IVASS
ISTITUTO PER LA VIGILANZA
SULLE ASSICURAZIONI

# Report on the activities pursued by IVASS in the year 2021

Rome, 28 June 2022

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**IVASS, 2022 -06-28**

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**WARNINGS**

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

Unless specifically indicated, the tables do not include the data on the Italian branches of undertakings with head office in a EU or EEA member State, or for which stability is supervised by their respective Home supervisors.

A Glossary of terms and abbreviations used in this report is published on https://http://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/relazione-annuale/index.html (Italian only)

# *I. THE INSURANCE MARKET*

The Italian insurance sector was characterised by mergers and acquisitions that reduced the number of domestic companies from 96 in 2020 to 90 in 2021. Also as a result of Brexit, the number of branches in Italy of undertakings from the European Economic Area (EEA) operating under the right of establishment fell from 103 to 91, and that of undertakings operating under the free provision of services (f.o.s.) from 1,048 to 884.

The insurance penetration rate, as measured by the premium-to-GDP ratio, declined from 8.1% in 2020 to 7.9% in 2021, partly due to a recovery in the GDP more pronounced than that for premium income. Return on Equity (ROE) also declined to 8.7%, almost 3% lower than the previous year.

The overall volume of the Italian insurance industry remains high: total assets, amounting to EUR 1,114 billion, are the third highest among EU countries. Italian insurers continue to invest mainly in Italian government bonds, albeit to a lesser extent than in the previous year: from 41.1% to 38.4% of total investments.

Income (+3.8% vs. 2020) largely driven by life insurance (+4.5%) brought the industry back to levels similar to the pre-pandemic period. With regard to life insurance, the increase in volumes is uneven, with class III up +34.5% and class I down -5.2%; the latter shows significant increases in claims/premiums ratios (+79.8%) and surrenders/premiums (+47%). The distribution of life products through banks decreased by 56%.

The average gross return of separately managed accounts is 2.6%, of which almost 40% is retained by insurance companies; for 2021, annual management fees are 1.24% of class III assets, compared to just over 1% for class I assets.

The operating result of the life insurance business ended with a profit, due to the technical management, which mainly relies on the contribution of substantial net financial income, about 50% of which is generated by class III assets. Claims expenses remained unchanged from the previous year.

The increase in non-life business (+1.9%) is driven by growth in non-motor insurance classes, which are up 5.5%, indicating a potential narrowing of the insurance coverage gap compared to other European countries.

The non-life operating result remained at pre-pandemic levels after the 2020 peak; the result from ordinary operations is again lower than the technical result as in 2012-2019, partly due to the reduction in net income from financial investments and the increase in costs not included in the technical balance.

# 1. - The International Insurance Market

## 1.1. - The global insurance market

Data on the overall insurance industry in 2020 allow to be assess the first effects of the pandemic. Despite operating in a scenario of heightened uncertainty, insurers have preserved and in some cases increased their equity levels, aided by supervisory action which, particularly in EU countries, has since the start of the pandemic recommended that companies retain and preserve profits from the previous year to ensure sufficient capacity to absorb potential losses. The pandemic has contributed to an increased awareness of risk and the possibility of managing it by using insurance contracts: this aspect, together with the acceleration of digitisation, may stimulate a structural evolution of the global insurance market, despite tensions in the macro-economic framework. Indeed, estimates for 2021 indicate a growth in demand for insurance protection of 3.3%[1].

The product and investment strategies of the insurance market will have to take into account a scenario in which the low interest rate context that has characterised recent years is, as of early 2022, affected by rates gradually rising, accompanied by a much more abrupt rise in the rate of inflation.

### *1.1.1. - The global market*

The information gathered by the Organisation for Economic Co-operation and Development (OECD)[2] provides an overview of the insurance business on a world scale. The information on 2020 – the last year for which complete data are available – measures the combined effect of economic measures for the pandemic and low interest rates, with heterogeneous results in the different insurance segments.

During the period under review, life business was affected by falling interest rates in most countries: the consequences were reduced profits as well as increased risk in investment transactions; the pandemic had more direct effects on traditional life coverages (linked to the length of human life), with consequences differentiated according to the demographic structure of the population.

In the non-life sector, the limits on economic activities and traffic restriction measures increased profits in the property, motor third-party liability (MTPL) and mobility lines of business, benefiting from a decline in claims ratios; other non-life classes, such as event cancellation, travel, business interruption and credit insurance continued to be negatively affected[3].

1 Source: Swiss Re – sigma n. 3/2021

2 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 *Global Insurance Market Trends* by the same body. The OECD report involves, in addition to its member countries, also several Latin American countries and a group of African, Asian and European countries.

3 In late 2020, some countries were considering whether insurance policies would provide coverage for these pandemic-related losses.

The increase in catastrophe losses[4], and the resulting higher claims payments, did not penalise the insurance industry, which globally achieved positive returns on equity (ROE) in most reporting countries.

### *1.1.2. - Premium income: percentage on GDP and performance*

Worldwide, gross premiums declined in 2020, particularly in life insurance (-3.0% in real terms[5] after growth in recent years); in the non-life sector, on the other hand, growth rates remained generally positive, growing by +0.6% across all countries. Gross premiums increased in both sectors in only 12 countries of the sample; Italy recorded -4.2% in life and -2.2% in non-life business. In OECD countries, life and non-life premium income as a percentage of GDP, in nominal terms, was 9.4%, up +9% year-on-year.

Fig. I.1 shows the penetration rate in 2020 for OECD countries, broken down by life and non-life. Life premiums averaged 4.6% of GDP, stable compared to previous years. Life sector penetration in Italy (6.1%) is up +5.9%, higher than the OECD average. higher than average values were recorded in Japan, South Korea, France, United States, Sweden, Denmark, the United Kingdom, Ireland and Luxembourg. In the non-life sector, premiums as a percentage of GDP stood at 4.9%, up slightly. The value is influenced by much higher-than-average indicators in the US and the Netherlands, while France and South Korea are about average. The non-life insurance market in Germany is worth 4% of GDP, in the UK 3% and in Italy it remains stable at 2%, below the OECD average.

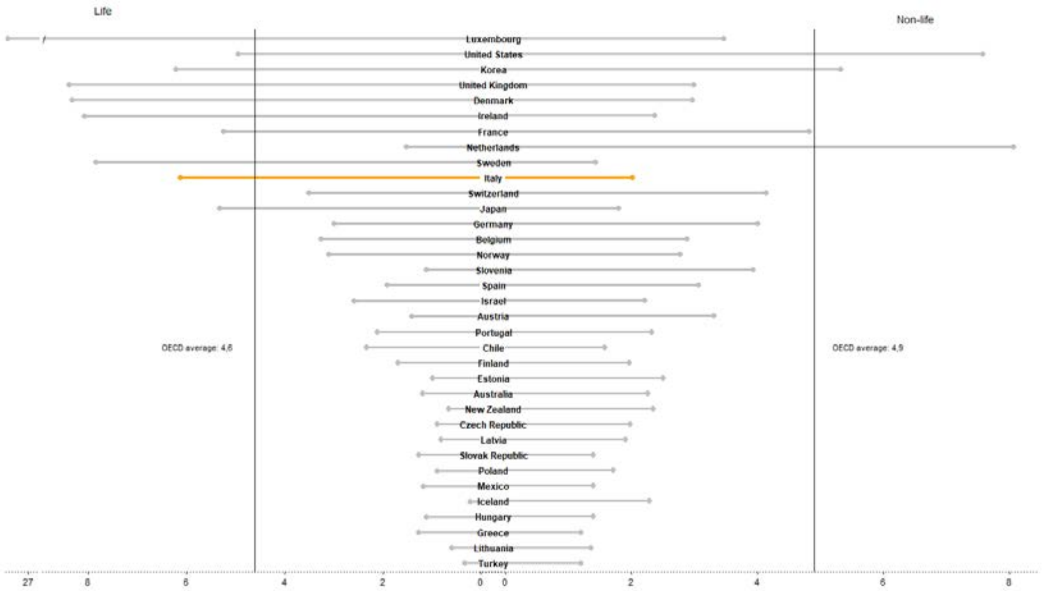
[4] According to Swiss Re data (sigma 1/2022 - Natural catastrophes in 2021), catastrophic events are generating increasing economic losses in recent years and since 2010, the number of natural catastrophes has exceeded the number of man-made disasters. In 2021, 306 catastrophic events were recorded (279 in 2020) of which 186 were natural and 120 were man-made

[5] Percentage change in the value of insurance production, measured at constant prices referring to a base year. This section uses 2015 as the base year for the Consumer Price Index (CPI) calculated by the OECD Main Economic Indicators (MEI).

**Figure I.1**

**Premium incidence over GDP by line of business in the OECD countries – 2020**

*(Countries sorted by total penetration rate, from top; % values)*




Source: calculation on OECD data. OECD countries reporting data along with a sample of non-OECD countries. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

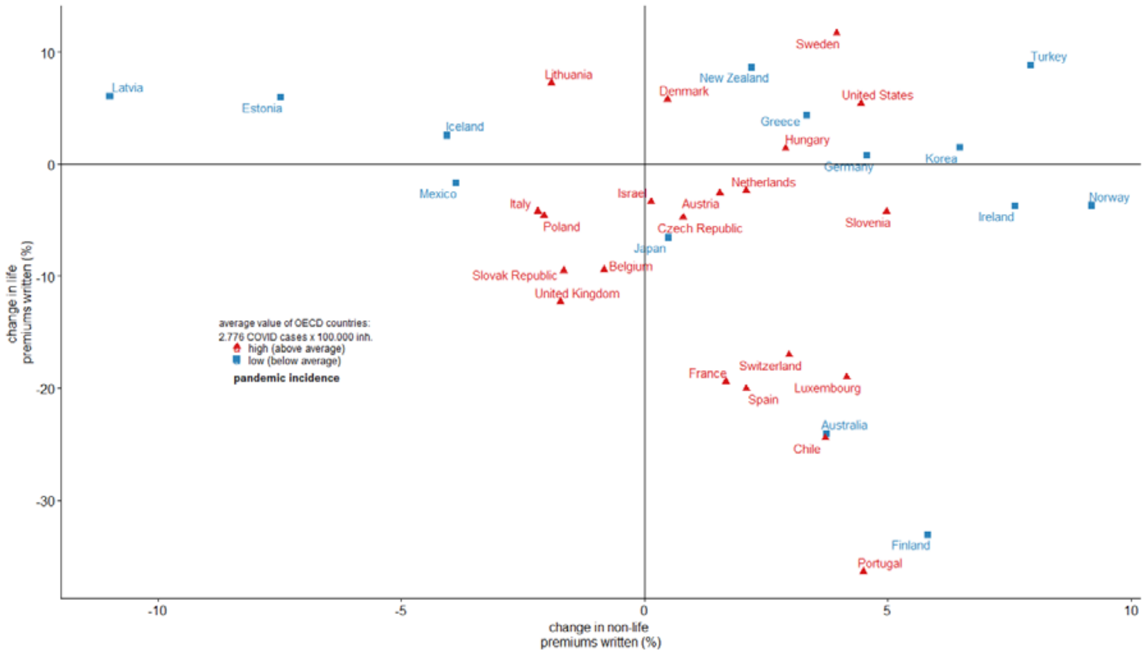
For non-OECD countries, a penetration rate of more than 5% of GDP for life insurance is reported in Taiwan, South Africa and Singapore. For non-life policies, South Africa, Argentina, Panama and Bulgaria exceed 2%.

The following graph (fig. I.2) shows the change in life and non-life premiums for OECD countries divided into two groups based on the level of pandemic incidence (above or below the average of 2,776 cases per 100,000 inhabitants). In the first year of the pandemic, there is no clear trend in the impact of the pandemic on insurance premiums, with both life and non-life business being highly dispersed. There is a large group of countries with decreasing life premiums compared to 2019, and a rather generalised growth in non-life premiums. The different impact stems from the varying degree of resilience of individual countries and their preparedness to withstand large-scale health emergencies, as well as the level of returns under low interest rates and the introduction of favourable taxation of insurance products.

**Figure I.2**

**Correlation between 2020-2019 changes in life and non-life premiums and pandemic incidence**

*(OECD Countries)*




Source: calculation on data from the OECD, World Health Organisation[6] and the World Bank[7] . Some values take into account adjustments applied by the OECD in the absence of observations.

## *1.1.3. - Profitability*

Insurers showed resilience in the first year of the pandemic, managing to make profits: in 2020, the ROE was positive in 40 of the 41 reporting countries (fig. I.3).

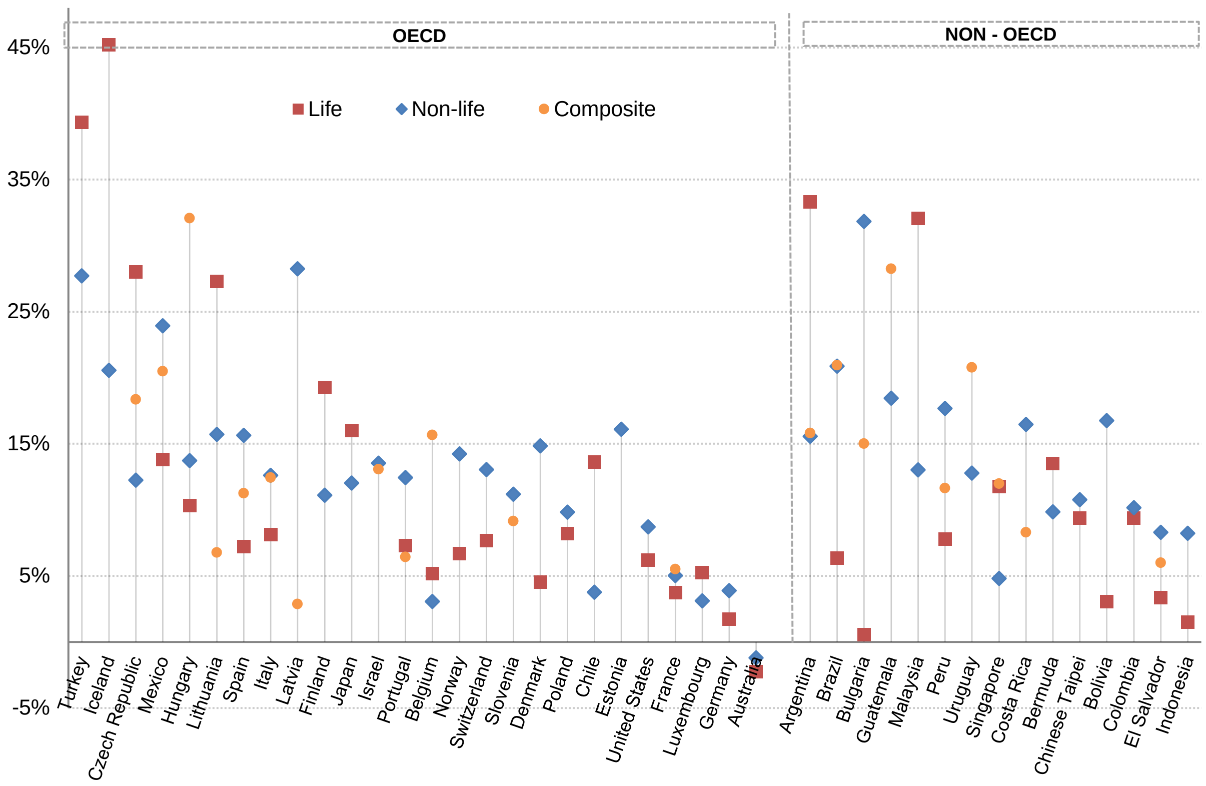
In the year-on-year comparison, profits were generally lower in 2019, especially for specialised life insurers whose system-wide ROE declined in 25 of the 32 countries for which data are available. The decline in profitability is partly explained by the decline in premium volume in 2020, while benefit payments increased. The lower ROE of life insurers contributed to the unfavourable performance of financial management in 2020. Non-life insurers achieved a lower ROE in 2020 than the year before in 15 of the 38 countries for which data are available; for composite insurers, the aggregate ROE per country decreased in 12 out of 19 countries.

6 https://covid19.who.int/data

7 https://databank.worldbank.org/source/world-development-indicators, series: *Population, total* (SP.POP.TOTL)

**Figure I.3**

**ROE by type of insurance company in major countries – 2020**
*(% values)*




Source: calculation on OECD data. OECD countries reporting data along with a sample of non-OECD countries. Some values, including the average, take into account adjustments applied by the OECD in the absence of observations.

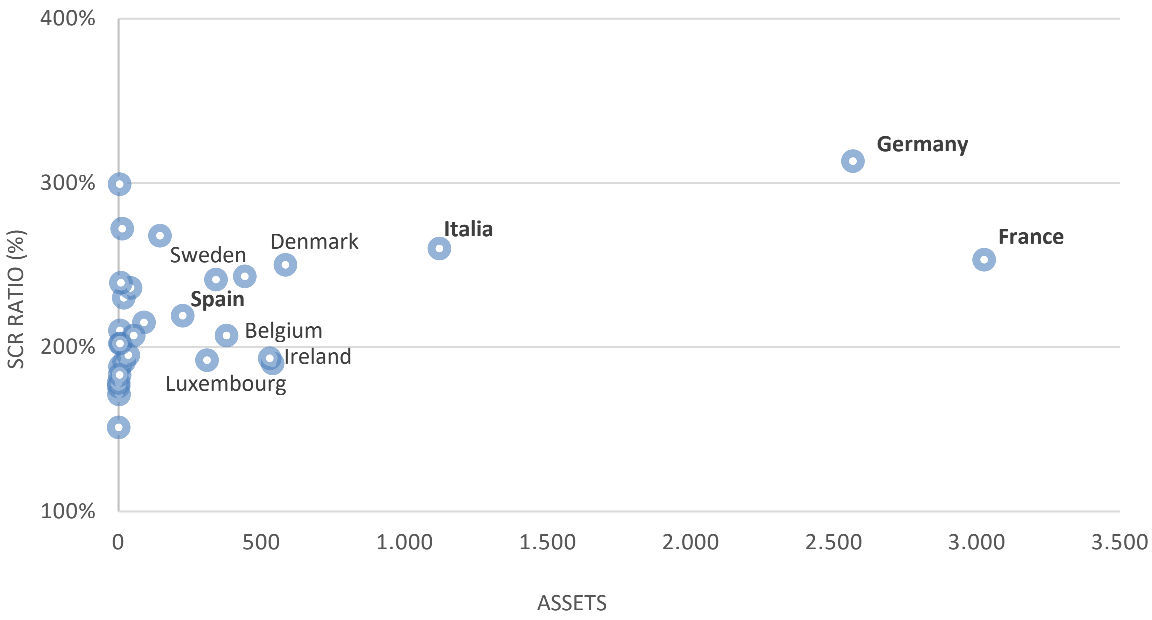
## 1.2. - The European insurance market

At the end of 2021, for the set of 30 countries belonging to the European Economic Area (Fig. I.4)[8], the size of the life and non-life insurance sector amounted to EUR 10,534 billion in terms of total assets (around 75% of the GDP), to 8,932 billion of technical provisions and other liabilities and to 1,602 billion in terms of capital provisions (*excess of assets over liabilities*).

[8] 2021 data do not include the United Kingdom, which has been left out of the EEA statistics since 2021.

**Figure I.4**

**Total assets held by the insurance sector and SCR ratio by Country – Q4 2021**
*(assets in billion euro; SCR ratio in % values)*




Source: calculation based on EIOPA data. The name is indicated of countries with assets in excess of EUR 200 billion.

Investments with respect to non-life products and life contracts with guaranteed financial performance amount to 7,032 billion (66.8% of total assets). Investments with respect to products whose financial risk is borne by the policyholders amount to 2,185 billion (20.7% of assets).

The countries with the highest incidence of investments with respect to policies with guaranteed financial performance are Germany (80.8%), Spain (76.5%), France (74%) and Italy (72.2%), while Luxembourg and Ireland had a higher percentage of policies where the financial risk is borne by the policyholder, equal to 55% and 57.6% respectively.

On the whole, in the life and non-life investment portfolio there is a prevalence of the fixed income sector (55.1% of the total), divided between Government bonds and corporate bonds (Table. I.1; see I.5.2 for a detailed analysis of the major countries). Investments in shares, holdings and units in UCITS account for 39.5%. Derivative positions have a marginal role, especially after the withdrawal of the United Kingdom: they went from 3% (2020) to 1.2% of total investments.

**Table I.1**

| European market – composition of investments – 4th quarter 2021 | | |
|---|---|---|
| | | *(% values)* |
| **Sector** | **Category** | **Incidence** |
| Fixed-income | government bonds | 30.3% |
| | corporate bonds | 24.8% |
| Shares | UCITS | 21.8% |
| | participations | 14.2% |
| | shares | 3.5% |
| Derivatives | derivatives | 1.2% |
| | structured notes | 1.5% |
| | collateralization | 0.4% |
| Real estate | *real estate* | 1.6% |
| cash | deposits | 0.6% |
| Other investments | | 0.2% |
| **Total investments** | | **100.0%** |

Source: Calculations based on EIOPA statistics. – excluding investments for *index and unit-linked policies.*

The total liabilities of the European insurance sector reached 8,932 billion (Table I.2), where 758 billion are the technical provisions for the non-life business, including products covering sickness risks, 5,030 billion the provisions for the life insurance business for traditional products, and 2,156 billion for *index and unit-linked* products. The index and unit-linked sector declined from 29% (2020 figure including the UK) to 24.1% of total EU liabilities at the end of 2021 (excluding the UK). The sum of the technical provisions represents 88.9% of total liabilities.

**Table I.2**

| European market – technical provisions<br>Portion of total liabilities – Q4 2021 | | | | | |
|---|---|---|---|---|---|
| | | | | | *(% values)* |
| | Life | | | Non-life | |
| Category | traditional policies | *of which sickness covers (life)* | index and unit-linked products | non-life policies | *of which sickness covers (non-life)* |
| Incidence | 56.3% | *5.2%* | 24.1% | 8.5% | *1.1%* |

Source: Calculations based on EIOPA statistics.

The excess of assets over liabilities for the European insurance sector totals 1,602 billion. Own funds eligible for coverage of the capital requirement amount to EUR 1,728 billion, while the capital requirement (SCR) in aggregate terms reaches 663 billion (5.2% in terms of GDP in the EEA). The resulting weighted average SCR ratio is equal to 259%.

The profitability ratios in December 2021 for a sample of European companies and groups that are important for financial stability[9] (table I.3) saw a growth of the *Return on Excess of Assets over Liabilities*, intended as a proxy of the median ROE, which reached 8.2% (from 5.5%), and of the median *Return on Assets* (ROA), equal to 0.56%. For comparison, in the banking sector (Eurozone)[10] the expected market ROE (1-year) was around 7% at the end of 2021.

**Table I.3**

**Statistics on profitability in EEA countries – second half of 2020 and 2021**

*(% values)*

| | 10th percentile | 25th percentile | median | 75th percentile | 90th percentile |
|---|---|---|---|---|---|
| ROE | | | | | |
| Q4 2020 | 0.5% | 2.5% | 5.5% | 8.5% | 13.5% |
| Q4 2021 | 2.5% | 5.0% | 8.2% | 12.0% | 21.5% |
| ROA | | | | | |
| Q4 2020 | 0.05% | 0.20% | 0.38% | 0.70% | 1.15% |
| Q4 2021 | 0.10% | 0.25% | 0.56% | 1.00% | 2.00% |

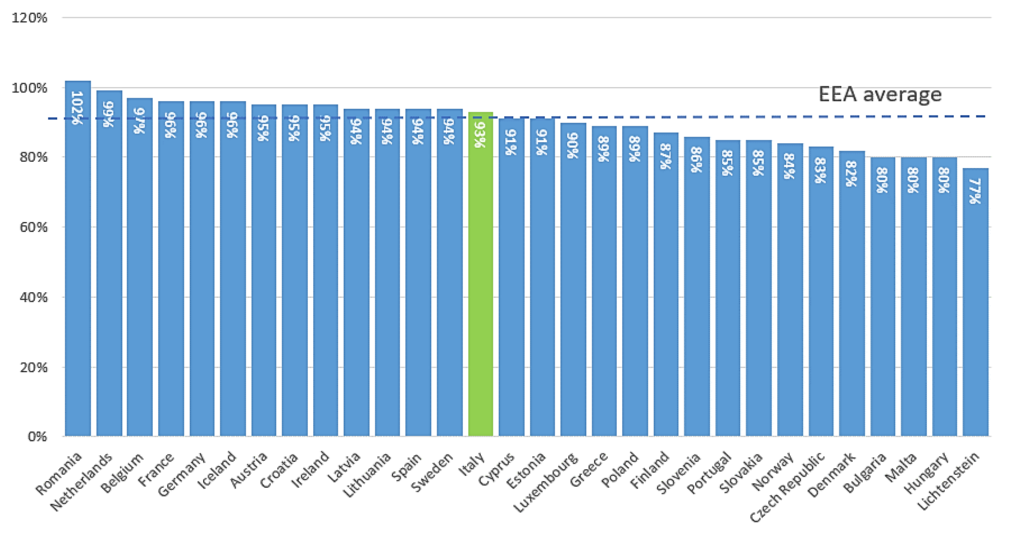
Source: EIOPA. Values other than the median.

In the non-life business, the average combined ratio at the end of 2021 (fig. I.5) is 90%, indicating that the underwriting process is, on average, profitable.

**Figure I.5**

**Combined Ratio by country – Q4 2021**

*(% values)*




Source: calculation based on EIOPA data.

[9] Financial Stability Report EIOPA (December 2021); the ratios are based on the EIOPA quarterly financial stability reporting.

[10] Source: Financial Stability Report by the Bank of Italy, 1/22; data relating to banks listed in the EUROSTOXX index.

The main balance sheet aggregates for the major countries of the Euro Zone are set out below, as calculated according to the Solvency II homogeneous criteria.

**Table I.4**

| Balance sheets of insurance companies in major European Countries – Q4 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *(million euro)* |
| | Italy | | France | | Germany | | Spain | |
| **Assets** | | | | | | | | |
| Deferred tax assets | 6.491 | 0,6% | 13.429 | 0,4% | 14.139 | 0,6% | 14.770 | 4,3% |
| Investments (excluding assets for index and unit linked) | 810.182 | 72,2% | 2.239.214 | 74,0% | 2.073.724 | 80,8% | 260.643 | 76,5% |
| Assets held for index and unit linked | 232.606 | 20,7% | 480.013 | 15,9% | 159.654 | 6,2% | 32.240 | 9,5% |
| Loans and mortgages | 7.226 | 0,6% | 42.546 | 1,4% | 118.344 | 4,6% | 1.819 | 0,5% |
| Recoverable amounts from reinsurance | 10.900 | 1,0% | 128.804 | 4,3% | 82.220 | 3,2% | 8.593 | 2,5% |
| Cash and cash equivalents | 11.734 | 1,0% | 18.767 | 0,6% | 11.554 | 0,5% | 12.022 | 3,5% |
| Other assets | 42.412 | 3,8% | 102.392 | 3,4% | 107.427 | 4,2% | 10.706 | 3,1% |
| **Total assets** | **1.121.551** | **100,0%** | **3.025.165** | **100,0%** | **2.567.062** | **100,0%** | **340.793** | **100,0%** |
| **Liabilities** | | | | | | | | |
| Non-life technical provisions | 53.914 | 5,5% | 179.789 | 6,8% | 234.061 | 11,6% | 27.934 | 10,0% |
| Life technical provisions – excluding linked policies | 627.860 | 64,1% | 1.685.503 | 63,9% | 1.345.078 | 66,7% | 168.300 | 60,2% |
| Index and unit-linked technical provisions | 223.483 | 22,8% | 467.289 | 17,7% | 176.724 | 8,8% | 30.956 | 11,1% |
| Deferred tax liabilities | 14.503 | 1,5% | 30.925 | 1,2% | 66.757 | 3,3% | 21.801 | 7,8% |
| Other liabilities | 60.404 | 6,2% | 274.451 | 10,4% | 194.937 | 9,7% | 30.583 | 10,9% |
| **Total liabilities** | **980.164** | **100,0%** | **2.637.957** | **100,0%** | **2.017.557** | **100,0%** | **279.574** | **100,0%** |
| **Excess assets over liabilities** | **141.388** | | **387.208** | | **549.506** | | **61.219** | |

Source: EIOPA, Insurance Statistics.

Below is the comparison between European investments, excluding assets intended for index and unit-linked contracts.

**Table I.5**

| Investments* of the main European Countries – December 2021 | | | | |
|---|---|---|---|---|
| | | | | *(% values)* |
| **Investments** | **Italy** | **France** | **Germany** | **Spain** |
| Government bonds | 50.9% | 31.7% | 18.8% | 57.0% |
| Corporate bonds | 19.3% | 29.4% | 21.5% | 21.3% |
| Listed and unlisted equity instruments | 1.8% | 4.4% | 0.7% | 1.7% |
| Collective investment undertakings | 13.6% | 20.7% | 33.3% | 6.1% |
| Structured bonds | 1.4% | 2.7% | 0.9% | 1.9% |
| Guaranteed securities | 0.3% | 0.1% | 0.4% | 0.3% |
| Deposits other than cash equivalents | 0.1% | 0.6% | 0.3% | 1.2% |
| Real estate (other than those held for own use) | 0.5% | 1.6% | 1.5% | 2.5% |
| Other investments | 0.0% | 0.2% | 0.0% | 0.0% |
| Derivatives | 0.1% | 0.2% | 0.2% | 2.3% |
| Shares held in related undertakings, including holdings | 12.1% | 8.3% | 22.4% | 5.6% |
| **Total** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

* Excluding assets intended for index and unit-linked contracts. – ** Source: For foreign countries, EIOPA, *Insurance Statistics* Q4 2021.

A comparison with the main European countries shows:

– the significant presence of investment in government bonds in Italian and Spanish companies (50.9% and 56.9%) compared to German and French companies where the use of this form of investment is lower (18.8% and 31.7%);

– the significant role of investments in UCITS units for German and French companies (33.3% and 20.7%);

– the weight of investments in shares in Germany (22.4%).

## 2. - THE ITALIAN INSURANCE MARKET: STRUCTURAL ASPECTS

### 2.1. - Market structure

As at 31 December 2021, the undertakings authorised to pursue insurance and reinsurance business in Italy under the prudential supervision of IVASS were 94 (99 in 2020), 90 of which domestic and 4 branches of foreign undertakings with head office in a non EEA country (table I.6).

Since 2009 there are no more Italian specialist reinsurers for both life or non-life business. In 2021, six domestic undertakings terminated business, after being incorporated by three Italian undertakings, while one branches of a foreign undertaking with head office in a non-EEA country was authorised to pursue insurance business in some non-life classes.

**Table I.6**

| | Domestic undertakings | Non-EEA undertakings under the right of establishment | EEA insurance undertakings under the right of establishment | EEA reinsurance undertakings under the right of establishment | EEA undertakings under the freedom of services |
|---|---|---|---|---|---|
| 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 |
| 2019 | 98 | 3 | 107 | 6 | 1,049 |
| 2020 | 96 | 3 | 103 | 6 | 1,048 |
| 2021 | 90 | 4 | 91 | 7 | 884 |

From 2012 to 2021 the number of domestic undertakings gradually dropped from 135 to 90, down by 33% in the ten-year period, mainly as a result of mergers and acquisitions. For the main transactions concluded in 2021, see Chap. IV.1.2.1.

Also as a result of the Brexit, the number of foreign undertakings operating under the free provision of services (884) fell by 11% (-107 units) while the number of EEA undertakings licensed to operate in Italy under right of establishment remained stable (91 in 2021)[11]. The number of branches of specialist reinsurers with head offices in the EEA rose from six to seven.

**Table I.7**

| Breakdown of undertakings authorised to pursue business in Italy by type of activity – 2021 | | | | |
|---|---|---|---|---|
| | | | | *(units)* |
| | **Non-life** | **Life** | **Compo-sites** | **Total** |
| **Supervised by IVASS** | | | | |
| Domestic insurance undertakings | 49 | 29 | 12 | 90 |
| Branches of insurance undertakings of non-EEA States | 4 | 0 | 0 | 4 |
| **Supervised by the home supervisory authority** | | | | |
| Branches of insurance undertakings of EEA States | 62 | 27 | 2 | 91 |
| Insurance undertakings/establishments of EEA States under fos | 698 | 163 | 23 | 884 |
| Branches of reinsurance undertakings of EEA States | 1 | 0 | 6 | 7 |

75% of the 91 branches in Italy of EEA undertakings have their head office in France, Germany, Ireland and Luxembourg[12].

**Table I.8**

| Geographic breakdown of the EEA insurance undertakings authorised under the right of establishment, by country of the head office | | |
|---|---|---|
| | | *(units)* |
| | **2020** | **2021** |
| **Number of undertakings** | **103** | **91** |
| **Head office country:** | | |
| **France** | 18 | 18 |
| **Germany** | 15 | 18 |
| **Ireland** | 17 | 17 |
| **Luxembourg** | 15 | 15 |
| **Belgium** | 8 | 8 |
| **Spain** | 4 | 4 |
| **Austria** | 4 | 3 |
| **Liechtenstein** | 4 | 3 |
| **Others** | 4 | 5 |
| **United Kingdom** | 14 | - |

57% of the 884 EEA undertakings licensed to carry on business in Italy under f.o.s. come from Germany, France, Luxembourg and Ireland. There were 327 companies with head office

[11] In 2021, 41 undertakings or branches with head office in another EEA state (32 in 2020) were licensed to carry on business under f.o.s., of which 11 coming from Belgium, 9 from Germany, 7 from Malta and 4 from France.

[12] In 2021, 3 EEA undertakings, 2 coming from Germany and 1 from Malta, were licensed to operate in Italy under right of establishment.

in an EEA country that actually operated in Italy writing premiums via f.o.s. (the latest EIOPA data referring to 2020) over a total of 1,048 authorized undertakings.

**Table I.9**

**EEA undertakings/establishments licensed to write services business into Italy**

*(units)*

| | 2020 | 2021 |
|---|---|---|
| **Number of undertakings** | **1,048** | **884** |
| **Country of origin:** | | |
| Germany | 124 | 131 |
| France | 108 | 127 |
| Luxembourg | 52 | 124 |
| Ireland | 125 | 119 |
| Belgium | 41 | 59 |
| Netherlands | 84 | 54 |
| Spain | 43 | 42 |
| Malta | 36 | 41 |
| Liechtenstein | 25 | 31 |
| Austria | 35 | 25 |
| Sweden | 38 | 23 |
| Others | 175 | 92 |
| United Kingdom | 132 | - |

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

After two consecutive years of growth in life and non-life premiums from Italian customers, 2020[13], characterised by the onset of the health emergency, recorded a total value of EUR 156.9 billion (tab. I.10), down by -5.1% compared to 2019.

Premium income of foreign companies, at EUR 65.2 billion, declined by -8%, which was greater than the overall decline, resulting in a decrease in the share of premiums of these companies over the total, from 42.9% in 2019 to 41.6%.

The steepest decline occurred in life insurance, with total premiums of EUR 117.1 billion, down by -6.3% compared to 2019. Foreign companies, down by -10.3 %, collected 36.3 billion through companies established in Italy, 8.1 billion under f.o.s. and 3.6 billion under the right of establishment. Life premiums collected in Italy by foreign undertakings controlled by Italian entities and pursuing business under f.o.s., at 4.2 billion, decreased for the fourth year in a row[14] and with premiums more than halved compared to 2016.

Life premiums written in Italy by Italian-owned companies, amounting to EUR 69.1 billion in 2020, decreased compared to 2016 (-11%), with an absolute decline of 8.5 billion, two-thirds of which was attributable to lower premiums written in Italy by their foreign subsidiaries.

13 Latest figure published by EIOPA.

14 For life insurance, see Tables 2 and 3 in the Appendix for details of the countries where foreign companies, including those controlled by Italian entities, are located.

Premium income from non-life classes amounted to EUR 39.7 billion, -1.3% compared to 2019. The foreign component, accounting for 43.4% of the total, was 17.3 billion, of which 4.9 billion under the right of establishment and 1.9 under the freedom to provide services. Premiums written in Italy by foreign companies with an Italian parent company are negligible, in contrast to the life business[15]. In 2020, insurance companies in the UK, which is no longer part of the European Union as of 1 January 2021, were in the process of completing their exit from the Italian market, transferring risks to companies of other nationalities. Their premium income for the year was just over 100 million in 2020, compared to a high of 1,800 million in 2018.

Between 2016 and 2020, Italian-controlled companies increased their non-life premiums in Italy by +4.5% to EUR 22.5 billion in 2020, while those of foreign-controlled companies stood at 17.3 billion (+10.7% compared to four years earlier).

**Table I.10**

**Direct insurance premiums collected in Italy**

*(million euro)*

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Life** | | | | | |
| **Italian undertakings (1)** | **77,681** | **75,461** | **69,503** | **71,611** | **69,146** |
| *of which: with head office abroad (2)* | *9,698* | *9,045* | *5,866* | *4,985* | *4,212* |
| **Foreign undertakings (6)** | **48,299** | **45,440** | **52,374** | **53,506** | **47,974** |
| *of which: establishments of EU undertakings* | *5,454* | *5,291* | *4,957* | *4,850* | *3,640* |
| *of which: operating under fos* | *8,575* | *8,066* | *9,131* | *9,442* | *8,074* |
| *of which: with head office in Italy (3)* | *34,270* | *32,083* | *38,286* | *39,214* | *36,260* |
| **Premiums from Italian direct business (4=1-2+3)** | **102,253** | **98,499** | **101,923** | **105,840** | **101,194** |
| *% direct insurance related to foreign entities (5=3/4)* | *33.5* | *32.6* | *37.6* | *37.1* | *35.8* |
| ***% total income in Italy related to foreign entities (6/7)*** | ***38.3*** | ***37.6*** | ***43.0*** | ***42.8*** | ***41.0*** |
| **Total (7=1+6)** | **125,980** | **120,901** | **121,877** | **125,117** | **117,120** |
| **Non-life** | | | | | |
| **Italian undertakings (1)** | **21,516** | **21,631** | **22,284** | **22,855** | **22,479** |
| *of which: with head office abroad (2)* | *5* | *7* | *6* | *6* | *6* |
| **Foreign undertakings (6)** | **15,606** | **15,985** | **16,489** | **17,409** | **17,269** |
| *of which: establishments of EU undertakings* | *4,580* | *4,734* | *4,945* | *4,693* | *4,857* |
| *of which: operating under fos* | *583* | *929* | *1,129* | *1,815* | *1,911* |
| *of which: with head office in Italy (3)* | *10,443* | *10,322* | *10,415* | *10,901* | *10,501* |
| **Premiums from Italian direct business (4=1-2+3)** | **31,954** | **31,946** | **32,693** | **33,750** | **32,974** |
| *% direct insurance related to foreign entities (5=3/4)* | *32.7* | *32.3* | *31.9* | *32.3* | *31.8* |
| ***% total income in Italy related to foreign entities (6/7)*** | ***42.0*** | ***42.5*** | ***42.5*** | ***43.2*** | ***43.4*** |
| **Total (7=1+6)** | **37,122** | **37,616** | **38,773** | **40,264** | **39,748** |
| **Life and Non-life** | | | | | |
| **Italian undertakings (1)** | **99,197** | **97,092** | **91,787** | **94,466** | **91,625** |

[15] For non-life premium income, see Tables 4 and 5 in the Appendix for details of the countries where foreign companies, including those controlled by Italian entities, are located.

| Direct insurance premiums collected in Italy | | | | | |
|---|---|---|---|---|---|
| | | | | | (million euro) |
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| *of which: with head office abroad (2)* | *9,703* | *9,052* | *5,872* | *4,991* | *4,218* |
| **Foreign undertakings (6)** | **63,905** | **61,425** | **68,863** | **70,915** | **65,243** |
| *of which: establishments of EU undertakings* | *10,034* | *10,025* | *9,902* | *9,543* | *8,497* |
| *of which: operating under fos* | *9,158* | *8,995* | *10,260* | *11,257* | *9,985* |
| *of which: with head office in Italy (3)* | *44,713* | *42,405* | *48,701* | *50,115* | *46,761* |
| **Premiums from Italian direct business (4=1-2+3)** | **134,207** | **130,445** | **134,616** | **139,590** | **134,168** |
| *% direct insurance related to foreign entities (5=3/4)* | *33.3* | *32.5* | *36.2* | *35.9* | *34.9* |
| ***% total income in Italy related to foreign entities (6/7)*** | **39.2** | **38.7** | **42.9** | **42.9** | **41.6** |
| **Total (7=1+6)** | **163,102** | **158,517** | **160,650** | **165,381** | **156,868** |

Premiums collected abroad by companies with registered offices in Italy[16] supervised by IVASS, equal to EUR 43.6 billion in 2020 (tab. I.11), showed a decrease (-3.8%). The degree of international openness, as measured by premiums collected abroad out of total premiums collected abroad and in Italy, was 32.6%. Premium income earned abroad was 98%, collected through foreign subsidiaries.

Life premiums collected abroad totalled EUR 26.6 billion, down 8.4% compared to 2019, while non-life premium income abroad amounted to 17 billion, +4.5% year-on-year. Premium income abroad accounted for 27.8% of total life premium income, +1.5% on 2016.

Compared to life insurance, non-life insurance was characterised by a slightly higher weight of income abroad written directly from Italy under the right of establishment or the free provision of services (4% and 1% respectively) and for a higher degree of international openness, at 43.1%, +1.4% on 2016.

**Table I.11**

| Direct premium income collected abroad | | | | | |
|---|---|---|---|---|---|
| | | | | | (million euro) |
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| **Life** | | | | | |
| **Italian undertakings** | 27,712 | 30,195 | 30,504 | 29,039 | 26,600 |
| *of which: with head office abroad* | 27,224 | 29,968 | 30,295 | 28,805 | 26,412 |
| *% of international opening* | 26.3 | 28.6 | 30.5 | 28.9 | 27.8 |
| **Foreign undertakings** | 3.0 | 3.0 | 2.0 | 7.0 | 2.0 |
| **Total** | **27,715** | **30,198** | **30,506** | **29,046** | **26,602** |
| **Non-life** | | | | | |
| **Italian undertakings** | 15,382 | 15,854 | 15,622 | 16,290 | 17,021 |
| *of which: with head office abroad* | 14,777 | 15,267 | 14,996 | 15,501 | 16,286 |
| *% of international opening* | 41.7 | 42.3 | 41.2 | 41.6 | 43.1 |
| **Foreign undertakings** | 8.0 | 9.0 | 8.0 | 8.0 | 9.0 |
| **Total** | **15,390** | **15,863** | **15,630** | **16,298** | **17,030** |
| **Life and Non-life** | | | | | |

[16] These are subsidiaries of Italian entities. Premiums collected abroad by undertakings with head office in Italy controlled by foreign entities is negligible.

| Direct premium income collected abroad | | | | | |
|---|---|---|---|---|---|
| | | | | | (million euro) |
| | 2016 | 2017 | 2018 | 2019 | 2020 |
| **Italian undertakings** | 43,094 | 46,049 | 46,126 | 45,329 | 43,621 |
| *of which: with head office abroad* | 42,001 | 45,235 | 45,291 | 44,306 | 42,698 |
| *% of international opening* | 30.3 | 32.2 | 33.4 | 32.4 | 32.3 |
| **Foreign undertakings** | 11.0 | 12.0 | 10.0 | 15.0 | 11.0 |
| **Total** | **43,105** | **46,061** | **46,136** | **45,344** | **43,632** |

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

The breakdown of undertakings under the prudential supervision of IVASS according to their nationality and the economic sector of the ultimate parent entity is shown in Table I.12.

**Table I.12**

**Premium income and investments by shareholdings and parent group of the supervised undertakings – 2021**

*(million euro and % values)*

| Type of control | premiums (Italian direct business) | % breakdown | Investments class C and D | % breakdown |
|---|---|---|---|---|
| **Foreign undertakings** | **48,150** | **34.4** | **273,486** | **28.8** |
| EU and non-EU entities of the insurance sector + non-EU branches | 26,171 | 18.7 | 147,820 | 15.6 |
| EU and non-EU entities of the financial sector | 21,979 | 15.7 | 125,666 | 13.3 |
| **Italian undertakings** | **91,882** | **65.6** | **674,929** | **71.2** |
| State and public bodies | 18,906 | 13.5 | 147,167 | 15.5 |
| insurance sector | 50,391 | 36.0 | 327,942 | 34.6 |
| Financial sector | 22,481 | 16.1 | 199,623 | 21.0 |
| Other private entities | 104 | 0.1 | 197 | 0.0 |
| **Grand total** | **140,032** | **100.0** | **948,415** | **100.0** |

At the end of 2021, undertakings supervised by IVASS controlled by domestic entities accounted for 65.6% of premium income, unchanged from the previous year (65.3%), and 71.2% of investments, up by one and a half points (69.7%). Supervised companies controlled by Italian private entities continue to account for more than half of the premium income (52.2%) and investments made (55.6%, up one and a half points from 54.1% in 2020).

Among Italian private parent companies, insurance companies are predominant, accounting for 36% of total income and 34.6% of total investments, slightly down from 37.7% and 35.8% respectively in 2020. Entities belonging to the financial sector come next[17], with rising percentages (16.1% of premium income and 21% of investments compared to 14.3% and 18.3% in the previous year).

[17] Banks and, to a lesser extent, financial companies.

Foreign-controlled companies supervised by IVASS accounted for 34.4% in terms of production (stable share compared to 34.7% in 2020) and held 28.8% of investments (down one and a half points). The share of premium income held by insurance companies controlled by foreign financial companies, at 15.7% (10.6% in 2020), and of investments, at 13.3% (10.7% in 2020), has increased sharply. The presence of domestic companies controlled by foreign insurance companies is in sharp decline.

## 3. - PREMIUM INCOME AND COSTS

### 3.1. - Market concentration

The premium income in Italy of the first five and ten insurance groups over a total of 26 insurance groups operating on the Italian insurance market (Table I.13 for companies supervised by IVASS) represents a significant share, equal to 62.9% for the first five groups and to 78.9% for the first ten. The concentration on the top five groups, which is growing, is affected by corporate transactions carried out in 2021.

**Table I.13**

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

*(% values)*

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **First 5 groups** | | | | | | | | | |
| **Life** | 58.6% | 58.6% | 60.0% | 59.8% | 65.6% | 62.8% | 59.5% | 62.9% | 62.8% |
| **Non-life** | 72.5% | 71.7% | 70.7% | 69.2% | 68.9% | 68.2% | 67.6% | 67.2% | 73.7% |
| **Total** | 59.8% | 59.0% | 59.9% | 59.5% | 62.9% | 59.5% | 58.7% | 60.9% | 62.9% |
| **First 10 groups** | | | | | | | | | |
| **Life** | 71.9% | 73.4% | 74.0% | 73.3% | 80.9% | 79.1% | 79.4% | 80.9% | 78.6% |
| **Non-life** | 86.5% | 86.5% | 83.9% | 83.3% | 85.5% | 85.0% | 84.2% | 85.3% | 87.7% |
| **Total** | 73.3% | 74.4% | 74.5% | 74.2% | 79.9% | 78.1% | 78.1% | 79.3% | 78.9% |

Concentration in the motor liability sector (Table I.14) at the end of the period was 76.4% for the top five groups and 91.4% for the top ten.

**Table I.14**

**Concentration ratios for the top 5 and 10 groups – motor vehicle liability (classes 10 and 12)**

*(% values)*

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|
| **First 5 groups** | | | | | | | | |
| 72.5% | 71.7% | 70.7% | 69.2% | 68.9% | 68.2% | 67.6% | 67.2% | 76.4% |
| **First 10 groups** | | | | | | | | |
| 86.5% | 86.5% | 83.9% | 83.3% | 85.5% | 85% | 84.2% | 85.3% | 91.4% |

## 3.2. - Premium income

In 2021, the overall production volume returned to the pre-pandemic levels of 2019. Gross premiums written recorded for the Italian and foreign portfolio of undertakings supervised by IVASS[18] were EUR 145 billion, with an increase of +4.5% compared to the previous year. Premiums of the Italian direct and indirect insurance portfolio amounted to 141.1 billion (+3.9%), while those relating to the foreign portfolio reached 4 billion (+31.7%), thanks to the growth in reinsurance (tab. I.15).

**Table I.15**

**Premium income relating to the Italian and foreign portfolio for both insurance and reinsurance**

*(million euro and % variations)*

| Year | Italian direct portfolio | | | Italian direct and indirect portfolio | Foreign direct and indirect portfolio | Total direct and indirect portfolio |
|---|---|---|---|---|---|---|
| | Life | Non-life | Total | | | |
| **2012** | 69,715 | 35,413 | 105,129 | 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 | 134,559 |
| **2018** | 102,048 | 33,097 | 135,145 | 136,062 | 2,533 | 138,596 |
| **2019** | 106,012 | 34,285 | 140,296 | 141,150 | 3,009 | 144,159 |
| **2020** | 101,329 | 33,517 | 134,846 | 135,744 | 3,006 | 138,750 |
| **2021** | 105,886 | 34,146 | 140,032 | 141,081 | 3,960 | 145,040 |
| *Var. 2021/2020** | *4.5* | *1.9* | *3.8* | *3.9* | *31.7* | *4.5* |
| *Var. 2021/2012** | *51.9* | *-3.6* | *33.2* | *32.9* | *77.1* | *33.8* |

* Variations within homogeneous undertakings.

The ratio of Italian direct portfolio premiums to GDP[19] declined slightly, from 8.1% in 2020 to 7.9% in 2021, due to the strong recovery in GDP (+7.2% in nominal terms), which was more marked than the growth in income (+3.8%), after the pandemic crisis of 2020. The decrease in the ratio of premiums to GDP affected both life (from 6.1% in 2020 to 6%) and non-life classes (from 2% in 2020 to 1.9%, tab. I.16[20]).

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

[19] GDP at year end at market prices: Source: ISTAT, data revised as at April 2022.

[20] See Chap. I.1.1.3 for an international comparison based on OECD data at 2020.

**Table I.16**

| **Insurance penetration rate**<br>*Incidence of premiums of the Italian direct portfolio over Gross Domestic Product (GDP)*<br>*(% values)* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Life** | 4.3% | 5.3% | 6.8% | 6.9% | 6.0% | 5.7% | 5.8% | 5.9% | 6.1% | 6.0% |
| **Non-life** | 2.2% | 2.1% | 2.0% | 1.9% | 1.9% | 1.9% | 1.9% | 1.9% | 2.0% | 1.9% |
| **Total** | **6.5%** | **7.4%** | **8.8%** | **8.9%** | **7.9%** | **7.5%** | **7.6%** | **7.8%** | **8.1%** | **7.9%** |

## 3.3. - Premiums for life business

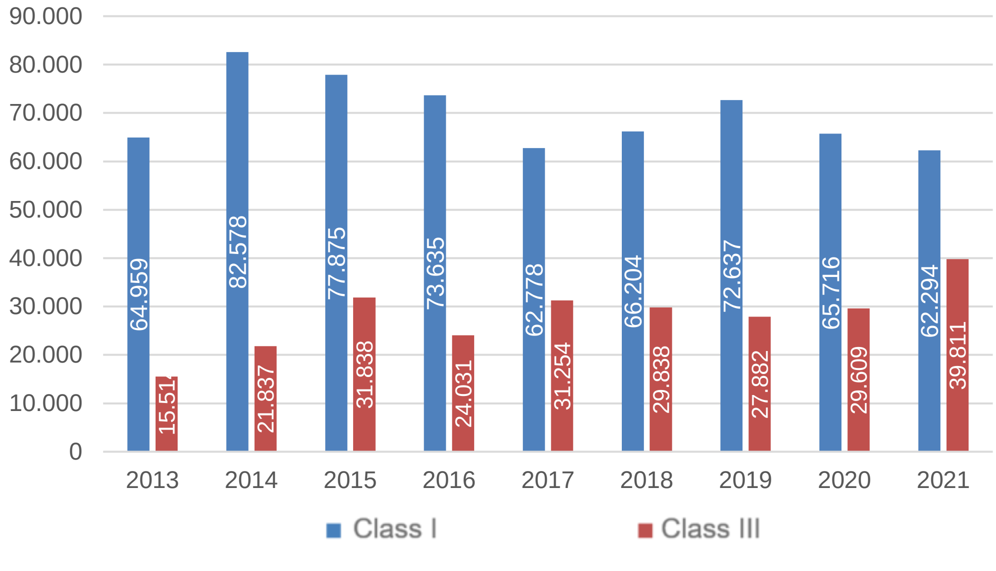
Premium income for class I (assurance on the length of human life) and assurance in classes III (assurance linked to investment funds), taken together, account for 96% of premiums issued. Class V (capital redemption operations) and VI (management of group pension funds that effect payments on death or survival or in the event of discontinuance or curtailment of activity) have a modest weight, equal to 4% of the total.

Premium income from life business (Italian direct business) rose by +4.5% in 2021, compared to -4.4% in 2020. The growth was due to the increase in class III (+34.5%), which confirmed the 2020 figure (+6.2%). Class I (Table 10 in the Appendix) continues to shrink (-9.5% in 2020 and -5.2% in 2021). Class V contributes to the decline in life insurance premiums with -36.7% after -24.1% in 2020 and -32.9% in 2019.

Class VI, after seven consecutive years of consistent growth, is down (-38.8%).

**Figure I.6**

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



Low interest rates led to a decrease in the value of the class I portfolio by -5% compared to 2020, while the class III portfolio grew by +34%. The trend observed in class I stems from declining rates of return that do not allow adequate profitability levels for with-profit policies linked to separately managed accounts. Policyholders are predominantly offered unit-linked contracts, with higher risk/return profiles but lower performance guarantees.

Net premium income (the balance between premiums and claims incurred) rose, due to the increase in premiums and to the decrease in claims incurred (Table I.17). The ratio of claims to premiums fell from 75.4% in 2020 to 71.4% in 2021, despite the increase in surrenders (a component of claims incurred) over premiums, up from 40.9% in 2020 to 45.9% in 2021.

**Table I.17**

**Life business – premiums and claims burden – Italian direct business**

*(million euro and % values)*

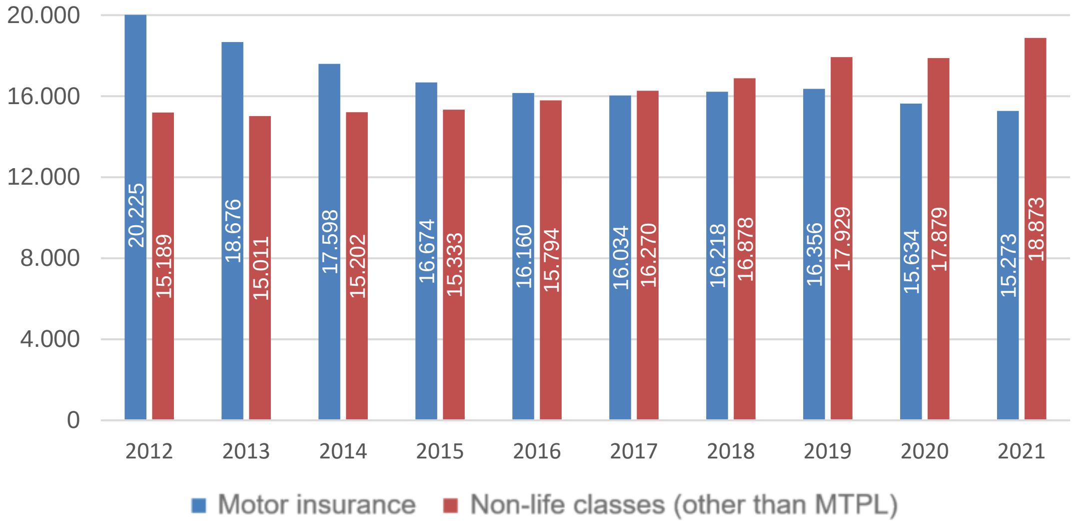
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Life premiums (A)** | 69,715 | 85,100 | 110,518 | 114,947 | 102,252 | 98,611 | 102,048 | 106,012 | 101,329 | 105,887 |
| **Claims incurred (B)** | 75,022 | 66,788 | 64,577 | 71,196 | 62,932 | 71,155 | 73,223 | 76,158 | 76,446 | 75,630 |
| **Net income (A)-(B)** | -5,306 | 18,312 | 45,941 | 43,751 | 39,320 | 27,456 | 28,825 | 29,854 | 24,882 | 30,257 |
| **Claims/premiums (B)/(A) %** | 107.6 | 78.5 | 58.4 | 61.9 | 61.5 | 72.2 | 71.8 | 71.8 | 75.4 | 71.4 |
| ***of which: Surrenders / premiums*** | *67.7* | *47.4* | *34.1* | *37.2* | *39* | *44.7* | *44.3* | *39.9* | *40.9* | *45.9* |

## 3.4. - Premiums for non-life business

Total non-life premiums written (Italian direct business), amounting to EUR 34.1 billion, increased by +1.9% compared to 2020, also due to the economic recovery, after the -2.2% contraction in 2020 due to the pandemic and the resulting lockdowns (tab. I.18 and tab. 12 in the Appendix). The non-life sector has recovered what it lost in 2020 in terms of premium volume, returning to 2019 levels; it is still 1.3 billion less than at the beginning of the decade in 2012. The recovery in income in 2021 stems from the good results of the non-motor business, which absorbed the containment in the motor business.

