvency broken down by size-related brackets according to premium income, separately into life and non-life business, materialises as shown in tables I.23 and I.24.

Table I.23 - Solvency index by size of premium income - life undertakings

	2009		2010		2011		2012		2013	
Premium income (ml €)	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio
>260	43	1,97	48	1,86	39	1,70	33	1,94	39	1,74
between 103	13	1,99	11	1,95	14	3,06	18	2,58	11	1,97
>103	22	2,07	16	1,83	18	1,52	15	1,98	13	2,08
Total	78	1,98	75	1,87	71	1,74	66	1,98	63	1,75

* life business of life assurance and composite undertakings

Source: IVASS

Table I.24 - Solvency index by size of premium income - non-life undertakings

	2009		2010		2011		2012		2013	
Premium income (ml €)	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio	Number of undertakings*	Solvency ratio
>260	25	2,93	26	2,98	23	2,82	23	2,81	21	2,56
between 103	18	1,95	16	1,62	18	1,65	16	1,71	15	1,97
>103	67	2,72	62	3,01	59	2,58	56	3,03	55	3,28
Total	110	2,85	104	2,88	100	2,72	95	2,75	91	2,56

* non-life business of non-life insurance, composites and life assurance undertakings (bodily injury risks)

Source: IVASS

5. – The progress achieved in the economic financial management

In 2013 insurance undertakings recorded an overall positive result, equal to about 5.2 billion euro (2012: profit of 5.8 billion euro), equal to gross premiums written of 4.4% (5.3% in 2012).

Both sectors ended the year in profit. In particular:

- in the life business, a profit for the year of 3.1 billion euro was reported in 2013, lower than that in the previous year when it came to 5.1 billion euro, equal to 3.6% of gross premiums written (7.4% in 2012);
- in the non-life business, a significant improvement was reported with regard to the profit or loss for the financial year, equal to 2.1 billion euro (2012: profit of 640 billion euro), equal to 6.3% of gross premiums written for the sector (1.8% in 2012).

Table I.25 - Profit or loss for the financial year life and non-life business										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
non-life business	2.544	2.828	2.430	2.802	-167	63	-998	-1.016	640	2.133
as % of premiums	7,2%	7,8%	6,5%	7,4%	-0,4%	0,2%	-2,8%	-2,8%	1,8%	6,3%
life business	2.519	2.866	2.686	2.490	-1.813	3.807	296	-2.636	5.129	3.093
as % of premiums	3,8%	3,9%	3,9%	4,1%	-3,3%	4,7%	0,3%	-3,6%	7,4%	3,6%
life and non-life business	5.063	5.694	5.116	5.292	-1.980	3.870	-702	-3.652	5.770	5.226

Source: IVASS

With regard to the profitability of the insurance sector, table I.26 discloses the 10-year time series of the ROE.

Table I.26 - ROE - life and non-life business										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
non-life business	12,7%	11,8%	10,4%	13,7%	-0,9%	0,3%	-4,8%	-5,1%	3,1%	8,3%
life business	10,4%	10,7%	10,2%	9,9%	-8,3%	12,7%	1,0%	-9,3%	15,2%	8,1%
total	11,5%	11,2%	10,3%	11,6%	-4,8%	7,5%	-1,4%	-7,6%	10,6%	8,2%

Source: IVASS

The ROE in 2013 overall remained abundantly positive (8.2%), even if down with respect to 2012 (10.6%). Both with regard to life and non-life business, the ROE was close to 8% (in 2012, 3.1% for non-life business and 15.2% for life business).

5.1 - Life business

In 2013, the life business (Italian and foreign portfolio, direct and indirect) disclosed a positive balance on the technical account of 3.3 billion euro (2012: 6.9 billion euro). The profit or loss for the financial year benefited from the strong recovery in the balance on the technical account. Table I.27 shows the 2004-2013 time series of the profit and loss account.

Table I.27 - Scalar profit and loss account - life business - (domestic undertakings and branches of non-EU undertakings)*
(Italian and foreign portfolio – insurance and reinsurance business)

	(million euro)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premiums for the financial year (net ceded)	65.890	73.788	70.815	61.554	54.829	81.409	90.592	74.368	70.376	85.756
Investment income net of charges	8.972	10.042	10.397	10.030	4.785	12.554	9.279	6.404	18.248	15.372
Income and gains (unrealised)	6.237	8.882	3.858	-346	-14.965	13.029	4.574	-2.801	9.197	4.861
Other technical items	459	643	615	438	154	-88	-146	-240	-322	-392
Claims charges	-34.557	-43.942	-58.913	-74.376	-65.684	-57.342	-66.999	-74.177	-75.296	-66.999
Variation of technical provisions item C	-23.006	-28.907	-15.364	7.362	2.038	-40.865	-37.359	-15.794	-9.996	-30.431
Variation of technical provisions item D	-16.822	-12.454	-3.197	2.735	20.468	-109	5.030	13.150	-129	292
Operating expenses	-3.978	-4.383	-4.979	-4.744	-4.111	-4.169	-4.399	-3.961	-3.521	-3.687
Return transferred to the non-technical account	-1.127	-1.179	-1.238	-980	-462	-1.177	-839	-265	-1.626	-1.441
TECHNICAL ACCOUNT PROVISION	2.069	2.490	1.995	1.672	-2.948	3.242	-266	-3.316	6.931	3.332
Return transferred from the technical account	1.127	1.179	1.238	980	462	1.177	839	265	1.626	1.441
Other income (net of charges)	-410	-299	-201	-395	-913	-83	-578	-603	-627	-827
PROFIT OR LOSS ON ORDINARY BUSINESS	2.786	3.370	3.032	2.257	-3.399	4.336	-5	-3.654	7.930	3.945
Extraordinary income (net of charges)	531	258	303	650	427	807	396	93	-29	845
Tax on profit or loss	-797	-763	-649	-417	1159	-1336	-96	925	-2.772	-1.697
PROFIT OR LOSS FOR THE FINANCIAL YEAR	2.520	2.865	2.686	2.490	-1.813	3.807	296	-2.636	5.129	3.093

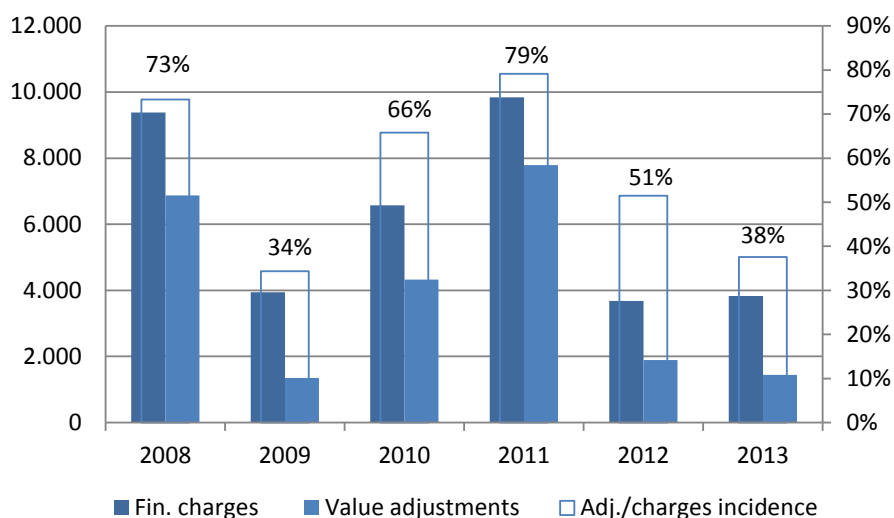
* specialist reinsurers excluded

Source: IVASS

The figures reveal that in 2013 total premium income reported sharp growth equal to around 22%, a net improvement with respect to the drop of 5% in the previous year.

Income from ordinary financial transactions, net of financial charges, also remained stable, standing more or less at the levels achieved in the previous year (15.4 billion euro in 2013; 18.2 billion euro in 2012): in detail, financial charges remained relatively stable, increasing by 4% (3.8 billion euro in 2013, 3.9 billion euro in 2012), with respect to the negative change of 24% in the value adjustments on investments (in 2013, 1.4 billion euro equating to 38% of the charges; in 2012, adjustments for 1.9 billion euro, equal to 51%).

**Graph I.19 - Trend of the financial charges and value adjustments
(million euro)**



Source: IVASS

The claims burden, amounting to around 67 billion euro, was down, compared with the previous year, by around 11 percentage points, with an incidence of around 78% on gross premiums written, thus returning to the levels of 2009 and 2010, equating to approximately 70% and 74%, after having reached and surpassed the par in the last two years (around 100% and 107%).

Going into detail, the claims burden of just the Italian direct portfolio was attributable, for around 60%, to surrenders (63% in 2012) and 32% to capital and annuities accrued (30% in 2012).

In 2013, the expense ratio (operating expenses over premiums for the year) fell to 4.3% (5% in 2012). In particular, acquisition commissions had a 55.8% incidence over operating expenses (53.6% in 2012), the other acquisition costs 18.7% (19.5% in 2012), while the incidence of collection commissions was 6.6% (6.2% in 2012).

The clear pick up in insurance business led, overall, to a greater increase in the mathematical provisions and other class C provisions with respect to the previous year; these in fact reported a negative change in the profit and loss account, equal to more than 30 million euro (around 10 million euro in 2012).

The class D technical provisions, which in the two-year period 2010-2011 were characterised by a sharp drop, respectively of around 5 and 13.2 billion euro (equal to 4.5% and 13% of the class D provisions), did not undergo any significant change in the following two years.

The result from ordinary activities - in 2012 a profit of around 7.9 billion euro - remained positive in 2013 as well, 3.9 billion euro. The ratio between the result on ordinary activities and premiums earned in 2013 almost halved with respect to 2012 (equal to 4.6% in 2013 and 11.4% in 2012).

In conclusion, the extraordinary income, net of charges, recorded a positive balance of 845 million euro (a negative balance of 29 million euro in 2012), bucking the trend with respect to 2012.

5.2 - Non-life business

Table I.28 below provides a summary of the profit and loss account of non-life business overall.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premiums earned	32.251	32.959	33.868	33.992	34.063	33.811	32.458	33.590	33.257	32.246
Return transferred from the non-technical account	2.023	2.093	1.922	2.015	829	2.439	1.095	640	1.660	1.266
Claims charges	-23.287	-23.526	-24.390	-24.217	-25.403	-26.865	-25.106	-25.199	-23.480	-21.317
Other technical items	-598	-563	-638	-633	-723	-680	-662	-588	-651	-586
Variations other Technical provisions	-3,0	-6,4	-6,6	-4,2	0,4	3,0	5,3	0,2	0,5	5,6
Operating expenses	-7.576	-7.875	-8.094	-8.456	-8.462	-8.465	-8.141	-8.322	-8.018	-8.046
Variation of equalisation provisions	-58,0	-20,0	-55,0	6,0	61,0	-16,0	-23,0	-17,6	3,6	-13,9
TECHNICAL ACCOUNT PROVISION	2.752	3.100	2.605	2.702	365	228	-375	106	2.765	3.555
Net investment income	2.804	2.962	2.729	2.914	413	3.378	1.296	-93	1.754	2.091
Return transferred to the technical account	-2.023	-2.093	-1.922	-2.015	-829	-2.439	-1.095	-640	-1.660	-1.266
Other net income	-596	-571	-803	-522	-688	-1.161	-1.185	-948	-1.295	-1.355
PROFIT OR LOSS ON ORDINARY BUSINESS	2.937	3.399	2.610	3.080	-739	6	-1.359	-1.576	1.563	3.025
Extraordinary net income	506	418	640	823	324	33	218	386	1	468
Tax on profit or loss	-899	-990	-820	-1.101	248	-24	143	174	-924	-1.361
PROFIT OR LOSS FOR THE FINANCIAL YEAR	2.544	2.829	2.430	2.802	-167	63	-998	-1.016	640	2.133

* specialist reinsurers excluded

Source: IVASS

The table reveals that the non-life classes recorded a 2.1 billion euro operating profit in 2013 (2012: 640 million euro).

The balance on the technical account disclosed a profit of 3.6 billion euro (2012: 2.8 billion euro), due to the overall reduction, of 9.2%, in the claims burden (which followed the drop of 6.8% in 2012), as well as the contribution of the profit from the non-technical account equal to 1.3 billion euro (1.6 billion euro in 2012).

In fact, ordinary financial operations, thanks to the positive performance of the financial markets, reported net investment income of 2.1 billion euro (2012: 1.8 billion euro), which led to an improvement in the result from ordinary business, amounting to 3 billion euro (2012: 1.6 billion euro).

Also the contribution to the profit or loss for the financial year from extraordinary income, net of charges, amounted to 468 million euro (more or less inexistent in 2012).

The claims frequency for the year remained down: the loss ratio (the ratio between claims burden and premiums earned) decreased further by more than four percentage points, from around 70.6% in 2012 to 66.1% in 2013, despite the drop of 3% in premiums earned.

The operating expenses remained constant, over 8 billion euro, as did their incidence over premiums earned, standing at 25% (24.1% in 2012).

5.2.1 - Motor vehicle liability and liability for ships (sea, lake and river and canal vessels)

In 2013, premiums written in compulsory motor liability and liability for ships classes, amounting to 16.3 billion euro, underwent a drop of 7.5% when compared with 2012, after the pick up of 5% in 2011 and the adjustment of around 1% in 2012. At the end of 2013, this premium income weighed in for 48.3% on non-life business overall.

The distribution of motor liability coverage did not show substantial changes in composition in 2013 and confirmed a slow erosion in the premium income earned through agencies (86.8% in 2013; 91% in 2009) to the benefit of direct sales, inclusive of telephone sales and those via internet (8.1% in 2013; 5.2% in 2009); marketing via other channels in 2013 was by contract more or less stable (brokers: 2.8%; banks and post offices: 1.9%).

Table I.29 summarises the 2013 technical account of motor liability and liability for ships insurance pertaining to the Italian portfolio.

Table I.29 - Scalar profit and Loss Account - motor liability and liability for ships - (domestic undertakings and branches of non-EU undertakings)* (Italian and foreign portfolio – insurance and reinsurance business)										
	(million euro)									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Premiums earned	17.996	18.116	18.350	18.250	17.804	16.999	16.607	17.495	17.697	16.835
Claims incurred	-14.375	-14.284	-14.588	-14.732	-14.672	-15.106	-14.467	-14.791	-13.110	-11.564
(of which claims incurred in the financial year):	-14.561	-14.756	-14.940	-14.794	-14.761	-14.912	-13.865	-13.444	-12.108	-11.544
Balance on other technical items	-228	-210	-231	-226	-290	-267	-244	-202	-272	-249
Operating expenses	-3.169	-3.235	-3.276	-3.346	-3.275	-3.208	-3.116	-3.236	-3.233	-3.159
Technical balance (net of the share of return on investments and of the variation of the equalisation reserve) of direct business	224	386	256	-55	-433	-1.583	-1.221	-735	1.084	1.864
Profit or loss outward reinsurance	-7	-14	39	17	-3	21	-20	-26	-29	-46
Net profit or loss reinsurance	-56,0	-5,0	-3,0	-2,0	-7,0	-48,0	-6,0	3,0	26,0	-7,1
Variation in the equalization provisions	-1	0	-31	30	6	0	0	0	0	0
Part of the investment return transferred from the non-technical account	1.080	1.107	996	967	346	1.228	504	275	802	618
Balance on the technical account net of reinsurance	1.240	1.474	1.257	957	-91	-381	-744	-482	1.883	2.429

* specialist reinsurers excluded

Source: IVASS

The figures indicate that technical balance of direct business in 2013 was positive for 1.9 billion euro (2012: positive for 1.1 billion euro); and thus, also the result of the technical account, net of reinsurance, which closed with a positive balance (2013: 2.4 billion euro, 2012: 1.9 billion euro).

The contribution of the portion of profit of the investments transferred from the non-technical account fell by 22.9% with respect to the amount for the previous year (from 802 million euro in 2012 to 618 million euro in 2013).

Operating expenses were down slightly (-2% to 3.2 billion euro) which improved the result of the class technical account.

The table shows a further improvement also for 2013 in the loss ratio (claims burden over premiums earned), in continual reduction since 2011 (equal to 84.5% compared with 74.1% in 2012) and which came to 68.7%. The incidence of operating expenses for the entire market on premiums written (expense ratio) increased in the year, in the presence of falling premiums, from 18.4% to

19.4% and the combined ratio (loss ratio + expense ratio) consequently fell from 92.5% in 2012 to 88.1%, after having equated to 102.7% in 2011. With regard to the sole generation of claims, the loss ratio showed a slight increase in 2013, from 68.4% to 68.6%, influencing the combined ratio, which rose from 86.8% in 2012 to 88% in 2013 due to the afore-mentioned rise in the expense ratio.

Table I.30 shows the time series of the balance sheet combined ratio and the savings/shortfall index of the provision for outstanding claims both gross and net of the balance of the recoveries at year end. The savings/shortfall ratio gross of the balance of the recoveries indicates the pure sufficiency/insufficiency of the provision for outstanding claims due to the payments and the revaluation of the residual provision at year end. The same index, net, by contrast includes the positive contribution of the recoveries.

The algebraic sum of the balance sheet combined ratio and the savings/shortfall index of the provision for outstanding claims net of the balance of the recoveries leads to the combined ratio relating to the sole generation of occurrence of the claims.

Table I.30 - Performance of the combined ratio and of the balance on the provision for claims outstanding (PCO) over premiums earned										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PCO saving/lack - gross of balance on sums recoverable	-0,1%	1,4%	0,6%	-3,7%	-2,1%	-4,2%	-7,4%	-14,4%	-11,0%	0,7%
PCO saving/lack - net of balance on sums recoverable	1,0%	2,6%	1,9%	0,3%	0,5%	-1,1%	-3,6%	-7,7%	-5,7%	-0,1%
Balance sheet CR	97,4%	96,6%	97,3%	99,1%	101,0%	107,7%	105,5%	102,7%	92,5%	88,1%

Source: IVASS

The figures show for 2013 that the balance of the provision for outstanding claims for the previous years shows a strong improvement compared to 2012, emerging as essentially level with respect to premiums earned.

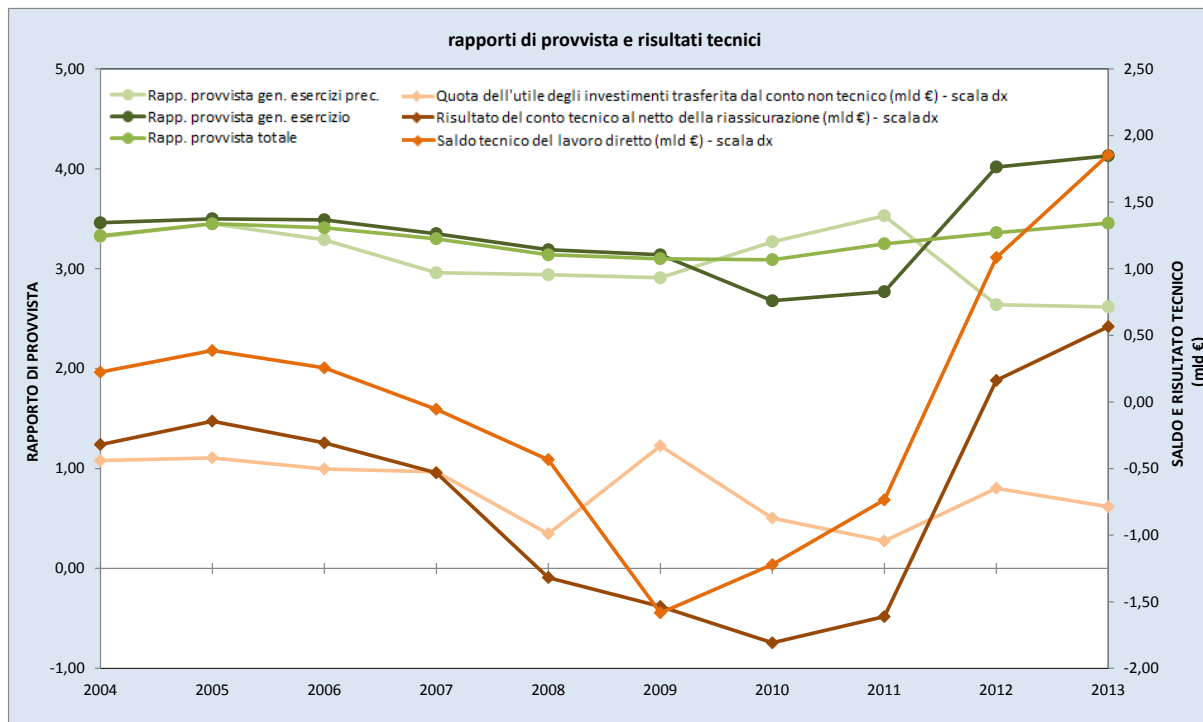
In detail, table I.31 and graph I.20 below illustrate the time series, divided up by the generation relating to the current year and to the previous ones, the performance of the so-called ratio between average reserve/average cost which expresses how many times (in prospect, also considering the time necessary for the payment and any future increase in costs) the average cost of the claims paid in the year would be covered by the estimated average reserved claims on closure of the insurance company's financial statements.

Table I.31 - Average performance										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Previous year gen.	3,32	3,45	3,29	2,96	2,94	2,91	3,27	3,53	2,64	2,62
Financial year gen.	3,46	3,50	3,49	3,35	3,19	3,14	2,68	2,77	4,02	4,13
Total	3,33	3,45	3,41	3,30	3,14	3,10	3,09	3,25	3,36	3,46

* IBNR claims excluded

Source: IVASS

Graph I.20 - Average reserve/average cost ratios and balance on the technical accounts



Source: IVASS

In 2013 the overall ratio between average reserve/average cost was essentially constant with respect to the previous year (equal to a factor of 3.46), up tendentially over the last few years. However, a considerable increase is observed in the average reserve/average cost ratio for the provision relating to claims occurred during the year and to a simultaneous decrease in the ratio for claims relating to previous years. The graph discloses that the variations in the pattern of the two ratios in any event does not change the overall effect on the general average reserve/average cost ratio which remains at a more or less unchanged level over the long-term. It can also be observed how the average reserve/average cost ratio for the year has, in detail, over the last three years, the same trend as the direct business technical balance.

5.2.2 - The other non-life insurance classes

In 2013, the non-life insurance classes other than motor liability overall reported a positive technical result, with the exclusion of 1.1 billion euro down slightly with respect to 2012 (1.2 billion euro). Table I.32 shows, in detail, the trend in the various segments.

Report on the Activities Pursued by IVASS

Table I.32 - Technical performance other non-life classes

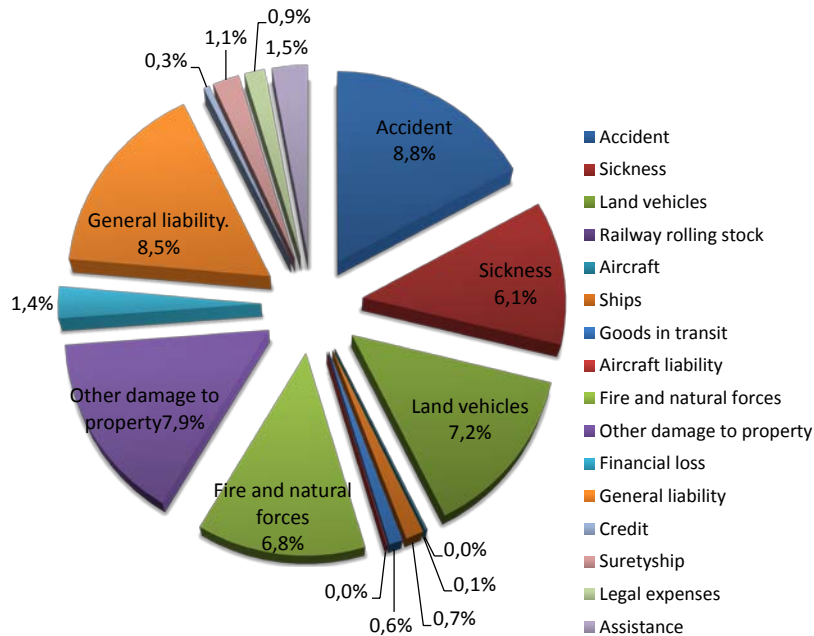
(ml. euro)

The other non-life insurance classes		Claims/ premiums earned		Operating expenses/ premiums earned		Technical balance (net of the share of return on investments and of the variation of the equalisation reserve) of direct business		Balance on the technical account		Combined Ratio	
		2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Health sector	Insurance class										
	<i>Accident</i>	47,4%	42,6%	33,2%	33,7%	518.499	635.248	576.384	647.600	80,6%	76,3%
	<i>Sickness</i>	73,1%	70,9%	24,8%	23,6%	8.231	77.790	51.694	103.931	97,9%	94,5%
	Total					526.730	713.038	628.078	751.531		
Automobile sector - only land vehicles											
	<i>Land vehicles</i>	59,9%	66,3%	25,8%	26,5%	359.698	160.690	389.989	192.986	85,7%	92,7%
Transport	<i>Railway rolling stock</i>	225,6%	0,0%	13,2%	19,5%	-10.802	3.435	-2.034	-6.456	238,8%	19,5%
	<i>Aircraft</i>	15,2%	170,8%	13,2%	13,2%	26.966	-25.756	9.424	-3.827	28,4%	184,0%
	<i>Ships</i>	104,2%	59,9%	16,5%	16,9%	-58.997	56.670	-9.586	17.279	120,7%	76,8%
	<i>Goods in transit</i>	52,4%	40,1%	28,5%	29,3%	34.115	52.281	30.190	35.987	80,9%	69,4%
	<i>Aircraft liability</i>	10,5%	23,2%	12,2%	14,5%	16.256	9.271	7.578	-3.023	22,7%	37,6%
	Total					7.538	95.901	35.572	39.960		
Property sector	<i>Fire and natural forces</i>	90,0%	47,8%	27,7%	32,1%	-526.688	408.398	115.695	173.219	117,7%	79,9%
	<i>Other damage to property</i>	69,2%	67,7%	28,8%	29,5%	3.547	35.144	2.910	-70.602	98,0%	97,2%
	<i>Financial loss</i>	59,7%	53,1%	41,4%	42,0%	-7.867	8.473	35.058	39.527	101,1%	95,1%
	Total					-531.008	452.015	153.663	142.144		
General liability											
	<i>General liability</i>	90,9%	84,0%	29,7%	30,3%	-681.354	-474.492	-214.785	-269.709	120,6%	114,3%
Credit / Suretyship	<i>Credit</i>	131,8%	89,3%	37,0%	29,8%	-52.858	-18.928	-34.608	-11.161	168,8%	119,1%
	<i>Suretyship</i>	61,2%	68,4%	30,7%	30,3%	-15.546	-26.841	25.141	4.369	91,9%	98,6%
	Total					-68.404	-45.769	-9.467	-6.792		
Legal expenses / Assistance	<i>Legal expenses</i>	37,8%	35,4%	35,2%	36,8%	69.691	73.340	75.569	71.387	73,1%	72,2%
	<i>Assistance</i>	29,3%	27,9%	34,4%	33,6%	159.498	179.423	127.659	144.177	63,7%	61,5%
	Total					229.189	252.763	203.228	215.564		
Total						-157.611	1.154.146	1.186.278	1.065.684		

Source: IVASS

Among the classes with a certain importance with regard to premium income (see graph I.21) mention is made of the health segment (accident and sickness) with a positive technical result of 751 million euro, the land vehicles class (around 193 million), legal protection and assistance with a positive technical result of around 216 million and in conclusion the property segment with 142 million. The general liability class by contrast reported a technical loss in 2013 of around 270 million.

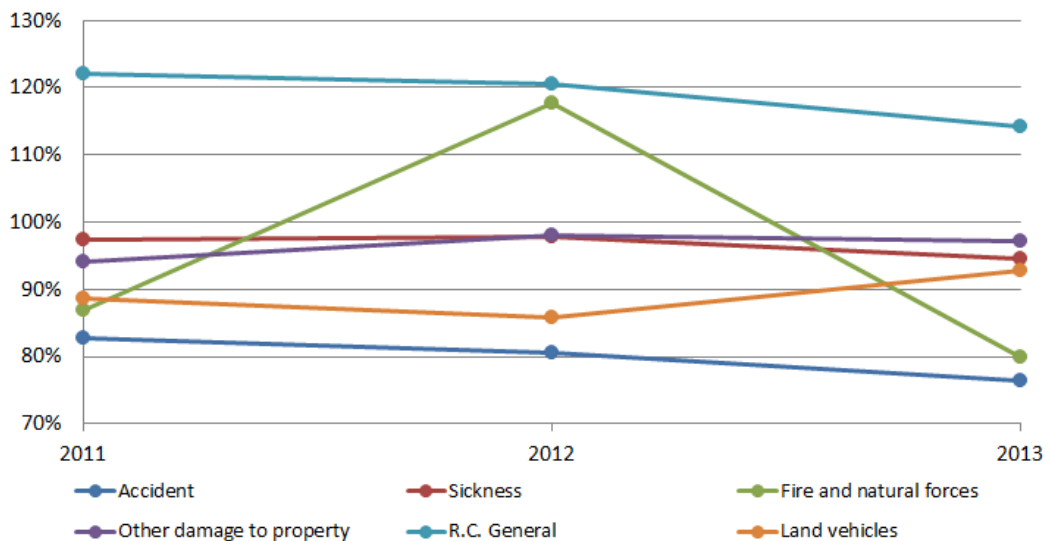
Graph I.21 - Other non-life classes
% of premiums on total non-life premium income



Source: IVASS

With reference to the combined ratio, (graph I.22), the accident class (76.3%), the legal protection class (72.2%) and the assistance class (61.5%) showed particularly positive values. The combined ratio for the general liability class was by contrast greater than 100 (114.3%).

Graph I.22 - Balance sheet Combined ratio performance in the main non-life classes



Source: IVASS

6. - Motor liability class in Italy: claims, tariffs and prices

The aim of this section is to provide an overview of the sector so as to comprehend the effects of numerous measures which have affected the same, including recent ones.

Both the recent fraud-prevention measures, which have provided IVASS with the possibility of also acquiring information relating to the activities for combating fraud adopted by the undertakings (see section 6.4), and the new survey on motor liability prices actually paid on the market, launched recently by the Institute (see section 6.3), contribute toward enhancing the disclosure already available.

6.1 - Performance of the key indicators

The following tables, taken from the motor liability insurance statistical survey, carried out by the Institute, include a breakdown of the performance for the sector in its entirety, for the “motor vehicles” and the “motorcycles and motor bikes”, of the frequency, the average cost and the pure premium (deriving from the result of the frequency multiplied by the claims average cost). These trends include the estimate for the IBNR claims (numbers and amounts). With regard to the overall average cost, the breakdown in the two items which it is comprised of is also shown, or rather the average cost of the claims effectively paid and of those reserved at the end of the year of occurrence. The tables show, for each individual variable, the average of the increases for the 2004-2013 period and that for the last three years (2011-2013).

Table I.33 - Total motor vehicle liability and liability for ships												
	Claims frequency	% Variation	Claims paid		Claims written in the provisions		Total claims		Pure premium		Gross average premium	
			Average cost	% Variation	Average cost	% Variation	Average cost	% Variation	Value	% Variation	Value	% Variation
2004	8.9%	-1.7%	1,958	+6.9%	6,121	+2.6%	3,827	+4.2%	342	+2.4%	555	+0.3%
2005	8.6%	-3.2%	2,029	+3.6%	6,521	+6.5%	3,949	+3.2%	342	-0.1%	550	-0.9%
2006	8.6%	-0.2%	2,064	+1.7%	6,565	+0.7%	3,973	+0.6%	343	+0.4%	558	+1.5%
2007	8.9%	+3.4%	2,170	+5.2%	6,241	-4.9%	3,766	-5.2%	336	-2.0%	553	-0.9%
2008	8.7%	-2.0%	2,376	+9.5%	6,541	+4.8%	3,915	+4.0%	342	+1.8%	533	-3.7%
2009	8.8%	+0.6%	2,362	-0.6%	6,538	-0.0%	3,934	+0.5%	346	+1.1%	513	-3.7%
2010	8.3%	-5.2%	2,427	+2.8%	7,010	+7.2%	4,087	+3.9%	341	-1.6%	536	+4.4%
2011	7.4%	-11.5%	2,500	+3.0%	7,901	+12.7%	4,435	+8.5%	327	-4.0%	566	+5.6%
2012	6.4%	-13.4%	2,411	-3.5%	8,628	+9.2%	4,612	+4.0%	295	-10.0%	568	+0.3%
2013	6.2%	-3.5%	2,415	+0.2%	8,913	+3.3%	4,711	+2.2%	291	-1.4%	542	-4.4%
Variation 2004-2013	-2.8%	-30.9%	+457	+23.3%	+2,792	+45.6%	+884	+23.1%	-51	-15.0%	-12	-2.2%
Variation 2011-2013	-1.2%	-16.5%	-85	-3.4%	+1,012	+12.8%	+276	+6.2%	-37	-11.3%	-23	-4.1%

Source: IVASS - Quarterly statistical survey relating to motor liability insurance

Table I.34 - Cars sector												
	Claims frequency	% Variation	claims paid		Claims written in the provisions		Total claims		Pure premium		Gross average premium	
			Average cost	% Variation	Average cost	% Variation	Average cost	% Variation	Value	% Variation	Value	% Variation
2004	8.3%	-0.6%	2,052	+10.0%	6,676	+2.8%	4,142	+5.0%	345	+4.4%	599	+1.1%
2005	8.2%	-1.1%	2,164	+5.5%	6,856	+2.7%	4,204	+1.5%	347	+0.4%	599	-0.0%
2006	8.3%	+0.1%	2,190	+1.2%	6,919	+0.9%	4,220	+0.4%	348	+0.4%	588	-1.8%
2007	9.4%	+13.6%	2,134	-2.6%	6,217	-10.2%	3,629	-14.0%	340	-2.3%	576	-2.0%
2008	9.3%	-0.7%	2,321	+8.7%	6,517	+4.8%	3,765	+3.7%	351	+3.0%	548	-4.8%
2009	9.5%	+2.0%	2,302	-0.8%	6,484	-0.5%	3,767	+0.1%	358	+2.1%	527	-3.9%
2010	9.1%	-4.3%	2,360	+2.5%	6,852	+5.7%	3,882	+3.1%	353	-1.4%	542	+2.8%
2011	8.1%	-11.4%	2,435	+3.2%	7,661	+11.8%	4,192	+8.0%	338	-4.3%	578	+6.6%
2012	7.0%	-13.5%	2,334	-4.2%	8,405	+9.7%	4,323	+3.1%	301	-10.8%	573	-0.9%
2013	6.6%	-4.5%	2,350	+0.7%	8,593	+2.2%	4,396	+1.7%	292	-2.9%	533	-6.9%
Variation 2004-2013	-1.7%	-20.3%	+298	+14.5%	+1,917	+28.7%	+255	+6.1%	-53	-15.4%	-66	-11.1%
Variation 2011-2013	-1.4%	-17.4%	-85	-3.5%	+932	+12.2%	+205	+4.9%	-45	-13.4%	-45	-7.7%

Source: IVASS - Quarterly statistical survey relating to motor liability insurance

Table I.35 - Mopeds and motorcycles sector												
	Claims frequency	% Variation	claims paid		Claims written in the provisions		Total claims		Pure premium		Gross average premium	
			Average cost	% Variation	Average cost	% Variation	Average cost	% Variation	Value	% Variation	Value	% Variation
2004	3.8%	+0.4%	1,414	+12.3%	6,286	+11.8%	3,682	+12.1%	141	+12.5%	234	+5.1%
2005	3.8%	-2.3%	1,513	+7.0%	6,903	+9.8%	3,945	+7.2%	148	+4.7%	243	+3.8%
2006	3.8%	+2.5%	1,608	+6.3%	6,940	+0.5%	4,086	+3.6%	157	+6.2%	245	+1.1%
2007	4.9%	+27.4%	2,533	+57.5%	7,579	+9.2%	5,018	+22.8%	246	+56.5%	250	+2.1%
2008	5.1%	+4.2%	3,036	+19.8%	7,651	+1.0%	5,294	+5.5%	270	+9.9%	260	+3.6%
2009	5.3%	+3.4%	3,067	+1.0%	7,590	-0.8%	5,406	+2.1%	285	+5.5%	267	+2.7%
2010	4.8%	-9.7%	3,177	+3.6%	8,037	+5.9%	5,675	+5.0%	271	-5.2%	282	+5.8%
2011	4.4%	-8.6%	3,195	+0.6%	8,769	+9.1%	6,047	+6.6%	264	-2.6%	301	+6.8%
2012	3.6%	-17.9%	3,064	-4.1%	9,511	+8.5%	6,414	+6.1%	230	-12.9%	294	-2.4%
2013	3.4%	-4.2%	3,131	+2.2%	10,275	+8.0%	6,900	+7.6%	237	+3.1%	276	-6.1%
Variation 2004-2013	-0.4%	-10.7%	+1,717	+121.5%	+3,990	+63.5%	+3,218	+87.4%	+95	+67.3%	+42	+18.1%
Variation 2011-2013	-0.9%	-21.3%	-64	-2.0%	+1,507	+17.2%	+853	+14.1%	-27	-10.2%	-25	-8.3%

Source: IVASS - Quarterly statistical survey relating to motor liability insurance

The figures shown above reveal in particular.

- with regard to the claims frequency, in the three-year period 2011-2013, a decrease has been witnessed for the entire motor liability sector (from 7.4% to 6.2%) equal to -16.5% (-30.9% in the period 2004-2013). The motor segment reported a decrease (from 8.1% to 6.6%) equal to -17.4%. With regard to motorcycles and motorbikes (from 4.4% to 3.4%), the decrease in the period under review was in fact double that for the period 2004-2013;
- with regard to the total average claims cost (paid and reserved) in the three-year period 2011-2013, an increase was seen for the entire sector from 4,435 euro to 4,711 euro equating to +6.2% (+23.1% in the period 2004-2013), an increase entirely due to the reserve component. In fact, in detail, the average cost of the claims settled disclosed a drop of -3.4% while the average cost of the claims reserved increased by +12.8%. Similar trends were seen for motor vehicles;
- with regard to the pure premium, a decrease was recorded, in the three-year period 2011-2013 for the entire motor liability insurance class, of 37 euro, equal to -11.3%, just under that reported for the entire 2004-2013 period. With regard to motor vehicles, the drop was 45 euro (-13.4%) and for motorbikes and motorcycles 27 euro (-10.2%);

- with regard to the gross average premium, in the three-year period 2011-2013, a decrease was reported for the entire motor liability insurance class, of -4.1%, which can be split in 7.7% for the motor vehicle sector and -8.3% for the motorbike and motorcycle sectors.

