IVASS
ISTITUTO PER LA VIGILANZA
SULLE ASSICURAZIONI

Report on the activities pursued by IVASS in the year 2018

Rome, 20 June 2019

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NOTES

Unless otherwise stated, calculations are carried out by IVASS; for the Institute’s own data, indication of the source is omitted.

As a rule, 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 supervisory bodies.

I. - THE INSURANCE MARKET

1. - THE INTERNATIONAL INSURANCE MARKET

1.1. - The global insurance market

The information gathered by the Organisation for Economic Co-operation and Development (OECD[1]), available for 2017, provides an overview of the global insurance market and offers assessment of the Italian market positioning.

In the OECD countries, premium income reduced compared to 2016; the life sector decline was only partly offset by the increase in the non-life sector. Insurance premiums increased in Sweden (+13.5%), Germany (+5.4%) and the United States (+4.9%), remained relatively stable in France (-0.2%) and Spain (+0.6%) and decreased in Ireland (-16.2%), Japan (-10.3%) and the United Kingdom (-2.4%). Italy recorded a decrease of 0.6%.

Among the non-OECD countries, growth in premiums was generalised, with rates even higher than 20% (for example, +23.6% in Russia, where the insurance market is relatively small).

The incidence of life and non-life premium income over GDP, measured in nominal terms, was an overall 8.9% in OECD countries (9.0% in 2016); the insurance sector is particularly developed (accounting for more than 10% of GDP) in the United States, United Kingdom, France, Ireland, Denmark and Luxembourg, whilst remaining below 3% in 8 countries (including Mexico, Greece and Turkey). The figure for Italy was 7.6%.

In reference to the main non-OECD countries, extreme cases are represented by the 17.9% of Hong Kong and 1.4% of Russia, with values between these for India and Brazil.

1.1.1. - *Life business*

Premium income

In 2017, life sector premium income in the OECD area (fig. I.1) decreased in 11 countries, including Italy (-1.7%) and, to a greater extent, in Japan, Australia, France and the United Kingdom. High growth rates were recorded both in advanced economies (Luxembourg, Denmark, Sweden, Israel) and in countries where the incidence of life insurance is limited, such as Greece and Turkey. Life premium income rose overall in non-OECD countries

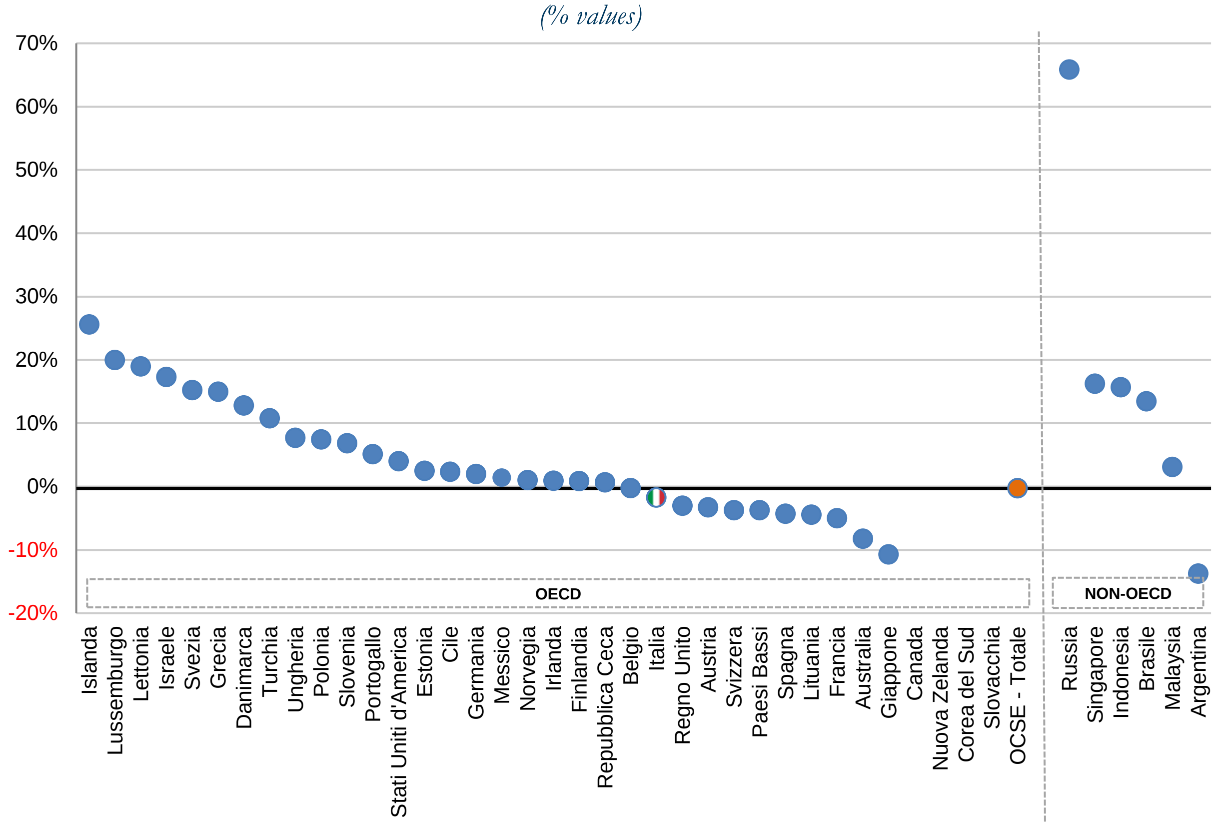
[1] The data provided in the present paragraph are excerpted from the public database of the OECD (http://stats.oecd.org, in the Finance section) as well as from the publication entitled Global Insurance Market Trends by the same body. The percentage changes are calculated on the monetary amounts expressed each year in US Dollars (USD), and are therefore not immediately comparable with the changes in amounts expressed in Euro. Starting from the Report on 2016, the implementation of Solvency II entailed major changes for the European insurance industry with an impact on the nature of the information collected from these countries, making comparison with previous data not immediate.
The OECD report involves, in addition to its member countries, also several Latin American countries and a group of African, Asian and European countries.

(except Argentina), with increases exceeding 50% in Russia, which is offsetting the under-insurance situation.

Figure I.1

Annual change in life premiums in major countries - 2017

(% values)



Source: calculation on OECD data. All OECD countries were indicated (even when no data were available) along with a sample of non-OECD countries selected on the basis of the relevance of the respective economies and of the overall availability of the data. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

Claims payments

Claims payments for the life sector rose in less than half the OECD countries, resulting in an overall increase of 3.5%. High growth rates were seen in the United Kingdom, Netherlands, Chile and Italy, while Japan, Germany, Australia, Ireland and Portugal recorded decreases. In the non-OECD countries there was an overall increase in claims payment outflows.

Investments

The composition of assets of life insurance companies has not changed significantly, with investments mostly in fixed-rate securities (bonds issued by public and private institutions). This type of investment absorbs over half the funds of insurance companies in OECD countries, albeit with wide differences between countries, with a percentage of total investments exceeding 70% in the United States, United Kingdom, Italy, Spain and Mexico. Except in the United Kingdom (where over 60% of the bonds refer to private-sector issues), the percentage of public-sector securities is generally double that allocated to private-sector bonds. In Denmark and Sweden, 40% of investments are in equities, whilst in Austria, Brazil, Germany and Indonesia over 35% is invested in undertakings for collective investment.

1.1.2. - *Non-life business*

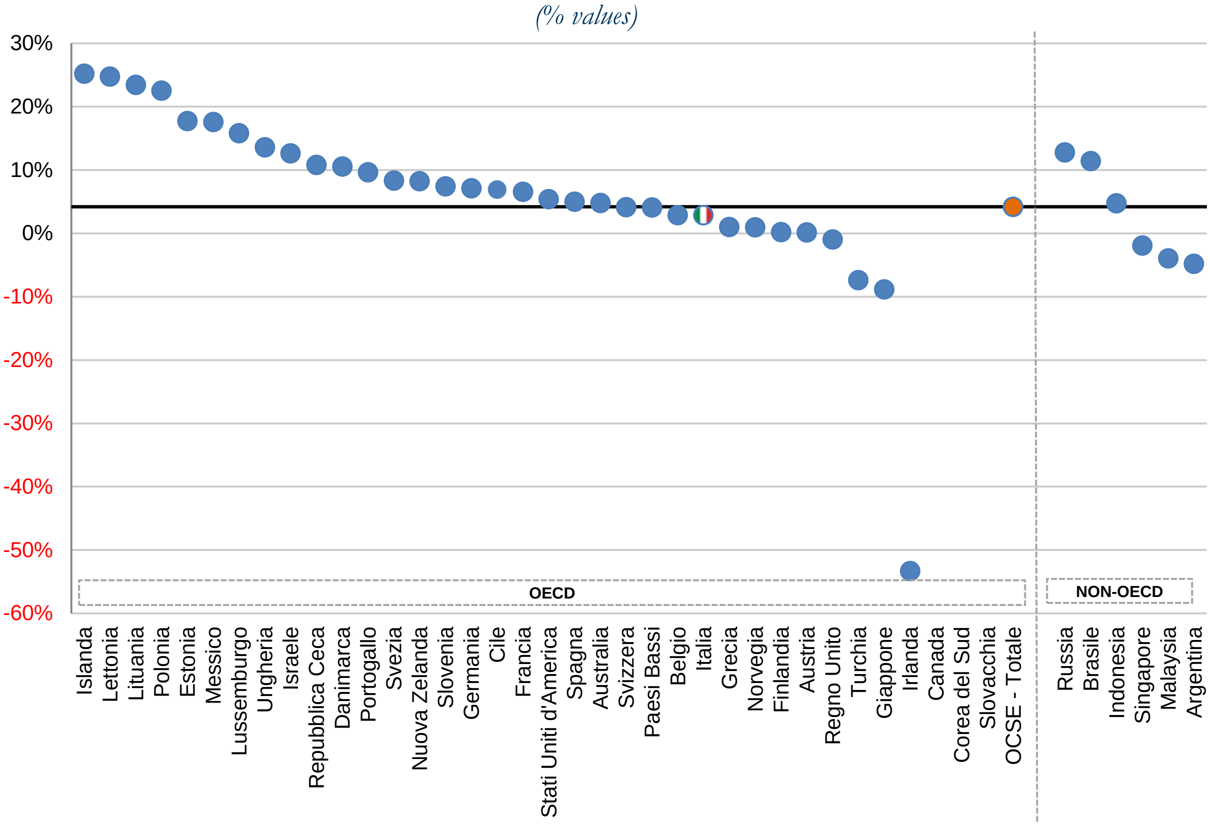
Premium income

In the OECD area, increases of more than 10% were recorded in 11 countries (fig. I.2). In Italy, the increase was 2.8%, whilst a decrease was seen in Japan, the United Kingdom, Turkey and, in particular, Ireland. In the non-OECD countries, non-life premium income increased considerably in Russia and Brazil.

Figure I.2

Annual change in non-life premiums in major countries - 2017

(% values)



Source: calculation on OECD data. All OECD countries were indicated (even when no data were available) along with a sample of non-OECD countries selected on the basis of the relevance of the respective economies and of the overall availability of the data. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

Claims payments

The amounts for claims paid by non-life insurers decreased in four OECD countries: the decline was more than 10% in Japan and particularly in Ireland, and by a lower figure in Belgium and Norway. Payments increased by over 10% in 11 countries, including the United Kingdom, Germany and Australia.

The combined ratio (which combines the two effects of the loss ratio and of the expense ratio) of the non-life business remained below 100% in most OECD countries with the exception of Hungary, the United States, Netherlands and Austria.

Investments

Also in the non-life sector, the investment structure of companies did not undergo any significant changes in 2017, with most resources invested in public-sector or private-sector bonds. The percentage allocated to equities was significant in Austria (over 50%) and more than 25% in France, the United States and Japan. The 25% threshold on the percentage of investments allocated to collective undertakings was exceeded by Argentina, Brazil, Germany and Israel.

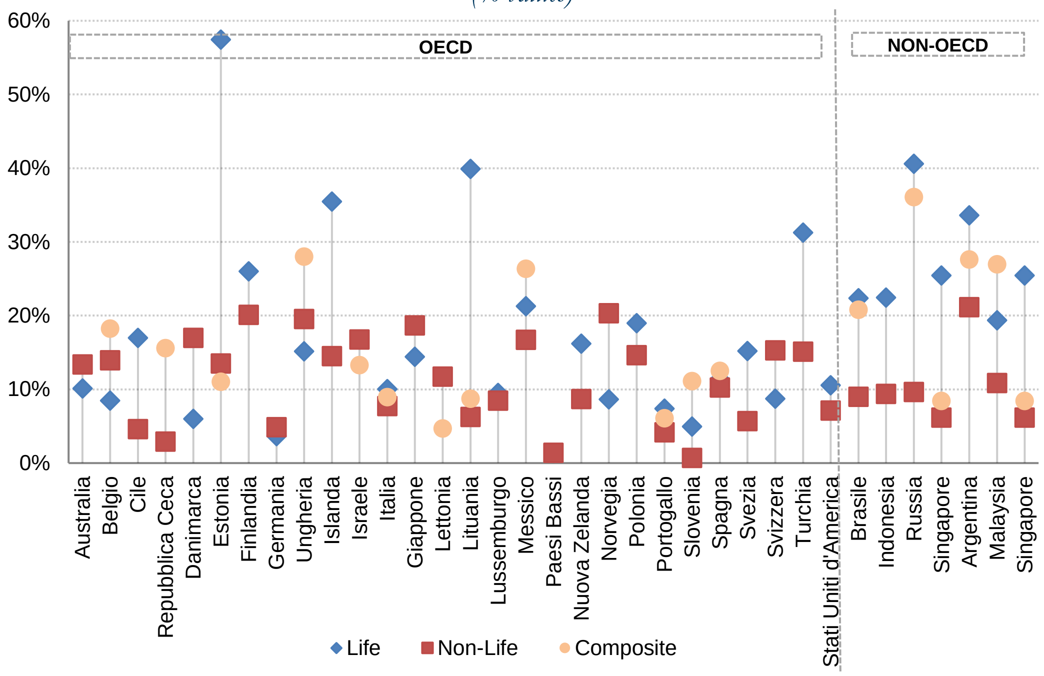
1.1.3. - *Profitability*

The return on equity (ROE) was positive in the OECD countries (fig. I.3), with values higher than 10% in 15 countries for the life and non-life sectors and in seven countries for composite companies. In Italy, the average market ROE was a little under 10%.

Figure I.3

ROE by type of insurance company in major countries – 2017

(% values)



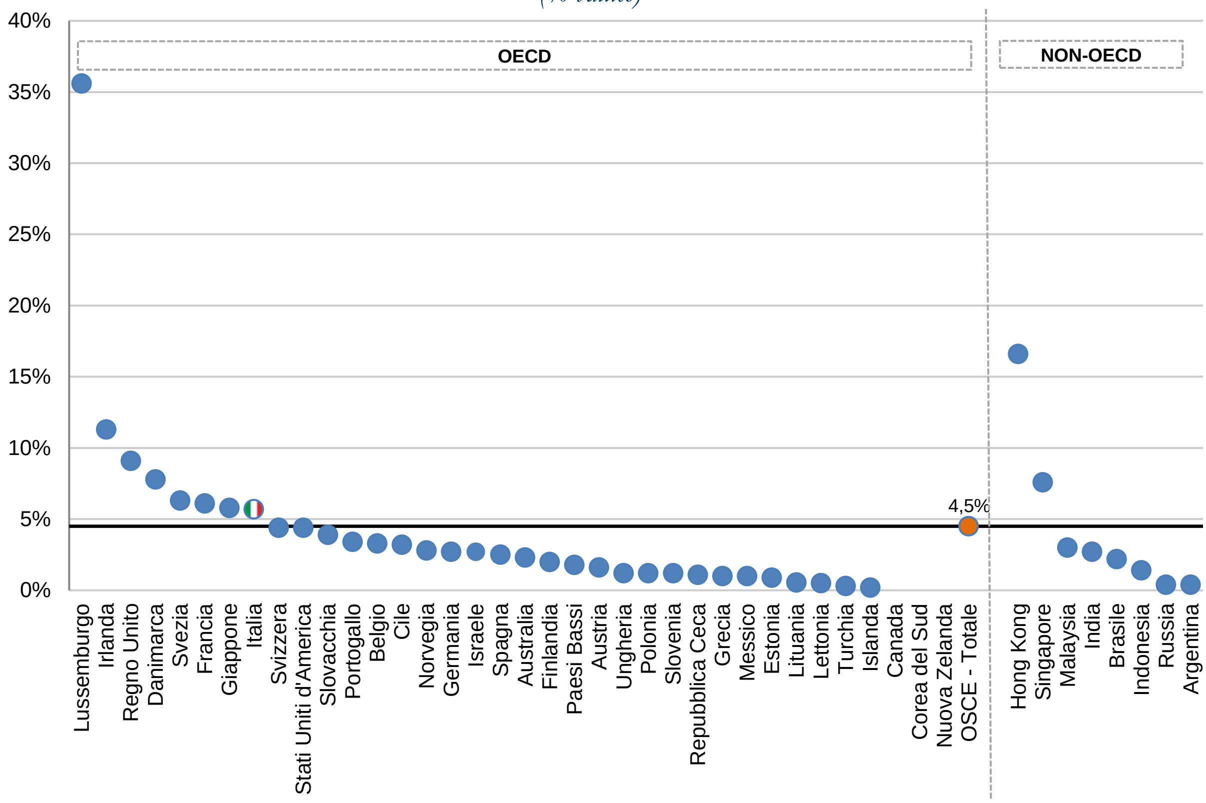
Source: calculation on OECD data. The OECD countries that reported the data were indicated along with a sample of non-OECD countries selected on the basis of the relevance of their respective economies and of the overall availability of the data. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

1.1.4. - *Percentage on GDP*

In 2017, the life insurance premiums of OECD countries accounted, on average, for 4.5% of the GDP (penetration rate; fig. I.4), a stable value compared to previous years. Despite the decrease of almost one percentage point compared to last year, penetration in the life insurance business in Italy (5.7%) is higher than the OECD average. Higher than average values were recorded in Japan, France, Sweden, Denmark, the United Kingdom, Ireland and Luxembourg.

Figure I.4

Premium incidence over GDP in the life business in major countries - 2017
(% values)



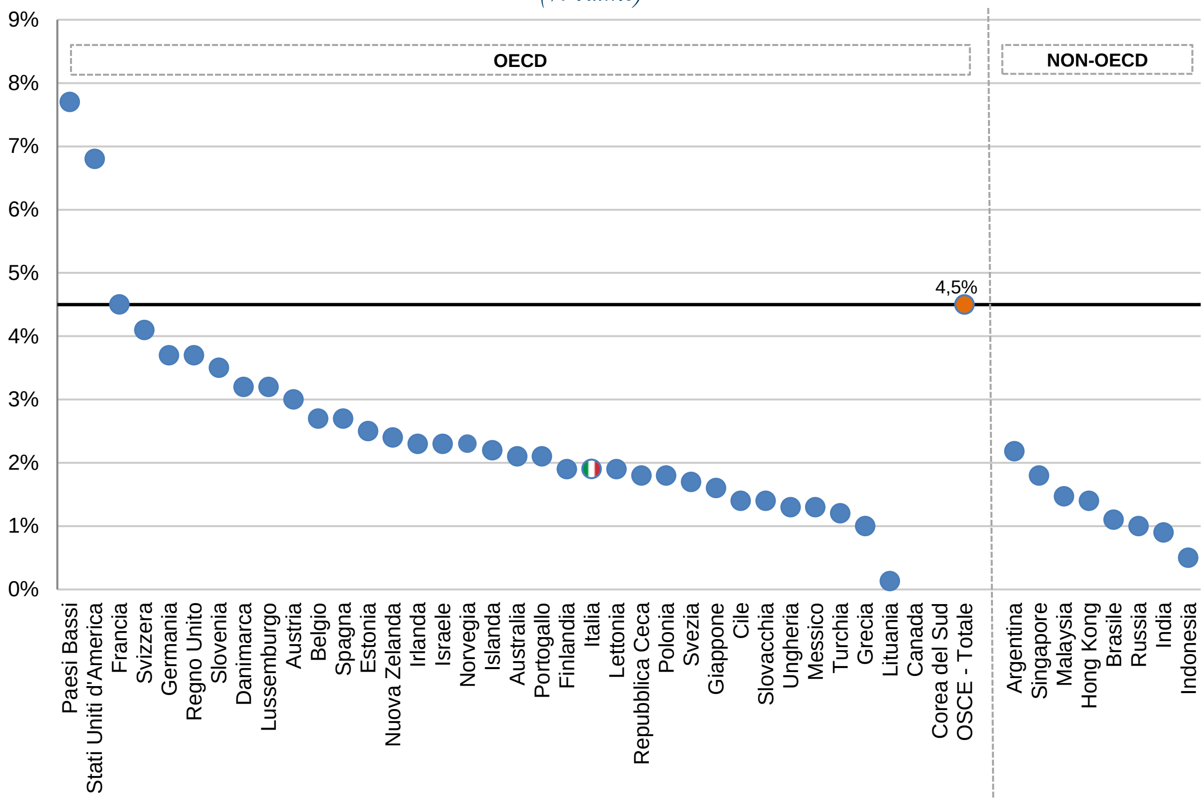
Source: calculation on OECD data. All OECD countries were indicated (even when no data were available) along with a sample of non-OECD countries selected on the basis of the relevance of the respective economies and of the overall availability of the data. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

In the non-life sector, too, the incidence on the GDP of OECD countries stood at 4.5% overall (fig. I.5), affected by the weight of the sector in the United States and the Netherlands which record higher than average values. France recorded an average value, whereas - unlike for the life sector - the Italian figure was decidedly below average (1.9%), highlighting the gap in non-life risk coverage.

Figure I.5

Premium incidence over GDP in the non-life business in major countries - 2017

(% values)



Source: calculation on OECD data. All OECD countries were indicated (even when no data were available) along with a sample of non-OECD countries selected on the basis of the relevance of the respective economies and of the overall availability of the data. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

1.2. - The European insurance market

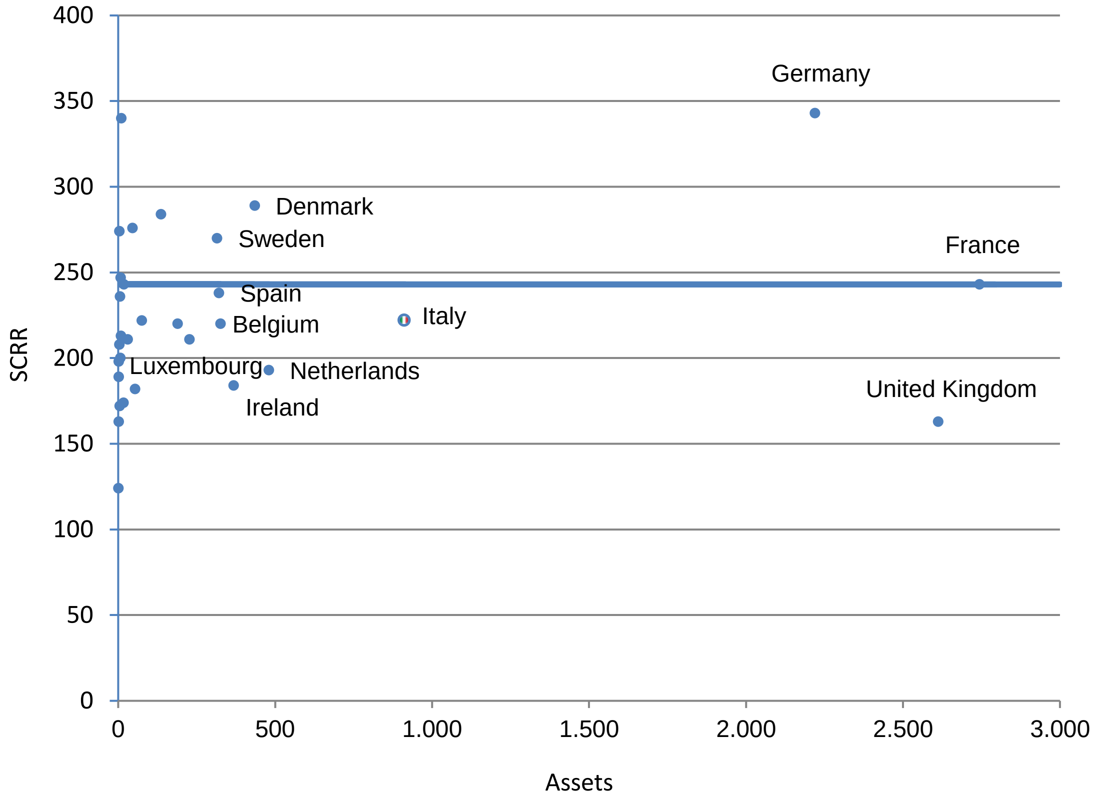
At the third quarter of 2018[2], for the set of countries belonging to the European Economic Area (EEA) the size of the life and non-life insurance sector amounted, in terms of total assets, to 11,579 billion euro, in terms of technical provisions to 10,062 billion euro and in terms of capital reserves to 1,517 billion euro.

2 The analyses set out herein originate from the EIOPA quarterly statistics published on 5 February 2019 with reference date 30 September 2018. At the time of this publication EIOPA had not published the statistics for premiums, claims and expenses of the life business.

Figure I.6

Total assets held by the insurance sector and SCR ratio by Country - Q3 2018

(billion euro; % values)



Source: calculation on EIOPA data.

Investments with respect to non-life products and life contracts with guaranteed financial performance amount to 7,245 billion euro (63.3% of the total). Investments with respect to products whose financial risk is borne by the policyholders amount to 2,810 billion euro (24.5% of the total).

The countries with the highest incidence of investments with respect to policies with guaranteed financial performance are Germany (84%), Spain (82%) and Croatia (77%) while Liechtenstein, Luxembourg and Ireland had a very low percentage of traditional policies, respectively equal to 11%, 18% and 21%.

In the investment portfolio there is a prevalence (Table I.1) of the fixed income sector (57.6% of the total), equally divided between Government bonds and corporate bonds. Derivative positions have a marginal role (1.6% of the total).

Table I.1

European market - composition of investments		
	(% values)	
Sector	**Category**	**Incidence**
Fixed income	government bonds	30.3%
	corporate bonds	28.8%
Equity	UCITS	19.0%
	equity investments	11.7%
	shares	3.9%
Derivatives	derivatives	1.6%
	structured notes	1.3%
	collateralization	0.7%
Real estate	property	1.8%
Cash	deposits	1.1%
Total investments		**100.0%**

Source: Calculations on EIOPA statistics, third quarter of 2018.

The total liabilities of the European insurance sector as at the third quarter of 2018 reached 10,062 billion euro. Of these (Table I.2), 776 billion euro are the technical provisions for the non-life business (including products covering sickness risks), 5,282 billion euro the provisions for the life insurance business for traditional products excluding index and unit-linked policies, and 2,865 billion euro for index and unit-linked products. The sum of the technical provisions represents 89.7% of total liabilities.

Table I.2

European market - technical provisions Portion of total liabilities					
					(% values)
	Life			Non-life	
category	traditional policies	index- and unit-linked products	coverage for sickness (life)	non-life policies	coverage for sickness (non-life)
incidence	49.0%	28.8%	4.1%	6.9%	0.9%

Source: Calculations on EIOPA statistics, third quarter of 2018.

The excess of assets over liabilities for the entire European insurance sector totals 1,517 billion euro. Own funds eligible for coverage of the capital requirement amount to 1,572 billion euro, while the capital requirement (SCR) in aggregate terms reaches 648 billion euro. The resulting average SCR ratio is equal to 243.

The profitability ratios for the fourth quarter of 2018 for a sample of European companies and groups that are important for life and non-life business financial stability[3]

[3] The ratios are based on annual financial stability reporting and on the Risk Dashboard published by EIOPA on 11 April 2019.

(table I.3) saw a median ROE (the return on excess of assets over liabilities) of 6.6% and a median ROA of 0.4%.

Table I.3

Profitability ratios - percentiles - fourth quarters 2016 and 2017

(% values)

	10th percentile	25th percentile	median	75th percentile	90th percentile
ROE					
Q4 2016	0.58%	3.27%	6.07%	10.16%	13.04%
Q4 2017	0.34%	2.86%	5.75%	9.59%	14.71%
ROA					
Q4 2016	0.03%	0.21%	0.45%	0.90%	2.38%
Q4 2017	0.02%	0.23%	0.45%	0.84%	1.91%

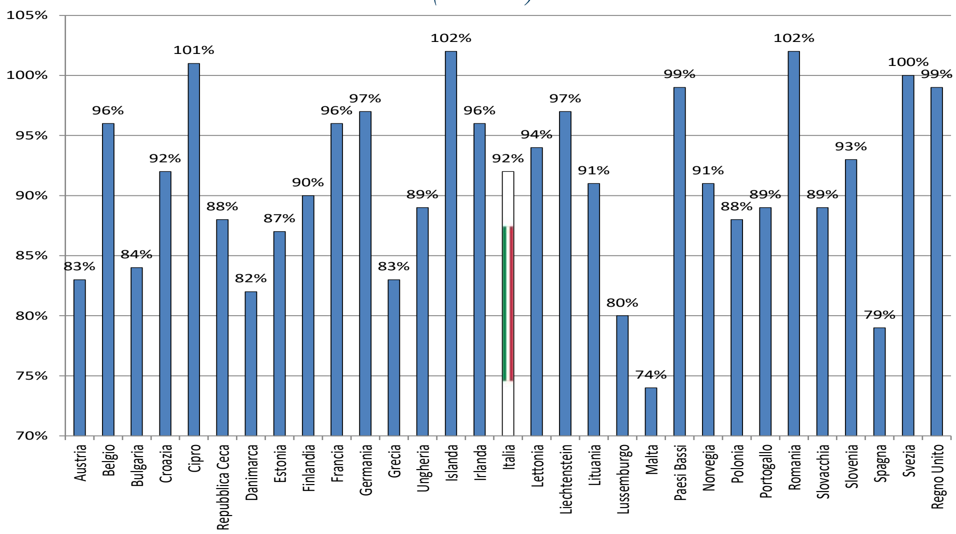
Source: EIOPA.

In the non-life business, the average combined ratio is 95%, indicating that the underwriting process is, on average, profitable. Fig. I.7 shows the distribution by country.

Figure I.7

Combined Ratio by country – third quarter 2018

(% values)



Source: calculation on EIOPA data.

The main balance sheet aggregates are set out below, as calculated according to Solvency II criteria, homogenous among the various countries.

Table I.4

Balance sheets of insurance companies in major European Countries*										
										(million euro)
	Italy Q4 2018		**France**		**Germany Q3 2018**		**Spain**		**United Kingdom**	
Assets										
Deferred tax assets	3,626	0.4%	8,586	0.3%	12,400	0.6%	6,133	1.9%	1,026	0.04%
Investments (excluding assets for index- and unit-linked)	690,415	75.8%	2,103,516	76.7%	1,844,034	83.1%	264,092	82.3%	910,696	34.9%
Assets held for index- and unit-linked	152,219	16.7%	363,262	13.2%	114,615	5.2%	18,340	5.7%	1,238,437	47.4%
Secured and unsecured loans	7,374	0.8%	32,237	1.2%	101,635	4.6%	2,381	0.7%	89,768	3.4%
Recoverable amounts from reinsurance	11,211	1.2%	107,183	3.9%	52,105	2.3%	6,049	1.9%	255,838	9.8%
Cash and cash equivalents	8,671	1.0%	23,677	0.9%	10,044	0.5%	11,954	3.7%	14,298	0.5%
Other assets	37,621	4.1%	105,570	3.8%	84,806	3.8%	11,981	3.7%	101,556	3.9%
Total assets	**911,137**	**100%**	**2,744,031**	**100%**	**2,219,678**	**100%**	**320,929**	**100%**	**2,611,618**	**100%**
Liabilities										
Non-life technical provisions	51,725	6.4%	156,149	6.4%	198,828	11.3%	26,678	10%	157,984	6.6%
Life technical provisions - excluding linked policies	538,959	67.2%	1,647,590	67.4%	1,213,555	69%	170,141	63.9%	692,011	28.7%
Unit- and index-linked technical provisions	146,973	18.3%	352,038	14.4%	127,556	7.2%	17,626	6.6%	1,344,293	55.8%
Deferred tax liabilities	7,671	1.0%	35,634	1.5%	55,318	3.1%	12,365	4.6%	9,696	0.4%
Other liabilities	56,610	7.1%	251,530	10.3%	164,249	9.3%	39,445	14.8%	206,088	8.6%
Total liabilities	**801,938**	**100%**	**2,442,943**	**100%**	**1,759,507**	**100%**	**266,255**	**100%**	**2,410,073**	**100%**
Excess assets over liabilities	**109,199**		**301,089**		**460,171**		**54,674**		**201,546**	

* Last available figure (fourth quarter 2018 for Italy, third quarter 2018 for the other countries, source: EIOPA, *Insurance Statistics*).

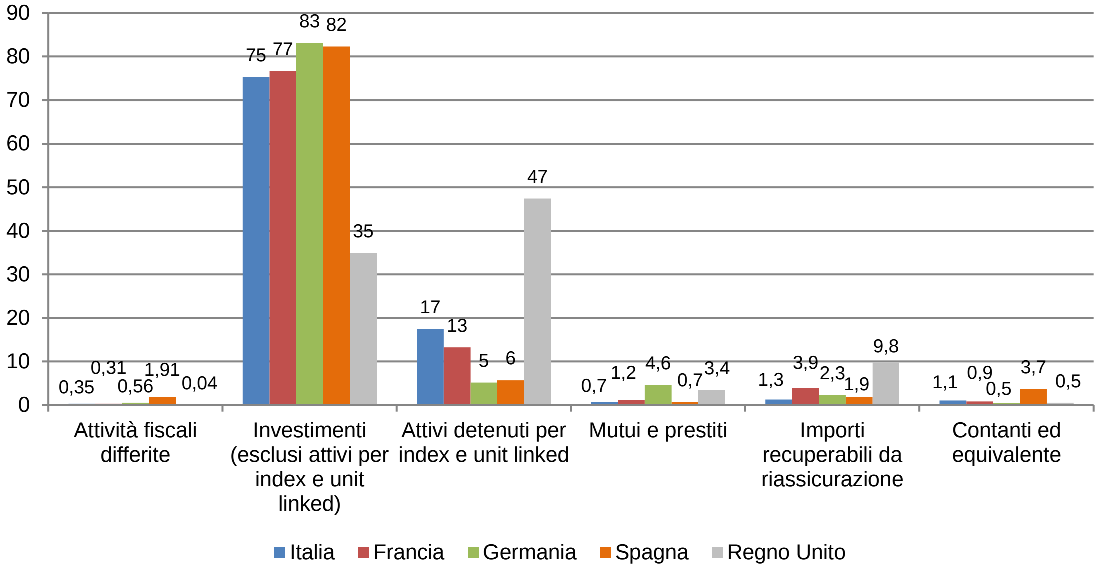
The comparison highlights the higher weight of index and unit products in the United Kingdom, compared to the other countries in which traditional insurance products are the main activity. Italian insurance companies record a higher portion of assets held for index- and unit-linked products than France, Spain and Germany.

Figure I.8

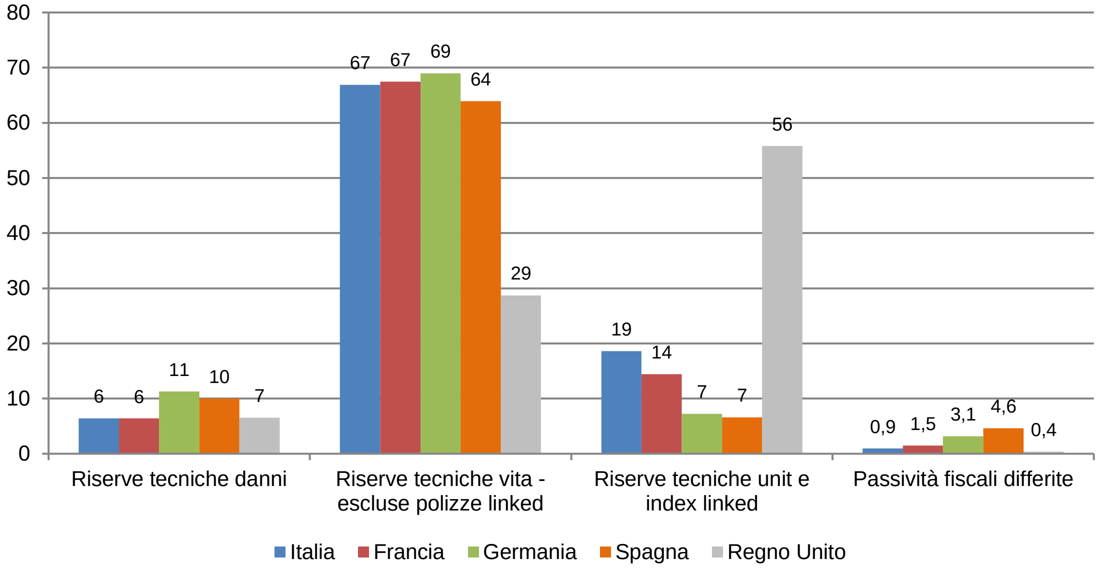
Portion of the main 2018 asset and liability items over the total by country*

(% values)

Assets



Liabilities



* Last available figure (fourth quarter 2017 for Italy, third quarter 2017 for the other countries, source: EIOPA, *Insurance Statistics*.

2. - The Italian insurance market: structural aspects

2.1. - Market structure

As at 31 December 2018 the undertakings authorised to pursue insurance and reinsurance business in Italy under the prudential supervision of IVASS were 100 (103 in 2017), 97 of which domestic and 3 branches of foreign undertakings with head office in a non-EEA country.

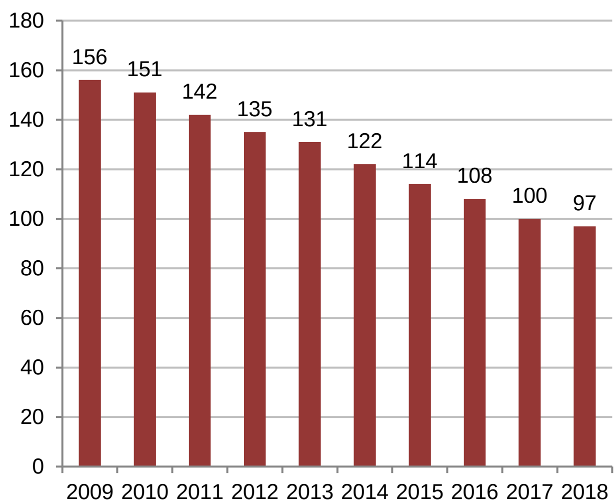
Table I.5

	Domestic undertakings	Establishments of non-EEA undertakings	Establishments of EEA insurance undertakings	Establishments of EEA reinsurance undertakings	EEA undertakings under fos
2009	156	3	75	7	922
2010	151	2	82	7	959
2011	142	2	87	8	977
2012	135	2	91	7	991
2013	131	2	93	7	979
2014	122	2	91	7	1,005
2015	114	3	96	7	1,007
2016	108	3	97	7	1,008
2017	100	3	103	7	985
2018	97	3	110	7	1,055

From 2009 to 2018 the number of domestic undertakings gradually declined, from 156 to 97, contracting by 38% in the ten-year period (Fig. I.9).

Figure I.9

Number of domestic undertakings
(units)



Since 2009, there have been no national specialist reinsurers for life and non-life business. In 2018, 3 domestic companies ceased insurance business due to merger by incorporation (2 life undertakings and 1 non-life undertaking) and no authorisations to pursue insurance business were granted.

As regards undertakings with head office in another European Economic Area (EEA) state, subject to the prudential supervision of the supervisory authorities of their respective countries of origin, 110 branches are authorised to pursue business in Italy under the right of establishment and 1,055 undertakings are authorised to operate under the fos[4](Table I.5).

Between 2009 and 2018, EEA undertakings authorised to operate in Italy under the right of establishment and fos increased, respectively, by 47% (+35 undertakings) and by 14% (+133).

Table I.6

Breakdown of undertakings authorised to pursue business in Italy by type of activity – 2018

(units)

	Non-life	Life	Com-po-sites	Total
Domestic insurance undertakings	51	33	13	97
Branches of insurance undertakings of non-EEA States	3	0	0	3
Branches of insurance undertakings of EEA States	74	23	13	110
Insurance undertakings/establishments of EEA States under fos	825	179	51	1,055
Branches of reinsurance undertakings of EEA States	1	1	5	7

23% of branches in Italy have their head office in the United Kingdom; French, Irish, German and Luxembourg undertakings have a significant presence (Table I.7).

Table I.7

Geographic breakdown of the EEA insurance undertakings authorised under the right of establishment, by country of the head office

(units)

	2017	2018
Number of undertakings	**103**	**110**
Head office country:		
United Kingdom	27	25
France	16	18
Ireland	15	15
Germany	15	15
Luxembourg	8	12
Belgium	6	9

4 The number of undertakings carrying on business under fos refers to entities that notified their intention to operate in Italy, some of whom may not have concluded any contracts in 2018 or may have operated to a marginal extent (Table I.8 for fos income in Italy). Three quarters of them are active in the non-life business.

Geographic breakdown of the EEA insurance undertakings authorised under the right of establishment, by country of the head office (units)		
	2017	**2018**
Spain	6	6
Austria	4	4
Liechtenstein	4	4
Others	2	2

In 2018, 9 EEA undertakings were licensed to operate in Italy under right of establishment: four from Luxembourg, three from Belgium and two from France. The number of branches of specialist reinsurers with head offices in the EEA remained at seven, unchanged since 2012 (one in the non-life business, one in the life business and 5 composites). Furthermore, 119 undertakings or branches of undertakings with head office in another EEA member state were licenced to carry on business under fos (43 in 2017), of which 16 from Germany, 14 from the United Kingdom, 13 from France, 11 from Belgium, 10 from Spain, 9 from Ireland and Luxembourg and 8 from the Netherlands (Table I.8 for the total number of undertakings carrying on business under fos).

Table I.8

Geographic and class breakdown of the EEA undertakings/establishments authorised under fos in Italy (units)		
	2017	**2018**
Number of undertakings	**985**	**1,055**
Country of origin:		
United Kingdom	143	148
Germany	114	126
Ireland	110	116
France	93	103
Netherlands	73	80
Luxembourg	51	53
Spain	39	47
Belgium	37	46
Sweden	36	38
Austria	36	35
Malta	27	31
Liechtenstein	30	28
Denmark	26	28
Norway	20	21
Others	150	155

2.2. - The premium income of foreign undertakings in Italy and the international activity of Italian undertakings

In 2017,[5] direct premium income in Italy in the life business by foreign undertakings (Table I.9) totalled 45.4 billion euro, of which 13.3 billion euro under the right of establishment or fos, 94.6% of the latter relating to premium income of undertakings with head office in Ireland and Luxembourg (Tables 2 and 3 in the Appendix). In the life sector, the contribution from foreign undertakings controlled by Italian entities and pursuing business under fos in Italy remains significant, with premiums for 9 billion euro in 2017, almost exclusively from the placement of unit- and index-linked products and recording a strong increase compared to 2013.

In the non-life business, the direct premium income in Italy of foreign undertakings was 16 billion euro, of which 5.7 billion euro under the right of establishment or fos. The activities of foreign undertakings under Italian control were negligible. 36% of the premium income was achieved by undertakings with head office in Ireland, 22% by undertakings based in the United Kingdom and the remainder by undertakings in continental Europe, particularly German and French (Tables 4 and 5 in the Appendix).

Overall, Italian policyholders paid life and non-life premiums for 159 billion euro, down from 2015, albeit at a lower rate in 2017 compared to the previous year (-2.7% compared to -8.6%).

Premium income of foreign undertakings in Italy, accounting for 38.6% of total direct premium income in Italy, amounted to 61.4 billion euro, of which 42.4 billion euro attributable to undertakings with head office in Italy and supervised by IVASS, 10 billion euro to branches supervised by foreign authorities and 9 billion euro to fos business from abroad. Foreign undertakings recorded a slight decline for the second consecutive year, with a non-life presence higher than that of life business.

Table I.9

Direct insurance premiums collected in Italy

(million euro and % values)

	2013	2014	2015	2016	2017
Life business					
Italian undertakings (1)	**66,904**	**82,013**	**86,383**	**77,681**	**75,569**
of which: with head offices abroad (2)	*3,614*	*6,569*	*6,956*	*9,698*	*9,045*
Foreign undertakings (6)	**35,158**	**51,600**	**53,760**	**48,551**	**45,385**
of which: establishments of foreign undertakings	*3,782*	*5,004*	*5,724*	*5,454*	*5,291*
foreign undertakings operating under fos	*9,655*	*11,624*	*12,610*	*8,827*	*8,008*
with head office in Italy (3)	*21,721*	*34,972*	*35,426*	*34,270*	*32,086*
Premiums from Italian direct business (4=1-2+3)	**85,011**	**110,415**	**114,852**	**102,253**	**98,610**
Total (7 = 1 + 6)	**102,062**	**133,613**	**140,143**	**126,232**	**120,954**
% direct insurance related to foreign entities (5=3/4)	*25.6*	*31.7*	*30.8*	*33.5*	*32.5*

[5] Latest figure published by EIOPA.

Direct insurance premiums collected in Italy					
					(million euro and % values)
	2013	**2014**	**2015**	**2016**	**2017**
% total income in Italy related to foreign entities (6/7)	*34.4*	*38.6*	*38.4*	*38.5*	*37.5*
Non-life business					
Italian undertakings (1)	**23,642**	**23,082**	**21,380**	**21,516**	**21,986**
of which: with head offices abroad (2)	*0*	*0*	*0*	*5*	*7*
Foreign undertakings (6)	**15,830**	**16,808**	**17,360**	**15,677**	**16,012**
of which: establishments of foreign undertakings	*4,576*	*4,626*	*4,919*	*4,580*	*4,734*
foreign undertakings operating under fos	*1,205*	*2,464*	*1,819*	*654*	*947*
with head office in Italy (3)	*10,049*	*9,718*	*10,622*	*10,443*	*10,331*
Premiums from Italian direct business (4=1-2+3)	**33,691**	**32,800**	**32,002**	**31,954**	**32,310**
Total (7 = 1 + 6)	**39,472**	**39,890**	**38,740**	**37,123**	**37,998**
% direct insurance related to foreign entities (5=3/4)	*29.8*	*29.6*	*33.2*	*32.7*	*32.0*
% total income in Italy related to foreign entities (6/7)	*40.1*	*42.1*	*44.8*	*42.2*	*42.1*
Life and non-life business					
Italian undertakings (1)	**90,546**	**105,095**	**107,763**	**99,197**	**97,555**
of which: with head offices abroad (2)	*3,614*	*6,569*	*6,956*	*9,703*	*9,052*
Foreign undertakings (6)	**50,988**	**68,408**	**71,120**	**64,228**	**61,397**
of which: establishments of foreign undertakings	*8,358*	*9,630*	*10,643*	*10,034*	*10,025*
foreign undertakings operating under fos	*10,860*	*14,088*	*14,429*	*9,481*	*8,955*
with head office in Italy (3)	*31,770*	*44,690*	*46,047*	*44,713*	*42,417*
Premiums from Italian direct business (4=1-2+3)	**118,702**	**143,215**	**146,854**	**134,207**	**130,920**
Total (7 = 1 + 6)	**141,534**	**173,503**	**178,883**	**163,425**	**158,952**
% direct insurance related to foreign entities (5=3/4)	*26.8*	*31.2*	*31.4*	*33.3*	*32.4*
% total income in Italy related to foreign entities (6/7)	*36.0*	*39.4*	*39.8*	*39.3*	*38.6*

The premium income of companies with head office in Italy and supervised by IVASS through foreign customers (Table I.10) increased in 2017 in the life and non-life classes compared to the previous year (respectively by 9% and 3.1%). The expansion of foreign life premium income (+2.5 billion euro in premiums) has more than offset the 2.1 billion euro decline of that in Italy. As regards non-life business, the growth in premium income abroad (472 million euro) was similar to the increase in Italy.

Foreign business therefore plays a major role in the portfolio of Italian undertakings. In the life business, premium income outside Italy represented 28.5% of total direct premium income, compared to 41.9% for the non-life classes. The key instrument for international expansion is the creation of local subsidiaries in the target countries. The weight of foreign branches and fos business from Italy is negligible.

Table I.10

Direct premium income collected abroad by undertakings with head office in Italy					
					(million euro and % values)
	2013	2014	2015	2016	2017
Life business					
Italian undertakings	**27,858**	**27,781**	**29,387**	**27,712**	**30,195**
of which: with head offices abroad	27,698	27,599	29,139	27,224	29,968
*% of international opening**	*29.4*	*25.3*	*25.4*	*26.3*	*28.5*
Foreign undertakings	**0.0**	**0.6**	**2.9**	**3.0**	**3.0**
Total	**27,858**	**27,782**	**29,390**	**27,715**	**30,198**
Non-life business					
Italian undertakings	**14,894**	**14,895**	**15,326**	**15,382**	**15,854**
of which: with head offices abroad	14,290	14,132	14,680	14,777	15,267
*% of international opening**	*38.6*	*39.2*	*41.8*	*41.7*	*41.9*
Foreign undertakings	**8.0**	**6.5**	**7.3**	**8.0**	**9.0**
Total	**14,902**	**14,901**	**15,333**	**15,390**	**15,863**
Life and non-life business					
Italian undertakings	**42,752**	**42,676**	**44,713**	**43,094**	**46,049**
of which: with head offices abroad	41,988	41,731	43,818	42,001	45,235
*% of international opening**	*32.1*	*28.9*	*29.3*	*30.3*	*32.1*
Foreign undertakings	**8.0**	**7.1**	**10.2**	**11.0**	**12.0**
Total	**42,760**	**42,683**	**44,723**	**43,105**	**46,061**

* Portion of the premiums collected abroad out of total premiums collected abroad and in Italy.

2.3. - Premium income and investments of the undertakings supervised by IVASS based on shareholdings and on the main activity of the parent group

The undertakings supervised by IVASS are shown in Table I.11 with regard to the nationality and the economic sector of the ultimate (in the hierarchical sense) parent entity.

Table I.11

Premium income and investments by shareholdings and parent group of the supervised undertakings – 2018				
				(million euro and % values)
	premiums (Italian direct business)	**%**	**investments Class C and D**	**%**
Foreign undertakings	48,729	36.1	232,670	29.1
EU and non-EU foreign undertakings insurance sector + Non-EU branches	37,101	27.5	163,849	20.5
EU and non-EU foreign undertakings financial sector	11,628	8.6	68,821	8.6
Italian undertakings	86,411	63.9	566,280	70.9
Controlled by the State and by Public Bodies	17,609	13.0	125,754	15.7
Insurance sector control	49,574	36.7	295,894	37.0
Financial sector control	18,590	13.8	144,382	18.1
Control of other private entities	641	0.5	250	0.0
Grand total	**135,144**	**100.0**	**798,950**	**100.0**

At the end of 2018, 51% of the premium income and 55.1% of class C and D investments referred to Italian private entities - hence excluding foreign undertakings or those controlled by the State and by public bodies - which decreased slightly compared to 2017 (51.5% and 56%).

For foreign entities, the share increased both in terms of premium income from 32.4% in 2017 to 36.1%, and to a lesser extent the share of class C and D investments, from 28.7% to 29.1%.

Among Italian private entities, those of the financial sector have a prevailing weight, after the insurance sector, with 13.8% of income and 18.1% of class C and D investments (respectively 15% and 18.6% in 2017). The financial institutions that control insurance undertakings are mostly banks and, to a lesser extent, financial companies.

2.4. - Insurance and reinsurance intermediaries

2.4.1. - *Intermediaries registered in the Single Register (RUI)*

As at 31 December 2018, there were 235,065 Italian intermediaries registered in the RUI, which add to the 8,328 foreign intermediaries registered in the Enclosed List (at the end of 2017 they were respectively 228,676 and 8,211).

Table I.12

Number of intermediaries registered in the sections of the RUI at the end of 2018

(number of registered intermediaries)

Sections	Type of intermediary	Natural persons	Companies	Total
A	Agents	19,159	8,820	**27,979**
B	Brokers	4,021	1,689	**5,710**
C	Direct canvassers	3,669		**3,669**
D	Banks, financial intermediaries, stock brokerage companies, Poste Italiane S.p.A. - Bancoposta services division		467	**467**
E	Staff involved in mediation activities off the premises of the intermediary (registered in section A, B or D) for which they work, including related employees and collaborators	183,744	13,496	**197,240**
Enclosed list	Intermediaries resident or with head office in another EEA Member State	8,328		**8,328**
Total		**218,921**	**24,472**	**243,393**

The gradual decline in the number of agents and brokers continues. In the last four years, it went from 40,162 in 2015, to 35,554 in 2016, 34,277 in 2017 and 33,689 in 2018. The decrease is also due to the constant monitoring of possession of the requirements for registration of intermediaries, with consequent mass deletion due to the loss of requirements (inactive individuals or those late in paying the Single Register contribution, see V.2.8.2). Recent regulatory changes have also had an impact, as a result of which the ban on same-time registration in sections A and E of the RUI was introduced.

Agents and brokers registered in the RUI as at 31 December 2018 are distributed across the national territory[6] as shown in Table I.13:

Table I.13

Distribution across the national territory of agents and brokers registered in the RUI

(units and % values)

Region	Agents	% of total agents	Brokers	% of total brokers	Agents and brokers per 10,000 inhabitants*	Agents and brokers per billion euro of GDP**
Valle D'Aosta	83	0.30	12	0.21	7.5	21.3
Piemonte	2,596	9.28	416	7.29	6.9	22.6
Liguria	947	3.38	305	5.34	8.0	25.2
Lombardia	5,214	18.64	1,348	23.61	6.5	17.1
North-West	***8,840***	**31.60**	***2,081***	**36.44**	***6.8***	***19.1***
Veneto	2,535	9.06	423	7.41	6.0	18.2
Trentino-Alto Adige	565	2.02	95	1.66	6.2	15.8
Friuli-Venezia Giulia	605	2.16	116	2.03	5.9	19.1
Emilia-Romagna	2,132	7.62	320	5.60	5.5	15.6
North-East	***5,837***	**20.86**	***954***	**16.71**	***5.8***	***17.0***
Toscana	2,125	7.59	342	5.99	6.6	21.6
Marche	779	2.78	81	1.42	5.6	21.1
Umbria	518	1.85	62	1.09	6.6	26.9
Lazio	2,678	9.57	929	16.27	6.1	18.6
Centre	***6,100***	**21.80**	***1,414***	**24.76**	***6.2***	***20.3***
Abruzzo	680	2.43	69	1.21	5.7	23.3
Molise	150	0.54	16	0.28	5.4	27.6
Puglia	1,441	5.15	192	3.36	4.0	22.4
Basilicata	272	0.97	33	0.58	5.4	25.8
Campania	1,490	5.33	554	9.70	3.5	19.2
Calabria	773	2.76	60	1.05	4.3	24.9
South	***4,806***	**17.18**	***924***	**16.18**	***4.1***	***21.8***
Sicilia	1,717	6.14	281	4.92	4.0	22.8
Sardegna	679	2.43	56	0.98	4.5	21.9
Islands	***2,396***	**8.56**	***337***	**5.90**	***4.1***	***22.6***
Total for Italy	***27,979***	100.00	***5,710***	100.00	***5.6***	***19.5***

* Source: ISTAT, Population resident in Italy as at 1 January 2018 - ** Source: ISTAT, 2017 GDP production side, December 2018.

The region with the greatest presence of agents and brokers is confirmed to be Lombardia, followed by Lazio, Piemonte, Veneto, Emilia Romagna and Toscana.

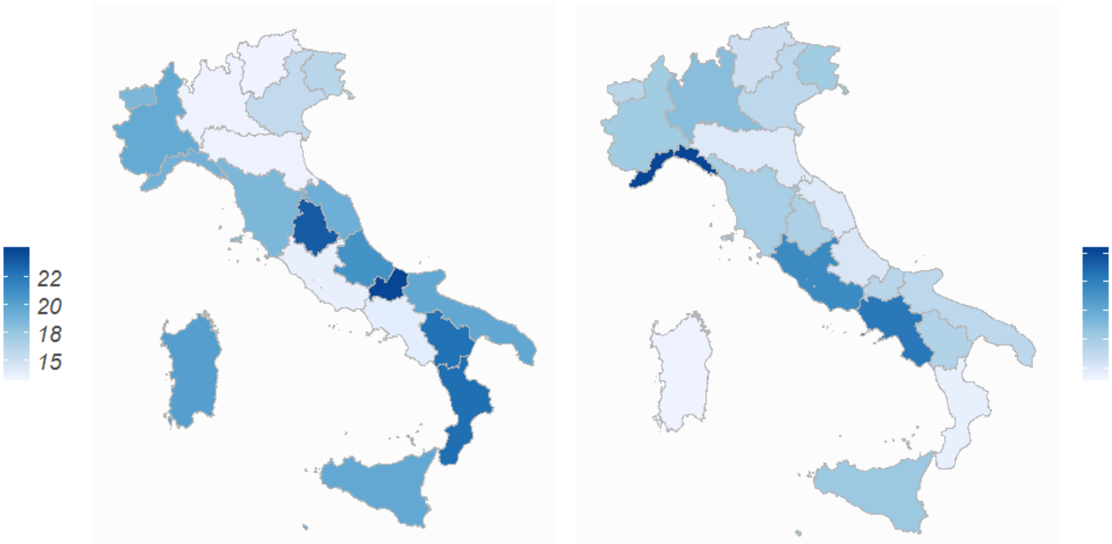
Fig. I.10 shows the distribution by Italian region of the number of intermediaries in relation to GDP, with the distinction between agents and brokers.

[6] Data referring to the residence of natural persons and the head office of companies.

Figure I.10

Distribution across the national territory of agents and brokers registered in the RUI
(number per billion euro of GDP)*

Agents **Brokers**



* Source: ISTAT, 2017 GDP production side, December 2018.

The gender data on the breakdown of intermediaries (natural persons) registered as at 31 December 2018 in sections A and B of the RUI (Table I.14) indicate that the intermediary profession is still characterised by a strong prevalence of the male component (78.1%). The figure remained unchanged compared to 2017.

Table I.14

Breakdown of the intermediaries registered in sections A and B of the RUI by gender and age brackets

(units and % values)

	MALES		FEMALES	
Age bracket	**Number**	**% of total M+F**	**Number**	**% of total M+F**
Up to 40	1,601	6.9	709	3.1
From 41 to 55	9,031	39.0	2,761	11.9
From 56 to 65	5,165	22.3	1,193	5.1
Over 65	2,305	9.9	415	1.8
Total	**18,102**	**78.1**	**5,078**	**21.9**

3. - PREMIUM INCOME AND COSTS

3.1. - Market concentration

The premium income of the first five and ten insurance groups relative to the total Italian insurance market (Table I.15; for companies supervised by IVASS) represents a significant share, in the life sector equal to 62.8% for the first five groups and 79.1% for the first ten. For non-life business, the share of the first five groups is 68.2% and 85.0% for the first ten[7].

Table I.15

Concentration ratios for the top 5 and 10 groups – Life and non-life business*

(% values)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
first 5 groups									
Life	50.7%	55.2%	51.7%	58.6%	58.6%	60.0%	59.8%	65.6%	62.8%
Non-life	62.7%	68.9%	68.3%	72.5%	71.7%	70.7%	69.2%	68.9%	68.2%
Life and non-life	51.6%	52.9%	52.9%	59.8%	59.0%	59.9%	59.5%	62.9%	59.5%
first 10 groups									
Life	66.5%	70.2%	66.4%	71.9%	73.4%	74.0%	73.3%	80.9%	79.1%
Non-life	73.7%	83.4%	85.5%	86.5%	86.5%	83.9%	83.3%	85.5%	85.0%
Life and non-life	66.3%	71.1%	69.2%	73.3%	74.4%	74.5%	74.2%	79.9%	78.1%

* The historical series starts from 2010 due to lack of homogeneity in the definition of groups and in the calculation criteria compared to previous years.

With reference to the premium income of individual undertakings, the market shares changed as a result of significant changes, particularly in the life sector, and due to mergers and portfolio transfers: the first five undertakings operating in the life business collected 46% of the premiums in 2018 (48.7% in 2017); in the non-life market, the share amounted to 56.2% (57.6% in 2017).

3.2. - Overview

In 2018, gross premiums written recorded for the Italian and foreign portfolio of undertakings supervised by IVASS[8] were 138.7 billion euro, with an increase of 3% compared to 2017 (Table I.16).

Premiums of the Italian direct and indirect insurance portfolio amounted to 136.1 billion euro (+3.2% compared to 2017).

[7] In the banking sector, in 2018 the first 5 groups represent 50.3% of total deposits of residents and bonds issued (see www.bancaditalia.it/pubblicazioni/relazione-annuale/2018/app_2018_totale.pdf, page 67).

[8] For an overview of the premium income in Italy, including foreign undertakings under the right of establishment and fos, please refer to par. 2.2.

Table I.16

Premium income of the Italian and foreign, direct and indirect, portfolio						
						(million euro and % changes)
Year	Direct portfolio Italy			Total for Italy (direct and indirect portfolio)	Total abroad (direct and indirect portfolio)	Total portfolio Italy and abroad (direct and indirect portfolio)
	Life	Non-life	Total			
2009	81,116	36,685	117,801	119,095	1,632	120,727
2010	90,114	35,606	125,720	126,951	1,904	128,855
2011	73,869	36,358	110,227	111,562	1,957	113,519
2012	69,715	35,413	105,128	106,126	2,236	108,362
2013	85,100	33,687	118,787	119,782	2,398	122,180
2014	110,518	32,800	143,318	144,248	2,276	146,524
2015	114,947	32,007	146,954	147,878	2,484	150,362
2016	102,252	31,954	134,206	135,123	3,066	138,189
2017	98,611	32,338	130,948	131,822	2,763	134,585
2018	102,048	33,096	135,144	136,074	2,612	138,686
Change 2018/2017	*3.5*	*2.3*	*3.2*	*3.2*	*-5.5*	*3.0*
Change 2018/2009	*25.8*	*-9.8*	*14.7*	*14.3*	*60.0*	*14.9*

The ratio between premiums of the Italian direct portfolio and the gross domestic product (GDP[9]) increased from 7.6% in 2017 to 7.7% in 2018. The premiums/GDP ratio for the non-life business remained stable, while the ratio for the life business increased (from 5.7% to 5.8%, Table I.17).

Table I.17

Insurance penetration rate *(Incidence of premiums of the Italian direct portfolio over Gross Domestic Product - GDP)*										
										(% values)
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Life	5.2%	5.6%	4.5%	4.3%	5.3%	6.8%	7.0%	6.1%	5.7%	5.8%
Non-life	2.3%	2.2%	2.2%	2.2%	2.1%	2.0%	1.9%	1.9%	1.9%	1.9%
Life and non-life	7.5%	7.8%	6.7%	6.5%	7.4%	8.8%	8.9%	7.9%	7.6%	7.7%

3.3. - Premiums for life business

3.3.1. - *General performance of life premium income*

The class I products (assurance on the length of human life) increased by 5.5%, after two consecutive years of decline, by 14.7% in 2017 and 5.4% in 2018, whilst class III products (index and unit-linked) recorded a 4.5% decrease, the opposite of the strongly positive

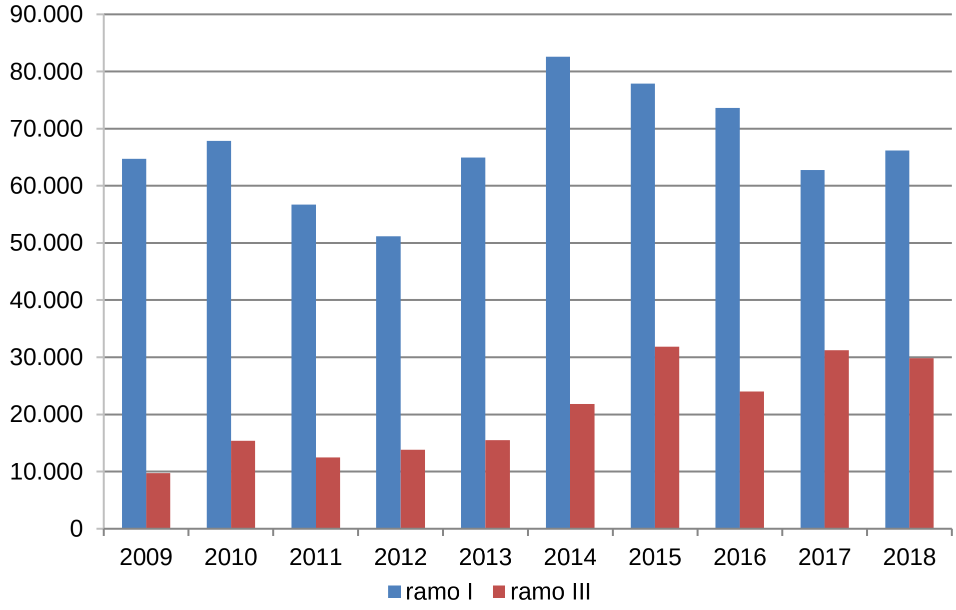
[9] GDP at year end at market prices: Source: ISTAT, data revised as at April 2019.

performance of the previous year (+30.1%). Overall, premium income in Classes I and III amounted to 96,019 million euro for 2018 (94.1% of total life premium income, Fig. I.11).

Concerning the other classes, Class V recorded an increase (capital redemption policies, Table 10 in the Appendix), after three consecutive years of decline, and Class VI (pension funds), which still represents a limited market share (2% of life premium income), continues to increase, for the fifth consecutive year.

Figure I.11

Life premium income in Classes I and III
(million euro)



Net premium income (the balance between premiums and claims incurred) increased in 2018 compared to the previous year, due to the increase in premiums being higher than the increase in claims incurred (Table I.18). This led to a slight decrease in the ratio of claims incurred over premiums from 72.2% in 2017 to 71.8% in 2018. The ratio of surrenders (a component of claims incurred) over premiums also decreased slightly, from 44.7% in 2017 to 44.3% in 2018.

Table I.18

Life business - premiums and claims burden - Italian direct business										
(million euro and % values)										
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Life premiums (A)	81,116	90,114	73,869	69,715	85,100	110,518	114,947	102,252	98,611	102,048
Claims burden (B)	57,198	66,801	73,971	75,022	66,788	64,577	71,196	62,932	71,155	73,224
Net income (A)-(B)	23,918	23,313	102	-5,306	18,312	45,941	43,751	39,320	27,456	28,832
Claims/pre-miums (B)/(A) %	70.5	74.1	100.1	107.6	78.5	58.4	61.9	61.5	72.2	71.8
of which: surren-ders/premi-ums	*39.5*	*40.5*	*62.9*	*67.7*	*47.4*	*34.1*	*37.2*	*39.0*	*44.8*	*44.3*

3.3.2. - *The premiums of individual life assurance products*

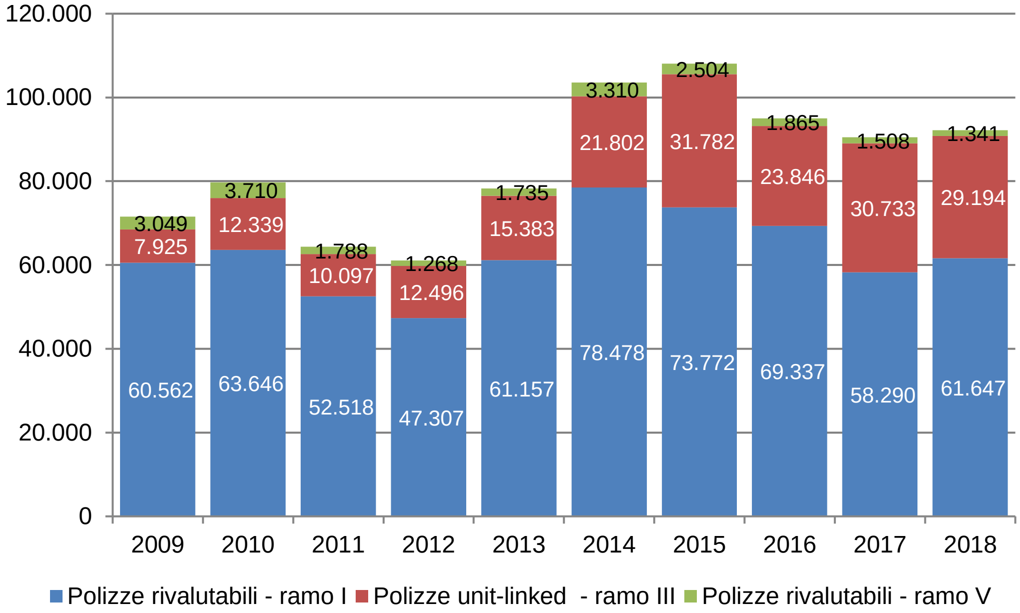
In 2018, premium income for individual policies accounted for 92.9% of life assurance income (Table 11 in the Appendix).

The composition of life assurance products among traditional Class I and V products (respectively, assurance on the length of human life and capital redemption operations) and class III products (linked policies[10]) has changed, albeit slightly: at the end of the year, the first of these stood at 66.4% of the total individual products (64.4% in 2017), while the second had a 31.4% impact (33.6% in 2017).

10 From 2013, linked policies have been almost exclusively composed of unit products, which represent 97.9% of the total linked policies at the end of 2018.

Figure I.12

Breakdown of individual policies
(million euro)



3.4. - Premiums for non-life business

The non-life business (direct Italian business) grew by 2.3% in 2018, strengthening the positive change of 2017 (+1.2%). The recovery in premium income is mainly due to the sectors of health (+5.6% in 2017 and +3.5% in 2018) and property (+2.5% and +2.7%), which account for 35.9% of premium income in the non-life classes of Italian direct business. The following sectors also increased: legal expenses and assistance (+5.9%), credit and suretyship (+4.3%) and general liability (+3.3%). The motor insurance sector[11] recorded an inversion of the trend (+1.1% compared to 2017) after six consecutive years of decreases. Only the transport sector is in decline (-4.6%).

Table I.19

Non-life premium income (premiums written of Italian direct business)

(million euro and % values)

Sector	Insurance class	2017	% Inci-dence	Δ%	2018	% Inci-dence	Δ%
Health	Accidents	3,087	9.5%	2.6%	3,096	9.4%	0.3%
	Sickness	2,571	8.0%	9.5%	2,763	8.3%	7.4%
	Total	**5,658**	**17.5%**	**5.6%**	**5,859**	**17.7%**	**3.5%**
Motor insurance	MTPL	13,203	40.8%	-2.2%	13,220	39.9%	0.1%
	Liability for ships	31	0.1%	-2.0%	32	0.1%	3.5%
	Land vehicles	2,800	8.7%	6.3%	2,966	9.0%	5.9%
	Total	**16,034**	**49.6%**	**-0.8%**	**16,218**	**49.0%**	**1.1%**

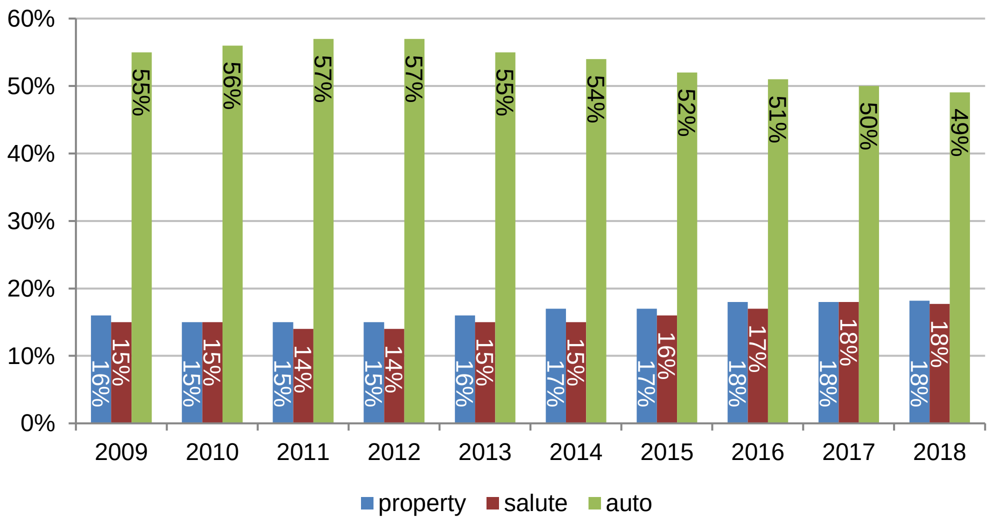
[11] Motor insurance comprises MTPL, liability for ships and land vehicles insurance.

Non-life premium income (premiums written of Italian direct business)							
							(million euro and % values)
Sector	**Insurance class**	**2017**	**% Incidence**	**Δ%**	**2018**	**% Incidence**	**Δ%**
Transport	Railway rolling stock	6	0.0%	-0.2%	8	0.0%	20.3%
	Aircraft	14	0.0%	-24.7%	9	0.0%	-33.8%
	Ships	227	0.7%	-2.1%	204	0.6%	-10.2%
	Goods in transit	170	0.5%	2.5%	176	0.5%	4.1%
	Aircraft liability	8	0.0%	-28.6%	8	0.0%	1.6%
	Total	**425**	**1.3%**	**-2.0%**	**406**	**1.2%**	**-4.6%**
Property	Fire and natural forces	2,402	7.4%	1.0%	2,469	7.5%	2.8%
	Other damage to property	2,799	8.7%	1.4%	2,938	8.9%	5.0%
	Financial loss	602	1.9%	14.3%	612	1.8%	1.5%
	Total	**5,802**	**17.9%**	**2.5%**	**6,018**	**18.2%**	**3.7%**
General liability		**2,924**	**9.0%**	**0.9%**	**3,021**	**9.1%**	**3.3%**
Credit and suretyship	Credit	66	0.2%	-2.6%	71	0.2%	7.5%
	Suretyship	382	1.2%	-1.3%	397	1.2%	3.8%
	Total	**448**	**1.4%**	**-1.5%**	**467**	**1.4%**	**4.3%**
Legal expenses and assistance	Legal expenses	362	1.1%	6.3%	381	1.2%	5.1%
	Assistance	683	2.1%	5.9%	726	2.2%	6.3%
	Total	**1,045**	**3.2%**	**6.0%**	**1,107**	**3.4%**	**5.9%**
	Total Non-life	**32,338**	**100.0%**	**1.2%**	**33,096**	**100.0%**	**2.3%**

Fig. I.13 shows, for the main insurance sectors (motor, health and property), their share in terms of premium income over total non-life business from 2009 to 2018. In the ten-year time interval, the share of the motor sector declined by almost 6%, this percentage was absorbed by the health and property sectors, whose weight grew, respectively, by +3.1% and +2.7%.

Figure I.13

Shares (%) of the motor, health and property sectors over total non-life business



In the general liability business, medical liability insurance is particularly important for its social role in protecting patients harmed as a result of healthcare procedure errors. The premium income in Italy to cover this risk amounts to 613.3 million euro (up slightly compared to 585.5 million euro in 2017). The growth in premium income is due to the increase in the number of units insured within private healthcare structures and healthcare professionals. At the same time, the decrease continues in the number of public structures insured, which show an increasing tendency to add self- retention measures to the insurance (allocations for this purpose amounted to 592.4 million euro in 2017, an increase of 16% compared to the previous year).

3.5. - The distribution and the related costs

3.5.1. - *The distribution and costs of life business*

Again in 2018, banks and post offices, with a share of 64.0%, constitute the channel most used in the life sector, recording an increase compared to the 61.0% of 2017. With reference to single contract types, the incidence of the banking channel on premium income for individual class I products reduced from 68% in 2017 to 65.8% in 2018, and that for class III products increased from 57.5% to 61.4%.

The significance of financial promoters[12] in the distribution of class I life products increased from 8.0% in 2017 to 10.2% in 2018, while class III premium income continued to decline, from 32.4% to 26.8%.

The share of agencies in the life business decreased, from 22.4% to 19.6%.

Table I.20

Distribution channels in life business

(% values)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Banks and post offices	53.7	58.8	60.3	54.7	48.6	59.1	62	63.1	62.3	61.0	64.0
Agencies	34.3	23.7	22.6	25.6	26.6	23.0	20.2	19.8	22.1	22.4	19.6
Financial promoters	10.1	16.3	15.8	18.3	23.3	16.7	16.8	16.3	14.4	15.3	15.4
Direct sales and brokers	1.9	1.2	1.3	1.4	1.5	1.2	1.0	0.8	1.2	1.3	1.0
Total channels	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

With reference to the Italian direct portfolio, there was a slight decrease in acquisition commissions relative to premiums (Table I.21; refer to I.4.4.3 for details of the ratio of commissions over premiums by type of company). In 2018, other acquisition costs in relation to premiums written increased, after the ratio halved between 2012 and 2015. This ratio includes the costs for issuing policies, for physical examinations if paid by the companies, the advertising expenses and the incentives to the network connected with achievement of the

[12] Hereafter, the term "Financial promoters" refers to "Financial advisors authorised to offer products away from business premises" in accordance with Law no. 208 of 28 December 2015 ("Stability Law for 2016"), in force since 1 January 2016.

production targets. The expenses for collection of the subsequent instalments of annual premium products decreased.

Table I.21

Cost/life premium ratios

(% values)

	2012	2013	2014	2015	2016	2017	2018
Acquisition commissions/Premiums (1st annual premium and single premiums)	2.76	2.45	2.12	2.16	2.33	2.42	2.35
Other acquisition costs/Premiums (1st annual premium and single premiums)	1.18	0.94	0.7	0.63	0.77	0.80	0.90
Collection commissions/Premiums (subsequent years)	1.80	1.98	1.89	2.28	1.58	1.74	1.61

The incidence of acquisition commissions on premiums is higher for traditional classes than for unit-linked, though to a lesser extent in 2018 when, compared to the previous year, a decrease was recorded in costs on traditional policies and an increase for class III policies.

Table I.22

Costs / premiums* - main life classes

(% values)

	2012	2013	2014	2015	2016	2017	2018
Acquisition commissions							
Class I	3.10	2.70	2.30	2.40	2.60	2.80	2.49
Class III	2.10	1.70	1.70	1.80	1.90	1.86	2.23
Other acquisition costs							
Class I	1.40	1.00	0.80	0.80	0.90	1.00	0.94
Class III	0.60	0.40	0.30	0.30	0.50	0.42	0.52

* Collection commissions are not included because they are very low in the two life classes considered.

a) Segregated funds

Undertakings withhold a percentage of the rate of return as loading for operating expenses or, for more recent products (see I.4.5.2), recognise the entire return and subsequently apply a fixed-rate withholding. Overall, the percentage withheld increased from 26.4% in 2012 to 34.5% in 2018 (Table I.23), despite the decline in rates of return on separately managed accounts (from 3.9% to 3.0%).

Table I.23

Returns realised and withheld on segregated funds							
(units, amounts in billion euro and % values)							
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Number of segregated funds (units)	411	374	363	345	303	305	299
Return withheld (billion euro)	3.2	3.7	4.4	4.5	4.6	5.4	5.4
Mathematical provisions (billion euro)	310	341	398	433	465	496	516
Average rate of return withheld (% mathematical prov.)	1.0	1.1	1.1	1.0	1.0	1.1	1.0
Average rate of return (% mathematical provisions)	3.9	3.9	3.8	3.6	3.2	3.1	3.0
Rate of return withheld/Average rate of return (%)	26.4	27.8	28.6	28.9	30.6	34.8	34.5

b) Class III policies

The undertakings withhold an additional cost margin from Class III managed assets as management commissions. The loading withheld fluctuates in the range of 1-1.1% of investments made in internal funds and UCITS (Class D.I), except in 2012 and 2013 when it varied between 0.8% and 0.9%. In 2018, the commissions on investments were 1.3%.

Table I.24

Commissions withheld and endorsed to the network on Class III products							
(billion euro and % values)							
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Commissions withheld (income)	0.7	0.8	1.0	1.2	1.4	1.5	1.8
Commissions endorsed to the network (charges)	0.4	0.6	0.7	0.8	1.0	1.1	1.2
Investments (Class D.I)	89.0	87.4	96.2	114.7	124.7	138.8	136.2
% Commissions/Investments (Class D.I)	*0.8*	*0.9*	*1.0*	*1.1*	*1.1*	*1.1*	*1.3*
% Commissions endorsed/withheld	*59.6*	*69.6*	*66.9*	*64.4*	*70.6*	*71.7*	*65.3*

The sales networks are remunerated through the commissions withheld. The percentage recognised to intermediaries has fluctuated between 60% in 2012 and over 70% in 2017 of commissions applied by companies. In 2018, the withdrawal endorsed to the placement networks was 65%.

3.5.2. - *The distribution and costs of non-life business*

The performance recorded in previous years continued in 2018, in which the composition of distribution channels for the non-life business (Table I.25) shows a decrease in the percentage brokered by the agencies channel - which in any event remains prevalent - against modest increases in the share of premiums collected through direct sales, banks and financial promoters.

Table I.25

Distribution channels in non-life business										
										(% values)
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Agencies	85.0	84.4	83.7	84.1	83.2	81.7	81.1	79.9	78.9	78.1
Brokers	8.4	8.0	8.0	7.4	7.6	8.5	8.2	9.2	9.5	9.6
Direct sale	3.9	4.1	4.7	5.2	5.5	5.7	5.8	5.3	5.2	5.7
Banks and financial promoters	2.7	3.5	3.6	3.3	3.7	4.1	4.9	5.7	6.4	6.7
Total channels	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

The breakdown of distribution costs for the Italian direct portfolio (Table I.26) shows a reversal of the trend in the ratio between acquisition commissions and premiums written which, after a constant performance in 2016 and 2017, saw an upturn in 2018. Collection commissions and other acquisition costs (advertising costs, incentives connected to the achievement of productivity targets and the remuneration of employees not commensurate with acquisition of the contracts) remained unchanged compared to premiums written.

Table I.26

Indicators of costs/non-life premiums							
							(% values)
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Acquisition commissions/Non-life premiums	12.8	13.2	13.5	14.3	14.9	14.9	15.4
Other acquisition costs/Non-life premiums	4.0	4.4	4.9	5.0	4.7	4.6	4.6
Collection commissions/Non-life premiums	2.7	2.8	2.7	2.5	2.4	2.4	2.3

Table I.27 shows - for the period 2012-2018 - the ratio of costs over premiums for lines of business with 2018 premium income above 2 billion euro.

Costs increased in all main non-life business classes except MTPL and general liability, where expenses decreased compared to 2017. In the land vehicles and accidents business the charges increased, respectively, by four percentage points and by more than one point, though earnings remained more or less unchanged compared to the previous year.

Table I.27

Incidence of commissions and other charges for the main non-life classes							
							(% values)
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Accident	22.9	23.9	24.5	25.2	26.2	26.3	27.5
Sickness	16.9	16.4	16.7	16.9	18.0	17.0	17.8
MTPL	12.8	13.7	14.7	14.8	14.6	14.5	14.1
Land vehicles	20.2	20.8	22.4	23.0	23.5	20.4	24.3
Fire	20.6	21.5	21.8	23.3	24.0	24.6	25.1
Other damage to property	19.7	20.3	20.2	22.9	23.5	23.8	23.9
General liability	20.2	20.7	21.3	22.6	23.1	24.0	23.5

4. - STATUTORY FINANCIAL STATEMENTS (LOCAL GAAP)

Statutory financial reporting, based on criteria defined in local gaap, coexists with market-consistent asset and liability measurements as required by Solvency II, which entered into force in 2016, and with the rules introduced by the IASB for the insurance market, where applicable (see III.1.4).

This paragraph (local gaap) and the next (Solvency II) provide data relating to companies supervised by IVASS in reference to the two different measurement systems[13].

4.1. - Balance Sheet

At the end of 2018, the investments of the Italian insurance market measured according to local gaap amounted to 799 billion euro, of which 89.3% (91.6% in 2017, Table I.28) in the life business (713.7 billion euro) and the remaining 10.7% (85.2 billion euro) in the non-life business. The investments were up by 2.6% when compared with 2017.

Table I.28

Summary of the Balance Sheet (local gaap)

(million euro and % values)

Item	2017	2018	Change 2018/2017	Item	2017	2018	Change 2018/2017
Assets				**Liabilities and shareholders' equity**			
Amounts owed by share-holders for subscribed capi-tal not yet paid in	0	0	0.0%	Non-life technical provisions	59,918	58,882	-1.7%
Intangible assets	6,374	6,095	-4.4%	Class C life tech-nical provisions	515,451	538,376	4.4%
Non-life investments	85,359	85,239	-0.1%	Class D life tech-nical provisions	154,077	152,004	-1.3%
Class C life investments	539,368	561,459	4.1%	Provisions for other risks and charges	2,186	2,127	-2.7%
Class D life investments	154,243	152,252	-1.3%	Deposits received from reinsurers	7,673	6,913	-9.9%
Reinsurers' share of non-life technical provisions	6,513	6,499	-0.2%	Creditors and other liabilities (including accruals and defer-rals)	26,205	26,604	1.5%
Reinsurers' share of life technical provisions	7,090	6,305	-11.1%				
Debtors	29,742	31,295	5.2%	Shareholders' eq-uity	66,794	65,488	-2.0%
Other assets (including ac-cruals and deferrals)	19,897	18,804	-5.5%	Subordinated liabil-ities	16,281	17,552	7.8%
Total assets	**848,585**	**867,947**	**2.3%**	**Total liabilities and shareholders' equity**	**848,585**	**867,947**	**2.3%**

[13] Solvency II metrics do not include the income part (profit and loss account) which instead is present in the local gaap financial statements. The latter are based on the cost principle for assets, while liabilities and especially technical provisions are also determined on the basis of prudential assessments (ultimate cost for non-life provisions and 1st order technical bases for life provisions, with the exception of linked policies, already measured at market values).

The life and non-life technical provisions amounted to 749.3 billion euro versus 729.4 billion euro at the end of 2017. In life business, the overall technical provisions amounted to 690.4 billion euro (669.5 in 2017), with a share of the provisions for contracts other than unit and index-linked or deriving from the management of pension funds amounting to 78%. The provisions of the non-life business decreased by 1.7% and amount to 58.9 billion euro.

4.2. - Shareholders' equity

At the end of 2018, the shareholders' equity of life and non-life undertakings amounted to 65.5 billion euro (66.8 billion euro in 2017), including own funds for 58.1 billion euro (57.8 billion euro in 2017), of which capital provisions for 42.7 billion euro and share capital, endowment and guarantee funds for 15.4 billion euro (Table 13 in the Appendix).

In relation to the financial market turbulence seen during 2018, IVASS Regulation no. 43 of 12 February 2019[14] introduced the option of extraordinary derogation from the valuation criteria, in the local gaap financial statements, for securities not held to maturity among the insurance company's assets (see III.3.2.1).

10 companies made use of the option (5 life, 4 non-life, 1 composite), belonging to 7 groups, for a total market share of 22.1% (26.7% in the life business and 7.9% in the non-life business). Of the financial instruments for which the companies adopted the option, 77.4% were bonds (77.1% in life, 86.7% in non-life business), followed by units in investment funds with 20% (respectively, 20.1% in life and 13% in non-life business) and 2.6% for shares (2.8% in life and 0.1% in non-life business).

The inalienable provision, gross of taxes, was 1,066 million euro (997 million euro in life, 69 million euro in non-life business). After tax, non-depreciation was 752 million euro (691 million euro in life, 61 million euro in non-life business) and was covered for 47.2% from profit for the year, 28.4% from retained earnings and from other available capital provisions, while 24.4% will need to be covered from profit in future years.

4.3. - Economic-financial operations

In 2018 insurance companies recorded, overall, a profit of 4.2 billion euro (6 billion in 2017, Table I.29); the decrease over the previous year is mainly due to life business.

Both sectors ended the year with a profit. In detail:

- in the life business, a profit for the year of 2 billion euro was reported in 2017, decreasing considerably compared to the previous year (3.5 billion euro) and equal to 1.9% of gross premiums written (3.5% in 2017);

[14] IVASS Regulation no. 43 of 12 February 2019 concerning the implementation of measures on the temporary suspension of capital losses on securities held for trade introduced by Law Decree no. 119 of 23 October 2018, containing urgent tax and financial measures, converted into Law no. 136 of 17 December 2018.

– in the non-life business, a profit for the year of 2.2 billion euro was reported, down slightly compared to the previous year (2.4 billion euro) and equal to 6.2% of gross premiums written (7.1% in 2017).

Table I.29

Profit / loss for the financial year - Life and non-life business

(million euro and % values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Life	3,807	296	-2,636	5,129	3,105	3,498	3,753	3,587	3,519	1,991
% of premiums	*4.6%*	*0.3%*	*-3.5%*	*7.2%*	*3.6%*	*3.1%*	*3.2%*	*3.4%*	*3.5%*	*1.9%*
Non-life	63	-998	-1,016	640	2,125	2,446	1,956	2,114	2,445	2,193
% of premiums	*0.2%*	*-2.7%*	*-2.7%*	*1.7%*	*6.0%*	*7.1%*	*5.8%*	*6.2%*	*7.1%*	*6.2%*
Total	**3,870**	**-703**	**-3,653**	**5,770**	**5,231**	**5,945**	**5,709**	**5,701**	**5,965**	**4,184**
% of premiums	*3.2%*	*-0.5%*	*-3.2%*	*5.3%*	*4.3%*	*4.1%*	*3.8%*	*4.1%*	*4.4%*	*3.0%*

The ROE (life and non-life) in 2018 was 6.4%, down compared to the six previous year (see I.4.4.2 for details on the breakdown of the ROE by type of company). In the life business, the ROE stood at 5.3%, a decrease compared to 2017 (9.1%), likewise, for the non-life business the ratio decreased to 7.8% (8.7% in 2017).

Table I.30

ROE of life and non-life business

(% values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Life	11.8%	1.0%	-9.3%	15.2%	8.0%	9.2%	9.6%	9.2%	9.1%	5.3%
Non-life	-0.1%	-4.8%	-5.1%	2.2%	8.2%	9.2%	7.2%	7.8%	8.7%	7.8%
Total	**6.8%**	**-1.4%**	**-7.6%**	**10.3%**	**8.1%**	**9.2%**	**8.6%**	**8.6%**	**8.9%**	**6.4%**

4.4. - Added value, profitability and efficiency by ownership structure and size of the insurance companies

4.4.1. - *Measurement of the insurance value added and insurance employees in the National Accounts*

The available data for international comparison of value added by sector are updated to 2016 when the insurance sector in Italy (including the limited contribution of pension funds)[15] represented 0.71% of the total value added (0.67% in 2015). The value was below the average of EU countries (0.93%, fig. I.14.a) and was positioned between France (0.34%) and the United Kingdom (1.68%).

The value added per worker in the Italian insurance sector stood at 235,000 euro (fig. I.14.b), recording a constant increase between 2010 and 2016 after the strong decline (-62%)

[15] Please refer to the IVASS 2016 Report (page 56) for a definition of the value added of the insurance sector (http://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/relazione-annuale/2017/Relazione_IVASS_2016.pdf).

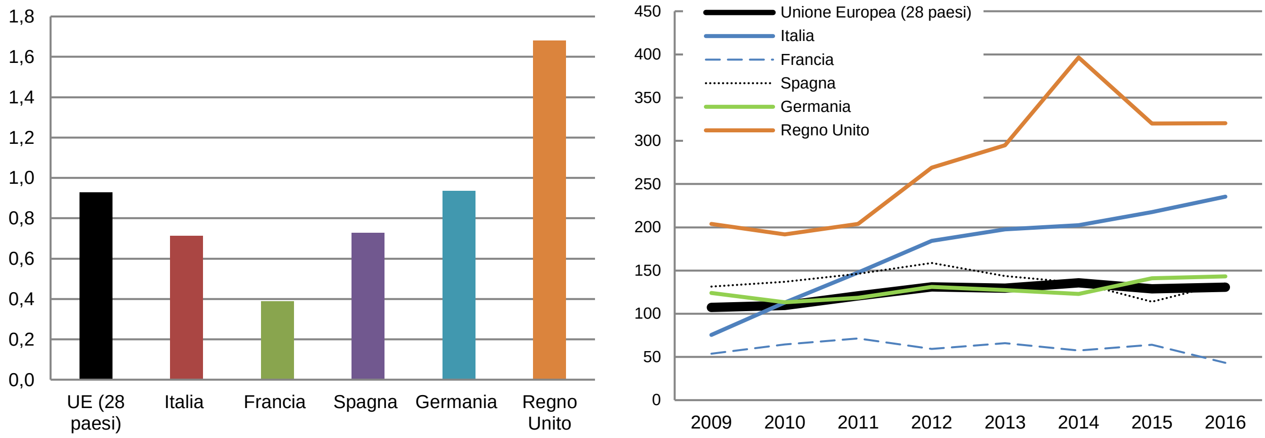
recorded in 2009, at the beginning of the economic crisis. Among the larger European countries, only the United Kingdom recorded a higher value, i.e. 320,000 euro. The average EU value was 131,000 euro, stationary since 2012.

Figure I.14

Value added of the insurance sector in major European Countries

(a) Share of total value added, 2016 *(% values)*

(b) Value added by worker, 2009-2016 *(thousand euro)*



Source: Eurostat, database of National Accounts.