**Figure I.7**

**Non-life premium income in motor and non-motor lines of business**
*(million euro)*




The motor business, while maintaining a significant weight in non-life business (44.7% of premium income), continues to be down by -2.3% compared to 2020, taking into account the -4.5% reduction in premiums for motor liability[21], against +6.5% in land vehicles.

The contraction in motor liability, which totalled EUR 11.9 billion in premium income, is the effect of the progressive decline in average premiums written per insured vehicle (-4.2% in the year, with the average premium falling[22] also reflecting competitive dynamics) and a slight decline in the number of insured vehicles (-0.3%). The overall decline in premium volume from 2012 to 2021 is 5.6 billion, of which 1.5 billion in the last two years.

Conversely, after stagnating in 2020, the other non-life businesses recorded significant growth (+5.5%), which can be attributed to the recovery of the general economic cycle, the increased offer of innovative products, the growing awareness and propensity of consumers to turn to the insurance market for risk coverage, and the ability of companies and distribution networks to intercept these needs.

Among the most representative sectors in terms of premiums written (tab. I.18), the

[21] For a broader analysis of the automotive business, see section 4.5.1.

[22] Based on the 2021 provisional balance sheet data, the average gross written motor liability premium per vehicle stands at EUR 306.2, down by 4.2% year-on-year. The reduction in the average premium is confirmed by the IPER Statistical Bulletin as at Q4 2021, which takes into consideration the premiums actually paid for MTPL cover for cars for private use by policyholders and not list prices/rates or premiums written, including discounts applied to policyholders, and tax and parafiscal charges (MTPL tax and contributions to the Guarantee Fund for Victims of Road Accidents and the National Health Service). The average effective premium for contracts concluded in the fourth quarter of 2021 is EUR 360, down year-on-year by -5%.

health business grew by +4.2%[23] and the property sector[24] by +6.1%[25]. These two segments together accounted for 38.2% of non-life business. General liability[26] (+5.8%, accounting for 10.2% of total non-life business), legal expenses and assistance[27] (+6.4%), credit and suretyship (+11.5%)[28] and transport (+5%) continued to grow.

**Table I.18**

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

*(million euro and % values)*

| Sector | Insurance class | 2020 | % | Δ% | 2021 | % | Δ%* |
|---|---|---|---|---|---|---|---|
| **Health** | Accident | 3,173 | 9.5% | -2.1% | 3,274 | 9.6% | 3.2% |
| | Sickness | 2,986 | 8.9% | -2.3% | 3,144 | 9.2% | 5.3% |
| | **Total** | **6,159** | **18.4%** | **-2.2%** | **6,417** | **18.8%** | **4.2%** |
| **Motor insurance** | MTPL | 12,457 | 37.2% | -5.7% | 11,892 | 34.8% | -5.7% |
| | Liability for ships | 34 | 0.1% | 4.0% | 35 | 0.1% | 1.0% |
| | Land vehicles | 3,142 | 9.4% | 1.0% | 3,346 | 9.8% | 6.5% |
| | **Total** | **15,633** | **46.6%** | **-4.4%** | **15,273** | **44.7%** | **-2.3%** |
| **Transport** | Railway rolling stock | 9 | 0.0% | -2.8% | 8 | 0.0% | -13.3% |
| | Aircraft | 12 | 0.0% | 13.1% | 15 | 0.0% | 23.8% |
| | Ships | 237 | 0.7% | 8.8% | 252 | 0.7% | 6.2% |
| | Goods in transit | 162 | 0.5% | -5.7% | 169 | 0.5% | 4.2% |
| | Aircraft liability | 9 | 0.0% | 10.5% | 8 | 0.0% | -17.6% |
| | **Total** | **429** | **1.3%** | **2.7%** | **452** | **1.3%** | **5.0%** |
| ***Property*** | Fire and natural forces | 2,645 | 7.9% | 2.0% | 2,796 | 8.2% | 5.7% |
| | Other damage to property | 3,083 | 9.2% | 1.8% | 3,276 | 9.6% | 6.2% |
| | Financial loss | 507 | 1.5% | -23.9% | 546 | 1.6% | 7.5% |
| | **Total** | **6,236** | **18.6%** | **-0.8%** | **6,617** | **19.4%** | **6.1%** |
| **General liability** | | **3,277** | **9.8%** | **2.4%** | **3,466** | **10.2%** | **5.8%** |
| **Credit and Suretyship** | Credit | 82 | 0.2% | 6.7% | 91 | 0.3% | 11.3% |
| | Suretyship | 433 | 1.3% | 2.4% | 483 | 1.4% | 11.5% |
| | **Total** | **515** | **1.5%** | **3.1%** | **574** | **1.7%** | **11.5%** |
| **Legal expenses / Assistance** | Legal expenses | 450 | 1.3% | 6.5% | 484 | 1.4% | 7.7% |
| | Assistance | 817 | 2.4% | 2.0% | 863 | 2.5% | 5.6% |
| | **Total** | **1,266** | **3.8%** | **3.5%** | **1,347** | **3.9%** | **6.4%** |
| **Total Non-life** | | **33,517** | **100.0%** | **-2.2%** | **34,146** | **100.0%** | **1.9%** |

* Variations within homogeneous undertakings.

Fig. I.8 shows, for the main insurance sectors (motor, health and property), their share in terms of premium income over total non-life business from 2012 to 2021. The following distribution between classes can be seen: the share of the motor sector declined by more than 12

[23] In the health business, premiums in the sickness class increased (+5.3% compared to 2020), reflecting the continued development of the use of private coverage, especially in the corporate sector.

[24] Damage from fire and natural forces, other damage to property, financial loss.

[25] In the property sector, the increase in premiums for Other damage to property (+6.2%) and Fire and natural forces (+5.7%) is indicative of a progressive growth in consumer awareness of the need to activate insurance guarantees to cover their assets. In Fire and natural forces, both the retail and corporate segments grew, due to an increase in cover for natural events, while in the Other Damage to Property business, the corporate segment grew, particularly for hail coverage.

[26] In general liability, premium income increased as a result of the business associated with the Superbonus 110%, healthcare liability and the recovery of the corporate sector.

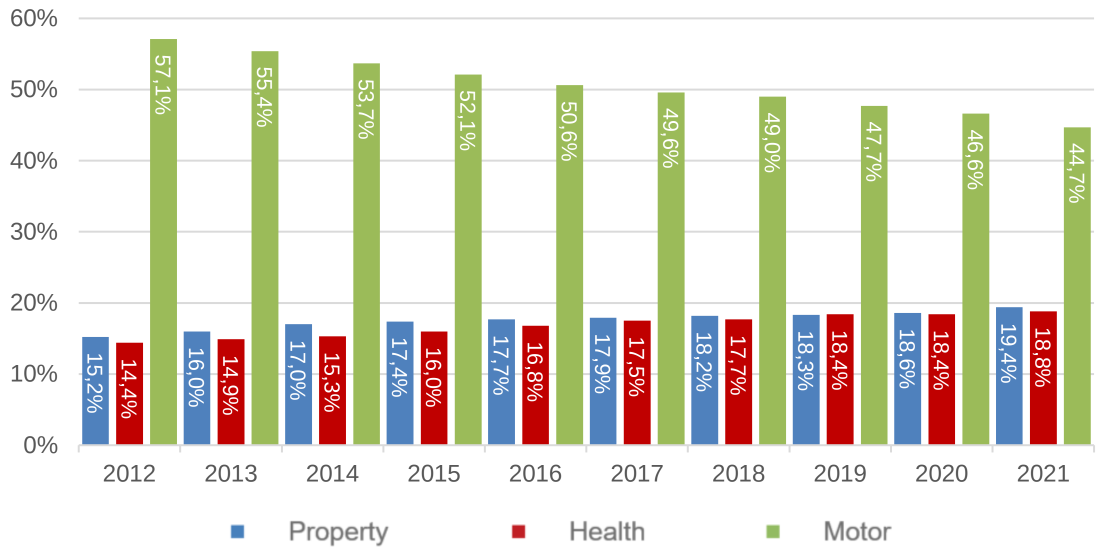
[27] The Assistance class grew robustly after suffering the effects of the pandemic, particularly in the travel segment.

[28] The financial year 2021 was characterised by a strong upswing in premiums in the suretyship business, which can be attributed to the high number of tenders also under the PNRR (National Recovery and Resilience Plan). For the credit class, we note that the weight of the companies supervised by IVASS is largely a minority, with 90% of income collected by companies based in other EEA States.

percentage points, mainly to the advantage of the health and property sectors, whose weight grew by almost 9%.

**Figure I.8**

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




## 3.5. - Distribution

### *3.5.1. - Distribution in life business*

In 2021, the share of sales through banks and post offices declined (56% compared to 59% in 2020; tab. I.19); they remain however the channel most used in the life sector

The share of agencies decreased slightly from 25% to 24.6%, while the weight of financial promoters rose from 13.9 to 17%.

**Table I.19**

**Distribution channels in life business**

*(% values)*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Banks and post offices** | 54.7 | 48.6 | 59.1 | 62.0 | 63.1 | 62.3 | 61.0 | 60.8 | 60.7 | 59.0 | 56.0 |
| **Agencies** | 25.6 | 26.6 | 23.0 | 20.2 | 19.8 | 22.1 | 22.4 | 22.8 | 23.8 | 25.0 | 24.6 |
| **Financial promoters** | 18.3 | 23.3 | 16.7 | 16.8 | 16.3 | 14.4 | 15.3 | 14.3 | 13.6 | 13.9 | 17.0 |
| **Direct sale and brokers** | 1.4 | 1.5 | 1.2 | 1.0 | 0.8 | 1.2 | 1.3 | 2.2 | 1.9 | 2.1 | 2.4 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

### *3.5.2. - Distribution in non-life business*

The agency channel has remained almost unchanged in terms of its share of premium income (Table I.20), while the share mediated via direct sales has significantly reduced. Premiums collected through brokers remain stable, and the share of banks and financial promoters is growing.

**Table I.20**

**Distribution channels in non-life business**

*(% values)*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Agencies** | 83.7 | 84.1 | 83.2 | 81.7 | 81.1 | 79.9 | 78.9 | 78.1 | 77.1 | 77.5 | 77.3 |
| **Brokers** | 8.0 | 7.4 | 7.6 | 8.5 | 8.2 | 9.2 | 9.4 | 9.6 | 9.2 | 9.6 | 9.3 |
| **Direct sale** | 4.7 | 5.2 | 5.5 | 5.7 | 5.8 | 5.3 | 5.2 | 5.7 | 6.0 | 6.8 | 5.2 |
| **Banks and financial promoters** | 3.6 | 3.3 | 3.7 | 4.1 | 4.9 | 5.7 | 6.4 | 6.7 | 7.7 | 6.1 | 8.2 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

## 4. - STATUTORY FINANCIAL STATEMENTS (LOCAL GAAP)

Statutory financial reporting, based on criteria defined by national regulations (*local GAAP*), coexists with market-consistent asset and liability measurements as required by Solvency II, in force since 2016, and with the rules introduced by the IASB for the insurance where applicable (see III.1.5).

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[29].

### 4.1. - Balance Sheet

At the end of 2021, the investments of the Italian insurance market measured according to local GAAPs amounted to EUR 948.4 billion (Table I.21), of which 90.4% in the life business and the remaining 9.6% in the non-life business. The investments were up by +5.8% when compared with 2020.

[29] 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, including 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, measured at market values).

**Table I.21**

| Summary of the Balance Sheet (local GAAPs) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | *(million euro and % values)* |
| **Item** | **2020** | **2021** | **Var. 2021/2010** | **Item** | **2020** | **2021** | **Var. 2021/2020** |
| **Assets** | | | | **Liabilities and shareholders' equity** | | | |
| Amounts owed by shareholders for subscribed capital not yet paid | - | - | - | Non-life technical provisions | 58,802 | 62,440 | 6.2% |
| Intangible assets | 5,311 | 4,914 | -7.5% | Class C life technical provisions | 581,475 | 594,383 | 2.2% |
| Non-life investments | 87,699 | 91,161 | 3.9% | Class D life technical provisions | 196,308 | 232,633 | 18.5% |
| Class C life investments | 612,526 | 624,340 | 1.9% | Provisions for other risks and charges | 2,337 | 2,627 | 12.4% |
| Class D life investments | 196,486 | 232,914 | 18.5% | Deposits received from reinsurers | 4,733 | 4,860 | 2.7% |
| Non-life technical provisions Reinsurers' share | 7,299 | 9,129 | 25.1% | Creditors and other liabilities (including accruals and deferrals) | 30,508 | 30,377 | -0.4% |
| Life technical provisions Reinsurers' share | 4,171 | 3,656 | -12.3% | | | | |
| Credits | 34,474 | 35,414 | 2.7% | Shareholders' equity | 74,313 | 76,800 | 3.3% |
| Other assets (including accruals and deferrals) | 18,857 | 21,229 | 12.6% | Subordinated liabilities | 18,347 | 18,634 | 1.6% |
| **Total assets** | **966,823** | **1,022,756** | **5.8%** | **Total liabilities and equity** | **966,823** | **1,022,756** | **5.8%** |

The life and non-life technical provisions amounted to EUR 889.5 billion versus 836.6 billion at the end of 2020 (see Table I.21 and 32 in the Appendix). In life business, the technical provisions amounted to 827 billion (777.8 in 2020), with a share of class C technical provisions for contracts other than unit and index-linked or deriving from the management of pension funds amounting to 71.9%. The provisions of the non-life business amount to 62.4 billion, up by +6.2% compared to 2020.

## 4.2. - Shareholders' equity

At the end of 2021, the shareholders' equity of life and non-life undertakings in the statutory accounts amounted to EUR 76.8 billion (74.3 billion in 2020), including own funds for 70.2 billion (60.3 billion in 2020), of which capital provisions for 47.7 billion and share capital, endowment and guarantee funds for 16.2 billion (Table 13 in the Appendix).

## 4.3. - Economic-financial operations

In 2021 insurance companies recorded, overall, a profit of EUR 6.7 billion (down by 1.9 billion compared to 2020, table I.22) and equal to 4.6% of gross premiums written (6.2% in 2020). The lower profit can be attributed to non-life business (-1.5 billion), compared to a moderate reduction (-0.4 billion) in life business.

The profit from life business is EUR 4.3 billion, corresponding to 4.0% of gross premiums written (4.6% in 2020), while in non-life business the profit is 2.4 billion, corresponding to 6.3% of gross premiums written (10.7% in 2020).

**Table I.22**

| Profit / loss for the financial year – Life and non-life business | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | *(million euro and % values)* |
| | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Life | 5,129 | 3,105 | 3,498 | 3,753 | 3,587 | 3,519 | 1,983 | 5,978 | 4,733 | 4,335 |
| *% of premiums* | *7.2%* | *3.6%* | *3.1%* | *3.2%* | *3.4%* | *3.5%* | *1.9%* | *5.6%* | *4.6%* | *4.0%* |
| Non-life | 640 | 2,125 | 2,446 | 1,956 | 2,114 | 2,445 | 2,183 | 2,652 | 3,851 | 2,358 |
| *% of premiums* | *1.7%* | *6.0%* | *7.1%* | *5.8%* | *6.2%* | *7.1%* | *6.2%* | *7.2%* | *10.7%* | *6.3%* |
| **Total** | **5,770** | **5,231** | **5,945** | **5,709** | **5,701** | **5,965** | **4,165** | **8,630** | **8,585** | **6,693** |
| *% of premiums* | *5.3%* | *4.3%* | *4.1%* | *3.8%* | *4.1%* | *4.4%* | *3.0%* | *6.0%* | *6.2%* | *4.6%* |

The ROE (life and non-life) was 8.7%, almost three points down compared to 11.6% in 2020 (tab. I.23; see 4.3.1 for details on the ROE by type of company). In the life business, the ROE stood at 9.9% (10.9% in 2020); in non-life business it fell to 7.1% (down by more than 5 points compared to 12.4% in 2020).

**Table I.23**

| ROE of life and non-life business | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | *(% values)* |
| | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Life | 15.2% | 8.0% | 9.2% | 9.6% | 9.2% | 9.1% | 5.3% | 14.5% | 10.9% | 9.9% |
| Non-life | 2.2% | 8.2% | 9.2% | 7.2% | 7.8% | 8.7% | 7.8% | 9.2% | 12.4% | 7.1% |
| **Total** | **10.3%** | **8.1%** | **9.2%** | **8.6%** | **8.6%** | **8.9%** | **6.4%** | **12.3%** | **11.6%** | **8.7%** |

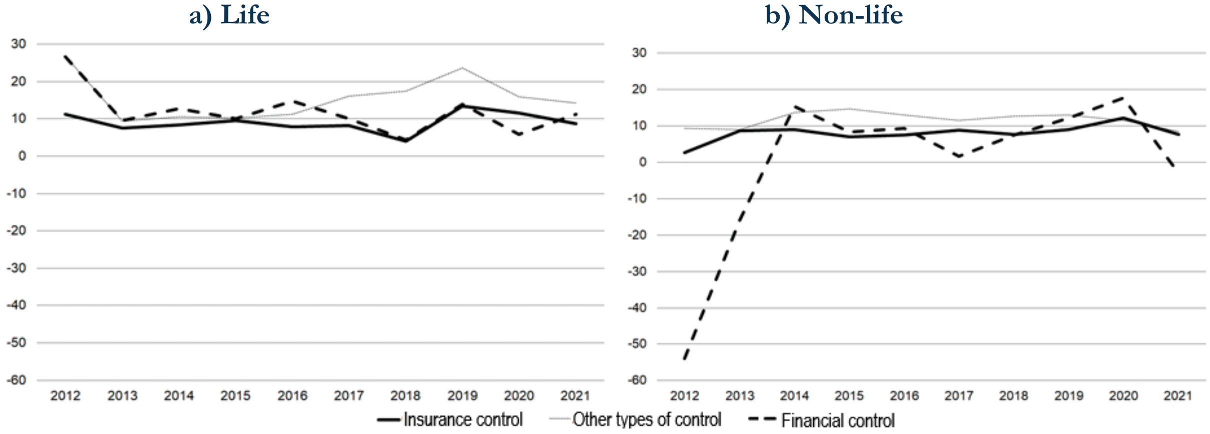
### *4.3.1. - Structure, profitability and efficiency of Italian insurance companies*

ROE, which measures the profitability of equity, is down in 2021 compared to 2020, mainly due to the contraction in non-life insurance, which is basically attributable to the rise in MTPL claims cost to pre-pandemic levels.

The decrease in non-life ROE is higher for companies under financial control (from 17.6% in 2020 to -3.1%, fig. I.9b) than for companies under insurance control (from 12.1% to 7.6%), also due to some corporate transactions that shifted control.

**Figure I.9**

**ROE of Italian insurance companies by type of control**
*(profit as % of shareholders' equity)*




Premium growth is driven by the expansion of the business of smaller companies, with each company's premium income accounting for less than 3% of total life or non-life business. Their share of life premiums accounted for 30.8% of the total, compared to 26.3% in 2020, while non-life premiums amounted to 35% and 28.8% respectively. The expense ratio is used to measure the operating efficiency of insurance companies; this is the ratio between operating expenses and premiums, while distribution efficiency is measured by the ratio between commission costs (which form part of operating expenses) and premiums.

The total expense ratio for the life business is 3.8%. The discrepancy between the value of 5.8% for companies under insurance control (fig. I.10.a) and 2.4% for companies under financial control (which make greater use of the network of bank counters for the distribution of products) is higher than in the previous year, when the two indicators were 4.7% and 2.8% respectively. The efficiency gap to the detriment of smaller versus larger companies, as measured by the 1.8 point gap between their respective expense ratios, widened from 0.9 points in the previous year (fig. I.10.c).

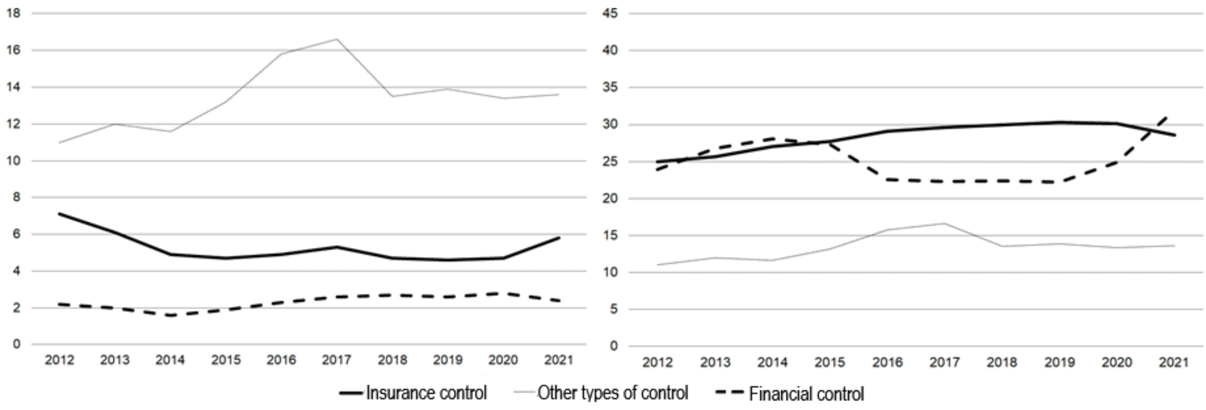
In the non-life sector, total operating costs amounted to 28.9% of premiums and reached 31.9% for companies under financial control (fig. I.10.b), surpassing those of companies under insurance control (28.6%) for the first time since 2014. The gap between the average expense ratios of the smaller companies and the larger ones narrows to 1.2 points, compared to 7.5 in 2020 (fig. I.10.d)[30].

[30] The expense ratio of the larger companies, which is lower than that of the smaller companies, may result from the combined effects of economies of scale (acting on fixed costs) and the greater bargaining power of the larger companies vis-à-vis the distribution network (including commission costs).

**Figure I.10**

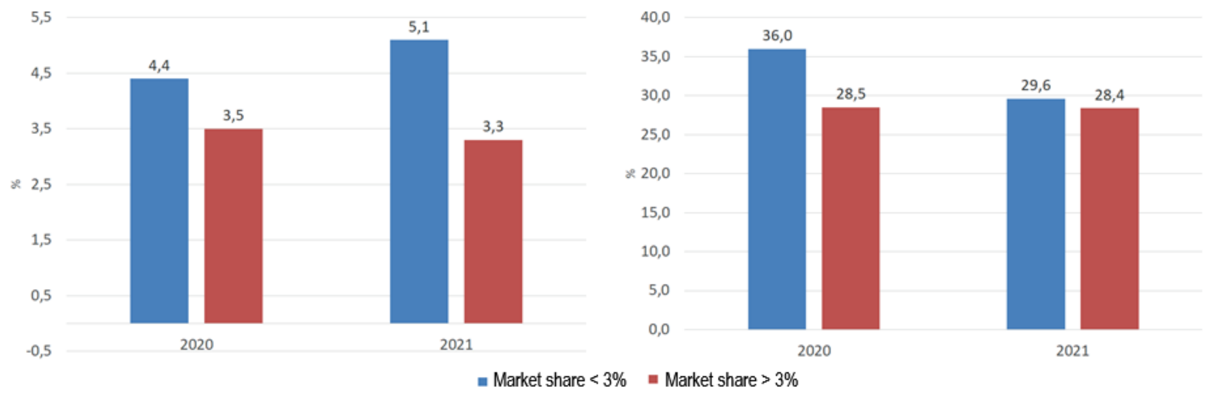
**Expense ratio of Italian insurance undertakings by type of control**
*(operating expenses as a % of premiums)*

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




**Expense ratio of Italian insurance undertakings by individual share of premiums over the total for the sector, 2020 and 2021**
*(operating expenses as a % of premiums)*

**a) Life** **d) Non-life**




An important component of operating expenses is represented by commission expenses, which remunerate the staff in the companies' distribution network.

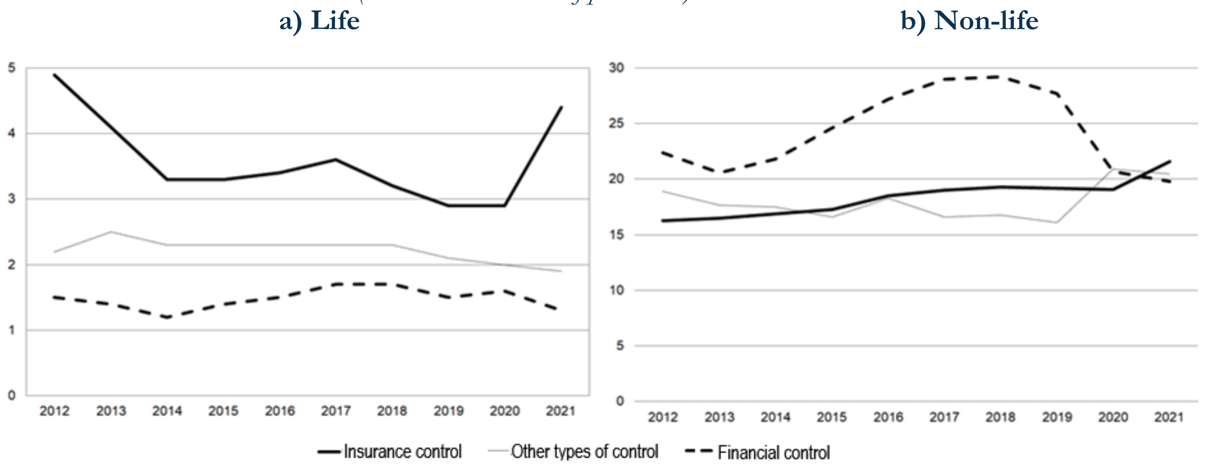
In life insurance, commissions over the ten-year period 2012-2021 represent on average 57% of operating expenses. In relation to premiums, this expense item amounted to 4.4% for insurance-based companies (fig. I.11.a), up from 2.9% in 2020, while it declined slightly for companies controlled by financial entities, for which it fell from 1.6% to 1.3%.

In non-life insurance, the share of commissions in operating expenses amounts to 64% between 2012 and 2021. Also in this segment, for companies under insurance control the value of the item in relation to premiums, at 21.6% (fig. I.11.b), is up from 19.1% in 2020, against a decrease from 20.7% to 19.8% for companies under financial control[31].

**Figure I.11**

**Commissions on premiums of Italian insurance companies by type of control**

*(commissions as a % of premiums)**




* In order to take into account the different duration of life contracts with respect to non-life contracts, life commissions are related only to first annual premiums and to single premiums.

## 4.4. - Management of life classes

The balance of the technical account for life business in 2021 was EUR 4 billion (3.4 billion in 2020), accounting for 56.6% of the total balance for life and non-life business. The profit or loss on ordinary activities (tab. I.24) was 5.2 billion (+0.4 billion compared to 2020).

**Table I.24**

**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)*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Premiums for the current financial year | 70,376 | 85,756 | 110,963 | 115,504 | 103,177 | 99,280 | 102,609 | 106,654 | 101,904 | 106,568 |
| Investment income (net of charges) | 18,248 | 15,390 | 16,717 | 16,556 | 16,876 | 16,681 | 13,762 | 19,550 | 16,080 | 15,933 |
| Net class D income and gains | 9,197 | 4,860 | 6,366 | 1,748 | 2,079 | 3,867 | -11,100 | 17,134 | 4,948 | 15,647 |
| Other technical items | -322 | -391 | -443 | -403 | -381 | -407 | -369 | -361 | -402 | -252 |
| Claims charges | -75,296 | -66,999 | -64,651 | -71,239 | -63,383 | -71,749 | -73,190 | -76,117 | -76,480 | -76,308 |
| Changes in class C technical provisions | -9,996 | -30,426 | -49,913 | -37,087 | -38,057 | -23,877 | -24,845 | -27,080 | -19,612 | -15,921 |
| Changes in class D technical provisions | -129 | 283 | -10,374 | -16,429 | -10,792 | -14,627 | -597 | -27,171 | -16,761 | -35,575 |
| Operating expenses | -3,521 | -3,684 | -3,884 | -4,064 | -3,994 | -4,033 | -4,002 | -4,046 | -3,909 | -4,100 |

[31] Life companies under financial control make intensive use of bank counters for premium income, managing to keep distribution costs low. In non-life insurance, distribution is more expensive for companies under financial control, whose still limited market shares do not allow them to contain distribution costs.

**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)*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Allocated investment return transferred to the non technical account | -1,626 | -1,444 | -1,917 | -1,821 | -1,824 | -1,773 | -1,442 | -2,203 | -2,373 | -1,962 |
| **BALANCE ON THE TECHNICAL ACCOUNT** | **6,931** | **3,344** | **2,864** | **2,765** | **3,701** | **3,362** | **826** | **6,363** | **3,394** | **4,020** |
| Allocated investment returntransferred to the technical account | 1,626 | 1,444 | 1,917 | ,821 | 1,824 | 1,773 | 1,442 | 2,200 | 2,373 | 1,962 |
| Other net income | -627 | -828 | -563 | -636 | -814 | -886 | -913 | -1,034 | -991 | -783 |
| **PROFIT OR LOSS ON ORDINARY BUSINESS** | **7,930** | **3,960** | **4,219** | **3,951** | **4,711** | **4,249** | **1,356** | **7,529** | **4,776** | **5,199** |
| **EXTRAORDINARY PROFIT OR LOSS** | **-29** | **841** | **511** | **939** | **87** | **250** | **365** | **264** | **793** | **199** |
| Tax on profit or loss | -2,772 | -1,696 | -1,231 | -1,136 | -1,211 | -950 | 262 | -1,815 | -835 | -1,063 |
| **PROFIT OR LOSS FOR THE FINANCIAL YEAR** | **5,129** | **3,105** | **3,498** | **3,753** | **3,587** | **3,519** | **1,983** | **5,978** | **4,733** | **4,335** |
| *Claims incurred as a % of premiums (A)* | *107.0* | *78.1* | *58.3* | *61.7* | *61.4* | *72.3* | *71.3* | *71.4* | *75.1* | *71.6* |
| *Expense ratio in % (B)* | *5.0* | *4.3* | *3.5* | *3.5* | *3.9* | *4.1* | *3.9* | *3.8* | *3.8* | *3.8* |
| *Combined ratio in % (A)+(B)* | *112.0* | *82.4* | *61.8* | *65.2* | *65.3* | *76.3* | *75.2* | *75.2* | *78.9* | *75.5* |

* 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 EUR 15.9 billion, with a slight reduction of -0.2 billion compared to the previous year. This reflects the performance of the financial markets, which did not experience any serious turbulence, despite the succession of pandemic waves, which, on the other hand, led to a slight decrease in the interim results of ordinary operations and in the overall operating result of the life business. The rise in the Italian and European inflation rate and the increase in the spread between Italian BTP and German Bunds had a negative effect on the life sector, while the growth of the equity markets and dividends as well as the yields of newly acquired debt securities, particularly those indexed to inflation, played a positive role.

As regards ordinary financial operations, financial charges amounted to EUR 5.2 billion (-0,8 billion compared to 2020, tab. I.25), while the value adjustments on class C investments were 2.3 billion (+0.4 billion), equal to 45.3% of the charges. Net income and capital gains of class D[32] grew by 10.7 billion, from 4.9 billion to 15.6 billion, due to the development of premium income and favourable market trends, reflected in net valuation and realisation gains on assets.

The *expense ratio* has remained stable at 3.8% for the third consecutive year. The main components of operating expenses are acquisition commissions, accounting for 50.9% (49% in 2020), other acquisition costs for 17.9% (18.3%) and collection commissions 5.7% (6.9%).

[32] Financial income, net of financial charges and excluding those on investments for the benefit of policyholders who bear the risk and on investments relating to pension fund management - class D.

**Table I.25**

| Life business – Financial charges and value adjustments | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | *(million euro and % values)* |
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Financial charges** | 4,759 | 4,316 | 4,157 | 6,821 | 3,988 | 5,985 | 5,178 |
| *of which: value adjustments* | *1,901* | *1,832* | *1,921* | *4,187* | *1,299* | *1,970* | *2,344* |
| Ratios of adjustments/charges (%) | 39.9 | 42.5 | 46.2 | 61.4 | 32.6 | 32.9 | 45.3 |

**Table I.26**

**Claims burden and surrenders over premiums**
**Life business – Italian direct portfolio**

*(million euro and % values)*

| **Insurance class** | **Item** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Class I | claims incurred/premiums(%) | 88.5 | 64.5 | 51.3 | 63.2 | 59.3 | 73.4 | 75.9 | 69.9 | 78.6 | 79.8 |
| | *of which: Surrender / premiums (%)* | *62.1* | *41.1* | *30.3* | *37.0* | *35.1* | *44.6* | *43.5* | *34.4* | *37.9* | *47.0* |
| Class III | claims incurred/premiums(%) | 166.7 | 133.1 | 82.4 | 54.7 | 64.0 | 63.4 | 61.4 | 66.4 | 59.6 | 53.9 |
| | *of which: Surrenders/premiums(%)* | *84.9* | *69.6* | *46.0* | *35.8* | *48.8* | *40.3* | *45.2* | *50.1* | *44.3* | *41.6* |
| Insurance class V | claims incurred/premiums(%) | 190.9 | 101.1 | 75.2 | 104.4 | 104.3 | 140.6 | 93.3 | 219.8 | 187.5 | 246.4 |
| | *of which: Surrenders/premiums(%)* | *115.8* | *75.3* | *45.2* | *53.0* | *61.0* | *109.4* | *55.3* | *96.5* | *90.8* | *129.5* |
| Class VI | claims incurred/premiums(%) | 72.1 | 69.8 | 50.8 | 54.7 | 58.6 | 82.2 | 51.9 | 43.6 | 89.2 | 58.8 |
| | *of which: Surrender / premiums (%)* | *24.4* | *30.3* | *33.2* | *46.0* | *38.2* | *37.6* | *38.7* | *33.3* | *42.9* | *47.2* |
| **Total** | **claims incurred/premiums (%)** | **107.6** | **78.5** | **58.4** | **61.9** | **61.5** | **72.2** | **71.8** | **71.8** | **75.4** | **71.4** |
| | *of which: Surrenders/premiums(%)* | *67.7* | *47.4* | *34.1* | *37.2* | *39.0* | *44.7* | *44.3* | *39.9* | *40.9* | *45.9* |
| | net income* | -5,306 | 18,312 | 45,941 | 43,751 | 39,320 | 27,456 | 28,825 | 29,854 | 24,882 | 30,257 |

* Net income = premiums - claims burden.

Net income was positive at 30.3 billion (+5.6 billion vs. 2020), contributing to growth in managed assets, in line with the pre-pandemic trend.

Class C provisions (tab. I.21 and tab. 32 in the Appendix), amount to 594.4 billion. Compared to the previous year, there was an increase of EUR 13 billion, mainly due to positive net income, despite the decline in classes I and V over the last two years, as well as an increase in provisions due to the revaluation of benefits, as a result of the guaranteed minimum return and the extra returns linked to the good performance of the financial markets.

Class D technical provisions (tab. I.21 and tab. 32 in the Appendix) amounted to EUR 232.6 billion, 90.8% of which was made up of the sub-class D.I relating to index and unit-linked policies. Compared to the previous year, there was an increase of 36.3 billion due to growth in classes III and VI and the good performance of the financial markets. Also contributing to this growth was the strong expansion of hybrid policies (I and III), which have a lower Solvency II capital absorption and a more moderate risk/return profile than class III-only policies.

The extraordinary income, net of charges, decreased by EUR 0.6 billion, recording a positive balance of 0.2 billion, which contributed to the slight decrease in the operating profit from life business compared to the previous year.

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

- Class I disclosed a technical result of 4.3 billion, sharply up compared to the previous year (2.6 billion), due to the recovery that characterised the financial markets, with a rise in the prices of bonds and shares;

- Class III showed a negative technical result of -0.6 billion, down compared to 2020 (+0.3 billion);

- Class V exhibited a moderately positive result of 0.1 billion, down compared to 2020 (0.4 billion).

#### *4.4.1. - Separately managed accounts*

With-profit life policies constitute the most significant component of Classes I and V. The incidence of this sector on total class C technical provisions is 96.6%.

Undertakings calculate the rate of return to be passed on to holders of with-profit policies by dividing the financial results of the separately managed account by the average deposit of the assets of the same account. The average deposit in the observation period is given by the value entered in the ledger of the assets assigned to the separately managed account at the purchase price.

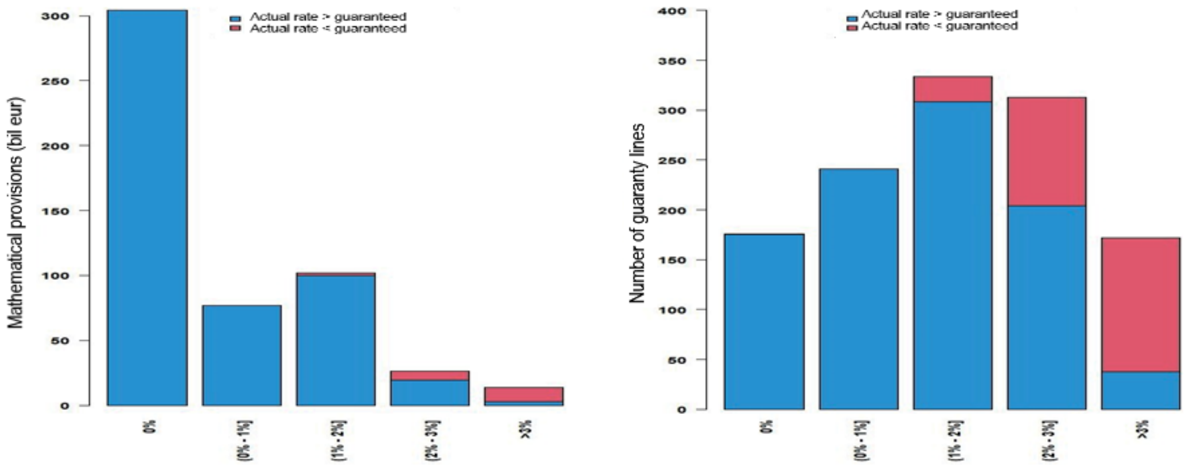
**Table I.27**

**Composition of assets assigned to the separately managed accounts in euro (market total)**

*(million euro and % values)*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| Government bonds | 61.3% | 58.9% | 58.2% | 57.8% | 57.4% | 56.8% | 55.9% |
| *Bonds* | *24.9%* | *26.3%* | *25.4%* | *24.7%* | *24.0%* | *23.8%* | *23.4%* |
| Listed shares | 1.6% | 1.4% | 1.3% | 1.4% | 1.5% | 1.2% | 1.2% |
| *Unlisted shares* | *0.3%* | *0.3%* | *0.3%* | *0.4%* | *0.3%* | *0.4%* | *0.5%* |
| units in UCITS | 9.6% | 11.2% | 12.9% | 14.0% | 15.2% | 16.0% | 16.2% |
| Other assets | 2.3% | 1.9% | 1.9% | 1.8% | 1.5% | 1.8% | 2.8% |
| **Total** | **438,901** | **470,667** | **502,468** | **526,590** | **552,636** | **570,586** | **587,483** |

The volume of assets of separately managed accounts (tab. I.27) continues to grow, albeit at a decreasing rate (+2.9% against +3.2% in the previous year). The availability of fixed-income securities, combined with the accounting criterion of recording them in the ledger of the separately managed account at the purchase price, allowed for the continuous and almost constant release of financial results, thanks to which the rates of return of the separately managed account allowed for the minimum guaranteed rates to be respected, in the logic of a long-term




management of the technical commitments to be met upon the occurrence of one of the insured events.Gross average return (tab. I.28), at 2.55%, is on a downward trend, although it is still higher in 2021 than both the 10-year BTP rate of return and the inflation rate.

**Table I.28**

| Return on separately managed accounts | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | *(% values)* |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Gross average return (A)** | 3.6 | 3.2 | 3.1 | 3.0 | 2.8 | 2.6 | 2.6 |
| **10-year guiding return of long-term Treasury bonds* (B)** | 1.6 | 1.5 | 2.1 | 2.6 | 2.0 | 1.2 | 0.8 |
| ***Inflation rate*** | *-0.1* | *-0.1* | *1.1* | *1.1* | *0.5* | *-0.3* | *1.9* |
| **Yield spread (A) - (B)** | 2.0 | 1.8 | 1.0 | 0.4 | 0.9 | 1.4 | 1.7 |

* Source: Statistical Bulletin of the Bank of Italy, Financial Market, Series Government Bonds: returns at maturity –
** Source: ISTAT – General domestic FOI (acronym for families of clerical and manual workers), tobacco excluded.

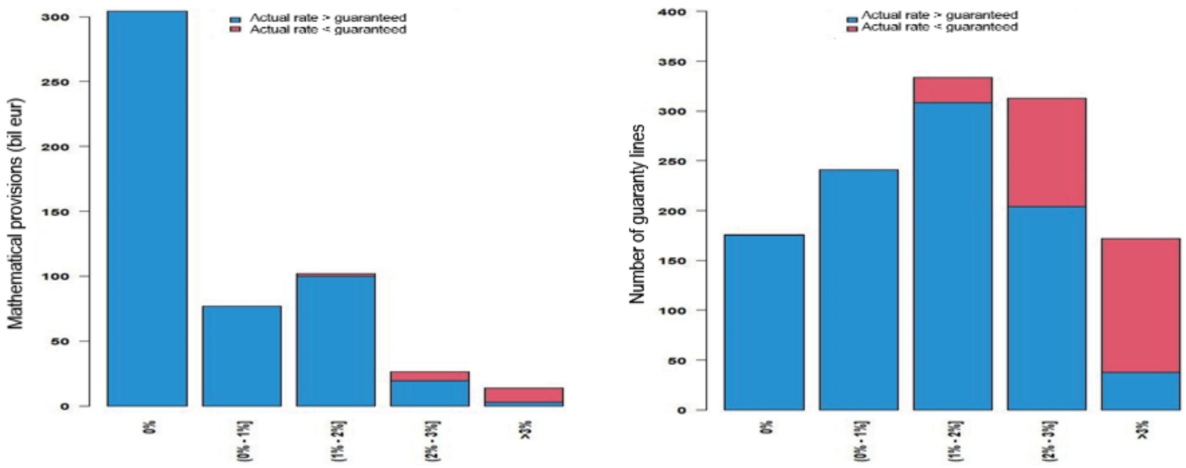
Technical provisions amounted to EUR 574 billion, including any additional technical provisions, with the exclusion of the additional provision for guaranteed interest rate risk, with a 3.1% increase compared to 2020.

The comparison by investment line between guaranteed and realised rate shows that lines with guarantees up to 2%, which are the most common, have a modest number of cases of insufficient realised return compared to the guaranteed rate; the cases increase for residual funds that guarantee a higher rate, between 2% and 3% or above 3%.

In particular, looking at the amounts set aside as provisions for the same classes of guaranteed rate, the prevalence of provisions for funds with a guaranteed rate of 0% (58%), followed by the 0 - 2% rate (34%), can be seen. Provisions of up to 1% are able to comply with the guaranteed rate; technical provisions for funds between 2% and higher, where the realised rate of return is lower than the guaranteed rate of return, make up only 8% of the total.

**Figure I.12**

**Breakdown of the number of separately managed accounts and of technical provisions by guaranteed rate[33] – 2021**




IVASS Order 68/2018 introduced the possibility for separately managed accounts to use a profit fund to distribute, up to a maximum of eight financial years, the net capital gains realised in determining the rate of return for with-profit contracts. In 2021, there were seven operating profit funds.

Within the sphere of separately managed accounts, the undertakings retain a portion of the rate of return by way of loading for operating expenses. In view of the reduction in interest rates realised, companies have for some years now adopted a policy of recognising the entire return, by applying a fixed withholding on it. The retained portion of the average rate of return, in the different categories, rose from 28.9% in 2015 to 39.2% (tab. I.29).

**Table I.29**

| Indicators of the retained return and of the provisions for separately managed accounts | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| **Number of Separately managed accounts** | 345 | 303 | 305 | 299 | 293 | 295 | 290 |
| **Return withheld** (billion euro) | 4.5 | 4.6 | 5.4 | 5.4 | 5.4 | 5.7 | 5.9 |
| **Mathematical provisions** (billion euro) | 433.2 | 464.7 | 495.7 | 516.0 | 541.1 | 556.5 | 573.6 |
| **Average rate of return withheld** *(% mathematical provisions)* | 1.1% | 1.0% | 1.1% | 1.0% | 1.0% | 1.0% | 1.0% |
| **Average rate of return** *(% mathematical provisions)* | 3.8% | 3.6% | 3.1% | 3.0% | 2.8% | 2.6% | 2.6% |
| **Average rate of return withheld/ Average rate of return***(%)* | 28.9% | 27.8% | 35.5% | 33.3% | 35.7% | 38.5% | 39.2% |

33 The sample represents 96% of the total mathematical provisions in the separately managed account.

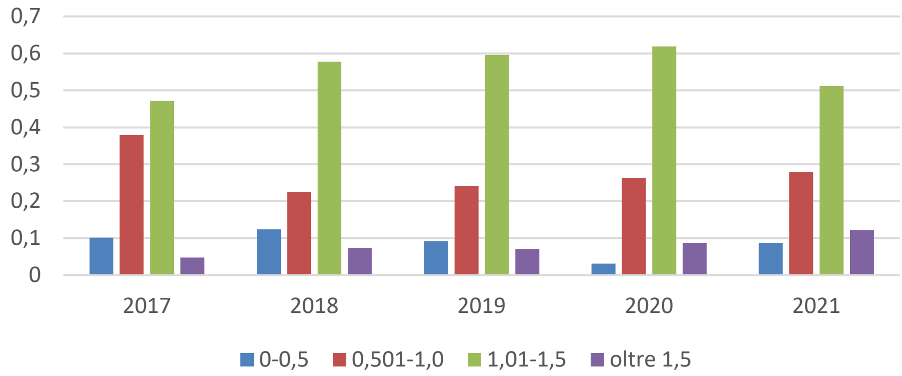
### *4.4.2. - Premium rates of new life products*[34]

The predominant part of new products[35] remains concentrated, 93%, in class I, largely with single premium policies. The share of class V remains more or less constant, although it has fallen sharply in past years. 91.6% of the premium rates at a guaranteed rate of 0% envisages the recognition of the entire return achieved to the policyholder, net of a fixed percentage. The remaining share of the new premium rates at a rate of 0% envisages a minimum retrocession rate ranging between 85% and 98%, to be applied to the gross rate of return. For 63% of the new premium rates at a rate of 0%, undertakings withhold a return rate of 1% or more, in line with the trend recorded in 2020 (fig. I.13). This confirms a trend that has already emerged in past financial years, in which the new tariffs with a 0% guaranteed rate (the most popular) have retained returns in excess of 1%.

**Figure I.13**

**Premium rates marketed for the new with-profit life products with a technical rate of 0%, broken down by classes of minimum return withheld**

*(% values)*




## 4.5. - Management of non-life classes

The non-life business (Italian and foreign insurance and reinsurance portfolio) disclosed a technical profit of EUR 3.1 billion in 2021, in profit for the eleventh consecutive year (tab. I.30).

Profit is down by EUR 1.2 billion compared to 2020, when it was high due to the decrease in claims resulting from lockdowns during the pandemic. Profit returns to 2019 levels as a result of less impactful restrictions on traffic and work activities[36], which are reflected in the increase

34 Systematic notifications of the new premium rates relating to with-profit insurance policies (IVASS Order no. No. 3/2013).

35 The calculation of the new tariffs for with-profit contracts makes use of a financial assumption to calculate the cost according to a technical rate of interest that varies on the basis of financial market trends and in light of the characteristics of the guarantee. The new tariffs calculated with a 0% rate make up for a significant share of 85.3% of the total compared to 88.9% in 2020.

36 In the first part of 2021, restrictions on the movement of people continued through selective lockdowns, mainly on a regional scale, which were progressively eased as the summer arrived and the pandemic situation improved. In the second half of the year, despite the resurgence of infections, the growing success of the vaccination campaign made it possible to avoid severe restrictions on the movement of people and the reopening of activities, such as winter tourism, that had been halted for a long time.

in claims. The drop in the average MTPL premium (see par. 3.4) resulted in a reduction in the technical profitability of the non-life business.

The increase in the claims cost compared to 2020 causes the loss ratio to rise from 57.9% (the lowest value in the 2012-2021 period) to 62.9%, however still at levels below the pre-pandemic levels (63.7% in 2019) and 8 points below the peak levels reached in 2012.

The reduction in non-life technical profit is also determined by the increase in the ratio of operating expenses to premiums (expense ratio), which reaches 28.9%[37], the highest level since 2012 (when it was 24.1%), an increase of half a point compared to 2020.

Ordinary financial operations continue to show substantial net investment income, as a result of the favourable trend in the financial markets. This enables a transfer to the technical account of 1.1 billion in profits from the investment of assets covering technical commitments.

The ratio of the balance of the technical account to earned premiums is 9.8%, which has been static since 2016, and is below the highest value of the indicator in the decade, 13.9% in 2020, also as a result of the pandemic.

The non-life technical profit accounts for 43.4% (55.6% in 2020) of the total technical result of life and non-life business.

**Table I.30**

**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)*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Premiums earned | 33,257 | 32,241 | 31,353 | 30,675 | 29,587 | 29,571 | 29,875 | 31,032 | 30,660 | 31,469 |
| Investment return transferred from the technical account | 1,660 | 1,262 | 1,346 | 1,288 | 1,161 | 1,278 | 825 | 1,346 | 890 | 1,085 |
| Claims charges | -23,480 | -21,323 | -20,187 | -19,291 | -18,826 | -18,770 | -18,745 | -19,757 | -17,742 | -19,781 |
| Other technical items | -651 | -581 | -509 | -588 | -599 | -598 | -565 | -568 | -809 | -588 |
| Change in other technical provisions | -0.5 | 2 | 1 | 0 | -1 | -2 | -6 | -10 | -8 | -8 |
| Operating expenses | -8,018 | -8,041 | -8,245 | -8,318 | -8,219 | -8,310 | -8,510 | -8,889 | -8,717 | -9,079 |
| Change in equalisation provisions | -4 | -14 | -12 | -15 | -14 | -11 | -16 | -11 | -15 | -23 |
| **BALANCE ON THE TECHNICAL ACCOUNT** | **2,765** | **3,546** | **3,747** | **3,751** | **3,089** | **3,157** | **2,858** | **3,142** | **4,258** | **3,076** |
| Investment income (net of charges) | 1,754 | 2,087 | 2,270 | 2,149 | 2,283 | 2,673 | 2,144 | 3,002 | 2,950 | 2,634 |
| Investment return transferred to the technical account | -1,660 | -1,262 | -1,346 | -1,288 | -1,161 | -1,278 | -825 | -1,346 | -890 | -1,085 |
| Other net income | -1,295 | -1,354 | -1,502 | -1,469 | -1,437 | -1,471 | -1,571 | -1,666 | -1,702 | -1,905 |
| **BALANCE ON ON ORDINARY BUSINESS** | **1,563** | **3,018** | **3,170** | **3,143** | **2,773** | **3,081** | **2,606** | **3,132** | **4,617** | **2,719** |
| Extraordinary net income | 1 | 473 | 450 | 72 | 137 | 208 | 176 | 269 | 173 | 170 |
| Tax on profit or loss | -924 | -1,365 | -1,173 | -1,259 | -795 | -844 | -599 | -750 | -938 | -532 |

[37] The growth in the non-life expense ratio is largely attributable to the change in the composition of premiums written, which saw a reduction in the share of MTPL to the benefit of non-life business other than MTPL, which are known to be characterised by higher operating expenses.

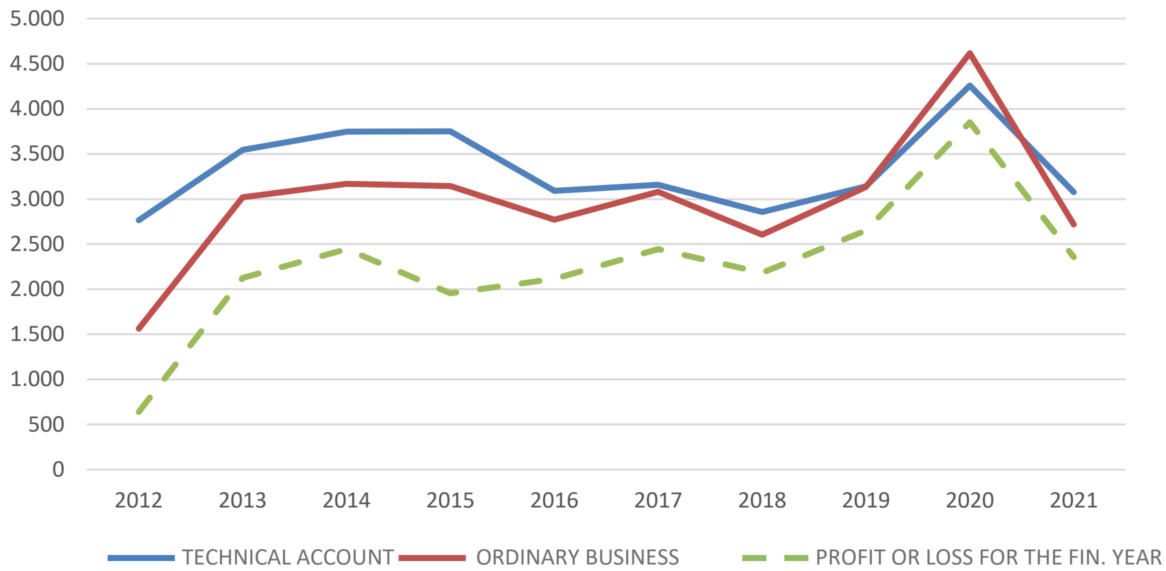
| Profit and loss account of the non-life business – Domestic undertakings and branches of non-EU undertakings<br>Italian and foreign portfolio – insurance and reinsurance business | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | *(million euro and % values)* |
| **PROFIT OR LOSS FOR THE FINANCIAL YEAR** | **640** | **2,125** | **2,446** | **1,956** | **2,114** | **2,445** | **2,183** | **2,652** | **3,851** | **2,358** |
| *% variation in premiums vs previous year* | *-1.0%* | *-3.1%* | *-2.8%* | *-2.2%* | *-3.5%* | *-5.4%* | *1.0%* | *3.4%* | *-1.2%* | *2.6%* |
| *Loss ratio* | *70.6%* | *66.1%* | *64.4%* | *62.9%* | *63.6%* | *63.5%* | *62.7%* | *63.7%* | *57.9%* | *62.9%* |
| *Expense ratio* | *24.1%* | *24.9%* | *26.3%* | *27.1%* | *27.8%* | *28.1%* | *28.5%* | *28.6%* | *28.4%* | *28.9%* |
| *Combined ratio* | *94.7%* | *91.1%* | *90.7%* | *90.0%* | *91.4%* | *91.6%* | *91.2%* | *92.3%* | *86.3%* | *91.7%* |

The profit for the year was positive for the tenth consecutive year (Table I.30) and amounted to 2.4 billion (1.5 billion less than in 2020, with a slight reduction of 0.3 billion compared to 2019). The growth in profit since 2012 is due to the decline in the claim rate, measured by the *loss ratio*, and by the growth in net income from investments.

**Figure I.14**

**Main economic results of non-life business**

*(million euro)*




The non-life technical provisions (Table I.21 and Table 32 in the Appendix) amounted to EUR 62.4 billion, increasing by 3.6 billion compared to 2020, yet recording a decrease of 4.4 billion compared to the amount at the end of 2012.

### *4.5.1. - Motor vehicle liability and Liability for ships (sea, lake and river and canal vessels)*

The technical account of motor vehicle liability and liability for ships (tab. I.31) shows a profit for the tenth consecutive year of EUR 0.7 billion, more than halved compared to 2020 (1.5 billion), a year affected by the sharp drop in claims, however at higher levels than 2016-2019.