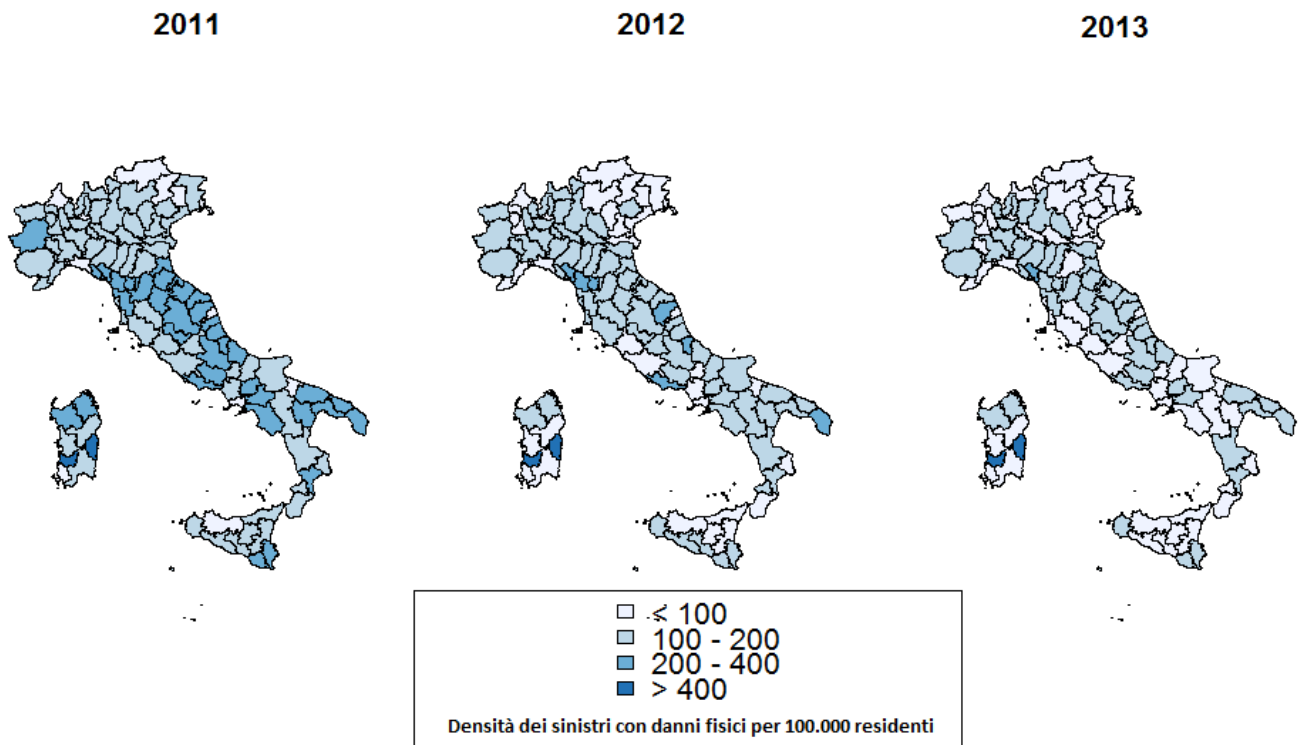
6.1.1 - Micro-injuries between 2011 and 2013

The Competition Decree, (decree-law n. 1 of 24 January 2012, converted into Law 27 of 24 March 2012) which came into force in April 2012, contributed to a decisive extent to the decrease of the costs for micro-injuries, structurally affecting the same. The reduction in the costs for compensation from micro-injuries was in fact considerably greater, in percentage terms, with respect to the effects deriving from the negative economic situation.

In order to check the effects of the provisions introduced by the Decree, a comparison was made at provincial level of the distribution of the number of physical injuries up to 9 points of permanent disability (P.D.) before the issue of the Competition Decree (2011) through 2013. The data extracted from the CONSAP - Clearing house¹⁵ database were used, relating to claims settled in the same year of occurrence and relating to the three years 2011, 2012 and 2013. Graph I.23 represents the evolution in the three-year period of the number of claims with injuries, standardised on the basis of the resident population (taken from ISTAT sources, as at 1 January 2012). The figures are expressed in 100,000s. It can be observed how between 2011 and 2013 the number of provinces with a density of physical injuries greater than 400 per 100,000 residents decreased. By contrast, the provinces with micro-injuries less than 100 and between 100 and 200 per 100,000 residents increased.

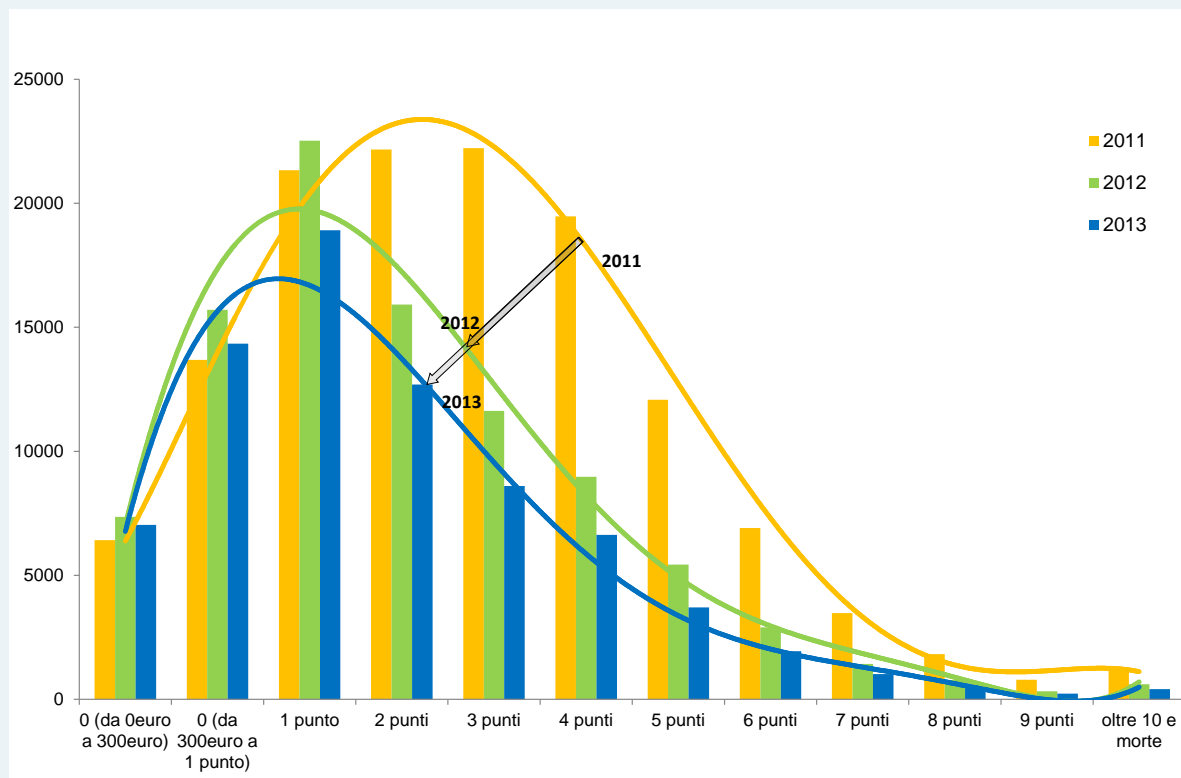
¹⁵ The figures originate from the Consap Database, containing certain information on the CARD RCA claims dealt with by Consap and the data provided to IVASS on the basis of a specific agreement between the two Bodies; the figures are updated as of 14 February 2014.

Graph I.23 - Geographic distribution of the standardised frequencies for claims with physical injuries - trend in the three-year period 2011/2013



Source: IVASS statistics based on CONSAP data

Graph I.24 - Claims with micro-injuries
Distribution trend for PD points settled in the three-year period 2011-2013



Source: IVASS estimates based on CONSAP data

The provisions regarding medical assessment of minor injuries, contained in Article 32 of Law n. 27 of 24 March 2012, had the effect of considerably reducing, in the two-year period 2012-2013 with respect to 2011, both the number and the amount of the compensation for minor injuries throughout Italy. At the basis of the positive effect, there is a net change in the settlement formalities relating the disability points. The above figure in fact reveals the progressive transfer left and downwards of the distribution with respect to 2011. In particular, observation is made of:

- the general lowering of the level of the number of P.D. points settled and the increase in the frequencies of temporary disabilities and medical expense reimbursement (classes of amounts under the 1st point);
- a considerable decrease in the disabilities settled between 2 and 6 points, an interval in which the so-called "whiplash" cases are concentrated (-8.4%; -20.3% between 1 and 9 points).

6.1.2 - The direct compensation system

The tables which follow show the evolution of the CARD claims in the motor liability sector since 2007 (year of introduction of the CARD system) through 2013, inferred on the basis of the balance sheet data for the previous years and from the 2013 provisional balance sheet data.

Table I.36 - CARD and NO CARD portfolio over TOTAL (net of IBNR)				
year of generation	CARD		NO CARD	
	Numbers	Amounts	Numbers	Amounts
2007	65,7%	41,0%	34,9%	59,0%
2008	73,0%	47,9%	27,6%	52,1%
2009	79,6%	52,3%	21,0%	47,7%
2010	80,6%	53,1%	20,1%	46,9%
2011	79,7%	50,5%	21,1%	49,5%
2012	79,3%	47,0%	21,5%	53,0%
2013	79,3%	46,3%	21,6%	53,7%

Source: IVASS - 2007-2012 financial statements and 2013 provisional balance sheet data

The percentage of the claims falling within the sphere of the CARD agreement (table I.36) increased progressively in terms of numbers (from 65.7% in 2007 to 79.3% in 2013) and, more moderately, in terms of amounts (from 41.0% in 2007 to 46.3% in 2013). Specifically, with regard to this last indicator, the drop registered in the last four years was significant, also reflecting the decrease in charges for compensation for the slight disabilities due to the provisions of the Competition Decree.

Table I.37 describes the claims settlement time (numbers and amounts) with respect to the number of claims closed with payment determined on closure of 2013, calculated with respect to the motor liability insurance class in its entirety and in relation to the two compensation regimes in force.

Table I.37 - Claims paid in the year of occurrence over claims without indemnification (net of IBNR)						
year of generation	TOTAL MANAGED		CARD		NO CARD	
	Number	Amounts	Number	Amounts	Number	Amounts
2007	60,3%	32,7%	65,7%	50,6%	49,3%	21,8%
2008	62,8%	36,0%	69,0%	55,7%	46,5%	20,7%
2009	62,8%	35,5%	68,8%	54,6%	39,6%	17,9%
2010	64,2%	36,5%	70,7%	56,4%	39,2%	18,4%
2011	65,4%	36,5%	72,2%	57,9%	40,6%	18,4%
2012	65,9%	34,5%	72,8%	56,9%	41,5%	17,3%
2013	71,3%	37,6%	77,4%	57,9%	48,1%	20,1%

Source: IVASS - 2007-2012 financial statements and 2013 provisional balance sheet data

The figures disclose the progressive rise in the claims settlement time for the motor liability sector, both in terms of number and amount. The improvement in the claims settlement process can be clearly verified for the CARD system while in relation to the NO CARD system, after a drop, the trend is now rising.

Table I.38 describes the residual provision percentages calculated both in terms of numbers and as amounts at the end of 2013.

Table I.38 - Percentage of residual provision as at 31.12.2013 over claims with indemnification (net of IBNR)						
budgetary year	TOTAL MANAGED		CARD		NO CARD	
	Number	Amounts	Number	Amounts	Number	Amounts
2007	0,8%	6,4%	0,3%	1,8%	1,7%	9,2%
2008	1,1%	8,0%	0,5%	2,6%	2,8%	12,2%
2009	1,9%	10,2%	0,9%	3,8%	5,4%	16,1%
2010	2,9%	13,5%	1,5%	5,4%	8,4%	21,0%
2011	4,9%	20,0%	2,7%	8,6%	13,0%	29,6%
2012	9,2%	34,4%	5,3%	17,4%	22,9%	47,4%
2013	28,7%	62,4%	22,6%	42,1%	51,9%	79,9%

Source: IVASS - 2007-2012 financial statements and 2013 provisional balance sheet data

The CARD system is characterised by a rapid run-off of the claims: after three years (e.g. claims generation for 2010) 1.5% of the CARD claims still remain outstanding, in numeric terms, while 5.4% remains in terms of amount. With regard to NO CARDS, by contrast, 8.4% and 21% of the claims remain outstanding, bearing witness to the greater complexity of these latter claims including, amongst other aspects, the compensation for injuries to the driver from 10 to 100 P.D. points.

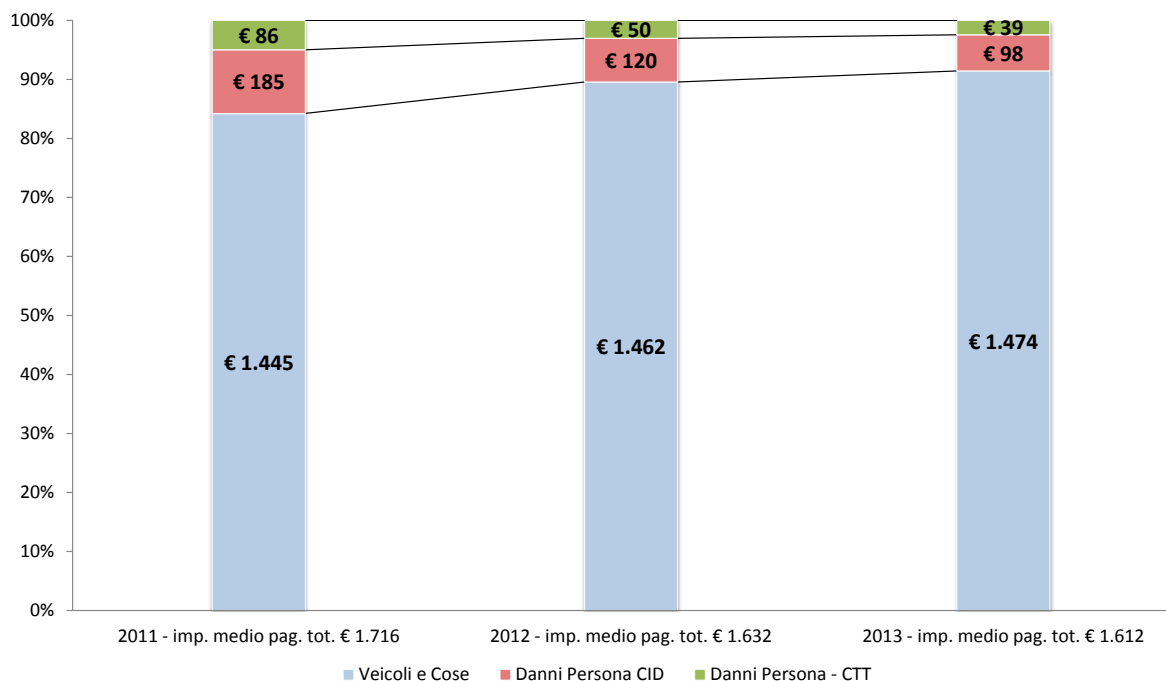
Table I.39 - Average cost of generation (net of IBNR)						
year of generation	CARD			NO CARD		
	Paid *	Reserve	Paid+Res.	Paid *	Reserve	Paid+Res.
2007	1.827	4.166	2.441	3.188	10.974	6.607
2008	2.024	4.267	2.570	3.630	11.665	7.388
2009	2.011	4.168	2.555	4.423	12.592	8.841
2010	2.052	4.650	2.671	4.822	13.567	9.499
2011	2.097	4.930	2.751	4.857	14.924	10.165
2012	1.996	4.905	2.661	4.680	16.909	11.066
2013	1.994	4.965	2.666	4.739	17.465	11.344

* Partial payments included

Source: IVASS 2007-2012 Financial statements and 2013 provisional balance sheet data

Graph I.25 shows the composition of the average cost paid for the CARD claims in the three-year period 2011-2013 divided up by injuries to the driver, passengers and vehicles and objects.

**Graph I.25 - Average amounts of the claims settled (on a definitive basis)
by components of the damage**



Source: IVASS statistics based on CONSAP data

The trend of the key technical indicators has revealed that the direct compensation procedure, in its entirety, has had a positive effect on containing the compensation costs (+9.2% between 2007 and 2013 in the CARD system compared with +71.7% in the NO CARD system).

However, a number of intercompany inefficiencies remain in the system, associated with opportunist conduct and the insufficient incentives for virtuous practices. The legislator, by means of the Competition Decree, has appointed IVASS to draw up a new system for calculating the values of the costs and any deductibles, on the basis of which the compensation is determined between the insurance companies within the sphere of the direct compensation system as described in the box below.

The new direct compensation scheme

Article 29.1 *bis* of the Competition Decree assigned IVASS the task of indicating the calculation criteria for the values of the costs and any deductibles on the basis of which the compensation is determined between the insurance companies (so-called lump-sum) within the sphere of the CARD system. The criteria shall have to be aimed at providing incentive for the production efficiency and, in particular, the control of the costs and the identification of fraud.

For the purposes of establishing a model compliant with the requirements of the provision, the Institute has looked in-depth at various operating methods. Thus for the purpose of assessing the efficiency as well as any impact of the changes in the system, both at global market level and at company level.

The solution deemed the most suitable for achieving the objectives envisaged by the law has been identified from among the various operating methods taken into consideration. The model, in addition to the lump-sum mechanism, already envisaged within the sphere of the CARD procedure, introduces a system of incentives/penalties for those undertakings which have demonstrated better/worse operational abilities in the containment of the costs and settlement times. For the purpose of encouraging the correct management by the undertakings of the activities for combating fraud, the calculation of the incentives/penalties takes into account also the indicators of the Anti-fraud Integrated Database (AIA), operative as soon as the system enters into force.

The identification of the new mechanism has required an analysis of the impact on the data of the claims settled definitively as of 30 June 2013 (source CONSAP - Clearing house).

The characteristics of the Italian undertakings were, first and foremost, looked into in-depth statistically. Starting from the definition of the various models, or variants of models, it was possible to simulate, on the basis of historical data, the effects of the application of the incentives or the penalties on each undertaking of the market, in all the situations reviewed. Cluster analysis was also carried out for each of the models, with Monte Carlo simulation, based on the definition of copies of the Italian insurance system with the same volatility features as the real market.

The scheme proposed:

- follows the structure of the current CARD system innovating it in light of the shortfalls noted with regard to its functioning and introducing a system rewarding the operational abilities of virtuous undertakings;
- makes it possible to avail of a model which presents the following advantages:
 - possibility of calibration over time by means of streamlining of the functioning parameters;
 - circumscribed volatility of the results;
 - use of a simple calculation algorithm;
 - absence of exchange of sensitive information flows between undertakings;
- envisages the sending to IVASS of a specific database on the CARD claims also extended to EU undertakings, by virtue of the pursuit of the general interest, aimed at ensuring an effective and efficient protection of the policyholders within the sphere of motor liability insurance.

6.2 - Motor liability tariffs

The data of the survey carried out by the Institute for more than ten years, is based on the observation of the trend of the motor liability tariffs offered by all the undertakings with reference to 11 profiles of standard policyholder which present extremely different customisation features. The

changes noted at tariff level in relation to this type of - borderline - consumer represent an indicative sign for the entire sector.

Table I.40 shows the percentage changes in terms of the claims burden (numbers and amounts), claims with micro-injuries (amounts), final average premium (including the taxes), and tariffs for 3 profiles¹⁶, in the 21 provinces surveyed for the two-year period 2012-2013. The average premium, the loss ratio and the settlement speed by number for 2013 are also indicated.

Table I.40 - motor liability insurance										
Provinces	Variations in the two-year period 2012-2013								Data as at 01.01.2014	
	Total claims		Microlesions		Average premium	Tariffs			Loss ratio	Claims settlement time
	Number	Amounts	Paid	Paid and written in the provisions		40-year-old	55-year-old	18-year-old F		
Turin	-30.2%	-27.8%	-59.0%	-52.6%	-6.1%	-7.9%	-2.3%	+14.7%	74.6%	66.8%
Aosta	-18.7%	-11.3%	-57.2%	-39.5%	-11.2%	-15.0%	-10.2%	+18.7%	78.1%	74.9%
Genoa	-23.4%	-13.0%	-53.9%	-50.8%	-9.6%	-10.9%	-7.4%	+11.8%	74.7%	69.1%
Milan	-25.1%	-19.0%	-61.1%	-52.7%	-2.6%	-11.0%	-6.7%	+18.0%	76.8%	69.0%
Bolzano	-11.6%	-2.2%	-58.9%	-42.7%	-6.0%	-3.3%	+2.7%	+12.9%	66.1%	73.0%
Trento	-9.1%	-13.1%	-51.9%	-34.9%	-6.9%	-10.1%	-6.7%	+14.4%	57.5%	75.3%
Venice	-21.9%	-18.7%	-61.6%	-52.6%	-9.6%	-9.3%	-5.8%	+14.0%	76.0%	66.6%
Trieste	-24.5%	-20.8%	-57.2%	-42.1%	-9.6%	-12.4%	-9.7%	+12.9%	61.7%	71.8%
Bologna	-17.4%	-13.1%	-69.6%	-55.1%	-10.9%	-13.3%	-9.2%	-1.0%	73.6%	70.5%
Ancona	-20.7%	-14.5%	-52.8%	-44.6%	-7.6%	-7.9%	-3.5%	+10.0%	82.4%	71.8%
Florence	-20.9%	-23.0%	-66.6%	-52.3%	-4.4%	-12.7%	-8.3%	-1.7%	72.6%	70.4%
Perugia	-22.9%	-14.3%	-55.3%	-46.3%	-7.4%	-6.8%	-3.3%	+18.8%	80.1%	73.9%
Rome	-23.8%	-17.4%	-63.8%	-51.3%	-6.9%	-6.2%	-2.8%	+5.9%	71.9%	63.4%
Naples	-33.9%	-33.6%	-74.1%	-58.8%	-6.4%	-6.6%	-2.2%	-11.7%	55.0%	45.4%
L'Aquila	-31.4%	-28.1%	-60.7%	-52.8%	-2.5%	-9.0%	-4.6%	+21.0%	68.3%	71.2%
Campobasso	-32.0%	-11.9%	-59.8%	-49.1%	-7.4%	-10.0%	-6.0%	+26.7%	82.0%	71.1%
Bari	-31.1%	-20.1%	-56.3%	-47.0%	-3.9%	-14.6%	-10.0%	-0.4%	59.2%	63.6%
Potenza	-30.8%	-32.1%	-51.3%	-39.3%	-5.6%	-11.1%	-6.5%	+19.9%	69.2%	69.8%
Reggio Calabria	-29.1%	-14.3%	-68.1%	-55.3%	-4.6%	-12.6%	-8.1%	-8.7%	59.6%	62.8%
Palermo	-27.1%	-11.6%	-40.5%	-39.6%	-2.9%	-8.9%	-4.6%	+6.8%	73.5%	66.5%
Cagliari	-27.9%	-17.4%	-70.8%	-59.9%	-10.8%	-10.5%	-6.2%	+9.8%	79.7%	73.1%
Average in the 21 provinces (*)	-25.9%	-20.5%	-61.5%	-51.4%	-5.8%	-9.1%	-4.0%	+5.4%	70.2%	65.4%
National Average	-24.0%	-20.3%	-62.3%	-51.7%	-7.7%				70.3%	67.2%

Source: IVASS - quarterly monitoring of the trend of motor liability insurance tariffs

(*) The corresponding 21 regional capitals, according to the classification by urban size, are "metropolitan cities" or "medium-sized towns/cities" (see section 6.3.2).

(**) The overall amount of the compensation for micro-injuries (paid and reserved) was established as the estimate made on the basis of the CONSAP data.

With regard to the trend in the amount of the claims closed with payment (paid and reserved) in the two-year period 2012-2013, the data disclose a generalised decree in the number and the cost of

¹⁶ 40 year old male, with a 1,300 cc petrol driven vehicle in U.C. 1, minimum amount of cover established by law;
55 year old male, with a 1,200 cc petrol driven vehicle, also driven by people under 26 year old in U.C. 1, minimum amount of cover established by law;
18 year old female, with a 1,300 cc petrol driven vehicle with U.C. 1, minimum amount of cover established by law

the claims in all the 21 towns/cities (average of 20.5%). The peak of this decrease is seen in Naples (-33.6%) and the minimum in Bolzano (-2.2%). The decrease in the amount of the claims, as a rule attributable to the economic downturn, without doubt felt the contribution of structural drop in claims with micro-injuries. In fact, with regard to these latter claims, during the same observation period a decrease of 61.5% has been seen in the amount of the claims paid with respect to the reduction of 25.9% registered for claims closed with payment. In the presence of the positive trend in claims, the decrease in the average premium was however contained for the majority of the provinces surveyed.

On the basis of the table one can observe, amongst other aspects, that the province of Naples, characterised by the highest tariffs and average premium paid in Italy, presents a loss ratio of 55% compared with, for example, 76.8% in Milan, where the average premium is around half. Furthermore, Naples presents the Italian negative record for the slowness in claims settlement: only 45.4% of the number of claims closed with payment are settled in the year of occurrence of the claim, compared with a national average of 65.4% and 69% in Milan. A similar situation, for the loss ratio, is seen in other cities/towns in Central-Southern Italy with high tariffs and prices such as Reggio di Calabria (59.6%) and Bari (59.2%).

With regard to fraudulent claims, the initial results acquired by the undertakings essentially reveal that in 2012 the action taken by insurance undertakings to fight fraud, in the area of Central Southern Italy, would not have been more effective or incisive than that implemented for the other areas of Italy.

6.3 - New IVASS survey on prices

For the purpose of increasing knowledge of the motor liability market, IVASS launched a periodic sample survey in October 2013 into the retail prices applied by the insurance undertakings¹⁷. The survey covered the amounts of the premiums effectively paid for motor liability coverage by policyholders and the main components which, in said policies, contribute towards the determination of the final price.

The survey, which is quarterly, has a reference scope which covers all the policies entered into/renewed by the undertakings throughout Italy during the observation period ("new" policies)¹⁸. A sample is extracted from that scope, comprising around two million policies, corresponding to about 30% of the total.

The acquisition of reliable data on the trend of the prices is a key element for availing of a reliable and prompt awareness of the main features of the insurance market and its evolution, as well as a means for surveying and monitoring the trend of the phenomenon and the related development trends.

The survey makes it possible to establish how, and to what extent, various statistics of the distribution of the price (median, variance and percentiles) are linked to intrinsic features of the demand (for example: claims burden, incidence of fraud, etc.), to aspects linked to supply (product differentiation, mixed nature of the pricing strategies) and to institutional/legislative aspects (ministerial scales on injuries, functioning of the bonus/malus system). The availability of the entire distribution of

¹⁷ The insurance companies interacted with an IVASS team so as to structure the survey from an organisational standpoint and to provide the required information. The survey was not for supervisory purposes.

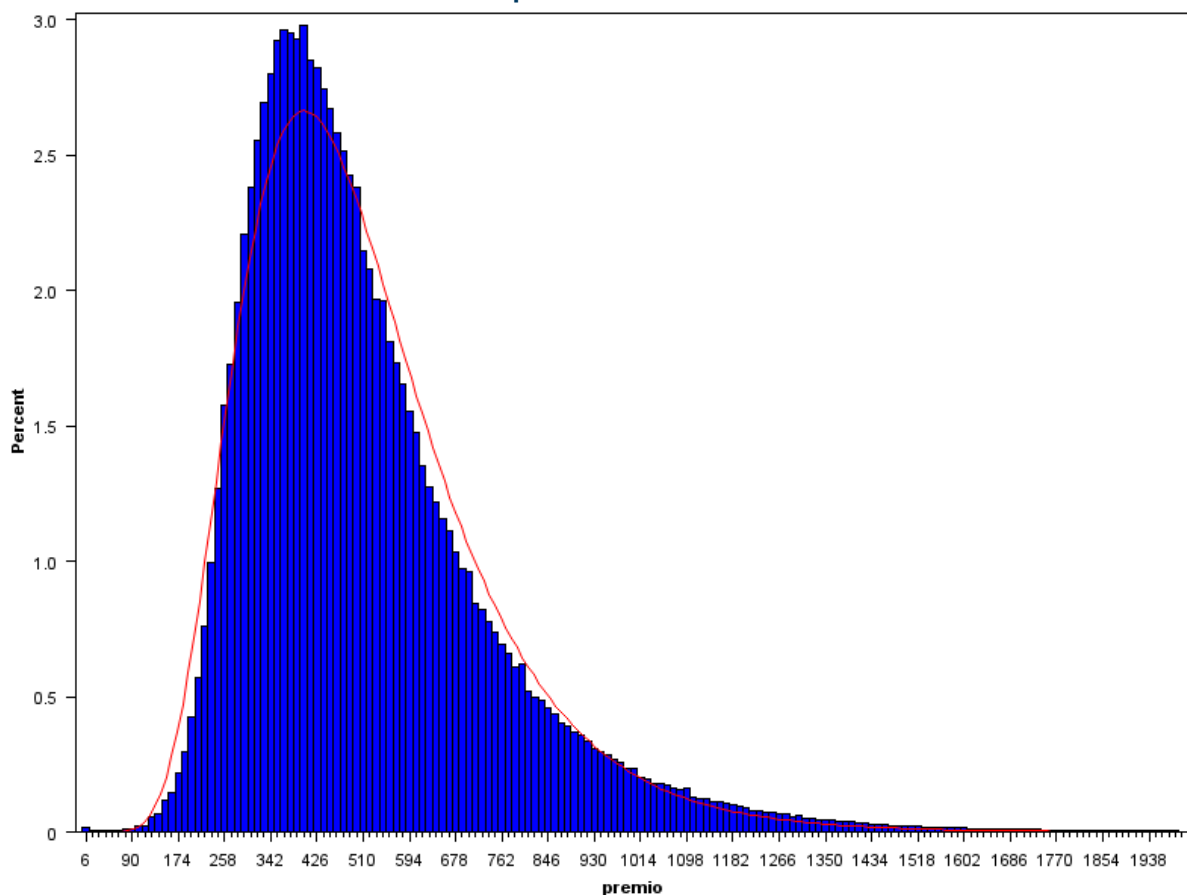
¹⁸ The survey concerns just the policies which cover vehicles owned by individuals and therefore does not include motorcycles, lorries and fleets.

the prices in fact permits a more accurate analysis of the market trend, which is not thoroughly represented by just the average. In addition, the information contained in the survey makes it possible to assess *ex-post* the efficacy of the measures passed and to quantify *ex ante* the costs and benefits of the alternative measures aimed at generating - ultimately - a reduction in the prices.

6.3.1 - Illustrative analysis of the market price

The variable key subject to survey is the gross premium paid for the basic motor liability coverage, inclusive of taxation. Graph I.26 shows the distribution of the premium paid by the policyholders; the following table I.41 illustrates the statistics which describe the distribution of the premium, its components and the discount.

Graph I.26 . Distribution of the motor liability price of policies entered into in the 4th quarter of 2013



Source: IVASS - sample survey on motor liability prices - vehicles for private use

Table I.41 - Statistics of the distribution of motor liability premiums, of its components, of the discount (policies entered into in the 4th quarter of 2013)

Variable	Average	Median	Stan. Dev.	Coeff.of Variat.	5th Percentile	75th Percentile	95th Percentile
Gross premium	515	461.66	235.48	45.72	251.63	612	960.83
Commissions	37.6	35.29	24.55	65.3	0	49.6	80.76
Discount	76.39	41.69	109.52	143.38	0	110.21	271.66
Tax	62.28	55.68	29.83	47.89	28.46	74.6	118.8
NHS	43.01	38.58	19.62	45.62	21.09	51.13	80.14

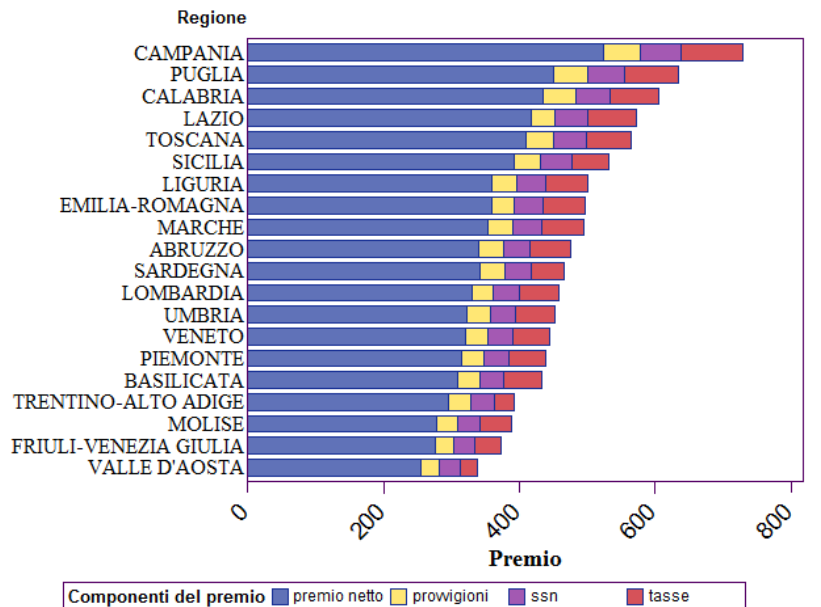
Source: IVASS - sample survey on motor liability prices - vehicles for private use

The average of the premium paid for the policyholders who have renewed or entered into a new policy in the period 1 October - 31 December 2013 comes to 515 euro, while the median is considerably lower (around 50 euro lower than the average premium) given the asymmetry of the distribution. Only 5% of the policyholders pay less than 250 and more than 960 euro.

The figures disclose that 7.3% of the gross premium is allocated to commissions, 12% is allocated to taxes and 8.3% to the National Health Service. It ensues that the amount of the average premium which is paid for the coverage of the risk gross of the management costs and any profit of the undertaking, is 372 euro, around 72% of the gross average premium (515 euro). The discount applied, already reflected in the gross premium, presents the highest change factor (more than double with respect to that of the commissions).

Graph I.27 shows the breakdown of the premium for the various components, as emerging from the analysis carried out within the various Italian regions.

Graph I.27 - The components of the premium (policies entered into in the 4th quarter of 2013)

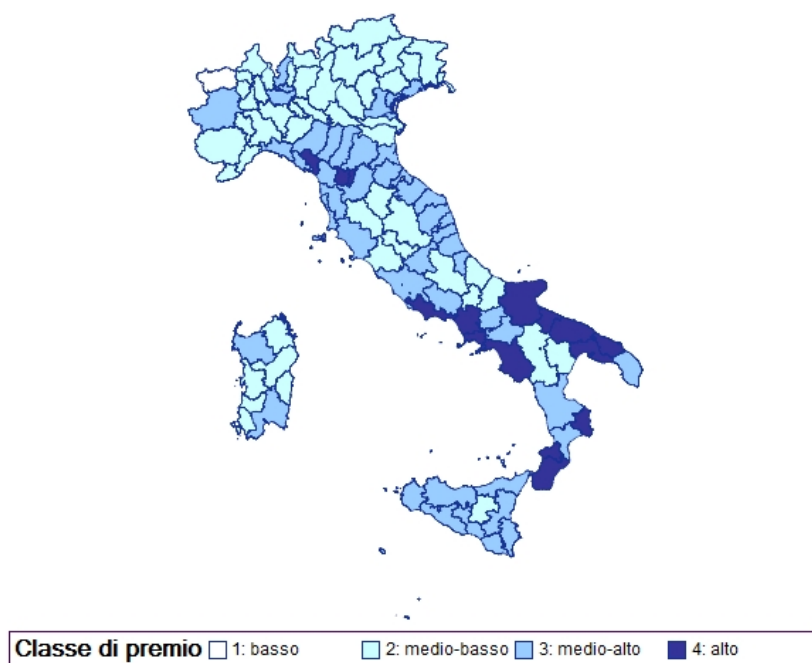


Source: IVASS - sample survey on motor liability prices - vehicles for private use

6.3.2 - Geographic changes and urban dimension

The statistics by province highlight that the five provinces which exhibit the highest average premiums paid (for policies entered into in the IVth quarter) are Naples, Caserta, Prato, Crotone and Reggio Calabria (838, 733, 729, 721, 694 euro on average). In Tuscany, the province of Massa-Carrara also presents a high value (645 euro). Three provinces in Puglia (Taranto, Brindisi and Foggia) are amongst the ten most exorbitant provinces.

Graph I.28 offers an immediate view of the variability of the average premium by province.

Graph I.28 - The price in the provinces (policies entered into in the 4th quarter of 2013)¹⁹

Source: IVASS - sample survey on motor liability prices - vehicles for private use

The map shows how in the northern provinces a low-to-average premium prevails, while in the central provinces the most common category is the average-to-high premium, as in nearly all the Sicilian provinces (while in Sardinia in half the provinces a low-to-average premium prevails and in the other half an average-to-high premium). The mix between the provinces is not, however, the only geographic characteristic associated with the variability of the gross premium at national level: a somewhat strong relationship also exists with the size of the city/town.

Table I.42 - Premium by urban size

Urban size ²⁰	(euro)						
	Average	Median	Stan. Dev.	Coeff. of Variat.	5th Percentile	75th Percentile	95th Percentile
Small towns	491	442	219	45	244	582	906
Average-sized towns/cities	549	494	249	45	265	659	1,019
Metropolitan cities	597	532	273	46	301	705	1,112

Source: IVASS - sample survey on motor liability prices - vehicles for private use

¹⁹ The average premium has been divided into 4 categories corresponding to the quartiles of the distributions: **low** if less than 357 euro; **low-to-average** if higher than or equal to 357 euro and less than 462 euro; **average-to-high** if higher than or equal to 462 euro and less than 612 euro; **high** if higher than or equal to 612 euro.

²⁰ The following definitions apply: "Small towns" the municipalities with a population of less than 50,000 inhabitants; "Average-sized towns/cities" municipalities with a population greater than or equal to 50,000 and less than 250,000; "Metropolitan cities" with a population greater than or equal to 250,000.

Table I.42 illustrates how, as the urban size increases so does the average/median premium. Policyholders who reside in average-sized towns/cities pay nearly 60 euro more, on average, with respect to those who live in small towns, while the differential with the policyholders who reside in metropolitan cities is on average around 106 euro, on a consistent basis with the greater claims rate registered in more populated areas.

6.3.3 - The premium according to the characteristics of the policyholder

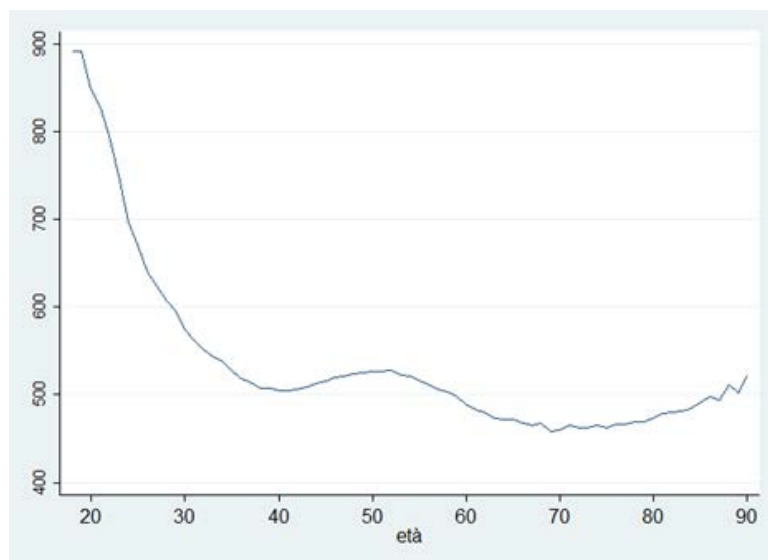
- age of the policyholder

Table I.43 - Premium by age of the policyholder

(euro)							
AGE BRACKET	Average	Median	Stan. Dev.	Coeff. of Variat.	5th Percentile	75th Percentile	95th Percentile
younger than 25	763	694	342	45	360	913	1,400
older than or equal to 25 and younger than 35	580	527	256	44	280	696	1,065
older than or equal to 35 and younger than 45	510	460	228	45	251	607	944
older than or equal to 45 and younger than 60	518	467	231	45	258	614	956
older than or equal to 60	472	424	212	45	238	557	871

Source: IVASS - sample survey on motor liability prices - vehicles for private use

Graph I.29 - The average premium and the age of the policyholder



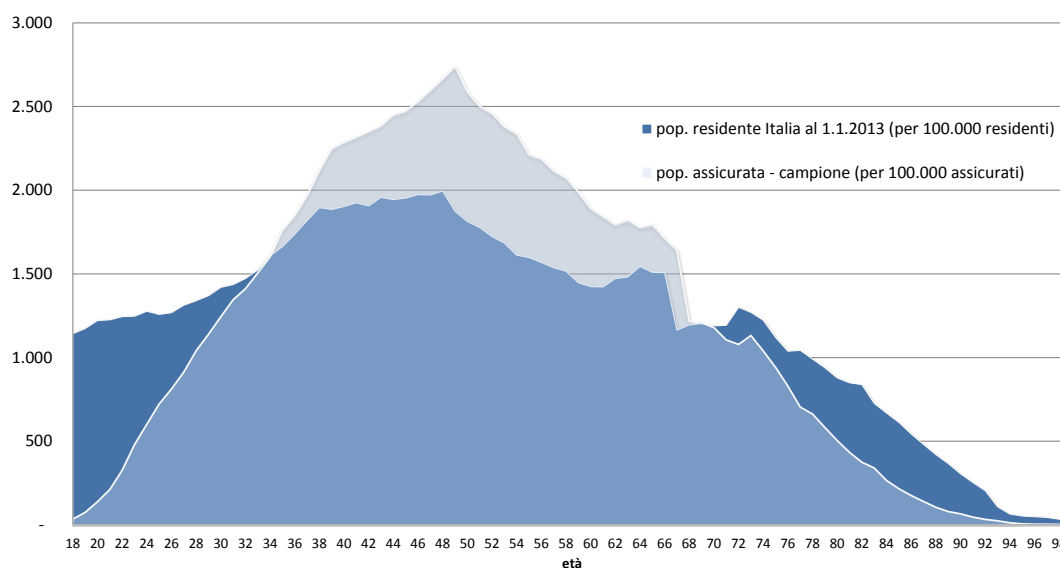
Source: IVASS - sample survey on motor liability prices - vehicles for private use

Table I.43 and graph I.29 show the relationship between the premium and the life cycle of the policyholder. The premium decreases monotonously up to 40 years of age, only to then increase up to 50 years of age and then decrease again up to 70. Particularly accentuated rises then take place after

80 years of age²¹. The decrease in the premium is accentuated between the first and the second age bracket, while after 35 years of age the average premium decreases slowly.