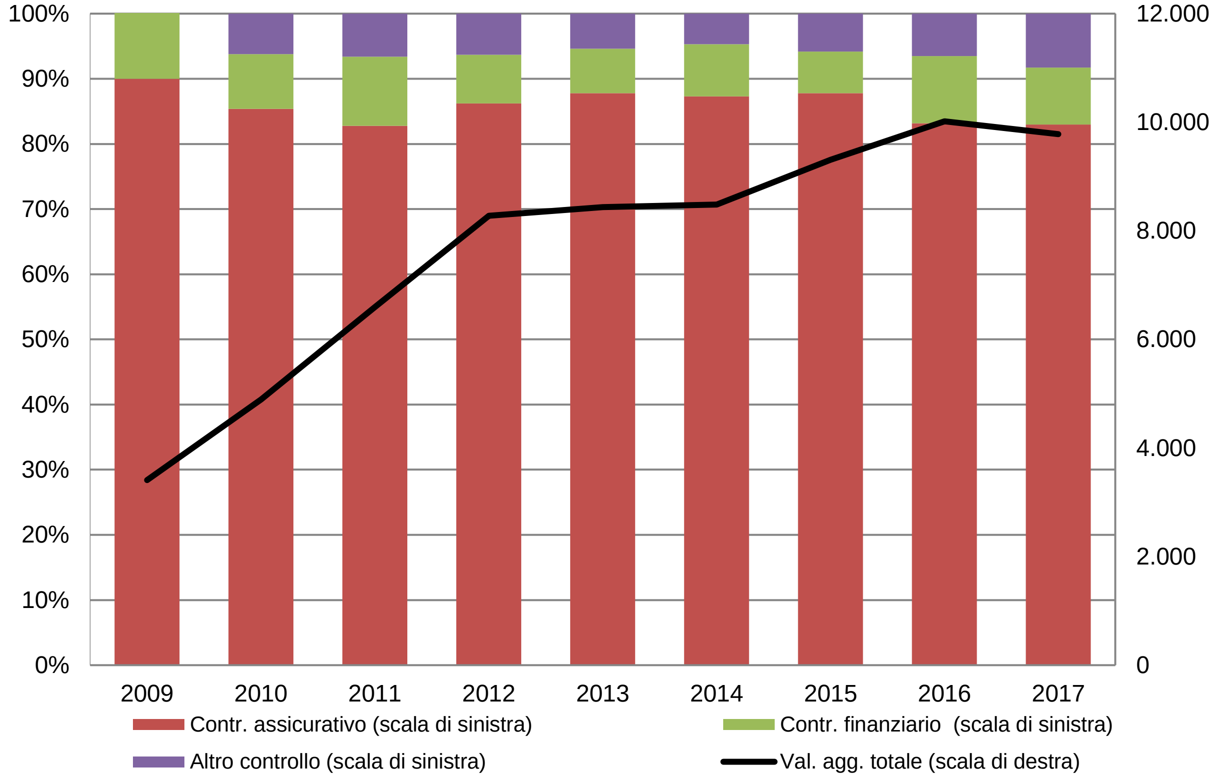
4.4.2. - *The insurance value added by ownership structure and company size*

The value added of the Italian insurance sector (net of pension funds), measured at current prices, amounted to 9.8 billion euro in 2017 (Fig. I.15), with the non-life business contributing 59.2% to the total. Compared to the previous year, the value added decreased by 2.3%, with a stronger decline in the life component than in non-life (respectively -3.4% and -1.6%). The ratio decreased for the first year since 2009.

83% of the value added refers to companies under insurance control, 8.7% to those controlled by financial conglomerates and the remaining 8.3% by other entities, among which the public sector is dominant. In the period 2009-2017, the share of value added of companies under insurance control fell by 7 percentage points, while growth was recorded by publicly-controlled companies, against substantial stability in the share of value added of companies belonging to financial groups.

Figure I.15

Total value added (life and non-life) of Italian insurance companies, 2009-2017
(millions of euro at current base prices)



The value added per worker in the life business was 370,000 euro in 2017 (-2.3% compared to 2016). In 2017, companies under financial control recorded value added per worker higher than that of companies under insurance control (406,000 euro compared to 321,000, fig. I.16.a1), with a gap narrowing compared to the previous year.

In terms of size, the productivity advantage of larger companies over others has persisted since 2015, even though the per capita value added of smaller companies increased between 2016 and 2017 (from 123,000 euro to 140,000 euro, fig. I.16.a.2).

The value added per worker in the non-life business, structurally lower than that of life business, was 194,000 euro in 2017 (+2.1% compared to 2016). Companies under insurance control are more productive than those under financial control, less active in the sector (fig. I.16.b.1). The higher productivity of larger companies has persisted over the years (fig. I.16.b.2), while that of smaller companies has increased for the second consecutive year.

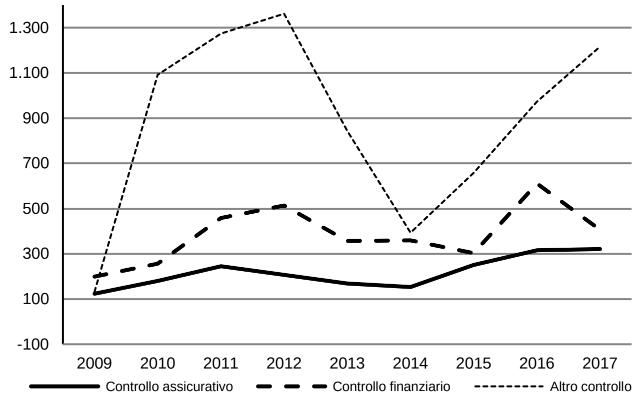
Figure I.16

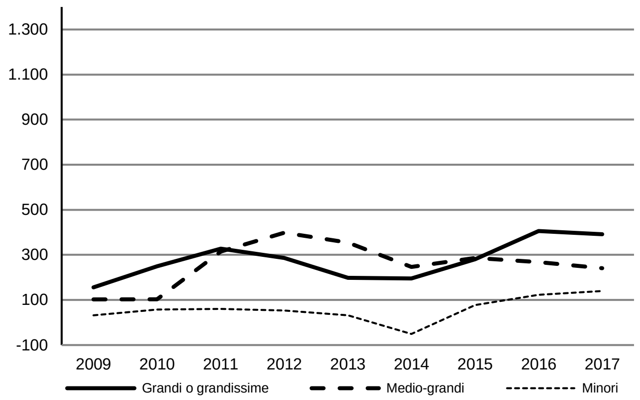
Value added per worker by type of control and size of Italian insurance companies

(thousands of euro at current base prices)

(a) Life

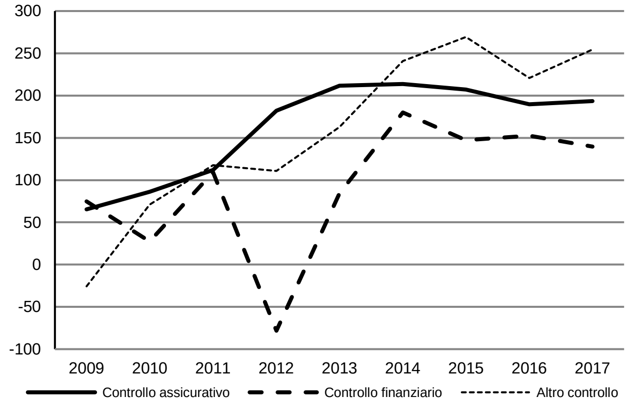
Type of control | **Size class**

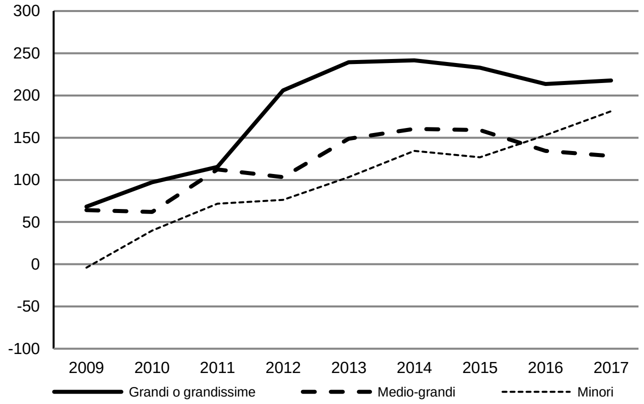




(b) Non-life

Type of control | **Size class**





4.4.3. - *Structure, profitability and efficiency of Italian insurance companies*

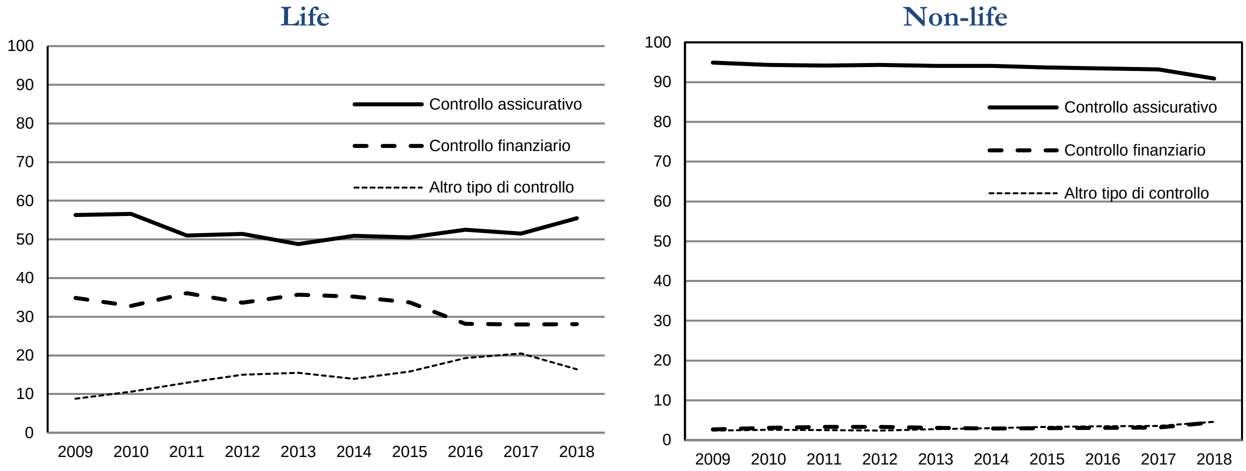
For the life business, in 2018 the share of premium income of companies under insurance control increased by four percentage points compared to the previous year (55.5% vs. 51.5%), against stability in the share of income from companies under financial control (28.1%) and a decline in that of other companies (where publicly-controlled companies dominate), falling from 20.5% to 16.4% (fig. I.17.a).

Premium income in the non-life business was mostly earned by the companies under insurance control (90.9% of 2018 income, fig. I.17.b), though their share decreased compared to 2017. The income component of companies under financial control is limited (4.5%), but has increased since 2015.

Figure I.17

Breakdown of the premiums of Italian insurance companies by type of control, 2009-2018

(% of total premiums)

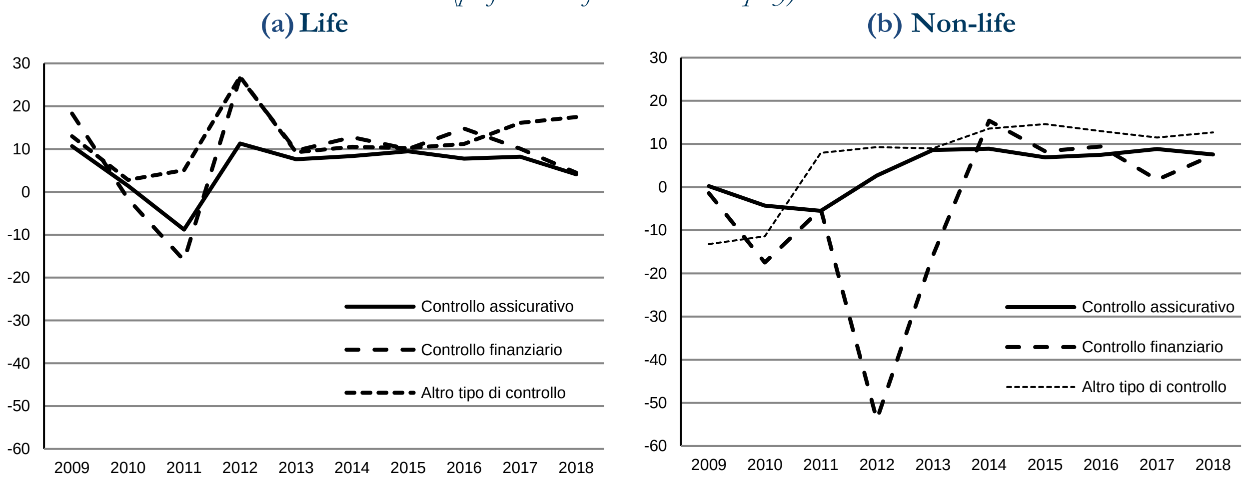


The return on equity, ROE, strongly declined overall in 2018 compared to 2017 (5.3% from 9.1%). The most marked decrease was in that of companies under financial control (4.5% vs. 10.1%, fig. I.18.a), while the ROE of companies other than under insurance and financial control, mainly publicly-controlled, increased slightly.

Figure I.18

ROE of Italian insurance companies by type of control, 2009-2018

(profit as % of shareholders' equity)



The decrease in ROE in the non-life business (7.8% in 2018 and 8.7% in the previous year) was more limited than that of the life business and was generated by the reduced profitability of companies under insurance control (which dominate the sector), not offset by the increased ROE of other companies (fig. I.18.b).

A general ratio is considered to measure the operating efficiency of insurance companies (the expense ratio), i.e. the ratio between operating expense and premiums, and a specific ratio for distribution efficiency, measured as the ratio between commission costs (which form part of operating expenses) and premiums.

The total expense ratio for the life business decreased slightly (3.9% in 2018 compared to 4.1% in 2017), due to a decline of 5 tenths of a point in the operating expenses/premiums ratio achieved by companies under insurance control (from 5.5% to 5%, fig. I.19.a). Compared to this group of companies, the ratio for other companies continues to stand at lower levels and has remained stable over the years.

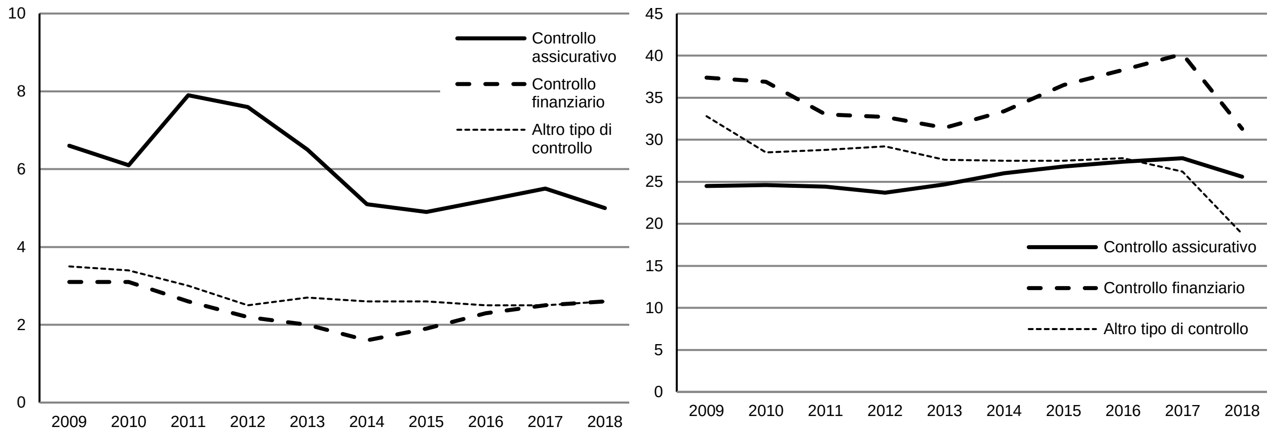
Operating expense containment applied in the non-life business, higher than life business with an expense ratio in 2018 of 25.6%, compared to 28.1% in 2017, was seen in all three undertaking groups (fig. I.19.b) though to a greater extent among companies not under insurance control, which at present have irrelevant market shares in the sector.

Figure I.19

Expense ratio of Italian insurance undertakings by type of control, 2009-2018

(operating expenses as a % of premiums)

(a) Life **(b) Non-life**



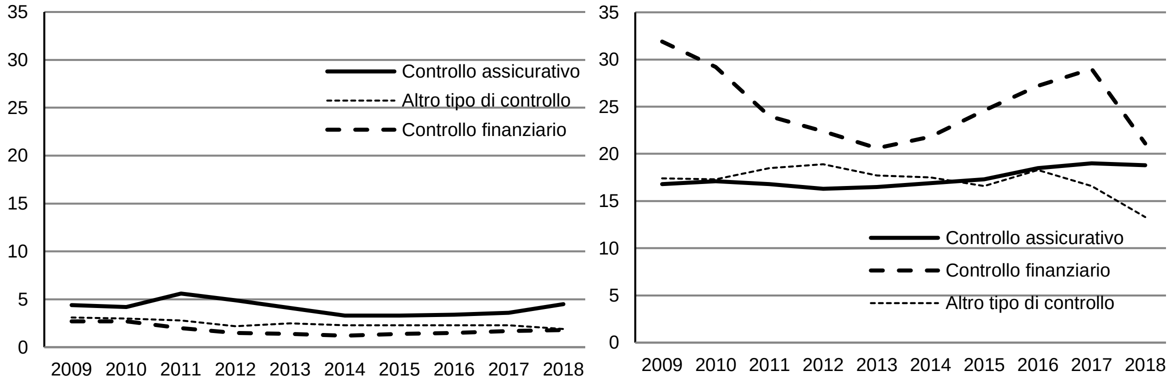
The commissions over premiums ratio increased by 4 tenths of a percentage point in the life business (3.1%, compared to 2.7% in 2017), due to the strong increase in the ratio recorded for companies under insurance control (4.5% in 2018 vs. 3.6% in 2017, fig. I.20.a). This widens the gap between the commission costs of companies under insurance control and those of companies under financial control, which tend to have lower distribution costs for life products.

In the non-life business there was an overall decrease in commission costs over premiums (from 19.2% in 2017 to 18.7% in 2018), especially for companies not under insurance control (fig. I.20.b).

Figure I.20

Commissions on premiums of Italian insurance companies by type of control, 2009-2018
(commissions as a % of premiums)

(a) Life **(b) Non-life**



Profitability for separate non-life classes is measurable by dividing the following two profit measurements by the number of risk units:

– the **balance on the technical account**, which is obtained by subtracting the following from premiums earned:

a.1) total operating expenses;

a.2) total cost of claims managed in the year, obtained by taking into account claims paid during the year and provisions at the end of the year, both relating to all years in which the claims were generated;

and lastly adding together:

a.3) investment return;

a.4) the balance of other technical items (with negative sign);

a.5) an adjusting factor that takes reinsurance into account.

– the **expected technical margin**, obtained by subtracting the following from premiums earned:

b.1) total operating expenses (quantity equivalent to a.1);

b.2) the cost of claims generated in the financial year, obtained by considering only amounts paid and the provisions relating to these claims.

The first case is a measurement of profitability in the final balance, which uses the total cost of claims referring to the financial year, in relation to claims generated in that year and in previous years. The second case is a forward-looking evaluation, based on technical provisions that are a forecast of funds necessary for the payment in future years of claims generated in the current year.

The two measurements differ in that:

– unlike the b.2 quantity, the a.2 quantity used for the balance of the technical account also considers previous claims generations and subtracts the balance of the provision for claims outstanding (hereinafter "balance of the provision") from profit, with an adjustment for amounts to be recovered in future years (gross balance of the provision).

The balance of the provision is obtained by subtracting amounts paid and the closing amount of the provision from the initial provision. This represents higher profit if it has a positive sign (only a part of the initial provision is used for payments and to set-up the closing provision), while the profit reduces if the sign is negative (the initial provision is not sufficient to meet payments and to set-up the closing provision);

- items a.3, a.4 and a.5, making up the balance of the technical account, are not considered in the expected technical margin.

For the main non-life classes, for 2008-2017 two sets of charts (fig. I.21) separately indicate:

- the unit balance of the technical account (net and gross of investment returns) and the expected unit technical margin;
- the components of the balance of the technical account not included in the expected technical margin (investment returns, gross balance of the provision, balance of other technical items, expressed as percentages of premiums earned), which are useful in explaining the difference between expected and achieved profitability.

For **MTPL** (fig. I.21.1), until 2012 the expected unit profitability remained above that of the technical account, mainly due to the negative contribution of the gross balance of the provision. In subsequent years the gross balance of the provision turned positive and, consequently, the net balance of the technical account and expected unit profitability were realigned. From 2013, the contribution of investment returns allowed the achievement of a gross unit balance of the technical account higher than the expected unit technical margin (in 2017 they were 17.8 and -4.7 euro, respectively).

In **land vehicles**, the limited change in the balance of other technical items offers a unit balance of the technical account substantially correlated (correlation of 0.51) with the gross balance of the provision, again positive (fig. I.21.2). From 2016, the expected margin became higher than the gross balance of the technical account due to the decrease in the gross balance of the provision (respectively, 14.1 and 10.2 in 2017).

For **general liability**, as for MTPL, the gross balance of the provision was initially negative and began to increase from 2013 (fig. I.21.3). The unit balance of the technical account likewise increased, with the balance gross of investments greater than the expected unit technical margin from 2014 onwards. Unlike MTPL, all 3 profitability ratios increased in recent years. In 2017, the gross profitability of the technical account amounted to 53.2 euro, and the expected margin at 7.6 euro.

With reference to **sickness** insurance, the unit balance of the technical account was determined by the gross balance of the provision (correlation of 0.98) which, initially negative, became positive from 2010 (fig. I.21.4). From 2011, the profitability ratios for the technical account are higher than those of the expected margin, but go back to below the margin from 2016 due to the decrease in the gross balance of the provision and the same-time increase in the balance of other technical items. In 2017, the gross profitability of the technical account was 8.9 euro, and the expected profitability was 16.1 euro.

The performances of the indicators in the **accident** class were very similar to those of sickness insurance (fig. I.21.5). In more recent years, the profitability ratios show values that are very similar (in 2017 the expected unit technical margin was 14.1 euro).

For **fire and natural forces**, the profitability ratios achieved show similar performances, albeit with a different extent of changes (fig. I.21.6). The profitability of the technical account is broadly explained by the gross balance of the provision (correlation of 0.82). The three different profitability values since 2015 have tended to be very close, all becoming negative in 2017 (the gross unit balance of the technical account was -9.2 euro).

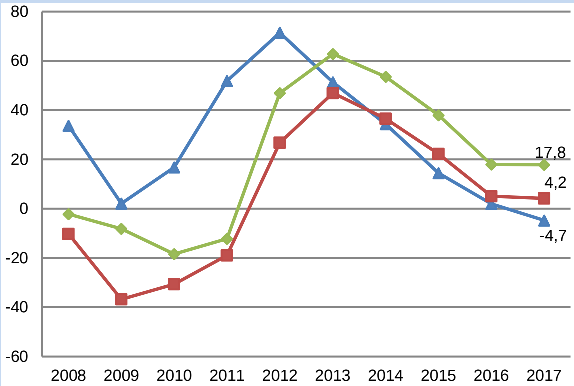
Figure I.21

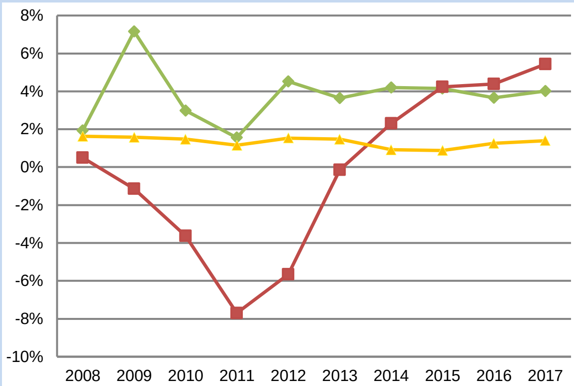
Non-life business
Per-risk-unit profitability and main determining factors of profitability

(a) Per-risk-unit profitability indicators
(euro)

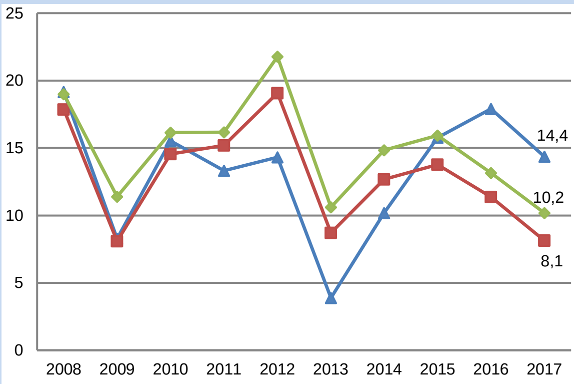
(b) Determining factors of the balance of the technical account not included in the expected technical margin
(% of premiums earned)

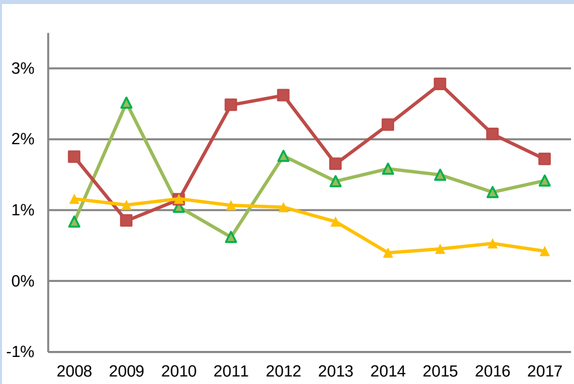
1. MTPL



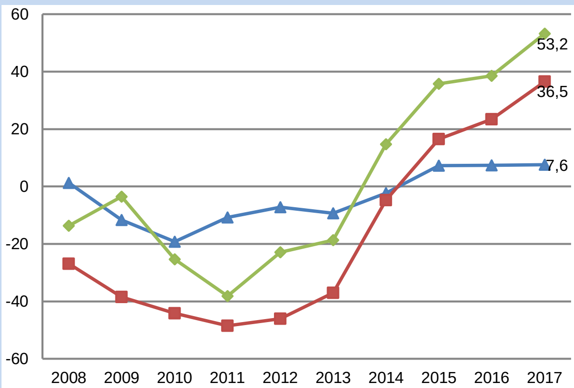


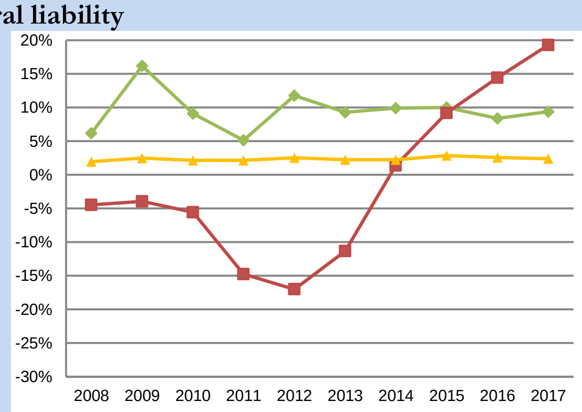
2. Land vehicles

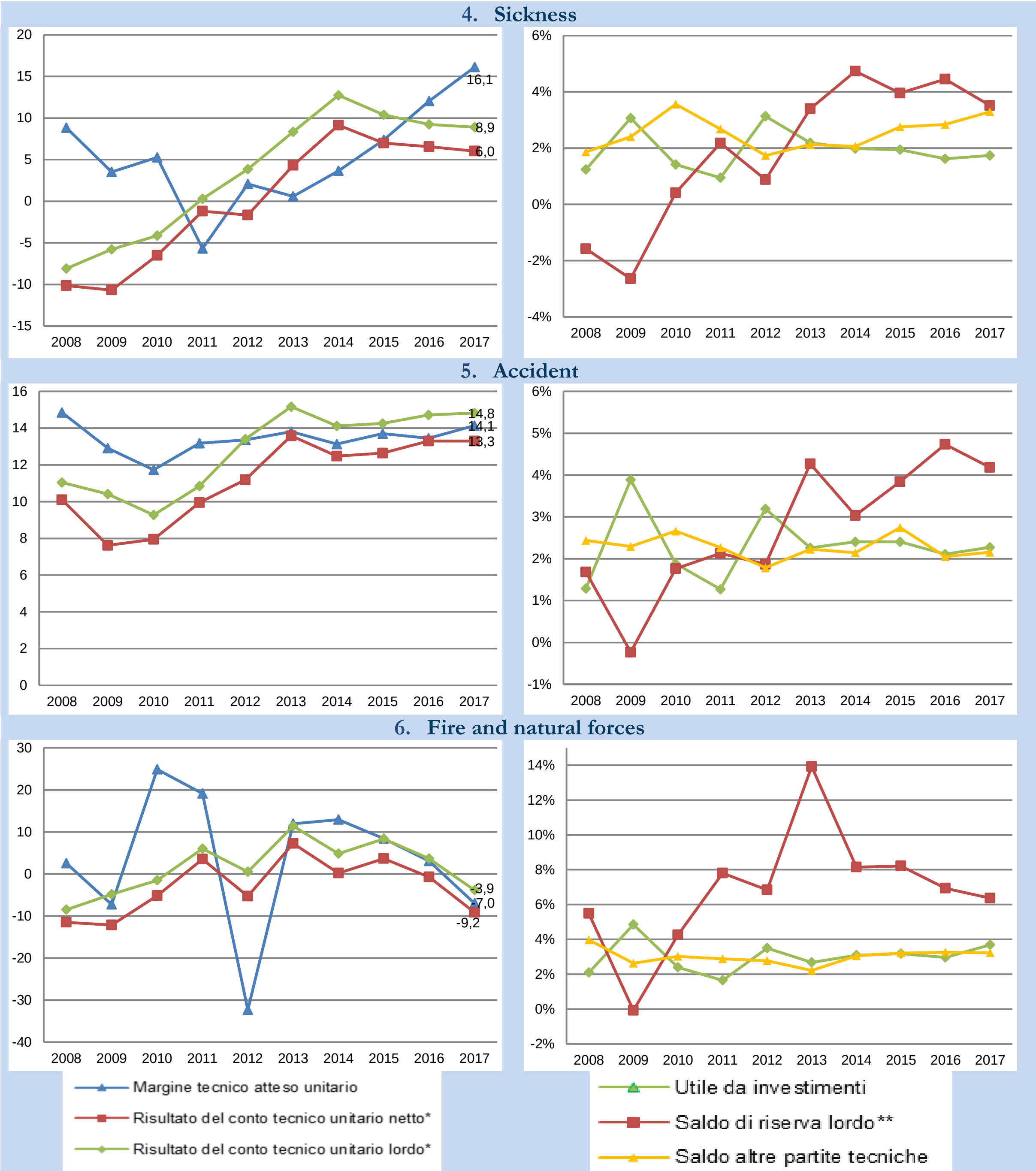




3. General liability







* Net or gross of investment returns. - ** Gross of amounts to be recovered.

4.5. - Management of life classes

The life business (Italian and foreign, insurance and reinsurance portfolio) disclosed a positive balance on the technical account of 0.8 billion euro (3.4 billion euro in 2017, Table I.31). The balance on the technical account for the life business represents 22.5% (51.6% in 2017) of the total balance on the technical account for the life and non-life business, which stood at 3.7 billion euro (6.5 billion euro in 2017).

Table I.31

Profit and loss account of the life business - domestic undertakings and branches of non-EU undertakings*
(Italian and foreign portfolio – insurance and reinsurance business)

(million euro and % values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Premiums for the financial year	81,409	90,592	74,368	70,376	85,756	110,963	115,504	103,177	99,280	102,608
Investment income (net of charges)	12,554	9,279	6,404	18,248	15,390	16,717	16,556	16,876	16,681	13,769
Net class D income and gains	13,029	4,574	-2,801	9,197	4,860	6,366	1,748	2,079	3,867	-11,100
Other technical items	-88	-146	-240	-322	-391	-443	-403	-381	-407	-369
Claims charges	-57,342	-66,999	-74,177	-75,296	-66,999	-64,651	-71,239	-63,383	-71,749	-73,190
Changes in class C technical provisions	-40,865	-37,359	-15,794	-9,996	-30,426	-49,913	-37,087	-38,057	-23,877	-24,845
Changes in class D technical provisions	-109	5,030	13,150	-129	283	-10,374	-16,429	-10,792	-14,627	-597
Operating expenses	-4,169	-4,399	-3,961	-3,521	-3,684	-3,884	-4,064	-3,994	-4,033	-4,002
Allocated investment return transferred to the non-technical account	-1,177	-839	-265	-1,626	-1,444	-1,917	-1,821	-1,824	-1,773	-1,445
BALANCE ON THE TECHNICAL ACCOUNT	**3,242**	**-266**	**-3,316**	**6,931**	**3,344**	**2,864**	**2,765**	**3,701**	**3,362**	**828**
Allocated investment return transferred from the technical account	1,177	839	265	1,626	1,444	1,917	1,821	1,824	1,773	1,445
Other net income	-83	-578	-603	-627	-828	-563	-636	-814	-886	-914
PROFIT OR LOSS ON ORDINARY BUSINESS	**4,336**	**-5**	**-3,654**	**7,930**	**3,960**	**4,219**	**3,951**	**4,711**	**4,242**	**1,360**
EXTRAORDINARY PROFIT OR LOSS	**807**	**396**	**93**	**-29**	**841**	**511**	**939**	**87**	**250**	**365**
Tax on profit or loss	-1,336	-96	925	-2,772	-1,696	-1,231	-1,136	-1,211	-950	267
PROFIT OR LOSS FOR THE FINANCIAL YEAR	**3,807**	**296**	**-2,636**	**5,129**	**3,105**	**3,498**	**3,753**	**3,587**	**3,519**	**1,991**
Claims incurred as a % of premiums (a)	*70.4*	*74.0*	*99.7*	*107.0*	*78.1*	*58.3*	*61.7*	*61.4*	*72.3*	*71.3*
Expense ratio in % (b)	*5.1*	*4.9*	*5.3*	*5.0*	*4.3*	*3.5*	*3.5*	*3.9*	*4.1*	*3.9*
Combined ratio in % (a)+(b)	*75.6*	*78.8*	*105.1*	*112.0*	*82.4*	*61.8*	*65.2*	*65.3*	*76.3*	*75.2*

* The negative sign in front of the change in the provisions indicates their increase; vice versa, the positive sign indicates a decrease.

Income from ordinary financial operations, net of financial charges, amounted to 13.8 billion euro, with a decrease of three billion euro compared to the previous year.

Financial charges increased by 64% to 6.8 billion euro in 2018, versus to 4.2 billion euro in 2017 (Table I.32), and value adjustments on investments increased by 117.8%, from 1.9 billion euro in 2017 (46.2% of investment expenses) to 4.2 billion euro (61.4% of the expenses).

Table I.32

Life business - Financial charges and value adjustments

(million euro and % values)

	2012	2013	2014	2015	2016	2017	2018
Financial charges	3,683	3,809	3,508	4,759	4,316	4,157	6,817
of which: value adjustments	*1,896*	*1,496*	*1,367*	*1,901*	*1,832*	*1,921*	*4,183*
Ratios of adjustments/charges	51.5	39.3	39.0	39.9	42.5	46.2	61.4

The claims incurred, amounting to 73.2 billion euro, grew by +2% compared to 2017. The claims burden of just the Italian direct portfolio was attributable, for 61.7%, to surrenders (62% in 2017) and 24.4% to capital and accrued annuities (it was 24.8%).

Table I.33

Claims burden and surrenders over premiums
Life business - Italian direct portfolio

(million euro and % values)

Class	Item	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Class I	claims incurred/premiums (%)	44.8	52.6	77.6	88.5	64.5	51.3	63.2	59.3	73.4	75.9
	of which: surrenders/premiums (%)	*23.9*	*31.0*	*52.7*	*62.1*	*41.1*	*30.3*	*37.0*	*35.1*	*44.6*	*43.5*
Class III	claims incurred/premiums (%)	232.0	160.3	187.9	166.7	133.1	82.4	54.7	64.0	63.4	61.4
	of which: surrenders/premiums (%)	*133.4*	*82.7*	*99.0*	*84.9*	*69.6*	*46.0*	*35.8*	*48.8*	*40.3*	*45.2*
Class V	claims incurred/premiums (%)	107.6	112.7	193.6	190.9	101.1	75.2	104.4	104.3	140.6	93.3
	of which: surrenders/premiums (%)	*68.2*	*47.0*	*122.4*	*115.8*	*75.3*	*45.2*	*53.0*	*61.0*	*109.4*	*55.3*
Class VI	claims incurred/premiums (%)	11.3	36.1	27.3	72.1	69.8	50.8	54.7	58.6	82.2	51.9
	of which: surrenders/premiums (%)	*10.9*	*19.5*	*26.1*	*24.4*	*30.3*	*33.2*	*46.0*	*38.2*	*37.6*	*38.7*
Total	**claims incurred/premiums (%)**	**70.5**	**74.1**	**100.1**	**107.6**	**78.5**	**58.4**	**61.9**	**61.5**	**72.2**	**71.8**
	of which: surrenders/premiums (%)	*39.5*	*40.5*	*62.9*	*67.7*	*47.4*	*34.1*	*37.2*	*39.0*	*44.7*	*44.3*
	net income*	23,918	23,313	-102	-5,306	18,312	45,941	43,751	39,320	27,456	28,824

* Net income = premiums - claims burden.

Acquisition commissions accounted for 55.1% of operating expenses (56.2% in 2017), the other acquisition costs for 17.1% (16.9% in 2017), while collection commissions represented 6.9% (6.4% in 2017).

Class C technical provisions recorded an increase of 24.8 billion euro compared to the previous year (they grew by 23.9 billion euro in 2017).

In 2018, Class D technical provisions increased by just 0.6 billion euro after recording a considerable increase from 2014 to 2017 (10.4 billion euro in 2014, 16.4 billion euro in 2015, 10.8 billion euro in 2016 and 14.6 billion euro in 2017). The total increase in these provisions since 2014 is close to 53 billion euro.

The result from ordinary activities - in 2017 a profit of 4.2 billion euro - decreased considerably to 1.4 billion euro. The ratio between the result on ordinary activities and premiums earned in 2018 fell to 1.3% (4.3% in 2017).

The extraordinary income, net of charges, recorded a positive balance of 365 million euro (250 in 2017).

With reference to the technical accounts of the individual life classes:

- in 2010 and especially in 2011, years characterised by the sovereign debt crises, the Class I technical result was markedly negative (a loss of over 3 billion euro in 2011), whereas during the periods immediately following (2012-2017) it was positive (2.7 billion euro in 2017), corresponding with the recovery of the financial markets, which led to a substantial contribution of profits from investments into the technical account. In 2018, due to financial market volatility, the balance on the technical account, though remaining positive, reduced to a little over 0.3 billion euro;
- for Class III, the balance on the technical account was positive in 2018 (353 million euro), albeit down by -17.2% compared to the previous year;
- Class V exhibited a moderately negative result in 2018, i.e. -53 million euro, with a strong increase in income in the year (+49.3%) after three consecutive years of decreases (-24.1% in 2015, -21.9% in 2016 and -7% in 2017); the technical account of the class had positive results in 2009 and in the 2012-2015 time interval, i.e. in periods of recovery after the financial crisis and the sovereign debt crisis.

4.5.1. - *Segregated funds*

Life policies connected to segregated funds (with-profit policies) make up the majority of life insurance business. Table I.34 shows the historical series of the breakdown of assets assigned to the segregated funds.

Table I.34

Breakdown of assets assigned to the segregated funds in euro - carrying amounts (market total)											
											(billion euro and % values)
	2008	**2009**	**2010**	**2011**	**2012**	**2013***	**2014***	**2015***	**2016**	**2017**	**2018***
Fixed-income securities and bonds	179.2	214.7	252.6	267.9	280.7	290.7	340.9	370.8	401.4	419.5	433.4
of which: listed corporate bonds in euro	*58.9*	*70.2*	*73.7*	*67*	*64.4*	*84.2*	*87.7*	*108*	*112.4*	*115.4*	*115.6*
Equities	13.3	10.9	10.9	10.2	11.3	12.8	13.8	8.1	8.2	8.4	9.2
Other assets	19.4	22.5	22.1	27.3	29.2	28.5	33.3	51.7	61.8	74.5	83.3
of which: units of UCITS	*10.1*	*12.6*	*14.3*	*16.4*	*17.3*	*17.1*	*20.4*	*41.7*	*52.6*	*64.8*	*74.1*
Total Assets	**211.9**	**248.1**	**285.5**	**305.3**	**321.2**	**331.9**	**388.0**	**430.6**	**471.4**	**502.4**	**525.9**
Change in total assets (carrying amounts)	*-2.4%*	*17.1%*	*15.1%*	*6.9%*	*5.2%*	*3.3%*	*16.9%*	*11.0%*	*9.5%*	*6.6%*	*4.5%*
% of fixed-income securities and bonds	*84.6%*	*86.5%*	*88.5%*	*87.7%*	*87.4%*	*87.6%*	*87.9%*	*86.1%*	*85.2%*	*83.5%*	*82.4%*

* estimated data.

The increase in the carrying amount of the asset portfolio in segregated funds slowed from +6.6% in 2017 to +4.5% in 2018. There was a significant presence of bonds which still recognise sufficient returns to reach the guaranteed minimum rates, taking into account that the technical commitments (mathematical provisions) move on a multi-year horizon with a process of gradual emersion of the realised capital gains.

The average gross return (Table I.35) has declined in recent years but is still above 3%. The spread with the return of BTP was reduced. Fig. I.22 shows the average for each individual company of the guaranteed and realised returns in 2018.

Table I.35

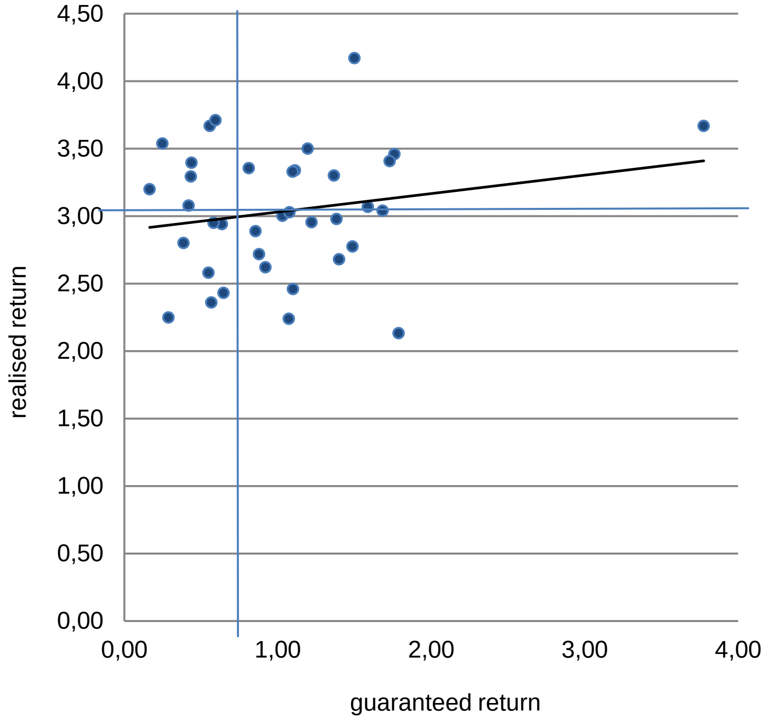
Return on separately managed accounts										
										(% values)
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Average gross return (%)	4.03	3.87	3.84	3.87	3.91	3.77	3.56	3.24	3.13	3.03
10-year guiding return of long-term Treasury bonds (%)	4.01	4.60	6.81	4.54	4.11	1.99	1.58	1.89	2.11	2.61

* Source: Statistical Bulletin of the Bank of Italy, Financial Market, Series [BMK0100] guide Government Bonds: gross returns at maturity.

Figure I.22

Segregated funds: guaranteed and realised return - average for individual undertakings*

(% values)



* The vertical and horizontal lines represent the average of the Italian market.

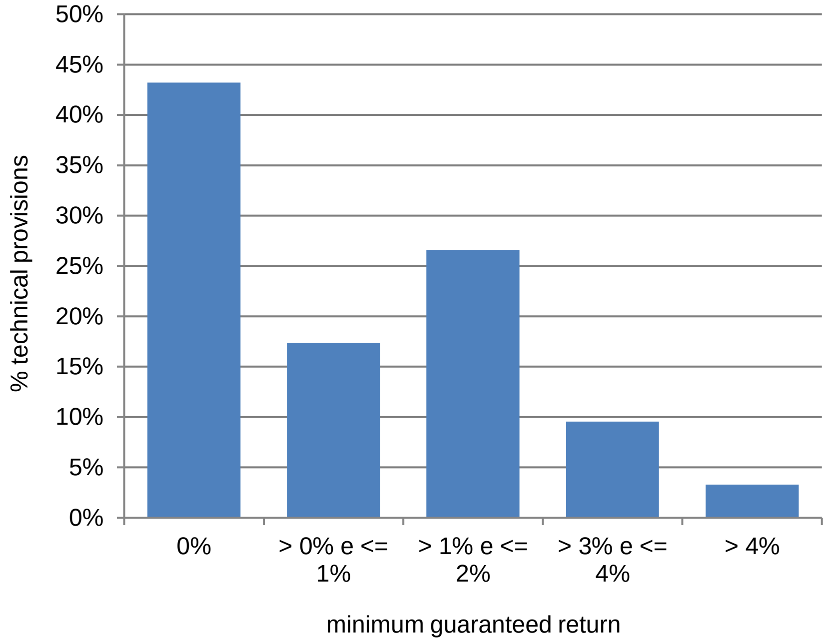
In terms of volumes, 43 companies established 299 separately managed accounts, totalling 516 billion euro in mathematical provisions (including any additional technical provisions, with the exclusion of the additional provision for guaranteed interest rate risk).

Of note (Fig. I.23) is the strong prevalence of the portion of technical provisions originated from products with a 0% guaranteed return (guaranteed repayment of capital), accounting for more than 40%. Products with a guaranteed return of between 1% and 2% retained a consistent share, over 25% in terms of technical provisions.

Figure I.23

Breakdown of technical provisions between guaranteed capital and guaranteed rate brackets - 2018*

(% values)



* Figure relating to 95% of with-profit policies in terms of technical provisions.

The profit fund introduced by IVASS Order no. 68/2018 was adopted by five insurance companies. These are five new segregated funds, four of which with first annual certification in October 2019 and the remainder in December 2019.

4.5.2. - *Premium rates of new life products*[16]

Table I.36 shows the trends of the new premium rates relating to with-profit insurance policies sold from 2015 to 2018, divided according to the type of premium. Individual and collective premium rates are included, along with the individual pension plans under Article 13 of Legislative Decree 252/2005.

Table I.36

New with-profit premium rates sold

(% values)

	2015	2016	2017	2018
Annual premium products	17.1	4.8	9.3	4.9
Single premium products	70.1	78.2	80.0	85.2
Recurring premium products	12.7	17.1	10.7	9.9

[16] Reference is made to the systematic notifications of the new premium rates relating to with-profit insurance policies transmitted as a result of IVASS Order no. 3/2013.

Among the new with-profit premium rates marketed in the last three years, a continuous increase emerges in the single premium forms (85% compared to 82% in 2017), recurring premium forms remain essentially unchanged (9.9% vs. 10.2% in 2017) and annual premium forms record a continuous decrease (4.9% compared to 9.3% in 2017).

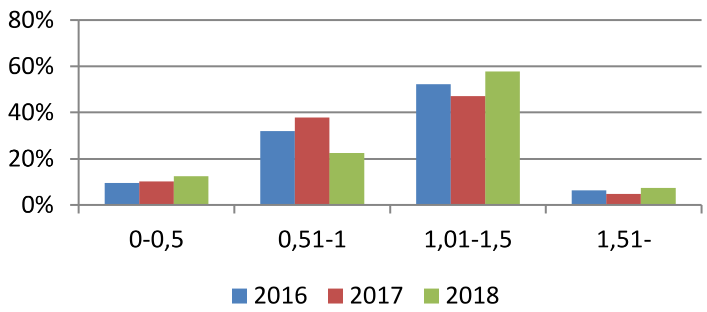
Examining the technical characteristics of the new with-profit premium rates placed on the insurance market, it is noted that the use of a technical rate of 0% has increased, from 73% of the new premium rates in 2017 to 86.6%. In 2018, among the new premium rates with 0% guaranteed rate, 94% involve recognition of the entire return achieved to the policyholder, net of a fixed percentage, while the remaining 6% envisage a minimum retrocession rate, of between 80% and 97%, to be applied to the rate of return. Taking into account the low interest rates on the market, one or the other method guarantee the undertakings a different retrocession by way of operating expenses (see I.3.5.1).

Note that with reference to the new with-profit premium rates at a technical rate of 0%, the companies that withhold from the realised revaluation rate a portion between 0.5% and 1% have remained largely unchanged, while those withholding a rate between 1.1% and 1.5% increased strongly from 47% in 2017 to 58% in 2018.

Figure I.24

Premium rates marketed for the new with-profit life products in the 2016-2018 time interval, broken down by classes of minimum return withheld

(% values)



4.6. - Management of non-life classes

The non-life business (Italian and foreign insurance and reinsurance portfolio) disclosed a technical profit of 2.9 billion euro (3.2 billion euro in 2017), accounting for 77.5% of the total balance of the technical account for life and non-life business, amounting to 3.7 billion euro (48.4% in 2017).

The profit for the year amounted to 2.2 billion euro (2.4 billion in 2017), positive for the seventh consecutive year (Table I.37), primarily due to the decline in the claim rate measured by the loss ratio which reached its lowest value of the decade, returning to the downward trend that halted in 2015.

Table I.37

Profit and loss account of the non-life business - Domestic undertakings and branches of non-EU undertakings
Italian and foreign portfolio – insurance and reinsurance business

(million euro and % values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Premiums earned	33,812	32,458	33,590	33,257	32,241	31,353	30,675	29,587	29,571	29,876
% Change	-0.7%	-4.0%	3.5%	-1.0%	-3.1%	-2.8%	-2.2%	-3.5%	-5.4%	1.0%
Investment return transferred from the non-technical account	2,439	1,095	640	1,660	1,262	1,346	1,288	1,161	1,278	828
Claims charges	-26,865	-25,106	-25,199	-23,480	-21,323	-20,187	-19,291	-18,826	-18,769	-18,746
Other technical items	-680	-662	-588	-651	-581	-509	-588	-599	-598	-566
Change in other technical provisions	3	5	0.2	0.5	2	1	0	-1	-2	-5.5
Operating expenses	-8,465	-8,141	-8,322	-8,018	-8,041	-8,245	-8,318	-8,219	-8,310	-8,511
Change in the equalisation provisions	-16	-23	-18	-4	-14	-12	-15	-14	-11	-16
BALANCE ON THE TECHNICAL ACCOUNT	**228**	**-375**	**106**	**2,765**	**3,546**	**3,747**	**3,751**	**3,089**	**3,157**	**2,860**
Net investment income	3,378	1,296	-93	1,754	2,087	2,270	2,149	2,283	2,673	2,152
Investment return transferred to the technical account	-2,439	-1,095	-640	-1,660	-1,262	-1,346	-1,288	-1,161	-1,278	-828
Other net income	-1,161	-1,185	-948	-1,295	-1,354	-1,502	-1,469	-1,437	-1,471	1,570
PROFIT OR LOSS ON ORDINARY BUSINESS	**6**	**-1,359**	**-1,576**	**1,563**	**3,018**	**3,170**	**3,143**	**2,773**	**3,081**	**2,614**
Extraordinary net income	33	218	386	1	473	450	72	137	208	176
Tax on profit or loss	24	143	174	-924	-1,365	-1,173	-1,259	-795	-844	-596
PROFIT OR LOSS FOR THE FINANCIAL YEAR	**63**	**-998**	**-1,016**	**640**	**2,125**	**2,446**	**1,956**	**2,114**	**2,445**	**2,193**
Loss ratio	*79.5%*	*77.3%*	*75.0%*	*70.6%*	*66.1%*	*64.4%*	*62.9%*	*63.6%*	*63.5%*	*62.7%*
Expense ratio	*25.0%*	*25.1%*	*24.8%*	*24.1%*	*24.9%*	*26.3%*	*27.1%*	*27.8%*	*28.1%*	*28.5%*
Combined ratio	*104.5 %*	*102.4 %*	*99.8%*	*94.7%*	*91.0%*	*90.7%*	*90.0%*	*91.4%*	*91.6%*	*91.2%*

Ordinary financial operations continue to record conspicuous net investment income, which stood at 2.2 billion euro compared to 2.7 billion euro in 2017. The lower income is due to the negative impact of market volatility, the widening of the spread on Italian government bonds and the decrease in stock prices that led to losses on disposals and value adjustments to investments held for trading.

The profit from ordinary operations in 2018 amounted to 2.6 billion euro, down compared to 3.1 billion euro in 2017.

The loss ratio fell to 62.7% (63.5% in 2017), a value considerably lower than the 79.5% of 2009. Operating expenses were on the rise (8.5 billion euro, versus 8.3 billion in 2017), in terms of premiums earned resulting in an increase in the expense ratio for the sixth consecutive year to reach 28.5% (24.1% in 2012). The combined ratio of 91.2% has remained essentially stable since 2013 due to the diverging performances of its two components (a decrease in the loss ratio and an increase in the expense ratio), fluctuating between 90% in 2015 and 91.6% in 2017, after a continuous decline from 2009 to 2013.

The contribution to the operating result from extraordinary income, net of charges, remained positive and amounted to 176 million euro (208 million euro in 2017).

4.6.1. - *MTPL and Liability for ships (sea, lake and river and canal vessels)*

Premiums earned in the mandatory civil liability classes (motor vehicles and ships, Table I.38), of 13.2 billion euro, were down slightly (-0.1%) on the previous year, and therefore the reduction tendency seen in the five previous years is seemingly coming to an end.

Table I.38

MTPL and liability for ships technical account - Domestic undertakings and branches of non-EU undertakings
Italian portfolio – insurance and reinsurance

(million euro and % values)

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Premiums earned	direct insurance	17,005	16,607	17,495	17,697	16,835	15,559	14,450	13,689	13,251	13,235
% Change		-4.5%	-2.4%	5.3%	1.2%	-4.9%	-7.6%	-7.1%	-5.3%	-3.2%	-0.1%
Claims incurred		-15,111	-14,467	-14,791	-13,110	-11,563	-10,818	-10,421	-10,421	-10,053	-10,073
(of which claims for the financial year):		-14,918	-13,865	-13,444	-12,108	-11,539	-11,176	-11,032	-11,022	-10,773	-10,631
Balance on other technical items		-267	-244	-202	-272	-248	-143	-127	-172	-185	-186
Operating expenses		-3,209	-3,116	-3,236	-3,233	-3,167	-3,187	-3,060	-2,900	-2,805	-2,795
Technical balance of direct insurance		**-1,582**	**-1,221**	**-735**	**1,083**	**1,857**	**1,410**	**842**	**196**	**208**	**180**
Profit or loss - outward reinsurance	direct insurance and reinsurance	22	-20	-26	-28	-44	-4	12	-1	-43	-34
Profit or loss of reinsurance		-48	-6	3	26	-7	0	-8	-18	5	7
Change in the equalisation provisions		0	0	0	0	0	0	0	0	0	0
Allocated investment return transferred from the non-technical account		1,228	504	275	802	617	658	609	503	532	313
Balance on the technical account net of reinsurance		**-380**	**-744**	**-482**	**1,887**	**2,423**	**2,064**	**1,452**	**680**	**702**	**466**
Loss ratio		*88.9%*	*87.1%*	*84.5%*	*74.1%*	*68.7%*	*69.6%*	*72.1%*	*76.1%*	*75.9%*	*76.1%*
Expense ratio		*18.9%*	*18.8%*	*18.5%*	*18.3%*	*18.8%*	*20.5%*	*21.2%*	*21.2%*	*21.2%*	*21.1%*
Combined ratio		*107.7%*	*105.9%*	*103.0%*	*92.3%*	*87.5%*	*90.1%*	*93.2%*	*97.3%*	*97.0%*	*97.2%*

The technical balance of direct business in 2018, amounting to 0.2 billion euro, was positive for the seventh consecutive year, stable compared to 2017 and 2016 but markedly smaller than in the 2012-2015 time interval. The balance on the technical account, net of reinsurance, ended positive for the seventh consecutive year.

The contribution of the portion of profit from investments transferred from the non-technical account fell by 40% compared to 2017 due to financial market volatility (from 532 million euro in 2017 to 313 million euro in 2018).

Operating expenses in 2018 amounted to 2.8 billion euro, stable compared to the previous year and their incidence on premiums earned (expense ratio) was 21.1% (21.2% in 2017).

The loss ratio remained stable in 2018 compared to the two previous years, amounting to 76.1% (75.9% in 2017 and 76.1% in 2016). The combined ratio was also stable at 97.2% (97% in 2017 and 97.3% in 2016), though with values significantly lower than the peak levels reached in the period 2009-2011.

With reference only to the claims occurred in 2018 (current claim generation), the loss ratio stood at 80.3%, a decrease compared to 2017 (81.3%) and practically at the same level as 2016 (80.5%), halting the growth recorded for five consecutive years from the minimum value of 68.4% in 2012. This trend influenced the combined ratio, calculated considering only the expenses for claims that occurred during the year, which was 101.4%, down on 2017 (102.5%) and therefore reversing the upward trend seen for 5 consecutive years (from the minimum of 86.7% recorded in 2011).

Table I.39 shows the time series of the savings/shortfall ratio of the provision for claims outstanding, gross and net of the balance of recoveries (recourses, etc.) at year end[17], to be compared with the combined ratio in Table I.38

Table I.39

Balance on the provision for claims outstanding (PCO) over premiums earned

(% values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PCO savings/ shortfall - gross of balance on sums recoverable	-4.2%	-7.4%	-14.4%	-6.5%	-0.9%	0.9%	3.2%	3.4%	4.4%	3.2%
PCO savings/ shortfall - net of balance on sums recoverable	-1.1%	-3.6%	-7.7%	-5.7%	-0.1%	2.3%	4.2%	4.4%	5.4%	4.2%

The balance of the provisions for claims outstanding in previous years shows a saving for the fifth consecutive year, equal to 4.2% of the premiums earned in 2018. This shows that the provisions for claims outstanding for MTPL have, for the last five years, proven to be more than sufficient overall for the payment of the claims relating to the old generations (prior to that for the year of the financial statements).

[17] The savings/shortfall ratio gross of the balance of the recoveries indicates the pure sufficiency/insufficiency of the provision for claims outstanding due to the payments and the revaluation of the residual provision at year end. The same index, net, includes the positive contribution of the recoveries.

The time series (Table I.40), broken down by year of generation, of the so-called average reserve/average cost ratio 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 is covered by the estimated average reserved claims on closure of the insurance company's financial statements.

Table I.40

Average reserve/average cost ratio*

(% values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Generation in previous financial years	2.91	2.68	2.77	2.64	2.61	2.69	2.62	2.77	2.88	2.90
Generation in current financial year	3.10	3.27	3.53	4.02	4.13	3.97	3.99	3.88	3.71	3.73
Total	**3.14**	**3.09**	**3.25**	**3.36**	**3.45**	**3.56**	**3.59**	**3.69**	**3.70**	**3.71**

* Average reserved/average paid cost ratio = Average claims reserved/average claims paid. IBNR claims excluded.

The total average reserved average paid cost ratio of 3.7 is stable in the last three years, after the growth in the 2011-2016 time interval. In particular, compared to 2017 the average reserved claims/average reserved claims cost ratio for the provision relating to claims occurring during the year and the ratio for claims occurring in previous years remain unchanged.

4.6.2. - *Other non-life classes*

In 2018, the non-life classes, other than MTPL and liability for ships, achieved a positive balance on the technical account overall of 2.2 billion euro, in line with 2017 (2.3 billion euro; Table I.41) and 2016, thus making a significant contribution (for around 80%) to the balance of the non-life technical account.

Table I.41

Technical performance other non-life classes - Italian portfolio

(million euro and % values)

	Claims/premiums earned (A)*		Operating expenses/premiums earned (B)*		*Combined ratio* (C)* = (A) + (B)		Technical balance*		Profit or loss on the technical account (insurance and reinsurance)	
Insurance class	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Health sector										
Accidents	39.2%	38.6%	37.1%	37.6%	76.3%	76.2%	653	676	691	680
Sickness	67.5%	70.4%	24.4%	23.9%	91.9%	94.3%	121	174	143	61
Total	**51.8%**	**53.3%**	**31.4%**	**31.2%**	**83.2%**	**84.6%**	**773**	**750**	**833**	**741**
Motor sector - only land vehicles**										
Land vehicles	60.6%	59.0%	32.1%	32.7%	92.7%	91.7%	185	228	187	217
Transport										
Railway rolling stock	9.3%	49.1%	13.4%	22.3%	22.7%	71.4%	6	2	3	2
Aircraft	64.5%	38.9%	17.2%	15.0%	81.7%	53.9%	2	4	-1	2

Technical performance other non-life classes - Italian portfolio										
(million euro and % values)										
	Claims/premiums earned (A)*		Operating expenses/premiums earned (B)*		*Combined ratio* (C)* = (A) + (B)		Technical balance*		Profit or loss on the technical account (insurance and reinsurance)	
Insurance class	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Ships	78.2%	150.0%	20.4%	19.6%	98.6%	169.7%	4	-147	-9	-47
Goods in transit	33.9%	60.0%	30.4%	30.4%	64.3%	90.4%	56	11	38	32
Aircraft liability	46.3%	28.4%	11.6%	12.9%	57.9%	41.3%	4	5	-3	**1**
Total	**57.5%**	**104.3%**	**24.1%**	**24.1%**	**81.6%**	**128.4%**	**71**	**-125**	**28**	**-10**
Property sector										
Fire and natural forces	70.1%	61.4%	35.4%	36.3%	105.5%	97.7%	-199	-6	-53	67
Other damage to property	74.2%	66.6%	32.5%	32.3%	106.7%	98.9%	-229	-30	-79	-145
Financial loss	26.7%	28.1%	41.5%	41.4%	68.2%	69.6%	153	161	152	135
Total	**67.8%**	**60.8%**	**34.6%**	**34.8%**	**102.4%**	**95.6%**	**-275**	**125**	**20**	**58**
General liability										
General liability	42.3%	36.5%	32.9%	33.0%	75.3%	69.5%	656	847	884	1,008
Credit/Suretyship										
Credit	25.0%	8.7%	29.4%	27.4%	54.4%	36.0%	24	13	13	5
Suretyship	35.4%	36.1%	34.9%	35.1%	70.2%	71.2%	79	74	47	45
Total	**33.8%**	**33.7%**	**34.0%**	**34.4%**	**67.9%**	**68.1%**	**103**	**87**	**60**	**50**
Legal expenses/Assistance										
Legal expenses	24.7%	22.8%	38.2%	38.5%	62.9%	61.3%	128	141	116	126
Assistance	37.4%	37.5%	34.6%	35.6%	72.0%	73.0%	180	183	134	136
Total	**33.0%**	**32.4%**	**35.8%**	**36.6%**	**68.8%**	**69.0%**	**308**	**325**	**250**	**262**
Grand total	**55.0%**	**53.2%**	**32.9%**	**33.0%**	**87.9%**	**86.3%**	**1,820**	**2,237**	**2,262**	**2,236**

*Direct business. - ** Excluding MTPL and liability for ships.

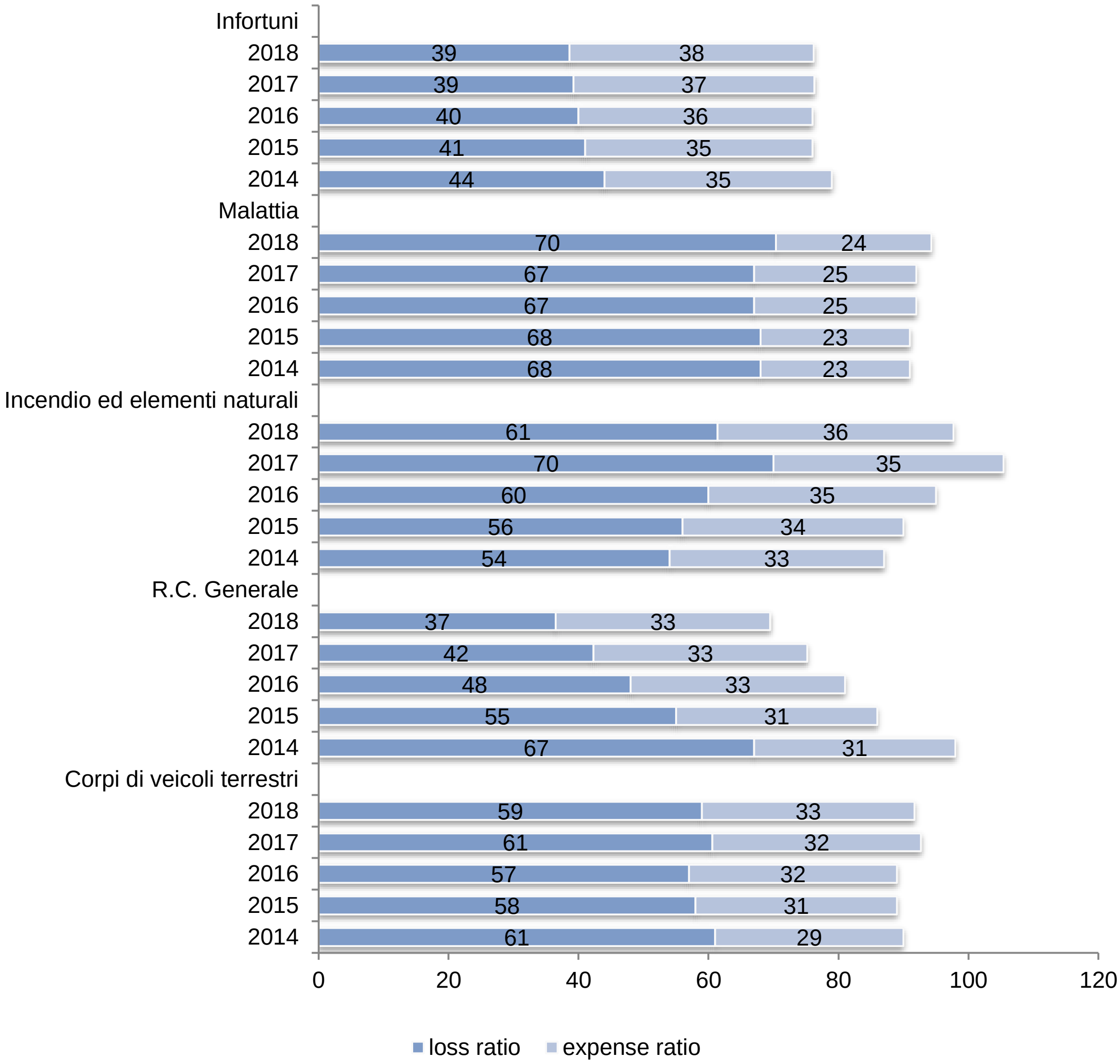
Among the relevant classes for premium income, the health sector (accident and sickness) reported a positive technical result of 741 million euro, general liability insurance of 1 billion euro, legal protection and assistance of 262 million euro, the land vehicles class of 217 million euro and, lastly, the property sector stood at 58 million euro.

As regards the combined ratio, compared to the overall average figure of 86.3% in 2018 (down on the 87.9% of 2017), higher than average values were recorded, though improving on the previous year, in the fire insurance (97.7%) and other damage to property (98.9%), while in the ships and sickness classes the ratio was up compared to 2017. For the seventh consecutive year, the combined ratio for general liability continues to decline, in 2018 reaching 69.5% (75.3% in 2017 and 80.8% in 2016, starting from a peak of 120.9% in 2011).

Figure I.25

Combined Ratio and its components (loss and expense ratios)

(% values)



In the last five years, the fire insurance business and general liability were characterised by higher volatility of costs for current claims paid and reserved with respect to the premiums earned (loss ratio). In particular, for the former class the loss ratio fell in 2018, after four years of growth, while the latter has seen a gradual decline in the ratio.

5. - SOLVENCY II REPORTING

5.1. - Highlights of the financial statements for domestic companies

The balance sheet prepared according to Solvency II criteria, summarised in Table I.42, contains figures measured on a market-consistent basis. The following paragraphs provide details with reference to investments, to technical provisions, to the capital requirement and to own funds.

Table I.42

Solvency II – Balance sheet of domestic companies 2017-2018

(million euro)

	Life		Non-life		Composites		Total	
	2017	2018	2017	2018	2017	2018	2017	2018
Assets								
Deferred tax assets	3,022	1,741	424	409	1,057	1,477	4,503	3,626
Investments (excluding assets for index- and unit linked)	391,582	389,140	15,434	15,655	289,643	285,621	696,659	690,415
Assets held for index- and unit-linked	131,484	130,902	0	0	22,733	21,317	154,217	152,219
Secured and unsecured loans	117	438	29	60	5,155	6,876	5,301	7,374
Recoverable amounts from reinsurance	2,274	1,700	1,755	1,830	8,105	7,681	12,134	11,211
Cash and cash equivalents	4,544	4,285	825	586	3,964	3,800	9,332	8,671
Other assets	10,978	11,914	2,559	2,663	25,154	23,042	38,692	37,621
Total assets	**544,001**	**540,120**	**21,026**	**21,203**	**355,811**	**349,814**	**920,838**	**911,137**
Liabilities								
Non-life technical provisions	5	6	12,057	11,943	40,798	39,775	52,860	51,725
Life technical provisions - excluding linked policies	369,036	370,806	10	0	169,776	168,153	538,822	538,959
Index- and unit-linked technical provisions	128,252	127,445	0	0	17,821	19,528	146,073	146,973
Deferred tax liabilities	6,536	4,194	399	368	3,762	3,109	10,697	7,671
Other liabilities	12,603	12,176	2,258	2,506	40,249	41,928	55,110	56,610
Total liabilities	**516,432**	**514,627**	**14,724**	**14,817**	**272,406**	**272,493**	**803,562**	**801,938**
Excess assets over liabilities	**27,569**	**25,492**	**6,302**	**6,386**	**83,405**	**77,321**	**117,276**	**109,199**

5.2. - Highlights of the financial statements for domestic groups[18]

The market value of assets held by the groups against policies where the risk is borne by the insurance undertaking reduced in 2018 by 2.5% (increase of 7.9% in the previous year). A similar performance was recorded for assets held by index- and unit-linked policies, which rose by 25.1% in 2017 and saw a strong decrease of 7.9% in 2018 (Table I.43). The changes in asset investments of the groups are consistent with the changes in liabilities for technical provisions in the two lines of business. The decline in assets held by the groups for index- and

[18] In accordance with Articles 215 and 216 of the Solvency II Directive, the groups with the parent company situated in Italy are included along with those with the parent company in a EU country but subject to IVASS supervision through an Italian sub-holding.

unit-linked is stronger than that of domestic undertakings, which show a 1.3% reduction, highlighting the decrease in foreign components.

Table I.43

Solvency II – Balance sheet of domestic groups			
			(million euro and % values)
	2017	**2018**	**% change**
Assets			
Deferred tax assets	5,698	4,773	-16.2
Investments (excluding assets for index- and unit-linked)	760,741	753,329	-1.0
Assets held for index- and unit-linked	224,558	206,872	-7.9
Secured and unsecured loans	7,439	8,722	17.2
Recoverable amounts from reinsurance	8,187	7,447	-9.0
Cash and cash equivalents	13,695	12,550	-8.4
Other assets	39,604	39,546	-0.1
Total assets	**1,059,922**	**1,033,239**	**-2.5**
Liabilities			
Non-life technical provisions	56,991	55,502	-2.6
Life technical provisions - excluding linked policies	631,338	627,417	-0.6
Index- and unit-linked technical provisions	222,486	209,536	-5.8
Deferred tax liabilities	16,578	13,774	-16.9
Other liabilities	58,360	57,142	-2.1
Total liabilities	**985,753**	**963,371**	**-2.3**
Excess assets over liabilities	**74,169**	**69,868**	**-5.8**

5.3. - Investments

At the end of 2018, the investments managed by Italian insurance undertakings, net of assets intended for the linked sector, amounted to 690.4 billion euro (Table I.44), with a 0.9% decrease compared to the previous year. Overall, the market value of bonds (government bonds, corporate and structured bonds) decreased slightly from 74.3% to 73.6% compared to the total non-linked investments.

Table I.44

Life and non-Life investments					
					(million euro and % values)
	2017	**%**	**2018**	**%**	**% Change 2018/2017**
Investments not intended for index- and unit-linked contracts					
Government bonds	362,299	52.0	359,776	52.1	-0.7
of which: Italian Government bonds	310,752	44.6	297,301	43.1	-4.3
Corporate bonds	140,438	20.2	138,187	20.0	-1.6
Listed equity instruments	8,855	1.3	8,060	1.2	-9.0
Unlisted equity instruments	2,595	0.4	2,848	0.4	9.7
Undertakings for collective investment	73,514	10.6	80,106	11.6	9.0
Structured bonds	15,204	2.2	10,140	1.5	-33.3
Guaranteed securities	2,415	0.3	2,537	0.4	5.1
Deposits other than cash equivalents	996	0.1	361	0.1	-63.8

Life and non-Life investments					
					(million euro and % values)
	2017	%	2018	%	% Change 2018/2017
Real estate (other than those held for own use)	5,262	0.8	4,691	0.7	-10.9
Other investments	19	0.0	15	0.0	-21.1
Derivatives	416	0.1	469	0.1	12.7
Shares held in related undertakings, including holdings	84,646	12.2	83,225	12.1	-1.7
Total (A)	**696,659**	**100.0**	**690,415**	**100.0**	**-0.9**
Investments held for index- and unit-linked contracts (B)	**154,217**		**152,219**		**-1.3**
Grand Total (A) + (B)	**850,876**		**842,635**		**-1.0**

The market value of investments in Government bonds went from 52% to 52.1%, with a reduction in the value of Italian Government bonds from 44.6% to 43.1% of total investments. Corporate bonds recorded a modest decrease from 20.2% to 20%, while the use of Undertakings for Collective Investments continues to grow (from 10.6% to 11.6%).

The value of the assets dedicated to linked contracts decreased by 1.3% in 2018, with an amount of 152.2 billion euro at the end of the year.

Table I.45 provides the comparison between total investments (non-life and life) not connected to the linked products of Italian undertakings against those of the main European countries.

Table I.45

Life* and non-life investments of the main European Countries										
										(million euro and % values)
Investments	Italy		France**		Germany**		Spain**		United Kingdom**	
	Dec. 2018	%	Sep. 2018	%	Sep. 2018	%	Sep. 2018	%	Sep. 2018	%
Government bonds	359,776	52.1	701,974	33.4	345,983	18.8	145,898	55.2	196,466	21.6
Corporate bonds	138,187	20.2	667,731	31.7	518,398	28.1	54,302	20.6	317,057	34.8
Listed and unlisted equity instruments	10,928	1.6	82,890	3.9	11,903	0.6	4,098	1.6	82,592	9.1
Undertakings for collective investment	80,106	11.6	396,612	18.9	558,563	30.3	12,256	4.6	99,617	10.9
Structured bonds	10,140	1.5	51,055	2.4	20,447	1.1	3,497	1.3	236	0.0
Guaranteed securities	2,537	0.4	3,612	0.2	6,462	0.4	1,089	0.4	22,005	2.4
Deposits other than cash equivalents	361	0.1	11,481	0.5	8,732	0.5	6,877	2.6	9,838	1.1
Real estate (other than those held for own use)	4,691	0.7	32,182	1.5	29,247	1.6	6,329	2.4	20,390	2.2
Other investments	15	0.0	3,880	0.2	509	0.0	0	0.0	697	0.1
Derivatives	469	0.1	4,057	0.2	1,986	0.1	18,425	7.0	42,693	4.7
Shares held in related undertakings, including holdings	83,225	12.1	148,043	7.0	341,805	18.5	11,320	4.3	119,104	13.1
Total	**690,415**	**100.0**	**2,103,516**	**100.0**	**1,844,034**	**100.0**	**264,092**	**100.0**	**910,696**	**100.0**

* Excluding assets intended for index- and unit-linked contracts. - ** Source: For foreign countries, EIOPA, *Insurance Statistics*, last data available third quarter 2018.

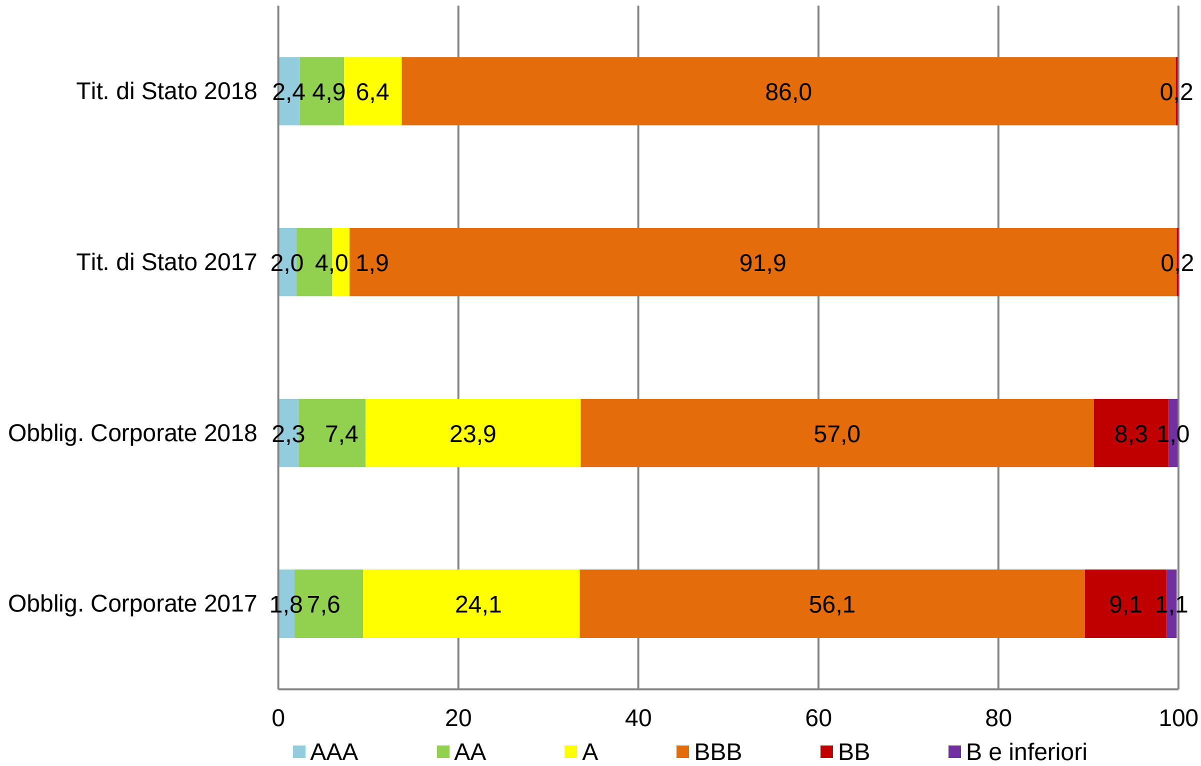
The presence of government bonds in the portfolio is significant for Italian and Spanish undertakings, with smaller percentages in France, United Kingdom and Germany. Corporate securities instead represent the main investment for British, German and French undertakings. The exposures in funds (UCITS) of European undertakings are smaller, with the exception of German undertakings which saw a significant growth of 30.3% in the third quarter of 2018.

With reference to the breakdown of bond investments by Italian undertakings by rating class for the two-year period 2017-2018 (fig. I.26), the predominant class of government bonds was rated BBB (mostly Italian bonds), the incidence of which at market value went from 91.9% in 2017 to 86.0% in 2018, against an increase in the percentage of A-rated bonds (6.4%, from 1.9%). For corporate bonds, the main classes were rated BBB, increasing slightly (from 56.1% of total corporate bonds in 2017 to 57% in 2018), and A (from 24.1% to 23.9%).

Figure I.26

Bond investments of Italian undertakings by rating class, 2017-2018*

(% values)



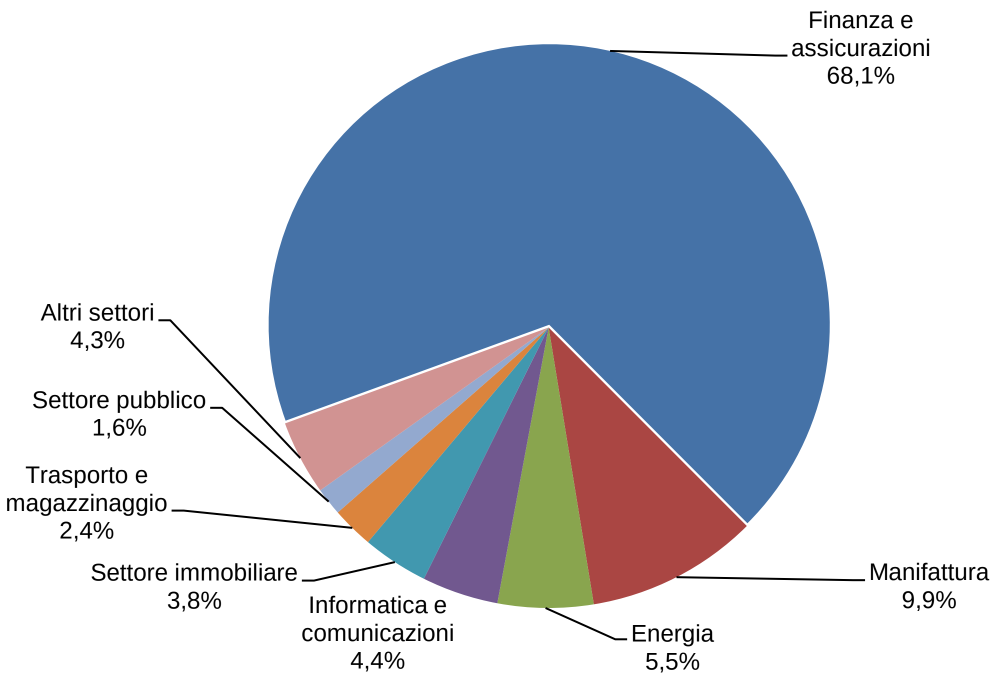
* Excluding assets intended for linked contracts. - Corporate bonds include structured bonds and guaranteed securities.

The analysis of the breakdown of investments by economic sector at the end of 2018 (fig. I.27), with the exclusion of government bonds, points to a significant concentration in the financial and insurance sector (68.1%, compared to 66.6% in the previous year), with a smaller presence in the manufacturing sector (9.9%, compared to 8.1%) and in the energy sector (5.5%).

Figure I.27

Breakdown of investments by economic sector, 2018*

(% values)



* Excluding assets intended for index- and unit-linked contracts.

5.4. - Technical Provisions

The **definition of technical provisions under the Solvency II regime** envisages an allocation that adds the provisions calculated as best estimates (BE) and as risk margin. BEs are a projection of the difference between outgoing cash flows (for benefits at maturity, claim or surrender) and incoming cash flows for future premiums, discounted according to a risk-free interest rate structure.

The purpose of the risk margin is to assure that, if the policy portfolio is transferred to another company, technical provisions are sufficient and equivalent to the price this company would pay in a regulated market of such liabilities.

Alternatively, technical provisions as a whole can be calculated, without distinguishing between the two components, if it is possible to replicate this commitment with financial instruments for which a reliable market exists[19].

In calculating the BEs, life undertakings must take into account the Time Value of Options and Guarantees (TVOG). The TVOG can be calculated with stochastic models, whereby the following are determined:

[19] Article 40 of the Delegated Acts.

- management actions (Article 23 of the Delegated Acts), replicating the management's discretion in selecting investments and in the disposal time line in the years of the projection;
- policyholder behaviour, replicating the behaviour of the policyholder in the years of the projection. The policyholder can decide to suspend payment of the premiums, requesting surrender (Article 26 of the Delegated Acts) as a result of assessments independent of the performance of financial markets (non-dynamic surrender) or dependent on their evolution (dynamic surrender).

In 2018, the life technical provisions recorded a very modest growth of 0.1%, while the decrease in non-life technical provisions was 2.1%. The provisions take into account both direct and indirect business.

The main component of life technical provisions - best estimate - was stable compared to 2017. The risk margin increased conspicuously (+22%) compared to the previous year (Table I.46). Technical provisions calculated as a whole, residual component, reduced by 5%.

With reference to the non-life technical provisions, a 3% decrease was seen in the BE-claim and a 4% decrease in the risk margin. The BE-premium increased compared to 2017 (+2%).

Table I.46

Technical provisions life and non-life

(million euro)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Life					
Best Estimate	678,517	681,379	677,807	680,497	678,476
Risk Margin	4,994	5,135	5,400	5,658	6,101
TP calculated as a whole	944	920	934	910	899
Total	**684,454**	**687,434**	**684,160**	**687,065**	**685,407**
Non-life					
BE-claim	39,342	38,756	38,596	38,974	38,023
BE-premium	11,401	11,273	11,646	10,537	11,672
Risk Margin	2,109	2,138	2,121	2,119	2,027
TP calculated as a whole	0	0	0	0	2
Total	**52,852**	**52,167**	**52,363**	**51,629**	**51,725**
Life and non-life Total	**737,305**	**739,601**	**736,524**	**738,694**	**737,132**

5.4.1. - *Life technical provisions*

The two main types - with-profit and index- and unit-linked - represented 98.7% of the total value of life policies at the end of 2018. Table I.47 shows the breakdown of technical provisions by type of contract and estimation method, illustrating how the BE component is prevalent.

Table I.47

Life technical provisions*				
				(million euro)
	TP calculated as a whole	Best Estimate	Risk Margin	Total
Q4 2017				
With Profit	0	524,335	3,665	**528,001**
Index- and Unit-linked	897	141,249	734	**142,880**
Q1 2018				
With Profit	0	531,465	3,813	**535,278**
Index- and Unit-linked	877	141,416	747	**143,040**
Q2 2018				
With Profit	0	524,339	3,990	**528,344**
Index- and Unit-linked	890	145,225	819	**146,935**
Q3 2018				
With Profit	0	524,849	4,181	**529,031**
Index- and Unit-linked	871	147,645	867	**149,384**
Q4 2018				
With Profit	0	525,258	4,572	**529,761**
Index- and Unit-linked	859	145,208	884	**146,951**

* Only With Profit, Index- and Unit-linked products.

5.4.2. - *Non-life technical provisions*

The comparison, according to the classification by non-life lines of business (LoB) of direct risks adopted by Solvency II, among technical provisions for premiums and claims (Table I.48), shows an overall reduction in the technical provisions for claims of 3.5%, in the risk margin for 4.2%, while the technical provisions for premiums increased by 2.3%. Overall, the total technical provisions decreased by 2.3%.

Table I.48

Non-life technical provisions*				
				(million euro)
	Technical provisions premiums (BE)	Technical provisions claims (BE)	Risk Margin	Total
	2017			
Medical expenses	641	1019	55	**1,714**
Income protection	929	1,809	143	**2,881**
Motor third-party liability	4,296	19,112	870	**24,279**
Other insurance	1031	526	60	**1,618**
Marine, aviation and transport insurance	143	726	24	**893**
Fire and other damage to property	2,325	3,678	247	**6,251**
General liability	876	10,236	546	**11,659**
Credit and suretyship	472	1,067	62	**1,602**
Legal expenses	60	428	22	**511**
Assistance	133	138	14	**285**
Miscellaneous financial loss	480	257	47	**784**

Non-life technical provisions*				
				(million euro)
	Technical provisions premiums (BE)	Technical provisions claims (BE)	Risk Margin	Total
Total	**11,387**	**38,996**	**2,092**	**52,475**
	2018			
Medical expenses	711	1,161	66	**1,938**
Income protection	1,022	1,805	144	**2,974**
Motor third-party liability	4,205	18,268	787	**23,261**
Other insurance	1,122	501	62	**1,685**
Marine, aviation and transport insurance	141	827	27	**995**
Fire and other damage to property	2,400	3,715	256	**6,371**
General liability	904	9,531	504	**10,939**
Credit and suretyship	436	970	75	**1,481**
Legal expenses	60	424	22	**507**
Assistance	138	136	14	**289**
Miscellaneous financial loss	516	281	45	**843**
Total	**11,656**	**37,619**	**2,004**	**51,281**

* The "workers' compensation" LoB is not shown as such business does not apply in Italy.

5.5. - Assets representing technical provisions

The Solvency II technical provisions relating to Italian and foreign direct business amounted to 735 billion euro[20], while the related representative assets amounted to 741 billion euro, with a coverage index of 101%. 93.1% of these assets are related to the life business as a whole.

For representative assets that do not include linked policies and pension funds (Table I.49), the weight of debt securities amounted to 83% (mostly represented by government bonds with 59% of the total, stable compared to 2017) while the remaining part refers mainly to Undertakings for Collective Investments (12%, up slightly by 11%), primarily represented by bonds.

Table I.49

Assets representing technical provisions of the life direct portfolio (excluding linked policies and pension funds) and non-life at the end of 2018						
						(million euro)
	Life	%	Non-life	%	Total	%
Government bonds	326,673	60.7	18,784	36.7	345,456	58.7
Corporate bonds	130,588	24.3	15,320	30.0	145,908	24.8
Equity instruments	7,240	1.3	3,790	7.4	11,031	1.9
Undertakings for collective investment	67,814	12.6	5,295	10.4	73,109	12.4
Real estate	178	0.0	5,150	10.1	5,328	0.9
Loans and mortgages	147	0.0	269	0.5	417	0.1
Credits	3,688	0.7	2,084	4.1	5,772	1.0
Cash and deposits	1,086	0.2	372	0.7	1,458	0.2
Other assets	338	0.2	49	0.1	386	0.1
Total	**537,752**	**100.0**	**51,113**	**100.0**	**588,866**	**100.0**

[20] Quarterly communication at 31 December 2018, prepared according to IVASS Regulation no. 24 of 6 June 2016.

The technical provisions of the non-life business amounted to 50 billion euro and were covered by 51 billion euro of assets with a 102% coverage rate. 67% of these assets are debt securities (37% government bonds). The real estate sector accounts for 10% and equity instruments account for 7.4% (Table 32 in the Appendix).

The composition of assets representing technical provisions denotes a persistently reduced focus by insurance undertakings on real economy funding instruments and those associated with infrastructures, in recent years accounting for less than 1% of the total. Initiatives undertaken by a number of Italian and European companies show a growing interest in this category of investments.

With separate reference to linked policies and to pension funds, both the technical provisions and the related representative assets amounted to 136 billion euro and represent 18% and 2% of the total assets in classes C and D of the balance sheet (Table I.50).

Table I.50

Technical provisions of the direct life portfolio (only linked policies and pension funds) and corresponding representative assets by type of activity as at 31 December 2018

(million euro)

	Technical provisions	Repre-sentative assets	% of grand total*
Contracts linked to the value of units in UCITS	58,249	58,389	7.9
Unit-linked contracts	76,790	76,881	10.4
Index-linked contracts	883	897	0.1
Total class D.I	**135,922**	**136,167**	**18.4**
Open pension funds	11,404	11,415	1.5
Closed pension funds	4,653	4,653	0.6
Total class D.II	**16,057**	**16,068**	**2.2**
Grand total class D	**151,979**	**152,235**	**20.5**

* Percentages referred both to Technical provisions and to Representative assets.

5.6. - Dividend distribution

The dividends for distribution, calculated on the basis of the statutory accounts, went from 5 billion euro accrued in 2017 to 4.5 billion euro in 2018 (payable in 2019). 87% of the dividends last year referred to the top six undertakings and the total amounts distributed accounted for 4.1% of total excess assets over liabilities of the Solvency II financial statements, while in 2017 they accounted for 4.3%. The weight of the dividends with respect to own funds eligible to cover the SCR was 3.7%.

The amount of dividends referring to Italian listed companies (Assicurazioni Generali, UnipolSai, Cattolica Assicurazioni and Vittoria Assicurazioni) is equal to 1.6 billion euro (1.8 billion euro in 2017).

5.7. - Solvency capital requirement and minimum capital requirement

The Solvency II Directive, Articles 103 et seq., referenced in Articles 45-bis et seq. of the CAP, requires the insurance company to calculate the **Solvency Capital Requirement** (SCR) adopting the EIOPA standard formula or implementing an internal model with partial or total coverage of the risks assumed. Internal models are subject to a preventive validation test and authorisation from the Supervisory Authority (see IV.1.4.3). The insurance undertaking that adopts the standard formula can, in calculating the underwriting risk modules for life, non-life and sickness insurance, use the undertaking-specific parameters (USP) instead of the standard ones, subject to the approval of the Supervisory authority.

The total SCR is determined on the basis of the value at risk of basic own funds, according to a confidence interval of 99.5% (probability of default of 0.5% over a time horizon of one year).

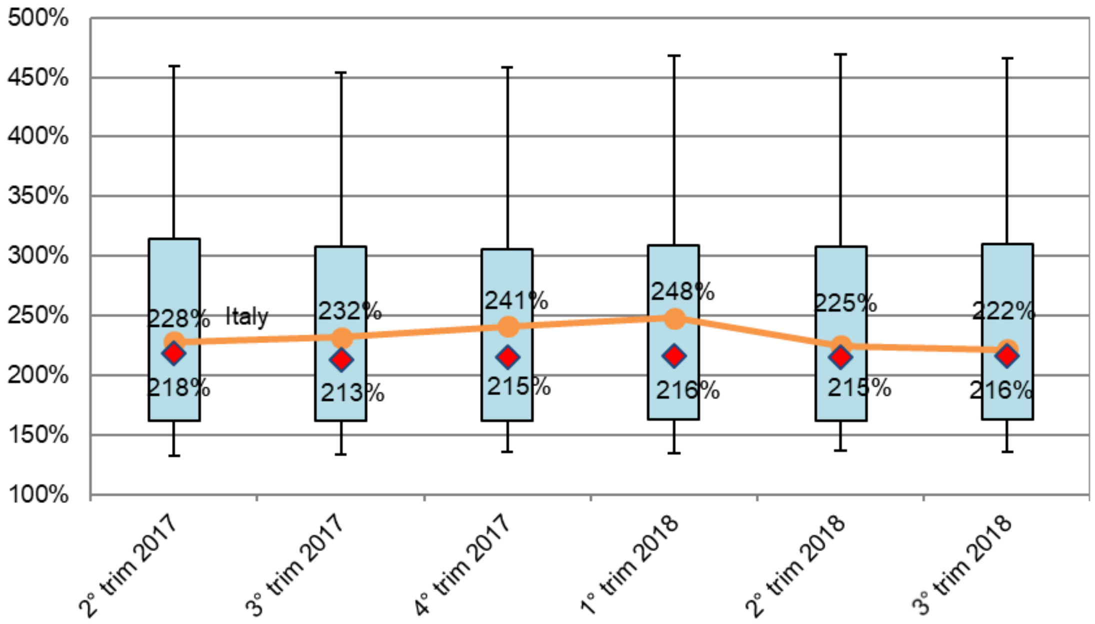
Compliance with a Minimum Capital Requirement (MCR), which represents the threshold below which immediate supervisory actions will take place, is also required.

The average SCR ratio of Italian undertakings remains above the European average ratio. From EIOPA surveys on the European market in the third quarter of 2018, it emerges that the distribution of the SCR ratio has a median value of 215% (Fig. I.28). The average value of Italian undertakings, always higher than the European median, came closer to the EU figure in the second and third quarter of 2018.

Figure I.28

SCR ratio in Europe (median, interquartile deviation, 10th and 90th percentiles) and in Italy (average)*

(% values)



* The chart represents the European median with a rhomboid indicator, associated with the interquartile difference in the box and the 10th and 90th percentiles at the extremes of the vertical line. The Italian median is represented by the circular indicator connected by the trend line.

At the end of 2018, Italian undertakings have a total SCR of 55.1 billion euro, up by 3.4% with respect to 2017 (Table I.51), while eligible funds recorded a 5% decrease.