**Table I.31**

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

*(million euro and % values)*

| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Premiums earned | direct insurance | 17,697 | 16,835 | 15,559 | 14,450 | 13,689 | 13,251 | 13,235 | 13,260 | 12,527 | 12,213 |
| Claims incurred | direct insurance | -13,110 | -11,563 | -10,818 | -10,421 | -10,421 | -10,053 | -10,073 | -10,110 | -8,221 | -9,079 |
| *of which claims incurred in the financial year* | direct insurance | -12,108 | -11,539 | -11,176 | -11,032 | -11,022 | -10,773 | -10,631 | -10,665 | -8,540 | -9,551 |
| Balance on other technical items | direct insurance | -272 | -248 | -143 | -127 | -172 | -185 | -186 | -190 | -299 | -148 |
| Operating expenses | direct insurance | -3,233 | -3,167 | -3,187 | -3,060 | -2,900 | -2,805 | -2,795 | -2,815 | -2,684 | -2,603 |
| **Technical balance (net of the share of return on investments and of the variation of the equalisation reserve) of direct business** | direct insurance | **1,083** | **1,857** | **1,410** | **842** | **196** | **208** | **181** | **144** | **1,323** | **383** |
| Profit or loss - outward reinsurance | direct and indirect insurance | -28 | -44 | -4 | 12 | -1 | -43 | -34 | -11 | -35 | -44 |
| Net profit or loss reinsurance | direct and indirect insurance | 26 | -7 | 0 | -8 | -18 | 5 | 7 | 2 | -3 | 25 |
| Allocated investment return transferred from the non-technical account | direct and indirect insurance | 802 | 617 | 657 | 607 | 503 | 532 | 313 | 509 | 251 | 367 |
| **BALANCE ON THE TECHNICAL ACCOUNT (net of reinsurance)** | direct and indirect insurance | **1,887** | **2,423** | **2,063** | **1,452** | **680** | **702** | **466** | **644** | **1,534** | **731** |
| *% Var. of premiums vs previous year** | | *1.2%* | *-4.9%* | *-7.6%* | *-7.1%* | *-5.3%* | *-3.2%* | *-0.1%* | *-0.6%* | *-5.5%* | *-2.5%* |
| *Loss ratio* | | *74.1%* | *68.7%* | *69.5%* | *72.1%* | *76.1%* | *75.9%* | *76.1%* | *76.2%* | *65.6%* | *74.3%* |
| *Expense ratio* | | *18.3%* | *18.8%* | *20.5%* | *21.2%* | *21.2%* | *21.2%* | *21.1%* | *21.2%* | *21.4%* | *21.3%* |
| *Combined ratio* | | *92.3%* | *87.5%* | *90.0%* | *93.3%* | *97.3%* | *97.0%* | *97.2%* | *97.5%* | *87.1%* | *95.7%* |

* Percentage variation calculated within homogeneous undertakings.

Among the individual items in the technical account, it is noted that earned premiums, at 12.2 billion, are further down on 2020, with a return to the downward trend that has been in place since 2013, after a substantial stability between 2017 and 2019. Only in 1998[38] was the volume of premiums written, in nominal terms, lower than in 2021.

Total claims incurred increased by almost a billion over 2020, but remained below the 10 billion recorded until 2019. The loss ratio grew to 74.3%, up from 65.6% in 2020, the lowest value since 1998, but still two points lower than in 2016-2019. The growth in claims incurred is generated by an increase in the frequency of claims in motor liability insurance[39].

With reference only to claims incurred in the year (current generation of claims), the loss ratio was 78.2% and increased by ten points over 2020 (lowest value since 1998), although it remained two points lower than in the four-year period 2016-2019.

38 Starting year of the available time series.

39 Based on initial estimates, the frequency of MTPL claims incurred in 2021 would be 4.9%, up from 4.2% for the 2020 generation of claims, however one point lower than the 5.9% for claims occurred in 2019.

The difference, in each reporting year, between total cost of claims and the cost of claims incurred in the year shows a negative value between 2014 and 2021, resulting from an initial reserve set aside in the financial statements, relating only to claims of generations prior to the current one, being higher than the amounts actually paid in the reporting year or set aside at the end of the same year for the same claims. In 2021, this difference is 3.9% of earned premiums compared to a maximum value of 5.4% in 2017[40]. Over the period 2014-2021, there was therefore a significant positive effect on the technical account for this line of business, resulting from the run off of the provisions for claims outstanding relating to generations prior to that for the year of the financial statements. This effect can be seen from the savings/shortfall ratio of the provision for claims outstanding, gross and net of the balance of recoveries (recourses, etc.) at year end (tab. 48 in the Appendix), to be compared with the *loss ratio* (tab. I.31). The balance of the provision for claims incurred in previous years shows a saving for the eighth consecutive year, equal to 2.8% of premiums earned (3.9% including also the positive effect of the balance of recoveries). Taken together, these indicators show that, at system level, the provisions for claims outstanding for MTPL have, since 2014, proven to be more than sufficient overall for the payment of the claims relating to the generations prior to that for the year of the financial statements.

Operating expenses amounted to EUR 2.6 billion, with an incidence on premiums earned (*expense ratio*) which stood at 21.3% (21.4% in 2020). The growth of this indicator in recent years is therefore interrupted (18.3% of premiums in 2012).

The technical balance of direct business remains positive for the tenth consecutive year, although, due to the reduction in premium income and the simultaneous growth in the claims burden, it is reduced by almost one billion compared to 2020, reaching 0.4 billion[41].

The contribution of the portion of profit from investments transferred from the non-technical account increased by 46% compared to 2020, reaching 0.4 billion and limiting the reduction in technical income.

The time series of the average reserve/average cost ratio (Table I.32), broken down by generation relating to the current year and to the previous ones, 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.

[40] For the years 2012 to 2013, the difference in absolute value between the cost of claims incurred in the year and the cost of claims of the current generation alone was positive, indicating, with respect to claims of generations prior to the current generation, a lower initial provision in the financial statements than the sum of the amounts of claims of those generations actually paid in that year's financial statements or set aside as provision at the end of that year.

[41] The 2021 technical balance is higher than in 2016-2019. The ratio of this balance to earned premiums is 3.1% (7.5 points lower than in 2020).

**Table I.32**

**Average reserve/average cost ratio***

*(reserved amounts per unit paid)*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Generation in previous financial years | 2.64 | 2.61 | 2.69 | 2.62 | 2.77 | 2.88 | 2.90 | 2.83 | 2.92 | 2.70 |
| Generation in current financial year | 4.02 | 4.13 | 3.97 | 3.99 | 3.88 | 3.71 | 3.73 | 3.67 | 4.01 | 3.61 |
| **Total** | **3.36** | **3.45** | **3.56** | **3.59** | **3.69** | **3.70** | **3.71** | **3.67** | **3.72** | **3.65** |

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

The total average reserve/average cost ratio was 3.7, stable in the last five years, after the growth in 2011-2016. However, the current generation ratio is down from the previous year (from 4.01 to 3.61), returning to levels close to those of 2019, due to the growth in the average cost of payments higher than that of amounts reserved.

### *4.5.2. - The other non-life insurance classes*

Since 1998[42] the technical account of non-life classes other than motor liability and liability for ships has always disclosed a technical profit (tab. I.33). In 2021, this result amounted to EUR 2.2 billion, slightly down (-0.2 billion) on the previous year, thus making a significant contribution (for around 72.4%) to the balance of the non-life technical account.

**Table I.33**

**Technical account of non-life classes other than motor liability and liability for ships – domestic undertakings and branches of non-EU undertakings – Italian portfolio – insurance and reinsurance business**

*(million euro and % values)*

| | | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Premiums earned | direct insurance | 18,189 | 17,606 | 17,629 | 17,733 | 18,161 | 18,555 | 19,305 | 20,213 | 20,668 | 21,654 |
| Claims incurred | | -12,684 | -10,837 | -10,383 | -9,659 | -9,587 | -10,214 | -10,299 | -11,093 | -10,671 | -11,892 |
| *of which claims incurred in the financial year* | | -12,705 | -11,352 | -11,125 | -10,659 | -10,819 | -11,572 | -11,801 | -12,691 | -12,027 | -12,976 |
| Balance on other items | | -393 | -370 | -373 | -410 | -426 | -429 | -389 | -415 | -438 | -462 |
| Operating expenses | | -5,271 | -5,266 | -5,414 | -5,587 | -5,867 | -6,098 | -6,377 | -6,734 | -6,726 | -7,131 |
| **Technical balance of direct insurance** | | **-158** | **1,147** | **1,448** | **2,014** | **2,267** | **1,820** | **2,239** | **1,982** | **2,778** | **2,182** |
| Profit or loss – outward reinsurance | direct insurance and reinsurance | 166 | -729 | -623 | -588 | -675 | -275 | -402 | -361 | -736 | -496 |
| Net profit or loss reinsur. | | 359 | 54 | 21 | 74 | 99 | 80 | 88 | 29 | -90 | 33 |
| Change in equalization provisions | | 4 | 14 | 13 | 15 | 14 | 11 | 16 | 11 | 16 | 23 |
| Allocated investment return transferred from the non-technical account | | 822 | 601 | 639 | 644 | 563 | 648 | 415 | 717 | 451 | 530 |
| **Profit or loss on the technical account (net of reinsurance)** | | **1,186** | **1,059** | **1,473** | **2,129** | **2,240** | **2,262** | **2,324** | **2,356** | **2,388** | **2,226** |
| *% Var. in premiums vs previous year** | | *-0.8%* | *-3.2%* | *0.1%* | *0.6%* | *2.4%* | *2.2%* | *4.0%* | *4.7%* | *2.3%* | *4.8%* |

42 Starting year of the time series.

| Technical account of non-life classes other than motor liability and liability for ships – domestic undertakings and branches of non-EU undertakings – Italian portfolio – insurance and reinsurance business | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | (million euro and % values) |
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| *Loss ratio* | *69.7%* | *61.6%* | *58.9%* | *54.5%* | *52.8%* | *55.0%* | *53.4%* | *54.9%* | *51.6%* | *54.9%* |
| *Expense ratio* | *29.0%* | *29.9%* | *30.7%* | *31.5%* | *32.3%* | *32.9%* | *33.0%* | *33.3%* | *32.5%* | *32.9%* |
| *Combined ratio* | *98.7%* | *91.5%* | *89.6%* | *86.0%* | *85.1%* | *87.9%* | *86.4%* | *88.2%* | *84.2%* | *87.9%* |

* Percentage variation calculated within homogeneous undertakings.

Contributing to the reduction in technical profit was the increase in claims costs (+1.2 billion), which outweighed the positive effect of the growth in earned premiums (+1 billion). The loss ratio, after a drop in 2020 due to the effects of the pandemic and the halt or slowdown in business, is back to the level of 2019 (54.9%), while the expense ratio, at 32.9%, is slightly better than in 2019 (33.3%). Technical profit is 10.3% of earned premiums (11.6% in 2020), down from 2015-2020.

The key performance indicators for the individual lines of business and classes other than MTPL are shown in tab. I.34. As regards the combined ratio of non-life classes other than motor liability and liability for ships, compared to an average figure of 87.9% (up compared to 84,2% in 2020), significantly higher values were recorded in sickness insurance (104.5%, fig. I.15), fire (98%), other damage to property (96.5%) and land vehicles (94,1%), while general liability (80.7%) and accident (75.5%) remain below average.

**Table I.34**

| Technical performance of non life classes other than motor liability and liability for ships – Italian portfolio | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | (million euro and % values) |
| Insurance class | Claims/ premiums earned (A)* | | Operating expenses/ premiums earned (B)* | | *Combined Ratio* (C )* = (A) + (B) | | Technical balance* | | Balance on the technical account (direct insurance and reinsurance) | |
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| **Health** | | | | | | | | | | |
| Accident | 35,3% | 38,7% | 36,8% | 36,8% | 72,1% | 75,5% | 817 | 737 | 809 | 735 |
| Sickness | 68,6% | 81,8% | 22,0% | 22,7% | 90,6% | 104,5% | 172 | -261 | 169 | -180 |
| **Total** | **51,4%** | **59,7%** | **29,7%** | **29,9%** | **81,0%** | **89,6%** | **989** | **476** | **978** | **555** |
| **Motor – only land vehicles**** | | | | | | | | | | |
| Land vehicles | 55,6% | 61,2% | 31,9% | 32,8% | 87,5% | 94,1% | 375 | 180 | 420 | 234 |
| **Transport** | | | | | | | | | | |
| Railway rolling stock | 474,3% | 49,8% | 15,9% | 19,8% | 490,2% | 69,6% | -39 | 3 | -32 | 2 |
| Aircraft | -7,4% | 43,3% | 12,8% | 10,5% | 5,3% | 53,9% | 14 | 7 | 5 | 3 |
| Ships | 67,2% | 72,2% | 19,3% | 19,4% | 86,5% | 91,7% | 29 | 20 | 9 | 1 |
| Goods in transit | 43,8% | 46,1% | 32,0% | 31,4% | 75,9% | 77,5% | 36 | 32 | 27 | 17 |
| Aircraft liability | 83,9% | 37,5% | 14,0% | 16,4% | 97,9% | 53,8% | 0 | 4 | -8 | -3 |
| **Total** | **66,4%** | **60,7%** | **23,7%** | **23,5%** | **90,1%** | **84,2%** | **39** | **65** | **0** | **19** |
| **Property** | | | | | | | | | | |

**Technical performance of non life classes other than motor liability and liability for ships – Italian portfolio**

*(million euro and % values)*

| Insurance class | Claims/ premiums earned (A)* | | Operating expenses/ premiums earned (B)* | | *Combined Ratio* (C )* = (A) + (B) | | Technical balance* | | Balance on the technical account (direct insurance and reinsurance) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Fire and natural forces | 69,0% | 61,3% | 36,8% | 36,7% | 105,9% | 98,0% | -208 | -9 | -191 | -26 |
| Other damages to property | 62,0% | 63,2% | 33,0% | 33,3% | 95,0% | 96,5% | 100 | 74 | -45 | 5 |
| Financial losses | 38,2% | 22,1% | 37,5% | 37,6% | 75,7% | 59,7% | 106 | 200 | 91 | 164 |
| **Total** | **62,8%** | **58,9%** | **34,9%** | **35,0%** | **97,7%** | **94,0%** | **-1** | **265** | **-145** | **143** |
| **General liability** | | | | | | | | | | |
| General liability | 36,5% | 47,3% | 33,2% | 33,4% | 69,6% | 80,7% | 909 | 581 | 762 | 779 |
| **Credit / Suretyship** | | | | | | | | | | |
| Credit | 64,9% | 26,2% | 44,5% | 40,9% | 109,4% | 67,2% | -13 | 20 | -12 | 5 |
| Suretyship | 38,5% | 17,7% | 36,0% | 37,6% | 74,5% | 55,3% | 52 | 168 | 19 | 130 |
| **Total** | **42,0%** | **19,0%** | **37,1%** | **38,1%** | **79,0%** | **57,0%** | **40** | **188** | **7** | **136** |
| **Legal expenses / Assistance** | | | | | | | | | | |
| Legal expenses | 21,0% | 22,2% | 38,8% | 39,4% | 59,8% | 61,6% | 170 | 177 | 151 | 162 |
| Assistance | 30,6% | 32,3% | 35,3% | 36,7% | 66,0% | 69,0% | 259 | 250 | 216 | 197 |
| **Total** | **27,3%** | **28,7%** | **36,5%** | **37,7%** | **63,8%** | **66,3%** | **429** | **427** | **366** | **359** |
| **Grand total** | **51,6%** | **54,9%** | **32,5%** | **32,9%** | **84,2%** | **87,9%** | **2.778** | **2.182** | **2.388** | **2.226** |

* Direct insurance. – ** Excluding MTPL and liability for ships.

Among the most important classes by premium income:

- the health business (accidents and sickness) shows a technical result of 0.6 billion, a considerable reduction (tab. I.34) both compared to 2020 (1 billion) and, to a lesser extent, compared to 2019 (0.8 billion). The lower technical profit of the business is due to the worsening of the combined ratio of the health business, at 104.5% (fig. I.15 and tab. I.34), due to the growth of the claims costs and loss ratio, which amounted to 81.8%, the worst value since 1998 (61.6% in 2020).

In 2020, the pandemic led to a decline in healthcare services, especially those paid by the NHS, leading to a sharp recovery in such services from 2021 and a sharp increase in the cost of health insurance claims, especially among contractual supplementary health funds;

- the land vehicles class shows a positive technical result (tab. I.34), amounting to 0.2 billion, down significantly from 0.4 billion in 2020. The decline is due to the growth in the cost of claims, which increases the loss ratio from 55.6% in 2020 (the lowest value since 2008) to 61.2% in 2021, partly due to the upturn in road traffic, hailstorms in the summer months, and the increased presence of catastrophe risks;

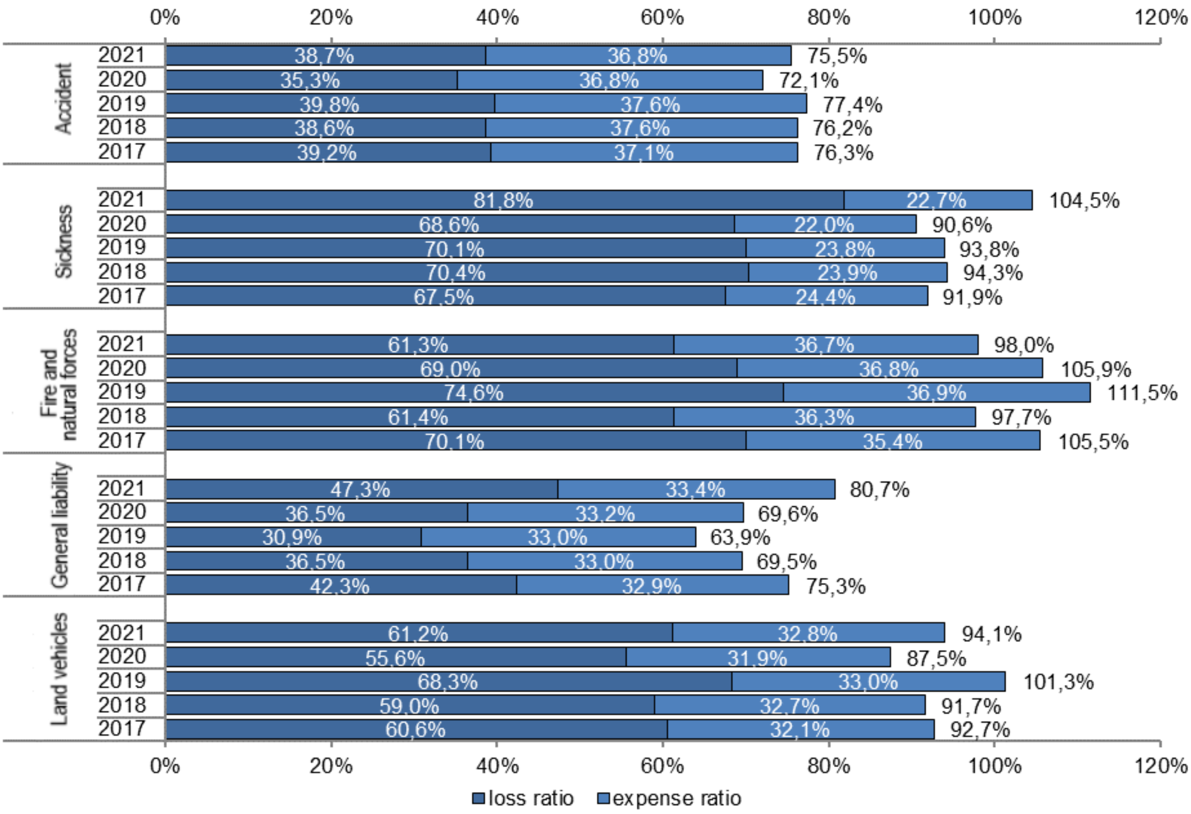
- the general liability class shows a considerable increase in the cost of claims, with a loss ratio of 47.3% (tab. I.34 and fig. I.15), exceeding the three-year period 2018-2020; also thanks to the improved reinsurance balance, the balance on the technical account of EUR 0.8 billion is stable in 2020;

– the property business shows a significant improvement, with a technical profit of EUR 0.14 billion, compared to a loss in 2020 of -0.14 billion. There was an improvement in all classes of the non-life business (tab. I.34), including fire, with the loss ratio decreasing from 69% in 2020 to 61.3% (fig. I.15), and financial loss, with the technical profit from 91 million to 164 million (tab. I.34), reflecting the strong improvement in the loss ratio for this class (from 38.2% to 22.1%).

**Figure I.15**

**Combined Ratio and its components (loss and expense ratios)**

*(% values)*




In the last five years, fire and natural forces, health and general liability were characterised by higher volatility of costs for current claims paid and reserved with respect to the premiums earned (loss ratio).

# 5. - THE SOLVENCY II REPORTING

## 5.1. - Highlights of the financial statements for domestic companies and groups[43]

The balance sheet for 2021 prepared in accordance with the Solvency II Directive (tab. I.35), although growing, shows a lower dynamic for both assets (+3%) and liabilities (+1.9%) compared to the previous year (+6.7% for assets and +7.8% for liabilities in 2020), due to the reduction in investments dedicated to traditional insurance business (-0.6%) and in life technical provisions (-2.4%). Assets for index and unit-linked policies increased (+18.5%), as the related technical provisions (+17.9%), due to the growth in the production of index and unit-linked policies combined with with-profit contracts that remained essentially unchanged.

Table I.35

**Solvency II – Balance sheet of domestic companies 2020– 2021**

*(million euro)*

| | Life | | Non-life | | Composites | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| **Assets** | | | | | | | | |
| Deferred tax assets | 8,204 | 5,140 | 385 | 490 | 1,412 | 948 | 10,001 | 6,578 |
| Investments (excluding assets for index and unit linked) | 473,662 | 465,843 | 18,078 | 18,492 | 323,280 | 325,391 | 815,020 | 809,726 |
| Assets held for index and unit linked | 167,513 | 198,209 | 0 | 0 | 28,862 | 34,487 | 196,374 | 232,696 |
| Loans and mortgages | 549 | 998 | 70 | 59 | 6,604 | 6,169 | 7,222 | 7,226 |
| Recoverable amounts from reinsurance | 678 | 607 | 2,526 | 2,614 | 6,692 | 7,409 | 9,897 | 10,630 |
| Cash and cash equivalents | 4,412 | 7,880 | 862 | 946 | 3,458 | 2,909 | 8,732 | 11,735 |
| Other assets | 13,140 | 13,775 | 3,634 | 3,623 | 24,125 | 24,605 | 40,899 | 42,003 |
| **Total assets** | **668,158** | **692,452** | **25,555** | **26,224** | **394,433** | **401,918** | **1,088,145** | **1,120,595** |
| **Liabilities** | | | | | | | | |
| Non-life technical provisions | 5 | 4 | 13,260 | 13,374 | 38,198 | 40,258 | 51,462 | 53,636 |
| Life technical provisions - excluding linked policies | 446,271 | 439,659 | 0 | 0 | 196,904 | 188,627 | 643,176 | 628,286 |
| Other technical provisions for index and unit-linked | 163,012 | 192,394 | 0 | 0 | 26,495 | 31,056 | 189,507 | 223,449 |
| Deferred tax liabilities | 11,611 | 9,592 | 592 | 601 | 4,029 | 4,290 | 16,232 | 14,483 |
| Other liabilities | 13,868 | 14,229 | 3,261 | 3,365 | 44,518 | 42,483 | 61,647 | 60,077 |
| **Total liabilities** | **634,767** | **655,878** | **17,113** | **17,339** | **310,144** | **306,715** | **962,023** | **979,932** |
| **Excess assets over liabilities** | **33,391** | **36,574** | **8,442** | **8,885** | **84,289** | **95,203** | **126,122** | **140,663** |

The market value of assets held by groups (tab. I.36) against policies where the risk is borne by the insurance undertaking decreased by -4.7% compared to the previous year, when it recorded +6.5%, while assets held for index and unit-linked products increased by +14.7%

[43] 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.

(+5.9% in 2020). Also at group level there is a difficulty in offering with-profit contracts, which have been replaced by index and unit-linked policies.

At the same time, the technical provisions of the with-profit business decreased by -5.7% (+7.3% in 2020), partially offset by the provisions of the index and unit-linked portfolio, which increased by +14% (+6.6% in 2020).

The difference between total assets and total liabilities shows the increase in excess of assets over liabilities of +8.3% compared to 2020 (+4.4%).

**Table I.36**

**Solvency II – Balance sheet of domestic groups**

*(million euro and % values)*

| | 2020 | 2021 | % var. |
|---|---|---|---|
| **Assets** | | | |
| Deferred tax assets | 11,027 | 7,495 | -32.0 |
| Investments (excluding assets for index and unit linked) | 833,620 | 794,678 | -4.7 |
| Assets held for index and unit linked | 247,253 | 283,638 | 14.7 |
| Loans and mortgages | 6,059 | 6,211 | 2.5 |
| Recoverable amounts from reinsurance | 7,897 | 8,079 | 2.3 |
| Cash and cash equivalents | 13,441 | 16,598 | 23.5 |
| Other assets | 47,822 | 48,365 | 1.1 |
| **Total assets** | **1,167,118** | **1,165,063** | **-0.2** |
| **Liabilities** | | | |
| Non-life technical provisions | 56,256 | 56,955 | 1.2 |
| Life technical provisions - excluding linked policies | 705,066 | 664,560 | -5.7 |
| Index and unit-linked technical provisions | 237,893 | 271,111 | 14.0 |
| Deferred tax liabilities | 22,193 | 20,181 | -9.1 |
| Other liabilities | 63,305 | 62,976 | -0.5 |
| **Total liabilities** | **1,084,712** | **1,075,783** | **-0.8** |
| **Excess assets over liabilities** | **82,405** | **89,280** | **8.3** |

## 5.2. - Investments

At the end of 2021, the investments managed by Italian insurance undertakings, net of assets intended for the linked sector, amounted to EUR 810 billion (Table I.37), with a -0.6% decrease compared to the previous year. The market value of bonds (government bonds, corporate and structured bonds) decreased from 73.8% to 71.6%.

**Table I.37**

| Life and non-life investments | | | | | |
|---|---|---|---|---|---|
| | | | | | *(million euro and % values)* |
| | **2020** | **%** | **2021** | **%** | **% var. 21 / 20** |
| **Life and non-life investments of assets not intended for index and unit-linked contracts** | | | | | |
| Government bonds | 432,771 | 53.1 | 411,981 | 50.9 | -4.8 |
| *of which: Italian Government bonds* | *336,029* | *41.2* | *310,896* | *38.4* | *-7.5* |
| Corporate bonds | 157,508 | 19.3 | 156,144 | 19.3 | -0.9 |
| Listed equity instruments | 7,341 | 0.9 | 9,910 | 1.2 | 35.0 |
| Unlisted equity instruments | 3,522 | 0.4 | 4,479 | 0.6 | 27.2 |
| Undertakings for collective investment | 105,705 | 13.0 | 110,048 | 13.6 | 4.1 |
| Structured bonds | 11,119 | 1.4 | 11,502 | 1.4 | 3.4 |
| Guaranteed securities | 2,150 | 0.3 | 2,735 | 0.3 | 27.2 |
| Deposits other than cash equivalents | 359 | 0.0 | 412 | 0.1 | 14.8 |
| Real estate (other than those held for own use) | 4,010 | 0.5 | 3,958 | 0.5 | -1.3 |
| Other investments | 18 | 0.0 | 18 | 0.0 | 1.8 |
| Derivatives | 1,097 | 0.1 | 815 | 0.1 | -25.7 |
| Shares held in related undertakings, including holdings | 89,419 | 11.0 | 97,722 | 12.1 | 9.3 |
| **Total (A)** | **815,020** | **100.0** | **809,726** | **100.0** | **-0.6** |
| **Investments held for index and unit-linked contracts** | | | | | |
| Government bonds | 13,655 | 7.0 | 14,062 | 6.0 | 3.0 |
| Corporate bonds | 5,874 | 3.0 | 7619 | 3.3 | 29.7 |
| Equity instruments | 7,432 | 3.8 | 9,433 | 4.1 | 26.9 |
| Undertakings for collective investment | 164,919 | 84.0 | 196,709 | 84.5 | 19.3 |
| Other investments | 4,494 | 2.3 | 4,873 | 2.1 | 8.4 |
| **Total (B)** | **196,374** | **100.0** | **232,696** | **100.0** | **18.5** |
| **Grand total (A+B)** | **1,011,395** | **.** | **1,042,422** | **.** | **3.1** |

The share of investments in government bonds, of which Italian government bonds, fell from 53.1% to 50.9% and from 41.2% to 38.4% of total investments, respectively. Corporate bonds remained unchanged at 19.3%. The share of investments in UCITS increased from 13% to 13.6%.

Assets dedicated to linked contracts were affected by the strong increase in premiums collected in the segment (+34%) compared to 2020. Units in UCITS, amounting to EUR 196.7 billion, increased by 19.3% year-on-year, while government bonds, at 14 billion, grew by 3%. Corporate bonds and equity instruments grew considerably by 29% and 27%, although the use of this form of investment is still limited.

An examination of investments broken down by Italian-controlled undertakings (state, domestic insurance entities, financial entities and other) and foreign-controlled undertakings (insurance and non-insurance entities) reveals a reduction in the share of investment in government bonds for both state or public-sector-controlled undertakings and foreign-controlled undertakings.

Table I.38

**Assets under the form of Government bonds held by undertakings supervised by IVASS broken down by ownership structure**

*(% values)*

| | 2020 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **% Government bonds over total assets *** | *of which: Italian Government bonds over total assets* | % Italian Government bonds held by supervised undertakings | **% Government bonds over total assets *** | *of which: Italian Government bonds over total assets* | % Italian Government bonds held by supervised undertakings |
| Italian undertakings | 53.1 | *42.7* | 76.2 | 50.4 | 39.5 | 77.7 |
| *of which: Controlled by the State and by public entities* | *63.7* | *61.7* | *28.4* | *60.6* | *58.7* | *29.2* |
| *under insurance control* | *44.2* | *29.6* | *30.2* | *40.5* | *26.1* | *28.5* |
| *Under financial control* | *66.6* | *57.9* | *17.5* | *65.6* | *52.8* | *20* |
| *Controlled by other private entities* | *85.0* | *78.0* | *0.1* | *71.8* | *62* | *0.0* |
| Foreign undertakings | 53.2 | *37.1* | 23.8 | 52.1 | *34.8* | 22.3 |
| *of which: Controlled by EU and non-EU entities of the insurance sector* | *50.2* | *35.9* | *15.1* | *48.2* | *33.4* | *11.4* |
| *Controlled by EU and non-EU entities of the financial sector* | *58.7* | *39.3* | *8.7* | *56.6* | *36.5* | *10.9* |
| **Total** | **53.1** | ***41.2*** | **100.0** | **50.9** | ***38.4*** | **100.0** |

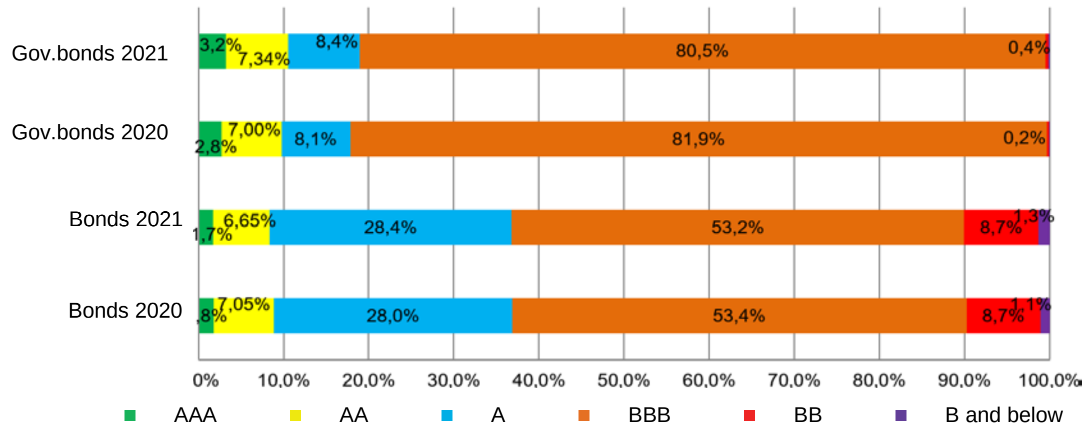
* Excluding investments held for index and unit-linked contracts.

The predominant class of government bonds (mainly Italian Government bonds) held for investment in the 2020-2021 two-year period (fig. I.19), was rated BBB, with an incidence over the total market value of bonds going from 81.9% in 2020 to 80.5%. Investments in securities rated A (from 7.7% to 8.1%) and AA (from 5.4% to 7%) increased, confirming the shift from Italian to foreign government bonds. Investments in corporate securities showed an unchanged trend across rating types.

**Figure I.16**

**Bond investments of Italian undertakings by rating class***

*(% values)*



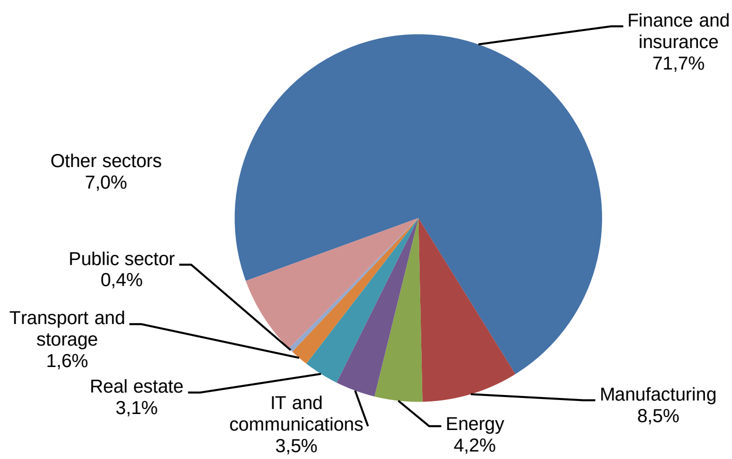

* Excluding assets intended for linked contracts. – Corporate bonds include structured bonds and guaranteed securities.

Investments in corporate securities of life policies (with-profit) and those covering a risk (excluding index and unit-linked policies) show (Figure I.17) a higher concentration in the financial and insurance sector (71.7% compared to 70.7% in the previous year). The decline in securities in the manufacturing sector (8.5% vs. 8.7%) that started in 2019 continued. The share of securities in the energy sector remained unchanged (4.2% compared to 4.3%).

**Figure I.17**

**Breakdown of corporate investments by economic sector excluding linked policies – 2021**

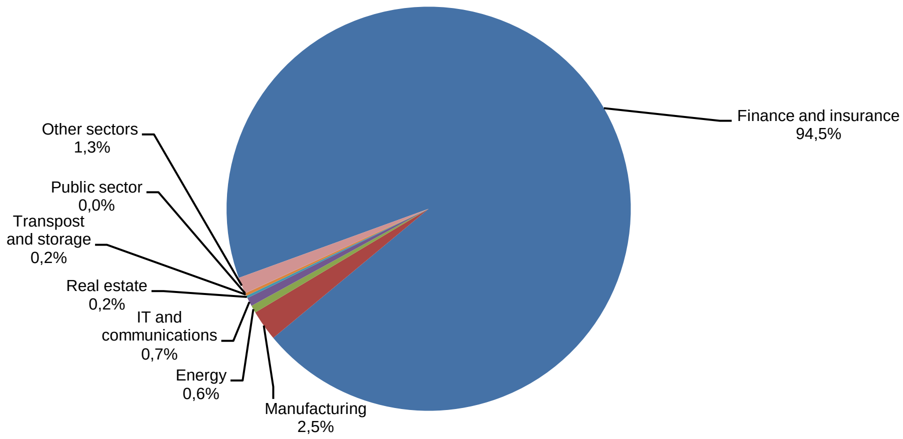
*(% values; Government bonds excluded)*



The investments in corporate securities for linked policies (fig. I.18) are characterised by the almost total presence of securities from the financial and insurance sector (94.6%), which is constant compared to the previous year and consists almost entirely of units in UCITS (90%), while equities represent 4.3% and bonds 3.5%.

**Figure I.18**

**Breakdown of corporate investments by economic sector – linked policies – 2021**
*(% values; Government bonds excluded)*




## 5.3. - Loans by insurance undertakings: comparison of EU countries

Assets covering technical provisions may also include, subject to special conditions, financing (art. 38 paragraph 2 of the CAP) to entities other than natural persons and micro-enterprises, with the provision of consumer credit or mortgages to retail customers being excluded. At the end of 2021, this amounted to EUR 7.2 billion, 0.8% of total assets excluding those held for index and unit-linked policies.

A different situation is observed in other European countries, with non-bank institutions playing an important role in the provision of credit to private customers. A report by the European Systemic Risk Board of August 2021 indicates that in the Netherlands, 35% of newly issued mortgages are provided by pension funds, insurance companies and mutual funds. EIOPA data aggregated by country shows that funding accounts for a large share of assets in the Netherlands (24.7%) and Belgium (13.0%) in particular, with Italy in 23rd place. There is also a different incidence of loans to individuals(including cash pools), which represent, as a percentage of total loans, 58.96% in the Netherlands, 57.03% in Germany and 44.04% in Belgium, while for the remaining 26 countries, more than 60% is accounted for by the two categories loans on policies and other loans.

Figure I.19

## Provision of credit by EU insurance undertakings

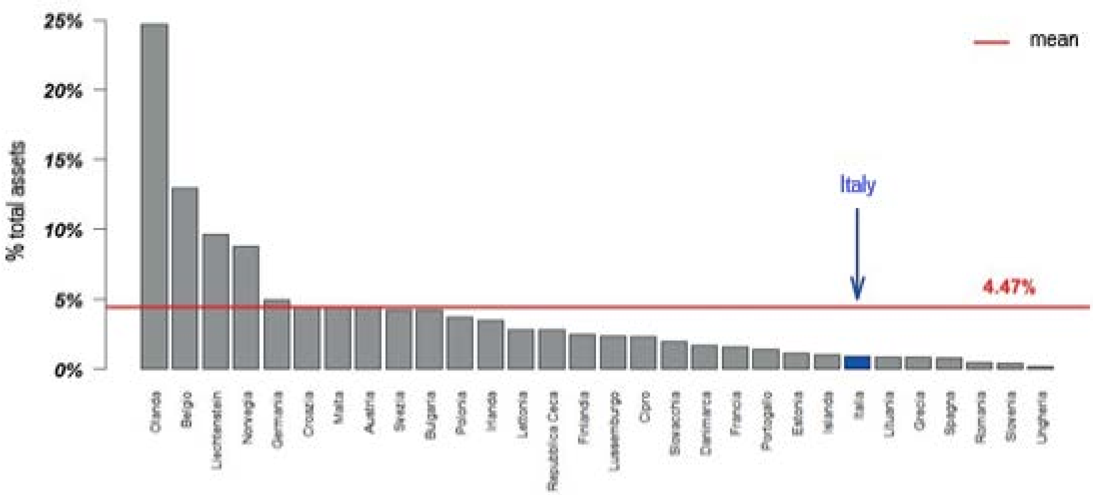



Table I.39

**Breakdown of loans – EU market – Q3 2021**

| | | | | *of which (% of loans):* | | |
|---|---|---|---|---|---|---|
| **Country** | **Total assets** | **Loans** | | ***Loans to individuals & cash-pools*** | ***Loans on policies*** | ***Other loans*** |
| | **ml €** | **ml €** | **% total assets** | | | |
| France | 2,552,893 | 40,314 | 1.6 | *2.0* | *11.0* | *87.0* |
| Germany | 2,405,406 | 118,813 | 4.9 | *57.0* | *1.5* | *41.5* |
| Italy | 894,000 | 8,294 | 0.9 | *12.4* | *13.0* | *74.6* |
| Netherlands | 440,787 | 108,790 | 24.7 | *59.0* | *0.0* | *41.0* |
| Denmark | 328,630 | 5,489 | 1.7 | *3.5* | *0.0* | *96.5* |
| Belgium | 325,931 | 42,197 | 13.0 | *44.0* | *7.3* | *48.7* |
| Spain | 307,325 | 2,365 | 0.8 | *1.5* | *4.3* | *94.2* |
| Ireland | 232,983 | 8,070 | 3.5 | *0.2* | *0.2* | *99.6* |
| Sweden | 215,305 | 9,076 | 4.2 | *0.0* | *0.2* | *99.8* |
| Norway | 164,753 | 14,504 | 8.8 | *22.9* | *0.0* | *77.1* |
| Luxembourg | 137,663 | 3,248 | 2.4 | *12.0* | *2.1* | *85.9* |
| Austria | 126,482 | 5,596 | 4.4 | *2.4* | *0.8* | *96.9* |
| Finland | 38,435 | 962 | 2.5 | *0.0* | *0.0* | *100.0* |
| Portugal | 38,269 | 544 | 1.4 | *0.1* | *0.3* | *99.6* |
| Poland | 35,537 | 1,312 | 3.7 | *0.0* | *1.2* | *98.8* |
| Greece | 16,915 | 141 | 0.8 | *8.4* | *25.9* | *65.8* |
| Czech Republic | 15,089 | 421 | 2.8 | *0.0* | *0.7* | *99.3* |
| Liechtenstein | 13,764 | 1,327 | 9.6 | *1.5* | *3.2* | *95.4* |
| Malta | 12,947 | 578 | 4.5 | *0.0* | *2.0* | *98.0* |
| Slovenia | 7,631 | 31 | 0.4 | *33.2* | *37.2* | *29.6* |
| Croatia | 5,968 | 270 | 4.5 | *0.5* | *14.6* | *85.0* |
| Slovakia | 5,468 | 107 | 2.0 | *0.3* | *4.1* | *95.6* |
| Hungary | 5,111 | 9 | 0.2 | *38.5* | *51.4* | *10.2* |

| Breakdown of loans – EU market – Q3 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | *of which (% of loans):* | | |
| **Country** | **Total assets** | **Loans** | | ***Loans to individuals & cash-pools*** | ***Loans on policies*** | ***Other loans*** |
| | **ml €** | **ml €** | **% total assets** | | | |
| Bulgaria | 4,604 | 193 | 4.2 | *0.4* | *1.1* | *98.6* |
| Romania | 3,672 | 16 | 0.4 | *43.4* | *1.0* | *55.6* |
| Cyprus | 2,930 | 68 | 2.3 | *2.5* | *5.9* | *91.6* |
| Iceland | 1,346 | 14 | 1.0 | *19.0* | *0.0* | *81.1* |
| Estonia | 1,339 | 15 | 1.1 | *0.5* | *0.0* | *99.5* |
| Lithuania | 1,168 | 10 | 0.9 | *0.0* | *0.0* | *100.0* |
| Latvia | 1,036 | 29 | 2.8 | *0.1* | *0.0* | *99.9* |

## 5.4. - Technical provisions

In 2021, taking into account both direct and indirect business, the life technical provisions recorded a growth of +2.2%, while non-life technical provisions rose by +4.3% (tab. I.40).

The increase in life technical provisions is due to the growth in the main best estimate component (+2.2%), while the risk margin decreased compared to the previous year's annual figure. The technical provision (TP) component, calculated as a whole, was up but is of a residual nature.

Non-life technical provisions grew by +4.3% compared to the end of 2020. The increase is due to the BE-claim component related to claims (+5.8%) and BE-premium (+0.3%).

**Table I.40**

| Technical provisions life and non-life | | | | | |
|---|---|---|---|---|---|
| | | | | | *(million euro)* |
| | **Q4 2020** | **Q1 2021** | **Q2 2021** | **Q3 2021** | **Q4 2021** |
| **Life** | | | | | |
| *Best Estimate* | 825,375 | 821,091 | 830,805 | 837,251 | 843,396 |
| *Risk Margin* | 7,201 | 6,889 | 6,980 | 7,188 | 6,975 |
| *TP calculated as a whole* | 1,174 | 1209 | 1,282 | 1,285 | 1,332 |
| **Total** | **831,942** | **827,381** | **837,259** | **843,915** | **850,058** |
| **Non-life** | | | | | |
| *BE– claims* | 36,976 | 36,544 | 38,066 | 39,983 | 39,117 |
| *BE– premiums* | 12,432 | 12,326 | 12,415 | 11,301 | 12,473 |
| *Risk Margin* | 2,063 | 2,077 | 2,110 | 2,110 | 2,101 |
| *TP calculated as a whole* | 1 | 1 | 1 | 1 | 1 |
| **Total** | **51,472** | **50,948** | **52,592** | **53,395** | **53,692** |
| **Life and non-life Total** | **883,414** | **878,329** | **889,851** | **897,310** | **903,750** |

### *5.4.1. - Life technical provisions*

The technical provisions for the two main types of life contracts, with-profit or index and unit-linked, represented 99.4% of the total provisions at the end of 2021. The breakdown for with-profit, index and unit-linked policies confirms that the BE component is the prevalent share of the provision, amounting to 99.3% of the total.

**Table I.41**

| Life technical provisions* | | | | |
|---|---|---|---|---|
| | | | | (million euro) |
| | ***TP calculated as a whole*** | ***Best Estimate*** | ***Risk Margin*** | **Total** |
| **2020** | | | | |
| *With-profit* | 0 | 632,438 | 5,443 | **636,076** |
| index and unit linked | 1,125 | 187,276 | 1,111 | **189,509** |
| **2021** | | | | |
| *With-profit* | 55 | 618,024 | 4,857 | **621,295** |
| index and unit linked | 1,274 | 220,732 | 1,477 | **223,481** |

* 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 outstanding (Table I.42), shows an increase in claims to be settled through an increase in the technical provisions for claims outstanding (+4.6%). The share of premiums deferred to the following year, defined by the technical provisions for premiums, are unchanged from 2020. The risk margin increased only slightly (+2%) and for small amounts. Overall, the total technical provisions decreased by -1.2%. After the pandemic, MTPL technical provisions increased in 2021 (+2.3%). In particular, technical provisions for premiums decreased by -1.3%, while outstanding claims grew by +3.6%.

**Table I.42**

| Non-life technical provisions* | | | | | |
|---|---|---|---|---|---|
| | | | | | (million euro) |
| | ***TP calculated as a whole*** | **Provisions for unearned premiums (*BE*)** | **Provisions for claims outstanding (*BE*)** | ***Risk Margin*** | **Total** |
| | | **2020** | | | |
| Medical expenses | 0 | 739 | 1,389 | 69 | 2,197 |
| Income protection | 1 | 1,099 | 1,857 | 161 | 3,119 |
| Workers' compensation | 0 | 0 | 0 | 0 | 0 |
| Motor vehicle liability: | 0 | 4,108 | 16,309 | 722 | 21,139 |
| Other insurance | 0 | 1,245 | 595 | 69 | 1,909 |
| Marine, aviation and transport insurance | 0 | 141 | 700 | 27 | 868 |
| Fire and other damage to property | 0 | 2,805 | 4,032 | 307 | 7,144 |
| General liability | 0 | 1,001 | 9,775 | 520 | 11,296 |
| Credit and Suretyship | 0 | 450 | 929 | 79 | 1,458 |
| Legal expenses | 0 | 75 | 434 | 18 | 528 |
| Assistance | 0 | 165 | 134 | 13 | 311 |
| Miscellaneous financial loss | 0 | 588 | 263 | 53 | 904 |
| **Total** | **1** | **12,415** | **36,418** | **2,039** | **50,873** |
| | | **2021** | | | |
| Medical expenses | 0 | 794 | 1,618 | 81 | 2,492 |

| Non-life technical provisions* | | | | | |
|---|---|---|---|---|---|
| | | | | | *(million euro)* |
| | ***TP calculated as a whole*** | **Provisions for unearned premiums (*BE*)** | **Provisions for claims outstanding (*BE*)** | ***Risk Margin*** | **Total** |
| Income protection | 1 | 1,132 | 1,973 | 155 | 3,261 |
| Workers' compensation | 0 | 0 | 0 | 0 | 0 |
| Motor vehicle liability | 0 | 4,043 | 16,891 | 692 | 21,625 |
| Other insurance | 0 | 1,320 | 714 | 70 | 2,104 |
| Marine, aviation and transport insurance | 0 | 133 | 789 | 34 | 956 |
| Fire and other damage to property | 0 | 2,833 | 4,425 | 363 | 7,622 |
| General liability | 0 | 1,019 | 9,965 | 513 | 11,497 |
| Credit and Suretyship | 0 | 457 | 844 | 91 | 1,393 |
| Legal expenses | 0 | 76 | 460 | 20 | 556 |
| Assistance | 0 | 165 | 143 | 13 | 321 |
| Miscellaneous financial loss | 0 | 449 | 277 | 48 | 774 |
| **Total** | **1** | **12,419** | **38,099** | **2,080** | **52,600** |

* Direct insurance, excluding non proportional inward reinsurance. The workers' compensation LoB is not shown as such business does not apply in Italy.

## 5.5. - Assets representing technical provisions

Domestic companies and branches of non-EEA companies reported an amount of Solvency II technical provisions to be covered as at 31 December 2021, relating to Italian and foreign direct business, equal to 904 billion. Representative assets totalled 912 billion, with a coverage ratio of 101%. 94.5% of these assets relate to life insurance.

Assets representing life insurance technical provisions, with the exception of linked policies and those arising from pension fund management (tab. I.43 and tab. 28 in the Appendix), amount to 629 billion. The latter comprised 91.5% of debt securities and other securities equivalent to debt securities, mostly government bonds (59.3% of the total), down slightly from 2020. Units of UCITS represent 14.3% of assets, mainly (63%) with underlying investments in bonds.

**Table I.43**

| Assets representing technical provisions of the life direct portfolio (excluding linked policies and pension funds) and non-life at the end of 2021 | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | *(million euro)* | |
| | **Life** | **%** | **Non-life** | **%** | **Total** | **%** |
| Government bonds | 372,678 | 59.3 | 17,936 | 35.6 | 390,614 | 57.5 |
| Corporate bonds | 145,532 | 23.1 | 15,296 | 30.4 | 160,829 | 23.7 |
| Equity instruments | 10,436 | 1.7 | 3,805 | 7.6 | 14,240 | 2.1 |
| Undertakings for collective investment | 89,993 | 14.3 | 5,511 | 10.9 | 95,504 | 14.1 |
| Real estate | 252 | 0.0 | 4,154 | 8.2 | 4,406 | 0.6 |
| Secured and unsecured loans | 213 | 0.0 | 336 | 0.7 | 549 | 0.1 |
| Credits | 4,766 | 0.8 | 2,954 | 5.9 | 7,720 | 1.1 |
| Cash and deposits | 4,547 | 0.7 | 324 | 0.6 | 4,872 | 0.7 |
| Other assets | 384 | 0.1 | 50 | 0.1 | 434 | 0.1 |
| **Total** | **628,802** | **100.0** | **50,366** | **100.0** | **679,168** | **100.0** |

The technical provisions of the non-life business amounted to EUR 49.5 billion and were covered by 50.4 billion of assets with a 102% coverage rate. 70% of these assets are debt securities and other equivalent securities (36% of which are government bonds). The real estate sector accounts for 8.2% of the assets and equity instruments account for 7.6%, stable compared to 2020. Alternative investments amount to 1,125 million (tab. 31 in the Appendix).

The composition of assets representing technical provisions denotes a low share of investments in equity instruments, infrastructure and long-term financing of the real economy (including equity instruments, direct unsecured loans granted to entities other than natural persons and microenterprises, alternative investments).

Technical provisions and related representative assets for linked policies, amount to 211 billion, up +19.5% on 2020; those deriving from pension fund management amount to 21 billion (+11%) and account for 24.5% and 2.5% of total class C and D assets (tab. I.44 and tables 29 and 30 in the Appendix).

**Table I.44**

**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 2021**

*(million euro)*

| | Technical provisions | Representative assets | % over grand total * |
|---|---|---|---|
| Contracts linked to the value of units in UCITS | 104,008 | 104,166 | 12.1% |
| Unit-linked contracts | 107,111 | 107,230 | 12.4% |
| Index-linked contracts | 36 | 36 | 0.0% |
| **Total provision for class D.I** | **211,155** | **211,432** | 24.5% |
| Open pension funds | 11,232 | 11,248 | 1.3% |
| Pension funds | 10,218 | 10,218 | 1.2% |
| **Total provision for class D.II** | **21,450** | **21,466** | 2.5% |
| **Grand total class D** | **232,605** | **232,898** | 27.0% |

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

## 5.6. - Solvency Capital Requirement and Minimum Capital Requirement

Until mid-2020, the average SCR ratio of Italian undertakings remained slightly below that of the other European countries, and then reached values close to the European average starting from the first quarter 2021 (Table I.45). The average SCR ratio of the main EU countries is characterised by considerable heterogeneity, also in view of the different application of the long term guarantee measures (LTG). The maximum values are found for German undertakings, while France and Spain present values below the European average.

**Table I.45**

| SCR ratio in Europe | | | | | |
|---|---|---|---|---|---|
| | | | | | *(% values)* |
| | **Italy** | **Average for EU Countries*** | *of which:* | | |
| | | | **Germany** | **France** | **Spain** |
| Q2 2020 | 210.8 | 241.0 | 280.7 | 238.6 | 232.1 |
| Q3 2020 | 224.8 | 245.0 | 286.2 | 237.8 | 234.8 |
| Q4 2020 | 243.1 | 250.9 | 295.9 | 243.5 | 239.4 |
| Q1 2021 | 257.1 | 257.6 | 306.3 | 252.1 | 240.7 |
| Q2 2021 | 256.6 | 257.0 | 305.4 | 251.3 | 240.0 |
| Q3 2021 | 255.3 | 257.8 | 306.2 | 251.5 | 240.9 |
| Q4 2021 | 259.8 | 259.4 | 313.2 | 252.8 | 241.1 |

* Source: For foreign countries, EIOPA, *Insurance Statistics*.

The SCR ratio of the undertakings supervised by IVASS, divided up by type of control (Table I.46), shows that the values of the indicator of the Italian-owned undertakings are higher by 44% than those of the foreign-owned undertakings, up compared to 39% of 2020. Among the undertakings subject to Italian control, those of a financial nature have a capital endowment slightly lower than that of publicly controlled companies and companies under insurance control.

**Table I.46**

| SCR ratio of undertakings supervised by IVASS broken down by ownership structure | | |
|---|---|---|
| | | *(% values)* |
| | **Q4 2020** | **Q4 2021** |
| Italian undertakings | 254.7 | 287.9 |
| *Controlled by the State and by public entities* | *297.4* | *280.5* |
| *under insurance control* | *255.5* | *249.1* |
| *Under financial control* | *215.2* | *168.7* |
| *Controlled by other private entities* | *212.5* | *277.7* |
| Foreign undertakings | 183.1 | 199.7 |
| *Controlled by EU and non-EU entities of the insurance sector* | *183.0* | *168.0* |
| *Controlled by EU and non-EU entities of the financial sector* | *183.2* | *188.5* |
| **Total** | **239.6** | **259.8** |

At the end of 2021, Italian undertakings had a total SCR of 60.9 billion, up by +2.5% with respect to end 2020 (Table I.47). Eligible funds, equal to 158,1 billion compared to 144.4 billion in 2020, recorded a significant increase of +9.5%.

**Table I.47**

| Capital Requirements | | | | | |
|---|---|---|---|---|---|
| | | | | | (million euro) |
| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
| **SCR** | 59,405 | 59,058 | 59,880 | 61,007 | 60,869 |
| **MCR** | 22,696 | 22,487 | 22,697 | 23,090 | 23,012 |
| **Eligible own funds to satisfy the SCR** | 144,441 | 151,821 | 153,666 | 155,763 | 158,144 |

At the end of 2021, there were seven Italian insurance groups relevant for financial stability, following the exit of a group from the scope of the survey.

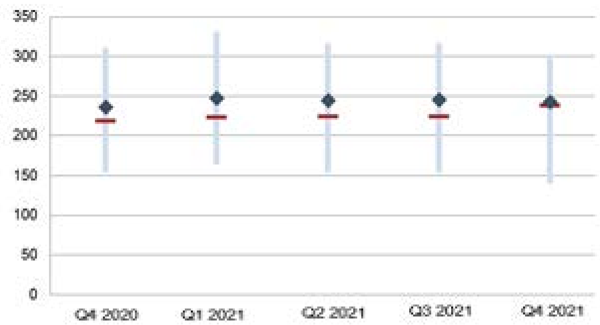
The average value of the solvency ratio shows an improvement, from 235.4% at the end of 2020 to 242.1% in 2021 (fig. I.20.a). Also the percentage of higher quality capital (tier 1), which at the end of 2020 was 85.9%, increased to 87.4% (fig. I.20.b).