Graph I.30 shows the comparison between the sample distribution of the policyholders (considering the ages between 18 and 99) and that of the resident Italian population as of 1 January 2013 taken from ISTAT sources (always considering the resident population between 18 and 99 as reference).

**Graph I.30 - Over/Under-insurance by age
population of policyholders of the sample survey vs population of
resident in Italy**



Source: IVASS - sample survey on motor liability prices - vehicles for private use
ISTAT - resident population as of 1 January 2013 by age

The distribution of the motor liability policyholders is concentrated in the age brackets ranging between 30 and 74 years of age and is highly contained for policyholders between 18 and 28, compared with the composition of the same age brackets relating to the entire Italian population.

So as to have one's own insurance history (bonus-malus) in the motor sector, youngster wait several years, or rather when the customisation of the premiums lessens due to the variable "age" which, for very young ages, is particularly "aggressive". Further reasons are attributable to the life style of the person (use of the vehicle by other family members) and the income levels which lead to a decisive drop in the number of policies taken out by the policyholders falling within the young "age" bracket.

²¹ The range of the sample decreases considerably for policyholders over the age of 80.

- the claims rate

Table I.44 - Premium by bonus/malus class

GROUP_BM_NBM	Average	Median	Stan. Dev.	C.F.	5th Percentile	75th Percentile	95th Percentile
class 1	468	428	190	41	244	553	832
classes 2 to 3	575	529	232	40	295	681	1,013
classes 4 to 18	687	623	314	46	318	826	1,271
NBM	416	265	343	82	98	593	1,121

Source: IVASS - sample survey on motor liability prices - vehicles for private use

Table I.44 presents the effects of the bonus/malus system on the insurance premium. The average differential of the premium paid by the policyholders who belong to class 1 with respect to those who belong to classes 2/3 (4-18) is around 108 (219) euro.

The majority of the policyholders (nearly 70%) are in class 1, an element which confirms how by now the bonus-malus class does not in itself represent an element of differentiation important for the determination of the premium. In cases with fixed excess regarding policies without bonus/malus (NBM), the average and median premium is considerably lower with respect to the values of the policyholders who belong to class 1: the average is lower by around 50 euro and the median 163 euro.

Table I.45 - Premium by claims rate

Claims with fault	(euro)						
	Average	Median	Stan. Dev.	Coeff.of Variat.	5th Percentile	75th Percentile	95th Percentile
0	482.63	439.04	203.94	42.26	245.50	572.33	872.63
1	599.87	545.00	259.36	43.24	299.89	713.04	1,087.68
2	757.50	687.48	336.83	44.47	366.28	906.81	1,373.42
3	921.03	828.51	435.62	47.30	422.24	1,109.39	1,784.06
4	1,114.69	968.28	568.56	51.01	500.94	1,345.32	2,372.72
>=5	1,353.66	1,200.39	749.08	55.34	436.04	1,705.00	2,793.40

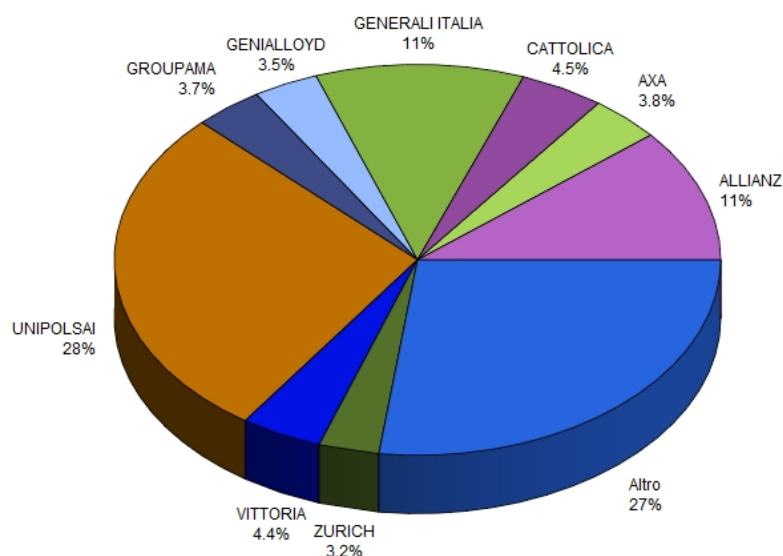
Source: IVASS - sample survey on motor liability prices - vehicles for private use

Table I.45 describes the relationship between the previous claims rate and the distribution of the premiums. The policyholders who have had one (two) claims with fault pay, on average, 117 (274) euro more with respect to virtuous policyholders (zero prior claims with fault).

6.3.4 - The structure of the offer

The information contained in the survey offers the opportunity to study the correlation between the market set up and the prices. Graph I.31 shows the market shares in the motor liability class by undertaking.

Graph I.31 - Distribution of the insurance companies by number of policies (4th quarter 2013)



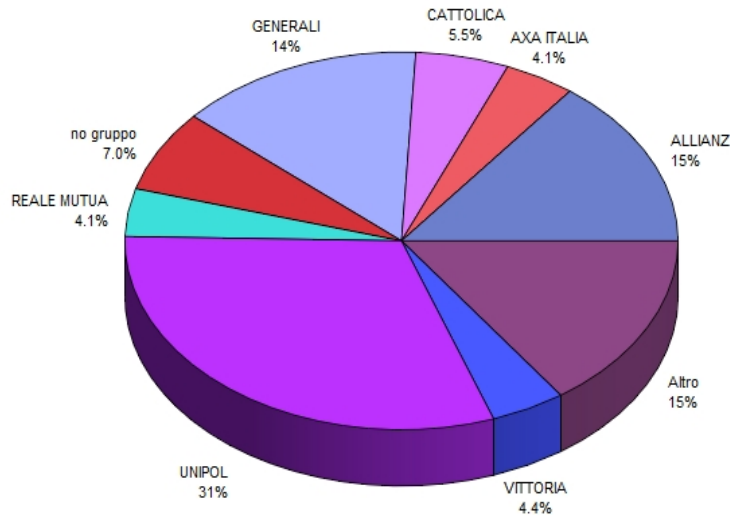
Source: IVASS - sample survey on motor liability prices - vehicles for private use

The insurance company with the largest share of motor liability insurance policies holds almost 30% of the market, the second and third each hold 11% of the market. Therefore, the leading three insurance companies hold around 50% of the market in terms of number of policies issued.

Graph I.32 shows how the set up by groups is more or less the same: the Unipol Group reported a percentage of policies equal to 31% of the market²²; the immediately subsequent groups are Allianz, with a share of 15% and Generali which discloses 14%. Motor liability class business therefore concentrates on individual companies; the phenomenon reflects on the pertinent insurance group.

²² The figure is prior to the cessions which took place in the first few months of 2014.

**Graph I.32 - Distribution of the insurance groups by number of policies
(4th quarter 2013)**



Source: IVASS - sample survey on motor liability prices - vehicles for private use

It is interesting to note how the fourth leading insurance company in terms of market share only holds 4% of the market. The Herfindahl-Hirschman index (HHI), commonly used to measure the degree of concentration present within a specific market²³, is equal to 1,193. Graph I.33 shows the geographic dispersion, at regional and provincial level, of the HHI index²⁴.

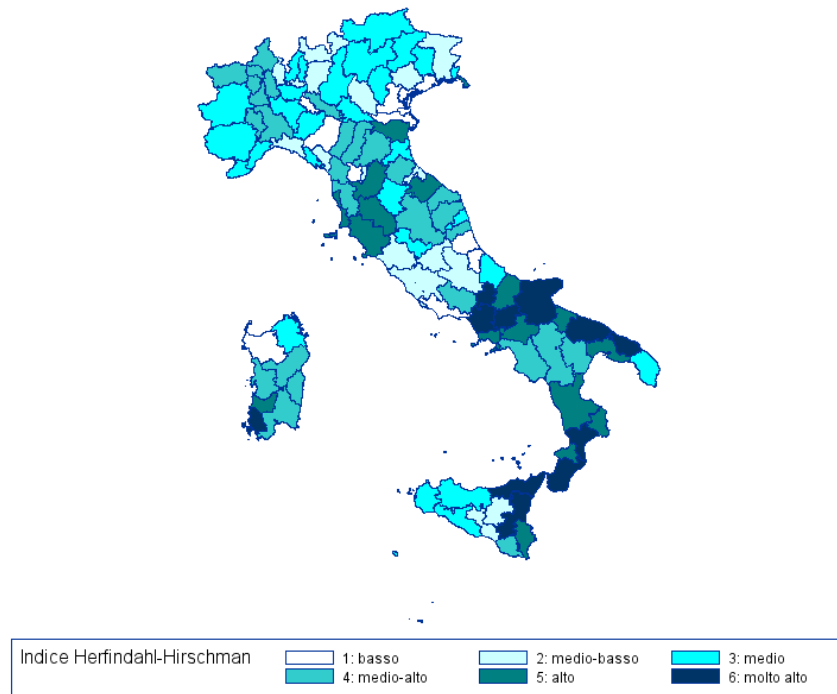
²³ The index is the sum of the squares of the market shares (expressed as a percentage) held by each insurance company:

$$HHI = \sum_{i=1}^n (q_i \cdot 100)^2$$

where q_i is the market share of the i th insurance company. The HHI value is always positive and at the most equal to 10,000, in the event there is just one insurance company on the market. Markets with values between 1,500 and 2,500 are defined as "moderately concentrated".

²⁴ With reference to Italy, the Herfindahl-Hirschman index has been divided into six classes as identified below: low up to the 10th percentile (951), low-to-average as from the 10th to the 25th percentile (1,051), average from the 25th to the 50th percentile (1,235), average-to-high from the 50th to the 75th percentile (1,428), high from the 75th to the 90th percentile (1,925), very high over the 90th percentile.

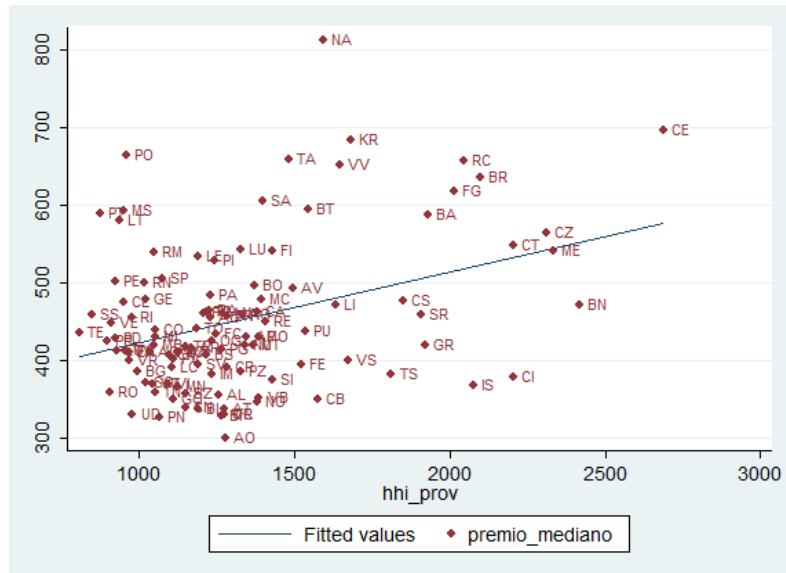
**Graph I.33 - Concentration index by province
(policies entered into in the 4th quarter of 2013)**



Source: IVASS - sample survey on motor liability prices - vehicles for private use

Graph I.34 shows the consistent variability of the phenomenon. For example, in the province of Caserta the index equates to 2,688, while in the province of Teramo it is equal to 808. A strong correlation between the median value of the premium in the province and the value of the HHI index does not exist; however, the correlation between the two variables is positive.

Graph I.34 - Correlation between the HHI index and the median premium (policies entered into in the 4th quarter of 2013)



Source: IVASS - sample survey on motor liability prices - vehicles for private use

6.4 - Anti-fraud activities

6.4.1 – The Claims data bank and the anti-fraud integrated computer database

the Claims data bank

The Claims data bank is populated by the communications of the insurance undertakings with registered offices in Italy and contains the information relating to motor liability claims in Italy following accidents between vehicles licensed in the country, including the information relating to the details of the witnesses and the details of the injured parties. These databases can be consulted by the same undertakings which populate them, by the Public authorities (law enforcement agencies) and third parties identified by the law.

During 2013, numerous new initiatives were achieved, also deriving from legal provisions, aimed at developing the anti-fraud function of the undertakings and IVASS.

In relation to the population of the Claims data bank, measures have been adopted for simplifying the procedure, with the abolition of the quarterly obligation to forward the declaration by the single contact person and the rationalisation of the sanctioning system. Overall, a reduction in the notifications forwarded to the undertakings has been seen. This trend reveals the interest of the insurance companies with regard to the correct population of the data bank as well as the commitment made by the same for the purpose of making the process for identification and tracing of the data to be transmitted increasingly complete.

Also with regard to the consultation of the Data bank, the insurance undertakings have, in the majority of the cases, increased the questioning activities in the initial phase of the settlement procedure, as is laid down by law, for the purpose of intercepting fraudulent phenomena. The consultations in batch form (mass interrogations of license plates, tax codes and VAT numbers, which generate a file containing the number of recurrences present for each search key) during 2013 came to 5,808, while they were 1,585 in the previous year. Each consultation may concern a highly variable number of claims but, since these are mass consultations, the entity of the same is always very high (thousands of recurrences).

Also the consultation by the Authorities has by now undertaken a central role in the activities for preventing and repressing insurance fraud. The law enforcement agencies access the data by means of the agreement in force between IVASS and the Ministry of the Interiors - Interforces Unit, which permits the appointed agents to directly access the Data bank. The local police access after specific request made to the Institute, while the Judicial Authorities access the information in a mediated manner, via consultations which IVASS makes for them.

The anti-fraud integrated computer database

Article 21 of decree-law n. 179/2012, converted by means of Law n. 221/2012, has set up care of IVASS an integrated computer database (hereinafter AIA - *archivio integrato antifrode*) to prevent and fight fraud in the motor liability sector. This provision, implicitly confirming the importance of centralised and shared information for the fight against illegal phenomena, makes it possible to carry out cross checks and supplement data, permitting the overcoming of certain limits come across in the past and making new instruments available which can be used in the anti-fraud activities of the Law enforcement agencies, the insurance undertakings and IVASS.

The AIA, using the reports made to the claims data bank (BDS) managed by IVASS as the primary source, shall have the possibility to consult - via on-line connection - the national vehicle database and the database of those licensed to drive, the Public Register of Motor Vehicles (PRA), the databases of the Fondo di Garanzia per le vittime della Strada (the national guarantee fund) and the Ufficio Centrale Italiano (the national bureau), the database of the certificates of claims experience as well as additional public and private databases so as to acquire that data deemed useful for anti-fraud purposes. The identification of the databases and the related connection formalities as well as the functioning principles of the AIA shall have to be disciplined by a specific implementing interministerial decree issued together with the Ministry of Economic Development (MISE) and the Ministry of Infrastructure and Transport (MIT):

The integrated computer database (AIA)

The analysis and processing activities of the AIA project have been carried out by a work group co-ordinated by IVASS, in which members of the competent Ministries took part (MISE, MIT, Economy and Finance and Interior), the leading Italian insurance companies and their trade association (ANIA), CONSAP, the Central register of accidents, the Ufficio Centrale Italiano (the national bureau) as well as the Bank of Italy.

The elevated complexity and structure of the project required accomplishment according to a modular approach: the project was divided up into two stages, relating to both the archives to be connected to the AIA and the anti-fraud functions to be achieved.

In the first stage of the AIA project, the databases which essentially make it possible to check and/or supplement the data reported to the Claims data bank relating to the vehicles involved and the insurance policy underlying the

request for compensation, will be connected to AIA; these databases are available care of the public register of motor vehicles, PRA, CONSAP and ANIA. The central nature of the Claims data bank within the sphere of the AIA procedure should be emphasised, since it makes it possible to avail of analytical information with suitable historical depth; this led to the decision to carry out, preparatory for the complete bringing onto stream of AIA, in-depth analysis of the quality and completeness of the data present in the same Claims data bank, so as to guarantee a higher level of quality of the information available to the AIA.

On the basis of the results of the consultations of the Claims data bank and the associated databases, indicators (scores) are calculated on the level of anomaly for each claim reported to the Data bank, accompanied by an indicator on the quality of the results provided ("quality score"). Initially, only the insurance companies will be connected to the Integrated Database; thanks to the availability of the scores calculated by the AIA, they may avail of more accurate and detailed information on the claims so as to make the autonomous processing for contrasting fraud more effective and efficient.

The definition of the information and IT requirements of this initial phase was completed in December last year; the development of the IT application was launched in January of this year and its completion is envisaged during July.

It should be pointed out that the functional analysis and the creation of the IT application are not sufficient for permitting the launch of the operations of the new anti-fraud procedure. It is necessary that the process - currently underway - for the issue of the interministerial implementing decree by MISE and MIT is completed for its bringing onto stream, a process which envisages the acquisition of the opinion of the Authority for the protection of personal data and the Council of State, as well as that of IVASS.

The second stage of the AIA project envisages the expansion of the databases to be connected so as to acquire that information essentially focused on the parties directly (responsible, injured parties, witnesses, etc.) or indirectly involved in the claim (lawyers, vehicle body shops, doctors, etc.). The creation of specific services is envisaged for the law enforcement agencies and for the insurance companies, as well as additional and more complex anti-fraud analysis instruments based on network analysis criteria. In this second project-related stage, specific in-depth analysis will be carried out to assess the methods for the possible use of the AIA at the time of entering into the insurance policy (underwriting phase). In conclusion, specific functions will be developed for the monitoring by IVASS of the anti-fraud activities carried out by the insurance undertakings.

The activities for the analysis of the additional databases to be interconnected as well as those for the definition of new services and analysis instruments have already been launched.

6.4.2 - Undertakings' anti-fraud activities

The most significant legislative measures introduced recently so as to contain and reduce motor liability premiums, include the provision of the obligation for insurance undertakings to forward to IVASS an annual report on the activities carried out to fight fraud regarding motor liability (Article 30.1 of decree-law n. 1/2012, converted with amendments into Law n. 27/2012), conceived for the purpose of furthering and providing incentive for suitable action to oppose criminal phenomena. This obligation was disciplined by means of ISVAP Regulation n. 44/2012 and IVASS Measure n. 1 dated 19 March 2013, which defines the model according to which the report must each year be compiled and forwarded to IVASS.

This year, for the first time, it has been possible to avail of an abundant wealth of information on the activities carried out in this sense by the insurance companies.

Overview

During 2013, the annual reports of 54 Italian undertakings and 14 EU undertakings were received (8 under the right of establishment and 6 under the freedom to provide services) operating in

Italy in the motor liability insurance class in 2012. Another 10 EU undertakings (3 licensed in Italy under the right of establishment and 7 under the freedom to provide services) have not sent the report because, even if licensed, they did not write policies in the motor liability insurance class during 2012.

The overall numbers emerging from the reports forwarded by the undertakings indicate the total number of claims reported in 2012 as 3,008,863, and the total number of risk units (hereinafter RU) insured during the year as 41,885,307. However, 7 EU undertakings have been excluded from the analysis, having provided the data referring to collective policies in a non-uniform manner. During 2012, the latter received 10,298 claims reports, equal to 0.34% of the total claims reported in Italy in 2012, with an overall load of RU insured estimated as 94,880 units, equal to 0.23% of the total Italian RUs. The reference database, therefore, amended in this way, identified the claims reported in 2012 as 2,998,564 and RUs as 41,790,427

Undertakings' anti-fraud activities in 2013. Initial findings

On the basis of the data sent by the undertakings by 31 May 2014, referring to the activities carried out during 2013, it has been possible to process a number of up-dates.

In the presence of a scenario which in 2013 saw a considerable reduction in the RUs insured with respect to 2012 (around 1,700,000 vehicles less were insured with respect to the previous year, or rather more than 4% of the vehicles insured in 2012), the claims made in 2013 decreased by around 6.5%, therefore to a percentage-based extent greater than the RUs, and amounted to around 2.8 million, while in the previous year they touched 3 million.

Despite this, the figures provided by the undertakings indicate an increase in the activities for fighting fraud which can be seen, in the first instance, from the number of claims exposed to the risk of fraud which, from around 400,000 in 2012, rose to about 460,000 in 2013, with an increase in absolute terms of around 15%, which rises to 16.5% if placed in relation to the claims reported in 2013.

Also the claims subject to analysis in relation to the risk of fraud - around 232,000 in 2012 - increased in 2013, albeit to a minor extent; according to the figures provided by the undertakings, they amount to 235,000 units, equal to 8.5% of the 2013 reported figure.

The number of claims closed without payment by contrast decreased, in relation to anti-fraud activities carried out which, in 2013, represent 1.04% of the claims reported, while in 2012 they amounted to 1.13%. This evidence should be analysed considering on the one hand the sharp decrease, of 6.5%, in the claims reported in 2013 and on the other hand the important increase registered for the claims subject to reporting/legal action, alternative outcome to those closed without payment for anti-fraud activities, whose number underwent a sharp upswing in 2013 revealing an increase of 32.5% with respect to 2012.

This latter figure is joined by the survey of the absolute numbers of legal actions proposed in 2013 by the undertakings, increased by 30% for cases linked to possible fraud in the settlement stage, and 35.5% for fraudulent cases associated with contractual and pre-contractual aspects.

Essentially confirming the geographic breakdowns highlighted in 2012, it is also revealed that the efficacy of the anti-fraud action, gauged in a national basis by the index which places the claims subject to investigation for fraud risk in relation to the claims closed without payment, remains at the non-efficient levels reported for 2012 and is distributed in a more or less uniform manner in all the areas of the country.

With reference to the estimates on the reduction of the costs for claims due to anti-fraud activities (estimates made more homogenous by the methodological guidance provided by IVASS), one can observe that, despite the afore-mentioned decrease in claims, the amounts on a national basis of the afore-mentioned estimates rose by more than 3%, passing from 177.5 million in 2012 to 183.5 million in 2013.

The adequacy of the corporate organisations and the claims settlement system when fighting fraud in the motor liability insurance sector

The precept introducing the obligation to forward the annual report also outlined the general lines of the system for assessing the work of the individual undertakings, founded on qualitative (organisational models adopted) and quantitative elements (number of claims, number of suits).

This process, inspired by the criteria of opportunity, during which it was attempted to avail of valuation instruments based on objective criteria, was summarised in the assignment to each undertaking of a final score, emerging from the sum of the various indices representative of the various components mentioned above.

Analysis of the final scores

On the basis of the conclusive marks of the final score, the insurance undertakings have been divided up into five brackets which identify the various levels of efficiency achieved.

Also for the undertakings in the first assessment bracket, which brings together the best results obtained, phases of activities for potential enhancement can be identified. With regard to the undertakings in this bracket, however, the activity phases which can be improved are generally limited and in any event included in operating structures which chiefly should be judged as positive. In such cases, therefore, the achievement of the objective set by the rule (adequacy of the procedures and of the organisational models to fight fraud), appears tied to measures aimed at optimising the procedures and the models already implemented.

With regard to the undertakings which fall in the second and third bracket, the relationship between the positive and negative elements revealed by the analysis vary to the progressive disadvantage of the former. In essence, especially with regard to undertakings in the 3rd bracket, the results indicate criticalities which affect factors deemed to be fundamental for obtaining an advantageous opinion (for example, the functioning of the IT procedures or the suitability of the organisational model), which from an overall examination of the data, however, emerge in some way as balanced by other evidence (for example of a quantitative nature, such as the number of claims investigated or the complaints/legal action proposed).

The fourth, and especially the fifth and last assessment bracket, in conclusion include the companies for which the survey of the positive opinion elements is sporadic and limited to increasingly more marginal phases. Table I.46 shows a general outline.

Table I.46 - Assessment brackets by final score

Assessment bracket	Number of undertakings	Total RUs per assessment bracket	RU market share per assessment bracket	Claims reported	% over total claims reported in Italy	Claims ratio per assessment bracket
I	15	23,910,384	57.2%	1,636,610	54.5%	6.8%
II	6	4,892,957	11.7%	360,502	12.0%	7.4%
III	8	5,298,340	12.7%	362,140	12.0%	6.8%
IV	7	2,659,412	6.4%	203,829	7.0%	7.7%
V	18	5,027,598	12.0%	435,359	14.5%	8.7%

II – THE EVOLUTION OF THE REGULATORY ENVIRONMENT

1.- The activities of the international bodies

1.1 - Towards the definition of a capital requirement for the groups which are systemically important

During 2013, work continued in the IAIS sphere relating to the identification of the insurance entities of systemic importance (Global Systemically Important Insurers - G-SIIs); the same took on the form of a first list, drawn up by the Financial Stability Board, of nine insurance groups which include Assicurazioni Generali. This list will be updated annually.

In line with the provisions already envisaged for the banking entities of systemic importance (SIBs), the systemically important insurers will have to be subject to enhanced supervision, an effective resolution regime and a higher ability to absorb the losses.

In practice, the supervisory activities shall have to extend to all the group entities capable of affecting the risk profile of systemic insurers; the latter shall also have to endow themselves with a plan for the management of the systemic risk (Systemic Risk Management Plan) which will contain the measures aimed at reducing, mitigating or handling the systemic importance of the group. The systemic insurers, in co-ordination with the supervisory authorities, will have to draw up recovery plans and liquidity risk management plans; the respective supervisory authorities will also have to draw up resolution plans: the plans in their entirety are aimed at ensuring that the solution of the crisis situations may take place in observance of the objectives of financial stability and policyholder protection.

A higher ability to absorb the losses by the systemic insurers will be guaranteed by a higher capital requirement (Higher loss absorbency - HLA), which will be defined in 2015 and will apply as from 2019. In the absence of a harmonised global standard for the capital requirements, the HLA will be based on a measurement of basic capital (Basic Capital Requirement - BCR) - relatively simple although extended to all the group activities - which will be defined by the IAIS during 2014.

1.2. Development of the framework for the supervision on groups which operate at international level

The ComFrame (Common Framework for the Supervision of Internationally Active Insurance Groups) is a series of supervisory principles and criteria specifically focused on insurance groups active at international level (IAIGs). The ComFrame pursues the objective of increasing the co-ordination ability between supervisory authorities of different legal systems, applying a shared framework so as to comprehend the activities and the risks of an insurance group, identify regulatory misalignments for the purpose of eliminating them and

co-ordinating the supervisory action under the guidance of the authority responsible for the group (group-wide supervisor).

The development phase of the ComFrame, started in 2010, concluded at the end of 2013 on termination of a process which involved the various stakeholders within the sphere of public consultations and other moments of dialogue. In response to the specific recommendations issued by the Financial Stability Board, the IAIS decided to include the development of a global capital standard in ComFrame (Insurance Capital Standard - ICS) - based on the risks effectively undertaken by the insurance groups (risk-based) - which will have to be defined by the end of 2016.

During the first few months of 2014, the test phase of the ComFrame was launched, preparatory to the final adoption of the supervisory principles, currently envisaged for 2018. The test phase also involves the ICS, which it is envisaged may be implemented by the national legal systems as from 2019.

2.- The evolution of the European regulations

2.1 - Solvency II and Omnibus II: the state of the art

The final adoption by the European Parliament and EU Council of directive 2014/51/EU dated 16 April 2014 (so-called *Omnibus II*) represents a fundamental step towards the introduction of Solvency II, which will deeply innovate the prudential regulations of the insurance undertakings which will have to possess capital shock-absorbers no longer to a fixed extent, but anchored to the business risks, the genuine insurance risks and the investment risks. Thanks to the approval of the Omnibus II directive, the new regime will have to be assimilated in the national legal systems by 31 March 2015, with effective application as from January 2016.

The Omnibus II directive has been enhanced with substantial changes, especially with regard to the first pillar requirements and, in particular, the treatment of long-term business. This problem is generalised for all the countries, but the different characteristics of the national products and the related assets have led to distant positions between the countries, hindering a negotiated solution and requiring, in conclusion, the performance of a quantitative impact study by EIOPA (Long Term Guarantees Assessment) during the Summer of 2013.

Measures adopted pursuant to the agreement reached on the Long Term Guarantees

The Solvency II regime is based on solvency-based financial statements prepared using market consistent assessment criteria: high market volatility, generating fluctuations in the values of assets and liabilities of different extent, creates a mismatch that, in some cases, may prove completely artificial. The Omnibus II directive introduced measures for countering this phenomenon, some of which involve corrective instruments to be applied to the curve of risk-free interest rates used for the valuation of technical provisions, while others represent supervisory action of a qualitative type. These measures are summarised below.

Volatility Adjustment (VA): this is an adjustment of the risk-free rates curve aimed at mitigating the artificial short-term volatility due to excessive and artificial levels of the rate spreads; this measure produces effects on the value of the technical provisions and, as a consequence, on the value of the capital requirement and the capital resources to cover the requirement. The adjustment of the so-called application ratio of the VA, or rather which part of the differential between the rate spread is attributable to the artificial volatility and is therefore usable to correct the curve, has been a much debated element during the negotiations and has at the end been set at a value of 65%.

Matching Adjustment (MA): this is an adjustment of the risk-free rate curve for discounting the technical provisions of products which have a high predictability in relation to the amount and the timing of the payments to be made to the policyholders and are covered by assets whose returns reproduce these payments (matching). This characteristic makes the use of rates which reflect the return of the assets underlying the insurance liabilities necessary.

Extrapolation methodology: this defines the method of determining the rates to be applied to very long maturities for which there are no immediate market references.

Extension of the recovery period in case of inobservance of the capital requirement: in the event of exceptional adverse situations declared by EIOPA (for example, an exceptional collapse of the financial markets), the supervisory authority may extend the recovery period so as to permit the undertaking to re-establish the level of own funds admissible to cover the capital requirement for a maximum period of seven years, taking into account the average duration of the technical provisions.

Transition measure on the interest rate: a transition period of 16 years is envisaged for the calculation of the technical provisions according to the Solvency II regime. The application of this provision, optional for the undertaking, involves the adoption of safeguard measures in the event that the undertaking, without the use of the transitory period, is not able to observe the solvency capital requirement.

For the purpose of not prejudicing the financial and solvency position and guaranteeing suitable transparency, legislation lays down the satisfaction of additional governance, public disclosure and supervisory reporting requirements.

Furthermore, in the event of use of the VA or MA, the supervisory authority may request additional capital (capital add-on) both at individual and group level, if it deems that there is a significant deviation from the effective risk profile of the undertaking.

2.2 - The measures under discussion

Preparation of the Solvency II execution rules

Solvency II is a directive which lays down the general principles and requires detailed rules for a correct application and a high level of harmonisation. The Commission is finalising the drafting of the delegated acts which will contain the implementing details (on around 40 areas of the directive); the adoption of the proposal of measures - which will take the form of a Regulation, therefore immediately applicable by the member nations - is presumably expected by July-September 2014.

The implementation measures deal with important details on different aspects of the new regime, such as the products with long-term guarantees, measures to encourage the re-launch of the economy via the facilitation towards long-term investments by insurance undertakings and the equivalence of the third countries.

The amendments made by the MIFID II directive to the directive on insurance mediation: the IMD 1.5 directive

The work at the European Council for the negotiation of the new proposal for a directive on insurance brokerage (so-called IMD II) is still underway; it was in fact suspended in 2013, and resumed only in May 2014. In the meantime, within the sphere of the work for the approval of the MIFID II directive (Markets in Financial Instruments Directive), a number of articles have been approved which amend the current structure of the IMD directive with exclusive reference to the investment products of an insurance nature (so-called insurance based investment products). The amendments made by the MIFID II to the IMD are known as the IMD 1.5 package. The new rules concern the identification, prevention and handling of conflicts of interest, whose discipline in detail is in turn entrusted to delegated acts of the Commission to be issued by the end of June 2015.

Another aspect subject to discipline concerns certain general principles of conduct and disclosure to customers inspired by clarity, honesty and professionalism.

The regulation on packaged retail investment products (PRIIPs)

The work on this dossier has seen, further to the approval of the MIFID directive, the replacement of the definition of PRIIPs - previously approved by the Council - with a new definition, which includes the concept of insurance based investment product deriving from the MIFID II directive: thus, in order to ensure the alignment between the directive concerning the discipline of the same type of products. The new Regulation, on which a political agreement was recently reached and whose publication is awaited, introduces a KID (key information document) also for life assurance products.

2.3 - The activities of the European supervisory authorities.

EIOPA

Solvency II: the mechanism commences

On 31 October 2013, the EIOPA published certain guidelines (so-called interim measures) addressing the national supervisory authorities regarding the governance system, the forward-looking assessment of the risks, supervisory reporting and so-called pre-application of the internal models, for the purpose of guiding the supervised undertakings in the preparatory stage for the implementation of the Solvency II directive (envisaged for 1 January 2016).

In April 2014, IVASS - on conclusion of the public consultation phase - adopted the action aimed at transposing the guidelines so as to achieve a complete and prompt preparation to the new Solvency II regime and ensure its full applicability as from the moment it comes into force (see section 3.1.2).

As part of the first pillar works, the Internal Model Committee (IMC) which operates within the sphere of the EIOPA, continued its technical support activities for the implementation of Solvency II in the areas of internal models and continued to investigate with regard to the possible techniques to be used for integration between the capital requirements deriving from standard formulas with those deriving from the use of partial internal models. The Committee put together a series of aggregation techniques also via functionality tests created on real cases.

The Committee was also involved in both the definition of the common package for the authorisation applications for adoption of an internal model for the calculation of the Solvency Capital Requirement (SCR) and in the identification of quantitative indicators useful for the on-going control of the solvency capital requirements. The package comprises a practical instrument aimed at furthering a common European approach both for the undertakings and for the supervision.

The Financial Requirements Committee (FinReq) and its sub-groups on Solvency Capital Requirements (SCR SG), Technical Provisions (TP SG) and Own funds (OF SG) continued to work on the production of Guidelines and Technical Standards: the main theme-based areas of the documents concern the application of the standard formula, the calculation of the technical provisions, the definition of own funds as well as the harmonisation of the procedure for the release of the authorisation for the use of specific parameters in the standard formula (so-called USP - Undertaking Specific Parameters).

The Committee competent with regard to second and third pillar aspects (Internal Governance, Supervisory Review and reporting - IGSRR) worked for the finalisation of the interim measures on the Governance System, on the Forward Looking Assessment Own Risk (FLAOR on the basis of ORSA principles), and on the reports, with the purpose of furthering the preparation of both the supervisors and the insurance market. Furthermore, in consideration of the evolution of the first and second level legislation, the Committee worked on the finalisation of the guidelines for application of the new regime.

Supervision over groups

In 2013, the Committee on the supervision of insurance groups (IGSC), chaired by IVASS since 2011, continued its activities on the definition of guidelines on quantitative and qualitative aspects related to the supervision of insurance groups, such as: the calculation of the group solvency, the ability to absorb the losses by the technical provisions and the deferred taxes, the supervision over infra-group transactions and on the risk concentration, governance, ORSA, the capital add-on, the supervisory process, the definition of the supervisory forms.

The guidelines on the functioning of the colleges of supervisors were drawn up in cooperation with EIOPA's College team and include an outline co-ordination agreement and emergency plan.

The action plan for 2013-14 was defined. The implementation of the 2013 action plan by the various colleges of supervisors was kept under control by EIOPA and on the whole, it was found that the objectives have been achieved.

Consumer protection

New work themes were added within the EIOPA Committee for consumer protection and financial innovation. In fact, the decision was taken to set up an *ad hoc* sub-group concerning governance on product planning. The principles which will have to be analysed concern the responsibilities of the constructor when organising the processes, the functions and the strategies aimed at designing the products, making them operative and introducing them onto the market, also envisaging the monitoring of the same and possible review of the features over time.

The Committee also launched work concerning the opinion to be provided to the EU Commission in relation to the delegation assigned to it by the MIFID II directive for the issue of the delegated acts regarding conflicts of interest on the insurance PRIIPS (otherwise known as “insurance-based investment products”).

The guidelines on the handling of complaints by insurance intermediaries have also been approved, foreseeing the creation of the specific company function and establishing the reference principles for its activities.

Furthermore, a report has been published on the EIOPA website which identifies the good practices that market participants should follow in order to offer consumers a fair and transparent service. The aim of the report is to further the convergence between the countries at guiding principles level.

Peer reviews

Each year, the European supervisory authorities carry out reciprocal checks on the supervisory practices adopted in the various countries (so-called peer reviews), for the purpose of highlighting the best practices and encouraging the convergence of the supervisory systems. During 2013, the first stage of the peer review on the process for pre-application of the internal models was concluded and the stage was launched for checking the implementation by the countries of the recommendations which have originated therefrom. The peer review on the activities carried out under the right of establishment (branches) was concluded. In 2014, a new project was launched for checking the supervisory procedures within the sphere of the activities under freedom to provide services, both in terms of Home and Host.

Task Force on Personal Pensions (TFPP)

The Task Force was set up in February 2013 so as to carry out in-depth analysis aimed at defining a prudential regulation for the protection of the consumers, for the purpose of developing a single market for individual pension schemes at European level.

The preliminary report which sums up the results of the work of the Task Force for the European Commission, available on the EIOPA website as from 19 February, deals with the numerous topics to be taken into consideration for the purpose of developing the single market and proposes possible legislative approaches. The document also highlights critical elements which emerged from the work of the Task Force and from the comments gathered within the sphere of the public consultation.

The possibility of launching the second work phase is envisaged for this year, aimed at drafting a final opinion.

Financial Stability

The monitoring of the exposures of the European insurance industry vis-à-vis government bonds, banks but also innovative instrument for transforming/procuring liquidity, such as liquidity swaps and short-term funding, continued to characterise the activities of the Financial Stability Committee, set up within the EIOPA, together with the observation of the effects of the prolongation of the period of low interest rates on the insurance sector.

Work continued for the preparation and finalisation of the European insurance Stress Test which saw close collaboration with the ESRB especially in relation to the definition of the market scenarios. The launch of the Stress Test is scheduled for the second half of 2014 and the results are expected for Autumn of the same year.

During 2013, the usual activities were continued for providing disclosure on the state of health of the sector by means of the half yearly publications of the Reports on financial stability and the performance of the insurance markets in Europe.

ESRB

Within the sphere of the European Systemic Risk Board (ESRB) the Insurance Expert Group (IEG) has been created, a group of experts from the insurance sector set up to analyse, from a macro-prudential standpoint, the risks originated by the insurance sector and the risks which affect it, as well as the different forms of interaction and interconnection between the insurance sector, the financial sector and the economy in its entirety.

During 2013, the Board's work concerned, amongst other aspects, collaboration with the EIOPA for the purposes of preparing the market scenarios relating to the European Stress Test.