Table I.51

Capital Requirements

(million euro)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
SCR	53,314	53,807	55,204	56,169	55,130
MCR	19,708	19,878	20,767	20,956	20,506
Eligible own funds to satisfy the SCR	128,660	133,316	124,125	124,472	122,177

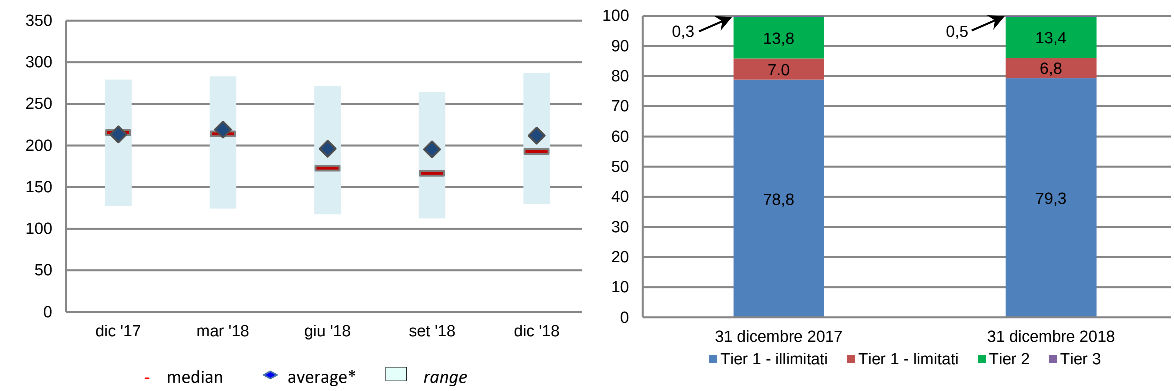
With reference to the seven Italian insurance groups relevant for financial stability, the average value of the solvency ratio stood at 211.8% as at December 2018 (it was 213.4% in December 2017, fig. I.29.a). The percentage of higher quality capital (tier 1 own funds) at the end of 2018 was 86%, unchanged since the previous year (fig. I.29.b).

Figure I.29

Main indicators of the Italian groups relevant for financial stability

(% values)

(a) Solvency ratio **(b) Own funds covering the capital requirement**



* Weighted average with the weights equal to the denominator of each ratio.

The aggregate breakdown for the entire market of the basic solvency capital requirement (BSCR) calculated with the standard formula as at the end of 2018, broken down by source of risk (fig. I.30), highlights the following:

– market risk, tied to the volatility of the financial market, represents by far the main source of risk for the Italian insurance sector, with a gross percentage of 76%, lower than in 2017 when it was 80%;

– technical underwriting and reserving risk of the life and non-life business represent respectively 27% and 12% of the BSCR (compared to 18% and 13% of 2017). The life underwriting risk therefore increased;

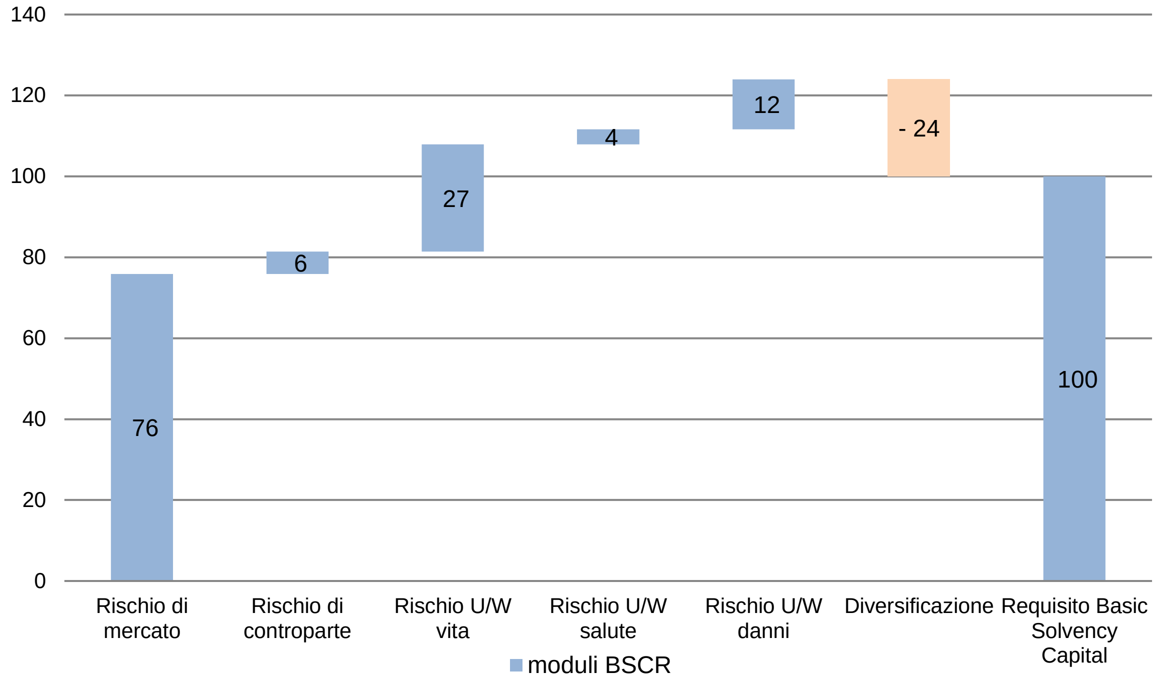
– counterparty risk, which measures the vulnerability of the different categories of assets of the undertakings to the default of issuers and other counterparties, accounts for almost 6% of the BSCR;

– the benefit deriving from risk diversification[21]is greater than 24% and increased compared to 2017, when it was 21%.

Figure I.30

Composition of the Basic Solvency Capital Requirement as at 31 Dec. 2018

(% values)



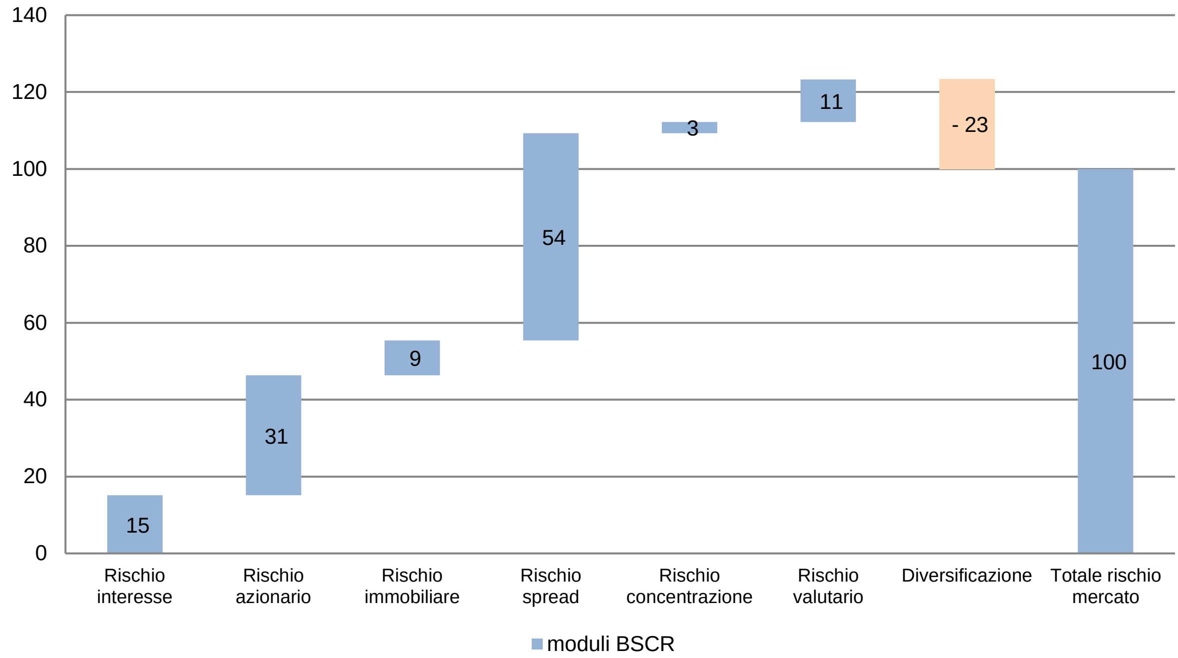
BSCR = 100%; the diversification component has negative value.

If we analyse the components of the market risk, the most significant risk in 2018, the relevance of the spread component emerges, amounting to 54% (Figure I.31) and of equity risk, amounting to 31%, whereas interest rate risk remains at a lower level (15%).

[21] The diversification benefit derives from the assumption that an undertaking with portfolios of policies of different kinds and assets/investments that are dispersed (also geographically) over various markets is not affected by concurrent events with opposite signs, but can exploit the negative correlation between the risks, so as to reduce, by effect of offsets, the solvency requirement.

Figure I.31

Breakdown of the Basic Solvency Capital Requirement (only market risk) as at 31 Dec. 2018
(% values)



The Loss Absorbing Capacity (LAC) is distinguished between the component relating to technical provisions[22], typical of life with-profit contracts, and that of deferred taxes[23], which constitutes an amount to deduct from the BSCR. The LAC for technical provisions decreased between 2017 and 2018, whereas that for deferred taxes increased. The reduction of the BSCR due to the LACs was 29% for LAC technical provisions (decreasing considerably from 2017) and 12% for LAC deferred taxes (up compared to the previous year).

5.8. - Own funds

Total own funds covering the SCR at 31 December 2018 amounted to 122.2 billion euro, with a 6.5 billion euro decrease compared to the end of 2017 (Table I.52).

A high quality of the own funds of Italian insurance undertakings is noted. Tier 1 funds amounted to 90% of the total own funds in 2018, an extent similar to that of previous years, while the weight of lower quality elements (Tier 3) remained below 1%, far lower than the 15% allowed by the regulations[24].

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[22] The Loss Absorbing Capacity relating to technical provisions is determined in such a way that the maximum possible adjustment must never exceed the allocation of the technical provisions for the discretionary benefits of with-profit life contracts, taking into account the mitigating effect for the risk constituted by the non-mandatory component of the return measurement.

[23] The LAC relating to deferred taxes is assumed to be equal to the change in deferred taxes resulting from a reduction of the *SCR* to recognise the effects of deferred taxes arising from the shocks assumed for the calculation of the capital requirement.

[24] Own funds consists of the sum of basic and ancillary own funds and are classified in three tiers, according to the characteristics of permanent availability to absorb unexpected losses connected with the exercise of the activity and of subordination in case of liquidation of the undertaking.

Table I.52

Eligible own funds to satisfy the Solvency Capital Requirement (SCR)									
									(million euro and % values)
	Tier 1 unlimited	% total	Tier 1 limited	% total	Tier 2	% total	Tier 3	% total	Total
Q4 2017	111,119	86.4	5,709	4.4	11,207	8.7	625	0.5	128,660
Q1 2018	115,653	86.8	5,706	4.3	11,401	8.6	555	0.4	133,316
Q2 2018	104,683	84.3	7,014	5.7	11,542	9.3	887	0.7	124,125
Q3 2018	105,481	84.7	6,972	5.6	11,183	9.0	837	0.7	124,472
Q4 2018	103,269	84.5	6,610	5.4	11,388	9.3	911	0.7	122,177

The reconciliation reserve represents the reserve net of adjustments (e.g. ring-fenced funds) and is the result of the differences between the statutory accounting measurement and the measurement based on Solvency II[25] criteria. This reserve is the most significant item of Tier 1 (62.8% as at 31 December 2018, Table I.53), albeit down on 2017 by 2.6 percentage points. The expected profits included in future premiums - EPIFP[26] - account for 17.9% of the reconciliation reserve, compared to 14.4% in 2017, and refer almost entirely to the life insurance business.

Table I.53

Reconciliation reserve and EPIFP					
					(million euro)
	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Excess assets over liabilities (a)	**117,276**	**121,794**	**106,512**	**107,475**	**109,199**
Own shares (b)	177	163	154	163	162
Dividends, distributions and foreseeable expenses (b)	5,043	5,142	420	631	4,511
Other elements of own funds (b)	35,563	35,505	35,178	35,258	35,462
Adjustment for own funds items subject to restrictions in relation to the matching portfolio and the ring fenced funds (b)	32	26	24	20	48
Reconciliation reserve (a-b)	**76,462**	**80,957**	**70,737**	**71,404**	**69,017**
Expected profits included in future premiums (EPIFP) – life insurance business	10,581	9,875	9,018	10,233	11,691
Expected profits included in future premiums – non-life insurance business	454	419	466	605	643
***Expected profits included in future premiums* – Total**	**11,035**	**10,294**	**9,485**	**10,838**	**12,334**
Reconciliation reserve/Tier 1	**65.4%**	**66.7%**	**63.3%**	**63.5%**	**62.8%**
EPIFP/Reconciliation reserve	**14.4%**	**12.7%**	**13.4%**	**15.2%**	**17.9%**

25 Article 75 of the Solvency II Directive.
26 The Expected profits included in future premiums (EPIFP) is the expected profit of future premiums on contracts in force.

5.9. - Solvency Capital Requirement Ratio

The ratio between own funds and SCR (SCR ratio; Table I.54) at market level decreased slightly compared to 2017, from 241.3% at the end of 2017 to 221.6%. The ratio of undertakings adopting the standard formula decreased much more than that of undertakings using the internal model (-14.4% vs. -5.3%).

Table I.54

SCR ratio by calculation method and activity of the undertaking

(% values)

	Life		Non-life		Composites		Total	
	2017	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Standard Formula*	231.1	192.0	170.9	177.9	148.3	108.3	217.7	186.4
***Standard Formula* – USP**	0.0	0.0	238.8	235.1	230.0	197.0	231.8	204.6
Internal Model	178.0	159.2	176.2	173.8	257.1	244.5	251.4	238.2
Market total	222.6	187.1	180.1	184.8	254.2	239.6	241.3	221.6

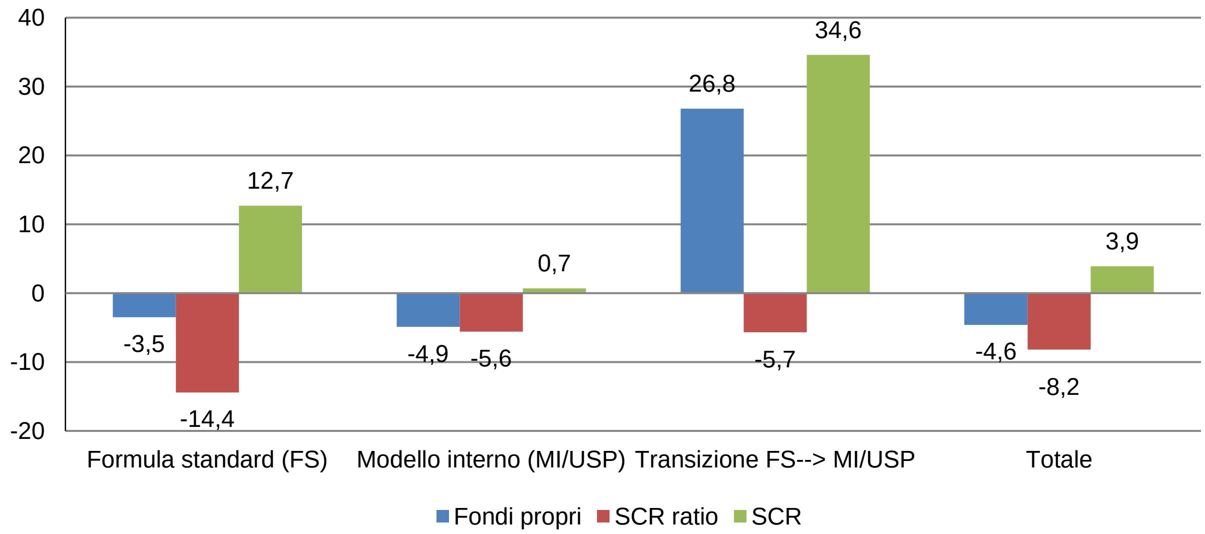
* The values of 148.3% (2017) and 108.3% (2018) for composite undertakings relates to a single undertaking, because in 2017 two undertakings were authorised to use a partial internal model, and one to use USP.

Fig. I.32 shows the changes in the SCR, in eligible own funds and in the SCR ratios, by distinguishing between undertakings that in 2017 and 2018 maintained the same calculation methods from those that in 2018 were authorised to adopt a partial internal model or the USP instead of the standard formula. In general, the overall deterioration in the SCR ratio in 2018 is due to the 4.6% decrease in eligible own funds and the 3.9% increase in the capital requirement. The most significant decrease in the ratio was recorded by undertakings adopting the standard formula (-14.4%), while that of undertakings adopting the internal model was more limited (-5.6%).

Figure I.32

2018/2017 change in own funds, SCR and the SCR ratio

(% values)



For insurance groups with an ultimate Italian parent undertaking, the SCR ratio decreased between the end of 2017 and 2018 (from 202.4% to 196.9%, Table I.55).

Table I.55

Data on the solvency of groups

(million euro and % values)

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Consolidated group SCR	40,311	37,731	39,132	39,095	39,428
Minimum consolidated group SCR[27]	25,777	24,628	25,547	25,308	24,584
Ratio between eligible own funds and consolidated group SCR (excluding other financial sectors and the undertakings included via D&A - deductions and aggregations[28])	202.4	210.3	189.1	188.3	196.9
Ratio between eligible own funds and minimum consolidated group SCR	298.0	302.8	268.1	270.7	293.8

27 Article 230 of the Solvency II Directive.
28 Article 233 of the Solvency II Directive.

II. - STUDIES AND RESEARCHES

1. - MTPL INSURANCE: CLAIMS, PRICES AND TERRITORIAL ANALYSIS

1.1. - MTPL insurance: comparison between Italy and some EU countries on premiums and costs

For the 2013-2017 time interval, the average MTPL premiums, net of tax and contribution charges, paid by policyholders in five major EU countries (Italy, France, Spain, Germany, United Kingdom) were compared, with further study of the related components (cost of claims, expenses, technical margin). The Countries considered account for 63% of the population and 72.4% of the gross domestic product of the European Union. The data were acquired by the respective Supervisory Authorities and supplemented, when necessary, with other official information[29].

In addition to the different cost of living, other relevant factors in price differentials between Countries are the characteristics of the national compensation, health and welfare systems, in particular in the treatment of personal injury (biological and financial damage).

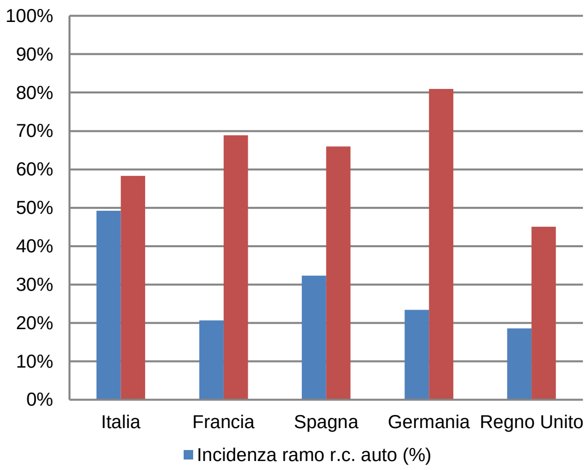
Lastly, the different degree of penetration of non-life insurance should be taken into account, because higher premium income in non-motor insurance allows insurers to offer lower rates in the motor business, using any higher profits from other non-life business. In 2017, Italy remained the last of the five Countries in terms of per capita expense for non-motor non-life policies and the first one in MTPL (Fig. II.1)

[29] The research pertains only to the mandatory liability coverage. For the United Kingdom, where policies are distinguished between motor-comprehensive (also including fire and theft) and non-comprehensive, data for the liability guarantee alone are not available. Therefore an estimate was calculated on the basis of data provided by the ABI (Association of British Insurers) for the part relating to the minimum third party only guarantee normally included in motor policies. The following rate sectors were considered: for Italy, automobiles, mopeds and motorcycles; for France, automobiles, motor vehicles for mixed transport up to 3.5 tonnes and 2 wheels; for the United Kingdom, the private car sector; and for Spain and Germany, the entire MTPL business. Furthermore, for the United Kingdom, the conversion into Euro of premiums in pounds sterling at the nominal exchange rates would accentuate price differences not due to the real cost of the MTPL coverage. To limit this effect, therefore, the conversion from GBP to Euro was based on conversion rates that assume equal purchasing power.

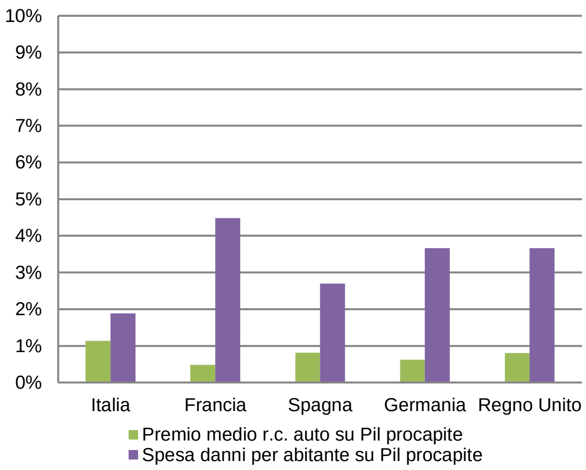
Figure II.1

Non-life business and MTPL business - 2017
(% values)

Incidence of MTPL on total non-life business



Average insurance expenditure on per capita GDP



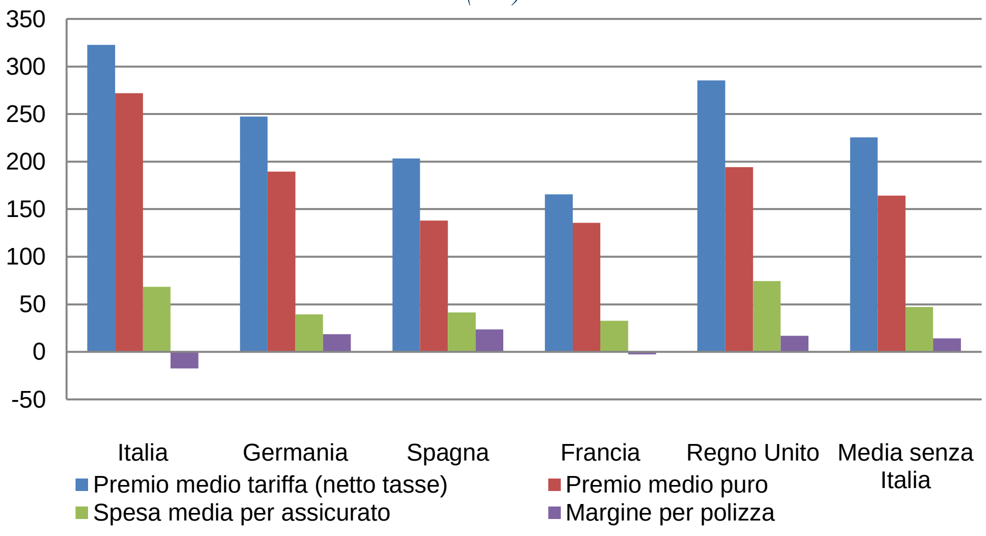
Source: Calculations on the basis of Eurostat, OECD, Supervisory Authority, ABI, FFA data.

Structure of MTPL prices: the various components

At the end of 2017, the average premium of MTPL in Italy (premium rate net of taxes) was higher by 97 euro than the average of the four main European countries (Fig. II.2).

Figure II.2

MTPL average premium and its components in 2017
(euro)



Source: Calculations on the basis of Supervisory Authority, ABI, FFA data.

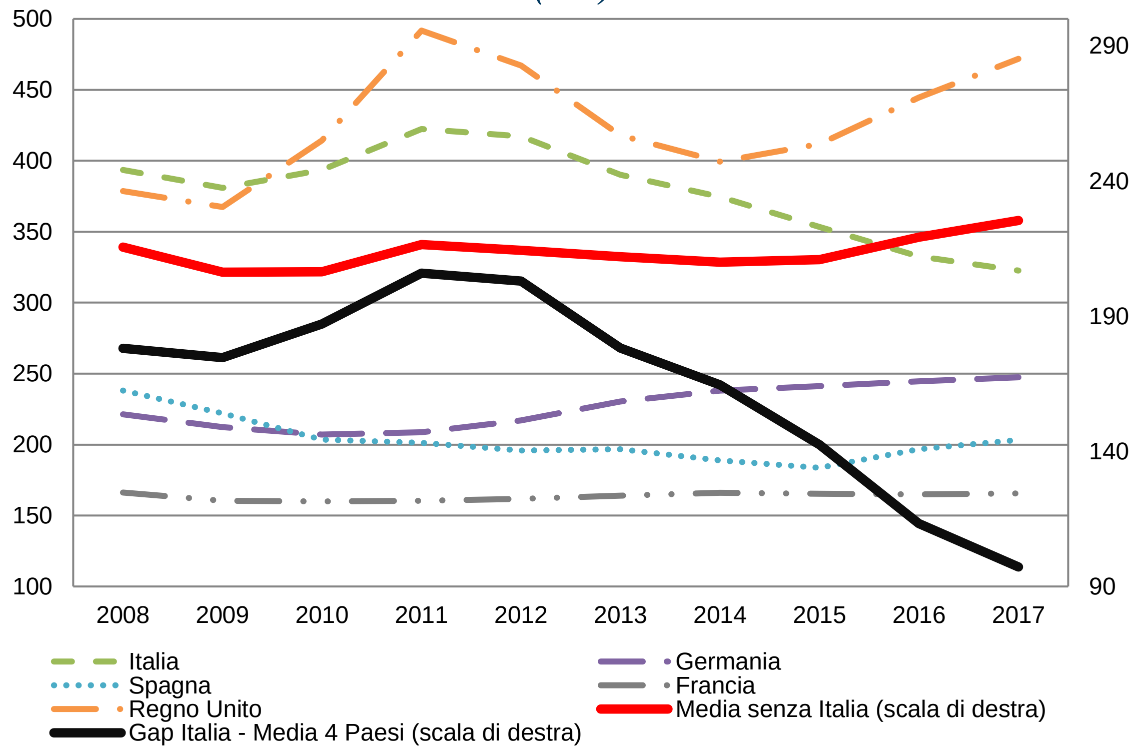
The higher price for Italian consumers is explained by the higher cost of claims (pure premium) by 108 euro and by the cost of expenses (acquisition and management as a whole) by 21 euro; the expected technical margin per policy (net of financial income and inclusive of the future result of the run-off of the provision for claims outstanding of the 2017 generation), which in the previous year was negative for the average of other countries and, to a greater extent, for Italy, remained considerably negative in Italy (-18 euro) while the average for other countries turned positive (by over 14 euro). The discounted pricing policy of Italian undertakings therefore continued.

In relative terms, in Italy the percentage represented by the cost of claims (pure premium) remained stable (84.2%) and, as mentioned previously, was higher than the 72.9% average of other countries, and likewise the cost of acquisition commissions and administrative costs (respectively 21.2% and 20.9%).

Figure II.3 compares the trend for the gap between Italian premiums and those of other countries. In 2017, the reduction recorded since 2012 continued. With respect to this figure, the gap more than halved (-52% by 106 euro). In particular, the technical margin per policy, equal to 65 euro five years earlier, was lower in Italy in 2017 compared to the European average of 32 euro.

Figure II.3

MTPL average premium in Italy and in the main EU countries
(euro)



Source: Calculations on the basis of Supervisory Authority, ABI, FFA data.

1.2. - Main ratios of the MTPL market

Tables II.1, II.2, II.3 show, for the MTPL business as a whole (including ships) and, separately, for the automobile and two-wheel (mopeds and motorcycles) sectors, trends in the frequency and the average cost of claims (analysed between paid and reserved, including the estimate of claims incurred but not reported - IBNR), the pure premium (i.e., frequency multiplied by total average cost) and the gross average premium or average price actually paid (pure premium plus expenses, taxes, contributions and profit margin). The data refer to all undertakings present on the Italian market (supervised by IVASS and under foe or fos in EU/EEA).

Table II.1

Total MTPL and liability for ships (gross of IBNR)

(thousands of units, euro, % values)

Year	Policies - year	Claims frequency	Claims paid		Claims written in the provisions		Total claims		Pure premium		Gross average premium	
			Average cost	% Change	Average cost	% Change	Average cost	% Change	Value	% Change	Value	% Change
2009	42,436	8.8%	2,362	-0.6%	6,538	0.0%	3,934	0.5%	346	1.1%	513	-3.7%
2010	40,649	8.3%	2,427	2.8%	7,010	7.2%	4,087	3.9%	341	-1.6%	536	4.4%
2011	40,295	7.4%	2,500	3.0%	7,901	12.7%	4,435	8.5%	327	-4.0%	566	5.6%
2012	39,631	6.4%	2,411	-3.5%	8,628	9.2%	4,612	4.0%	295	-10.0%	568	0.3%
2013	38,352	6.2%	2,415	0.2%	8,913	3.3%	4,711	2.2%	291	-1.4%	542	-4.4%
2014	40,571	6.0%	2,455	1.7%	8,676	-2.7%	4,641	-1.5%	281	-3.4%	506	-6.7%
2015	40,787	6.2%	2,452	-0.1%	8,631	-0.5%	4,556	-1.8%	281	0.1%	479	-5.4%
2016	40,993	6.2%	2,468	0.7%	8,503	-1.5%	4,464	-2.0%	279	-0.9%	450	-6.0%
2017	41,402	6.2%	2,515	1.9%	8,347	-1.8%	4,435	-0.7%	275	-1.3%	429	-4.7%
2018	42,169	5.9%	2,566	2.1%	8,469	1.5%	4,457	0.5%	265	-3.8%	426	-0.7%
Change 2018/2009	*-0.6%*			*8.7%*		*29.5%*		*13.3%*		*-23.4%*		*-17.0%*
Change 2018/2015	*3.4%*			*4.7%*		*-1.9%*		*-2.2%*		*-5.8%*		*-11.1%*

Table II.2

Automobile sector (gross of IBNR)

(thousands of units, euro, % values)

Year	Policies - year	Claims fre-quency	Claims paid		Claims written in the provisions		Total claims		Pure premium		Gross average premium	
			Average cost	% Change	Average cost	% Change	Average cost	% Change	Value	% Change	Value	% Change
2009	30,326	9.5%	2,302	-0.8%	6,484	-0.5%	3,767	0.1%	358	2.1%	527	-3.9%
2010	29,274	9.1%	2,360	2.5%	6,852	5.7%	3,882	3.1%	353	-1.4%	542	2.8%
2011	30,729	8.1%	2,435	3.2%	7,661	11.8%	4,192	8.0%	338	-4.3%	578	6.6%
2012	28,717	7.0%	2,334	-4.2%	8,405	9.7%	4,323	3.1%	301	-10.8%	573	-0.9%
2013	28,289	6.6%	2,350	0.7%	8,593	2.2%	4,396	1.7%	292	-2.9%	533	-6.9%
2014	30,587	6.5%	2,380	1.3%	8,390	-2.4%	4,365	-0.7%	286	-2.3%	507	-4.9%
2015	30,579	6.6%	2,386	0.3%	8,338	-0.6%	4,274	-2.1%	284	-0.7%	478	-5.7%
2016	30,903	6.7%	2,399	0.5%	8,196	-1.7%	4,192	-1.9%	282	-0.7%	448	-6.2%
2017	31,303	6.6%	2,450	2.1%	8,024	-2.1%	4,163	-0.7%	276	-2.3%	425	-5.2%
2018	31,887	6.2%	2,490	1.7%	8,181	2.0%	4,193	0.7%	261	-5.3%	422	-0.8%
Change 2018/ 2009	*5.1%*			*8.2%*		*26.2%*		*11.3%*		*-27.0%*		*-20.0%*
Change 2018/ 2015	*4.3%*			*4.3%*		*-1.9%*		*-1.9%*		*-8.1%*		*-11.8%*

Table II.3

Moped and motorcycle sector (gross of IBNR)

(thousands of units, euro, % values)

Year	Poli-cies - year	Claims fre-quency	Claims paid		Claims written in the pro-visions		Total claims		Pure premium		Gross average pre-mium	
			Average cost	% Change	Average cost	% Change	Average cost	% Change	Value	% Change	Value	% Change
2009	5,340	5.3%	3,067	1.0%	7,590	-0.8%	5,406	2.1%	285	5.5%	267	2.7%
2010	4,964	4.8%	3,177	3.6%	8,037	5.9%	5,675	5.0%	271	-5.2%	282	5.8%
2011	4,680	4.4%	3,195	0.6%	8,769	9.1%	6,047	6.6%	264	-2.6%	301	6.8%
2012	4,510	3.6%	3,064	-4.1%	9,511	8.5%	6,414	6.1%	230	-12.9%	294	-2.4%
2013	4,163	3.4%	3,131	2.2%	10,275	8.0%	6,900	7.6%	237	3.1%	276	-6.1%
2014	4,152	3.4%	3,285	4.9%	10,127	-1.4%	6,824	-1.1%	233	-1.5%	293	6.0%
2015	4,087	3.5%	3,222	-1.9%	9,716	-4.1%	6,501	-4.7%	229	-1.6%	283	-3.4%
2016	4,016	3.7%	3,169	-1.6%	9,800	0.9%	6,465	-0.5%	239	4.2%	275	-2.8%
2017	3,971	3.7%	3,239	2.2%	9,916	1.2%	6,437	-0.4%	240	0.6%	268	-2.4%
2018	4,002	3.4%	3,289	1.5%	9,999	0.8%	6,460	0.4%	220	-8.5%	265	-1.4%
Change 2018/ 2009	*-25.1%*			*7.2%*		*31.7%*		*19.5%*		*-22.8%*		*-0.9%*
Change 2018/ 2015	*-2.1%*			*2.1%*		*2.9%*		*-0.6%*		*-4.1%*		*-6.4%*

In 2018:

- the number of risk units exceeded 42 million;
- the claims frequency reduced in terms of the total and the main sectors:
- the average total cost of the claims paid and written in the provisions increased, halting the decline recorded since 2014; this change did not reflect on the trend of the pure premium, still in decline in terms of the total and the main sectors;
- the gross premium (inclusive of the pure premium, expenses, margins and taxes) continued to decline.

1.3. - The direct compensation system

1.3.1. - *The CARD numbers*

The portion of claims falling within the sphere of the CARD agreement (table II.4), set up in 2007, increased in terms of number of claims up to 2016, with a slight contraction in the last two years; in terms of amounts, a significant decrease was recorded from 2011 to 2017, also attributable to the contraction of charges for compensation for slight disabilities essentially due to the provisions of Law Decree no. 1/2012[30].

Table II.4

CARD and NO CARD portfolio over TOTAL (net of IBNR)*

(% values)

Year of generation	CARD		NO CARD	
	Numbers	Amounts	Numbers	Amounts
2009	79.4%	52.0%	21.2%	48.0%
2010	80.6%	53.1%	20.1%	46.9%
2011	79.7%	50.5%	21.1%	49.5%
2012	79.4%	47.0%	21.5%	53.0%
2013	79.2%	46.3%	21.6%	53.7%
2014	80.1%	45.9%	20.7%	54.1%
2015	81.2%	45.7%	19.4%	54.3%
2016	81.4%	46.9%	19.3%	53.1%
2017	81.0%	46.9%	19.6%	53.1%
2018	80.8%	46.7%	19.9%	53.3%
% Change 2018-2009	*1.4*	*-5.3*	*-1.3*	*5.3*

* The sum of the numbers and amounts of CARD claims and NO CARD claims may exceed 100 because a claim can have both CARD and NO CARD components

[30] Law Decree no. 1 of 24 January 2012. Urgent measures in favour of competition, the development of infrastructures and competitiveness. Converted, after amendment, by Law no. 7 of 24 March 2012.

Table II.5 shows the claims settlement time for managed claims (numbers and amounts) compared with claims with payment, at the end of 2018, with reference to the MTPL business as a whole.

Table II.5

Claims paid in the year of occurrence over claims with indemnification (gross of IBNR)

(% values)

Year of generation	CARD Numbers	CARD Amounts	NO CARD Numbers	NO CARD Amounts
2009	68.7%	54.9%	39.1%	17.8%
2010	70.4%	56.7%	38.4%	18.3%
2011	71.9%	58.6%	39.6%	18.5%
2012	72.2%	58.8%	40.0%	17.4%
2013	72.9%	59.3%	40.8%	17.4%
2014	73.3%	59.6%	41.3%	18.1%
2015	74.4%	61.0%	40.7%	17.8%
2016	74.9%	61.4%	41.5%	18.4%
2017	74.9%	61.9%	42.0%	19.1%
2018	75.4%	62.9%	40.9%	20.3%
% Change 2018-2009	*6.7*	*8.0*	*1.8*	*2.5*

The claims managed on the CARD system show a progressively increasing claim settlement time, with a share of claims paid in the year of occurrence much higher than for NO CARD.

The average cost of claims (total managed, CARD and NO CARD), considering the development in claims only in the year of occurrence, is illustrated below (Table II.6 - II.8).

For managed claims, the average cost of claims paid has grown moderately in recent years (from +0.2% in 2015 to +2% in 2018), with +8.9% in the last ten years (Table II.6). The total average cost (paid and reserved, gross of IBNR) shows a trend reversal, growing by +0.6% in 2018 after four consecutive years of decline. In the last ten years, this cost rose by +13.6% due to strong increases in the period 2010-2013.

Table II.6

Average cost of generation (Total managed)								
								(euro)
Year of generation	**Paid***	**% Change**	**Reserved (net of IBNR)**	**% Change**	**Paid + Reserved (net of IBNR)**	**% Change**	**Paid + Reserved (gross of IBNR)**	**% Change**
2009	2,356	-0.6%	7,289	-2.4%	3,890	-0.7%	3,922	-0.2%
2010	2,428	3.1%	7,939	8.9%	4,058	4.3%	4,091	4.3%
2011	2,497	2.8%	8,827	11.2%	4,340	6.9%	4,431	8.3%
2012	2,396	-4.0%	9,647	9.3%	4,494	3.5%	4,600	3.8%
2013	2,406	0.4%	9,932	3.0%	4,564	1.6%	4,689	1.9%
2014	2,455	2.0%	9,757	-1.8%	4,532	-0.7%	4,641	-1.0%
2015	2,460	0.2%	9,817	0.6%	4,467	-1.4%	4,578	-1.4%
2016	2,476	0.7%	9,604	-2.2%	4,374	-2.1%	4,469	-2.4%
2017	2,516	1.6%	9,332	-2.8%	4,326	-1.1%	4,432	-0.8%
2018	2,566	2.0%	9,567	2.5%	4,361	0.8%	4,457	0.6%
% Change 2018/2009		*8.9%*		*31.3%*		*12.1%*		*13.6%*

* Partial payments included.

The average costs paid on CARD claims (Table II.7), with reference only to the year of occurrence of the claims, grew by +5.4% in the 2013-2018 time interval (+2% in 2018 alone). The cost reserved, net of IBNR, after the strong decrease in the period 2014-2017 (-16.4%), recorded a slight reversal of the trend in 2018 (+0.4%), while the total average cost paid and reserved gross of IBNR increased by +0.6% in 2018, in any event remaining stable since 2015 and recording a decrease of -2.1% over the last ten years.

Table II.7

Average cost of generation (CARD)								
								(euro)
Year of generation	**Paid***	**% Change**	**Reserved (net of IBNR)**	**% Change**	**Paid + Reserved (net of IBNR)**	**% Change**	**Paid + Reserved (gross of IBNR)**	**% Change**
2009	2,011	-0.6%	4,168	-2.3%	2,555	-0.6%	2,574	0.2%
2010	2,052	2.0%	4,650	11.6%	2,671	4.5%	2,667	3.6%
2011	2,097	2.2%	4,930	6.0%	2,751	3.0%	2,754	3.3%
2012	1,996	-4.8%	4,905	-0.5%	2,661	-3.3%	2,674	-2.9%
2013	1,994	-0.1%	4,968	1.3%	2,666	0.2%	2,674	0.0%
2014	2,010	0.8%	4,600	-7.4%	2,594	-2.7%	2,604	-2.6%
2015	2,003	-0.3%	4,376	-4.9%	2,514	-3.1%	2,522	-3.1%
2016	2,028	1.2%	4,369	-0.2%	2,521	0.3%	2,522	0.0%
2017	2,061	1.6%	4,154	-4.9%	2,502	-0.8%	2,504	-0.7%
2018	2,102	2.0%	4,172	0.4%	2,519	0.7%	2,520	0.6%
% Change 2018/2009		*4.5%*		*0.1%*		*-1.4%*		*-2.1%*

* Partial payments included.

The direct compensation procedure seems to have generated a containment of costs of the Italian MTPL market despite still not having reached full efficiency level.

With reference to NO CARD claims (Table II.8), in 2018 the average cost paid increased slightly by +0.3%, essentially stable since 2016, while in the 2012-2015 time interval there was an increase of 17.9%. The average cost of reserved claims (net of IBNR) saw renewed growth in 2018 (+1.9% compared to the previous year) after two consecutive years of decline (-2.2% in 2017 and -2.6% in 2016), which had followed a long period of growth (+49.7% in the 2009-2015 time interval). The total average cost, gross of IBNR, continued to reduce in the last three years (-5.8% compared to 2015), albeit less markedly in 2018 (-0.4%), after considerable increases recorded in previous years (+40.1% from 2009 to 2015).

Table II.8

Average cost of generation (NO CARD claims)

(euro)

Year of generation	Paid*	% Change	Re-served (net of IBNR)	% Change	Paid + Re-served (net of IBNR)	% Change	Paid + Re-served (gross of IBNR)	% Change
2009	4,423	21.8%	12,592	7.9%	8,841	19.7%	8,283	16.2%
2010	4,822	9.0%	13,567	7.7%	9,499	7.4%	8,971	8.3%
2011	4,857	0.7%	14,924	10.0%	10,165	7.0%	9,841	9.7%
2012	4,680	-3.6%	16,909	13.3%	11,066	8.9%	10,508	6.8%
2013	4,739	1.3%	17,446	3.2%	11,337	2.4%	10,750	2.3%
2014	5,177	9.2%	17,904	2.6%	11,854	4.6%	11,108	3.3%
2015	5,518	6.6%	18,848	5.3%	12,480	5.3%	11,607	4.5%
2016	5,451	-1.2%	18,356	-2.6%	12,049	-3.5%	11,206	-3.5%
2017	5,408	-0.8%	17,950	-2.2%	11,698	-2.9%	10,980	-2.0%
2018	5,422	0.3%	18,292	1.9%	11,695	0.0%	10,935	-0.4%
% Change 2018/2009		*22.6%*		*45.3%*		*32.3%*		*32.0%*

* Partial payments included.

1.3.2. - *Compensation for CARD-CID component*

In 2018, also taking into account obligations for the periodic review of regulatory documents[31], the Institute conducted a review of the incentives and penalties system (hereinafter incentives) introduced in implementation of primary regulations[32] through Order no. 18 of 5 August 2014, later amended by Order no. 43 of 4 March 2016, with a view to improving the efficiency of Direct Compensation (CARD).

The undertakings assessment system - CARD-CID component of Direct Compensation - defined in the aforementioned Order is based on performances recorded in relation to the

31 IVASS Regulation no. 3 of 5 November 2013.

32 Law Decree no. 1 of 24 January 2012, converted by Law no. 27 of 24 March 2012.

cost of claims for material damage, the cost of claims for personal injury, the claim settlement time and the changes over time in the cost of claims for material damage (the model's driver).

By Order no. 79/2018 the Institute defined a new version of the incentive system, extending the operating efficiency measurement also to the results of anti-fraud activity in the claims settlement phase and the cost of personal injury of CARD-CTT management. The main changes introduced pertain to:

- a component dedicated to the efficiency of anti-fraud activity in the claims settlement phase;
- a new formula for the claim settlement time;
- the extension to passengers of the "personal injury" component (CTT claims for micro-injuries);
- the exclusion of claims with shared liability from the calculation of the average cost of claims, to improve measurement comparability.

The **calculation of incentives**, carried out by year of occurrence of claims, spans three years: in the year following the reference generation an initial settlement is made, then in the following two years balancing adjustments are made[33] to what was settled in the first year for the cost and time components. The total amount of compensations for each generation is determined at the end of the third year after the year of generation (e.g. 2018 for claims generated in 2015).

The system envisages annual calibration to:

- select the undertakings bidding with sufficiently extensive portfolios (statistics robustness);
- stabilise the set of undertakings accessing the tender procedure;
- cut the distributions used to calculate average costs (estimate robustness);
- modulate the power of individual drivers.

The annual calibration, set by IVASS before the start of each generation, is based on three parameters. The calibration parameters applied to the generations of claims since the start-up of the incentive system are shown in Tables II.9 and II.10.

Table II.9

Calibration parameters for motor vehicles and incentive values

Year	Premium threshold (millions)	Percen-tiles	Total incentives (millions)	Maximum differentials (%) Cost	Dynamics*	Time	Anti-fraud
2015	20	10-98	18.8	15	.	5	.
2016	40	10-98	20.0	8	6	4	.
2017	40	10-98	24.0	8	6	4	.
2018	40	12-98	n.a.	7	7	1	.

[33] In the CARD model, the total measurement of the cost is approximated to the third year (duration 2); for which the historical data indicate a 98% level of completeness.

Table II.10

Calibration parameters for mopeds and motor cycles and incentive values

Year	Premium threshold (millions)	Percentiles	Total incentives (millions)	Maximum differentials (%)			
				Cost	Dynamics*	Time	Anti-fraud
2015	2.5	10-98	1.3	7	.	7	.
2016	5	10-98	1.6	9	7	5	.
2017	5	10-98	1.2	9	7	5	.
2018	5	12-98	n.a.	7	5	1	.

* The dynamics were not applied for 2015

From the introduction of the model and until the 2017 generation, 67 million euro in penalties and incentives were exchanged between MTPL undertakings falling within the tender admission parameters (mopeds and motorcycles)

1.3.3. - *Automobile sector - the price of MTPL insurance and the contractual clauses (IPER)*

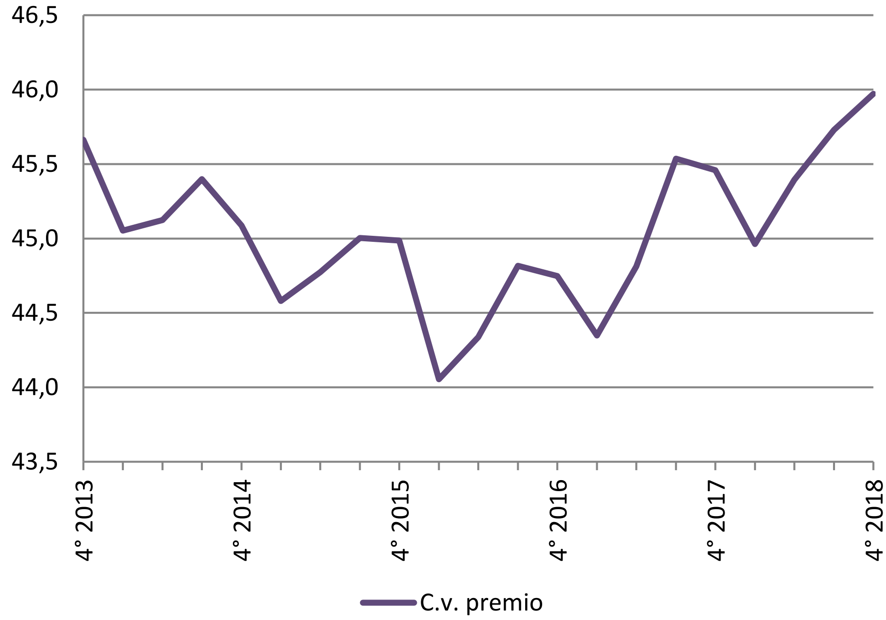
Price spreads

The price spread is an important variable in assessing the degree of customisation of policies in relation to risk, the mixed nature of the risk and the incidence of other market friction, such as the level of information for consumers on market offerings and the competition level between insurance undertakings.

The variation coefficient (ratio between standard deviation and average premium), calculated on IPER prices, shows a rising trend (fig. II.4), with a positive annual change of 1.1%. The standard deviation and the variation coefficient of prices associated with contracts signed in the fourth quarter of 2018 are 191 euro and 46.0%.

Figure II.4

Variation coefficient performance for average MTPL prices



The deviation between the 90th percentile and the median saw an annual increase of 0.8%; vice versa, the deviation between the median and the 10th percentile decreased by 1.2% year on year. Fig. II.5, which illustrates the performance of these two statistics, shows a diverging trend between the dispersion of prices associated with the more expensive contracts (90th percentile/median) compared to the less expensive contracts (median/10th percentile). These performances indicate a strong correlation between prices and risk only in correspondence with the higher price levels.

The dynamics are summarised by the price distribution developments in Fig. II.6, which compare the fourth quarter of 2018 with the fourth quarter of 2014. The 2018 distribution shifts towards the left compared to 2014 as a result of the decrease in average prices; at the same time, the tail to the right has flattened.

Figure II.5

Ratio performance between 90°/50° percentiles and 50°/10° percentiles for the MTPL price

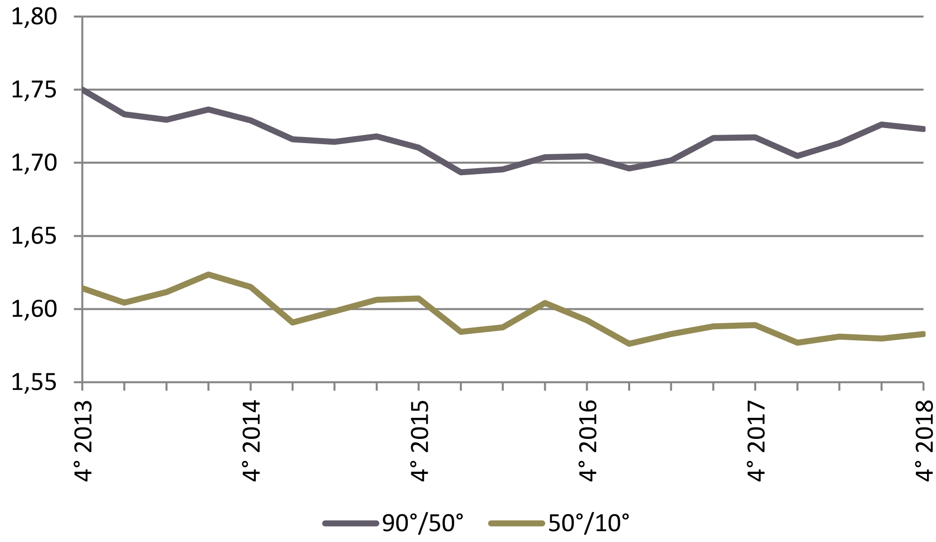
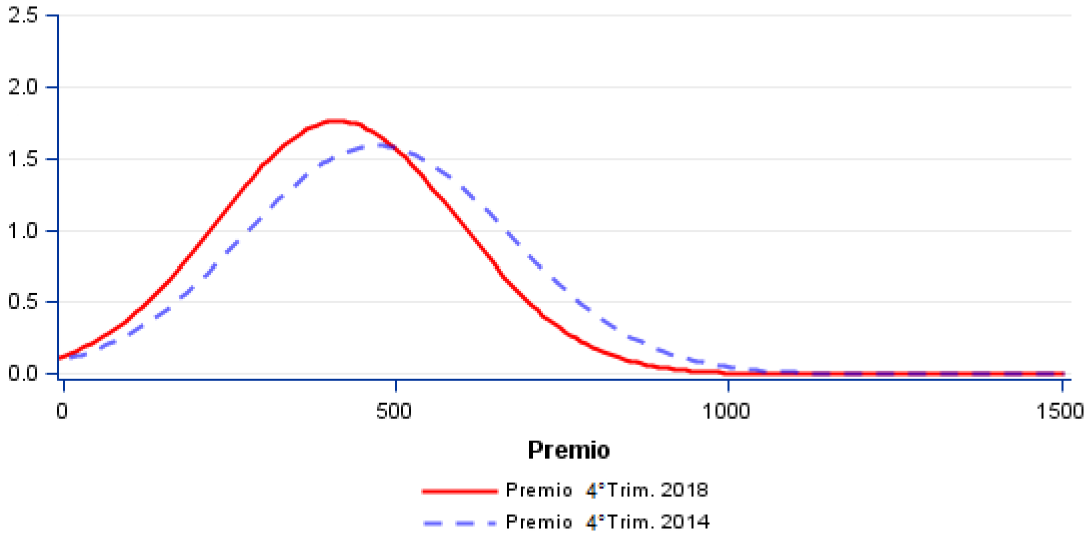


Figure II.6

Density of prices associated with contracts stipulated in the 4th quarters of 2018 and 2014



The relationship between prices and policyholder age

Fig. II.7 shows the average price by age bracket of the policyholder for contracts signed in the fourth quarter of 2018 and the previous year. The price differential associated with contracts signed with younger policyholders (under 24) and older policyholders (over 60) at the end of 2018 was 350 euro, up by 59 euro on the fourth quarter of 2013 (291 euro; fig. II.8).

Figure II.7

Average MTPL price by age brackets in the 4th quarters of 2017 and 2018

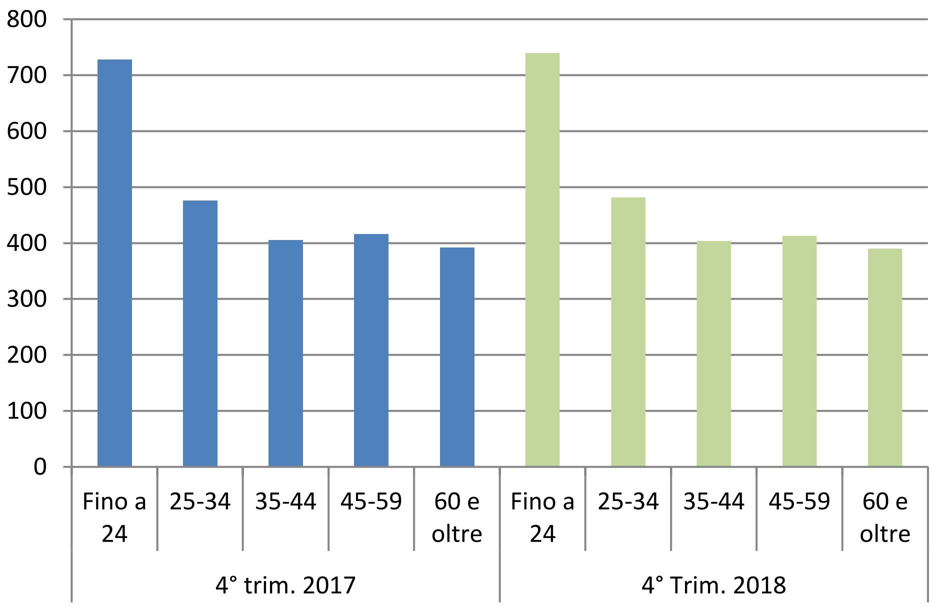
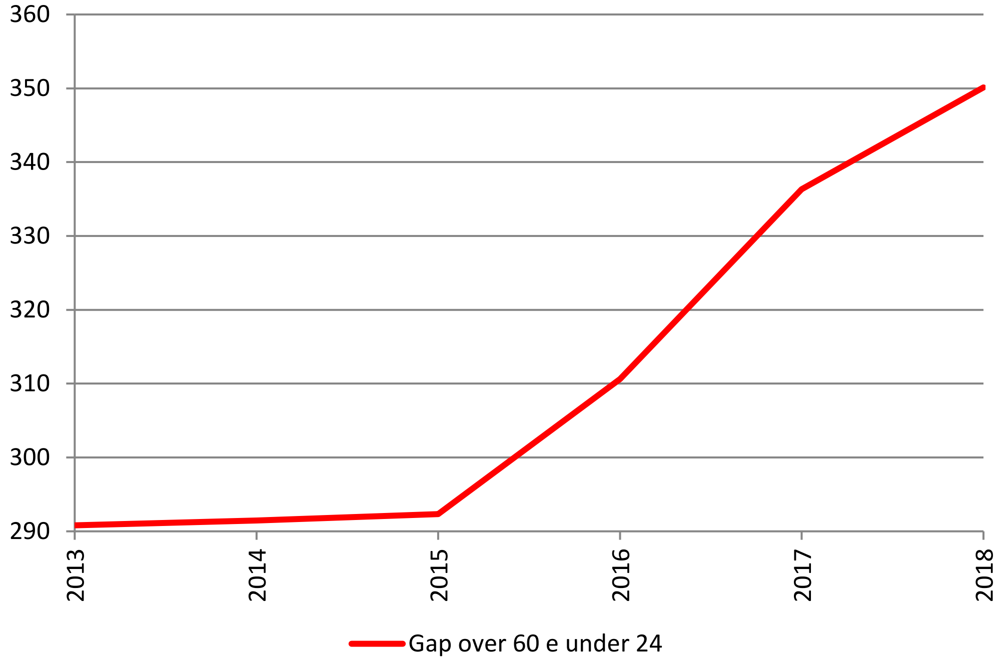


Figure II.8

Average price differential between younger policyholders (under 24) and more expert policyholders (over 60)



This trend indicates that the more "expert" policyholders have benefited most from the decrease in prices between 2013 and today.

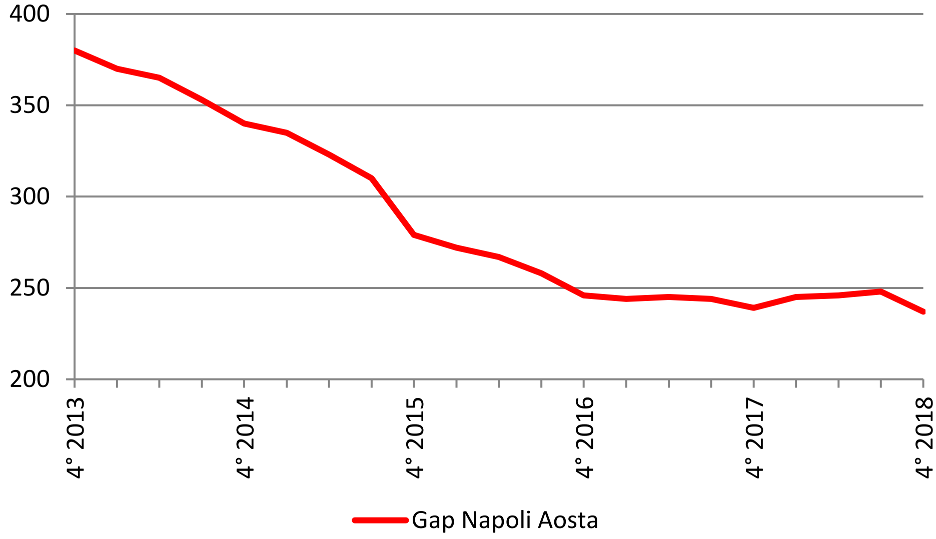
Territory prices

The differences in prices for MTPL insurance cover between the provinces is fairly marked. Fig. II.9 shows the trend in the price differential before tax between the traditionally least and most expensive provinces, Naples and Aosta, decreasing considerably from 340 at the end of 2014 to 237 in the fourth quarter 2018[34].

[34] The price statistics on a provincial basis are contained in the Statistical Bulletin, Year VI, No. 6 of April 2019.

Figure II.9

Trend in the differential of the taxable average premium between Naples and Aosta

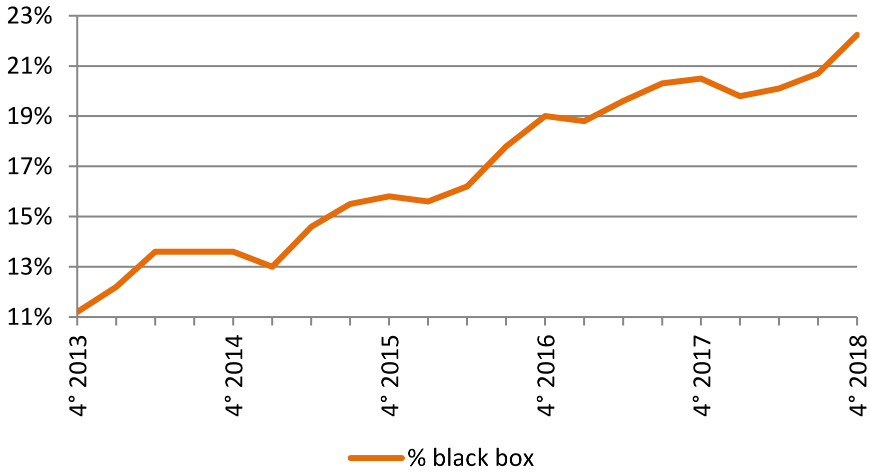


Black box

22.2% of the policies stipulated in the fourth quarter of 2018 include a clause with premium reduction effects associated with the presence of a black box (fig. II.10). This is a new peak (one out of five contracts includes black box clauses), despite the growth showing a tendency to decelerate.

Figure II.10

Black box penetration rate



The black box penetration is even across the territory: it is stable in the southern provinces (Caserta and Naples, respectively with 63.0% and 55.5% of policies envisaging the black box), whereas the telematic devices are less common in the North-East: Bolzano is the province where the black box is less used, with 4.1% of telematic contracts, followed by Belluno (6.1%) and Gorizia (7.2%).

Figure II.11

Percentage of policies with black boxes and market share of the undertaking
(contracts stipulated in the fourth quarter 2018)

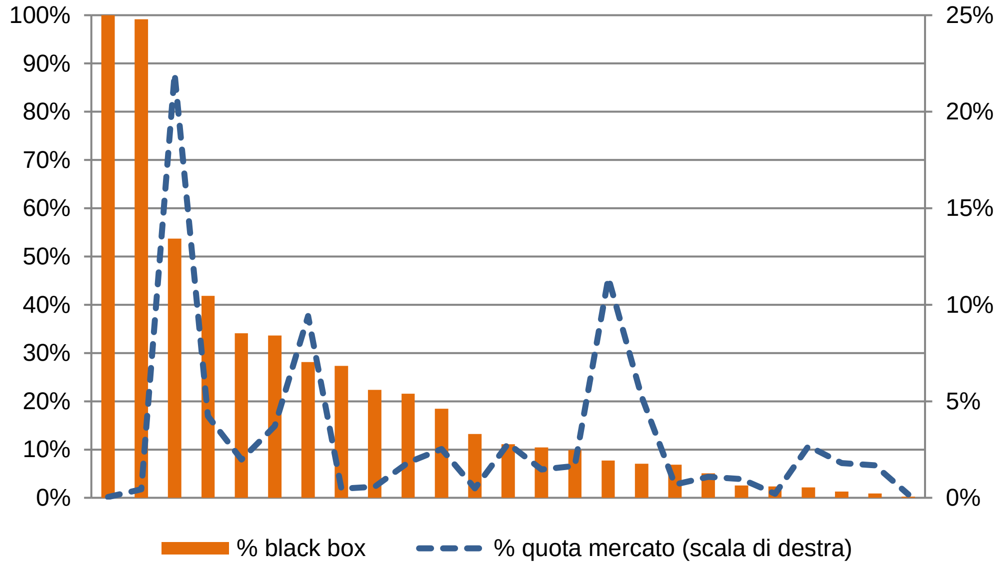


Fig. II.11 illustrates the percentage of black box contracts for each undertaking and the related market share. This type of contract is offered by 25 undertakings, the total market share of which is 80%. Compared to the first quarter of 2018, the number of undertakings offering the black box has decreased as a result of a merger[35], but the total market share of undertakings offering telematic contracts has remained unchanged.

Company switch rate

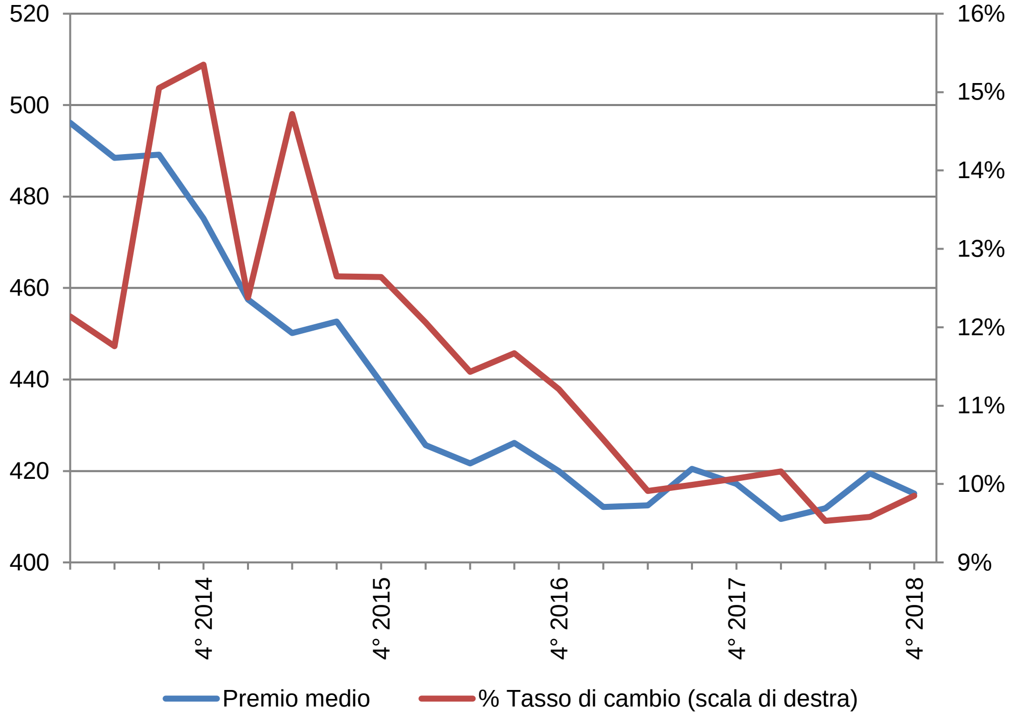
Fig. II.12 shows the trend in the company switch rate, defined as the percentage of contracts stipulated in one quarter with an undertaking other than that initially chosen a year earlier, and the price trend. The company switch rate was 9.6% in the fourth quarter of 2018.

It is interesting to note that the decrease in policyholder mobility has not hindered the decrease in prices. Black box policyholders are less likely to switch companies: the switch rate is lower by half a percentage point compared to policyholders who do not install the black box. This correlation reflects the dynamic incentives introduced by the black box contracts: if renewed with the same undertaking, it is possible to make use of discounts associated with driving style.

[35] Italiana Assicurazioni S.p.A. completed a merger by incorporation with UNIQA Assicurazioni S.p.A., UNIQA Previdenza S.p.A. and UNIQA Life S.p.A., all of which were merged into Italiana Assicurazioni: the legal effects of the merger refer to 31 December 2018 with accounting and tax effects backdated to 1 January 2018.

Figure II.12

Average price trend and company switch rate



The benefits achieved by policyholders in the form of premium discounts applied on telematic policies are, however, counterbalanced by the poor application of mobility discounts: evidence suggests the presence of a trade-off between contractual personalisation, through the data captured by the black box, and the discounts applied by undertakings to new policy-holders.

In the last quarter of 2018, recording reduced mobility compared to the previous quarter (-0.27%), there was a slight increase in prices.

Heterogeneity of prices among insurance undertakings

The annual change in prices (fig. II.13) varied among the insurance undertakings[36] in the range of -10.6% and +14.7%. 30% of insurance undertakings applied negligible changes to the average price[37].

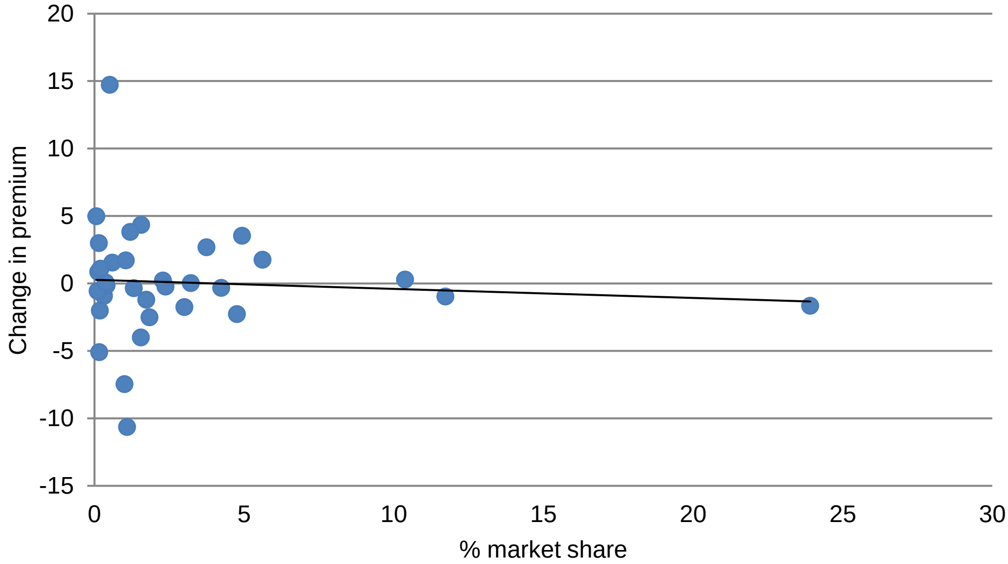
[36] The analysis was conducted, restricting the sample to undertakings with at least 1,000 contracts.

[37] Work continued on implementation of the New Estimator for MTPL policies, with the aim of providing a new tool for consumers and intermediaries to improve the comparison between quotes offered by insurance undertakings operating in the sector. The design stages are pending finalisation and start-up of the executive stage will take into account the Ministry of Economic Development's issue of the Decree containing the "basic contract" definition for compulsory third-party liability deriving from the use of motor vehicles.

The correlation between the 2018-2017 annual percentage decrease in average prices associated with contracts stipulated by each undertaking and the related market share is slightly negative.

Figure II.13

Annual average premium variation
(contracts stipulated in the fourth quarter 2018)



This correlation indicates that the power of the market - correlated with the market share held - did not influence the price decrease[38].

1.4. - MTPL market concentration

The Herfindal-Hirschman Index (HHI) is commonly used to measure market concentration. High HHI values indicate that the market is barely competitive. The HHI value for the Italian MTPL market in 2018 was 924[39], suggesting that the MTPL market in Italy has a weak concentration. Fig. II.14 shows a positive association between the HHI trend and prices over time.

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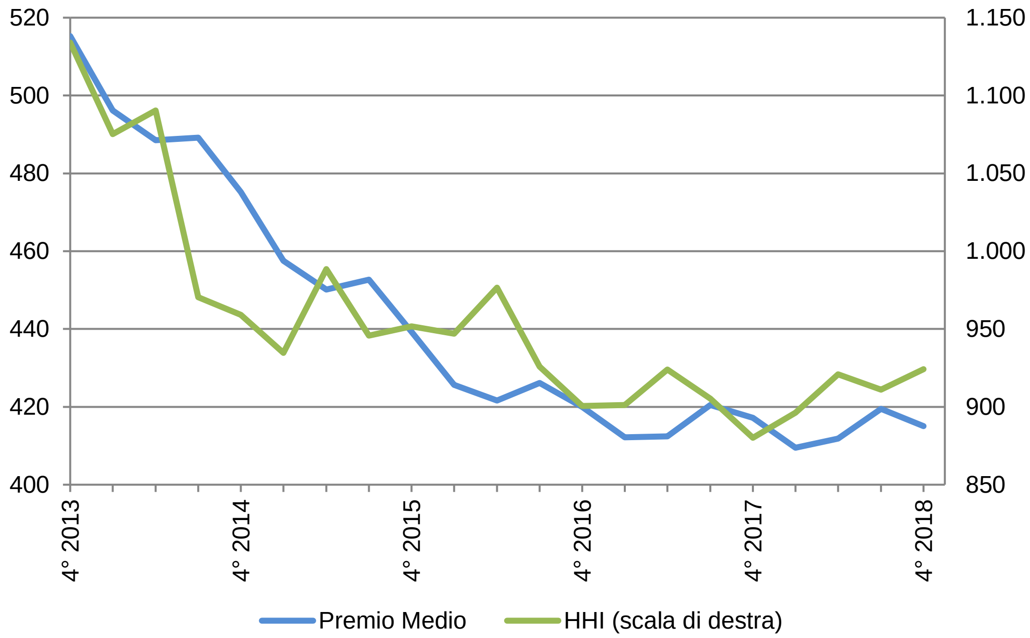
[38] In the fourth quarter of 2018, the top five undertakings by market share hold 56.6% of the total market.
[39] The HHI range is 0-10,000.

Figure II.14

Average price trend and the HHI

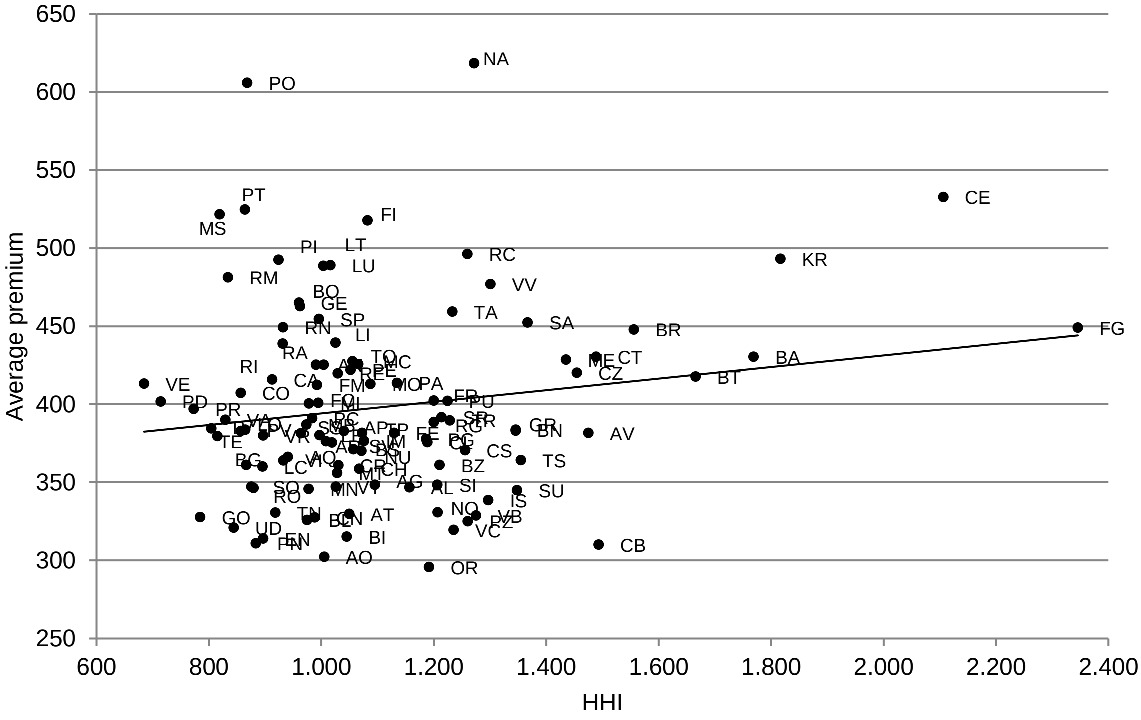


Though there is no causal link between these two variables, the MTPL market has undoubtedly benefited from these two phenomena.

Fig. II.15 shows the correlation between prices and HHI among the provinces. There is a more marked positive correlation in provinces with a strong concentration (HHI of over 1,300) characterised by a higher incidence of fraud. This phenomenon can be interpreted as the result of a specialisation process: not all insurance undertakings have an incentive to earn market shares in local markets where intense anti-fraud activity is necessary.

Figure II.15

Ratio between average price and HHI by province



1.5. - Litigation regarding liability in respect of the use of motor vehicles and craft

The data on insurance litigation in the MTPL and liability for ships business in 2010-2018[40], for domestic Italian undertakings and Italian branches of non EEA undertakings, show the peculiar characteristics of the phenomenon in Italy.

The high number of litigation cases pending on the Italian insurance market is significant in that it has an impact on the legitimate expectations, on the one hand, of injured parties that have brought claims for compensation and, on the other, of undertakings that oppose the counterparty claims in *an* and *quantum* terms. The excessive duration of proceedings has a negative effect on the closure of insurance litigation, and settlement agreements represent the most commonly used means of resolving cases.

2018 again saw a high number of proceedings pending with judicial authorities, slow progress in litigations and closure times for civil cases that remain particularly lengthy. The duration of proceedings and the complex quantification of personal damages penalise the injured parties, policyholders and insurance undertakings.

The territorial distribution of proceedings is not even, with a strong concentration in the areas of Naples and Rome where, in reference to the number of claims, the claim settlement

[40] See Statistical Bulletin no. 4/2019 for detailed data in the period 2010-2017. The 2018 figures are based on preliminary data for the entire market.

time records values of 43% and 61%, lower than the national average (69%). In these areas, where there is also a high number of claims exposed to fraud risk, two fifths of the cases are pending and account for over a quarter of the total provisions.

The total number of pending civil and criminal cases at the end of 2018 was 232,885 (243,937 at the start of 2018), down by 4.5%. Compared to 2010, the decline is 23%, less than the 37% decrease in claims on provisions.

The decrease in litigation cases pending in 2018 - albeit in the presence of a still high incidence on claims (proceedings pending in reserved claims stand at 23% in number terms and 31% in amounts) and, as indicated, geographic concentration in certain areas - results in a saving in its social cost, a decrease in amounts allocated to claims provisions and in business risks, as well as a potential saving in proceedings times.

The 1st degree civil cases managed (cases pending at the start of 2018 plus cases initiated during the year) were 347,849, of which 119,394 brought during the year. The corresponding closed cases were 129,498, accounting for 37% of those managed. The related average provision is 23 thousand euro, over twice the average amount paid.

At the end of 2018, the total provisions were: for 1st degree civil cases, 4.9 billion euro, of which 47% referring to claims occurring more than five years previously; for 2nd and 3rd degree civil cases, 490 million euro (434 million euro for pending personal injury proceedings), of which 95% refer to claims occurring more than five years previously; for criminal cases, 313 million euro.

The top five undertakings for level of 1st degree litigations, representing 61% of the total, managed over 200,000 cases in 2018, of which 90% before Justices of the Peace. For these undertakings, the cases pending reduced in number by 6.4% and in amount terms by 7.8%, with an average 10,000 euro paid and average provisions of 23,000 euro. The total provisions for cases pending amount to 3 billion euro, of which over 70% refers to personal injury claims; 50% of this amount refers to claims proceedings relating to claims occurring more than five years previously. This incidence reaches 96% for 2nd and 3rd degree proceedings.

As regards 1st degree civil cases, note that in 2018:

- 18,000 new cases were brought in relation to claims with year of occurrence as 2014 or earlier;
- advances were paid amounting to 21% of total pending proceedings in terms of number and to 34% in terms of amount. With reference to management of the claims history statement, considering that the *malus* application and subsequent premium increase only happens when a payment is recorded, for cases with no payment on account the procedural duration of a with-fault claim also delays the contractual penalisation;
- the clearance speed for litigation, measured by the fraction of claims proceedings closed during the year, is 38% in number terms and 23% in terms of amount.

Cases closed with a settlement agreement account for half of the total cases closed in 2018, 19% with liability of the undertaking, 17% with judgement waiver and 14% with decisions in favour of the undertaking. The latter recorded significant savings, achieved by undertakings by opposing the compensation claims.

The total provisions include amounts for cases closed with a settlement agreement or with liability of the undertaking still to be paid at year end for 256 million euro, highlighting delays in making the payments.

Correct and efficient litigation risk management calls for appropriate monitoring of the decision whether or not to appear in court, control of proceedings development, performance assessment of fiduciaries and verification of the results achieved compared to initial expectations. In situations with the highest rate of fraudulent phenomena, the focus on litigation by the undertakings, judicial authorities and law enforcement agencies is highly important, in terms of preventing and combating fraud, leading to benefits for the entire community.

1.6. - Anti-fraud activity

1.6.1. - *IVASS anti-fraud activities and the Anti-Fraud Integrated Database*

The year under review was characterised by the focus on database management, following the entry into force of Regulation (EU) no. 679/2016, the General Data Protection Regulation. The issue was approached in reference to ensuring the security of databases held by IVASS, particularly the Claims Data Bank for which a specific project was launched with the Bank of Italy, and in reference to sector databases to which data is uploaded by insurance undertakings. The same issue was also studied in reference to real situations of availability of information not for public use, which were managed promptly and with determination.

IVASS anti-fraud activities

Cooperation continued with judicial bodies involved in action to combat insurance fraud. With the aim of streamlining operating practices, and facilitating the exchange of information with the undertakings affected, a number of Public Prosecutor Offices were consulted to agree upon suitable procedures.

In 2018, IVASS received 157 reports (40 in 2017) from individuals on alleged unlawful behaviours. In addition, 32 reports were received from undertakings in relation to alleged fraud against them, of which two foreign insurance undertakings.

17 requests for information submitted by Authorities were handled (30 in 2017), as well as 8 requests for verification of the contractual documentation and consequent request of IVASS to insurance undertakings to file a criminal complaint and 174 requests from Authorities to ascertain MTPL insurance coverage which, upon verifying the insurance documentation on the road, noted the absence of a contract in the Coverage Database (192 in 2017). Concerning the Claim History Certificate Database, the Institute received one report (6 in 2017).

468 requests were received (389 in 2017) for access to the Claims Data Bank (BDS), Register of Witnesses and Register of Injured Parties, of which 302 from the direct owners of the data, 54 from Judicial Authorities and Law Enforcement Agencies, and 112 from third parties (attorneys, Justices of the Peace). In 2017, they were respectively 239, 65 and 85. Aside from those coming from the directly involved parties, access requests are allowed only for the purpose of preventing and combating insurance fraud.

292 authorisations were granted to new users for consultation of the Claims Data Bank, at the request of 24 undertakings and of 34 judicial and local police organisations (354 in 2017). 149 user accounts were disabled (148 in 2017) and 393 reactivation requests by undertakings were processed, along with 197 by other Entities (305 and 53, respectively, in 2017). Technical assistance was provided to numerous users who requested support for their access or the issue of new passwords.

47 sanctioning procedures were initiated, of which 14 against undertakings that failed to correctly provide data to the Claims Data Bank and 33 relating to the late provision of data to the Claim History Certificate Database.

One inspection was carried out on an undertaking to verify that CARD claims are correctly entered.

Data quality Claims Data Bank (BDS)

Since 2016, IVASS has provided undertakings uploading data to the BDS with a monthly report on flows recorded. It is a statistical analysis useful in highlighting quality and completeness indicators in claims transmitted to the BDS, comparable with those of the entire market.

With reference to the 1st half of 2018, this tool was used to analyse the entry process of a sample of 19 undertakings. An undertaking showing significant reporting problems was summoned for further investigation.

The Institute is enhancing its current statistical monitoring system with new indexing designed to capture other aspects of undertakings' communications to the BDS. Action is also in progress to implement an additional comparative statistical analysis tool allowing comparison between similar undertakings.

The Anti-Fraud Integrated Database

2018 saw the operational start-up of the new version of the Anti-Fraud Integrated Database (AIA), running on the Bank of Italy infrastructures. The application now offers functions allowing the improved calculation of indicators, making the IT procedure more flexible and more easily monitoring its operations. The safety of tools for data exchange with the undertakings was a particular focus.

These functions represent only the first series of innovations expected to be introduced with the new application. The AIA portal will soon be available, making anti-fraud database user credential and consultation procedures more efficient and streamlined. The platform for data exchange between undertakings and a network analysis system in support of anti-fraud activity are at an advanced stage of development.

The data volumes handled by the AIA in 2018 are in line with those of previous years. New claims numbered just under 3 million. Also taking into consideration supplementary communications after the first, the reports processed would be a little less than 9 million. Available records indicate that the integration of AIA-generated information flows in undertakings' anti-fraud procedures has become further consolidated.

Again in 2018, specific attention was paid to the distribution of claims among the four AIA summary score classes: 17% of reports processed by AIA showed a medium or high level anomaly score, whilst 20% had a low value. For the remaining claims the score was zero. In addition to verifying the score trend, the activation frequency of detailed indicators making up the summary score is examined constantly. The Institute periodically monitors the effectiveness of parameters and calibrations, also on the basis of market reports, arranging their review as necessary to prevent or remove any data distortions.

The quality of the AIA anomaly scores stands at satisfactory levels: in over 90% of cases, the completeness of the information was high, i.e. over 85%. The response times to undertakings are, on average, around two business days from the date a claim is reported to IVASS.

1.6.2. - *Anti-fraud activities of undertakings – 2017*

Pursuant to ISVAP Regulation no. 44/2012, the annual reports on anti-fraud activity pertaining to 2017 were transmitted to the Institute, confirming the positive trend recorded in previous years.

In 2017, the total number of claims reported stood at 2,857,883 (Table II.11), essentially unchanged compared to 2016 (+0.1%) on a national scale. The increase was concentrated in the Centre and South, where it reached 2.1% and 1.9% respectively, whereas decreases were recorded in the North (-0.9%) and Islands (-3.4%).

The Risk Units (RUs) insured in 2017 grew by 1.2% compared to 2016, reaching 41,345,314 units. Unlike the claims reported, the most significant increase involved Northern Italy (+1.5%), compared to a considerable decrease in units insured in the Islands (-3.5%) and a slight growth in the Centre (+0.4%) and more significant in the South (+1%).

Anti-fraud numbers in Italy

In 2017, 639,940 claims were given a fraud risk classification, down 4.3% compared to 2016 (668,341).

A total of 355,102 claims were investigated for fraud risk (compared to 339,550 in the previous year), an increase of 4.6%.

The growth in the number of claims closed without payment for anti-fraud activity, registered in previous years, has halted, recording a slight decrease of 0.6% (50,438 Risk Units in the last year compared to 50,757 in 2016).

The extent of savings achieved by undertakings through anti-fraud action confirms stronger effectiveness of the operating procedures adopted by the market compared to the previous year. In 2017, after verification and validation of the data, the savings amounted to over 254 million euro, recording an increase of 2%.

Claims for which undertakings filed a criminal or civil complaint reached 4,591, essentially unchanged compared to 2016 (4,578 claims; +0.3%).

Table II.11

2017 data, Regulation no. 44

(units)

Territorial Macro-zones	Regions	Risk Unit	Claims Reported	Claims exposed to fraud risk	Claims investigated in relation to fraud risk	Claims investigated in relation to fraud risk that were closed without payment	Claims subject to Reporting/Legal Action
NORTH	EMILIA ROMAGNA	3,358,419	209,145	40,568	21,124	2,612	204
	FRIULI-VENEZIA GIULIA	947,442	43,774	7,535	3,371	475	26
	LIGURIA	1,148,892	91,472	20,439	10,600	1,194	96
	LOMBARDY	7,043,100	486,514	83,438	41,291	5,322	466
	PIEDMONT	3,248,189	224,929	46,995	20,697	2,718	306
	TRENTINO-ALTO ADIGE	1,039,232	62,000	11,548	3,169	320	28
	VALLE D'AOSTA	177,950	6,751	1,006	423	131	2
	VENETO	3,749,314	199,886	29,472	14,415	1,823	85
	North - Total	**20,712,538**	**1,324,471**	**241,001**	**115,090**	**14,595**	**1,213**
CENTRE	LAZIO	4,308,120	383,343	86,148	47,711	7,468	552
	MARCHE	1,173,769	68,652	12,649	6,465	810	50
	TUSCANY	2,866,167	202,066	39,487	20,509	2,577	235
	UMBRIA	714,902	42,303	7,794	4,202	537	79
	Centre - Total	**9,062,959**	**696,364**	**146,078**	**78,887**	**11,392**	**916**
SOUTH	ABRUZZO	927,209	55,330	11,954	6,094	936	62
	BASILICATA	375,156	18,862	4,740	2,889	409	30
	CALABRIA	1,058,432	58,661	16,427	10,540	1,668	270
	CAMPANIA	2,689,388	275,886	121,283	81,285	12,855	1,440
	MOLISE	226,720	12,454	4,135	2,806	424	70
	APULIA	2,249,892	138,792	36,511	23,148	3,286	236
	South - Total	**7,526,797**	**559,985**	**195,050**	**126,762**	**19,578**	**2,108**
ISLANDS	SARDINIA	1,062,538	66,870	11,077	5,578	824	48
	SICILY	2,980,482	210,193	46,734	28,785	4,049	306
	Islands - Total	**4,043,020**	**277,063**	**57,811**	**34,363**	**4,873**	**354**
Domestic Total		**41,345,314**	**2,857,883**	**639,940**	**355,102**	**50,438**	**4,591**

Criminal proceedings initiated by the undertakings in relation to cases connected with the settlement activity

In the claims settlement phase in 2017, insurance companies initiated 3,090 criminal proceedings, with a slight increase of around 1.8% compared to the previous year.

20,639 criminal proceedings were brought by the undertakings from 2012 to 2017 (Table II.12), of which 27% with final outcomes (5,554), a slight improvement on the 20% recorded in the previous year.

Table II.12

Reports/legal actions pertaining to the settlement phase

(units)

Year	Reports/ Legal Actions	Final Outcome				Final Out-come - Total
		Dismissal	Acquittal	Conviction	Other *	
2012	3,296	736	77	266	405	1,484
2013	4,258	746	80	266	400	1,492
2014	3,364	623	55	203	178	1,059
2015	3,596	692	26	76	117	911
2016	3,035	291	14	41	85	431
2017	3,090	102	10	20	45	177
Total	**20,639**	**3,190**	**262**	**872**	**1,230**	**5,554**

* Includes residual cases including withdrawn reports, indictments, dismissal through oppositions and transfers to other Offices of the State Prosecutor.

Criminal proceedings initiated by the undertakings in relation to cases connected with the underwriting activity

With regard to the underwriting or pre-underwriting phase (contracts, contractual and pre-contractual documentation), the number of reports/legal actions initiated by the undertakings in 2017 further reduced to 518 cases (Table II.13), down 38% from 2016 (832 cases) and 84% compared to 2015 (3,249 cases).

This confirms the anti-fraud effectiveness of the dematerialisation of MTPL underwriting documentation, completed in 2015 with setup of the Claim History Certificate Database, required by IVASS Regulation no. 9 of 15 May 2015, and the MTPL Coverage Database held by the Motor Vehicle Registration Department of the Ministry of Infrastructure and Transport, in operation since October 2015.

The completion times for legal proceedings relating to the underwriting phase are in line with those recorded for the settlement phase, as final outcomes have been reached on around 28% of proceedings initiated since 2012.

Table II.13

Reports/legal actions pertaining to the underwriting phase						
						(units)
Year	Reports/Legal Actions	Final Outcome				Final Outcome - Total
		Dismissal	Acquittal	Conviction	Other *	
2012	3,086	436	104	157	243	940
2013	4,060	503	86	116	276	981
2014	3,806	787	45	82	201	1,115
2015	3,249	792	36	55	94	977
2016	832	208	20	14	18	260
2017	518	59	8	13	20	100
Total	**15,551**	**2,224**	**299**	**366**	**852**	**4,373**

* Includes residual cases including withdrawn reports, indictments, dismissal through oppositions and transfers to other Offices of the State Prosecutor.

The adequacy of corporate organisations in combating fraud

The assessment procedure on the undertakings' anti-fraud activities in 2017 introduced changes compared to previous years.

In particular, a "territory-based" coefficient was processed, expressing the geographical distribution of risks insured (Risk Unit) by individual undertaking, in order for the anti-fraud activity assessment to take into account the degree of exposure to fraud risk associated with a stronger or weaker presence in the different areas of Italy.

This amendment led to changes in the standing scores assigned to anti-fraud activity carried out by the undertaking, as well as changes in the consistency of assessment brackets.

In the first of the five assessment brackets, which includes the undertakings with the best score, the number of undertakings halved. 8 undertakings achieved this result in 2017 (Table II.14), with a market share of more than 55% of total Risk Units insured, compared to 15 undertakings in the previous year with a lower market share (46%).

The number of undertakings in the second bracket rose to 14 (12 in 2016), distinguished by a lower market share (23% compared to 40%).

16 undertakings were classified in the third bracket compared to 9 last year, for a market share of 19%, much higher than the 2% of 2016.

14 undertakings were classified in the fourth bracket, for a Risk Unit market share of 3%, compared to 17 undertakings with a 12% market share in 2016.

Lastly, 11 undertakings (compared to 5 in the previous year) were positioned in the fifth and final bracket, with a market share significantly below 1% both in terms of insured Risk Units and claims. These are companies whose activities are markedly focused on a specific business and/or have strong territorial connections, at the regional or even provincial level:

aspects that justify lower operating volumes and therefore fewer organisational safeguards in terms of anti-fraud activity.

Table II.14

Assessment brackets by final score

(units and % values)

Assess-ment bracket	Number of undertak-ings	Total Risk Units	RU market share	Claims reported	% over total claims re-ported in It-aly	Loss ratio
			2016			
I	15	18,844,438	46.12%	1,288,172	45.29%	6.84%
II	12	16,299,718	39.89%	1,086,602	38.20%	6.67%
III	9	729,152	1.78%	81,776	2.87%	11.22%
IV	17	4,866,239	11.91%	377,576	13.28%	7.76%
V	5	123,571	0.30%	10,244	0.36%	8.29%
Total	**58**	**40,863,118**	**100.00%**	**2,844,370**	**100.00%**	**6.96%**
			2017			
I	8	22,793,726	55.13%	1,550,323	54.24%	6.80%
II	14	9,387,834	22.71%	673,596	23.57%	7.17%
III	16	7,780,689	18.82%	506,011	17.71%	6.5%
IV	14	1,149,890	2.78%	107,860	3.78%	9.38%
V	11	233,175	0.56%	20,093	0.70%	8.61%
Total	**63**	**41,345,314**	**100.00%**	**2,857,883**	**100.00%**	**6.91%**

The estimated reduction in the cost of claims deriving from fraud investigations recorded an increase of 2% in 2017 compared to 2016, reaching a total of 254.4 million euro at national level (Table II.15), equal to 1.9% of total MTPL premiums. This was the best result since 2012, the year of introduction of the MTPL anti-fraud regulations.

Table II.15

Assessment brackets and estimated reduction in the cost of claims resulting from anti-fraud activities

(euro and % values)

Assessment bracket	2016		2017	
	Amounts	%	Amounts	%
I	139,502,249	55.84%	175,834,819	69.10%
II	96,646,572	38.69%	51,045,237	20.06%
III	2,737,077	1.10%	23,175,415	9.11%
IV	10,739,816	4.29%	3,994,909	1.57%
V	202,650	0.08%	404,079	0.16%
Total	**249,828,363**	**100.00%**	**254,454,459**	**100.00%**

1.6.3. - *Anti-fraud activities of undertakings – 2018 forecasts*

Initial indications on the performance of anti-fraud activities in 2018 are available following the transmission by undertakings of the annual reports per Regulation no. 44/2012.

Insured Risk Units increased by 1.7% on a national basis (688,139 additional insured units) while the reported claims decreased by 1.6% (Table II.16).