**Figure I.20**

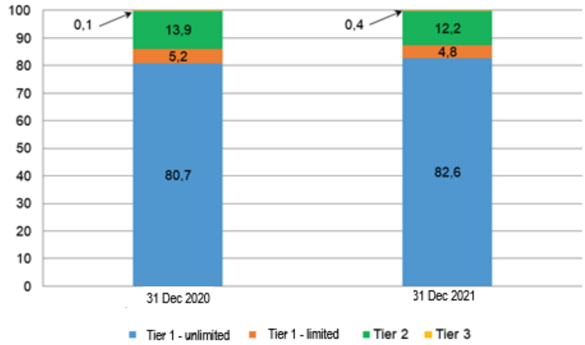
**Main indicators of the Italian groups relevant for financial stability**

*(% values)*

**a) Solvency index***




**b) Own funds covering the requirement**




* The blue diamond indicates the average SCR ratio for the groups; the light blue vertical line shows the distribution between the 25th and 75th percentile; the red horizontal line is the median value of the distribution

The aggregate market-wide composition of the Basic Solvency Capital Requirement (BSCR), calculated using the standard formula at end 2021 and broken down by risk area (fig. I.21), shows that:

– market risk, which reflects financial volatility, represents the main source of risk in the Italian insurance sector, with an incidence of 82% on the BSCR, up compared to the previous financial year;

– life and non-life underwriting risks are 21% and 10% of BSCR, respectively, down compared to 23% and 11% in 2020;

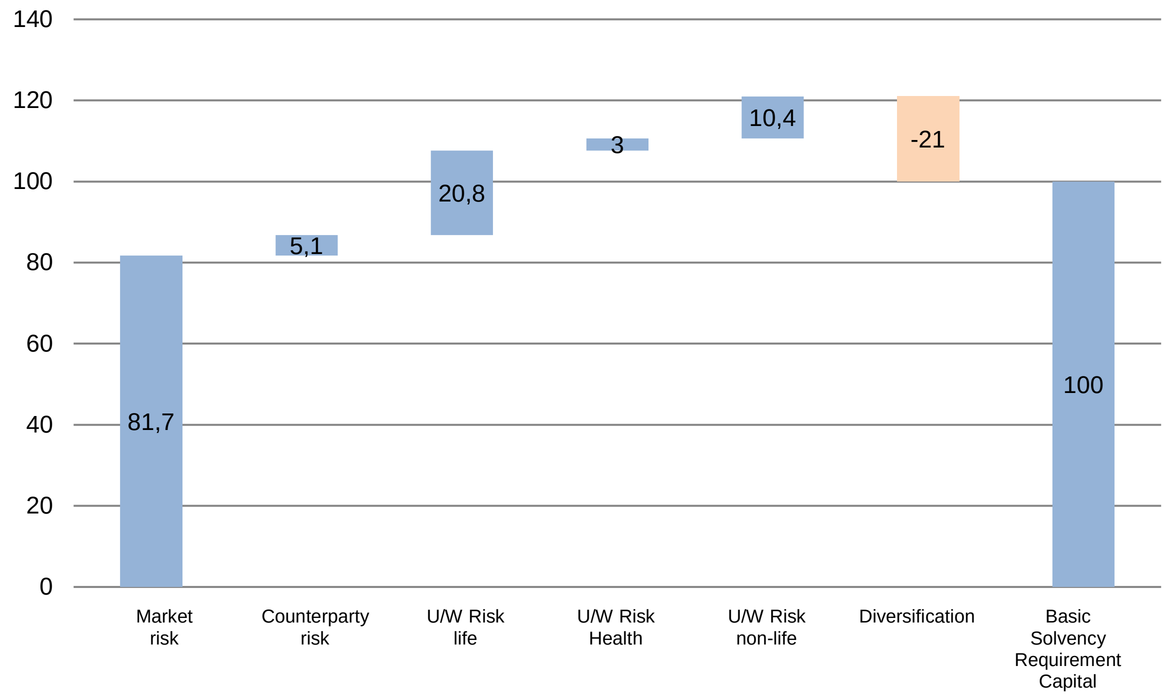
– counterparty risk, influenced by the degree of vulnerability of financial assets other than government bonds, has remained unchanged;

– the benefit from risk diversification is 21% of BSCR, down from 2020.

**Figure I.21**

**Composition of the *Basic Solvency Capital Requirement* as at 31 December 2020**

*(% values)*

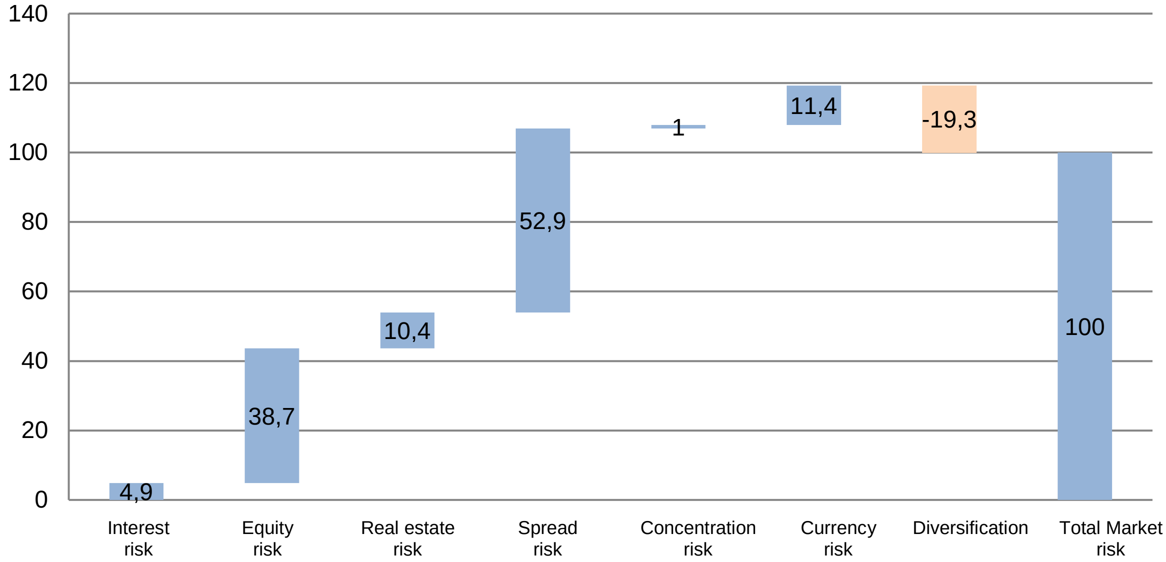



The significant incidence (53%) on market risk of the spread-related component is confirmed (fig. I.22); this expresses the sensitivity of assets and liabilities to changes in the spread between the interest rate of available assets and the rates of the risk-free interest rate term structure.

The equity component of market risk grows to 39% from 34% of 2020. Real estate, interest rate and currency risks accounted for 10%, 5% and 11% respectively, little changed on the previous year.

**Figure I.22**

**Composition of the *Basic Solvency Capital Requirement* (market risk only) as at 31 December 2021**
*(% values)*




## 5.7. - Own funds

Own funds covering the SCR at 31 December 2021 amounted to EUR 158.1 billion, with a 13.7 billion increase (+9.5%) compared to the end of 2020 (Table I.48). The quality of the own funds tends to improve, with Tier 1 funds increasing from 89.5% of the total own funds at the end of 2020 to 90.9% in 2021. Tier 2 and Tier 3 assets decreased to 8.9% (from 10.2%) and 0.2% (from 0.4%). The weight of lower quality elements (Tier 3) is far lower than the 15% allowed by the regulations.

**Table I.48**

**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 2020** | 123,138 | 85.3 | 6,105 | 4.2 | 14,670 | 10.2 | 527 | 0.4 | 144,441 |
| **Q1 2021** | 130,955 | 86.3 | 6,190 | 4.1 | 14,318 | 9.4 | 358 | 0.2 | 151,821 |
| **Q2 2021** | 133,283 | 86.7 | 6,087 | 4.0 | 13,976 | 9.1 | 321 | 0.2 | 153,666 |
| **Q3 2021** | 135,115 | 86.7 | 6,379 | 4.1 | 13,945 | 9.0 | 324 | 0.2 | 155,763 |
| **Q4 2021** | 137,667 | 87.1 | 6,078 | 3.8 | 14,139 | 8.9 | 260 | 0.2 | 158,144 |

The reconciliation reserve represents the reserve net of adjustments (including ring-fenced funds) and is the result of the differences between the statutory accounting measurement and the measurement based on Solvency II criteria[44]. This reserve is the most significant item of Tier 1

44 Article 75 of the Solvency II Directive.

(72.1% as at 31 December 2021, tab. I.49) up on 2020. The expected profits included in future premiums (EPIFP[45]) account for 12.9% of the reconciliation reserve, almost unchanged compared to 12.6% in 2020, and largely refer to the life insurance business.

**Table I.49**

**Reconciliation reserve and EPIFP**

*(million euro and % values)*

| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|---|---|---|---|---|---|
| Excess assets over liabilities | 126,152 | 137,615 | 134,684 | 137,282 | 140,663 |
| Own shares | 361 | 364 | 396 | 407 | 190 |
| Dividends, distributions and foreseeable expenses | 1,663 | 5,553 | 332 | 1058 | 7,183 |
| Other elements of own funds | 34,076 | 33,743 | 33,536 | 33,567 | 33,193 |
| Adjustment for own funds subject to restrictions in relation to matching portfolio and ring fenced funds | 53 | 54 | 54 | 58 | 40 |
| **Reconciliation Reserve** | **89,998** | **97,900** | **100,366** | **102,193** | **100,057** |
| *Expected profits included in future premiums (EPIFP) – life business* | 10,454 | 12,039 | 11,909 | 12,039 | 11,958 |
| *Expected profits included in future premiums (EPIFP) – non-life* | 862 | 847 | 874 | 847 | 913 |
| **Expected profits included in future premiums (EPIFP) – Total** | **11,316** | **12,885** | **12,783** | **12,886** | **12,871** |
| *Reconciliation reserve/ Tier 1(%)* | *69.6* | *71.4* | *72* | *72.2* | *72.1* |
| *EPIFP/Reconciliation reserve (%)* | *12.6* | *13.2* | *12.7* | *12.6* | *12.9* |

## 5.8. - Solvency Capital Requirement Ratio

The ratio between own funds and SCR (SCR ratio; Table I.50) at market level at the end of 2021 increased compared to the previous year, from 239.6% at the end of 2020 to 250.8%. The ratio increased for companies adopting an internal model (from 251% to 264.4%) and for companies using USP (from 194.3% to 226.5%), partly due to the fact that these models are more closely related to the riskiness of the assets and portfolios of these companies than the standard formula. The market share of companies implementing an internal model in the full or partial versions amounts to 38.4% of total premium income of 2021.

**Table I.50**

**SCR ratio by calculation method and activity of the undertaking**

*(% values)*

| | Life | | Non-life | | Composites | | Market total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Standard Formula | 227.1 | 235.5 | 220.2 | 198.1 | 134.8 | 139.3 | 222.5 | 226.3 |
| Standard Formula – USP | . | . | 247.0 | 285.3 | 181.9 | 208.0 | 194.3 | 226.5 |
| Internal Model | 197.5 | 193.9 | 218.8 | 211.3 | 255.3 | 270.0 | 251.0 | 264.4 |
| **Market total** | **222.7** | **229.5** | **223.7** | **215.2** | **248.9** | **264.1** | **239.6** | **250.8** |

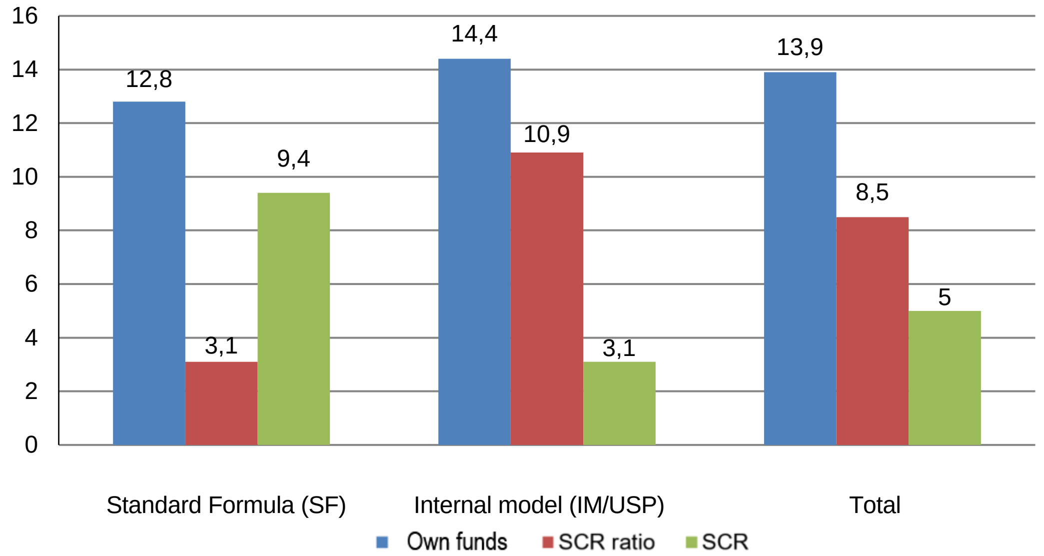
[45] The calculation of Expected Profits Included in Future Premium (EPIFP) is being revised by the European Commission. EIOPA issued a favourable opinion on the amendments to take into account that the current definition does not include loss-generating policies in the calculation, does not take reinsurance cession into account, and calculates on a gross basis without considering taxation.

The overall improvement in the SCR ratio is due to the increase in eligible own funds (+13.9%), greater than for the capital requirement (+5%). Looking at the different calculation methods, the SCR ratio for companies adopting the internal model or the USP approach increased (+10.9% compared to +6.1% in 2020), due to the strong growth in own funds (+14.4%), while the change in the ratio for companies with a capital requirement calculated using the standard formula remained constant (+3%) compared to the previous year.

**Figure I.23**

**2021/2020 % change in own funds, SCR and the SCR ratio**

*(% values)*




For domestic insurance groups, the SCR ratio increased slightly between the end of 2020 and 2021 (from 216.3% to 222,9%, Table I.51). The trend in the group ratio remained stable in contrast to the individual SCR. The minimum group SCR (MCR) increased compared to 2020 from 304% to 320%, in contrast to the reduction from 311.1% in 2019.

**Table I.51**

**Data on the group solvency**

*(million euro and % values)*

| | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|---|---|---|---|---|---|
| Consolidated group SCR | 40,447 | 37,824 | 38,764 | 39,213 | 41,755 |
| Minimum consolidated group SCR (MCR) | 26,416 | 25,098 | 25,425 | 25,861 | 26,953 |
| *Ratio between eligible own funds and consolidated group SCR (excluding other financial sectors and the undertakings included via D&A -deductions and aggregations )* | *216.3* | *236.9* | *234.5* | *235.6* | *222.9* |
| *Ratio between eligible own funds and group MCR* | *304.0* | *329.3* | *331.4* | *332.0* | *320.2* |

* Intra-annual quarterly figures include only groups with the ultimate Italian parent company.

# *II. CONTRIBUTIONS FOR ANALYSIS*

In the MTPL class, the process of convergence of premiums in Italy compared to the average of the main European countries continues: compared to 2008, the differential was reduced by more than 50%. The survey on actual motor liability prices (IPER) shows an average price in Q1 2022 of EUR 353, down by almost -30% compared to Q1 2014 and by -3.8% compared to Q1 2021.

Gross technical margins and loss ratios vary considerably between provinces, even when the levels of claims costs are similar. For example, with the same pure premium, there is a loss ratio ranging from 111% in Caltanissetta to 47% in Isernia. The different profitability in MTPL is also determined by the different degree of competition in local markets, the level of litigation and the incidence of fraud.

Incentives in black box contracts increase by 60% the propensity of policyholders to renew their policy with the same company, also due to difficulties in transferring the historical data of the box to another company. While the premium in the presence of a black box is reduced on average by 10% compared to contracts without it, changing company produces – for the same risk and contractual clauses – a saving of between 12 and 19%, while in several cases, the premium increases as the number of years spent with the same company increases (price walking). Policies to stimulate black box adoption do not necessarily reduce prices in the medium to long term and must be accompanied by actions in favour of data portability.

The healthcare liability market is characterised by extreme premium variability, partly due to the different claims frequency for the various medical specialities: some of the riskiest professions, such as cosmetic surgeons and gynaecologists with childbirth assistance, pay on average more than 10 times the premium compared to general practitioners.

With regard to public health facilities, forms of risk self-retention have become increasingly important over the years: since 2014, the share of provisions for alternative liability coverage has always exceeded the premium income of insurance companies.

## 1. - MOTOR LIABILITY INSURANCE: CLAIMS, PRICES AND TERRITORIAL ANALYSIS

### 1.1. - Motor liability insurance: comparison between Italy and other European countries on premiums and costs

The average MTPL premiums at the end of 2020[46], net of tax and contribution charges, paid by policyholders in five European countries (Italy, France, Spain, Germany, United Kingdom) were compared, with further study of the related components (cost of claims,

[46] Last year for which comparable information is available at European level.

expenses, technical margin). The data were acquired by the respective Supervisory Authorities and supplemented, when necessary, with other official information[47].

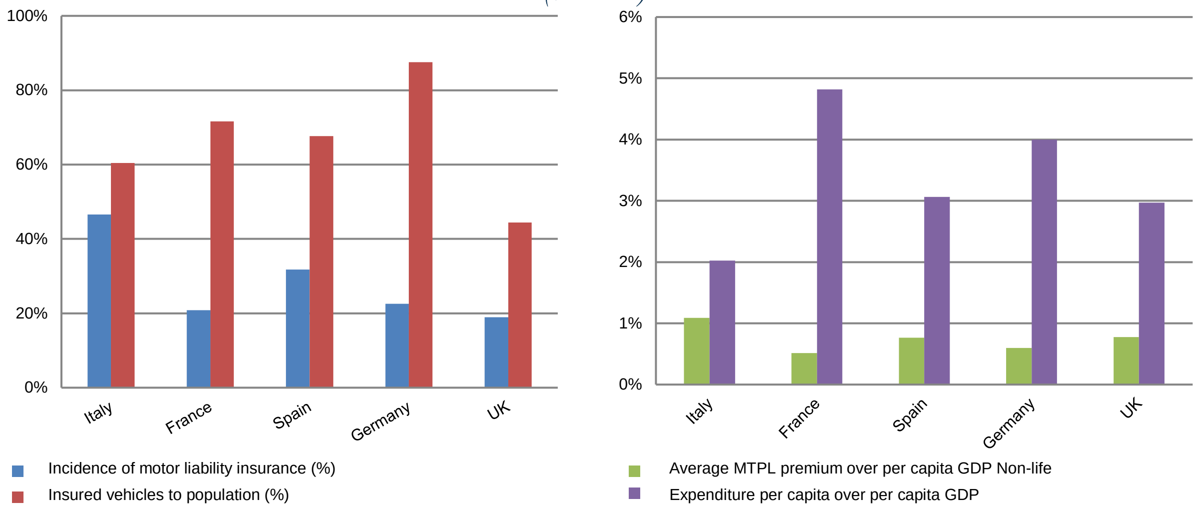
In addition to the different cost of living, other relevant factors in price differentials between Countries are the characteristics of the national compensation, health and welfare systems, in particular in the treatment of personal injury (biological and financial damage). The different degree of penetration of non-life insurance should also be considered, on the assumption that higher premium income and profitability in non-motor insurance classes allows insurers to offer lower premiums on compulsory coverage.

As noted for previous years, per capita spending on non-motor non-life policies is lowest in Italy (2.0%) with a differential of almost three percentage points compared to the country with the highest degree of insurance coverage (France with 4.8%). In contrast, Italy ranks first in terms of incidence of the MTPL on total non-life insurance expenditure (46.5%) (fig. II.1)[48].

**Figure II.1**

**Non-life business and MTPL business – 2020: premiums, insured vehicles and MTPL incidence**

*(% values)*




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

47 The analysis pertains only to the mandatory liability coverage. For the United Kingdom, where policies are distinguished between motor-comprehensive (also including all risks insurance) and non-comprehensive (also including fire and theft), data for the motor 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. For the United Kingdom, it was intended to limit the effect of converting premiums in pounds sterling into euros at the nominal exchange rates, which would accentuate price differences not due to the real cost of the MTPL coverage, by using conversion rates that assume equal purchasing power.

48 See Chap. I.3.2 for an in-depth analysis of the degree of insurance coverage in SME.

### *1.1.1. - Structure of MTPL prices: the various components*

At the end of 2020, the average motor liability premium in Italy (premium rate net of taxes) was EUR 303, with a cost of claims (pure premium) of EUR 203 and a technical margin of EUR 36 compared with an average in other countries of EUR 219, 158 and 7, respectively (fig. II.2).

Data on pure premium and margin are affected by the decline in claims frequency due to the driving restrictions adopted by all European countries in 2020 in order to contain the effects of the pandemic.

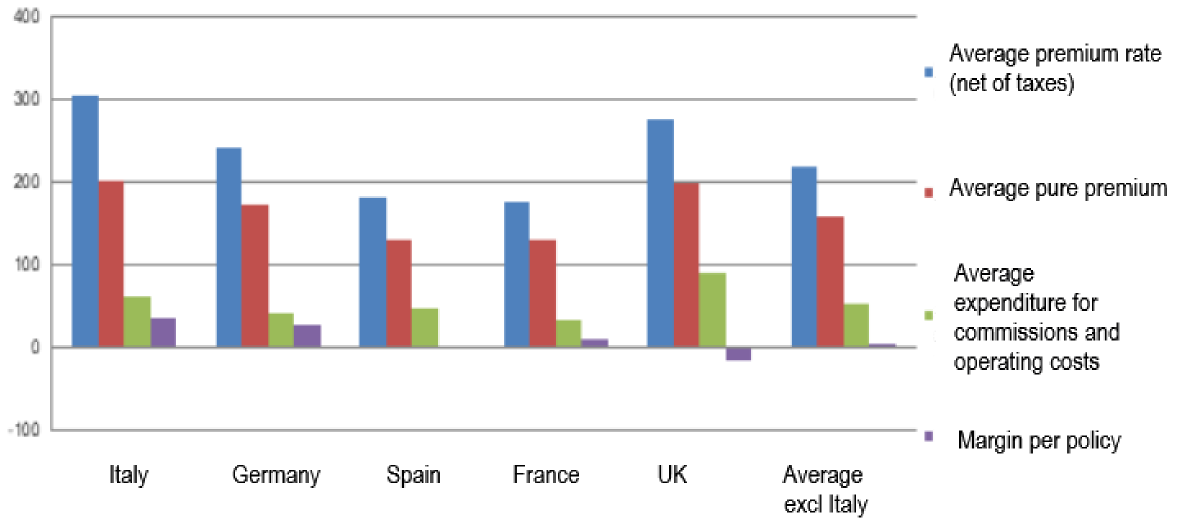
The premium paid in Italy is higher than the average of the top four European countries by EUR 84. The higher price paid by Italian consumers reflects the higher average cost of claims (pure premium), which is EUR 45 higher than the average for other countries, and acquisition and operating costs that are EUR 10 higher overall.

In relative terms, in Italy the pure premium contributes 66.9% to the determination of the average premium, compared to 72.4% in the average of the other countries analysed, to the benefit of a higher share of the technical margin of 11.9% (3.1% in the remaining countries)[49]. Acquisition commission costs and administrative expenses as a percentage of premiums are higher in other countries than in Italy (24.5% versus 21.0%).

**Figure II.2**

**MTPL average premium and its components – 2020**

*(euro)*




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

[49] This evidence is in contrast to previous years, which were characterized by a higher relative incidence of pure premium for Italy compared to other European countries. See par. II.1.2 of the IVASS Report for 2020.

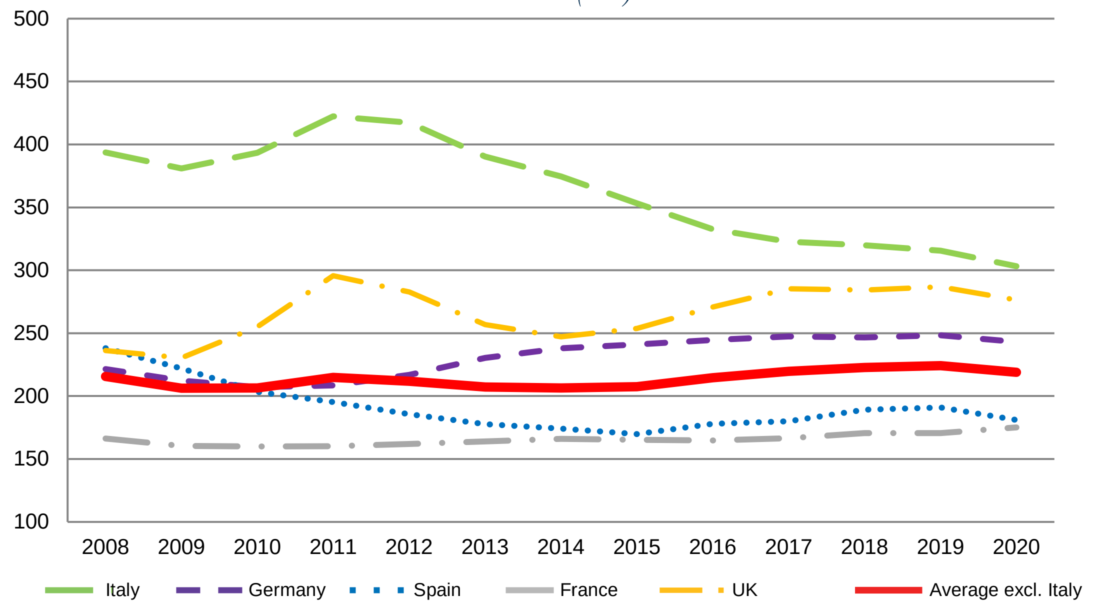
In relation to the pure premium, Italy shows the most significant reduction[50], 23% from the previous year (from EUR 262 to 203), followed by Spain (-15%).

With reference to the profitability of motor liability insurance, after four years characterised by negative technical margins per policy[51], a trend reversal is observed in Italy, with an average margin of EUR 36.2 compared to -13.0 in 2019. France, Spain and Germany also showed a significant improvement in the profitability per policy, albeit with lower margins than Italy, respectively EUR 10.5, 2.9 and 28.0. By contrast, the margin remained steadily negative in Great Britain (-14.6), characterised by a lower reduction in claims frequency. The heterogeneity of margin variations also reflects the different duration and intensity of lockdowns between countries.

Despite the price differential still being to the disadvantage of Italian policyholders, a temporal analysis of MTPL premiums shows that the gap between Italian premiums and those of other countries has been progressively narrowing since 2012 (fig. II.3). The difference is EUR 84 in 2020, compared to 178 in 2008, the first year of observation (tab. II.1).

**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.

[50] For more details on the effects of the pandemic in Italy, see the IVASS Annual Report for 2020 and IVASS Working Paper No. 17 *The effect of uncertainty on the car insurance market: evidence from the COVID-19 shock.*

[51] Net of financial income and inclusive of the future result of the run-off of the provision for claims outstanding of the 2020 generation.

**Table II.1**

| Gap of MTPL average premium in Italy and in the main EU countries | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | *(euro)* |
| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| **Gap** | 178 | 175 | 187 | 206 | 203 | 183 | 168 | 146 | 118 | 103 | 97 | 91 | 84 |

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

## 1.2. - The main MTPL indicators in Italy

Table II.2 and tables 46 and 47 in the appendix 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), in the pure premium (i.e., frequency multiplied by total average cost) and in the gross average premium or average price actually paid (pure premium plus expenses, taxes, contributions and profit margin). The data refer to all undertakings operating on the Italian market, supervised by IVASS and pursuing business under f.o.e. or f.o.s.

**Table II.2**

| Total MTPL and liability for ships (gross of IBNR) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | *(thousands of units, euro and % values)* |
| **Year** | **Risk unit** | **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** |
| **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 | 6.1% | 2,454 | 1.6% | 8,674 | -2.7% | 4,634 | -1.6% | 282 | -3.1% | 498 | -8.1% |
| **2015** | 40,787 | 6.2% | 2,452 | -0.1% | 8,631 | -0.5% | 4,556 | -1.7% | 281 | -0.4% | 468 | -6.0% |
| **2016** | 40,993 | 6.2% | 2,468 | 0.7% | 8,503 | -1.5% | 4,464 | -2.0% | 279 | -0.7% | 440 | -6.0% |
| **2017** | 41,465 | 6.2% | 2,515 | 1.9% | 8,336 | -2.0% | 4,433 | -0.7% | 275 | -1.4% | 428 | -2.7% |
| **2018** | 42,169 | 6.0% | 2,542 | 1.1% | 8,394 | 0.7% | 4,442 | 0.2% | 268 | -2.5% | 424 | -0.9% |
| **2019** | 42,450 | 6.0% | 2,583 | 1.6% | 8,359 | -0.4% | 4,426 | -0.4% | 265 | -1.1% | 420 | -0.9% |
| **2020** | 42,252 | 4.2% | 2,755 | 6.7% | 9,711 | 16.2% | 5,012 | 13.2% | 212 | -20.0% | 402 | -4.3% |
| **2021** | 43,079 | 4.9% | 2,771 | 0.6% | 8,932 | -8.0% | 4,820 | -3.8% | 238 | 12.5% | 385 | -4.2% |
| ***% Change 2021/2011*** | *6.9%* | | | *10.8%* | | *13.0%* | | *8.7%* | | *-27.2%* | | *-32.0%* |
| ***% Change 2021/2018*** | *2.2%* | | | *9.0%* | | *6.4%* | | *8.5%* | | *-11.2%* | | *-9.2%* |

Some key figures for 2021:

- risk units are 43.1 million, of which 32 million are cars and 4.1 million are motorbikes and motorcycles;
- claims frequency stands at 4.9%, still below pre-Covid-19 levels (6.0% in 2019);
- the average total cost of paid and reserved claims is EUR 4,820. The decrease (-3.8%) compared to 2020 is due to the effect of the higher claims frequency: the incidence of the most expensive claims decreases as the number of claims of a given generation increases.

The pure premium was up 12.5% (+13.2% for cars and +11.7% for two-wheelers):

– the downward trend in gross premium (including pure premium, expenses, margins and taxes) continues, with a decrease of -4.2% for all sectors;

– the average premium decreased by -4.7% for cars, slightly accelerating compared to the previous year (-4.1%). The two-wheeler sector recorded a smaller decrease (-3.8%), decelerating compared to the previous year (-5.1%).

## 1.3. - Geographical profitability differentials in the car sector

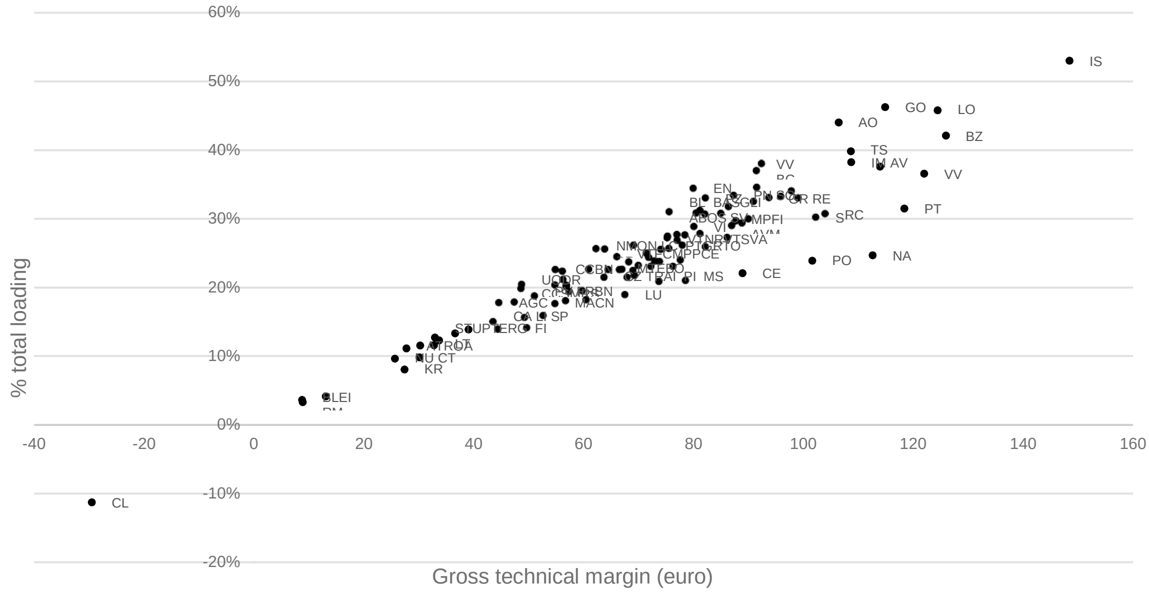
The profitability of MTPL can be assessed through various indicators, including the gross technical margin, the loss ratio and the overall loading ratio.

The gross technical margin per risk unit is the difference between premiums and amounts paid and reserved during the year, including the estimate for IBNR claims. This indicator, expressed in euro, captures the profitability per policy, including the safety margin/profit, expense loading and the estimate for IBNR claims.

The overall loading ratio measures the actual cost burden, in percentage terms, borne by the policyholder compared to the pure premium, calculated as the difference between the premium paid and the pure premium in relation to the premium paid. This indicator measures how much of the premium paid is used to cover operating expenses, any other charges considered in the creation of the tariff, and the margin to compensate for an undertaking's hazard (safety margin and operating expenses).

**Figure II.4**

**Total loading (%) and gross technical margin for 2021**

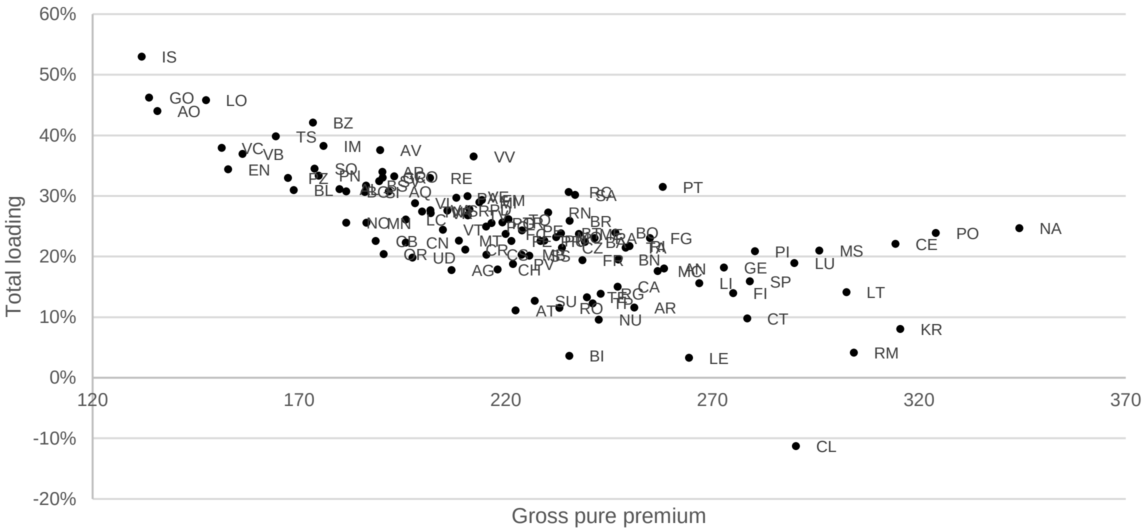


There is, as expected, a strong correlation between the gross technical margin and overall loading (fig. II.4)[52].

In provinces where the pure premium is high (fig, II.5), the market applies lower percentage loadings than in provinces with lower costs and claims frequency. However, the correlation is very weak in provinces with a high pure premium (above EUR 270).

**Figure II.5**

**Total loading (%) and gross pure premium for 2021**




When examining the correlation between the gross technical margin for the financial year 2021 and the pure premium between the provinces for the car sector (fig. II.6), the following emerges:

- a wide heterogeneity between provinces: compared to the national average figure of EUR 68, there is a differential of EUR 140 between the most and least profitable province[53]. The variability of the gross technical margin and loadings reflects a variety of factors, including the market power of companies, estimated IBNR claims, and elements affecting operating expenses such as litigation and fraud. In particular, the incidence of IBNR and fraud makes some markets particularly volatile in terms of expected average cost;

- a weak correlation between margins and pure premium[54].

---

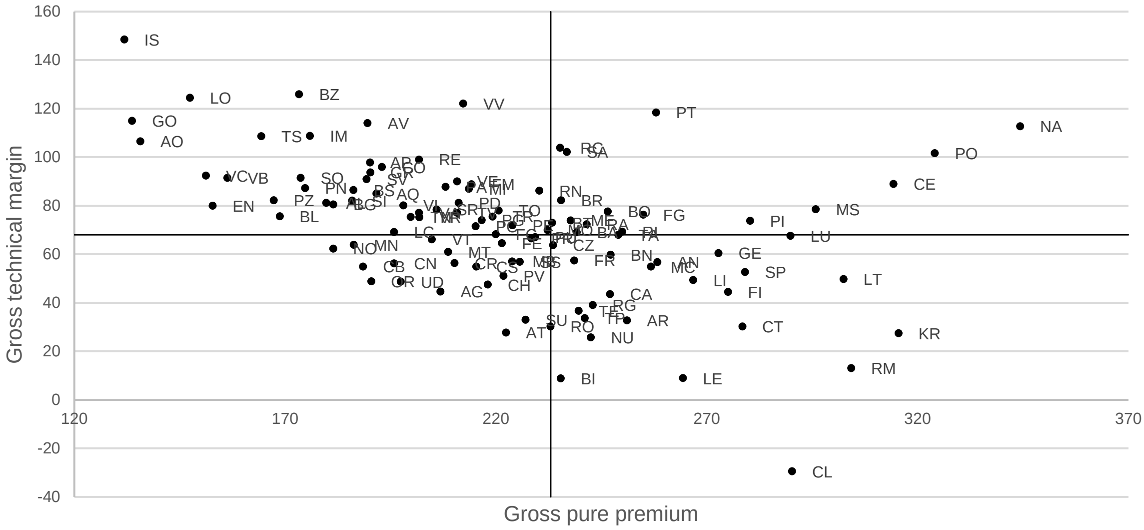
52 In Prato and Naples, the correlation is less strong because although the technical margin is among the highest in an absolute sense (over EUR 110), the overall loading is lower, at 24%.

53 A policyholder resident in Isernia is associated with a technical margin of EUR 148 compared to 9 in Biella.

54 The 2020 figures, and partly the 2021 figures, are affected by the effects of driving restrictions on the frequency of claims and their average cost; the provinces of Naples and Prato, for example, had a technical margin of EUR 85 in 2020 and a sharply declining claims frequency (Naples: 10.2% in 2019, 7.4% in 2020 and 8.2% in 2021; Prato: 8.4%, 5.9%, 6.9%).

**Figure II.6**

**Gross pure premium and gross technical margin for 2021**




Similar conclusions emerge using the loss ratio as a measure of profitability (fig. II.7). In 2021, and even more so in 2019, the claims ratio is worse in provinces with high pure premiums; for pure premium levels above EUR 270, there is a high variability of the claims ratio and a weak correlation with the pure premium.

It is assumed that, as the cost and frequency of claims between provinces increase, premiums increase less than proportionally, according to a principle of mutuality and consistent with the assumption that competition reduces profit margins more in riskier markets.

Comparing the technical margin and claims frequency by province in 2014-2021, a convergence of profitability between the provinces can be observed, consistent with the general trend of lower prices and technical margin. In 2021, more than half of the provinces had a technical margin between EUR 60 and 100, whereas in 2014, more than a third were between EUR 100 and 150.

Even in the provinces where the claims frequency is higher than the national average (Naples, Prato), the technical margins fell significantly (-44.5% and -45.0%).

**Table II.3**

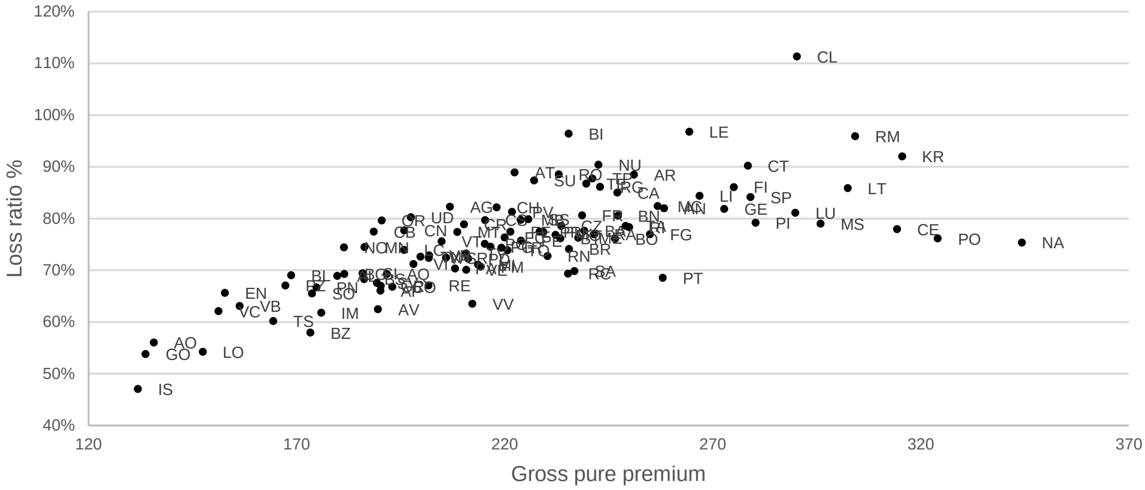
**First and last five provinces by technical margin for 2021**

*(in euro)*

| First 5 | | Last 5 | |
|---|---|---|---|
| **Province** | **Technical margin** | **Province** | **Technical margin** |
| **Isernia** | 148 | **Caltanissetta** | -30 |
| **Bolzano** | 126 | **Biella** | 9 |
| **Lodi** | 124 | **Lecce** | 9 |
| **Vibo Valentia** | 122 | **Rome** | 13 |
| **Pistoia** | 118 | **Nuoro** | 26 |
| **Median Italy = 71** | | | |

**Figure II.7**

**Gross pure premium and loss ratio for 2021**




## 1.4. - Litigation regarding motor liability and liability for ships

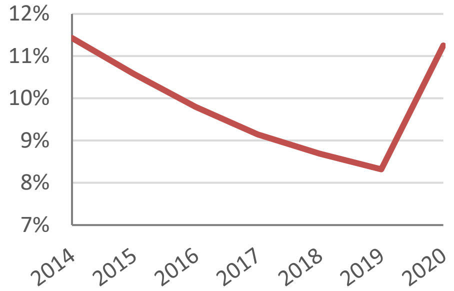
The Institute has been systematically monitoring insurance disputes, with the aim of raising market awareness towards the progressive deflation of pending cases and the containment of tariff requirements, for the component connected with legal expenses and the resulting technical and financial risks.

The frequency of claims in litigation reserved at the end of the year in relation to claims reported during the year (fig. II.8) is an indicator of litigation between policyholders and companies and has been steadily decreasing from 11.4% in 2014 to 8.3% in 2019. In 2020, there was a reversal of the trend, due to the strong decrease in the denominator: 11.2% of reported claims are in litigation and reserved as such.

In 2020, the last year of observation, the increased conflict (212,000 claims in litigation against 1.8 million claims reported and occurring in the year) is accompanied by a substantially stable settlement time (74.3%).

**Figure II.8**

**Frequency of reserved claims in litigation over claims reported in the year**




**Claims settlement time for motor liability and liability for ships for all sectors (by number)**

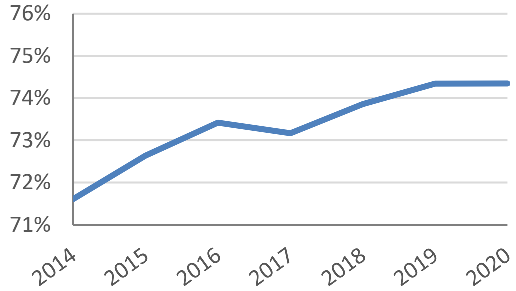
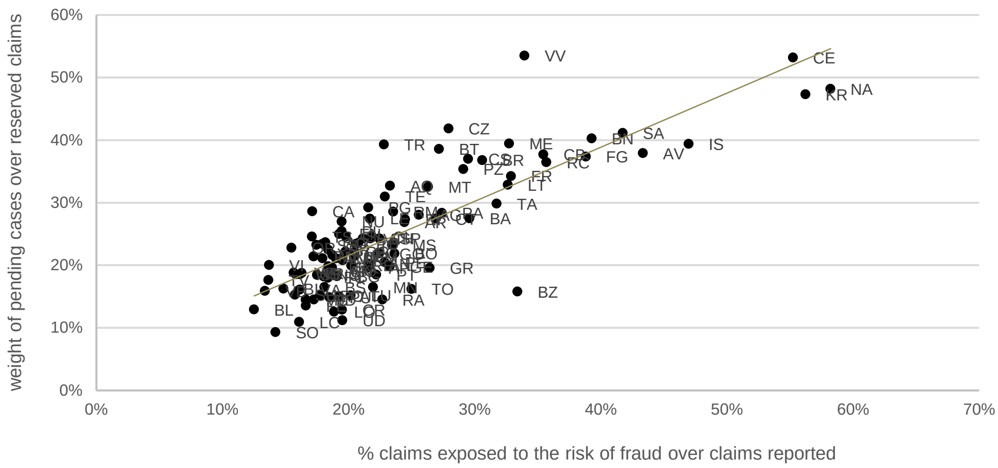



Fig. II.9 shows the correlation between the provinces characterised by a higher prevalence of insurance litigation and those most exposed to the risk of fraud. In some southern provinces, including Naples, Caserta and Crotone, more than one in two claims are considered to be exposed to the risk of fraud[55] and the weight of litigation in terms of amounts reserved[56] is significantly higher than in provinces with less exposure to this risk. In contrast, the provinces with fewer claims exposed to the risk of fraud (e.g. Belluno 12.5%; Verbano 13.4% and Treviso 13.7%) show a lower incidence of litigation on the reserved figure than on the national figure.

**Figure II.9**

**% of claims exposed to the risk of fraud over claims reported in 2020 and weight of pending cases over reserved claims**




There is a positive and statistically significant correlation (fig. II.10) between average price, average gross premium written per risk unit[57] and the value of pending cases on reserved claims.

---

[55] Reference is made to the claims exposed to the risk of fraud as defined in ISVAP Regulation 44/2012.

[56] Ratio of the total reserved amount of pending cases, for first instance civil litigation only, relating to claim generations 2010 to 2020, compared to the total amount of reserved claims at year-end 2020.

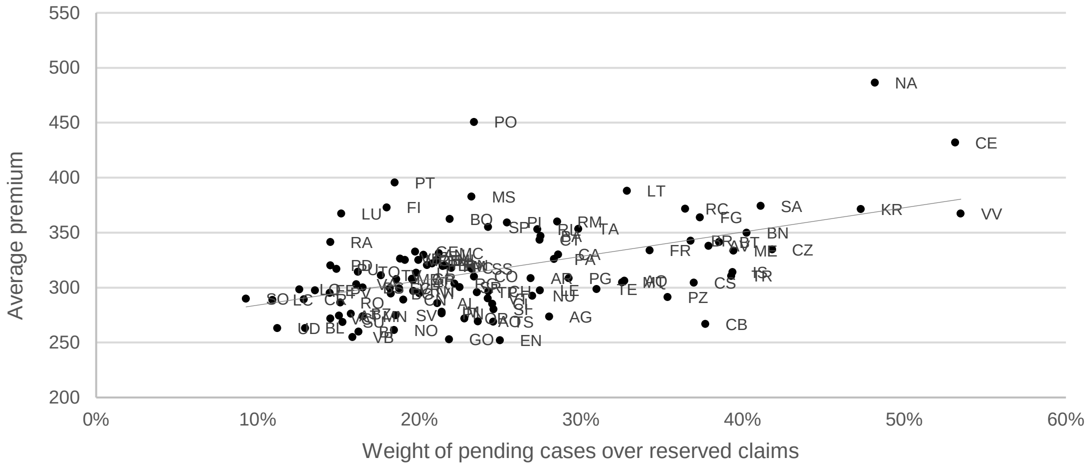
[57] The calculations on average premium and claims settlement time are made on the database of the Technical Data survey.

On average, a policyholder in the province of Vibo Valentia, characterised by a higher incidence of litigation on the provisions (53.5%), pays almost EUR 50 more for MTPL guarantee (367) than the national average (319)[58].

In provinces where the frequency of litigation is higher, settlement times are longer due to the complexity of claims handling: expert opinions, investigation activities in the preliminary investigation phase and subsequent litigation times. Geographical differences in the level of litigation, due to the different incidence of fraud and the different degree of efficiency in the settlement of civil cases, contribute to the variability of prices between provinces[59].

**Figure II.10**

**Ratio between average premium per risk unit and weight of pending cases over reserved claims**




## 1.5. - The trend of the price for MTPL coverage between 2014 and 2022.

Figure II.11 shows the downward trend in the price paid for the MTPL coverage from the first quarter of 2014 to the corresponding period in 2022, as shown by the survey on the actual prices paid for motor liability insurance (IPER).

The average price recorded for contracts concluded in the first quarter of 2022 was EUR 353, with a change of almost -30% compared to 2014.

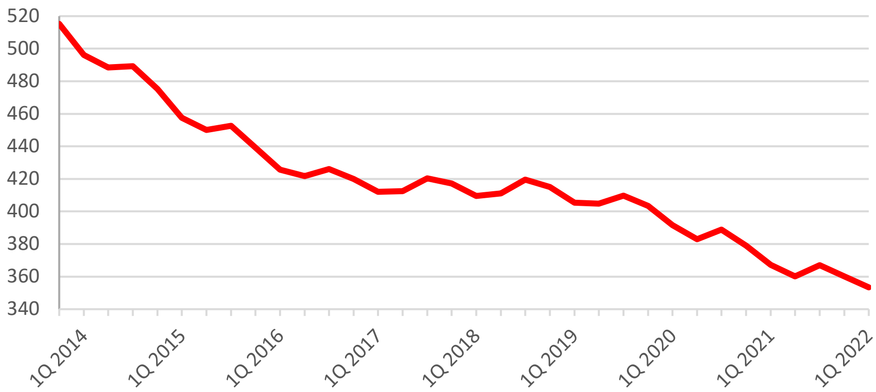
The decline in the price level accelerated further in 2021 (-6.3%), a year characterised by the reduction in claims frequency as a result of the pandemic, and began to decelerate in the first quarter of 2022 (-3.8% year-on-year).

58 In the most expensive Campania provinces in terms of premium per contract (Naples and Caserta), half of the amounts set aside are related to claims in litigation: 48.2 and 53.2% respectively, compared to the national figure of 27.5%.

59 IPER Bulletin no. 5 – March 2022: https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/bollettino-statistico/2022/n_5_2022/index.html

**Figure II.11**

**Price performance for MTPL coverage**

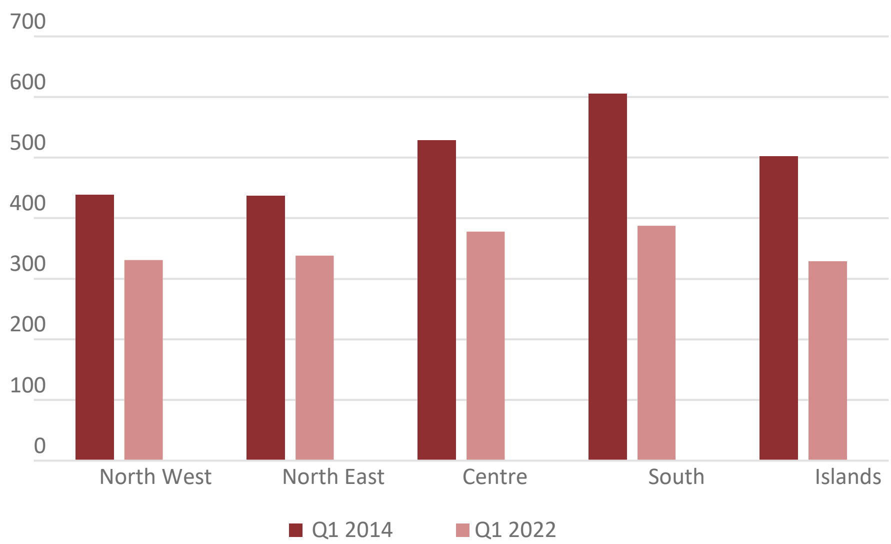



Prices are found to be heterogeneous among the macro areas of the country: the differential between the most (South) and least expensive (North West) macro-areas in the first quarter of 2022 is 17.1%. Policyholders resident in the South pay on average a premium that is EUR 57 higher than policyholders in the North West (EUR 388 compared to 331).

There is a convergence of the premiums paid between the macro-areas (fig. II.12), with the overall decline in prices showing a differentiated dynamic between the territories and a more intense reduction in the areas characterised by higher premiums. Compared to 2014, the South experienced a premium decrease of 36.0% compared to a decrease of 24.6% in the North-West.

**Figure II.12**

**Price for MTPL coverage by macro-area in the first quarter of 2014 and of 2022**



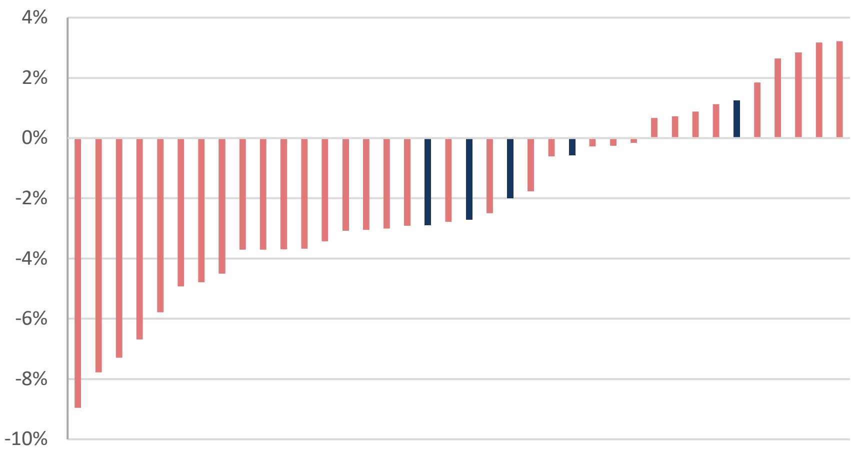
### *1.5.1. - Price diversification between undertakings*

Almost all companies made price reductions in 2021, ranging from -0.2% to -9.0% (fig. II.13). The largest price reductions, greater than -7.0%, are associated with three small enterprises, with a total market share of 3%.

Among the top five companies, which insure 49% of the market, price changes ranged from -2.9% to +1.3%, showing a heterogeneous trend among the largest companies, due to differing technical portfolio trends and market power.

**Figure II.13**

**Change in the average price by undertaking – Q1 2022/2021**



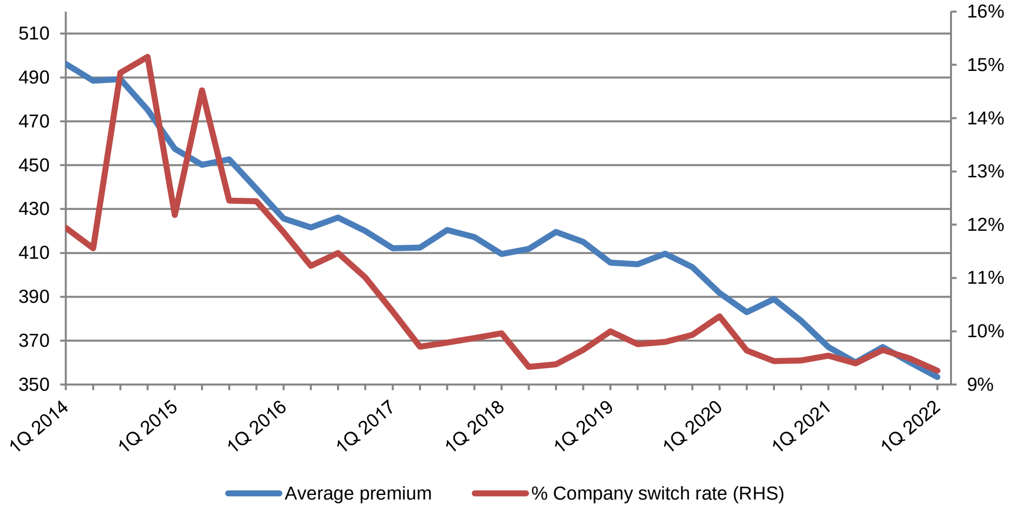

## 1.6. - Price walking, lock-in, and the effects of the black box on mobility and prices

This section analyses the joint black box and inter-company mobility time trends using IPER data between Q1 2014 and 2022.

The company switch rate, i.e. the percentage of contracts entered into in a quarter with a different company than the one chosen a year earlier, is 9.3% in the first quarter of 2022, stable on an annual basis (fig. II.14).

**Figure II.14**

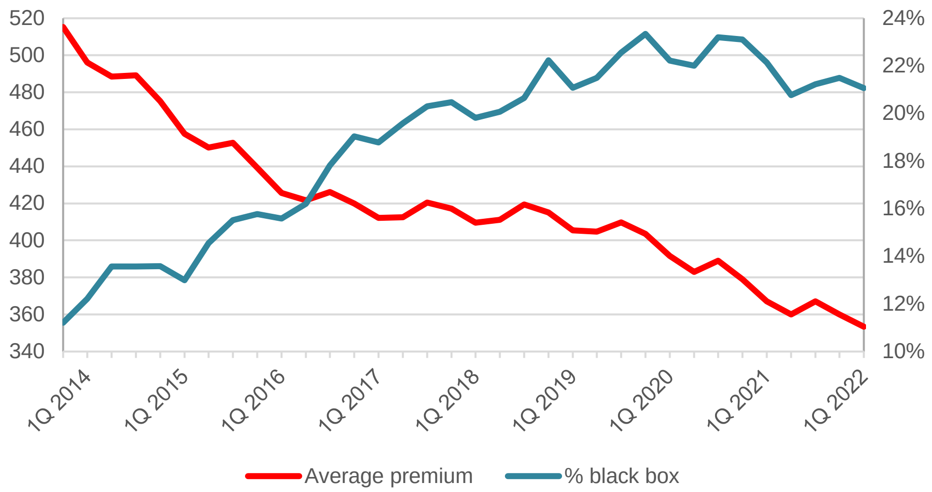
**Trend in the company switch rate**




It can be observed that the average premium decreased even in periods when the mobility of policyholders[60] decreased (2020 and the first half of 2021). As indicated by IPER data[61], the price reduction is substantially related to the increase in the tariff discount (36.0% as of Q1 2022) – likely due to increased competition, considering the stable claims frequency and the slight decline in average costs in the pre-pandemic period (Table II.2) – and the increase in the black box penetration rate (fig. II.15).