IVASS takes part in the meetings of the IEG and the Advisory Technical Committee (ATC) contributing in this latter assembly to the work concerning insurance-related matters; cooperation was also provided through collaboration with the Bank of Italy, the voting member for Italy in the General Board (decision-making assembly).

JCFC (the Joint Subcommittee on Financial Conglomerates)

Within the framework of the Joint Committee, the activities of the Joint Subcommittee on Financial Conglomerates (JCFC) play a special role.

During 2013, the JCFC finalised the Regulatory Technical Standards (RTS) on the calculation of the capital adequacy of the financial conglomerates with the aim of:

- ensuring the harmonised application of the calculation methods by the financial conglomerates whether they pertain to the insurance or banking sector or an investment company;
- defining the conditions which permit the banking groups to depart from the general rule of the deduction of the insurance investments and use the weighting.

Once issued and published in the European Official Journal, the standards will be immediately applicable in all the member nations, with the exception of certain articles which will be applicable when the Solvency II directive becomes so (1 January 2016).

Among other activities the JCFC – of which IVASS is the vice-chair – also ensures the surveying of the financial conglomerates operative in the European Union and of the authorities involved in the supervision of each conglomerate.

2.4 - The international accounting standards - the status of the Insurance Contract project

IVASS follows the IASB projects for accounting standardisation, examining the developments and consequent repercussions for the insurance industry.

At present, there are five main accounting projects which involve the leading players concerned with European accounting policy: the most important among these is the Insurance contract project (IFRS 4) which has the aim of improving and harmonising accounting and the transparency of insurance policies. Stage 2 of the project, still underway, has led to the release in June 2013, of a new draft of the international accounting standard.

According to the current work plan, the publication of the final standard is presumably expected at the beginning of 2015 for its application after three years (as from 2018).

The other IASB projects still open include the replacement of IAS 39 with IFRS 9 (Financial Instruments), a long project structured in three parts: with regard to the first, the IASB has proposed the introduction of a third portfolio (so-called FVTOCI - Fair value through other comprehensive income) which should facilitate the coherence of the accounting between assets and liabilities.

Reform of the accounting policy in the European Union (Maystadt report)

The European Commission granted the advisor Philippe Maystadt the appointment to make proposals so as to enhance the contribution of the European Union in the process for the formation of the international accounting standards (IFRSs) issued by the IASB. The main recommendations made by the advisor concern improvement to the endorsement procedure and improvements to the governance of the EFRAG (European Financial Reporting Advisory Group, a technical body which supports the Commission in the process for the standardisation of the IFRSs), equipping it with a Board made up of representatives of the public authorities (ESMA, EBA, EIOPA and ECB), trade associations and national accounting standard setters. There are several assemblies in which the work carried out so far is being discussed.

3. - The national regulation

3.1 - The new laws

3.1.1 - The activities for transposing the EU directives

During 2013, the national implementation of Directive 2011/89/EU regarding the supplementary supervision on financial undertakings belonging to a financial conglomerate (hereinafter FICOD 1) was concluded.

The directive was implemented by means of Legislative Decree n. 53 dated 4 March 2014, which amended and supplemented Legislative Decree n. 142 dated 30 May 2005, regarding the supplementary supervision of credit institutions, insurance undertakings and investment firms belonging to a financial conglomerate.

The FICOD 1 directive has changed the sectoral standards for banks and investment firms as well as those regarding insurance and reinsurance undertakings belonging to a group for the purpose of including within the sphere of consolidated supervision the “mixed financial holding companies” (hereinafter MFHC), or rather those companies which, holding participations both in the banking and insurance sectors, find themselves heading up a financial conglomerate identified as such by the competent supervisory authorities.

It has therefore been necessary to make changes to the Code of private insurance (on a parallel with what took place for the Consolidated Banking Law and the Consolidated Finance Law), for the purpose of foreseeing that the MFHCs can become banking parent undertaking and insurance parent undertaking, as well as the parent of the conglomerate and be subject to the supplementary supervision of the Authority of the sector of greatest size.

3.1.2 - Preparatory activities for the changeover to Solvency II

When effectively implementing the EIOPA guidelines for the preparation for Solvency II (so-called interim measures), amendments and additions were made to the current ISVAP Regulations n. 20/2008 regarding internal controls and risk management and n. 36/2011 regarding investments and assets covering technical provisions; a letter to the market was also issued, introducing aspects linked to the Solvency II financial requirements of greatest innovation with respect to the current Solvency I regime, to-date not yet completely defined.

The most significant measures concern: the enhancement of the principles of the assessments and analyses based on the risk (so-called risk based approach) also in forecast terms (so-called forward looking assessment) and prudence with regard to investments (so-called prudent person principle); the introduction of specific policies by the management body, required to perform an increasingly more pro-active and informed role in the decision-making process on governance, internal control and risk management aspects; the data management system; the introduction of control safeguards with regard to technical-actuarial matters; the preliminary indications and procedures concerning the pre-application phase for the calculation of the solvency capital requirement via an internal model.

The documents, which also already take into account the considerations emerged during preliminary meetings with the main stakeholders, were subject to public consultation on 14 January 2014 and finally issued on 15 April.

National preparatory activities for the transposition of Solvency II

IVASS has fully implemented the interim measures drafted by EIOPA for the purpose of maintaining the attention of the insurance undertakings high with regard to the need to start to equip themselves so that they do not find themselves unprepared on the date of application of the new regime (2016) and encourage a gradual and harmonised transition to the new regime. This is a fundamental step for the Italian market towards a new prudent European regime.

The EIOPA interim measures contain indications directed at the national authorities on four different areas, all deemed fundamental for the purposes of an effective preparation for the new solvency regime.

The amendments to the Regulations adopted by IVASS to implement the interim measures take into account the proportionality principle referred to in the Solvency II Directive (2009/138/EU) and envisage that in their application account is taken of the nature, the extent and the complexity of the risks related to the activities of the undertaking/group.

The four areas of intervention concern the governance system (inclusive of the system for the management of the risks within the undertaking), the forward-looking assessment of the risks according to the Solvency II principles (so-called FLAOR, based on the ORSA principles), the disclosure obligations vis-à-vis the national authorities (so-called reporting) and the preliminary procedure phase (so-called pre-application) for the undertakings which intend to use complete or partial internal models, for the calculation of their solvency capital requirement within the Solvency II sphere. On a general basis, the guidelines envisaged at group level are applied to the parent undertakings, in addition to those envisaged for the individual insurance and reinsurance undertakings which form part of the group; in the national implementation, the national parent undertakings of European groups are an exception to this general principle, since they are not obliged to apply the measures for the reporting and the FLAOR at national sub-group level.

Many guidelines issued by EIOPA refer to principles and/or good practices already present in the Italian legislative framework in force, even if in some cases a number of integrations or clarifications on the principles contained in the secondary legislation in force have become necessary (see ISVAP Regulation n. 20/2008 and ISVAP Regulation n. 36/2011 as amended further to public consultation n. 1/2014).

Other guidelines by contrast present innovative elements and in various ways imply the consideration of the financial requirements which will be introduced only when the new Solvency II regime comes into force. Even though the current requirements envisaged by the Solvency I regime are in force, these elements require immediate and careful application by the undertakings so that the new regime can be effectively and fully implemented as from 1 January 2016.

The guidelines are applicable from 1 January 2014, except for the supervisory reporting, which will apply as from 1 January 2015 with reference to 2014 data.

The objectives and the contents of the four areas subject to intervention are shown in greater detail below.

As to governance, the guidelines are aimed at favouring the creation – in insurance undertakings and groups – of an effective and efficient internal organisation system with a clear allocation of responsibilities for the definition of strategies, policies, processes and procedures. The system of governance must include the internal control system, the risk management system with a specific strategy that covers at least certain types of risks, and the establishment of four key functions (internal audit, risk management, compliance and actuarial) with the definition of their duties, responsibilities and lines of internal reporting. It is required that the members of the corporate bodies and the relevant functions meet the good repute and professional requirements. The guidelines also contain directives on investments to implement the Prudent person principle and guidelines for the proper management of capital. Guidelines on the outsourcing of important activities are also given. Specific guidelines concern, finally, the responsibilities at group level, the specific risks to be taken into account, and the use of group internal models.

The interim measures on the forward-looking assessment of risks (based on the principles of article 45 of the Solvency II directive relating to the ORSA) are designed to encourage insurance undertakings and groups to make an appropriate assessment to understand whether undertakings have sufficient capital, taking into account their specific risk profile, to meet the capital and technical provisions requirements, and to measure whether the specific risk profile deviates from the assumptions underlying the solvency capital requirement. Even in this case, specific provisions apply to groups; they regard the scope of the undertakings to be included in the assessment, the reports to the supervisory authority, the impact of the specific group risks on the assessment, the users of the internal models and how to consider the risks arising from third country undertakings and the reinsurance undertakings included in the group.

The interim measures on supervisory reporting aim to encourage undertakings to establish systems and structures for an appropriate exchange of supervisory information with the Authorities that is consistent with the evaluation system required under Solvency II. In particular, the guidelines provide for a core set of quantitative supervisory forms covering 40% of the total forms identified in the previous public consultation by EIOPA on Solvency II; a set of supervisory disclosure to be produced annually in narrative form.

The guidelines on the pre-application for internal models are intended to provide indications on the activity of the supervisory authorities in order to increase the convergence of national supervisory practices in the pre-application stage. The guidelines provide details on the activities that the supervisory authorities must implement in order to assess the ability of undertakings to adjust to the use of the internal model. The basic principles to be taken into account for the review of the internal model are also defined, such as the principle of proportionality, the specificity of the undertaking, taking into account that any changes to the internal models must be made, if necessary, following the review.

3.1.3 - The regulations adopted by IVASS

During 2013, four Regulations and several Measures implementing, amending or supplementing the Regulations in force were adopted.

Regulation n. 1 dated 8 October 2013 which came into force on 31 October 2013, redefines the procedure for imposing administrative sanctions, repealing that disciplined by ISVAP Regulation n. 1 dated 15 March 2006.

Having taken into account the establishment of IVASS and the need to achieve the objectives of rationalisation, greater clarity, standardisation, coherence of the sanction procedure and cost effectiveness of the administrative action, the new Regulation envisages more detailed indications and guidelines on the sanction procedure. The new discipline outlines the purposes and the general principles which govern the sanction procedure guaranteeing the consistency of opinion in the effective valuation of the cases noted and lays down the structuring of the individual phases of the procedure - launch, preliminary investigation stage and decision-making stage - precisely identifying the responsibilities of the various Services of IVASS.

Regulation n. 2 dated 8 October 2013 which came into force on 31 October 2013, redefines the procedure for the application of the disciplinary sanctions vis-à-vis insurance and reinsurance brokers and the standards for the functioning of the Guarantee Committee, repealing ISVAP Regulation n. 6/2006.

Having taken into account the establishment of IVASS and in compliance with the reorganisation plan of the same, the new Regulation reviews and rationalises the assignment of the assessment and preliminary investigation responsibilities with regard to disciplinary sanctions, transferring the liability for the same from the Legal Services Department to the Insurance Intermediaries Supervision Department in accordance with criteria for making the administrative action efficient and cost effective and identifies the bodies of the Institute which have the decision-making responsibility for the adoption of disciplinary measures. It also eliminated the notification of the launch of the procedure sent to the undertakings or principal intermediary for the purposes of protecting the reputation and confidentiality of the intermediary accused until conclusion of the procedure.

Regulation n. 3 dated 5 November 2013 implements Article 23 of Italian Law n. 262 dated 28 December 2005, containing the provisions and principles which the authorities must follow for the adoption of acts with a regulatory or general content, excluding those pertaining to the internal organisation, for the purpose of ensuring greater uniformity with the new international stances regarding regulatory impact analysis (so-called RIA).

The Regulation introduces the provision of an annual programme of regulatory activities for IVASS, with the aim of enhancing the transparency of the supervisory activities and soliciting, via the public consultation of the programme document, discussion with the addressees of the standards and with the other parties concerned, which fall within the

insurance process, including the associations representative of interests and the positions of participants in the insurance industry.

Regulation n. 4 dated 17 December 2013, regarding administrative compulsory winding up of insurance undertakings, which repealed the previous ISVAP Regulation n. 8 dated 13 November 2007, has the aim of encouraging the streamlining and better performance of the winding up transactions. The new Regulation permits greater operating autonomy for the bodies of the procedures, as well as the increase in the communication and disclosure elements to be provided to IVASS, foreseeing the possibility of submitting the activities for the handling of the winding up proceedings for the examination of an external auditor. More stringent criteria have also been established for the bodies of the procedures in relation to the entrusting of the appointments to outside parties.

3.1.4 - Other general measures of IVASS

By means of Measure n. 1 dated 19 March 2013, the technical formalities were established for the transmission of the standard report regarding the repression of fraud, contemplated in ISVAP Regulation n. 44/2012.

Measure n. 3 dated 21 May 2013 contains provisions implementing Article 62 of ISVAP Regulation n. 21/2008, regarding the obligations and transmission formalities for the systematic communications of the technical bases of the life insurance products. The subjective sphere of application of the provisions contained therein is extended to the branches in Italy of insurance undertakings whose head offices are in a third country, carrying out life insurance business.

Measure n. 5 dated 4 June 2013, which amends the ISVAP regulations n. 10/2008, n. 14/2008, n. 26/2008 and n. 33/2010, originates from the need to make the regulatory provisions compliant with the most recent case-law which has emerged with regard to interpretation and application of the provisions of Article 10 *bis* of Law n. 241 dated 7 August 1990 (Communication of the impedimental reasons relating to the upholding of the petition), with particular reference to the interruption of the period for the conclusion of the procedure.

By means of Measure n. 7 dated 16 July 2013, containing provisions relating to the handling of insurance dealings via web, ISVAP Regulation n. 35/2010 is amended and supplemented, concerning the discipline of the information obligations and the advertising of insurance products. The Regulation is supplemented establishing that the undertakings shall provide in their websites appropriate restricted areas through which each policyholder can access their insurance position and consult the main information relating to the insurance coverage outstanding. The Measure outlines the contents of the restricted areas and the access formalities, laying down principles of correctness and transparency and leaving the undertaking free to make further functions available to customers, such as for example, the possibility of paying the insurance premium on-line.

Measure n. 9 dated 22 October 2013 amends ISVAP Regulation n. 5/2006, concerning the discipline of the insurance and reinsurance mediation activities, increasing the minimum amounts of cover of the third party liability insurance policy entered into by the intermediaries enrolled in sections A and B of the register, both in relation to each claim and for all the claims considered globally over a period of one year.

By means of Measure n. 10 dated 22 October 2013, amendments were made to the table attached to ISVAP Regulation n. 2/2006, concerning the determination of the terms for concluding IVASS's procedures and the organisational units responsible for them. The amendments made are intended to enable the necessary adaptation to the provisions contained in the new IVASS Functioning and Organisation Regulation, with particular regard to the shifting of the responsibility with regard to disciplinary procedures vis-à-vis the insurance intermediaries from the Legal Services Department to the Insurance Intermediaries Supervision Department.

Measure n. 12 dated 3 December 2013 amends the discipline of the qualifying examination for enrolment in the Single Register of Intermediaries as per Article 9 of ISVAP Regulation n. 5/2006, eliminating the provision of the oral examination. Consequently, as from the 2013 session, the qualifying examination solely concerns a written examination structured in a multiple choice questionnaire, on a similar basis to that envisaged for the financial promoters, the agents and the loan brokers (see Section 1, paragraph 2.4.1).

In conclusion, by means of letter dated 23 January 2014, IVASS provided indications with regard to the implementation of the innovations, in terms of investment of insurance undertakings, pursuant to the Destinazione Italia decree (Italian decree-law n. 145 dated 23 December 2013, converted with amendments into Italian Law n. 9 dated 21 February 2014): in detail, this involves the introduction of two new classes of assets admitted as cover for the technical provisions of the insurance and reinsurance undertakings:

- bonds, promissory notes and similar securities issued by unlisted companies, with the exception of banks and micro-businesses, including therein bonds with subordination and participation clauses (so-called mini bonds);
- the new type of bond securitisation transactions envisaged by Law n. 130/99 as amended by the Decree, including the securitisations relating to bonds, promissory notes and similar securities as per the previous point.

The amendments anticipated by the letter were implemented in April in Regulation 36/2011, as amended further to the national transposition of the EIOPA guidelines for preparation of Solvency II.

On 10 June 2014, IVASS launched a public consultation which concerned further amendments to Regulation 36/2011, aimed at extending the possibility for the insurance undertakings to invest and diversify their investments in accordance with a more complex range of risk-return combinations which takes into account the additional or enhanced internal audit safeguards in view of preparation for Solvency II.

The amendments proposed envisage:

- a greater possibility of investment in alternative funds (in detail, the limit of 5% of the technical provisions common to two specific investment classes is eliminated, while the general limit of 10% of the technical provisions applicable to the entire macro-class of the alternative investments is maintained);
- the possibility for IVASS to authorise the insurance undertakings to make investment both in assets other than those envisaged by the Regulation and to a surplus extent with respect to the quantitative limits established by said Regulation. The authorisation would be issued - for one or more investments - when certain conditions apply linked to the demonstrated risk management and assessment ability, to the consistency between assets and liabilities as well as the observance of the solvency requirement also with a view to the medium/long-term, in other words also taking into account the absorption of the supervisory capital which said investments would lead to in the new Solvency II regime.

These amendments, motivated by prudent ends, also go in the direction of encouraging the extension of the funding instruments of the economy, indicated by various national and international bodies and assemblies.

3.2 - Current and planned motor liability insurance reforms

3.2.1 - The IVASS measures implementing the Competition Decree

Activities continued in 2013 to implement the provisions introduced by the Competition Decree (Italian decree-law n. 1 dated 24 January 2012, converted into Law n. 27 dated 24 March 2012).

Direct compensation

As already illustrated in the box dedicated to the new direct compensation scheme (see Section I, paragraph 6.1.2), article 29 of the decree assigned IVASS the task of defining new criteria for the economic compensation between undertakings which provides incentive for the production efficiency of the same, the control of the costs and the identification of any fraud.

The objective which IVASS has set itself, when defining the new model of reimbursements, is that of identifying - in compliance with the matters requested by the legislator - operating methods which can provide incentive to undertakings to adopt “virtuous” conduct, aimed at reducing the cost of the claims and increasing the settlement speed. The intention was also to discourage “opportunistic practices”, limiting the effect of the small claims and fighting fraud. In this connection, please see Section 1, paragraph 6.1.2.

The work for the definition of the new criteria, which also takes into account considerations emerging during preliminary meetings with the Ministry for Economic

Development, the Antitrust authority and ANIA, led to the drafting of the outline measure 5/2014, submitted for public consultation on 15 April 2014.

Dematerialisation of the insurance sticker

Again within the sphere of motor liability insurance, article 31 of the Decree envisages, for the purpose of preventing and fighting fraud, the progressive dematerialisation of insurance stickers and their replacement by electronic and online systems. In April 2013, IVASS supplied the envisaged opinion to the Ministry for Economic Development and the Department of Infrastructures and Transport, who together issued Decree n. 110 dated 9 August 2013, containing the regulation implementing the legal provision. The dematerialisation process will have to be concluded within two years.

3.2.2 - The IVASS measures implementing the Second Development Decree

Activities continued in 2013 to implement the provisions introduced by the “Second Development Decree” (decree-law n. 179 dated 18 October 2012, converted into Law n. 221 of 17 December 2012).

Integrated computer database

With regard to motor liability insurance, article 21 of the decree envisages the establishment care of IVASS of a structure for the prevention of fraud, whose implementing formalities will have to be based on the analysis of the information taken from an integrated computer database, connected to multiple data banks both public and private. The work for the realisation of the project, involving elevated technological complexity, was launched, also with the involvement of the various parties concerned (Authorities, Ministries, undertakings). In this connection, please see Section 1, paragraph 6.4.1.

Home insurance

Article 22.8 of the decree assigned IVASS, for the purpose of furthering a more efficient handling of the insurance relationships on-line, with the task of establishing the methods on the basis of which the insurance undertakings must make restricted areas available, on their websites, for each policyholder, where it is possible to consult their insurance position (coverage, contract terms, state of payments and related expiries, surrender value of life policies...). As from 1 September 2013 (see Section II, paragraph 3.1.4) the consumers may request the activation, on the website of their insurance undertaking, of a restricted area, which they can access in a protected manner, to check their insurance position in real time.

Professional updating of the insurance intermediaries

Article 22.9 of the decree assigns IVASS responsibility for defining, in a regulation, the organisational, technological and professional standards regarding the training and professional update of insurance intermediaries.

Implementing the provision, the draft regulation 2/2014 was submitted for public consultation, having taken into account the contributions made by the stakeholders during the preparatory phase.

The salient points of the new regulations include:

- the formalities for availing of training courses for the intermediaries, placing remote courses (video-conference and e-learning) on the same footing as classroom courses, with specific and more rigorous characteristics based on the principles of traceability and interactivity;
- the contents of the training products and the requirements of the trainers;
- the organisational standards, with the provision of a new frequency for professional update and new rules for the performance of tests checking the skills acquired.

Administrative simplification

Article 22.15 *bis* of the decree envisages that IVASS must adopt - in relation to the non-life insurance sector - measures for simplifying the procedures and the bureaucratic and paper-based fulfilments in contractual dealings between insurance undertakings, intermediaries and customers.

On 18 March 2014, the draft regulation 3/2014 was submitted for public consultation which, taking into account the contributions made by the stakeholders during the preparatory stage introduces, on the one hand, measures concerning undertakings and intermediaries aimed at providing incentive for the use of IT instruments (such as certified e-mail, electronic and digital signature, electronic payment means) and, on the other hand, disciplines the “digitalisation” formalities of the relationship so as to safeguard the policyholder’s freedom of choice. The assessment of the suitability of the products offered by the intermediary with respect to the customer’s needs is in any event unaffected, being activities preparatory to any subsequent contract, either traditional or on-line.

III - PRUDENTIAL SUPERVISION

1. - *The Guide to supervisory activities*

Activities continued during 2013 for the definition of the Guide to supervisory activities on insurance companies (identical for remote and inspection supervisory activities) with the aim, amongst other aspects, of harmonising the processes and methods inside the Institute with those used in the banking sphere. The guide features an approach:

- focused on the risks ("risk-based"), aimed at assessing all the significant risks and the corresponding organisational safeguards with the application of uniform analysis methods and schemes, also in a forward looking context;
- which is proportional, aimed at scaling the controls in proportion to the nature, scale and complexity of the risks inherent to the undertaking's business, as well as the problems of said undertakings.

The Guide - which anticipates the approaches of international prudential legislation, in line with the policies of EIOPA - aims to organise together the activities envisaged for remote controls and inspections, to turn to account the wealth of information available to the supervisory units also supplementing the macro-prudent analysis, to ensure the consistency of the conduct of those formulating the assessments, defining the methods for carrying out the prudential control process (Supervisory Review Process - SRP) disciplined by the so-called Solvency II Directive.

The SRP is structured as a "repetitive" and "integrated" process, aimed at assessing the coherence between the risks and the safeguards of the undertakings, expressing a justified opinion on the company situation under the form of a score, verifying significant shortfalls or anomalies which require the adoption of consistent preventive and/or corrective measures. In the future, it will also be enhanced with the information required under the Solvency II regime, including that on the self-assessment of risks and the solvency standing (FLAOR/ORSA).

The Guide, divided up into 3 parts (1 - "Principles, objectives, general method", 2 - "Procedures for remote control activities", 3 - "Procedures for inspection activities"), has been completed so far with regard to the general policies, reports, SRP structure and the transversal analysis profiles, as well as in relation to the inspection procedures. The first session for the planning and analysis of the supervised companies is currently underway as per the new methods with reference to the situations of the accounts at the end of 2013; the scope of assessment, which converges towards the new sector regulatory framework, is extended at group or conglomerate level so as to grasp the overall risks and safeguards in an integrated form.

2. - Assets/liabilities, financial and technical controls over insurance undertakings

Prudential supervision over groups and over Italian insurance and reinsurance undertakings is carried out first of all by analysing and checking undertakings' accounting documents (financial statements and semi-annual reports) in order to verify technical and financial performance and, lastly, financial stability at both individual and consolidated level. Documentation on the governance of supervised entities, subject to a specific annual report focused on the internal control and risk management system, is also of particular importance. The annual analysis is supplemented by the examination of the supervisory reports sent quarterly to IVASS, including that concerning the assets covering technical provisions and the use of derivative financial instruments. The results obtained from monitoring investments and the trend of premiums and of surrenders are also analysed on a monthly basis in order to assess the market, credit and liquidity risks borne by individual undertakings and by the insurance market as a whole.

IVASS checks, via documental analysis and on site checks, the ability of the undertakings to adapt themselves to the forthcoming Solvency II regime, more so with regard to the pre-application processes, for the purpose of ensuring their stability at the time the new legislative regime comes into force.

Solvency margin and assets covering technical provisions

Particular attention was dedicated to situations in which assets were deemed inadequate to support business development or even insufficient to satisfy the requirements of prudential supervision (deficiency of constituent elements of the solvency margin and insufficiency or unsuitability of assets representing technical provisions), and such that they are able to place the rights of the policyholders and the other parties entitled to insurance benefits at risk: in such cases, the adoption of corrective measures has been requested, suitable for satisfying the solvency requirements, requesting the possession of higher capital elements with respect to the mandatory minimum requirement.

In 2013, undertakings approved 16 measures aimed at financial enhancement for a total of 1,391 million euro (of which 130 million euro as subordinated loans). The measures, which mainly concerned three undertakings (for an amount equal to more than 80% of the total), were almost all carried out.

With respect to the assets used as cover for technical provisions, 16 inspections were carried out.

As at 31 December 2013, the subordinated loans allocated in the statement of liabilities of the Italian companies amounted to 10.6 billion euro in total and were used, the conditions applying, to partially cover the individual solvency margin and mainly for the purpose of the adjusted solvency. In this connection, in four cases, the conditions were verified for the inclusion of subordinated loans in the available margin and on two occasions early repayments were authorised.

IVASS intervened in relation to a conglomerate for which the growth of the banking component led to an essential equivalence of the weight of the banking and insurance segments, requiring the quarterly monitoring of the capital adequacy requirement also on the basis of the current solvency rules established for conglomerates which are mainly banking in nature.

Reserving and tariff risk

The usual activities were carried out during the year for the control of the suitability of the technical provisions set aside in the annual financial statements as well as with regard to the technical-actuarial construction of the tariffs relating to the life insurance products and the non-life insurance products. With regard to the life classes, verification activities were carried out also by means of the analysis of the systematic communications forwarded by the undertakings with reference to the technical bases used to determine premiums.

Measures were carried out in relation to the technical provisions vis-à-vis 16 companies, mainly operating in the non-life insurance classes; the strengthening of the provisions for outstanding claims was requested with regard to 3 undertakings. With regard to technical provisions, measures were taken vis-à-vis the appointed motor liability actuaries of 6 undertakings and vis-à-vis the auditing actuaries of 6 non-life undertakings.

IVASS forwarded the National Association of Actuaries disclosure on the activities of the actuaries, having noted serious violations of the primary and secondary legislation as well as the application rules of the actuarial principles.

With regard to the activities relating to the technical verification on the tariffs adopted in the motor liability insurance class, IVASS followed, from a technical standpoint, the appeals presented by 14 undertakings against whom sanction procedures had been launched during 2011 in relation to the legal obligation to insure. Within this sphere in fact, due to the highly technical content of the subject matter, the Administrative Judge ordered court-appointed technical consultancy.

The sanctioning procedures launched vis-à-vis the appointed and auditing actuaries, for the violation of the disclosure obligations, with regard to both technical provisions and motor liability tariffs, were cancelled due to the sentence of the Lazio Regional Administrative Court issued in January 2013 which on a general note established the non-applicability to individuals of the sanctioning provisions of the Insurance Code referred to in the aforementioned proceedings (Article 310 of Legislative Decree n. 209/2005).

Dividend distribution and remuneration policy

The recessionary trend of the real economy envisaged for 2013 and the continuation of the situation of high instability on financial markets made it advisable to draw the attention of

the undertakings to the adoption of action aimed at maintaining conditions of capital adequacy and prudent management of the liquidity risk.

By means of a letter to the market on 15 March 2013, the undertakings were requested to adopt prudent initiatives for the consolidation - also with a forward-looking approach - of the improvements progressively registered in 2012 - in terms of profitability and financial stability - further to the mitigation of tension on Italian government bonds and the pick up in share prices. Accordingly, the need was emphasised that the profit distribution policies are such as to guarantee the maintenance or achievement of current and future capital adequacy, both at individual and consolidated level, which - without prejudice to the observance of the mandatory minimum requirements - are consistent with all the risks undertaken by each undertaking. Various remarks were made to undertakings with regard to dividend distribution policies.

By means of the same letter, it was also recommended, with regard to remuneration policy, that a careful and prudent assessment be made of the conditions for the payment of the variable component.

Other measures

Additional aspects subject to intervention by IVASS concerned the annual and consolidated accounts, the investment policies, intragroup transactions, reinsurance remuneration, derivative financial instrument transactions, compliance with the regulations of segregate funds, the fulfilments envisaged with regard to anti-money laundering and the sales networks.

Guaranteed maximum rate of interest for life assurance contracts

For contracts for which the undertakings hold generic assets, the maximum rate applicable remained unchanged at 2.75% in 2013. For single premium contracts for which the undertakings have suitable assets, in February 2013 the conditions applied for a reduction in the maximum rate applicable from 4% to 3.25%.

3. - International activities and the pre-application process

During 2013, IVASS organised 7 Colleges in its capacity as Lead Supervisor and took part, as member, in the work of 25 Colleges for which the role of co-ordinator was assigned to other supervisory authorities. Within the Colleges, the supervisors exchanged information on the groups' structure, governance, the financial and economic situation, solvency, the main risk areas, the adequacy and proper allocation of capital within the group. In relation to the supervision over the financial conglomerates, balance sheet-profit and loss account data as at 31 December 2012 and for the first half of 2013 was examined so as to check the observance of the regulatory provisions regarding capital adequacy.

IVASS takes part, in certain cases in its capacity as co-ordinator, in the Financial Conglomerate Colleges of Supervisors, in which the European authorities of the banking and insurance sector involved in supervision take part and in this sphere it organised the Fi.Co. College for Generali and Unipol, conglomerates essentially insurance-based; with regard to the Intesa Sanpaolo conglomerate, mainly banking-based, it took part - as member - in the Fi.Co. College organised by the Bank of Italy; with regard to the Mediolanum conglomerate, by contrast it organised the Fi.Co College in which, having ascertained the predominance of the banking sector, the transfer of the role of co-ordinator to the Bank of Italy was made official.

With regard to two groups, an IT instrument, finalised last year, was made available to all the supervisors involved in the supervision for the exchange of information on a restricted basis.

During 2013, collaboration with the other European authorities involved in the analysis of the internal models was intensified. In the Solvency II regime this will make it possible to calculate the new capital requirement in the place of the standard formula. IVASS is involved in six pre-application processes, relating to the same number of groups who have disclosed their intention to adopt the internal model, for the calculation of the solvency requirement both at group and individual level. In this case, since the Solvency II directive envisages that the authorities concerned jointly approve the internal model, all the supervisors take part in the joint decision.

Within the sphere of the processes underway, eight on-site visits were made at the premises of the undertakings concerned. The checks carried out aimed to verify the satisfaction of requirements laid out in the Solvency II legislation for the purpose of approving the internal model and regarded: the methods adopted, the underlying mathematical models, the parameters used, the assumptions used, the sensitivity analyses carried out to assess the adequacy of the modelling and, in general, compliance with statistical quality standards, calibration and validation standards as well as the degree of use of the internal model in the management of the undertaking.

With regard to two Italian groups, Generali and Reale, in relation to which it covers the role of group supervisor, IVASS has been co-ordinating the process since 2011. The pre-application is in collaboration with the European supervisors that supervise the undertakings included in the scope of application of the partial internal model that the groups intend to use to calculate their capital requirement, both at group and individual level.

In relation to the four foreign groups - Allianz, Axa, Uniqa and HDI - who presented a pre-application request, IVASS covered the role of local supervisor.

The activities carried out brought to light, for all groups examined, the need for additional development of the internal model in order to satisfy the requirements envisaged under the Solvency II legislation.

4. - Controls on corporate governance

The supervisory action is also performed in the check on the governance structure of the undertakings by means of the review of the periodic disclosure envisaged by Isvap Regulation n. 20/2008 and concerned the overall corporate governance structure of the undertaking and the internal audit, compliance and risk management functions.

Supervision over the governance structure resulted in comments being addressed to 15 undertakings. In particular, in 5 cases the concentration of positions held by a single person and the extent of the authority assigned were subject to censure, since this undermines the correct balance of powers within corporate governance or a review of the system of powers was requested. IVASS also several times reviewed the system of internal controls and risk management with comments and requests made to the internal audit, risk management and compliance functions.

14 communications were examined overall, concerning the outsourcing of the internal audit, risk management and/or compliance functions. In all the cases, no elements were recognised which would prevent outsourcing.

78 communications relating to articles of association amendments were forwarded and examined. In certain cases, IVASS took action by suspending the approval process; in detail, the measure led to the re-wording of the articles of association amendments proposed with regard to governance by certain undertakings forming part of the same group.

A procedure was initiated for one undertaking, relating to the fall from office of a director; this procedure was then closed following the resignation of said director.

The checks on interlocking directorates continued, on the basis of the criteria contained in the joint document published by the Bank of Italy, Consob and IVASS with the collaboration of AGCM.

5. - Administrative proceedings

In 2013, the authorisation activities regarded corporate reorganisation operations, which involved Italian insurance companies and groups or undertakings belonging to foreign insurance groups. Such operations relate to acquisitions of holdings in insurance and reinsurance undertakings, mergers by incorporation, divisions and transfers of the insurance portfolio, and in some cases involved changes in the undertakings' shareholdings.

IVASS issued 15 authorisations for extraordinary operations, of which 8 related to mergers between insurance undertakings or with instrumental undertakings, 2 relating to division transactions and the remaining 5 relating to transfers of the insurance portfolio, of which 1 consequent to cross-border mergers.

Mergers and divisions

A merger transaction concerned the incorporation of two composite undertakings and a holding company. The others involved the incorporation of two undertakings operating in the non-life classes, an undertaking operating in the life classes, a composite undertaking and three subsidiary service companies.

The divisions concerned undertakings belonging to the same group and involved the conferral via spin-off of business segments.

The preliminary activities concluded during the year relating to the merger by incorporation of Unipol Assicurazioni, Milano Assicurazioni and Premafin Finanziaria into Fondiaria-Sai, which changed name into UnipolSai Assicurazioni. The transaction was authorised by means of IVASS measure dated 25 July 2013. In consideration of the operational complexity and of the size of the new post-merger entity and with the aim of pursuing greater management efficiency over time as well as an enhancement of the internal controls, IVASS sent the absorbing company a letter by means of which measures were also requested with regard to governance, along with suitable criteria in the distribution of the profits, strengthening of the procedures and controls in certain areas, including investments in structured securities in relation to which a request was made to promptly seize the opportunities for streamlining and lightening the sector which had already been partly satisfied in 2013. At the end of October, the extraordinary shareholders' meetings of the undertakings involved approved the merger, which was effective for statutory purposes as from 6 January 2014 and for tax and accounting purposes as from 1 January 2014.

During 2013, IVASS also followed the important reorganisation undertaken by the Generali group, aimed at changing its organisational model for the purpose of obtaining greater integration of the processes of the subsidiary companies and a clearer assignment of the responsibilities.

Portfolio transfers

IVASS authorised five portfolio transfer transactions. Of these, two concerned the transfer of the non-life and life business segments of a composite undertaking to two undertakings in the same group and led to the transferor losing the right to carry out insurance and reinsurance activities.

The transfer of the insurance portfolio of an Italian undertaking involved in a merger by incorporation into an undertaking with head office in another member state was also authorised. Following such transactions, the undertaking seamlessly continued carrying out business in Italy under the right of establishment, maintaining the same structure as the merged undertaking.

Two partial portfolio transfers were in conclusion authorised.

Acquisition of holdings

Four authorisations for the acquisition of controlling or qualifying interests in insurance undertakings were issued as per Article 68 of Legislative Decree n. 209/2005 along with six authorisations for the acquisition of controlling interests by insurance undertakings as per

Article 79 of the same decree. IVASS also issued a measure rejecting the acquisition of a controlling interest in an insurance undertaking.

Intra-group transactions

IVASS made a prior assessment of 18 intra-group transactions : the main ones concerned funding transactions, the provision of guarantees, the acquisition of interests, the purchase/sale of properties or securities, and the renegotiation of contractual conditions.

Segregate funds and internal funds

Overall, IVASS examined seven merger transactions, of which five relating to segregate funds and two to internal funds.

Authorisations to pursue business

An authorisation was issued to pursue insurance business in the life classes along with two authorisations to extend the pursuit of insurance activities in certain non-life classes.

IVASS declared the lapse of authorisation to pursue insurance and reinsurance business for one composite company further to the total transfer of the portfolio as well as the loss of authorisation to carry out business in certain classes for six companies further to the waiver presented by the same.

In conclusion, five communications were received relating to the intention of Italian undertakings to operate in another member state and two relating to the intention to operate in third countries under the freedom to provide services.

6. - Inspections

6.1 - Insurance undertakings

18 inspections were carried out on insurance undertakings during 2013. In detail, once check on a small-sized undertaking was far-reaching and two follow ups were carried out, to assess whether the shortfalls noted during past inspections had been overcome.

Additional checks, regarding individual areas of risk or specific functions, concerned the following areas:

- the governance and control systems: via the examination of the governance profiles and the control functions;
- the market risk: with particular reference to the analysis of the investments and the financial operations;
- non-compliance with standards: focused on checking the assets covering technical provisions;

- reserving risk: analysis of the main risk components and checking of the adequacy of the provisions for outstanding claims;
- the reinsurance risk: with specific reference to the plan of cessions and the reinsurance arrangements;
- the procedures of the claims area, the handling and settlement of the same;
- the underwriting and settlement of the insurance coverage combined with loans;
- anti-fraud activities and the claims data bank.

The supervisory activities were characterised, during the first part of the year, by the need to acquire strong disclosure elements on the companies involved in the merger project between the Unipol and Fondiaria-Sai groups also for the purpose of focusing on the spheres of enhancement of the operations and internal controls, subject to requirements communicated to the absorbing company when the transaction was authorised.

Inspection activities then rolled out on the basis of the planning and methodological criteria introduced by the new guidelines which IVASS adopted, as from February, within the sphere of a process for convergence with the standards applied in banking supervision and thanks to the re-establishment, in June, of an Inspection Service with full powers. The main innovations concerned the risk based approach of the inspection analysis, focused on the analysis of the risks and the nature of the safeguards adopted for the control of the same.

Inspection activities were inspired to the principles of disclosure and exchange with the company contacts; this goal was achieved by means of the representation - during special meetings of the management and control bodies - of the outcome of the checks as well as the problems come across.

Steps were also taken to streamline the procedures, foreseeing the simultaneous notification, at the time of delivery of the inspection reports, of any formal notices of the launch of the sanctioning procedure as well as the requests for measures on the company situation, of an operational and/or equity nature, in cases of more serious problems which require the adoption of prompt corrective measures.

The inspections highlighted, in half the cases, important criticalities which can be linked to governance shortfalls, which have repercussions on the exposure to risks and in dealings with customers. In numerous cases, sanctioning procedures were launched; for one undertaking a letter of formal notice was delivered together with the inspection report.

In conclusion, checks were launched on two leading insurance groups, one comprehensive and the other focused on evaluating the management and co-ordination activities on the financial investments and risk management. Both checks, which were concluded during the first few months of this year, gave rise to unfavourable evaluations.