Table II.16

Macro-zones	Regions	Risk Unit	Claims Reported	Claims exposed to fraud risk	Claims Investigated in relation to fraud risk	Claims Investigated in relation to fraud risk that were closed without payment	Claims subject to Reporting/Legal Action
2018 data, Regulation no. 44							*(units)*
NORTH	EMILIA ROMAGNA	3,421,692	208,601	41,020	24,707	3,140	203
	FRIULI-VENEZIA GIULIA	967,913	43,932	7,632	3,275	458	23
	LIGURIA	1,136,181	89,457	18,243	9,988	1,171	87
	LOMBARDY	7,167,041	480,161	79,656	43,825	5,881	418
	PIEDMONT	3,285,797	222,909	42,060	22,635	3,367	278
	TRENTINO-ALTO ADIGE	1,230,831	75,495	14,474	3,074	482	25
	VALLE D'AOSTA	184,304	6,158	903	415	105	12
	VENETO	3,784,503	197,535	29,094	15,324	1,988	93
	North - Total	**21,178,263**	**1,324,248**	**233,082**	**123,243**	**16,592**	**1139**
CENTRE	LAZIO	4,333,378	369,978	78,737	47,894	7,504	485
	MARCHE	1,180,395	65,015	11,718	6,365	797	34
	TUSCANY	2,929,938	200,524	37,314	21,180	2,841	237
	UMBRIA	719,399	40,568	7,685	4,367	634	67
	Centre - Total	**9,163,110**	**676,085**	**135,454**	**79,806**	**11,776**	**823**
SOUTH	ABRUZZO	935,400	53,319	11,029	5,800	887	78
	BASILICATA	382,739	18,782	4,879	3,208	530	47
	CALABRIA	1,065,849	56,693	16,805	11,178	1,882	207
	CAMPANIA	2,728,267	266,437	127,938	88,263	14,663	1,644
	MOLISE	229,106	11,699	4,171	2,808	477	70
	APULIA	2,289,652	137,826	37,448	24,572	3,552	214
	South - Total	**7,631,014**	**544,756**	**202,270**	**135,829**	**21,991**	**2,260**
ISLANDS	SARDINIA	1,073,034	65,108	10,628	5,712	814	29
	SICILY	2,988,030	202,994	46,942	30,376	4,599	264
	Islands - Total	**4,061,065**	**268,102**	**57,570**	**36,088**	**5,413**	**293**
Domestic Total		**42,033,452**	**2,813,191**	**628,376**	**374,966**	**55,772**	**4,515**

The data on volumes and effectiveness of anti-fraud activity carried out by the undertakings suggest a positive view of the management of the operational risk of fraud on MTPL policies.

Despite a slight decrease in the number of claims identified at risk of fraud compared to 2017 (-1.8%), those subject to specific investigation because of suspicions of fraud increased considerably (+5.6%) in the same reference period, confirming an increasingly stronger commitment to combating fraud.

Claims closed without payment for anti-fraud activity, an element indicating the level of effectiveness of action to combat fraud, increased significantly (+10.6%) while a slight decrease was recorded for claims subject to reporting or legal action (-1.6%).

The initial assessments of total savings achieved for averted fraud in 2018 indicate a total of just over 253 million euro, down slightly on 2017 (-0.5%) but stable if taken as a ratio of total premium income for the year (1.9% of MTPL premiums).

2. - CATASTROPHE INSURANCE

The higher catastrophe risks due to extreme events are caused by natural disasters. The importance of providing the country system with suitable insurance coverage against this type of danger has been recognised at international level, both in economic debate and in policy decisions. Numerous countries, though different in terms of economic development and type of exposure to natural risk, have adopted regulatory and financial measures to promote the dissemination of this type of insurance policy.

Policymakers' attention to insurance is expected to grow at global level considering:

- the increasing focus on public finance restrictions, that make full reimbursement of damages unfeasible from state budgets, also due to the rise over time in value at risk. The higher values exposed to the risk are due to the increase in the number of properties, also determined by the rising population, and to the increase in their unit value, generated by economic development and growing urbanisation;

- ongoing climate changes, which increase the frequency of extreme events such as storms, floods, inundation and drought. There is extensive evidence of a global increase of damage caused by these phenomena, which in 2017 caused damages for over 300 billion dollars, less than 40% of which reimbursed by the insurance companies[41].

Italy takes the first place in Europe and the eighth worldwide for the potential extent of seismic risk damage as a ratio of GDP. A particularly serious seismic event (for example occurring every 250 years) would cause damage to Italy amounting to 3% of 2016 GDP, corresponding to 50 billion euro, whilst losses caused by flood (assumed to occur every 200 years) would total 14.2 billion euro[42].

The high degree of natural risk in Italy is in contrast with the low level of its housing stock insurance coverage. The IVASS Report presented in June 2017 contained the results of a survey on the dissemination in Italy of home insurance policies against earthquake and flood damage (only 2.4% of homes), an overview of the insurance protection systems adopted by the major countries and an analysis of the main questions to consider if the use of insurance measures is extended[43].

Insurance protection for the Italian housing stock is particularly important due to its total value (5,510 billion euro)[44], the number of property units (34.7 million[45]) and the high percentage of households (70% of a total 25 million[46]) that are homeowners (Table II.17).

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41 See: The Geneva Association (2018), *Managing Physical Catastrophe Risk: Leveraging Innovations in Catastrophe Risk Modelling*.

42 See SwissRe (2015).*Underinsurance of property risks: closing the gap. Issue 5* and SwissRe (2016a), *Flood resilience in Italy – Acting together*.

43 The report is available at: https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/relazione-annuale/2017/index.html.

44 Bank of Italy, *Italian Household Wealth 2014*. Supplements to the Statistical Bulletin, Monetary and Financial Indicators, Year XXIV, 16 December 2015.

45 Italian Revenue Agency, 2016.

46 Bank of Italy, *Italian household budgets in 2014*. Supplements to the Statistical Bulletin, Sample Surveys, Year XXIV, 3 December 2015.

Table II.17

Distribution of property units located in Italy and the housing stock value by CRESTA zone				
				(units and billion euro)
		Geographic area	**Number of homes***	**Value of homes****
CRESTA Zone level***				
	1	Piedmont, Valle d'Aosta, Liguria	2,735,269	521.1
	2	*Turin*	*1,335,947*	*303.8*
	1	Lombardy, Emilia-Romagna	5,757,591	953.6
	2	*Milan*	*1,701,033*	*326.5*
	2	Bologna	564,237	99.4
	1	Veneto, Trentino-A.A., Friuli-V.G.	3,666,273	646.0
	2	*Udine and Pordenone*	*328,907*	*99.0*
North			**16,089,257**	**2,949.4**
	1	Tuscany, Lazio	3,023,472	476.5
	2	*Rome*	*2,199,062*	*347.6*
	1	Marche, Umbria, Abruzzo, Molise	2,192,268	304.2
	2	*L'Aquila*	*268,096*	*31.8*
Centre****			**7,682,898**	**1,160.2**
	1	Apulia	1,915,374	263.6
	2	*Foggia*	*366,718*	*42.7*
	1	Campania, Basilicata, Calabria	1,926,926	221.0
	2	*Naples*	*1,361,346*	*198.3*
	2	*Benevento and Avellino*	*413,757*	*49.5*
	2	*Potenza*	*238,388*	*23.7*
	2	*Catanzaro and Reggio Calabria*	*614,935*	*75.9*
	1	Sicily	1,655,613	222.8
	2	*Messina and Catania*	*1,053,465*	*129.7*
	2	*Siracusa and Ragusa*	*446,656*	*61.4*
	1	Sardinia (c)	1,012,698	111.8
South and Islands			**11,005,876**	**1,400.3**
Total for Italy			**34,778,031**	**5,509.9**

*Source: Italian Revenue Agency (2016). - ** Source: Bank of Italy (2015) and IVASS (2017). - *** CRESTA (Catastrophe Risk Evaluation and Standardising Target Accumulations) is a global geographic distribution of territory specifically for natural risks, designed for reinsurance activity and commonly used to determine premiums and assess insurance portfolio risk levels. In the table, the values relating to the first-level CRESTA zones are obtained net of the second-level CRESTA zones contained. - **** The Centre also includes Abruzzo and Molise.

It is therefore important to assess what would happen if insurance coverage were extended to the entire Italian housing stock using a stochastic simulation test, implemented with models adopted by the insurance industry. These models were developed from 1980 onwards and are based on the physical characteristics of natural disasters and the structural features of the housing stock, in order to assess the probability distribution of losses caused by a natural event on a given portfolio of property units. The contribution of losses is broken down into those due to danger, exposure, vulnerability and economic losses.

The most interesting aspect to measure is the territorial variability of the insurance premium, more than an exact evaluation of the premium itself. This latter evaluation is in fact complicated by the intrinsic uncertainty of a simulation exercise, as well as by certain factors to be determined beforehand, such as:

- the safety margin to be incorporated into the pure risk premium to take into account the poor predictability of extreme risks, which often occur on average only once every few hundred years;
- the extent of the increase in the pure risk premium to take into account insurance product distribution expense and a profit margin.

The simulation exercise was conducted separately for seismic risk and flood risk[47].

2.1. - Geographic variability of the seismic risk insurance premium

The simulation shows that the Centre of Italy (also including Abruzzo and Molise) requires higher insurance premiums (Table II.18). The area covers regions of the country where the most devastating earthquakes have occurred in terms of material damage and human lives in recent years (Umbria, 1997; L'Aquila, 2009; Umbria and Marche, 2016). If the premium rates used were based on the risk in the specific regions, a person resident in the province of L'Aquila would pay a premium more than triple that of the national average.

Also in the North and South of the country there are regions estimated to have a strong probability of intense seismic events and consequently premiums higher than the national average. Of particular note in the South are the provinces of Catanzaro and Reggio Calabria and, in Sicily, those of Messina and Catania, for which the premiums resulting from the risk coverage simulation are more than double the national average. In the North, the danger of seismic events is concentrated in Emilia Romagna and Friuli-Venezia-Giulia.

While the first column indicates a strong insurance premium dispersion, strongly correlated with local seismic risk, the second shows that the adoption of common rates by groups of regions decreases this dispersion, even more if just three rates are used (third column), one for each of the three macro-areas of Italy. The result of this reduced rate variation is to limit the premium charged to residents in the areas subject to greater seismic risk, increasing that of residents in less risky areas. In this way, a cross subsidisation is achieved between economic agents exposed to different levels of risk, known as the "solidarity effect" or mutual effect. The simulation excluded Sardinia from this redistribution mechanism because it has no seismic risk.

47 The expertise and models developed by the consulting firm RMS-Risk Management Solutions were called upon for the simulation.

Table II.18

All Italian housing units* Geographic ratio for the insurance premium against earthquake risk				
				(100 = average premium for all Italy)
	Geographic area	**CRESTA Zone - 2 levels****	**CRESTA Zone - 1 level**	**Macro-areas**
CRESTA Zone level				
1	Piedmont, Valle d'Aosta, Liguria	26.5	31.3	
2	Turin	39.6		
1	Lombardy, Emilia-Romagna	117.7	109.2	
2	Milan	38.5		
2	Bologna	259.1		
1	Veneto, Trentino-A.A., Friuli-V.G.	93.1	100.5	
2	Udine and Pordenone	148.6		
North				**85.2**
1	Tuscany, Lazio	139.4	121.9	
2	Rome	97.9		
1	Marche, Umbria, Abruzzo, Molise	180.6	192.9	
2	L'Aquila	310.3		
Centre* **				**142.4**
1	Apulia	22.1	46.8	
2	Foggia	198.9		
1	Campania, Basilicata, Calabria	89.5	95.9	
2	Naples	86.2		
2	Benevento and Avellino	146.1		
2	Potenza	130.6		
2	Catanzaro and Reggio Calabria	288.2		
1	Sicily	85.8	123.1	
2	Messina and Catania	202.1		
2	Siracusa and Ragusa	91.5		
1	Sardinia****	-	-	
South and Islands				**92.9**
	Range (maximum-minimum)	288.2	161.6	57.2
	Variation coefficient	61.9	48.3	35.6
Total for Italy				100.0

* Source: calculated on the results of the RMS RiskLink v16 simulation model. - ** In the table, the values relating to the first-level CRESTA zones are obtained net of the second-level CRESTA zones included. - *** The Centre includes Abruzzo and Molise. - **** The value for Sardinia is not considered as it is negligible.

2.2. - Geographic variability of the flood risk insurance premium

An extreme flood event causes housing stock damage that is more limited than that generated by seismic events, because in most cases a flooded building is still usable after the event, after necessary repairs, and because the damage tends to be restricted to the lower floors. Even if the insurance coverage often also includes the property contents, flood risk protection premiums are generally lower than those for seismic risk.

The simulation shows that the flood risk premium also indicates strong territorial variability (Table II.19), comparable to that for seismic risk premiums. The areas exposed to greater flood risk, however, tend not to overlap with high seismic risk areas, as they are mainly located in the North of Italy and in the Lazio and Tuscany regions, corresponding with the flow of major rivers (Po, Arno and Tiber) subject to overflowing. The risk emerges as low in the Southern regions.

Table II.19

All Italian property units*
Geographic ratio for the insurance premium against flood risk
(100 = average premium for all Italy)

	Geographic area	CRESTA Zone - 2 levels*	CRESTA Zone - 1 level	Macro-areas
CRESTA Zone level				
1	Piedmont, Valle d'Aosta, Liguria	248.0	180.7	
2	Turin	65.4		
1	Lombardy, Emilia-Romagna	124.7	104.5	
2	Milan	50.9		
2	Bologna	85.8		
1	Veneto, Trentino-A.A., Friuli-V.G.	117.7	121.6	
2	Udine and Pordenone	146.7		
North				**130.1**
1	Tuscany, Lazio	215.4	139.5	
2	Rome	35.3		
1	Marche, Umbria, Abruzzo, Molise	81.2	80.6	
2	L'Aquila	75.2		
Centre***				**122.4**
1	Apulia	17.8	17.0	
2	Foggia	11.8		
1	Campania, Basilicata, Calabria	26.2	20.3	
2	Naples	7.2		
2	Benevento and Avellino	43.2		
2	Potenza	27.8		
2	Catanzaro and Reggio Calabria	21.5		
1	Sicily	7.0	9.7	
2	Messina and Catania	16.3		
2	Siracusa and Ragusa	5.7		
1	Sardinia	38.7	38.7	
South and Islands				**17.9**
	Range (maximum-minimum)	242.2	171.0	112.2
	Variation coefficient	100.5	75.5	4.3
Total for Italy				**100.0**

* Source: calculated on the results of the RMS flood risk simulation model. - ** In the table, the values relating to the first-level CRESTA zones are obtained net of the second-level CRESTA zones included. - *** The Centre includes Abruzzo and Molise.

2.3. - The association between seismic risk and flood risk

The map of the distribution of seismic risk and flood risk confirms the intuition that the two risks are independent, in that strong levels of one and the other tend to be seen in different areas (fig. II.16).

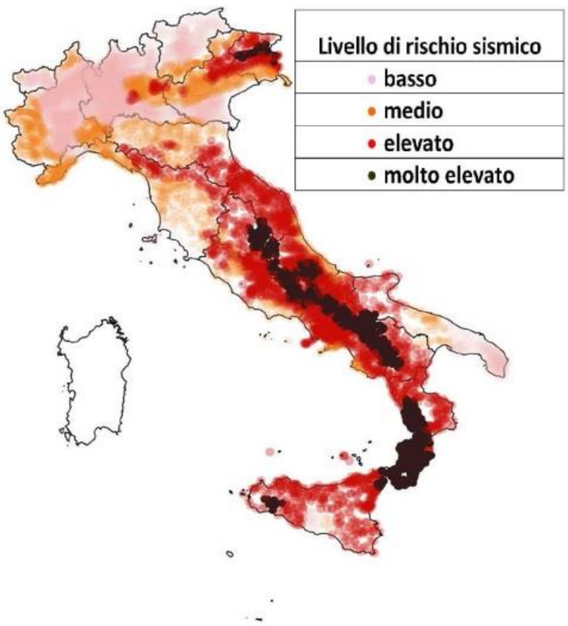
This results in the average premium for an insurance product offering protection against both risks being, on initial approximation, the sum of the average premiums for the two separate risks. The territorial variability of the premium compared to this average value would depend on the decision as to how the risks are mutualised, in order to limit the costs of coverage for homes in high risk areas, and on the introduction of deductibles and maximum amounts of cover capable of limiting the premiums[48].

The literature has shown that consumers prefer policies offering combined protection against the risks of major natural disasters (earthquakes and floods), with coverage both for the most likely natural risk in a specific area and, secondarily, for other natural risks, present but less frequent. Italy's characteristics would be suited to this type of insurance coverage because most of the country is affected by one main natural risk and by others of secondary importance. From the point of view of insurance products offered, the independence of the two greatest natural risks in Italy would create an enormous benefit for building diversified risk portfolios.

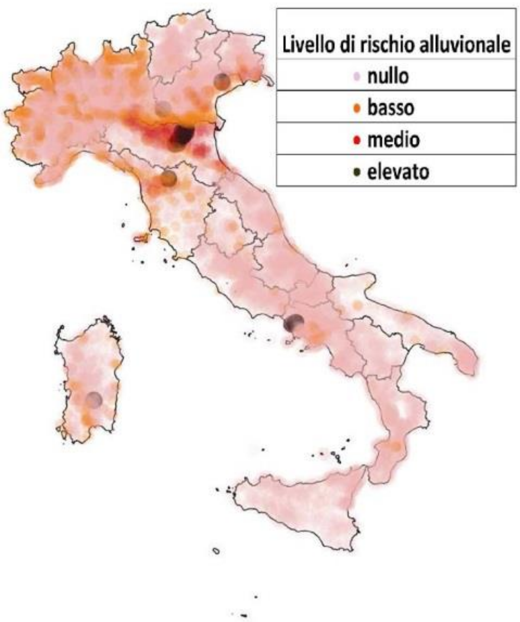
Figure II.16

Spread of seismic and flood risks

Seismic risk



Flood risk



Source: calculated from Civil Protection data on seismic risk and ISPRA data on flood risk. ENEA data was used for the geographic position of Italian municipalities.

[48] Another means of premium cost containment is the provision of specific tax incentives, introduced in Italy for this type of insurance cover by the 2018 Stability Act (Italian Law 205/2017), which envisaged an IRPEF deduction of 19% on the price of policies underwritten for home insurance against natural disasters.

3. - Forms of Supplementary or Alternative Healthcare

The Italian national health system is characterised by the central nature of public management based on the principle of universal healthcare. As a result of the various reforms, it is based on three levels:

- public management of the National Health System (NHS), established by Law 833/1978, which provides services based on compliance with the principles of Essential Levels of Care - ELC;
- private healthcare funds, established by Legislative Decree 502/1992, amended by Legislative Decree 517/1993 and governed by Ministry of Health Decrees issued on 31 March 2008 and 27 October 2009, which supplement, add or replace the basic services of the National Health System through forms of community healthcare. Contribution to the Funds is voluntary or negotiable, based on the distribution of risk among subscribers;
- individual forms of healthcare, which recognise services through insurance policies stipulated in compliance with the principle of individual coverage; the policyholder's contribution is through premiums calculated on probabilistic estimates related to the frequency and cost of claims (see V.1.5.1).

The second and third components, together with the out-of-pocket expenses incurred by households which represent the main component, constitute the "private healthcare expenditure".

3.1. - Tax regulations

The tax regulations allow the deductibility of contributions paid to healthcare forms as envisaged in art. 10, paragraph 1, letter e) of the Consolidated Law on Income Tax for supplementary funds and in art. 51, paragraph 2, letter a) of the Consolidated Law on Income Tax for entities, welfare institutions and mutual aid societies.

Contributions for supplementary healthcare paid by the employer and/or employee to entities or welfare institutions for healthcare purposes only do not form part of income from employment and benefit from the deductibility of a maximum 3,615.2 euro from taxable income.

For subscribers to individual and voluntary forms of supplementary healthcare (e.g. pensioners, self-employed, freelance professionals or unemployed), the contribution paid forms part of income from employment and therefore only medical expenses are deductible from taxes, at the rate of 19% of the expenses for up to a maximum of 1,291.1 euro.

3.2. - Supplementary healthcare - the role of the insurance sector

Total healthcare spending in Italy in the period 2013-2017, recorded by ISTAT, increased by 6.4%. The growth of the various components is differentiated. Whilst public spending -

which remains the largest part - increased over the four-year period by 3.5%, the expense brokered by non-profit bodies and insurance undertakings rose by 18% (+9.1% in the last year alone) and that incurred directly by users (as out-of-pocket expense) by 15% (Table II.20).

Table II.20

Healthcare spending in Italy

(million euro; % values)

Year	2013	2014	% Change	2015	% Change	2016	% Change	2017	% Change
Public spending	109,254	110,556	1.2	110,830	1.4	112,182	1.2	113,131	0.8
Brokered expenses	3,132	3,241	3.5	3,400	8.6	3,388	-0.4	3,697	9.1
Out-of-pocket expenses	31,262	32,353	3.5	33,799	8.1	33,930	0.4	35,989	6.1
Total	**143,648**	**146,150**	**1.7**	**148,029**	**3.0**	**149,500**	**1.0**	**152,817**	**2.2**

Source: ISTAT - National Health Service accounting system

The brokered expenses are made up of the premium income of insurance undertakings and contributions to supplementary funds.

IVASS directly records the premiums paid for individual sickness policies and those relating to collective policies, through periodic reports from insurance undertakings operating in this sector.

The sickness insurance premium income of Italian insurance undertakings has seen a moderate upward trend compared to the total brokered healthcare expense, representing 70% at the end of 2017 (Table II.21).

Table II.21

Sickness insurance premiums over brokered healthcare expense

(million euro; % values)

Year	2013	2014	2015	2016	2017
Sickness premiums*	2,070	2,056	2,143	2,349	2,571
Brokered expenses*	3,132	3,241	3,400	3,388	3,697
Ratio %	66.1	63.4	63.0	69.3	69.5

Premiums written by the insurance undertakings for sickness business represented 8% of total non-life premiums in 2017. Over 5.8 million claims were reported, a net increase (+12.9%) compared to 2016. 88% of the amounts for claims occurring in 2016 were settled at the end of 2017.

In the first half of 2019, IVASS conducted an initial survey to measure the brokered expense of supplementary healthcare funds, limited to the share assigned to the insurance undertakings[49]. In 2018, 55.2% of sickness insurance premiums (equal to 1,525 million euro

[49] The survey involved supervised undertakings which have direct premium income in the sickness insurance sector for at least 10 million euro, representing almost 90% of total income for the sector in Italy in 2018.

for the undertakings supervised by IVASS; up 54.5% compared to the previous year) were attributable to collective policies underwritten by healthcare funds. The premiums for other collective policies underwritten by parties other than healthcare funds (e.g. policies associated with financial products) amount to 11.6% of the total in the sickness insurance business (12.6% in 2017).

As regards other forms of brokered expense, from 2017 data processed by the Healthcare Funds Database set up by the Ministry of Health a decrease emerges in the number of funds (322 in 2016 compared to 311 in 2017) and an increase in the number of subscribers (10.6 million in 2016 compared to 12.9 million in 2017). The general total of funding used in 2017 would be 2.4 billion euro, with restricted funding (at least 20% of the total) amounting to 780 million euro.

The legal form most used by healthcare funds is an unincorporated association pursuant to art. 36 of the Italian Civil Code (233 funds), followed by mutual aid societies (42 funds).

The law has designated supplementary and/or alternative healthcare funds as similar to the National Health System, sanctioning the universal and mandatory nature of the coverage. This principle is often also used in insurance contracts limited to collective policies, where it is possible to adopt an underwriting arrangement based on the absence of risk selection, standardised and homogeneous costs for all policyholders, and a more or less extensive breadth of coverage. When instead the insurance contracts do not refer to entire communities, risk selection is always envisaged with the aim of avoiding adverse selections that would be the case if the greatest demand for coverage was from parties more exposed to the risk of certain illnesses or with illnesses already in progress.

3.3. - Dependency

Italy is among the countries with the highest ageing rate which, combined with the decreasing number of births, results in an increase in the relative weighting of senior citizens on the total population. From ISTAT surveys it emerges that, at 1 January 2018, 22.6% of the population was aged 65 or over, 64.1% between 15 and 64 and only 13.4% under 15 years of age. The average age of the population is now over 45.

Public spending for Long Term Care (LTC), targeting the dependent elderly and disabled, includes three components: i) the healthcare component, ii) carer indemnity expense and iii) expense for other services. The aggregate, calculated by the State General Accounting Department, amounted to 1.7% of GDP in 2017 (1,716 billion euro) of which three quarters of the spending was disbursed to individuals over 65 years of age. The healthcare component and carer indemnities cover 86% of total LTC spending (respectively, 40% and 46%).

From a projection carried out by the State General Accounting Department, it emerges that the ratio between LTC spending and GDP will increase from 1.7% in 2017 to 2.6% by 2070.

Dependency risk, especially when projected over the next decades, can therefore be considered widely underinsured.

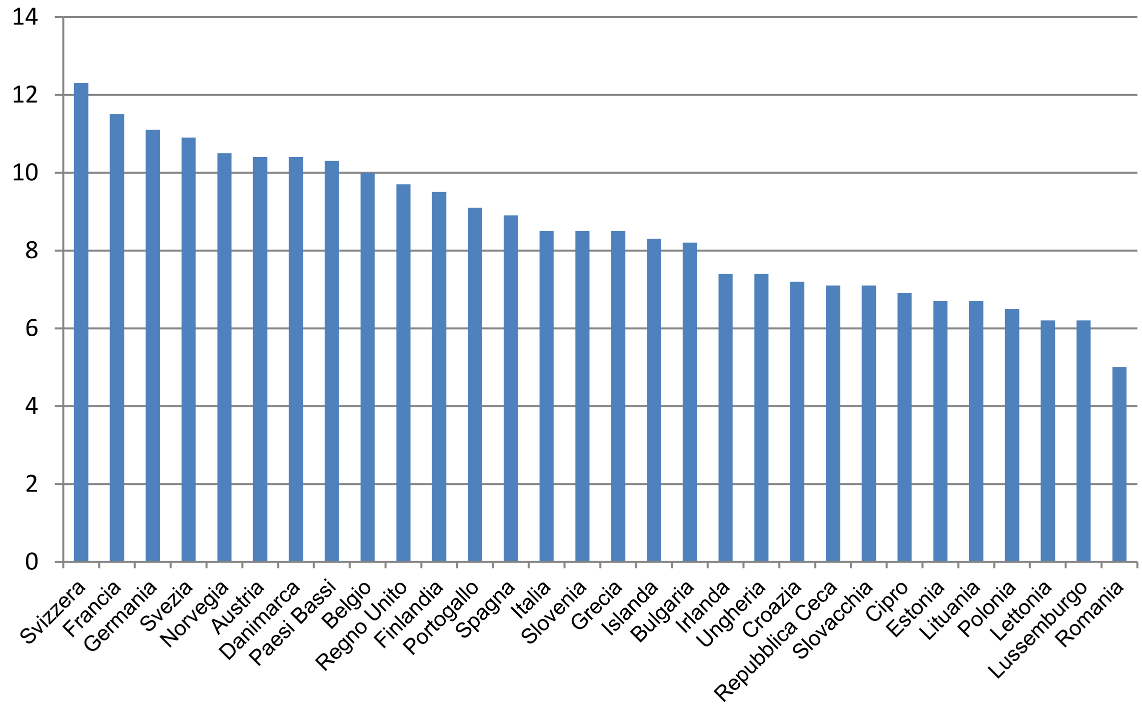
3.4. - International comparison

In relation to current healthcare spending as a ratio of GDP, Italy, Portugal and Spain record an impact of 9% (fig. II.17) and, at the lower extreme, Romania reports a value of 5%. Switzerland, France, Sweden and Germany, on the other hand, record higher values (between 11% and 12%).

Figure II.17

Healthcare spending over GDP

(% values)



Source: EUROSTAT 2016

The type of financing that groups together public administration and compulsory-contribution healthcare insurance schemes records the highest financing quota of healthcare spending, even if the weight of the two components varies considerably between countries. With reference to 2016, countries such as Denmark (84.1%), Sweden (83.5%), United Kingdom (79.4%) and Italy (74.2%) record percentages of spending financed by public administration of over 70%. Vice versa, compulsory financing schemes (which generally form part of the social security system) account for more than three quarters of spending in Germany (77.8%), France (77.8%), Slovakia (76.4%) and the Netherlands (74.8%).

Italy, United Kingdom, Spain and Ireland have adopted a state-funded universal model to manage the healthcare component, whilst France, Belgium and Germany have added a widespread system of Supplementary Healthcare Forms designed to neutralise the effects on household income of healthcare spending that directly affects that income. In the Netherlands, on the other hand, the basic care system, funded from general taxation and offering services to the elderly and dependent persons, is supplemented through a Second Healthcare Pillar, insurance-managed, responsible for guaranteeing coverage of spending on dental care and medicines, as well as a predefined series of additional healthcare services not included in the scope of primary care (specialist care and hospital in-patient treatment).

4. - BREXIT

In 2018, IVASS activity at European level continued, in coordination with the other Authorities and EIOPA, to address the exit of the United Kingdom from the EU (*Brexit*) according to the timing and terms being defined at government level.

EIOPA has for some time involved the national supervisory authorities in analysing the critical issues associated with Brexit, particularly if no European-level agreement should be reached to govern the withdrawal (i.e. a cliff edge or hard Brexit). As regards insurance, the hoped-for solution is of guaranteeing service continuity to policyholders in relation to contracts underwritten in EU countries by UK insurance undertakings, through branches operating under foe or fos arrangements.

EIOPA has published four Opinions with a view to encouraging a common approach to mitigate the potential impact of a hard Brexit, with the aim of: (i) ensuring convergence of the supervisory practices of EU member states in the supervision of UK undertakings (particularly in relation to those intending to relocate their business activities to a member state, so as to continue conducting insurance business, i.e. relocation) (ii) facilitating preparation of the market, through contingency plans prepared by the undertakings and subject to supervisory authority assessment, (iii) analysing the impact on the solvency positions of the undertakings, (iv) guaranteeing that undertakings fully inform existing and potential policyholders. More recently, EIOPA issued a Recommendation on the regime applicable to UK insurance undertakings and intermediaries, operating in EU member states as at the withdrawal date, in order to facilitate convergence of approaches by the various supervisory authorities[50].

Also exposed to the risks deriving from the cliff edge are financial derivative contracts cleared through UK central counterparties (CCPs) or stipulated between EU counterparties and UK operators, but not cleared with a CCP (over-the-counter; see the section on "Financial risks deriving from the United Kingdom's exit from the European Union" in the Bank of Italy's Financial Stability Report, no. 2, 2018). In both instances, clarification was provided by the European Commission[51].

Since January 2019, IVASS has collaborated with EIOPA in the investigation into the monitoring of insurance companies to ensure insurance coverage continuity in cross-border

[50] Against such operators' loss of authorisations to conduct insurance business in the EU, the national authorities are called upon to: (i) remove UK undertakings and intermediaries from the national register as at the withdrawal date and suitably inform the public of the (limited) operations applicable to them; (ii) ensure the lawful option of an orderly solvent run-off regime and, where possible, the applicability of provisions regarding the lapse of authorisation, at the same time blocking such entities from concluding new insurance contracts and the renewal or extension of existing insurance coverage. In order to continue full operations, the UK undertakings affected by the cliff edge event must request authorisation to conduct insurance business in the European Union as a non-EU country under right of establishment. Likewise, as of the date of a hard Brexit, UK insurance intermediaries must cease distribution activities in the European Union and, as operators in what is now a non-EU country, must regularise their position in the EU member state in which they wish to operate, in compliance with the provisions specified in the IDD Directive.

[51] On 13 November 2018, the European Commission announced that, in principle, OTC derivative contracts "not cleared between EU and UK counterparties will remain valid and enforceable up to maturity" (see https://www.esma.europa.eu/press-news/esma-news/esma-recognise-three-uk-ccps-in-event-no-deal-brexit). As regards centrally cleared derivatives, on 10 April 2019 the Commission published the "temporary and limited measures to avoid sudden interruption to central derivative clearing" with UK operators, as well as to facilitate the novation, for a period of 12 months, of certain derivative contracts negotiated over the counter in the event of transfer of a contract from a UK counterparty to an EU counterparty (http://europa.eu/rapid/press-release_IP-19-2052_it.htm).

activities between the United Kingdom and other European countries. The investigation found that the activities of Italian undertakings in the United Kingdom are limited in terms of the number of policies and exposures. The companies have shown no interest in continuing to underwrite new business in the UK after Brexit.

The Generali Group, the only Italian group operating by way of establishment in the United Kingdom, submitted an application for authorisation to open two separate branches (for non-life business and life business) with head office in the United Kingdom, to which activities managed by the current EU branch will be transferred. IVASS has released its approval for the branch openings, whose effectiveness is conditional upon the United Kingdom's actual exit from the EU.

With reference to the US group, AmTrust, leader in Italy in medical malpractice insurance coverage, in the early months of 2019 IVASS authorised the acquisition of control of an Italian insurance undertaking. The transaction forms part of AmTrust's Brexit strategy, which envisages transfer to the acquired entity of the Italian portfolio of the UK subsidiary.

As regards the impact on Italian consumers for contracts stipulated with undertakings based in the UK, at the end of 2017 (latest EIOPA data) 53 UK undertakings were operating in Italy, of which 47 in the non-life segment and in particular general liability, including medical liability insurance with coverage of hospital facilities and healthcare personnel, and in the MTPL segment. Italy is the leading EU country for the presence of UK undertakings in terms of number of policyholders (9.7 million) and technical provisions (3 billion euro), and the fourth country for premium income (1.7 billion euro).

To guarantee service continuity to European policyholders, in December 2017 EIOPA asked undertakings with cross-border activities from and to the United Kingdom to adopt action plans, and in June 2018 to provide suitable information to policyholders and beneficiaries on the possible impact of measures in the respective Brexit contingency plans.

On the domestic front, IVASS has participated in the Inter-institutional Committee coordinated by the Prime Minister's Office which prepared the proposed regulation, incorporated into Law Decree no. 22 of 25 March 2019 (converted into law on 14 May 2019), to ensure security, financial stability and integrity of the markets and to protect the health and freedom of residence of Italian and UK citizens in the event of the United Kingdom's withdrawal from the European Union. For the insurance segment, the law envisages transitional measures (equal to 18 months for insurance undertakings) to guarantee the business continuity of UK undertakings authorised to operate in Italy at the withdrawal date, limited to existing contracts and coverage.

In the event of a hard Brexit and subsequent loss of the qualification of member state operators, such undertakings will not be able to underwrite new contracts or renew - even tacitly - existing contracts. On the withdrawal date, these entities will be cancelled from the EU register of undertakings and required to submit a plan to IVASS for the management and implementation of existing contracts and coverage, in the best interests of policyholders and to persons entitled to insurance services.

As regards the UK intermediaries performing insurance distribution activities in Italy, these will have to cease such activities by the withdrawal date, with subsequent automatic cancellation from the annexed list of the Single Register, except for transactions for the orderly termination of existing relations, no later than six months after Brexit. Lastly, a safeguard is envisaged, in the event of a hard Brexit, for operations in the UK of undertakings with head office in Italy.

In 2018, IVASS called meetings with the top 11 UK undertakings in the non-life business and the most important in the life insurance business to verify the credibility of the prepared plans. The most significant problems in the contingency plans refer to the timing of adoption of regularisation measures in relation to the hard Brexit scenario, for example the incorporation of a European company and transfer of the portfolio. Undertakings with action plans that are unsatisfactory or absent are subject to strict supervision by IVASS.

In a Letter to the Market dated 3 October 2018, IVASS, as Host Supervisor, asked the UK undertakings to issue suitable disclosures on impact of Brexit to the Italian policyholders and beneficiaries, publish a similar disclosure on their web sites and provide instructions to the distribution networks on the disclosures to current and potential policyholders.

Similar obligations were also imposed by IVASS, as Home Supervisor, on the 9 Italian undertakings operating in the UK.

The IVASS web site has a page dedicated to the impact of Brexit on consumers.

III. - THE EVOLUTION OF THE REGULATORY FRAMEWORK

The insurance sector is undergoing a profound transformation, considering the changes in the macro-economic context, technological progress and demographic developments. The result is a gradual consolidation: the number of companies decreases, concentration becomes stronger in the major global players and competition increases between national markets, as does the permeability of domestic markets to the entrance of products from other countries.

These trends strengthen the need to harmonise national supervisory practices, consolidate cooperation between the supervisory authorities of Home and Host countries, make available regulatory and supervisory tools that promptly capture and effectively mitigate risks to undertakings' stability and to protect consumers.

The IVASS 2018-2020 strategic plan adopts these objectives. The action taken by the Institute in the main national and international bodies aims to drive and steer national, European and international regulatory developments, actively monitoring the definition of standards that take into account the specific features of the Italian market.

Particularly important in the field of prudential regulations is the review of the Solvency II framework - planned for 2020 - that involves the redefinition, also in macro-prudential terms, of key aspects of the regulatory framework which supervises insurance market operations, including capital requirements, the second and third pillar principles, measures to mitigate the effects on solvency of market price volatility and tools for crisis prevention and management of undertakings. On these issues, the international IVASS positions are supported by experience gained in national-level regulations, which in the past two years have governed aspects not fully harmonised at European level, such as corporate governance, the principle of proportionality, the loss absorption capacity of deferred taxes in insurance financial statements and the external audit of second pillar disclosures.

In terms of consumer protection and market transparency, the implementation of the European Insurance Distribution Directive (IDD), together with the reform of the sanctioning system for insurance undertakings and insurance intermediaries applied in Italy, led to the review in 2018 of regulations on the creation, distribution and information that accompanies the sale of insurance products. The primary transposition regulations offered an occasion to provide the insurance sector, as for the banking and financial sector, with an out-of-court redress system, setup of the body for the registration of insurance intermediaries and the launch of coordination with CONSOB to complete the regulations on insurance-based investment products.

The regulatory development increases the choices open to policyholders and the associated rights. As regards supplementary pension schemes, an agreement was reached on the proposed Regulation presented by the European Commission on creating a specific Pan-European Personal Pension product (PEPP). In Italy, the amendments introduced to IVASS regulations on segregated funds led to modernisation of the production processes for class I with-profit policies, the most common life insurance product among Italian policyholders.

There was considerable commitment to European action on sustainable finance, to prepare regulations - in part defined at the end of 2018 - that promote the integration of environmental, social and governance (ESG) factors in the design of insurance products, investment policies and distribution to customer practices.

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1. - THE ACTIVITY OF THE INTERNATIONAL BODIES

In 2018, IVASS commitment in the International Association of Insurance Supervisors (IAIS) continued with the aim of promoting cooperation and the convergence of supervisory standards at global level. The Institute retained its active role in IAIS committees responsible for the definition of prudential rules (Policy Development Committee), financial stability and the assessment of systemic risk (Macroprudential Committee, chaired by IVASS), and matters tied to the implementation of prudential rules and supervisory practices (Implementation and Assessment Committee). Since 2018, IVASS has also been a member of the Executive Committee, the Association's decision-making body.

The issues relating to systemic risk management were also discussed by the Financial Stability Board (FSB).

The work of the International Accounting Standards Board (IASB) continued on the accounting standards relating to insurance contracts and financial instruments.

1.1. - Definition of a framework for the supervision of international insurance groups

The IAIS is developing the qualitative and quantitative supervisory requirements for the supervision of insurance groups operating at international level, known as the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), in line with FSB indications, in order to increase the global convergence of supervisory practices and strengthening coordination and information exchange among supervisors. In 2018, the ComFrame review was opened to public consultation in relation to part of the text.

1.1.1. - *The Insurance Capital Standard*

The framework includes the definition of a risk-based quantitative capital requirement (the Insurance Capital Standard - ICS). To this end, annual field testing (FT) is carried out to analyse the impact of the proposed standard on the capital and financial position of international insurance groups and to fine-tune their planning and calibration. IVASS also collaborated in the fourth edition of the FT in 2018, contributing to definition of the policy lines to achieve an ICS that is consistent and compatible with Solvency II.

At the end of April 2019, the IAIS launched the fifth FT exercise, the last prior to final decisions on the ICS, scheduled for November 2019. Transitional measures are envisaged for implementation of the new rules, which include five-year monitoring (2020-2024) in which the ICS will be used solely for reporting to the supervisor and for internal discussion of the Colleges of Supervisors. Implementation of the ICS as a prescribed capital requirement is envisaged from 2025.

1.1.2. - *Review of the Insurance Core Principles*

IVASS contributed to the review of the Insurance Core Principles (ICP) of the IAIS, directed at increasing convergence on global insurance supervision in terms of quantitative requirements, corporate governance and reporting obligations to the supervisory authority and the public, also as a result of self-assessment and peer review processes conducted by the IAIS since 2013.

Works completion is planned for November 2019 with adoption of the new ICPs and ComFrame by the General Assembly of IAIS.

1.2. - The assessment of systemic risk

In 2018, IVASS continued to contribute to IAIS in development of the supervision principles for mitigating systemic risk. The IAIS holistic approach is characterised as innovative in that the traditional concept of systemic importance of individual large insurers (entity-based) is applied alongside the systemic nature of activities and exposures (activity-based) common to multiple undertakings, including small-medium sized. It envisages the proportional application of supervisory measures already present in the international regulatory framework, both by small undertakings and by large cross-border groups, in order to avoid the accumulation of risks and exposures with potential system-level impact.

In November 2018, the proposal was opened to public consultation, together with the hypothesis, adopted by the FSB, of suspending the identification of Global Systemically Important Insurers (G-SII) from 2018 pending finalisation of the holistic framework planned for 2020. The FSB reserved the right to review its decision in November 2022, based on the first three years of application, when it will decide on whether the annual identification of G-SIIs will cease indefinitely or be reinstated.

1.3. - Work pertaining to Effective Resolution Regime

In 2018, the work of the FSB continued for the resolution of insurance entities, starting from the 2016 document, *Developing effective Resolution Strategies and Plans for Systemically Important Insurers*, that identifies the salient aspects of the resolution strategy for insurance groups with systemic relevance. IVASS contributed to the FSB's development of a methodology also applicable to the insurance sector for verifying the compliance of national laws with the Key Attributes of Effective Resolution Regimes for Financial Institutions (KA).

The IAIS is also finalising the ICP amendments and the introduction of ComFrame standards on recovery (ICP 16) and resolution (ICP 12), the adoption of which is planned for November 2019.

As regards the supervision of the global systemically important insurers, the activities of the Crisis Management Group, set up in implementation of IAIS recommendations, continue.

1.4. - Review of international accounting regulations

IVASS follows the definition of international accounting standards of the Internal Accounting Standards Board (IASB). In 2018, the optimisation of IFRS 17 (Insurance Contracts), the standard relating to the accounting for insurance contracts[52] issued in 2017, continued. Given the innovative reach compared to current accounting practices and the considerable impact of implementation, in November 2018 the IASB decided to postpone the entry into force of the new standard by one year, with replacement of the current standard IFRS 4 from 2022[53].

European work continued in 2018 on endorsement of the standard and its transposition into EU law, with publication of the impact analysis conducted by EFRAG (European Financial Reporting Advisory Group) at the request of the European Commission, pending release of the Draft Endorsement Advice. Between September and October 2018, the industry submitted to EFRAG the issues still considered critical at international and national level[54]. The final public consultation on the standard is expected by the end of 2019.

The new standard on financial instruments (IFRS 9 - Financial Instruments), endorsed by Regulation (EU) 2016/2067, entered into force from 1 January 2018 and replaced the previous IAS 39. The main new aspects involve the classification of financial assets based on the business model criterion and the calculation of impairment based on a forward-looking approach. The Institute has amended sector regulations[55] to take into account the options allowed to insurance undertakings[56].

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52 The main changes in the new standard pertain to:

- the level of contract aggregation: definition of units of accounts for the measurement of liabilities and the recognition of contract profits. At least 3 groups are envisaged: 1) onerous contracts, 2) non-onerous contracts unlikely to become onerous and 3) other profitable contracts. It is not possible to group contracts underwritten in different years, and therefore the aforementioned 3 groups have to be divided into further sub-groups (annual cohorts);
- adoption of a general model (building block approach) for the accounting of insurance contracts, albeit with optional alternative approaches (Premium Allocation Approach for short-term contracts of up to one year and Variable Fee Approach for typical with-profit life insurance contracts);
- presentation of revenues and economic results (premiums are no longer represented in the income statement);
- future profits (the Contractual Service Margin) are released to the income statement over time, during the course of provision of the insurance service, and adjusted to take into account revised estimates (of expected future cash flows and the risk adjustment);
- enhanced disclosure.

53 IFRS 4, issued as an interim standard, did not introduce any significant changes to the accounting for insurance contracts, which takes place with the use of national accounting standards (local gaap).

54 Among the areas considered most critical: definition of the units of accounts, the principle of annual cohorts (CSM) and the transition.

55 Following the entry into force of IFRS 9, by IVASS Order no. 74/2018, the Institute made changes to Regulation no. 7/2007 on financial statements prepared on the basis of IAS/IFRS (see below).

56 In September 2016, the IASB released the document *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, making amendments to IFRS 4 to allow insurance undertakings to limit negative consequences, such as the greater volatility of economic results represented in financial statements and the increase in operating costs, deriving from non-concurrent application

2. - The evolution of European regulations

2.1. - The measures under discussion

In Europe, the main activities involving the Institute related to: (i) reform of the European supervisory authorities, for which agreements were reached on enhancing EIOPA powers in coordination between national authorities supervising the cross-border activities of EU undertakings and on review of the measures relating to insurance products offering long-term guarantees, (ii) regulations for a Pan-European Personal Pension product, (iii) review of the Motor Insurance Directive, (iv) action on sustainable finance. Considerable space was dedicated to the review of Solvency II, with action on the delegated acts, completed in 2019[57], and with the launch of technical intervention on major areas of the directive as identified by the European Commission in the document published in February 2019[58].

2.1.1. - *The European supervisory authorities reform project*

Work continued for the reform of European supervisory authorities with conclusion of the negotiations in March 2019. The outcome of negotiations left the provisions on governance and financing of the Authority unchanged, whilst new aspects were introduced to the provisions on the Authority's powers.

EIOPA power is granted to define, at least every three years, the supervision priorities that national authorities must take into account as part of their annual action plans. EIOPA was assigned direct responsibility for verifying the convergence of supervisory practices, currently driven by the national authorities. New competencies regarding the combating of money laundering and terrorism financing were introduced.

With reference to stress tests, the central role of EIOPA was confirmed but the publication of individual test results is not envisaged. The provision assigning a role to EIOPA in approving internal models for calculating group solvency was eliminated, limiting action to mere support in the approval process where specifically requested by an authority.

In addition to the review of Regulations governing the three European supervisory authorities for the financial sectors, **amendments to sector-specific directives** are planned including - for insurance undertakings - Solvency II. The changes include enhancing the powers of EIOPA in coordinating the national Authorities responsible for supervising cross-border activity carried out by EU undertakings. IVASS participated in the negotiations with a proposal designed to make suitable tools available to EIOPA to guarantee the convergent and consistent application of the aforementioned rules, to limit

of the two standards. The technical solutions proposed by the IASB can be summarised in two optional approaches: a) temporary exemption from IFRS 9: allows companies whose activities are predominantly connected with insurance an optional temporary exemption (initially until 2021 and now, given the postponement of IFRS 17, until 2022) from the application of IFRS 9 and parallel use of IAS 39 rules; b) overlay approach: all issuers of insurance contracts are allowed to exercise the option to use IFRS 9 and concurrently reclassifying from profit or loss to other comprehensive income (OCI), with the consequent reduction of volatility.

[57] European Commission, http://ec.europa.eu/finance/docs/level-2-measures/solvency2-delegated-regulation-2019-1900_en.pdf, March 2019.

[58] EIOPA, https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190211-request-eiopa-technical-advice-review-solvency-2.pdf, February 2019.

disputes between the Host and Home controlling authorities, due to the different interpretations of EU regulations. The new provisions aim in particular to:

- strengthen the coordination powers of EIOPA through collaboration platforms, creating a forum for information exchange and cooperation between the supervisory authorities involved;
- include the objective of consumer protection among elements that can trigger EIOPA coordination powers;
- envisage a specific reporting obligation for the Home authority to EIOPA and to the Host authority concerned in the event of an authorisation application from a new undertaking, the activity programme of which indicates that part of the activities will be conducted under fps or right of establishment arrangements in another member state to an extent that is significant for the market of that country or weakened financial conditions or other emerging risks that can have damaging effects on cross-border activities.

It is envisaged that EIOPA can increase the occasions for exchange of information between the authorities involved and encourage shared solutions in the event of differing interpretations of measures.

The plan to reform the European supervisory system also involved review of the institutional organisation of the European Systemic Risk Board (ESRB), to align its internal membership to changes resulting from setup of the Banking Union, and to strengthen the Committee's role through greater independence from the ECB in terms of governance, decision-making processes and representation.

An agreement was reached on an amendment to the volatility adjustment that can have positive effects also on the solvency position of Italian insurance undertakings, mitigating the impact on financial statements of particularly significant changes in government bond risk premiums.

2.1.2. - *The proposed regulation on a pan-European personal pension product (PEPP)*

Work continued in 2018 on the proposed Regulation presented by the Commission[59] for the creation of a supplementary pension scheme based on a Pan-European Personal Pension Product (PEPP; see Report on activities carried out by the Institute in 2017).

The negotiations between the European bodies involved (Commission, Parliament, Council, Trilogue meetings) led to a compromise arrangement on issues of particular importance, such as the identification of entities authorised to issue PEPP contracts and the registration system for such contracts, which in the first few months of 2019 made approval possible by the EU Council and the European Parliament.

Its entry into force has to await the issue of second level acts, i.e. the three delegated acts under the responsibility of the European Commission and other technical standards, expected by the end of the first half of 2020.

[59] The European Commission's proposal of 29 June 2017 was preceded by EIOPA preparatory action which suggested that the most efficient way to achieve a European single market for personal pension plans was to crease a pan-European pension product rather than harmonise regulations for supplementary pension forms already existing in individual member states.

The PEPPs are characterised by elements of standardisation which should guarantee a suitable level of contract transparency and simplicity and which relate to: i) the registration procedures, subject to assessment by the competent national authorities, in a single European PEPP register held by EIOPA; ii) the identification of entities authorised to issue PEPPs (banks, asset management companies, insurance undertakings, IORPs, etc.); iii) the pre-contractual disclosures; iv) the regulations for an investment line (Basic PEPP) capable of offering protection of the capital invested; v) the distribution rules; vi) the portability rules for the pension position in the event of the worker's transfer to another EU member state.

Other aspects are instead left to national regulations, such as the identification of competent national authorities, conditions concerning the accumulation phase and services permitted in the decumulation phase (provision of service, fully or partially in the form of capital or an annuity), and the tax regulations applying to PEPPs in line with those envisaged for other forms of personal pensions established in individual member states.

2.1.3. - *The proposed Motor Insurance Directive*

After extensive consultation with the national authorities and stakeholders, in May 2018 the European Commission presented the proposed review of the Motor Insurance Directive (2009/103/EC) to identify with stronger certainty the scope of application of the regulations (particularly regarding the concepts of vehicle, traffic, circulation), standardise the mandatory minimum maximum amounts of coverage in all EU member states, facilitate the portability of claim history certificates between member states, extend the compulsory action of the Guarantee Fund in cases of insurer insolvency, and enhance the battle against uninsured vehicles with stricter border controls.

Negotiations with the EU Council began in the second half of 2018 and the examination by the European Parliament was conducted in parallel. The appointed committee (Internal Market and Consumer Protection) issued its opinion on 28 January 2019.

The positions of member states are still divergent, particularly in reference to the vehicles covered (extension or not to electric vehicles with no registration plate), the areas covered, the treatment of sports vehicles, use of the vehicle for purposes other than personal (e.g. for terrorist acts), the mutual recognition of claim history certificates given the non-standardisation of *bonus-malus* systems, and the operations of the Guarantee Funds.

2.1.4. - *Lawmaking initiatives on sustainable finance*

The European Commission has taken action on issues relating to sustainable finance, in March 2018 publishing the Action Plan on Sustainable Finance which contains indications that aim to improve the contribution of finance to sustainable growth, through integration of environmental, social and governance (ESG) factors into investment-related decision-making processes.

Further to the Action Plan, on 24 May the Commission presented three Regulation proposals for the creation of a system for: i) taxonomy of sustainable assets; ii) disclosure and transparency on sustainable risks; iii) definition of new benchmarks for financial instruments that refer to ESG factors. A Trilogue agreement was reached on the latter two proposals, while negotiations on the taxonomy - interrupted in December 2018 - began again in April 2019.

In addition, again in follow-up to the Action Plan, the Commission launched an integration of the Delegated Regulations relating to the Solvency II Directive and the IDD with reference to ESG factors and risks. For the first aspect, the action targets greater awareness by management in the identification and assessment of such risks in the underwriting and investment areas; with regard to the IDD, the aim is to guarantee that ESG considerations are included in the advisory process, do not lead to conflicts of interest and that the ESG preferences of customers are taken into account the product oversight and governance process (POG). A technical opinion from the sector Authorities was requested to assess the impact of the initiatives.

IVASS participated in the work of EIOPA to assess the impact of the European Commission's action plan. The analysis referred to the coherence of risks and factors attributable to financial sustainability[60] envisaged in the plan with first pillar prudential requirements, focusing on aspects of mitigating risks associated with climate change.

2.1.5. - *Review of Regulation (EU) 2015/35*[61]

A public consultation was held from 9 November to 7 December 2018 on the proposed amendments to Regulation (EU) 2015/35 (hereinafter the Solvency II Delegated Acts) by the European Commission. The review concerned the methods, assumptions and benchmarks used for the standard formula calculation of solvency capital requirements. It aims to reflect the practical experience acquired in the first two years of application.

The Delegated Regulation amending the Delegated Acts was published by the European Commission on 8 March 2019[62].

The main amendments to the Solvency II Delegated Acts involved:

- the decrease in capital requirements for the standard formula, for unrated bonds and unlisted shares, in the presence of specific prudential criteria;
- the introduction of a new asset category, long-term equity investments, which can benefit from the same capital requirements envisaged currently for strategic investments (22%), provided that certain investment management criteria are satisfied;
- the stricter rules on methodologies, principles and approaches for defining the term structure of interest rates ;
- the introduction of principles to guarantee equal conditions within the EU for recognition of the loss absorbing capacity of deferred taxes (LAC DT);

[60] EIOPA, *Sustainable Finance Action Plan 2018* https://eiopa.europa.eu/Pages/About-EIOPA/Organisation/Sustainable-Finance-.aspx.

[61] The Regulation entered into force on 18 January 2015, supplementing the Solvency II Directive: based on a total of 76 empowerments envisaged in the Directive, it specifies the technical rules on numerous aspects of the implementation.

[62] The provisions relating to harmonisation in the Loss Absorbing Capacity of Deferred Taxes (LAC DT) calculation will enter into force from 1 January 2020

- with a view to simplification, the exclusion of investment funds from the compulsory application of look through and the possibility of exceptions to the use of external ratings;
- the limitation of catastrophe loss deriving from the application of standard formula risk factors to the actual outlay of the insurance company and simplification of the man-made catastrophe risk sub-module;
- the alignment of the classification of own funds and exposures to central counterparties, and the treatment of exposures to regional administrations and local authorities of rules applying to the banking sector;
- the refinement of the recognition of risk mitigation techniques, the group solvency calculation and the volume measurement for non-life premium rate risk.

2.2. - The European Supervisory Authorities

2.2.1. - Monitoring and development of the Solvency II regulations

a) The impact of LTG measures and the volatility adjustment

IVASS makes regular contributions to the work of EIOPA for the monitoring and development of Solvency II regulations. 2018 saw continuation of the analyses on the use and effectiveness of the long-term guarantees measures (LTGs).

The third EIOPA[63] Report, referring to December 2017 data, confirmed that European insurance companies make extensive recourse to LTG measures (737 companies used at least one of the optional measures, with a market share of 74% in terms of technical provisions).

Again in 2017, considerable difference were reported among the insurance companies of EU countries in terms of the type and number of measures used and for their impact on the solvency position. The optional measure most used is the volatility adjustment (VA; adopted by 696 undertakings with a market share of 66% in terms of technical provisions). This measure is the only one implemented by Italian undertakings in 2017[64].

Excluding the benefit deriving from application of the VA, the average solvency ratio of European undertakings would decrease by 17 percentage points, whilst that of Italian undertakings would decrease by 5 percentage points.

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[63] EIOPA, *Report on long-term guarantees measures and measures on equity risk*, 18 December 2018 (https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf). The analysis was conducted on quantitative information gathered from Solvency II supervisory reporting (2,912 companies, 98 of which Italian) and from a sample survey targeting the insurance undertakings and European national authorities (364 companies, 19 of which Italian).

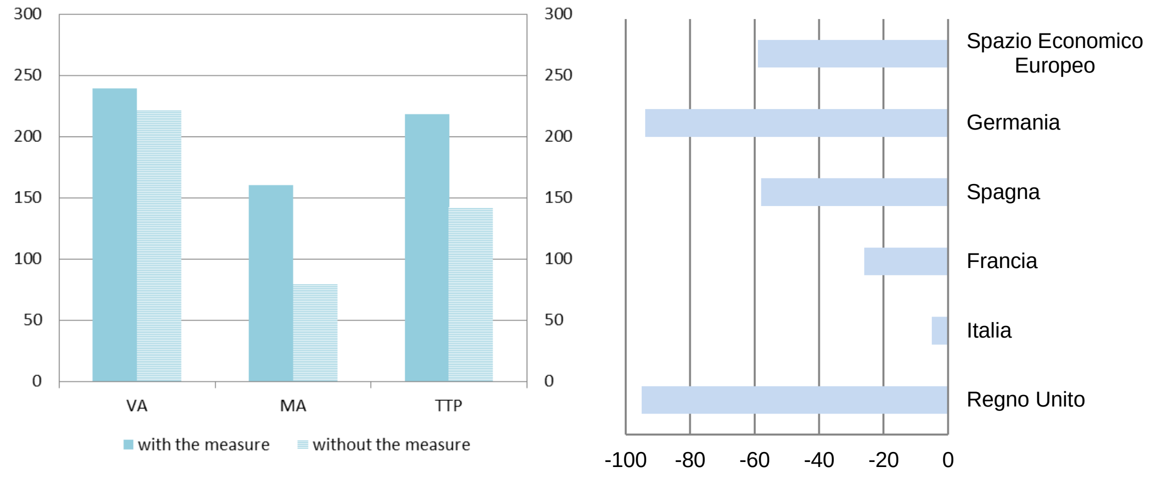
[64] In 2019, three companies submitted applications to use the transitional measurement for technical provisions (see IV.1.4.5).

Figure III.1

Solvency ratio
(data as at 31 December 2017)

a) Solvency ratio of EU undertakings *(% values)*

b) Variation of the solvency ratio in the event of removal of the Volatility Adjustment *(percentage points)*



Source: EIOPA. VA = *volatility adjustment* (art. 77d *Solvency II*); MA = *matching adjustment* (art. 77b-c *Solvency II*); TTP = *transitional on technical provisions* (art. 308d *Solvency II*).

At the end of 2017, the European companies had also used other LTG measures, including the matching adjustment (Spain and the United Kingdom) and the transitional measures on technical provisions. Excluding the benefit deriving from the application of these measures, the average solvency ratio of European undertakings would decrease by 81 percentage points without application of the matching adjustment and by 75 percentage points without application of the transitional measures on technical provisions (fig. III.1.a).

The LTG measures also envisage extrapolation of risk-free interest rates, used by undertakings to assess technical provisions and applied to maturities for which there are no sufficiently representative market rates. The Report shows that a change to the assumptions underlying calculation of the long-term interest rates curve would lead to a decrease in the average solvency ratio, especially in countries where the liabilities have a much longer maturity (such as Germany and the Netherlands).

The qualitative survey relating to the characteristics of life products marketed showed a general trend of companies distributing new products with a more limited guarantee level than in the past[65] or with no guarantee.

[65] The survey on existing production showed that in 16 countries almost all life products have at least one guarantee, insurance-related or financial (in Italy the presence of such products is more limited, between 50% and 75%).

b) The Solvency II review

On conclusion of the review action on the delegated acts (see III.2.1.5), the review of the Solvency II Directive began, based on indications envisaged in the Directive itself.

In February 2019, the European Commission published a formal request to EIOPA for a technical advice on the review of the Solvency II[66] Directive, to be carried out by the end of 2020, which follows an initial request for information issued last spring regarding the treatment of insurance liabilities with illiquid characteristics and of long-term investments by insurance companies.

The European Commission has emphasised that the review must be carried out in compliance with the basic principles of Solvency II, such as the confidence level underlying the calibration of capital requirements and assessment in accordance with market consistency criteria.

The Solvency II Directive does not have a general review clause, but envisages that **the areas indicated below are to be reviewed by the end of 2020 at the latest**:

- measures relating to insurance products with long-term guarantees and measures relating to equity risk;
- standard methods, assumptions and parameters for the SCR calculation using the standard formula;
- supervisory rules and practices relating to the MCR calculation;
- group supervision and the capital management of groups of insurance or reinsurance companies.

In addition to these areas, the Commission has identified other parts to be reviewed and on which EIOPA is called upon to issue a technical advice or quantitative studies; among these:

- enhancement of the principle of proportionality, for example as regards reporting;
- the need to include harmonised elements on recovery and resolution and on Insurance Guarantee Schemes;
- the current supervisory powers on cross-border activities;
- review of a number of existing measures from a macro-prudential point of view, such as the ORSA or the prudent person principle.

2.2.2. - *Consumer protection*

In relation to consumer protection, IVASS assisted in the EIOPA action undertaken in 2018 as part of the Consumer Protection and Financial Innovation Committee, participating in the preparation of Q&As to facilitate convergence in the interpretation of EU regulations on insurance distribution and in the exercise of national supervision.

An initial set of 38 Q&As on Delegated Regulations 2358/2017 and 2359/2017 has been published, respectively relating to POG and insurance-based investment products (IBIPs). The replies from EIOPA, though not binding for the member States, which maintain

[66] https://ec.europa.eu/info/business-economy-euro/banking-and-finance/insurance-and-pensions/risk-management-and-supervision-insurance-companies-solvency-2_en.

discretion on how to implement EU legislation with minimum harmonisation, provide useful indications for the harmonised application of European regulations.

A Thematic Review has begun to identify the potential risks detrimental to consumers in the purchase of travel insurance policies, particularly as regards product design, distribution process and sales practices. The results of the Review will allow identification of the supervision actions to be taken at European level as regards problems that emerge.

On 13 December 2018, EIOPA published a report on the market structure of insurance intermediaries in Europe, in accordance with art. 41, paragraph 5 of the IDD. High heterogeneity emerged in reference to the types of distribution channels and the categories subject to the registration obligation.

The preparation of an EIOPA report on regulations of general interest began in 2018, published by member states in accordance with art. 11 of the IDD and applying to the exercise of distribution activities under right of establishment or fps arrangements. The report, now pending publication, examines the general-interest regulations published by member states in the context of correct IDD and domestic market operations.

In 2018, EIOPA submitted the draft Regulatory Technical Standard (RTS) to the European Commission in relation to the adjustment of base amounts in euro for the maximum amounts of coverage on professional liability insurance policies and financial capacity of intermediaries, envisaged in the IDD based on the percentage change in the European consumer prices index published by Eurostat.

On 10 January 2019, EIOPA published a first report on the costs and past performance of long term retail investments and pension products, for a verification of the transparency and comparability of the main products to the benefit of consumers. The analysis brought to light problems of data comparability and the subsequent need to develop a common definition of costs and harmonised calculation methods for historic performances. These critical issues will be taken into account by EIOPA in the preparation of the 2020 Report, arranging the development of a new methodology that offers more comparable results than found in the pilot exercise.

2.2.3. - *The revision of the Protocol between the Supervisory Authorities for application of the IDD*

October 2018 saw publication of the EIOPA Decision which reviewed the protocol for collaboration between supervisory authorities on insurance distribution (the Luxembourg Protocol) to:

- take into account the provisions introduced by the IDD, with particular regard to cross-border activities;
- align - to the extent compatible - the contents of the Protocol to those of the General Protocol, relating to insurance undertakings, in view of the similarities between the two cross-border activities and to improve cooperation and information exchange between the Home and Host Authorities for supervisory purposes.

The new aspects refer to the change in procedures applying to intermediaries that operate (or intend to operate) in other EEA countries.

2.2.4. - *EIOPA initiatives on the convergence of supervisory practices*

After publication of the supervisory principles in November 2017, in April 2018 the EIOPA published the supervision convergence plan 2018-2019. These documents describe EIOPA's approach to the issue, through the definition of common benchmarks for supervisory practices and the main activities envisaged in the reference period. The Institute actively participates in EIOPA business.

a) Peer review

The peer review was completed on the integrity and reputation requirements of directors and shareholders of insurance undertakings. The final report, published in January 2019, includes the recommendations addressed to individual authorities to establish a converging definition of the integrity and reputation requirements and to promote improved cooperation between authorities in cases of cross-border activities.

At the beginning of 2019, the follow-up phase was launched on the three peer reviews conducted in previous years on internal models, colleges of supervisors and freedom to provide services, to verify the effective adaptation by authorities to the recommendations received.

Two new peer reviews were launched on Regular Supervisory Reports and for implementation of the EIOPA decision on collaboration between supervisory authorities.

b) Opinion on non-life cross-border insurance business of a long-term nature

The Institute participated in the drafting of an Opinion which aims to harmonise supervisory practices adopted by the national authorities and to outline EIOPA expectations on calculating technical provisions and its governance for undertakings operating cross-border, or under fps or right of establishment arrangements.

The Opinion targets national authorities and gives recommendations on three aspects: (i) technical provisions, with particular focus on the best estimate calculation; (ii) corporate governance system, particularly the key functions and the administrative, management and supervisory body (AMSB); (iii) the prudential control process and collaboration between the competent home and host country national authorities.

c) Convergence on internal models

The EIOPA constantly promotes the convergence of internal model supervision. In 2018, a new chapter of the "Action plan for internal model supervision" was developed, which contains recommendations on continuous controls, providing indications on the definition of priorities and at the same time retaining the flexibility necessary in a constantly evolving environment.

EIOPA regularly conducts comparative studies on risk modelling for undertakings that use internal models to calculate solvency requirements. The study carried out in 2018 (with data at year end 2017) referred to risks associated with interest rates, credit spreads, equity and the real estate sector, and involved undertakings with significant exposure to activities in euro and with an approved internal model that covers market and credit risks.

2.2.5. - *EIOPA and ESRB activities pertaining to the recovery and resolution framework*

2018 saw continuation of the work to create a European harmonisation framework for the management of insurance crises by EIOPA and ESRB.

After the publication in 2017 of an Opinion addressed to the European Commission, recommending the definition of a European minimal harmonisation framework on recovery and resolution, specific for the insurance context, in July 2018 the EIOPA published a Discussion Paper on potential sources of financing for insurance resolution and the potential harmonisation of national policyholder protection schemes.

The ESRB has also reiterated the importance of achieving a framework on resolution harmonised at European level for the insurance sector.

2.2.6. - *Joint Committee of the European Supervisory Authorities*

In 2018, the forum for cooperation between the European Authorities EBA, EIOPA and ESMA (the Joint Committee) dealt with questions pertaining to: i) consumer protection; ii) anti-money laundering and terrorism financing; iii) financial sector regulation and monitoring; iv) financial conglomerates.

As regards consumer protection, the Committee has published Q&As to facilitate the implementation of Delegated Regulation (EU) 2017/653 on the Key Information Document (KID[67]) for Packaged Retail and Insurance-based Investment Products (PRIIPs) (see III.3.1.2.). The Committee also asked the Commission to provide indications on the types of product falling within the scope of application of the Regulation.

February 2019 saw the publication of the Report on targeted amendments to Delegated Act 2017/653 on the KID of PRIIPs. Based on remarks received during the public consultation, most of which against the regulatory amendments, and taking into account the most recent discussions between European co-legislators on the applicability of the KID to Undertakings for Collective Investments in Transferable Securities (UCITS) and the timing of the review of Regulation 1286/2014[68], the ESAs considered inappropriate to propose substantial regulatory amendments but they preferred instead to further study the issues and propose amendments in 2019.

[67] Prospectus to be provided, pursuant to Regulation 1286/2014, to retail buyers of PRIIPs.

[68] The co-legislators approved the amendments to Level 1 provisions, i.e. on conducting a more extensive review in 2019 and the extension from 31 December 2019 to 31 December 2021 of the exemption of UCITS from the obligation to prepare and issue the PRIIP KID, considering that the related investors in any event receive the UCITS KIDs.

The report is accompanied by a supervisory recommendation relating to warnings that the producer undertaking has to include in the KID performance scenario so as not to generate false expectations in retail investors on the expected returns on the investment.

With reference to financial and insurance innovation (FinTech/InsurTech), the Committee completed its study on the use of big data in financial institutions and published a report providing assessments of the risks and benefits associated with the development of personalised products through recourse to big data. The financial institutions are encouraged to adopt common practices, including a prospectus for consumers on the use of big data. The Committee has also launched a study on Regulatory Sandboxes and Innovation Hubs.

The Committee further studied the issue relating to costs and services of retail investment products, with the aim of increasing disclosure transparency and supporting the consumer in relation to the products and in the adoption of informed decisions. The issue was illustrated at the Consumer Protection Day 2018.

In relation to anti-money laundering and the monitoring of terrorism financing in the financial sector, the application of European directives led to an improvement in the standards of supervision. Fintech solutions were taken into consideration to encourage compliance with obligations under anti-money laundering regulations. Further attention was paid to the obligations of cooperation and information exchange between authorities, at national and European level, with the preparation of guidelines which were opened to public consultation in November 2018.

Other contributions, merged into the two half-yearly reports prepared by the Committee, referred to the periodic analysis of market conditions, identification and monitoring of emerging risks and assessment of risks deriving from Brexit.

Lastly, in addition to overseeing the annual revision of the list of conglomerates with parent companies in European Union countries and in the European Economic Area, the Committee continued its development of the implementing technical standards pertaining to harmonised reporting models for the transmission of supplementary supervision information on intra-group transactions, risk concentration and capital adequacy.

3. - THE EVOLUTION OF NATIONAL REGULATIONS

3.1. - The transposition of EU regulations

3.1.1. - *Transposition of the Insurance Distribution Directive*

a) IVASS Regulations 40 and 41 of 2 August 2018

In summer 2018, IVASS Regulations 40 and 41 were issued, implementing the legislative amendments introduced to the Insurance Code by Italian Legislative Decree no. 68 of 21 May 2018 which implements the IDD.

IVASS Regulation no. 40 of 2 August 2018 was adopted following the amendments to Title IX of the Insurance Code, which innovated the provisions on insurance and reinsurance distribution. The action restructured the entire secondary legislation on distribution, incorporating into a single text the provisions that were previously fragmented among different regulations[69], fully governing the following macro-areas:

- the access and operating requirements for distribution activities, with particular reference to the registration requirements for intermediaries, the operations of distribution agents on the premises of intermediaries, the employees of undertakings directly involved in distribution and the call center operators of undertakings and intermediaries. Provisions were established on the requirements for new managerial roles for distribution activities of the companies entered in Section D of the Register and the insurance and reinsurance undertakings exercising distribution activities directly;

- professional training and updates, with the review and extension of the previous IVASS Regulation no. 6/2014 to the employees of undertakings and ancillary insurance intermediaries, and the amendment of issues subject to training and updating, in compliance with the minimum professional knowledge and expertise requirements envisaged in Annex I to the IDD; the obligation of professional updating was restored to an annual basis and, in application of the principle of proportionality envisaged in the IDD, the total hours of professional updating was reduced to 15 hours for ancillary insurance intermediaries entered in Section E of the RUI and their related agents;

- the rules of conduct and pre-contractual disclosures, with updating of the provisions partly taken by ISVAP Regulation no. 5/2006 and IVASS Regulation no. 8/2015, and extension to insurance undertakings exercising distribution activities directly;

- the promotion and placement of insurance contracts using remote communications techniques, supplementing the provisions of ISVAP Regulation no. 34/2010, through detailed

[69] ISVAP Regulations 5/2006 (Insurance and reinsurance intermediation activities) and 34/2010 (Promotion and remote placement of insurance contracts), and IVASS Regulations 6/2014 (Provisions on the professional requirements of insurance and reinsurance intermediaries) and 8/2015 (Simplification measures for procedures and obligations in contractual relations between insurance undertakings, intermediaries and customers).

provisions on the exercise of distribution activities through web sites, including comparison sites, social network profiles and smartphone apps.

The amendment to art. 185 et seq. of the Insurance Code aligns the pre-contractual disclosures for insurance products to those envisaged by European law. ISVAP Regulation no. 35/2010, containing regulations on insurance product disclosures, was repealed and replaced by IVASS Regulation no. 41 of 2 August 2018 governing pre-contractual disclosures. The regulation is now in line with standardised European documents relating to IBIPs (the KID) and to non-life products (the IPID).

The four key objectives were:

- review of the pre-contractual disclosures for all products, through the preparation of new simplified and standardised information documents (additional PIDs) to replace the information note and summary sheet;

- enhancement of digitalisation by envisaging disclosures to be published on the web sites of insurance companies, on the home page and in areas reserved to customers, as well as the replacement of hard copy communications with digital communications as decided by the customer;

- stronger monitoring of policyholder protection, with specific reference to disclosures during the course of a contract (in particular in the event of exercise of contractual options and contract transformation) and the preparation of contractual documents;

- simplification of the regulatory text and further adjustments to regulations in force, in coordination with IVASS Regulation no. 40/2018 on insurance distribution.

b) Distribution of Insurance Based Investment Products (IBIP)

Italian Legislative Decree no. 68 of 21 May 2018 identified a single regulatory framework for the distribution of insurance-based investment products, made up of Title X of the Insurance Code, specific provisions pursuant to art. 121-quater et seq. of the Insurance Code, Regulation (EU) 2017/2358 (POG) and Regulation (EU) 2017/2359 (IBIPs), directly applicable.

With respect to these regulations, the following regulatory provisions still apply in a supplementary manner:

- CONSOB: for the distribution of IBIPs carried out by entities entered in Section D of the RUI (banks, post office channel and financial intermediaries regulated by the Consolidated Law on Banking), also through agents entered in Section E;

- IVASS: for the distribution of IBIPs carried out by undertakings and entities entered in Sections A and B of the RUI (agents and brokers), as well as the provisions relating to POG regardless of the distribution channel.

The regulatory powers are exercised after consulting the other Authority, pursuing the objectives of:

- greater standardisation of the rules governing IBIP sales, regardless of the distribution channel;
- consistence and overall efficiency of supervision;
- compliance with directly applicable EU regulations.

In 2018, IVASS and CONSOB began an intense partnership to reach a coordinated definition of these additional rules.

c) The Insurance Arbitrator

On transposition of the IDD, the setup of an out-of-court redress system is also envisaged for the insurance sector, similar to that already implemented for the banking (ABF) and financial (ACF) sector.

Art. 187-ter of the Insurance Code requires that entities subject to IVASS supervision adopt the future Insurance Arbitrator, deferring to a Ministry of Economic Development decree, acting in concert with the Ministry of Justice at the proposal of IVASS, the determination of criteria and procedures for settling disputes, members of the decision-making body and the nature of disputes subject to Arbitrator action. The regulation identifies the financing sources in the supervisory contribution paid by insurance undertakings and intermediaries in accordance with Articles 335 and 336 of the Insurance Code.

The Institute carried out an initial feasibility study on the organisational and operational profiles of the Arbitrator and began the selection of personnel to be allocated to the new structure. At the same time, the definition of the regulatory structure began, which sees IVASS participating with a proposing role, with the competent ministerial departments.

The secondary regulatory framework now pending definition is driven by the similar experiences of the ABF and ACF and will have to take into consideration the specific features of the insurance sector, in terms of both entities and nature of disputes, to pursue the broad consumer protection and, at the same time, guarantee the speed, affordability and effectiveness of such protection.

d) The insurance intermediaries registration body

Italian Legislative Decree no. 68 of 21 May 2018 introduced art. 108-bis to the Insurance Code, establishing the insurance intermediaries registration body, to which the functions and duties of keeper of the Register will be transferred and which will be responsible for promoting and disseminating the principles of professional fairness and due diligence to intermediaries.

The organisation of the new body has to be finalised by Italian Presidential Decree, at the proposal of the Ministry for Economic Development, and will govern:

- setup of the body, with a private legal format and with statutory, organisational and financial independence;
- the procedure for appointing members;
- the transfer of functions and competencies at the time of assignment to IVASS;
- the methods used by the body to collect and manage contributions due from intermediaries (the body is funded with a portion of the supervisory contribution retroceded from IVASS);
- supervision of the body by IVASS.

On this last point, the Institute will be required to govern, through a Regulation, the methods for exercising control over the body, including reporting flows and investigative powers to verify the adequacy of internal procedures and the effectiveness of activities undertaken.

IVASS is also assigned the task of establishing the methods by which the body will carry out its own activities and the forms of collaboration with the Institute, to avoid the duplication of costs and obligations for the entities supervised.

The lines of action for setting up the new body were the subject of an IVASS feasibility study containing potential scenarios and implementing options, as well as an initial analysis of the impact on registered intermediaries and on the Institute's structure.

3.1.2. - *The Shareholder Rights Directive*

In 2018, IVASS participated with other financial sector supervisory authorities in the MEF (Ministry of Economy and Finance) technical support working group on implementation of Directive 2017/828 of 17 May 2017 (Shareholder Rights Directive 2 - SRD2), which amends Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies. With this Directive, European law aimed to strengthen the corporate governance of listed companies and, ultimately, to support long-term development, increasing the transparency of ownership structures and encouraging the active participation of their shareholders. The insurance or reinsurance undertakings that exercise the life business shall be obligated, as institutional investors, to define and communicate the policy lines on their commitment as shareholders, while also communicating the procedures whereby they implement these lines. The stronger commitment required of shareholders is counterbalanced by a more extensive and incisive role in the management remuneration policies (say on pay), to discourage management decisions based on the short term and to encourage the creation of long-term value.

The transposition procedure envisaged a legislative decree format, opened to public consultation in December 2018 by the MEF.

The decree was approved (Italian Legislative Decree no. 49 of 10 May 2019) and entered into force on 10 June 2019. It partially covers the need expressed by the Institute for the strengthening of controls for the sound and prudent management of insurance companies, also in terms of the suitability of shareholders and corporate officers, as well as the tools and powers of action available to the supervisory authority to remedy corporate governance shortcomings.

3.1.3. - *The IORP II Directive*

Italian Legislative Decree no. 147 of 13 December 2018 implemented Directive (EU) 2016/2341 of 14 December 2016 on the activities and supervision of institutions for occupational retirement provisions (IORP II Directive). The transposition amended and supplemented Italian Legislative Decree no. 252 of 5 December 2005, which governs all forms of supplementary pensions, whether occupational pension funds (negotiated pension funds) or forms of pensions for individual subscription through the setup, in the form of independent and segregated assets, of open pension funds or through life insurance contracts with pension characteristics (IPPs). Though the scope of application of the European Directive is limited to institutions for occupational retirement provisions, the implementing decree has introduced innovations also for forms of pensions subscribed by individuals. The regulations are significant to insurance undertakings which participate, together with other authorised entities, in the management of negotiated pension funds, the setup and management of open pension funds and which create solely individual pension plans through life insurance contracts.

As regards open pension funds and IPPs, specific supervisory instructions are expected to be issued by COVIP, after consulting the Bank of Italy, CONSOB and IVASS.

3.1.4. - *The Benchmarks Regulation*

Italian Legislative Decree no. 19 of 13 February 2019 contains the rules for adapting national regulations to the provisions of Regulation (EU) 2016/1011 (Benchmarks) and Regulation (EU) 2015/2365 (Securities Financing Transactions Regulation - SFTR)[70].

The Decree, amending and supplementing the Consolidated Law on Finance:

- identifies the allocation of supervisory duties deriving from application of the SFTR, in line with the provisions of Regulation (EU) 2012/648 on market infrastructures (EMIR), supplementing art. 4-quater of the Consolidated Law on Finance;

- assigns CONSOB the task of supervising benchmark administrators referred to in the Benchmarks Regulation and divides the task of supervising the contributing data entities under the terms of that Regulation between CONSOB and the Bank of Italy;

[70] The Benchmarks Regulation introduced a system for the supervision of entities which prepare the benchmarks (“Administrators”), those contributing to the formation of benchmarks as data providers (“Contributors”) and those using the benchmark (“Users”). The Administrators are subject to rules of conduct and organisation to preserve the integrity of the benchmarks and reduce the risk of manipulation. The SFTR introduced the obligation for all counterparties, financial and otherwise, to submit daily reports to a central database containing the details of individual SFTs and imposes specific obligations upon fund managers to report to investors in relation to securities financing transactions and the conditions for the reuse of securities received as guarantees.

- divides between CONSOB, the Bank of Italy, IVASS and COVIP, according to their respective supervisory powers, the responsibility for supervising entities of the supervised authorities who are users of a benchmark under the terms of the Benchmarks Regulation;
- outlines the sanctions that can be applied by the supervisory authorities as a result of violations of the Benchmark Regulation and the SFTR.

3.2. - National initiatives

3.2.1. - *The Tax Decree*

Italian Law Decree no. 119 of 23 October 2018 (the Tax Decree) also envisages provisions of an accounting nature for undertakings that use local gaap.

In art. 20-quater (Provisions on the temporary suspension of capital losses on securities not held to maturity), the decree governs exercise of the option of extraordinary exemption from the measurement, in separate financial statements, of securities not held to maturity among assets. This is a temporary measure to overcome the financial market turbulence of 2018. It allow companies, which at the end of that year recorded capital losses on non-HTM securities, to measure them at the 2017 book values[71]. The Ministry of Economy and Finance could, by decree, agree an eventual extension of the measure to subsequent years "in relation to developments in financial market turbulence".

As envisaged in art. 20-*quater*, paragraph 2 of the Tax Decree, IVASS Regulation no. 43 of 12 February 2019 provided implementing measures for insurance undertakings, establishing that, if the option is exercised, the undertakings must submit additional disclosures to the Institute (see I.4.2) and be subject to governance requirements (decision of the administrative body and written reports from heads of the risk management function and actuarial function), as well as public disclosures (management report and Notes). Exercising the option has no consequences on Solvency II prudential requirements.

Furthermore, art. 20-quinquies includes important regulatory controls to combat the phenomenon of dormant policies, the life insurance policies for which the beneficiaries do not require services from the undertaking, with the risk of time-barring of the right to the related credit (see V.1.5.4).

3.2.2. - *The law on medical liability*

Italian Law no. 24 of 8 March 2017 "Provisions for the safety of health care and of the patient, and regarding the professional liability of those exercising health care professions" (the "Gelli Act") envisages four implementing decrees which affect the insurance sector and IVASS[72], which will provide indications on:

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[71] This option does not extend, however, to impairment losses.
[72] See Report on activities carried out by IVASS in 2017, III.3.2.1.

- minimum requirements of insurance policies for healthcare facilities, public and private healthcare centres and healthcare profession operators;
- the National Guarantee Fund regulation for damages deriving from health liability;
- the criteria and methods for carrying out the supervisory and control duties of IVASS on insurance undertakings that intend to stipulate policies with public and private healthcare facilities;
- availability of information on the significant variables.

The Institute made its own contribution by participating in technical working groups of the Ministry for Economic Development and the Ministry of Health for the implementation of secondary regulations, not yet issued.

3.2.3. - *The law on competition*

2018 saw the continuation of the updating of sector regulations to the provisions of Italian Law no. 124 of 4 August 2017 (the Competition Law). The action related to updating of the criteria for identifying cases of interlocking (ban on accepting office in competitor undertakings or groups operating in the credit, insurance or financial markets) prepared jointly in 2012 by IVASS, the Bank of Italy and CONSOB, in agreement with the Antitrust Authority, in implementation of art. 36 of the "Save Italy" Decree (Law Decree no. 201 of 6 December 2011). The ban applies to offices held in undertakings or groups of sufficient size to be considered significant in terms of safeguarding competition, on the basis of art. 16, Italian Law 287/90 on antitrust issues which, in limiting significant concentrations subject to reporting to the Antitrust Authority, sets a minimum threshold for revenues achieved by the undertaking or group involved in the acquisition.

The law on competition significantly amended art. 16 of the Antitrust Law. In particular, both the conditions for reporting obligations to the Antitrust Authority - previously referred to the turnover only of the undertaking to be acquired, equal to 50 million euro, now referring to the "total turnover achieved individually by at least two of the undertakings involved" - and the materiality threshold of the undertakings considered separately have changed.

The update to the 2012 interlocking criteria through a joint Communication by IVASS, the Bank of Italy and CONSOB, in agreement with the Antitrust Authority and published in December 2018, envisages that, for offices accepted or renewed after publication of the Communication, the ban on interlocking is triggered if a turnover threshold of 30 million euro is exceeded by at least two of the intermediaries in which the same individual holds office. The periodic adjustment to the threshold envisaged for antitrust purposes is also automatically extended to the ban on interlocking.

3.2.4. - *The strengthening of Pillar II and III prudential rules*

a) *The rules on the corporate governance system of undertakings and groups*

2018 saw the conclusion of the complex task of defining controls for the corporate governance system of undertakings and groups, which started with public consultation on the Draft Regulation no. 2/2017. The action resulted in the issue, in July 2018, of two closely linked regulatory documents: IVASS Regulation no. 38/2018 containing prescriptive and mandatory measures on corporate governance system rules and the Letter to the Market of 5 July 2018 with indications on application of the principle of proportionality in corporate governance.

The Regulation, implementing articles 30 and 215-bis of the Insurance Code, profoundly reviewed this issue, ensuring coherence with directly applicable European provisions of the European Commission's Delegated Regulation no. 2015/35. The EIOPA Guidelines on the corporate governance system were transposed and, when compatible with the new European and national regulatory framework, referred to in the provisions of ISVAP Regulation no. 20/2008 on internal controls and Regulation no. 39/2011 on remuneration policies, as well as ISVAP Circular no. 574/2005 on outward reinsurance.

The Regulation aims to strengthen the central nature of the administrative body as having ultimate responsibility for the governance system, as well as the role of independent directors and the chairman of the Board of Directors in encouraging internal debate and appropriate balancing of powers. Its intention was to systematise the governance of key functions, rationalise the outsourcing of functions, strengthen the coherence of remuneration policies with the undertaking's long-term interests, enhancing disclosures to shareholders and to IVASS, define group corporate governance and introduce the obligation of an emergency plan for significant groups for the purpose of financial stability.

The Letter to the Market envisages a self-assessment of the corporate governance system, which results in undertakings identifying themselves with one of the three regimes offered: enhanced, ordinary, simplified. Each regime corresponds to a different arrangement of the organisational controls relating to the presence of independent directors, the structure of powers of the Chairman of the administrative body, the organisation of internal control and risk committees and remuneration committees, organisation and outsourcing of key functions and governance of remuneration. A similar assessment process is planned, with suitable adjustments, for the ultimate Italian parent undertaking pursuant to art. 210, paragraph 2 of the Insurance Code, for which only two corporate governance systems are envisaged: enhanced and ordinary. Simplifications are also envisaged for the enhanced and ordinary corporate governance structures for subsidiaries in a group, identified in art. 210-ter, paragraph 2, of the Insurance Code.

The disclosure of assessments conducted is required in periodic reports to the Supervisor (Regular Supervisory Report - RSR) and on the governance structure in the public report (Solvency and Financial Condition Report - SFCR). The entry into force of the new provisions is subject to a suitable transition period, with full implementation by the end of December 2019 (2021 for adaptation associated with specific statutory amendments).

b) External audit of the Solvency and Financial Condition Report (SFCR)

Regulation no. 42 of 2 August 2018 introduced provisions on audits by the independent auditor or audit firm on the public SFCR disclosure, envisaged by Solvency II and relating to the solvency position of the undertaking and the group ("external audit"). To increase the level of confidence in its quality and reliability, the Regulation determines the parts of the Report subject to external audit (balance sheet, own funds and solvency requirements, regardless of the calculation method) and the methods adopted to carry out such activity.

The provisions, which supplement and replace the Letter to the Market of 7 December 2016, entered into force with the 2018 SFCR Report.

3.2.5. - *The new sanctioning system - Guarantee Committee duties*

IVASS Regulation no. 39 of 2 August 2018 completed the important reform of the sanctions process introduced with amendments to the Insurance Code by Italian Legislative Decree no. 68 of 21 May 2018 (see VI).

3.3. - Other regulations and regulatory interventions by IVASS

3.3.1. - *Regulations*

Regulation no. 44 of 12 February 2019, seeking to prevent the use of insurance undertakings and insurance intermediaries for money laundering and terrorism financing, introduces provisions on the organisation, internal procedures and controls and suitable customer verification, and requires that insurance undertakings and intermediaries are proactive in risk identification and assessment. The main changes include:

- the requirement for undertakings to provide an analytical and justified definition of decisions made to comply with anti-money laundering obligations;
- the stronger management, coordination and control role of the parent company to ensure that money laundering and terrorism financing risks are promptly identified in a standardised manner within the group;
- the different definition of the role and duties of the suspect transaction reports manager;
- greater detail and expansion of the information to be acquired on suitable customer verification.

Regulation no. 44, which entered into force on 1 May 2019, replaces and repeals the two previous regulations on this matter: no. 41 of May 2012 and no. 5 of July 2014.

3.3.2. - *Orders*

a) Order no. 74 of 8 May 2018[73]

At the end of 2017, the European Commission transposed amendments to the insurance accounting standard IFRS 4 (see III.1.4), to avoid misalignment between the entry into force

[73] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-74/index.html.

of IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts). Commission Regulation (EU) 2017/1988 introduced, in addition to options envisaged by the IASB that allow insurance undertakings meeting determined criteria not to fully apply IFRS 9, the additional possibility of jointly utilising IAS 39 / IFRS 9 for financial conglomerates (for the insurance and banking part respectively). To allow the application of these options, IVASS amended ISVAP Regulation 7/2007 by adjusting the IAS/IFRS formats for financial statements and half-yearly reports.

b) Order no. 76 of 2 August 2018[74]

IVASS Order no. 76 of 2 August 2018 acted on the secondary regulations in force prior[75] to the IDD Directive, transposed to Italian law by Legislative Decree no. 68 of 21 May 2018 and IVASS Regulation no. 40/2018, making the amendments necessary for the entry into force of the new regulations on distribution and to guarantee formal and substantial consistency of the secondary regulations with the new sector measures. The aim of this review is to guarantee continuity with current regulations, maintaining the structure of the amended Regulations.

c) Order no. 83 of 29 January 2019[76]

Order no. 83, in continuity with Order no. 69 of 27 March 2018, implements the provisions of Law Decree no. 148 of 16 October 2017, in art. 2-bis, paragraph 24 and 25, as integrated by art. 1, paragraph 6 and 6-bis, of Italian Law Decree no. 55 of 29 May 2018, converted to Law no. 89 of 24 July 2018, and art. 9, paragraph 2-quinquies and 2-sexies of Italian Law Decree no. 91 of 25 July 2018, converted with amendments to Law no. 108 of 21 September 2018.

The Order:

- postpones to 1 January 2020 the deadline for insurance premium payments suspended as at 31 May 2018, envisaged in Order no. 69/2018 in favour of injured parties who have declared their building, home, professional studio or company to be unfit for occupation in the Abruzzo, Lazio, Marche and Umbria regions affected by the seismic events of 24 August 2016;

- governs the suspension of insurance premium payment deadlines for property located in the Municipalities of Casamicciola Terme, Lacco Ameno and Forio, from 21 August 2017 (the date of the seismic event that hit the island of Ischia) to 1 January 2020, for injured

[74] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-76/index.html.

[75] ISVAP Regulation no. 9/2017 on use of the insurance name, ISVAP Regulation no. 23/2008 on transparency of premiums and contractual conditions in compulsory insurance for motor vehicles and liability for ships and ISVAP Regulation no. 24/2008 on the complaints management procedure for undertakings and intermediaries.

[76] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-83/index.html.

parties who have declared their building, home, professional studio or company to be unfit for occupation;

- envisages exemptions to the insurance premium payment or premium instalment obligation until 31 December 2020 for insurance policies stipulated by injured parties who have declared unfit any property located in a red zone established by specific mayoral order between 24 August 2016 and 25 July 2018.

d) Order no. 84 of 13 February 2019[77]

Order no. 84 governs the methods and deadlines for submitting reports to IVASS on equity interests and close relations pursuant to art. 105 of IVASS Regulation no. 40/2018, regarding intermediaries entered in the RUI at 1 October 2018, the application date for transposition of the IDD.

Italian Legislative Decree no. 68 of 21 May 2018 and IVASS Regulation no. 40/2018, transposing the Directive, introduced new requirements for access to and the exercise of insurance and reinsurance distribution activities. Important among these is the requirement of art. 109, paragraph 4-sexies of the Insurance Code, which states that for the purpose of RUI registration, IVASS must be informed of the existence of any equity interests exceeding 10% of the capital of the intermediary or of close relations. The related transitional measures envisage that all intermediaries entered in the RUI at 1 October 2018 must by 23 February 2019 ensure compliance with the professional requirements in accordance with articles 109, 109-bis, 110, 111 and 112 of the Insurance Code and report on the aforementioned requirements by completing the digital PDF form.

e) Other orders issued in 2018

Note the following:

- Order no. 68 of 14 February 2018[78] regarding amendments to ISVAP Regulations 14/2008, 22/2008 and 38/2011 governing segregated funds;
- Order no. 69 of 27 March 2018[79] regarding the implementation of additional measures in favour of inhabitants of the areas of regions affected by the seismic events of 24 August 2016 (see Report on activities carried out by the Institute in 2017);
- Order no. 71 of 16 April 2018[80], containing provisions on dynamic risk certificates;
- Order no. 72 of 16 April 2018[81] on the identification criteria and development rules for the universal conversion bonus class of MTPL insurance;

77 https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2019/provv-84/index.html.
78 https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-68/index.html.
79 https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-69/index.html.
80 https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-71/index.html.
81 https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-72/index.html.

- Order no. 73 of 26 April 2018[82] with Amendments to the Regulation on advertising and the transparency of data and information concerning IVASS organisation and activities;
- Order no. 79 of 14 November 2018[83] relating to the calculation criterion for values, costs and any deductibles referring to the CARD procedure (see II.1.3.2);
- Order no. 80 of 29 November 2018[84] which defines the calculate rate for operating expenses to be deducted from insurance premiums collected in 2019 to determine the contribution to the supervision of insurance and reinsurance activities;
- Order no. 81 of 20 December 2018[85] containing limits for the calculation of incentives and penalties pursuant to art. 6, IVASS Order no. 79 of 14 November 2018.

3.3.3. - *Regulatory Impact Assessment (RIA)*

In 2018, all the Regulations and Orders innovating the Italian reference regulatory framework were preceded by a public consultation and subjected to prior assessment of the effectiveness and impact of the new regulations on their recipients[86]. The RIA report, which specifies the rationale behind the decisions adopted, taking into account the considerations made by stakeholders in the public consultation, is included in the document accompanying the regulatory act[87]. In compliance with the principle of regulatory simplification, the Institute conducted the RIA on five regulatory acts deriving from the transposition of European or higher-ranked Italian measures on: the application of mandatory discounts in MTPL business; the administrative sanctioning procedure under the responsible of the Institute; insurance and reinsurance distribution activities; disclosure, advertising and generation of insurance products; external audit of Solvency II public disclosures on the solvency position of an undertaking and group.