**Figure II.15**

**Trend in prices and in the black box penetration rate**



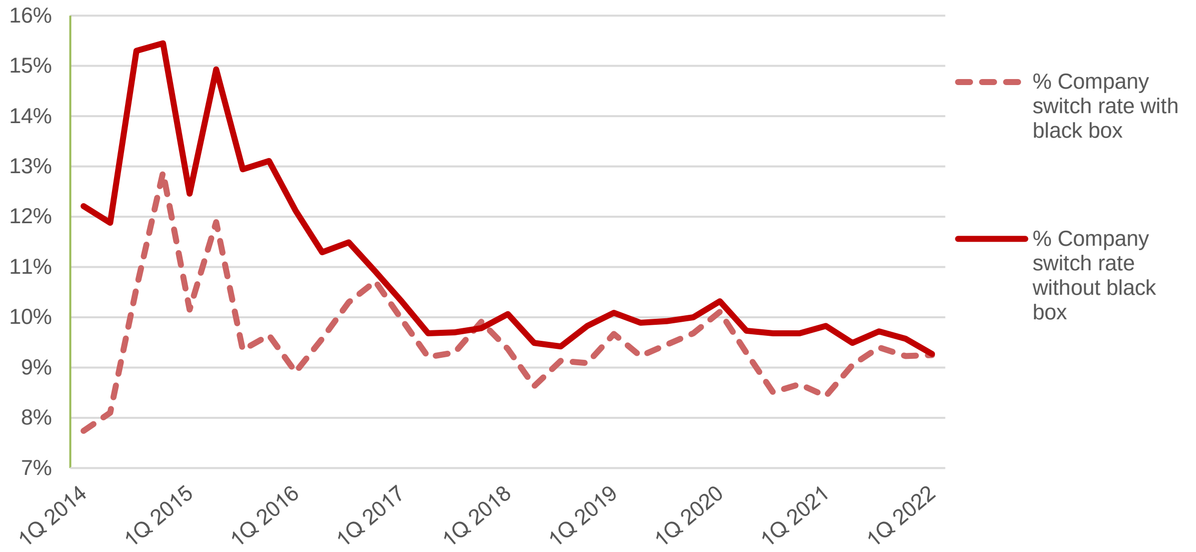

[60] The rate of change measured between 2014 and 2015 is affected by the partial portfolio transfer that took place between two large companies, the effects of which are felt to varying degrees depending on the quarter of policy renewal.

[61] See Statistical Bulletin no. 5 Year IX https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/bollettino-statistico/2022/n_5_2022/index.html.

Although mobility has decreased in both groups, policyholders covered by a black box contract change companies less frequently (fig. II.16).

**Figure II.16**

**Switch rate with or without black box**




Electronic contracts often provide for a premium reduction at renewal, depending on a score on driving styles/mileage recorded by the black box during the previous year. The premium reduction applied from the second year of installation of the black box only takes place if the policyholder does not change company, as to date, data on driving mileage and styles are not transferable from one insurer to another. It is therefore possible that the incentives created by the black box reduce the propensity to switch company (lock-in effect).

In order to assess a causal link between black box and mobility, an econometric analysis was carried out to measure the reduction effect on the probability of changing company, other risk factors being equal. Preliminary results show that the black box reduces the probability of changing company by 60%.

This lock-in effect is an obstacle to reducing the premiums of old policyholders if new policyholders benefit from a welcome discount. The econometric analysis then quantified the welcome discounts and estimated the relationship between years with the same company and premium, other risk factors being equal.

It was found that, compared to the premium paid at renewal with the same company by a similar policyholder in terms of risk characteristics and contractual terms, a new policyholder benefits from a reduction of between -12 and -19%. Moreover, all other risk factors being equal, the premium increases as the number of years spent with the company increases, providing evidence of the presence of price walking strategies.

Therefore:

- a policyholder covered by a black box contract benefits from discounts linked to driving habits, on average -10%, and at the same time, bears an opportunity cost due to the lack of access to welcome discounts in the event of a change of company and a direct cost resulting from premium increases due to the price walking made possible by the lock-in effect. In the absence of electronic data portability, policy interventions aimed at stimulating black box adoption may have undesirable consequences on the medium/long-term price level;

- for companies, the profitability of the black box manifests itself through the effect of reducing the frequency of claims (around -20% for the same risk factors) but also through higher and increasing prices charged to loyal policyholders[62].

## 1.7. - The national single table for non-financial damage for serious injuries

In 2021, MiSE published for consultation a draft Presidential Decree for the adoption of the single national table for macro-permanent injuries (between 10 and 100 points of disability) and of the enclosed table of impairments to physical and mental integrity, arising from motor or health liability claims. The definition of a single table, which has been at the centre of the debate since 2005 when the CAP was issued, follows the principles laid down in Competition Law no. 124 of 2017.

Following the comments received, with specific regard to the table of impairments to psycho-physical integrity, the legislature decided to intervene again on the rule in article 138 CAP. The Decree-Law no. 228 of 30 December 2021 (so-called Milleproroghe, converted into Law no. 15 of 25 February 2022) provided in article 3-ter for the amendment of the aforementioned article of the CAP, providing for the splitting of the decree on "macro-permanent injuries" into two separate Presidential Decrees, of which:

- the first regulates the pecuniary value of each point of disability, including the coefficients of variation corresponding to the age of the injured party (upon the proposal of the Minister of Economic Development, in agreement with the Minister of Justice, after hearing IVASS);

- the second regards the table of impairments to physical and mental integrity ranging between 10 and 100 points (upon the proposal of the Minister of Health, in agreement with the Minister of Economic Development, the Minister for Labour and Social Policy and the Minister of Justice).

The MiSE, on the basis of the technical-legal analyses carried out by the Institute, has prepared a new draft of the decree that takes into account the regulatory changes and submitted it to IVASS for its opinion.

The table of monetary values, envisaged by the draft decree, responds to the principles of article 138 of the CAP, i.e. increasing the economic value of the point as the degree of invalidity increases, more than proportionality of the total compensation for biological damage as the after-

[62] See the forthcoming work on the subject of *Market-wide moral hazard: inertia, penalties and insurance telematics*.

effects increase, decreasing compensation according to the age of the subject as well as autonomy of moral damage, determined through a progressive percentage increase from 26% to 55% of the biological damage previously identified.

## 2. - SERVICES AND DATA BANKS

### 2.1. - THE NEW MOTOR LIABILITY INSURANCE COMPARATOR

The new motor liability insurance comparator, called PreventIVASS, became operational on 3 May 2021. The new system offers a free and impartial on-line comparative estimate service which compares offers from all insurance companies regarding the basic motor liability contract in a transparent manner and in the exclusive interest of the consumer.

The new comparison site completes, from an operational point of view, what is provided for by MiSE Decree no. 54 of 11 March 2020 on the basic motor liability contract, containing the minimum clauses necessary to fulfil the obligation of motor liability insurance, and by MiSE Decree of 4 January 2021, which approved the electronic model of the basic motor liability contract, providing for its entry into force on 30 April 2021.

Full entry into force of the new system was completed with the issuance in June 2022 of IVASS Regulation defining the regulatory framework and specifying the reporting requirements. The Regulation was submitted to two public consultations in 2021 and 2022.

The generalised use of PreventIVASS will facilitate the comparison of offers, increase the informed mobility of policyholders, reduce price-walking strategies of companies (see paragraph 1.6), and promote medium/long-term price reductions.

### 2.2. - Evolution of the motor liability claims database (EBDS project)

The Claims Database Evolution project envisages the migration of the database, including the witness registry and the damaged parties registry set up at IVASS pursuant to article 135, paragraph 1, of the CAP, to the Bank of Italy's systems and the consequent securing of the archives and data access procedures, as well as the collection of additional information, useful for anti-fraud analysis and compliance verification of companies pursuing motor liability[63].

The plan, started in 2020, foresees testing with reporting companies from June 2021 and go live in September 2022[64].

In 2021, the interchange components with the companies were defined and the certification environment opened to allow testing by IVASS and the companies on the operational procedures and the transmission and reception of flows.

63 See paragraph II.1.9 in the IVASS Annual Report for 2020 for a description of the main new features introduced in the new Claims Database.

64 Delays in the release of application components and the need for companies to complete tests in a longer timeframe have led to a rescheduling of the deadlines compared to the original plan (October 2021).

Periodic meetings were conducted with the market, through ANIA, and held with each company through the dedicated mailbox.

### 2.3. - IPER

In order to monitor the trend in actual prices of motor liability coverage, in 2013, IVASS launched a sample survey of retail prices charged by companies (Survey of Actual Prices for Motor Liability Insurance, IPER), acquiring the amounts of premiums actually paid and information on the main components that contribute to determining the final price. The survey is currently quarterly and refers only to cars for private use.

IPER responds to the need to neutrally inform stakeholders about actual transaction prices, provide certainty to the motor liability policy debate, and be the reference for the market to reliably measure motor liability prices.

In 2021, a comprehensive review of the survey was initiated, which will be completed in 2023 and achieve important objectives in terms of:

- increasing the frequency of the survey from quarterly to monthly, also functional to the use of the information by ISTAT for the calculation of the consumer price index;
- expansion of the scope of the survey to include motorbikes and mopeds and the inclusion of new variables;
- greater safeguards to protect data quality by improving the system of automatic checks;
- technological modernisation and hosting at the Bank of Italy, acquiring technical tools and operational capabilities for enhanced security against cyber attacks.

## 3. - ANTI-FRAUD

### 3.1. - IVASS anti-fraud activities and the Anti-Fraud Integrated Database

The overall modernisation of the tools to support the fight against fraud and offer services to insurance market users continued (see paragraph 2.2 for the development of the Claims Database – BDS).

The anti-fraud function is responsible for the management of reports received from the authorities (law enforcement agencies and the judiciary) and from private individuals, requests for access to personal data and data on owned vehicles, and consultations on motor liability claim witnesses. Periodic reports on the quality of data in the BDS are also produced to support the correct update by companies and IVASS supervisory departments.

In 2021 IVASS received 22 reports from individuals (46 in 2020) on alleged unlawful behaviours, including relevant cases of identity theft. Following in-depth investigations, appropriate information was provided to the Judicial Authority.

A total of 36 reports received from the authorities and 117 requests for checks on motor liability insurance coverage for vehicles without insurance documentation following roadside checks were processed (27 and 163 respectively the previous year).

The total number of accesses to records was 535 (528 in 2020) and concerned personal data in 350 cases (361), third-party data in 91 (53) and 94 requests from the Authorities (114).

91 authorisations were granted to new users for consultation of the Claims Data Bank (94 in 2020), at the request of 18 undertakings and 52 authorisations for staff of judicial and local police organisations (81 in 2020). 400 requests for reactivation or disabling submitted by undertakings and by other Entities were processed (700 in 2020).

In 2021, the revision of the AIA anomaly indicators required by the anti-fraud regulations was initiated[65]. The analysis conducted made use of Machine Learning techniques.

**Anomaly Indicator Review Activities AIA**

The Anti-Fraud Integrated Database (AIA) was set up in 2016 in order to provide companies with a common system and a set of 22 indicators to refer to in order to combat fraudulent phenomena in motor liability insurance. These indicators, developed on combinations of available data on the subjects and vehicles involved in the claim, define fraud scores, with associated attention thresholds. Exceeding the threshold for one or more indicators contributes to the activation of the anomaly indicators and ultimately defines an overall claim score, which is useful for insurance companies to direct and plan the subsequent anti-fraud activity to be carried out.

The analysis carried out, based on Random Forest type algorithms, made it possible to recalibrate the scores associated with the indicators[66] currently defined in the AIA. A final testing phase on the new system is now planned before the new scores are put into production.

### 3.2. - Anti-fraud activities of undertakings – 2020

Following the transmission by the companies of the annual reports as per ISVAP Regulation no. 44/2012, the findings on the trend of anti-fraud activities carried out by insurance undertakings in 2020 have been drawn up. For more details see the Report on anti-fraud activities for 2020[67].

### 3.3. - Anti-fraud numbers in Italy during 2020

Insured risk units (UDR) were found to have declined on a national basis by -0.7% (approximately 300,000 fewer units insured than in the previous year) while reported claims, partly due to the lockdown periods, declined by -30% compared to 2019, standing at 1,993 thousand.

[65] Article 3(4) of Decree no. 108 of 11 May 2015 provides that "IVASS shall periodically assess...any revisions to be made to the indicators and to the level defining the degree of anomaly".

[66] Delays in the release of application components and the need for companies to complete tests in a longer timeframe have led to a rescheduling of the deadlines compared to the original plan (October 2021).

[67] https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/pubblicazioni-antifrode/2020/index.html

The year-on-year provincial variations show a general reduction in UDR throughout the country, with the exception of 7 provinces (Milan, Avellino, Brindisi, Reggio Emilia, Barletta-Andria-Trani, Belluno, Biella).

The total number of claims reported was 1,993 thousand, down by -29% on a national basis. The provincial variations showed decreases of between -17% (Crotone) and -49% (Bolzano) due to the reduced circulation of vehicles in certain periods.

The number of claims exposed to the risk of fraud decreased, reaching 496 thousand, -26% compared to 2019. There was a significant increase in the incidence of claims exposed to fraud risk in some provinces, including Benevento, Bolzano, Naples and Crotone, all with increases of more than 5%.

A total of 273 thousand claims were investigated for fraud risk, (363 thousand in the previous year, -25%) and 4,117 claims were subject to reporting/legal action, with a decline of -6% compared to 4,374 in the previous year. At the level of territorial macro-areas, there was a slight increase of +4% for reports/legal actions in the South.

**Table II.4**

**2020 reports – ISVAP Regulation no. 44/2012**

*(unità)*

| Macro zones | Regions | Risk units | Claims reported | Claims exposed to fraud risk | Claims investigated in relation to the risk of fraud | Claims investigated for the risk of fraud that were closed without payment | Claims subject to reporting /legal action |
|---|---|---|---|---|---|---|---|
| NORTH | EMILIA ROMAGNA | 3.416.833 | 146.708 | 30.153 | 14.750 | 2.044 | 151 |
| | FRIULI VENEZIA GIULIA | 959.947 | 30.899 | 5.767 | 2.144 | 322 | 9 |
| | LIGURIA | 1.112.353 | 64.238 | 13.747 | 6.624 | 1.104 | 196 |
| | LOMBARDIA | 7.369.586 | 336.117 | 61.186 | 26.772 | 3.953 | 209 |
| | PIEMONTE | 3.215.462 | 149.759 | 32.652 | 14.299 | 2.200 | 195 |
| | TRENTINO-ALTO ADIGE | 1.001.777 | 41.775 | 10.756 | 2.649 | 495 | 89 |
| | VALLE D'AOSTA | 163.236 | 3.858 | 707 | 314 | 72 | 2 |
| | VENETO | 3.771.147 | 139.071 | 21.395 | 8.978 | 1.245 | 40 |
| | **North Totale** | **21.010.342** | **912.425** | **176.363** | **76.530** | **11.435** | **891** |
| CENTER | LAZIO | 4.308.953 | 262.510 | 64.724 | 38.489 | 5.564 | 411 |
| | MARCHE | 1.165.939 | 46.053 | 9.354 | 4.631 | 572 | 27 |
| | TOSCANA | 2.860.822 | 138.258 | 28.239 | 13.935 | 1.898 | 198 |
| | UMBRIA | 703.417 | 28.098 | 6.144 | 3.203 | 515 | 39 |
| | **Center Totale** | **9.039.131** | **474.919** | **108.461** | **60.258** | **8.549** | **675** |
| SOUTH | ABRUZZO | 928.883 | 37.059 | 8.407 | 3.771 | 670 | 33 |
| | BASILICATA | 379.827 | 13.502 | 3.796 | 2.127 | 338 | 19 |
| | CALABRIA | 1.074.887 | 42.394 | 14.263 | 9.237 | 1.492 | 208 |
| | CAMPANIA | 2.751.368 | 194.353 | 103.230 | 73.743 | 13.026 | 1.767 |
| | MOLISE | 224.114 | 8.549 | 3.336 | 2.173 | 405 | 24 |

| 2020 reports – ISVAP Regulation no. 44/2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *(unità)* |
| **Macro zones** | **Regions** | **Risk units** | **Claims reported** | **Claims exposed to fraud risk** | **Claims investigated in relation to the risk of fraud** | **Claims investigated for the risk of fraud that were closed without payment** | **Claims subject to reporting /legal action** |
| | PUGLIA | 2.306.218 | 108.069 | 31.746 | 19.137 | 2.325 | 196 |
| | **South Totale** | **7.665.296** | **403.926** | **164.778** | **110.188** | **18.256** | **2.247** |
| **ISLAND** | SARDEGNA | 1.061.251 | 50.666 | 8.705 | 4.498 | 660 | 28 |
| | SICILIA | 2.941.712 | 151.397 | 38.622 | 22.568 | 3.435 | 276 |
| | **Island Totale** | **4.002.963** | **202.063** | **47.327** | **27.066** | **4.095** | **304** |
| **Domestic Total** | | **41.717.732** | **1.993.333** | **496.929** | **274.042** | **42.335** | **4.117** |

## 3.4. - Criminal proceedings initiated by undertakings

In 2020, insurance companies initiated 2,514 criminal proceedings related to the claims settlement phase, down by -6% compared to the previous year.

On the whole, 20,701 criminal proceedings were brought by the undertakings from 2014 to 2020, of which 35% with final outcomes.

**Table II.5**

| Criminal proceedings pertaining to the settlement phase | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | *(units)* |
| **Year** | **Reports/ Legal Actions** | **Final outcome** | | | | **Final outcome – Total** |
| | | **Dismissal** | **Acquittal** | **Conviction** | **Other *** | |
| 2014 | 3,190 | 957 | 117 | 414 | 374 | 1,862 |
| 2015 | 3,513 | 1,310 | 108 | 300 | 394 | 2,112 |
| 2016 | 2,993 | 689 | 74 | 218 | 188 | 1,169 |
| 2017 | 3,040 | 575 | 34 | 167 | 150 | 926 |
| 2018 | 2,764 | 332 | 27 | 92 | 113 | 564 |
| 2019 | 2,687 | 280 | 19 | 49 | 82 | 430 |
| 2020 | 2,514 | 103 | 6 | 15 | 36 | 160 |
| **Total** | **20,701** | **4,246** | **385** | **1,255** | **1,337** | **7,223** |

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

The decrease (-42%) in the number of reports/legal actions initiated by undertakings for cases related to the underwriting or pre-underwriting phase is confirmed. This number is 296 compared to 436 in 2019 (-32%).

**Table II.6**

| Criminal proceedings pertaining to the underwriting phase | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | *(units)* |
| Reference years | Reports/Legal Actions | Final outcome | | | | Final outcome – Total |
| | | Dismissal | Acquittal | Conviction | Other* | |
| 2014 | 3,725 | 1,022 | 89 | 146 | 234 | 1,491 |
| 2015 | 3,227 | 1,070 | 79 | 168 | 154 | 1,471 |
| 2016 | 830 | 317 | 30 | 46 | 45 | 438 |
| 2017 | 513 | 107 | 15 | 17 | 30 | 169 |
| 2018 | 759 | 106 | 10 | 20 | 46 | 182 |
| 2019 | 437 | 35 | 6 | 8 | 16 | 65 |
| 2020 | 296 | 14 | 1 | 1 | 4 | 20 |
| **Total** | **9,787** | **2,671** | **230** | **406** | **529** | **3,836** |

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

## 3.5. - The adequacy of corporate organisations in combating fraud

The assessment procedure on anti-fraud activities carried out by undertakings in 2020 covered 55 companies.

Compared to the previous year, there was a reduction in the efficiency of anti-fraud activity, partly attributable to the lockdown and the social distancing measures to deal with the health emergency, which may have slowed down the companies' operations and made it more difficult to carry out anti-fraud investigations. This is especially the case for NO CARD management, which is characterised by significant damage to vehicles and/or property as well as by the higher occurrence of injuries to persons exceeding 9 points of disability, resulting in complex assessments.

In the first 2 brackets (which include the undertakings with the best anti-fraud performance) there are 35 undertakings (compared to 30 undertakings in the previous year), with a non-negligible reduction in the market share measured on the Insured Risk Units (81% in 2020 compared to 93%). Consequently, the percentage of undertakings in the worst performance brackets has increased.

**Table II.7**

| Assessment brackets by final score | | | | |
|---|---|---|---|---|
| | | | | *(units and % values)* |
| Bracket | Number of undertakings | % risk unit | % on claims reported in Italy | Claims ratio |
| | | 2019 | | |
| I | 15 | 73.4% | 74.2% | 6.8% |
| II | 15 | 19.4% | 17.8% | 5.7% |
| III | 11 | 4.3% | 3.8% | 6.7% |
| IV | 5 | 1.8% | 3.2% | 12.8% |
| V. | 6 | 1.1% | 1.2% | 5.6% |

| Assessment brackets by final score | | | | |
|---|---|---|---|---|
| | | | | *(units and % values)* |
| **Bracket** | **Number of undertakings** | **% risk unit** | **% on claims reported in Italy** | **Claims ratio** |
| **Total** | **52** | **100.0%** | **100.0%** | **6.9%** |
| | | **2020** | | |
| I | 19 | 74.0% | 75.2% | 5.0% |
| II | 16 | 7.7% | 6.9% | 4.8% |
| III | 11 | 10.2% | 10.2% | 7.1% |
| IV | 6 | 2.5% | 2.3% | 3.2% |
| V. | 3 | 5.6% | 5.4% | 3.1% |
| **Total** | **55** | **100.0%** | **100.0%** | **5.0%** |

Despite the decrease observed both in claims investigated for fraud risk and in those closed without payment, the savings made by companies thanks to anti-fraud activity in the last year, amounting to EUR 247 million, fell by -3% compared to 2019.

**Table II.8**

| Assessment brackets and estimated reduction in the cost of claims resulting from anti-fraud activities | | | | |
|---|---|---|---|---|
| | | | | *(million euro and % values)* |
| **Assessment bracket** | **2019** | | **2020** | |
| | **Amounts** | **Market share** | **Amounts** | **Market share** |
| **I** | 205.1 | 80.8% | 161.5 | 75.2% |
| **II** | 33.7 | 13.2% | 38.2 | 6.9% |
| **III** | 6.9 | 2.8% | 41.6 | 10.2% |
| **IV** | 4.3 | 1.7% | 3.4 | 2.3% |
| **V.** | 3.7 | 1.5% | 3.1 | 5.4% |
| **Total** | **253.7** | **100.0%** | **247.8** | **100.0%** |

## 3.6. - Anti-fraud activities of undertakings – 2021 forecasts

Following the transmission by the companies of the annual reports as per ISVAP Regulation no. 44/2012, preliminary findings on the trend of anti-fraud activities in 2021 have been drawn up (tab. II.9).

Insured risk units were found to have increased on a national basis by 3.9% (1.6 million more units insured than in the previous year) while reported claims return to growth, reaching 2.3 million.

**Table II.9**

**2021 Data Regulation no. 44**

*(units)*

| Territorial Macrozones | Regions | Risk units | Claims reported | Claims exposed to fraud risk | Claims investigated in relation to the risk of fraud | Claims subject to investigation for fraud risk closed without payment | Claims subject to reporting/ legal action |
|---|---|---|---|---|---|---|---|
| NORTH | EMILIA ROMAGNA | 3,499,869 | 171,205 | 33,944 | 15,922 | 1,572 | 144 |
| | FRIULI-VENEZIA GIULIA | 1,015,027 | 38,445 | 7,213 | 2,583 | 325 | 27 |
| | LIGURIA | 1,169,950 | 74,939 | 15,262 | 7,373 | 1,076 | 89 |
| | LOMBARDIA | 8,001,015 | 446,930 | 75,071 | 32,401 | 3,639 | 406 |
| | PIEDMONT | 3,481,202 | 178,338 | 36,357 | 15,888 | 2,046 | 265 |
| | TRENTINO-ALTO ADIGE | 1,020,580 | 50,850 | 12,923 | 3,144 | 531 | 21 |
| | VALLE D'AOSTA | 103,975 | 4,324 | 750 | 354 | 62 | 3 |
| | VENETO | 3,981,301 | 167,692 | 26,194 | 10,582 | 1,218 | 71 |
| | **North – Total** | **22,272,919** | **1,132,723** | **207,714** | **88,247** | **10,469** | **1,026** |
| CENTRE | LATIUM | 4,508,749 | 306,803 | 72,166 | 40,090 | 5,137 | 503 |
| | MARCHE | 1,211,663 | 54,483 | 10,630 | 5,581 | 576 | 48 |
| | TUSCANY | 2,828,970 | 159,751 | 31,108 | 14,939 | 1,607 | 131 |
| | UMBRIA | 661,197 | 29,327 | 6,126 | 3,051 | 396 | 23 |
| | **Centre – Total** | **9,210,579** | **550,364** | **120,030** | **63,661** | **7,716** | **705** |
| SOUTH | ABRUZZO | 879,205 | 39,492 | 8,636 | 3,910 | 585 | 74 |
| | BASILICATA | 390,824 | 15,364 | 4,152 | 2,292 | 385 | 66 |
| | CALABRIA | 1,119,678 | 49,509 | 16,622 | 10,419 | 1,462 | 148 |
| | CAMPANIA | 2,947,932 | 223,003 | 115,330 | 82,014 | 13,414 | 1,802 |
| | MOLISE | 213,381 | 8,526 | 3,170 | 2,019 | 379 | 42 |
| | PUGLIA | 2,383,283 | 122,072 | 35,470 | 20,030 | 2,611 | 324 |
| | **South -Total** | **7,934,303** | **457,966** | **183,380** | **120,684** | **18836** | **2456** |
| ISLANDS | SARDINIA | 978,391 | 51,989 | 8,886 | 4,172 | 547 | 28 |
| | SICILY | 2,965,069 | 174,794 | 45,212 | 24,094 | 2,712 | 203 |
| | **Islands – Total** | **3,943,460** | **226,783** | **54,098** | **28,266** | **3259** | **231** |
| **TOTAL** | | **43,361,261** | **2,367,836** | **565,222** | **300,858** | **40,280** | **4,418** |

* Statistics referred exclusively to delays not exceeding two years. Data supplemented with an estimate based on 2017 delays. The values presented in the graphs refer to the central value of the estimate.

## 4. - DEGREE OF INSURANCE OF ITALIAN SMALL AND MEDIUM-SIZED ENTERPRISES

Using the data collected in a monographic section of the survey on industrial and services enterprises[68] (INVIND) conducted by the Bank of Italy, the degree of coverage of SMEs against the main risks was examined, with particular reference to insurance non-life policies other than

[68] The sample to which the questionnaire was submitted was 3,480 enterprises.

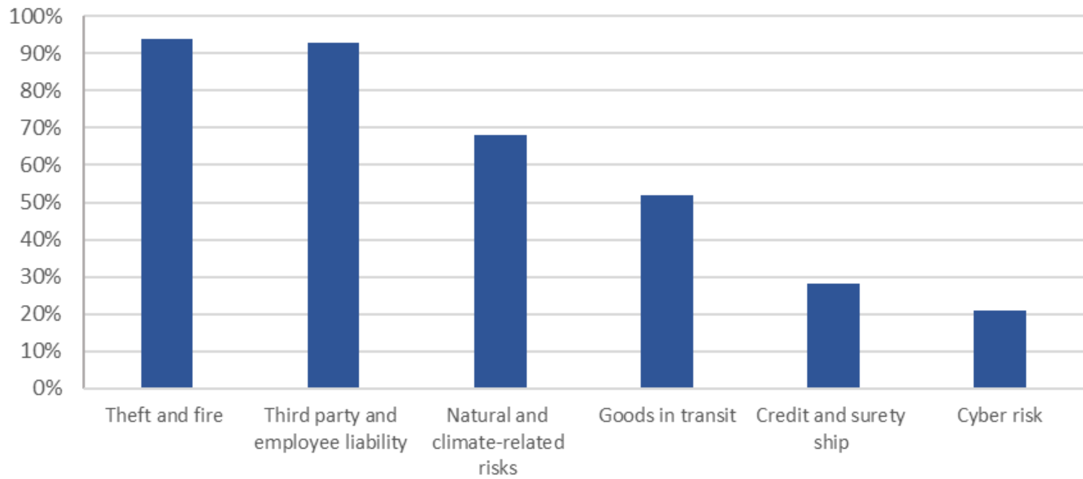
those compulsory by law, including theft and fire, goods in transit, credit and suretyship, cyber risk, third party and employee liability, natural and climate-related risks.

The most widely used insurance covers are fire and theft (94% of the sample) and third party and employee liability policies (93%). Even though Italy has a high environmental risk, only 68% of enterprises have taken out a policy against natural and climatic risks.

Under-insurance is particularly intense for cyber risk coverage (21%).

**Figure II.17**

**Share of insured undertakings by type of coverage**




Distinguishing by type of industrial or service company (fig. II.18), no major differences are observed for theft and fire, third-party liability and cyber risks. Industrial companies, due to their activities, tend to make greater use of coverage for natural and climatic risks, goods in transit, credit and suretyship.

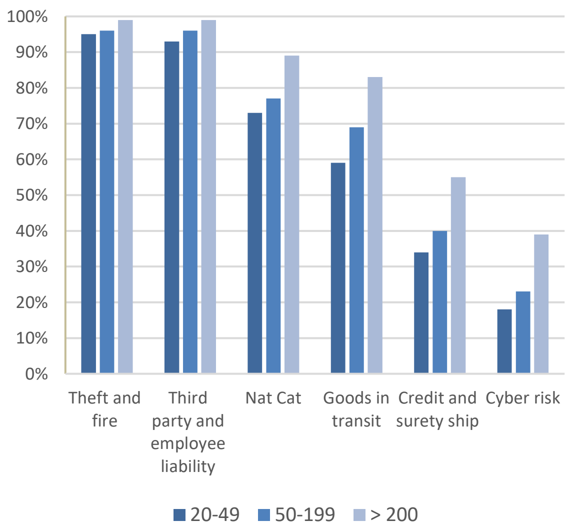
The size factor affects the propensity to take out insurance coverage: larger industrial companies, with more than 200 employees, tend to take out policies more frequently, with a significant differential compared to companies with less than 50 employees for cyber risks (39% vs. 18%), credit and surety (55% vs. 34%) and natural and climatic risks (89% vs. 73%).

In terms of expenditure, the costs incurred by SMEs insuring themselves for at least one risk are 0.55% of total turnover. The incidence is on average lower for companies with more than 200 employees and higher for companies operating in the services sector.

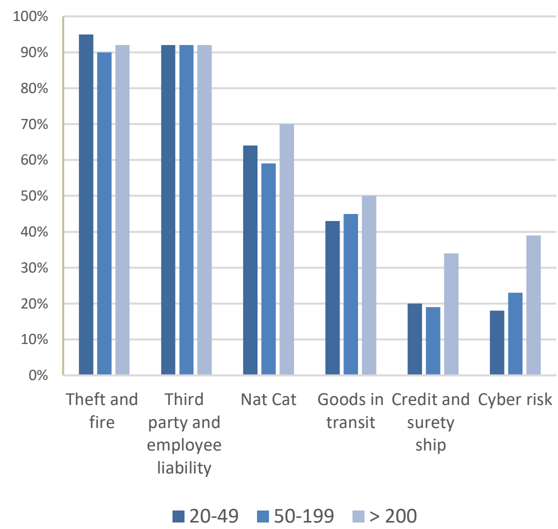
**Figure II.18**

**Share of insured undertakings by type of coverage and number of employees**

**a) Industry**



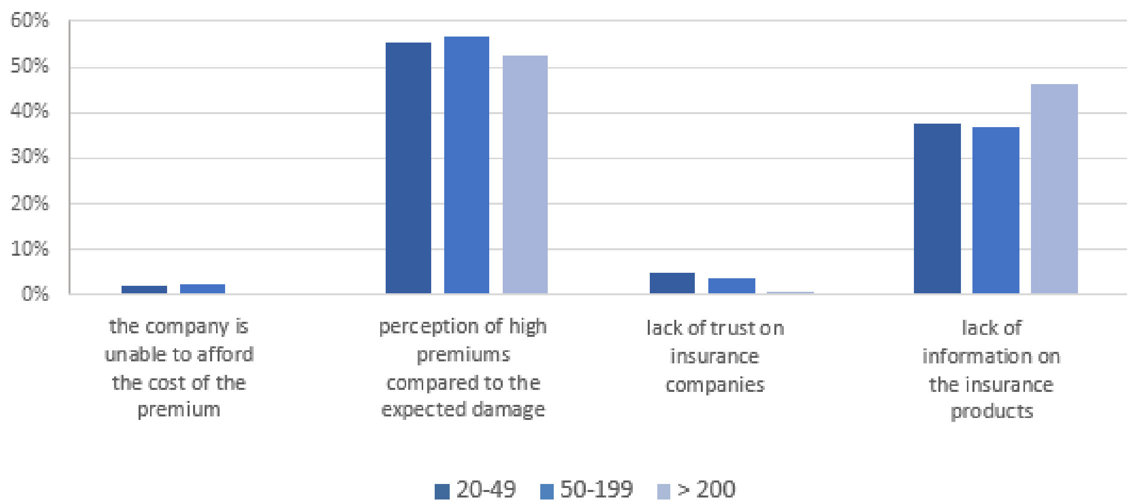

**b) Services**




More than 14% of the SMEs in the sample choose not to take out insurance even when a specific risk is considered relevant to the business activity (fig. II.19). The main reasons for non-insurance are, in 56% of the cases, the perception of high premiums compared to the expected damage and, in 38%, the lack of information on the insurance products. 4% do not trust insurance companies, and only 2% report that they are unable to afford the cost of the premium. No significant differences are observed in the reasons for non-insurance with respect to the company size.

**Figure II.19**

**Reasons for non-insurance for a risk considered relevant**



## 5. - COST OF DISTRIBUTION CHANNELS

Insurance companies remunerate distribution channels through commissions. Available data allow these costs to be quantified separately for life and non-life. For the latter, it is possible to analyse separately motor insurance (motor liability and land vehicle ancillary coverage) and other non-life classes.

While taking into account that companies place products using more than one distribution channel[69], the analysis was conducted for the decade 2012-2021, identifying the prevailing distribution model based on the share of premiums collected through the agency channel, the most important among those used. Agencies in fact collected 37.2% of total premiums in 2021, in particular in non-life classes where the share was 77.2% of premiums.

The differences in costs highlighted below are not exclusively attributable to the different distribution model, but are also affected by differences in product types and customer characteristics as well as the by limited relevance of certain distribution models in particular lines of business (e.g. companies not using agencies and not directly selling motor liability).

### 5.1. - Life business

In the distribution of life products, just over 40% of premiums are collected by companies that do not use insurance agencies (including those of the Poste Group, fig. II.20.a). More than half of income concerns companies operating in mixed mode, using both agencies and other channels (among which bank counters predominate).

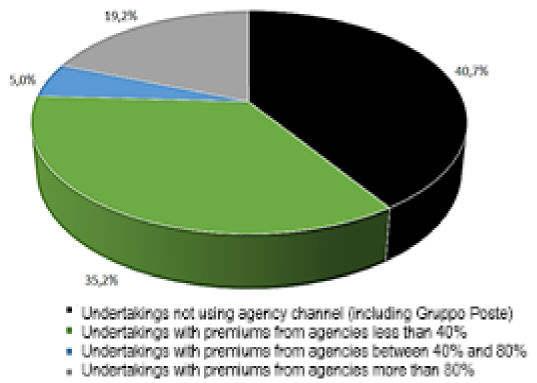
In relation to premiums, commissions are higher than other operating expenses for the majority of the companies, with the exception of those which, although using agencies, do not make predominant use of them and combine them with other distribution channels (fig. II.20.b).

In the decade 2012-2021, commissions in relation to premiums tend to be higher for companies whose distribution model involves greater use of the agency channel than for those with alternative models.

[69] The channels examined are: agencies, banks, financial promoters, brokers, direct sale (mainly through web/telephone). Web distribution can also take place through comparative websites that aggregate the offers of various companies specialising in sales through this channel, referred to as "direct companies".

**Figure II.20**

**a) Life – Breakdown of premium income by distribution model, 2021**
*(%)*




**b) Life – Commission expenses and other operating expenses by distribution model, 2021**
*(%)*

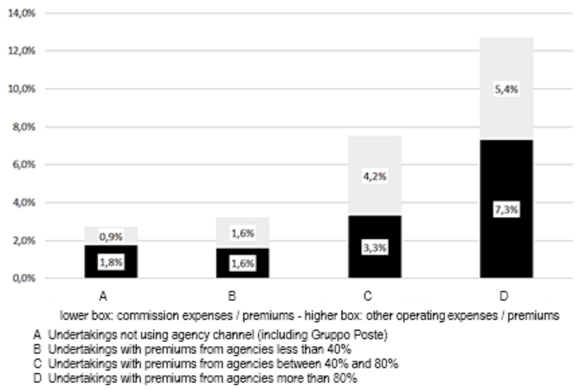
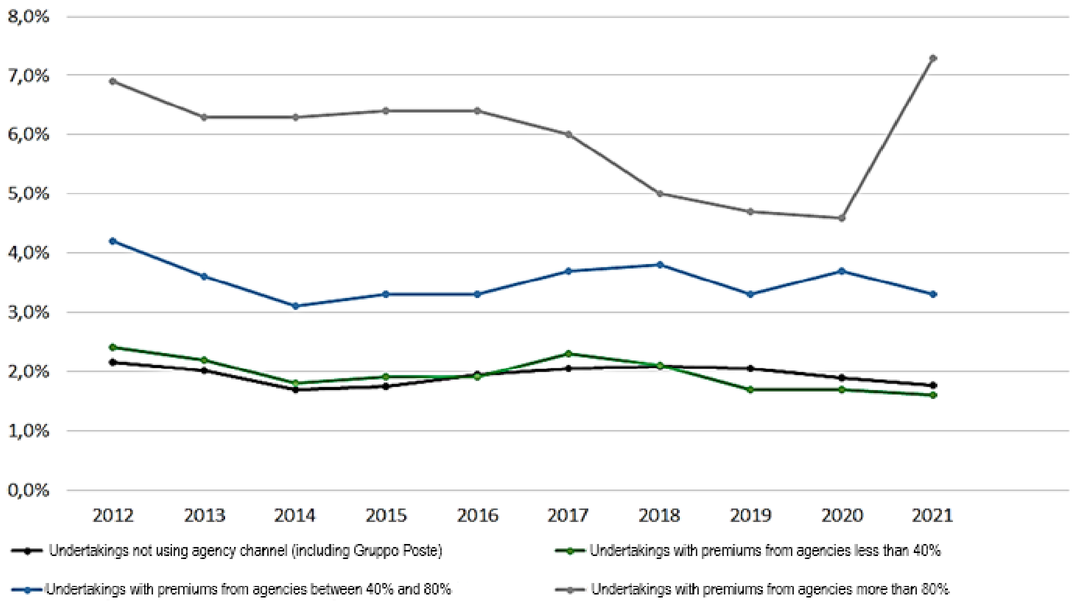



**Figure II.21**

**Life – Commissions on premiums by distribution model(a)**




(a) In order to take into account the different duration of life contracts, commissions are related to first annual premiums and to single premiums.

## 5.2. - Motor insurance

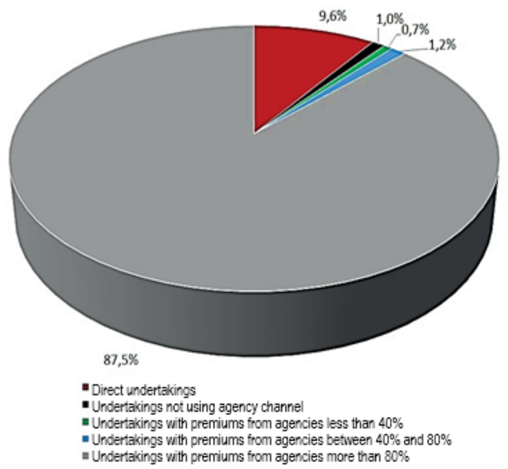
Compared to life insurance, the motor sector is characterised by a strong reliance on distribution through agencies, flanked for 9.6% of premium income (fig. II.22.a) by the activity of "direct" companies, which underwrite contracts issued directly or through comparative websites, to which they pay a commission[70].

Commissions in relation to premiums are higher than in the life segment, as are other operating expenses. The latter are higher than commissions, except for companies collecting more than 80% of their premiums through agencies, for which the two expense items of are equivalent (fig. II.22.b).

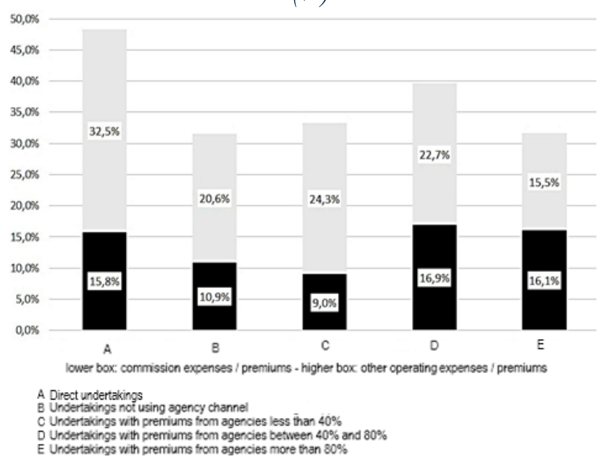
The growth in the value of commissions in relation to premiums for direct insurance companies over the decade under review is significant, rising from 4.6% to 17% between 2012 and 2018 (fig. II.23), and settling around this value in subsequent years. In recent years, companies with the prevailing distribution models in the market, i.e. direct business and the agency channel, have similar commission costs, while the costs of companies with other models are lower.

**Figure II.22**

**a) Motor insurance – Breakdown of premium income by distribution model, 2021**
*(%)*



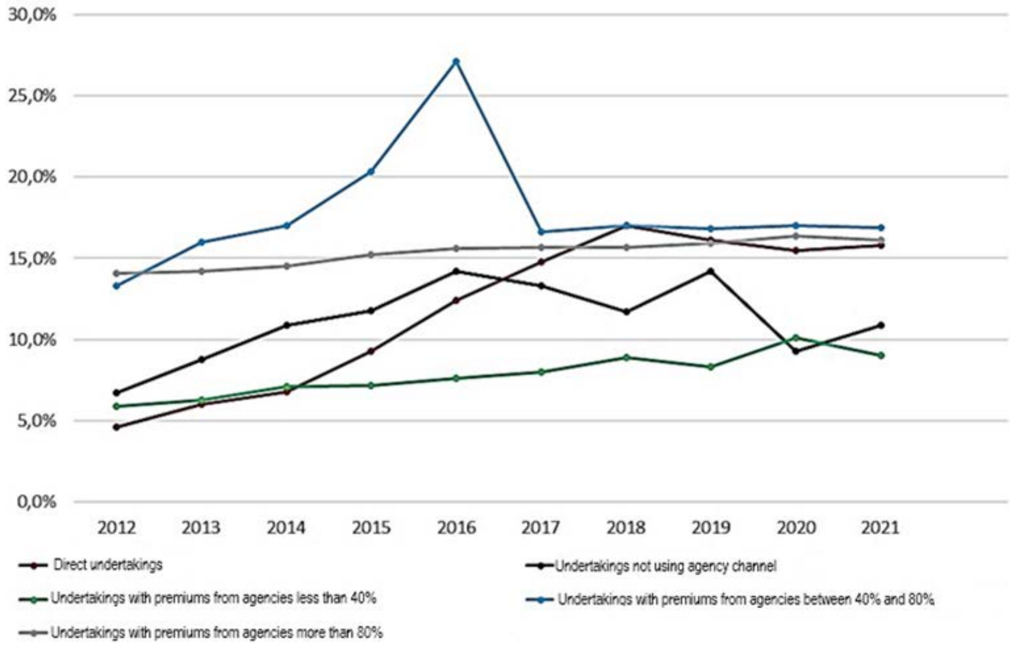

**b) Motor insurance – Commission expenses and other operating expenses by distribution model, 2021**
*(%)*




70 The companies belonging to the Poste Group do not pursue business in this segment

**Figure II.23**

**Motor insurance – Commissions on premiums by distribution model**
*(%)*




## 5.3. - Non-life classes other than motor insurance

Compared to the motor segment, the distribution channels for non-life classes are more diversified, although agencies remain the predominant channel, while the distribution of direct companies has a smaller weight (3.1% of premiums, fig. II.24.a).

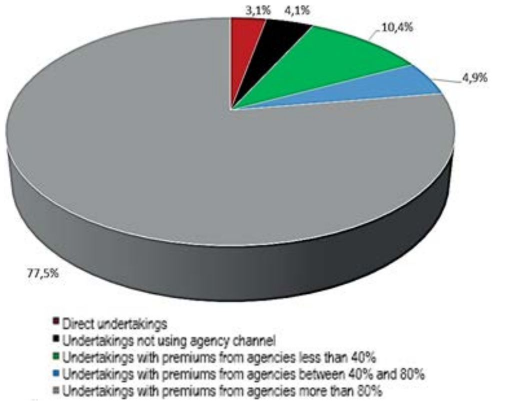
In relation to premiums, commissions are higher than in the motor segment (fig. II.24.b) and are higher than the other operating expenses for all companies except for direct ones.

Between 2012 and 2021, for companies that use agencies to some extent, the cost of commissions per premium unit fluctuates between 15% and 23% (fig. II.25), without major changes. The indicator is on average higher for non-agency companies, although it has been declining in recent years, while it is very low for direct companies, although it is growing (from 2.3% in 2012 to 5.8% in 2021).

**Figure II.24**

**a) Non-life classes other than motor insurance – Breakdown of premium income by distribution model, 2021**

*(%)*




**b) Non-life classes other than motor insurance – Commission expenses and other operating expenses by distribution model, 2021**

*(%)*

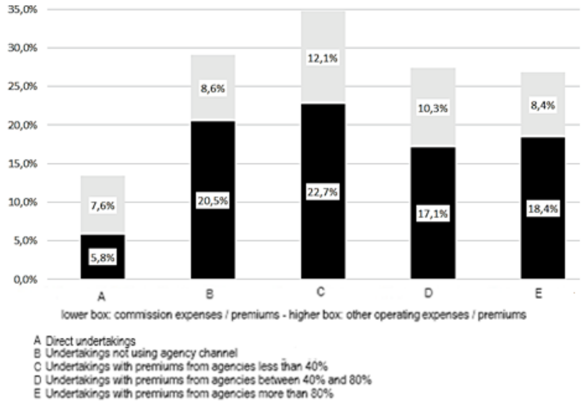
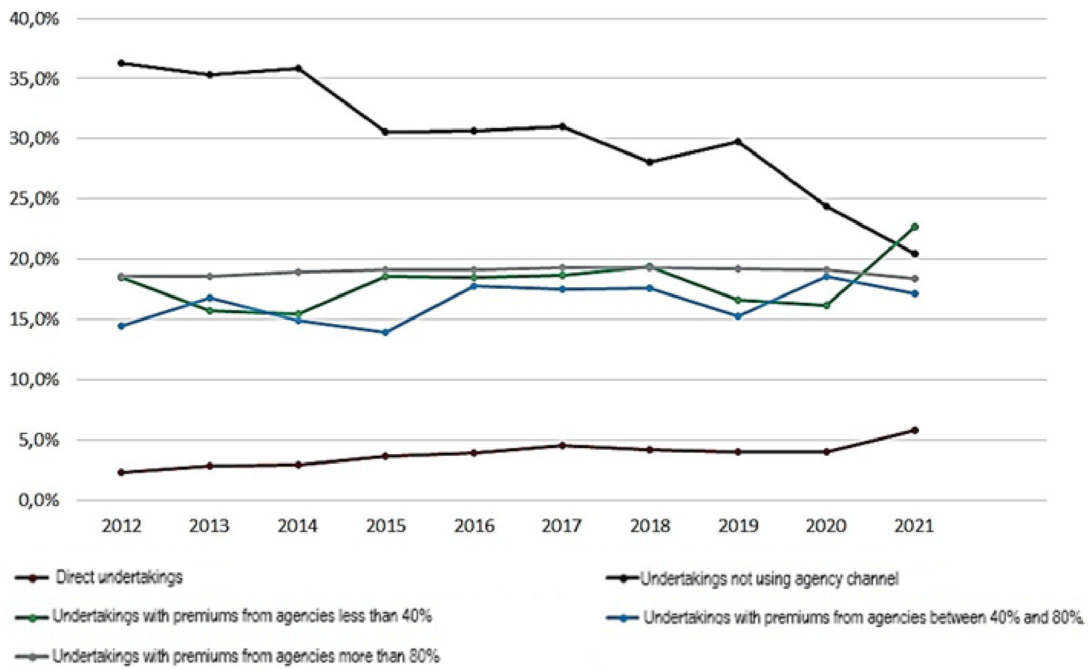



**Figure II.25**

**Non-life classes other than motor insurance – Commissions on premiums by distribution model**

*(%)*



## 6. - HEALTHCARE LIABILITY – DISTRIBUTION OF PREMIUMS PAID BY PROFESSIONALS

Since 2016, IVASS has been collecting information on insurance business in healthcare liability, which is part of the general liability class[71], through an annual survey.

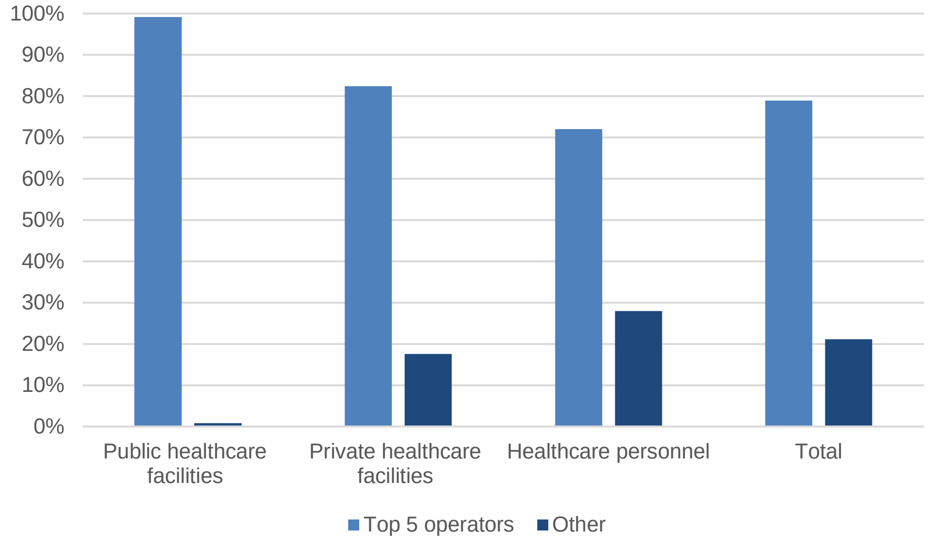
In 2021 premiums collected in healthcare liability amounted to EUR 646 million. Premiums underwritten by healthcare personnel account for 39.9% (EUR 257 million) of total income, premiums paid by private healthcare facilities account for 21.4% and those of public healthcare facilities for 38.7%. For the latter, the increasing use of forms of risk self-retention has progressively reduced their weight on total premiums paid, from 48.3% in 2016.

Thirty-two insurance companies collected premiums for contracts underwritten by healthcare personnel, totalling 365,000 insured risk units.

The healthcare liability market is characterised by a high degree of concentration: the sub-sector relating to healthcare personnel represents the least concentrated segment, with the top 5 operators collecting 72.1% of premiums, compared to 99.2% for public facilities (fig. II.26).

**Figure II.26**

**Share of premiums collected by larger companies by sub-sectors, 2021**
*(percentages)*




In 2021 the average premium paid by healthcare personnel amounted to EUR 704 and the median premium to EUR 369. In detail, non-medical staff, which includes nurses, pay an average premium of EUR 160, about one-fifth of that of doctors (936).

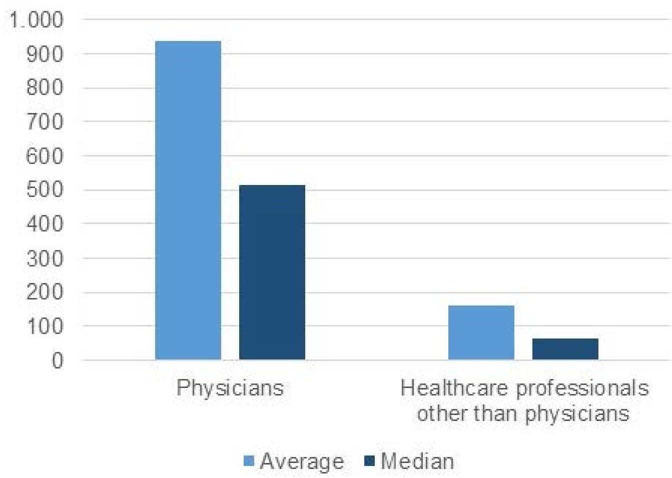
71 The data are analysed in an Annual Bulletin published in the second half of the year. The latest one is available at: https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/bollettino-statistico/2021/n_11_2021/bollettino_rc_sanitaria.pdf.

The distribution of prices is characterised by significant variability and dispersion (fig. II.27). Physicians pay on average slightly less than twice the median premium of EUR 514. The high variability of premiums can first of all be explained by the different levels of claims frequency for the various medical specialities (fig. II.25): Some of the riskiest professions, such as cosmetic surgeons and gynaecologists with childbirth assistance, pay on average more than 10 times the premium for healthcare liability risk coverage (EUR 6,568 and 5,444 respectively) than general practitioners, for whom the premium is much lower (392)[72].

The gap between the average and the median, respectively EUR 160 and 65, is even more significant (in relative terms) for healthcare professionals other than physicians, also in view of the heterogeneity among the professions falling into this category, which includes, in addition to nurses, a multiplicity of specialisations (physiotherapists, pharmacists, psychologists, etc.).

**Figure II.27**

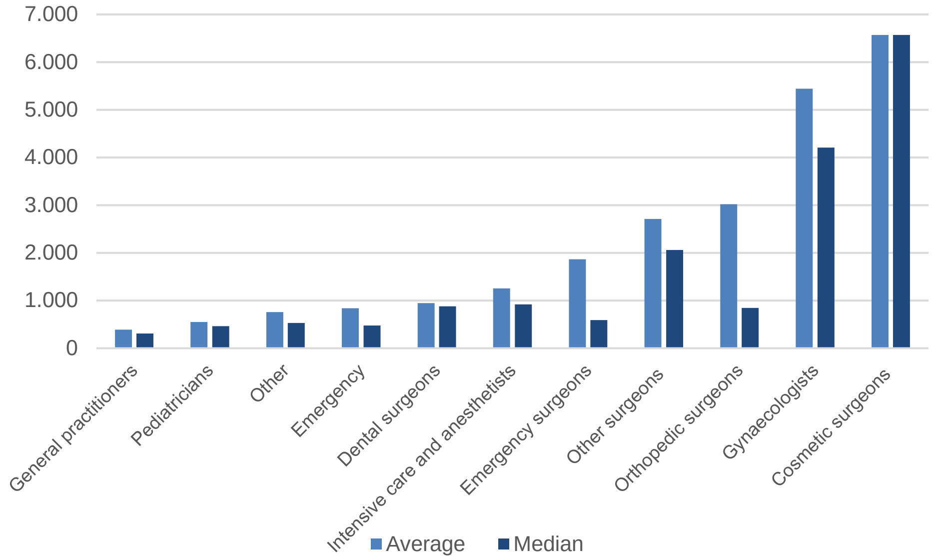
**Mean and median of premiums paid by healthcare personnel, 2021**




[72] The statistics reported are calculated on the subset of policyholders for whom details on medical specialisation are available, information that is present in 53% of the insured physicians.

**Figure II.28**

**Mean and median of premiums paid by medical specialities, 2021**

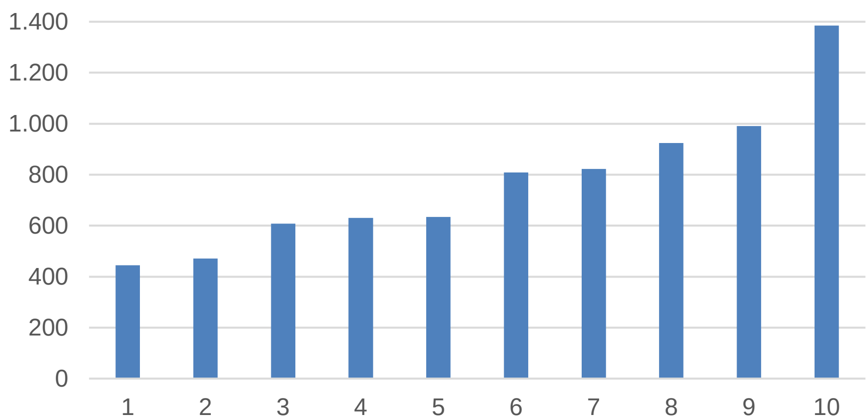



The significant dispersion of premiums paid by healthcare personnel is accompanied by a wide heterogeneity between individual undertakings (fig. II.29): in 2021, the average premium applied by the top 10 companies in the market was between EUR 445 and 1,385. This evidence reflects the presence of diversified portfolios among market players and a large degree of variety in the insurance offering.