6.2 -Insurance intermediaries

On-site inspections were carried out vis-à-vis 11 entities enrolled in the RUI, distributed in the following sections:

Table III.1	
Type of intermediary	Number
Agents (sect. A)	2
Brokers (sect. B)	5
Banks/financial companies (sect. D)	3
Collaborators (sect. E)	1
Total	11

The main phenomena observed and measures adopted concerned:

- insurance coverage combined with mortgage loans, other loans and funding (PPI - Personal Protection Insurance products) in the three cases of intermediaries enrolled in section D.
- These are multi-coverage insurance packages (so-called bundles), entered into in the form of collective policies with the financial intermediary as the policyholder, comprising temporary coverage for the event of death with decreasing capital in addition to one or more supplementary guarantees such as for example total temporary and/or permanent disability, serious illness and the loss of employment.
- The methods for placing these products, carried out by leading banks and financial companies, since they are intermediaries enrolled in section D of the RUI, have highlighted common practices of failure to acquire the information necessary for the assessment of the suitability of the insurance policies offered to the individual customers;
- the distribution of insurance products of foreign undertakings operating in Italy under freedom to provide services, mainly in the sector of suretyship policies.
- Three inspections at brokers merit a particular mention (two of which carried out with the aid of the Guardia di Finanza (the Financial Police)), which placed products of undertakings with head offices in Eastern European countries, since their conduct involved violations of the provisions on insurance mediation with regard to:
 - ✓ the use of the separate account for transactions not connected to insurance activities;
 - ✓ lack of pre-contractual disclosure with regard to the powers to collect premiums.

In five cases, the most frequent types of violations, other than those already indicated above, regarded:

- the failure to keep documentation proving the observance of the suitability obligations with regard to the policies offered;
- the payment of the premiums into current accounts that were not separate accounts;
- the non-fulfilment of the obligations to inform IVASS with regard to collaborations.

6.3 - Anti-money laundering

Inspections on compliance with anti-money laundering and counter-terrorism regulations regarded six undertakings.

The types of violations revealed relate to:

- the incompleteness of the customer profiling activities, in that they were carried out using just the information taken from the Single Computerised Data Bank (AUI) or that present in the general archives;
- the delays in the acquisition of the questionnaires on the suitable assessment of the customers, especially in relation to the changes in the policyholder;
- the exceeding of the maximum time-limits set by law for the registrations in the Single Computerised Data Bank (AUI);
- critical issues in the internal control system (two cases), in relation to:
 - o absence of formal approval in the corporate organisation/function chart;
 - o the failure to supplement the contracts/collaboration agreements with the intermediaries in the distribution network, with the introduction of rules of conduct which the same must abide by;
 - o the failure to adopt the internal procedures aimed at avoiding unwitting involvement in money-laundering;
 - o controls over outsourced anti-money laundering activities;
 - o the failure to schedule/carry out audits by the internal audit division;
- the incorrect functioning of the IT flow for detecting anomalies;
- insufficient training activities.

The inspections were followed by:

- a report to the Financial Intelligence Unit relating to the ascertainment of problems in the registration in the AUI with regard to the quality of the aggregate statistical data;
- two notifications of violations subject to administrative fines, relating to the formalities for registration in the AUI and the organisation of the internal controls;
- two reports of criminally relevant facts.

7. – Compulsory winding up

The new Regulation was published in 2013 (n. 4 dated 17 December 2013), regarding administrative compulsory winding up of insurance undertakings, for the purpose of endowing the liquidators with greater operating autonomy with a view to reducing the duration of the winding up procedures (see Section II, paragraph 3.1.3).

IVASS also issued the Guidelines for the appointment of the bodies of the undertakings under administrative compulsory winding up and the Code of Ethics for the members of the bodies of the procedures for the handling of the crisis and the bodies of the undertakings under administrative compulsory winding up.

At the end of 2013, the administrative compulsory winding up procedures for undertakings with head offices in Italy still underway numbered 60 (48 insurance undertakings or undertakings belonging to an insurance group and 12 companies from the Previdenza group).

The winding up procedures of Saer s.p.a. and Palatina s.p.a. were closed during the period.

Lemma Europe Insurance Company Ltd, De Vert Insurance Company Ltd, Hill Insurance Company Ltd (company with headquarters in Gibraltar) and AIM Általános Biztosító Zrt (Hungarian company) which carried out business in Italy under the freedom to provide services in the non-life classes, were placed in liquidation by the competent supervisory authorities in 2013.

In relation to the undertakings placed under administrative compulsory winding up which pursued motor liability insurance business, based on the data provided by Consap - Fondo di Garanzia per le Vittime della Strada (the national guarantee fund), during the year 2013 the latter paid damages amounting to 51.6 million euro, subdivided as follows:

47.8 million euro for claims settled by appointed undertakings;
3.3 million euro for claims settled by liquidators.
0.5 million euro for claims settled by accepting undertakings.

IVASS also authorised the disbursement of sums to creditors of the undertakings wound up by way of an advance or against previous amounts set aside in the allocation plans, as well as the deposit of a partial allocation plan (Compagnia di Firenze) and a final allocation plan (Previdenza e Sicurtà) with the court registrar offices of the courts responsible for the area.

The distribution of assets to creditors, authorized in total during the year, amounted to 37.4 million euro, 32.2 of which in favour of insured and injured parties and those who, having compensated the damage, have taken over the rights for the former (Consap and appointed undertakings).

The Winding Up Division arranged the appointment of 13 new liquidators and 23 members of supervisory committees along with the renewal of 17 liquidators and 66 members of the supervisory committees who fell from office in 2013.

As to the agreements reached with Consap for the purpose of facilitating the closure of winding up proceedings, in 2013 authorizations were issued for the conclusion of a contract for the cession of the remaining fiscal debtors (Saer s.p.a.) as well as of an agreement helping the liquidator of Previdenza and Sicurtà in the payments to creditors who could not be found at the end of the procedure.

IV – CONSUMER PROTECTION

1. - Consumer protection supervisory action

1.1 - Consumer complaints

Many of the supervisory initiatives for consumer protection originate from complaints made by citizens. In 2013, 26,634 complaints were received in relation to undertakings, decreasing further (-14.8%) after the reduction already reported in 2012 (-5.6%). The decrease was mainly attributable to the non-life business, and in particular to the motor liability insurance class, partly due to the drop in the number of claims for the class, which traditionally sees the greatest number of complaints overall (due to delays and inefficiencies in the payment of the compensation to the injured party).

Table IV.1 - Complaints : distribution by sector			
Year	Non-life	Life	Total
2013	24,037	2,597	26,634
Variation 2013/2012	-16.0%	-2.2%	-14.8%

Complaints in the non-life classes

17,462 motor liability insurance complaints were examined, 66% of the total, revealing a considerable decrease with respect to 2012 (-20.5%). The majority of the complaints continue to concern delays and inefficiencies in the claims area (72.8%). In cases of ascertained violation of the time-limits for making an offer envisaged by the Insurance Code, the undertakings were served the related formal notices for the purpose of applying the pecuniary administrative sanctions (1,500 in 2013).

Measures were also taken with regard to certain claims of particular seriousness, involving death or considerable personal injuries , in relation to which failures or inconsistencies were detected in the settlement procedure. Following the intervention of IVASS, the claims were reconsidered with the consequent integration of the compensation in favour of those entitled to the same.

Table IV.2 - Motor liability insurance complaints: distribution by area/type

Type	Number	% Composition
Complaints about claims	12,712	72.8
Direct compensation	4,913	
Ordinary compensation	3,960	
Request for access to the undertaking's documents	1,345	
Other	2,494	
Complaints about the contract	4,617	26.4
Assignment of class (Bonus/Malus)	1,427	
Failure to issue certificates of claims experience	1,293	
Termination of insurance policy	209	
Repudiation of policy	1,092	
Other	596	
Commercial Area	133	0.8
Total	17,462	100.0

With regard to the other non-life insurance classes, 6,575 complaints were received, mostly for general liability, accidents, car theft and other damage to property, followed by suretyship. There was an increase in complaints concerning other damage to property, suretyship and financial loss; within the sphere of this latter class, mention is made of the complaints relating to policies linked to the loss of employment, sold in combination with mortgages and loans (see paragraph 1.3.1).

Table IV.3 - Other non-life insurance complaints: distribution by area/type

Type	Number	% Composition
Complaints about claims	4,541	69.1
Delay in definition of the damage	3,035	
Disputes on "an" and "quantum"	1,246	
Other	260	
Complaints about the contract	1,952	29.7
Termination of insurance policy	892	
Repudiation of policy	763	
Failure to refund premiums	66	
Other	231	
Commercial Area	82	1.2
Total	6 575	100.0

Complaints in the life assurance classes

2,597 complaints were examined. As in 2012, the most frequent cause for complaint (37% compared with 41% in 2012) concerned the delay in the payment of the sums due to the beneficiary, both for maturities and death and for surrenders. Steps were taken on each individual case to request the payment of the sum and the acknowledgement of the default interest. As regards the underwriting phase, which saw the percentage incidence in the life segment rise (from 41% in 2012 to 44.4% in 2013), the most frequent reports concerned the failure to reimburse premiums relating to policies ancillary to mortgages and loans. Certain undertakings were charged with the failure to acknowledge the functional connection between policies and underlying loans, requesting that the repayment of the premium be made.

Table IV.4 - Life complaints: distribution by area/type		
Type	Number	% Composition
Complaints about claims settlement	1,373	52.9
Delays in the payment of the surrender value	541	
Delays in capital payment	433	
Calculation of surrender value	191	
Calculation of capital at maturity	125	
Other	83	
Complaints about the contract	1,154	44.4
Doubts on the regularity of the contract	210	
Failure to reply to policyholder's requests	108	
Transfer of the policy	94	
Refund of premiums/mortgages and loans	337	
Others	405	
Commercial Area	70	2.7
Grand total	2,597	100.0

Handling of complaints by insurance undertakings

The quarterly reporting of undertakings to IVASS on the complaints managed revealed the overall trend of complaints for the market. In 2013, undertakings received approximately 106,000 complaints (-10.0% compared to 2012), of which 80% relating to non-life insurance and 20% to life assurance.

Table IV.5 - Complaints made to undertakings: distribution by sector			
Year	Non-life	Life	Total
2013	84,652	22,050	106,702
Variation 2013/2012	-10.4%	-8.0%	-10.0%

Motor liability insurance continues to generate the highest number of complaints (53.7%), although there was a 16% decrease compared to 2012; in the life sector, complaints were concentrated within the settlement stage, with an increase of pension plans.

Of the complaints received:

- 27.9% were accepted;
- 58.7% were rejected;
- 8.1% reached a transaction with the customer;
- 5.3% were still under examination at the end of 2013.

The average response time to complainants was 22 days (23 days in 2012).

1.2 - The Consumer Contact Centre

The Consumer Contact Center, set up to provide an assistance and guidance telephone service for consumers, concluded its second year of activities. The Contact Centre provides information to consumers on their rights, the obligations of undertakings and intermediaries, the regular authorisation of undertakings and intermediaries and on insurance regulations in general. It also makes it possible to verify the status of complaints submitted to IVASS.

The Call Centre was established so as to immediately perceive what happens on the insurance market, the main reasons for customer dissatisfaction, specific phenomena of interest for supervisory reasons and possible warnings about unauthorised intermediaries.

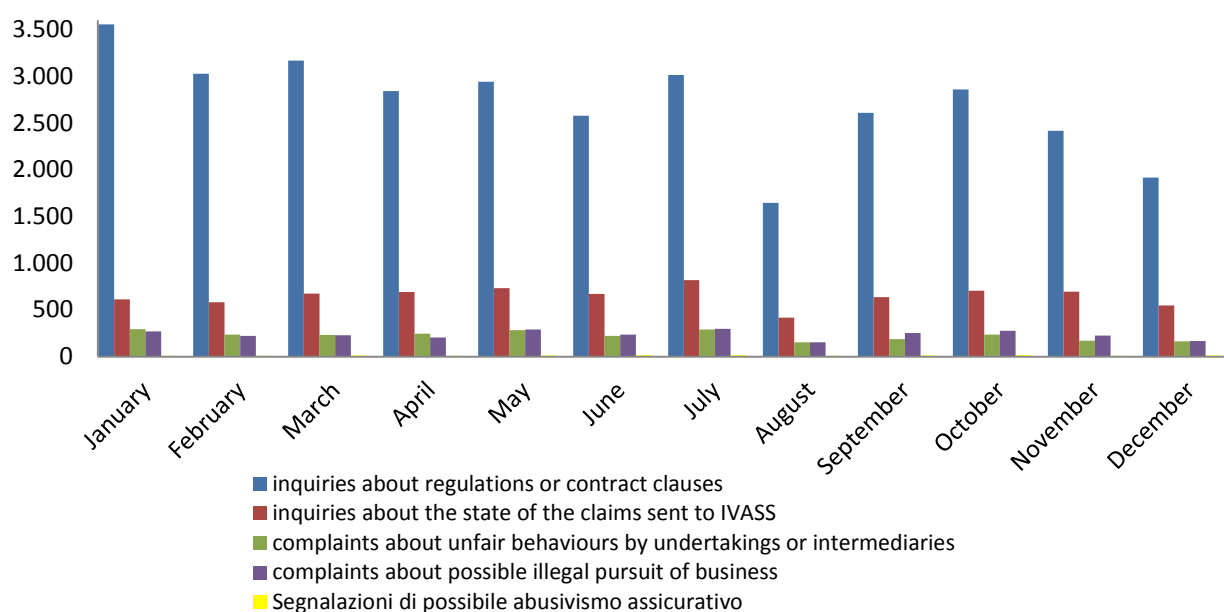
The following table shows the main summary figures for 2013 relating to Contact Center activities.

Table IV.6						
Total calls received	Total calls dealt with	Percentage dealt with/ received	Calls dealt with on average a month	Calls dealt with on average a day	Average waiting time (in seconds)	Average duration of telephone conversation (in minutes)
49,296	48,027	97.43%	4,002	200	14	3.38

In around 70% of cases, consumers contacted the Contact Centre for clarifications on the rights and obligations laid out under the regulation and under the contract conditions underwritten, and information on the due authorisation of insurance undertakings; 16% of the calls concerned requests on the progress of the complaints presented to IVASS and 6% reported possible violations of the law or possible incorrect behaviour of an undertaking or insurance intermediary and resulted in subsequent supervisory measures.

Graph IV.1 shows the type of consumer requests received monthly.

Graph IV.1



The recurrent problems reported during the phone calls are analysed and investigated for the activation of supervisory measures in relation to the individual undertakings and the entire market.

In 2013, there were once again numerous calls from the Law enforcement agencies to the Contact Center to check the regularity of motor liability policies checked during road blocks. In this way, IVASS received prompt notice of cases of counterfeiting of policies or Illegal pursuit of business and the necessary measures to protect the policyholders were activated.

1.3 - Supervision of the correctness and transparency of the conduct of the undertakings

In line with the supervisory aims on the correctness and transparency of the conduct of the undertakings vis-à-vis the consumers, in cases of recurrent problems or those of particular significance emerging further to analysis of the complaints, the telephone calls to the Contact Center and the information retrieved from the quarterly reports on complaints, IVASS took steps vis-à-vis the undertakings so as to stop the conducts not in line with the legal provisions or not compliant with the duties of fairness and transparency.

In this context, the complaints and the telephone calls from citizens were confirmed as a precious tool for comprehending the causes which underlie consumers' dissatisfaction and for guiding the supervisory activities, intervening on two levels:

- "source" measures on the individual undertakings, to remedy problems connected with processes or product criticalities;
- system measures, in the event of widespread problems throughout the market.

1.3.1 - Measures on the individual undertakings

1. A problem subject to recurrent complaints is that of the fate of the coverage combined with the motor liability insurance policy - driver accidents; fire and theft of the vehicle - further to the elimination of the tacit renewal in the motor liability insurance policies²⁵. Many consumers have complained of the refusal by many undertakings to consider the combined coverage terminated on the natural expiry of the motor liability policy. The undertakings have been requested to adopt a policy more focused on the consumer and to take into account the legitimate requests of the policyholders, who deemed that they were not required to send a separate communication to terminate the associated contract.
2. Further to the numerous reports made, IVASS took steps vis-à-vis a direct insurance undertaking (which distributes policies on-line) in relation to an underwriting procedure for motor liability policies which presented anomalies. In fact, in the presence of discrepancies between the circumstances of the risk declared at the time of entering into the policy and the results of the checks carried out by the undertaking, the policyholders were requested to pay additional premium amounts of a significant extent, also after several months from the finalisation of the policy and, if necessary, a credit recovery procedure was activated. IVASS requested the undertaking to carry out a check on the declarations made by the consumers before the finalisation of policy, so as to present the consumer with a price not liable to subsequent unexpected changes.
3. Another phenomenon linked to the underwriting phase of motor liability insurance risks emerged from the reports of consumers, resident in particular in the South of Italy, who, having obtained a quote on the website of the individual undertaking or on the "Tuopreventivatore" (the public quote-o-meter managed by IVASS and MISE), where then

²⁵ Article 22.1, "Sviluppo *bis*" decree-law.

unable to finalise the contract with the undertaking chosen due to the lack of sales outlets in their area of residence or due to the request to physically present themselves at the general headquarters. IVASS intervened, asking that appropriate initiatives be adopted to guarantee the finalisation of the policy without additional charges also to consumers who live in areas lacking sales outlets, permitting for example the “remote” finalisation via e-mail: the undertakings concerned adapted their underwriting procedures to the indications received.

4. With reference to the policies associated with mortgages and loans (PPI - Payment Protection Insurance - see paragraph 1.7.1), numerous problems were reported in the conduct pertaining to the sales and management methods for these products both in relation to insurance undertakings and distributing banks/financial companies.
In detail, with regard to a leading undertaking in the sector, following inspections carried out, the same was requested to review the products marketed so as to render them more compliant with the type of customer which it intends to reach and to introduce a health questionnaire in place of a pre-printed “declaration of good health” so as to avoid disputes at the time of the claim.
5. Again in relation to insurance policies linked to loans, measures were taken with regard to a foreign undertaking due to a case of misselling, reported by several consumers who complained that they had become aware of having entered into an insurance policy only after communication of transfer of the insurance portfolio sent by the absorbing undertaking. As a result of the intervention of IVASS which requested the acquiring undertaking to review the transferred portfolio and inform the customers of the insurance coverage, premiums were returned to 2,366 customers, out of 200,330 contacts.
6. During 2013, a drastic reduction was seen in consumer complaints relating to the phenomenon of the so-called “phantom claims” (fraudulent motor liability claims, for events which have never taken place and not acknowledged by consumers), further to the letter to the market sent by IVASS in July 2012, by means of which the undertakings were requested to strengthen the measures for contrasting the phenomenon. In the few cases reported, IVASS took steps requesting, if the conditions applied, the elimination of the malus applied and the reimbursement of the additional premium paid by the customer.

1.3.2 - Measures on the entire market

Again on the basis of the reports made by consumers and the matters emerging further to the inspections carried out by IVASS, the following letters were sent out to the market.

Fire and theft of the vehicle - certificate of closed investigation

Article 150 *bis* of the Insurance Code, introduced by the Competition Decree, has envisaged the obligation for undertakings to pay compensation for damages resulting from fire or theft of the vehicle, irrespective of the issue of the certificate of terminated investigation, in order to simplify procedures for settlement in favour of the policyholders and remove a burdensome bureaucratic responsibility from the Courts.

In the presence of complaints made by consumers who, despite the new legislation, complained of the continuation of inconveniences in relation to the subordination of the

compensation to the handing over of the certificate, IVASS - by means of a letter to the market dated 28 February 2013 - called the undertakings to observe the regulation, requesting the performance of an internal check on the settlement procedures, on conclusion of which many undertakings removed the residual problems.

Joint settlement

A further measure concerned initiatives to boost the market so as to give greater visibility to the “joint settlement”²⁶, an alternative system for settling disputes, the result of an agreement between ANIA and Consumer Associations: this institute, destined to reduce the disputes regarding motor liability insurance claims, found difficulty in getting started.

Partly thanks to the contribution of the Consumer Associations, a letter was sent to the market on 21 May 2013, by means of which the undertakings were requested to adopt solid initiatives so as to divulge awareness of the same and recourse to this instrument: publication on the company websites of the possibility of activating the joint settlement procedure, with illustration of the related formalities; indications to the sales networks and the headquarter and peripheral settlement structures so that written disclosure is provided to the injured parties with regard to the possibility of activating the procedure and the related formalities; possibility of activating the procedure also in the event that the complaint is rejected or partly upheld.

Specific disclosure for consumers has also been published on the IVASS website, together with the link to the websites of the Consumer Associations joining the agreement with ANIA, who the consumers can contact to activate the joint settlement procedure.

Multi-annual non-life insurance policies - indication of the policy discount and right of withdrawal

The reports received revealed the refusal, by various undertakings, to grant withdrawal from insurance policies for damages of a long-term duration (general liability; house insurance; etc.), because the policyholder, on the basis of Law n. 99/2009, benefited from a reduction of the premium consequently losing the faculty to withdraw from the policy annually. As a rule, the undertakings do not include the extent of the discount granted in the policy nor do they expressly make reference to the circumstance that, benefiting from the discount, the policyholder loses the right of withdrawal in the first five years.

By means of letter to the market dated 5 November 2013, IVASS intervened requesting mention in the policy, with suitable graphic indication, of the extent of the reduction in the premium acknowledged for multi-annual policies, as well as indication of the consequent limitation on the right to withdraw. The undertakings were requested to adapt to the indications by March 2014.

²⁶ The system envisages that, for the disputes relating to motor liability claims for a value of no more than 15,000 euro, the consumer may contact one of the member Consumer Associations, which, if it deems the request to be founded, sets up a specific Commission, made up of a representative from the undertaking and a representative of the Association, which decides on the dispute within a maximum period of 30 days.

Dormant life assurance policies

With regard to reimbursements to beneficiaries of so-called “dormant” life policies (policies time-barred assigned to the “Dormant Accounts” Fund managed by CONSAP), IVASS took steps to support the government initiatives which in 2013 opened two “windows” so as to permit the beneficiaries to request the reimbursement of the sums assigned to the Fund using certain public allocations made available.

By means of two letters to the market, on 19 February and 14 June 2013, a request was made to further the utmost awareness between the consumers of the re-opening of the periods for the reimbursement, to issue the certificate necessary for obtaining the reimbursement rapidly and to publicise the initiative via notices to be posted at the agencies, post offices and bank branches and to be published on the websites.

PPI - Payment Protection Insurance

In order to protect the consumer when acquiring said insurance products (see paragraph 1.7.1), so that the coverage offered effectively complies with their needs, a specific letter to the market was issued on 17 December 2013, requesting that the intermediaries be made aware of the need to carry out the prescribed checks on the suitability of the policies and identify more efficient action for the implementation of the safeguards on the operations of the sales network. This is so that the distributors follow conducts which, in terms of substance, avoid behaviours not compliant with the provisions for protecting the consumer.

1.4 - Supervision on products and selling practices

In June 2013, a new Division was set up within the Consumer Protection Service, whose activities focus: a) on the checking of the transparency of the insurance products with the aim of intercepting any products which present risks for the consumers, and b) on the control over the correctness of the sales practices adopted by undertakings and brokers.

During 2013, the Division worked in particular on two forms of analysis:

1. a survey into the insurance products offered together with products and services of another kind, such as the supply of energy and gas, airline tickets, fast moving consumer products, household appliance;
2. a check on the so-called comparative websites.

The survey (which did not concern insurance policies associated with mortgages and loans) dealt with the “packages” which include policies sold by the insurance undertakings in collaboration with various economic operators (Public Utility Companies, railway, maritime and air transport companies, retail chains...) which envisage the supply to the customer of the principal goods/services together with ancillary insurance coverage and which have involved all the Italian undertakings and a sample of foreign undertakings operating in Italy. The aim is to guarantee that the distribution of these products takes place in such a way as

not to prejudice the need to protect the consumers and in particular that the taking out of the insurance policy is done in an informed manner, that the customers are aware of the insurance coverage and, therefore, it can be implemented in the event a claim is made and that there is a clear representation of the costs.

The check on the comparative websites was carried out in an initial phase by directly requesting quotes from the websites, to check the methods for entering the data, the quote output and the level of transparency of the information intended for the general public in terms of number of undertakings subject to quote, completeness and consistency of the comparisons. The survey was extended to commercial and technical aspects, for the purpose of analysing the comparative sphere, possible conflicts of interest deriving from participation agreements between the websites and the insurance undertakings and the method for remunerating the service. The outcomes of the checks and assessments of IVASS will be highlighted in a report which will be accompanied by specific indications to the market.

The supervisory activities regarding transparency of the products specifically concerned a number of Information dossiers, relating to increasing benefits life policies , which presented inconsistencies and profiles of scant transparency for the consumer. Following the measures, the products were reviewed and the related Information dossiers corrected.

1.5 - Supervision over foreign undertakings which operate in Italy

Within the sphere of the new responsibilities regarding supervision of undertakings with head office in another EU member state which are licenced to operate in Italy, assigned to the Consumer Protection Division as from June 2013, supervisory measures were adopted both in relation to the entry of new market participants and on market conduct aspects, for the purpose of ensuring suitable protection of the policyholders who reside in Italy who choose to deal with foreign undertakings.

The supervision of these undertakings is carried out in close contact with the home country authorities, which are responsible for supervising solvency profiles. In this context, exchanges of information and collaboration have been enhanced with the other Authorities, also by means of taking part in the Colleges of Supervisors on cross-border insurance groups.

The exchange of information with other European authorities and the examination of the complaints made by the consumers vis-à-vis the EU undertakings has made it possible to avail of a larger overview of the operations of these undertakings throughout Italy and to adopt the necessary supervisory measures in order to guarantee the transparency and correctness of the conduct vis-à-vis the policyholders and the injured parties who reside in Italy.

Specific attention was paid to the new entries of foreign undertakings in particularly “sensitive” and socially relevant insurance classes, such as motor liability and suretyship, and on any “foreign-clothed” undertakings, formally established abroad but attributable to parties who reside in Italy, for the purpose of intercepting any cases of regulatory arbitrage. For such purpose, the foreign supervisory authorities have been requested to provide additional information with respect to that envisaged by the Siena Protocol of collaboration, in particular with regard to the ownership structures, the reputation of the shareholders and managers, and the business plans for the activities.

This enhanced supervisory approach has made it possible, amongst other aspects, to intervene on two Rumanian companies operating under the freedom to provide services in the suretyship class (Onyx Asigurari and Forte Asigurari & Reasigurari), particularly active in the issue of suretyship policies in favour of public authorities, within the sphere of tenders and attributable to Italian parties with significant supervisory records in the financial sector. After an intense exchange of information with the Rumanian Supervisory authority, IVASS applied a prohibition on the two companies to commence new business in Italy so as to protect the interests of the policyholders who reside in Italy. The two companies appealed to the Administrative Judge, who, on a precautionary basis, upheld the rights of IVASS.

Furthermore, with regard to the Italian branch of a European undertaking further to the examination of a number of complaints and as a result of the inspections carried out by IVASS, serious organisational and internal control failings emerged as well as recurrent violations of motor liability legislation. In this connection, the Parent Company was requested to adopt incisive corrective measures, checking the implementation of the same during 2013. Further to the measures, the Branch undertook an important reorganisation process and witnessed a drastic reduction in complaints from consumers.

With regard to other undertakings, for which recurrent problems emerged, steps were taken to call the representatives of the Parent Company or request the adoption of suitable corrective measures.

Overall, during the period June-December 2013 13 notifications by other Supervisory Authorities were received regarding new licences to carry out insurance business in Italy under the freedom to provide services by undertakings with head offices in one of the member states of the European Economic Area (EEA). 16 requests for extension to operate in other insurance classes were also handled, made by undertakings already licensed to operate in Italy.

During the same period, 5 new branches of EEA undertakings were opened in Italy, along with 2 offices already operating which extended their activities to other insurance classes.

8 cases regarded the transfers of portfolios of foreign undertakings operating in Italy under the freedom of establishment and/or the freedom to provide services which were implemented with the forwarding of our favourable opinion to the Supervisory Authority of the home country of the transferring undertaking.

1.6 - Supervision over unauthorised intermediaries

2013 also featured a consistent number of cases of unauthorised pursuit of insurance business, all linked to the motor liability sector and also attributable to the continuing economic crisis, which aids and abets the offer of low cost false policies.

31 notices to the public were made (published on the IVASS website and divulged in the press) to report cases of policy counterfeiting, implemented by means of the use of invented corporate names (RCA auto spa, Armoniosa Spa, Melina Assicurazioni SWS ...) or names very similar to duly authorised foreign undertakings.

The false policies were identified thanks to the reports made by citizens and in direct link with the Law Enforcement Agencies which, following road blocks, contact the IVASS Contact Center to obtain confirmation of any doubts regarding the regular nature of the insurance documentation shown.

Furthermore, in order to permit citizens and the Law Enforcement Agencies to avail of a rapid consultation instrument, on the home page of the IVASS website an up-to-date black list of cases of counterfeiting is published concerning irregular undertakings and websites.

1.7 - Supervision of insurance intermediaries

Supervision over intermediaries is aimed at checking the compliance of the market conduct with the provisions in force, with regard to observance of the segregate account obligations and the rules of conduct, as well as fighting the unauthorised pursuit of insurance business which, since it is an offence, must be reported to the legal authorities.

The supervisory action is mainly carried out by means of the handling of the reports which IVASS received from insurance undertakings, intermediaries, consumers, CONSAP, the Police and other Public Authorities.

These reports registered an increase with respect to the previous year (820 in 2013 compared with 792 in 2012). In 103 cases (equal to 12.5% of the total) these concerned lawful revocations of agency mandates communicated to IVASS by the principal insurance undertakings. Table IV.7 shows the breakdown of the reports received by type of intermediary, in absolute value and in relation to the previous year:

Table IV.7				
Intermediary	Reports 2013	%	Reports 2012	%
Agents (sect. A)	286	35	308	39
Brokers (sect. B)	147	18	108	14
Canvassers (sect. C)	--	--	2	0.2
Banks/other (sect. D)	17	2	21	2.6
Collaborators (sect. E)	287	35	255	32.2
Unauthorised	62	7.5	71	9
Other operators	21	2.5	26	3
TOTAL	820	100	791	100

With regard to the content, the reports concerned:

- the pursuit of mediation business without being registered;
- the advertising of insurance on websites by parties not enrolled in the RUI;
- the violation of the obligations to keep segregate accounts;
- omissions or delays in the registration of contracts in the accounts, despite the relevant premiums had been collected;
- the marketing of counterfeited policies, which are therefore invalid;
- the violation of the pre-contractual information/obligation to present or propose contracts that meet consumer requirements;
- the irregular underwriting of motor liability insurance contracts;
- the abuse of insurance idiomatic phrases or of expressions which are not compliant with the nature of the business pursued.
- the failure to keep insurance documents;
- the violation of the duties of notification to IVASS.

1.7.1 - Main phenomena observed and measures adopted

Irregular pursuit of business by EU undertakings/intermediaries not licensed in Italy

This phenomenon regards the mediation of policies on behalf of insurance companies with head offices in other EU States by foreign entities not authorised to carry out mediation business in Italy in that they are not registered in the List enclosed to the Register.

Often the irregular conduct of the EU intermediary is accompanied by a similar situation of irregularity concerning the insurance company on behalf of which the intermediary acts, when the foreign undertaking, despite being duly authorised in the country of origin, lacks the licence to operate in Italy.

In all the cases, after the necessary checks, steps were taken to request the intervention of the competent Supervisory Authorities, vis-à-vis both the undertaking and the intermediary.

Websites of intermediaries registered or of market participants not registered in the Single Register of Intermediaries (RUI)

This phenomenon regards both incomplete/inaccurate information provided on the websites of intermediaries duly registered in the Register and the more serious cases of proposal or marketing to the general public of insurance products via websites by parties which are not registered.

In the first place, the measures adopted were aimed at obtaining the integration/adjustment of the information present on the website in compliance with laws and regulatory provisions (clear indication of the business pursued, details of registration in the Register, indication of supervision by IVASS, etc.).

In cases of offer via internet of insurance products by parties not registered in the RUI, the market participant was enjoined to suspend business activities, involving the Postal and Telecommunication Police for the black-out of the websites and reporting cases to the Legal Authorities when the effective marketing via the internet of insurance products by the unlicensed market participant was ascertained.

Violation of the obligations to keep segregate accounts and the rules of conduct

The phenomenon, recurrent and common to all the types of intermediaries, leads to supervisory measures which are divided up into several fronts, in the first place with the request to the principal undertakings to carry out a more direct and incisive role in the event of agency relationships and, with regard to the most serious cases of violation, with the solicitation of the necessary controls on the networks and with the involvement of the internal audit functions. In any event, once the checks have been carried out, sanctioning procedures envisaged by the Insurance Code are started, with regard to both fines and disciplinary measures.

Sale of counterfeited policies, including online.

These phenomena consist of the sale of policies, primarily temporary motor liability insurance policies, apparently issued by undertakings with head office in the EU, which are non-existent or not licensed to pursue business in Italy.

The counterfeiting also concerned cases of selling policies bearing the logo of EU brokers not licensed to operate in Italy, rather than that of the undertaking.

The policies were sold:

- by unauthorised Italian market participants, which use generic or non-existent names or which appropriate and alter the names of Italian intermediaries duly registered or of foreign intermediaries;
- online, through “phantom” websites, by Italian and foreign market participants who are found to be unauthorised.

Such cases are reported to the legal authorities or the Postal and Telecommunications Police in the event of on-line sales, and are reported to the competent Supervisory Authority in the event of involvement of a foreign party. Furthermore, IVASS takes steps to divulge via its website press releases which include the name of the unauthorised market participant involved and a number of warnings useful for the user, emphasising in particular that websites that do not contain the information required under regulations in force are not compliant with rules on insurance mediation and expose the consumer to the risk of concluding counterfeited policies.

Conflict of interest - PPI - Payment Protection Insurance

With regard to policies associated with mortgages and other forms of financing, a survey was completed, launched in 2012 on 143 undertakings, aimed at checking the market reaction to the introduction of the restriction for the intermediaries to undertake, directly or indirectly, the simultaneous capacity of beneficiary or lien-holder of the insurance benefits and that of intermediary for the related policy (ISVAP Regulation n. 5/2006).

On conclusion of the analysis on the checks, banking intermediaries operating for one undertaking, in relation to which a misalignment emerged with respect to the legislative provisions, were requested to change the structure of the products and/or the distribution agreements outstanding so as to ensure full observance of the regulation. All the intermediaries concerned have adopted suitable precautions aimed at preventing the repetition of the phenomenon.

Collaboration with the Bank of Italy's Financial Intelligence Unit (UIF)

During 2013, the UIF reported suspicious transactions in which the following were involved: Italian insurance intermediaries, mainly brokers operating on behalf of UE undertakings licensed to carry out insurance business in Italy under the freedom to provide services and Italian citizens holding interests and senior offices in the same undertakings.

The inspection activities specifically concerned the reputation and good-standing requirements these parties must meet, by means of Criminal Records checks and checks at the Office of pending procedures.

In cases where the loss of the good-standing requisites was ascertained, steps were taken to officially strike off the intermediary from the RUI: in more serious cases, IVASS launched inspections at the intermediaries reported.

The exchange of information with the UIF had the purpose in some cases of providing a detailed response to requests for information made by other EU supervisory Authorities with regard to the good-standing and professionalism of Italian insurance intermediaries proposing to acquire qualifying holdings or senior roles in insurance undertakings to be established in the European Union.

Further forms of collaboration with the UIF concerned the reporting to IVASS of anomalous situations attributable to:

- a) recharges of prepaid cards used for spending transactions on websites of direct undertakings for the purchase of policies on behalf of customers. In such cases, the activities - if carried out by parties not enrolled in the RUI - could take on the form of the unauthorised pursuit of insurance business; if carried out by enrolled intermediaries, they could conflict with the sectoral legislation concerning pre-contractual information, asset segregation and the pursuit of business without mandate;
- b) communication of suspicious transactions, reported by the competent credit institutions, which reveal an inconsistent handling of the separate current account through which only the accounting items indicated in Article 117 of the Insurance Code can transit. The analysis of the transactions has revealed, in some cases, anomalous movements of cash, both from the separate account and from the personal account of the intermediaries checked, towards foreign undertakings and/or towards unidentified companies with head offices in other European countries. The communications received have given rise to reports to the Finance Police who, if necessary, launched inspections in collaboration with IVASS.

1.7.2 . Queries and requests for opinions

Activities for responding to queries and requests for opinions by insurance intermediaries were confirmed as intense (97 in 2013), with regard to the following main topics:

- distribution agreements between the insurance intermediary and the utility company and definition of the cases of exclusion from the obligation to be registered in the RUI (Article 107 CAP);
- current accounts managed by insurance and reinsurance brokers, possibly opened on foreign accounts;
- need to register in the RUI associations who have access to the IT platform of a broker for drafting quotes in favour of members of the association;
- distribution of collective policies by tourist operators;
- compatibility between insurance and real estate mediation activities;
- safeguards with regard to conflicts of interest as per Article 48 of ISVAP Regulation n. 5/2006
 - possibility for a broker and an agent to carry out their respective activities in the same commercial premises;
- possibility of entrusting a broker with claims handling activities;
- correct fulfilment of the obligations to keep the documentation and store the policies;
- asset segregation, features of the bank guarantee and registration of the separate current account;
- insurance advisory activities on behalf of on-line insurance companies.

2. - Encounters with consumer associations

During 2013, periodic meetings continued with the Consumer Associations so as to gain contributions and cues for supervisory and regulatory measures on questions of interest for consumers.

Four meetings were organised during the year:

- in the meeting held on 21 January, the work underway at European level for the review of the Directive and on insurance mediation and for the new PRIPS (Packaged Retail Investment Products) regulation was illustrated to the Associations, aimed at gaining useful contributions for discussion at EU level;
- during the meeting held on 11 March, discussions were focused on the motor liability “basic contract”, envisaged by the Second Development decree to facilitate the comparison of prices with the same contract conditions, on policies associated with mortgages and loans and insurance education. The results of a mystery shopping survey carried out by a Consumer Association at several bank branches, to check the correctness of the sales practices for policies associated with mortgages, were made known to IVASS. The problem of the absence, in the insurance sector, of an alternative system for settling disputes was also discussed. The Associations introduced the topic of “joint settlement”, a voluntary system, the result of an agreement between ANIA and Consumer Associations, destined to reduce the disputes regarding motor liability insurance claims, which however never took off. Therefore, it was discussed how to provide greater disclosure of this instrument in consideration of the potential in terms of speeding up the timescales of the disputes, in favour of the consumers’ needs;
- in the meeting held on 11 June, discussions dealt with “dormant life assurance policies”, i.e. policies assigned to the “Dormant Accounts” Fund after becoming time barred with the purpose of encouraging legislative and supervisory measures aimed at removing the discrepancies in treatment between banking and insurance customers, linked to the circumstance that the latter, in contrast to the former, can no longer request the sums, once assigned to the Fund;
- during the meeting held on 18 September, a summary was made of the measures carried out by IVASS further to the meetings with the Associations: particular appreciation was shown for those aimed at providing a greater boost for “joint settlement” and at supporting the beneficiaries of life policies whose amounts have been assigned to the “Dormant Accounts” Fund, guaranteeing the utmost publicity for the initiative for the reimbursements arranged on an exceptional basis by the Government in 2013. The Associations were also informed of the launch of inspections in banks for the purpose of checking observance of the legislation on the distribution of policies linked to mortgages and loans.

The encounters continued in January 2014 with a meeting also open to the Associations of insurance intermediaries, with the aim of encouraging dialogue between consumers and intermediaries, identifying topics of mutual interest and convergent objectives.

3. - Insurance education

During 2013, within the sphere of a more extensive OECD programme, a detailed insurance education project was created to provide citizens, even younger ones, with simple and clear information tools on the main aspects of the sector, useful for raising the level of awareness and making informed decisions.