All 27 Letters to the Market issued during the year were solely for interpretation or application purposes and therefore, in accordance with art. 2, paragraph 2, letter c) of IVASS Regulation no. 3/2013, are excluded from the scope of application of the AIR.

IVASS has completed the update to the RIA internal process and the verification of regulatory impact (VRI), aligning the internal procedure and the methodology guidelines with the most recent regulatory innovations and international guidance on these issues. This helped to make the IVASS regulatory process even more transparent and effective, and to guarantee consistency and standardisation of assessment results and the verifications conducted on administrative expense and the economic effects of regulations.

3.3.4. - *Frequently Asked Questions*

The amendments introduced by Italian Legislative Decree no. 68 of 21 May 2018 implementing the IDD, to Title IX and Title XIII of the Insurance Code and subsequent issue

[82] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-73/index.html.
[83] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-79/index.html.
[84] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-80/index.html.
[85] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2018/provv-81/index.html.
[86] The regulatory activities of IVASS are based on the principles of transparency and proportionality in order to achieve an end result with the lowest expense for recipients, in line with the provisions of primary regulations and particularly art. 191 of the Insurance Code and IVASS Regulation no. 3 of 5 November 2013, implementing Italian Law 262/2005.
[87] The relations are available on the web page www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/index.html.

of IVASS Regulations no. 40 of 2 August 2018 and no. 41 of 2 August 2018, led to numerous requests for clarification from market operators on application of the new aspects of the rules on insurance and reinsurance distribution and on pre-contractual and contractual transparency.

IVASS facilitates full understanding and standardised application of the new European provisions, updating the Intermediaries FAQs on its web site (in the sections Distribution activities, Segregation of assets, Supervisory contribution, Training and updating and Complaints management for intermediaries), consistent with the new regulatory framework, and publishes clarifications designed to facilitate the first-time adoption of rules introduced by Regulation no. 41/2018.

IV. - PRUDENTIAL SUPERVISION

1. - MICRO-PRUDENTIAL SUPERVISION

The strengthening of risk-based prudential supervision continued (Solvency II), enhancing the tools for analysing governance and risk management systems of insurance undertakings and groups through the integrated use of information available to IVASS. In the new framework, robust corporate governance systems are necessary to ensure strategic vision, suitable counterweights when conducting business, and sound and prudent management in the acceptance, measurement and control of insurance risks.

In 2018 priority was given again to the correct determination of technical provisions and the solvency position. The supervision action identified insurance companies with shortcomings in the governance of risks by administrative bodies that seemed to be not particularly aware of their new role, in risk management and internal control processes, and not always equipped with suitable resources and data. Where corporate information systems have non-integrated modules, the quality of the management data often proves modest.

In all cases, particular care was reserved for the incisiveness and promptness of action to monitor the stability of undertakings, with which dialogue was constant in order to ensure effective and proportional application of the supervisory provisions and compliance with them.

1.1. - Supervision on the shareholdings and on the structure of groups

2018 saw continued interest by domestic and foreign operators in the Italian insurance undertakings, and the reorganisation of ownership structures of certain insurance groups progressed with the aim of exploiting synergies of scale and the optimisation of capital management.

The insurance market has seen the interest of multiple economic actors in acquiring control of insurance undertakings, also through the setup of particularly innovative investment vehicles. The interest of private equity funds in Italian insurance undertakings also continued.

The acquisitions and corporate restructuring transactions aimed to streamline the shareholding chain or ensue from new partnerships, mainly between banks and insurance undertakings. These transactions were assessed, in compliance with current regulations, with particular regard to:

– verification of the sustainability of business plans, also in adverse scenarios;

– assessment of the financial soundness of potential buyers and the acquisition plan;

– prospective maintenance of sound and prudent management, also through suitable solvency levels of the undertaking;

– verification that the qualifying requirements were met by individuals holding corporate offices, also focusing on their reputational profiles.

There has also been a growing interest in entering the Italian market by foreign operators specialising in run-off portfolio management.

The prudential supervision of ownership structures was also carried out in partnership with the foreign supervisory authorities, for transactions involving entities resident in other countries or cross-border groups.

1.1.1. - *Changes in ownership structure of controlling or qualified interests*

In 2018, eight acquisition projects were submitted to IVASS, related to controlling or qualified interests in insurance undertakings, with the aim of developing business areas by new operators or of diversifying investments. The Institute's assessments concluded with the issue of authorisations, often after urging - in the investigation phase -the removal of shortcomings and the strengthening of governance and/or solvency controls.

Of note is the transaction promoted by Archimede, an entity set up as a Special Purpose Acquisition Company (SPAC) used for the first time as an investment vehicle in the insurance sector. Structurally similar to other banking sector transactions, the project was implemented by obtaining capital on the financial market through the offering of SPAC securities on the stock market and subsequent business integration of the vehicle with the company Net Insurance. The SPAC gathered capital to increase the business capital in support of the strategic plan.

The change in ownership structures was, in some cases, the result of new partnerships arranged between banks and insurance undertakings with the aim of increasing production capacity and profitability.

In this respect, authorisation was given for three acquisitions by the Cattolica Group, resulting from trade agreements concluded in November 2017 with the BPM banking group. These agreements were stipulated as a result of the rationalisation of partnerships of the BPM banking group, after closure of the agreements with the Unipol group and the Aviva group. The new partnership also led to changes in the ownership structures of the undertakings Vera Protezione (formerly Avipop Vita), Vera Assicurazioni (formerly Avipop Assicurazioni) and Vera Vita (formerly Popolare Vita). In March 2018, IVASS authorised Cattolica Assicurazioni to acquire controlling interests equal to 65% of the share capital of the aforementioned undertakings.

In 2019, the Cattolica Group also acquired the qualified interest of 35% of IMA Assistance share capital, an undertaking specialising in the assistance business and a member of the French group Inter Mutuelle Assistance. The agreement offers Cattolica the option - the exercise of which is linked to the development of a shared growth plan - of acquiring a further interest of up to 51% of IMA Italia Assistance share capital from 2022.

Private equity funds continued to show an interest in the Italian market, also by acquiring equity interests in small insurance undertakings:

– acquisition of control of BancAssurance Popolari Danni by the AmTrust Group, as part of which Trident Capital VII, LP, a qualified shareholder of the parent company AmTrust

Financial Services, Inc., acquired an indirect qualified interest in BancAssurance Popolari Danni;

- acquisition of an indirect qualified interest in Darag by the private equity fund Crestview Partners III Fund;
- acquisition of the indirect qualified interest in 20% of the share capital of Bene Assicurazioni S.p.A. by Fondo Apollo, which on the Italian market already owns the Amissima insurance group.

1.1.2. - *Evolution of the groups' structure*

The reorganisation of a number of groups continued, to simplify the ownership chains and pursue stronger operating efficiency, also through mergers of insurance undertakings. The following mergers were authorised: Vittoria Capital into Vittoria Assicurazioni, Finassimoco into Assimoco and the previously mentioned SPAC Archimede into Net Insurance.

As part of the rationalisation project for the Reale Mutua Group, authorisation was granted for the merger of UNIQA Assicurazioni, UNIQA Previdenza and UNIQA Life into Italiana Assicurazioni. This merger followed the acquisition in 2017 of Italian undertakings in the Uniqa Group by the Reale Mutua Group.

The financial conglomerate Unipol has simplified its ownership chain by concentrating its equity interests in the insurance companies Linear, Unisalute and Arca Vita (and its subsidiaries Arca Assicurazioni and the Irish undertaking Arca International DAC) into UnipolSai. These interests were previously held directly by the parent company Unipol Gruppo.

The structure of the groups has developed with the acquisition of consistent equity interests in entities operating in sectors neighbouring the insurance sector, also to consolidate relations in the distribution of insurance products. In this context, the conglomerate Unipol increased its equity interest in BPER Banca, a transaction priorly assessed with the Bank of Italy and the ECB, the latter responsible for the administrative authorisation proceedings.

In addition to the acquisitions resulting from the partnership with the Banco BPM Banking Group, the Cattolica Group acquired 100% control of the reinsurance undertaking Cat Re, based in Luxembourg, thereby strengthening the international presence of the group. This last transaction was associated with an innovative development project for new lines of business targeting the foreign market, with the offer of specialty lines coverage (relating to space, marine, aviation, property and contingency risks).

The Generali Group disposed of the insurance portfolios of a number of branches in Panama, Japan and the United Kingdom, which were acquired respectively by the insurance companies ASSA Companìa de Seguros (Panamanian), Mitsui Sumitomo Insurance Company Ltd (Japanese) and Bothnia International Insurance Co (Finnish).

1.1.3. - *Access and extension of insurance business*

In 2018, the AXA Italia Group requested authorisation to conduct insurance activities in certain non-life classes - granted in April 2019 - for a new insurance undertaking selling online MTPL policies and which will acquire the Italian portfolio of a Spanish company in the group.

Genertel, Assicuratrice Milanese and CF Life were authorised to extend business to other classes to enhance the range of products offered.

Italian undertakings continued to expand their business to foreign markets. The Institute assessed nine communications for fos business and one for business under right of establishment. These activities have had the general aim of offering insurance services to major customers operating in foreign markets. In the assessment of programmes examined, the potential impact on the solvency position and risk profile of the undertakings was taken into account.

1.2. - Supervision of the corporate governance system

IVASS Regulation no. 38 of 3 July 2018 completed the updating of secondary regulations on the corporate governance system of undertakings and groups to comply with Solvency II (see III.3.2.4.a), enhancing the quality requirements for management which, with the quantitative prudential requirements, represent the means of safeguarding the stability of undertakings and groups.

Undertakings have commenced discussions with the Institute on the self-assessment process, preliminary to the identification of a suitable corporate governance structure. The main issues emerging in discussions with the undertakings referred to the applicability of the Regulation to groups, the outsourcing of key functions, independence of directors, and remuneration and incentive policies.

As to the applicability of the Regulation to EEA or non-EEA groups and sub-groups, doubts were raised regarding interpretation of the application of provisions relating to group governance to **Italian sub-groups with a foreign head office**. These provisions apply only in cases in which IVASS has decided to supervise the Italian sub-group, pursuant to art. 220-bis of the Code of Private Insurance and art. 12 of IVASS Regulation no. 22/2016.

The issue of **outsourcing of key functions within the group** was raised by various operators. A number of groups consider it appropriate that the key functions are outsourced to the owners of the same functions in the ultimate parent company, to meet economic, efficiency, management and coordination needs, is adequate. It would therefore not be considered necessary for outsourcing companies to appoint a different key function owner.

Limited to outsourcing within the group, also taking into account the objective goals of cost-effectiveness and professionalism, the Institute assesses this solution on the basis of:

– group complexity, in terms of the number of companies and types of activity, and the undertakings involved, with regard to the governance system of the outsourcing company, which cannot be classed as either the enhanced or ordinary regime;
– function to be outsourced;

- number of companies involved in the outsourcing, sufficient to allow a suitable time commitment for the supplier to guarantee full and correct performance of the activities.

The undertakings adopting the simplified governance system, members of small and less complex insurance groups, brought to the attention of the Institute the option of **outsourcing key functions to entities outside the group**. The Institute expects that, regardless of the governance system adopted, the undertakings make recourse to the outsourcing of key functions only within the group. However, for companies in smaller and less complex groups, recourse to outsourcing can offer the exploitation of high-level professionalism and technical expertise that is difficult to find within the group. The insurance undertaking will in any event have to ensure that it has suitable professionals to perform key functions and that such functions cannot be performed by the supplier's manager.

With reference to application of the **independence requirement for directors**, Regulation no. 38/2018 does not provide a definition of independence, leaving the related criteria to be established autonomously in the articles of association, without prejudice to the minimum requirements set by Ministerial Decree no. 220/2011. The undertakings will therefore need to independently arrange to adapt their respective articles of association with the provision of independence criteria, based on the principle of proportionality.

IVASS expects the concept of independence to be defined in detail, identifying - with a sufficient granularity - the presence of conflict situations, real or potential, in such a way as to ensure the effective independence of opinion of the board members. These criteria can be indicated in the corporate policy adopted by the Board of Directors to identify and assess possession of the requirements of suitability for office pursuant to art. 5, paragraph 2, letter n) of the Regulation.

A number of undertakings defined this requirement on the basis of the provisions of Italian Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance) for listed companies, which governs the independence requirement of members of the Board of Directors, with reference to requirements established for statutory auditors as well as additional requirements envisaged in codes of conduct prepared by regulated market management companies or trade associations (Corporate Governance Code). The Institute expects undertakings subject to enhanced reporting to adopt the concept of independence as defined in the Consolidated Law on Finance.

As regards **remuneration policies**, the subject of discussions with the undertakings was the deferral of a significant portion of the variable component and the recognition of part of the component in associated shares or instruments. A number of insurance companies have proposed deferral of the variable component if its exceeds a certain amount (materiality threshold). The Institute does not consider this decision compliant with regulatory provisions, in that it is not consistent with the rule that ties the payment of such a remuneration component to lasting and effective results.

In relation to the variable component of the remuneration of directors and all strategic personnel, for companies adopting the enhanced system, the Institute expects that at least 50% is share-based or, for unlisted companies, based on instruments that reflect the capacity to create long-term value, capital consistency and future profits. In this respect, two companies formed as mutual societies have emphasised that the variable component - given the nature of their ownership structure - cannot be share-based or based on other non-monetary instruments that reflect the capacity to create long-term value. The Institute considers that the capacity to create long-term value can also be assessed by identifying specific indicators or in any event suitable assessment metrics.

1.2.1. - *Supervisory action on corporate governance*

The verification of adequacy of the corporate governance system, at individual and group level, referred to the role and functions of the corporate bodies, the internal control systems, the suitability for office of corporate officers and those responsible for key functions, remuneration policies and the placement of key functions.

The action taken involved 16 undertakings.

With regard to the requirements of professionalism of members of the Board of Directors, on renewal of the boards the Institute requested a significant increase in expertise in the financial, insurance and technology fields, suited to the complexity of the market, with respect to the minimum requirements of professionalism established by Ministerial Decree no. 220/2011. This requirement is consistent with ESA's recommendations (EBA, ESMA and EIOPA), which require that the administrative body has knowledge and experience suited to the best understanding of the risk profiles intrinsic to the business carried out.

In addition, the undertakings were asked to strengthen their corporate policy on how they identify and assessthat the fit and proper requirements are met, with particular regard to reputational aspects, consistent with the provisions of the guidelines the prudential assessment of acquisitions and increases in qualified interests in the financial sector, issued by the ESAs. IVASS expects undertakings not to limit themselves to assessing only the integrity requirements envisaged in current regulations and that in their policies they establish additional integrity criteria for corporate officers, also paying attention to reputational aspects. It is considered wise to take into account stricter integrity requirements of candidates with regard, amongst other things, to convictions or criminal proceedings and the correctness of previous business relations, including conduct with supervisory authorities and compliance with the restrictions on cumulative offices.

The Institute took action, in certain cases, by requesting a reduction in the number of board members to improve the efficiency of board activities, also in consideration of the operating context of the undertakings.

In one case, the serious shortcomings in the corporate governance and internal control systems that emerged in 2017 led to the Institute taking incisive action to require profound changes. In the case in question, the Shareholders' Meeting formation process did not guarantee representation to all policyholder members. To implement this action, the company envisaged statutory provisions to ensure that the procedure for appointing policyholder members is transparent and democratic. The statutory amendments guarantee greater transparency in the allocation of mutual benefits: the ordinary shareholders' meeting is assigned the duty of approving the benefits proposed by the Board of Directors, which is responsible for ensuring their actual implementation.

With regard to remuneration policies, supervisory action also related to sustainability of the medium/long-term remuneration system. One group was asked to anchor the variable part of remuneration to results achieved over a multi-year time horizon, so as to align the remuneration policies with long-term goals and defer the variable part in a manner suited to and consistent with their nature and the risks assumed.

In one ultimate parent company, the governance and coordination of subsidiaries in relation to remuneration policy proved insufficient. IVASS considers that in this respect the ultimate parent company must play a governance and coordination role and cannot limit itself to merely ratifying decisions of the subsidiary.

The monitoring continues of one company on which the Institute, with respect to risks correlated to shortcomings in the governance system, has imposed an increase in the capital requirement.

1.3. - The supervisory review process (SRP)

The supervisory review process used by the Institute to express an opinion on the supervised insurance undertakings and groups and ascertain the adequacy of capital and organisational controls, was further strengthened.

The initial phase of the SRP was improved, i.e. the Risk Assessment Framework (RAF), on which the planning and identification of priorities of the supervision activities are based. Improvements were made to the quantitative approach to current and forward-looking risk assessment of the undertakings, based on KRI (Key Risk Indicators) referring to the performance, governance, technical/financial management and capital adequacy areas, and which provide early warnings of risk exposure. The qualitative phase of the supervisory judgement process was enhanced to including factors in the rating that cannot be automatically detected by KRIs.

The process includes the Institute’s assessments of the underwriting and settlement management processes, the results of the actuarial pre-review of the claims provisions for MTPL and general liability business, the business models and the guarantees offered to policyholders. Information of a systemic and idiosyncratic nature deriving from the monthly monitoring of investments, the recognition of premiums and surrenders, the vulnerability survey and stress tests is taken into account.

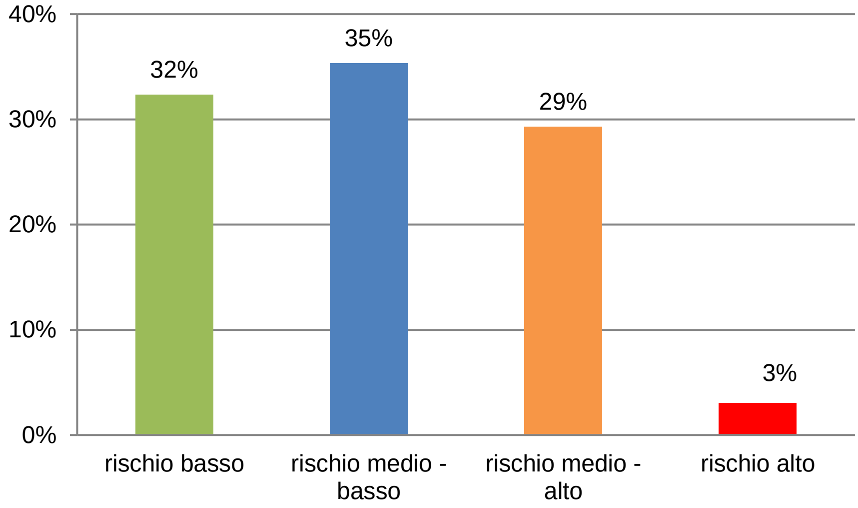
Following the RAF, each undertaking was assigned a rating that also takes into account the size of the undertaking and therefore its importance to the domestic market (risk/size approach). Based on the assigned rating, appropriate supervisory initiatives were addressed in terms of priorities, resources and promptness of action.

Fig. IV.1 shows the 2018 RAF ratings distribution (based on quantitative data at the end of 2017) among market undertakings:

Figure IV.1

RAF 2018 – Distribution of the rating

(% of number of undertakings out of the total)



There have been no significant changes in distribution compared to the previous year. Most of the undertakings confirm a low or medium-low risk profile (67%), whilst only a very limited percentage of the market (3%, representing a market share in premium terms of 4%) reported a higher risk profile. The undertakings which, as a result of the RAF, proved to have high ratings were already affected by the necessary supervisory measures as part of the prudential control process.

The RAF results take into account the solvency position of Italian undertakings, in terms of size and business. With regard to the capital adequacy KRIs, 87% of undertakings have a low and medium-low risk profile.

1.4. - Checks on the stability of undertakings and of groups

The Institute conducted verifications into the stability of undertakings and groups, with particular regard to technical and financial management, the correct calculation of technical provisions and capital adequacy.

1.4.1. - *Best Estimate of technical provisions*

Inspections on the correctness and consistency of assumptions used to calculate the best estimate of technical provisions and on financial assumptions underlying the Solvency Capital Requirement, launched in 2016, continued with in-depth onsite visits and involved 14 life insurance undertakings. Shortcomings emerged in implementation of the rules, which required considerable efforts from the undertakings in terms of organisational and IT structures, calculation methods and databases. The Letter to the Market of 5 June 2018 provided applicational clarification on contract boundaries, data quality, portfolio segmentation, financial and technical-actuarial assumptions, options and guarantees, future management actions and the generation of economic scenarios.

In general, the need emerged for a more active role of directors, who must improve their awareness of the risk profiles of undertakings, in support of strategic board decisions and decisions relating to capital management policies. The Institute called for greater cooperation between the actuarial function and the risk management function in governance and in the definition of sound methodologies for calculating Solvency II requirements.

For two undertakings in which the investigations found serious critical issues and related impacts on BEL and the solvency position, the Institute took action by ordering a ban on the distribution of profit for the year and other capital components. The ban will remain in force until the implementation of actions to adjust methodology weaknesses and the measures envisaged in the recovery plan submitted by the undertakings is completed.

For the technical provisions of non-life business, in addition to onsite BEL inspections, studies were conducted on local gaap provisions, based on indications provided by the actuarial pre-review of the technical provisions. Following the Institute's action, one undertaking amended its draft financial statements to include amounts to be recorded as provisions for claims outstanding.

1.4.2. - *Adequacy of the standard formula / USP/GSP*

The revision of the standard formula for calculating the solvency capital requirement, started in 2017, continued.

In particular, discussions were initiated with four undertakings for which significant deviations in the risk profile emerged compared to the assumptions underlying the capital requirement calculation using the standard formula for the premium & reserve risk of non-life and sickness insurance (Health Non-Similar to Life Techniques). The undertakings notified their wish to adopt USPs to calculate the capital requirement and, pending authorisation[88], at the request of the Institute applied a conservative margin on the solvency capital requirement. This additional requirement is calculated on the difference between the non-life and sickness premium requirements, assessed on the basis of specific parameters, and the respective values calculated with the standard formula. Adoption of the conservative margin had an impact in solvency terms of between 7 and 15 percentage points on the SCR ratio.

The investigation into the adequacy of the standard formula was extended to almost all undertakings operating in the non-life and sickness insurance classes, for a further four undertakings bringing to light significant deviations from the assumptions used to quantify the premium & reserve risk requirement. Adjustment of the capital requirement to the risk profile and any use of specific parameters are being assessed. One undertaking reported its intention to submit an application for authorisation to use USPs and, in the meantime, the need has already emerged to adopt a conservative margin.

[88] In April 2019, Crédit Agricole was authorised to use specific parameters from 31 December 2018 and, for another three undertakings, preliminary activities are in progress for submission of the related application.

Monitoring of compliance by authorised undertakings and groups continued in relation to the requirements for the use of USPs through reports that those undertakings are submitting to IVASS based on provisions of their respective management policies.

Authorisation was granted to HDI Assicurazioni for the use of specific parameters to calculate the capital requirement, in that it is characterised by a risk profile not correctly captured by the standard formula as regards premium & reserve risk.

1.4.3. - *Internal models*

The preliminary investigation, started in 2016, was completed in the early months of 2019 for the release of authorisations to the Unipol and Reale Mutua groups for the use of partial internal models for calculation of the group capital requirement and to the undertakings Reale Mutua, Italiana Assicurazioni and SACE BT for calculation of the capital requirement at individual level.

IVASS followed the pre-application of significant changes to the internal models, also conducting assessments with other European Authorities in accordance with the Solvency II Directive. The activities involved five insurance groups (Allianz, AXA, Generali, Unipol and Reale Mutua), for three of which IVASS acts as Group Supervisor, and concluded with issue of the related authorisations in 2018 and the early months of 2019. The approved amendments involved extension of the scope of the internal model to include new companies, the change in risk profile resulting from extraordinary transactions (mergers) or fine-tuning of the adopted approach, also as a consequence of specific requests from the supervisory authorities, as well as the Model Change Policy.

The continuous verification of internal model suitability is carried out by the Institute through backtesting, monitoring of the annual calibrations of specific risk factors and the analysis of reports on internal validation processes.

The backtesting on interest rates was extended to all approved models, to verify the forecasting capacity based on historic observations. In one case, backtesting did not produce satisfactory results and led to IVASS asking the group to identify suitable remedial actions.

Monitoring continued of the annual calibrations of the most significant risk factors through inspections and meetings with undertakings. For two groups, shortcomings were found in the calibration of floors applied to the interest rate models, in the calibration of spreads on certain rating classes for corporate bonds, in the time series of data used, not fully suited to representing the risk being calibrated.

With reference to market risk and credit risk, in 2018 the Institute participated in a new edition of the EIOPA Market and Credit Risk Comparative Study which involved two leading Italian groups. The survey found differences in the risk assessment among undertakings in the European sample, attributable to differences in terms of risk profile, but also to the different calibrations adopted.

A non-life comparative study was launched in 2017, targeting the main segments (Motor Third Party Liability, Other Motor, General Third Party Liability, Fire and other damage to property). The analysis involved 35 undertakings attributable to 16 European groups. The study identified indicators useful in comparing the effects of different models on capital requirements.

IVASS is a member of EIOPA's Expert Network on Internal Models, formed by representatives of European authorities with a high degree of expertise on internal models. In this context, case studies on internal model management were discussed (e.g. cases of acquisition of undertakings, specialist undertakings, imposition of add-ons, relations with the model vendors) in order to define common supervisory standards. Internal Models Ongoing Appropriateness Indicators (IMOGAPI), designed to support ongoing verification of approved internal models, are pending definition. The work group is defining a new data gathering exercise to standardise calculation of the indicators.

The Institute continued to monitor the implementation of actions planned at authorisation stage for the internal models and targeting the improvement of specific minor aspects, carrying out six inspections. Where further study showed the need for subsequent actions, including any to fine-tune the modelling, additional capital requirements were maintained until the required action was fully implemented.

1.4.4. - *The assessment of specific risk mitigation measures*

The financial market performance in 2018 contributed to the strong volatility of the solvency ratio, with regard to which the Institute monitored the most vulnerable undertakings, taking into account the results of EIOPA stress tests and verifying the mitigation actions taken.

Among the legislative, regulatory and supervisory measures to mitigate solvency ratio volatility was the release by IVASS of authorisation to use the transitional measure for technical provisions, already used in other EU countries. The measure envisages a transitional deduction from Solvency II technical provisions of a percentage of the (positive) difference between the total Solvency II technical provisions at 1 January 2016 and that recorded in the financial statements at 31 December 2015 (Solvency *I*). Three insurance undertakings submitted applications for authorisation to adopt the transitional measure. As of April 2019, one undertaking had been authorised to use these measures.

The Institute assessed the risk mitigation actions implemented by a number of market operators for a greater diversification of the risks and to optimise capital management, including significant changes to the asset allocation.

1.4.5. - *Own funds assessment*

The Supervision continuously assessed the own funds of undertakings, for the purpose of solvency requirements and taking into account potential adverse changes in the main risk factors.

The high quality of own funds of Italian undertakings, prevalently tier 1 capital, was confirmed. The tier 2 and tier 3 funds remain well below the maximum regulatory values.

The solvency position analyses show significant own funds volatility in 2018, essentially attributable to the economic scenario and the market consistent assessments required by Solvency II.

In one case, where shortcomings were found in the solvency requirements, the Institute requested the submission of a recovery plan for the return to normal of operating conditions (see IV.1.7). The company has adopted the measures necessary to strengthen its solvency position.

IVASS has established intense dialogue with the most vulnerable undertakings, to quickly identify the action areas. Capitalisation initiatives were monitored and, where necessary, supervisory action was taken to strengthen the solvency position, also in prospective terms. The prompt identification of potential critical situations led to 18 undertakings implementing recapitalisation measures for over 1 billion euro, of which 519 million euro relating to actions on capital and 584 million euro to the issue of subordinated liabilities.

In addition, for the first time, in February 2019 the Institute authorised the use of ancillary own funds to cover the solvency capital requirement. The authorised funds were represented by an irrevocable and unconditional letter of commitment of the parent company to subscribe to one or more share capital increases of the insurance company. This 5-year commitment can be called at any time at the request of the insurance company and, in any event, if the capital requirements is seen to fall below the target solvency established. In addition to assessing the existence of regulatory requirements for inclusion in tier 2, the Institute asked the parent company to constantly ensure availability of the necessary funds through specific credit facilities.

The Institute has assessed seven applications for the reimbursement of elements of own funds (share premium reserve and subordinated liabilities). The related investigations took into consideration the current and forward-looking impacts on the solvency position as well as the consistency of the capital management plan, also on the basis of stress testing of the undertaking's main risk drivers and compliance with post-reimbursement risk tolerance levels.

1.5. - Supervision of the ORSA (Own Risk Solvency Assessment) process

The examination of ORSA reports focused on the involvement of key functions in governance of the process, on verifying the adequacy of the standard formula for the risk profile of undertakings, on assessment of the technical provisions and on the use of ORSA results in the overall risk management process.

The Institute took action in relation to 28 undertakings and 4 groups, also through meetings with company managers, to encourage ORSA process improvement initiatives and more accurate information content in the report. As part of the actions taken, requests were made - amongst others - to carry out quantitative analysis using stress test approaches and scenario analysis on significant risk factors and based on the most challenging assumptions, highlighting the impacts on the solvency position. For individual risks, comparison was also requested between the exposure values estimated in the previous ORSA report and those actually recorded (backtesting), to strengthen the ORSA process and the reliability of results.

Several undertakings were asked to supplement the ORSA report with a more detailed description of the assessment methods for risks not covered by Pillar I (i.e. reputational risk, liquidity risk and emerging risks) and the remedies envisaged in the event of infringement of the thresholds identified in the Risk Appetite Framework, also through recourse to actions already envisaged in the capital management policy.

Analysis of the ORSA process continued for undertakings for which IVASS acts as Group Supervisor, asking that foreign authorities in the College complete a questionnaire designed to investigate aspects of a technical nature. The results of analyses, represented by insurance groups, offered greater awareness of the risk profile of the groups based on standard assessment criteria.

1.6. - Coordination with other Authorities and Institutions

1.6.1. - *Supervision of groups and financial conglomerates: the College of Supervisors*

IVASS acts as Group Supervisor for six groups with transnational operations (Generali, Unipol, Cattolica, Reale Mutua, Intesa and Mediolanum). All actions envisaged in the 2018 work plan have been completed and approved by the College of Supervisors. The information exchange continued, the risk assessment shared with other supervisors and the ORSA reports were analysed. Further studies were carried out on remuneration policies, transferability of own funds, technical provisions and key functions.

As Host Supervisor, IVASS participates in 16 colleges coordinated by foreign supervisory authorities, including three non-EEA countries, in addition to assessing group risks contributing to the implementation of actions envisaged in the work plan, with further study of the actuarial function, outsourcing policy and the strategic planning process.

The studies conducted were shared with the other authorities involved and with EIOPA at meetings of the Colleges of Supervisors, to which representatives of the groups were also invited. Among the issues discussed were group structure, corporate governance, capital and economic positions, risk concentration, intra-group transactions, risk assessment and the results of supervision activity.

Following the supervisors’ meetings, feedback was provided to the groups, agreed by members of the College, on the main aspects emerging and with indications of any areas for improvement.

For the three groups with companies located in third States, for which IVASS is the Group Supervisor, consultations began for inclusion in the College of the competent local supervisory authorities. In one case, the process concluded with the signing of Coordination Arrangements with the New York State Authority.

The supervision continued in 2018 of three sub-groups of EEA groups for which the option to supervise the Italian sub-group was exercised (AXA Italia, Aviva and Assimoco), having considered it appropriate to take into account the differences in terms of insurance business, organisation and risk profile compared to the overall group. The supervision was carried out in close coordination with the related Group Supervisors and the results were discussed in the Colleges of Supervisors and in specific dedicated sessions (specialised teams), which delved further into the financial and solvency situation of the sub-groups as well as the aspects relating to their governance and risk management.

The Institute has agreed with BaFin on enhanced reporting exchange for two cross-border groups.

A number of insurance groups belong to Italian financial conglomerates, the list of which is updated each year jointly by the Bank of Italy, CONSOB and IVASS. In 2018, two insurance-led conglomerates (Generali and Unipol) and once banking-led (Mediolanum) were confirmed in the list. Among the conglomerates engaging "significant" banking intermediaries, for which the ECB is responsible for identification as part of the Single Supervision Mechanism, two banking-led conglomerates were confirmed (Credem and Intesa Sanpaolo).

The results of supervision on the conglomerates were presented and discussed in the Colleges of Supervisors, in which the European Authorities of the banking and insurance sectors participate.

The representative offices of Swiss companies are the only branches of non-EU undertakings pursuing business in Italy and continue to be subject to special treatment in application of the Agreement between the European Economic Community and the Swiss Confederation of 10 October 1989, amended by Decision of the EU-Swiss Joint Committee on 3 July 2018. IVASS has continued to apply second pillar controls to these undertakings, to the extent they are compatible, and has examined the individual ORSA reports to verify the solvency requirements defined using internal metrics.

In cooperation arrangements with the Swiss Authority, the Institute, together with other European Authorities, participated in a Joint Supervisory On-site Review under the guidance and responsibility of FINMA, of the head office of a leading Swiss insurance group that also operates in Italy.

1.6.2. - *Supervision of systemically important groups*

As Host Supervisor, the Institute continued the enhanced supervision of the Allianz sub-group in Italy, given that the German ultimate parent company Allianz SE qualified as a G-SII from 2013 (see III.1.2). For the Generali group, initially included in the list of the G-SII and later removed, international enhanced supervision measures continued to apply.

The enhanced supervision of systemically important groups was also carried out as part of the respective Crisis Management Groups (CMGs), set up by the supervisory authorities of the main countries in which the groups operate. The CMGs assessed the crisis management plans (Systemic Risk Management Plan, Liquidity Risk Management Plan and Recovery Plan) updated annually by the groups, taking into account the observations of the Supervisors.

The CMGs also identified areas for improvement in the Resolution Plan prepared by the Group Supervisor, which defines key elements that allow the competent supervisory authorities to overcome any crises, maintaining operating continuity and avoiding negative impacts on financial markets stability and on the interests of policyholders.

1.6.3. - *Relations with the MEF, CONSOB and Antitrust*

Collaboration continued with the Ministry of Economy and Finance in relation to the granting by the State of guarantees in favour of SACE S.p.A. for non-market transactions aimed at strengthening support for exports and the internationalisation of undertakings. IVASS issued 16 opinions to the MEF about the fairness of the allocation of the premium recognised to the State and to SACE, which were subject to significant technical study.

IVASS also participated as a technical member, without voting rights, in the meetings of the portfolio analysis and control Committee of SACE, established in accordance with Article 3 of the Decree of the President of the Council of Ministers of 19 November 2014. In 2018, the interministerial Committee met twice.

The Institute continued its collaboration with CONSOB and the Antitrust authority in investigations relating to 13 transactions involving insurance companies pertaining to capital strengthening, related party transactions and acquisition projects that can determine concentration situations.

1.7. - Safeguards, reorganisation and winding up measures

It was found that one undertaking had failed to comply with the solvency capital requirement, making the submission of a recovery plan necessary pursuant to art. 222, paragraph 2, of the CAP. In addition to capital shortfalls, the Institute found critical issues in the governance system, internal controls and data management.

The undertaking arranged capitalisation action, restoring a suitable level of solvency. In approving the Plan, the Institute assessed the strategic and business actions proposed to achieve technical and economic balance in the medium term, as well as initiatives relating to governance system, internal controls and data management reorganisations, as positive. On issue of the order approving the Recovery Plan, quarterly monitoring was initiated of implementation of the initiatives.

With reference to ArgoGlobal Assicurazioni (formerly ARISCOM), removed from extraordinary administration in 2018, the Institute approved the administrators' financial statements and closely followed the situation, also after the entry of the new shareholder.

2. - MACRO-PRUDENTIAL SUPERVISION

The growing need to combine micro-prudential supervisory action with the assessment of risks and insurance market resilience as a whole has given rise to extensive macro-prudential analyses designed to monitor the main sources of risk and assess their impact on financial stability.

To this end, IVASS conducts quarter analysis of the Risk Dashboard and vulnerability surveys of the insurance sector, comparative assessments of ORSA reports and SFCRs, and holds meetings with insurance companies, consulting firms and rating agencies.

There was a specific focus on testing the solidity of the insurance system in adverse conditions. The large groups were required to carry out the European stress testing exercise that was conducted in 2018 by EIOPA with the national authorities.

The financial market tension recorded from May 2018 onwards called for specific simulations to be carried out by IVASS, without involving the undertakings, to assess the potential impact on the insurance system of adverse changes in financial risk factors. As a result of these assessments, new risk analyses commenced, including monitoring of liquidity and net unrealised capital gains, measurement of the exposure to derivative financial instruments and reinsurers.

Considerable efforts went into international and European actions to develop a harmonised framework on macro-prudential policies. Unlike the banking sector, in fact, the European insurance sector does not yet have a harmonised regulatory framework for the application of macro-prudential measures (see box on "proposals for macro-prudential measures in the insurance sector", in the Bank of Italy's Financial Stability Report, 2, 2018).

The analyses and studies carried out at national level contribute to EIOPA's preparation of technical advice for the European Commission on the option of using the tools envisaged in Solvency II for macro-prudential supervision purposes[89].

2.1. - Macro-prudential activity at international level

Work continued at European level in 2018 on systemic risk and macro-prudential policies in the insurance sector. EIOPA published three reports: the first (*Systemic risk and macroprudential policy in insurance*[90]) identified and analysed the sources of systemic risk for the sector; the second (*Solvency II tools with macroprudential impact*[91]) explored the mitigation and prevention tools envisaged in current regulations; the third (*Other potential macroprudential tools and measures to enhance the current framework*[92]) put forward proposals for the definition of a European macro-prudential framework for possible inclusion in the Solvency II Directive

[89] The annual analysis of ORSA reports, the principle of individual prudence in relation to investments, the management plan for significant systemic risks and intensified control of insurance undertakings' liquidity positions.

[90] https://eiopa.europa.eu/Publications/Reports/Systemic%20risk%20and%20macroprudential%20policy%20in%20insur-ance.pdf; February 2018.

[91] https://eiopa.europa.eu/Publications/Reports/Solvency%20II%20tools%20with%20macroprudential%20impact.pdf; March 2018.

[92] https://eiopa.europa.eu/Publications/Reports/Solvency%20II%20tools%20with%20macroprudential%20impact.pdf; July 2018.

review planned for 2020. This last report indicates potential tools for monitoring and identifying powers of intervention in four areas (Table IV.1).

Table IV.1

Main macro-prudential tools for the insurance sector identified by EIOPA		
Scope of application	**Tools (Enhanced Reporting and Monitoring)**	**Powers of intervention**
Capital and reserving	• Leverage ratio • Enhanced monitoring against market-wide under-reserving	Capital requirement for systemic risk
Liquidity	• Additional reporting requirements • Liquidity risk indicators	Temporary freeze on redemption rights
Levels of Exposure	• Enhancement of the *Prudent Person Principle* and *Own Risk and Solvency Assessment*[93]	Soft concentration thresholds based on a step approach[94]
Pre-emptive planning	• Recovery plans • Resolution plans • *Liquidity Risk Management Plan* • *Systemic Risk Management Plan*	

Again at European level, the ESRB published a report[95] identifying the sources of systemic risk generated by the insurance sector (contagion risk and system shortcomings or failure in the provision of insurance services), identifying the mitigation measures in current regulations and proposing additional measures for the development of a macro-prudential framework (Table VI.2).

Table IV.2

Main macro-prudential tools for the insurance sector identified by the ESRB
Explicit symmetrical capital requirement or discretionary buffer tool for interest rate risk and spread risk (cyclic risks)
Liquidity requirements
Alignment of the regulatory treatment of bank-like activities
Discretionary intervention power in the event of mass lapses
Capital requirement and temporary restrictions on dividends, in the event of adverse market-level circumstances that are not fully captured by Solvency II controls
Extension of the additional capital requirement envisaged for global systemically-important entities also to the domestic context
Harmonised regulatory framework on recovery and resolution
Extension and enhancement of current Solvency II reporting requirements

93 The enhancements aim to also give macro-prudential validity to two second pillar controls included in Solvency II.

94 The proposal refers only to the potential identification of soft thresholds for monitoring purposes, as opposed to the hard Solvency II thresholds considered inadequate for the insurance sector. This implies the identification of thresholds or benchmarks to use as reference in examining concentration. If exceeded, the authorities can take appropriate action in the presence of macro-prudential risks.

95 ESRB, *Macroprudential provisions, measures and instruments for insurance*; November 2018; www.esrb.europa.eu/pub/pdf/reports/esrb.report181126_macroprudential_provisions_measures_and_instruments_for_insurance.en.pdf.

The areas of macro-prudential importance are among the issues included in the European Commission's recent Call for Advice addressed to EIOPA to obtain proposals on the Solvency II review to be conducted by the end of June 2020. The areas studied refer to the Own Risk and Solvency Assessment (ORSA), the prudent person principle in relation to investments, the systemic risks management plan, the liquidity risk management plan and improved prudential reporting on the liquidity position of insurance companies.

2.2. - Risk identification tools for the Italian insurance sector

2.2.1. - *The Risk Dashboard*

Quarterly analysis of risks and vulnerabilities of the national insurance sector continued, represented in the Risk Dashboard, which includes indicators defined at European level and adapted to the specificity of the domestic market. Seven risk areas are considered (macroeconomic, market, credit, liquidity, profitability and solvency, interlinkage and insurance risks) as well as an additional area to take into account the market perception of the risks on the part of the market. The riskiness of each area is summarised in an absolute level[96], with the related change relative to the previous quarter (trend).

The calculations are based on the information referred to the quarter to be analysed for the insurance indicators and on the most up-to-date information for market indicators which, in some cases, also take into account forecasts aimed at strengthening the prospective view.

At the end of the year, the main risk factors for the Italian insurance sector referred to the macro and credit areas affected by the reduced forecasts for GDP growth and the inflationary trend and high level of risk premiums on Italian government bonds (Table IV.3).

Table IV.3

Risk Dashboard *(fourth quarter 2018)*

	IVASS		EIOPA	
	Level	Trend[97]	Level	Trend
1. Macro Risks	**medium-high**	➔	**medium**	➔
2. Credit Risks	**medium-high**	➔	**medium**	➔
3. Market Risks	**medium**	➔	**medium**	➔
4. Liquidity and funding Risks	**medium**	➘	**medium**	➔
5. Profitability and Solvency Risks	**medium**	➔	**medium**	➔
6. Interlinkages and imbalances Risks	**low**	➔	**medium**	➔
7. Insurance (underwriting) Risks	**low**	➘	**medium**	➚
8. Market perception	**medium-low**	➘	**medium**	➔

Source: IVASS and EIOPA fourth quarter [98]

Other risk areas (market, liquidity and solvency) have a medium level of vulnerability, whilst insurance and interlinkage risks are at a low risk level, lower than the European level. The improvement noted in

[96] The risk level is identified by the following colours: green = low, yellow = medium-low to medium, orange = medium-high to high and red = very high.

[97] The arrows indicate the change relative to the previous quarter: (🡅 = significant increase (>1), ➚ = increase (>0.5), ➔ = constant, ➘ = decrease (>0.5), 🡇 = significant decrease (>1).

[98] https://eiopa.europa.eu/Pages/Financial-stability-and-crisis-prevention/Risk-Dashboard.aspx.

these areas is due to the recovery in premium income in the life sector and to the lower use of reinsurance in the Italian market compared to the European average. Vice versa, the Italian insurance market is characterised by a greater concentration of investments compared to European competitors. The degree of risk perceived by the market is diminishing, due to the slight recovery in forecasts of expected profits by Italian insurance companies in the first few months of 2019.

2.2.2. - *Vulnerabilities*

Monitoring of the main sources of risk and vulnerability for the insurance sector continued, also carried out through the quarterly survey on a representative sample of the domestic market consisting of eleven groups and five individual undertakings [99]; the monitoring collects and analyses standardised information on recurring cases that can have repercussions on sector stability, in addition to further delving into innovative or emerging issues.

The survey confirmed the Italian companies' low level of interest in investing in minibonds, term structured repos, short term funding and liquidity swaps. The premium income has increased on hybrid products which combine the traditional component (class I) with a financial component without guarantee (class III). The forecasts for the current year indicate a further increase. The distribution of premiums among the various business types confirms the prevalence of the guaranteed component (58%) compared to purely financial (42%), typically unit-linked. Recourse to reinsurance remains moderate and for the most part limited to undertakings operating in the non-life business.

The risks most perceived by the Italian insurance companies and groups, in terms of impact and the probability of occurrence, are confirmed as those associated with exposure to government bonds, macro-economic risks, cyber risk, strategic risk (potential loss of competitiveness, also due to the market entry of new players), credit risk exposure to banks and the risks of a prolonged period of low interest rates. Other risks considered significant derive from share price volatility and business interruption.

As regards the emerging risks monitored by the survey, a moderate but growing attention was noted towards alternative investment instruments by Italian insurers, for stronger portfolio diversification and improved profitability. In some cases, the investment policies were revised to include sustainable finance criteria based on ESG goals. Climate change risks and their impact on the insurance sector are the subject of growing attention by legislators, European and international bodies and insurance companies (see III.2.1.4).

The impact of climate change on the Italian insurance sector

The survey gathered information on the identification of risks associated with climate change and the related management methods. The main risks perceived by insurers, in relation to non-life business, refer

[99] In 2018, the sample was modified internally due to an extraordinary transaction, after which it was considered appropriate to continue monitoring of the individual undertaking on a consolidated basis.

to physical risk[100], considered to have immediate impact, and to transition[101] and liability[102] risks. The main sources of risk for small and medium enterprises are associated with natural catastrophes (flood, hail, earthquake) and agricultural risk. The probability of impact is assessed in the internal model for calculating the capital requirement of undertakings that use it, while for undertakings using the standard formula the risk was assessed by methods developed in-house in relation to emerging risks.

The major insurance groups have developed a specific climate change policy for investments and products, as well as having defined governance processes with the formalisation of internal rules and guidelines and the creation of specific structures within the risk management function. The green-oriented investment policies integrated environmental, social and governance (ESG) issues with aspects associated with reputation, envisaging the updating of lists of issuers blacklisted from the companies in which to invest[103] and disinvestment strategies from the brown economy and investment in sustainable instruments.

The policies on products include the offer of guarantees associated with natural events and, for MTPL, the application of reduced premium rates for customers insuring energy efficient or low mileage vehicles.

As regards risk mitigation strategies, the insurers mainly use reinsurance and only in one case to other forms of risk transfer (cat bonds). The insurers show an interest in social environmental commitment initiatives targeting the reduction of CO_2 quantities through energy efficiency, reduction of the environmental impact of business travel, waste control through reuse and recycling policies and the rational use of paper and water.

2.2.3. - *Monthly monitoring of investments and net premiums of life insurance undertakings*

Tension recorded on the financial markets since May 2018 highlighted the importance of adequate monitoring of insurance companies' liquidity and profitability. Since October 2018, IVASS recommenced the monthly recognition and verification of the investments of insurance companies and the related unrealised capital gains and losses. For life insurance companies, the controls were extended to premiums and claims. At year end, the unrealised net capital gains amounted to 24 billion euro (fig. IV.1.a), up compared to the previous months. Of these, 72% (18 billion euro) were on government bonds.

The surrenders to premiums ratio, an indicator also used to monitor the liquidity position of insurance companies, remained at limited values, even in correspondence with the market tensions during the year. In December 2018, the weighting of surrenders on premiums was 44%, down slightly from the previous month (fig. IV.1.b).

[100] Physical risk in the non-life business is correlated to the hydrogeological situation of the territory, with impact on the risks associated with homes and agriculture. In the life insurance business it is linked to the effects generated by excessive heatwaves or bad weather with resulting sickness.

[101] The transition risks are correlated to the migration towards a less polluted and more green economy. For some sectors of the economy, this transition could lead to significant changes in the value of assets or the cost of doing business. Based on the responses, there is limited exposure to carbon-intensive investments.

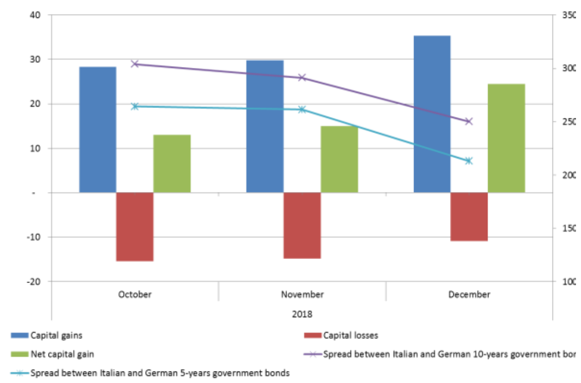
[102] The liability risks derive from possible claims for compensation for losses from individuals or businesses caused by physical or transition risks related to climate change. Medium/long-term, largely immaterial and difficult to assess risks were considered.

[103] The choice was for the most part made using internal rating models based on MSCI metrics (low carbon targets).

Figure IV.1

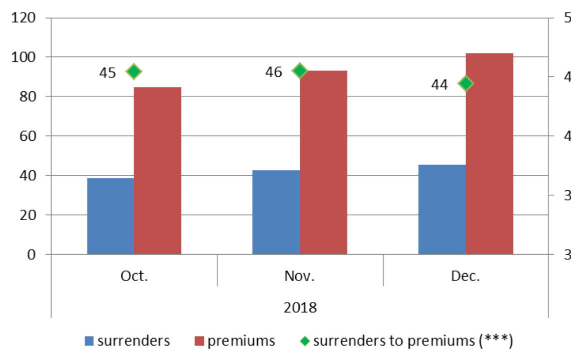
a) Unrealised capital gains and losses

(monthly data; billion euro and basis points)



b) Surrender to premium ratio**

(2018 year-end data; billion euro and % values)



* RHS. - ** The indicator was calculated as the ratio between the value of surrenders and premiums. - *** RHS.

2.2.4. - *The workshop on the main risks of the insurance sector*

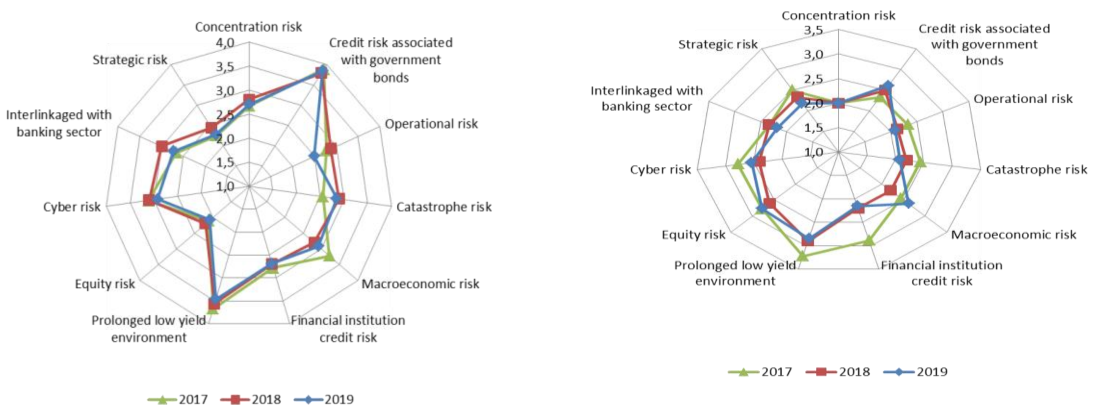
The evolution of the main risks typical of the insurance sector were further studied again in 2018, on two different occasions for direct discussion with the market: one with ANIA and the main Italian insurance companies and the other with leading advisory companies and rating agencies. The meetings discussed the main risks for the sector, their development and the main challenges for operators, particularly in relation to changes in the reference context, from the regulatory framework to the digital evolution.

Growing attention emerged to challenging aspects brought about by technological evolution: from data management capacity to the products offered, distribution techniques, automated forms of control and mitigation approaches to risks originating from cyber and insurtech scenarios.

Figure IV.2

Development of the main financial and insurance risks

Impact | **Probability of occurrence**



All the players in the sector (large Italian insurance companies, consultants and rating agencies) indicate a growing attention to financial and macro-economic risks compared to those strictly associated with insurance business. The risks linked to investment management are considered high, mainly due to i) volatility of returns, ii) concentrations in the asset portfolio, iii) credit risk associated with government bonds, iv) contagion risks originating from the banking sector and v) geopolitical risks (fig. IV.2).

Among the emerging risks, other than those associated with technological and distribution trends, climate change - often associated with catastrophe risk - was assessed with interest and focus.

2.3. - Risk assessment tools

2.3.1. - *Own risk and solvency assessment (ORSA)*

IVASS conducted a comparative analysis of ORSA reports for 2018 of a sample of undertakings and groups, representing 75% of the Italian insurance market.

The analysis identifies the presence, at market level, of risk concentrations, common conduct or use of similar methodologies, assumptions and processes. This allows the Institute to assess actions of a general nature, including regulatory action, to improve efficiency of the risk identification and assessment process adopted by undertakings and groups, and the subsequent calculation of total capital requirements necessary to guarantee the target solvency level.

On 28 February 2019, IVASS published the analysis results, which show the progress made in the ORSA process, also due to guidance issued by the Institute in 2018, and the main areas for improvement, referring above all to methodologies for defining market scenarios, based on which the business strategies and financial needs are planned. The need to increase the severity of stress and worst case scenarios used by the undertakings emerged (Table IV.4) to continuously verify the adequacy of capital requirements and technical provisions. Benchmarks are used to identify the risks that represent scenarios that are effectively critical for the undertaking, also taking into account the strong market volatility, strengthening the processes for estimating forward-looking variables through extensive use of backtesting on forecast.

Table IV.4

Stress values for the main market risks		
Risk factor	**Scenarios used***	**Most frequent values**
Government bond spreads	+75 / +250 basis points	+100 basis points
Risk-free interest rates curve	-120 / +300 basis points	+/- 100 basis points
Equity values	-20% / -40%	-25%
Corporate bond spreads	+50 / +150 basis points	+125 basis points
Property value	-10% / -25%	-20%

* for each risk factor, the column provides bounds of the distribution of indicator values in undertakings' ORSA reports.

A greater focus has been recommended on: i) the remedial actions if specific events occur to clarify the triggering conditions, the escalation process and related implementation times; ii) the identification of clear risk appetite targets, based on which the thresholds for certain indicators or market benchmarks can be better determined and situations of breach or near-breach of prudential requirements can be enabled. Furthermore, attention was again paid to the detection techniques for risks (not first pillar) considered significant and of increasing materiality, including liquidity risk.

2.3.2. - *Solvency and financial condition reports (SFCR)*

In 2018, the Institute again conducted a comparative analysis of the solvency and financial condition reports (SFCRs) published by Italian insurance groups for financial stability purposes[104] and by the companies in these groups, representing over 70% of Italian insurance business.

A gradual improvement is seen in the comparability of qualitative information generated compared to the previous year. The allocation and distribution of disclosures are mostly correct and compliant with the provisions of reference regulations, albeit with a presence of substantial critical issues (see next section). References made to multiple sections of the document or to other public or non-public corporate documents (e.g. ORSA, Risk Appetite

[104] By a Letter to the Market of 19 March 2018 on financial stability disclosures, IVASS reported the list of the 8 insurance groups which exceed the size limit of 12 billion euro in total assets and required, amongst other things, to produce additional quantitative reports. This list is updated annually on the basis of IVASS Regulation no. 21 of 10 May 2016.

Framework, investment policy) have reduced considerably, except for the section relating to "Capital Management" which is still subject to numerous references to indicators or governance policies on which sufficient explanatory information is not provided.

The Institute is still focusing its attention on significant disclosure aspects: the contents of the sections "Summary", "A - Activities and results", "D - Solvency assessment" and "E - Capital management" still appear to inadequately match the specific features of the group or undertaking and are often ineffective in terms of completeness and quality.

Compared to 2017, the IVASS assessment was enhanced by a comparison with the reports published by leading international insurance groups and those based in other EU countries. In this respect, profiles of significant weakness emerged, to the detriment of the disclosure's effectiveness.

The Institute will continue to verify the SFCRs, reserving the right to take action in any cases of non-compliance with regulatory requirements and, if necessary, making corrections to secondary regulations deemed appropriate to make the SFCRs truly informative.

At European level, as part of the Solvency II framework review, EIOPA is conducting a survey[105] to assess whether the regulatory requirements on reporting and public disclosure remain adequate and comply with a proportionate and risk-based approach.

2.3.3. - *Stress tests and sensitivity analysis*

IVASS carries out periodic simulations based on adverse changes in one or more risk factors to be brought to the attention of the market as regards action to be taken to mitigate the effects and strengthen supervisory action in areas particularly important in terms of insurance system stability.

From May to November 2018 a significant widening was recorded in the spreads between Italian government bonds and the corresponding German bonds. On the 10-year bonds the spread increased from 160 to over 325 basis points. The risk exposure of further increases in sovereign bond returns was monitored through stress testing and sensitivity analysis.

Stress test

The stress test carried out by IVASS in November 2018, without involving the undertakings, assessed the impact on own funds for the third quarter of the year (top-down exercise), generated by three adverse scenarios relating to financial risks[106] characterised by:

- an increase in the returns on bonds, public and private, respectively of 132 and 437 basis points[107] accompanied by a decrease in equity values by 32%;
- an increase in the returns on bonds, public and private, respectively of 183 and 298 basis points accompanied by a decrease in equity values by 35%;

[105] EIOPA, *Call for input on the Solvency II reporting and disclosure review 2020*, 19 December 2018.

[106] The scenarios were defined on the basis of extreme changes that have actually occurred in the past, in the period between 1 January 2007 and 30 November 2018. One key variable was identified in the returns spread between the Italian and German government bonds, as were the dates on which this variable reached particularly unfavourable values. The scenarios were built by considering the corresponding values of the main asset classes (shares and bonds).

[107] In this and other scenarios, the shock for private bonds is an average of the shocks forecast by sector, duration and rating class.

- an increase in the returns on bonds, public and private, respectively of 228 and 467 basis points accompanied by a decrease in equity values by 30%.

In each of the three scenarios, the impact on own funds was assessed using a simplified approach that takes into account the duration of the bonds and technical provisions at 30 September 2018[108]. Under liabilities, the technical provisions were revalued to take into account the volatility adjustment.

Own funds decreased by 31%, 26% and 39%, respectively, in the first, second and third scenarios. The exercise was based on simplified assumptions. In particular, no account was taken of the fact that technical provisions and mitigation actions adopted by the undertakings in adverse situations can contribute to mitigating the effects of increases in returns.

Sensitivity analysis

In 2018, macro-prudential monitoring also included two sensitivity analysis exercises. The first, conducted on data for the fourth quarter of 2017, assumed a parallel upward shift of the yield curve by 143, 160 and 243 basis points. In the second, referring to data for the second quarter of the year, a shift of 100 basis points was assumed (see the section on "implications for the Italian economy of an increase in government securities" in the CAP. 1 in the Bank of Italy Financial Stability Report, 2, 2018).

The analysis, based on a simplified methodology, provides indications of the potential impact of security price performance on the solvency of insurance companies. In both years, the value of own funds reduced by less than 25%. The activation of the national component of the volatility adjustments helped to decrease the value of insurance liabilities, thereby mitigating the impact on own funds of the higher returns.

The EIOPA 2018 Stress Test

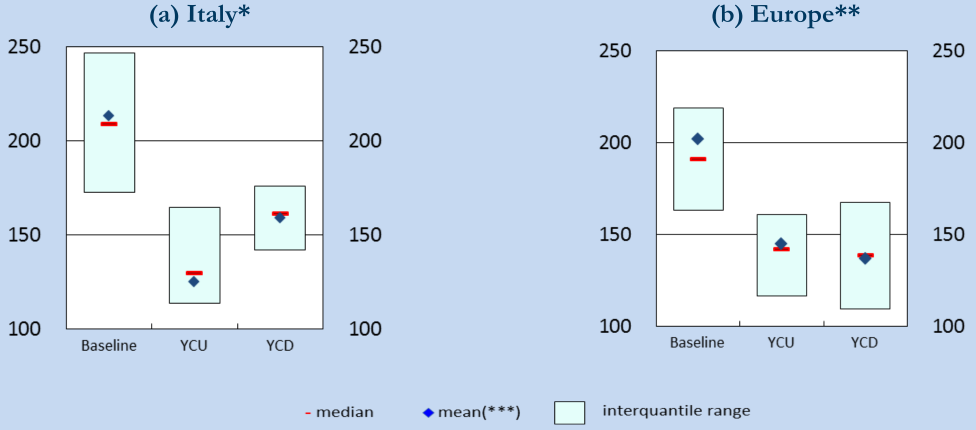
In 2018, EIOPA and the supervisory authorities of member states conducted a stress test on the European insurance system to assess the resilience of insurance groups to adverse scenarios with regard to financial and insurance risks.

The first scenario included an increase in risk-free interest rates and a rise in risk premiums, concurrently with an increase in lapses of life insurance policies and in the claim settlement cost of the non-life business due to a rise in inflation (Yield curve up - YCU). The second envisaged a reduction in risk-free interest rates on the longer maturities and a decrease in risk premiums, concurrently with a change in the longevity risk (Yield curve down - YCD). The third assessed the impact of simultaneous natural catastrophic events in different areas of Europe.

108 For the private bonds component a reduction in value was seen when the related shocks assumed were applied separately by sector, by the various categories of average financial maturity and by rating. For government bonds and shares, the decrease in value was achieved by applying the related shock identified to the entire segment. The change in value of technical provisions was obtained by applying shocks calculated on the levels reached by the volatility adjustment in the assumed scenarios.

Figure IV.3

Solvency ratio in the different scenarios
(% values)



Source: IVASS and EIOPA

* In addition to the 4 groups in the EU sample, the Italian sample includes a further 8 groups with assets of over 2 billion euro. - ** The EU sample includes the groups important for financial stability purposes (with assets of over 12 billion euro). - *** Weighted average, with weights equal to the solvency capital requirement.

The exercise involved 42 major European insurance groups, including Assicurazioni Generali, Unipol Gruppo, Intesa Sanpaolo Vita and Poste Vita. IVASS has extended the exercise to a further eight Italian insurance groups[109].

The results, published on 14 December 2018[110], confirmed Italian groups' capacity to resist severe shocks to financial, demographic and insurance variables. Applying the conditions assumed for the stress test, the solvency ratios on average remain higher than the minimum regulatory requirements in all scenarios. Compared to the European average, Italian insurance groups are more affected by the YCU scenario (125% compared to 145%) while in the YCD scenario the average solvency ratio of Italian groups was higher than that for the European sample (159% compared to 137%).

Without applying the LTG measures, the average solvency ratio of European groups falls below the regulatory requirement in both scenarios (YCU and YCD), not only in the YCU scenario as for Italian groups.

The impact of the catastrophe scenario was neutral.

On 26 April 2019, EIOPA published five recommendations, address to the supervisory authorities, based on risks and vulnerabilities identified during the year. The aims of the first three, targeting the supervisory authorities for groups in the EIOPA sample, are the convergence of supervisory practices and financial stability. The fourth recommendation, addressed to the authorities of all EU member states, targets improvement of the future stress test exercises, while the fifth, specific to the supervisory authorities with financial conglomerates included in the EIOPA sample, aims to encourage information exchange with the other authorities and entities involved (e.g.: ECB, SSM).

109 Groups with assets of over two billion euro.
110 EIOPA, Insurance Stress Test, 14 December 2018.

2.4. - Ad hoc analyses carried out during the year

In 2018, ad hoc analyses were conducted on risks associated with reinsurance and derivatives.

2.4.1. - *Reinsurance*

Recourse to reinsurance by Italian undertakings was limited and mainly in the non-life business. The percentage of annual outward reinsurance was just 3.9% compared to a European average of 4.7% (figures IV.4.a and IV.4.b). The contracts are concentrated into a limited number of counterparties (mainly EU and non-EU) with a strong credit rating (AA and A, figures IV.4.c and IV.4.d).

Figure IV.4

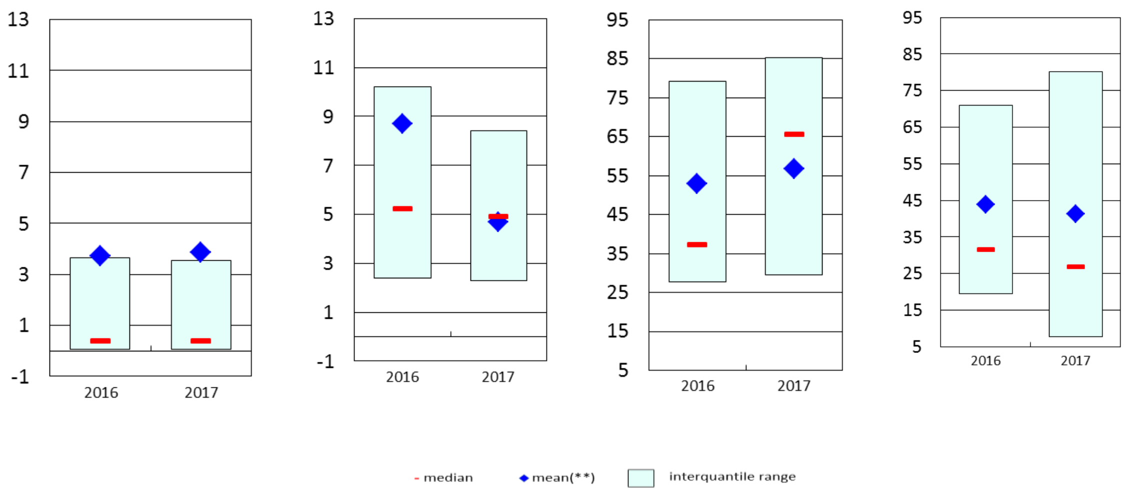
Main reinsurance indicators of insurance companies
(% values)

(a) Outward reinsurance premiums Italy

(b) Outward reinsurance premiums European Economic Area

(c) Reinsurers concentration index* Italy

(d) Reinsurers concentration index European Economic Area



Source: IVASS and EIOPA. * Herfindahl-Hirschman Index, used in the Risk Dashboards prepared by IVASS and EIOPA to assess whether reinsurance is concentrated in a limited number of reinsurers. – ** Weighted average, with weights equal to the total gross written premiums.

2.4.2. - *Derivatives*

One specific study related to derivatives (futures, forwards, swaps, options and credit derivatives) in the investments portfolio of insurance undertakings in the Italian market was conducted[111].

[111] The analyses were conducted on the basis of quantitative and qualitative information relating to derivative trading, the different types of contracts in portfolio, the purposes of trading and the counterparties in OTC derivatives (data from Solvency II report and from ESMA). The analysis was accompanied by additional information gathered on counterparties, central and bilateral, recognised for EMIR purposes and on the Institute's participation in international bodies (ESRB, EIOPA).

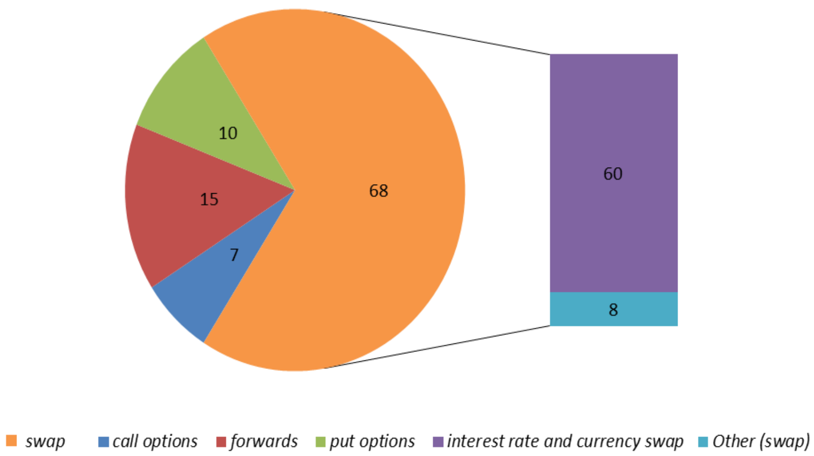
There was a particular focus on derivatives traded in OTC markets with UK counterparties, in reference to the possible impacts of Brexit on contractual clearing obligations and bilateral risk management.

At the end of 2018, the market value of derivatives held by insurance undertakings amounted to 1.5 billion euro, 0.2% of total investments. Most of the contracts are represented by risk hedging instruments, prevalently interest rate swaps (fig. IV.5)[112]. Almost all derivatives are traded over the counter (OTC), 46% of which with counterparties resident in the United Kingdom with strong credit ratings.

Figure IV.5

Breakdown of Italian undertakings' exposure to derivative financial instruments*

(data as at 31 December 2018; % values)



* The interest rate and currency swap category is almost entirely comprised of interest rate swaps.

In the international bodies, in-depth studies are ongoing into credit risk and liquidity risk associated with OTC derivatives not centrally cleared.

112 See Implementing Regulation (EU) 2016/2450, 2 December 2015.

3. - INSPECTIONS

3.1. - Insurance undertakings

In 2018, 29 inspections of undertakings were carried out, three of which concluded in the first few months of 2019, and one inspection started at the end of 2017 was completed.

Among the verifications conducted were three inspections in partnership with foreign supervisory authorities on an Italian branch of an undertaking based in another EU member state and two undertakings with head office in Switzerland.

The companies inspected were selected on the basis of the Supervisory Review Process, which incorporates the results of the Risk Assessment Framework (see IV.1.3). System coverage criteria are also taken into account with a view to integration and optimisation of off-site and on-site activities.

The inspections were carried out on the basis of methodological standards which focus investigations on the risks and the effectiveness of safeguards, through analysis of the governance and management processes, consistent with the supervisory handbook.

As in recent years, Solvency II issues have continued to be given the most importance, with 21 inspections out of 30.

Eleven inspections, on five life insurance undertakings and six non-life, verified the correctness and consistency of assumptions used to calculate the best estimate of the technical provisions (BEL), assumptions underlying the Solvency Capital Requirement and the process for preparing the ORSA.

Inspections of the non-life undertakings referred in two cases to the BEL of non-MTPL business and in four cases to MTPL BEL. The complexity of the projections on which the BEL calculations are based required accurate analyses on the consistency of assumptions used with the actual risk profiles of the undertakings. The presence of an effective risk identification and assessment system, also forward-looking, was assessed.

During the onsite activities, the assessments conducted on the BEL were able to use a greater level of detail than that available offsite. In any event, the approach is proportional to the nature, materiality and complexity of the risks of each undertaking.

Seven inspections verified the effectiveness of the remediation plans required upon authorisation for the use of internal models in calculating the capital requirement (see IV.1.4.4) and three inspections referred to the implementation status of USPs (Undertaking Specific Parameters).

Five onsite actions targeted the management of the claims database, MTPL coverage (SITA), the Claim History Statement Database (IVASS Order no. 9/2015) and the settlement procedures for MTPL business.

In addition, one action involved the ultimate parent company of an Italian insurance group, triggering the inspection powers for group supervision (art. 214 of the CAP), in order to assess the risk management controls and the operations of the internal control system of the group.

The money laundering and terrorist financing risk (AML) inspections involved one undertaking and two branches with head office in EU countries (see IV.3.3) and saw the application of new methodologies for the analysis of audit adequacy procedures, envisaged in the specific analysis process for AML inspections.

Except for the verifications relating to anti-money laundering, unsatisfactory opinions were issued in 10 out of the 30 inspections into undertakings, eight of which referring to BEL (five life undertakings and three non-life).

The BEL audits of life insurance undertakings showed shortcomings in relation to pillar I and II methodological aspects (see Letter to the Market of 5 June 2018), which brought to light the need to strengthen the processes underlying the application of the regulatory framework.

The negative outcomes of BEL inspections of the non-life insurance undertakings (three cases) were attributable to weaknesses in the methodological aspects of the calculation, due to simplified approaches (loss ratio benchmarks estimated over a limited time series and incompatible with the characteristics of the business activities exercised), the use of actuarial methodologies for the claims provisions not compliant with the portfolio characteristics or shortcomings in the governance, management and control actions for the methodological process used to calculate the capital requirement.

In another two cases, the negative outcomes were attributable to significant shortcomings in the management of claims databases and MTPL coverage, delays in the claims settlement procedure and shortcomings in the risk management and internal control system.

For six undertakings, sanctioning proceedings were initiated in relation to the inadequacy of the processes and procedures for identifying, measuring and monitoring risks on an ongoing basis, to the inadequacy of technical provisions, the lack of structured technical assessments preliminary to the approval of new MTPL tariffs and delays in the settlement of MTPL claims (see VI).

3.2. - Insurance intermediaries and other supervised entities

In 2018, seven onsite inspections were conducted at insurance intermediaries registered in the RUI, of which six agents (sect. A) and one broker (sect. B).

The inspections, directed at consumer protection, pertained to:

- compliance with legal and regulatory provisions on pre-contractual and contractual disclosure to customers, complaints management, control and training of the sales network, segregated accounts and timely remittance of the premiums to the principal undertakings;
- the distribution model actually adopted;
- compliance with legal provisions by the brokerage company with respect to contract underwriting on behalf of an EU undertaking operating in Italy under freedom to provide services and further study into its ties with senior management of the foreign undertaking.

For three of these, sanctioning proceedings were initiated for violations found in pre-contractual disclosure, adequacy of contracts with respect to rules of conduct and professional training.

Two inspections were also carried out at the claims representative and the fiscal representative of an EU undertaking operating in Italy under fos in relation to technical and tax-related aspects.

3.3. - Anti-money laundering

In 2018, inspections were carried out in relation to combating money laundering and terrorist financing on one undertaking with head office in Italy and two branches of undertakings with head office in other EU countries operating in Italy under right of establishment. For one of these branches, the inspection was extended to the Italian banking intermediary of the same group.

The weak points found referred to shortcomings in customer profiling and the performance of suitable audit activities, with particular regard to the acquisition of suitably structured information, constant monitoring of high-risk customers and the application of enhanced measures, also as a result of innovations introduced by Legislative Decree no. 90/2017.

The inspection of one branch office found that the IT system, developed by the head office and used to manage the portfolio of the Italian branch, did not take into account the mandatory requirements envisaged in Italian regulations for the finalisation of contract proposals.

On completion of the inspections, requests to take prompt corrective action were made and charges were brought against any serious, repeated, systematic or multiple violations. Charges were also formulated against the main products distributor of two entities investigated, an insurance intermediary entered in Section D of the RUI, for violations emerging during those investigations.

In addition, 12 inspections were conducted at intermediaries registered in section A of the RUI (agents) within the collaboration project for anti-money laundering audits launched with the Bank of Italy, with the involvement of Bank of Italy branch employees. In three cases, the investigations were extended as a pilot exercise to aspects of compliance with regulations on insurance mediation, in relation to segregation of assets and pre-contractual disclosures (see IV.3.2).

Overall, albeit often formal, compliance with regulatory obligations by intermediaries was found, most of which were completed using tools and procedures made available by the principal insurance companies. Occasional misalignments were found in reference to the identification of ultimate beneficiaries, transaction agents and the link between policyholder and beneficiary.

The close cooperation between IVASS and the Financial Intelligence Unit (FIU) continued.

4. - COMPULSORY WINDING UP

In 2018, the supervision of undertakings undergoing administrative compulsory winding up continued, with the aim of verifying the regular performance of asset realisation, determination of liabilities and distribution of related amounts to creditors. In this respect, 474 measures were issued, including the confirmations of commissioners and of members of the supervisory committee whose term of office expired.

The focus continued on the methods used to carry out and advertise auctions for the disposal of property assets in liquidations, given the difficulty in selling such assets, which constitutes the main impediment to closing the procedures. In 2018, 16 assets were sold.

The action taken to reduce the operating costs of procedures[113] led to a further decrease in procedural charges compared to the previous year.

In 2018, the Institute's commitment to accelerating the closure of liquidations made it possible to achieve:

- deposit of the final documents and cancellation from the register of companies of Reno Finanziaria S.p.A. (Previdenza Group);
- filing of the cash flow statement, financial statements and final allocation plan of Meridionale S.p.A. and Apta Immobiliare s.r.l. (Arfin Group);
- cancellation from the register of companies of three procedures that had previously filed their cash flow statements, financial statements and final allocation plans (Compagnia di Firenze S.p.A., Euro Lloyd S.p.A. and Columbia S.p.A.);
- authorisation for the deposit of final documents of Sequoia Partecipazioni S.p.A. (Sequoia/Novit Group) and Sicaminò S.p.A. (Previdenza Group). These documents were filed with the court in 2019.

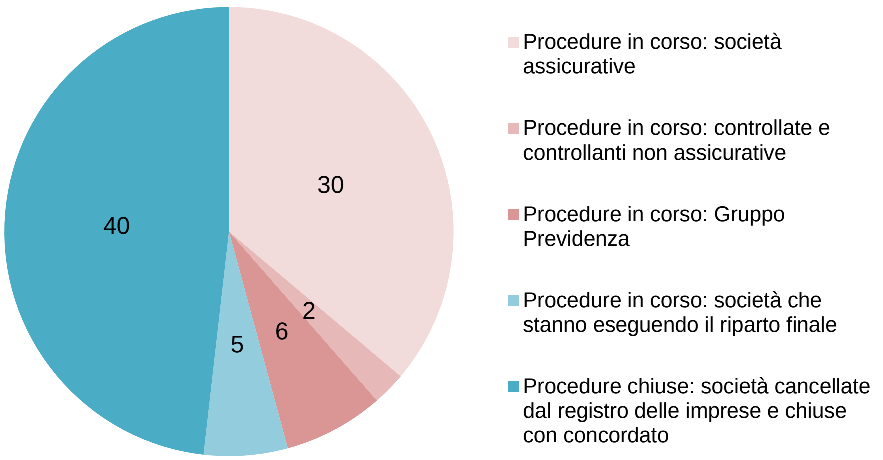
At the end of 2018 there were 38 liquidations in progress.

Between 2012 and 2018, 21 companies deposited final documents and commenced or implemented the final allocation and additional formal obligations.

[113] Also through recourse to the audit pursuant to art. 10-bis of IVASS Regulation no. 4/2013.

Figure IV.6

Status as at 31 December 2018 of liquidation procedures since the establishment of ISVAP (1982)



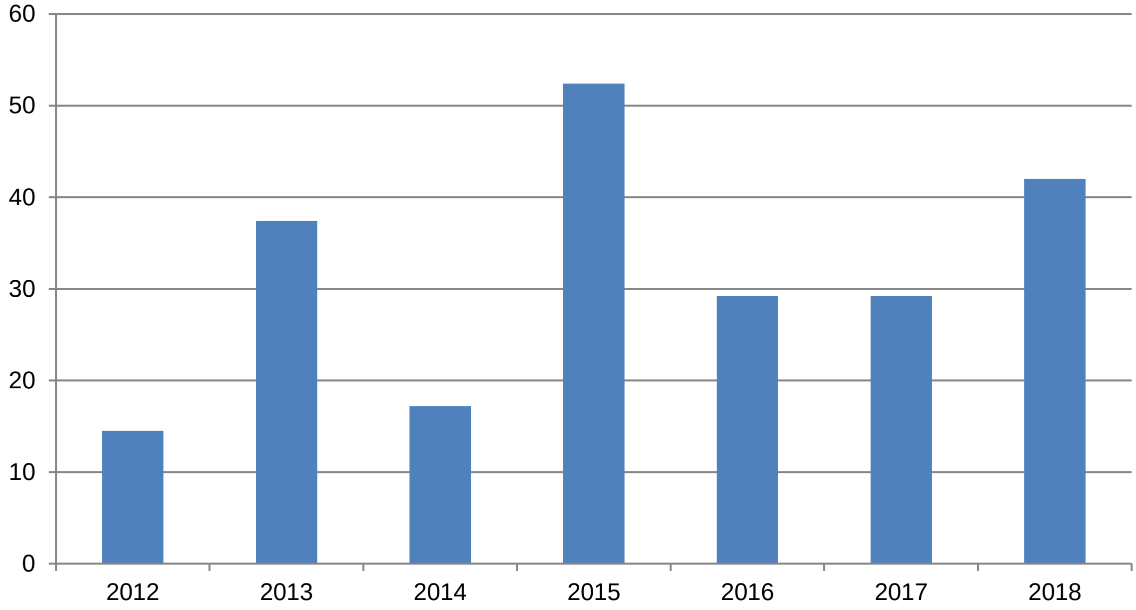
The set of tools to facilitate the closure of liquidation procedures was enhanced in 2018 by recourse to composition with creditors, with statements of interest in composition options for the Faro and Progress liquidations, which were suitably advertised in order to extend the number of potential bidders and acquire the bid most favourable to creditors. The entities proving suitable began the related due diligence and the liquidations appointed special advisors to assist in the assessment of the convenience of proposals for creditors, pursuant to article 214 of the Bankruptcy Law in conjunction with article 124 of the same Law and in view of the "no creditor worse off" principle.

Regarding the distribution of amounts in favour of the creditors of undertakings placed under administrative compulsory winding up, note that based on the data provided by Consap – Fondo di Garanzia per le Vittime della Strada (the national guarantee fund), in 2018 damages were paid for MTPL claims caused by policyholders with the undertakings in question amounting to 19.2 million euro.

IVASS also authorised the disbursement of a total 42 million euro to creditors in proceedings through final distributions (Meridionale S.p.A. and Apta Immobiliare s.r.l.), partial distributions (Faro S.p.A., Sanremo S.p.A., Progress S.p.A. and Unica S.p.A.) and advances (Pan Ass. S.p.A., Firs S.p.A., Compagnia Tirrena S.p.A., SIDA S.p.A. and Unione Euroamericana S.p.A.). Among the creditors are included Consap and the designated undertakings, inasmuch as they have the right of recourse for the compensation per the previous point.

Figure IV.7

Payments to creditors
(million euro)



With regard to cross-border activity, the Institute kept contact with the European Supervisory Authorities responsible for the control of undertakings operating in Italy under freedom to provide services in liquidation, and with the related liquidators, to provide correct disclosure to users about the procedures whereby policyholders and injured parties can enforce their rights.

In 2018, the undertakings Alpha Insurance A/S and Qudos Insurance A/S, based in Denmark and operating in Italy under freedom to provide services arrangements, respectively in the suretyship and motor vehicle ancillary covers, were placed in liquidation.

Also placed in liquidation was one non-EU reinsurance undertaking, the main reinsurer of undertakings based in the EU and authorised to operate in Italy.

V. - CONSUMER PROTECTION

1. - Consumer protection supervisory action

For its consumer protection supervisory action, IVASS adopts an approach based on achieving three objectives:

- that the insurance products are clear and transparent
- that the products are of value to the customer and are suited to their insurance needs;
- that, at the time of the claim, the insurance companies make prompt and fair payments.

The rapid evolution of technology, products, sales channels and consumer habits calls for continuous updating of the supervisory tools for achieving these objectives and for enhancing the capacity to identify in advance situations detrimental to policyholders.

In 2018, the Institute continued its traditional supervisory action - largely based on listening to consumers through meetings with consumer associations and on handling complaints - at the same time developing new tools for more prompt interception of problems in the market conduct of operators.

The new working tools, which will be assessed in terms of reliability and soundness, enhance the use of data available from Solvency II reporting, external providers and open sources, to have in place indicators that give advance warning of phenomena to be monitored or operators requiring action. More direct forms of investigation are also being assessed, such as mystery shopping or mystery surfing, for their capacity to provide an overview of the range of conducts of insurance companies and distributors towards customers.

In organisational and management terms, operators will be required to gradually and substantially strengthen their governance and control processes in the finalisation and marketing phases of insurance products.

1.1. - Complaints handled by IVASS

Complaints received by IVASS from policyholders regarding the conduct of insurance sector operators form an important source of information which - together with reports submitted by the consumer associations, phone calls received by the Consumers Contact Centre and web monitoring - offer the Institute a viewpoint that reveals the dynamics and business processes actually used by the insurance undertakings in their market conduct.

Analysis of these forms of reporting allow IVASS to target its action, both at the level of the individual insurance undertaking and across the entire market.

In 2018, 18,332 complaints were received, 60% of which regarding the MTPL sector, 28% other non-life business and 12% life business. Comparison with 2017 (-8.7%) confirms the decreasing trend of recent years (Table V.1). A further decrease was recorded in the number of complaints in all sectors, particularly MTPL (-889 complaints) and life (-351 complaints).

Table V.1

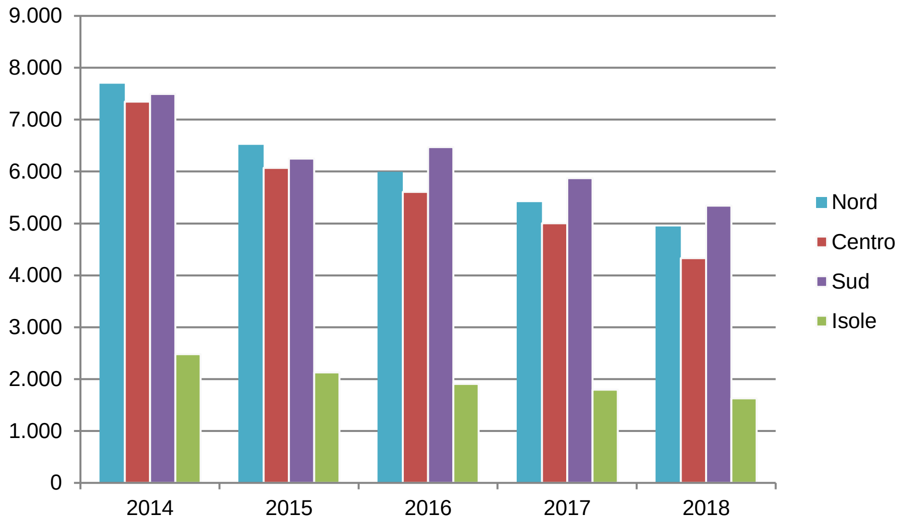
Complaints received by IVASS: distribution by sector

Year	MTPL	Other non-life classes	Total Non-life	Life	Grand total
2011	24,506	5,965	**30,471**	2,652	**33,123**
2012	21,955	6,655	**28,610**	2,656	**31,266**
2013	17,462	6,575	**24,037**	2,597	**26,634**
2014	16,464	6,551	**23,015**	2,621	**25,636**
2015	13,239	6,473	**19,712**	2,932	**22,644**
2016	12,712	5,987	**18,699**	2,733	**21,432**
2017	11,854	5,595	**17,449**	2,635	**20,084**
2018	10,965	5,083	**16,048**	2,284	**18,332**
Change 2017/2016	-6.7%	-6.5%	**-6.7%**	-3.6%	**-6.3%**
Change 2018/2017	-7.5%	-9.2%	**-8.0%**	-13.3%	**-8.7%**

The decrease in complaints relates to all geographic areas.

Figure V.1

Origin of complaints by geographic area



In 2018, investigations relating to 19,590 complaints were completed, with totally or partially favourable outcomes for policyholders in 47.3% of the cases (Table V.2).

Table V.2

Outcome of claims received by IVASS in 2018		
	Number	**%**
Totally upheld by the undertaking	6,670	34.0%
Partially upheld by the undertaking	2,603	13.3%
Not upheld by the undertaking	6,367	32.5%
Sent to the undertakings for direct handling first	3,766	19.2%
Complaint transmitted to a different Authority with jurisdiction	184	0.9%
Total	**19,590**	**100.0%**

70% of the investigations finalised (over 13,000 positions) referred to complaints received in 2018; the remainder pertained to the closure of positions opened in the previous year.

Based on the complaints, 1,097 notifications of charges were issued to undertakings (1,362 in 2017) for violation of insurance regulations, of which 60% relating to delays in formulating offers of compensation in MTPL claims, 16% to delays or restricted access of injured parties to MTPL claims records and 10% to delays in the payment of life policy benefits.

1.1.1. - *Complaints in the non-life business*

68.3% of complaints in the non-life sector are concentrated in the MTPL sector, with a net prevalence of the claims area with complaints referring to settlement times and the fairness of amounts offered.

The contract-related complaints - less numerous but recording an increase compared to 2017 (+7%) and against the trend - mainly referred to downgrading of the bonus class in the presence of claims. Among these there was a significant increase in complaints (+356%, +203 complaints) for which the downgrading of the bonus class was due to “phantom claims”, in which the policyholder is considered liable but is neither aware of it or has formally denied it after receiving the claim opening notice, and which are in any event settled by the insurance company.

On this particularly complex issue, which also involves private sector rules for the CARD Agreement between undertakings and the related technical procedures for managing claims under a direct settlement system, the Institute and ANIA have taken action to ensure that the Agreement and technical procedures are reviewed as soon as possible with a view to improving customer service.

Table V.3

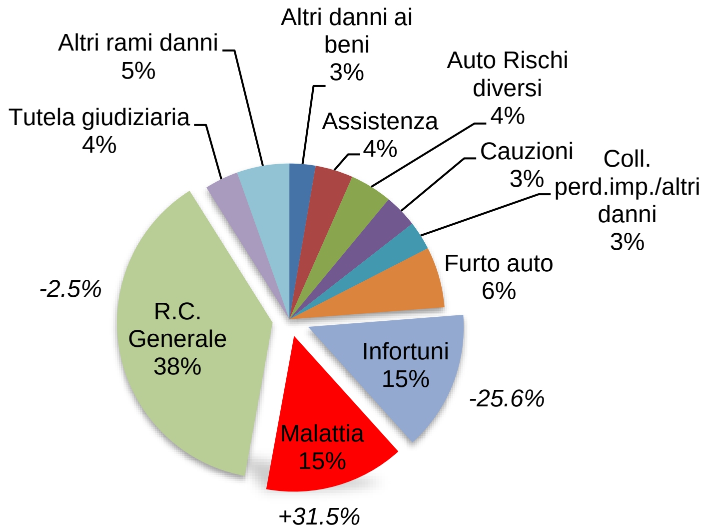
MTPL complaints: evolution of distribution by area					
Area	**2014**	**2015**	**2016**	**2017**	**2018**
Claims	12,621	10,468	10,994	10,224	9,239
Contractual	3,787	2,735	1,670	1,531	1,634
Commercial/Other	56	36	48	99	92
Total	**16,464**	**13,239**	**12,712**	**11,854**	**10,965**

The complaints pertaining to non-life business other than MTPL numbered 5,083, with a reduction of -9.2% compared to 2017, more marked than that between 2017 and 2016 (-6.5%). Fig. V.2 shows the breakdown of the number of complaints by sector, and for the three most important business classes (68% of total complaints) the change compared to the previous year.

Figure V.2

Breakdown of non-life insurance complaints other than MTPL - 2018

(% breakdown; the % change compared to the previous year is indicated for the three main classes)



The non-MTPL classes with the most complaints received by IVASS are general liability (including professional liability insurance, e.g. for doctors or professionals), accident and sickness: the reduction for general liability was limited, while that for the accident class was significant (-252 complaints). Vice versa, the number for the sickness insurance rose by 146 complaints.

The complaints are mainly concentrated in the area of claims (quantification and settlement, 75% of the total) and confirm the need for insurance companies to focus on payment timing, when the policyholder effectively assesses the quality of the insurance service. In the contractual area, the complaints referred to disputes regarding the interpretation and application of the policy conditions.

Table V.4

Other non-life insurance complaints: distribution by area					
	2014	**2015**	**2016**	**2017**	**2018**
Claims Area	4,624	4,447	4,356	4,076	3,810
Contractual, Commercial and Other Areas	1,927	2,026	1,631	1,519	1,273
Total	**6,551**	**6,473**	**5,987**	**5,595**	**5,083**

1.1.2. - *Complaints in the life business*

The complaints pertaining to life business received in 2018 numbered 2,284, with a reduction of -13.3% with respect to 2017 (-3.6% the previous year).

The decrease affected the settlement area - also due to corrections made to settlement processes by a number of insurance companies at the request of IVASS - and the contractual area (see V.2.4 for further details of complaints involving insurance intermediaries).

Table V.5

Life complaints: distribution by area					
	2014	**2015**	**2016**	**2017**	**2018**
Settlement Area	1,391	1,627	1,304	1,029	848
Contractual, Commercial and Other Areas	1,230	1,305	1,429	1,606	1,436
Total	**2,621**	**2,932**	**2,733**	**2,635**	**2,284**

1.2. - Complaints received by insurance undertakings

In 2018, the Italian and foreign insurance undertakings operating in Italy received a total number of 97,279 complaints from Italian policyholders, mostly relating to the MTPL class and to other non-life business. 83,165 complaints were filed with Italian undertakings (-8.6% compared to 2017), whilst EU undertakings received 14,114 complaints (+9% compared to 2017).

As regards the Italian undertakings, the sector receiving most complaints was again compulsory MTPL insurance (as in the previous year, 50% of the total). The weight of life sector complaints reduced from 18.6% to 15.8%, while that of other non-life business increased by three points (from 31.4% to 34.2%).

If we consider the complaints received by EU undertakings, those relating to non-life business other than MTPL are the most numerous (50.6% of the total, compared to 47.2% the previous year). Decreases were recorded in those relating to MTPL (from 33.6% to 30.7%) and life business (from 19.2% to 18.7%).

Table V.6

Complaints of undertakings operating in Italy: distribution by sector (2018)			
	Number	**% of total**	**% Change 2018/2017**
MTPL	45,896	47.2	-8.0
Other non-life classes	35,561	36.5	-2.5
Total Non-life	**81,457**	**83.7**	**-3.7**
Life	15,822	16.3	-18.3
Total	**97,279**	**100.0**	**-6.4**

Overall, 28.6% of complaints were upheld, 10.4% were settled and 56.4% were rejected. The remaining 4.6% was undergoing investigation at 31 December 2018.

1.2.1. - *Publication on the IVASS website of data on complaints received by undertakings*

The half-yearly publication on the IVASS website of data on complaints received by insurance undertakings continues to produce positive effects for consumer protection, inducing undertakings to comparing their results with competitors and adopting initiatives to improve the quality of the service offered.

From the first half of 2018, complaints for the main business areas (settlement, commercial and administrative) of the three sectors - life insurance, MTPL and non-life classes other than MTPL - are also published.

The records take into account the main distribution channel for each insurance company (agents and brokers, direct channel or banking/financial channel) to improve the comparability of data among similar company categories.

1.3. - The Consumer Contact Centre

The telephone assistance service of the Contact Centre continues to represent a means of support for citizens, offering insurance guidance and a useful aid for rapidly intercepting problems requiring supervisory action.

In 2018, 32,871 telephone calls reached the Contact Centre (30,630 in 2017), up by 7.3% on 2017, for an average of 130 calls per day and an average operator response time of 1.15 minutes.

Table V.7

Activities of the IVASS Contact Centre in 2018			
Total calls received	32,871	Calls dealt with on average per month	2,459
Total calls dealt with	29,512	Calls dealt with on average per day	130
Dealt with/received	90%	Average waiting time (minutes)	1:09
		Average duration of telephone conversation (minutes)	4:48

Consumer requests mainly required clarification of insurance regulations and contractual clauses, particularly for MTPL policies (49.3%) and information on the regular authorisation of insurance undertakings (11.0%).