**Figure II.29**

**Average premium for healthcare personnel at the first 10 undertakings, 2021**

*(undertakings sorted by increasing average price)*

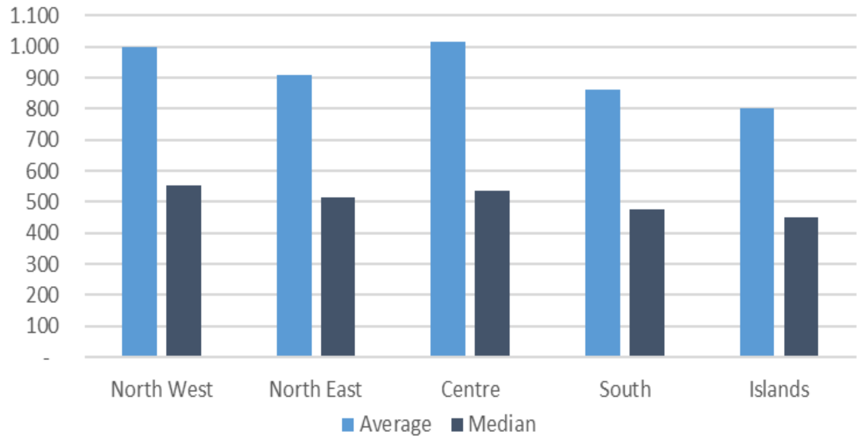



The territorial analysis shows that the strong price dispersion concerns all areas of the country: particularly for physicians, the average premium paid is about twice the median premium in all macro-areas (fig. II.30).

The Centre (average EUR 1,015 and median 534) and the North West (average 997 and median 551) are characterised by higher premium levels than the South (average 862 and median 475) and the Islands (average 802 and median 451)[73]. The price differential also reflects the presence of a higher number of specialists in macro-regions with higher average prices, where specialisation in the treatment of diseases with a higher mortality risk increases the pure premium.

**Figure II.30**

**Mean and median of premiums by geographical area – contracts for physicians, 2021**




[73] This trend could be observed also in the previous years. For more details see the Statistical Bulletins on healthcare liability drawn up by IVASS and available in the section https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/bollettino-statistico/index.html.

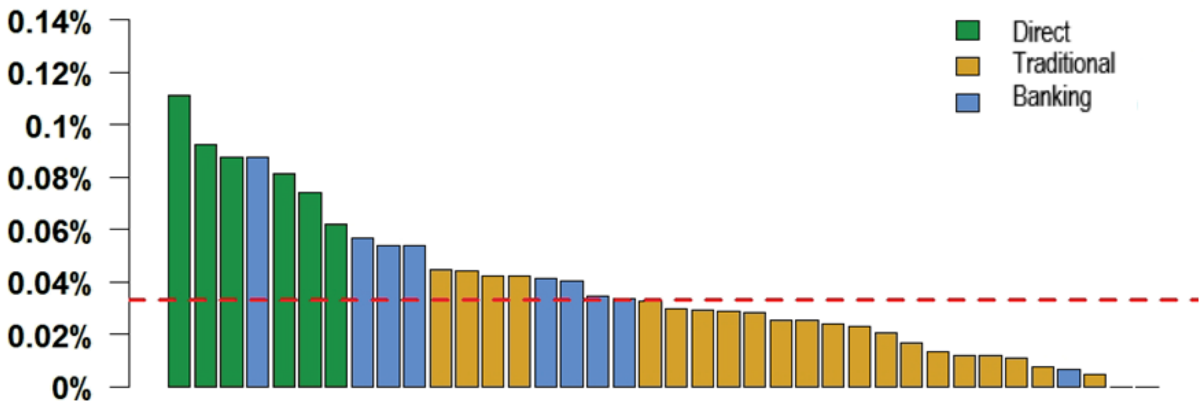
## 7. - COMPLAINTS RECEIVED BY UNDERTAKINGS

In order to identify the characteristics of companies for which there is greater customer dissatisfaction, a statistical analysis of motor liability complaints received by supervised companies was carried out. In 2021, on average, companies received complaints accounting for 0.08% of contracts. Given that 58% of complaints are rejected as unfounded by the companies, with a stable trend over the period 2017-2021, the variable under analysis is the complaint rate net of rejections[74].

The companies were classified according to the prevailing sales channel in the period 2017-2021[75]. Companies with a direct sales channel register on average a complaint rate twice as high as the market average (0.08% vs. 0.03%), a statistically significant difference (fig. II.31).

**Figure II.31**

**Incidence of the (net) rate of motor liability complaints among undertakings - 2021**




Source: Calculations on the data on complaints sent by undertakings

Estimates indicate a positive association between the black box penetration rate in companies' portfolios and the complaint rate[76]. It can be assumed that the increased litigation arises from the availability in the data provided by the black box of elements on the basis of which the company considers that it may oppose payment, but also on the basis of which policyholders may support a claim for compensation. The intensity of anti-fraud activity, as measured by the number of investigated claims and the number of anti-fraud complaints in relation to reported claims, is also positively associated with the complaint rate.

Indicators showing weaknesses in companies' balance sheets, including loss ratio, run-off ratio of the provision for claims outstanding[77], percentage of claims closed without payment and

[74] The net claim rate was correlated, for the years 2017-2020, with data derived from the supervisory forms on the movement of the provision for claims outstanding managed by companies, on the technical account of motor liability insurance, as well as with data on anti-fraud activity as per ISVAP Regulation 44/2012 and with the IPER statistical survey.

[75] The classification includes the three channels Traditional, Direct and Banking on the basis of the amount of premium income per sales channel derived from quarterly premium income.

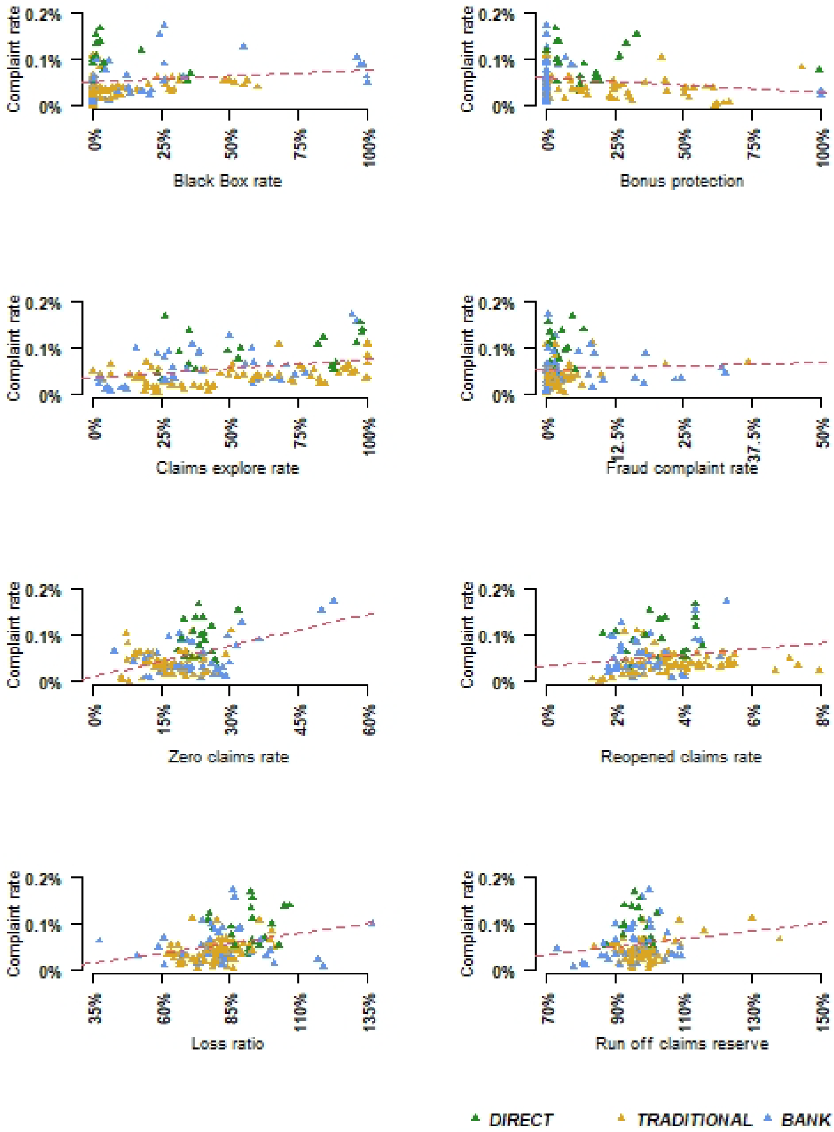
[76] In addition to the regression model, this phenomenon can also be observed empirically; in fact, an average rate of 0.05% is observed in the 0%-25% range, 0.06% in the 25%-75% range and 0.08% for values above 75% of the black box penetration rate.

[77] Sum of final provision and amount paid in the year compared to the initial provision.

reopened, are, all other portfolio characteristics being equal, positively associated with the complaints rate (fig. II.32). The correlation suggests that companies with less profitable portfolios and/or long run-off of the provision have a higher propensity to engage in nit-picking practices, contesting the circumstances of a claim in order to reduce or deny damages, as the incentives to retain less virtuous clients are weak in situations of capital and financial instability.

**Figure II.32**

## Comparison between the complaint rate and other variables



## *III. THE EVOLUTION OF THE REGULATORY CONTEXT*

The regulatory context of the insurance sector is undergoing significant changes: the process of European integration, policies for sustainable growth, and the advent of digital technologies require in-depth analyses and assessments of the impacts on business as well as prompt adjustments to the regulatory framework.

The commitment to sustainability issues continues in international, European and domestic fora. The regulation of this subject, which is undergoing a particularly significant development in the European Union, aims to establish a homogeneous regulatory framework, particularly with regard to transparency and market information: the taxonomy of activities is complemented by new rules on sustainability disclosures of insurance products.

The pursuit of the purposes of the European Green Deal is among the goals of the revision of the Solvency II Directive, which aims to foster long-term investments by insurance companies, contributing to the realisation of the Union's objectives regarding the financing of post-Covid-19 recovery projects and the completion of the Capital Markets Union.

IVASS commitment is high, also at national level, as regards updating sectoral rules and intercepting the ways in which insurance companies identify and manage potential risks arising from the ecological transition. A new thematic survey was recently launched to assess the level of preparedness of the domestic insurance market.

New technologies are helping to redesign production and distribution models for the insurance sector by offering new perspectives and opportunities; the pandemic has made the use of digital channels more frequent. Technological innovation represents an opportunity for the development of the insurance sector. However, for operators and consumers it is a source of risk, to which the Institute, together with other regulators, responds by identifying new rules to introduce the necessary safeguards. This includes the European negotiations on digital operational resilience and security of ICT services (DORA Regulation), on cryptocurrency markets (MiCA Regulation) and on the draft Artificial Intelligence Act.

In terms of insurance market stability, the Institute's intense activity in the groups set up at the International Association of Insurance Supervisors (IAIS) contributes to the definition of common prudential rules, the implementation of harmonised supervisory practices, financial stability and systemic risk assessment.

At European level, the ongoing debate on the draft Directive on the recovery and resolution of insurance undertakings is aimed at defining harmonised rules and a level playing field for the prevention and management of insurance crises, which would ensure an orderly resolution of failing companies in order to better protect policyholders and the public interest.

The Institute plays a leading role in providing EIOPA with technical support for the definition of the Retail Investment Strategy, required by the European Commission to facilitate retail consumers' access to the single market for financial services. Activities at the domestic level to ensure full consumer protection include technical support to the competent Ministries for the establishment of the insurance arbitrator and the implementation of tools for the supervision of market conduct, including mystery shopping.

With the aim of modernising and simplifying its regulations, IVASS initiated the reform of life products by consulting stakeholders on new rules for linked policies where the risk is borne by policyholders and on proposals to enrich the panorama of traditional life insurance policies with guarantees.

The impetus for simplification comes from the Institute's intense dialogue with operators and consumers, in the conviction that an open discussion with the recipients of the rules can help to ensure uniform interpretations and enable effective revision. Within this framework, a fundamental role of guidance to the market is realised through the publication of interpretative clarifications and letters to the market.

## 1. - THE ACTIVITIES OF THE INTERNATIONAL BODIES

In 2021, IVASS's contribution to the work of the International Association of Insurance Supervisors (IAIS) continued. This body which sets out to further cooperation and the convergence of supervisory standards at a global level. IVASS participates in the IAIS committees for the definition of prudential rules, the implementation of harmonised rules and supervisory practices, financial stability and the assessment of systemic risk. Since 2018, IVASS has also been a member of the Executive Committee, IAIS' decision-making body. The issues relating to systemic risk management are also discussed by the Financial Stability Board (FSB).

### 1.1. - Framework for the supervision of international insurance groups

As of 2020 the Common Framework for the Supervision of Internationally Active Insurance Groups (Comframe) is in force. This set of standards aims to increase the global convergence of supervisory practices and strengthen coordination and information exchange among supervisors, developing common minimum qualitative and quantitative supervisory requirements appropriate to the activities and size of IAIGs (Internationally Active Insurance Groups).

As an integral part of the Comframe, IAIS is defining a risk-based capital requirement (Insurance Capital Standard – ICS), applicable at consolidated level to the IAIGs that will be a globally comparable measure of the capital adequacy of these groups.

A first version of the ICS, approved in 2019, is subject to a five-year monitoring period (from 2020 to 2024), during which the IAIGs will send a confidential report to the Authority responsible for supervising each group. Any failure to comply with the ICS during the monitoring will not trigger supervisory action. During this first phase it will be possible to streamline the calibrations and correct any application dysfunctions which could emerge. At the end of the monitoring, the ICS will become a minimum requirement of consolidated capital for the IAIGs.

## 1.2. - The global framework for the definition and mitigation of systemic risk

After the adoption on 1 January 2020 of the new rules for the assessment and mitigation of systemic risk in the insurance sector (Holistic Framework, HF), in 2021 the IAIS continued monitoring the implementation of the framework at global level.

The HF is based on the awareness that systemic risk in the insurance sector can arise both from the distress of individual large insurers (due to their interconnectedness, complexity and non-substitutability) and from the activities or collective exposures of several insurers operating in the same markets or with the same financial instruments and therefore jointly exposed to given risks, regardless of their size and solvency.

Since 2020, the identification of G-SIIs (Global Systemically Important Insurers) has been suspended in view of the application of enhanced macro-prudential policy measures to a potentially much wider range of undertakings, in accordance with a proportionality principle. In November 2022, the FSB will examine whether the annual identification of G-SIIs should be permanently abandoned.

The core element of the IAIS holistic framework[78] is the performance of an annual monitoring exercise (Global Monitoring Exercise – GME) on cross-border and industry-wide insurance groups, to observe trends in the insurance market and identify potential trends of systemic risk accumulation in due time. 2021 was the first year in which the GME ran regularly, including data from two consecutive financial years (end of 2019 and end of 2020)[79]. The results were published in November 2021 in the Global Insurance Market Report (GIMAR)[80].

Another element of the Holistic Framework is the evaluation of its degree of implementation. In June 2021, the IAIS published the final report of the first phase of the assessment performed in 2020, through a BaseLine Assessment (BLA), relating to the degree of compliance with the HF standards[81] by insurance supervisory Authorities in 26 jurisdictions worldwide, including IVASS[82].

In 2021, the second phase of the assessment was launched, called Targeted Jurisdictional Assessment (TJA), consisting in a more in-depth review, also taking into account the findings of

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78 This involves: i) the strengthening of supervisory powers for macro-prudential purposes, including through powers of intervention by the supervisor to implement prompt and appropriate responses; ii) the assessment by the IAIS and the competent supervisory Authorities of potential global systemic risk and coordination to reach a unified supervisory response; iii) mechanisms to favour consistent and effective supervisory responses to global systemic risk, while leaving the application of measures to the discretion of national Authorities.

79 In 2020, the ordinary GME was postponed by one year and the exercise was adapted to undertake a targeted assessment of the impact of Covid-19 on the global insurance sector, at the level of individual groups and the industry as a whole.

80 https://www.iaisweb.org/file/94223/17-december-2020-iais-press-release-gimar-2020-covid-19-edition. The results highlight the financial and operational resilience of the insurance sector since, despite the significant volatility in financial markets experienced in the first half of the year, the solvency ratios remained above the minimum required, the impact on the liquidity front was limited and no concerns were raised about the industry's ability to meet its commitments. Vulnerabilities remain, mainly due to uncertainties about the duration of the pandemic, to potential downgrades of fixed income securities in insurers' portfolios and to the low interest rate environment.

81 These are 39 standards, 23 related to Insurance Core Principle (ICP) and 16 to ComFrame (CF) related to the role of supervisors, their powers of intervention, governance requirements for companies, macro-prudential supervision, planning and crisis management.

82 https://www.iaisweb.org/uploads/2022/01/211130-IAIS-GIMAR-2021.pdf

the BLA, of compliance with HF requirements and related supervisory practices. IVASS shall coordinate one of the two assessment teams. The results will be submitted by the end of 2022 to the FSB for a final decision on the identification of G-SIIs.

### 1.3. - Work on sustainable finance

In recent years, the cooperation of institutions at international level on environmental, social and governance (ESG) factors has strengthened, with a focus on the impacts of climate change and the transition to a low-carbon economy.

In 2021, the Institute contributed to sustainable finance issues in the fora of which it is a member, such as the IAIS, the Network for Greening the Financial System (NGFS), and the Sustainable Insurance Forum (SIF).

Climate risk is considered a strategic issue for the IAIS's objectives and activity planning in the coming years. In the second half of 2021, the Climate Risk Steering Group (CRSG) was established, which is responsible for the overall coordination of work on climate risk, reports directly to the IAIS Executive Committee and represents the Association in international fora dealing with climate-related issues.

The CRSG set up three working groups to assess possible gaps in global supervisory standards with regard to climate-related risks, to explore, based on best practices adopted by supervisors, scenario analyses for assessing the possible effects of climate risks on insurance, and to identify areas where data collection on global climate risk could be useful. IVASS participates in the CRSG and contributes to working groups dealing with the analysis of supervisory standards and scenario studies.

### 1.4. - Work pertaining to Effective Resolution Regime

In 2021 IVASS continued its participation in the works of the FSB on insurance undertakings resolution. Following the decision to temporarily suspend the identification of G-SIIs from 2020 onwards, the FSB initiated a study to review the scope of the Key Attributes of Effective Resolution Regimes for Financial Institutions (KA), to take into account the possible permanent discontinuation of the annual identification (see paragraph 1.2).

In December 2021, the FSB published the Resolution report, which provides an annual update on the implementation of the FSB resolution regimes and guidelines[83] as well as on issues of interest for future consideration. The FSB finalised the insights on Resolution Funding and Internal Interconnectedness in Resolution, published as practice papers in January 2022.

In the IAIS, discussions on resolution planning, the practical application of resolution powers and the coordination and cooperation between authorities were concluded with the publication of an Application Paper on resolution powers and planning, aimed at providing

[83] *Developing Effective Resolution Strategies and Plans for Systemically Important Insurers*, https://www.fsb.org/wp-content/uploads/Final-guidance-on-insurance-resolution-strategies.pdf.

support to jurisdictions in implementing Insurance Core Principle 12 on resolution, as amended in 2019.

The drafting of an Application Paper on the role of the Policyholders Protection Scheme (PPS) within the framework of insurance crisis resolution has been started. The paper will update a similar study conducted in 2013, and aims to provide an overview of the functioning of PPS, taking into account the evolution of resolution regimes over the past decade. Final adoption is expected by the end of 2023.

### 1.5. - Convergence of supervisory practices in the international arena

The Institute has been committed to adopting and applying the principles developed by the IAIS for effective and coordinated global insurance supervision. The IAIS encourages the implementation of the Insurance Core Principles (ICP) in all jurisdictions and assesses compliance and observance by Member Countries via a compliance programme involving peer reviews.

IVASS participated in the IAIS peer review on ICP 9 (Supervisory review and reporting) and 10 (Preventive Measures, Corrective Measures and Sanctions) which will be concluded in 2022.

## 2. - THE EVOLUTION OF THE EUROPEAN REGULATIONS

### 2.1. - The measures under discussion or approved

#### *2.1.1. - Negotiations on the review of the MTPL Directive*

The negotiations were closed with the publication on 2 December 2021 in the EU Official Journal of the motor liability Directive 2021/2118/EU, which amends the previous Directive 2009/103.

The qualifying points of the new Directive are the protection of injured parties even in the event of the insolvency of the insurer, the harmonisation of minimum amounts of cover throughout the Union, the strengthening of vehicle checks by Member States, the cross-border recognition of claims history statement, the delimitation of the perimeter of the insurance obligation in line with EU case law, and the regulation of price comparison tools.

In order to ensure equal minimum protection for injured parties throughout the Union, the minimum amounts of cover have been standardised and raised. Checks on the validity of insurance coverage have also been extended to foreign vehicles passing through the territory of a Member State in order to prevent the circulation of uninsured vehicles.

The Directive specifies that the insurance obligation applies whatever the nature of the area, public or private, in which the vehicle circulates or is parked. Member States may waive the obligation for vehicles withdrawn from circulation temporarily (seasonally) or permanently, subject to a formal administrative procedure or other verifiable measure, in accordance with national law[84].

### *2.1.2. - Initiatives on sustainable finance*

A key objective of the European Commission's action plan on financing sustainable growth – which is also relevant for the insurance sector – is to redirect capital flows towards sustainable investments and to ensure market transparency. Regulation (EU) 2020/852 "Taxonomy", published on 22 June 2020, establishes the general framework for determining whether an economic activity can be considered sustainable, in order to identify the degree of eco-sustainability of an investment and to boost sustainable investments in implementation of the European Green Deal[85], the strategic growth project to make the Union climate neutral by 2050.

Delegated acts on the climate aspects of the EU taxonomy were issued in 2021 with the technical screening criteria[86] effective from January 2022) to determine under which conditions the contribution of an economic activity to climate change mitigation or adaptation can be considered substantial, provided that the activity does not cause significant harm to other environmental objectives. It also stipulates the information that recipient undertakings, including insurance companies, must communicate to the market about environmentally sustainable economic activities[87].

The insurance sector is particularly involved in the regulatory evolution[88], since the assessment of climatic factors is necessary both for the management of the risks of the investment portfolio and for the orientation of the offer strategies for insurance coverage products. The EU taxonomy provides a reference for the selection and evaluation of green investments and highlights the substantial role of insurance companies.

The European Commission has also published a proposal for amendments to the Non-Financial Reporting Directive (NFRD), called Corporate Sustainability Reporting Directive[89] (CSRD). The CSRD proposal is a key element of the package of measures to increase the flow of capital into sustainable activities in the EU. The proposals include amendments to the Accounting Directive, the Transparency Directive, the Audit Directive and the related Audit Regulation, and play an essential role in improving the transparency, quality and consistency of information on sustainability.

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84 In such a case, Member States shall ensure that vehicles are treated in the same way as vehicles for which the insurance obligation has not been met, i.e. in the event of an accident, the victims must be covered by the Guarantee Fund of the Member State where the accident occurred, which may then make a claim against the Guarantee Fund in the Member State where the vehicle is normally located.

85 https://eur-lex.europa.eu/legal-content/IT/TXT/HTML/?uri=CELEX:52019DC0640&from=EN

86 Delegated Regulation (EU) 2021/2139 of 4 June 2021 (*Climate Delegated Act*)

87 Delegated Regulation (EU) 2021/2178 (*Disclosure Delegated Act*)

88 See Report on the activity pursued by IVASS in 2020 - Remarks by President Luigi Federico Signorini.

89 The proposal extends sustainability disclosure requirements to large insurance companies, large banks and large listed companies (from 1/1/2023) and to small and medium-sized listed companies (from 1/1/2026). As a result, almost 50,000 companies will have to comply with the new standards, compared to 11,000 today.

Also relevant are the amendments to Delegated Regulation 2015/35[90] and to the Solvency II Directive (2009/138/EC), which introduce the definitions of "sustainability factors", "sustainability risks" and "sustainability preferences" and supplement the regulations on conflicts of interest, risk management, remuneration policies and the prudent person principle with aspects related to sustainable finance.

### *2.1.3. - Initiatives on Digital Finance*

In 2021, negotiations on the draft Regulation on Digital Operational Resilience for the financial sector (Digital Operational Resilience Act – DORA) continued. The draft Regulation lays down that operators should have a robust and well-documented information and communication technology (ICT) risk management system and incident management tools in place. Particularly important are also the provisions on ICT outsourcing. Moreover, the draft Regulation envisages a European oversight framework for monitoring critical ICT service providers, including non-financial providers, and important new aspects to further convergence of supervisory approaches.

The Institute provides technical support to the Bank of Italy and the MEF, which are following the negotiations in the EU. Final approval is expected by the end of 2022, with possible implementation from 2025.

On 21 April 2021, the European Commission presented a proposal for a regulation laying down harmonised rules on artificial intelligence (Artificial Intelligence Act – AIA) identifying requirements and obligations applicable to artificial intelligence (AI) systems, produced or used in the EU market, in all production sectors, including finance, banking and insurance. The proposal adopts a technologically neutral definition of artificial intelligence and classifies the various models according to the risk of negative impact their use may have on certain fundamental rights (in particular, the right to non-discrimination, data protection, health and safety). The risk-based approach identifies four categories of AI systems: i) unacceptable and therefore prohibited; ii) high risk; iii) subject to specific transparency obligations; iv) low or minimal risk. For high-risk systems, which are the main focus of the proposed regulation, both ex-ante (conformity assessment) and ex-post (market surveillance) controls are introduced as a condition for these AI systems to be produced and used in the EU market.

In order to enable an effective link with financial regulations, the Institute participates in a contact group set up by the Bank of Italy to provide technical support to the Ministry for Technological Innovation and Digital Transition, which monitors negotiations in the EU.

### *2.1.4. - The revision of Solvency II*

On 22 September 2021, the European Commission adopted a package to revise the European rules for the insurance sector, which consists of three main documents:

- a proposal for the amendment of Directive 2009/138/EC (Solvency II);

[90] Delegated Regulation (EU) 2021/1256 of 21 April 2021 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings.

– a proposal for a new Directive on the recovery and resolution of insurance undertakings;

– a Communication setting out the main objectives of the Solvency II review and the Commission's views on the most important elements that will be reflected in the Delegated Regulation.

**Main contents of the Commission's proposal for a Directive on the Solvency II review**

The Commission has identified the following objectives for the review of the Solvency II framework:

- provide incentives for insurers to contribute to the long-term sustainable financing of the European economy, with particular reference to the financing of post-Covid-19 recovery projects, the completion of the Capital Markets Union (CMU) and the achievement of the European green deal objectives;
- improve the risk sensitivity of insurers' capital requirements;
- mitigate excessive short-term volatility in insurers' solvency positions;
- improve the quality, consistency and coordination of insurance supervision across the EU and increase the protection of policyholders and beneficiaries, including in the event of insurer failure;
- adequately address the potential systemic risk accumulation in the insurance sector.

The Commission intends to strengthen the principle of proportionality and complement the insurance supervisory framework with macro-prudential instruments, which are not present today.

Compared to the technical advice provided by EIOPA in December 2020, which was prepared with the support of the national supervisory Authorities, the Commission's proposal differs in some respects. In quantitative terms, the proposal, on the whole, results in a reduction of capital requirements (by freeing up capital) with the intention of getting companies more involved in the long-term financing of the European economy[91]. As regards the Volatility Adjustment, the long-term guarantee measure most widely used in Europe and in Italy, EIOPA's proposals to make the measure more in line with the objective of mitigating artificial volatility in financial statements are accepted, also by revising the conditions for activating the national component, a relevant factor for the Italian market. The benefit for companies marketing more illiquid products is removed.

In addition to the Commission's proposed amendments to the Directive, other relevant changes, mainly concerning the quantitative requirements of Pillar I, will be the subject of a revision of the Delegated Regulation[92].

In the context of these negotiations, IVASS provides technical support to the Ministry of Economy and Finance in the meetings of the Expert Group on Banking, Payment and Insurance convened by the Commission and the working parties established at the EU Council.

[91] With regard to the Risk Margin and the methods of calculating the capital requirement for interest rate risk, the Commission's proposal would result in an increase of up to EUR 30 billion in the amount of own funds in excess of capital requirements, depending on market conditions. Changes that have a negative impact on solvency ratios will enter into force gradually. This would - according to the Commission - free up to EUR 90 billion of capital in the short term, which insurers could use to support the economic recovery.

[92] An initial revision to Delegated Regulation (EU) 2015/35 on the taking-up and pursuit of the business of insurance and reinsurance (so-called Delegated acts) was made by Delegated Regulation (EU) 2019/981 of 8 March 2019.

### *2.1.5. - Negotiation on the Directive on Insurance Recovery and Resolution*

On 22 September 2021, the European Commission published a legislative proposal on recovery and resolution (IRRD) to introduce harmonised insurance crisis prevention and management rules at European level in order to ensure better protection of policyholders and the public interest through an orderly resolution of failing companies.

In line with the technical opinion for the Solvency II revision issued by EIOPA on 17 December 2020[93] and with the corresponding Directive in the banking sector on bank recovery and resolution (BRRD[94]), the proposal provides for:

- the application according to proportionality criteria of a pre-emptive recovery plan, the drafting of which is the responsibility of the companies or groups, and intervention measures that can be adopted by the Supervisor when certain conditions are met;

- a structured framework for the resolution of insurance companies, characterised by the presence of one or, on an exceptional basis, several resolution authorities at national level, with the task of planning the resolution of the companies (resolution plan), also conducting an analysis of any impediments to the resolvability of the company or the group (resolvability assessment), and endowed with tools and powers to be activated – in compliance with specific safeguards to protect policyholders – when the conditions that make resolution possible in place of ordinary insolvency proceedings are met;

- cross-border cooperation and coordination agreements between resolution authorities, with the establishment of resolution boards and the support of EIOPA.

Since October 2021, negotiations have been ongoing in the EU Council, on which the Institute provides technical support to the MEF. Among the points still open is the central issue of how the resolution is to be financed, especially in the absence of minimum harmonisation of national policyholder protection schemes (IGS), which was proposed in the EIOPA technical opinion, but which the European Commission has decided to postpone to a future discussion.

## 2.2. - The European Supervisory Authorities

### *2.2.1. - EIOPA's Action Plan on sustainable finance*

The Institute actively contributes to the projects in the EIOPA Action Plan on Sustainable Finance, which integrates, among other things, activities functional to the pursuit of the objectives of the European Commission's Action Plan to finance sustainable growth and the European Green Deal[95].

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[93] https://www.eiopa.europa.eu/browse/solvency-ii/2020-review-of-solvency-ii_en

[94] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014.

[95] In 2018, the Commission adopted a first action plan to steer the capital market towards a sustainable, inclusive development model in line with the Paris Climate Agreement commitments. https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:52018DC0097&from=it. The plan then integrated the targets contained in the European Green Deal (December 2019) by which the Commission intends to pursue zero net emissions by 2050 with the consequent decrease

The main contributions concerned: i) the integration of ESG risks into the prudential framework; ii) supporting the supervision of ESG risks and the convergence of supervisory approaches in the EU; iii) the integration of ESG risks into macro and micro-prudential risk assessments; iv) climate risk underwriting practices, pricing models and the role of insurance in climate change adaptation; v) assumptions and tools to address the insurance protection gap; vi) the promotion of sustainability disclosures. Work is in progress; publication is expected in the second half of 2022.

In 2021, an EIOPA Opinion[96] was published, which requires national supervisors to check whether insurers integrate climate change risks into their governance, risk management system and ORSA, as for all the risks to which companies are or could be exposed.

EIOPA's works on non-life underwriting practices and pricing models published in July 2021[97], showed that current premium pricing practices and the predominantly annual duration of contracts, in the face of increasing frequency, severity and volatility of natural catastrophes due to climate change, tend to increase the risk of making insurance coverage unaffordable for the policyholders, widening the insurance protection gap.

For 2022, the Institute will contribute to the work of EIOPA in execution of specific mandates given by the European Commission in the context of the proposals to amend the Solvency II Directive on the European Green Deal and on first-pillar prudential requirements[98]. In particular, EIOPA is mandated to examine, by 2023, a dedicated prudential treatment of exposures related to assets or activities substantially associated with environmental and social objectives as well as to regularly review the scope and calibration of the parameters of the standard formula for natural catastrophe risk.

### *2.2.2. - Consumer protection*

In the EIOPA Committee for the Protection of the Consumer and Financial Innovation, chaired by IVASS, the Institute participated in the works for the technical advice requested to EIOPA by the European Commission on aspects regarding retail investors' protection (see the box below). IVASS also contributed to the insights on the impact of the pandemic on conduct risks in the tenth Consumer Trends Report[99].

Following the publication of the findings of the Thematic Review on potential risks for the consumer arising from the sale of travel insurance policies[100], the in-depth analyses of the impact of Covid-19 on travel insurance continued.

of greenhouse gas emissions by 2030 to 55%, https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea- 8c1f-01aa75ed71a1.0006.02/DOC_1&format=PDF, and in the Climate Change Adaptation Strategy of 24 February 2021, https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:52021DC0082&from=IT.

[96] https://www.eiopa.europa.eu/sites/default/files/publications/opinions/opinion-on-climate-change-risk-scenarios-in-orsa.pdf

[97] https://www.eiopa.europa.eu/document-library/report/report-non-life-underwriting-and-pricing-light-of-climate-change_en

[98] https://eur-lex.europa.eu/legal-content/it/TXT/HTML/?uri=CELEX:52021PC0581&from=it

[99] https://www.eiopa.europa.eu/document-library/consumer-trends-report/consumer-trends-report-2021_en

[100] https://www.eiopa.europa.eu/document-library/consumer-trends-report/consumer-protection-issues-travel-insurance_en

The Institute was involved in the Thematic Review on consumer risks arising from the distribution of insurance products in combination with credit products and participated in the assessment of conduct risks in the European unit-linked policy market, following the development of a framework for manufacturers' assessment of the value for money of unit-linked and hybrid products and their complexity in the POG process[101].

IVASS took part in the drafting of the fourth EIOPA report on the costs and performances of long-term retail investments and pension products, containing a verification of the transparency and comparability of the products, to the benefit of consumers.

The Institute has contributed to the drafting of the second EIOPA report on administrative sanctions and other measures imposed by national Authorities for the violation of national provisions implementing the IDD[102] as well as to the first report on the application of the same Directive[103]. The analysis concerned the evolution of the market structure of the intermediaries and cross-border activities, apart from the impact assessment of the Directive, with a particular focus on the improvement of quality of advice and on the effects for SME intermediaries and the availability of adequate resources of the national supervisory Authorities.

Work continued on the drafting of the EIOPA Handbook for the supervision of the market conduct of supervised entities. The Handbook aims to provide national Authorities with examples and supervisory practices to increase supervisory convergence. IVASS contributed to the drafting of the chapter dedicated to supervision on transparency of insurance products, in particular the *Key Information Document* (KID) for PRIIP (*Packaged Retail Investment and Insurance-based Product*). A contribution was made to the update of the survey prepared by EIOPA on general good rules published by national Authorities[104]. The topic of exclusions from insurance coverage was discussed in depth, starting with the pandemic and ending with exclusions due to exceptional and unforeseeable events.

The Institute participates in the work of the Conduct Suptech, aimed at developing a centralised database that allows data management and use of the KID on PRIIP for supervisory purposes.

**CMU and Retail Investment Strategy**

In the work of the Capital Markets Union 2020 Action Plan, which envisages the publication of a Strategy for Retail Investment by the first half of 2022, the European Commission is considering measures to facilitate and encourage retail consumers' access to the single market for financial services. To this end, a public stakeholder consultation was launched followed by three requests for technical advice (CfA) to EIOPA, ESMA and the Joint Committee of the three ESAs.

The advice on retail investor protection requested from EIOPA covers the following aspects:

101 https://www.eiopa.europa.eu/content/eiopa-sets-out-framework-delivering-better-value-money-consumer-centric- way_en

102 https://www.eiopa.europa.eu/document-library/report/annual-report-sanctions-under-insurance-distribution-directive-during-2020_en

103 https://www.eiopa.europa.eu/document-library/report/report-application-of-insurance-distribution-directive_en

104 https://www.eiopa.europa.eu/tools-and-data/registers/idd-general-good-provisions_en#National‘GeneralGood’rulescategorisedintodifferentrelevantareasoflaw

- addressing and improving investor information, with identification of overlaps between sectoral regulations; reflection on the actual functioning of the various rules is aimed at simplifying and reducing redundant or ineffective information;
- identifying the advantages and best ways to proceed with disclosure in a digital context, with a focus on the use of smartphones;
- assessing the risks and opportunities of new digital tools and channels, in particular direct investor participation in online platforms;
- addressing harmful conflicts of interest (inducement) in the sales process; EIOPA provided advice that the European Commission may consider when evaluating whether to change the current rules;
- promoting a convenient and efficient sales process; an analysis of the functioning of the demands and needs and suitability tests was carried out with the aim of rationalising the current system;
- assessing the impact of complexity in the retail investment products market and defining measures to facilitate retail investors' access to less expensive and simpler products.

The advice requested from the ESA Joint Committee concerns aspects related to Regulation (EU) 1286/2014 on Packaged Retail Investment and Insurance Products (PRIIP), including IBIPs. Based on investigations into the use of the KID in the EU, the functioning of the comprehension alert and the application of the rules of the PRIIP Regulation, the opinion includes:

- an assessment of the effectiveness of administrative sanctions, other measures and any other enforcement action for violations of the PRIIP Regulation;
- an assessment of the extent to which the KID on PRIIP is suitable for digital media, with possible insights from the approach taken by the PEPP Regulation;
- assessments on the current extension of the scope of application of the PRIIP Regulation, with the inclusion or non-inclusion of pension products or other financial instruments.

The technical opinions of EIOPA and the Joint Committee were sent to the European Commission on 30 April 2022.

### *2.2.3. - EIOPA initiatives on the convergence of supervisory practices*

The implementation of the 2021 supervisory convergence plan has involved several EIOPA initiatives, with the active involvement of national Authorities including IVASS, and the launch of the following activities.

- *Peer Review on the Product Oversight Governance* (POG), which investigates how Authorities oversee POG and practices related to: target market identification, product testing, monitoring and review of insurance-based investment products and ancillary products;
- *Peer review on Outsourcing,* aimed at fostering the convergence of supervisory practices on outsourcing in the Member States. The comparative assessment of the information provided by the national Authorities will allow EIOPA to have a useful information framework to assess the need to draw the attention of member countries to inadequate or critical profiles;
- *Follow-up on the peer review on propriety of administrative, management or supervisory body* (AMSB) *members and qualifying shareholders*, currently under way, to assess Member States' compliance with the recommendations issued by EIOPA as a result of the peer review conducted in

2017-2018. There is also the intention to verify the convergence of supervisory practices, through the adaptation by national Authorities to European recommendations, on the suitability, in particular with regard to integrity and good repute profiles, of top executives and qualified shareholders of insurance companies.

### *2.2.4. - Other EIOPA works aimed at fostering convergence of supervisory practices*

The priority areas identified in the 2021 EIOPA Supervisory Convergence Plan follow a risk-based approach, highlighting:

- areas with a material impact on policyholders and financial stability;
- areas that may affect the fairness, level playing field or proper functioning of the internal market through possible supervisory arbitrage;
- key areas of supervision where practices differ substantially. The 2021 areas of interventions in which the Institute participated include:

*a) Opinion on the use of risk mitigation techniques by insurance undertakings of 12 July 2021*

The statement calls on supervisory Authorities to carefully assess new reinsurance structures, as the Solvency II regime has favoured the use of reinsurance also as a capital optimisation tool, apart from as a risk mitigation tool. Supervisors are asked to verify that there is a correct balance between reducing the Solvency Capital Requirement (or increasing Own Funds) and transferring risk. It is also recommended to assess that the Solvency Capital Requirement adequately reflects the credit risk and other risks arising from the use of risk mitigation techniques (RMT, article 101 (5) Solvency II).

*b) Supervisory Statement on supervisory practices and expectations in case of breach of the Solvency Capital Requirement (SCR) of 12 July 2021*

The statement promotes supervisory convergence on the recovery plan requested from undertakings in the event of a breach of the SCR. In the face of flexible supervisory practices in relation to the specific situation of the insurance company, however, it is reiterated that, where certain thresholds are exceeded, such as non-compliance with the Solvency Capital Requirement (SCR), a minimum supervisory approach must be applied to ensure equal protection of policyholders and beneficiaries across Europe.

*c) Chapter of the EIOPA Supervisory Handbook on intra-group transactions and risk concentration*

With regard to group supervision, the EIOPA Supervisory Handbook aims to support the supervisor in the supervision of intra-group transactions and risk concentration as well as to facilitate the convergence of practices in the identification and reporting phases, including the setting of thresholds, and monitoring of the solvency and financial position of the group or group undertakings. The document presents a comparison with supervision at the financial conglomerate level. The good practices, which are included in the document, are based on in-depth analyses also conducted in the work for the Solvency II revision and on the experiences of member states.

*d) Supervisory convergence – Pan-European Personal Pension Product (PEPP)*

The Institute collaborated in drafting the EIOPA Guidelines[105] on supervisory reporting on PEPPs, to ensure their common, uniform and consistent application with regard to the nature, scope and format of the information that PEPP providers are required to report to the competent Authorities under Regulation (EU) 2019/1238.

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

In 2021 the cooperation forum between the ESAs (Joint Committee) focused its attention on sustainable finance (par. 2.1.2), on Packaged Retail Investment and Insurance-based Investment Product (see CMU and Retail Investment Strategy in par. 2.2.3) and on financial conglomerates.

With regard to this latter issue, the Committee, in addition to taking care of the annual update of the list of conglomerates with parent companies in EU and EEA countries, continued to draw up the harmonised reporting models for supplementary supervisory information on intra-group transactions, risk concentration and capital adequacy. The final report with the proposed technical standards on intra-group transactions and risk concentration, published on 18 January 2021, was sent to the European Commission for adoption in the form of an Implementing Regulation.

## 3. - THE EVOLUTION OF NATIONAL REGULATIONS

### 3.1. - The transposition of EU regulations

*3.1.1. - The consumer protection Regulation*

The adaptation of national provisions to Regulation (EU) 2394/2017 (Consumer Protection Cooperation Network, hereinafter the CPC EU Regulation) ended in December 2021 with the approval of the 2019/2020 European law[106], which introduced a cross-cutting regulation, including the insurance sector, in the Consumer Code (art. 144-*bis*, par. 2).

With the CPC EU Regulation, the European legislator, in order to strengthen the tools available to national Authorities to protect consumers from cross-border infringements of European rules, has envisaged: (i) more efficient cooperation between national Authorities and the Commission; (ii) a coordinating role of joint action; (iii) the widening of the powers of investigation granted to national Authorities and the establishment of a new alert system, to facilitate an effective exchange of information within the Union and ensure mutual assistance. As part of their powers of investigation, national Authorities can use mystery shopping for the purchase of goods or services "by making sample purchases, where necessary anonymously".

National regulations extended the powers of investigation and intervention also to the hypothesis of domestic infringements and has allowed the competent national Authorities to

[105] https://www.eiopa.europa.eu/document-library/guidelines/guidelines-pepp-supervisory-reporting_en

[106] Law no. 238 of 23 December 2021, Provisions for the fulfilment of obligations arising from Italy's membership in the European Union - European Law 2019-2020, published in the Italian Official Journal of 17 January 2022, effective the following 1 February.

avail, for the mystery shopping activities, of subjects specifically appointed. The definition of the competences of the persons in charge and of the methods of acquisition of data, news and information is left to the said Authorities.

The public consultation on the national regulations on mystery shopping ended in April 2022.

#### *3.1.2. - National transposition of the amendments to the Solvency II Directive introduced by Directive (EU) 2019/2177*

European Law 2019/2020 made amendments to the CAP to implement the provisions of Directive 2009/138/EC (Solvency II) as amended by Directive (EU) 2019/2177.

The amendments introduced[107] change the cross-border supervision of the cross-border activities of insurance or reinsurance undertakings, with a view to strengthening cooperation and information exchange between national supervisory Authorities and vis-à-vis EIOPA.

The new rules strengthen IVASS's reporting obligations vis-à-vis the supervisory Authority of the Member State concerned and EIOPA, in particular, in cases of: (i) pursuit of significant business under the right of establishment or the freedom to provide services in other Member States by Italian insurance or reinsurance undertakings; (ii) deteriorating financial conditions or other emerging risks posed by the pursuit of relevant activities in another Member State by an Italian insurance or reinsurance company, when such activities may have a cross-border effect; (iii) serious and reasoned concerns with regard to consumer protection when a company with head office in another Member State pursues activities that are of relevance in Italy.

### 3.2. - National initiatives to support ministries

#### *3.2.1. - Implementing regulations on the insurance arbitrator*

As regards the discussions with the competent ministries for the setting up of an out-of-court dispute resolution system in the insurance sector, see Chap. V.11.

#### *3.2.2. - Ministerial regulation on the suitability of corporate officers and those who perform key functions*

In 2021 IVASS worked with the Ministry of Economic Development to draw up the Ministerial regulation implementing article 76 of the CAP on the eligibility requirements for corporate officers and persons involved in the key functions of insurance companies. The revision of MiSE (Ministry of Economic Development) Decree No. 220 of 11 November 2011 stems from the need to adapt to updates in the national and European reference framework[108]. The most important profiles concern: (i) a structuring of the implementation framework into objective and mandatory requirements of professionalism, integrity and independence, and

[107] The relevant provisions of the CAP are articles 14-*bis* (Scheme of operations), 46-*bis* (Approval to use full or partial internal models: general provisions), 59 (Requirements and procedure), 192 (Italian insurance undertakings), 193 ((Insurance undertakings from other member States)), 195 (Italian reinsurance undertakings), 195-*bis* (Reinsurance undertakings from other member States), 207-*octies* (Cooperation for the approval of an internal group model), 208-*quater* (Collaboration platforms set up by EIOPA), 217-*ter* (Centralised risk management: application for permission).

[108] Art. 76 of the CAP was amended by Legislative Decree no. 84 of 14 July 2020, which completed the acknowledgement of Directive (EU) 2017/828 (Shareholders' Rights Directive 2 – SHRD2), implementing art. 7 of Law no. 117 of 4 October 2019

criteria of competence and correctness, whose assessment is at the discretion of the Supervisory Authority; (ii) limits to carrying on a plurality of tasks simultaneously and the need to dedicate the time necessary to efficiently carry out the role assigned in order to guarantee the sound and prudent management of the undertaking; (iii) the self-assessment by the company's administrative bodies and the control on their adequate composition.

The regulatory framework will make it possible to fully implement the Solvency II provisions and guidelines at national level, enabling a more detailed assessment of the suitability of top executives of companies and guaranteeing a level playing field with the banking sector.

### *3.2.3. - Implementing regulations on the Body for the registration of insurance intermediaries (ORIA)*

In implementation of Art. 108-bis of the CAP[109], which provided for the establishment of the Body for the registration of insurance, reinsurance and ancillary insurance intermediaries (ORIA), discussions continued with the MiSE for the drafting of the proposal for the Presidential Decree, which will regulate its organization. The most important profiles concern: i) the procedure for the appointment of members; ii) the transfer to ORIA of the functions and powers temporarily attributed to IVASS; iii) the means by which the Body collects and administers the fees to be paid by intermediaries; iv) supervision on this Body exerted by IVASS.

The detailed aspects will be left to the IVASS implementing regulation aimed at defining the procedures for the exercise of supervision over ORIA (Article 108-*bis*(2) of the CAP), its functioning and the forms of mutual cooperation with the Institute (Article 108-*bis*(4) of the CAP).

### *3.2.4. - Ministerial regulation on PEPP*

European Regulation (EU) 2019/1238 on the Pan-European Personal Pension Product (PEPP), applicable from 22 March 2022, establishes and regulates a voluntary long-term individual pension product, characterised by a system of full portability within the borders of the European Union. In particular, it gives Member States the task of regulating the supervisory system on PEPPs to monitor their proper implementation by a wide range of providers, such as insurance companies, banks, pension funds, investment firms and SGRs (asset management companies).

In order to promote the provisions of the European regulatory framework and to implement the delegation contained in Law No. 53 of 22 April 2021 (European Delegation Act 2019-2020)[110], the Institute, together with the other Authorities of the financial sector, collaborated with the MEF (Ministry of Economy and Finance) in the preparation of the draft legislative decree whose consultation ended on 12 March 2022[111].

[109] Article 108-*bis* of the CAP envisages the establishment of a Body (ORIA) for the registration of insurance, reinsurance and ancillary insurance intermediaries and for the fulfilment of the obligations relating to the enclosed lists, as well as for the promotion and dissemination of the principles of fairness and professional diligence among the intermediaries.

[110] Article 20 of Law No 53 of 22 April 2021 'Principles and guiding criteria for adapting national legislation to the provisions of Regulation (EU) 2019/1238, on the Pan-European Personal Pension Product (PEPP)'.

[111] The text regulates the designation of competent authorities to exercise supervisory powers, stipulating that: (i) COVIP is the authority competent to oversee the obligations imposed by Regulation (EU) 2019/1238 on PEPP providers and, in particular, for

### *3.2.5. - Rules on simple and transparent securitisation*

Regulation (EU) 2017/2402 (Securitisation Regulation), applicable as of January 1, 2019, lays down a general European regulatory framework for all securitisation and creates a specific framework for simple, transparent and standardised securitisations (STS).

In implementation of the 2019-2020 European Delegation Act[112], in March 2022, the MEF consulted IVASS and the other supervisory Authorities of the financial sector to define the draft decree that will adapt the TUF (Consolidated Law on Finance) to the Securitisation Regulation. The changes are aimed, in particular, at: (i) designating the competent Authorities that, in accordance with the powers conferred by the national legal system, must supervise compliance with the obligations imposed on the entities involved in securitisations; (ii) regulating the aspects relating to the supervisory system for such transactions to monitor their proper implementation by supervised and unsupervised operators.

With regard to the insurance sector, it is envisaged that IVASS will monitor insurance and reinsurance undertakings that subscribe, as institutional investors, to securities issued in the context of securitisations, as well as participate in such transactions as originators or original lenders.

In order to ensure compliance with the provisions of the legislative decree, IVASS is given the power to issue implementing provisions.

### *3.2.6. - The decrees for the implementation of the law on medical liability*

In 2021 IVASS collaborated with the competent Administrations for the preparation of the four decrees envisaged for the transposition in the insurance sector of Law no. 24 of 8 March 2017 reforming the healthcare sector. The decrees, concerning policy conditions and maximum amount covered, guarantee fund, communication of data to Agenzia Nazionale per i servizi sanitari regionali (National Agency for Regional Healthcare Services – AGENAS) and supervisory powers of IVASS, are being prepared[113].

PEPP registration and de-registration procedures; (ii) COVIP is the only entity entrusted with the exchange of information with the European Authorities; (iii) the Bank of Italy, Consob and IVASS carry out some of the supervisory activities provided for in the European Regulation, consistent with relevant sectoral law and the allocation of responsibilities at national level. In particular, IVASS is competent in matters of sound and prudent management, risk containment and stability of entities falling within its supervisory competence and offering PEPP products.

112 Art. 25 of Law 22 April 2021, No. 53 "Guiding principles and criteria for adapting national legislation to the provisions of Regulation (EU) 2017/2402, laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No. 1060/2009 and (EU) No. 648/2012". In particular paragraph 2.

113 The first of the four decrees regulates the minimum contractual requirements and amounts of cover for compulsory policies for healthcare facilities and healthcare professionals, as well as risk self-retention, and was recently approved by the Conference State-Regions and will subsequently be examined by the Council of State. The text is structured, taking into account the different requests of the subjects involved, in: (i) health professionals, who require less recourse to defensive medicine; (ii) injured parties, who must be able to count on adequate resources for compensation; (iii) insurance companies, which have to bear high costs to operate in this sector, and (iv) the regions, which, in the event of failure to find insurance cover on the market, have to provide for forms of risk self-retention. In the latter case, the healthcare facilities must possess the relevant professional skills and fulfil a series of obligations to manage the risks. The final approval of this first ministerial decree is a prerequisite for the finalisation of the other implementing decrees.

### 3.2.7. - The FinTech Regulation

Ministerial decree no. 100 of 30 April 2021, "FinTech Regulation", has implemented Article 36, paragraph 2-bis et seq. of Decree Law no. 34 of 30 April 2019[114] "Growth". The Regulation, drawn up by the Ministry of Economy and Finance in close collaboration with IVASS and the other Authorities of the banking and financial sector, lays down provisions on: (i) the functioning and tasks of the Committee, established at the MEF with the participation of the Supervisory Authorities; (ii) the conditions and methods for carrying out the FinTech experimentation in Italy (*regulatory sandbox*); (iii) the role of the Supervisory Authorities involved and the tasks assigned to them; (iv) the register of the subjects admitted to the experimentation.

In view of the new tasks assigned to the Supervisory Authorities, the Institute has issued IVASS Regulation 49/2021, which regulates the procedures for the adoption of measures within its jurisdiction aimed at implementing the sandbox. With regard to the authorization to test innovative products and services in the insurance sector, the Regulation lays down that operators shall submit an application during the time slots established by IVASS. The first time slot was active from 15 November 2021 to 15 January 2022. Three projects that met the requirements defined in the regulation[115] were accepted for testing in the sandbox. These are:

- a digital register and ownership register of velocipedes (bicycles, e-bikes, electric scooters), based on blockchain technology, proposed by Sara Assicurazioni S.p.A.;
- an 'insurance folder' for the customer on the platform of the intermediary, where all the precontractual and contractual documents relating to the insurance contracts taken out are stored, proposed by SIA S.p.A.;
- certification for the consumer who comes into contact with an insurance intermediary, of the correct registration and data in the Single Register of Intermediaries (RUI) managed by IVASS, reducing the risk of fraud in the insurance sector, proposed by X Consulting S.r.l.

### 3.2.8. - The decree on voluntary work

Legislative decree no. 117 of 3 July 2017 (Third Sector Code), issued in implementation of the Law no. 106 of 6 June 2016 delegating the Government to reform the Third Sector, social enterprise and to regulate universal civil service, repealed and replaced Law no. 266 of 11 August 1991 (framework law on voluntary work). The decree[116] confirmed the obligation of third sector organisations to insure volunteers against accidents and illnesses related to the performance of voluntary work as well as third-party liability. By means of inter-ministerial decree of 6 October 2021, the result of the collaboration between the MiSE and IVASS, the methods have been identified through which the insurance obligation can be fulfilled in favour of those who volunteer with third sector entities, including so-called occasional volunteers provided that they are listed in the appropriate register. Institutions will be able to fulfil this obligation by means of policies in collective or numerical form with which a multiplicity of insurance relationships

[114] Converted with changes in Law 28 June 2019 n. 58.

[115] https://www.ivass.it/operatori/sandbox/index.html

[116] Article 18(2) of the Third Sector Code.

concerning a plurality of insured persons, either determined or determinable, are regulated by a single contract.

The decree provides that IVASS, during the ordinary course of its activities and functions, shall exercise supervision over insurance undertakings also with regard to the insurance covers in question.

#### *3.2.9. - Anti-mine Law*

Coordination with the Bank of Italy and COVIP began in 2021 to implement Law No. 220 of 9 December 2021 on measures to counter the financing of companies producing anti-personnel mines, cluster munitions and sub-munitions.

IVASS, together with the Bank of Italy and COVIP, has been designated as the supervisory body for the activities of intermediaries, subject to this financing ban.

### **3.3. - Other regulations and regulatory interventions by IVASS**

#### *3.3.1. - Accounting initiatives*

##### *a) Accounting standards IFRS 17 and IFRS 9*

In November 2021, the European Commission endorsed the international accounting standard applicable to insurance contracts (IFRS 17), which had been awaited for many years. For contracts with intergenerational mutualisation or cash flow matching, drafters of financial statements are allowed not to apply the requirement to group into annual cohorts, as envisaged by IFRS 17. This option, strongly supported by the industry in Italy and other countries, was also endorsed by IVASS.

As of 1 January 2023, the use of a common accounting language for recognising insurance contracts in the financial statements will facilitate the comparability of data on the companies' financial position, profit and loss and cash flows. From the same date, almost all Italian insurance companies will also apply accounting standard IFRS 9 'Financial Instruments' for the first time, instead of IAS 39.