Steps were taken to review the insurance education portal (which can be accessed at the following address www.educazioneassicurativa.it or via a link present in the homepage of the website) within which:

- the “Multimedia guide” was up-dated and developed, a disclosure instrument which, via the union of text, graphic images and voice, makes it possible to convey the insurance culture simply in “information bites” which can be availed of immediately. The guide, intended for a wide audience, is aimed to encourage the disclosure of basic knowledge on the insurance market, non-life insurance, life insurance and third-party liability insurance and legal protection;
- the three “Practical guides” were up-dated (regarding motor liability insurance, life insurance and health insurance) with the aim of furthering awareness of the main contractual conditions of the insurance products most common today in Italy and to look more closely at the sectoral legislation;
- a fourth Practical guide has been created, in order to explain to citizens how to make a complaint to one’s insurance undertaking and, in the event the complaint is rejected, to IVASS;
- a “Glossary” has been published which explains, with simple expressions, the meaning of specialised terms of a technical-insurance nature, and a “Legislation” section was created, containing the main insurance provisions of interest to consumers.

IVASS also took part in the “Trial economic and financial training project for schools”, launched by the Bank of Italy in agreement with the Ministry of Education, creating an educational pamphlet on motor liability, intended for second level high school students. The pamphlet provides practical information on mandatory insurance, on the main contractual clauses of the motor policies and on the most common tariff schemes. The initiative addresses schools which have taken part in the Educational Project and envisages the distribution of the pamphlet to students and specific training activities for teachers provided by IVASS staff.

V - SANCTIONS

1. - Pecuniary administrative sanctions

1.1 - The ordinances issued

The following table shows the significant reduction in the amount of sanctions imposed, a decrease in 2013 in the number of injunction orders and a more significant decrease in measures for dismissals of proceedings.

Table V.1										
(amounts in euro)										
	2013			2012			increase/decrease (absolute values) 2013/2012			
	N.	% over total	Amount	N.	% over total	Amount	N.	%	Amount	%
Injunctions	3,184	91.1	25,547,289	4,471	84.5	50,818,847	-1,287	-28.8	-25,271,558	-49.7
Orders to terminate proceedings	312	8.9	-----	822	15.5	-----	-510	-62.0	-----	-----
Total ordinances	3,496	100.0	25,547,289	5,293	100.0	50,818,847	-1797	-34.0	-25,271,558	-49.7

Injunctions in 2013 - by persons subject to injunctions

Table V.2				
(amounts in euro)				
	undertakings	intermediaries	others	total
Number of ordinances	2,973	210	1	3,184
%	93.4	6.6	0.03	100.0
Amount of ordinances	21,392,623	4,079,666	75,000	25,547,289
%	83.7	16.0	0.3	100.0

Specifically, sanctions were imposed on 86 undertakings and 216 intermediaries.

Appeals against injunctions

Table V.3					
Injunctions issued	2013			2012	
	Appeal to TAR (the regional administrative court)/extraordinary appeal to the Head of State			Appeal to TAR (the regional administrative court)/extraordinary appeal to the Head of State	
	N.	% over total Injunctions	Injunctions issued	N.	% over total Injunctions
3,184	81	2.5	4,471	96	2.1

The appeals against injunctions, which reported a slight increase in percentage terms with respect to 2012, in particular concerned an undertaking which presented an appeal against 66 injunctions regarding the settlement of motor liability claims.

1.2 - Types of violations

Violation of motor liability provisions

There was a significant decrease in injunctions issued for motor liability violations, a particularly large portion of which are due to violations regarding claims settlement, as shown in the table in the following section.

Tavola V.4										
(importi in euro)										
	2013				2012				incremento/decremento (valori assoluti) 2013/2012	
	N.	% sul totale mercato	Importo	% sul totale mercato	N.	Importo	N.	%	Importo	%
Ordinanze di ingiunzione	2.784	87,5	18.383.919	72,0	3.987	42.713.739	-1.203	-30,2	-24.329.820	-57,0
Totale mercato	3.184	100,0	25.547.289	100,0	4.471	50.818.847				

Violation of rules on the claims settlement times

The injunction measures concerning the settlement times of motor liability claims refer to 57 undertakings and present a high incidence with reference to both motor liability ordinances and sanctions applied overall by IVASS.

Table V.5										
(amounts in euro)										
2013										
	N.	% over total motor liability	% over market total	Amount	% over total motor liability	% over market total	of which direct compensation proceedings			
							N.	% over total claims settlement	Amount	% over total claims settlement
Injunctions	2,088	75.0	65.6	15,379,836	83.6	60.2	827	39.6	4,293,602	27.9

Table V.6						
2012						
	N.	Amount	of which direct compensation			
			N.	% over total claims settlement	Amount	% over total claims settlement
Injunctions	3,582	30,944,239	1,773	49.5	11,456,344	37.0

Other violations of motor liability provisions

Table V.7							
(amounts in euro)							
2013				2012			
Certificates of claims experience		Other motor liability violations		total		total	
N.	Amount	N.	Amount	N.	Amount	N.	Amount
524	2,111,750	172	892,333	696	3,004,083	405	11,769,500

During 2012, the sanctions applied were inclusive of the ordinances issued with regard to the circumvention of the legal obligation to insure, equating to 10 million euro.

Violation of provisions other than those related to motor liability

Table V.8										
(amounts in euro)										
	2013				2012		increase/decrease (absolute values) 2013/2012			
	N.	% over market total	Amount	% over market total	N.	Amount	N.	%	Amount	%
Injunctions	400	12.5	7,163,370	28.0	484	8,105,108	-84	17.3	-941,738	-11.6
Market total	3,184	100.0	25,547,289	100.0	4,471	50,818,847				

Injunctions issued for violations not relating to motor liability legislation regard violations of duties of notification to IVASS for supervisory purposes, concerning the management of the activities of the undertaking, violations of provisions on relations with users and on mediation.

Violation of the duties of notification to IVASS for supervisory purposes

The above infringements regard violations of the duties of notification to IVASS of information on the management of the undertaking, outward reinsurance and participations held by insurance undertakings, documents regarding the corporate bodies, budgetary documents, inquiries by IVASS also regarding complaints, etc. Again with regard to 2013, there were a significant number of proceedings for failure to observe the deadline of 30 days envisaged for the responses to IVASS in relation to requests concerning the complaints forwarded by the parties concerned, as per ISVAP regulation n. 24 dated 19 May 2008 (65 for 819,185 euro).

Table V.9						
(amounts in euro)						
	2013				2012	
	N.	% over total other motor liability violations	Amount	% over total other motor liability violations	N.	Amount
Injunctions	78	19.5	966,185	13.5	235	2,553,132
Total other motor liability violations	400	100.0	7,163,370	100.0	484	8,105,108

Violation of laws and regulations as well as of IVASS's measures on the management of an undertaking's activity

The violations in question regarded non-compliance with the provisions about the management of the undertaking, the keeping of insurance books and records and disclosure on life and non-life insurance services.

Table V.10						
(amounts in euro)						
2013				2012		
	N.	% over total other motor liability violations	Amount	% over total other motor liability violations	N.	Amount
Injunctions	24	6.0	1,416,667	19.8	37	963,611
Total other motor liability violations	400	100.0	7,163,370	100.0	484	8,105,108

Violation of laws and regulations on relations with users.

The irregularities concern the handling of complaints by undertakings as per ISVAP regulation n. 24 dated 19 May 2008 (failure to respond to the complainant within 45 days after receipt of the complaint) as well as the information obligations pursuant to ISVAP regulation n. 35 dated 26 May 2010 (failure to respond to the person concerned within 20 days in relation to inquiries about a life/non-life insurance product).

In 2013, 88 injunctions were issued (22% of the total for other violations) for a total of 700,852 euro (9.8% of the total for other violations). The details are shown in the following table.

Table V.11								
(amounts in euro)								
2013								
ISVAP Regulation n. 24/2008					ISVAP Regulation n. 35/2010			
	N.	% over total other motor liability violations	Amount	% over total other motor liability violations	N.	% over total other motor liability violations	Amount	% over total other motor liability violations
Injunctions	66	16.5	424,185	5.9	22	5.5	276,667	3.9
Total other violations	400	100.0	7,163,370	100.0	400	100.0	7,163,370	100.0

During 2012, 32 injunctions were issued for a total of 225,284 euro for violations of ISVAP regulation n. 24/2008 and 8 injunctions were issued for a total of 35,000 euro for violations of ISVAP regulation n. 35/2010.

Violation of regulations on insurance mediation (agents, brokers and collaborators)

Table V.12										
(amounts in euro)										
	2013				2012		increase/decrease (absolute values) 2013/2012			
	N.	% over total illegiti di natura diversa	Amount	% over total other violations	N.	Amount	N.	%	Amount	%
Injunctions	210	52.5	4,079,666	56.9	172	4,302,888	38	22.1	-223,222	-5.2
Total other violations	400	100.0	7,163,370	100.0	484	8,105,108				

With respect to 2012, there was a slight increase in the number of injunctions issued against intermediaries, however in the presence of a lower amount applied.

1.3 - The sanctions paid

The amounts of the sanctions paid in 2013 refer to the injunctions issued by IVASS in 2011, 2012 and 2013: in some cases they are surcharges due to payments made after the 30 day time-limit, or payments pertaining to ordinances for which the monthly payment instalment procedure was allowed, since the conditions envisaged by Article 26 of Italian Law n. 689 dated 24 November 1981 apply.

Amount paid in 2013 and comparison with 2012

Table V.13				
(amounts in euro)				
	2013	2012	increase/decrease (absolute values) 2013/2012	
Total amount paid	22,770,132	36,462,980	-13,692,848	-37.5

Sanctions paid in 2013 by year in which the injunctions were issued

Table V.14				
(amounts in euro)				
	2013	2012	2011	total
Amount paid	17,798,641	4,833,895	137,596	22,770,132

Amount paid in 2013 by recipient of the sanction

Table V.15				
(amounts in euro)				
2013				
CONSAP - F.G.V.S. (Violation of motor liability legislation)		NATIONAL REVENUE (Other violations)		Total
Amount paid	% over total	Amount paid	% over total	
19,541,886	85.8	3,228,246	14.2	22,770,132

2. - The disciplinary sanctions

By means of Regulation n. 2 dated 8 October 2013, concerning the procedure for the application of disciplinary sanctions, vis-à-vis insurance and reinsurance intermediaries, the Insurance Intermediaries Supervision Service was assigned the powers to carry out checks and preliminary investigations with regard to the disciplinary procedure, concentrating all the sanctioning procedures against intermediaries, both pecuniary and disciplinary, in the same operating unit (see section II, paragraph 3.1.3).

2.1 - Activities carried out by the Guarantee Committee

During 2013, 400 proceedings were launched, in the presence of 512 possible disciplinary infringements by intermediaries. The Guarantee Committee on disciplinary proceedings, made up of two sections, has the task of evaluating the results of the investigations, examining the defences of the persons concerned, arranging for their hearing and proposing the adoption of a disciplinary sanction to the competent bodies of IVASS, or of terminating the procedure. In 2013, the Committee held a total of 60 meetings.

298 disciplinary measures (compared with 349 in 2012) were adopted on the basis of the proposals by the two Sections of the Committee; the results are illustrated in the table below:

Table V.16						
Sanction	Section A of the RUI Single	Section B of the Single	Section E of the Single	Not registered	Grand total	%
Striking off	39	9	40	5	93	31.2
Censure	33	4	29	0	66	22.1
Reprimand	33	12	43	3	91	30.6
Dismissal	16	3	29	0	48	16.1
Grand total	121	28	141	8	298	100

2.2 - Types of sanctioned violations

The cases of striking off, which represented more than 30% of the measures adopted (essentially in line with the percentage reported in 2012), mainly concerned, as in previous years:

- non-remittance of the amounts collected as premiums to undertakings and intermediaries;
- the violation of the obligation to keep segregate accounts deriving from the failure to establish the separate current account or its incorrect management;
- the falsification of contractual documentation;
- the forging of the signature of the policyholders;
- the communication to the policyholders of circumstances not complying with the truth, or the issue of false declarations at the time of the contractual offer.

In 13 cases the striking-offs were related to the pursuit of business as legal entity and implied the removal of the mediation company, due to the existence of the extremely serious conditions envisaged by regulations, or to the systematic repetition of the disciplinary infringement envisaged for the adoption of that measure.

The cases of censure mainly concerned:

- the violation of the disclosure, diligence, fairness and fit and proper requirements applying in relations with policyholders;
- the acceptance of cash in violation of the legislation on permitted means of payment;
- the violation of the provisions on the adequacy of contractual proposals and pre-contractual information.

In some cases, as per Article 62 of ISVAP Regulation n. 5/2006 according to which it is possible to apply a sanction immediately lower than the statutory one and in line with the consolidated approach of the Guarantee Committee, censure was applied for non-remittance of premiums due to their low amount, and the immediate reimbursement of the sums after they had been reported, as well as in cases of violation of the obligation to keep segregate accounts, for not depositing small sums in the separate account.

Disciplinary measures were adopted against intermediaries no longer registered in the Single Register of Intermediaries when the violation was reported to IVASS, (because they had been removed upon request or as a result of a previous disciplinary sanction imposing the striking-off) for irregularities committed while enrolled in the register.

VI - LEGAL ADVICE

1. - Legal advice

Legal advice consisted in the release of 245 opinions to provide legal support in the exercise of the relevant activities or to ensure the consistency of choices made with the discipline of the sector.

In 38 cases, documents were evaluated in view of the reporting to the Judicial Authority of facts covered by criminal law which were discovered by the offices of IVASS in the performance of its institutional duties.

Before the related competence was transferred to the Supervisory regulations and policies service, following the reorganisation of IVASS in June 2013, in accordance with Article 20.4 of Law n. 287/1990, an opinion was issued to the Antitrust Authority in relation to a potentially significant transaction for the market in terms of competition.

Some detailed information is provided in the tables below about the advisory activity.

Table VI.1 - Breakdown of advisory papers by applicant	
Opinions issued to bodies within IVASS	194
Opinions issued outside - Public entities	31
Opinions issued outside - Private individuals²⁷	20
Total	245

²⁷The ISVAP administrative instruction n. 63 dated 27 July 1998 despite deeming the opinions issued to sector participants, market bodies, firms of professions, trade associations or users in general to be useful, limited the service - excluding generic, abstract or entirely hypothetical cases at the root - to cases where the queries presented general significance. In the event of request made by firms of professionals, the forwarding to both the applicant and the party concerned was laid down. As from 14 February 2014 - also for the purpose of aligning the indications with those already made in this connection by the Bank of Italy - this regulation was replaced by that indicated by the IVASS administrative instruction n. 9 according to which, from a subjective standpoint, only requests of supervised undertakings, supervised intermediaries presented via trade associations and professionals who explicitly pose queries in the name and on behalf of supervised market participants in the exclusive interests of which the stances of IVASS stand out, can be taken into consideration, with the forwarding of the reply directly to said participants; from an objective standpoint, the approaches expressed by IVASS within the sphere of its institutional duties only concern strictly insurance-related aspects and not other areas. IVASS cannot respond to queries on standards issued by other authorities.

Table VI.2 - Subject matters of internal advisory papers

Supervision over undertakings	60
Supervision over intermediaries	22
Consumer protection	11
Criminal law	38
Internal administration	48
Community	1
Legislative	12
Parliamentary questions	1
Antitrust	1
Total	194

Table VI.3 - Percentage incidence of advisory papers provided to internal Services

Supervision over undertakings	30.92%
Supervision over intermediaries	11.34%
Consumer protection	5.67%
Criminal law	19.58%
Internal administration	24.74%
Other	1.54%

2.- Litigation.

On an innovative basis with respect to previous years, in accordance with the matters laid down by Article 13.1 of the Articles of Association, the Legal Advice Division saw to the representation and legal defence of IVASS via its legal advisors²⁸. The legal representation of IVASS by the State Legal Advisory Office, therefore remains²⁹ limited to litigation, until settled, for which said Office made its statement of appearance as of 1 January 2013³⁰.

²⁸ At present, in the Division there are 11 legal advisors enrolled in the Special Register (including the Head and the Alternate).

²⁹ Without prejudice to cases of specific assignment as a result of the resolution of the Board as per Article 13.2 of the Articles of Association.

³⁰ Previously, Presidential Decree n. 612 dated 17 September 1983 authorised the State Legal Advisory Office to represent and defend ISVAP in the legal proceedings as plaintiff and defendant before the judicial authorities, arbitration boards, administrative and special authorities.

The direct defence via its legal advisors, however, even if partial, was already present in the regulatory system of the Institute as from 12 January 2006, date the Insurance Code came into force, whose Articles 326.7 and 331.6 laid down that the legal advisors of the Institute should take steps to provide defence without the representation of the fiscal Office in relation to appeals against injunctions relating to pecuniary administrative sanctions vis-à-vis undertakings and intermediaries and with regard to measures applying disciplinary sanctions vis-à-vis intermediaries and loss adjusters.

During 2013, the Legal Advice Division dealt with 208 new cases of litigation (117 in 2012), including in the figure the extraordinary appeals to the Head of State³¹ and disputes at appeal level, both passive, where IVASS is called before the court in relation to a previous favourable sentence, and active, where - subject to resolution of the Joint Directorate - the need or appropriateness of challenging an unfavourable sentence has been ascertained.

The table below contains certain analytical information relating to the breakdown by subject matter of the litigation.

Table VI.4 - Breakdown of the litigation by subject matter	
Supervisory measures	8
Pecuniary administrative sanctions	154
Disciplinary sanctions ³²	22
Access to documents	4
Personnel	5
Other	15
Total	208
of which with precautionary request	43

The table below classifies the pecuniary administrative sanctions challenged by recipient.

Table VI.5 - Pecuniary administrative sanctions by recipient	
Sanctions imposed on undertakings	135
Sanctions imposed on intermediaries	18
Other sanctions	1
Total	154

³¹ See Legislative Decree n. 1199 dated 24 November 1971 and amendments introduced by Article 69 of Law n. 69 dated 18 June 2009. The appeal is decided by means of Presidential Decree, on the basis of the opinion of the Council of State which contains the legal-motivational support. Said appeals are seen to - in the cases where the need or appropriateness of resorting to the TAR (regional administrative court) has not emerged - by means of a direct report to the Administrative Co-ordination Department of the Presidency of the Council of Ministers, containing the counterclaims of IVASS regarding the appeal proposed, in view of the forwarding to the Council of State for the afore-mentioned opinion.

³² Of the 22 appeals against disciplinary sanctions, 19 regarded the maximum sanction of striking off.

VII - IVASS ORGANISATION

1. - Organisational structure

In accordance with the provisions establishing IVASS, on 24 April 2013 the Board of the Institute approved the new Regulation on Organisation and a reorganisation plan for the structure, which came into force on 10 June of that year.

The objectives pursued by the reform were the greater specialisation of the functions carried out by each Department or Office, the introduction of elements of flexibility in the functioning within a structure whose set-up remains hierarchical-functional and the turning to account of the available professional skills.

The **qualifying elements** of the new organisation include:

- the establishment of an Inspection Department (on-site supervision) which acts as the hub of the supervisory activities of IVASS;
- the concentration in a single Department of the off-site supervision on the sound and prudent management of the undertakings;
- the establishment of a Department which brings together the legislative production, macro-prudential analysis and international co-operation;
- the enhancement of the Department tasked with consumer protection;
- the closing down of two intermediate Divisions tasked, respectively, with legal and operational co-ordination;
- the setting up of a Department dedicated to studies and the handling of data banks;
- the centralisation of the tasks relating to the internal functioning of a sole Department with responsibilities in terms of organisation, human resource management, general administration, financial reporting and IT aspects.

In short, the rationalisation led to the reduction of the number of structures: passing from 14 to 12 Department/Offices and from 18 Sections to 16 Divisions.

The reorganisation process led to a different assignment for 40% of the managerial staff, 27% of the executive staff and 25% of the operative staff.

2. - Further organisational efficiency measures

In the year just ended, considerable attention was paid to the adoption of a series of measures aimed at increasing the functioning efficiency and containing operating costs, maintaining the quality level of the services provided the same, , on a consistent basis with the provisions establishing IVASS included in the spending review.

In detail, the lines of action took on the form of:

- analysis of the most significant and/or immediately reducible expense items;

- containing the costs of services with little added value, also by means of measures for insourcing activities previously outsourced;
- the search for synergies with the Bank of Italy³³;
- the frequent monitoring of the trend of the costs, by means of comparison between forecasts and results.

The main measures for containing costs and organisation efficiency launched during 2013, some of which already achieved and other still underway, concerned:

- the failure to renew fixed-term contracts of managers and consultancy contracts, inherited from the previous ISVAP (saving of around 1.2 million euro); where possible, initiatives were also adopted for the early and consensual termination and renegotiation of contracts (saving of around 270 thousand euro);
- the regulations and guidelines which the staff must follow for the use of means of transport and the choice of accommodation during business trips (estimated saving of around 120 thousand euro per annum);
- the review of a number of indemnities envisaged for the staff (estimated saving of around 40 thousand euro per annum);
- the insourcing of the fulfilments envisaged for implementing the legal provision concerning privacy (estimated saving of around 60,000 euro);
- the review of the purchases of newspapers/magazines in favour of on-line subscriptions (estimated saving of around 9,000 euro per annum);
- the replacement of paper luncheon vouchers with a magnetic badge with an assured benefit in terms of efficiency of the work process;
- the sale of a vehicle owned by the Institute and entering into of an agreement with NCC (chauffeur-driven vehicle rental) as well as the use of pony-express to deliver envelopes/documentation (estimated saving of around 20 thousand euro per annum). IVASS does not have official cars.

3. - Staff

Staff:

During 2013, IVASS staff decreased also in consideration of the restrictions on staff numbers set by the law establishing IVASS and the legislative provisions regarding the block of turn-over for the public sector: at 31 December 2013, permanent staff amounted in total to 351, compared with 355 in service at the end of 2012.

9 resources employed under fixed term contract continued to provide their services during the year, as per Article 21 of Law n. 576/82.

In detail:

Table VII.1			
Career	Permanent staff	Temporary staff	Total
Managerial staff	22	6	28
Executive staff	247	2	249
Operative staff	82	1	83
Total	351	9	360

³³ The additional synergies, with positive repercussions in terms of containing costs have to-date been achieved within the sphere of human resources, technological facilities, furnishings, as well as services such as staff training, press, mobility in Rome, mutual assistance and leisure time.

With regard to 2013, IVASS also availed itself, on a par with the previous year, with 15 temporary workers, of whom 8 for activities carried out by the Contact Center within the sphere of the Consumer Protection Department and 7 for the data entry activities of the Insurance Intermediaries Supervision Department.

Having taken into account the restrictions on the employment of new resources and considering the recruitment needs associated with the assignment of new and delicate functions, IVASS availed itself of Bank of Italy staff. In detail:

- a work contract was entered into for a duration of five years with a manager from the Bank of Italy as from 3 January 2013, who was assigned the duties of Secretary General;
- during the year, three managers were seconded from the Bank of Italy and entrusted with responsibility for the Inspection Division, the Resources Management Division and the Legal Affairs Division as well as another five units included within the operating structures;
- Bank of Italy staff were appointed to carry out, on a temporary basis, head of team activities regarding delicate supervisory inspections or internal audits.

During 2013, 2 resources as operative staff were employed in accordance with Law n. 68/99 and the removal from services of 5 individuals was arranged (of which 2 in the executive area and 3 in the operative area).

During 2014, IVASS's staff had an average age of 49, constantly increasing over the last five years, also by virtue of the limitations existing with regard to the possibility of taking on new recruits. The female component is predominant (54%) and staff with a degree-level education represent 70% of the total.

Staff rules:

As from 1 September 2013, the new Regulation concerning the legal, economic and social security treatment for staff came into force, their drafting having been defined with the full collaboration of the trade union organisations.

The new Regulation has the following primary objectives:

- the rationalisation and simplification of the legislative system within an evolutionary logic, taking into consideration the need to increase efficiency and cost-effectiveness of the functioning of IVASS;
- the streamlining of the career set-up, with the aim of offering professional growth prospects to staff by means of providing incentive for individual merit and the undertaking of autonomous responsibilities;
- the review of the discipline of working hours aimed at reconciling - by means of instruments aimed at flexibility - the need for greater productivity with the individual expectations for work life balance;
- the achievement of greater transparency, by means of inclusion in the Regulation of the remuneration tables as well as the content of previous board resolutions which have contributed towards defining the remuneration of the employees.

The application, as from 1 January 2014, of the new working hours and the other provisions associated with the same, has introduced an additional important step in the process towards change undertaken³⁴.

Training:

IVASS has deemed it to be of prime importance to see to activities for the training and development of the human resources: 211 employees (58% of the staff) were involved in training courses during the year.

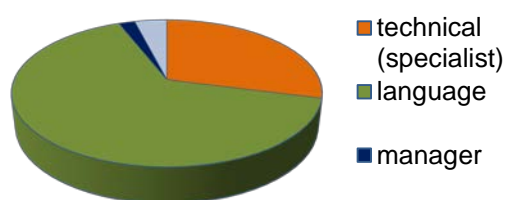
Training concerned almost all the managerial staff (93%), more than 65% of the executive staff and 7% of the operative staff. Overall, around 11,900 hours of training were provided (equal to around 4.5 day per head in relation to total staff).

With regard to content, priority was given to technical-specialist training which addressed the topics of the insurance budget, the evaluation techniques of both financial and insurance contracts and of insurance undertakings and extended to the software used by the undertakings for the validation of the technical provisions also with a view to Solvency II. Overall, technical-specialist training absorbed 29% of the overall days provided in 2013.

The extensive language training activities launched in previous years continued (65%) and a managerial training course was launched (2%) which will be developed during 2014.

With regard to IT training (4%), a plan was outlined which will cover the three-year period 2014-2016, involving the majority of the employees.

Graf. VII.1 - Training activities



³⁴ The most significant measures with regard to working hours were:

- the introduction of a working Friday afternoon;
- the elimination of two holidays (Good Friday and 16 August) and of a partial holiday (2 November, lasting 4 hours) as well as the elimination of the idea of recovering civil holidays (25 April and 1 May) falling on Sundays;
- the increase of the services requested on the three residual partial holidays (from 4 to 5 hours).

When providing training, preference was given to the internal channel both in relation to needs to contain costs and due to the singularity of the training, more fully aligned with the specific requirements of the structures.

Participation in international seminars proposed by EIOPA and ESMA made it possible to share and discuss experience and operating practices between representatives of the European Supervisory Authorities.

In December 2013, with the aim of encouraging the development of contact channels with university spheres and offering learning opportunities in the field to newly-graduated youngsters, a programme was launched aimed at the achievement of work experience for the training and development of the theoretical skills of the participants, lasting 6 months.

Despite the presence of a strict budget policy, awareness that the efficacy of the institutional action is positively affected by the attention paid in the professional development of the available resources led IVASS to increase the provision envisaged for 2014 in favour of staff training by 10%.

4. - IT systems

The main intervention on the IT infrastructure of IVASS during 2013 regarded the upgrading of the systems for the replacement of obsolete equipment and the improvement of the management of existing systems. The services provided aimed to ensure the maintenance of all the equipment installed and the level of services provided to the users.

With regard to the project-related activities, the most significant projects were followed by specific work groups and concerned the following measures, achieved or being carried out:

- the consolidation of the server of the Claims Data Bank, aimed at renewing the now obsolete hardware and software system of the platform dedicated to this application environment;
- the implementation of the integrated computer database (AIA project) for preventing and combating fraud in the motor liability insurance sector;
- the creation of an "IT tool for the Generali College" dedicated to the exchange of data with the other national authorities which take part in the activities of the "College of Supervisors", so as to permit access to the restricted area to a greater number of parties and the definition of a new "Collaboration" project for the Reale Mutua Group;
- the up-dating of the Insurance Education portal, accessible to the general public on IVASS's website;
- the study, also achieved via the work of the technical table with the Ministry for Economic Development, ANIA, ABI and the associations of intermediaries, for the definition of the activities preparatory to the setting up of the Insurance and Reinsurance Intermediaries Body, with focus on the new system for enrolling and handling intermediaries.

The activities performed in 2013 included those of particular interest linked to the implementation of the Agreements aimed at increasing collaboration with other bodies for the

analysis of the phenomena linked to motor liability insurance³⁵ and the technical collaboration with the Ministry for Economic Development for the new motor liability insurance quote-o-meter agreement and for the drafting of the black box Regulations with the involvement of the Authority for the protection of personal data.

Within the field of IT and communications technologies, IVASS inherited from ISVAP an arrears situation, whose sorting out requires consistent investments in terms of financial and human resources.

During 2013, activities were launched aimed at integration with the Bank of Italy, so as to effectively implement the legislative provision (Article 13.27 of Italian decree-law n. 95 dated 6 July 2012, converted into Italian Law n. 135 dated 7 August 2012) which allows IVASS to avail itself of the technological infrastructures of the Bank, so as to more efficiently deal with the evolution of the institutional tasks and the launched process for modernisation of the organisational machine.

In this context, mention must be made of the renewal of the IT work stations, achieved within the sphere of the Operative Location project, by means of the installation of specific kits prepared by the Bank of Italy.

The process for the integration of the IT services will continue in 2014 as well, structured into two phases:

- phase 1: integration, from an infrastructural standpoint, of the current IT services;
- phase 2: supply of new IT services, to be achieved both via the extension of use - following appropriate changes - of applications already running at the Bank of Italy systems, and via the design and development of completely new applications.

Within this sphere, priority will be given to two projects:

- the first, destined to optimise the supervisory activities, envisages the creation of a data warehouse for the collection and exploitation of the data, via Business Intelligence systems;
- the second, aimed at creating an integrated document management system by means of the use of the Bank of Italy ICT CAD system, has the following main objectives: the introduction of the IT protocol, the substitute storage, the diffusion of certified e-mail, and the adoption of new storage tools.

5. - Internal Audit

The Internal Audit Division, set up in June 2013 during the reorganisation of IVASS, carries out its activities in compliance with the special standards approved by the Board, to which it directly reports.

The primary objective of the Division, in line with the institutional aims which led to its establishment and with the characteristic role of a modern audit function, is to provide a contribution to the governance of IVASS by means of offering advisory services, in a third party and independent position.

The Division, at the time of being set up, first of all reworked the various disciplinary sources of IVASS which regulate audit matters. Accordingly, the international standards and the code of ethics drafted by the Institute of Internal Auditors (IIA) represented a primary source of reference; the best practices adopted were those used by the Internal Audit Unit of the Bank of Italy.

³⁵ Reference is made to the agreements with:

- CONSAP (30 September 2013) for the use of the information present in the "Direct compensation clearing house" database;
- ANIA (22 July and 1 August 2013) for the use of the information present in the: "Servizio Convenzione Card" and "Targhe Assicurate-SITA" databases.

In detail:

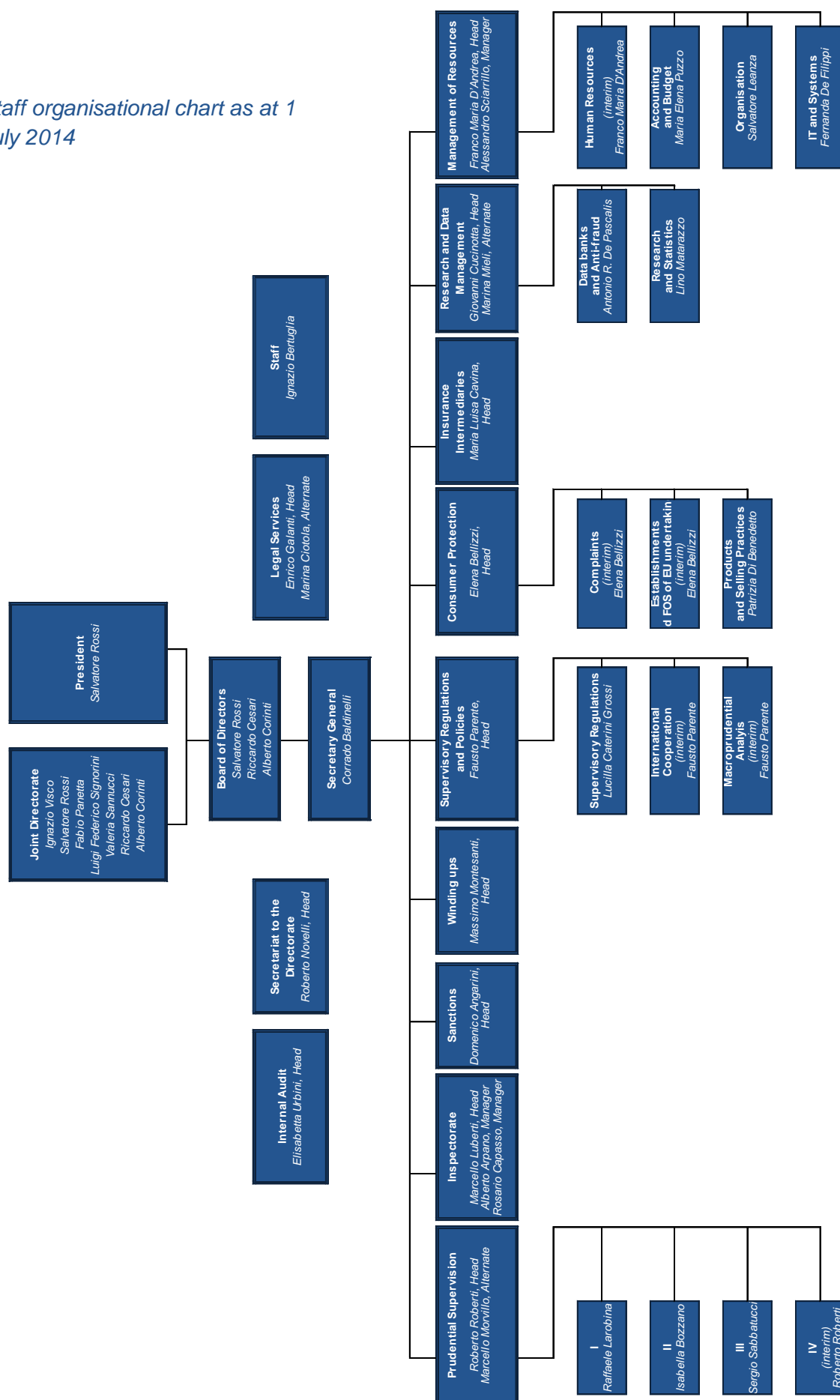
- a) the Regulation on internal audit activities was drafted;
- b) a Policy Document was drawn up, programmatic in nature, which established the strategies of the Unit and expresses all the objectives and initiatives necessary for achieving, effectively, the full adaptation to the international standards and for the on-going improvement of the services. The purpose is to intercept effective risk situations (not limiting the activities to ascertaining mere formal misalignments) and to identify agreed on, effective and realisable lines of action;
- c) the method-based Manual was drawn up for the purpose of ensuring uniformity and efficiency of the action, in which the entire “audit cycle” was outlined, from planning to handling of the results and the opinion scale was defined, identical to that used by the Bank of Italy’s Internal Audit Unit;
- d) numerous supporting tools were created, to be used in the performance of the activities (e.g. analysis techniques for the simplification of the processes, analysis schemes of the organisational variables, report layouts, etc.):

The qualifying element of the new internal audit regulations is represented by - in total contrast to the past - complete transparency in the dealings with the organisational units and with the parties audited; thus, with the conviction that the complete representation of the results of the structure concerned, accompanied by open and constructive discussion, besides enhancing the ability to identify criticalities, raises the level of involvement and therefore makes the solution of any emerging problems swifter.

With regard to inspection activities in the field, the Unit launched inspection visits at the first units subject to planning as from October 2013, for such purposes availing itself of the collaboration - which continued until 31 December 2013 - of two inspectors of the Bank of Italy under secondment.

With regard to 2014 planning, the heads of the Units were requested to provide an initial list of the processes they handle believed to be the most risky. Subsequently, once the processes have been mapped and an accurate assessment of the risks carried out with the aid of the various units, it will be possible to create of model entirely in line with best practices.

Staff organisational chart as at 1 July 2014



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WARNING

The tables do not include the information on the Italian branches of undertakings with head office in a EU or EEA member State, or for which stability is supervised by their respective Home supervisors.

UNDERTAKINGS PURSUING INSURANCE AND REINSURANCE BUSINESS IN ITALY

YEARS (as at 31.12)	NATIONAL UNDERTAKINGS				BRANCHES OF FOREIGN UNDERTAKINGS		
	companies limited by shares	cooperative companies	mutual companies	Total	with head office in a non-EU or non-EEA country	with head office in an EU or EEA country subject to the supervision of their respective Home country supervisors (*)	TOTAL DOMESTIC AND FOREIGN UNDERTAKINGS
2008	159	1	3	163	3	81	247
2009	152	1	3	156	3	82	241
2010	147	1	3	151	2	89	242
2011	138	1	3	142	2	95	239
2012	131	1	3	135	2	98	235
2013	125	1	5	131	2	100	233

(*) Italian branches of insurance and reinsurance undertakings with head office in other EU countries (or in other EEA countries).

As at 31.12.2013 there were 979 undertakings with head office in EU (or in EEA) countries pursuing business in Italy by way of free provision of services subject to the supervision of their respective home country supervisors.

Tab. 1-bis.

SUPERVISED UNDERTAKINGS: BREAKDOWN BY INSURANCE GROUP

as at 31.12.2013	Groups
Total Italian insurance groups	32
- of which of foreign origin *	13
- of which of domestic origin *	19
Total insurance undertakings	133
- of which undertakings belonging to insurance groups **	109
- of which undertakings not belonging to insurance groups **	24

* which own 41 companies

** including 1 branch from a non-EU State

PREMIUM INCIDENCE OVER THE GROSS DOMESTIC PRODUCT*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian direct insurance portfolio)*

(million euro)

	2009 (b)	2010 (c)	2011	2012	2013 (d)
Life and non-life premiums	117.860,4	125.966,0	110.227,2	105.128,6	118.786,0
of which:					
Life premiums	81.116,1	90.113,6	73.869,1	69.715,1	85.099,0
Non-life premiums	36.744,3	35.852,4	36.358,1	35.413,4	33.687,0
of which motor liability premiums	17.038,7	16.995,8	17.793,6	17.576,0	16.262,7
Gross domestic product (a)	1.519.695,0	1.551.885,6	1.579.946,0	1.566.912,0	1.560.024,0
Cost of living index (basis 2010=100) (g)	98,5	100,0	102,7	105,8	107,0
<i>variazioni annue percentuali</i>					
Life and non-life premiums	28,1	6,9	-12,5	-4,6	13,0
Life premiums	48,7	11,1	-18,0	-5,6	22,1
Non-life premiums	-1,9	-2,4	1,4	-2,6	-4,9
Motor liability premiums	-3,4	-0,3	4,7	-1,2	-7,5
Gross domestic product	-3,5	2,1	1,8	-0,8	-0,4
Cost of living index	0,7	1,6	2,7	3,0	1,1
<i>incidenza percentuale sul P.I.L. (e)</i>					
Life and non-life premiums	7,8	8,1	7,0	6,7	7,6
of which:					
Life premiums	5,3	5,8	4,7	4,4	5,5
Non-life premiums	2,4	2,3	2,3	2,3	2,2
of which motor liability premiums	1,1	1,1	1,1	1,1	1,0
<i>variazioni annue percentuali in termini reali (f)</i>					
Life and non-life premiums	27,1	5,2	-14,8	-7,4	11,7
Life premiums	47,6	9,4	-20,2	-8,4	20,7
Non-life premiums	-2,6	-3,9	-1,3	-5,5	-5,9
Motor liability premiums	-4,1	-1,8	1,9	-4,1	-8,5
Gross domestic product	-4,2	0,6	-0,9	-3,7	-1,6

(a) Source: ISTAT - Gross domestic product at the market prices. The data for the two-year period 2011-2012 have been

General index of consumer prices for families of clerical and manual workers (acronym: FOI), tobacco excluded.

(b) A company placed under administrative compulsory winding up in 2010 is included in

(c) Two companies placed under administrative compulsory winding up are included in 2011.

(d) The figures relating to premiums have been taken from provisional balance sheet data furnished by undertakings.

(e) Totals may not tally due to rounding off of decimal numbers.

(f) Data deflated by the coefficients published by ISTAT.