With regard to reports, most referred to:

- delays in reimbursement of the premium instalment paid but not used in relation to life or non-life policies combined with mortgages or loans;
- failure to upload or incorrect upload to the ANIA database of MTPL insurance cover and claim history statement;
- delays in the settlement of life insurance policies;

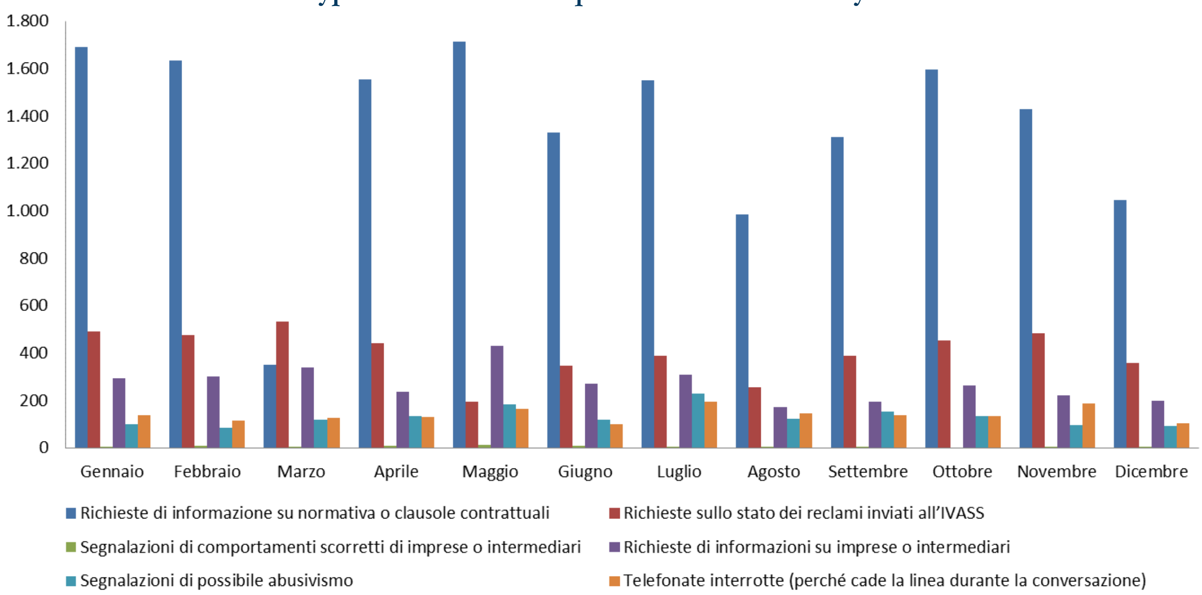
– refusal by undertakings to terminate contracts combined with MTPL (theft, comprehensive) not formally cancelled by consumers who, on expiry, decide to switch to another insurance company.

Consumers have reported potential regulatory gaps in rules for the universal MTPL bonus class, such as the absence of rules which, in the event of the death of a family member, envisages retention of the partner's bonus class. These problems were for the most part resolved by IVASS Order no. 72 of 16 April 2018.

Several calls were received from public and law enforcement bodies to check the authorisation of insurance undertakings in the suretyship and MTPL classes. These requests allowed the prompt interception of cases of unauthorised operations and marketing of counterfeit policies (see V.1.8).

Figure V.3

Types of consumer requests received monthly



1.4. - Supervision of the correctness and transparency of the conduct of undertakings

The Institute analyses external information sources on the reasons for customer dissatisfaction through elements provided by the insurance companies themselves. The data analysis of complaints received by the insurance companies, identification of the underlying causes (e.g. organisational malfunctions or shortcomings in operating processes) and proposals for their settlement form the contents of a half-yearly report that the Internal Audit Department of every insurance undertaking submits to the Board of Directors and Board of Statutory Auditors, which is then forwarded to IVASS accompanied by comments from the two corporate bodies.

This report allows the Institute to assess the capacity of insurance undertakings to identify the problems underlying customer dissatisfaction and the effectiveness of remedial measures planned and implemented. IVASS can call upon corporate officers to provide clarifications and, where necessary, request the modification of actions planned and implemented or that they are made more incisive, also in the light of results in terms of reducing the number of complaints.

1.4.1. - *Actions regarding individual undertakings*

In 2018, 19 “root cause” letters were issued and 23 meetings were called with officers of Italian insurance undertakings to discuss the reasons underlying the difficulties reported by customers, assess the remedial action planned or implemented by the undertakings or follow up on the results of actions already adopted.

In detail:

- inspections were conducted on the payment of MTPL claim settlements involving three undertakings. The outcome of the inspections resulted in undertakings improving their processes, in one case with significant organisational restructuring of the claims area. One undertaking submitted a remedial plan which - after being assessed negatively by the Institute - was significantly reviewed and implementation is now in progress under strict IVASS monitoring;

- with regard to MTPL claims management, the Institute asked one undertaking to:

    - clarify the issue to injured parties of denied compensation notices which, on the basis of complaints received by IVASS, were not suitably justified. In this respect, process malfunctions emerged which the undertaking is now correcting;

    - further study of the management of the CARD claims where both counterparties are policyholders of the same undertaking. For such claims the CARD agreement envisages simplified procedures, given that the managing undertaking and settlement undertaking are one and the same, and therefore their improved management can reduce part of the problems of “phantom claims”.

- as regards medical liability, action was taken on the settlement policy of a specialist undertaking whose processes were excessively formal, leading to deferral or denial of benefits to the policyholders, forcing them into systematic recourse to legal proceedings. Following IVASS action the undertaking has completely reviewed the policy in question;

- in reference to health insurance policies, an intense discussion began with one specialist undertaking to study the reasons for the significant increase in complaints in 2018, many of which linked to a policy providing insurance to a leading supplementary health fund. The Institute began monitoring the claims management and the level of discretion applied by the undertaking when interpreting the contractual clauses in compliance with the principle of good faith;

- formal action involved one undertaking in relation to an accident insurance policy, proposed alongside MTPL contracts, which contained a tacit renewal clause that was binding for 5 years, extending the validity of the policy beyond the year of MTPL coverage. The undertaking changed the policy conditions and gave instructions to the distribution network regarding transparent sales of the product;

- following a report from a consumer association regarding the slowness of settlements in claims caused by the poor road surfaces in Rome, the Institute took action by asking the insurance undertakings and, indirectly, the City Council to simplify the handling of such claims. Among the action implemented was the City Council' publication on its web site of a clearer form, indicating the documentation required to open a claim;

- following a report on the underwriting at a bank by an elderly person of complex and unsuitable hybrid policies, the insurance company found malfunctions in the placement procedure, which did not block sales to over-75s, allowing the sale in the two-year period 2014-2016 of 5,700 unsuitable contracts. The insurance undertaking, at the invitation of IVASS, adopted a remedial plan, contacting the customers to agree on the remedial action providing greatest protection - including reimbursement of the premium paid - to take into account the updated financial position of the contract, whether any claim had been made in the meantime (e.g. death of the policyholder, in which case the beneficiaries will be contacted) and the preferences expressed by the policyholder. The Institute will monitor the plan and the adoption of any necessary remedial measures;

- one undertaking received numerous complaints regarding failure to activate the legal protection guarantee in a collective policy underwritten by a credit consulting firm on behalf of its customers. The consulting firm offered individuals, who had taken out a mortgage or loan, an expert appraisal service to demonstrate the application of usury rates or compound interest, inducing customers to bring legal proceedings against the banks and reassuring them that legal expenses would be covered by the collective policy. However, the insurance undertaking had not activated this guarantee as, in proceedings, the expert appraisals proved to be systematically incorrect and the insurance company considered it to be *mala gestio* by the consulting firm. The claimants therefore found themselves directly liable for the legal expenses incurred. The undertaking complied with the request from IVASS to recognise the validity of the insurance coverage for the protection of the customers in good faith. The consulting firm, in fact, had acted without the policyholders' knowledge, forcing them to take reckless litigation action;

- in the life business, monitoring is in progress of three undertakings with insurance contracts in portfolio that were underwritten many years ago and are about to expire, and for which the amounts settled risk being lower than or close to the cumulative premiums paid by customers, as a result of factors that are different for each undertaking. At the request of the Institute, the undertakings have arranged to track the reasons and assess plans of action to protect the policyholders.

1.4.2. - *Actions regarding the entire market*

Recognition of the contractual terms was arranged on a sample of PPI products (Payment Protection Insurance) marketed by 18 insurance companies, to verify the calculation methods for the part of the premium unused to be reimbursed to the policyholder in the event of early termination of the loan underlying the policy.

This investigation brought to light a number of cases of incorrect calculation methods that penalised the policyholder. Though regulations (art. 49 of IVASS Regulation no. 35/2010, now art. 39 of IVASS Regulation no. 41/2018) require that, for the purpose of reimbursement of the pure premium portion, both the residual insured capital and the residual duration of the insurance contract should be considered, various undertakings calculated the percentage on the basis of only the residual duration, with an adjustment to approximate the actual ratio between the residual and original debt, resulting in a lower amount to be repaid to the policyholder. In addition, a number of undertakings did not indicate the calculation formula in the policy conditions or, when they did indicate it, failed to provide examples to help the policyholder to independently verify the accuracy of the amount received.

To protect policyholders and guarantee a level playing field among all the insurance companies, in a Letter to the Market of 18 December 2018[114] IVASS asked all undertaking to:

- verify the accuracy of the formulas used and, where necessary, to supplement the policy conditions for the products marketed;

- for contracts already underwritten, manage requests for reimbursement of the unused premium on the basis of the correct calculation criteria.

1.4.3. - *Reports to AGCM*

In April 2019, the Antitrust Authority (AGCM) was informed of the presence in motor insurance contracts (general liability and other risks) of companies in the same group of a potentially unfair contractual clause in that it prohibits recourse to the assignment of claims. The issue forms part of a broader context of the control of compensation costs and resulting positive effects in terms of reduced premiums, pursued by contractual clauses on “compensation in specific form”, in the event of recourse to repair shops authorised by the insurance undertaking (art. 14, Italian Presidential Decree no. 254/2006).

1.5. - Supervision of products and selling practices

1.5.1. - *Health insurance policies*

Developments in Italy’s social and economic context (increased life expectancy and resulting aging of the population, declining lifestyle with increased need for recourse to healthcare services) has had direct and indirect repercussions on the Italian National Health Service (NHS) as regards the financial and organisational profile, especially in relation to its capacity to satisfy new needs and a growing demand for social and healthcare services.

Over the years, alongside the NHS and also on the basis of favourable tax measures, a second pillar of the healthcare system (supplementary welfare) has developed, managed by insurance undertakings, health funds and mutual aid societies (see II.3). Against the recognition of a contribution, with different characteristics depending on the entity proposing the healthcare plan, operators are called upon to directly incur or reimburse the health services used by subscribers. The differences between the various operators are crucial to the

[114] https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-18-12-2/index.html.

protections offered to patients, stronger in the case of insurance policies as the insurance companies are subject to capital and organisational requirements and to IVASS controls on solvency and fairness in relations with policyholders.

Based on its duties assigned by law, the Institute focuses its activities on health insurance policies, i.e. healthcare plans guaranteed by insurance companies. The Institute's duties do not cover mutual societies or healthcare funds managed independently, subject to lower operating and capital costs also due to the fact that they do not provide subscribers with guarantees for the services offered[115].

The complaints received by IVASS show a lack of understanding by consumers/patients of the different level of protection of healthcare plans issued by the various entities in the supplementary healthcare sector. The Institute only handles complaints associated with insurance policies, while for the others (funds and mutual aid societies) the Institute can only give the complainant an explanation to the extent of its duties.

As regards the insurance sector, the complaints and other reports have provided the Institute with information on the conditions for patients' use of private healthcare and the provision of medical and hospital services, based on which a particularly important activity for the supervision of market conduct has been developed.

Structured dialogue commenced with consumer associations, private hospitals association, the medical profession association and, recently, with ANIA, to identify the critical issues in relations between patients, doctors, healthcare facilities, insurance companies and healthcare funds.

The problems identified refer to the clarity and ease of understanding of clauses governing the health insurance coverage provided, individual or collective, offered by insurance companies or supplementary funds. The contracts are, in turn, characterised by excessive interpretational discretionary powers and resulting ease of exclusion, in the event of a claim, of services from the range of coverage guaranteed. Linked to this aspect is the confusion between services identified in public and private healthcare procedures using different names or codes, due to the lack of a single taxonomy that unmistakeably identifies the services associated with surgeries and treatment options.

Another critical issue is represented by the involvement of multiple parties in the underwriting of health insurance policies and payment of the related claims. In the absolute majority of cases these are collective policies, underwritten by one party (an employer or healthcare fund) on behalf of a defined group of users (employees/subscribers and, optionally, their family members), in which there is no identity between the policyholder and the healthcare service beneficiaries. Such contracts often operate with direct provision of the health service by approved medical professionals and facilities and not with the reimbursement of costs independently incurred by the consumer. Normally there is an agreement between the healthcare operators and a service provider, an unsupervised entity

115 See the hearing of the IVASS Secretary General before the Social Affairs Committee of the Chamber of Deputies held on 2 April 2010, www.ivass.it/media/interviste/documenti/audizioni/2019/2019-04-02-sdp/Audizione_Fondi_Sanitari_Italiani.pdf.

that makes its network available to the insurance undertaking and is appointed to manage claims under the terms of an outsourcing contract. The insurance undertaking retains responsibility for handling complaints but, given the technical nature of the service, the details of the management instructions given to the provider become crucial, as do the accuracy and depth of controls carried out by the undertaking on the provider's operations.

The technical providers, not subject to direct supervision by IVASS, play a vital role in the correct operations of the sector since they act as intermediaries in relations between patients/healthcare facilities/doctors/insurance undertakings and, in effect, regulate the flow of services provided by healthcare operators to patients and the cash flow of reimbursements from the insurance undertaking to operators. Meetings were therefore organised with one of the insurance companies most active in the sector and with the related provider, to study the procedures in use, the instructions provided by the insurance company to carry out the assignment and to monitor the outsourced activities.

The studies are still in progress.

1.5.2. - *Product oversight and governance arrangements (POG)*

From 1 October 2018, on transposition of the IDD, the Institute became responsible for ascertaining compliance of the activities of insurance undertakings (the manufacturers) and insurance intermediaries (the distributors; see V.2.2) for POG purposes and their effectiveness with respect to consumer protection objectives.

Methods are being defined for the supervision of manufacturers and distributors, with a pilot project that envisages visits by IVASS to a number of insurance groups, based on a practical approach to obtaining a firm overview of actions taken by market operators to adapt their internal processes to POG regulatory measures.

In this respect, the defined supervisory procedures are being tested, taking into account European legislation, preparatory activities required of manufacturers and distributors by IVASS with the Letter to the Market of 4 September 2017 and the implementing guidelines for the POG process prepared by ANIA in 2018, extensively used as reference by many market operators. After this pilot phase, the procedures will be permanently adopted at national level and integrated into a European project, the Market Conduct Supervisory Handbook.

The planned visits also aim to identify and disseminate best market practices, differentiated on the basis of distribution models adopted by the insurance companies. To date, three visits have been completed and others are planned for 2019.

In 2018, a first case of co-manufacturing between a German undertaking and an Italian undertaking was found. Close collaboration with BaFin is in progress to define the supervision of POG and to coordinate activities under the terms of the cooperation agreement between the two companies.

1.5.3. - *Subrogation of secured loans and demand for home fire and explosion policies*

In December 2018, IVASS received a report from a consumer association (also sent to the AGCM and the Bank of Italy) with the results of mystery shopping into the subrogation of secured loans, designed to verify compliance with the regulations in the Consolidated Banking Law facilitating loan portability, envisaging that new mortgages, penalties and charges of any kind are not applied in cases of subrogation.

From the survey, conducted at 13 bank branches, critical issues emerged that mostly related to the conduct of banks, but of note also for the insurance component:

- delivery to the customer of pre-contractual documents with the characteristics and elements useful for repayment of the mortgage only after choosing the bank and its offer;

- in nine cases, the compulsory opening of a current account with the new bank to which salary would be credited and the further requirements, in four of the nine cases, of a new fire and explosion policy on the property that must be taken out with the Group insurance company, even if the customer already held a policy of the same type associated with the loan;

- the requirement, in further six cases, to take out a new fire and explosion policy, though not necessarily with the group insurance company.

In insurance terms, virtuous conduct was found at three banks which accepted the pre-existing policy with a transfer of the obligation in favour of the new bank.

The requirement to take out a new policy as conditions for granting subrogation qualifies as an unfair trading practice pursuant to art. 21, paragraph 3-bis of the Consumer Code, falling within the responsibility of the AGCM. Even the requirement of a new policy, albeit not necessarily with the group, appears censurable, considering that the risk of destruction of the property is already covered by the policy, transferable with a change in the obligation in favour of the subrogating bank, without the need for the customer to incur new and unjustified charges.

After coordinating with the AGCM, in 2019 IVASS launched an investigation on this issue with ten banks, acting as insurance distributors, to obtain further information, including the corporate policy governing the requirement of a policy in the event of property loan subrogation. Analyses of the data are in progress.

1.5.4. - *Dormant policies*

IVASS continued its actions to revive uncollected dormant life insurance policies, held by undertakings pending expiration of the limitation period:

- after actions which at the start of 2018 awakened 187,493 policies, for 3.5 billion euro, inspections of Italian undertakings continued in reference to 900,000 policies still to be investigated at the end of May 2018 and, among these, 21,370 policies were identified as collectable for 335 million euro[116];

- in May 2019, data had been received relating to an additional tranche of potentially dormant policies dating back further (expiring 2001-2006) and policies that expired in 2017: initial examination of the data brought to light around 39,000 more policies amounting to 533 million euro, which will be paid to the beneficiaries. This led to a total number of policies awakened by Italian undertakings since the start of the investigation to at least 248,000 policies for a total of 4.4 billion euro;

- in September 2018, 83 foreign undertakings operating in Italy[117] were asked to analyse policies expiring in the period 2001-2017 and those with a contractual expiry (whole life) in force at 31 December 2018, and to provide IVASS with the tax codes of policyholders that they could not be certain were still alive, to be cross-checked against deaths recorded on the Tax Register. An initial analysis of the 5.1 million tax codes submitted by 35 undertakings revealed 144,000 deaths, reported to the insurance companies which must now verify actual dormancy and trace the beneficiaries;

- IVASS informed the MEF, for the purpose of verifying the correct transfer to the dormant accounts fund, of the data relating to policies that had become time-barred[118] emerging thus far (6,425 policies for an estimated 54 million euro);

- the action plans of Italian undertakings, to prevent the phenomenon of dormancy, were analysed. In a number of cases, IVASS requested supplements to the plans. Among the controls introduced, the processes for ascertaining the death of policyholders were enhanced, also through cross-checking with the databases of the company, group, intermediaries and partner banks, notifications to customers were intensified to remind them of the existence of the policy and forms to gather data relating to beneficiaries at the time of underwriting of new policies were improved.

Accepting the proposal of IVASS, Italian Law Decree no. 119 of 23 October 2018 (see III.3.2.1) 119 structurally prevents the phenomenon of dormant policies, introducing the obligation, through an amendment to art. 3 of Presidential Decree no. 116 of 22 June 2007, for Italian insurance undertakings and foreign undertakings operating in Italy to verify, by 31 December each year and in cooperation with the Italian Revenue Agency, that the holders of life and accident insurance policies were still alive and to take action to pay the amounts to beneficiaries if the policyholders had died.

By 31 March of the following year, the insurance companies report to IVASS on the payments made[120]. With cooperation as required from the Italian Revenue Agency, IVASS

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116 www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2019/Report_dormienti_aggiornamento_al_31.1.19.pdf

117 Letter to the Market of 25 September 2018; www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-25-09/Lettera_dormienti_estere_prot_214980_del_25_settembre_2018.pdf.

118 Policies for which the death of the policyholder occurred between 28 October 2007 and 19 October 2010 without the undertakings being informed.

119 Converted into Italian Law no. 136 of 17 December 2018, which amended Presidential Decree no. 116 of 22 June 2007.

120 The first verification by undertakings will be carried out by 31 December 2019.

verifies that the requirements have been complied, if necessary imposing the related administrative penalties. On future completion of the Italian resident population database (APNR), insurance undertakings will need to compulsorily consult the database at least once a year.

1.5.5. - *Simplification of contracts*

By means of Letters to the Market dated 14 March and 18 April 2018, addressed respectively to Italian and foreign undertakings, IVASS:

- invited undertakings to adopt the guidelines on the simplification of insurance contracts, prepared by the technical working group coordinated by ANIA with participation of the leading consumer associations and intermediaries;
- indicated the timing for the review of contracts already being marketed and new contracts introduced to the market, recommending that the cover page of each products is noted to indicate compliance with the Guidelines;
- requested quarterly reports, from 1 January 2019 and until completion of the review process, on products aligned with the Guidelines, also to allow the Institute to disclose these on the web site. At 31 March 2019, 31 undertakings[121] had confirmed to IVASS the preparation or review of 66 contracts, 18 of which relating to life business and 48 to non-life business (including two PPIs).

In 22 of the products examined thus far, note that in most cases the action resulted in only a formal alignment to instructions in the Guidelines (format, fonts, example boxes), but not in adjustments in terms of clarity of the language, simplicity of the terms used and elimination of redundancies, references and repetitions.

Even in cases where the review efforts were more appreciable, they cannot be said to have achieved substantial simplification of the contractual text and of the product design.

Further initiatives on this issue are currently being studied.

1.5.6. - *Unrelated policies*

Cooperation continued with the AGCM on unrelated policies, covering sickness, accident, disability, home and death, sold by financial intermediaries to individuals requesting personal loans, with no connection to the loan and often without the borrowers' knowledge.

An IVASS investigation into these policies brought to light a possible aggressive selling phenomenon, with finance companies requiring compulsory underwriting of the policy for disbursement of the loan, with a single premium to be paid in advance and financed by the intermediary, which therefore then receives interest on the financed premium as well as on the loan.

[121] 22 Italian and 9 foreign.

The investigation confirmed that the bias against consumers was still limited, despite the level of penetration, equal to the incidence on loans with linked policies on total loans (between 2.2% and 19.4% from January 2015 and June 2017 for two of the three intermediaries involved), as it emerged that:

- the policies were designed solely for combination with the loan (in some cases the exclusion of a stand-alone sale was found in the contractual documentation);

- in the placement of policies at the time of disbursement of the loan, the finance companies received high commissions (30-70% of the premium) in addition to interest on the loan, increased due to inclusion of the premium in the loan;

- the economic value of policies and consumers' awareness of their existence were very low, as demonstrated by the ratio of claims over premiums, never higher than 10% in the reference period (2015-2017) and at 1% for a number of products;

- the percentage of claims closed without settlement with respect to claims reported was significant (37%).

The results of the investigation were brought to the attention of the AGCM, which launched proceedings against the three finance companies for aggressive commercial practices and against nine partner insurance undertakings (of which six EU undertakings) for unfair commercial practices.

IVASS and the AGCM agreed during the course of the investigation that the approach to be adopted for solving the problems that have arisen should go beyond mere strengthening of the contractual transparency, requiring a net separation between the policy and the loan both in timing (time of signing) and economic terms (premium payment).

The first two proceedings were closed in April 2019 with the AGCM's adoption of measures [122] which, after consulting IVASS and the Bank of Italy, made the proposed commitments compulsory for the operators involved. The third proceedings are pending finalisation.

The commitments proposed by these operators envisaged for the future:

- exclusion of the possibility of underwriting the policy at the same time as signing of the loan, as at least seven days must elapse between the two signings;

- elimination of the possibility of including the policy premium in the loan repayment instalment;

- extension of the initial right of withdrawal to 60 days from signing;

[122] Measure no. 27606 and Measure no. 27607, published in the AGCM Bulletin, year XXIX, no. 14 of 8 April 2019.

- possibility for the consumer to request termination of the policy at any time, with reimbursement of the part of the premium referring to the unused period of insurance;

- greater transparency of pre-contractual and contractual documents on the optional nature of the policy with respect to the loan, to be reiterated through an awareness letter sent annually to customers, in addition to the welcome letter received by the customer after taking out the policy;

- strengthening of the training of and controls over the sales network;

and for existing policies:

- issue of an informative letter to all customers who purchased a policy prior to implementation indicated above, summarising the most important characteristics of the insurance product and stating that, if the customer did not understand that the policy underwritten was optional and not connected to the loan, they have the option of claiming termination of the policy and reimbursement of the unused portion of the premium at the time of the related request;

- possibility for customers who, prior to implementation of the aforementioned measures, had submitted a complaint of not understanding that the policy underwritten was optional and not connected to the loan and that their complaint had been rejected, to claim reimbursement of the unused portion of the premium from the date of submission of the complaint.

1.5.7. - *Travel insurance policies*

IVASS is participating in the thematic survey launched in July 2018 by EIOPA into travel insurance policies, to assess whether there are risks common to different EU markets that could become detrimental to consumers or create barriers to market operations.

Information useful to the investigation (types of policies and their characteristics, claims, provisions, distribution practices, complaints) has been gathered by a sample of undertakings identified on the basis of representative criteria provided by EIOPA.

From the responses submitted by undertakings in the Italian sample (15, of which 9 Italian and 5 EU undertakings operating in Italy) the following emerged:

- a significant incidence in the Italian market of travel insurance policies of other EU undertakings operating in Italy, which cover 46% of total business sampled;

- a limited average level of claim ratio[123] (38%), possibly indicating a low degree of consumer awareness regarding purchase of the policy or a low economic value of the policy

[123] Equal to the ratio between claims paid and premiums written in the reference period (2017).

due to the presence of exclusions or limitations on coverage that reduce the number of claims paid;

- a high average level of loading for commissions and other expense[124] (46%);

- a high average level of complaints about gross premiums (equal to 5.3 complaints per million euro in premiums), against a general average in the non-life classes other than MTPL business in 2017 of 2.3 for Italian undertakings and 3.1 for EU undertakings operating in Italy.

IVASS has commenced supervisory initiatives on undertakings for which the most critical data emerged.

1.5.8. - *Trend analysis of products offered*

The IVASS half-yearly analysis of the trends of insurance products[125] offered has showed that in 2018 the non-life sector was characterised by the consolidation of trends already recorded in 2017:

- technological innovation as one of the driving factors in changes to products and in interaction between insurance companies and consumers. Many new products and digital services were launched, particularly in the health, home and mobility (travel and MTPL) insurance sectors;

- instant insurance, with micro-policies that allow customers to activate insurance coverage, via smartphones or the web, for short periods and for limited amounts at the time the need arises. These range from risk coverage for amateur sports events, travel, pet protection to needs associated with sharing mobility;

- dissemination of "umbrella" insurance solutions, of a modular nature that offer customers the option of eventually including or excluding insurance guarantees, through online configurators and interactive methods similar to a digital shopping cart, mainly oriented towards home and family protection; a single flexible contract allows the adaptation of insurance cover as needs develop.

In the MTPL business, for some time characterised in Italy by the presence of vehicles fitted with black boxes or other electronic devices, there was a growing spread in behavioural rates, in which the renewal premium is calculated on the basis of algorithms that assess driving style.

Also leveraging the tax benefits introduced by Italian Law no. 205/2017 (the 2018 Stability Act), a number of companies offer non-life property insurance guarantees against

[124] Equal to the sum of the commission ratio (ratio between the loading for expense incurred for the distribution network and the gross premiums written) and the expense ratio (ratio between the loading for other expenses and gross premiums written).

[125] www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2018/prodotti-i-sem2018/index.html and www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2019/prodotti-ii-sem-18/index.htm.

natural disasters, particularly in the area of fire insurance coverage in multi-risk home insurance policies.

Forms of protection are available for specific businesses, targeting small and medium enterprises (e.g. in the catering and bar industry, insurance against foodstuffs perishing, allergic reactions or food poisoning of customers, or for damage caused by fights in venues).

In the life insurance sector, the gradual dissemination of hybrid[126] products was confirmed. Together with traditional with-profit products, these represent the core business of the Italian insurance market. Following the amendments introduced by IVASS Order no. 68/2018 on segregation of funds in relation to with-profit policies, in 2018 four undertakings opened new segregated funds with Profit Funds[127].

The launch of insurance-based individual savings plans (PIRs[128]) continued in the first part of the year through unit-linked or hybrid life products, with a downturn in the phenomenon in the second half of the year.

To allow IVASS to more effectively detect new trends in the life insurance sector through the database of systematic communications transmitted by undertakings in accordance with IVASS Order no. 3 of 21 May 2013[129], new codes were added, valid from 1 April 2019, referring to hybrid products, insurance-based PIRs and with-profit products with Profit Funds[130].

1.6. - Development of tools for the supervision of market conduct

a) Indicators and RAF (Risk Assessment Framework)

For the purpose of consumer protection, supervision of the market conduct of insurance undertakings at European and Italian level[131] is oriented towards the use of risk-based analysis models in order to intercept, also as a preventive measure, any phenomena detrimental to policyholders.

In 2018, IVASS implemented conduct risk analysis tools based on indicators (Retail Risk Indicators) extracted mainly from data in Solvency II reporting, harmonised at EU level, and on figures obtained from other national databases (complaints, returns on segregated funds, guaranteed rates on life products). The analysis tool is based on indicators broken down by type of business, life and non-life, and by line of business, which allow assessment of the

126 Products in which part of the investment is guaranteed (class I) and part envisages financial risk borne by the policyholder (class III).

127 The Profit Funds - in the presence of a series of strict precautions and requirements defined by regulations and in any event within a specified time limit - attributes the insurance undertaking with discretion regarding the moment in which capital gains from segregated funds are allocated to policyholders (see ISVAP Regulation no. 38/2011, amended by Order no. 68/2018).

128 PIRs were introduced by the 2017 Budget Law (Italian Law no. 232 of 11 December 2016) to support Italian SMEs, envisaging major tax relief for investors, provided the investment was held for at least 5 years and that the investment characteristics and contract duration complied with legal requirements.

129 In implementation of article 32, paragraph 6, and article 190, paragraphs 1 and 2, of the CAP.

130 Letter to the Market of 22 February 2019; www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2019/lm-22-02/Aggiornamento_Provvedimento_3_2013.pdf.

131 These analyses of undertakings are carried out alongside the model for the supervision of intermediary conduct (see box in V.2).

situation of an individual undertaking and its market positioning. With suitable adjustments to take into account the more limited availability of data, the tool was also designed to analyse activities carried out in Italy by foreign undertakings.

Another analysis tool (RAF - Risk Assessment Framework) is also being implemented which, combining the various risk indicators, offers a summary representation of the risk of each undertaking in terms of market conduct, measured with the assignment of an overall rating. The RAF will mean that supervisory action can be better oriented and prioritised.

To remedy data quality problems and consistency between the various databases, the Letter dated 18 December 2018 announced the development of risk-based analysis models and the data used, bringing the attention of undertakings to the adequacy and efficiency of data control systems with effect from reporting at 31 December 2018.

b) Monitoring of IBIPs

In 2018, IVASS adopted a tool to monitor the performance over time of investment funds underlying unit-linked policies. The aim of the tool is to identify products and the related funds with particularly negative or anomalous performances and allow IVASS to ask the undertakings for detailed information as necessary.

To monitor risks associated with the offer of IBIPs (insurance-based investment products), and to identify the more risky products in terms of underlying assets and cost-performance, pursuant to art. 66 of Italian Legislative Decree no. 50/2016 IVASS launched a preliminary consultation on the acquisition of a portal to collect, update and monitor the KIDs of IBIPs, managed by a database provider and a tool for the statistical analysis of data contained in the KIDs.

c) Mystery shopping

The rapid development of insurance products associated with technological innovation or investment products with financial risk born by the customer, the forms of innovative sales and the speed at which products are updated, drive supervisors to review the supervisory approach to market conduct in order to improve their capacity for early interception of problems for consumers deriving from phenomena as they arise and to promptly intervene.

IVASS is assessing the option of using mystery shopping as a supplementary supervisory practice as regards the conduct of insurance companies and intermediaries that is becoming widespread also at European level, as a result of EIOPA's push to verify the quality and adequacy of sales practices actually adopted by operators in their contact with customers, overcoming the limitations of investigations based on document analysis.

Through simulation of fake interest in a purchase by a mystery shopper, it is possible to verify at the point of sale, without actually buying the product, if there is compliance with the important rules of conduct covered in the IDD, such as the assessment of product suitability to meet customer needs, illustration of the key points of the product, and delivery of pre-contractual documentation. Downstream of the mystery shopping, the supervisor can act with varying degrees of intensity by calling upon senior managers to comment on the results of site visits, requesting remedial action plans, planning inspection visits to study issues further, and so on up to the application of sanctions.

Contact was made with the European supervisory authorities with experience in this field, particularly the Belgian authority (FSMA), which has carried out mystery shopping since 2014 through external providers. Exploratory meetings were organised with Italian companies specialised in the sector and studies were launched to verify the need - or even opportunity - for specific provisions in primary regulations.

d) Products and controls

Technological and product innovation, as well as new regulations associated with transposition of the IDD and issue of the related secondary regulations, result in the need for operators to strengthen the organisational and operating processes underlying product design, marketing and monitoring of product performance in relation to the effectiveness and quality of the benefits paid to policyholders.

More effective processes of individual operators will be of benefit not only to consumers and the market, but also to the supervisory action, the effectiveness of which will be supported by the definition of a clearer framework of duties and responsibilities within the insurance company and the availability from the Institute of better quality data, that can form the basis for individual and market analysis of products and the market conduct of undertakings.

1.7. - Supervision of foreign undertakings operating in Italy

1.7.1. - *Entry of new EU undertakings*

In 2018, 117 new authorisations for entry into Italy were granted to EU undertakings for the pursuit of business by way of fos, to 9 under the right of establishment, and 42 extensions into other classes of business were granted to operators already present in the Italian market.

The considerable increase in new entries compared to 2017 (+116% for undertakings pursuing business by way of fos) and 2016 (+48% for undertakings pursuing business by way of fos), is mainly due to Brexit and the measures adopted by UK undertakings for relocation to other EU member states in order to continue operating in Italy under the single passport system.

Opinions were issued to EU Supervisory Authorities in relation to 38 portfolio transfers between foreign undertakings operating in Italy under right of establishment or fos.

Cooperation with EIOPA and the other EU Supervisory Authorities was very intense, with enhanced forms of ex ante cooperation and coordinated supervisory actions, both during the entry of new operators in the Italian market and in relation to the market conduct of undertakings already present in Italy. Through preventive cooperation with a Home Authority, the authorisation in the home country of a foreign undertaking with significant governance problems intending to operate in Italy, in the sensitive supplementary healthcare sector, was avoided.

1.7.2. - *Supervision following entry into Italy*

Through information flows originated by EIOPA under the new Protocol for cooperation between authorities, IVASS used more information on the business of foreign undertakings operating in Italy under the fos and the right of establishment: in 2017 (the most updated EIOPA dataflows), 340 foreign undertakings were actually in operation, with total premium income of 27.5 billion euro - of which 22.7 billion euro in the life insurance business and 4.7 billion euro in non-life - with a 17% impact on the entire Italian market.

The business is largely centred on life insurance (83%) and focuses on unit-linked and index-linked products (90% of premiums), with a highly significant concentration by country of origin: all 10 life undertakings have head offices in Ireland and Luxembourg. A significant portion of premiums are collected by undertakings resident in Ireland which are members of Italian banking or insurance groups. IVASS has begun enhanced cooperation with the supervisory authorities of Ireland and Luxembourg to monitor products sold in Italy and to carry out coordinated supervisory action on the related POG processes.

In 2018, IVASS participated in nine Collaboration Platforms between the European Supervisory Authorities under the auspices of EIOPA, three of which relating to EU undertakings with cross-border activity in Italy experiencing hardship:

- Elite Insurance Company Limited, with head office in Gibraltar and operating in the suretyship sector, which on 5 July 2017 ceased the underwriting of new contracts and renewal of existing ones. On 31 January 2019, the Supreme Court of Gibraltar opened liquidation proceedings against the undertaking and on 5 February 2019 the Home supervisory authority, the Gibraltar Financial Services Commission, cancelled its authorisation to exercise insurance business activities;

- CBL Insurance Europe Dac, located in Ireland and operating in the suretyship sector, for which in February 2018 the Irish supervisory authority (CBI) ordered a ban on new business and applied to the Irish High Court for appointment of a provisional administrator. On 20 February 2019, the CBI ordered cancellation of the authorisation to exercise insurance business activities;

- Qudos Insurance A/S, with head office in Denmark and operating in comprehensive motor insurance, for which the Danish supervisory authority, Danish Financial Services Authority (DSFA), announced the undertaking's decision on 19 October 2018 to cease the underwriting of new contracts and renewals in the EU. The undertaking, which on 27 November 2018 placed itself in voluntary liquidation, was declared bankrupt on 20 December 2018 by the Maritime and Commercial High Court of Denmark in Copenhagen.

IVASS followed these situations in close cooperation with the other Authorities and with EIOPA, to protect Italian policyholders and beneficiaries, and kept the public constantly informed.

In 2018, 17 dossiers of foreign undertakings requiring enhanced cooperation with the Home authorities were followed up, in some cases also involving EIOPA. For two undertakings that market problematic life products in Italy and other EU countries, investigations are in progress and coordinated supervisory action is being assessed with the other supervisory authorities (see V.1.7.3). With regard to another undertaking operating in the medical liability insurance sector, action was taken to ensure correct management of claims and prompt payments to victims in cases of medical malpractice.

IVASS has continued to follow up on the case of one EU insurance undertaking, indirectly owned by an Italian national with a record potentially significant according to EU regulations on assessing reputation and financial soundness, which had demonstrated his intention to operate primarily in Italy in the suretyship sector. After intense international cooperation, also involving EIOPA, the Home authority cancelled the authorisation relating to the qualified holding of the individual in question.

Also on the basis of complaints handled by IVASS, 27 foreign undertakings were called to hearings, attended by their head office officials and, occasionally, the Home authorities. The undertakings were asked to adopt remedial measures, including the improvement of sales and claims management processes, the implementation of controls over the distribution network and to verify the fairness of sales practices, the suitability of products offered with respect to the real needs of policyholders and the guarantee of stronger support to consumers. As a result of complaints submitted by consumers against one undertaking operating in the life insurance business for misselling and the low amounts of benefits, IVASS ordered the undertaking to reimburse the premiums in full or propose settlement agreements to the policyholders.

In relation to the MTPL sector, proceedings were launched in August 2018 to consider critical issues in the operations of an EU undertaking operating in Italy with temporary policies, and the undertaking was ordered to comply with Italian general good provisions. The irregularities largely referred to delays in settling claims and non-compliance with anti-fraud regulations. The proceedings are still in progress, in that IVASS did not consider the response from the undertaking to be satisfactory and asked the Home authority to adopt the measures necessary to ensure that violations of the CAP and Solvency II Directive cease. In March 2019, the undertaking appointed a new representative to manage claims in Italy.

For another two EU undertakings, for which problems were detected at European level in the Green Card system for the payment of cross-border MTPL claims, from January 2018 IVASS is in close cooperation with Ufficio Centrale Italiano and the Home Supervisor, also with the involvement of EIOPA, to guarantee the fair and prompt settlement of claims with Italian injured parties.

IVASS formally demanded that seven foreign undertakings remove critical issues in relation to the formula for reimbursement of PPI premiums, unrelated policies (see V.1.5.6), denials of MTPL claim settlements, telephone selling and the presence of illiquid funds. The undertakings have removed the shortcomings pointed out, adopting customer protection policies and, for the unrelated policies, accepting binding commitments.

IVASS has attended four Supervisory Colleges on cross-border groups operating in Italy with particularly significant branches.

1.7.3. - *Supervision of products sold in Italy*

In 2018, IVASS focused on life insurance products marketed in Italy by a number of foreign undertakings. Of these, particular attention fell on products sold by two undertakings operating under fos, about which reports had been received from other European authorities or from consumers.

For one of the two undertakings, authorised to operate in Italy in 2016, EIOPA organised a platform of cooperation among Supervisors, to handle critical issues common to various European countries in reference to the business model and contractual conditions of the product marketed, similar in all the countries. This product indicated investments in barely transparent, risky financial assets, an opaque mechanism for the assessment and long-term evaluation of the financial assets in which funds were invested, very high costs and limited disclosure in the KID. Pursuant to art. 193 of the CAP, IVASS challenged the critical issues in the product and the KID, and demanded the adoption of initiatives to remove these problems. The Home Authority was informed of the initiative and was asked to adopt supervisory measures. As a result of the action taken by IVASS, the undertaking withdrew the product and replaced it with another, though this too had similar problems. Further supervisory action is in progress in close coordination with EIOPA and the other national authorities.

Shortcomings were found in reference to another foreign undertaking, operating in Italy under the right of establishment, on aspects of transparency (including the KID) and structure of the product, with very high costs and extremely high commissions in favour of Italian agencies, rendering the product unprofitable for almost its entire contractual duration and representing a significant obstacle to early surrender of the contract. As a result of IVASS action, the insurance company suspended marketing of the product and launched the sale of others, currently under examination. Further discussions are being held with EIOPA, the Home Authority and other Host Supervisors affected by the undertakings' cross-border activities for the purpose of further study and coordinated supervisory initiatives. The irregularities in the KID of this undertaking were submitted to CONSOB, the authority responsible for such matters from 1 October 2018.

The distributors for the two insurance companies were subject to on-site inspections and actions, including sanctions, for malfunction in the placement of products and for the poor level of disclosure at sales stage which did not allow customers to understand the true characteristics of the product and the high costs.

1.8. - Supervision of unauthorised intermediaries and cases of counterfeit

Through the direct contact with the public and law enforcement agencies offered by the Contact Centre, several cases of unauthorised operations and counterfeit policies were discovered, mostly pertaining to foreign undertakings and in particular in the suretyship, MTPL and life businesses.

For the MTPL business, cases of counterfeit policies were found in the name of the Dutch undertaking Delta Lloyd Schadeverzekering N.V. and the Polish undertaking HDI Asekuracia UI. Płocka. As regards suretyship business, the marketing of counterfeit suretyship policies was discovered in the name of the Irish undertaking Euro Insurances DAC and the Bulgarian undertaking LEV INS.

Reports from consumers allowed the identification of numerous cases of unauthorised insurance mediation on websites, especially in the sale of temporary MTPL policies (see V.2.2.1).

1.9. - Opinions to other Institutions

In 2018, IVASS issued two opinions to the AGCM in relation to:

- the procedure for unfair trading practices pursuant to art. 27, paragraph 1-bis of the Consumer Code, regarding the offer of a credit card comparison website combined with insurance policies;
- the request for clarification, submitted to the AGCM by an insurance undertaking pursuant to art. 24, paragraph 5, of the AGCM Regulation of 1/4/2015 on the potentially unfair nature of contractual clauses for inclusion in two new health insurance policies prior to their marketing.

In addition, the cooperation that began in 2017 continued in relation to unfair commercial practices regarding the placement, by financial intermediaries, of non-life insurance policies at the same time as the disbursement of loans. At the start of 2019, IVASS issued the formal opinion for the completion of AGCM proceedings (see V.1.5.6 on unrelated policies).

1.10. - Meetings with Consumer Associations

Once again in 2018, the quarterly meetings held with consumer associations participating in the CNCU (National Council of Consumers and Users) were the driver for gathering ideas on insurance issues of particular interest, especially those associated with MTPL, including clauses restricting reimbursement in the case of claims managed under the direct compensation regime, the expectations of consumers and related problems in the use of black boxes.

The fourth quarterly meeting was held in Genoa in November 2018 with the local representatives of consumer associations and of ANIA, and was entirely dedicated to the insurance problems of the population affected by the collapse of the Morandi Bridge. The insurance sector representatives stated their willingness to adopt extraordinary measures in favour of residents, later finalised in a bilateral agreement signed in February 2019.

1.11. - Insurance education

In the Institute's 2018-2020 Strategic Plan, the promotion of insurance education forms part of the objective of intensifying consumer protection, also in the light of the digital revolution.

The activities are of a traditional nature or are carried out using innovative tools, in the search for new approaches to sensitise consumers to basic knowledge of the insurance sector and allow them to make informed decisions, based not only on price but, above all, on whether insurance products match their real needs.

Among the traditional initiatives, 2018 saw the continued commitment of IVASS to the "Experimental project for economic and financial education for schools" set up by the Bank of Italy in partnership with the MIUR. IVASS representatives participated in nine seminars organised by the Bank of Italy in various Italian cities to provide insurance education to school teachers and illustrate introductory materials (guides and issue-specific papers) created by the Institute for students, available from the dedicated portal www.educazioneassicurativa.it.

As regards innovative initiatives, of particular note is the project now being created for testing the Italian population on their insurance literacy, the first project of its kind worldwide. The project forms part of the national financial, insurance and welfare education strategy outlined by the EDUFIN Committee, and is financed through the MiSE funds for insurance education. It envisages the definition of an Insurance Literacy conceptual model and a related score, as well as the preparation of a questionnaire to be completed by a representative sample of the population.

The Institute is finalising an interactive quiz on insurance-related issues, divided into four areas (life, sickness, MTPL and home insurance) with questions regarding the main cases reported to the Institute's Contact Centre. The aim of the game is to stimulate understanding of the basic operating mechanisms of insurance and of certain policy characteristics. The quiz will be available on the IVASS web site.

Another project being set up with MiSE funds relates to the creation of video clips on issues taken from the reports of consumer associations or individuals or as part of IVASS activities.

The Institute's activities are consistent with the national strategy for Financial Education, coordinated by the Committee headed by Prof. Annamaria Lusardi and of which IVASS is a member along with the Bank of Italy, CONSOB, COVIP, CNCU, OCF, MEF, MIUR, MiSE and the Ministry for Labour and Social Policy.

Memorable among the Committee activities carried out with IVASS' contribution were the first Financial, Insurance and Welfare Education Month (October 2018), with over 200 informative and sensitisation events targeting children, students and teachers, adults, women, families and small business owners; a training initiative for INAIL employees, culminating in the signing of a Memorandum of Understanding between the Committee and INAIL on 25 January 2019 at the head office of IVASS; a memorandum of understanding between the Committee and INPS signed on 15 February 2019 to satisfy the education needs of potentially vulnerable individuals (women, migrants and the elderly) and various worker categories; the protocol with the Associazione Susan G. Komen Italia, for many years committed to the fight against breast cancer, to contribute to overcoming gender imbalance and encourage scientific research projects into women, health and financial education, and mentoring programmes. The Committee also collaborated with newspapers and broadcasters with a view to disseminating financial and insurance education among the wider public.

2. - SUPERVISION OF INSURANCE DISTRIBUTION

The distribution business is undergoing a major transformation associated with the profound changes in economic, social and market terms, as well as on the technological and regulatory fronts, in part due to transposition of the IDD on insurance distribution.

These changes affect both demand and supply for insurance.

The demand evolves in the wake of the increasing customer preference for digital contact and transactions, which have become the norm not only for “millennials” but for expanding layers of the population and as a result of needs triggered by new behavioural styles, which more and more often put service availability before asset ownership, or by new threats such as cyber risks.

In turn, supply moves towards the innovation of products, sales and after-sales processes and, in a broader sense, towards the development of new business models by insurance companies, often centred on multi-channel solution that integrate the use of traditional networks with new technologies.

Developments in the external reference context are changing the traditional way of doing insurance business, increasingly centred on a global service model that aims to extend customer relations from sale of the product to the provision of integrated services. This tendency seeks to confront the growing levels of sector competitiveness with the lengthening of the value chain, and is based on increasingly extended use of the web channel to propose products linked to needs, including contingent needs, intercepted through the use of new technologies.

In regulatory terms, the IDD has introduced stronger customer protection, requiring solid skills and professionalism of the various market players and affecting the evolution of distribution processes, as regards responsibilities and relations between insurance companies, intermediaries and customers. The changes affecting the product design and sale process and the operating models have a significant impact on insurance companies and intermediaries, called upon to put the customer at the heart of strategies and the organisation, and to carefully manage potential conflicts of interest.

For the sale of products, distributors are called upon to adopt strategies consistent with the reference market identified by the manufacturer and with its distribution policies to best serve the customers’ interests, through correct assessment of their needs and matching the characteristics of the product offered and those of the consumer.

Of particular importance to distributors is the capacity to:

- best serve the interests of customers in an honest, fair and professional manner;
- seize upon the opportunities offered by the technology revolution and govern the digitalisation of processes and services;

- manage customer relations according to a global and integrated model designed to satisfy the various needs not only through the sale of insurance products, but also through the offer of advisory services;

- govern new risks arising from a different proximity between the network and customers (operational, cyber and compliance risks in relation to privacy, added to which are the risks of possible inadequacy of the sales and after-sales support resulting from the dematerialisation of pre-contractual and contractual documentation).

As regards supervisors, a complex challenge is faced, in which the capacity to adopt tools for monitoring - as much as possible in advance - distributor conduct and assessing their fairness, honesty and professionalism becomes significant, steering supervisory action towards conduct risk management in order to prevent irregular conduct.

The Institute is developing a **conduct supervision model** with the aim of early interception of conduct not compliant with the reference regulatory framework, at market and individual distributor levels, to prevent potential detrimental effects on consumers.

The analysis model takes into account the new legal and regulatory aspects (IDD) and emerging distribution phenomena (especially web-oriented).

The model is largely made up of information generated by undertakings in their annual reports on controls carried out on their distribution networks, pursuant to art. 46 of IVASS Regulation no. 40/2018 and other data available to the Institute. After discussing with the market the impact and significance of the data to be collected, new data considered necessary will be identified in a second phase.

The system is centred around the identification of risk categories and the processing - in reference to each risk - of indicators that act as triggers of the potentially most critical distribution areas, broken down by insurance company, channel and business sector. The following will be identified for each risk category:

- the average values of indicators considered physiological, to be used as reference in identifying any deviation;
- the frequency of anomalous conduct of intermediaries identified in each sales channel;
- once fully operational, a scale of the risk levels relating to each indicator.

A further aim of the system is to assess the capacity of undertakings to govern network controls, monitoring the distribution channels they use for the placement of their products.

2.1. - Preventive supervision actions and initiatives of a general nature

The framework of preventive supervision actions, further enhanced to increase consumer protection, now includes:

- meetings organised with intermediary trade associations to orientate insurance distributors towards operations that are in line with the legal and regulatory framework pertaining to IDD and POG and discuss issues of strong interest for the protection of consumers and of the market, which gave rise to compliance indications and the publication of FAQs on the website of the Institute;

- fact-finding visits to a number of insurance companies and related distribution networks to acquire information on POG policies (see V.1.5.2 and V.2.2);

- meetings with new insurance market operators which offer, or intend to offer, innovative products and solutions through recourse to digital technologies and channels (digital brokers, micro-policy sales platforms, instance insurance, peer-to-peer distribution, utilities, new players);

- hearings with intermediaries with critical issues, actual or potential, to assess any supervisory initiatives;

- action on the principal undertakings and the reference intermediaries for network control, to stimulate a culture of control and organisational models that are more focused on risk management and - especially for medium/large intermediaries - based on robust governance systems, monitoring and multi-level control models, able to act more effectively in a preventive and mitigating sense. The plan also calls upon intermediaries to arrange adequate training on protecting the interests of consumers. The combined monitoring and steering action directly targets the undertaking in cases of greater significance of conduct anomalies and in the presence of shortcomings in the organisational and first-level control system of the intermediary. Promoting effective operating control of intermediaries becomes even more necessary in the light of undertaking obligations to approve products and identify the related reference market in which the product distribution intermediary operates;

- continued periodic monitoring of intermediaries at risk, on which information is systematically acquired in the various lines of business, on relations with insurance companies and other intermediaries, operating processes and business volumes;

- letters of reprimand in case of suspicion of non-compliant conduct, designed to require intermediaries to adopt fair conduct, with a logic of preventive supervision that imposes dissuasive action upon sanctionable conduct of distributors and steers towards compliance with reference regulations;

- intensification of exchange with EIOPA and the other foreign authorities in the management of dossiers regarding EU undertakings operating in Italy under the fos or the right of establishment, making use of Italian distribution networks. In one particularly delicate case under investigation, an intermediary operating via a vast network of collaborators for principal foreign undertakings in the life insurance-based investment policies, was asked to provide a detailed plan of action, with review of the policies portfolio and the adoption of necessary measures, including reimbursement of premiums, if the sales methods proved non-compliant with the rules of conduct;

- the on-site inspections on intermediaries pertaining to anti-money laundering were carried out also with assistance of Bank of Italy personnel (see IV.3.3).

In 2018, IVASS further intensified its action contrasting websites and social network profiles that are not connected to insurance intermediaries registered in the RUI and that promote false MTPL policies, especially temporary ones.

This phenomenon is particularly dangerous for consumers and highly harmful to public confidence and to sound and correct market performance. It manifests itself in an insidious way, through the deviant use of the web with different illegal profiles: from fraud (marketing and selling of fake policies), to the unauthorised exercise of mediation activities, to identity theft against regularly registered and operating insurance intermediaries and to false statements in documents.

Significant criminal actions, reported to the judicial authorities, were perpetrated through unlawful web sites. The victims, deceived by attractive savings prospects, through the use of domain names or credentials (registration number) similar to those of companies operating by the direct channel or authorised intermediaries, found themselves without insurance cover and potentially liable for fines, vehicle seizure and driving licence suspension. Preventive investigation tools, increasingly sophisticated and comprehensive, led in 2018 to the identification of 103 irregular sites, an increase compared to the 50 sites identified in 2017. In 95% of cases, the unlawful web sites were taken offline as a result of the Institute's action.

Many reports are received from the defrauded individuals themselves and, increasingly often, prior to purchase by consumers who, suspicious of the means of contact with phony intermediaries, ask the Institute, in advance, for verification.

To implement an integrated strategy to combat the phenomenon, the Institute activated collaboration channels with the Italian Domain Register - NIC (database of ".it" domains), the main search engines and Internet Service Providers - ISPs (domain registrars). In December 2018, the latter were sent a notice informing them that Italian Legislative Decree no. 68/2018 introduced an obligation in the CAP for RUI registration of the domain owner of web sites through which it is possible to exercise insurance distribution activities, and sensitise them to the need to verify registration prior to enabling the web space.

Along with public announcements, disclosing irregular sites as and when identified and the publication on the IVASS website of a list summarising them[132], ample use of the media was made to more easily reach and sensitise consumers.

Precautions to be taken before purchasing online policies

IVASS invited consumers to verify that the websites or social network profiles of the intermediaries operating online indicate, in compliance with obligations:

- the data identifying the intermediary;
- the address of its head office, telephone and fax numbers and e-mail address;
- the number and date of registration in the RUI, and the indication that the intermediary is subject to IVASS supervision.

[132] www.ivass.it/consumatori/proteggi/ELENCO_SITI_WEB_DI_INTERMEDIAZIONE_ASSICURATIVA_IRREGOLARI.pdf.

For EU intermediaries registered in the Enclosed List to the RUI as authorised to operate in Italia under fos or the right of establishment, in addition to identification data the web site must also indicate the registration number on the home Member State Register, the e-mail address and, if under right of establishment, the certified e-mail address, indication of any secondary offices and the statement of authorisation to pursue business in Italy with an indication of the home Member State.

The recommended precautions that each consumer can implement include:

- verifying that quotes and contracts refer to duly authorised undertakings and intermediaries, consulting the Undertakings Register on the IVASS web site, specific lists of Italian and foreign undertakings operating in the MTPL business, the RUI and the List of European Union intermediaries;
- not making premium payments to rechargeable or prepaid cards, as intermediaries are obliged to collect payments either in cash (where permitted) or by payment instruments in their name as intermediaries;
- not making premium payments in favour of individuals or companies not included in the aforementioned Registers or Lists;
- verifying the existence and validity of their MTPL insurance coverage on the website www.ilportaledellautomobilista.it managed by the Ministry of Infrastructure and Transport;
- contacting insurance companies authorised to sell MTPL policies if there are any doubts after the purchase.

2.2. - Product Oversight and Governance arrangements (POG) for intermediaries

The fact-finding visits to a number of insurance companies and their distribution networks (see V.1.5.2) allowed, amongst other things, verification of the necessary interrelations between the manufacturers (the insurance companies) and distributors (intermediaries and direct insurance companies) representing a particular phase in the process.

The POG regulations require distributors to adopt specific measures to obtain from manufacturers, for each product, all the information necessary about the product itself and the related approval process, particularly about the reference market and the categories of customers to which the product cannot be distributed.

It emerged as important that, in the design, approval, testing and monitoring of the product, under the manufacturer's responsibility, suitable exchange of information flows are established with the distribution networks to take into account their wealth of useful experience gained in proximity to the customers. At the same time, for the correct operation of the entire process, the promptness and completeness of training provided by the manufacturers and the instructions they give to the various sales channels, before the product launch, become significant.

Proximity to the customer ensures that distributors play a fundamentally important role in the effectiveness of the POG process: on the one hand, they are responsible for understanding the insurance needs and demands of customers, verifying product consistency and suitability, providing complete and correct information about the products on the basis of guidelines issued by the insurance companies; on the other hand, for promptly informing the insurance companies of any problems in the sale or monitoring of the product.

2.3. - Management of complaints on intermediaries

ISVAP Regulation no. 24/2008 on the management of complaints was amended by IVASS Order no. 46/2016, extending the scope of application to the management of complaints received by intermediaries, in compliance with EIOPA guidelines, introducing multiple management systems that take into account the specific features, including the organisational ones, of each type of intermediary and defining special treatment procedures.

In particular, the management of complaints about the conduct of intermediaries is devolved to the undertakings for agents and their respective collaborators, whilst intermediaries registered in sections B and D of the RUI and EU intermediaries entered in the List enclosed to the Register are responsible for their own complaints management.

As the specific measures envisage the obligation, only for "large brokers" (defined as such for the purpose of the Regulation), to adopt a specific complaints function, the Institute carried out a fact-finding investigation to verify the level and methods used by the brokers to comply with the provisions in question and to learn of the organisational solutions and policies adopted to manage the complaints under their responsibility.

The investigation, which made use of the collaboration of trade associations, terminated in 2018 with the issue of a Letter to the brokers, indicating the organisational solutions and operating models considered to be in line with the regulatory framework, to incentivise the adoption of best conduct practices and enhance the analysis of complaints to improve relations with customers.

2.4. - Main types of complaints

Consumers' reports to IVASS in relation to entities registered in Sect. B of the RUI (brokers), those registered in Sect. D (banks, post offices and other financial intermediaries) and EU intermediaries, brought to light problems in the quality of pre-contractual and contractual information as well as in the consistency of products offered with the customer's insurance needs.

With reference to the banks and other intermediaries registered in Sect. D, the most common reports referred to the placement of PPI policies at the time of disbursement of loans or the issue of credit cards (forced combination and the stipulation of policies without the customers' knowledge). The action taken by the Institute aimed to achieve reparation for the consumers involved (cancellation of the policy) and to remind intermediaries of the need to ensure compliance with regulations on pre-contractual information and adequacy of the products offered.

Also for brokers, the complaints mainly referred to poor information when proposing or renewing policies, to contract and claims management, with consequent detriment to customers.

Complaints to EU intermediaries showed poor transparency in the placement of products and difficulties in settlement of the guaranteed benefits.

2.5. - Supervisory actions resulting from reports

The ex post supervision originates from the examination of outside reports, received from insurance undertakings, consumers, intermediaries, Consap, police authorities and other public Authorities.

In 2018, a total of 995 reports of anomalies were received, down on the 1,061 received in 2017. The number is still high, however, if compared with previous years (803 in 2016 and 720 in 2015).

The lawful revocations of agency mandates, communicated to the Institute by insurance undertakings, increased slightly to 56 (5.6% of all reports received), compared to 52 in 2017 but in any event fewer than the 71 in 2016 and 89 in 2015.

Table V.8

Reports received by type of intermediary

(units)

	2017		2018	
Intermediary	**Number**	**%**	**Number**	**%**
Agents (sect. A)	359	33.8	264	26.6
Brokers (sect. B)	162	15,3	162	16.3
Canvassers (sect. C)	1	0.0	1	0.0
Banks/other (sect. D)	54	5.1	64	6.4
Collaborators (sect. E)	373	35.2	358	36.0
Unauthorised / not registered	75	7.1	131	13.2
Other operators	37	3,5	15	1.5
Total	**1,061**	**100.0**	**995**	**100.0**

The higher increases referred to investigations on unregistered intermediaries (mainly unauthorised sites) and banks, whilst a downturn was recorded in reports referring to agents.

Ascertainment of improper conduct leads to the initiation of pecuniary and/or disciplinary sanction proceedings (see VI.2). In 2018, the supervision of intermediaries resulted in the initiation of 254 pecuniary administrative proceedings, down by 28.8% compared to 2017.

2.6. - Main types of violation and measures adopted

The forms of irregular conduct occurring most frequently relate to the obligation to keep segregate assets, pre-contractual information and adequacy assessment, as well as violations of the rules of conduct (such as failure to record contracts and prompt reporting to IVASS by intermediaries on the information elements necessary to update the RUI).

Cases of counterfeit policies were found (mainly in the life business and suretyship), apparently in the name of Italian or foreign companies, introduced to the market by intermediaries duly registered in the RUI as part of parallel activity with criminally relevant profiles. The Institute promptly activated forms of collaboration with the Judicial Authorities and, in the case of foreign undertakings, with the Home Supervisory Authority in order to ensure adequate protection for policyholders and correct market operations.

Confirmed among the most frequent **violations of the obligation to keep segregate assets** were:

- failure to deposit the premiums collected by the intermediaries in the separate account, connected in most cases to failure to register the collected premiums;
- use of prepaid cards to receive premium payments from policyholders;
- recourse to current accounts that do not meet the segregation requirements to receive the premiums paid by policyholders (violation observed mainly among those registered in Sect. E of the RUI).

Failure to report premium collections were found in a number of cases referring to life insurance contracts. Such failure is occasionally facilitated by the collection of premiums in cash, in violation of sector regulations.

Sanction proceedings were initiated as a consequence of such conduct.

There are still numerous cases of **violation of the obligations of pre-contractual information and assessment of the adequacy** of the contracts, especially in proposing policies replacing or transforming previous contracts, with the absence of correct information on the new product and on any penalties applying to customers as a result of the replacement.

The phenomenon was noted mainly in unit-linked and index-linked life products offered by collaborators of agencies provided with a sizeable customer portfolio and with a broad distribution network.

Inadequate sales phenomena were observed in the placement of PPI policies or unrelated policies by banks and intermediaries registered in Sect. D of the RUI at the time of loan disbursements.

Conduct that fails to respect the best interests of consumers was also found in the **charging of high advisory costs to customers** at the time of sale of insurance products. The phenomenon mainly involves the expanding market of coverage combined with retail loans, proposed by parties acting in the dual capacity of insurance intermediaries and credit brokers.

2.7. - Queries and requests for opinions

In 2018, there were 149 queries and requests for opinions (207 in 2017) originating from operators and third parties (professional firms, training agencies).

Many queries pertain to questions on the enforcement of IVASS Regulation no. 40/2018 with regard to the training and professional updating of intermediaries (periodic updates, completion of professional updating and consequences in case of non-compliance, requirements of the trainers, conduct of tests, refresher training to collaborators in case of multiple assignments or horizontal collaborations pursuant to art. 22 of Law no. 221/2012), and also on domain ownership in the case of operations via web or ancillary mediation.

Other queries refer to the segregation of assets, payment of premiums via PayPal, office sharing by several intermediaries and potential collaboration between intermediaries pursuant to art. 22, paragraph 10, Law no. 221/2012, including between banks (Sect. D of the RUI) and other intermediaries, particularly brokers.

In view of the relevance of the queries and the interest to all operators in the sector, the Institute has published a number of FAQs on its web site, updated on the entry into force of IVASS Regulation no. 40/2018 (see V.3.3.4).

Replies to significant queries

One query asked if, in the case of an intermediary with multiple assignments, an insurance undertaking's failure to recognise professional updating courses organised or provided by another principal undertaking was lawful.

In this respect, art. 87, paragraph 5 of IVASS Regulation no. 40/2018 allows the undertakings or reference intermediaries to implement coordination arrangements to distribute training or professional updating activities between them. In any event, in order for the training activities to be recognised by other principal undertakings or intermediaries, they must be provided in compliance with the minimum standards envisaged in the rules (Part IV of the Regulation) and provided that the training on technical characteristics and legal aspects of the contracts mirrors the specific features of the different products distributed.

With regard to the possibility of **operating via web where the domain is in the name of a collaborator registered in Sect. E of the reference intermediary**, note art. 78 of IVASS Regulation no. 40/2018, according to which the distributors carrying out promotion and placement of insurance products via web are the owners of the related domain and, if the activity is performed by an intermediary, the domain owner is the person operating on an individual basis or the mediation company.

Therefore, if the activity carried out via web by the collaborator is attributable solely to the reference intermediary, the latter must be the domain owner, either in person or through the company entered in the register through which it operates.

It was asked whether, in relation to art. 22, paragraph 10 of Law no. 221/2012, an **agent can establish relations, as proponent, in a free collaboration arrangement with a broker**, which makes available to the proponent agent its free collaboration relations existing with other agents, which will from time to time act as issuing agents.

In general, pursuant to art. 22, Law no. 221/2012, intermediaries registered in sections A, B or D of the RUI and intermediaries registered in the Enclosed List can adopt forms of mutual collaboration in carrying out their activities, also through the use of respective mandates. This collaboration is permitted between intermediaries entered in the same section of the Register or Enclosed List or between intermediaries registered in different sections, provided that the requirements identified in art. 42, paragraph 3 and 4 of IVASS Regulation no. 40/2018 are met.

In the case in question, Law no. 221/2012 only governs mutual relations between a proponent intermediary and an issuing intermediary. The wording of the law therefore points to the consideration that it is not intended to refer to trilateral arrangements such as that illustrated, and is therefore not permitted. The format illustrated does not appear to comply with regulations and would in effect make the relations unmanageable, in terms of transparency (completion of the pre-contractual information) and responsibilities, as well as in the management of any complaints. In addition, in the aforementioned model the broker, limiting itself to acting as intermediary between two agents, would not actually carry out any real mediation activity, having no relations with either the customer or the issuing undertaking.

Conversely, in relations pursuant to Law no. 221/2012 between the agent (proponent) and broker (issuer), the need to place the proposed risks requires the broker to seek more suitable coverage by directly contacting the insurance undertaking or one of its agents. The latter relations are usually formalised by signing a free collaboration agreement (not to be confused with the agreement pursuant to Law no. 221/2012), if necessary endorsed by the undertaking for the purpose of application of art. 118 of the CAP, except in cases of relations of an extemporaneous nature.

To conclude, as the format illustrated lacks a specific agreement between the two agents and envisages an anomalous presence of the broker, which in trilateral relations would take on the dual role of proponent and issuer, the distribution model would risk falsifying the information provided to the customer, circumventing the obligations and guarantees imposed by art. 22, Law no. 221/2012, and alter the regulated role of each of the three intermediaries.

2.8. - Management of the Register

2.8.1. - *Investigations handled*

The sole manner of transmission of the applications pertaining to changes in the RUI to date consists of sending the digitally signed electronic form to the dedicated mailbox.

For the Institute's communications with intermediaries entered in sections A, B and D of the Register, only certified e-mail is used, with consistent benefits in terms of efficiency and effectiveness.

In 2018, 87,663 applications were processed with an average processing time of three days, a strong improvement on the seven days of 2017.

Table V.9 shows the changes of the RUI, incoming and outgoing, broken down by type of investigation completed in 2018:

Table V.9

Proceedings completed in 2018 by type of investigation							
							(units)
	Sect. A	**Sect. B**	**Sect. C**	**Sect. D**	**Sect. E**	**En-closed List**	**Total**
Registrations*	506	197	4,555	4	37,700	338	**43,300**
Removals**	950	272	2	37	15,133	252	**16,646**
Reinstatements	122	70	216	4			**412**
Moving from one section to another	547	127	1,524		547		**2,745**
Extension of business abroad	101	388		2			**491**
Measures for the activation of operations or inactivity	14,591	2,554		18			**17,163**
Annotations on the register by effect of disciplinary pro-ceedings	54	64	1		133		**252**
Changes in identifying data	4,503	1,150	4	129	841	27	**6,654**
Total	**21,374**	**4,822**	**6,302**	**194**	**54,354**	**617**	**87,663**

* The investigations for section E registration include the starts and terminations of collaboration agreements. For each investigation, 6 changes in registrations are made on average, for a total number of interested parties exceeding 200 thousand in the year. - ** Investigations for removal from section E determine the deletion of registered intermediaries in cases of termination of the last collaboration agreement, loss of registration requirements, striking off from the Register.

2.8.2. - *Updating of the Single Register of Intermediaries*

The entry into force of Regulation no. 40/2018, which amongst others repealed ISVAP Regulation no. 5/2006, made it necessary to update the RUI in implementation of the IDD.

The new regulations relating to the ban on double registration in sections A and E were subject to impact analysis, which identified the benefits of clearer information for the consumer as regards the qualifications of the intermediary contacted, greater efficiency in RUI data management and cost savings for the intermediary who is no longer required to pay the supervisory feefor registration also in section A.

As stated in art. 99 of IVASS Regulation no. 40/2018, intermediaries registered in both sections A and E were automatically cancelled: 149 intermediaries from Sect. A (148 individuals and one company) and 150 from Sect. E (136 individuals and 14 companies).

IVASS Regulation no. 40/2018 introduced a new concept for the operations of intermediaries registered in Sect. A of the RUI, associated with actual possession of distribution agreements for the agents. Automatic registration of inactivity was consequently arranged for 192 intermediaries registered in Sect. A (95 individuals and 97 companies) which were not in possession of individual distribution agreements or were not responsible for the mediation of companies registered in Sect. A with at least one active mandate.

The IDD prescribed the census and publication of new data in the Register:

a) ancillary insurance intermediaries who, pursuant to art. 109-bis, paragraph 1 of the CAP, operate under assignment from one or more insurance undertakings. These entities, to be registered in Sect. F, are as a transitional measure entered in Sect. A;

b) ancillary insurance intermediaries who operate under assignment of another intermediary registered in sections A, B, C or F, as well as the staff of intermediaries registered in Sect. E who work outside the premises of the latter;

c) the names of insurance and reinsurance distribution managers of insurance and reinsurance undertakings and intermediaries registered in Sect. D;

d) reports on holdings and close links pursuant to art. 105 of IVASS Regulation no. 40/2018.

The new data referred to under points b) and c) is published weekly in separate lists on the IVASS website - Single Register section, as at present it is not possible to record this data in the RUI.

In 2018, monitoring continued of the positions of registered parties who fail to comply with the obligation to pay the supervisory fee or have been inactive for over three years, for which automatic removal orders were issued given that they do not meet the requirements for maintaining registration.

352 intermediaries which were inactive or in default of payment were removed during the year, versus 696 in the previous year and 4,355 in 2016.

RUI maintenance activity was extended to the management of the numerous positions non-compliant with the obligation of payment of the contribution to the broker fund (Consap).

Lastly, in 2018 the systematic verification continued of fulfilment of the registration requirements, particularly through checks carried out in accordance with art. 71 of Presidential Decree no. 445 of 28 December 2000 and art. 35 of IVASS Regulation no. 40/2018. 591 verifications were carried out in 2018.

2.8.3. - *Adaptation of the RUI infrastructure to the IDD*

Registration and management of the new information provided by intermediaries calls for a review of the RUI, to be arranged with cooperation from the Bank of Italy. The action will also concern adaptation of the dynamic PDF form to allow the submission by intermediaries of new information, automatic controls at form completion stage and the subsequent investigation management.

Also taking into consideration the IDD regulatory context, which amongst other things calls for simplified register management and supervision of undertakings and intermediaries, the Institute has decided to design a new application for management of the RUI and the

Enclosed List. The plan is to create a web-based registration system, easily accessible, highly interactive and integrated with the IVASS IT systems.

All functions dedicated to the intermediaries will be accessed from a public and a private area of the Institute's web site. Online services will be available to intermediaries in the private area for dialogue with the Institute, to verify registration status and all the investigations initiated, with a view to simplifying the administrative procedures and reducing response times.

At the same time, the Institute will have a system to effectively and efficiently perform its operations via an integrated database containing all the necessary information. Amongst other things, the system will allow: a) automatic controls to be carried out on information provided by intermediaries to verify fulfilment of the requirements necessary for registration according to predefined criteria; b) automation of mass cancellations from the Register of intermediaries inactive for more than three years and in default of payment of the supervisory fee; c) online interrogation of historic data of the list of intermediaries, whether Italian or from the European Economic Area; d) calculation of supervisory indicators at the time of registration of new parties.

The growing size of the RUI archives will require management of the information using a business intelligence system to generate reports and statistics, in support of the control structures of IVASS and of preventive supervisory actions.

2.8.4. - *The qualifying examination for registration in the RUI*

The qualifying examination for registration in Sections A and B of the Register - 2017 session - was concluded in June 2018, in which 3,196 candidates participated out of 5,893 admitted.

1,050 passed the examination, equal to 32.8% of attendees, compared to 25.2% in the previous session. The pass rates in the last examination sessions sees a continuous and significant increase from the 12% recorded in 2014.

The qualifying examination for the 2018 session was announced through Order no. 78 of 30 October 2018, for which 5,274 applications for participation were received (5,946 for the previous session).

Table V.10

Qualifying examination for registration in the RUI – 2018 session distribution of applications by form

(units and % values)

Form	Applications	%
Insurance	4,849	91.9
Reinsurance	82	1.6
Insurance and Reinsurance	343	6.5
Total	**5,274**	**100.0**

VI. - SANCTIONS

The issue of Regulation no. 39 of 2 August 2018 completed the reform of the sanctioning system introduced by lawmakers in the new CAP on transposition of Directive (EU) 2016/97 on insurance distribution (the IDD) and by Legislative Decree no. 90 of 25 May 2017 (which amended and supplemented Legislative Decree no. 231/2007) on the prevention of the use of the financial system for the purpose of money laundering. The regulatory provisions apply to violations committed from 1 October 2018.

The most significant aspects governed by the Regulation concern: a) criteria for identifying the significance of the violation for the purpose of initiating proceedings; b) the concept of turnover relevant for the determination of the maximum amount of the pecuniary sanction on companies; c) use of the half-year as reference time horizon for determining the unitary assessment of violations of the same nature; d) strengthening of defence rights by envisaging an additional hearing before the decision-making body ("enhanced cross-examination"); e) as regards sanctions that can be inflicted upon corporate officers and personnel, a more precise definition of the recipient of the sanction with respect to primary regulations; f) identification of the organisational units responsible for sanction proceedings in relation to the recipients and to the subject matter, as well as the parties responsible for the investigation phase; g) the detailed list of criteria for scaling the sanctions.

1. - Pecuniary sanctions

2018 saw a decrease in orders imposing sanctions issued by the Institute by an overall -23.7%. This decrease referred both to ordinances inflicting sanctions (-23.5%) and the dismissals of proceedings (-25.7%). Specifically, 1,442 orders (1,889 in 2017) were issued, comprising 1,318 injunction orders (1,722 in 2017) and 124 dismissals (167 in 2017).

The total sanctions imposed amounted to 10.4 million euro (12.8 million euro in 2017), down by -18.7% compared to the previous year.

Again in 2018, the proceedings grouping criteria was followed - launched by the Institute in the previous year - in reference to separate proceedings brought through individual notifications of breaches later merged into a single conclusive order, subject to assessment of the factual and regulatory prerequisites, for similar cases relating to the same undertaking. The types of violations merged into a single order referred to the late settlement of life insurance benefits beyond the deadline established in the contractual conditions, late or incorrect data upload to the claims database and the database of claims history certificates.

With regard to life insurance undertakings, four proceedings opened according to the special sanctioning procedures prescribed by art. 327 of the CAP (serial offence) and defined with the application of the alternative pecuniary sanctions, were concluded.

In two cases, injunction orders were issued inflicting sanctions for a total of 433,300 euro as a result of violations for failure to issue notices to policyholders (98,410 and 100,163 life insurance contracts, respectively), at least 30 days prior to expiry of the contract, that did not comply with regulatory requirements since they gave no indication of the specific documentation that the beneficiary was expected to submit to the insurance company for the settlement of benefits, in violation of art. 183, paragraph 1, letter a) and paragraph 2 of the CAP and of art. 17, paragraph 1 of ISVAP Regulation no. 35/2010. The remaining two cases involved injunction orders for 666,700 euro resulting from offences relating to late settlement of life insurance benefits.

As for the previous year, most of the sanction proceedings were recorded in reference to violations of rules safeguarding the rights of policyholders and injured parties, particularly due to failure to comply with MTPL provisions.

As part of the sanctioning activities, a new aspect is the orders resulting from the inspections campaign conducted by the Institute in application of the Solvency II Directive and which concerned the methods and procedures adopted by life and composite undertakings to determine the Best Estimate of Liabilities (BEL). Methodological weaknesses emerged - among which errors in the database used to calculate provisions, incorrect calculation of surrender assumptions and general costs, failure to provide the modelling of additional payments, incorrect portfolio segmentation - with an impact on calculation of the solvency ratio. In this respect, injunction orders were issued for violation of art. 30-bis, paragraph 1 of the CAP, in the part which states that "*undertakings shall have in place an effective risk-management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report, on a continuous basis the risks, at an individual and at an aggregated level, to which they are or could be exposed, and their interdependencies*".

Lastly, the sanctions imposed on intermediaries decreased slightly in terms of the number and amounts compared to the previous year. 266 ordinances were recorded for 3.4 million euro (271 ordinances for 3.5 million euro in 2017).

1.1. - Ordinances issued

The sanctions affected 76 undertakings and 258 intermediaries.

Table VI.1

Ordinances issued

(amounts in million euro and % values)

	2018			2017			Change			
	No.	%	Amount	No.	%	Amount	No.	%	Amount	%
Injunctions	1,318	91.4	10.4	1,722	91.2	12.8	-404	-23.5	-2.4	-18.7
Dismissals	124	8.6		167	8.8		-43	-25.7		
Total Ordinances	**1,442**	**100.0**	**10.4**	**1,889**	**100.0**	**12.8**	**-447**	**-23.7**	**-2.4**	**-18.7**

Table VI.2

Injunctions in 2018 by recipients			
			(amounts in million euro)
	Undertakings	**Intermediaries**	**Total**
Number of Ordinances	1,052	266	1,318
%	79.8	20.2	100.0
Amount of Ordinances	7.0	3.4	10.4
%	67.3	32.7	100.0

Table VI.3

Appeals against injunctions and comparison		
		(units)
	2018	**2017**
Injunctions issued	1,318	1,722
Appeals to Regional Administrative Courts or extraordinary appeal to the Head of State	15	17
% of total injunctions	1.1	1.0

Appeals, which reduced slightly compared to the previous year, referred to intermediaries (0.7% of the total injunctions) and undertakings (0.4%). For the latter, the highest number of appeals concerned ordinances on violation of obligations relating to the settlement of benefits on life policies (0.3%).

1.2. - Types of violations found

Of the injunctions issued for violations in the MTPL sector, the impact of violations relating to claims settlement remained significant (Table VI.5).

Table VI.4

Violation of MTPL provisions										
										(amounts in million euro and % values)
	2018				**2017**		**Change**			
	No.	**%**	**Amount**	**%**	**No.**	**Amount**	**No.**	**%**	**Amount**	**%**
Injunctions	901	68.4	4.6	44.3	1,309	6.2	-408	-31.2	-1.6	-25.8

Table VI.5

Violation of the rules on claims settlement times										
									(amounts in million euro and % values)	
	Number			Amount			of which direct compensation proceedings			
							Number		Amount	
Injunctions	No.	% MTPL	% total	Mil. euro	% MTPL	% total	No.	% total	Mil. euro	% total
2018	599	66.5	45.4	3.1	67.4	29.5	267	44.6	0.9	29.0
2017	986			4.4			447	45.3	1.6	36.8

In 2018, the injunction orders concerning the settlement of MTPL claims refer to 39 undertakings, decreasing considerably in terms of number and amount.

Table VI.6

Other violations of MTPL provisions											
										(amounts in million euro)	
2018										2017	
Claim history certificates		Claims database		Certificates database		Other MTPL infringements		Total		Total	
No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
72	0.2	30	0.3	34	0.3	166	0.7	302	1.5	323	1.8

Table VI.7

Violation of other provisions										
									(amounts in million euro and % values)	
	2018				2017		Changes			
	No.	% of total market	Amount	% of total market	No.	Amount	No.	%	Amount	%
Injunctions	417	31.6	5.8	55.7	413	6.6	4	1.0	-0.8	-12.1

Injunctions issued for violations other than MTPL refer to violations pertaining to the settlement of life insurance benefits, to failure to comply with reporting obligations to IVASS for supervisory purposes and with provisions concerning management of the undertaking, as well as violations concerning mediation activities.

The mediation area recorded most of the non-MTPL sanctions (63.8% in terms of number and 58.6% in terms of amount). Sanctions amounting to 3.4 million euro (266 ordinances) were imposed on agents, brokers and their collaborators, down slightly compared to 2017 (3.5 million euro and 271 orders). Most of these sanctions pertain to violation of the rules of conduct with respect to policyholders and insured parties or of rules on the segregation of assets (148 injunctions for 2.2 million euro). A significant number of injunctions pertained to the violation of the obligations to notify IVASS of changes to the information provided upon registration: 91 injunctions were issued for 147,500 thousand euro.

1.3. - The sanctions paid

The amounts of the sanctions paid during the year also refer to injunctions issued by the Institute in previous years. In some cases, they are payments of surcharges on sanction amounts made after the 30 day time-limit, or payments pertaining to injunctions for which monthly instalments were allowed, having satisfied the conditions envisaged by art. 26 of Law no. 689/1981.

Table VI.8

Sanctions paid

(thousand euro and % values)

	2018	2017	Change 2018/2017
Amount paid	8,381.40	9,141.50	-8.3%

By year of issue of the injunctions

	2018	2017	2016	2015	2014	2012	Total
Amount paid	6,935.20	1,276.00	54.20	6.50	89.80	19.70	8,381.40

By sanction beneficiary - 2018

Consap – FGVS (Violation of MTPL legislation)		National Revenue (Other violations)		Total
Amount paid	% total	Amount paid	% total	
4,880.60	58.2	3,500.80	41.8	8,381.40

2. - Disciplinary penalties

2.1. - Preliminary investigation of disciplinary proceedings and activities of the Guarantee Committee

The Guarantee Committee on disciplinary proceedings, made up of two sections and assisted by the Secretariat of the Intermediaries Supervision Directorate, evaluates the results of the preliminary investigations, examines the defences of the parties concerned, arranges for their hearing and decides the proposal to the competent bodies of IVASS, either to impose a disciplinary penalty or to dismiss proceedings.

In 2018, 147 new disciplinary proceedings were started. The two Sections of the Committee held a total of 54 meetings.

Based on the Committee decisions, the Institute adopted 225 disciplinary measures, down -6.6% compared to the 241 of 2017.

Table VI.9

Outcome of the proceedings - by type of measure and by section of registration of recipient intermediaries - 2018

(units and % values)

Outcome	Sect. A Agents	Sect. B Brokers	Sect. E Collaborators	Total	Incidence % 2018	Incidence % 2017
Dismissal	9	6	19	34	15.1	22.4
Reprimand	20	4	12	36	16.0	13.3
Censure	16	20	44	80	35.6	38.6
Striking off	22	18	35	75	33.3	25.7
Total	**67**	**48**	**110**	**225**	**100.0**	**100.0**

Striking-offs and censures represent the most sizeable portion of disciplinary measures, 68.9% versus 64.3% in 2017.

2.2. - Types of sanctioned violations

Among the conducts that gave rise to the striking off of intermediaries, most were:

- non-remittance of the amounts collected as premiums to undertakings or relevant intermediaries, often also accompanied by the failure to record the collections;
- violation of the obligation to keep segregate accounts deriving from the failure to establish a separate current account or its incorrect management;
- falsification of contractual documentation;
- forging of the signatures of policyholders;

- communication to policyholders of untrue circumstances, i.e. the issue of false attestations at the time of the contractual offer.

Censure measures were imposed as a result of the following main violations:

- failure to comply with the rules requiring transparency, diligence, correctness and professionalism with respect to policyholders;

- acceptance of cash in violation of regulations on allowed payment means, in particular in the life business;

- failure to comply with provisions on the adequacy of contractual proposals and pre-contractual disclosure obligations.

In a number of cases, in line with the established approach of the Guarantee Committee and in application of art. 62, paragraph 3 of ISVAP Regulation no. 5/2006, the immediately less severe sanction was imposed, having regard for subjective and objective circumstances identified such as the modest scale, in terms of number or amount, of the violations identified, or the action taken by the intermediary to remedy the irregularities found.

In line with the established approach, some disciplinary measures were started and adopted against intermediaries who, although they were no longer registered in the RUI 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), were nevertheless still registered at the time of the violation.

VII. - LEGAL ADVICE

1. - ADVICE

Compared to 2017, in 2018 the legal advice activities of IVASS handled a constant number of cases: with 356 opinions given to the Governing Bodies and Directorates of the Institute with assistance and legal support in the performance of their institutional activities, protecting the consistency of operating decisions with the reference legal framework.

Table VII.1

Entities requesting advice - 2018	
	(number)
Governing Bodies and Secretariat Office of the President and the Board of Directors	26
Prudential supervision	11
Supervisory regulations and policies	21
Intermediary supervision	99
Consumer protection	89
Management of resources	36
Sanctions	16
Inspectorate	6
Compulsory winding up	8
Research and data management	8
EU Court of Justice (questions for preliminary ruling)	11
Body responsible for corruption prevention and transparency	3
Automatic	7
Other requesting entities	15
Total	**356**

2. - LITIGATION

As prescribed in the Statute, the Legal Services Office represents and defends the Institute before the courts using its own attorneys, registered in the special list of publicly-employed lawyers kept by the Bar association of Rome.

In 2018, 56 new cases of litigation were initiated, including extraordinary appeals to the Head of State and cases for which appeal was filed, with a significant increase in new positions compared to 2017 (+40%).

Table VII.2

Litigation cases initiated in 2018 - by subject matter	
	(number)
Supervisory measures (undertakings)	2
Supervisory measures (intermediaries)	8
Pecuniary administrative sanctions	17
Disciplinary penalties	8
Qualifying examinations for registration in the RUI	1
Personnel	8
Appeals	4
Others	8
Total	**56**

Table VII.3

Appeals against pecuniary administrative sanctions, by recipient (2018)	
	(number)
Sanctions imposed on undertakings	9
Sanctions imposed on intermediaries	10
Total	**19**

Significant decisions confirming precedents or with new profiles

Pecuniary administrative sanctions - payment of benefits to beneficiaries delayed beyond the contractually established deadline (violation of art. 183, CAP) - principle of legality - principle of cooperation in good faith and proximity of the proof - principle of proportionality – accumulation of sanctions.

The sanction imposed for the payment of benefits to beneficiaries delayed beyond the contractually established deadline is consistent with the principle of legality expressed in art. 1, Law no. 689/1981. Art. 183, paragraph 1, letter a) of the CAP, in fact, contemplates a sufficiently specific, clear and understandable rule of conduct whereby insurance undertakings are required to “act with diligence, fairness and transparency in dealings with policyholders and insured parties”. These are general clauses to be applied as standard by all sector operators, corresponding to similar standards established in civil law, the contents of which can be supplemented through reference to agreements between the parties. The contractual provision for the payment of insurance benefits by the contractually established deadline therefore constitutes a supplementary rule to the principles stated in art. 183 of the CAP, without the need for regulatory additions to further specify the conduct for sanctioning purposes[133].

The failure in administrative proceedings to submit documents from among those available to the alleged offender results, on the one hand, in a violation of the principle of mutual and fair cooperation between supervisor and supervised and , on the other hand, in a conduct with consequences that can only be attributed to the party who by knowingly and unjustifiably failing to do so renders themselves guilty, and therefore the sanction imposed can only be scrutinised on the basis of objective results of investigations. Otherwise, the reopening of procedural investigations, assisted by technical discretionary powers, in administrative proceedings would be inadmissible, with the end effect of downgrading the process to a mere appendix.

If multiple forms of conduct are sanctioned - i.e. individual violations, each identifiable in time and separate from the other(s), each with different content, characteristics, parties and monetary extent, capable of expressing marked factual and legal independence, therefore detectable separately and autonomously pursuant to art. 183 of the CAP - then each violation of the protected legal interest corresponds to an independent sanction[134].

Pecuniary administrative sanctions - violation of the obligation to promptly formulate an offer of compensation for passengers - articles 141 and 148, paragraph 2 of the CAP - capacity of the maximum amount of cover and equal treatment for entitled parties.

The scope of art. 141 of the CAP - which innovatively introduced direct action for a passenger, injured as a result of a road accident, against the insurer of the vehicle - is to provide passengers with an additional means of protection to facilitate compensation for damages, saving them the burden of demonstrating actual distribution of liability between the vehicle drivers involved in the accident, whatever the means of travel and even if the accident is caused by a collision involving an uninsured or unidentified vehicle (see Court of Cassation no. 16477, 2017).

The cases punished under art. 315 of the CAP refer to the "failure to communicate denial of the offer" by the prescribed deadline. According to the Council of State[135], beyond the scope of the specifically envisaged assumption of "lack of justification" - a term which, in the light of the grounds for the provision, also includes justification that is merely "apparent" or "specious" - the administrative offence cannot be extended to allow judgment by the Supervisory Authority on the "validity" of the reasons for denial, which should instead be subject to jurisdiction of the civil court, when involved. The rejection of a claim based on the need for verification of the capacity of the expected maximum amount of cover does not qualify as an apparent or specious justification - in a case involving multiple injured parties - for which, based on application of the rule of proportionate reduction of the compensation, the onus is upon the insurer to create the requirements for equal treatment of entitled parties.

Pecuniary administrative sanctions - violation of art. 183 of the CAP and articles 28 and 29 of ISVAP Regulation no. 35/10 - violation of the obligation to issue annual statements to policyholders on the insurance position and prompt notification in the event of a loss of principal value exceeding 30% - atomistic or unitary consideration of individual failings

[133] Lazio Regional Administrative Court, Sect. II ter, 9 February 2018, no. 1598.
[134] Principle also reiterated by the Lazio Regional Administrative Court, Sect. II ter, 11240/2018 of 20 November 2018.
[135] Council of State, Sect. VI, no. 6018/2018 of 22 October 2018, promptly adopted by Lazio Regional Administrative Court, Sect. II ter, no. 11237/2018 of 20 November 2018, also with regard to different interpretations in case law that led to the decision of the Court of Cassation, Sect. III, 5 July 2017, no. 16477.

- proof of issue of communications - violation of general good rules by an EU undertaking operating in Italy under right of establishment - duties and role of the home authority and host authority pursuant to art 193 of the CAP.

Failure to issue annual statements of the insurance position and losses of principal value exceeding 30%, for multiple years of a policy, as prescribed by articles 28 and 29 of ISVAP Regulation no. 35/2010, constitute individual instances of conduct that fails to meet the requirements of diligence, fairness and transparency described in art. 183, Italian Legislative Decree no. 209/05, and are to be considered separately[136].

Though the obligation to send communications by registered letter with advice of receipt and to store them are not covered in the framework, the effectiveness of obligations to issue communications and data, envisaged in articles 28 and 29 of ISVAP Regulation no. 35/10, has to form part of the onus upon insurance undertakings to suitably prove their related compliance.

The provisions of art. 193 of the CAP, in reference to EU undertakings, envisages the involvement of the home member state only when, as part of IVASS supervisory powers, measures are adopted that affect the undertaking's operations (measures designed to end the violation, paragraphs 2-4). The application of pecuniary sanctions on the branch office, on the other hand, is not subject to any communication requirement to the home member state as it cannot, on penalty of violation of EU and constitutional principles of equality and competition, envisage a different system for the application of sanctions for EU and Italian undertakings. To this end, in fact, art. 193, paragraph 5, of the CAP does not mention any involvement of the home member state, contrary to the provisions of the preceding paragraphs on supervisory measures impacting the operations of the undertaking, imposing restrictions on the exercise of business activities under right of establishment or free provision of services.

Pecuniary administrative sanctions - violation of art. 183 of the CAP - irregularities in the marketing of products relating to medical liability insurance (unintelligible contractual clauses and obstructionist approach to settlement procedures) - adoption of corrective measures to avoid the adoption of blocking orders on the marketing of insurance products that do not comply with transparency and diligence rules - IVASS judgment on the adequacy of the corrective measures adopted - technical discretion - scope of the judicial opinion on technical and discretionary assessments - violation of the deadline for completing procedures - qualification as "professionals" or "consumers" by medical professionals.

The 90-day deadline specified in letter A of the annex to IVASS Regulation no. 7/2014 starts from the "finding of failure to comply" with the prescribed corrective measures by the undertaking. This *dies a quo* can be identified as the time of receipt of the last investigative contribution, also taking into account the quantity of investigation submissions[137].

Recourse to technical assessment criteria by the Supervisory Authority leads to a variety of possible solutions that inevitably result in an assessment that is not without a certain degree of controversy. The opinion of the court on such matters remains in any event an opinion of legitimacy and not on the merits, and must stop at the limit beyond which the controversial nature of the assessment adopted by the administration inhibits the identification of a legal benchmark that allows the definition of such an assessment as unlawful. In fact, the administrative court assesses the submissions of an independent authority by directly verifying the facts stated as the grounds for the order challenged, including technical

[136] Lazio Regional Administrative Court, Sect. II ter, no. 12339, 12340 and 12341/2018 of 18 December 2018.
[137] Lazio Regional Administrative Court, Sect. II ter, no. 640/2018 of 18 January 2018.

profiles that need to be examined in order to judge the legitimacy of the order. However, when such technical profiles involve assessments that present an objective margin for controversy, such an opinion, other than relating to control of the reasonable nature, logic and consistency of the justification stated, is limited to verifying that the authority has not gone beyond the margins of controversy, as the court does not have the power to replace the authority's assessment with its own when it is accepted that the authority has remained within the aforementioned margins.

The difficulty in cataloguing reasons for inapplicability of the policy cannot justify obstructionist approaches at settlement stage.

When stipulating an insurance policy available on the market, medical professionals do not have an above-average expertise in assessing the contents of the insurance product offered, and therefore can only qualify as "consumers" rather than "professionals".

Pecuniary administrative sanctions imposed on intermediaries - obligation to record payments.

Failure to record in accounts the policies paid by customers constitutes a major violation per se, regardless of the actual damage caused to those customers, in that such records form the basis for the payment of premiums to a separate account and, therefore, for compliance with the principles of segregation of assets imposed by art. 117 of the CAP[138].

Disciplinary penalties - striking off - art. 36, ISVAP Regulation no. 5/2006 - obligation to report changes in address - duties of control and related responsibilities of the subject responsible for mediation activities.

Confirming an established approach[139], the Council of State[140] has reiterated that both art. 331, paragraph 1 of the CAP and art. 3, paragraph 6 of ISVAP Regulation no. 6/2006 contain, for the purpose of issue of the formal notification of disciplinary charges, a reference to the criterion of residence, therefore the intermediary registered in the RUI is liable for informing the Institute, pursuant to art. 36, paragraph 1, letter b), point 2 of said Regulation, of any change of address.