In 2021, the Institute, in connection with its powers in relation to IAS/IFRS insurance financial statements, launched an analysis of the state of implementation of the two accounting standards by insurance companies as well as a study of the changes to be made to ISVAP Regulation no 7 of 13 July 2007 on IAS/IFRS financial statements.

An initial analysis of the answers provided by the companies to the questionnaire on the status of the internal implementation processes of IFRS 17 and IFRS 9 reveals the relevance of the costs for the adoption of the accounting rules contemplated by IFRS 17, the existence of synergies with the insurance contract measurement methods envisaged by Solvency II, and the more advanced development of the implementation activities of the larger companies compared to the smaller ones.

On 7 June 2022, an Order[117] was published concerning the amendments and additions to the presentation and disclosure of IAS/IFRS financial statement items in the notes on the accounts, under IVASS Regulation 7/2007; the aim is to promote information transparency and quality of financial statements and to ensure an adequate level of comparability of sector data for the benefit of users.

*b) Analysis of the impact of IFRS 17 on financial stability*

The Institute participated in the work initiated at the instigation of a 2018 European Parliament resolution, which asked the European Systemic Risk Board (ESRB) to assess the implications of the new accounting standard IFRS 17 on financial stability. At the end of 2021, the report on Financial Stability Implications of IFRS 17 Insurance Contracts was published, which states that the new accounting standard will contribute to greater comparability of insurance financial statements and improve disclosures to the market. The report draws attention: i) to the determination of interest rates used for discounting future cash flows; ii) to the quantification of adjustments for non-financial risk; iii) on the grouping of contracts into annual cohorts. Actions such as the publication of guidelines, benchmarking, monitoring and appropriate disclosure activities are suggested to ensure proper implementation of the principle by insurance companies and thus foster financial stability.

*c) Relations with the Organismo Italiano di Contabilità (OIC) – Italian Accounting Standards Setter*

In 2021, three Opinions[118] were issued to the OIC in connection with Interpretative Documents no. 7 (Law No. 126 of 13 October 2020 'Accounting Aspects of the Revaluation of Corporate Assets and Equity Investments'), No. 8 (Law No. 77 of 17 July 2020 'Transitional Provisions on the principles for the drafting of financial statements – Going concern') and No. 9 (Law No. 126 of 13 October 2020 'Transitional Provisions on the Principles for Drafting Financial Statements – Suspension of Depreciation').

*d) Information on sustainability*

The proposal for a Corporate Sustainability Reporting Directive (CSRD), drawn up as part of the measures on sustainable finance published by the European Commission in April 2021, reviews and reinforces the requirements for sustainability reporting already envisaged since 2017 by the Accounting Directive (Directive 2013/34/EU), as amended by the Non-Financial Reporting Directive (Directive 2014/95/EU). The Institute provided support to the MEF (Ministry of Economy and Finance) in the European negotiations on the Commission's proposal that prompted the Council to agree on the general approach on CSRD.

Notable CSRD interventions include: (i) the extension of the entities required to provide financial sustainability disclosures on an individual and consolidated basis; (ii) the inclusion of information in the management report with a greater level of detail; (iii) the adoption of sustainability reporting standards by the European Commission on the proposal of EFRAG;

[117] https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2022/provv-121/index.html

[118] The OIC By-Laws provide for a request for an opinion from the Authorities and Ministries for the areas of their respective competence in relation to the National Accounting Standards or any other document with interpretative and applicative value issued by the OIC.

(iv) the verification of the adequacy of the information by independent auditors; (v) the digitisation of sustainability disclosure.

On the subject of information on sustainability, the Institute supported EIOPA in preparing its opinion[119] to the European Commission on Key Performance Indicators (KPIs) for insurance companies under the Taxonomy Regulation[120]. The European Commission issued Regulation (EU) 2021/2178 in July 2021, essentially confirming the indicators proposed by EIOPA.

*e) Other initiatives*

The Institute participated in the Coordination Group on the application of IAS/IFRS with the Bank of Italy and Consob for the drafting of document no. 9, which regulates the accounting treatment of tax credits connected with the Decree-Laws "Cura Italia" and "Relaunch"[121], and published a clarification on the treatment of tax credits for the purposes of covering technical provisions, their use within the sphere of separately managed accounts and their accounting treatment in the financial statements drawn up according to local GAAPs[122].

### *3.3.2. - The revision of the regulations on life products*

Work on the revision of life insurance contract regulations led, in March 2022, to the launch of the public consultation on the draft proposal revising the regulation of index and unit-linked products and on a discussion document containing early considerations for future regulatory initiatives relating to life products. The consultation closed on 9 June 2022.

The draft regulation on contracts where the investment risk is borne by the policyholder who is a natural person (linked contracts) proposes updates related to changes in national and EU legislation, including:

- investment regulations, aligned where possible with the reference primary regulatory framework for UCITS targeted at retail customers;
- the rationalisation and transparency of costs, with particular attention to the disclosure of the costs borne by the assets of internal funds and the commissions charged by insurance companies, with a view to maintaining the value of the insurance product over time. The Institute has taken into account the considerations reached at European level in the EIOPA document on the value for money of unit-linked products, as well as the ESMA Guidelines of 5 November 2020 on the subject of performance fees of UCITS and certain types of alternative investment funds;

119 *Insurers' sustainability reporting: EIOPA's technical advice on key performance indicators under article 8 of the Taxonomy regulation.*

120 Article 8 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (Transparency of undertakings in non-financial statements)which delegates the Commission to specify the content and presentation of the information to be disclosed, with particular rigard to financial undertakings.

121 https://www.ivass.it/normativa/nazionale/convenzioni-nazionali/documenti/doc-congiunti/Documento_9_Tavolo_IAS_crediti_fiscali.pdf

122 https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/2016/n24/Chiarimento_applicativo_credito_d_imposta_sito.pdf

- the scope is extended also to EU companies operating in Italy under the right of establishment and/or the freedom to provide services, in order to ensure equal rules and competition between Italian and other Member State operators placing linked products on the domestic market.

The discussion paper:

- contains a proposal to define in more detail the minimum amount of the death benefit as a component also of class III insurance products;

- submits for stakeholder evaluation considerations on possible regulatory interventions on life products, which concern Regulation 38/2011 in particular, on the subject of separately managed accounts, and are aimed at allowing the use of the profit fund and the consequent methods for calculating the average rate of return of the separately managed accounts, also for ongoing contracts, in compliance with consumer protection safeguards. This possibility is incorporated in the general framework already outlined with the 2018 reform, with the aim of favouring the offer of guaranteed with-profit life products.

The draft reform of the life product regulations also includes matching adjustment and profit-sharing products. Initiatives are aimed at facilitating the structuring and marketing of new product types, which are widespread in markets of other Member States, thus enriching the insurance offer.

### *3.3.3. - Further regulatory measures*

In 2021, two measures were taken to complete the adaptation of insurance regulation to the Solvency II framework. In April, the Institute published IVASS Regulation 47/2021 governing the recovery plan and finance scheme of individual insurance companies and groups, implementing article 223-*ter* of the CAP. The new rules are designed to facilitate the timely realignment of capital requirements in the presence of violations of the minimum requirements, identifying the timing, methods and responsibilities for the preparation and approval of these plans.

IVASS Regulation 48/2021 governing the process for the adoption of capital add-ons, in particular in the presence of deviations from the governance standards of insurance companies[123] was published in July. The framework aims to ensure that regulatory capital requirements adequately reflect the overall risk profile of the insurance company.

The Regulation concerning the notification to IVASS of data and information on non-life premiums collected by undertakings through individual intermediaries or without any mediation was adopted in May 2022. Disclosure obligations similar to those provided for life insurance companies for the purpose of preventing the risk of money laundering and terrorist financing, are extended to non-life insurance companies. The intervention is aimed at strengthening the Institute's information assets for the exercise of its supervisory activities.

[123] Articles 47-*sexies* and 216-*septies* of the CAP.

A public consultation has been launched on the draft regulation laying down provisions concerning the setting up of the new motor liability comparator; given the importance of the aspects dealt with and the innovations introduced, the Institute also carried out a preliminary RIA. Following numerous and relevant stakeholder comments, a second public consultation on the revised regulatory text was launched in March 2022 and concluded in April 2022.

### *3.3.4. - Regulatory Impact Assessment and Verification (RIA and RIV)*

IVASS' regulatory activities are based on the principles of transparency and proportionality, which envisage the consultation of the parties concerned, except in the cases of regulatory acts of a purely applicative nature or for which the conditions of necessity and urgency exist, as well as an impact analysis (RIA – Regulatory Impact Assessment) and a regular review of regulations (RIV – Regulatory Impact Verifications).

In 2021, three Regulations were issued, seven regulatory Orders, three of which amending existing Regulations and one concerning the mitigation of the risk of money laundering, and 16 letters to the market[124]. Four RIAs and one RIV were carried out, as indicated in the reports accompanying the relevant regulations.

The opportunities for exchange and discussion with the RIA Observatory continued, whose input was taken into account in the adaptation of the Institute's internal procedure and in the drafting of the RIAs and RIVs on regulatory acts. The Institute provided the RIA Observatory with information on the processes and organisation of institutional communication, internal organisation aspects for the management of the pandemic, and insights into transparency and accountability.

The public consultation on the new draft regulation on the procedures for the adoption of IVASS' regulatory and general acts was launched in May 2022; the initiative brings about a simplification and rationalisation of the regulatory processes within the Institute's remit, to ensure greater quality and efficiency of the regulatory choices made.

### *3.3.5. - Letters to the market*

#### *a) Letter to the market following EIOPA's Opinion on risk-mitigation techniques*

In July 2021 IVASS published a letter to the market[125] to draw the attention of insurance undertakings to the content of EIOPA's Opinion on the correct use of risk-mitigation techniques (see par. 2.2.5)[126].

#### *b) EIOPA Guidelines on Information and Communication Technology Security and Governance*

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[124] The 16 letters to the market were not subject to RIA since they are exclusively for interpretation or application purposes

[125] https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm-28-07/Lettera_al_mercato_del_28_luglio_2021_Mitigazione_del_rischio.pdf

[126] EIOPA has: (a) recommended that the industry comply with the Solvency II provisions governing the proper use of such techniques; (b) emphasised the need for companies to ensure consistency between the reduction of the capital requirement and the actual risk transfer that the use of such techniques entails; (c) stressed the need for constant dialogue between supervisors and companies in order to ensure a fully-informed and prudent use of the techniques in question, in particular of the various types of reinsurance. IVASS will implement the guidelines in its ordinary supervision activities and will coordinate with the corresponding Authorities of the other EEA States and with EIOPA in order to ensure the uniform application of the principles contained therein.

In October 2020 EIOPA published the *Guidelines on Information and Communication Technology Security and Governance,* with effect from 1 July 2021. The need to draw up specific guidelines on ICT security and governance arose from the uneven and fragmented standards adopted by Member States. The document is part of the broader context that has introduced governance rules (Solvency II Directive and Delegated Regulation) and guidelines on outsourcing to cloud service providers, and focuses on the need to introduce robust cyber security safeguards, with particular reference to cyber attacks.

The Italian rules on information systems and cyber security, mainly contained in IVASS Regulation 38/2018, were found to be substantially in line with the aforementioned guidelines. In view of their operational content, the Institute, in a letter dated 3 June 2021[127], drew the companies' attention to the contents of the EIOPA Guidelines and, pending a broader regulatory review that takes into account all current regulatory developments in the IT field, placed particular emphasis on the provisions not expressly mentioned in the Regulation concerning the introduction of a dedicated IT security function, the change management process and the impact analysis in the area of ICT risks.

*c) Letter to the market on assets involving complex and/or illiquid financial instruments*

IVASS, in a letter to the market dated 14 July 2021[128], drew the attention of companies to the need to adopt correct procedures for the prudential treatment of investments in complex and/or illiquid financial instruments. These instruments require an accurate determination of their fair value in the Solvency II balance sheet for the purpose of proper representation of own funds and an identification and measurement of all risk factors to which they are exposed.

### *3.3.6. - Frequently Asked Questions*

*a) Clarifications concerning the changes introduced by IVASS Order 97/2020*

In 2021, the Institute provided interpretative and applicative support for the new insurance distribution regulations. Following the publication of an initial set of clarifications in March 2021, the Institute held meetings with the main trade associations of insurance and banking intermediaries, undertakings and consumers to gather further requests for clarification and regulatory simplification. As a result of these meetings, a second set of clarifications was issued in December 2021.

The most important profiles concern: (a) the new registration requirements set out in Article 83 of Regulation 40/2018; (b) the scope of advice provided in the exercise of the insurance distribution activities with respect to the assessment of the policyholder's needs and requirements; (c) the distinctive features of remote selling; (d) the subjective and objective scope of the regulation on inducements; (e) the target market governed by POG regulation and certain aspects of the relationship between insurance companies and intermediaries; (f) pre-contractual information; (g) the provisions applicable in the context of the policies for the organisation,

[127] https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm04-06/Lettera_al_mercato_del_3_giugno_2021.pdf

[128] https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm-14-07/Lettera_al_Mercato_del_14_07_2021.pdf

management and distribution policies and the related obligation to draw up the report referred to in Article 46 of Regulation 40/2018.

As a result of the dialogue it has had with market operators, the Institute has begun work on a more general initiative to simplify its regulatory provisions relating to insurance distribution, aimed at reducing burdens while preserving transparency and policyholder protection.

*b) Further FAQs published in 2021*

In 2021, IVASS also updated the FAQs on the activities of intermediaries from the Republic of San Marino[129] and of companies with their registered office in an EEA country, operating under the right of establishment and the freedom to provide services[130].

### 3.4. - Relations with other Authorities and bodies

Opinions were issued to the Italian Antitrust Authority (AGCM) on ten transactions involving insurance companies and banks in connection with as many acquisition projects.

The opinions issued to Consob concerned the subject matter of IBIPs, on the basis of the division of competences laid down by the CAP and the TUF (Articles 121-*quater* CAP and 25-*ter* TUF), which provides for the issuance of IVASS or Consob regulatory acts on the distribution of IBIPs subject to agreement between the two Authorities, in order to ensure uniformity of the applicable regulations. In 2021, the Institute issued three opinions to Consob on amendments to the Issuers Regulation and the Intermediaries Regulation concerning: (i) the arrangements for access by Consob to key information documents (KID) for packaged retail and insurance-based investment products (PRIIP); (ii) the postponement of the transitional regime for the fulfilment of the new access obligations referred to in point (i); (iii) the knowledge and competence requirements of staff members working within the premises of entities authorised to distribute insurance-based investment products.

[129] https://www.ivass.it/operatori/intermediari/faq/regolamento-5/index.html

[130] https://www.ivass.it/operatori/imprese/operare/stabilimento/index.html

# *IV. PRUDENTIAL SUPERVISION*

## 1. - PRUDENTIAL SUPERVISION

In an economic and financial context characterised by the continuation of the pandemic crisis, the Italian insurance market, also taking into account the episodes of volatility that have characterised the financial markets, has shown a generally resilient solvency position. The average solvency ratio increased between the end of 2020 and the first quarter of 2021, and then remained essentially stable until the end of the year. In view of the tensions in the financial markets following the Russian invasion of Ukraine, IVASS continues to monitor the solvency of supervised companies on a monthly basis for 2022.

The choices made by companies to take into account the effects of the pandemic crisis on the main Solvency II indicators are the subject of particular attention within the prudential control process. The calibration of the non-life premium risk was investigated, as a result of adjustments made by some companies to adjust volatility parameters, which were considered no longer adequate to represent the prospective evolution of risks. Similarly, the assumptions underlying the calculation of the BELs (Best Estimate of Liabilities) for life business were analysed due to changes, recorded or expected, in mortality and surrender trends.

The strategic lines of supervisory action foresee a strengthening of the analysis of solvency requirements, with a focus on those situations where the SCR ratio fell the most in the 2021 EIOPA stress tests. As regards the analyses of the overall solvency position, the initiatives, launched in 2021, on the assessment of own funds will continue, with a focus on the reconciliation reserve and the BEL calculation methodologies.

Analyses on the own risk and solvency assessment (ORSA), which in 2021 focused on verifying that forward-looking assessments took into account the economic, technical and financial effects of the pandemic, will be strengthened with reference to the scenarios used in sensitivity and stress analyses. The ways of integrating climate change risks on prospective solvency will also be explored. The Institute believes that safeguards in sovereign risk management should be further strengthened through more robust second-pillar analyses to verify the resilience of solvency requirements consistent with the higher spread levels observed in recent years.

With regard to investment strategies, further insights continued into exposures to complex or illiquid instruments, with a focus on their correct classification in Solvency II reporting and their treatment for the calculation of the capital requirement. Discussions with companies on ESG (Environmental, Social and Governance) profiles will be initiated to assess the integration of sustainability risk into investment policies and processes.

In continuation of the activities carried out in 2021, the focus on information and communication technologies (ICT) and on security measures to prevent cyber attacks or limit their effects on the management and quality of the service provided remains high. A survey will be launched to acquire up-to-date information on outsourcing and cloud computing.

## 1.1. - Supervisory actions in the context of the health emergency

The Institute's activities and the intensity of its supervisory action were determined by the prolonged pandemic crisis. The monitoring measures, initiated in 2020, regarding the solvency and liquidity situations of insurance companies and groups were maintained, in order to promptly identify the possible impacts of market variables on the value of investments and insurance liabilities.

Supervisory analyses also benefited from the information collected during the 276 preliminary investigations conducted in relation to proceedings at the request of a party or prior communications required by current regulations.

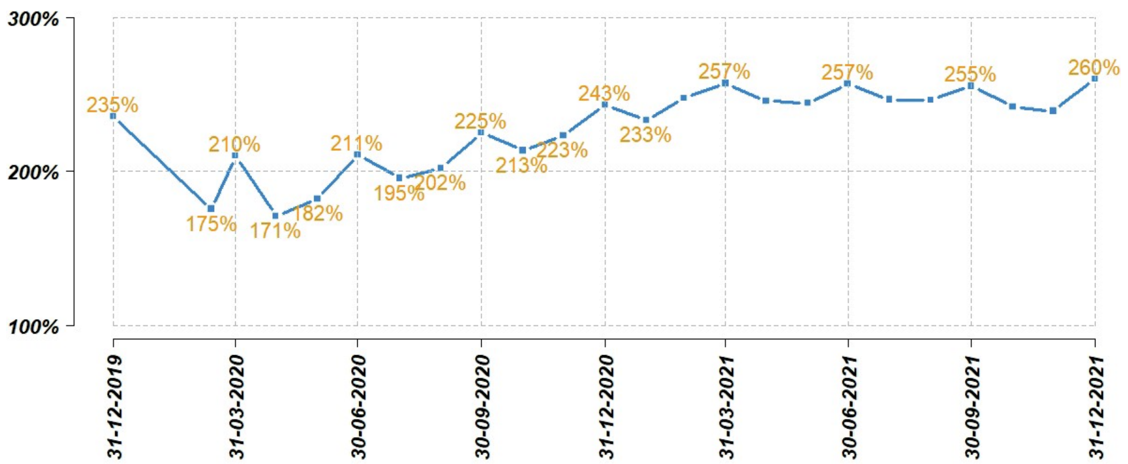
### *1.1.1. - Monitoring of the Solvency Capital Requirement*

The average market solvency ratio, which was 243% at the end of 2020, stood at 257% at the end of the first quarter, and then remained essentially stable during the year. The increase in the spread on Italian government bonds in the last quarter of 2021 did not have a significant impact on the Solvency Ratio due to an improvement in the other financial variables, in particular the general rise in the values of risk-free rates.

At the same time, there was a significant reduction in the volatility of the Solvency ratio compared to 2020.

**Figure IV.1**

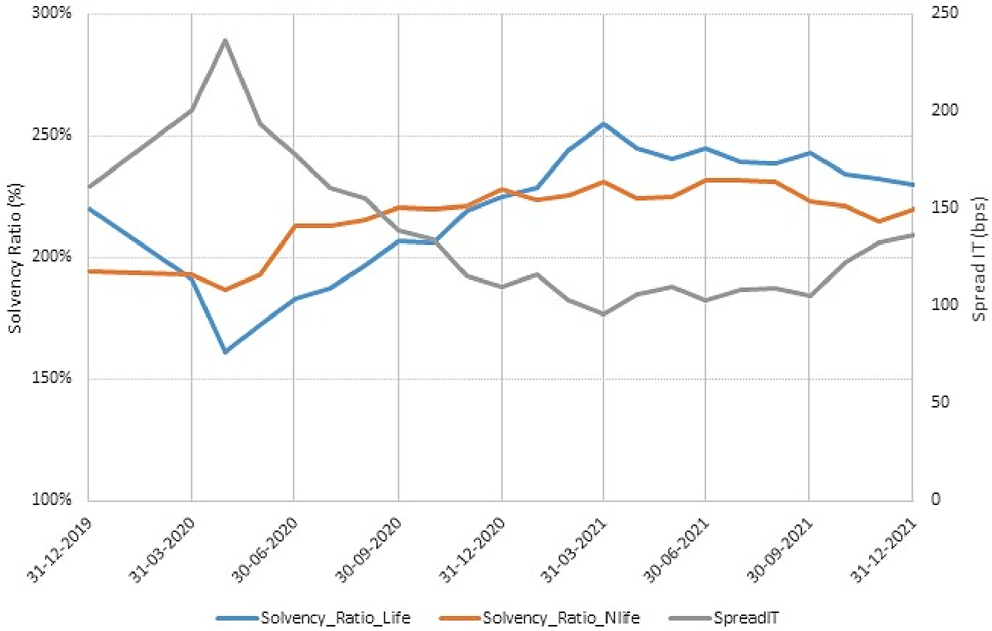
**Solvency Ratio**




The analysis of the solvency ratio broken down by non-life and life companies confirms the substantial stability of the ratio for the former, and a structural higher volatility for the latter, in view of a more pronounced exposure to financial risks. The following graph, which compares the solvency ratio values of life and non-life companies from the end of 2019 with the spread of Italian government bonds, shows a greater dependence of the ratio of life companies on the spread trend, with a negative correlation, whereby as the former increases, a reduction in the ratio is observed.

**Figure IV.2**

**Trend in the Solvency Ratio and comparison with the spread in Italy**




At the individual company level, only two entities reported solvency ratios below 130%, a value identified as the threshold of increased vulnerability. At group level, in only one case did the solvency ratio fell below this threshold. These companies and the group implemented, also at the Institute's request, capital strengthening measures totalling EUR 820 million, of which 45 million related to the issue of Tier II subordinated loans. These actions, which were completed in early 2022, brought the individual and group solvency ratios back above the thresholds set in the risk appetite framework (RAF) by each company.

### *1.1.2. - Liquidity monitoring:*

The monitoring of the liquidity, initiated by EIOPA in June 2020 on a monthly basis, continued in 2021 on a quarterly basis. For the Italian market, the analysis, carried out for both macro (see par. IV.2.1.1) and micro-prudential purposes, involved all life and composite companies as well as some non-life companies representing 80% of the business.

Liquidity risk was assessed with a forward-looking approach by analysing the impact of estimated cash flow movements in and out, and in terms of the company's ability to meet its commitments without having to resort to the early sale of assets.

The analyses did not reveal any situations of particular concern.

### *1.1.3. - ESRB recommendation on dividend policy and remuneration of key managers*

The ESRB extended to the end of September 2021 the recommendation issued in 2020 to use extreme caution in the distribution of dividends and in the payment of the variable remuneration component of key managers to limit the impacts on the economic and solvency situation of undertaking, taking into account the persistence of the pandemic.

IVASS, in aligning with the ESRB's renewed recommendations, requested companies proposing to carry out one of the above-described operations, to carefully and responsibly assess their impacts and to previously contact IVASS to verify consistency with the objectives of the recommendation. The approach taken by the Institute, in line with the previous year, has made the possibility and extent of dividends dependent on the capital adequacy, profitability and liquidity position of the company. Account was also taken of the company's exposure in securities issued by banking counterparties with ratings equal to or lower than BBB or in sectors particularly exposed to the epidemic crisis. In order to verify the existence of the prerequisites to proceed with the distribution of dividends and/or the payment of the variable remuneration component to key managers, the impacts on solvency of the distributions were considered, also on a forward-looking basis.

Forty companies representing 62.5% in terms of total premiums indicated their intention to distribute dividends. It was checked for all the companies that the qualitative-quantitative reduction of capital as a result of the distribution of dividends or other elements of capital, did not reduce their own funds to a level inadequate to face risks in the medium term. The Institute requested some companies to reduce the dividend pay-out because it considered that the proposed distribution did not meet prudential criteria; other companies were recommended to defer payment of part of their dividends until 30 September 2021, subject to verification of the absence of the limits and conditions set by IVASS.

With reference to the payment of the variable remuneration component, the Institute has initiated discussions with the 26 companies that have expressed their intention to proceed with the payment of this component. The analyses showed that the remuneration policies were consistent with the objectives of the ESRB Recommendation.

## 1.2. - Supervision on the shareholdings and on the structure of groups

In the supervision on the shareholdings and structure of groups, IVASS ascertains whether the conditions guaranteeing a sound and prudent management of insurance undertakings and groups are met. In cases of acquisitions of qualifying holdings or controlling interests in insurance undertakings, the assessments focused on the quality of the potential purchaser, the financial soundness of the proposed acquisition, the strategies of the purchaser and the governance structures of the company following the acquisition. The guidelines issued jointly by EBA, ESMA and EIOPA, aimed at harmonising the evaluation criteria and supervisory procedures, are also taken into account.

### *1.2.1. - Changes in ownership structure of controlling or qualified interests*

The Institute examined 18 operations for the acquisition of controlling interests and one acquisition of qualifying holdings in insurance companies, which resulted in significant changes in the structure of some Italian insurance groups.

The most significant transaction concerned the acquisition by Assicurazioni Generali S.p.A., following the takeover bid (OPA), of a controlling stake equal to 84.47% of the share capital of Cattolica Assicurazioni S.p.A. This transaction also involved the indirect acquisition of the control of eight insurance companies belonging to the Cattolica Group. The takeover bid was launched by Generali on 31 May 2021 with the aim of consolidating its position in the Italian insurance market, becoming the leading group in non-life insurance and strengthening its position in domestic life insurance.

In addition, the decision taken in 2020 by the Aviva group to exit the Italian market to focus its business in the UK, Ireland and Canada was implemented by way of cession:

- to the Allianz Group of the non-life company Aviva Italia S.p.A., renamed Allianz Viva S.p.A. With the acquisition, the German group has bolstered its presence in the Italian non-life market, where it is the third largest player;

- to the CNP Assurances group of life companies Aviva Life S.p.A. (now CNP Vita Assicurazione S.p.A.) and Aviva S.p.A. (now CNP Vita Assicura S.p.A.). With these acquisitions, the French group aimed to reinforce its presence in the Italian life sector and its relationship with the intermediary Unicredit S.p.A., with which it has a partnership through CNP Unicredit Vita S.p.A.

Intesa Sanpaolo Vita S.p.A.'s acquisition of control of Cargeas Assicurazioni S.p.A., Assicurazioni Vita S.p.A. (formerly Aviva Vita) and Lombarda Vita S.p.A. resulted in a further strengthening of the Intesa conglomerate in the insurance market. Assicurazioni Vita and Lombarda Vita were acquired as a result of the takeover bid launched by Intesa Sanpaolo on Unione di Banche Italiane and subsequently merged into the insurance parent company Intesa Sanpaolo Vita.

The acquisition by REVO S.p.A., a Special Purpose Acquisition Company (SPAC) set up in March 2021, of Elba Assicurazioni S.p.A. was aimed at developing a company specialising in offering insurance products with a strong InsurTech focus.

Amissima Vita S.p.A. and Eurovita S.p.A., which are controlled by private equity funds, were affected by transactions involving the top of their respective control chains. For Amissima Vita, the acquisition of the control by Tango Holdings Inc. was prepared, a vehicle set up by the parent company Fondo Apollo to simplify the fund's shareholding chain. For Eurovita S.p.A., the acquisition of control by Cinven Partnership LLP, a new company of the private equity fund Cinven that already controls Eurovita, was evaluated.

Istituto Bancario del Lavoro S.p.A. was authorised to increase its stake in the share capital of Net Insurance S.p.A. to 29.99% The transaction strengthens the partnership with the company in the distribution of cover for financial losses related to salary-backed loans.

By order of 1 June 2021, the Institute rejected, pursuant to Art. 68 of Legislative Decree no. 209 of 7 September 2005 and Articles 58 and 59 of Directive 2009/138/EC, the application for authorisation to the acquisition of a direct 100% interest in the share capital of ArgoGlobal Assicurazioni S.p.A. by Perfuturo Capital AG.

### *1.2.2. - Evolution of the structure of groups*

The acquisition of insurance companies located in foreign markets or of companies instrumental to the insurance business continued to produce changes in the structure of insurance groups. Further changes are due to investments in sectors other than insurance and to corporate reorganisations to simplify the structure of the groups and make their management more efficient.

In the area of insurance shareholdings, three projects for the acquisition of control in foreign companies were evaluated, aimed at consolidating the position of the Generali Group in markets belonging to the EEA and in third countries (Malaysia, India).

As regards the changes aimed at simplifying the structure of the groups, mention should be made of the mergers by incorporation of Bancassurance Popolari, Assicurazioni Vita and Lombarda Vita into Intesa Sanpaolo Vita S.p.A. and of Berica Vita and ABC Assicura into Società Cattolica di Assicurazione S.p.A.

The Institute assessed nine projects for the acquisition of shareholdings (including controlling interests) or for the establishment of companies operating in the financial, technology, InsurTech and renewable energy sectors. In the context of the initiatives taken to ensure the integration of environmental, social and governance (ESG) aspects into investment choices, we note the establishment of companies to develop methodologies to support investment choices from a sustainability perspective.

Poste Vita S.p.A. acquired a qualified stake in Eurizon Capital Real Asset SGR (ECRA), an asset management company of the Intesa Sanpaolo group, creating a partnership between the Poste Italiane and Intesa groups, with the establishment of a key player in the European market.

### *1.2.3. - Access and extension of insurance business*

In 2021 five companies, two of which operating in the life business, were allowed by IVASS to extend their activities into other classes.

Other 10 Italian companies notified their intention to exercise or extend their insurance and reinsurance activities under the free provision of services or the right of establishment in EEA or non-EU countries.

Exchanges of information continued with the UK Authority (PRA) aimed at coordinating, following Brexit, the supervision of the three Italian companies operating in the UK under the Temporary Permissions Regime. Cooperation between IVASS and the PRA took place on the basis of the Multilateral Memorandum of Understanding on Supervisory Cooperation and Exchange of Information (MMoU) in force from 1 January 2021, signed by the Institute together with the other EEA Authorities.

One group started an authorisation procedure to set up two branches in the UK to pursue life and non-life business, while the other companies renounced their operations in the country.

## 1.3. - Supervision of the corporate governance system

The analysis of the corporate governance system and its ability to adequately monitor the risks of insurance companies requires the in-depth examination of the safeguards to ensure the adequacy and effectiveness of the governance structure of the company and the group, also in consideration of the complexity and nature of the activity carried out, the risk profile and the evolution of the business envisaged in the strategic plans

### *1.3.1. - Supervisory action on corporate governance*

The review of remuneration policies was intensified, in light of the legal and regulatory framework set out in Commission Delegated Regulation 2015/35 of 10 October 2014 and IVASS Regulation No. 38 of 3 July 2018. In particular, initiatives were taken to verify consistency of corporate policies with the provisions in the Opinion on the supervision of remuneration principles in the insurance and reinsurance sector of EIOPA, published on 7 April 2020.

As a result of the analyses, seven interventions were made to improve the company's choices in terms of the adequate balancing of the fixed and variable components of remuneration and proper definition of the deferral of the long-term variable component. The criteria for determining the component based on financial instruments and the rationale for paying variable remuneration also to holders of key functions were examined in detail.

The increased use of outsourcing of key functions and essential and important activities by companies has led to additional analyses of outsourcing safeguards, in light of the prior communications to which such management choices are subject.

Investigations were carried out on 129 communications, submitted by 55 companies, relating in 10 cases to outsourcing of key functions and in 119 to activities related to various business processes, of which six to suppliers located in third countries. These were often outsourced to group companies, with the aim of optimising resources, skills and increasing the efficiency of the service provided.

### *1.3.2. - Data governance and IT plans of undertakings*

In-depth examinations of Information and Communication Technology related issues involved the examination of the ICT Plans of five leading insurance groups. ICT risks are part of the broader operational risks to which companies are exposed, with possible impacts on the solvency position.

As a result of the analyses, remarks were made to one company on the lack of integration of ICT and cyber risks within the risk management system, which also affected the operational risk assessments within ORSA. In this case, the absence of a crisis management plan for serious IT incidents was also recorded, with shortcomings in the processes of internal communication and escalation to the administrative body.

Since Regulation 38/2018 came into force, 2021 saw the highest number of serious IT incidents reported to the Authority, with an indication of the causes of the incident, the steps taken to resolve them, accompanied by an assessment of the economic damage and reputational risks, with evidence of any effects on policyholders.

Among the three cases reported, the Authority was informed of the destruction of the IT service provider's data centre following a fire, a situation that was aggravated by an architectural design that saw almost all back-ups located in centres adjacent to the damaged one. Due to a cyber attack, a group operating in several EU countries has recommended its subsidiaries, including the Italian insurance company, to temporarily interrupt the services provided through their websites. For another company, the incident involved the loss of connection to a server caused by a fault, resulting in the failure to update unit-linked fund quotes.

All communications were followed by intervention by IVASS, aimed at assessing the effects on the services provided to policyholders and the restoration of all functionalities.

#### *1.3.3. - Analysis of the enhanced contingency plans*

With the issuance of IVASS Regulation 38/2018, groups relevant for financial stability purposes were subject to analysis on Enhanced Contingency Plans in order to assess their integration into the risk management system and their adequacy in stress situations.

In spite of the improvements recorded as a result of the discussions with the groups, some supervisory initiatives had to be implemented in order to solicit the use of macroeconomic and financial stress scenarios capable of challenging the solvency position and to activate the measures envisaged in the event of violation of the thresholds established in the RAF.

### 1.4. - The supervisory review process (SRP)

The supervisory review process includes the activities that enable the Institute to reach an opinion on the risks to which insurance undertakings and groups are exposed and on the capital and organisational safeguards against the risks undertaken.

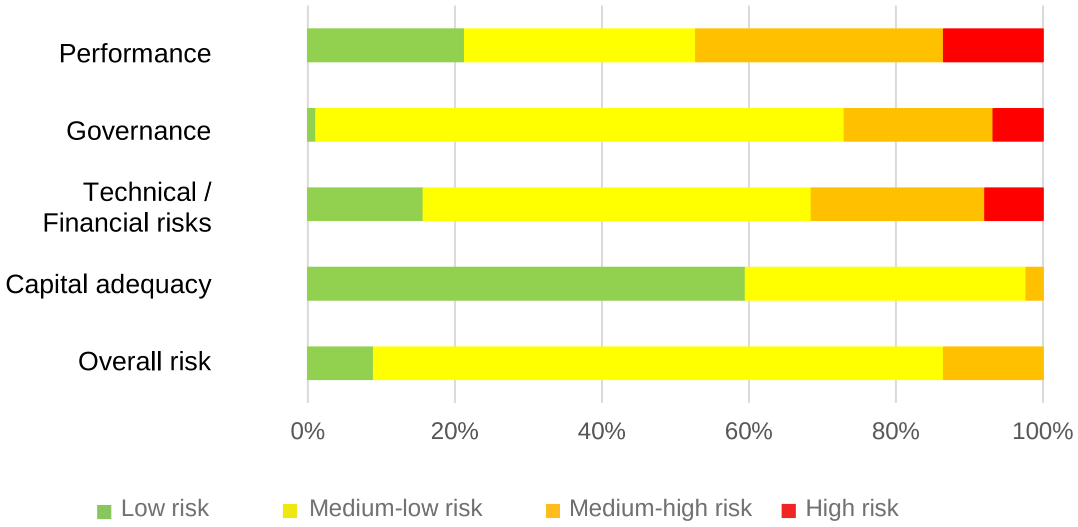
The first phase of the process is dedicated to assessing the risks to which the undertaking is exposed through a quantitative approach (Risk Assessment Framework – RAF) based on a number of indicators (Key Risk Indicators – KRI), referring to the areas of profitability, governance, technical/financial management and capital adequacy. The process includes a qualitative phase that makes it possible to include in the assessment factors that cannot be captured by KRIs and to take into account the Institute's overall information assets. Of particular relevance are the assessments of the management of underwriting and settlement processes, technical provisions, financial and liquidity risks on the basis of monthly monitoring of investments, premiums and surrenders.

Analyses of the liquidity position are aimed at verifying the possible need to resort to the sale of assets to meet the payment of insurance benefits and surrenders in a context of crisis and the presence of hidden capital losses on the portfolio.

Assessments conducted in 2021, supplemented with the analyses of the undertakings' business model for the purpose of assessing the consistency of strategic and organisational choices with the risk profile, showed the following breakdown of companies by risk area and overall riskiness:

**Figure IV.3**

**Assessments by risk areas and overall riskiness**
*(% number of undertakings)*

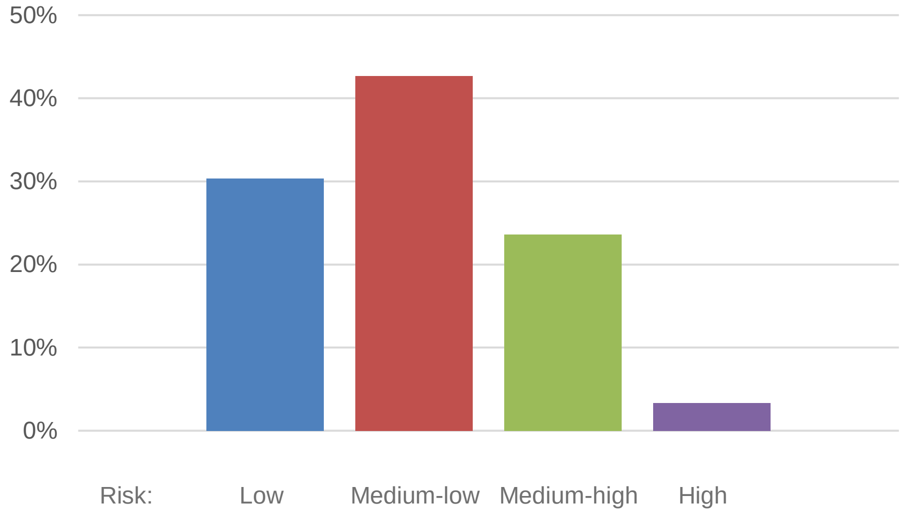



Higher riskiness is observed in the areas of performance (12 small to medium-sized companies), governance (6 companies, 3 of which belonging to the same group), and technical and financial risks (7 companies). All these situations were closely monitored by the Institute and were the subject of specific supervisory interventions.

At the end of this first phase, each undertaking is assigned a rating that takes account of the size of the undertaking (risk/size approach). Combining the risk score with the impact results the following breakdown of undertakings by final rating can be obtained:

**Figure IV.4**

**RAF – distribution of the final riskiness rating**
*(% of number of undertakings out of the total)*



73% of undertakings have a low or medium-low risk profile. Three companies carrying on life business with a market share of 8.6% fall within the high risk range.

Based on the ratings and priorities identified, appropriate supervisory initiatives were taken also in the individual areas of analysis.

## 1.5. - Checks on the stability of undertakings and of groups

Since the entry into force of Solvency II in 2016, IVASS authorized 5 internal models at group level for the calculation of the Solvency Capital Requirement, used by 16 undertakings, and a model used exclusively for the calculation of the individual requirement. 11 undertakings and 3 groups were authorised to use the specific USP/GSP parameters.

The appropriateness of internal models and USP/GSP methodologies is subject to an ongoing supervisory process. Each year, changes to the internal models proposed by the companies or requested by the Institute, calibrations and validations of certain risk drivers are assessed, and the conditions underlying the authorisations to use USP/GSP are verified.

The stability of undertakings and groups is also monitored through checks on the adequacy of the standard formula for the representation of the undertakings' risk profile, the analysis of investments and own funds. In-depth analyses of technical, financial and economic management, as well as of risk mitigation techniques, contribute to the assessment of the company's operations, ability to generate capital and financial soundness.

### *1.5.1. - The checks on the approved internal models*

In order to monitor the ability of internal models to correctly estimate the risks to which companies and groups are exposed, IVASS performs backtesting analyses to compare observed values with those estimated.

The evaluations also make use of so-called model drift analyses to evaluate the deviations between the results of the internal model and those resulting from the application of the standard formula. The results of the comparative studies, carried out in EIOPA on the calibrations adopted by peer firms, complete the picture of the tools available to the supervisory Authorities.

In particular, the Market and Credit Risk Comparative Study (MCRCS) compares market and credit risks on specific financial instruments (government and corporate bonds, equity indices, real estate and derivatives) and on uniform benchmark portfolios across the various models being assessed. In 2021 three Italian groups and one individual company, out of a total of 23 models at European level, took part in the exercise. Differences were found in the risk assessment among European undertakings for risks related to government and corporate bonds with lower credit quality and for portfolios consisting of a significant percentage of bonds.

The Italian entities that participated in the survey recorded, also as a result of the supervisory interventions, an improvement over the previous edition, with reinforcements in the calibrations for interest rate and spread risks and the adoption of conservative margins pending the authorisation processes for model changes to include migration and default risks in the modelling. The results were discussed with the companies, who were shown how they ranked against their European peers and indicated areas for further improvement in calibration.

For the internal models covering non-life underwriting risk, given the effects of the pandemic on the parameters representing the main risk factors, in addition to backtesting analyses on reserving risk, supervisory activity focused on premium risk calibration.

With reference to the motor liability segment, some groups have made adjustments to the time series in order to reduce the volatility parameters, believing the observed data to be inadequate to represent the forward-looking evolution of risks.

The audits revealed for one company the arbitrariness of the correction process adopted, which led to the Institute's request to restore the correct calculation of the capital requirement.

At EIOPA, as well as at national level, analyses continue on the effects of risk aggregation models on the solvency requirement. The Study on Diversification in Internal Models aims to compare the methodologies adopted by different groups and involves most of the approved internal models. The first results were shared with the participating companies and groups in preparation for a second phase, which will use the results of the non-life and market and credit studies.

The supervisory activity on internal models was assessed by the Internal Model Unit of EIOPA, which issued a report in which, in addition to acknowledging the soundness of the practices adopted by IVASS, it provided suggestions to strengthen convergence among European Authorities.

#### *1.5.2. - The activities on model changes and on the implementation of remedial plans*

The pre-application and application activities on model changes concluded with the issue of the authorisations to five groups, for three of them the group supervisor is IVASS. The assessments were carried out in close coordination with the other European Authorities, with which the joint decisions provided for by the regulations were reached. The main changes concerned improvements in the methodology used to assess market risks.

The Institute continued its pre-application activities for the relevant changes concerning the extension of a group’s internal model to the underwriting risks of the non-life and health business, which are currently assessed using specific parameters. In addition to methodological and calibration aspects, the work focused on verifying the quality of the input data, also with the support of an independent company. Pre-application activities for the extension of the model to the life business were started for another group.

The verification of the correct implementation of the actions foreseen in the remedial plans adopted within the framework of the procedures for the approval of internal models, continued. For one national group, the audits revealed the suitability of the actions implemented at domestic level. For two other groups, after verification of the proper implementation of all actions in the remedial plans, the formal approval process of the corrective plan will be initiated, which is a major model change.

### *1.5.3. - Verification of the adequacy of the standard formula and the specific parameters (USP)*

The checks on the appropriateness of the standard formula for the representation of the risk profile of undertakings identifyied two companies that can apply for authorisation to use the specific parameters; in the meantime, the application of a conservative margin was required.

The administrative procedures initiated in previous years for the authorisation of GSPs for one group and USPs for two companies were concluded.

The experience gained by the Institute in USP processes was developed by EIOPA in the identification of common supervisory standards in a chapter of the European Supervisory Handbook.

### *1.5.4. - Investment analysis*

In 2021, financial markets were characterised by relative stability and limited periods of volatility. In the low-yield environment scenario, in-depth investigations were conducted on a number of companies characterised by high levels of interest rate guarantees, for which the riskiness of the investment portfolio, market operations and possible effects in terms of future returns as well as exposure to reinvestment risk were analysed. In-depth studies have shown that strategies have been adopted to reduce the negative effects of low yields by taking advantage of profitable periods to purchase new securities in the event of widening spreads on government and corporate bonds, protecting themselves against rising rate scenarios through hedging transactions with derivative instruments. These transactions did not, in any case, increase the exposure to issuers with low creditworthiness.

There was a general tendency to increase the duration of class C investments, also aimed at obtaining a liquidity premium on the assets held. In general, there was no appreciable increase in highly complex or illiquid investments. Firms that were found to have grown significantly in these assets were subject to supervisory initiatives to assess their prudential treatment, which in some cases required on-site audits.

### *1.5.5. - Own funds assessment*

In 2021 capitalization interventions were carried out by 10 companies for a total amount of EUR 1,562 million, including 1,112 million in subordinated liability issues. In 6 cases, totalling EUR 787 million, subordinated loan issues were made as part of capital management operations to replace loans issued in previous years in order to seize more favourable market opportunities and reduce the incidence of interest charges incurred.

One company had to carry out a capital increase of EUR 450 million to deal with the negative balance on the technical account caused by the increase in the loss ratio.

### *1.5.6. - Reinsurance*

Italian companies have estimated an increase in the use of reinsurance in 2021, with premiums ceded in the order of EUR 22.9 billion (+55.8% compared to 2020), of which more than 96% relate to non-life business. A use, albeit marginal, of types of reinsurance characterised by counterparties and/or particularly innovative products for Italian companies was observed (e.g. CAT Bond).

For the non-life sector, 71% of ceded premiums relate to reinsurance on direct business and 29% to reinsurance on indirect business. Compared to 2020, the volume of premiums ceded for direct business increased from EUR 9.7 billion to EUR 15.7 billion, of which 58.6% related to non-proportional treaties. 24.2% of estimated cessions relate to classes 8 and 9 (fire and other damage to property), 20.2% to class 1 (accidents), 20.1% to class 2 (sickness) and 10.4% to class 10 (motor vehicle liability).

Ceded premiums from indirect business increased from EUR 1.5bn to EUR 6.3 billion, of which 74.4% related to non-proportional retrocession agreements, with 44% concentrated in classes 8 and 9 and 12.3% in class 10.

The counterparties to the reinsurance treaties are 266 companies, of which:

- 122 EEA insurance companies, to which EUR 14.9 billion of premiums were ceded (equal to 69% of the total);

- 144 based outside the EEA, to which EUR 6.6 billion of premiums were ceded (equal to 31% of the total) mainly in Switzerland (full equivalence), Bermuda (full equivalence), Great Britain (non equivalent) and USA (provisional equivalence).

The top ten reinsurers that are counterparties to Italian companies collect 55.8% of outward premiums and have credit ratings between AA and A.

## 1.6. - Analyses on the Solvency II reporting

### *1.6.1. - The ORSA (Own Risk and Solvency Assessment) process*

In-depth analyses of the ORSA reports prepared by companies and insurance groups in the process of internal risk and solvency assessment made it possible to identify the factors influencing companies' risk profiles and to assess the solvency target thresholds within the risk appetite framework as well as the safeguards to ensure effective risk management.

The Institute, in line with the EIOPA recommendations, verified that the prospective solvency assessment took into account the economic, technical and financial effects of the pandemic.

Scenarios used by companies to verify the impact of the uncertain economic environment following the pandemic crisis on their solvency situation were assessed and action was taken with regard to:

- the method of calculating the SCR for interest rate risk where the sensitivity analyses revealed a significant downward exposure to interest rates, not reflected in the capital requirement;

- the request to revise the ORSA in view of the different mode of capitalisation implemented compared to the assumed one. In this case, the use of subordinated debt instead of a capital increase significantly affected the forward-looking solvency values and the qualitative composition of own funds;

- the non-inclusion in prospective evaluations of an insurance company that was to be included in the group solvency scope;

- the total inadequacy of the prospective solvency assessments, since, in the face of high tariff risk exposures, no adequate analysis was carried out for the risks assumed.

For all the cross-border groups, the analyses conducted on the ORSA have been discussed in the Colleges of Supervisors, to which IVASS participates as group or host supervisor.

### *1.6.2. - Data Quality*

The activity mainly concerned the verification of the data quality of the annual Solvency II (QRT) reporting used by the Institute in the supervisory process and for the production of statistics. This information is also sent to EIOPA and the European Central Bank for the analysis carried out at European level.

Even after guidance was provided in a letter to the market to improve the quality of data on outward reinsurance and claims for supervisory purposes, the checks carried out revealed the persistence of anomalies and inconsistencies in the compilation of reports. The resolution of these problems required intensive dialogue with the companies, as a result of which it was possible to validate the information acquired.

### *1.6.3. - Best Estimate Assessments*

In relation to non-life risks, the work on the data quality of Solvency II supervisory reporting made it possible to have a homogeneous database to perform standardised checks on best estimates of claims, similar to what was done on statutory data (actuarial pre-review).

In order to be able to make supervisory assessments in line with current national regulations, it was necessary to acquire detailed information in addition to the Solvency II reports. Data was requested on the CARD direct compensation procedure as well as on the expenses for the valuation of the provisions for claims outstanding in accordance with Article 36-novies of Legislative Decree No. 209/2005.

As part of the audits on the methods used to calculate the Best Estimate of Liabilities (BEL) of life risks, the Institute, in addition to verifying the implementation of the remedial plans resulting from findings in the inspection of seven companies, examined the reports of the Actuarial Functions of seven other leading companies, to verify the impact of the pandemic crisis on the technical provisions for the year 2020 and, consequently, on the solvency of the companies.

All companies have taken steps to monitor the impact of the pandemic on mortality trends and the evolution of surrenders. Discussions were initiated with the Actuarial Functions for clarifications and updates on the correct implementation of the recommendations made to companies, with particular reference to the calibration of certain assumptions underlying the calculation of BELs.

As a result of the analyses, an inspection was initiated to verify the correctness of the assumptions underlying the calculation of the technical liabilities. For three companies, the findings led to the need to supplement technical provisions and adjust the capital requirement.

## 1.7. - Coordination with the other Authorities and Institutions

### *1.7.1. - Supervision of groups and financial conglomerates: the College of Supervisors*

IVASS acted as lead supervisor for six groups with transnational operations for which supervisory activities are carried out in coordination with the other Authorities that are part of the Colleges of Supervisors.

During the Colleges' annual meetings, IVASS discussed the results of the joint risk assessment to identify the most relevant risks for groups and their major subsidiaries. The monitoring of the effects of the pandemic crisis on the domestic insurance industry and groups continued and topics such as the organisation of key functions and the analysis of non-quantifiable risks (liquidity, strategic, reputational, non-compliance and contagion) were addressed. Action plans for 2022 were agreed upon, with a focus on addressing climate risks as one of the main lines of action.

On conclusion of the analyses, the feedback from the supervisors summarising the overall assessment from the joint risk assessment and identifying areas for improvement was forwarded to the groups after being shared within each College.

As host supervisor, IVASS participated in 16 colleges coordinated by foreign supervisory Authorities, four of which were from third countries. Joint risk assessments and other specific issues of relevance were shared within the Colleges, in some cases involving supervisory profiles on market conduct.

A number of cross-border insurance groups are part of Italian financial conglomerates, the list of which is updated each year jointly by the Bank of Italy, Consob and IVASS. In 2021 one insurance-led conglomerate (Generali) and one banking-led conglomerate (Mediolanum)[131] were confirmed in the list. Among the conglomerates engaging "significant" (for the ECB supervision) banking entities, two banking-led groups were confirmed. The results of supervision on the conglomerates were discussed in the Colleges of Supervisors, in which the European Authorities of the banking and insurance sectors participate.

Collaboration with the ECB and the Bank of Italy continued for a leading insurance group pursuant to art. 3, paragraph 1-bis, of Legislative Decree 142/2005 in relation to the important relationships existing with the insurance group and the banking subsidiary, parent company of a significant banking group. This is done in order to verify whether there is a durable link aimed at

[131] https://www.ivass.it/normativa/nazionale/convenzioni-nazionali/documenti/doc-congiunti/ELENCO_CONGLOMERATI_AL_31.12.2019.pdf

developing the parent company's business, which is a prerequisite for the identification of a financial conglomerate.

### *1.7.2. - Supervisory activities within the Crisis Management Group*

The Institute continued its enhanced supervision activities on the basis of the holistic framework developed by the IAIS, effective from 1 January 2020. This activity was carried out by IVASS in the Crisis Management Group (CMG) of the Generali group, the only Italian IAIG (as group supervisor) and of the Allianz group (as host supervisor).

In agreement with the other supervisors involved in group supervision, possible initiatives were discussed for the improvement of crisis management plans (Systemic Risk Management Plan, Liquidity Risk Management Plan and Recovery Plan), subsequently reported to the groups concerned in order to take them into account when updating the plans on an annual basis.

As part of the CMGs, it was agreed not to continue with the updating and development of the Resolution Plans, in light of an evolving regulatory framework.

### *1.7.3. - Relations with the MEF, the Bank of Italy, Consob*

The reference regulations on non-market transactions in favour of SACE aimed at strengthening support for exports by Italian undertakings was significantly modified by art. 2 of decree law no. 23 of 8 April 2020 "Liquidity". The new regulations have, among other things, set up at the Ministry of Economy and Finance of a Committee for public financial support for exports. In carrying out its activities, the Committee may be assisted by its member administrations and may request opinions from IVASS on specific issues and transactions. The regulation of the scope, timing and manner of the Institute's involvement has been delegated to a special Memorandum of Cooperation, currently being finalised, which will form an integral part of the Committee's Rules and Regulations.

IVASS continued its collaboration with the Bank of Italy and Consob on the subject of interlocking, for the monitoring of the positions held by corporate officers in the corporate bodies of banks, insurance companies and financial companies.

Information and documents were exchanged with the Bank of Italy, with regard to the investigative procedures in which intermediaries supervised by the Bank were involved.

Co-operation with Consob continued in order to co-ordinate the respective activities on listed insurance companies and to verify the information contained in the Prospectuses on the increase of share capital by these companies.

In order to strengthen fruitful cooperation and increase the effectiveness and efficiency of the two Authorities, a framework agreement[132] was concluded between IVASS and Consob on cooperation and coordination in the exercise of their respective functions. The agreement aims

[132] https://www.ivass.it/normativa/nazionale/convenzioni-nazionali/documenti/accordi/Accordo_quadro_IVASS-CONSOB_21_10_2021.pdf

to ensure investor and policyholder protection as well as the stability of the financial and insurance system.

## 2. - MACRO-PRUDENTIAL SUPERVISION

IVASS has contributed to international work on financial stability assessments and the development of insurance macro-prudential supervision tools. This work focused in 2021 on monitoring and managing the impacts of the pandemic on the insurance industry.

The European Systemic Risk Board (ESRB) continued its work on pandemic-related risks, monitoring and vulnerability management, identifying the main risks for the financial sector[133]. European supervisors, including IVASS (see 2.1), have started an enhanced monitoring on the exposure to these risks. The recognition of the need to include the macro-prudential dimension and systemic risk management in the European regulatory framework, as well as the macro-prudential measures indicated by EIOPA, have been taken into account in the Commission's proposal, which is currently being negotiated at the European legislative level. The review of Solvency II from a macro-prudential perspective is being actively followed by the ESRB[134], which returned in early 2022 to represent its expectations on capital, liquidity and cross-sectoral measures in a letter to the European Parliament and the Council[135].

The ESRB followed up on the 2020 recommendations to mitigate the systemic risks of the pandemic. Among the measures to preserve the resilience of the financial system, the recommendation on the restriction of distributions (ESRB Recommendation 7/2020[136]) which covered credit institutions, investment firms, insurance and reinsurance companies and central counterparties, was amended and extended (ESRB Recommendation 15/2020[137]) until September 2021. On that date, the ESRB decided to drop the recommendation, taking into account developments in the health situation and the improving economic outlook, and urged financial institutions to remain cautious when deciding on distributions.

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133 Among the risks most perceived by the insurance industry, low or negative interest rates were the subject of an ESRB report in 2021 that analysed the risks generated by the extension of this environment and proposed macro-prudential policy actions to mitigate them. The Board pointed out that a transposition of the proposals in the Technical Opinion on the Solvency II revision provided by EIOPA to the Commission would reduce the low interest rate environment (LIRE) risks for the insurance industry.

ESRB, Lower for longer – macroprudential policy issues arising from the low interest rate environment, https://www.esrb.europa.eu/pub/pdf/reports/esrb.reports210601_low_interest_rate~199fb84437.en.pdf?902fd7a7eacd507c650ed631ebe7482e.