**INSURANCE BUSINESS PURSUED ABROAD BY ITALIAN UNDERTAKINGS AND IN ITALY BY FOREIGN UNDERTAKINGS -
YEAR 2012**

(million euro)						
	Premiums relating to direct insurance			Premiums relating to reinsurance		
	Non-life	Life	Total	Non-life	Life	Total
A) BUSINESS PURSUED ABROAD BY ITALIAN UNDERTAKINGS (*) AND THEIR FOREIGN SUBSIDIARIES						
<i>Italian undertakings</i>						
- Business pursued abroad by way of establishment	329,6	125,4	455,0	326,3	1,9	328,2
- Business pursued abroad by way of FOS (**)	237,3	5,9	243,2	411,8	1.311,8	1.723,6
Total Italian undertakings	566,9	131,3	698,2	738,1	1.313,7	2.051,8
Total foreign subsidiaries (and their branches)	15.223,4	33.642,8	48.866,2	2.794,1	5.295,6	8.089,7
Total	15.790,3	33.774,1	49.564,4	3.532,2	6.609,3	10.141,5
B) BUSINESS PURSUED IN ITALY BY FOREIGN UNDERTAKINGS AND THEIR ITALIAN SUBSIDIARIES						
<i>Foreign undertakings</i>						
- Business pursued abroad by way of establishment	4.638,5	2.881,9	7.520,4	0,0	0,0	0,0
- Business pursued in Italy by way of FOS (***)	820,6	10.500,7	11.321,3	N.A.	N.A.	N.A.
Total foreign undertakings	5.459,1	13.382,6	18.841,7	0,0	0,0	0,0
Total Italian subsidiaries	9.520,3	19.573,3	29.093,6	19,3	35,4	54,7
Total	14.979,4	32.955,9	47.935,3	19,3	35,4	54,7

(*) Italian undertakings controlled by foreign shareholders are not included

(**) As regards reinsurance the figures refer to the business pursued by the Italian head office belonging to the foreign portfolio

(***) The data for France, Greece, the Slovak Republic and Liechtenstein are not available.

Tab. 5

MARKET SHARES BY GROUPS
ITALIAN DIRECT INSURANCE PORTFOLIO - YEARS 2012-2013 *

AGGREGATION OF COMPANIES BY GROUPS	Non-life						Life						Total	
	2012		2013		2012		2012		2013		2012		2012	
	Premiums	%	Premiums	%	Premiums	%	Premiums	%	Premiums	%	Premiums	%	Premiums	%
Companies controlled by EU foreign entities (a)	8.760	24,74	8.481	25,18	13.973	20,04	17.859	20,99	22.733	21,62	26.340	22,17		
Companies controlled by non-EU entities (a)	309	0,87	290	0,86	1.420	2,04	1.548	1,82	1.729	1,64	1.839	1,55		
Non-EU branches	399	1,13	373	1,11	0	0,00	0	0,00	399	0,38	373	0,31		
Companies controlled by the State and by Italian public entities	849	2,40	848	2,52	10.576	15,17	13.236	15,55	11.426	10,87	14.084	11,86		
Companies controlled by Italian private entities subdivided by dominant economic sector of the group, of which:														
- industrial and services sectors	24.642	69,58	23.226	68,95	39.460	56,60	46.707	54,89	64.102	60,97	69.933	58,87		
- insurance sector	236 (b)	0,96	307 (b)	1,32	0 (b)	0,00	0 (b)	0,00	236 (b)	0,37	307 (b)	0,44		
- banking and financial sectors	23.438 (b)	95,11	22.145 (b)	95,35	28.338 (b)	71,81	27.603 (b)	59,10	51.775 (b)	80,77	49.749 (b)	71,14		
	968 (b)	3,93	773 (b)	3,33	11.122 (b)	28,19	19.104 (b)	40,90	12.090 (b)	18,86	19.877 (b)	28,42		
Undertakings owned on a 50/50 basis by banks and insurance companies	454	1,28	469	1,39	4.286	6,15	5.749	6,76	4.740	4,51	6.218	5,23		
- Italian insurance companies	27 (c)	5,94	29 (c)	6,10	105 (c)	2,46	138 (c)	2,40	132 (c)	2,79	167 (c)	2,68		
- foreign EU insurance companies	427 (c)	94,06	440 (c)	93,90	4.181 (c)	97,54	5.610 (c)	97,60	4.608 (c)	97,21	6.051 (c)	97,32		
TOTAL	35.413	100,00	33.687	100,00	69.715	100,00	85.099	100,00	105.129	100,00	118.786	100,00		

* The figures regarding 2013 have been taken from provisional balance sheet data provided by undertakings.

(a) The groups to which these companies belong mainly carry on insurance business.

(b) The percentages are calculated over total premiums of the Italian private sector.

(c) The percentages are calculated over total premiums relating to companies owned on a 50/50 basis by banks and insurance companies.

Please note that totals may not tally due to rounding off of decimal numbers

**OUTWARD REINSURANCE PREMIUMS
LIFE AND NON-LIFE BUSINESS - YEAR 2012**

(million euro)

NON LIFE BUSINESS	Outward premium	Outward premium	Outward/inward premiums % ratio
Accidents	2.976,2	176,9	5,9
Sickness	2.136,3	207,8	9,7
Land vehicles	2.648,5	162,1	6,1
Railway rolling stock	8,6	4,6	53,2
Aircraft	36,7	33,5	91,3
Ships (sea, lake and river and canal vessels)	259,0	172,3	66,5
Goods in transit	213,7	110,9	51,9
Fire and natural forces	2.306,5	509,5	22,1
Other damage to property	2.610,9	600,5	23,0
Motor vehicle liability	17.541,9	674,5	3,8
Aircraft liability	18,8	17,3	91,5
Liability for ships (sea, lake and river and canal vessels) ..	34,1	0,4	1,3
General liability	2.939,1	281,8	9,6
Credit	84,4	31,7	37,5
Suretyship	387,5	204,9	52,9
Miscellaneous financial loss	459,9	95,1	20,7
Legal expenses	278,4	85,8	30,8
Assistance	472,8	186,1	39,4
Total non-life business ...	35.413,4	3.555,5	10,0
LIFE BUSINESS			
Class I	51.191,3	987,8	1,9
Class II			
Class III	13.799,6	12,4	0,1
Class IV	43,8	7,5	17,1
Class V	2.814,9	0,0	0,0
Class VI	1.865,6	0,0	0,0
Total life business ...	69.715,1	1.007,7	1,4

LOSS RATIO - NON-LIFE BUSINESS

CLASSES	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)
Accidents	50,9	53,5	53,3	51,6	49,3
Sickness	70,7	72,4	73,8	72,6	74,0
Land vehicles	61,8	68,6	63,7	64,9	62,5
Railway rolling stock	27,4	92,1	84,9	66,9	266,5
Aircraft	40,5	49,4	101,2	120,2	15,9
Ships (sea, lake and river and canal vessels)	63,6	102,2	71,5	70,2	99,3
Goods in transit	65,7	62,6	64,7	63,3	68,0
Fire and natural forces	76,0	78,2	63,1	62,6	96,9
Other damage to property	79,7	77,8	76,3	70,9	75,1
Motor vehicle liability	82,9	87,7	83,5	76,9	68,4
Aircraft liability	31,2	20,9	17,5	14,5	17,6
Liability for ships (sea, lake and river and canal vessels) ..	83,2	80,4	88,4	58,0	77,5
General liability	77,1	83,8	86,7	78,0	73,9
Credit	143,5	113,1	55,2	74,0	145,7
Suretyship	58,1	65,8	61,3	65,3	69,2
Miscellaneous financial loss	86,2	54,7	55,7	49,6	57,9
Legal expenses	29,9	34,5	32,5	33,5	33,2
Assistance	33,2	32,8	31,7	30,3	29,5
Total non-life classes	75,2	78,8	74,8	70,7	69,1

Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS
(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

ASSETS		2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
A. AMOUNTS OWED BY SHAREHOLDERS FOR SUBSCRIBED CAPITAL NOT YET PAID		5,6	40,8	15,4	-62,3	2,7	-82,3	7,0	156,6
B. INTANGIBLE ASSETS		680,8	620,1	630,5	1,7	668,6	6,0	687,2	2,8
1. Deferred acquisition commissions		242,5	168,8	121,4	-23,8	94,9	-21,8	82,0	-8,9
a) life business		0,6	0,4	0,7	75,0	7,2	944,2	41,8	478,2
b) non-life business		9,2	5,0	3,7	-24,5	33,9	803,7	98,7	191,5
2. Other acquisition costs		1,579,8	5,533,9	5,026,0	-9,2	4,664,3	-7,2	4,281,2	-8,2
3. Setting-up and enlargement costs		507,9	563,2	527,7	1,0	531,7	0,9	556,4	5,7
4. Goodwill									
5. Other deferred costs									
C. INVESTMENTS		1,228,4	1,179,1	1,246,1	5,7	1,292,0	4,1	1,311,9	3,4
I - Land and buildings		4,823,7	5,059,3	5,002,6	2,4	5,252,2	5,0	5,207,1	-0,8
1. Occupied by the insurance undertaking for its own activities		17,6	32,1	34,1	6,2	32,8	-3,8	29,2	-6,5
2. Occupied by third parties		2,5	5,2	5,2	0,0	5,2	0,7	3,8	-27,9
3. Other buildings		192,4	250,7	225,1	-10,1	319,3	41,9	227,5	-28,8
4. Other property rights									
5. Buildings under construction and deposits paid									
II - Investments in group undertakings and other participating interests									
1. Shares in:									
a) parent undertakings		419,7	586,5	530,0	-9,6	332,7	-37,2	320,9	-3,5
b) subsidiaries		34,890,3	40,122,1	39,042,2	-1,5	39,500,9	1,2	37,337,7	-5,5
c) associated undertakings		2,450,8	1,540,9	1,556,2	1,0	1,681,7	8,1	1,688,7	0,4
d) affiliated undertakings		611,3	654,3	814,8	24,5	803,2	-1,4	685,5	-14,7
e) other		4,114,8	3,823,7	3,767,9	-1,5	1,992,9	-47,1	1,904,0	-4,5
2. Debt securities issued by:									
a) parent undertakings		945,4	1,113,9	1,563,6	40,4	1,759,5	14,7	3,907,1	122,1
b) subsidiaries		58,0	56,4	98,2	74,1	111,8	13,8	74,7	-33,2
c) associated undertakings		744,0	1,008,1	1,305,0	29,5	1,359,6	4,2	1,028,1	-24,4
d) affiliated undertakings			46,1	68,6	48,8	78,6	14,5	92,5	17,7
e) other		863,6	1,099,9	1,331,0	21,0	880,0	-33,9	934,2	6,2

(continued)

Continued: Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)*

ASSETS	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
3. Loans to:								
a) parent undertakings	356,4	650,4	278,8	-57,1	270,4	0,6	270,3	0,0
b) subsidiaries	103,6	76,1	79,3	5,6	45,5	-42,7	45,9	0,9
c) associated undertakings	76,2	0,1	4,5	–		-99,7	6,7	53.319,6
d) affiliated undertakings	34,6	14,8	5,8	-60,8	5,8	1,4	5,8	-1,4
e) other	19,3	7,3	3,4	-53,4	2,3	-31,0	2,3	0,0
III. - Other financial investments								
1. Shares								
a) Listed shares	12.003,2	12.444,5	10.580,9	-14,5	9.525,6	-10,0	7.699,7	-19,2
b) Unlisted shares	230,4	215,8	201,1	-6,8	252,8	25,7	266,1	5,3
c) Units	255,3	247,5	257,7	4,1	257,2	-0,2	226,4	-12,0
2. Units in unit trusts	14.633,8	17.217,4	19.367,9	12,5	21.339,6	-9,1	22.566,6	-18,4
3. Debt securities and other fixed-income securities.								
a) listed	218.055,9	263.926,7	294.984,2	12,7	303.641,8	3,0	319.728,7	5,4
b) unlisted	6.028,6	5.663,0	6.752,1	19,4	7.430,4	10,0	9.400,0	26,5
c) convertible securities	170,2	840,5	794,8	-5,4	767,1	-3,5	462,2	-39,7
4. Loans								
a) loans secured by a lien on property	88,3	65,0	63,7	3,6	63,3	-0,6	62,2	-1,7
b) loans secured by the insurance policy	2.393,3	2.446,0	2.416,6	-1,2	2.397,7	-0,8	2.332,9	-2,7
c) other loans	73,5	76,2	101,2	36,2	98,0	-1,8	190,8	95,2
5. Participation in investment pools								
a) Deposits with credit institutions	1.237,1	443,0	1.022,1	130,7	1.134,1	11,0	2.351,2	107,3
b) Other financial investments	711,5	1.586,7	2.014,5	27,2	361,1	-82,1	111,3	-69,2
c) Deposits with ceding undertakings	9.862,3	9.768,3	9.350,5	-4,3	9.477,4	1,4	8.972,1	-5,2
IV. - Deposits with ceding undertakings								
D. INVESTMENTS FOR THE BENEFIT OF LIFE-ASSURANCE POLICYHOLDERS WHO BEAR THE RISK AND ARISING FROM PENSION FUND MANAGEMENT								
I - Investments pertaining to unit- and index-linked benefits	113.517,4	112.025,9	105.786,4	-5,6	91.579,8	-13,4	89.056,2	-2,8
II - Investments resulting from the management of pension funds	3.462,6	5.185,0	6.358,1	22,6	7.331,3	15,3	8.464,9	15,5

(continued)

Continued: Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)*

		2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
ASSETS									
D bis.	REINSURERS' SHARE OF TECHNICAL PROVISIONS								
	I - NON LIFE BUSINESS								
	1. Provision for unearned premiums	1.423,1	1.460,8	1.418,4	2,7	1.429,0	3,5	1.410,2	-0,1
	2. Provision for claims outstanding	5.449,7	5.459,1	5.240,3	-0,1	4.780,6	-6,9	5.592,1	17,7
	3. Provision for bonuses and rebates	3,8	4,3	8,4	95,3	0,5	320,2	1,0	99,2
	4. Other technical provisions	1,3	1,6	1,9	18,8	3,3	66,8	2,6	-19,0
	II - LIFE BUSINESS								
	1. Mathematical provisions	12.011,0	11.817,4	11.481,8	-2,8	10.835,6	-5,6	10.258,7	-5,1
	2. Ancillary risks - Provision for unearned premiums	13,4	12,0	10,0	-16,7	22,0	119,8	27,7	25,7
	3. Provision for amounts payable	236,0	223,0	261,7	17,4	260,0	-0,7	292,5	16,4
	4. Provision for bonuses and rebates	9,5	4,9	4,4	-10,2	3,4	-21,1	2,6	-24,4
	5. Other technical provisions	21,3	15,6	12,4	-20,5	7,6	-38,4	7,2	-5,5
	6. Technical provisions where the investment risk is borne by the policyholder and provisions deriving from the management of pension funds								
		241,9	284,0	297,8	4,9	204,1	-31,5	173,3	-15,1
E.	DEBTORS								
	I - Debtors arising out of direct insurance operations:								
	1. Policyholders								
	a) premiums for the current financial year	5.458,2	5.297,4	4.873,0	-4,2	4.778,0	-1,8	4.649,2	-1,9
	b) premiums for the previous financial years	503,4	499,8	469,9	-0,1	439,0	-6,5	327,6	-25,1
	2. Insurance intermediaries	4.396,3	4.548,9	4.596,3	4,5	4.388,7	-4,5	3.937,3	-10,1
	3. Insurance undertakings - amounts receivable	1.042,4	981,6	963,4	3,2	882,3	-8,4	719,4	-18,2
	4. Policyholders and third parties - recoverable amounts	705,5	786,7	766,1	2,6	828,0	8,1	695,9	-15,5
	II - Debtors arising out of reinsurance operations:								
	1. Insurance and reinsurance undertakings	1.691,4	1.756,5	1.470,1	-10,1	1.419,8	-3,1	1.449,9	3,4
	2. Reinsurance intermediaries	138,3	61,5	35,7	-39,9	36,0	0,9	22,3	-37,9
	III. - Other debtors	11.770,9	11.630,3	13.401,7	17,7	14.103,5	5,5	14.695,4	4,7
F.	OTHER ASSETS								
	I - Tangible assets and stocks:								

(continued)

Continued: Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)*

ASSETS	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
								(million euro)
1. Furniture, office equipment, internal means of transportation	104,9	126,1	108,1	-4,8	106,7	-0,9	96,8	-8,0
2. Movable goods entered in public registers	3,8	2,7	2,1	-8,7	1,9	-10,2	2,0	15,2
3. Plant and machinery	21,0	28,8	32,4	19,1	36,8	17,3	38,5	7,4
4. Stocks and sundry goods	10,8	10,0	9,4	-6,0	9,0	-4,8	8,8	-1,5
II - Cash at bank and in hand								
1. Deposits with credit institutions and post office accounts	12.623,3	11.250,9	9.588,3	-13,0	14.512,0	51,4	17.148,7	18,6
2. Cheques and cash in hand	27,9	17,1	16,1	-5,3	19,9	23,2	13,2	-33,6
III. - Own shares	1.780,6	169,4	155,2	-8,4	130,3	-16,1	125,5	-3,7
IV. - Other assets								
1. Deferred reinsurance accounts receivable	27,0	86,4	32,7	-62,2	32,8	0,3	35,9	9,6
2. Sundry assets	3.531,9	2.925,8	3.124,1	9,5	3.769,6	23,7	3.959,0	5,8
G. ACCRUALS AND DEFERRED INCOME								
1. Interest	4.142,4	4.541,4	4.803,8	6,4	4.966,5	3,5	4.918,7	-0,8
2. Rent	5,5	12,5	12,2	2,5				
3. Other prepayments and accrued income	262,9	352,6	277,0	-20,6	258,6	-6,6	354,9	37,5
TOTAL ASSETS	505.361,8	560.779,8	586.814,6	5,5	585.665,4	-0,1	603.706,4	3,2
LIABILITIES AND EQUITY								
A. EQUITY								
I - Subscribed capital or equivalent funds	11.471,8	11.924,9	11.985,2	5,0	12.462,8	4,2	13.344,9	7,7
II - Provision for share premium accounts	12.764,5	17.128,4	16.861,8	-1,5	17.874,6	6,1	17.340,4	-3,0
III. - Revaluation reserves	2.930,0	3.397,8	3.034,0	-7,7	3.026,2	-0,2	2.820,9	-6,6
IV. - Legal provision	1.595,7	1.508,1	1.715,8	13,9	1.700,2	-0,6	1.665,9	-1,8
V. - Statutory provisions	86,7	21,0	24,2	15,2	15,9	-34,2	15,0	-6,0
VI. - Reserves for own shares and for parent company's shares	2.194,3	750,3	681,2	-9,2	458,0	-32,8	442,2	-3,5
VII - Other reserves	10.895,4	14.162,6	15.490,8	9,8	15.408,7	-0,5	13.628,1	-11,3
<i>(continued)</i>								

Continued: Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS
(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

LIABILITIES AND EQUITY	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
VIII - Profit or loss brought forward	973,4	-617,3	1.169,5	269,4	957,8	-18,1	-547,3	-156,4
IX - Operating profit (loss)	-1.980,2	3.527,1	-702,8	-119,1	-3.652,6	-413,6	5.588,5	253,0
B. SUBORDINATED LIABILITIES	6.923,7	8.373,9	8.752,6	6,4	8.751,2	0,0	10.069,7	15,1
C. TECHNICAL PROVISIONS								
I - NON LIFE BUSINESS								
1. Provision for unearned premiums	15.980,7	15.993,7	15.747,9	3,6	16.196,7	3,3	15.532,3	-3,2
2. Provision for claims outstanding	51.937,3	52.413,4	49.820,8	-0,4	50.217,1	1,3	51.017,5	2,1
3. Provision for bonuses and rebates	64,5	66,0	46,9	-28,9	26,1	-16,7	29,4	12,5
4. Other technical provisions	77,3	77,7	70,7	-5,2	69,6	-1,5	67,8	-2,6
5. Equalisation provisions	134,5	150,3	172,3	15,6	188,0	10,8	191,5	1,8
II - LIFE BUSINESS								
1. Mathematical provisions	228.799,7	269.638,6	306.529,6	13,7	322.462,7	5,2	333.174,1	3,4
2. Ancillary risks - Provision for unearned premiums	66,2	65,3	74,2	13,6	86,9	17,1	98,0	12,7
3. Provision for amounts payable	3.930,2	4.447,0	5.952,3	33,8	4.730,5	-20,5	4.853,6	3,1
4. Provision for bonuses and rebates	133,6	134,5	127,7	-5,1	151,6	18,7	150,8	-0,5
5. Other technical provisions	1.985,6	1.865,5	1.757,0	-5,8	1.667,5	-5,1	1.603,4	-3,2
D. TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDER AND PROVISIONS DERIVING FROM THE MANAGEMENT OF PENSION FUNDS								
I - Provisions relating to contracts whose benefits are linked to unit trusts or market indexes	113.374,7	111.725,4	105.494,0	-5,6	91.320,1	-13,4	88.885,3	-2,7
II - Provisions relating to pension fund management	3.462,6	5.184,8	6.358,0	22,6	7.331,3	15,3	8.463,6	15,5
E. PROVISIONS FOR OTHER RISKS AND CHARGES								
1. Provisions for pensions and similar obligations	120,6	121,1	120,8	-0,2	117,0	-1,8	120,4	7,1
2. Provisions for taxation	502,7	426,8	389,0	0,7	340,3	-12,5	655,8	93,6
3. Other provisions	1.493,9	1.162,7	1.261,0	10,7	1.156,2	-7,2	1.071,1	-7,0

(continued)

Continued: Tab. 8

BALANCE SHEET - LIFE AND NON-LIFE BUSINESS
(domestic undertakings and branches of non-EU or non-EEA undertakings: Italian and foreign portfolio – insurance and reinsurance business)

LIABILITIES AND EQUITY	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
F. DEPOSITS RECEIVED FROM REINSURERS	12.660,3	12.397,6	11.998,8	-3,2	11.279,2	-5,8	10.692,1	-5,0
G. CREDITORS AND OTHER LIABILITIES								
I - Creditors arising out of direct insurance operations:								
1. Insurance intermediaries	1.247,4	1.368,1	1.314,7	-2,9	1.273,1	-3,1	1.007,6	-18,8
2. Insurance undertakings - amounts receivable	335,4	345,5	269,6	-9,6	241,5	-10,3	231,7	-3,2
3. Policyholders – deposits and premiums	313,1	319,5	392,1	22,8	268,8	-31,2	222,6	-17,2
4. Guarantee funds for the benefit of policyholders	65,4	61,3	80,6	41,2	57,7	-28,5	47,3	-17,9
II - Creditors arising out of reinsurance operations:								
1. Insurance and reinsurance undertakings	1.214,4	1.357,4	1.282,6	6,1	892,4	-29,9	960,7	9,8
2. Reinsurance intermediaries	103,9	72,9	57,8	-19,9	65,3	13,0	60,3	-7,6
III - Debenture loans	2.500,0	4.250,0	3.060,0	-28,0	3.060,0		3.011,1	-1,6
IV - Amounts owed to credit and financial institutions	681,7	136,7	179,3	31,2	54,1	-69,8	44,1	-18,5
V - Debts secured by a lien on property	0,9	0,6	0,4	-33,3	2,6	582,0	5,2	101,3
VI - Sundry loans and other financial creditors	6.643,9	5.968,0	5.547,1	-7,1	5.285,9	-4,7	5.132,9	-2,9
VII - Staff leaving indemnity	435,7	425,3	386,0	-6,5	358,7	-5,9	333,0	-6,4
VIII - Other creditors								
1. Policyholders' tax due	636,1	627,3	621,5	3,8	632,8	1,8	603,6	-4,2
2. Other taxes due	1.131,7	1.483,7	1.470,4	-0,4	1.609,4	9,5	3.222,5	101,6
3. Social security contributions	97,8	120,9	115,9	-2,6	121,2	4,7	117,4	-2,0
4. Sundry creditors	3.136,3	4.029,6	3.022,0	-24,6	3.036,7	1,1	3.815,9	26,5
IX - Other liabilities								
1. Deferred reinsurance accounts payable	30,7	74,9	35,1	-53,1	36,4	3,5	33,3	-8,6
2. Commissions on pending premiums	823,1	809,8	751,7	-1,5	741,0	-1,3	676,9	-7,9
3. Sundry liabilities	2.721,3	2.502,1	2.593,6	5,5	2.856,6	12,0	2.465,8	-13,4
H. ACCRUALS AND DEFERRED INCOME								
1. Interest	476,0	524,1	496,2	-5,3	533,8	7,6	541,8	1,5
2. Rent	3,3	4,5	5,3	17,8	11,7	120,0	21,5	84,3
3. Other prepayments and accrued income	183,6	250,0	199,3	-19,5	182,1	-8,6	176,1	-3,0
TOTAL LIABILITIES AND EQUITY	505.361,8	560.779,8	586.814,6	5,5	585.665,4	-0,1	603.706,3	3,2
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS of which Assets of pension funds managed in the name and on behalf of third parties	413.262,4 2.543,9	481.536,6 3.465,1	506.188,8 2.082,2	5,6 -39,9	475.047,2 2.371,5	-6,1 13,9	489.238,7 3.684,8	3,1 55,4

(a) Variations within homogeneous undertakings

Tab. 9

PROFIT AND LOSS ACCOUNT - LIFE AND NON-LIFE BUSINESS
(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS								
1. EARNED PREMIUMS, NET OF REINSURANCE								
(a) gross premiums written	+ 38.543,4	37.795,7	36.793,5	2,4	37.751,8	3,0	36.738,1	-1,9
b) outward reinsurance premiums	- 4.215,2	4.005,2	3.839,9	1,0	3.699,9	-1,2	3.975,3	9,0
c) Variazione dell'importo lordo della riserva premi	- 340,0	56,1	564,7	2.593,5	529,0	-5,8	-486,8	-194,9
d) Variazione della riserva premi a carico dei riassicuratori	+ 75,3	77,1	68,6	19,3	66,8	18,8	7,6	-87,2
2. (+) QUOTA DELL'UTILE DEGLI INVESTIMENTI TRASFERITA DAL CONTO NON TECNICO (VOCE III. 6)	+ 829,3	2.438,7	1.094,6	-52,7	640,5	-41,2	1.659,9	160,2
3. ALTRI PROVENTI TECNICI, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	+ 422,9	472,0	440,4	1,7	451,0	2,9	469,0	4,5
4. ONERI RELATIVI AI SINISTRI, AL NETTO DEI RECUPERI E DELLE CESSIONI IN RIASSICURAZIONE								
a) Importi pagati	- 29.208,1	29.746,9	28.265,2	-0,8	27.237,4	-3,2	26.161,1	-3,6
aa) Importo lordo	+ 2.480,3	2.486,1	2.066,8	-14,1	2.071,5	2,6	2.366,9	15,0
bb) quote a carico dei riassicuratori								
b) Variazione dei recuperi al netto delle quote a carico dei riassicuratori								
aa) Importo lordo	+ 674,6	710,1	660,0	-2,4	606,4	-5,8	512,3	-13,8
bb) quote a carico dei riassicuratori	- 29,6	34,3	29,7	-11,0	29,5	29,3	23,5	-15,4
c) Variazione della riserva sinistri								
aa) Importo lordo	- 234,1	628,6	-245,8	-189,9	701,2	507,3	1.084,9	60,7
bb) quote a carico dei riassicuratori	+ 445,8	349,0	216,1	-27,9	91,1	-62,2	910,7	971,9
5. VARIAZIONE DELLE ALTRE RISERVE TECNICHE, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	- 0,4	-3,1	-5,3	-89,2	-2,5	53,2	0,5	118,6
6. RISTORNI E PARTECIPAZIONI AGLI UTILI, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	- 48,9	36,4	14,7	-59,6	28,9	181,5	13,5	-50,1

Continued: Tav. 9

CONTO ECONOMICO - GESTIONE VITA E DANNI*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)*

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
7. SPESE DI GESTIONE:								
a) Provvigioni di acquisizione	5.079,7	5.040,3	4.987,7	4,1	5.118,9	3,0	4.784,3	-4,8
b) Altre spese di acquisizione	1.345,1	1.390,6	1.395,4	3,9	1.380,1	1,3	1.441,6	5,5
c) Change in commissions and other deferred acquisition costs	-90,1	-76,8	-39,0	35,1	-26,8	31,3	-6,4	76,6
d) Provvigioni di incasso	1.045,3	1.006,5	943,6	-1,6	932,1	-1,2	976,0	7,2
e) Altre spese di amministrazione	1.858,2	1.821,7	1.628,0	-2,9	1.662,4	3,0	1.607,0	-1,4
f) Provvigioni e partecipazioni agli utili ricevute dai riassicuratori	956,1	871,4	853,0	3,3	798,0	-3,9	797,3	1,6
8. ALTRI ONERI TECNICI, AL NETTO DELLE Cessioni IN RIASSICURAZIONE	1.097,4	1.116,1	1.088,1	4,9	1.010,2	-6,5	1.106,4	10,3
9. VARIAZIONE DELLE RISERVE DI PEREQUAZIONE	-61,0	16,0	23,4	48,2	17,6	-14,9	3,6	-79,6
10. BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (item III. 1)	365,4	227,7	-375,2	-185,0	105,5	127,5	2.764,5	2.510,4
II. CONTO TECNICO DEI RAMI VITA								
1. PREMI DELL'ESERCIZIO, AL NETTO DELLE Cessioni IN RIASSICURAZIONE:								
a) Gross premiums written	56.449,6	82.931,1	92.060,8	11,0	75.767,0	-17,7	71.623,9	-5,4
b) Outward reinsurance premiums	1.620,8	1.522,5	1.468,6	-3,5	1.399,4	-4,7	1.247,8	-9,4
2. PROVENTI DA INVESTIMENTI:								
a) Proventi derivanti da azioni e quote	1.914,8	1.092,3	890,2	-18,5	944,7	6,1	895,5	-5,2
b) Proventi derivanti da altri investimenti:								
aa) da terreni e fabbricati	39,1	44,5	36,1	-18,8	33,6	-7,0	32,8	-2,3
bb) da altri investimenti	10.446,5	10.467,7	11.646,8	11,3	13.103,7	12,5	14.128,0	7,9
c) Riprese di rettifiche di valore sugli investimenti	413,0	2.209,2	649,8	-70,6	490,8	-24,5	3.790,9	672,9
d) Profitti sul realizzo di investimenti	1.350,5	2.682,3	2.629,6	-2,0	1.669,7	-36,5	3.083,1	84,8
3. PROVENTI E PLUSVALENZE NON REALIZZATE RELATIVI A INVESTIMENTI A BENEFICIO DI ASSICURATI I QUALI NE SOPPORTANO IL RISCHIO E A INVESTIMENTI DERIVANTI DALLA GESTIONE DEI FONDI PENSIONE	6.452,5	15.395,9	7.697,9	-50,0	3.773,1	-51,0	10.778,3	185,7

Continued: Tav. 9

CONTO ECONOMICO - GESTIONE VITA E DANNI
(domestic undertakings and branches of non-EU or non-EEA undertakings: Italian and foreign portfolio – insurance and reinsurance business)

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
4. ALTRI PROVENTI TECNICI, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	+ 1.201,0	1.077,3	1.134,6	5,3	1.097,0	-3,3	1.220,6	11,3
5. ONERI RELATIVI AI SINISTRI, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE:	-	-	-	-	-	-	-	-
a) Somme pagate	- 67.766,2	58.461,9	67.225,1	15,0	77.096,8	14,7	76.906,1	-0,2
aa) Importo lordo	+ 1.548,7	1.607,1	1.672,5	4,1	1.696,5	1,4	1.706,7	1,0
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
b) Variazione della riserva per somme da pagare	- 505,5	499,6	1.474,2	195,1	-1.217,2	-182,6	133,3	110,9
aa) Importo lordo	+ 27,8	12,5	28,0	124,5	6,3	-77,4	36,3	851,4
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
6. VARIAZIONE DELLE RISERVE MATEMATICHE E DELLE ALTRE RISERVE TECNICHE, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	-	-	-	-	-	-	-	-
a) Riserve matematiche:	- 1.833,0	40.847,9	37.114,0	-9,1	15.527,7	-58,2	9.563,1	-38,4
aa) Importo lordo	+ 5,3	-142,7	-327,4	-129,5	-351,1	-7,2	-484,5	-35,0
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
b) Riserva premi delle assicurazioni complementari:	- 1,3	-0,9	8,1	1.043,6	12,6	55,2	11,0	-12,7
aa) Importo lordo	+ -0,5	0,5	-2,1	-512,8	11,9	661,1	5,7	-52,0
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
c) Altre riserve tecniche	- 213,3	-129,7	-95,5	26,4	-90,4	5,3	-57,1	36,6
aa) Importo lordo	+ -14,3	-5,8	-3,1	45,6	-4,8	-51,9	-0,4	91,1
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
d) Riserve tecniche allorché il rischio dell'investimento è sopportato dagli assicurati e derivanti dalla gestione dei fondi pensione	- 20.617,6	151,8	-5.016,7	-3.404,3	-13.242,6	-164,0	113,0	100,9
aa) Importo lordo	+ -149,9	43,2	13,5	-68,7	-93,0	-786,8	-16,0	82,7
bb) Quote a carico dei riassicuratori	-	-	-	-	-	-	-	-
7. RISTORNI E PARTECIPAZIONI AGLI UTILI, AL NETTO DELLE CESSIONI IN RIASSICURAZIONE	- 97,4	101,3	90,3	-10,9	118,8	31,6	130,0	9,7
8. SPESE DI GESTIONE:	- 2.446,5	2.543,2	2.747,1	8,0	2.319,7	-15,6	1.888,8	-16,7
a) Provvigioni di acquisizione	- 623,1	636,5	678,3	6,6	713,1	5,1	685,9	-3,4
b) Altre spese di acquisizione	+ -69,5	-60,1	10,5	117,4	38,1	264,3	18,6	-51,2
c) Change in commissions and other deferred acquisition costs	-	-	-	-	-	-	-	-

Continued: Tav. 9

CONTO ECONOMICO - GESTIONE VITA E DANNI
(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
								(million euro)
d) Provvigioni di incasso	- 308,2	273,1	278,3	1,9	246,5	-11,4	218,9	-11,2
e) Altre spese di amministrazione	- 935,0	912,9	952,0	4,3	945,9	-0,6	925,5	-1,9
f) Provvigioni e partecipazioni agli utili ricevute dai riassicuratori	+ 271,7	257,0	246,3	-4,2	226,2	-8,2	179,7	-19,6
9. ONERI PATRIMONIALI E FINANZIARI:								
a) Oneri di gestione degli investimenti e interessi passivi	- 1.247,7	1.305,2	1.234,7	-5,4	1.282,7	3,9	1.335,5	4,2
b) Rettifiche di valore sugli investimenti	- 6.873,7	1.353,3	4.324,3	219,5	7.786,6	80,1	1.895,8	-75,7
c) Perdite sul realizzo di investimenti	- 1.257,0	1.283,3	1.014,5	-20,9	768,9	-24,2	451,3	-41,3
10. ONERI PATRIMONIALI E FINANZIARI E MINUSVALENZE NON REALIZZATE RELATIVI A INVESTIMENTI A BENEFICIO DI ASSICURATI I QUALI NE SOSTRARRONO IL RISCHIO E A INVESTIMENTI DERIVANTI DALLA GESTIONE DEI FONDI PENSIONE								
	- 21.417,6	2.366,9	3.124,1	32,0	6.574,5	110,4	1.580,8	-76,0
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE	- 949,7	1.064,2	1.189,9	11,8	1.217,8	2,3	1.412,7	16,0
12. (-) QUOTA DELL'UTILE DEGLI INVESTIMENTI TRASFERITA AL CONTO NON TECNICO (voce III. 4)	- 462,3	1.177,3	838,7	-28,8	265,2	-68,4	1.625,6	516,2
13. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (item III. 2)	-2.948,5	3.241,9	-266,0	-108,2	-3.316,2	-1.146,8	6.931,2	308,8
III. CONTO NON TECNICO								
1. BALANCE ON THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS (item I. 10)	365,4	227,7	-375,2	-185,0	105,5	127,5	2.764,5	2.510,4
2. BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (item II. 13)	-2.948,5	3.241,9	-266,0	-108,2	-3.316,2	-1.146,8	6.931,2	308,8
3. PROVENTI DA INVESTIMENTI DEI RAMI DANNI:								
a) Proventi derivanti da azioni e quote	1.556,8	936,5	840,6	-6,7	644,0	-23,3	760,1	18,0
b) Proventi derivanti da altri investimenti:								
aa) da terreni e fabbricati	197,7	171,4	184,0	11,0	192,8	5,0	196,7	2,0
bb) da altri investimenti	2.049,5	1.706,2	1.497,4	-8,0	1.663,4	11,7	1.727,2	4,4
c) Riprese di rettifiche di valore sugli investimenti	223,9	914,1	182,3	-79,3	295,5	62,1	573,4	94,1
d) Profitti sul realizzo di investimenti	1.441,3	1.377,6	658,2	-50,8	410,8	-37,5	753,1	84,8

Continued: Tav. 9

CONTO ECONOMICO - GESTIONE VITA E DANNI*(domestic undertakings and branches of non-EU or non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)*

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)	(million euro)
4. (+) QUOTA DELL'UTILE DEGLI INVESTIMENTI TRASFERITA DAL CONTO TECNICO DEI RAMI VITA (voce II. 12)	+	1.177,3	838,7	-28,8	265,2	-68,4	1.625,6	516,2	
5. ONERI PATRIMONIALI E FINANZIARI DEI RAMI DANNI:	-	314,4	296,6	-10,0	313,2	5,9	363,1	16,3	
a) Oneri di gestione degli investimenti e interessi passivi	-	3.467,3	1.381,8	118,2	2.671,1	93,8	1.642,3	-38,3	
b) Rettifiche di valore sugli investimenti	-	1.274,3	738,9	-47,1	315,2	-18,5	251,2	-20,0	
c) Perdite sul realizzo di investimenti	-	829,3	2.438,7	-52,7	640,5	-41,2	1.659,9	160,2	
6. (-) QUOTA DELL'UTILE DEGLI INVESTIMENTI TRASFERITA AL CONTO TECNICO DEI RAMI DANNI (voce I. 2)	+	2.495,4	2.211,1	-14,9	1.880,0	1,3	1.637,3	-12,0	
7. ALTRI PROVENTI	-	4.096,7	3.455,0	6,1	3.430,7	-5,2	3.559,2	4,1	
8. ALTRI ONERI	-	4.138,2	4.342,2	-130,1	-5.229,7	-280,6	9.493,4	281,2	
9. RISULTATO DELLA ATTIVITA' ORDINARIA	+	1.375,5	1.433,6	-11,6	1.359,4	8,0	833,1	-38,7	
10. PROVENTI STRAORDINARI	-	624,8	593,9	12,8	880,9	36,3	861,0	-2,1	
11. ONERI STRAORDINARI	-	750,7	839,7	-28,1	478,5	-21,8	-27,9	-105,8	
12. RISULTATO DELLA ATTIVITA' STRAORDINARIA	-	-3.387,5	5.181,9	-113,9	-4.751,2	-523,8	9.465,7	298,9	
13. RISULTATO PRIMA DELLE IMPOSTE	-	-1.407,3	1.312,1	-103,5	-1.098,6	-2.072,1	3.695,8	433,8	
14. IMPOSTE SUL REDDITO DELL'ESERCIZIO	-	-1.980,2	3.869,8	-117,5	-3.652,6	-413,6	5.769,9	258,0	
15. PROFIT OR LOSS FOR THE FINANCIAL YEAR (*)	-	-1.980,2	3.869,8	-117,5	-3.652,6	-413,6	5.769,9	258,0	

(a) Variazione percentuale a perimetro di imprese omogeneo

Tab. 9.1

BREAKDOWN OF THE PROFIT OR LOSS FOR THE FINANCIAL YEAR - LIFE BUSINESS

	(million euro)					
	2008	2009	2010	2011	2012	Homogeneous annual percentage variation (a)
Balance on the technical account	-2.948,5	3.241,9	-266,0	-3.316,2	6.931,2	309,0
Allocated investment return transferred from the technical account for life assurance business	462,3	1.177,3	838,7	265,2	1.625,6	513,0
Intermediate profit or loss (A+B)	-2.486,2	4.419,2	572,7	-3.051,0	8.556,8	380,5
Other income	1.005,1	1.084,6	818,5	689,8	607,7	-11,4
Other charges	1.918,3	1.167,4	1.396,0	1.292,4	1.234,3	-4,5
Extraordinary income	746,7	999,6	741,2	684,1	486,0	-29,0
Extraordinary charges	319,6	192,8	345,1	591,1	515,0	-12,9
Profit or loss before tax	-2.972,4	5.143,2	391,3	-3.560,7	7.901,3	321,9
Tax on profit or loss for the financial year	-1.159,6	1.336,3	95,6	-924,5	2.771,8	399,8
Profit or loss for the financial year	-1.812,8	3.806,9	295,7	-2.636,2	5.129,5	294,6

(a) Variations within homogeneous undertakings.