In a mediation company, the subject responsible for mediation activities holds a position of control over the activities of the entity with full legal powers pursuant to art. 112, paragraph 2 of the CAP and art. 2, paragraph 1, letter *z)* of ISVAP Regulation no. 5/2006[141]. Linked with this role - in terms of guarantees for the supervisory authority and, in general, for the market - are specific managerial functions and decision-making powers, and the obligation to actively ensure accurate control of corporate activities and the corresponding liability for any failure to comply[142]. The sanction of striking off does not refer, in fact, only to a conduct involving the performance of an offence, but also to omissions in complying with the duty of supervising corporate activities, above all in relation to the prompt remit of premiums,

138 Lazio Regional Administrative Court, Sect. II ter, no. 11240/2018 of 20 November 2018, mentioned previously

139 Council of State, Sect. VI, 4012/2017 of 16 August 2017; Lazio Regional Administrative Court, Sect. II, 6198/2015 of 29 April 2015; Lazio Regional Administrative Court, Sect. II, 3967/2014 of 10 April 2014.

140 Council of State, Sect. VI, 4643/2018 of 30 July 2018.

141 Principle confirmed by the Council of State, Sect. VI, no. 6990/2018 of 11 December 2018, specifying that for reinsurance mediation a subject separate from that responsible for mediation activities is required, as holder of specific responsibilities in reference to such reinsurance activities.

142 The principle of liability of the subject responsible for mediation activities was also confirmed by the Lazio Regional Administrative Court, Sect. II ter, no. 11240/2018 of 20 November 2018 in a case in which a pecuniary administrative sanction was imposed for irregularities actually carried out by an employee.

as also prescribed in the provisions of art. 40, paragraph 2 of the Criminal Code, with the role of "subject responsible for mediation activities" remaining functional to avoiding that the company, in itself exempt from disciplinary liability, can circumvent the related sanctions.

Orders banning the commencement of new business pursuant to art. 193.4 of the CAP. Council of State decisions

By decisions of 9 February 2018 and 11 April 2018, the Council of State overturned the decisions pronounced by the Lazio Regional Administrative Court which had confirmed two orders banning the commencement of new business pursuant to art. 193.4 of the CAP, issued in 2013 and 2014 against two undertakings operating under the fos, cancelling the orders in question. The Institute promptly complied with the decisions.

3. - Legal training

In 2018, mandatory training for in-house attorneys continued through seminars organised by the Office, held by academics and in-house professionals, carried out over two days with a total duration of eight hours with attribution of the related educational credits.

The attorneys of the Office participated in free specialist legal seminars, also in mandatory ethics, accredited by the Rome Bar.

VIII. - ORGANISATION

In an evolving reference environment characterised by increasing institutional duties, the Institute, also with support from the Bank of Italy, has pursued a path to innovation directed at enhancing the effectiveness of the action and the agility of the organisation, also through simplification initiatives as appropriate, implementing actions on structures, processes, technological infrastructure and the personnel management system.

The main lines of action in 2018 pertained to the definition of the new strategic planning process, continuation of the first cycle of operational risk monitoring, the introduction of new measures to streamline work processes, adaptation to regulations on personal data protection and integration of the IVASS ICT services with those of the Bank of Italy.

1. - IVASS Bodies

In accordance with Article 2 of the Statute, the following are IVASS bodies:

- The President;
- The Board of Directors;
- The Joint Directorate.

The President of IVASS is the Senior Deputy Governor of the Bank of Italy, due to the institutional link between members of the governing bodies of the two institutions.

The Joint Directorate is a collegial body made up of the Governor of the Bank of Italy, who holds the chair, the Senior Deputy Governor of the Bank of Italy - President of IVASS, the three Deputy Governors of the Bank of Italy and the two members of the IVASS Board of Directors. It sets guidelines and strategic targets and adopts the acts with high external importance relating to the performance of the institutional functions in matters of insurance supervision. In 2018, 22 meetings were held, 157 resolutions were passed and 29 information notices were examined.

The Board of Directors is a collegial body made up of the President and two Directors[143]. It is the body responsible for the general administration of IVASS, without prejudice to the functions assigned to the Joint Directorate by the Statute. In 2018, 33 meetings were held, 108 resolutions were passed and 11 information notices were examined.

The Secretary General is responsible for the coordination and management of the structures.

[143] By Presidential Decree of 19 February 2019, Alberto Corinti was confirmed as Director of the Institute for a term of six years. Fabio Panetta became the President of IVASS on 10 May 2019, following his appointment as Senior Deputy Governor of the Bank of Italy (Italian Presidential Decree of 3 May 2019).

2. - ORGANISATIONAL CHANGE AND OPTIMISATION

2.1. - Changes in the organisational structure

The change in regulatory framework associated with the issue of Legislative Decree no. 68 of 21 May 2018, implementing the IDD, has had a significant impact on the insurance industry and the distribution processes. In continuity with Solvency II regulations, European law's intention was to enhance the protection system for policyholders and beneficiaries of insurance products by adding stricter rules of market conduct of operators to the control of the stability of undertakings.

The new system has extended the duties and powers of IVASS, envisaging the extension of entities supervised, stronger and more incisive mechanisms for action and sanctioning, the setup of an out-of-court redress system for disputes between customers and operators and new supervisory powers over manufacturers and distribution networks.

This laid down the new guidelines for increased institutional action for the years to come:

– developments in the preventive supervision of market conduct;

– completion of consumer protection with establishment of the new Insurance Arbitrator;

– overall review of the sanctioning process.

In 2018, based on the new regulations introduced, consideration was given to the IVASS structures and processes most involved in external context developments, which led to a redefinition of the organisational design so as to enhance the effectiveness of institutional action. The new organisation, approved by the Board of Directors on 4 June 2019, envisages:

– integration of the Consumer Protection Directorate and the Intermediary Supervision Directorate, as well as the creation of the market conduct Supervisory Directorate as the sole control department for insurance product design and distribution and on the correct market conduct of all operators;

– establishment of a new Consumer Protection Directorate, to support the forthcoming Insurance Arbitrator, with responsibility for complaints submitted to the Institute and for insurance education initiatives;

– integration of the Winding up and Sanctions Directorate into a new structure responsible for winding up procedures and sanction proceedings.

The action identified will result in streamlining of the structure, reducing the number of services (from 12 to 11), ensuring better matching among the new institutional duties and the design of work processes.

The updating of additional and specific internal skills refers to issues of governance and whistleblowing processes of undertakings, regulatory profiles and macro-prudential stability, and "enhanced cross-examination" for sanction proceedings under the Institute's responsibility.

2.2. - Strategic planning

In the second half of 2018, the final monitoring was carried out on the state of implementation of the IVASS 2015-2017 three-year plan which confirmed the substantial achievement of objectives according to the planned timing and in compliance with defined parameters.

In October 2017, a new strategic planning process for the Institute was launched for the three-year period 2018-2020, which aims to maximise management's involvement and raise the level of sharing of objectives, enhancing their management function. This planning is based on a preliminary analysis of the scenario by the line, adopting a bottom-up perspective to define the development of the reference context, the main strengths and weaknesses in performance of the activities and the priority action areas.

With this plan, the Institute intends to achieve its mission of guaranteeing a suitable level of protection for policyholders, focusing action on the main lines of change: implementation of the new Insurance Distribution Directive (IDD), establishment of the Insurance Arbitrator, consolidation of the Solvency II supervisory system and the challenges posed by technological developments and the need to simplify operating plans[144].

The planned organisational development continues with the aim of guaranteeing the effectiveness of institutional action and the agility of the internal structure, as well as rationalising and simplifying processes and increasing operating efficiency, also through new synergies with the Bank of Italy.

2.3. - Rationalisation of work processes

Significant measures for the rationalisation of work processes were adopted in 2018. In particular:

- development of management control methodologies and enhancement of cost analysis and monitoring activities;
- updating of the Regulation for the administration and accounting system of the Institute to take into account changes introduced by Legislative Decree no. 56/2017 (Public Procurement Code) and to simplify procedures related to purchasing;
- issue of internal guidelines on entertainment expense, use of corporate credit cards, management and inventorying of the Institute's capital assets;
- introduction of cost centre accounting for certain types of expense.

144 https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/Piano_strategico__2018-20.pdf.

2.4. - Procurement

In line with provisions of the Public Procurement Code, which from October 2018 introduced the obligation for contracting authorities to use electronic communications as part of their tender procedures, IVASS opened its "Public Procurement Portal" which electronically manages the tender procedures and the award of public contracts.

A Suppliers List for the Institute was set up on the portal to manage procedures with an economic value below the EU limit. The supplier registration and selection process guarantees maximum transparency and equal treatment of operators, as well as simplifying the administrative processes for the purchase of goods and services.

In 2018, the integration with the Bank of Italy intensified with enabling of the joint simplified proceurement procedures, which as a result of the larger procurement volumes of the Bank achieved savings on goods and service purchases and expanded the Institute's negotiating activities (in particular, in the joint acquisition of software licences and services, power supply and paper for printers and photocopiers).

Cooperation with the Bank continued to integrate the operating practices for purchasing processes, also through the exchange of personnel between structures and work experience periods.

2.5. - Monitoring and management of operational risk

With reference to the operational risk management system (ORM), the Circular making the process to be fully operational was issued in April 2018, formalising the risk tolerance approach and matrix for assessing residual risk in critical processes.

The ORM system completed a full mapping of the Institute's processes, identifying the risks associated with each process (including corruption risk) and defining residual risk mitigation and/or acceptance actions. The activity carried out allowed the launch of a review of work processes to identify margins for streamlining and greater efficiency.

2.6. - The new regulatory framework on data protection and the safeguarding of confidentiality of information

Measures were adopted in 2018 to comply with Regulation (EU) no. 2016/679 on general data protection (GDPR):

- appointment of the Data Protection Officer (DPO) and assistants to the personal data controller;
- implementation of the data processing activities register;
- introduction of the data breach procedure for communicating, assessing and where necessary notifying the Data Protection Authority and interest parties of incidents that could result in high risk to the rights and freedoms of individuals;

- updating of the Institute's web site in relation to regulatory references and information concerning personal data processing;

- training sessions held for IVASS personnel.

The Circular summarising rules and procedures, introduced to the Institute to implement the new regulatory framework, was issued. The Circular details the procedure for impact analysis, that regards all new processing of data classified as high risk, for measuring the extent of the "residual risk" based on existing or planned monitoring and the procedures for responding to parties submitting requests for access, correction, objection and cancellation of their data (the "right to be forgotten").

With a view to safeguarding the confidentiality of information, guidelines were issued which list the criteria and rules for processing and disseminating the information, regardless of the media on which such data are stored and the related processing or management tool. The awareness of all personnel of the level of confidentiality of information processed is the prerequisite for guaranteeing appropriate processing and for avoiding operational, reputational or legal risks.

2.7. - The Three-year Anti-corruption Plan

The Institute continued the activity to prevent and combat corruption and promote transparency, with the consolidation of safeguards and measures required by current regulations and envisaged in the 2017-2019 three-year plan.

Personnel rotation

Job rotation of personnel continued, increasing slightly compared to the past. 3.8% of the staff in service at the end of January 2018 changed their assigned structure during the year, compared to 3.4% in 2017.

Training of staff

General training was provided to new recruits on the key issues of ethics and legality. Updating will begin in 2019 and will involve all employees.

The anti-corruption officer participated in the fourth national meeting with the Officers responsible for the prevention of corruption and transparency, held at the Bank of Italy Conference Centre.

Rules pertaining to incompatibility and non-appointability

Arrangements were made to obtain statements on the absence of situations of incompatibility of holders of managerial positions and to publish the statements on the web site.

The internal procedure for acquiring statements confirming the absence of convictions at the time of appointment to office was again applied in 2018 at staff advancement sessions.

3. - Personnel

3.1. - Regulations on careers

The application framework for the reform of grades and careers, approved in December 2016, was completed in January 2018 with issue of the Circular on annual appraisals and recognition of merit. The first session of annual appraisals was therefore conducted according to the new regulations and, on that occasion, the digital management of employee appraisal sheets was launched.

Towards the end of the year, vacancy procedures were launched to fill two managerial positions (Deputy Head of Directorate), completed at the beginning of 2019.

3.2. - Flexible working

In order to promote flexible working methods, the pilot project intensified for the special system of smart working (concentrated, personalised and multi-period), with the aim of allowing employees a better "work-life" balance.

3.3. - The number of staff

As at 31 December 2018 there were 352 permanent staff, compared to the staff number recognised by law of 355, later expanded by 45 positions as a result of art. 4, paragraph 5 of Legislative Decree no. 68/2018 to meet the start-up needs of the Insurance Arbitrator. Added to these were 13 fixed-term staff (down by 2 compared to 2017).

Table VIII.1

Distribution of IVASS staff by professional area

(units)

Area	Permanent staff	Fixed-term staff	Total
Professional/Managerial			
Directors/Central Directors	30	1	31
Specialists/Experts	256	12	268
Operational			
Operational staff	66	-	66
Total	**352**	**13**	**365**

At the end of 2018, there were 32 holders of managerial positions (Directors and Specialists), of which 50% women. The average age of managerial position holders is 54 years.

IVASS continued to make use of staff seconded from the Bank of Italy (at the end of 2018:
22 staff, of which 8 directors, 11 professionals and 3 operational staff), in turn seconding 2

employees to the Bank of Italy and one to the European Commission. In addition, two Directors are awaiting assignment to positions with EIOPA.

Collaboration continued with leading universities in Rome for the activation of training and orientation internships, with publication of the related notices of selection in November 2018.

In the last few months of the year, in view of the expansion of the Institute's organisation in accordance with Legislative Decree no. 68/2018, preliminary work began on the issue of two notices of competition for the recruitment of 20 new staff (15 law graduates and 5 ICT graduates). The notices were published in January 2019 and recruitment is now in progress.

In application of the Codes of Ethics for the personnel and bodies of the Institute - which envisage the establishment of a Committee to supervise correct application of the Codes and to issue opinions on cases submitted for its attention - 2018 saw the approval of the Regulation for the IVASS Ethics Committee and appointment of its members.

3.4. - Training

IVASS staff participated in 146 training initiatives. 341 employees were involved, i.e. 87% of staff. Overall, 12,125 hours of training were provided, equal to 35 hours per capita.

41 training initiatives were held on matters relating to insurance supervision, 18 of which organised in-house, for which accredited consulting firms and in-house professionals were used. These activities involved 244 staff for a total of 4,148 hours. The training offer also included work experience with sector authorities, attended by 9 employees, for a total number of 52 days.

In the IT field, 178 hours of training were administered to 19 persons on the main cyber security issues.

The Institute conducted managerial and behavioural training courses, in particular on issues related to performance appraisal and feedback to collaborators, targeting 66 employees for a total of 513 hours of training. An individual coaching programme was launched in November 2018 for the top manager roles.

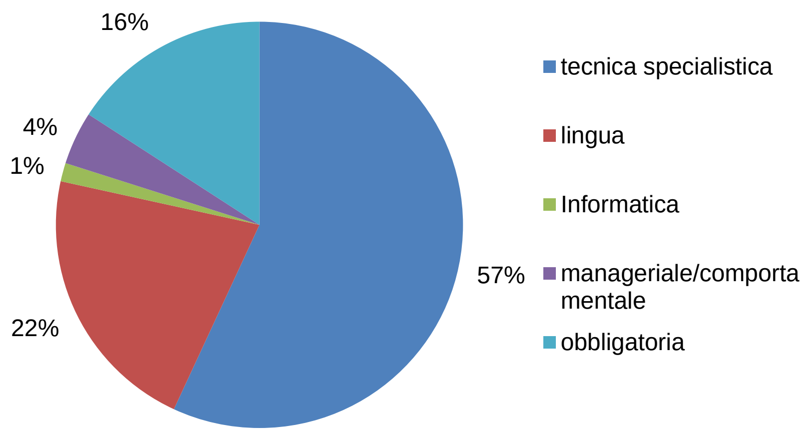
Language training involved 116 resources (34% of personnel), for a total number of 2,612 hours of lessons.

Mandatory training updates on workplace safety continued.

There was particular attention to mandatory training on privacy, in relation to the entry into force of the new European regulations. Training on ethics and legality also continued.

Figure VIII.1

Distribution of training activity



4. - ICT SYSTEMS

The process for the integration of IVASS ICT services with those of the Bank of Italy continued according to the provisions of the framework agreement regulating the ICT collaboration between the two authorities and in line with the Institute's strategic planning.

4.1. - The ICT planning process

On the basis of the ICT strategy, in 2018 attention was heightened on issues relating to cyber security and the priorities assigned to re-engineering the various IT services were reviewed, in accordance with the complexity of each project and its compliance with the Institute's core business.

The main cyber security initiatives include:

- participation in the EIOPA group on IT and cyber risk, to assess the applicability to the insurance sector of the ICT security and governance requirements developed for other financial sectors in the EU, as well as the coordination group on cyber security of the Bank of Italy, in which the "Cyber security: the contribution of the Bank of Italy and IVASS" was prepared[145];
- the Institute's membership of the CERTFin Strategic Committee, an initiative promoted by the Bank of Italy and ABI and which now also sees the participation of ANIA and insurance undertakings, with the aim of facilitating the exchange of information on cyber attacks, working together with the financial sector and governing bodies on IT security, supporting the response in the event of large-scale cyber attacks and increasing the awareness of operators and security culture;

145 https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2018/sicurezza-cibernetica/index.html.

– participation of the Institute's personnel in the training plan, jointly with the Bank of Italy, on "Cyber security and resilience of the financial system" and the training course of the Clusit-Milan Polytechnic partnership on IT security.

The main IT projects in progress with the Bank of Italy are:

– Supervisory Data-warehouse, to build an integrated IT system based on the Infostat software platform;

– AIA - Phase II, directed at supplementing the Anti-Fraud Integrated Database of IVASS with additional external archives and provide a portal for management activities;

– Complaints information system, directed at replacing the current application with a new, better performing one, and provided with adequate safeguards for the protection of cyber security and operational continuity;

– Register of Insurance Undertakings and Groups, with the aim of implementing an updated information system that meets the database needs of internal and external users;

– Evolution of the Claims Data Bank, to comply with the recent innovations prescribed by primary laws and with the new operational needs;

– Statistical software migration, aiming to migrate the IVASS statistical processing environment to the Bank's server, so as to achieve the necessary redundancy of data and infrastructures;

– Insurance Arbitrator, to implement an information system for the out-of-court settlement of disputes relating to insurance contracts;

– Sanctions Information System, to implement an application offering suitable IT security controls and stronger operational continuity requirements;

– Single Register of Intermediaries (RUI), designed to merge the RUI into a single database and single tool.

4.2. - ICT development

The evolution of IVASS ICT services aims to improve the procedures and services available to users to best perform the institutional duties of IVASS, to give continuity to the technological modernisation process and to meet the new needs originating from the external context.

The development of new IT services in 2018 allowed the following important results to be achieved:

– implementation of the AIA2 system now in the final stages of completion with the acquisition, on Bank of Italy IT infrastructures, of the Claims Data Bank and associated external databases for the management and calculation of anti-fraud indicators and for handling the return flow to undertakings;

– adjustment of Infostat procedures in view of the annual developments in the EIOPA taxonomy for Solvency II;

– completion of the College of Supervisors project in support of supervisory activities on insurance groups at supranational level;

– adoption of an information system for IVASS personnel appraisals, adopting a cloud solution of an external provider;

– implementation of the Institute's intranet to provide single, centralised and simplified access to corporate applications for general use and to the local intranets.

4.3. - Management of IT services

Development activities in 2018 led to a growth in the number of services included in the IT catalogue of IVASS, which thus reached 50 services; of these, 34 are managed by the Institute and 16 by the Bank.

The infrastructures hosting the IT services in support of the critical processes of IVASS were included in the Bank of Italy's disaster recovery plan. Disaster recovery testing was carried out, making use of the functions of the secondary data centre.

IT support requirements fulfilled in 2018 totalled 3,800, with a 20% decrease compared to 2017, associated with stabilisation of the IT services after the intense activity of technological integration with the Bank of Italy.

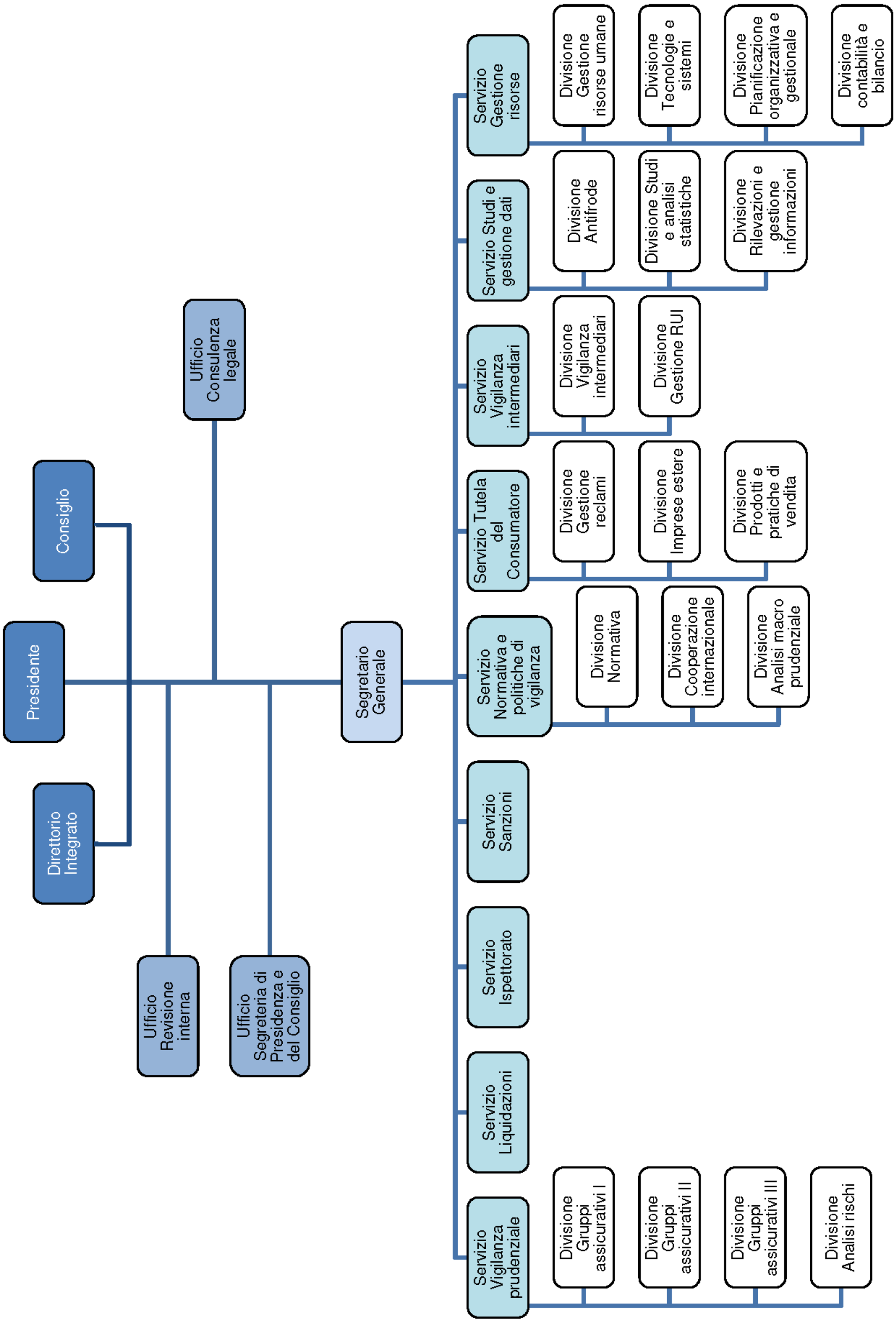
5. - INTERNAL AUDIT

In 2018, the Internal Audit Office expanded the scope of its analyses, in addition to those traditionally focusing on the organisational units. At the centre of this new methodological approach are the risks inherent to the most significant processes for the Institute. The audits, also affecting transversal processes between structures, have therefore become more wide-ranging.

Four audits were carried out, two of which involving organisational units and the other two referring to macro-processes. The audits focused on assessing the adequacy of internal controls and the functioning of organisational structures. Where necessary as a result of the audits, requests were made for the preparation of action plans to increase process efficiency and safety.

Initiatives were undertaken to encourage collaboration by Internal Audit with other assurance functions (ORM, Anti-corruption, DPO), seeking all possible synergies useful to monitoring the system of controls. These initiatives resulted in the preparation of a policy document governing information exchanges and collaboration between second and third level functions. The interaction between functions will offer a fair and complete representation of the Institute's risks, avoiding inefficiencies, overlaps and the risk of partial coverage of the scopes of investigation.

6. - Staff organisational chart as at 20 June 2019



SECRETARIAT OFFICE OF THE PRESIDENT AND THE BOARD OF DIRECTORS

Head of Office: Roberto NOVELLI Number of staff: 12

INTERNAL AUDIT OFFICE

Head of Office: Marina MIELI Number of staff:: 6

LEGAL SERVICES OFFICE

Head of Office: Enrico GALANTI Number of staff: 13

PRUDENTIAL SUPERVISION DIRECTORATE

Head of Directorate: Roberto ROBERTI Number of staff: 71

Deputy Head of Directorate: Roberto FALSO

Insurance Groups I Division - Head of Division: Raffaele LAROBINA;
Deputy Head of Division: Antonietta BOZZANO

Insurance Groups II Division - Interim Head of Division: Roberto FALSO;
Deputy Head of Division: Maria DI FRANCESCO

Insurance Groups III Division - Interim Head of Division: Roberto FALSO;
Deputy Head of Division: Francesca BUZZICHELLI

Risk Analysis Division - Head of Division: Sergio SABBATUCCI

SANCTIONS DIRECTORATE

Deputy Head of Directorate: Patrizia DI BENEDETTO Number of staff: 19

WINDING UP DIRECTORATE

Head of Directorate: Marcello MORVILLO Number of staff: 14

INSPECTION DIRECTORATE

Head of Directorate: Marcello LUBERTI Number of staff: 33

Deputy Head of Directorate: Alberto ARPANO

SUPERVISORY REGULATIONS AND POLICIES DIRECTORATE

Head of Directorate: Martina BIGNAMI Number of staff: 39

Deputy Head of Directorate: Giuseppa BENTIVEGNA;

Supervisory Regulations Division - Head of Division: Francesco MAURO

International Cooperation Division - Head of Division: Alessia ANGELILLI

Macroprudential Analysis Division - Head of Division: Stefano PASQUALINI

CONSUMER PROTECTION DIRECTORATE

Head of Directorate: Elena BELLIZZI Number of staff: 44

Complaints Handling Division - Interim Head of Division: Elena BELLIZZI;
Deputy Head of Division: Nicoletta CARNEVALE

Foreign Undertakings Division - Head of Division: Annamaria DAMIANI

Products and Selling Practices Division - Head of Division: Daniela MARIANI

INTERMEDIARIES SUPERVISION DIRECTORATE

Head of Directorate: Maria Luisa CAVINA Number of staff: 41

Deputy Head of Directorate: Violetta DE LUCA

Intermediaries Supervision Division - Head of Division: Roberto COPIA

RUI Management Division - Head of Division: Marina CARNEVALE

RESEARCH AND DATA MANAGEMENT DIRECTORATE

Head of Directorate: Antonio Rosario DE PASCALIS Number of staff: 36

Deputy Head of Directorate: Pietro FRANCHINI

Anti-fraud Division - Head of Division: Paola SALACOTTI

Research and Statistics Division - Head of Division: Lino MATARAZZO

Recognition and management of information Division - Head of Division: Fabio FARABULLINI

MANAGEMENT OF RESOURCES DIRECTORATE

Head of Directorate: Giorgio PATARACCHIA Number of staff: 63

Deputy Head of Directorate: Isabella BOZZANO

Human Resources Management Division - Interim Head of Division: Giorgio PATARACCHIA;
Deputy Head of Division: Giovanni TIBERI

Accounting and Budget Division - Head of Division: Maria Elena PUZZO

Organisation and Management Planning Division - Head of Division: Saverio FREDA;
Deputy Head of Division: Marco NOGARA

IT and Systems Division - Head of Division: Sergio ANTONICA

GLOSSARY OF INSURANCE TERMS

Definitions are mainly taken from the Private Insurance Code - CAP (Legislative decree No. 209 of 7 September 2005), from ISVAP Regulations no. 22 of 4 April 2008 and no. 44 of 9 August 2012 and from the glossary published on the portal http://www.educazioneassicurativa.it.

acquisition commissions
the remunerations accrued for the acquisition and renewal of insurance contracts, as defined in art. 51 of leg. decree n. 173 of 26 May 1997

added value
the value added to the basic price is the difference between the value of the production at the basic prices (net of taxes on products and gross of subsidies on products) and the intermediate costs at purchase prices (net of depreciation)

adequacy of technical provisions
technical provisions are considered to be adequate when they are determined according to correct actuarial techniques, which lead to a prudent assessment of whether an undertaking can meet any liabilities arising out of insurance contracts as far as can reasonably be foreseen

administrative body
the board of directors or, for undertakings which have adopted the system referred to in article 2409 *octies* of the civil code, the management board and the authorised agent for the Italian branches of insurance undertakings having their head office in a third State

agency with brief
peripheral offices of the insurance undertaking managed by subjects whose collaboration relationship is regulated by article 1742 and foll. of the Civil Code (Insurance contract) and, in particular, art. 1753 of the Civil Code (Insurance agents); they are the real entrepreneurs referred to in art. 1903 of the Civil Code (Insurance agents). The agent with a brief is therefore a professional collaborator of the entrepreneur, who pursues insurance business, bears his own business risk (autonomous organization) and revenue uncertainty (commissions commensurate with the turnover) in compliance with article 106 of the CAP. Moreover, the agent must be registered in the Single Register of Insurance Intermediaries, as defined in article 109 (2) of the CAP

anti-fraud integrated computer database (AIA)
database set up care of IVASS under article 21 of decree-law no. 179 of 18 October 2012, converted with amendments into law no. 221 of 17 December 2012, to prevent insurance fraud in motor liability. AIA is connected to the following data banks:

- claims data bank, register of witnesses and register of injured parties kept by IVASS
- national vehicle file held by the public register of motor vehicles
- national database of those licensed to drive held by the public register of motor vehicles
- data bank of insurance stickers held by the public register of motor vehicles
- Public Motoring Register (PRA) held by Automobil Club d'Italia
- database of loss adjusters held by Consap
- SITA database held by ANIA

The information of interest for the anti-fraud activity collected by the interconnected databases is integrated and used for the calculation of anti-fraud indicators available to law enforcement officials, judicial authorities and insurance companies

anti-fraud report — report on the anti-fraud activity referred to in article 30 of decree-law no. 1 of 24 January 2012 converted, after amendment, into law no. 27 of 24 March 2012

audit firm — a company registered in the special registry envisaged by legislative decree no. 58 of 24 February 1998 and charged with the accounting audit of the financial statements

average balance — the average of the accounting balances of the assets invested in the separately managed account during the observation period expressed in actual days

average insurance expenses (non-life) — gross premiums written in the non-life business in relation to the resident population (density index)

average premium rate — the total expected losses divided by the number of risks which will be presumably covered during the period of validity of the premium rate

bancassurance — participation or distribution agreements between banks and insurance undertakings for the creation and sale of products that combine insurance and investment features

bankruptcy law — Royal decree no. 267 of 16 March 1942 and subsequent modifications

BE-claims — *best estimate* on claims, equal to the expected present value of outflows for claims occurred until the assessment date (reported and IBNR). It includes all the future payments of claims and the relevant management costs

BE-premium — *best estimate* on premiums, equal to the expected present value of total *cash flows* (obtained as the balance of all the flows) arising from that part of the *business* for which the undertaking is still obliged at the assessment date. These include the inflows for future premiums relating to existing contracts and, for the same contracts, the total outflows arising from future claims (payments and management costs)

big data — Reference is made to information characterised by high volume, variety and velocity, much higher than the data traditionally available to market operators. Other features for *big data* are truthfulness and variability; see The Geneva Association, *Big Data and Insurance: Implications for Innovation, Competition and Privacy* (2018) and EIOPA, *Big Data Analytics in Motor and Health Insurance: a Thematic Review* (2019)

black box — satellite meter installed on the insured vehicle, which can connect through the telephone network GSM and/or GSM-GPRS to a control room/service centre and can provide specific geo-referenced info-telematic services In particular it allows to track the path followed, the average and the instant speed of the vehicle, its technical-mechanical conditions, the driving behaviour, and to reconstruct the dynamics of an accident

bonus class (internal) — the position assigned by the companies to each policyholder on the basis of their past driving behaviour, as part of the *bonus-malus* system of compulsory motor liability insurance covers

bonus / malus — the type of premium rate of motor liability contracts which envisage, on each annual expiry date, a decrease (*bonus)* or increase (*malus*) in the premium, respectively in case of no accident or following the occurrence of accidents during a certain time period (observation period)

branch — a branch, not having a legal personality, that is part of an insurance or reinsurance undertaking and that directly exercises all or part of the insurance or reinsurance business

Brexit	from the crasis of the words *Britain* and *exit*, i.e. the process for the withdrawal of the United Kingdom from the European Union, in accordance with art. 50 of the Lisbon Treaty (2007/C 306/01)
business pursued under the freedom to provide services or risk accepted under the freedom to provide services	the business pursued by an undertaking from an establishment situated in the territory of a member State by accepting commitments with policyholders having their domicile or – if legal persons – their head office in another member State or the risk that an undertaking accepts from an establishment situated in the territory of a member State other than that where the risk is situated
business pursued under the right of establishment or risk accepted under the right of establishment	the business pursued by an undertaking from an establishment situated in the territory of a member State by accepting commitments with policyholders having their domicile or – if legal persons – their head office in the same State or the risk that an undertaking accepts from an establishment situated in the territory of the member State where the risk is situated
capital redemption contract	the contract with which an insurer undertakes to pay, irrespective of the duration of human life, predefined amounts after the lapse of an agreed period of time of at least five years as consideration for the payment of single or periodic premiums
CARD	the Agreement between Insurers for Direct Compensation and the regulation of the reimbursements and compensations ensuing from damages as per articles 141, 149 and 150 of the CAP and presidential decree no. 254 of 18 July 2006
CARD claims	claims and/or claims items regulated by the direct compensation procedure, dealt by the undertaking as managing undertaking on behalf of the insurance undertakings of the liable vehicles (undertakings liable for payment). This also covers claims settled using the direct compensation procedure and involving vehicles insured by the same company that occur after 1 January 2009
CARD-CID	part two of the CARD for the direct compensation of damages related to drivers, vehicles and the transported goods owned by vehicle drivers or vehicle owners
CARD-CTT	part three of the CARD for exercise of the right of recourse for damages to passengers and to the property of passengers
certificates of claims experience	an electronic document which, in motor liability insurance, contains the history of claims (paid by the insurance company) caused by the insured vehicle in the last five years irrespective of the driver, the indication of the internal bonus class of each undertaking and the universal conversion class (CU), both of origin and of destination
claim	the occurrence of the event for which the company is required to provide the benefit as cover of the insured risk
claim closed without payment	claim for which no payment for damages has been made
claim exposed to the risk of fraud	the claim for which there is at least one fraud risk indicator
claim to be investigated	the claim exposed to the risk of fraud for which further investigation - in addition to the ordinary investigation - needs to be carried out
claims data bank	the claims data bank established in accordance with article 135 of the CAP for preventing and combating fraudulent behaviours in compulsory insurance for motor vehicles registered in Italy; it is governed by IVASS Regulation no. 23 of 1 June 2016, collects data about claims regarding motor vehicles registered in Italy, as well as data on witnesses and injured parties relating to the same

	claims, with a view to preventing and combating fraudulent behaviours in compulsory insurance for motor vehicles
claims settlement costs	external and internal costs incurred by undertakings in claims management, as defined by art. 48 (3) of leg. decree no. 173 of 26 May 1997
claims settlement time	ratio between the number or amount of claims handled in a given financial year and the number or amount of claims closed with payment (paid and reserved) in the same financial year
claims/premiums ratio	see loss ratio
class C investments	investments of insurance undertakings excluding those in class D; includes separately managed accounts
class D investments	investments for the benefit of life-assurance policyholders who bear the risk and arising from pension fund management
College of Supervisors	a permanent but flexible structure for cooperating, coordinating and assisting in the decision-making process within the scope of the group supervision
combined ratio	sum of expense ratio and loss ratio
Community insurance undertaking	the undertaking with head office and central administration in a member State of the European Union other than Italy or in a State belonging to the European Economic Area, authorised according to the provisions in EC directives on direct insurance
compulsory insurance against civil liability in respect of the use of motor vehicles (MTPL)	compulsory insurance against all civil liability arising out of the use of motor vehicles operating on the land (including carrier's liability). The relevant risks are classified in class 10 as referred to in article 2 (3) of the CAP
consolidated banking law	legislative decree n. 385 of 1 September 1993 and subsequent modifications
consolidated law on financial mediation	legislative decree no. 58 of 24 February 1998 and subsequent modifications
consolidated law on insurance against industrial injury and occupational diseases	legislative decree no. 38 of 23 February 2000, and subsequent amendments
control body	the statutory board of auditors, or, in undertakings which have adopted the system referred to in article 2409 octies of the Italian Civil Code, the board of surveillance or the management control committee
control of insurance undertakings	we refer to the following definitions of control: - *foreign ownership – control by EU or non-EU foreign entities of the insurance sector*: includes domestic insurance undertakings controlled by foreign insurance undertakings - *foreign ownership – Non-EU branches*: includes branches of foreign insurance undertakings with head office in a non-EU country - *foreign ownership – control by EU or non-EU foreign entities of the financial sector*: includes domestic insurance undertakings controlled by foreign financial institutions (banks, financial companies, etc.) - *Italian ownership – control by the state or other public entities*: includes domestic insurance undertakings directly or indirectly controlled by public institutions - *Italian ownership – control by the insurance sector*: includes domestic insurance undertakings controlled by another domestic insurance undertaking; included as well are insurance undertakings at the top of the participation chain, for which there is not a single controlling entity, and those where the controlling entity is a natural person

- *Italian ownership – control by the financial sector*: includes domestic insurance undertakings controlled by domestic financial institutions (banks, financial companies, etc.)
- *Italian ownership – control by other private entities*: includes domestic insurance undertakings controlled by domestic undertakings operating in the industrial sector or in the private non-financial services sector

correct actuarial techniques actuarial methods generally applied by actuaries, according to the best practices and principles recognised at the international and national level and in compliance with the principles contained in the regulations issued by IVASS

cost of claims the amounts paid and written in the provisions including the relevant claims settlement costs

craft any watercraft intended for navigation at sea, lake and river and canal vessels and propelled by mechanical means

credit or counterparty risk the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentration

***critical illness* (or *dread disease*)** insurance covering the needs arising when one of the critical illnesses expressly specified in the policy is diagnosed (heart disease, cancer, blindness, stroke, kidney failure, etc.) with the payment of a predetermined capital

cyber From the English word *cybernetics*, it refers to elements in which IT-based interaction and business on the web play a significant role; for example *cyber-security* regarding the prevention of the threats originating from the web or *cyber-insurance* regarding the policies covering cyber risks

day-one reporting with the entry into force of *Solvency II* on 1 January 2016, insurance undertakings and groups have been required to report the initial situation, assessed on the basis of the new criteria

debtor lump sums lump-sums and reimbursements owed by the undertaking (in accordance with the CARD) as the undertaking liable for payment of the claims and/or claims items managed by other undertakings and for which its policyholders are liable, in full or in part

deductibles contractual clause on the basis of which, for payment of a lower premium, the policyholder shall pay out of his own pockets part of the damages. In relation to motor liability claims the policyholder shall repay to the undertaking part of the damages paid by the latter to the injured party, this part corresponding to the deductible. In the policies linked to mortgages and loans it is that part of the loan, established in the contract, which is charged to the policyholder

demographic bases any statistic on the mortality/longevity of the insured persons used for calculating the premium or for calculating the technical provisions

derivative financial instruments instruments as defined in article 1 (3) of leg. decree no. 58 of 24 February 1998, and subsequent amendments and additions

designated undertaking undertaking designated by IVASS pursuant to article 286 of the CAP

direct compensation the procedure for the settlement of damages envisaged by articles 141, 149 and 150 of the CAP and by presidential decree no. 254 of 18 July 2006;

direct expenses expenses sustained by the undertakings to avoid or control the damages caused by the accident, such as, for instance, the legal costs referred to under

	article 1917 (3) of the civil code, loss containment costs in transport and aviation insurance, and fire suppression and water damage costs in fire insurance
direct insurance and reinsurance	See Italian direct insurance and reinsurance portfolio
diversification effects	the reduction in the risk exposure of insurance and reinsurance undertakings and groups related to the diversification of their business, resulting from the fact that the adverse outcome from one risk can be offset by a more favourable outcome from another risk, where those risks are not fully correlated
ECAI or external credit assessment institution	a credit assessment institution which is registered or certified in compliance with Regulation (EC) no. 1060/2009 of the European Parliament and of the Council or a central bank which issues credit ratings exempted from the application of such regulation
effective date of the cover	the date when the policy becomes effective
eligible own funds covering the Solvency Capital Requirement	mainly include ordinary share capital, capital provisions and, within specified thresholds, preference shares and subordinated liabilities. Own funds are classified into three tiers (tier 1 limited and unlimited, tier 2 and tier 3) according to whether they can be used to absorb the undertaking's losses, taking account of their the level of subordination and of their duration. Unlimited tier 1funds mainly include ordinary share capital and capital provisions, while limited tier 1funds mainly include preference shares and subordinated liabilities
equity risk	the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities
ESFS or SEVIF	the European System of Financial Supervision, consisting of the following parts: EIOPA: European Insurance and Occupational Pensions Authority, established by Regulation (EU) No 1094/2010 EBA: European Banking Authority, established by Regulation (EU) No 1093/2010 ESMA: European Securities and Markets Authority, established by Regulation (EU) No 1095/2010 Joint Committee: the Joint Committee of the European Supervisory Authorities, envisaged by article 54 of Regulation (EU) No 1093/2010, Regulation (EU) No 1094/2010, Regulation (EU) No 1095/2010 ESRB: European Systemic Risk Board, established by Regulation (EU) No 1092/2010 ESRB Supervisory authorities of the Member States: the competent or supervisory authorities of the Member States as specified in the Union acts referred to in article 1 (2) of Regulation (EU) No 1093/2010, Regulation (EU) No 1094/2010 and Regulation (EU) No 1095/2010;
establishment	the head office or branch of an insurance or reinsurance undertaking
expense ratio	the ratio between operating expenses (acquisition, collection and administration costs) and premiums earned
fiduciaries	loss adjusters, doctors and lawyers who contribute to the assessment of damage and the estimate of compensation costs
financial assumptions	the forecasts of financial nature, such as, for instance, those relating to the trend in the rates of return deriving from the undertaking's investments, used in premium rates construction, and the inflation assumptions used for the evaluation of technical provisions

financial bases	the technical interest rate used for calculating the premium and any other financial assumption used for calculating the premium or for calculating the technical provisions
financial insurance products	the products referred to in article 1 (1) w-bis) of leg. decree n. 58 of 24 February 1998 and subsequent modifications and integrations
financial undertaking	an undertaking set up by one of the following subjects: – a credit institution, a financial institution or an instrumental company as per article 4 no. 18 of Regulation (EU) 575/201324; – an insurance undertaking, a reinsurance undertaking or an insurance holding company within the meaning of article 1 (1) (t) (aa) and (cc) of the CAP; – an investment firm within the meaning of article 4 (2) of Regulation no. 575 of the European Parliament and of the Council of 26 June 2013 – a mixed financial holding undertaking within the meaning of article 1 (1, bb-bis) of the CAP;
finite reinsurance	reinsurance under which the explicit maximum loss potential, expressed as the maximum economic risk transferred, arising both from a significant underwriting risk and timing risk transfer, exceeds the premium over the lifetime of the contract by a limited but significant amount, together with at least one of the following two features: – explicit and material consideration of the time value of money – contractual provisions to moderate the balance of economic experience between the parties over time to achieve the target risk transfer
fintech / insurtech	application of innovative technologies to the world of finance and insurance
foreign portfolio	contracts concluded by branches of Italian insurance undertakings, located in third States
fraud risk	the risk of an economic damage arising from conducts, including mere deceptions, to the detriment of the insurance undertaking, both during the contractual process and during the management of the claim
fraud risk indicator	parameter defined by the undertaking to indicate the potential exposure to the risk of fraud
function	within a system of governance, an internal capacity of the insurance or reinsurance undertaking to undertake practical tasks; a system of corporate governance includes the risk-management function, the compliance function, the internal audit function and the actuarial function
general protocol	collaboration protocol between the EEA Supervisory Authority on the supervision of insurance and reinsurance undertakings
green card	an international certificate of insurance issued on behalf of a national bureau in accordance with Recommendation no. 5 adopted on 25 January 1949 by the Road Transport Sub-committee of the Inland Transport Committee of the United Nations Economic Commission for Europe
gross premium	the amount that the policyholder shall pay to the undertaking, which is obtained by adding taxes to the premium rate. In motor liability insurance it also includes the contribution to the National Health Service
group supervisor	the group supervisor as established in accordance with article 207-sexies of the CAP

groups relevant for purposes of financial stability	groups whose balance sheet assets, calculated according to the Solvency II criteria, exceed the threshold of 12 billion euros; these entities are identified in IVASS Regulation no. 21 of 10 May 2016
guarantee fund	a body set up by a member State which has at least the task of providing compensation, up to the limits of the insurance obligation, in the event of damage to property or personal injuries caused by an unidentified or an uninsured vehicle
guarantee fund for hunting victims	the fund set up within Consap and envisaged by article 303 of the CAP
guarantee fund for victims of road accidents	the fund set up within Consap and envisaged by article 285 of the CAP
guarantee schemes	systems for performing - in Italy or abroad - the functions of safeguarding the financial stability of undertakings, in particular for crisis management and resolution
guaranteed interest rate	the guaranteed return contractually agreed upon and provided directly by the undertaking
half-yearly report	the report on the undertaking's performance for the first half-year of business
holding in an insurance undertaking	the ownership, direct or by way of control, of 20% or more of the voting rights or capital of a company, including through subsidiaries, trust companies or third parties, or a percentage which makes it possible to exercise a significant influence over that company
home member State	the member State of the European Union or the State belonging to the European Economic Area in which the head office of the insurance undertaking accepting the commitment or risk is situated or of the reinsurance undertaking
host member State	the member State, other than the home member State, in which an insurance or a reinsurance undertaking has a branch or provides services
IBNR claim	claim incurred but not reported
increasing benefits contracts	the insurance contract on the length of human life or the capital redemption contract whose benefits increase in relation to the return of a separately managed account
index linked contracts	the contracts referred to in article 41 (2) of the CAP, whose benefits are directly linked to indexes or other reference values
individual insurance pension plans	the individual occupational retirement provisions implemented through the life assurance policies referred to in Article 13, first paragraph, letter b) of Legislative Decree no. 252 of 5 December 2005
individual pension plans	the individual pension plans as referred to in article 13 (1), letters a) and b) of leg. decree no. 252 of 5 December 2005
insurance business	the taking up and management of risks by an insurance undertaking
insurance claim	any amount which is owed by an insurance undertaking to insured persons, policyholders, beneficiaries or to any injured party having direct right of action against the insurance undertaking and which arises from an insurance contract or from any operation provided for in article 2(1) and (3), in direct insurance business, including amounts set aside for the aforementioned persons, when some elements of the debt are not yet known. The premiums owed by an insurance undertaking as a result of the non-conclusion or cancellation of these insurance contracts and operations in accordance with

the law applicable to such contracts or operations before the opening of the winding-up proceedings shall also be considered insurance claims

insurance class

a classification by a homogeneous set of risks or operations describing the activities that the undertaking may pursue subject to authorization

insurance group

a group made up of a participating or parent company, its subsidiaries or other entities in which the participating or parent company or its subsidiaries hold a participation, as well as of companies linked by management on a unified basis as set out in art. 96 of the CAP; or based on the establishment, contractually or otherwise, of strong and sustainable financial relationships among those undertakings, that may also include mutual insurance undertakings or mutual-type associations, provided that:

- one of those undertakings effectively exercises, through centralised co-ordination, a dominant influence over the decisions, including financial decisions, of the other undertakings that are part of the group; and
- the establishment and dissolution of such relationships for the purposes of title XV are subject to prior approval by the group supervisor; where the undertaking exercising the centralised coordination shall be considered as the parent or participating undertaking, and the other undertakings shall be considered as subsidiaries or related undertakings

insurance holding company

a parent undertaking the sole or main object of which is to acquire controlling interests and to manage such holdings and turn them to profit, where those subsidiary undertakings are either exclusively or mainly insurance undertakings, reinsurance undertakings, non-EU insurance or reinsurance undertakings, one at least of such subsidiary undertakings being an insurance or reinsurance undertaking with head office in the territory of the Italian Republic, provided that it is not a mixed financial holding undertaking pursuant to art. 1,(1, bb-bis) of the CAP

insurance products

all the contracts issued by insurance undertakings in the pursuit of the activities falling within the life classes or non-life classes as defined in article 2 of the CAP

insurance undertaking

an undertaking authorised according to the provisions laid down in EC directives on direct insurance

insurance undertaking - breakdown by size

non-life undertakings are classified according to their gross premiums into:

- very large, with an amount of gross premiums exceeding 4 billion euro
- large, with an amount of gross premiums ranging between 1 and 4 billion euro
- medium-large, with an amount of gross premiums ranging between 100 million and 1 billion euro
- small, with an amount of gross premiums lower than 100 million

life undertakings are classified according to the value of their technical provisions into:

- very large, with an amount of technical provisions exceeding 25 billion euro
- large, with an amount of technical provisions ranging between 10 and 25 billion euro;
- medium-large, with an amount of technical provisions ranging between 2 and 10 billion euro
- small, with an amount of technical provisions lower than 2 billion.

insurance undertaking authorised in Italy or Italian insurance undertaking

the undertaking with head office in Italy and the Italian branch of an insurance undertaking with head office in a third State, authorized to pursue insurance business or operations according to article 2 of the CAP;

insurtech

see *fintech*

interest rate risk	the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates
intermediaries	any natural or legal person, registered in the single electronic register of insurance and reinsurance intermediaries referred to in article 109 of the CAP, who pursues insurance mediation for remuneration
internal fund	the investment portfolio, managed separately from the other assets held by the undertaking and denominated in units
international accounting standards	the international accounting standards and the relevant interpretations adopted according to the procedure set out in article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002
internationally active insurance groups	groups having an insurance or reinsurance subsidiary undertaking abroad (cross-border groups)
intra-group transaction	any transaction by which an insurance or reinsurance undertaking relies, either directly or indirectly, on other undertakings within the same group or on any natural or legal person linked to the undertakings within that group by close links, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment
investment fund	the UCITS set up as independent assets, divided into parts, created and managed by a manager
Italian business	See Italian direct insurance and reinsurance portfolio
Italian compensation body	the body set up within Consap and envisaged by article 296 of the CAP
Italian direct insurance portfolio	all the contracts concluded by Italian insurance undertakings, except for those concluded by their branches located in third States; the reinsurance contracts included in the reinsurance portfolio are excluded (see following item)
Italian reinsurance portfolio	reinsurance contracts, regardless of where they are concluded, by Italian undertakings or establishments in Italy of undertakings with head office in another State, if the ceding undertaking itself is an Italian undertaking or an establishment in Italy of undertakings with head office in another State The foreign portfolio also includes the contracts, regardless of where they are concluded, in case the ceding undertaking has its head office in another State
IVASS	Istituto per la vigilanza sulle assicurazioni, pursuant to article 13 of decree-law no. 95 of 6 July 2012 converted, after amendment, by law no. 135 of 7 August 2012
land vehicles	insurance against all damage to or loss of land motor vehicles and land vehicles other than motor vehicles, other than railway rolling stock. The relevant risks are classified in class 3 as referred to in article 2 (3) of the CAP
large risks	the risks referred to in article 1 (1) (r), of the CAP
life annuity	periodic benefit in cash that the undertaking is required to pay to the person entitled for the whole length of the insured's life
life assurance	the assurance and operations referred to in article 2 (1) of the CAP
life assurance products	the contracts issued by insurance undertakings in the pursuit of the activities falling within the life classes as defined in article 2 (1) of the CAP, excluding the financial products issued by insurance undertakings as defined in article 1 (1, w-bis) of legislative decree n. 58 of 24 February 1998 and subsequent modifications and

	integrations, and the insurance products for pension purposes referred to under legislative decree n. 252 of 5 December 2005
life business	the life insurances as referred to in article 2 (1) of the CAP
life business	I. assurance on the length of human life II. marriage assurance, birth assurance III. assurance referred to in classes I and II, whose main benefits are directly linked to the value of units of a UCITS (undertakings for collective investment in transferable securities) or the value of the assets in an internal fund or else to an index or other reference values IV. health insurance and insurance against the risk of dependency that are covered by permanent health insurance contracts not subject to cancellation, against the risk of serious disability resulting from accident or sickness or longevity V. capital redemption operations VI. management of group pension funds that effect payments on death or survival or in the event of discontinuance or curtailment of activity
limitation period	extinction of a right not exercised by its holder for a period of time established by law. The limitation period for exercising the rights resulting from a non-life insurance contract is 2 years; 10 years for life covers
liquidity risk	the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial commitments when they fall due
loading	the share of the operating expenses (acquisition, collection and administration costs) and any other burden considered by the undertaking in the premium rates calculation and the business compensation margin of an undertaking's hazard
local gaap	accounting criteria used at national level (*generally accepted accounting practices*), this term is generally used in opposition to international accounting standards (IAS/IFRS)
localization	the existence of assets, whether movable of immovable, within the territory of a given State. Claims against debtors shall be regarded as situated in the State where they are realizable
***long term care* (LTC)**	insurance policy covering the risk of dependency in the performance of daily tasks, classified within the life assurance branch, providing regular pension payments in the form of annuities
loss ratio	the percentage incidence, over the premiums earned, of the sums paid and reserved for the claims occurred in the year, including the relevant direct expenses and settlement expenses
Luxembourg protocol	collaboration protocol between the EEA Supervisory Authority concerning the supervision of intermediaries
managing lump sums	lump-sums and reimbursements owed to the undertaking (in accordance with the CARD) for the claims and/or claims items managed as a managing undertaking on behalf of other undertakings
managing undertaking	the undertaking which pays compensation on behalf of the insurer of the vehicle liable, in full or in part, for the accident
market risk	the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments

maximum amount of cover	maximum agreed amount that the undertaking shall be required to pay in the event of a claim. If the damage caused or suffered exceeds this amount, the difference shall be borne by the policyholder. In motor liability insurance, the CAP has established the limits below which undertakings may not offer coverage
member State	a member State of the European Union or a State belonging to the European Economic Area and, as such, treated on a par with the member State of the European Union
member State of establishment	the member State where the establishment from which the undertakings pursues business is situated
member State of provision of services	the member State of the commitment or the member State in which the risk is situated, when such commitment or risk is accepted by an establishment situated in another member State
member State of the commitment	the member State where the policyholder has his/her domicile or – if the policyholder is a legal person – the member State where the legal person referred to in the contract has its head office
Member State of the European Union	Austria, Belgium, Bulgaria, Cyprus, Croatia, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Romania, Slovakia, Slovenia, Spain, Sweden, Hungary
member State where the risk is situated	the member State: - in which the property is situated, where the insurance relates to buildings or to buildings and their contents, in so far as both are covered by the same insurance contract - of registration, where the insurance relates to vehicles of any type subject to registration, irrespective of whether it is a permanent or a temporary plate - where the policyholder took out the policy in the case of policies of a duration of four months or less covering travel or holiday risks - where the policyholder has his/her habitual domicile or, if the policyholder is a legal person, the State where the latter's head office, to which the contract relates, is situated, in all cases not explicitly covered by the CAP; - of destination where a vehicle is dispatched from one member State to another immediately upon acceptance of delivery by the purchaser for a period of thirty days, even though the vehicle has not formally been registered in the member State of destination - in which the accident occurred if it is a vehicle without a registration plate or bearing a registration plate which no longer corresponds to the vehicle
mixed financial holding undertaking	the undertaking as referred to in article 1 (1, v) of legislative decree no. 142 of 30 May 2005
mixed-activity insurance holding company	a parent undertaking other than an insurance undertaking, a non-EU insurance undertaking, a reinsurance undertaking, a non-EU reinsurance undertaking, an insurance holding company or a mixed financial holding undertaking pursuant to art. 1, (1, bb-bis) of the CAP, one at least of its subsidiary undertakings being an insurance undertaking or a reinsurance undertaking with head office in the territory of the Italian Republic
motor liability	see compulsory insurance against civil liability in respect of the use of motor vehicles
National insurers' bureau	the professional organization which is constituted in accordance with Recommendation No 5 adopted on 25 January 1949 by the Road

	Transport Sub-committee of the Inland Transport Committee of the United Nations Economic Commission for Europe and which groups together insurance undertakings which, in a State, are authorized to conduct the business of motor vehicle insurance against civil liability
national undertaking	see insurance undertakings authorised in Italy
natural premium	annual pure premium covering the insurer's commitments towards policyholders in the year to which the premium refers
NO CARD claims	claims and/or claims items regulated by the ordinary system and not falling within the scope of CARD. This also covers claims settled using the direct compensation procedure and involving vehicles insured by the same company and that occur up until 31 December 2008
non-EU insurance undertaking	the insurance undertaking with head office and central administration in a State not belonging to the European Union or to the European Economic Area, authorised to pursue insurance business or operations according to article 2 of the CAP;
non-EU reinsurance undertaking	the undertaking with head office and central administration in a State not belonging to the European Union or to the European Economic Area, authorised to pursue reinsurance business
non-life business	the non-life insurances as referred to in article 2 (3) of the CAP

non-life business

1. Accident (including industrial injury and occupational diseases); fixed pecuniary benefits; benefits in the nature of indemnity; combinations of the two; injury to passengers
2. Sickness: fixed pecuniary benefits; benefits in the nature of indemnity; combinations of the two
3. Land vehicles (other than railway rolling stock): all damage to or loss of: land motor vehicles; land vehicles other than motor vehicles
4. Railway rolling stock: all damage to or loss of railway rolling stock;
5. Aircraft: all damage to or loss of aircraft
6. Ships (sea, lake and river and canal vessels): all damage to or loss of: river and canal vessels; lake vessels; sea vessels
7. Goods in transit (including merchandise, baggage, and all other goods): all damage to or loss of goods in transit or baggage, irrespective of the form of transport
8. Fire and natural forces: all damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to: fire; explosion; storm; natural forces other than storm, nuclear energy; land subsidence
9. Other damage to property: all damage to or loss of property (other than property included in classes 3, 4, 5, 6 and 7) due to hail or frost, and any event such as theft, other than that included in class 8
10. Motor vehicle liability: all liability arising out of the use of motor vehicles operating on the land (including carrier's liability)
11. Aircraft liability: all liability arising out of the use of aircraft (including carrier's liability)
12. Liability for ships (sea, lake and river and canal vessels): all liability arising out of the use of ships, vessels or boats on the sea, lakes, rivers or canals (including carrier's liability)
13. General liability: all liability other than those forms mentioned under numbers 10, 11 and 12
14. Credit: insolvency (general); export credit; instalment credit; mortgages; agricultural credit
15. Suretyship: suretyship (direct); suretyship (indirect)
16. Miscellaneous financial loss: employment risks; insufficiency of income (general); bad weather; loss of benefits; continuing general expenses; unforeseen trading expenses; loss of market value; loss of rent or revenue;

	indirect trading losses other than those mentioned above; other non-trading financial loss; other forms of financial loss 17. Legal expenses: legal expenses 18. Assistance: assistance to persons who get into difficulties
non-life insurance	the insurance referred to in article 2 (3) of the CAP
non-life insurance products	the contracts issued by insurance undertakings in the pursuit of the activities falling within the non-life classes as defined in article 2 (3) of the CAP
OECD countries	Australia, Austria, Belgium, Canada, Chile, South Korea, Denmark, Estonia, Finland, France, Germany, Japan, Greece, Ireland, Iceland, Israel, Italy, Latvia, Lithuania, Luxembourg, Mexico, Norway, New Zealand, Netherlands, Poland, Portugal, United Kingdom, Czech Republic, Slovakia, Slovenia, Spain, United States, Sweden, Switzerland, Turkey and Hungary
open pension funds	the pension funds established by insurance undertakings and regulated in accordance with article 12 of leg. decree no. 252 of 5 December 2005, designated for the management of complementary pension plans open to individual and collective membership
open-ended investment company (SICAVs)	a joint stock company with a variable share capital which has as its exclusive purpose the collective investment of the assets collected through the medium of a public offering of their shares
operational risk	the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events
other acquisition costs	the costs arising from the conclusion of an insurance contract other than the acquisition commissions, as defined in article 52 of legislative decree no. 173 of 26 May 1997 no. 173 of 26 May 1997
other technical bases	any other statistical analysis, other than the demographic basis, used for calculating the premium or for calculating technical provisions
outsourcing	an arrangement between an insurance or reinsurance undertaking and a service provider, even if the latter is not authorised to pursue insurance or reinsurance business, by which that service provider performs a process, a service or an activity, whether directly or by sub-outsourcing, which would otherwise be performed by the insurance or reinsurance undertaking itself
parameters of significance	the fraud risk indicators indicated in ISVAP order no. 2827 of 25 August 2010
parent undertaking	a company which exercises control pursuant to article 72 of the CAP, also through subsidiaries, trust companies or third parties
participating company	the company which holds a participation
participations	the shares, capital parts and other financial instruments that confer administrative rights or in any case the rights provided for by article 2351, last paragraph of the civil code
pension funds	the institutions for occupational retirement provision established within the meaning of article 3 (1) from a) to h) and within the meaning of article 9 of leg. decree No 252 of 5 December 2005, as well as the institutions for occupational retirement provision established at the date of entry into force of Law No 421 of 23 October 1992
percentage of the rate of return recognised to policyholders	percentage of the return realised by the separately managed account, in which premiums are invested, that the undertaking recognises to the policyholder on an annual basis
personal data protection code	Legislative decree no. 196 of 30 June 2003

pillar I, II and III	requirements established by the Solvency II Directive classified as Pillar I (capital requirements), Pillar II (control system) and Pillar III (supervisory and market reporting).
premium rate	the pure premium plus loadings
probability distribution forecast	a mathematical function that assigns to an exhaustive set of mutually exclusive future events a probability of realisation
profit fund	the profit fund linked to a separately managed account gives the insurance undertaking – under stringent requirements defined by the regulation and at any rate within an established time limit – discretion about the time when capital gains can be paid to policyholders (see ISVAP Regulation no. 38/2011 amended by Order no. 68/2018)
pure premium	the basic cost of the insurance coverage that the policyholder must pay as consideration for the technical risk assumed by the undertakings
pure risk contract	an insurance contract whose benefits are exclusively linked to the occurrence of events such as death, disability and incapacity of the policyholder
qualifying central counterparty	a central counterparty that has been either authorised in accordance with article 14 of Regulation (EU) no. 648/2012 or recognised in accordance with article 25 of that Regulation;
qualifying holding	a direct or indirect holding in an insurance or reinsurance undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking
recreational craft	the craft defined in article 1 (3) of legislative decree no. 171 of 18 July 2005 introducing the recreational marine code
regulated market	a financial market authorised or recognized in accordance with Part III, Title I of the Consolidated Law on Financial Mediation, as well as the markets of OECD States which have been set up, organized and regulated by provisions adopted or approved by the competent national authorities and which satisfy requirements similar to those envisaged for the regulated markets falling within the scope of the consolidated law on financial mediation
reinsurance	the cession of the risks by an insurance undertaking or the retrocession of risks by a reinsurance undertaking
reinsurance business	the taking up and management of the risks ceded by an insurance undertaking or retroceded by a reinsurance undertaking, also from a third State
reinsurance undertaking	an undertaking exclusively authorised to the pursuit of reinsurance, other than an insurance undertaking or a non-EU insurance undertaking, the main business of which consists in accepting risks ceded by an insurance undertaking, an insurance undertaking with head office in a third State or other reinsurance undertakings
related undertaking	the company in which a participation is held
reserving risk:	the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements;
retrocession	cession of risks accepted by a reinsurer

risk concentration	all risk exposures implying a loss potential which is large enough to threaten the solvency or the financial position of insurance and reinsurance undertakings
risk measure	a mathematical function which assigns a monetary amount to a given probability distribution forecast and increases monotonically with the level of risk exposure underlying that probability distribution forecast
risk unit	the single insurance policy relating to compulsory insurance against civil liability in respect of the use of motor vehicles when there is only one insured vehicle or the single insured vehicle in case of a collective policy
risk-mitigation techniques	the techniques which enable insurance and reinsurance undertakings to transfer part or all of their risks to another party
road code	Legislative decree no. 285 of 30 April 1992 and subsequent modifications
ROE	*return on equity*, ratio between the economic result of the financial year and the amount of assets
SCR ratio – solvency ratio	the solvency ratio is calculated as the ratio between eligible own funds covering the solvency capital requirement and the minimum requirement calculated according to *Solvency II* (*solvency capital requirement*, SCR)
senior management	the managing director, the director general as well as the senior management which carries out management supervision duties
segregated funds	the investment portfolio managed separately from the other assets held by the undertaking, the return of which forms the basis for the re-evaluation of the benefits provided by the contracts connected thereto
Solvency I	Directive 1973/239/EC, as amended by Directive 2002/13/EC (non-life) and Directive 2002/83/EC (life)
Solvency II	Directive 2009/138/EC
special purpose vehicle	any undertaking, whether incorporated or not, other than an insurance or reinsurance undertaking, which assumes risks from insurance or reinsurance undertakings and which fully funds its exposure to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers are subordinated to the reinsurance obligations of such a vehicle
State belonging to the European Economic Area	a State that is a contracting party to the agreement extending the regulations of the European Union on, among other things, the free movement of goods, services and capital to the States of the European Free Trade Association signed in Porto on 2 May 1992 and ratified by law n. 300 of 28 July 1993 Apart from EU member States, the EEA includes Norway, Iceland and Liechtenstein
subsidiary undertaking	a company which is controlled pursuant to article 72 of the CAP, also through subsidiaries, trust companies or third parties
supervisory authority	the national authority charged with supervising over undertakings and intermediaries and other insurance market participants
surrender of the claim	the right of the policyholder civilly liable to reimburse the sums claimed according to tariff formulas with variations in the premium in relation to whether claims occur
surrender value of the contract	the right of the policyholder to request early payment of the accrued capital of a life contract in accordance with article 1925 of the Italian Civil Code

switching rate	percentage of contracts expiring in a given quarter which are renewed with a different company. The switching rate in a given period is calculated as the weighted average of the quarterly switching rates
tariff	See premium rate
technical assumptions	all the elements taken into account in the estimate of the future cost of the claims caused by the risks which will be insured in the period of validity of the premium rate and the relevant attributed values
technical bases	any statistical, demographic and financial element and any other assumption used for calculating the premium or for calculating the technical provisions
technical provisions	the technical provisions referred to in article 90 (1) c) of the CAP
technical rate	the minimum rate of return recognized by the undertaking upon conclusion of the contract during the fixing of the premiums
third State	a State which is not member of the European Union or does not belong to the European Economic Area
tied agency	offices of insurance companies which promote insurance contracts, located on the Italian territory and using the insurance undertaking's own staff. The tied agency is managed by the so-called "tied agent", not registered in the Single Register of Insurance Intermediaries, Agents section, but appointed as proxy, linked to the insurance undertaking by an employment relationships and charged with its management
tier	see eligible own funds covering the Solvency Capital Requirement
total expected losses	the estimate of the overall cost of the risks which which will be presumably covered during the period of validity of the premium rate
total loading on premium written (also expected technical margin gross of expenses)	difference between the amount of gross premiums written and that of claims paid and reserved for the year. This difference includes, overall, the expense loading (acquisition and management) and the technical / profit margin. The inclusion, in the claims cost, of the estimated components of the analytical and statistical reserve of IBNR claims, means that the technical / profit margin is only an expected value at the end of the year for the generation of competence. In order to know the true final claims cost it is necessary to wait for the claims reserve to be dismantled over time (analytical and IBNR claims). The technical / profit margin is also net of financial income charged to the technical account as well as of taxes and parafiscal charges
Ufficio centrale italiano	the body which has been set up by insurance undertakings authorized to conduct the business of motor vehicle insurance against civil liability and has been licensed to perform the functions of national insurers' bureau in the territory of the Italian Republic and the other tasks envisaged by Community and Italian law;
undertaking liable for payment	the undertaking for which the damages caused, in full or in part, by its policyholders are reimbursed by other undertakings on its behalf
undertakings for collective investment in transferable securities (UCITS)	unit trusts and SICAVs
undertakings supervised by IVASS	domestic undertakings and Italian branches of non-EEA undertakings under IVASS' supervision on stability
underwriting risk	the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and technical provisioning assumptions

unit linked contracts	the contracts referred to in article 41 (1) of the CAP, whose benefits are directly linked to shares held in an UCITS or to the value of assets contained in an internal fund
universal conversion class	the bonus class mandatorily assigned to motor liability contracts on the basis of unequivocal rules envisaged in IVASS Regulation no. 9 of 19 May 2015
value of the production	for insurance undertakings the value of the production at the basic prices is obtained by subtracting the amount of compensations and the variations in provisions to the premiums earned in the reference year and the net return on provisions. For the life business, principal net (realised and unrealised) gains are also added.
vehicle	any motor vehicle intended for travel on land and propelled by mechanical power, but not running on rails, and any trailer, whether or not coupled with a tractor
waiting period	the initial period, starting from the validity date of the contract, during which the claim is not covered
with-profit contracts	a life assurance or capital redemption contract characterised by mechanisms for increasing benefits, for example by accruing the yield of a separately managed account or profit-sharing with respect to a technical account

ACRONYMS

ABA	*Activity Based Approach* (IAIS)
ABF	Financial and Banking Arbitration
ABI	Italian Banking Association
ACF	Arbitration for Financial Controversies
ACI	Italian Automobile Club
ACPR	*Autorité de contrôle prudentiel et de résolution (French supervisory authority)*
AEEGSI	Electricity, Gas and Water Supply Authority
AGCM	Antitrust Authority
AIA	Anti-Fraud Integrated computer database
AIBA	Italian Association of Insurance and Reinsurance Brokers
AIR	Regulatory Impact Analysis
AML	*Anti-Money Laundering*
ANAC	National Anti-Corruption Authority
ANIA	National Association of Insurance Undertakings
ASC	*Advisory Scientific Committee* (ESRB)
ASF	*Autoritatea de Supraveghere Financiară* (Romanian supervisory authority)
ATC	*Advisory Technical Committee* (ESRB)
AUI	Single Computerised Data Bank (UIF)
AVG	Supervisory report on risk analysis, overall assessment and summary of the judgments
BaFin	*Bundesanstalt für Finanzdienstleistungsaufsicht* (German supervisory authority)
BDS	Claims data bank
BEL	*Best Estimate of Liabilities* (*Solvency II*), also BE = *Best Estimate*
BSCR	*Basic Solvency Capital Requirement*
BTP	Long-term Treasury Bonds
CAD	Electronic Administration Code
CAP	Code of Private Insurance (Legislative decree No. 209 of 7 September 2005)
CARD	Agreement between Insurers for Direct Compensation
Catnat or Nat-cat	Cover against damage due to earthquake and flood (insurance contract)
CCPFI	*Committee on Consumer Protection and Financial Innovation* (EIOPA)
CdA	Board of directors
CDS	*Credit Default Swaps*
CERT	*Computer Emergency Response Team*
CID	Direct Compensation Agreement (see CARD-CID in Glossary)
CMG	*Crisis Management Group*
CNAIPIC	National Anti IT Crime Center for the Protection of Critical Infrastructure
CNCU	National Council of Consumers and Users

COAG	*Coordination Agreement*
ComFrame	*Common Framework for the Supervision of Internationally Active Insurance Groups*
Consap	Concessionaire for Public Insurance Services
CONSOB	National Commission for Listed Companies and the Stock Exchange
COVIP	Supervisory Commission for Pension Funds
CPI	*Consumer Price Index*
CPMI	*Committee on Payments and Market Infrastructures*
CTT	Agreement on passengers (see CARD-CID in Glossary)
CU	Universal conversion class
CVT	Land vehicles (insurance contract)
D&A	*Deductions and aggregations* (*Solvency II*)
D.d.l.	Bill
D.l.	Decree-law
D.lgs.	Legislative decree
D.M.	Ministerial decree
D.P.R.	Decree of the President of the Republic
DPCM	Decree of the President of the Council of Ministers
DPO	*Data Protection Officer* (GDPR)
EBA	*European Bankning Authority*
EC	*European Commission*
ECAI	External Credit Assessment Institution
ED	*Exposure Draft*
EFRAG	*European Financial Reporting Advisory Group* (IASB)
EGBPI	*Expert Group on Banking, Payments and Insurance*
EIOPA	*European Insurance and Occupational Pensions Authority*
EMIR	*European Market Infrastructure Regulation* (Regulation (EU) 2012/648)
EPIFP	*Expected Profits Included in Future Premiums*
ESA	*European Ssupervisory Authorities*
ESFS or SEVIF	European System of Financial Supervision
ESG	*Environmental, Social and Governance objectives (EU Commission)*
ESMA	*European Securities and Markets Authority*
ESRB	*European Systemic Risk Board*
Eurostat	*Statistical Office of the European Union*
FAQ	*Frequently Asked Questions*
FFA	*Fédération Française de l'Assurance*
FGVS	Guarantee Fund for Victims of Road Accidents
FLAOR	*Forward-Looking Assessment of Own Risks* (*Solvency II*)
FSB	*Financial Stability Board*

FSC	*Financial Stability Committee* (ESRB)
FT	*Field Testing* (IAIS)
FTSE MIB	*Financial Times Stock Exchange* Milan Stock Exchange Index
O.J. (G.U.)	Official Journal of the Italian Republic.
O.J. EU	Official Journal of the European Union
GAAP	*Generally Accepted Accounting Practices* (see *local gaap* in the Glossary)
GB	*General Board* (ESRB)
GDPR	*General Data Protection Regulation* (Regulation (EU) 2016 /679)
GHQ	*General Health Questionnaire*
GLT Foundation	*Global Thinking Foundation*
G-SIB	*Global Systemically Important Banks*
G-SII	*Global Systemically Important Insurers*
GSP	*Group Specific Parameters* (*Solvency II*)
HICP	*Harmonised Index of Consumer Prices*
HLA	*Higher Loss Absorbency*
IAIG	*International Active Insurance Groups* (IAIS)
IAIS	*International Association of Insurance Supervisors*
IAS	*International Accounting Standards*
IASB	*International Accounting Standards Board*
IBIP	*Insurance Based Investment Products*
IBNR	*Incurred But Not Reported (claims)*
ICP	*Insurance Core Principles* (IAIS)
ICS	*Insurance Capital Standard* (IAIS)
ICT	*Information and Communication Technology*; also IT: *Information Technology*
IDD:	*Insurance Distribution Directive* (directive 2016/97/EC)
IEG	*Insurance Expert Group* (ESRB)
IFRS	*International Financial Reporting Standards* (IASB)
IMD	*Insurance Mediation Directive* (directive 2002/92/EC)
IMF IFS	*International Financial Statistics of the International Monetary Fund*
IMOGAPI	*Internal Models On-Going Appropriateness Indicators*
IORP	*Institutions for Occupational Retirement Provision*
IOSCO	*International Organization of Securities Commissions*
IPER	Statistical survey on the actual prices for motor liability insurance
IPID	*Insurance Product Information Document*
ISP	*Internet Service Provider*
ISTAT	Italian National Statistical Institute
ISVAP	Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo (Supervisory Authority for Private Insurance Undertakings and Insurance Undertakings of Public Interest)
ITS	*Implementing Technical Standard*

IUR	Unique Risk Identifier
JC	*Joint Committee of the European Supervisory Authorities*
KA	*Key Attributes of Effective Resolution Regimes for Financial Institutions* (FSB)
KID	*Key Information Document* (IDD)
KID	*Key Investor Information Document* (UCITS)
KRI	*Key Risk Indicators*
FOS	Freedom of services
LAC	*Loss Absorbing Capacity*
LIRE	*Low Interest Rate Environment* (ESRB)
LOB	*Line of business* (*Solvency II*)
LRMP	*Liquidity Risk Management Plan*
LTC	*Long Term Care*
LTG	*Long Term Guarantees measures* (EIOPA)
MCR	*Minimum Capital Ratio* (*Solvency II*)
MEF	Ministry of Economy and Finance
MIFID2	*Markets in Financial Instruments Directive 2* (directive 2014/65/EC)
MiSE	Ministry of Economic Development
MIT	Ministry of Infrastructure and Transport
MIUR	Ministry of Education, University and Research
NCA	*National Competent Authority*
NIC	Internet Dominions Registers
NSLT	*Non Similar to Life Technique* (health insurance)
NTNI	*Non Traditional Non Insurance (activities)*
OECD	Organisation for Economic Co-operation and Development
OCF	Body for supervision and keeping of the single register of financial advisers
OIC	Italian Accounting Standard Setter
UCITS	Undertakings for collective investment in transferable securities
ORM	*Operational Risk Management*
ORSA	*Own Risk and Solvency Assessment* (*Solvency II*)
OTC	*Over-the-counter* (derivatives)
PCR	*Prescribed Capital Requirement* (IAIS)
PEC	Certified Electronic Mail
PEPP	Pan-European Personal Pension Product
PID	*Product Information Document* (IDD)
GDP	Gross Domestic Product
PIP	individual insurance pension plans
PIR	Individual Savings Plans
POG	*Product Oversight Governance*

PPI	*Payment Protection Insurance*
PRA	Public Motoring Register
PRIIP	*Packaged Retail and Insurance-based Investment* PRIIP EOS: products with environmental or social purposes
PSD2	*Payment Systems Directive 2* (directive 2015/2366/EC)
Q&A	*Questions and answers* (see FAQ)
QRT	*Quantitative Reporting Template* (EIOPA)
R.C.	Liability insurance
RAF	*Risk Assessment Framework*
MTPL	Motor Vehicle Liability (insurance contract)
REFIT	European Commission's Regulatory Fitness and Performance Programme
ROA	*Return On Assets*
ROE	*Return On Equity*
RP	*Recovery Plan*
RPCT	Manager responsible for Prevention, Anti-corruption and Transparency
RR	*Recovery and Resolution* (IAIS)
RSR	*Regular Supervisory Report*
RTS	*Regulatory Technical Standard*
RUI	Single Register of Intermediaries
SCR	*Solvency Capital Requirement* (*Solvency II*)
SCRR	*Solvency Capital Requirement Ratio* (ration between own funds and SCR – *Solvency II*)
EEA	European Economic Area
SFCR	*Solvency and Financial Condition Report*
SFTR	*European Market Infrastructure Regulation* (Regulation (EU) 2015/2365)
SHRD2	*Shareholders' Rights Directive 2* (Directive 2017/828/EC)
SICAV	open-ended investment company (SICAVs)
SIM	Stock brokerage company
SPAC	*Special Purpose Acquisition Company*
SRATF	*Systemic Risk Assessment Task Force*
SRMP	*Systemic Risk Management Plan*
SRP	*Supervisory Review Process*
SSN	National Health Service
TAR	Regional Administrative Court
TFR	Severance pay regulated by Article 2120 of the Civil Code
TFUE	Treaty on the Functioning of the European Union
TMG	Guaranteed maximum rate (separately managed account)
TMO	Average rate of return of government bonds
TP	*Technical provision* (see technical provisions in the Glossary)
TUB	Consolidated Banking Law – legislative decree no. 385 of 1 September 1993

TUF	Consolidated law on financial mediation – legislative decree no. 58 of 24 February 1998
TVOG	*Time Value of Options and Guarantees*
UCI	Ufficio centrale italiano
UCITS	*Undertaking for Collective Investments in Transferable Securities*
UdR	risk unit
EU	European Union
UFR	*Ultimate Forward Rate*
UIF	Financial Intelligence Unit
USP	*Undertaking Specific Parameters* (*Solvency II*)
VA	*Volatility Adjustment* (*Solvency II*)
VIR	Regulatory Impact Assessment (AIR)

APPENDIX

STATISTICAL TABLES

WARNING

The sign conventions used in the tables mean:

– the phenomenon does not exist;

…. the phenomenon does exist, but data are not known or may not be disclosed for reasons of confidentiality;

.. data do not reach the minimum considered significant;

:: data are statistically not significant.

Balance sheet data for 2018 are taken from early reporting sent in March 2019 and are to be regarded as provisional.

Individual and total data may not tally due to rounding off of decimal numbers

Table 2

Undertakings pursuing insurance and reinsurance business in Italy

YEARS (as at 31 Dec.)	Domestic Undertakings				Branches of foreign undertakings			Undertaking pursuing business by way of FOS:
	companies limited by shares	cooperative companies	mutual companies	Total	with head office in a non-EU or non-EEA country	with head office in a EU or EEA* country	Total domestic and foreign undertakings with a permanent presence in Italy	with head office in a EU or EEA** country
2009	152	1	3	156	3	82	241	922
2010	147	1	3	151	2	89	242	959
2011	138	1	3	142	2	95	239	977
2012	131	1	3	135	2	98	235	991
2013	125	1	5	131	2	100	233	979
2014	118	1	3	122	2	98	222	1,005
2015	110	1	3	114	3	103	220	1,007
2016	104	1	3	108	3	104	215	1,008
2017	96	1	3	100	3	110	213	985
2018	93	1	3	97	3	117	217	1,055

* Italian branches of insurance and reinsurance undertakings with head office in other EU countries (or other EEA States) for which stability is supervised by their respective Home supervisors.

** Undertakings with head office in EU or EEA States which are licensed to pursue business in Italy under the free provision of services.

Table 3

Life business – Premiums earned in Italy (direct insurance) by EU/EEA undertakings pursuing business by way of establishment in 2017 broken down by line of business and country

(million euro)

Country	Permanent health insurance	With-profit policies	Other life policies	Unit and *index linked policies*	Total
Austria	0	12	0	0	**12**
Belgium	0	0	0	0	**0**
France	34	0	241	0	**275**
Ireland	57	2	280	3.039	**3.378**
Luxembourg	0	324	10	804	**1.138**
Spain	0	42	-3	120	**159**
United Kingdom	5	17	8	0	**30**
UE Countries	**97**	**396**	**536**	**3,963**	**4,992**
Liechtenstein	0	0	0	299	**299**
Total	**97**	**396**	**536**	**4,262**	**5,291**

Source: EIOPA

Table 4

Life business – Premiums earned in Italy (direct insurance) by EU/EEA undertakings pursuing business by way of FOS in 2017 broken down by line of business and country

(million euro)

Country	Permanent health insurance	With-profit policies	Other life policies	Unit and Index linked policies	Total
Austria	0	4	0	3	**8**
Belgium	0	0	0	0	**0**
Croatia	0	0	0	1	**1**
France	0	1	2	0	**4**
Germany	0	4	0	0	**4**
Ireland	52	0	70	13,942	**14,065**
Luxembourg	0	856	1	1,709	**2,565**
Malta	18	0	55	0	**73**
Netherlands	0	0	0	0	**0**
Slovakia	0	1	0	2	**3**
Sweden	0	0	0	0	**0**
United Kingdom	0	0	2	0	**2**
UE Countries	**71**	**867**	**130**	**15,658**	**16,726**
Liechtenstein	0	0	0	327	**327**
Total	**71**	**867**	**130**	**15,985**	**17,053**

Source: EIOPA

Table 5

Non-life business – Premiums earned in Italy (direct insurance) by EU undertakings pursuing business by way of establishment in 2017 broken down by line of business and country

(million euro)

Country	Assistance	Credit and Suretyship	Fire and other damage to property	General liability	Income protection	Legal expenses	Marine, aviation and transport	Medical expenses	Financial loss	Motor vehicle liability	Other motor insurance	Workers' compensation	Total
Austria	0	0	9	7	18	0	0	0	0	2	12	0	**48**
Belgium	8	326	1	0	4	0	0	9	6	0	0	0	**356**
Finland	0	0	0	0	0	0	0	0	0	0	0	0	**0**
France	39	0	35	77	20	0	0	67	184	72	45	10	**548**
Germany	1	0	185	141	26	72	35	4	14	73	10	0	**562**
Ireland	19	39	370	353	134	22	10	79	75	556	155	2	**1,813**
Luxembourg	0	9	17	29	0	0	16	0	1	0	0	0	**73**
Spain	41	153	0	0	0	0	0	0	16	145	23	0	**378**
United Kingdom	0	24	132	435	12	0	102	0	188	2	54	0	**949**
UE Countries	**109**	**551**	**750**	**1,043**	**213**	**94**	**163**	**160**	**483**	**849**	**299**	**11**	**4,726**
Liechtenstein	0	0	2	2	0	0	3	0	0	0	0	0	**8**
Total	**109**	**551**	**752**	**1,045**	**213**	**94**	**166**	**160**	**483**	**849**	**299**	**11**	**4,734**

Source: EIOPA

Table 6

Non-life business – Premiums earned in Italy (direct insurance) by EU undertakings pursuing business by way of FOS in 2017 broken down by line of business and country

(million euro)

Country	Assis-tance	Credit and Surety-ship	Fire and other dam-age to prop-erty	Gen-eral li-ability	Income protec-tion	Legal ex-penses	Ma-rine, avia-tion and transp ort	Medi-cal ex-penses	Finan-cial loss	Mo-tor vehi-cle li-abil-ity	Other motor insur-ance	Work-ers' com-pensa-tion	Total
Austria	0	0	9	25	5	0	2	0	0	0	7	0	**48**
Belgium	0	1	0	0	1	0	0	6	1	0	0	0	**9**
Croatia	0	0	0	0	0	0	0	0	0	2	0	0	**2**
Czech Rep.	0	0	4	0	0	0	0	0	0	0	0	0	**4**
Denmark	0	2	1	1	0	0	3	0	0	0	4	0	**11**
France	0	0	17	49	2	0	6	25	10	17	5	0	**131**
Germany	0	0	37	13	0	0	23	0	1	18	10	0	**102**
Hungary	0	4	0	0	0	0	0	0	0	0	0	0	**4**
Ireland	3	10	67	41	17	0	12	1	19	46	1	0	**217**
Latvia	0	0	0	1	0	0	0	0	0	0	1	0	**2**
Luxem-bourg	1	2	0	2	0	0	3	0	4	3	0	0	**15**
Malta	0	13	5	5	2	0	0	0	7	0	1	0	**33**
Nether-lands	0	0	1	0	0	0	0	0	0	0	0	0	**1**
Romania	0	3	0	0	0	0	0	0	0	0	0	0	**3**
Spain	0	0	1	0	0	0	2	0	0	0	0	0	**3**
United Kingdom	2	6	75	50	5	0	21	10	9	143	14	0	**335**
UE Coun-tries	**6**	**41**	**218**	**186**	**32**	**1**	**73**	**43**	**52**	**229**	**43**	**0**	**924**
Liechten-stein	0	0	4	3	0	0	2	0	0	0	0	0	**9**
Norway	0	0	0	0	0	0	21	0	0	0	0	0	**21**
non-EU EEA countries	**0**	**0**	**4**	**3**	**0**	**0**	**23**	**0**	**0**	**0**	**0**	**0**	**30**
Total	**6**	**41**	**221**	**189**	**32**	**1**	**96**	**43**	**52**	**229**	**43**	**0**	**954**

Source: EIOPA

Table 7

Premium income relating to the Italian and foreign portfolio for both insurance and reinsurance
(national undertakings and branches of non-EEA undertakings)

(million euro)

YEAR	Italian direct portfolio			Total for Italy (insurance and reinsurance portfolio)	Total foreign undertakings (insurance and reinsurance portfolio)
	Life	Non-life	Total		
2009	81,116	36,685	117,801	119,095	1,632
2010	90,114	35,606	125,719	126,951	1,903
2011	73,869	36,358	110,227	111,562	1,957
2012	69,715	35,413	105,129	106,126	2,236
2013	85,100	33,687	118,787	119,783	2,398
2014	110,518	32,800	143,318	144,248	2,277
2015	114,947	32,007	146,954	147,878	2,484
2016	102,252	31,954	134,206	135,123	3,066
2017*	98,611	32,338	130,948	131,822	2,763
2018*	102,048	33,096	135,144	136,074	2,612

* Data integrated with statistical data.

Table 8

Premium incidence over the gross domestic product
(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro)

	2014	2015	2016	2017	2018
Life and non-life premiums *	**143,318.2**	**146,953.6**	**134,206.2**	**130,948.3**	**135,144.1**
Life premiums	110,518.0	114,947.1	102,252.3	98,610.6	102,048.0
Non-life premiums	32,800.2	32,006.5	31,953.9	32,337.7	33,096.1
of which for motor liability and liability for ships	*15,211.2*	*14,218.0*	*13,525.5*	*13,234.0*	*13,252.0*
Gross domestic product**	1,621,827.2	1,652,085.4	1,689,824.0	1,727,381.5	1,756,981.5
Cost of living index (basis 2015=100)**	100.1	100.0	99.9	101.0	102.1
			annual % variation		
Life and non-life premiums	**20.7**	**2.5**	**-8.7**	**-2.4**	**3.2**
Life premiums	29.9	4.0	-11.0	-3.6	3.5
Non-life premiums	-2.6	-2.4	-0.2	1.2	2.3
of which for motor liability and liability for ships	*-6.5*	*-6.5*	*-4.9*	*-2.2*	*0.1*
Gross domestic product**	1.1	1.9	2.3	2.2	1.7
Cost of living index	0.2	-0.1	-0.1	1.1	1.1
			% incidence over GDP		
Life and non-life premiums	**8.8**	**8.9**	**7.9**	**7.6**	**7.7**
Life premiums	6.8	7.0	6.1	5.7	5.8
Non-life premiums	2.0	1.9	1.9	1.9	1.9
of which for motor liability and liability for ships	*0.9*	*0.9*	*0.8*	*0.8*	*0.8*
			*annual % variations in real terms ****		
Life and non-life premiums	**20.4**	**2.6**	**-8.6**	**-3.5**	**2.1**
Life premiums	29.6	4.1	-10.9	-4.6	2.4
Non-life premiums	-2.8	-2.3	0.0	0.0	1.3
of which for motor liability and liability for ships	*-6.6*	*-6.4*	*-4.8*	*-3.2*	*-0.9*
Gross domestic product	**0.9**	**2.0**	**2.4**	**1.1**	**0.6**

* Data integrated with statistical data.

** Source: ISTAT - Gross domestic product at the market prices. Data as at April 2019. General index of consumer prices for families of clerical and manual workers (acronym: FOI), tobacco excluded.

*** Data deflated by the coefficients published by ISTAT.

Table 9

Premium income by controlling group (Italian direct portfolio)
(national undertakings and branches of non-EEA undertakings)

(million euro)*

	Life				Non-life				Total			
	2017		2018		2017		2018		2017		2018	
	Premiums	%	Premiums	%	Premiums	%	Premiums	%	Premiums	%	Premiums	%
Controlled by EU foreign entities of the insurance sector	19,915	20.20	24,737	24.24	8,782	27.16	8,921	26.96	28,697	21.92	33,658	24.91
Controlled by EU foreign entities of the financial sector	9,180	9.31	9,870	9.67	552	1.71	573	1.73	9,731	7.43	10,442	7.73
Controlled by non-EU foreign entities of the insurance sector	2,217	2.25	2,781	2.72	99	0.31	98	0.30	2,315	1.77	2,878	2.13
Controlled by non-EU foreign entities of the financial sector	775	0.79	864	0.85	394	1.22	321	0.97	1,169	0.89	1,186	0.88
Non-EU branches	0	0.00	0	0.00	504	1.56	565	1.71	504	0.38	565	0.42
Controlled by the State and by Italian public entities	20,354	20.64	16,705	16.37	774	2.39	904	2.73	21,128	16.13	17,609	13.03
Companies controlled by private entities, of which:	46,170	48.62	47,091	46.15	21,205	65.66	21,715	65.63	67,375	51.45	68,805	50.91
Controlled by Italian entities of industrial and services sectors	*17*	*0.02*	*24*	*0.02*	*518*	*1.60*	*617*	*1.86*	*536*	*0.41*	*641*	*0.47*
Controlled by Italian entities of the insurance sector	*27,066*	*27.45*	*29,084*	*28.50*	*20,192*	*62.44*	*20,491*	*61.91*	*47,257*	*36.09*	*49,574*	*36.68*
Controlled by Italian entities of the financial sector	*19,087*	*19.36*	*17,983*	*17.62*	*523*	*1.62*	*607*	*1.83*	*19,610*	*14.98*	*18,590*	*13.76*
Total	**98,611**	**100.00**	**102,048**	**100.00**	**32,338**	**100.00**	**33,096**	**100.00**	**130,948**	**100.00**	**135,144**	**100.00**

* Data integrated with statistical data.

Table 10

Outward reinsurance premiums – Life and non-life business – 2017

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro)

	Inward premiums	Outward premiums	Outward/inward premiums % ratio
NON LIFE BUSINESS			
Accident	3,085.1	216.7	7.0
Sickness	2,570.5	367.0	14.3
Land vehicles	2,796.2	279.3	10.0
Railway rolling stock	6.3	1.9	30.6
Aircraft	13.8	7.3	53.3
Ships (sea, lake and river and canal vessels)	227.1	104.5	46.0
Goods in transit	169.5	60.6	35.8
Fire and natural forces	2,399.7	285.8	11.9
Other damage to property	2,787.5	428.6	15.4
Motor vehicle liability	13,203.0	998.6	7.6
Aircraft liability	7.9	4.7	60.2
Liability for ships (sea, lake and river and canal vessels)	31.1	0.3	0.9
General liability	2,918.2	221.7	7.6
Credit	65.6	25.1	38.3
Suretyship	382.3	168.5	44.1
Miscellaneous financial loss	600.7	167.1	27.8
Legal expenses .	362.4	132.6	36.6
Assistance	682.7	327.4	48.0
Total non-life classes	**32,309.5**	**3,797.7**	**11.8**
LIFE BUSINESS			
Class I	62,777.7	592.6	0.9
Class II			
Class III	31,254.5	4.7	0.0
Class IV	89.3	20.6	23.0
Class V	2,549.7	0.0	0.0
Class VI	1,939.4	0.0	0.0
Total life business	**98,610.6**	**617.8**	**0.6**

Table 11

Life assurance - Premium income by insurance class

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

*(million euro and percentage values *)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
class I	64,741	67,844	56,698	51,191	64,959	82,578	77,875	73,635	62,778	66,204
% var.	*106.0%*	*4.8%*	*-16.4%*	*-9.7%*	*26.9%*	*27.1%*	*-5.7%*	*-5.4%*	*-14.7%*	*5.5%*
class III	9,732	15,409	12,496	13,800	15,514	21,837	31,838	24,031	31,254	29,838
% var.	*-47.6%*	*58.3%*	*-18.9%*	*10.4%*	*12.4%*	*40.8%*	*45.8%*	*-24.5%*	*30.1%*	*-4.5%*
class IV	26	27	32	44	52	67	74	79	89	109
% var.	*4.3%*	*4.1%*	*16.6%*	*36.8%*	*19.0%*	*28.9%*	*9.7%*	*7.3%*	*12.9%*	*22.5%*
class V	5,078	5,154	3,131	2,815	3,282	4,622	3,508	2,741	2,550	3,806
% var.	*58.9%*	*1.5%*	*-39.3%*	*-10.1%*	*16.6%*	*40.8%*	*-24.1%*	*-21.9%*	*-7.0%*	*49.3%*
class VI	1,539	1,679	1,512	1,866	1,292	1,413	1,652	1,766	1,939	2,091
% var.	*13.5%*	*9.1%*	*-9.9%*	*23.4%*	*-30.7%*	*9.3%*	*17.0%*	*6.9%*	*9.8%*	*7.8%*
Total	**81,116**	**90,114**	**73,869**	**69,715**	**85,100**	**110,518**	**114,947**	**102,252**	**98,611**	**102,048**
% var.	*48.7%*	*11.1%*	*-18.0%*	*-5.6%*	*22.1%*	*29.9%*	*4.0%*	*-11.0%*	*-3.6%*	*3.5%*

* Class II has not been included since the relevant premium income was nil. The 2018 data have been integrated with statistical data.

Table 12

Life assurance - individual policies - Premium income by type of product

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro and percentage values)

Items	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
With profit policies										
class I	60,562	63,646	52,518	47,307	61,157	78,478	73,772	69,337	58,290	61,647
class V	3,049	3,710	1,788	1,268	1,735	3,310	2,504	1,865	1,508	1,341
Total	**63,611**	**67,356**	**54,306**	**48,575**	**62,892**	**81,788**	**76,275**	**71,202**	**59,798**	**62,988**
Annual variation	*127.9%*	*5.9%*	*-19.4%*	*-10.6%*	*29.5%*	*30.0%*	*-6.7%*	*-6.7%*	*-16.0%*	*5.3%*
Incidence over total	*85.3%*	*79.8%*	*79.5%*	*76.1%*	*79.0%*	*78.0%*	*69.6%*	*73.6%*	*64.4%*	*66.4%*
Unit-linked and index-linked policies										
class III (unit-linked)	7,925	12,339	10,097	12,496	15,383	21,802	31,782	23,846	30,733	29,194
class V (unit-linked)	12	3	5	2	1	1	1	2	1	0
class III (index-linked)	1,773	3,058	2,385	1,291	120	24	48	176	516	635
class V (index-linked)	0	0	0	67	0	0	0	0	0	0
Total	**9,710**	**15,399**	**12,487**	**13,856**	**15,505**	**21,827**	**31,831**	**24,023**	**31,250**	**29,829**
Annual variation	*-47.5%*	*58.6%*	*-18.9%*	*11.0%*	*11.9%*	*40.8%*	*45.8%*	*-24.5%*	*30.1%*	*-4.5%*
Incidence over total	*13.0%*	*18.2%*	*18.3%*	*21.7%*	*19.5%*	*20.8%*	*29.1%*	*24.8%*	*33.6%*	*31.4%*
Other policies										
Pure risk term policies (class I)	656	773	764	628	627	650	711	742	840	950
Sickness insurance and insurance against the risk of dependency** (class IV)	3	3	7	14	21	27	32	33	40	52
Management of group pension funds (class VI)***	….	664	570	494	507	510	679	741	836	870
Other types of policies of class I	555	243	158	244	40	17	45	66	137	196
Total individual policies*	**74,535**	**84,438**	**68,292**	**63,810**	**79,591**	**104,820**	**109,574**	**96,807**	**92,900**	**94,884**

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

** Permanent health insurance policies not subject to cancellation, against the risk of serious disability resulting from accident or sickness or longevity.

*** Group pension funds that effect payments on death or survival or in the event of discontinuance or curtailment of activity.

Table 13

Life assurance – Premium income by insurance class
(national undertakings and branches of non-EEA undertakings; Italian direct insurance portfolio)

(million euro)*

NON LIFE BUSINESS	2013	2014	annual % variation	% over the total for 2014	2015	annual % variation	% over the total for 2015
Accident	2,957.6	2,973.6	0.5	9.1	2,962.5	-0.4	9.3
Sickness	2,069.9	2,056.4	-0.7	6.3	2,142.6	4.2	6.7
Land vehicles	2,413.2	2,386.6	-1.1	7.3	2,455.5	2.9	7.7
Railway rolling stock	3.8	4.1	6.6	0.0	4.1	-0.3	0.0
Aircraft	22.4	17.9	-19.8	0.1	18.4	2.4	0.1
Ships (sea, lake and river and canal vessels)	244.1	239.4	-1.9	0.7	230.2	-3.9	0.7
Goods in transit	187.0	171.3	-8.4	0.5	166.9	-2.6	0.5
Fire and natural forces	2,283.7	2,295.2	0.5	7.0	2,290.8	-0.2	7.2
Other damage to property	2,663.3	2,777.1	4.3	8.5	2,725.3	-1.9	8.5
Motor vehicle liability	16,230.3	15,179.7	-6.5	46.3	14,186.6	-6.5	44.3
Aircraft liability	13.7	14.4	4.8	0.0	10.3	-28.5	0.0
Liability for ships (sea, lake and river and canal vessels)	32.4	31.6	-2.7	0.1	31.5	-0.3	0.1
General liability	2,847.9	2,830.9	-0.6	8.6	2,878.4	1.7	9.0
Credit	85.5	70.4	-17.7	0.2	60.1	-14.7	0.2
Suretyship	379.3	383.9	1.2	1.2	362.5	-5.6	1.1
Miscellaneous financial loss	456.9	513.0	12.3	1.6	550.8	7.4	1.7
Legal expenses	291.0	307.3	5.6	0.9	326.8	6.3	1.0
Assistance	505.1	547.5	8.4	1.7	603.5	10.2	1.9
Total non-life classes	**33,687.2**	**32,800.2**	**-2.6**	**100.0**	**32,006.5**	**-2.4**	**100.0**

continued

continued Table 12

Non-life insurance - Premium income by insurance class

(national undertakings and branches of non-EEA undertakings; Italian direct insurance portfolio*)*

(million euro)*

2016	annual % variation	homogeneous annual % variation **	% over the total for 2016	2017	annual % variation	homogeneous annual % variation **	% over the total for 2017	2018	annual % variation	% over the total for 2018
3,008.8	1.6	1.1	9.4	3,087.2	2.6	2.7	9.5	3,096.0	0.3	9.4
2,348.7	9.6	9.6	7.4	2,571.3	9.5	9.6	8.0	2,762.5	7.4	8.3
2,634.2	7.3	6.5	8.2	2,800.1	6.3	6.3	8.7	2,966.3	5.9	9.0
6.3	56.3	56.2	0.0	6.3	-0.2	-0.2	0.0	7.6	20.3	0.0
18.4	0.1	0.1	0.1	13.8	-24.7	-24.0	0.0	9.2	-33.8	0.0
232.4	1.0	1.0	0.7	227.5	-2.1	-1.4	0.7	204.3	-10.2	0.6
165.5	-0.8	-7.0	0.5	169.6	2.5	2.5	0.5	176.5	4.1	0.5
2,377.2	3.8	0.8	7.4	2,401.6	1.0	1.0	7.4	2,469.0	2.8	7.5
2,759.0	1.2	0.5	8.6	2,798.6	1.4	1.5	8.7	2,937.9	5.0	8.9
13,493.8	-4.9	-5.6	42.2	13,203.0	-2.2	-2.2	40.8	13,219.8	0.1	39.9
11.3	10.0	10.0	0.0	8.1	-28.6	-29.7	0.0	8.2	1.6	0.0
31.7	0.7	0.2	0.1	31.1	-2.0	-2.0	0.1	32.2	3.5	0.1
2,899.2	0.7	-0.2	9.1	2,924.4	0.9	1.1	9.0	3,021.1	3.3	9.1
67.3	12.1	12.1	0.2	65.6	-2.6	-2.6	0.2	70.5	7.5	0.2
387.4	6.9	4.9	1.2	382.3	-1.3	-1.3	1.2	396.8	3.8	1.2
527.0	-4.3	-4.8	1.6	602.2	14.3	14.7	1.9	611.5	1.5	1.8
340.9	4.3	3.8	1.1	362.4	6.3	6.3	1.1	381.0	5.1	1.2
644.9	6.9	6.3	2.0	682.7	5.9	5.9	2.1	725.8	6.3	2.2
31,953.9	**-0.2**	**-1.0**	**100.0**	**32,337.7**	**1.2**	**1.3**	**100.0**	**33,096.1**	**2.3**	**100.0**

* The 2017 and 2018 data have been integrated with statistical data.

** Percentage changes compared to the previous year recalculated net of the accounting effect caused by the movements of premiums of EU or EEA undertakings pursuing business into Italy via a branch.

Table 14

Main items of the balance sheet *(local gaap)*

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets										
Amounts owed by share-holders	41	15	3	7	0	0	0	0	0	0
Intangible assets	6,891	6,310	6,001	5,747	6,194	6,907	6,664	6,521	6,374	6,095
Class C (A)+(B) invest-ments	372,268	404,870	412,472	429,454	466,147	520,795	564,393	601,686	624,727	646,698
Non-life class C invest-ments (A)	78,652	74,441	74,037	75,720	79,059	79,705	84,234	84,360	85,359	85,239
Life class C investments (B)	293,616	330,429	338,436	353,734	387,087	441,090	480,159	517,326	539,368	561,459
Life class D investments	117,211	112,144	98,911	97,521	96,814	108,771	128,252	139,521	154,243	152,252
Reinsurers' share of non-life technical provi-sions	6,926	6,669	6,213	7,006	6,470	5,763	5,517	6,003	6,513	6,499
Reinsurers' share of life technical provisions	12,357	12,068	11,333	10,762	10,063	9,346	8,588	7,731	7,090	6,305
Credits	25,563	26,576	26,875	26,497	28,192	28,612	26,559	28,200	29,742	31,295
Other assets	19,524	18,161	23,857	26,712	27,351	22,948	22,768	20,579	19,897	18,804
Total assets	**560,780**	**586,815**	**585,665**	**603,706**	**641,230**	**703,143**	**762,742**	**810,241**	**848,585**	**867,947**
Liabilities										
Net assets	51,803	50,260	48,252	54,299	63,906	64,410	66,223	66,361	66,794	65,488
Subordinated liabilities	8,374	8,753	8,751	10,070	10,475	12,709	14,861	15,061	16,281	17,552
Non-life technical provi-sions C	68,701	65,859	66,697	66,838	64,764	63,368	62,005	61,384	59,918	58,882
Life technical provisions C	276,151	314,441	329,099	339,880	369,555	419,805	457,495	493,289	515,451	538,376
Life technical provisions D	116,910	111,852	98,651	97,349	96,585	108,573	128,023	139,237	154,077	152,004
Provisions for other risks and charges	1,711	1,771	1,613	1,847	2,295	2,251	2,273	2,271	2,186	2,127
Deposits from reinsurers	12,398	11,999	11,279	10,692	9,927	9,177	8,321	8,076	7,673	6,913
Creditors and other liabili-ties (including accruals)	24,732	21,881	21,322	22,731	23,723	22,849	23,540	24,563	26,205	26,604
Total liabilities and equity	**560,780**	**586,815**	**585,665**	**603,706**	**641,230**	**703,143**	**762,742**	**810,241**	**848,585**	**867,947**

Table 15

Balance sheet - life and non-life business

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

		2013	homoge-neous annual % varia-tion *	2014	2015	2016	2017
				ASSETS			
A.	**AMOUNTS OWED BY SHAREHOLDERS FOR SUB-SCRIBED CAPITAL NOT YET PAID IN**	0	0	0	0	0	0
B.	**INTANGIBLE ASSETS**						
	1. Deferred acquisition commissions						
	a) life business	733.8	6.8	839.8	990.5	1,091.0	1,149.0
	b) non-life business	76.4	-6.9	68.4	63.6	56.5	56.4
	2. Other acquisition costs	40.0	-4.3	38.2	41.7	66.4	74.4
	3. Setting-up and enlargement costs	98.4	-0.3	98.8	46.6	30.5	15.2
	4. Goodwill	4,603.2	7.5	5,083.4	4,729.6	4,440.8	4,194.4
	5. Other deferred costs	642.6	17.2	778.3	792.4	835.5	884.0
C.	**INVESTMENTS**						
I	- Land and buildings						
	1. Occupied by the insurance undertaking for its own activities	1,256.9	-4.2	1,301.6	1,576.1	1,437.8	1,490.0
	2. Occupied by third parties	5,099.2	-2.1	4,640.3	4,935.0	4,645.6	4,529.7
	3. Other real estate	27.2	-6.9	25.8	40.7	40.5	33.1
	4. Other property rights	3.7	-0.1	3.5	3.4	3.4	2.3
	5. Buildings under construction and deposits paid	71.5	-68.6	69.5	89.6	123.3	131.7
II	- Investments in group undertakings and other participating interests						
	1. Shares in:						
	a) parent undertakings	14.6	-95.4	22.9	24.8	22.3	18.8
	b) subsidiaries	44,023.8	17.9	43,796.5	45,525.5	45,056.6	45,774.9
	c) associated undertakings	1,322.5	-21.7	1,452.2	1,668.0	1,839.0	2,363.1
	d) affiliated undertakings	1,461.8	113.3	1,393.6	1,259.6	2,108.7	2,143.4
	e) other	1,369.6	-28.1	934.0	313.0	246.9	257.3
	2. Debt securities issued by:						
	a) parent undertakings	3,679.4	-5.8	3,756.3	4,677.2	3,553.8	2,947.4
	b) subsidiaries	277.3	271.1	272.3	272.9	274.3	26.2
	c) associated undertakings	398.1	-61.3	364.1	597.2	532.6	640.1
	d) affiliated undertakings	108.8	17.6	121.4	33.0	25.8	16.9
	e) other	970.0	3.8	1,041.5	742.7	714.8	616.8
	3. Loans to:						
	a) parent undertakings	270.3	0.0	270.3	820.7	267.8	283.8
	b) subsidiaries	54.8	19.5	46.4	473.0	829.8	1,725.7
	c) associated undertakings	4.5	-32.3	7.3	4.7	4.7	23.7
	d) affiliated undertakings	6.5	13.5	6.4	13.0	10.3	12.2
	e) other	2.2	0.0	0.2	..	1.5	0.6
III.	- Other financial investments						
	1. Shares						
	a) Listed shares	8,029.8	4.3	7,773.9	7,395.1	6,724.6	7,548.9
	b) Unlisted shares	448.5	68.5	389.3	378.3	373.8	403.3
	c) Units	626.2	176.5	624.8	457.9	436.4	1,389.5
	2. Units in unit trusts	25,919.0	11.1	35,338.9	50,439.2	62,102.9	73,284.4
	3. Debt securities and other fixed-income securities						
	a) listed	351,972.7	10.1	398,790.6	425,561.0	454,145.9	465,391.8
	b) unlisted	5,943.5	-36.8	5,531.8	5,256.8	4,934.0	3,501.7
	c) convertible securities	476.0	3.0	391.0	429.7	396.4	338.9
	4. Loans						
	a) loans secured by a lien on property	60.4	-2.8	60.2	209.8	282.5	466.4
	b) loans secured by the insurance policy	2,214.9	-5.1	2,060.5	1,854.7	1,681.0	1,515.2
	c) other loans	153.4	-19.6	155.0	154.4	182.3	148.0
	5. Participation in investment pools	0.0	0.0	0.0	4.2	0.0	0.0
	6. Deposits with credit institutions	1,242.0	-47.2	1,096.4	750.8	428.8	280.9
	7. Other financial investments	147.5	32.5	450.1	341.4	349.0	270.0
IV.	- Deposits with ceding undertakings	8,489.8	-5.4	8,606.4	8,089.8	7,908.6	7,149.4

Balance sheet - life and non-life business

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

		2013	homogeneous annual % variation *	2014	2015	2016	2017
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	87,433.6	-1.8	96,243.8	114,693.0	124,742.9	138,767.9
II -	Investments arising from pension fund management	9,380.1	10.8	12,527.4	13,559.3	14,778.1	15,475.3
Dbis.	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**						
I	- NON LIFE BUSINESS						
	1. Provision for unearned premiums	1,326.2	-5.9	1,208.6	1,240.1	1,525.7	1,624.3
	2. Provision for claims outstanding	5,138.9	-8.1	4,549.3	4,271.2	4,471.9	4,883.1
	3. Provision for bonuses and rebates	1.7	77.4	0.9	1.0	1.3	1.0
	4. Other technical provisions	3.2	21.7	4.0	4.6	4.6	4.5
II	- LIFE BUSINESS						
	1. Mathematical provisions	9,510.3	-7.3	8,744.5	7,866.6	7,030.1	6,353.2
	2. Ancillary risks - Provision for unearned premiums	26.3	-5.0	25.3	29.5	31.2	39.8
	3. Provision for amounts payable	337.4	15.4	378.9	502.0	494.2	536.7
	4. Provision for bonuses and rebates	2.7	3.1	3.1	18.6	23.0	21.6
	5. Other technical provisions	6.2	-14.4	4.6	5.3	15.0	11.6
	6. Technical provisions where the investment risk is borne by policyholders and provisions relating to pension fund management	180.0	3.8	189.7	165.8	137.3	126.6
E.	**DEBTORS**						
I	- Debtors arising out of direct insurance operations:						
	1. Policyholders						
	a) premiums for the current financial year	4,085.4	-12.1	4,003.8	3,661.5	3,527.5	3,693.2
	b) premiums for the previous financial years	343.0	4.7	301.7	307.6	217.6	240.6
	2. Insurance intermediaries	3,966.0	0.7	3,877.6	3,615.9	3,882.8	3,979.7
	3. Insurance undertakings - amounts receivable	586.2	-18.5	528.2	442.0	437.8	400.1
	4. Policyholders and third parties - recoverable amounts	624.1	-10.3	611.4	593.1	584.9	583.6
II	- Debtors arising out of reinsurance operations:						
	1. Insurance and reinsurance undertakings	1,365.7	-5.8	1,327.9	1,194.8	1,289.5	1,531.4
	2. Reinsurance intermediaries	29.1	30.2	22.7	22.4	30.3	33.0
III.	- Other debtors	17,192.0	17.0	17,938.9	16,721.9	18,229.8	19,280.8
F.	**OTHER ASSETS**						
I	- Tangible assets and stocks:						
	1. Furniture, office equipment, internal means of transportation	96.3	0.0	119.7	119.7	126.7	130.3
	2. Movable goods entered in public registers	2.1	5.3	1.8	2.4	3.7	2.9
	3. Plant and machinery	57.0	48.0	73.0	84.2	73.4	68.7
	4. Stocks and sundry goods	8.3	-6.1	8.4	8.4	8.7	7.6
II	- Cash at bank and in hand						
	1. Deposits with credit institutions and post office accounts	16,980.9	-0.8	13,177.8	12,652.6	10,211.4	9,267.4
	2. Cheques and cash in hand	14.7	11.8	28.4	15.0	21.2	27.8
III.	- Own shares **	17.1	-86.4	9.7	37.7	–	–
IV.	- Other assets						
	1. Deferred reinsurance accounts receivable	28.1	-21.9	19.3	17.0	14.1	7.9
	2. Sundry assets	4,664.1	17.9	3,733.1	4,017.4	4,205.0	4,659.4
G.	**ACCRUALS AND DEFERRED INCOME**						
	1. Interest	5,168.2	5.1	5,455.6	5,480.1	5,598.7	5,456.7
	2. Rent	10.0	-2.2	9.8	15.5	14.2	13.8
	3. Other prepayments and accrued income	304.5	-14.2	311.5	317.9	301.6	254.5
	TOTAL ASSETS	**641,230.4**	**6.2**	**703,142.7**	**762,741.6**	**810,240.7**	**848,584.8**
	LIABILITIES AND EQUITY						
A.	**EQUITY**						
I	- Subscribed capital or equivalent funds	14,828.3	11.2	14,567.5	15,320.2	15,349.9	15,072.9
II	- Provision for share premium accounts	23,397.7	34.9	22,343.6	21,174.0	20,894.2	19,995.3
III	- Revaluation reserves	2,860.8	1.4	2,857.7	2,957.2	2,869.6	2,907.6
IV	- Legal provision	1,766.4	6.0	2,405.4	2,503.5	2,576.4	2,616.6
V	- Statutory provisions	29.3	95.6	40.0	54.2	78.1	98.7

Balance sheet - life and non-life business

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

		2013	homoge-neous annual % varia-tion *	2014	2015	2016	2017
VI	Reserves for parent company's shares ***	25.3	-94.3	35.6	54.5	14.7	11.2
VII	- Other reserves	14,158.9	4.2	13,985.9	14,998.2	15,952.7	17,237.0
VIII	- Profit or loss brought forward	1,668.7	404.9	2,230.1	3,447.9	3,047.2	3,019.8
IX	- Operating profit (loss)	5,170.8	-7.7	5,944.7	5,713.4	5,700.8	5,964.8
X	- Negative reserve for the shares in the portfolio **	–	–	–	–	-122.3	-129.4
B.	**SUBORDINATED LIABILITIES**	10,475.4	4.0	12,709.0	14,861.3	15,060.8	16,281.5
C.	**TECHNICAL PROVISIONS**						
I	- NON LIFE BUSINESS						
	1. Provision for unearned premiums	14,750.5	-4.7	14,412.4	14,277.6	14,604.6	15,044.2
	2. Provision for claims outstanding	49,719.9	-2.4	48,648.6	47,373.0	46,404.0	44,489.5
	3. Provision for bonuses and rebates	22.7	-22.8	24.5	57.3	63.2	58.2
	4. Other technical provisions	65.2	-3.8	64.4	64.6	66.0	68.0
	5. Equalisation provisions	205.5	7.3	217.9	232.6	246.6	257.8
II	- LIFE BUSINESS						
	1. Mathematical provisions	362,681.1	8.9	412,638.7	448,675.3	485,707.7	508,037.4
	2. Ancillary risks - Provision for unearned premiums	92.5	-5.6	94.4	109.7	108.2	104.1
	3. Provision for amounts payable	5,087.3	4.8	5,400.9	7,075.2	5,851.0	5,692.3
	4. Provision for bonuses and rebates	151.8	0.7	140.8	144.7	153.5	128.9
	5. Other technical provisions	1,542.6	-3.8	1,530.7	1,489.6	1,468.2	1,488.2
D.	**TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS RELATING TO PENSION FUND MANAGEMENT**						
I	- Provisions relating to contracts whose benefits are linked to unit trusts or market indexes	87,205.3	-1.9	96,045.6	114,464.1	124,458.6	138,601.3
II	- Provisions relating to pension fund management	9,380.1	10.8	12,527.4	13,559.3	14,778.1	15,475.2
E.	**PROVISIONS FOR OTHER RISKS AND CHARGES**						
	1. Provisions for pensions and similar obligations	103.0	-14.4	102.2	98.4	92.7	86.9
	2. Provisions for taxation	786.8	20.0	615.3	847.7	827.5	704.7
	3. Other provisions	1,405.2	31.2	1,533.8	1,327.3	1,350.5	1,394.3
F.	**DEPOSITS RECEIVED FROM REINSURERS**	9,926.7	-7.2	9,176.9	8,320.7	8,075.5	7,673.0
G.	**CREDITORS AND OTHER LIABILITIES**						
I	- Creditors arising out of direct insurance operations:						
	1. Insurance intermediaries	1,030.9	2.3	1,184.8	1,180.5	1,256.2	1,455.2
	2. Insurance undertakings - amounts receivable	224.3	-3.2	197.2	137.9	145.9	168.5
	3. Policyholders – deposits and premiums	289.5	30.0	294.5	323.3	284.6	305.9
	4. Guarantee funds for the benefit of policyholders	15.6	-65.9	13.1	11.1	7.6	8.4
II	- Creditors arising out of reinsurance operations:						
	1. Insurance and reinsurance undertakings	980.3	2.1	842.8	830.2	824.5	930.6
	2. Reinsurance intermediaries	48.4	-19.7	19.7	28.9	49.1	101.8
III	- Debenture loans	2,947.2	-2.1	3,383.3	3,334.9	3,269.0	3,203.7
IV	- Amounts owed to credit and financial institutions	258.1	485.3	868.1	1,040.0	955.1	1,266.0
V	- Debts secured by a lien on property	4.8	-8.6	7.3	23.7	6.0	5.3
VI	- Sundry loans and other financial creditors	5,274.3	2.8	3,859.1	3,762.7	3,692.1	3,918.9
VII	- Staff leaving indemnity	321.8	-3.4	299.6	269.6	250.9	240.0
VIII	- Other creditors						
	1. Policyholders' tax due	590.0	-1.9	605.0	665.7	679.6	625.9
	2. Other taxes due	2,954.2	-8.3	2,648.4	2,663.7	2,817.1	2,890.6
	3. Social security contributions	108.2	-7.3	128.4	133.5	142.7	148.5
	4. Sundry creditors	3,761.8	-1.2	3,801.2	4,805.6	5,558.5	5,948.7
IX	- Other liabilities						
	1. Deferred reinsurance accounts payable	34.0	2.1	16.5	13.5	14.9	3.0
	2. Commissions on pending premiums	635.8	-6.1	625.9	575.9	559.6	574.6
	3. Sundry liabilities	3,562.9	44.6	3,370.2	3,123.5	3,431.9	3,891.0
H.	**ACCRUALS AND DEFERRED INCOME**						
	1. Interest	509.5	-6.0	514.9	461.6	461.9	434.8
	2. Rent	14.2	-34.0	10.1	10.9	10.6	16.6
	3. Other prepayments and accrued income	156.6	-11.1	158.9	143.2	144.6	66.7
	TOTAL LIABILITIES AND EQUITY	**641,230.4**	**6.2**	**703,142.7**	**762,741.6**	**810,240.7**	**848,584.8**

GUARANTEES						
TOTAL GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS**	513,339.2	4.9	580,832.4	618,612.6	....	....
*of which Assets of **pension funds managed in the name and on behalf of third parties****	*3,003.8*	*-18.5*	*2,648.5*	*2,607.0*	....	....

* Variations within homogeneous undertakings.

** Starting from the financial year 2016 the balance sheet format has been updated to reflect the amendments made to the primary accounting regulations (Civil Code and leg. Decree 173/97) further to the implementation of the *Accounting* Directive 2016/34/EU through leg. Decree 139/2015.

*** Until the financial year 2015 it also included the reserve for own shares.

Table 16

Profit and loss account - life and non-life business
(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

			2013	Homogeneous annual % variation*	2014	2015	2016	2017
	I. TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS							
1.	**EARNED PREMIUMS, NET OF REINSURANCE**							
	a) Gross premiums written	+	35,326.3	-3.6	34,460.2	33,788.7	34,015.5	34,326.1
	b) Outward reinsurance premiums	-	3,708.3	-6.6	3,389.1	3,287.3	4,238.3	4,313.7
	c) Change in the gross provision for unearned premiums	-	-738.7	-47.7	-369.0	-160.7	177.5	517.3
	d) Change in the provision for unearned premiums, reinsurers' share	+	-115.7	-1,715.0	-87.1	12.8	-12.6	75.6
2.	**(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM III. 6)**	+	1,262.0	-23.9	1,345.6	1,288.2	1,161.3	1,278.0
3.	**OTHER TECHNICAL INCOME, NET OF REINSURANCE**	+	428.9	-8.3	392.8	381.6	401.2	401.1
4.	**CLAIMS INCURRED, NET OF SUMS RECOVERABLE AND REINSURANCE**							
	a) Claims paid							
	aa) Gross amount	-	25,152.3	-3.7	23,679.8	23,067.5	22,831.7	23,456.9
	bb) reinsurers' share	+	2,567.2	8.5	2,361.5	1,983.8	2,097.0	2,815.0
	b) Change in sums recoverable, net of reinsurers' share							
	aa) Gross amount	+	476.4	-7.2	482.2	481.7	450.4	483.9
	bb) reinsurers' share	-	21.0	-10.6	18.0	29.9	41.6	55.1
	c) Change in the provision for claims outstanding							
	aa) Gross amount	-	-1,234.0	-217.1	-1,152.6	-1,530.4	-1,301.7	-1,332.2
	bb) reinsurers' share	+	-427.6	-147.0	-485.9	-189.6	197.8	110.7
5.	**CHANGES IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE**	-	-2.2	-581.7	-1.5	-0.3	1.1	2.1
6.	**BONUSES AND REBATES, NET OF REINSURANCE**	-	15.7	15.7	23.7	41.6	44.4	29.9
7.	**OPERATING EXPENSES:**							
	a) Acquisition costs	-	4,725.8	-1.1	4,716.3	4,857.9	5,154.1	5,324.1
	b) Other acquisition costs	-	1,500.1	5.3	1,648.2	1,641.4	1,518.0	1,513.5
	c) Change in commissions and other deferred acquisition costs	+	-6.5	-1.8	-10.5	-4.9	-7.2	..
	e) Other administrative expenses	-	1,623.3	1.4	1,668.3	1,700.3	1,762.8	1,786.3
	f) Reinsurance commissions and profit participation	+	744.7	-6.5	694.1	694.4	1,009.5	1,071.0
8.	**OTHER TECHNICAL CHARGES, NET OF REINSURANCE**	-	993.8	-10.2	877.9	928.3	955.5	969.2
9.	**CHANGE IN THE EQUALIZATION PROVISION**	-	13.9	289.1	12.4	14.6	14.3	11.3
10.	**BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE INSURANCE BUSINESS (item III. 1)**		**3,546.3**	**27.6**	**3,746.7**	**3,751.0**	**3,088.7**	**3,156.6**
	II. TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS							
1.	**EARNED PREMIUMS, NET OF REINSURANCE:**							
	a) Gross premiums written	+	86,854.1	21.3	112,064.4	116,573.1	104,173.7	100,230.5
	b) outward reinsurance premiums	-	1,097.7	-12.0	1,101.0	1,069.2	997.1	950.3
2.	**INVESTMENT INCOME:**							
	a) Income from shares	+	1,006.4	12.4	1,719.5	1,815.5	1,743.2	1,787.5
	b) Income from other investments:							
	aa) land and buildings	+	24.8	-24.4	21.7	21.4	22.2	21.4
	bb) other investments	+	14,503.5	2.7	15,577.8	15,967.3	16,292.1	16,446.5
	c) Value re-adjustments on investments	+	1,063.4	-71.9	722.1	416.9	1,016.6	553.3
	d) Gains on the realization of investments	+	2,600.6	-15.7	2,183.8	3,093.4	2,117.5	2,028.9

Profit and loss account - life and non-life business

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

			2013	Homogeneous annual % variation*	2014	2015	2016	2017
3.	**UNREALISED GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND ON INVESTMENTS RELATING TO PENSION FUND MANAGEMENT**	+	7,543.6	-30.0	8,543.5	5,879.5	6,707.8	8,245.8
4.	**OTHER TECHNICAL INCOME, NET OF REINSURANCE**	+	1,314.9	7.7	1,485.0	2,022.4	2,317.4	2,497.3
5.	**CLAIMS INCURRED, NET OF REINSURANCE:**							
	a) Claims paid							
	aa) Gross amount	-	68,508.6	-10.9	66,130.5	71,500.8	66,156.7	73,351.8
	bb) Reinsurers' share	+	1,751.3	2.6	1,754.5	1,800.9	1,553.1	1,444.1
	b) Change in the provision for amounts payable							
	aa) Gross amount	-	296.0	122.1	318.3	1,623.0	-1,232.9	-89.2
	bb) Reinsurers' share	+	54.0	49.0	43.6	84.3	-12.1	69.6
6.	**CHANGE IN MATHEMATICAL RESERVES AND OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE**							
	a) Mathematical reserves:							
	aa) Gross amount	-	29,788.9	211.5	49,188.5	36,208.7	37,433.1	23,200.9
	bb) Reinsurers' share	+	-695.6	-43.6	-739.2	-909.4	-624.6	-663.0
	b) Ancillary risks - Provision for unearned premiums:							
	aa) Gross amount	-	-2.0	-117.7	-0.2	14.5	-0.8	-2.1
	bb) Reinsurers' share	+	0.6	-90.0	0.3	3.9	2.6	9.6
	c) Other technical provisions							
	aa) Gross amount	-	-56.5	1.0	-15.3	-42.6	-2.8	21.1
	bb) Reinsurers' share	+	-1.0	-144.8	-1.5	-0.8	-5.1	-3.4
	d) Technical provisions where the investment risk is borne by policyholders and provisions relating to pension fund management							
	aa) Gross amount	-	-277.1	-345.2	10,383.4	16,404.8	10,763.9	14,615.7
	bb) Reinsurers' share	+	6.1	138.2	9.2	-24.4	-28.5	-10.8
7.	**BONUSES AND REBATES, NET OF REINSURANCE**	-	102.8	-20.9	96.7	79.2	94.4	76.4
8.	**OPERATING EXPENSES:**							
	a) Acquisition costs	-	2,057.2	8.9	2,290.6	2,449.0	2,344.6	2,268.7
	b) Other acquisition costs	-	689.8	0.6	695.8	713.7	697.1	683.6
	c) Change in commissions and other deferred acquisition costs	+	46.9	152.4	106.0	150.6	100.6	59.9
	d) Collection commissions	-	243.1	11.1	239.0	281.1	216.5	257.5
	e) Other administrative expenses	-	903.5	-2.4	942.6	946.8	1,001.9	1,043.0
	f) Reinsurance commissions and profit participation	+	162.5	-9.6	178.2	176.5	165.5	159.5
9.	**FINANCIAL CHARGES:**							
	a) Investment management charges, including interests due	-	1,490.8	11.6	1,540.8	1,545.9	1,655.6	1,689.9
	b) Value adjustments on investments	-	1,495.9	-21.1	1,366.9	1,900.9	1,832.3	1,921.4
	c) Losses on the realization of investments	-	821.8	82.1	600.5	1,312.1	827.9	545.7
10.	**FINANCIAL CHARGES AND UNREALIZED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS RELATING TO PENSION FUND MANAGEMENT**	-	2,683.2	69.7	2,177.4	4,131.6	4,628.9	4,379.0
11.	**OTHER TECHNICAL CHARGES, NET OF REINSURANCE**	-	1,603.5	13.5	1,831.4	2,345.7	2,603.8	2,828.3
12.	**(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (item III. 4)**	-	1,444.4	-11.1	1,917.3	1,821.4	1,824.3	1,773.0
13.	**BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (item III. 2)**		**3,344.0**	**-51.8**	**2,863.8**	**2,765.1**	**3,700.7**	**3,362.1**
	III. NON TECHNICAL ACCOUNT							
1.	**BALANCE ON THE TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS (item I. 10)**	+	3,546.3	27.6	3,746.7	3,751.0	3,088.7	3,156.6

Profit and loss account - life and non-life business

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

			2013	Homogeneous annual % variation*	2014	2015	2016	2017
2.	**BALANCE ON THE TECHNICAL ACCOUNT - LIFE ASSURANCE BUSINESS (item II. 13)**	+	3,344.0	-51.8	2,863.8	2,765.1	3,700.7	3,362.1
3.	**INVESTMENT INCOME - NON-LIFE INSURANCE BUSINESS:**							
	a) Income from shares	+	904.1	18.9	1,097.8	875.3	1,203.8	1,316.3
	b) Income from other investments:							
	aa) land and buildings	+	187.5	-4.7	173.0	181.8	165.6	160.9
	bb) other investments	+	1,675.1	-2.8	1,709.9	1,648.6	1,603.7	1,544.8
	c) Value re-adjustments on investments	+	297.3	-48.1	152.7	91.0	197.2	179.7
	d) Gains on the realization of investments	+	532.1	-29.3	688.7	1,055.1	642.5	644.0
4.	**(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE LIFE-ASSURANCE TECHNICAL ACCOUNT (item II. 12)**	+	1,444.4	-11.1	1,917.3	1,821.4	1,824.3	1,773.0
5.	**FINANCIAL CHARGES IN NON-LIFE INSURANCE:**							
	a) Investment management charges, including interests due	-	363.9	0.3	348.3	378.3	404.2	389.8
	b) Value adjustments on investments	-	979.5	-40.3	1,009.9	864.3	722.6	585.1
	c) Losses on the realization of investments	-	165.7	-34.0	193.6	460.6	403.3	197.8
6.	**(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE TECHNICAL ACCOUNT (item I. 2)**	-	1,262.0	-23.9	1,345.6	1,288.2	1,161.3	1,278.0
7.	**OTHER INCOME**	+	1,693.9	3.5	1,758.9	1,789.9	1,625.4	1,708.7
8.	**OTHER CHARGES**	-	3,875.8	9.1	3,822.9	3,894.4	3,876.5	4,069.9
9.	**PROFIT OR LOSS ON ORDINARY ACTIVITIES**		6,977.8	-26.6	7,388.5	7,093.4	7,484.0	7,325.5
10.	**EXTRAORDINARY INCOME**	+	2,199.1	164.3	1,707.3	1,458.3	591.0	855.8
11.	**EXTRAORDINARY CHARGES**	-	884.5	2.8	746.6	448.2	367.6	397.1
12.	**EXTRAORDINARY PROFIT OR LOSS**		1,314.6	4,711.5	960.7	1,010.2	223.4	458.8
13.	**PROFIT OR LOSS BEFORE TAX**		8,292.2	-12.6	8,349.4	8,103.7	7,707.1	7,783.9
14.	**TAX ON PROFIT OR LOSS FOR THE FINANCIAL YEAR**	-	3,061.5	-17.2	2,404.7	2,394.7	2,006.3	1,802.7
15.	**PROFIT OR LOSS FOR THE FINANCIAL YEAR**		**5,230.7**	**-9.6**	**5,944.7**	**5,709.0**	**5,700.8**	**5,981.2**

* % Variation within homogeneous undertakings.

Table 17

Life (class C) and non life investments *(local gaap)*
(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro and percentage values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investments	**372,268**	**404,870**	**412,472**	**429,454**	**466,147**	**520,795**	**564,393**	**601,686**	**624,726**	**646,698**
					Percentage composition					
Real estate	1.8%	1.6%	1.7%	1.6%	1.4%	1.2%	1.2%	1.0%	1.0%	0.9%
Shares	16.0%	14.0%	13.2%	11.7%	12.3%	10.8%	10.1%	9.4%	9.6%	9.5%
Bonds	73.5%	75.8%	76.6%	78.2%	78.0%	78.8%	77.5%	77.2%	75.8%	75.0%
of which: Government bonds	*46.9%*	*50.9%*	*54.5%*	*56.7%*	*57.8%*	*56.9%*	*54.3%*	*52.4%*	*52.0%*	*52.1%*
Units in unit trusts and SICAVs	4.6%	4.8%	5.2%	5.3%	5.6%	6.8%	8.9%	10.3%	11.7%	12.8%
Other investments	4.1%	3.8%	3.4%	3.3%	2.7%	2.4%	2.3%	2.0%	1.9%	1.9%

Table 18

Life (class C) investments *(local gaap)*
(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro and percentage values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investments	**293,616**	**330,429**	**338,436**	**353,734**	**387,087**	**441,090**	**480,159**	**517,326**	**539,368**	**561,459**
					Percentage composition					
Real estate	0.4%	0.3%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Shares	10.1%	8.8%	8.2%	7.2%	7.7%	6.8%	6.1%	5.6%	5.5%	5.4%
Bonds	79.8%	81.6%	82.4%	83.7%	83.4%	83.5%	82.3%	81.7%	80.4%	79.5%
of which: Government bonds	*51.2%*	*55.4%*	*59.5%*	*61.6%*	*62.6%*	*61.6%*	*58.9%*	*56.6%*	*56.2%*	*56.2%*
Units in unit trusts and SICAVs	4.8%	4.9%	5.3%	5.4%	5.7%	6.9%	9.2%	10.7%	12.3%	13.4%
Other investments	4.9%	4.4%	3.8%	3.5%	3.1%	2.7%	2.2%	2.0%	1.7%	1.6%

Table 19

Non life investments *(local gaap)*

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro and percentage values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investments	**78,652**	**74,441**	**74,037**	**75,720**	**79,059**	**79,705**	**84,234**	**84,360**	**85,359**	**85,239**
					Percentage composition					
Real estate	6.8%	7.6%	8.0%	8.2%	7.5%	6.9%	7.3%	6.8%	6.7%	6.0%
Shares	38.2%	37.2%	35.8%	32.4%	35.0%	33.1%	32.7%	33.0%	35.5%	36.1%
Bonds	50.0%	49.9%	50.4%	52.0%	51.7%	52.4%	50.2%	49.9%	46.8%	45.3%
of which: Government bonds	*30.9%*	*30.7%*	*31.9%*	*33.8%*	*34.3%*	*30.9%*	*27.9%*	*26.4%*	*25.0%*	*24.7%*
Units in unit trusts and SICAVs	4.0%	4.1%	4.6%	4.7%	4.8%	6.3%	7.5%	8.2%	8.0%	9.2%
Other investments	1.0%	1.2%	1.2%	2.7%	1.0%	1.2%	2.3%	2.2%	2.9%	3.5%

Table 20

Life (class D) investments *(local gaap)*

(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro and percentage values)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Investments	**117,211**	**112,144**	**98,911**	**97,521**	**96,814**	**108,771**	**128,252**	**139,521**	**154,243**	**152,252**
					Percentage composition					
Life (class D.I) investments (1)*	95.6%	94.3%	92.6%	91.3%	90.3%	88.5%	89.4%	89.4%	90.0%	89.4%
Life (class D.II) investments (2)**	4.4%	5.7%	7.4%	8.7%	9.7%	11.5%	10.6%	10.6%	10.0%	10.6%

* Investments pertaining to unit and index-linked benefits

** Investments arising from pension fund management

Table 21

Profit or loss for the financial year - life business
(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

		2013	2014	2015	2016	2017
Balance on the technical account		**3,344.0**	**2,863.8**	**2,765.1**	**3,700.7**	**3,339.7**
Allocated investment return transferred from the technical account for life assurance business	+	1,444.4	1,917.3	1,821.4	1,824.3	1,765.7
Intermediate profit or loss		**4,788.4**	**4,781.1**	**4,586.5**	**5,525.0**	**5,105.4**
Other income	+	649.0	874.0	753.1	598.0	586.2
Other charges	-	1,477.3	1,436.5	1,388.8	1,411.8	1,472.0
Extraordinary income	+	1,249.9	833.4	1,083.5	244.5	418.4
Extraordinary charges	-	408.5	322.2	144.9	157.6	168.6
Profit or loss before tax		**4,801.5**	**4,729.8**	**4,889.3**	**4,798.0**	**4,469.4**
Tax on profit or loss for the financial year	-	1,696.2	1,231.5	1,136.2	1,211.1	950.0
Profit or loss for the financial year		**3,105.3**	**3,498.4**	**3,753.1**	**3,586.8**	**3,519.4**

Table 22

Profit or loss for the financial year - non-life business
(national undertakings and branches of non-EEA undertakings; Italian and foreign portfolio – insurance and reinsurance business)

(million euro)

		2013	homogeneous annual % variation *	2014	2015	2016	2017
Balance on the technical account		**3,546.3**	**27.6**	**3,746.7**	**3,751.0**	**3,088.7**	**3,156.6**
Investment income	+	3,596.1	-10.3	3,822.2	3,851.8	3,812.8	3,845.6
Financial charges	-	1,509.1	-33.1	1,551.7	1,703.1	1,530.2	1,172.8
Allocated investment return transferred to the technical account for non-life business	-	1,262.0	-23.9	1,345.6	1,288.2	1,161.3	1,278.0
Intermediate profit or loss		**4,371.2**	**52.2**	**4,671.6**	**4,611.5**	**4,209.9**	**4,551.4**
Other income	+	1,044.9	1.5	884.9	1,036.8	1,027.4	1,119.7
Other charges	-	2,398.6	3.4	2,386.4	2,505.5	2,464.7	2,590.3
Extraordinary income	+	949.2	174.3	873.9	374.9	346.6	436.8
Extraordinary charges	-	476.0	37.8	424.4	303.3	210.0	228.4
Profit or loss before tax		**3,490.7**	**120.6**	**3,619.6**	**3,214.4**	**2,909.2**	**3,289.3**
Tax on profit or loss for the financial year	-	1,365.3	47.3	1,173.3	1,258.5	795.2	843.9
Profit or loss for the financial year		**2,125.4**	**224.4**	**2,446.3**	**1,955.9**	**2,114.0**	**2,445.4**

* Variations within homogeneous undertakings.

Table 23

Consolidated accounts – balance sheet

(million euro)*

		2015	Compos. %	2016	Compos. %	2017	Compos. %
	ASSETS						
1	**INTANGIBLE ASSETS**	**13,828**	**1.3**	**14,222**	**1.2**	**13,320**	**1.1**
	1.1 Goodwill	10,307	0.9	10,350	0.9	9,978	0.8
	1.2 Other intangible assets	3,521	0.3	3,871	0.3	3,342	0.3
2	**TANGIBLE ASSETS**	**8,294**	**0.8**	**8,418**	**0.7**	**7,984**	**0.7**
	2.1 Real estate	6,359	0.6	6,341	0.6	6,096	0.5
	2.2 Other tangible assets	1,935	0.2	2,076	0.2	1,887	0.2
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**10,425**	**1.0**	**10,376**	**0.9**	**10,834**	**0.9**
4	**INVESTMENTS**	**988,327**	**90.7**	**1,048,916**	**91.4**	**1,083,124**	**89.7**
	4.1 Investments in real estate	16,960	1.6	17,382	1.5	17,739	1.5
	4.2 Participations in subsidiaries, associates and joint ventures	2,055	0.2	2,031	0.2	2,103	0.2
	4.3 Held-to-maturity investments	5,264	0.5	4,875	0.4	4,259	0.4
	4.4 Loans and receivables	68,195	6.3	64,687	5.6	62,613	5.2
	4.5 Available-for-sale financial assets	642,850	59.0	684,281	59.6	690,794	57.2
	4.6 Financial assets at fair value through profit or loss	253,002	23.2	275,660	24.0	305,616	25.3
5	**SUNDRY RECEIVABLES**	**20,026**	**1.8**	**20,558**	**1.8**	**20,303**	**1.7**
	5.1 Receivables arising out of direct insurance operations	11,417	1.0	12,030	1.0	12,183	1.0
	5.2 Receivables arising out of reinsurance	1,483	0.1	1,618	0.1	1,985	0.2
	5.3 Other receivables	7,126	0.7	6,910	0.6	6,136	0.5
6	**OTHER ASSETS**	**29,671**	**2.7**	**30,987**	**2.7**	**58,365**	**4.8**
	6.1 Non-current assets or disposal groups held for sale	65	0.0	1,136	0.1	27,902	2.3
	6.2 Deferred acquisition costs	2,314	0.2	2,413	0.2	2,446	0.2
	6.3 Deferred tax assets	7,402	0.7	6,883	0.6	6,312	0.5
	6.4 Current tax assets	9,381	0.9	9,886	0.9	11,052	0.9
	6.5 Other assets	10,509	1.0	10,670	0.9	10,652	0.9
7	**CASH AND CASH EQUIVALENTS**	**19,087**	**1.8**	**14,726**	**1.3**	**13,009**	**1.1**
	TOTAL ASSETS	**1,089,659**	**100.0**	**1,148,203**	**100.0**	**1,206,939**	**100.0**
	LIABILITIES AND EQUITY						
1	**EQUITY**	**60,466**	**5.5**	**61,130**	**5.3**	**61,148**	**5.1**
	1.1 attributable to equity holders of the parent	**49,595**	**4.6**	**50,476**	**4.4**	**55,491**	**4.6**
	1.1.1 Share capital	7,774	0.7	7,666	0.7	9,861	0.8
	1.1.2 Other equity instruments	0	0.0	5	0.0	0	0.0
	1.1.3 Capital reserves	11,598	1.1	11,712	1.0	12,415	1.0
	1.1.4 Retained earnings and other capital reserves	16,908	1.6	18,523	1.6	20,533	1.7
	1.1.5 (Own shares)	-33	0.0	-47	0.0	-83	0.0

Consolidated accounts – balance sheet

(million euro)*

	2015	Compos. %	2016	Compos. %	2017	Compos. %
1.1.6 Reserve for net exchange differences	74	0.0	43	0.0	-112	0.0
1.1.7 Profits or losses on available-for-sale financial assets	9,191	0.8	9,077	0.8	9,415	0.8
1.1.8 Other profits or losses recognised directly in equity	-930	-0.1	-1,170	-0.1	-1,086	-0.1
1.1.9 Parent shareholders' profit (loss) for the period	5,013	0.5	4,667	0.4	4,549	0.4
1.2 attributable to minority interest	**10,871**	**1.0**	**10,654**	**0.9**	**5,657**	**0.5**
1.2.1 Equity and reserves of third parties	8,429	0.8	8,522	0.7	4,472	0.4
1.2.2 Profits or losses recognised directly in equity	1,370	0.1	1,261	0.1	540	0.0
1.2.3 Third parties' profit (loss) for the period	1,072	0.1	871	0.1	644	0.1
2 PROVISIONS	**3,294**	**0.3**	**3,244**	**0.3**	**3,394**	**0.3**
3 TECHNICAL PROVISIONS	**816,721**	**75.0**	**858,826**	**74.8**	**876,619**	**72.6**
4 FINANCIAL LIABILITIES	**175,655**	**16.1**	**189,991**	**16.5**	**204,862**	**17.0**
4.1 Financial liabilities at fair value through profit or loss	120,927	11.1	131,531	11.5	143,976	11.9
4.2 Other financial liabilities	54,729	5.0	58,460	5.1	60,887	5.0
5 PAYABLES	**13,808**	**1.3**	**14,808**	**1.3**	**15,959**	**1.3**
5.1 Payables arising out of direct insurance operations	4,742	0.4	4,739	0.4	5,040	0.4
5.2 Payables arising out of reinsurance	934	0.1	1,009	0.1	1,230	0.1
5.3 Other payables	8,131	0.7	9,059	0.8	9,689	0.8
6 OTHER LIABILITIES	**19,714**	**1.8**	**20,204**	**1.8**	**44,957**	**3.7**
6.1 Liabilities of a disposal group held for sale	0	0.0	702	0.1	26,364	2.2
6.2 Deferred tax liabilities	7,299	0.7	6,295	0.5	5,863	0.5
6.3 Current tax liabilities	3,258	0.3	3,646	0.3	3,550	0.3
6.4 Other liabilities	9,157	0.8	9,562	0.8	9,178	0.8
TOTAL EQUITY AND LIABILITIES	**1,089,659**	**100.0**	**1,148,203**	**100.0**	**1,206,939**	**100.0**

* The consolidated accounts of the insurance groups in IVASS Register, drawn up in compliance with the IAS/IFRS, were aggregated.

Table 24

Consolidated accounts – profit and loss account

(million euro*)

		2015	2016	2017
	1.1 Net premiums	150,482	144,729	138,276
	1.1.1 Gross premiums earned	154,420	149,377	142,904
	1.1.2 Outward reinsurance premiums	3,938	4,648	4,627
	1.2 Fee income	3,561	3,648	4,349
	1.3 Gains and losses deriving from financial instruments at fair value through profit or loss	3,120	3,368	7,597
	1.4 Gains from participations in subsidiaries, associates and joint ventures	214	201	207
	1.5 Gains from other financial instruments and investments in real estate	30,755	27,882	27,540
	1.5.1 Interest income	20,195	19,860	19,260
	1.5.2 Other income	2,930	2,891	3,133
	1.5.3 Realised gains	7,279	4,733	4,799
	1.5.4 Unrealised profits	351	397	348
	1.6 Other income	6,025	4,687	4,815
1	**TOTAL INCOME AND GAINS**	**194,157**	**184,515**	**182,786**
	2.1. Net losses from claims incurred	149,044	141,299	137,120
	2.1.2 Amounts paid and changes in technical provisions	151,427	143,912	140,758
	2.1.3 Reinsurers' shares	2,383	2,612	3,639
	2.2. Fee expense	2,206	2,310	2,816
	2.3 Losses from participations in subsidiaries, associates and *joint ventures*	94	88	26
	2.4 Losses from other financial instruments and investments in real estate	5,813	5,755	5,887
	2.4.1 Interest expense	1,814	1,841	1,709
	2.4.2 Other losses	503	466	512
	2.4.3 Realised losses	1,518	1,121	1,151
	2.4.4 Unrealised losses	1,977	2,327	2,515
	2.5 Operating expenses	20,139	20,041	20,167
	2.5.1 Commissions and other acquisition costs	14,663	14,334	14,376
	2.5.2 Investment management charges	485	602	599
	2.5.3 Other administrative expenses	4,992	5,104	5,192
	2.6 Other expenses	7,706	7,019	8,850
2	**TOTAL EXPENSES AND LOSSES**	**185,003**	**176,513**	**174,865**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAX	**9,154**	**8,003**	**7,920**
3	Taxes	3,034	2,469	2,516
	POST-TAX PROFIT (LOSS) FOR THE PERIOD	6,119	5,534	5,404
4	**PROFIT (LOSS) OF DISCONTINUED OPERATIONS**	**-34**	**4**	**-211**
	CONSOLIDATED PROFIT (LOSS)	**6,086**	**5,538**	**5,193**
	of which attributable to equity holders of the parent	*5,013*	*4,667*	*4,549*
	of which attributable to minority interest	*1,072*	*871*	*644*

* The consolidated accounts of the insurance groups in IVASS Register, drawn up in compliance with the IAS/IFRS, were aggregated.

Table 25

Assets representing life technical provisions (excluding index-linked contracts or UCITS or relating to pension fund management)

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro and percentage vriations)*

DESCRIPTION		2016			2017			2018		
		Amount **	Com-pos. %	Var. %	Amount **	Com-pos. %	Var. %	Amount **	Com-pos. %	Var. %
Technical provisions to be covered (1)		**517,702**	**100.0**	***15.2***	**526,260**	**100.0**	***1.7***	**532,891**	**100.0**	***1.3***
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	331,236	64.0	*18.9*	326,496	62.0	*-1.4*	323,126	60.6	*-1.0*
A.1.1b	Securities issued or guaranteed by EU member States or OECD States ... not dealt in on a regulated market	2,956	0.6	*22.5*	1,942	0.4	*-34.3*	3,547	0.7	*82.6*
A.1.2a	Bonds or other securities equivalent to bonds dealt in on a regulated market	130,091	25.1	*25.8*	128,063	24.3	*-1.6*	125,478	23.5	*-2.0*
A.1.2b	Bonds or other securities equivalent to bonds not dealt in on a regulated market ...	2,215	0.4	*-9.1*	4,332	0.8	*95.6*	4,616	0.9	*6.6*
A.1.2c	Bonds issued in line with article 157 (1) of legisla-tive decree 163/2006 by project companies…..	0	0.0	*0.0*	0	0.0	*0.0*	487	0.1	*0.0*
A.1.2d	Bonds, commercial papers and similar securities in accordance with article 32 (26-bis) of decree-law n. 83/2012	14	0.0	*600.0*	13	0.0	*-7.1*	7	0.0	*-46.2*
	of which bonds not dealt in	*0*	*0.0*	*0.0*	*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 ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.1.4	Units of Italian and EU UCITS	31,991	6.2	*10.2*	44,331	8.4	*38.6*	49,199	9.2	*11.0*
A.1.5	Repurchase agreements ...	137	0.0	*5.4*	81	0.0	*-40.9*	39	0.0	*-51.9*
A.1.8	Accrued income from interests on securities cover-ing technical provisions	207	0.0	*-95.5*	243	0.0	*17.4*	275	0.1	*13.2*
A.1.9	Debt securities relating to securitisation operations also if they are not intended to be dealt in ...	11	0.0	*10.0*	0	0.0	*-100.0*	13	0.0	*0.0*
A.1.9a)	Debt securities relating to credit securitisation oper-ations referred to in article 1 (1), of law n. 130/1999 ...	11	0.0	*10.0*	0	0.0	*-100.0*	0	0.0	*0.0*
A1.9b)	Debt securities relating to securitisation operations involving the subscription for or acquisition of bonds ...	0	0.0	*0.0*	0	0.0	*0.0*	13	0.0	*0.0*
A1.9c)	Debt securities relating to securitisation operations of loans granted by securitisation companies	0	0.0	*0.0*	0	0.0	*0.0*	13	0.0	*0.0*
	of which bonds not dealt in	*0*	*0.0*	*0.0*	*0*	*0.0*	*0.0*	*0*	*0.0*	*0.0*
	Total A.1	**498,858**	**96.4**	***18.6***	**505,501**	**96.1**	***1.3***	**506,787**	**95.1**	***0.3***
	of which structured securities (a)	48,110	9.3	*30.9*	50,725	9.6	*5.4*	43,099	8.1	*-15.0*
	of which securitisation (b)	1,530	0.3	*8.9*	879	0.2	*-42.5*	624	0.1	*-29.0*
	Total (a) + (b)	**49,640**	**9.6**	***30.1***	**51,604**	**9.8**	***4.0***	**43,723**	**8.2**	***-15.3***
A.2	***Loans***	**41**	**0.0**	***-41.4***	**110**	**0.0**	***168.3***	**147**	**0.0**	***33.6***
A.2.1	Loans and interest-bearing loans secured by mort-gages or by bank or insurance guarantees, or by other suitable guarantees ...	41	0.0	*-41.4*	110	0.0	*168.3*	147	0.0	*33.6*
A.2.2	Direct unsecured loans granted to entities other than natural persons and microenterprises.	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2a)	Direct loans selected by a bank or a financial inter-mediary and having all the characteristics relating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2b)	Direct loans selected by a bank or a financial inter-mediary but not having only the characteristics re-lating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2c)	Direct loans selected by a bank or a financial inter-mediary but not having the characteristics relating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2d	Direct loans not selected by a bank or a financial in-termediary	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*

Assets representing life technical provisions (excluding index-linked contracts or UCITS or relating to pension fund management)

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro and percentage vriations)*

	DESCRIPTION	2016 Amount **	2016 Com-pos. %	2016 Var. %	2017 Amount **	2017 Com-pos. %	2017 Var. %	2018 Amount **	2018 Com-pos. %	2018 Var. %
A.3	***Equity securities and other securities equivalent to equity securities***									
A.3.1a	Shares dealt in on a regulated market	6,047	1.2	*2.6*	6,172	1.2	*2.1*	5,694	1.1	*-7.7*
A.3.1b	Shares in the Bank of Italy, shares in co-operatives, LLCs and shares not dealt in on a regulated market ...	1,243	0.2	*-40.1*	1,462	0.3	*17.6*	1,391	0.3	*-4.9*
A.3.3	Units of Italian and EU UCITS	6,851	1.3	*22.8*	6,865	1.3	*0.2*	5,680	1.1	*-17.3*
A.3.4	Units of closed-end AIFs dealt in on a regulated market	46	0.0	*-11.5*	32	0.0	*-30.4*	17	0.0	*-46.9*
	Total A.3	**14,187**	**2.7**	***4.3***	**14,531**	**2.8**	***2.4***	**12,782**	**2.4**	***-12.0***
A.4	***Real estate***									
A.4.1	Land, buildings and right to use immovable properties, for the unencumbered shares	330	0.1	*-14.1*	293	0.1	*-11.2*	178	0.0	*-39.2*
A.4.2	Leased properties	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.4.3	Participations in real estate companies ...	151	0.0	*-35.5*	157	0.0	*4.0*	156	0.0	*-0.6*
A.4.4	Units of real estate Italian AIFs	4,589	0.9	*-10.5*	5,086	1.0	*10.8*	6,371	1.2	*25.3*
	Total A.4	**5,070**	**1.0**	***-11.7***	**5,536**	**1.1**	***9.2***	**6,705**	**1.3**	***21.1***
A.5	***Alternative investments***									
A.5.1a	Units of open Italian and EU AIFs which invest mainly on the bonds market	273	0.1	*284.5*	215	0.0	*-21.2*	298	0.1	*38.6*
A.5.1b	Units of open Italian and EU AIFs which invest mainly on the share market	56	0.0	*-6.7*	4	0.0	*-92.9*	6	0.0	*50.0*
A.5.2a	Units of closed-end Italian and EU AIFs not dealt in on a regulated market and in reserved Italian AIFs	942	0.2	*-24.0*	1,314	0.2	*39.5*	2,599	0.5	*97.8*
A.5.2b	Units in other open Italian and EU AIFs other than the previous classes	712	0.1	*-45.7*	1,769	0.3	*148.5*	3,643	0.7	*105.9*
	Total A.5	**1,983**	**0.4**	***-26.1***	**3,302**	**0.6**	***66.5***	**6,546**	**1.2**	***98.2***
	TOTAL A	**520,139**	**100.5**	***17.5***	**528,980**	**100.5**	***1.7***	**532,967**	**100.0**	***0.8***
B	**DEBTORS**									
B.1	Debts owed by reinsurers ... up to 90% of their amount	173	0.0	*17.7*	112	0.0	*-35.3*	86	0.0	*-23.2*
B.2	Deposits with and amounts owed by ... ceding undertakings ... up to 90% of their amount	0	0.0	*0,0-*	0	0.0	*0.0*	0	0.0	*0.0*
B.3.1	Debtors: amounts owed by policyholders ... outstanding for less than 3 months	1	0.0	*-99.5*	3	0.0	*200.0*	3	0.0	*0.0*
B.3.2	Receivables from intermediaries... outstanding for less than 3 months	0	0.0	*-100.0*	10	0.0	*0,0-*	10	0.0	*0.0*
B.4	Advances against policies	55	0.0	*-96.6*	4	0.0	*-92.7*	33	0.0	*725.0*
B.5	Tax recoveries ...	856	0.2	*-58.5*	1,559	0.3	*82.1*	3,256	0.6	*108.9*
B.6	Claims against guarantee funds ...	0	0.0	*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 ...	115	0.0	*–*	299	0.1	*160.0*	300	0.1	*0.3*
	TOTAL B	**1,200**	**0.2**	***-70.9***	**1,987**	**0.4**	***65.6***	**3,688**	**0.7**	***85.6***
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	*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	*0.0*
C.3	Deferred acquisition commissions ... up to 90% of their amount	12	0.0	*-98.0*	12	0.0	*0.0*	11	0.0	*-8.3*
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	*0.0*
C.5	Reversionary interests	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
	TOTAL C	**12**	**0.0**	***-98.0***	**12**	**0.0**	***0.0***	**11**	**0.0**	***-8.3***

Assets representing life technical provisions (excluding index-linked contracts or UCITS or relating to pension fund management)

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro and percentage vriations)*

DESCRIPTION		2016			2017			2018		
		Amount **	Com-pos. %	Var. %	Amount **	Com-pos. %	Var. %	Amount **	Com-pos. %	Var. %
D	Deposits with banks, deposits with other credit institutions ... net of debt items	**2,482**	**0.5**	***-46.7***	**2,006**	**0.4**	***-19.2***	**1,086**	**0.2**	***-45.9***
E	Other categories of assets authorised by ISVAP according to art. 38 (4) of legislative decree 209/2005	**0**	**0.0**	***-100.0***	**0**	**0.0**	***0.0***	**0**	**0.0**	***0.0***
	GRAND TOTAL - REPRESENTATIVE ASSETS	**523,833**	**101.2**	***15.9***	**532,985**	**101.3**	***1.7***	**537,752**	**100.9**	***0.9***
	Sub-total A.1.1b+A.1.2b+A.1.2d+A.1.3+A.1.9+A.3.1b+A.5.2a +A.5.2b	8,068	1.6	*-14.8*	10,819	2.1	*34.1*	15,796	3.0	*46.0*

* See also the legal reference in legislative decree 209/2005, articles 37 ter (prudent person principle) and 38 (representation of technical provisions) of the CAP and IVASS Regulation n. 24/2016 on investments and assets representing technical provisions, and in particular the investment (art. 26, excluding para. 3) and assessment criteria (art. 27). Pending the issuing of the technical instructions referred to in art. 26 (3) of IVASS Regulation n. 24/2016 the quarterly statements envisaged in ISVAP Regulation n. 36/2011 remain valid.

** Data from supervisory reports enclosed to the financial statements.

*** Data from supervisory reports as at the IV quarter.

Table 26

Assets representing life technical provisions regarding index-linked contracts or UCITS
(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

*(million euro and percentage values *)*

DESCRIPTION	2016 **			2017 ***			2018 ***		
	Provi-sions	Assets	Comp. %	Provi-sions	Assets	Comp. %	Provi-sions	Assets	Comp. %
Contracts linked to the value of units in UCITS	45,994	46,084	*37.9*	57,130	57,265	*42.2*	58,249	58,389	*42.9*
Var. %	*18.0*	*18.1*		*24.2*	*24.3*		*2.0*	*2.0*	
Unit-linked contracts	68,139	68,247	*56.2*	75,819	75,888	*55.9*	76,791	76,882	*56.5*
Var. %	*7.0*	*7.1*		*11.3*	*11.2*		*1.3*	*1.3*	
Index-linked contracts	7,037	7,133	*5.9*	2,575	2,611	*1.9*	883	897	*0.7*
Var. %	*-15.1*	*-14.9*		*-63.4*	*-63.4*		*-65.7*	*-65.6*	
Total	**121,170**	**121,464**	***100.0***	**135,524**	**135,764**	***100.0***	**135,923**	**136,168**	***100.0***
Var. %	*9.2*	*9.3*		*11.8*	*11.8*		*0.3*	*0.3*	

* See article 41 (Index-linked contracts or contracts directly linked to units in UCITS), para. 3 and 5, article 37 ter (prudent person principle) para. 1, 2, 4, 5 and 6, article 38 (representation of technical provisions) of the CAP and in IVASS Regulation n. 24/2016 on investments and assets representing technical provisions, and in particular the investment (art. 26, excluding para. 3) and assessment criteria (articles 27 and 29, para. 7). Pending the issuing of the technical instructions referred to in art. 26 (3) of IVASS Regulation n. 24/2016 the quarterly statements envisaged in ISVAP Regulation n. 36/2011 remain valid.

** Data from supervisory reports enclosed to the financial statements.

*** Data from supervisory reports as at the IV quarter.

Table 27

Assets representing technical provisions relating to pension fund management
(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro)*

DESCRIPTION	2016 **			2017 ***			2018 ***		
	Provi-sions	Invest-ments	Comp. %	Provi-sions	Invest-ments	Comp. %	Provi-sions	Invest-ments	Comp. %
1 Open pension funds	10,002	10,002	*67.7*	11,109	11,114	*71.8*	11,405	11,415	*71.0*
Var. %	*9.6*	*9.6*		*11.1*	*11.1*		*2.7*	*2.7*	
2 Closed-ended pension funds	4,776	4,776	*32.3*	4,361	4,361	*28.2*	4,653	4,653	*29.0*
Var. %	*7.8*	*7.8*		*-8.7*	*-8.7*		*6.7*	*6.7*	
Total	**14,778**	**14,778**	***100.0***	**15,470**	**15,475**	***100.0***	**16,058**	**16,069**	***100.0***
Var. %	*9.0*	*9.0*		*4.7*	*4.7*		*3.8*	*3.8*	

* See the legal reference in IVASS Regulation n. 24/2016 on investments and assets representing technical provisions, and in particular the investment (art. 26, excluding para. 3) and assessment criteria (art. 27 and 29, para. 7, laying down that assets representing technical provisions relating to pension fund management shall be entered in the register of assets representing life technical provisions according to their current value at the reference date in compliance with the criteria referred to in art. 16 (8) of leg. Decree n. 173 of 26 May 1997). Please not that, pending the issuing of the technical instructions referred to in art. 26 (3) of IVASS Regulation n. 24/2016, the quarterly statements envisaged in ISVAP Regulation n. 36/2011 remain valid.

** Data from supervisory reports enclosed to the financial statements.

*** Data from supervisory reports as at the IV quarter.

Table 28

Assets representing non-life technical provisions
(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro*)

	DESCRIPTION	2016 **	Com-pos. %	Annual % variation	2017 ***	Com-pos. %	Annual % varia-tion	2018 ***	Com-pos. %	Annual % varia-tion
Technical provisions to be covered		**54,532**	**100.0**	***-8.0***	**52,039**	**100.0**	***-4.6***	**50,617**	**100.0**	***-2.7***
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	20,371	37.4	*-6.7*	18,932	36.4	*-7.1*	18,754	37.1	*-0.9*
A.1.1b	Securities issued or guaranteed by EU member States ... not dealt in on a regulated market	161	0.3	*155.6*	52	0.1	*-67.7*	30	0.1	*-42.3*
A.1.2a	Bonds or other securities equivalent to bonds dealt in on a regulated market	17,460	32.0	*10.2*	16,582	31.9	*-5.0*	14,988	29.6	*-9.6*
A.1.2b	Bonds or other securities equivalent to bonds not dealt in on a regulated market ...	312	0.6	*-43.8*	280	0.5	*-10.3*	253	0.5	*-9.6*
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*	75	0.1	*0.0*
A.1.2d	Bonds, commercial papers and similar securities in accordance with article 32 (26-bis) of decree-law n. 83/2012	5	0.0	*0.0*	5	0.0	*0.0*	4	0.0	-20
	of which bonds not dealt in	*0*	*0.0*	*0.0*	*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 ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.1.4	Units of Italian and EU UCITS	2,003	3.7	*24.4*	1,767	3.4	*-11.8*	1,670	3.3	*-5.5*
A.1.5	Repurchase agreements ...	8	0.0	0.0	5	0.0	*-37.5*	0	0.0	*-100.0*
A.1.8	Accrued income from interests on securities covering technical provisions	23	0.0	*-94.0*	44	0.1	*91.3*	48	0.1	*9.1*
A.1.9	Debt securities relating to securitisation operations also if they are not intended to be dealt in ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.1.9a)	Debt securities relating to credit securitisation operations referred to in article 1 (1), of law n. 130/1999 ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A1.9b)	Debt securities relating to securitisation operations involving the subscription for or acquisition of bonds ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A1.9c)	Debt securities relating to securitisation operations of loans granted by securitisation companies	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
	of which bonds not dealt in	*0*	*0.0*	*0.0*	*0*	*0.0*	*0.0*	*0*	*0.0*	*0.0*
	Total A.1	**40,343**	**74.0**	***0.1***	**37,667**	**72.4**	***-6.6***	**35,822**	**70.8**	***-4.9***
	of which structured securities (a)	8,374	15.4	*25.8*	8,749	16.8	*4.5*	4,481	8.9	*-48.8*
	of which securitisation (b)	384	0.7	*-22.6*	338	0.6	*-12.0*	322	0.6	*-4.7*
	Total (a) + (b)	8,758	16.1	*22.4*	9,087	17.5	*3.8*	4,803	9.5	*-47.1*
A.2	***Loans***	**150**	**0.3**	***59.6***	**228**	**0.4**	***52.0***	**270**	**0.5**	***18.4***
A.2.1	Loans and interest-bearing loans secured by mortgages or by bank or insurance guarantees, or by other suitable guarantees ...	150	0.3	*59.6*	228	0.4	*-55.6*	270	0.5	*18.4*
A.2.2	Direct unsecured loans granted to entities other than natural persons and microenterprises.	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*

Assets representing non-life technical provisions

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro)*

	DESCRIPTION	2016 **	Com-pos. %	Annual % variation	2017 ***	Com-pos. %	Annual % varia-tion	2018 ***	Com-pos. %	Annual % varia-tion
A2.2a)	Direct loans selected by a bank or a financial intermediary and having all the characteristics relating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	*0.0*	*0.0*
A2.2b)	Direct loans selected by a bank or a financial intermediary but not having only the characteristics relating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2c)	Direct loans selected by a bank or a financial intermediary but not having the characteristics relating to the quality ...	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A2.2d)	Direct loans not selected by a bank or a financial intermediary	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.3	***Equity securities and other securities equivalent to equity securities***									
A.3.1a	Shares dealt in on a regulated market	1,013	1.9	*-17.2*	1,406	2.7	*38.8*	1,310	2.6	*-6.8*
A.3.1b	Shares in the Bank of Italy, shares in co-operatives, LLCs and shares not dealt in on a regulated market ...	709	1.3	*-56.0*	514	1.0	*-27.5*	1,073	2.1	*108.8*
A.3.3	Units of Italian and EU UCITS	1,033	1.9	*-1.0*	1,273	2.4	*23.2*	1,019	2.0	*-20.0*
A.3.4	Units of closed-end AIFs dealt in on a regulated market	52	0.1	*-36.6*	31	0.1	*-40.4*	17	0.0	*-45.2*
	Total A.3	**2,807**	**5.1**	***-29.1***	**3,224**	**6.2**	***14.9***	**3,419**	**6.8**	***6.0***
A.4	***Real estate***									
A.4.1	Land, buildings and right to use immovable properties, for the unencumbered shares	5,491	10.1	*2.5*	5,641	10.8	*2.7*	5,150	10.2	*-8.7*
A.4.2	Leased properties	0	0.0	*0.0*	0	0.0	*0.0*	0	0.0	*0.0*
A.4.3	Participations in real estate companies ...	2,223	4.1	*-18.1*	1,520	2.9	*-31.6*	1,407	2.8	*-7.4*
A.4.4	Units of real estate Italian AIFs	1,094	2.0	*-2.6*	1,053	2.0	*-3.7*	1,532	3.0	*45.5*
	Total A.4	**8,808**	**16.2**	***-4.2***	**8,214**	**15.8**	***-6.7***	**8,089**	**16.0**	***-1.5***
A.5	***Alternative investments***									
A.5.1a	Units of open Italian and EU AIFs which invest mainly on the bonds market	15	0.0	*0.0*	5	0.0	*0.0*	4	0.0	*0.0*
A.5.1b	Units of open Italian and EU AIFs which invest mainly on the share market	62	0.1	*33.3*	55	0.1	*-11.3*	59	0.1	*7.3*
A.5.2a	Units of closed-end Italian and EU AIFs not dealt in on a regulated market and in reserved Italian AIFs	248	0.5	*-20.8*	326	0.6	*31.5*	508	1.0	*55.8*
A.5.2b	Units in other open Italian and EU AIFs other than the previous classes	45	0.1	*-59.1*	562	1.1	*1,148.9*	485	1.0	*-13.7*
	Total A.5	**370**	**0.7**	***-14.0***	**948**	**1.8**	***156.2***	**1,056**	**2.1**	***11.4***
	TOTAL A	**52,478**	**96.2**	***-2.8***	**50,281**	**96.6**	***-4.2***	**48,656**	**96.1**	***-3.2***
B	**DEBTORS**									
B.1	Debts owed by reinsurers ... up to 90% of their amount	1,718	3.2	*-43.1*	1,411	2.7	*-17.9*	1,757	3.5	*24.5*
B.2	Deposits with and amounts owed by ... ceding undertakings ... up to 90% of their amount	3	0.0	*-50.0*	4	*0.0*	*33.3*	4	0.0	*0.0*
B.3.1	Debtors: amounts owed by policyholders ... outstanding for less than 3 months	289	0.5	*-71.1*	299	0.6	*3.5*	222	0.4	*-25.8*

Assets representing non-life technical provisions
(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(million euro)*

	DESCRIPTION	2016 **	Com-pos. %	Annual % variation	2017 ***	Com-pos. %	Annual % varia-tion	2018 ***	Com-pos. %	Annual % varia-tion
B.3.2	Debtors: amounts owed by intermediaries ... outstanding for less than 3 months	171	0.3	*-52.5*	169	0.3	*-1.2*	93	0.2	*-45.0*
B.4	Claims arising out of salvage and subrogation	9	0.0	*-69.0*	8	0.0	*-11.1*	7	0.0	*-12.5*
B.5	Tax recoveries ...	3	0.0	*-97.5*	4	0.0	*33.3*	1	0.0	*-75.0*
B.6	Claims against guarantee funds ...	0	0.0	*-100.0*	0	0.0	*0.0*	0	0.0	*0.0*
B.7	Debtors arising out of centralised management operations of the group's cash ...	0	0.0	*-100.0*	0	0.0	*0.00*	0	0.0	*0.00*
	TOTAL B	**2,193**	**4.0**	***-55.7***	**1,895**	**3.6**	***-13.6***	**2,084**	**4.1**	***10.0***
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	*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	*0.0*
C.3	Deferred acquisition commissions ... up to 90% of their amount	1	0.0	*-97.5*	0	0.0	*-100.0*	0	0.0	*0.0*
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	*0.0*
	TOTAL C	**1**	**0.0**	***-97.5***	**0**	**0.0**	***-100.0***	**0**	**0.0**	***0.0***
D	Deposits with banks, deposits with other credit institutions ... net of debt items	**483**	**0.9**	***-42.6***	**397**	**0.8**	***-17.8***	**372**	**0.7**	***-6.3***
E	Other categories of assets authorised by ISVAP according to art. 38 (4) of leg. decree 209/2005	**0**	**0.0**	***0.0***	**0**	**0.0**	***0.0***	**0**	**0.0**	***0.0***
	GRAND TOTAL - REPRESENTATIVE ASSETS	**55,155**	**101.1**	***-7.8***	**52,573**	**101.0**	***-4.7***	**51,112**	**101.0**	***-2.8***
	Sub-total A.1.1b+A.1.2b+A.1.2d+A.1.3+A.1.9+A.3.1b+A.5.2a+A.5.2b	1,475	2.7	*-44.5*	1,734	3.3	*17.6*	2,349	4.6	*35.5*

* See articles 37 ter (prudent person principle) and 38 (representation of technical provisions) of the CAP and IVASS Regulation n. 24/2016 on investments and assets representing technical provisions, and in particular the investment (art. 26, excluding para. 3) and assessment criteria (art. 27). Pending the issuing of the technical instructions referred to in art. 26 (3) of IVASS Regulation n. 24/2016 the quarterly statements envisaged in ISVAP Regulation n. 36/2011 remain valid.

** Data from supervisory reports enclosed to the financial statements.

*** Data from supervisory reports as at the IV quarter.

Table 29

Technical provisions relating to the Italian and foreign portfolio for both insurance and reinsurance
(national undertakings and branches of non-EEA undertakings)

(million euro)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Traditional life products – class C (a)	276,151	314,441	329,099	339,880	369,555	419,805	457,495	493,289	515,451	538,376
Life – class D (b)	116,910	111,852	98,651	97,349	96,585	108,573	128,023	139,237	154,077	152,004
of which class D.I (unit- and index-linked)	*111,725*	*105,494*	*91,320*	*88,885*	*87,205*	*96,046*	*114,464*	*124,459*	*138,601*	*135,935*
of which class D.II (pension funds)	*5,185*	*6,358*	*7,331*	*8,464*	*9,380*	*12,527*	*13,559*	*14,778*	*15,475*	*16,069*
Total for life (c) = (a) + (b)	**393,061**	**426,293**	**427,751**	**437,229**	**466,141**	**528,378**	**585,518**	**632,525**	**669,527**	**690,380**
Total Non-life (d)	**68,701**	**65,859**	**66,697**	**66,838**	**64,764**	**63,368**	**62,005**	**61,384**	**59,918**	**58,882**
Grand total = (c) + (d)	**461,762**	**492,151**	**494,448**	**504,067**	**530,905**	**591,746**	**647,523**	**693,910**	**729,445**	**749,262**

* Specialist reinsurers excluded

Table 30

Life classes - technical provisions of the Italian direct portfolio by insurance class – 2017
(national undertakings and branches of non-EEA undertakings)

(million euro)

	Insur-ance class I	Insur-ance class II	Insurance class III.	Insur-ance class IV	Insur-ance class V	Insurance class VI	Total
Mathematical provisions for pure premiums (including carryover premiums)	471,898	0	196	125	26,820	19	499,058
Provisions for health and professional extra premiums	23	0	0	0	0	0	23
Additional provision for guaranteed interest rate risk	480	0	0	0	26	0	506
Additional provision for time lag (rate re-duction)	35	0	0	0	1	0	36
Additional provision for demographic risk	809	0	0	0	61	0	871
Other additional provisions	495	0	0	0	11	0	506
Additional provision as per Article 41 (4) of Leg. Decree 209/2005	0	0	606	0	0	66	672
Total mathematical provisions for class C.II.1	**473,740**	**0**	**802**	**125**	**26,919**	**85**	**501,670**
Provision for future expenses (class C.II.5)	1,288	0	93	4	73	5	1,462
Additional provisions for general risks (class C.II.5)	18	0	0	0	0	0	18
Other technical provisions (class C.II.5)	0	0	0	0	0	0	0
Provision for bonuses and rebates (class C.II.4)	34	0	0	10	0	0	43
Provision for amounts payable (class C.II.3)	3,244	0	968	49	248	12	4,520
Provision for complementary insurance premiums (class C.II.2)	72	0	1	0	0	0	72
Total technical provisions for class C	**478,394**	**0**	**1,863**	**188**	**27,239**	**102**	**507,787**
Provisions class D.I products provided for in Article 41 (1) of Leg. Decree 209/2005	0	0	132,800	0	0	0	132,800
Provisions class D.I products provided for in Article 41 (2) of Leg. Decree 209/2005	0	0	2,564	0	19	0	2,583
Total provisions class D.I linked to an index or fund or other reference values	**0**	**0**	**135,364**	**0**	**19**	**0**	**135,383**
Total provisions class D.II relating to pension fund management	**0**	**0**	**0**	**0**	**0**	**15,475**	**15,475**
TOTAL TECHNICAL PROVISIONS	**478,394**	**0**	**137,227**	**188**	**27,258**	**15,577**	**658,645**

Table 31

Life classes - technical provisions of the Italian direct portfolio by insurance class – 2018
(national undertakings and branches of non-EEA undertakings)

(million euro)

	Insurance class I	Insur-ance class II	Insurance class III.	Insur-ance class IV	Insur-ance class V	Insur-ance class VI	Total
Mathematical provisions for pure premiums (including carryover premiums)	494,471	0	274	159	27,648	22	522,575
Provisions for health and professional extra premiums	22	0	0	0	0	0	22
Additional provision for guaranteed interest rate risk	509	0	0	0	29	0	539
Additional provision for time lag (rate reduction)	31	0	0	0	0	0	31
Additional provision for demographic risk	839	0	0	0	60	0	899
Other additional provisions	508	0	0	0	10	0	517
Additional provision as per Article 41 (4) of Leg. Decree 209/2005	128	0	648	0	0	71	847
Total mathematical provisions for class C.II.1	**496,266**	**0**	**923**	**160**	**27,747**	**94**	**525,189**
Provision for future expenses (class C.II.5)	1,245	0	142	4	69	4	1,463
Additional provisions for general risks (class C.II.5)	14	0	0	0	0	0	14
Other technical provisions (class C.II.5)	0	0	0	0	0	0	0
Provision for bonuses and rebates (class C.II.4)	35	0	0	8	0	0	43
Provision for amounts payable (class C.II.3)	4,035	0	984	55	394	20	5,489
Provision for complementary insurance premiums (class C.II.2)	68	0	0	0	0	0	68
Total technical provisions for class C	**501,790**	**0**	**2,049**	**227**	**28,209**	**118**	**532,393**
Provisions class D.I products provided for in Article 41 (1) of Leg. Decree 209/2005	0	0	134,860	0	0	0	134,860
Provisions class D.I products provided for in Article 41 (2) of Leg. Decree 209/2005	0	0	886	0	4	0	890
Total provisions class D.I linked to an index or fund or other reference values	**0**	**0**	**135,746**	**0**	**4**	**0**	**135,750**
Total provisions class D.II relating to pension fund management	**0**	**0**	**0**	**0**	**0**	**16,069**	**16,069**
TOTAL TECHNICAL PROVISIONS	**501,790**	**0**	**137,795**	**227**	**28,213**	**16,186**	**684,211**

Table 32

Non-life classes - technical provisions of the Italian direct portfolio by insurance class – 2017
(national undertakings and branches of non-EEA undertakings)

(million euro)

Classes	Provision for un-earned premiums	Provision for claims outstanding	Other tech-nical provi-sions	Total tech-nical provi-sions
Accident	1,491	1,884	47	3,422
Sickness	1,034	1,265	111	2,409
Land vehicles	1,252	613	48	1,913
Railway rolling stock	2	10	0	12
Aircraft	4	17	0	22
Ships (sea, lake and river and canal vessels)	93	326	3	421
Goods in transit	28	196	9	234
Fire and natural forces	1,929	2,233	114	4,276
Other damage to property	1,325	1,536	23	2,885
Motor vehicle liability	4,571	20,750	0	25,321
Aircraft liability	3	15	0	18
Liability for ships (sea, lake and river and canal vessels)	15	87	0	101
General liability	1,100	11,563	4	12,667
Credit	170	91	11	272
Suretyship	552	1,013	0	1,566
Miscellaneous financial loss	630	290	8	928
Legal expenses	136	437	0	572
Assistance	227	87	5	319
Total non-life classes	**14,563**	**42,413**	**383**	**57,358**

Table 33

Non-life classes - technical provisions of the Italian direct portfolio by insurance class – 2018
(national undertakings and branches of non-EEA undertakings)

(million euro)

Classes	Provision for un-earned premiums	Provision for claims outstanding	Other tech-nical provi-sions	Total tech-nical provi-sions
Accident	1,521	1,815	48	3,383
Sickness	1,144	1,360	111	2,615
Land vehicles	1,363	572	51	1,987
Railway rolling stock	2	10	0	12
Aircraft	4	14	0	19
Ships (sea, lake and river and canal vessels)	95	443	3	540
Goods in transit	31	206	9	247
Fire and natural forces	2,091	2,203	122	4,416
Other damage to property	1,338	1,581	28	2,947
Motor vehicle liability	4,587	19,828	0	24,415
Aircraft liability	3	15	0	18
Liability for ships (sea, lake and river and canal vessels)	15	90	0	105
General liability	1,139	10,829	4	11,972
Credit	177	86	11	273
Suretyship	559	991	0	1,550
Miscellaneous financial loss	682	248	8	938
Legal expenses	141	443	0	584
Assistance	241	95	1	338
Total non-life classes	**15,134**	**40,829**	**396**	**56,359**

Table 34

Loss ratio - non-life business

(national undertakings and branches of non-EEA undertakings; Italian insurance portfolio)

(% values)

Classes	2013	2014	2015	2016	2017
Accident	46.8	46.8	45.2	44.6	43.4
Sickness	74.5	72.7	71.6	71.4	71.1
Land vehicles	68.1	63.0	60.9	59.5	62.3
Railway rolling stock	83.0	8.3	19.7	171.8	26.5
Aircraft	185.2	51.2	60.4	30.2	56.6
Ships (sea, lake and river and canal vessels)	77.5	102.4	90.1	80.4	97.6
Goods in transit	65.3	66.4	60.9	54.2	58.1
Fire and natural forces	61.7	62.3	64.6	67.0	76.4
Other damage to property	74.0	75.3	67.2	69.3	80.5
Motor vehicle liability	68.5	71.8	76.3	80.5	81.2
Aircraft liability	15.7	30.6	13.4	43.9	37.9
Liability for ships (sea, lake and river and canal vessels)	81.8	74.0	86.8	77.0	110.5
General liability	72.5	68.8	64.0	62.6	61.6
Credit	98.3	91.4	91.4	85.7	53.4
Suretyship	71.5	76.1	72.6	53.9	52.4
Miscellaneous financial loss	52.9	47.9	41.3	38.1	35.7
Legal expenses	32.1	28.3	29.0	28.5	27.8
Assistance	29.4	29.6	31.7	33.3	35.9
Total non-life classes	**66.5**	**67.2**	**67.4**	**68.6**	**70.3**

Table 35

Motor vehicle liability – Statistics on the distribution of IPER estimated actual premiums

(euro and percentage values)

Period	Average	Median	Var. %	Standard deviation	10th Perc.	25th Perc.	75th Perc.	90th Perc.
2nd quarter 2017	412	372	45.0	185	235	290	487	633
3rd quarter 2017	420	378	45.7	192	238	295	497	649
4th quarter 2017	417	375	45.5	190	236	292	493	644
1st quarter 2018	409	369	45.1	184	234	288	482	629
2nd quarter 2018	412	370	45.6	187	234	289	485	634
3rd quarter 2018	419	376	45.9	192	238	294	494	649
4th quarter 2018	415	372	46.0	191	235	290	489	641
1st quarter 2019	406	363	46.2	188	229	284	477	626

Table 36

Motor vehicle liability – Statistics on the distribution of IPER estimated actual premiums - variations

(% values)

% Variation	Period	Average	Median	Var.	Standard deviation
On an annual basis *	**2nd quarter 2018**	-0.1	-0.6	1.3	1.1
	3rd quarter 2018	-0.3	-0.6	0.4	0.1
	4th quarter 2018	-0.5	-0.9	1.1	0.6
	1st quarter 2019	-0.9	-1.5	2.5	1.6
On a quarterly basis **	**3rd quarter 2017**	2.0	1.7	1.6	3.6
	4th quarter 2017	-0.8	-0.9	-0.2	-1.0
	1st quarter 2018	-1.8	-1.6	-1.1	-2.9
	2nd quarter 2018	0.6	0.3	1.0	1.5
	3rd quarter 2018	1.9	1.6	0.7	2.6
	4th quarter 2018	-1.1	-1.2	0.5	-0.5
	1st quarter 2019	-2.2	-2.2	0.5	-1.8

* percentage changes in relation to the same quarter of the previous year

** percentage changes in relation to the previous quarter

Table 37

Accidents per kilometre in Italian provinces

(accidents per km of road)*

Province	2016	2017	2018	Province	2016	2017	2018	Province	2016	2017	2018
Valle d'Aosta/Vallée d'Aoste				**Trentino-Alto Adige/Südtirol**				**Lombardy**			
Aosta	1.19	1.23	1.19	Bolzano	1.06	1.17	1.24	Bergamo	3.94	4.10	4.15
Piemonte				Trento	1.21	1.28	1.28	Brescia	3.16	3.23	3.26
Alessandria	1.42	1.42	1.43	**Friuli-Venezia Giulia**				Como	4.73	4.85	4.87
Asti	1.47	1.51	1.48	Gorizia	2.06	2.13	2.12	Cremona	1.92	1.99	2.03
Biella	1.93	1.90	1.90	Pordenone	1.36	1.36	1.43	Lecco	4.29	4.36	4.35
Cuneo	1.38	1.45	1.42	Trieste	6.12	6.23	6.50	Lodi	2.58	2.71	2.76
Novara	2.53	2.57	2.60	Udine	1.32	1.33	1.35	Mantova	1.65	1.68	1.66
Turin	4.87	4.89	4.92	**Emilia Romagna**				Milan	12.92	13.40	13.59
Verbano-Cusio-Ossola	1.76	1.83	1.85	Bologna	3.48	3.62	3.58	Monza and Brianza	9.53	9.93	9.99
Vercelli	1.12	1.11	1.10	Ferrara	1.32	1.32	1.33	Pavia	2.27	2.30	2.35
Liguria				Forlì-Cesena	2.15	2.19	2.20	Sondrio	1.46	1.52	1.51
Genoa	5.88	5.99	6.01	Modena	1.95	2.02	2.05	Varese	5.38	5.51	5.45
Imperia	1.81	1.92	1.91	Parma	2.14	2.23	2.23	**Veneto**			
La Spezia	2.38	2.34	2.36	Piacenza	1.46	1.46	1.52	Belluno	0.82	0.83	0.82
Savona	1.96	1.95	1.93	Ravenna	1.92	1.94	1.96	Padova	2.63	2.66	2.70
Toscana				Reggio Emilia	1.92	1.99	1.98	Rovigo	0.92	0.93	0.91
Arezzo	2.28	2.31	2.28	Rimini	4.15	4.21	4.14	Treviso	2.17	2.25	2.28
Florence	4.64	4.80	4.73	**Umbria**				Venice	2.58	2.68	2.72
Grosseto	1.61	1.65	1.58	Perugia	1.19	1.18	1.15	Verona	2.43	2.53	2.55
Livorno	4.27	4.31	4.34	Terni	1.14	1.15	1.14	Vicenza	1.93	1.99	2.00
Lucca	3.17	3.23	3.25	**Latium**				**Abruzzo**			
Massa-Carrara	2.40	2.40	2.33	Frosinone	1.48	1.53	1.49	Chieti	1.07	1.10	1.08
Pisa	3.50	3.59	3.52	Latina	2.74	2.81	2.68	L'Aquila	0.83	0.87	0.82
Pistoia	3.10	3.18	3.14	Rieti	0.89	0.89	0.84	Pescara	2.10	2.15	2.15
Prato	7.90	7.84	8.17	Rome	9.44	9.80	9.58	Teramo	1.44	1.58	1.50
Siena	1.80	1.81	1.77	Viterbo	1.27	1.28	1.28	**Marche**			
Campania				**Molise**				Ancona	2.62	2.76	2.63
Avellino	0.66	0.69	0.66	Campobasso	0.40	0.39	0.38	Ascoli Piceno	2.35	2.44	2.37
Benevento	0.77	0.77	0.76	Isernia	0.34	0.35	0.33	Fermo	2.63	2.79	2.62
Caserta	2.77	2.91	2.73	**Sicily**				Macerata	1.08	1.16	1.08
Naples	19.87	20.79	19.08	Agrigento	1.29	1.38	1.36	Pesaro-Urbino	1.23	1.26	1.24
Salerno	1.72	1.83	1.85	Caltanissetta	2.27	2.33	2.29	**Basilicata**			
Reggio Calabria				Catania	3.07	3.24	3.22	Matera	0.49	0.52	0.51
Catanzaro	0.98	1.01	1.01	Enna	0.64	0.64	0.65	Potenza	0.47	0.46	0.47
Cosenza	0.77	0.81	0.77	Messina	1.73	1.81	1.78	**Puglia**			
Crotone	0.85	0.92	0.89	Palermo	3.99	4.02	3.90	Bari	2.00	2.05	2.08
Reggio Calabria	1.09	1.13	1.07	Ragusa	1.50	1.55	1.55	Barletta-Andria-Trani	1.37	1.48	1.49
Vibo Valentia	1.26	1.34	1.32	Siracusa	2.50	2.65	2.60	Brindisi	1.03	1.07	1.08
Sardinia				Trapani	2.23	2.20	2.09	Foggia	0.87	0.93	0.93
Sardegna Totale	1.59	1.71	1.71					Lecce	2.21	2.23	2.22
								Taranto	1.67	1.74	1.76
				Total for Italy	**2.55**	**2.63**	**2.58**				

* Claims are communicated by undertakings to the Claims Data Bank. Account is taken of claims that at the reference date are still open or have been closed after settlement. What is relevant for the calculation is the place of the accident (and not the place of residence of the owner of the vehicle which caused the accident). The indicator takes into account the road network that includes all municipal roads as at 2011 and the update provided by ACI, of all the extra-urban roads as at 2016. On account of the reorganisation of territorial entities in Sardinia in the period considered and of the resulting difficulty of a comparison over time, it was decided to calculate the indicator at regional level.

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