Tab. 9.2

BREAKDOWN OF THE PROFIT OR LOSS FOR THE FINANCIAL YEAR – NON-LIFE BUSINESS

	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
Balance on the technical account	365,4	227,7	-375,2	-185,0	105,5	127,5	2.764,5	2.510,4
Investment income	5.469,2	5.105,9	3.362,6	-31,6	3.206,5	-4,3	4.010,6	25,6
Financial charges	5.055,9	1.727,9	2.067,0	21,8	3.299,5	60,1	2.256,6	-31,4
Allocated investment return transferred to the technical account for non-life insurance business	829,3	2.438,7	1.094,6	-52,7	640,5	-41,2	1.659,9	160,2
Intermediate profit or loss (A+B)	-50,6	1.167,0	-174,1	-112,9	-628,0	-242,1	2.858,7	556,3
Other income	1.490,3	1.126,5	1.044,6	-5,4	1.190,2	14,8	1.029,7	-12,1
Other charges	2.178,4	2.287,5	2.229,6	-1,0	2.138,3	-3,8	2.324,9	9,3
Extraordinary income	628,8	434,0	519,7	21,6	675,3	30,5	347,1	-48,5
Extraordinary charges	305,3	401,2	302,1	-20,7	289,7	-3,8	346,0	19,8
Profit or loss before tax	-415,1	38,7	-1.141,5	-561,5	-1.190,6	-3,3	1.564,5	230,8
Tax on profit or loss for the financial year	-247,7	-24,2	-143,0	-533,5	-174,1	-19,1	924,1	609,5
Profit or loss for the financial year	-167,4	62,9	-998,4	-565,9	-1.016,5	-1,0	640,4	163,1

(a) Variations within homogeneous undertakings.

Tab. 10

**SHARE CAPITAL, CAPITAL PROVISIONS, SOLVENCY MARGIN
LIFE BUSINESS**
(excluding reinsurance undertakings)

ASSETS	2008	2009	2010	2011	2012	Homogeneous annual percentage variation (a)
Share capital, initial fund, endowment fund	7.477,3	7.646,5	8.209,3	8.571,9	8.910,2	4,2
Provision for share premium accounts	7.185,4	10.765,2	10.610,2	11.363,4	11.503,6	1,2
Legal provision	905,9	809,4	987,2	968,7	938,9	-3,0
Statutory provisions	80,3	19,7	18,4	8,9	6,8	-23,4
Other solvency margin constituents (1)	4.050,5	7.336,9	7.536,8	5.912,6	10.264,3	74,1
Available solvency margin	19.698,9	26.577,7	27.361,9	26.825,4	31.623,8	18,0
Required solvency margin	11.587,2	13.443,7	14.667,7	15.399,6	15.980,1	3,9
Surplus (deficit)	8.112,2	13.133,9	12.694,2	11.425,8	15.643,7	37,2
Solvency index	1,7	2,0	1,9	1,7	2,0	13,6

(a) Variations within homogeneous undertakings.

(1) Net of losses and intangible items

Tab. 11

**SHARE CAPITAL, CAPITAL PROVISIONS, SOLVENCY MARGIN
NON-LIFE BUSINESS**
(excluding reinsurance undertakings)

ASSETS	2008	2009	2010	Homogeneous annual percentage variation (a)	2011	Homogeneous annual percentage variation (a)	2012	Homogeneous annual percentage variation (a)
Share capital, initial fund, endowment fund	3.994,5	4.289,0	3.739,4	-1,0	3.890,9	4,8	4.434,8	15,4
Provision for share premium accounts	5.579,1	6.363,2	6.271,8	-1,4	6.511,2	4,0	5.836,8	-10,4
Legal provision	689,7	680,3	728,6	7,4	726,0	0,4	727,0	0,6
Statutory provisions	6,4	16,7	5,8	-65,1	7,0	20,0	8,1	16,2
Other solvency margin constituents (1)	6.534,7	7.886,4	8.272,2	7,2	7.330,0	-11,3	7.535,6	3,1
Available solvency margin	16.804,5	19.235,6	19.017,9	2,5	18.465,2	-2,6	18.542,4	0,8
Required solvency margin	6.448,1	6.758,5	6.598,8	2,2	6.785,9	3,2	6.748,0	0,1
Surplus (deficit)	10.356,4	12.477,1	12.419,1	2,8	11.679,2	-5,7	11.794,3	1,2
Solvency index	2,6	2,8	2,9	0,4	2,7	-5,6	2,7	0,7

(1) Net of losses and intangible items

(a) Variations within homogeneous undertakings.

Tab. 12

INVESTMENTS - LIFE BUSINESS
(Italian and foreign portfolio; excluding reinsurance undertakings)

ASSETS	2008		2009		2010		2011		2012		Homogeneous annual percentage variation (a)
	Percentages		Percentages		Percentages		Percentages		Percentages		
Investments (C)											
Real estate	1.105,3	0,5	1.186,4	0,4	892,7	0,3	998,1	0,3	576,2	0,2	-42,3
Bonds	189.445,8	78,5	234.421,9	79,8	269.719,5	81,6	278.737,5	82,4	296.241,9	83,7	6,3
Shares	25.588,0	10,6	29.587,2	10,1	29.094,9	8,8	27.820,2	8,2	25.561,6	7,2	-8,1
Loans	2.770,5	1,1	2.938,1	1,0	2.563,7	0,8	2.544,6	0,8	2.473,7	0,7	-2,8
Units in unit trusts	11.532,1	4,8	14.034,2	4,8	16.289,8	4,9	17.908,8	5,3	19.045,4	5,4	6,3
Other investments	370,7	0,2	1.531,4	0,5	1.825,5	0,6	185,3	0,1	64,7	0,0	-65,1
Bank deposits	665,5	0,3	272,2	0,1	820,3	0,2	888,8	0,3	909,2	0,3	2,3
Deposits with ceding undertakings	9.747,2	4,0	9.644,3	3,3	9.222,9	2,8	9.352,3	2,8	8.860,8	2,5	-5,3
Total	241.225,1	100,0	293.615,7	100,0	330.429,2	100,0	338.435,5	100,0	353.733,7	100,0	4,6
Investments where the risk is borne by policyholders or investments resulting from the management of pension funds (D)											
- pertaining to unit- and index-linked benefits	113.517,4	97,0	112.025,9	95,6	105.786,4	94,3	91.579,8	92,6	89.056,2	91,3	-2,8
- resulting from the management of pension funds	3.462,6	3,0	5.185,0	4,4	6.358,1	5,7	7.331,3	7,4	8.464,9	8,7	15,5
Total	116.980,0	100,0	117.210,9	100,0	112.144,4	100,0	98.911,2	100,0	97.521,0	100,0	-1,4
Grand total	358.205,1		410.826,5		442.573,7		437.346,7		451.254,7		3,2

(a) Variations within homogeneous undertakings.

Tab. 13

INVESTMENTS - NON-LIFE BUSINESS
(Italian and foreign portfolio; excluding reinsurance undertakings)

ASSETS	(million euro)												
	2008	Percentages	2009	Percentages	2010	Percentages	Homogeneous annual percentage variation (a)	2011	Percentages	Homogeneous annual percentage variation (a)	2012	Percentages	Homogeneous annual percentage variation (a)
Real estate	5.159,3	6,7	5.340,0	6,8	5.620,4	7,6	8,8	5.903,5	8,0	5,2	6.203,4	8,2	5,5
Bonds	37.419,8	48,9	39.332,8	50,0	37.178,2	49,9	0,0	37.291,3	50,4	0,9	39.385,5	52,0	6,4
Shares	29.387,7	38,4	30.048,3	38,2	27.656,1	37,2	-6,2	26.526,6	35,8	-4,1	24.567,3	32,4	-7,4
Loans	374,7	0,5	397,7	0,5	389,5	0,5	-0,4	338,4	0,5	-10,5	443,0	0,6	31,0
Units in unit trusts	3.101,7	4,1	3.183,2	4,0	3.078,1	4,1	-3,3	3.430,8	4,6	12,0	3.521,1	4,7	3,2
Other investments	340,8	0,4	55,3	0,1	189,0	0,3	264,8	175,9	0,2	-6,9	46,7	0,1	-73,5
Bank deposits	571,6	0,7	170,8	0,2	201,8	0,3	18,2	245,4	0,3	21,6	1.442,0	1,9	487,7
Deposits with ceding undertakings	115,1	0,2	124,1	0,2	127,7	0,2	4,1	125,1	0,2	0,3	111,2	0,1	-0,6
Total	76.470,7	100,0	78.652,0	100,0	74.440,7	100,0	-1,8	74.036,9	100,0	-0,2	75.720,2	100,0	2,7

(a) Variations within homogeneous undertakings.

LIFE ASSURANCE PROVISIONS*(Italian and foreign portfolio - insurance and reinsurance business; excluding reinsurance undertakings)*

(million euro)

YEARS	Life assurance provisions	Technical provisions where the investment risk is borne by the policyholder and provisions deriving from the management of pension funds		TOTAL
		Unit- and index-linked contracts	Pension funds	
2008	234.915,3	113.374,7	3.462,6	351.752,5
2009	276.151,0	111.725,4	5.184,8	393.061,2
2010	314.440,8	105.494,0	6.358,0	426.292,8
2011	329.099,2	91.320,1	7.331,3	427.750,5
2012	339.879,9	88.885,3	8.463,6	437.228,8
<i>Homogeneous annual percentage variation (a)</i>	3,3	-2,7	15,5	2,3

(a) Variations within homogeneous undertakings.

NON-LIFE INSURANCE PROVISIONS*(Italian and foreign portfolio - insurance and reinsurance business; excluding reinsurance undertakings)*

(million euro)

YEARS	ns for unearned prons	ns for claims outs	Other technical provisions	TOTAL
2008	15.980,7	51.937,3	276,3	68.194,3
2009	15.993,7	52.413,4	293,9	68.701,1
2010	15.747,9	49.820,8	289,9	65.858,5
<i>Homogeneous annual percentage variation (a)</i>	3,6	-0,4	0,1	0,2
2011	16.196,7	50.217,1	283,7	66.697,5
<i>Homogeneous annual percentage variation (a)</i>	3,3	1,3	4,4	1,8
2012	15.532,3	51.017,5	288,6	66.838,4
<i>Homogeneous annual percentage variation (a)</i>	-3,2	2,1	1,7	0,8

(a) Variations within homogeneous undertakings.

ASSETS REPRESENTING TECHNICAL PROVISIONS - LIFE BUSINESS (ARTICLES 36 AND 41 (4) OF LEGISLATIVE DECREE 209/2005) *
(Italian insurance portfolio)

		31/12/2011 (2)	Compos. %	Variat. %	31/12/2012 (2)	Compos. %	Homogeneous annual percentage variation (a)	31/12/2013 (3)	Compos. %	Variat. %
DESCRIPTION										
Technical provisions to be covered (1)		319.026	100,0	4,7	330.189	100,0	3,5	360.901	100,0	9,3
A INVESTMENTS										
A.1 Debt securities and other securities equivalent to debt securities										
A.1.1a Securities issued or guaranteed by EU member States or OECD States ... dealt in on a regulated market		197.196	61,8	9,3	212.157	64,3	7,6	237.495	65,8	11,9
A.1.1b Securities issued or guaranteed by EU member States or OECD States ... not dealt in on a regulated market		2.318	0,7	6,8	4.725	1,4	103,8	2.381	0,7	-49,6
A.1.2a Bonds or other securities equivalent to bonds dealt in on a regulated market		70.345	22,0	-10,9	68.500	20,7	-2,6	73.439	20,3	7,2
A.1.2b Bonds or other securities equivalent to bonds not dealt in on a regulated market ...		5.645	1,8	22,8	4.957	1,5	-12,2	3.349	0,9	-32,4
A.1.2c Bonds issued in line with article 157 (1) of legislative decree 163/2006 by project companies		-	0	0,0	0	0,0	0,0	0	0,0	-
A.1.3 Other bonds or securities equivalent to bonds other than those indicated above ...		7.452	2,3	9,0	8.567	2,6	15,0	11.132	3,1	29,9
A.1.4 Units of harmonised UCITS		42	0,0	-97,5	0	0,0	-100,0	4	0,0	-
A.1.5 Repurchase agreements ...		4.207	1,3	5,4	4.117	1,2	-2,1	4.379	1,2	6,4
A.1.8 Accrued income from interests on securities covering technical provisions		287.205	90,0	3,1	303.023	91,8	5,6	332.179	92,0	9,6
Total A.1 of which structured securities (a)		22.889	7,1	6,1	23.925	7,2	5,4	24.044	6,7	0,5
of which securitisations (b)		1.469	0,5	23,9	1.726	0,5	17,5	1.391	0,4	-19,4
Total (a) + (b)		24.158	7,6	7,0	25.651	7,8	6,2	25.436	7,0	-0,8
A.2 Guaranteed loans and interest-bearing loans...		50	0,0	525,0	35	0,0	-30,0	34	0,0	-2,9
A.3 Equity securities and other securities equivalent to equity securities										
A.3.1a Shares dealt in on a regulated market		7.974	2,5	-14,1	6.576	2,0	-17,5	6.586	1,8	0,2
A.3.1b Shares in the Bank of Italy, shares in co-operatives and shares, not dealt in on a regulated market ...		2.053	0,6	-12,4	1.699	0,5	-17,2	1.631	0,5	-4,0
A.3.3 Units of harmonised UCITS		4.540	1,4	42,9	2.554	0,8	-43,7	2.964	0,8	16,1
A.3.4 Units in closed-end securities funds ... dealt in on a regulated market		66	0,0	-2,9	70	0,0	6,1	69	0,0	-1,4
Total A.3		14.633	4,6	-1,6	10.899	3,3	-25,5	11.250	3,1	3,2
A.4 Real estate										
A.4.1 Land, buildings and right to use immovable properties, for the unencumbered shares		918	0,3	11,7	477	0,1	-48,0	465	0,1	-2,5
A.4.2 Leased properties		0	0,0	0,0	0	0,0	0,0	0	0,0	-
A.4.3 Participations in real estate companies ...		386	0,1	1,3	198	0,1	-48,7	200	0,1	1,0
A.4.4 Units of closed-end real estate reserved and unreserved UCITS situated in a member State		3.510	1,1	27,7	4.169	1,3	18,8	4.478	1,2	7,4
Total A.4		4.814	1,5	21,8	4.844	1,5	0,6	5.143	1,4	6,2
A.5 Alternative investments										
A.5.1a Units of open non-harmonised UCITS which invest mainly on the bonds market		0	0,0	0,0	0	0,0	0,0	0	0,0	-
A.5.1b Units of open non-harmonised UCITS which invest mainly on the share market		15	0,0	87,5	20	0,0	33,3	20	0,0	0,0
A.5.2a Investments in units in closed-end securities funds not dealt in on a regulated market and in private equity		294	0,1	19,5	349	0,1	18,7	326	0,1	-6,6
A.5.2b Investments in real estate and securities hedge funds.		878	0,3	-3,0	922	0,3	5,0	665	0,2	-27,9
Total A.5		1.187	0,4	2,4	1.291	0,4	8,8	1.011	0,3	-21,7
TOTAL A		307.889	96,5	3,1	320.090	96,9	4,0	349.617	96,9	9,2

Continued: tab. 16

ASSETS REPRESENTING TECHNICAL PROVISIONS - LIFE BUSINESS (ARTICLES 36 AND 41 (4) OF LEGISLATIVE DECREE 209/2005) *
(Italian insurance portfolio)

DESCRIPTION		31/12/2011 (2)	Compos. %	Variat. %	31/12/2012 (2)	Compos. %	Homogeneous annual percentage variation (a)	31/12/2013 (3)	Compos. %	Variat. %
B	DEBTORS									
B.1	Debts owed by reinsurers ... up to 90% of their amount	273	0,1	16,2	228	0,1	-16,5	166	0,0	-27,2
B.2	Deposits with and amounts owed by ... ceding undertakings ... up to 90% of their amount	3	0,0	-	0	0,0	-100,0	0	0,0	-
B.3.1	Debtors: amounts owed by policyholders ... outstanding for less than 3 months	281	0,1	20,6	359	0,1	27,8	416	0,1	15,9
B.3.2	Debtors: amounts owed by intermediaries ... outstanding for less than 3 months	258	0,1	143,4	221	0,1	-14,3	160	0,0	-27,6
B.4	Advances against policies	2.203	0,7	2,7	2.105	0,6	-4,4	2.006	0,6	-4,7
B.5	Tax recoveries ...	961	0,3	8,3	808	0,2	-15,9	1.422	0,4	76,0
B.6	Claims against guarantee funds ...	0	0,0	0,0	0	0,0	0,0	0	0,0	-
B.7	Debtors arising out of centralised management operations of the group's cash ...	5	0,0	-	0	0,0	-100,0	0	0,0	-
TOTAL B		3.984	1,2	10,5	3.721	1,1	-6,6	4.170	1,2	12,1
C	OTHER ASSETS									
C.1	Tangible fixed assets, instrumental to the undertakings' activity, other than land and buildings ...	0	0,0	0,0	0	0,0	0,0	0	0,0	-
C.2	Tangible fixed assets, not instrumental to the undertakings' activity, other than land and buildings ...	0	0,0	0,0	0	0,0	0,0	0	0,0	-
C.3	Deferred acquisition commissions ... up to 90% of their amount	449	0,1	8,2	418	0,1	-6,9	414	0,1	-1,0
C.4	Accrued income from rent, up to 30% of its amount.	0	0,0	0,0	0	0,0	0,0	0	0,0	-
C.5	Reversionary interests	0	0,0	0,0	0	0,0	0,0	0	0,0	-
TOTAL C		449	0,1	8,2	418	0,1	-6,9	414	0,1	-1,0
D	Deposits with banks, deposits with other credit institutions ... net of debt items	7.976	2,5	107,4	7.919	2,4	-0,7	8.305	2,3	4,9
E	Other categories of assets authorised by ISVAP according to art. 38 (4) of legislative decree 209/2005	10	0,0	-16,7	7	0,0	-30,0	4	0,0	-42,9
GRAND TOTAL - REPRESENTATIVE ASSETS		320.308	100,4	4,5	332.155	100,6	3,7	362.510	100,4	9,1
Sub-total A.1.1b+A.1.2b+A.1.3+A.3.1b+A.5.2a+A.5.2b		11.188	3,5	9,0	12.652	3,8	13,1	8.352	2,3	-34,0

(*) The statistical data referring to the years 2011 and 2012 were taken from the processing of the models (applicable from the 2010 annual accounts) envisaged in ISVAP Regulation n. 36 of 31 January 2011. Class A.1.2c has been inserted from the IVth quarter 2011.

(1) These provisions do not include those pertaining to unit- and index-linked contracts (article 41 (1) and 2) of legislative decree 209/2005).

(2) Balance-sheet data

(3) The data pertaining to the technical provisions to be covered as at 31 December 2013 are taken from the quarterly supervisory reports. When the financial statements for 2013 are approved they may undergo changes, due to the re-calculation of the technical commitments to be covered and the consequent allocation of further representative assets.

(a) Variations within homogeneous undertakings

Please note that totals may not tally due to rounding off of decimal numbers

Tab. 16.1

ASSETS REPRESENTING TECHNICAL PROVISIONS PERTAINING TO UNIT- AND INDEX-LINKED CONTRACTS (ARTICLE 41 OF LEGISLATIVE DECREE 209/2005)
(Italian insurance portfolio)

DESCRIPTION	31/12/11 (1)				31/12/12 (1)				31/12/13 (2)			
	Provisions	Assets	% comp.		Provisions	Assets	% comp.		Provisions	Assets	% comp.	
1 Contracts linked to the value of units in UCITS Var. %	9.853 6,2	9.906 6,2	10,8		15.428 56,6	15.444 55,9	17,3		20.628 33,7	20.666 33,8	23,6	
2 Unit-linked contracts Var. %	47.681 -9,7	47.801 -9,8	52,2		47.557 -0,3	47.611 -0,4	53,5		49.392 3,9	49.438 3,8	56,6	
3 Index-linked contracts Var. %	33.737 -22,1	33.834 -22,1	37,0		25.873 -23,3	25.974 -23,2	29,2		17.159 -33,7	17.295 -33,4	19,8	
TOTAL Var. %	91.271 -13,4	91.541 -13,4	100,0		88.858 -2,6	89.029 -2,7	100,0		87.179 -1,9	87.399 -1,8	100,0	

(million euro)

(1) Balance-sheet data

(2) The data as at 31 December 2013 are taken from the quarterly supervisory reports. When the financial statements for 2013 are approved they may undergo changes, due to the re-calculation of the technical commitments to be covered and the consequent allocation of further representative assets.

Tab. 16.2

INVESTMENTS DERIVING FROM THE MANAGEMENT OF THE PENSION FUNDS REFERRED TO UNDER CLASS "D.II" OF THE BALANCE SHEET

(million euro)

DESCRIPTION	31/12/11 (1)			31/12/12 (1)			31/12/13 (2)		
	Provisions	Investments	% comp.	Provisions	Investments	% comp.	Provisions	Investments	% comp.
1 Open pension funds	3.860	3.860	52,7	4.704	4.704	55,6	5.556	5.556	59,2
Var. %	11,8	11,8		21,8	21,8		18,1	18,1	
2 Pension funds	3.471	3.471	47,3	3.760	3.760	44,4	3.825	3.825	40,8
Var. %	19,5	19,5		8,3	8,3		1,7	1,7	
TOTAL	7.331	7.331	100,0	8.464	8.464	100,0	9.380	9.380	100,0
Var. %	15,3	15,3		15,4	15,4		10,8	10,8	

(1) Balance-sheet data

(2) The data as at 31 December 2013 are taken from the quarterly supervisory reports. When the financial statements for 2013 are approved they may undergo changes, due to the re-calculation of the technical commitments to be covered and the consequent allocation of further representative assets.

Tab. 17

ASSETS REPRESENTING TECHNICAL PROVISIONS - NON-LIFE BUSINESS (ARTICLE 37 OF LEGISLATIVE DECREE 209/2005) *

(Italian insurance portfolio)

DESCRIPTION	31/12/2011 (1)	Compos. %	Homogeneous us annual percentage variation (b)	31/12/2012 (1)	Compos. %	Homogeneous us annual percentage variation (b)	31/12/2013 (2)	Compos. %	Homogeneous us annual percentage variation (b)
Technical provisions to be covered	64.591	100,0	1,8	64.717	100,0	0,8	63.520	100,0	-1,7
A INVESTMENTS									
A.1 Debt securities and other securities equivalent to debt securities									
A.1.1a Securities issued or guaranteed by EU member States or OECD States ... dealt in on a regulated market	22.232	34,4	1,9	24.376	37,7	10,4	25.502	40,1	4,9
A.1.1b Securities issued or guaranteed by EU member States or OECD States ... not dealt in on a regulated market	41	0,1	-1,4	68	0,1	65,9	81	0,1	19,1
A.1.2a Bonds or other securities equivalent to bonds dealt in on a regulated market	12.145	18,8	-3,4	11.502	17,8	-4,6	12.452	19,6	8,5
A.1.2b Bonds or other securities equivalent to bonds not dealt in on a regulated market ...	714	1,1	8,5	530	0,8	-25,8	383	0,6	-27,7
A.1.2c Bonds issued in line with article 157 (1) of legislative decree 163/2006 by project companies....	-	0	0,0	0	0,0	-	5	0,0	-
A.1.3 Other bonds or securities equivalent to bonds other than those indicated above ...	0	0,0	0,0	0	0,0	0,0	0	0,0	-
A.1.4 Units of harmonised UCITS	691	1,1	19,5	781	1,2	15,4	1.190	1,9	53,5
A.1.5 Repurchase agreements ...	8	0,0	-93,6	3	0,0	-62,5	10	0,0	233,3
A.1.8 Accrued income from interests on securities covering technical provisions	467	0,7	11,8	436	0,7	-6,4	460	0,7	5,7
Total A.1	36.298	56,2	0,2	37.696	58,2	4,6	40.083	63,1	6,6
<i>of which structured securities (a)</i>	4.703	7,3	-17,3	4.280	6,6	-9,0	4.605	7,2	7,6
<i>of which securitisations (b)</i>	393	0,6	-4,7	397	0,6	1,0	498	0,8	25,4
Total (a) + (b)	5.097	7,9	-16,5	4.677	7,2	-8,2	5.103	8,0	9,1
A.2 Guaranteed loans and interest-bearing loans ...	8	0,0	40,9	8	0,0	0,0	9	0,0	12,5
A.3 Equity securities and other securities equivalent to equity securities									
A.3.1a Shares dealt in on a regulated market	3.326	5,1	-18,7	2.491	3,8	-25,1	2.169	3,4	-12,9
A.3.1b Shares in the Bank of Italy, shares in co-operatives and shares, not dealt in on a regulated market ...	2.182	3,4	-4,5	1.938	3,0	-11,2	1.848	2,9	-4,6
A.3.3 Units of harmonised UCITS	674	1,0	6,2	375	0,6	-44,4	470	0,7	25,3
A.3.4 Units in closed-end securities funds ... dealt in on a regulated market	88	0,1	-6,7	85	0,1	-3,4	93	0,1	9,4
Total A.3	6.270	9,7	-11,7	4.889	7,6	-22,0	4.580	7,2	-6,3
A.4 Real estate									
A.4.1 Land, buildings and right to use immovable properties, for the unencumbered shares	5.569	8,6	4,8	5.812	9,0	4,9	5.537	8,7	-4,7
A.4.2 Leased properties	0	0,0	0,0	0	0,0	0,0	0	0,0	-
A.4.3 Participations in real estate companies ...	3.792	5,9	-0,2	3.380	5,2	-10,9	3.494	5,5	3,4
A.4.4 Units of closed-end real estate reserved and unreserved UCITS situated in a member State	1.239	1,9	29,8	1.227	1,9	-1,0	1.179	1,9	-3,9
Total A.4	10.600	16,4	5,3	10.419	16,1	-1,5	10.210	16,1	-2,0
A.5 Alternative investments									
A.5.1a Units of open non-harmonised UCITS which invest mainly on the bonds market	0	0,0	0,0	0	0,0	0,0	0	0,0	-
A.5.1b Units of open non-harmonised UCITS which invest mainly on the share market	0	0,0	-100,0	10	0,0	0,0	5	0,0	-50,0
A.5.2a Investments in units in unit trusts securities funds not dealt in on a regulated market and in private equity	216	0,3	17,7	249	0,4	15,3	318	0,5	27,7
A.5.2b Investments in real estate and securities hedge funds.	71	0,1	-33,4	117	0,2	64,8	111	0,2	-5,1
Total A.5	287	0,4	-3,1	376	0,6	31,0	434	0,7	15,4
TOTAL A	53.463	82,8	-0,4	53.388	82,5	0,4	55.316	87,1	3,8

Continued: tab. 17

ASSETS REPRESENTING TECHNICAL PROVISIONS - NON-LIFE BUSINESS (ARTICLE 37 OF LEGISLATIVE DECREE 209/2005) *

(Italian insurance portfolio)

DESCRIPTION		31/12/2011 (1)	Compos. %	Homogeneous us annual percentage variation (a)	31/12/2012 (1)	Compos. %	Homogeneous us annual percentage variation (a)	31/12/2013 (2)	Compos. %	Homogeneous us annual percentage variation (a)
B	DEBTORS									
B.1	Debits owed by reinsurers ... up to 90% of their amount	4,276	6,6	3,0	4,926	7,6	15,5	4,179	6,6	-15,2
B.2	Deposits with and amounts owed by ... ceding undertakings ... up to 90% of their amount	0	0,0	-100,0	0	0,0	-	22	0,0	-
B.3.1	Debtors: amounts owed by policyholders ... outstanding for less than 3 months	2,421	3,7	8,2	2,059	3,2	-14,4	1,429	2,2	-30,6
B.3.2	Debtors: amounts owed by intermediaries ... outstanding for less than 3 months	1,525	2,4	33,9	1,196	1,8	-21,4	772	1,2	-35,5
B.4	Claims arising out of salvage and subrogation	29	0,0	21,0	80	0,1	175,9	83	0,1	3,8
B.5	Tax recoveries ...	156	0,2	-18,1	289	0,4	85,3	219	0,3	-24,2
B.6	Claims against guarantee funds ...	240	0,4	14,7	278	0,4	15,8	360	0,6	29,5
B.7	Debtors arising out of centralised management operations of the group's cash ...	20	0,0	-	349	0,5	1645,0	349	0,5	0,0
	TOTAL B	8,667	13,4	9,0	9,177	14,2	6,3	7,413	11,7	-19,2
C	OTHER ASSETS									
C.1	Tangible fixed assets, instrumental to the undertakings' activity, other than land and buildings ...	2	0,0	8,7	5	0,0	150,0	2	0,0	-60,0
C.2	Tangible fixed assets, not instrumental to the undertakings' activity, other than land and buildings ...	0	0,0	0,0	0	0,0	0,0	0	0,0	-
C.3	Deferred acquisition commissions ... up to 90% of their amount	79	0,1	-20,8	65	0,1	-12,2	50	0,1	-23,1
C.4	Accrued income from rent, up to 30% of its amount.	0	0,0	0,0	1	0,0	0,0	0	0,0	-100,0
	TOTAL C	81	0,1	-20,3	71	0,1	-6,6	52	0,1	-26,8
D	Deposits with banks, deposits with other credit institutions ... net of debt items	2,589	4,0	38,5	2,361	3,6	-7,2	1,338	2,1	-42,9
E	Other categories of assets authorised by ISVAP according to art. 38 (4) of legislative decree 209/2005	55	0,1	450,0	0	0,0	-100,0	0	0,0	-
	GRAND TOTAL - REPRESENTATIVE ASSETS	64,855	100,4	1,9	64,997	100,4	0,8	64,119	100,9	-1,2
	Sub-total A.1.1b+A.1.2b+A.1.3+A.3.1b+A.5.2a+A.5.2b	3,224	5,0	-1,5	2,902	4,5	-10,0	2,741	4,3	-5,5

(*) The statistical data referring to the years 2010, 2011 and 2012 were taken from the processing of the models (applicable from the 2010 annual account) envisaged in ISVAP Regulation n. 36 of 31 January 2011. Class A.1.2c has been inserted from the IVth quarter 2012.

(1) Balance-sheet data

(2) The data pertaining to the technical provisions to be covered as at 31 December 2012 are taken from the quarterly supervisory reports. When the financial statements for 2012 are approved they may undergo changes, due to the re-calculation of the technical commitments to be covered and the consequent allocation of further representative assets.

(a) Variations within homogeneous undertakings.

CONSOLIDATED ACCOUNTS
BALANCE SHEET

(million euro)						
ASSETS	2010	Compos. %	2011	Compos. %	2012	Compos. %
1 INTANGIBLE ASSETS	18.063	2,2	17.331	2,1	15.442	1,8
1.1 Goodwill	13.556	1,6	12.834	1,6	11.410	1,3
1.2 Other intangible assets	4.506	0,5	4.497	0,5	4.032	0,5
2 TANGIBLE ASSETS	6.577	0,8	7.658	0,9	8.194	0,9
2.1 Real estate	5.685	0,7	5.524	0,7	5.897	0,7
2.2 Other tangible assets	892	0,1	2.134	0,3	2.297	0,3
3 REINSURERS' SHARE OF TECHNICAL PROVISIONS	13.724	1,6	13.060	1,6	13.342	1,5
4 INVESTMENTS	719.425	86,3	697.114	84,7	755.722	86,6
4.1 Investments in real estate	18.802	2,3	18.683	2,3	18.382	2,1
4.2 Participations in subsidiaries, associates and joint ventures	3.939	0,5	3.085	0,4	2.778	0,3
4.3 Held-to-maturity investments	10.190	1,2	11.063	1,3	14.242	1,6
4.4 Loans and receivables	110.521	13,3	109.809	13,3	103.309	11,8
4.5 Available-for-sale financial assets	365.657	43,9	354.390	43,1	420.789	48,2
4.6 Financial assets at fair value through profit or loss	210.316	25,2	200.084	24,3	196.221	22,5
5 SUNDRY RECEIVABLES	20.883	2,5	20.524	2,5	20.870	2,4
5.1 Receivables arising out of direct insurance operations	15.367	1,8	14.752	1,8	14.076	1,6
5.2 Receivables arising out of reinsurance	1.393	0,2	1.500	0,2	1.493	0,2
5.3 Other receivables	4.122	0,5	4.272	0,5	5.300	0,6
6 OTHER ASSETS	37.965	4,6	33.918	4,1	26.785	3,1
6.1 Non-current assets or disposal groups held for sale	12.060	1,4	287	0,0	155	0,0
6.2 Deferred acquisition costs	2.170	0,3	2.219	0,3	2.570	0,3
6.3 Deferred tax assets	6.850	0,8	14.774	1,8	6.927	0,8
6.4 Current tax assets	6.522	0,8	6.705	0,8	7.103	0,8
6.5 Other assets	10.362	1,2	9.934	1,2	10.030	1,1
7 CASH AND CASH EQUIVALENTS	17.132	2,1	33.380	4,1	32.471	3,7
TOTAL ASSETS	833.767	100,0	822.986	100,0	872.826	100,0

CONSOLIDATED ACCOUNTS

BALANCE SHEET

(million euro)

EQUITY AND LIABILITIES	2010	Compos. %	2011	Compos. %	2012	Compos. %
1 EQUITY	45.092	5,4	38.458	4,7	52.575	6,0
1.1 attributable to equity holders of the parent	36.024	4,3	30.095	3,7	41.231	4,7
1.1.1 Share capital	9.504	1,1	6.468	0,8	6.660	0,8
1.1.2 Other equity instruments	55	0,0	3	0,0	4	0,0
1.1.3 Capital reserves	9.236	1,1	12.239	1,5	11.503	1,3
1.1.4 Retained earnings and other capital reserves	12.442	1,5	14.859	1,8	17.209	2,0
1.1.5 (Own shares)	-362	0,0	-452	-0,1	-412	0,0
1.1.6 Reserve for net exchange differences	542	0,1	604	0,1	594	0,1
1.1.7 Profits or losses on available-for-sale financial assets	547	0,1	-5.474	-0,7	4.251	0,5
1.1.8 Other profits or losses recognised directly in equity	-73	0,0	-237	0,0	-295	0,0
1.1.9 Parent shareholders' profit (loss) for the period	4.132	0,5	2.086	0,3	1.717	0,2
1.2 attributable to minority interest	9.068	1,1	8.363	1,0	11.344	1,3
1.2.1 Equity and reserves of third parties	9.782	1,2	10.392	1,3	9.673	1,1
1.2.2 Profits or losses recognised directly in equity	-499	-0,1	-1.598	-0,2	737	0,1
1.2.3 Third parties' profit (loss) for the period	-215	0,0	-431	-0,1	933	0,1
2 PROVISIONS	2.706	0,3	2.575	0,3	3.345	0,4
3 TECHNICAL PROVISIONS	587.674	70,5	589.916	71,7	612.656	70,2
4 FINANCIAL LIABILITIES	154.966	18,6	156.088	19,0	168.497	19,3
4.1 Financial liabilities at fair value through profit or loss	79.221	9,5	74.198	9,0	80.052	9,2
4.2 Other financial liabilities	75.745	9,1	81.890	10,0	88.445	10,1
5 PAYABLES	15.945	1,9	16.108	2,0	18.768	2,2
5.1 Payables arising out of direct insurance operations	5.063	0,6	4.771	0,6	4.420	0,5
5.2 Payables arising out of reinsurance	1.346	0,2	1.184	0,1	1.078	0,1
5.3 Other payables	9.535	1,1	10.153	1,2	13.270	1,5
6 OTHER LIABILITIES	27.384	3,3	19.840	2,4	16.985	1,9
6.1 Liabilities of a disposal group held for sale	11.387	1,4	7	0,0	30	0,0
6.2 Deferred tax liabilities	6.298	0,8	10.377	1,3	5.894	0,7
6.3 Current tax liabilities	2.437	0,3	2.166	0,3	3.519	0,4
6.4 Other liabilities	7.261	0,9	7.290	0,9	7.543	0,9
TOTAL EQUITY AND LIABILITIES	833.767	100,0	822.986	100,0	872.826	100,0

The companies' consolidated accounts, drawn up in compliance with the IAS/IFRS, were aggregated.

CONSOLIDATED ACCOUNTS
PROFIT AND LOSS ACCOUNT

	(million euro)		
	2010	2011	2012
1.1 Net premiums	142.579	130.926	117.894
1.1.1 Gross premiums earned	148.049	136.072	122.762
1.1.2 Outward reinsurance premiums	5.470	5.147	4.868
1.2 Fee income	3.667	3.681	3.830
1.3 Gains and losses deriving from financial instruments at fair value through profit or loss	6.846	-5.310	12.380
1.4 Gains from participations in subsidiaries, associates and joint ventures	1.624	440	165
1.5 Gains from other financial instruments and investments in real estate	26.233	29.099	27.136
1.5.1 Interest income	17.327	19.111	19.065
1.5.2 Other income	2.903	2.899	2.458
1.5.3 Realised gains	5.705	6.735	5.294
1.5.4 Unrealised profits	298	354	319
1.6 Other income	4.157	3.973	3.305
1 TOTAL INCOME AND GAINS	185.106	162.810	164.709
2.1. Net losses from claims incurred	143.174	118.151	120.544
2.1.2 Amounts paid and changes in technical provisions	146.858	121.256	124.216
2.1.3 Reinsurers' shares	3.685	3.104	3.672
2.2. Fee expense	1.707	1.682	1.937
2.3 Losses from participations in subsidiaries, associates and joint venture	104	919	616
2.4 Losses from other financial instruments and investments in real estate	6.794	12.229	10.393
2.4.1 Interest expense	2.048	2.208	2.234
2.4.2 Other losses	550	551	574
2.4.3 Realised losses	2.103	3.418	3.747
2.4.4 Unrealised losses	2.093	6.052	3.839
2.5 Operating expenses	21.274	21.102	19.766
2.5.1 Commissions and other acquisition costs	14.985	14.862	13.860
2.5.2 Investment management charges	395	318	316
2.5.3 Other administrative expenses	5.894	5.922	5.590
2.6 Other expenses	6.584	6.440	6.087
2 TOTAL EXPENSES AND LOSSES	179.636	160.522	159.343
PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	5.471	2.287	5.366
3 Taxes	1.582	671	2.717
POST-TAX PROFIT (LOSS) FOR THE PERIOD	3.888	1.616	2.650
4 PROFIT (LOSS) OF DISCONTINUED OPERATIONS	28	39	1
CONSOLIDATED PROFIT (LOSS)	3.917	1.655	2.651
of which attributable to equity holders of the parent	4.132	2.086	1.717
of which attributable to minority interest	-215	-431	933

The companies' accounts, drawn up in compliance with the IAS/IFRS, were aggregated.

IVASS ADMINISTRATION

PRESIDENT

Salvatore ROSSI

DIRECTOR GENERAL BANK OF ITALY

BOARD OF DIRECTORS

Salvatore ROSSI

Riccardo CESARI

Alberto CORINTI

JOINT DIRECTORATE

Ignazio VISCO

GOVERNOR

Salvatore ROSSI

DIRECTOR GENERAL BANK OF ITALY

Fabio PANETTA

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DIRECTOR