134 *Enhancing the macroprudential dimension of Solvency II*, ESRB February 2020, https://www.esrb.europa.eu/pub/pdf/reports/esrb.200226_enhancingmacroprudentialdimensionsolvency2~1264e30795.en.pdf

135 https://www.esrb.europa.eu/pub/pdf/other/esrb.letter220202_on_solvencyii_to_EU_Parliament~e573a2038c.en.pdf?3859e10cb66bea1174e8e15adaf1bc80;
https://www.esrb.europa.eu/pub/pdf/other/esrb.letter220202_on_solvencyii~10566b70b1.en.pdf?460bb936fb9bf165e33120bf98d65ba1

136 https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation200608_on_restriction_of_distributions_during_the_COVID-19_pandemic_2~f4cdad4ec1.en.pdf?472c0a13909b423693bdaea41c32af6b

137 https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation201215_on_restriction_of_distributions_during_the_COVID-19_pandemic~2502cd1d1c.en.pdf?248563cbdc12f1a0e29b3494e2398bc2

In 2021, IVASS participated in the ESRB's process of assessing compliance with the recommendations issued by the Systemic Risk Board in 2020[138] to counter the crisis caused by the pandemic, for the matters within its competence.

**The European Stress Test 2021**

In 2021 EIOPA and national supervisory Authorities carried out a stress test exercise on the European insurance system to assess the vulnerability to unfavourable changes in financial and insurance variables[139], based on a scenario of falling interest rates and continued negative effects from the pandemic[140].

The exercise assessed the impact of instantaneous shocks on insurance companies' solvency balance sheets and, for the first time, on their liquidity position. It was possible to incorporate, in the determination of the impact of shocks on the solvency ratio and liquidity position, the effects of specific remedial actions hypothesised by the companies (so-called Reactive Management Actions, RMA).

The exercise, referring to the end of 2020, involved 44 European insurers in 20 Member States, representing 75% of European market assets. For Italy, the following companies participated: Assicurazioni Generali, Unipol Gruppo, Intesa Sanpaolo Vita and Poste Vita. IVASS extended the exercise to eight additional insurers with assets over EUR 2 billion, for a more comprehensive assessment of the resilience of the Italian insurance system.

The results, published on 16 December 2021[141], indicate that the occurrence of the assumed adverse scenario would result in a significant reduction in the European insurance industry's capital position, which would nevertheless remain solvent at the aggregate level, with an average solvency ratio above 100%.

The impact on the twelve Italian insurers was more severe, but broadly in line with the European sample. The results show that, even without the activation of the RMAs, the aggregate Italian solvency ratio would fall by 127 percentage points, from 228% to 101%; that of the European sample by 92 points, from 218% to 126%. With the activation of RMAs, which not all insurers have made use of, the impact on the solvency ratio would be more limited: the average solvency ratio would reach 116% and 139% for the Italian and European samples respectively[142].

On a European and national level, the effect of the adverse scenario on the sector's liquidity would not, however, raise any critical issues: the initial cash holdings, together with the sale of liquid assets, would be sufficient to cover the increased liquidity needs generated by the shocks.

In light of the results of the stress exercise, on 21 March 2021 EIOPA issued five recommendations[143] to the national supervisory Authorities, inviting them to discuss with the companies the critical factors that had emerged in particular on the reliance on the Solvency II transitional measures and on the possibility and timeliness of the remedial actions indicated by the companies when adverse situations arise.

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[138] https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation200608_on_monitoring_financial_implications_of_fiscal_support_measures_in_response_to_the_COVID-19_pandemic_3~c745d54b59.en.pdf; https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation200608_on_liquidity_risks_arising_from_margin_calls~41c70f16b2.en.pdf

[139] The scenario envisages an increase in mortality rates, an increase in surrenders for life policies and in non-life claims costs, a reduction in premiums earned and a reduction in amounts recoverable from reinsurance.

[140] For a more detailed description of the exercise, see the Report on the activity pursued by IVASS in 2020 (chap. 2.2.1, page 187).

[141] https://www.eiopa.europa.eu/sites/default/files/financial_stability/insurance_stress_test/insurance_stress_test_2021/eiopa-bos-21-552-2021-stress-test-report_0.pdf

[142] https://www.ivass.it/media/comunicati/documenti/2021/ivcs521.pdf

[143] https://www.eiopa.europa.eu/media/news/eiopa-issues-recommendations-eiopa-2021-insurance-stress-test_en

## 2.1. - The risks of the Italian insurance sector

In 2021 the quarterly analysis[144] of financial stability risks of the national insurance sector continued, based on indicators defined at European level and adapted, where appropriate, to the specificity of the domestic market. The riskiness of each area is summarized by the level of the indicators, while the trend is measured by the change compared to the previous quarter.

As of Q4 2021, the risks to the financial stability of the Italian insurance sector were on the rise, particularly due to the high level of uncertainty surrounding international tensions and the continuing pandemic. This situation resulted in the rise in expected volatility in bond and share returns. The macroeconomic environment remains at a high risk level, constituting the main source of vulnerability for the Italian and European insurance sector (see Table IV.1).

**Table IV.1**

**Risk Dashboard - Q4 2021**

| | IVASS | | EIOPA | |
|---|---|---|---|---|
| | Level | Trend[145] | Level | Trend |
| Macro Risks | high | → | high | ↘ |
| Credit Risks | average | → | average | → |
| Market Risks | average | ↑ | average | → |
| Liquidity Risks | average | ↑ | average | ↗ |
| Profitability and solvency risks | medium-low | ↗ | average | → |
| Interlinkages Risks | low | → | average | → |
| Insurance Risks | low | → | medium-low | → |
| Market perception | low | ↓ | medium-low | ↘ |

Source: IVASS and EIOPA (European Risk Dashboard Q4-2021).

Liquidity risks are increasing while remaining at a medium level. There was little reduction in the cash holdings of companies and an increase in the ratio of surrenders to premiums in life insurance was recorded.

Profitability and solvency risks are increasing slightly: although the solvency ratio of Italian companies as at Q4 2021, at 260% on average, was slightly up on the previous quarter, the combined ratio remained at pre-crisis levels (93%) after the low point recorded in 2020 as a result of the reduction in claims expenses due to the restrictions following the health emergency. The industry's profitability declined sharply, from 8.6% in 2021 to 11.6% in 2020.

[144] The calculations refer to the information for the quarter under analysis for the insurance indicators and to the most up-to-date information for the market indicators which, in some cases, take account of forecast estimates aimed at strengthening the outlook.

[145] The arrows indicate the change relative to the previous quarter ( ↑ = significant increase (>1), ↗ = increase (>0,5), → = constant, ↘ = decrease (>0,5), ↓ = significant decrease (>1).

*Market Intelligence.* The sources of risk for the insurance sector identified by the Risk Dashboard are regularly discussed with rating agencies, leading consulting firms and major investment funds.

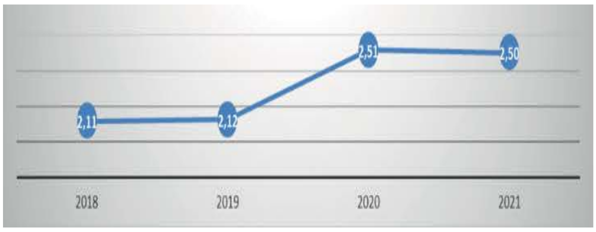
Market intelligence in 2021 showed that the pandemic had an effect on both insurance demand and supply. On the demand side, stakeholders pointed to greater availability of liquidity and the prudential attitude of households with more focus on the development of health, long-term care and home insurance policies. On the supply side, insurance companies reacted to the change in demand by reviewing their product structure and offering multi-coverage products with services related to advice, assistance and prevention.

A general decline in the average risk perception compared to 2020 has been shown, but it remains higher than in the previous two years (Fig. IV.5).

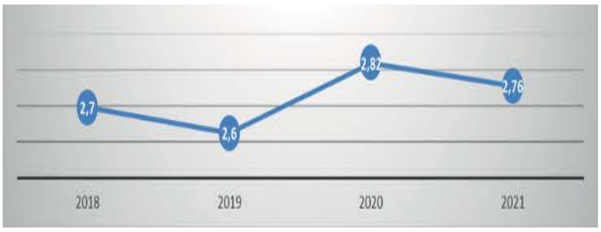
**Figure IV.5**

**Trend in the average value of the possibility of occurrence and impact of risks**

*Trend in the average value of the possibility of occurrence*




*Trend in the average value of the impact of risks*




In 2021, consultancy firms and rating agencies continued to pay particular attention, both in terms of impact and occurrence, to cyber, low interest rate and macroeconomic scenario risks. Increasing attention is being paid to operational risks and those arising from climate change; on the other hand, less importance is attributed to risks associated with the concentration of investments in government bonds (Fig. IV.6).

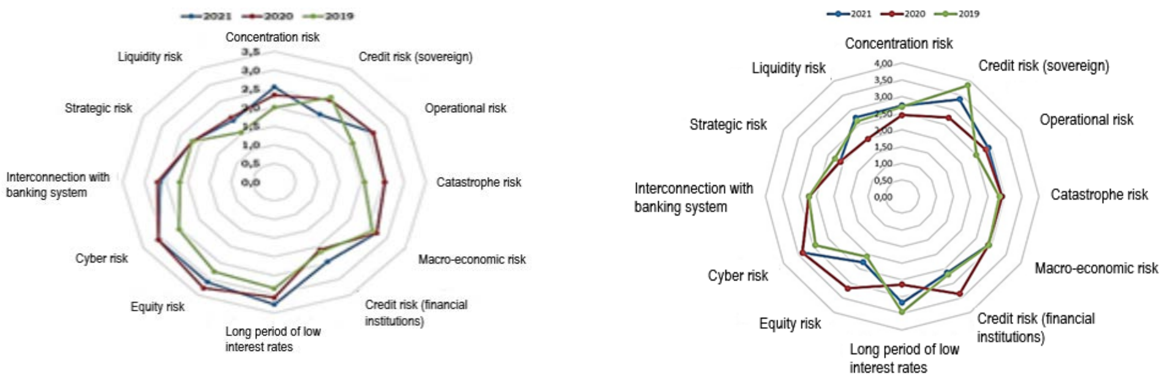
Furthermore, in view of the epidemiological and geopolitical crisis situations, which began to overlap at the end of 2021, stakeholders emphasised the need to develop alternative evolutionary scenarios for monitoring risk of liquidity, interconnectedness and limited substitutability.

**Figure IV.6**

**Trend in the impact and possibility of occurrence of risks**

*Trend in the possibility of occurrence (2019-2021): before, during and after the pandemic*

*Trend in the impact of risks (2019-2021): before, during and after the pandemic*




Analyses conducted on stakeholder expectations indicate the need that:

- events such as the pandemic crisis become a permanent part of forward-looking scenarios for the identification of emerging risks;
- there is full awareness that the digital push increases complexity in the management of operational, strategic, reputational and legal risks for insurers and their distributors;
- sustainable business and product and service strategies need to be developed to cope with the growing assistance and protection needs of businesses and households resulting from pandemic events, geopolitical tensions and changing demographic and financial variables.

*Potential vulnerabilities in the insurance industry*. Through its quarterly monitoring of vulnerabilities in the insurance sector[146] IVASS collects information not included in current supervisory reporting to obtain a broader view of potential sources of risk.

No critical issues were found for the Italian insurance market, also due to the lower use compared to European competitors of Special Purpose Vehicles or instruments such as short-term funding, term structured repo and minibond investments. Reinsurance cover is still used sparingly but growing, mainly for peak management in non-life business. The use of the capital market with insurance-linked securities (ILS) and catastrophe bonds (cat bonds) is limited. No investments in debt securities related to securitisation transactions were reported.

As in previous years, the investments of the monitored companies remained largely stable in composition. In 2021, in-depth studies were conducted on the impacts of the pandemic in terms of:

[146] The analysis is based on a sample of individual undertakings and groups, representing more than 90% in terms of assets.

- investment choices at the peak of the pandemic (March 2020) that were heterogeneous, with no pro or contra-cyclical behaviours emerging at the national market level in the period, which may have an impact on financial stability[147];

- investments in Money Market Funds (MMFs), on which a potential systemic risk emerges at the international level[148]. The focus on MMFs is linked to the funds' liquidity offering (often considered similar to cash) even though the assets in which they invest may present liquidity risks[149]. The limited exposure of the Italian insurance sector does not raise any risk profiles in terms of financial stability.

Risks related to climate change (sect. 2.2.5), exposure to derivative instruments (sect. 2.2.4) and the offering of hybrid products (sect. 2.3) were also assessed in the monitoring.

### *2.1.1. - Monitoring of the Liquidity Risk*

In 2021, IVASS continued its monitoring of the Italian insurance market's[150] exposure to liquidity risk, which had begun in 2020 following the spread of the pandemic[151].

The assessment of the current and forward-looking 90-day liquidity position did not reveal any critical elements.

The sector's liquidity position as at December 2021, at EUR 15 billion, decreased by 4 billion compared to September 2021, but was still more than 2 billion higher than at the end of 2020; the estimated forward-looking 90-day liquidity[152] of companies shows a further increase, reaching EUR 17 billion. The breakdown of cash flows projected by the companies for the next 90 days shows that the technical flows relating to life and non-life insurance business contribute positively to the final liquidity position. The main expected outflows relate to investment management and residual flows (Fig. IV.7.a). The degree of liquidity of the assets of Italian insurance companies in June 2021, measured by the ratio of liquid assets to total assets (liquid asset ratio)[153], remains at 60%, stable from the previous quarter, slightly down compared to end 2020 (Fig. IV.7.b).

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147 On this point see also the *working paper* of the Bank of Italy on investments of Italian insurance companies before and after the onset of the pandemic no.1363, February 2022; https://www.bancaditalia.it/pubblicazioni/temi-discussione/2022/2022-1363/index.html

148 In some Northern European countries, funds with investments in private sector debt securities experienced severe liquidity problems, thus increasing tensions in the financial markets.

149 The trend in the use of MMFs, although uneven, shows a greater use of funds in 2020 near the peak of the pandemic, which, in most cases, declined in the following months.

150 The Italian sample is composed of: 12 composite companies, 29 life companies and 9 non-life companies; these represent, in terms of premium income, the entire life sector and 80% of the non-life sector.

151 The monitoring activity was also initially initiated by EIOPA on a sample of 147 European companies, including 23 Italian companies (15 life, 4 composite and 4 non-life).

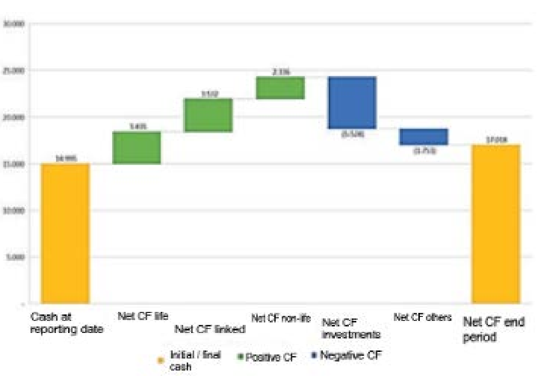
152 The prospective net liquidity position is given by the difference, in the reference period, between inflows and outflows; it is calculated including the initial cash on hand for the period.

153 Liquid assets are determined by applying the haircut coefficients to the different types of assets, by analogy with the method adopted for the liquidity exercise in the context of the 2021 Stress test: compared to the results in the previous annual report, the liquid asset ratio decreased due to the change in the haircut coefficients for investment funds.

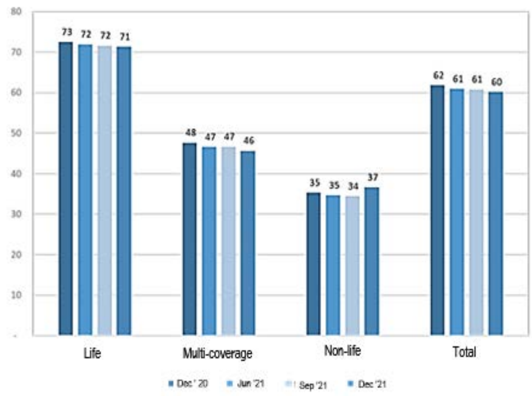
**Figure IV.7**

**Liquidity position of Italian insurance companies ***
*(as of al 31.12.2021; % values)*

**a) Breakdown of net cash flows and liquidity position at 90 days****
*(Data as at 31 December 2021; billion euro)*




**b) Liquid asset ratio**
*(Data as at 31 December 2021; % values)*




* Data refer to the sample used by IVASS for the monitoring. – ** Variations contribute positively (green bar) or negatively (blue bar) to the available funds at the reference date, determining the value of the forecast at 90 days. For life business, a distinction is made between net cash flows relating to traditional life products and those relating to unit-linked products.

### *2.1.2. - Monitoring of exposure to interest rate risk*

The six-monthly survey on the interest rate risk exposure of life insurance companies[154] allows IVASS to acquire sensitivity analysis data with which companies assess, from a forward-looking perspective, expected returns and technical provisions of with-profit contracts linked to separately managed accounts.

In 2021, the methodology for surveys on exposures was clarified for life companies and the survey was updated due to the persistently low interest rate situation. A request was made not to apply the non-negativity constraint on rates in the stress scenarios (floor at zero) envisaged hitherto. This allowed life companies to more accurately assess the risk of interest rate in the current macroeconomic environment and for IVASS to obtain a homogeneous database, in line with EIOPA guidelines[155].

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[154] The survey was introduced with the Letter to the Market of 30 May 2013. Among the assumptions to be used in the analyses, companies were asked to define 3 scenarios, of which in the base scenario the assessments consider forward rate structures derived from swap rates, while in the stress scenarios an instantaneous, parallel shock is applied, upward and downward by 100 b.p., taking into account a floor of zero.

[155] EIOPA, with the *Supervisory statement on the impact of the ultra-low/negative interest rate environment*, of 20 February 2020, recommended, inter alia, that national authorities intensify their monitoring and supervision of the insurance companies most exposed to the low interest rate environment, engage in a dialogue with companies to explore what actions they could take to improve their financial resilience, broaden their analysis of the low interest rate environment, and also consider the potential systemic risk accumulation.

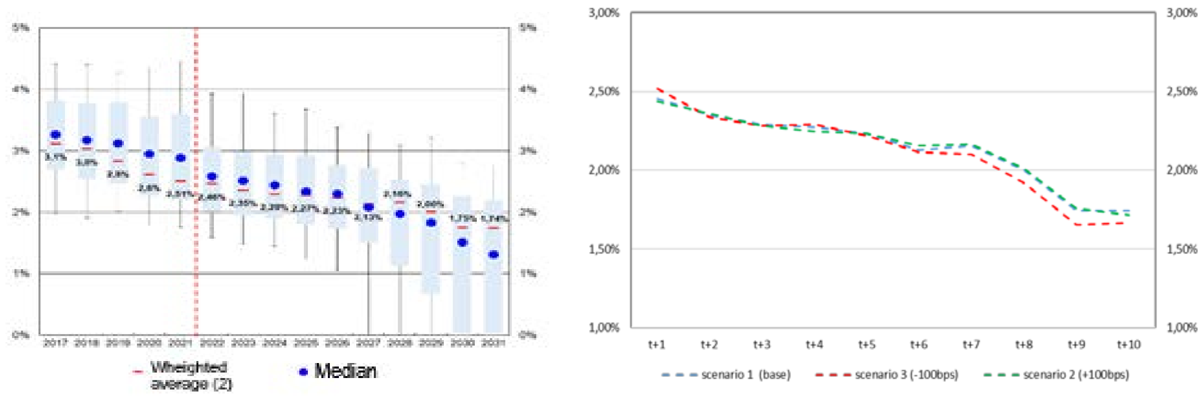
Valuations as of 31 December 2021 show prospective returns of the separately managed accounts to be moderately lower than in 2021; the expected rates remain at higher average levels than the guarantees offered by the contracts in force at the end of 2021 (Fig. IV.8).

**Figure IV.8**

**Realised returns and prospective returns**
*(as of 31.12.2021; % values)*

**Distribution of realised returns and prospective returns(1)**

**Average prospective returns under the three scenarios required by the survey**




(1) Prospective returns refer to the baseline scenario. – (2) Weighted average with mathematical reserves of separately managed accounts on 31 December 2021.

## *2.1.3. - Monitoring of investments and net premiums of life insurance undertakings*

The monthly monitoring of the investments and of the related hidden capital gains/losses includes, for life insurance companies, the monitoring of premiums and costs. In December 2021, the net unrealised capital gains amounted to EUR 71 billion, down sharply compared to end 2020, due to the rise in the spreads on Government bonds, which produced 63% of the net unrealised capital gains.

As at 31 March 2022, net implicit capital gains decreased by EUR 36 billion compared to the end of 2021, reaching 35 billion, the lowest value in the last three years, as a result of a generalised decline in unrealised hidden net capital gains across asset classes, due in part to market tensions generated by the conflict in Ukraine (Fig. IV.9.a).

In particular, there were net hidden capital losses on private bonds due to the widening of yield differentials between corporate bonds and risk-free rates compared to year-end values; spreads on lower-rated (high-yield) bonds increased more pronouncedly than those on higher-rated (investment grade) bonds.

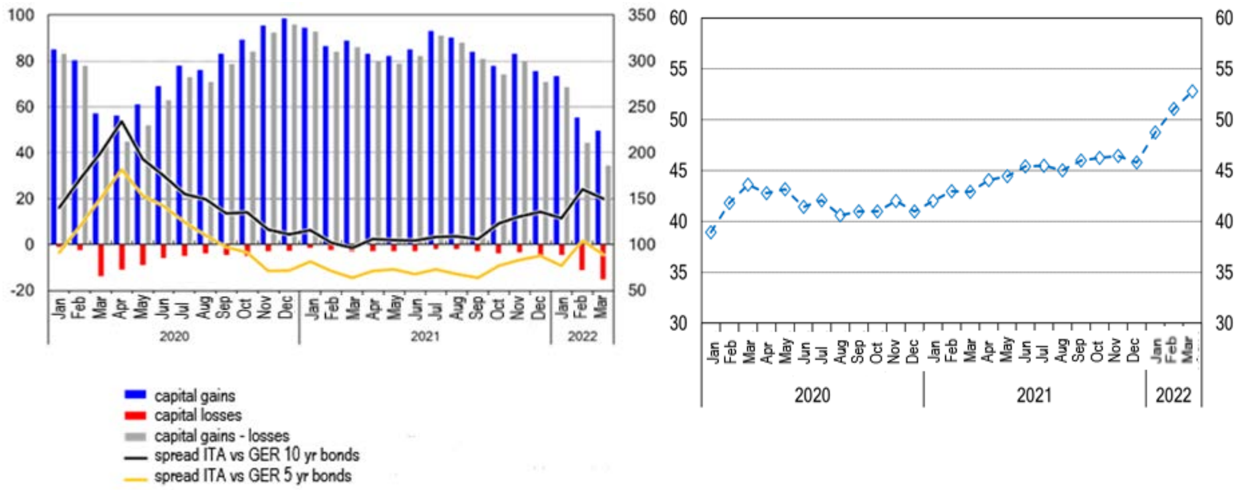
The drop in premiums written and the increase in surrenders observed in March 2022 were reflected in the ratio of surrenders to premiums, which increased compared to the first quarter of 2021 to 53%, while still remaining within the range of ordinary business. (Fig. IV.9.b).

**Figure IV.9**

**Investments and surrender to premium ratio**

**a) Unrealised capital gains and losses**
*(monthly data; billion euro and basis points)*

**b) Surrender to premium ratio (**)**
*(monthly data; % values)*




Source: statistics based on IVASS and Refinitiv data – (*) right scale Data at the end of the period. – (**) The indicator was calculated as the ratio between the value of surrenders and the value of premiums.

## *2.1.4. - Monitoring on the activity in financial derivatives*

The monitoring of exposures in derivative financial instruments is carried out every year to assess the impact in terms of counterparty and liquidity risk, with particular attention on changes in margin requirements to guarantee transactions on derivative financial instrument traded in OTC (*over-the-counter*) markets. The monitoring is based on the Solvency II reporting and on the results of a specific qualitative survey, carried out by IVASS[156], to assess the mitigation techniques for the aforementioned risks adopted by insurers.

In 2021, Italian insurers had a low exposure to derivative financial instruments, significantly lower than the European average[157]. Companies report the presence of processes for managing margins, operational, counterparty and liquidity risks related to the use of OTC derivatives not centralised at central counterparties, in line with European EMIR and national regulations

[156] The sample is made up of eleven groups and five individual undertakings and falls within the scope of the survey on national vulnerabilities (par. 2.2.).

[157] As at 30 June 2021 derivatives accounted for 0.2% of total investments while the European average was 1.3%; 87% of derivatives are traded on OTC markets, almost all of which are not centrally offset but are subject to an exchange of collaterals. The strong recourse to OTC contracts is mainly due to the need to customise contracts, in terms of duration, amounts and characteristics, to meet the specific coverage needs of insurance companies.

(IVASS Regulation 24/2016). The small amounts invested in derivatives make it possible to effectively manage and plan liquidity needs, even in conditions of high market volatility[158].

### *2.1.5. - Climate change and sustainable finance*

In recent years, the Institute's macro-prudential work – in national and international arenas – has been heavily oriented towards the issue of climate change and financial sustainability.

In line with similar studies by EIOPA and IAIS-SIF[159], the Institute conducted a survey on a representative sample of 86% of insurance products (83% of the non-life market), to obtain evidence on: i) governance and risk management policies in pursuit of climate risk mitigation and adaptation objectives; ii) the main climate risks covered by insurance contracts at national level; iii) the geographical areas most impacted; iv) underwriting practices and pricing models for physical climate and seismic risks covered by insurance; v) any other critical factor capable of guiding supply strategies and having an impact on the availability of insurance coverage and on their accessibility by consumers (impact underwriting[160]).

The analysis revealed: i) a marginal insurance premium income (6% of non-life premiums), with a high concentration of premiums (92%) on the top five groups; ii) the non-life insurance classes mostly affected by climate risks are other motor insurance, marine, aviation and transport, fire and other damage to property insurance and miscellaneous financial loss; iii) the main climate events covered by insurance are floods, heavy rains, storms, fire, cold wave or frost, and residually, heat wave and drought; iv) the average duration of insurance contracts covering climate risks is predominantly annual, in line with evidence at the European level.

IVASS has conducted a further survey on physical risks, contributing[161] to the EIOPA Dashboard on the insurance protection gap for natural catastrophes[162] and to updating the sensitivity analyses on climate change of the European insurance sector aimed at assessing the impact of climate change and the insurance exposures. The results will be published in 2022.

IVASS intends to strengthen the monitoring on the impact of climate change and environmental risks on the Italian insurance sector[163]. A data collection, soon to be launched,

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158 The low exposure to liquidity risk, in relation to margin variation requirements and counterparty risk, would result from the companies' practice of settling collateral with cash on a daily basis as well as the high quality of the ratings of counterparties to derivative contracts (as of 30 June 2021, 66% of counterparties had ratings from AA+ to A-).

159 *Report on non-life underwriting and pricing in light of climate change*, July 2021 and *Opinion on the supervision of the use of climate change risk scenarios in ORSA*, April 2021 https://www.eiopa.europa.eu/content/eiopa-issues-opinion-supervision-of-use-of-climate-change-risk-scenarios-orsa_en; and IAIS-SIF, *Application Paper on the Supervision of Climate-related Risks in the Insurance Sector*, May 2021 https://www.sustainableinsuranceforum.org/view_pdf.php?pdf_file=wp-content/uploads/2021/05/210525-Application-Paper-on-the-Supervision-of-Climate-related-Risks-in-the-Insurance-Sector.pdf.

160 As to the notion of "impact underwriting" reference is made to the EIOPA report on non-life underwriting and pricing in light of climate change of 1 July 2021; https://www.eiopa.europa.eu/document-library/report/report-non-life-underwriting-and-pricing-light-of-climate-change_en.

161 The coverage of the Italian insurance market stands at 65% in terms of premiums collected in the LoB Fire and other damage to property, including the share of companies based in Italy and of Italian companies of foreign groups, included in the sample of European groups).

162 A prototype was published in late 2020 by EIOPA: https://www.eiopa.europa.eu/document-library/feedback- request/pilot-dashboard-insurance-protection-gap-natural-catastrophes_en.

163 In November 2021, on the occasion of the Finance Day of the UN Climate Change Conference - COP26, IVASS confirmed its commitment to contribute to the global action to limit global surface temperature increase and achieve the objectives of the Paris Agreement. See IVASS' commitment for COP26 https://www.ivass.it/media/avviso/ivass-cop26/.

will collect detailed information from supervised companies on the inclusion of climate and environmental sustainability factors in their corporate governance and risk management processes and in their underwriting and investment policies.

### 2.2. - The monitoring of hybrid policies

In 2021, premium income for hybrid products from a representative sample of companies, which combine coverage from several insurance classes (typically life class I and class III), amounted to EUR 40 billion, up 36% year-on-year. Hybrid products drive premium income for the life sector as a whole and show a clear recovery after a negative performance in 2020. The share of hybrid premiums in the total life business of the sample is almost 50%, up from 36% at the end of 2020.

The increase in hybrid premiums affected the class III component to a greater extent (+42%), compared to class I (+33%). The breakdown of premiums into the two lines of business shows a slight increase in the share for class III compared to the end of 2020: class I premiums make up 66% of the total, with class III premiums accounting for the remaining 34% (Fig. IV.10.a).

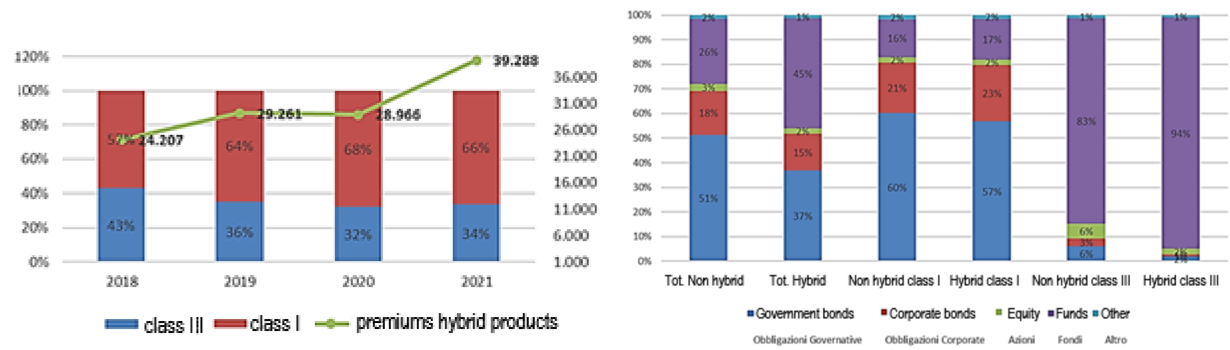
Investments for hybrid products held by the companies involved in the survey amounted to EUR 190 billion, up +16% with respect to the end of 2020, against an overall increase of investments in life business of +1%. Investments related to the class III component are growing (+24%), accounting for an increasing share of total investments in hybrid products (36%; 34% in 2020); investments in the class I component rose by +12%. Investments for hybrid products are characterised by an increasing incidence of investments in funds compared to other life contracts (45% and 26% respectively; it was 41% and 24% in 2020) (Fig. IV.10.b).

**Figure IV.10**

**Hybrid products**

**a) Trend in premiums and breakdown by classes*** *(million euro and % values)*

**b) Investments: breakdown by type** *(% values)*




* The premiums refer to a homogeneous sample of companies on the four reference dates reported; the total therefore excludes companies for which data is not available for all four deadlines in the graph.

## 2.3. - Data quality initiatives on IBIPs

In 2021, the macro-prudential monitoring of insurance-based investment products (IBIPs) was started, a necessary and preparatory activity for the possible exercise of the intervention powers attributed to the Institute by the EU Regulation 1286/2014 "PRIIPS", transposed into the CAP by Article 188, paragraph 3-bis, letter a)[164]. The monitoring required a preliminary investigation of the databases for analysis, which revealed widespread errors and omissions in the reporting of insurance companies. The revision of the data was prompted by a letter to the market dated 15 December 2020[165], in which instructions were provided for the correct compilation of the unique codes for the identification of life products, separately managed accounts and internal funds and related UCITS.

In parallel to the actions aimed at improving the databases, a prototype analysis of IBIPs products is being studied in order to assess the potential accumulation of risk to financial stability.

[164] EU Regulation No. 1286/2014 "PRIIPS" provides that national supervisory authorities may prohibit or suspend the marketing of IBIPS products, including for financial stability purposes (as well as for the protection of consumers-policyholders). Art. 188 (3-bis2) of the CAP gives IVASS the power to restrict the conduct of business, including the power to prohibit the further marketing of insurance products, taking, where necessary, preventive or corrective measures in relation also to the individual insurance undertakings.

[165] Letter to the market of 15 December 2020 - Solvency II Reporting: clarification on the criteria to be followed when filling in the annual reporting and use of the LEI code in prudential reporting, https://www.ivass.it/normativa/nazio- nale/secondaria-ivass/lettere/2020/lm-15-12/index.html.

## 3. - INSPECTIONS

In 2021, 24 inspections were carried out, 20 of which at insurance undertakings and 4 at intermediaries registered in the RUI. Other 10 inspections, 9 of which at undertakings, started in the last quarter of the previous year, were completed in the first quarter of 2021.

The gradual easing of government restrictions related to the pandemic allowed for an increased on-site presence at the premises of supervised entities. The experience of 2020 was exploited, when the limitations from government decrees had forced assessments to be conducted remotely. The hybrid mode has become the standard for conducting inspections, with on-site presence largely predominant, supported by an off-site approach, calibrated on the basis of the issues being inspected, the government regulations in force, and the company's conditions for the on-site safety of workers. This solution safeguards the strengths of the on-site presence, such as immediate access to the company's entire information assets, constant interaction with company stakeholders, the ability to verify the effective application of policies, the effectiveness of processes, and the truthfulness of reports and statements made.

Half of the 20 inspections at companies related to prudential supervision profiles and the remaining inspections related to market conduct aspects, including verification of the status of implementation of the EU Product Oversight and Governance (POG) framework, and safeguards to counter the risk of money laundering.

Among the strategic objectives of inspections, central is the full implementation of the supervision model based on the four eyes principle, strengthening the quality and information content of the inspection product and enhancing the operational and methodological interaction with the off-site units. In the annual planning of on-site interventions, the collection of proposals from off-site units is preceded by the quantification of available resources, of the inspection capacity by type of investigation, to be allocated in line with the strategic objectives. In any case, a margin of flexibility is provided to deal with extraordinary and non-programmable interventions. IVASS inspection planning process is aligned with international standards and the Bank of Italy's supervision, consistently defining the roles, tasks and responsibilities of the units involved.

### 3.1. - Insurance undertakings

20 inspections were carried out on insurance undertakings during 2021, two of which in collaboration with the other European Supervisory Authorities, with the participation in a joint-inspection, conducted by EIOPA, at a Luxembourg company and in an inspection, conducted by the home supervisory Authority, at a company based in Liechtenstein.

The inspections are carried out on the basis of the methodological standards established in the inspection guidelines, focusing investigations on the assessment of the risks to which the undertaking is exposed and of the effectiveness of safeguards, through analysis of the governance, management and control processes.

With a view to integration and optimisation of off-site and on-site activities, the selection of the companies to be inspected is made by the off-site Departments on the basis of the outcome of the prudential assessment process, which incorporates the results of the risk analysis system used by IVASS, and of the objective of coverage of the sector.

Among these, there is always the need, also noted by the International Monetary Fund in 2019, to ensure a minimum frequency of on-site assessments on undertakings. Three out of ten prudential inspections were directed at companies that had not been audited on-site for more than 5 years. A methodological approach was followed for these assessments, focused on the areas of greatest importance for the supervisory Authorities as these were small companies (governance structures, calculation of SCR premium and reserve risk and of Best Estimate of Liabilities, technical provisions of the statutory financial statements). The perimeter and depth of the checks of a strictly quantitative nature take account of the most significant classes and the weight of each risk.

The other seven prudential audits concerned: the correctness and consistency of the assumptions for the calculation of the best estimate of technical provisions and underwriting risk modules, with a focus also on the risk assessment process (ORSA) and the definition of the Risk Assessment Framework (RAF); the governance and control of financial and investment risks; governance, management and control of risks related to information and communication technology (ICT risks) and cyber security, the calibration of the group internal model on market risks, the follow-up on the correct disclosure of data in the supervisory forms and in the motor liability insurance records.

Unfavourable opinions were issued for four audits out of ten prudential inspections.

On the subject of financial risks, a lack of guidance and supervision on the part of the administrative body emerged, resulting in generic corporate policies on the calculation of the current and prospective solvency situation, which in fact was left to the autonomous determination of the corporate functions and risk management. This resulted in a significant underestimation of the capital requirement, within both Solvency Pillar I and Pillar II. In particular, there were significant critical issues concerning the identification and measurement of risks associated with units of UCITS that invest in complex and illiquid financial instruments, in relation to which the company calculated the capital requirement using a look-through approach, although the information provided by the managers was totally insufficient and not suitable for a proper assessment of the credit risk arising from the underlying loans. Further overestimates of the solvency situation resulted from calculation errors and methodological shortcomings in the determination of the Loss Absorbency Capacity of Deferred Tax (LAC DT), which was not inspired by the canons of prudence required by the standard, especially with reference to the estimate of future profitability.

On the same subject, internal policies on the classification and valuation of financial instruments were found to be generic and deficient: for example, criteria for identifying inactive markets were absent, resulting in errors in the classification in the fair value hierarchy for IFRS purposes, or in a highly inconsistent classification between IFRS and Solvency II financial statements. The absence of independent verification of bond prices by risk management was noted, as well as weaknesses in the internal valuation framework, since, for instruments classified as level 2 and 3 IFRS, the policy did not include rules for estimating the necessary adjustments, e.g. according to the illiquidity of the instruments and the risks associated with the valuation technique and the uncertainty in estimating the relevant inputs.

With regard to the governance, management and control of risks related to information and communication technology and cyber security, significant weaknesses emerged in governance structures, in internal control systems with regard to the detection and mitigation of cyber risks, in the audit of important areas of cyber risk such as logical security and operational and security incident management, in data quality due to the extensive manual nature of controls and deficiencies in the design and documentation of procedures and data, in the prediction of cyber attack scenarios, and in the management of migration between operating systems.

The last unfavourable judgement was determined, in terms of governance, by the substantial inertia of the administrative body in the exercise of its duties of policy-making and strategic-organisational supervision in favour of the CEO, who was granted very broad powers, including of extraordinary administration, without any quantitative limits, as well as by the inadequacy of the control structure, not inspired by the necessary requirements of separation and independence, in particular, in controlling the exercise of delegated powers.

For three of the four companies with an unfavourable opinion, sanction proceedings were initiated in relation to the deficiencies found also, in one case, against the individual pro tempore directors and the internal auditors.

The six market conduct inspections covered, respectively:

- for two undertakings (including that based in Luxembourg), the verification of the process of compliance with the requirements on Product Oversight and Governance (POG), introduced by the IDD Directive and EU Regulations 2017/2358 and IVASS 45/2020;

- for three companies, the efficiency of the settlement processes, managed, in one case, by the motor liability claims representative of a company based in Bulgaria and operating in Italy by way of f.o.s.;

- verifying the incorporation of recent regulations, compliance with the CARD agreement and related governance and control aspects into the motor liability underwriting and settlement processes.

Three unfavourable opinions were issued for six audits, one referring to the EIOPA joint inspection. Significant problems were found in the alignment of the POG process with the regulations in force, as well as anomalous weaknesses in the motor liability settlement processes.

More specifically, organisational shortcomings in the implementation of policies and the effectiveness of controls, reflected in product design, emerged in the area of POG. The analysis of the technical characteristics and complexity profiles of the products was not sufficient to identify the most appropriate target market, which turned out to be too broad and generic. An incorrect application of the negative target market rule was also noted. Product testing, in the absence of predefined methodologies and criteria, was not suitable to demonstrate the adequacy of the products for the target market. The risk/return profile analyses, limited to the scenarios envisaged for the KIDs, neglected essential elements of the product, and the model for testing the product's value-for-money showed limitations in design and effectiveness.

For the two domestic companies with an unfavourable opinion, sanction proceedings were initiated in relation to the deficiencies found.

### 3.2. - Insurance intermediaries

Of the four inspections conducted at insurance intermediaries registered in the RUI, two were focused on supervision on market conduct and, more specifically, on the correctness of the process of underwriting and managing motor liability policies.

For the latter audits, which were carried out on intermediaries characterised by a very large distribution network built on the wholesale organisational model, in which numerous agents and brokers are included as horizontal collaborators, organisational and procedural weaknesses emerged with regard to network controls, as all parties involved in mediation are not always traced. There is also a failure to disclose the individual costs charged to customers under the item 'advice' and the amount of commissions that issuing intermediaries receive from the insurance companies with which they have collaboration agreements.

### 3.3. - Anti-money laundering

IVASS carries out its activity following a risk-based approach as outlined in the FATF recommendations and envisaged by the provisions of national legislation implementing EU directives on anti-money laundering.

Also in 2021, insurance companies were asked to carry out the analysis and assessment of a money laundering risk, based on the criteria and methodology defined in 2017, to which changes were made in subsequent years to remove information that turned out to be insignificant and to acquire additional data needed for the analyses conducted by the Institute.

As in previous years, the exercise concerned domestic companies and branches; companies operating under f.o.s. were asked to send a reduced set of information. The processing of the data and information provided makes it possible to calibrate the supervisory priorities on the intrinsic risk to which the supervised parties are exposed and to make a correct selection of the companies to be subjected to inspection.

In 2021 six inspections were carried out, four of which at undertakings, including a domestic undertaking and the Italian branch of a company based in Luxembourg. The other two inspections concerned a follow-up check at another Italian branch of a Luxembourg-based company on the actual implementation of the remedial plan contained in the IVASS order at the end of a previous sanctioning procedure and participation in an inspection conducted by the home supervisory Authority at the head office of a company in Liechtenstein, which operates in Italy under the right of establishment.

The two inspections of insurance intermediaries concerned the main distributors of the products of two of the companies inspected.

In 2021, sanctioning procedures were commenced against two insurance companies and one insurance intermediary.

Institutional collaboration continued to be fruitful with the Guardia di Finanza (Finance Police) and cooperation with the UIF as regards inspections on insurance undertakings was strengthened. In this context, the Institute expressed its prior agreement, as per art. 9 of Legislative Decree 231/07, in relation to five audits planned by the Guardia di Finanza (Italian finance police), to which the available information on the subjects to be inspected was provided and cooperation was ensured (also during the audits) in relation to the specific operating features of those subjects.

### 3.4. - Development of on-site supervisory tools

The development and systematisation of methodologies to support the inspection activity, in order to consolidate the risk-based micro-prudential supervisory system and expand the tools for supervising market conduct, is an objective assigned to the Inspection Directorate already in the previous IVASS Strategic Plan and confirmed by the current Plan.

In this context, the preparation of inspection analysis paths (PdAs) allows for a strengthening of the compliance of inspections with key principles such as effectiveness, transparency and objectivity, favouring the convergence of the inspection process and results towards the best international standards.

In 2021, two analysis paths were released, relating to life insurance technical provisions and the product oversight process (POG) on the manufacturer side, with the aim of:

- giving inspectors access to the methodological and thematic framework on the basis of which to set up the assessments for an area of investigation, according to a shared sequence of logical and procedural steps;

- exhaustively and precisely outlining the scope and purpose of the investigation, the methodologies to be used, the criteria to be followed to anchor the profile judgement, in order to foster a full understanding of the company being inspected and enable the full enforceability of the inspection product;

- accurately and comprehensively defining the main inspection topics, so as to adequately cover most risk profiles, facilitate the planning and monitoring of work, clearly calibrate the scope of investigation, and maximise the expected result;

- facilitating communication between off-site and on-site supervision, facilitating off-site units to make consistent recommendations to supervised entities in order to remedy identified weaknesses and prevent the exacerbation of emerging ones.

## 4. - COMPULSORY WINDING UP

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 amounts owed to creditors. 296 measures were issued, including the reappointment and replacement of commissioners and of members of the supervisory committee whose term of office expired.

The Institute's commitment made it possible to achieve the following results:

- the authorisation to file, with the competent court, the final balance sheet, financial statements and final allocation plan of La Peninsulare S.p.A., Il Sole S.p.A., Assid S.p.A., Euromanagement S.p.A. (Previdenza Group) and Compagnia Europea di Previdenza S.p.A. (CEP) as well as the proposal to close Progress S.p.A. with a composition with creditors;

- cancellation from the register of companies of Sequoia Partecipazioni S.p.A., Siac S.p.A., Compagnia Meridionale di Assicurazioni S.p.A. (Meridass), Transatlantica S.p.A., the Italian branch of Rhône Mediterranée, Alpi S.p.A., Fincambi S.p.A. (Previdenza Group) that had previously filed their final documents; in addition, Euromanagement S.p.A. (Previdenza Group), authorised to file the final documents in 2021, completed the steps to be deleted from the registrar of companies.

The composition with an accepting party pursuant to Art. 262 et seq. of the CAP was also confirmed for 2021 as a useful instrument for closing liquidations. After the filing of Lloyd Nazionale Italiano S.p.A.'s proposal for composition with creditors in 2020, the procedure for the closure with composition with creditors of the liquidation of Progress S.p.A. initiated in 2010 was finalised.

The closure of Progress under composition with creditors followed an expression of interest, based on which a notification was arranged in order to expand the number of potential bidders and obtain the most economically advantageous offer for creditors. Once the interested parties completed the due diligence, the liquidation appointed an advisor in assessing the suitability of the proposal for the creditors, pursuant to the provisions of articles 214 and 124 of the Bankruptcy Law and in light of the "no creditor worse off" principle. This was followed by the negotiation with the proposer-accepting party, the submission of the final proposal for composition with creditors, the assessment by the bodies, the advisor and the main creditor (Consap), and the issuance of the IVASS authorisation for filing with the Court of Palermo. The composition with creditors became effective and enforcement operations began with payment to creditors.

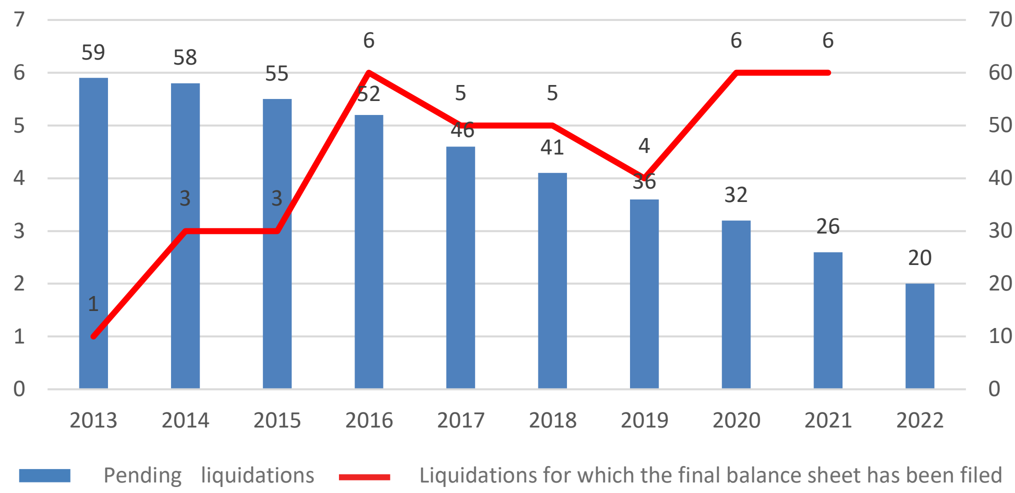
The negotiation of the proposal for the closure of the composition with an accepting party of Faro S.p.A. is ongoing, and the procedure could be finalised in 2022.

With regard to the real estate assets of the liquidations, whose presence is often the main obstacle to closure, the attention that has long been paid to the methods of auction sale and the related publicity, together with the initiatives taken, by analogy with the provisions of the Crisis

Code (effective as of 16 May 2022) and the Code of Civil Procedure, to encourage the sale of the remaining assets, has made it possible to sell 6 assets in 2021, 3 of which were the last properties of the liquidations of Lloyd Centauro S.p.A. and Unica S.p.A., whose closing can thus be started. Between 2015 and 2021, 72 properties were sold.

**Figure IV.11**

**Progress of liquidation procedures from the establishment of IVASS to 31 December 2021**



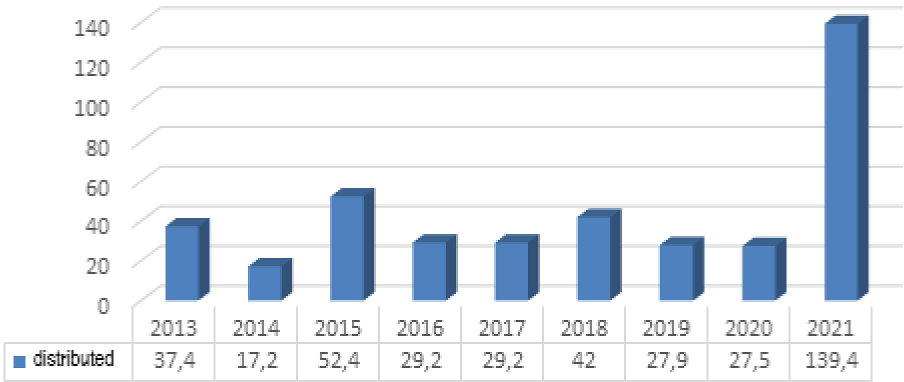

As regards the distribution of the amounts owed to creditors of undertakings undergoing administrative compulsory winding up, based on the data provided by Consap S.p.A. – Fondo di Garanzia per le Vittime della Strada (the national guarantee fund), in 2021 damages amounting to EUR 8.4 million were paid for MTPL claims caused by policyholders insured with undertakings placed under administrative compulsory winding up.

IVASS also authorised the disbursement of EUR 139.4 million to creditors in proceedings based on final allocation plans (La Peninsulare S.p.A., Euromanagement S.p.A., Il Sole S.p.A., Assid S.p.A., Compagnia Europea di Previdenza – S.p.A.), and in the implementation of the composition with an accepting party of Progress S.p.A. and of the supplementary allocation plan of Novit S.p.A. Among the creditors who benefited from these payments are included Consap S.p.A. – Fondo di garanzia per le Vittime della Strada and the designated undertakings, inasmuch as they have the right of recourse for the compensation of the claims referred to above.

**Figure IV.12**

**Payments to creditors from the establishment of IVASS**

*(amounts paid under final and partial allocation plans and advances in million euro)*




The IVASS keeps contact with the European Supervisory Authorities responsible for the control of foreign undertakings in pre-liquidation or placed in liquidation operating in Italy under freedom to provide services or under the right of establishment, and with the related liquidators, to provide correct disclosure to users about the procedures whereby policyholders and injured parties can enforce their rights.

In 2021 the Romanian Supervisory Authority, Autoritatea de Supraveghere Financiară (ASF), withdrew the authorization to the pursuit of insurance business to Societatea de Asigurare Reasigurare City Insurance S.A, a Romanian company pursuing business in Italy by way of freedom of services, especially in the Suretyship class. At the same time, ASF asked the Court of Bucharest to commence the winding-up proceedings, which occurred in 2022.

The Institute worked with the ASF and the Romanian Guarantee Fund to verify the ways in which Italian creditors could find satisfaction through the Romanian Guarantee Fund and to inform the beneficiaries of suretyship policies of the company's situation.

Gefion Insurance A/S, based in Denmark, already in liquidation since 2020, was declared bankrupt by the Maritime and Commercial High Court of Denmark in Copenhagen.

# V. MARKET CONDUCT SUPERVISION AND CONSUMER PROTECTION

The focus on consumers guides the Institute in its supervision of the market conduct of insurance operators and in its numerous activities to protect their rights.

In this perspective, in confirmation of the signalling value that IVASS assigns to consumer complaints in order to identify the underlying causes and intervene on supervised entities with requests for corrective measures for products and business processes identified as critical, a project was launched for the submission of complaints in digital format through a dedicated portal for citizens, in line with the general objectives of accessibility, efficiency and technological development of the public service.

In 2021 and early 2022, the focus was on analysing the value that the insurance product has for the consumer (value for money). This objective, also identified as essential by EIOPA, has been pursued through various types of interventions, consistent with the Institute's 2021-2023 Strategic Plan, and in particular through the introduction of analysis methodologies that use technological tools and increase quantitative tools to support supervision, the implementation of initiatives to improve the quality of the processes of design and governance of insurance products (POG) implemented by companies, the focus on topics of particular interest to consumers, including the verification of adequate levels of profitability and costs for IBIP underwriters and, for non-life policies, of exclusion clauses that do not undermine the actual need for protection. Again in the non-life sector, the objective of guaranteeing the effectiveness of the value of the product for the consumer was at the basis of interventions on the underwriting and settlement processes of companies, made possible by the analysis of complaints, with a prevailing focus on the motor liability and health insurance sectors, due to their social content and popularity among consumers.

Alongside the supervisory activities to protect the consumer, efforts continued on the insurance education front, a self-help tool necessary to increase the ability to make informed choices and to foster social inclusion. Targeted initiatives continue to be carried out on population ranges where there are greater knowledge and behavioural deficits, first and foremost young people and women, also through cooperation with foundations, universities and trade associations. The revision of the Institute's teaching materials will make them up-to-date and more user friendly. The legislative initiatives under consideration by Parliament and monitored by IVASS within the Edufin Committee mark significant progress towards the introduction of financial, insurance and pensions education as compulsory teaching in school curricula.

## 1. - SUPERVISION OVER MARKET CONDUCT METHODOLOGIES AND ANALYSIS TOOLS

The development of methodologies and analysis tools to support market conduct supervision continued in 2021, in coordination with the EIOPA work, to which the Institute actively contributes. Among other things, the European work aims to identify specific areas of application for the introduction of technological aids (SupTech) to the conduct of supervision.

IVASS' aim is to integrate these innovative methodologies with existing methodologies for supervision prioritisation, in particular the analysis of retail risk indicators (RRIs).

This line of action adds to the supervisory activities aimed at verifying the effective implementation in companies of organisational structures and processes designed to define and control the effectiveness over time of insurance products capable of meeting the real investment and protection needs of subscribers (POG).

## 1.1. - Life products

An area of significant interest for European supervisors is the assessment of the Value for Money (VfM) of IBIPs, particularly unit-linked and hybrid products. In the European market, there are critical issues related to the complexity and high costs of these products, which in some cases undermine profitability expectations for the consumer.

In 2021, EIOPA set out in a supervisory statement (see box) its expectations of the product oversight and governance (POG) process for IBIPs required of insurance companies. The POG must place the consumer at the centre of the process, considering the essential elements of the product in the light of the needs, objectives and characteristics of the target customers.

A supervisory methodology is being developed at the European level to assess the alignment of companies' POG processes with the supervisors' expectations and to guide the authorities' priorities for action, including through autonomous VfM measurements that identify potentially critical cases, on which further investigations should be conducted. While taking into account the different characteristics of national markets and products, this is a highly integrated market segment, for which maximum convergence in supervisory methodology and consequent actions is necessary to ensure adequate consumer protection and equal treatment between companies.

**EIOPA supervisory statement on the VfM of unit-linked policies under POG**

On 30 November 2021, EIOPA issued a Supervisory Statement on assessment of value for money of unit-linked insurance products under product oversight and governance[166] with the aim of fostering convergence in the application of product design and monitoring regulations and in the supervisory methodologies of national Authorities. Operators widely agreed in the public consultation on the statement that the concept of VfM is already provided for in the IDD, where Art. 25 of the Directive and EU Delegated Regulation 2017/2358 require manufacturers to test whether products are in line with the needs, objectives and characteristics of the target market.

The Statement contains general principles and expectations on the implementation of POG requirements on product VfM assessment by companies. Manufacturers should provide evidence, as part of their POG documentation for supervisory Authorities, that they have implemented a structured process that takes the following aspect into account:

- the adoption of a pricing model is that considers the value to the customer of the product as a whole and of its components; each cost on the product is identified and justified by the company in relation

[166] https://www.eiopa.europa.eu/document-library/supervisory-statement/supervisory-statement-assessment-of-value-money-of-unit

to the expenses incurred and the needs and requirements of the identified target market; the pricing process is expected to become part of the POG documentation;

- definition of the notion of complexity of a product, with a scale on which to measure its complexity; greater complexity should correspond to greater granularity of the target market;
- for products with different options that can be purchased by customers (MOP), definition of a distribution strategy that reflects the different needs, objectives and characteristics of the consumers;
- when assessing the VfM, account is taken of the entire lifecycle of the product, with assessments referring to the end of the recommended holding period (RHP) and to when the policyholder is reasonably expected to surrender; for this purpose, account should be taken of the real data of the undertaking's portfolio in terms of age of policyholders, average time to surrender, asset allocation, etc. in order to identify the value of the product for the correct target market;
- periodic review of costs, charges, performance and services offered, in order to verify that the product remains consistent with the needs and characteristics of the identified target market, considering in particular the performance of the individual investment option in relation to the specific characteristic of the target market, making comparisons with returns available on the market.

The Statement contains guidance for Authorities on supervisory actions to verify its implementation by companies and to identify cases of low VfM of products on the market. Indications are consistent with the Chapter on POG included in the Supervisory Handbook and with the principles stated in EIOPA's approach to the supervision of product oversight and governance.

## 1.2. - Non-life products

Prominent among EIOPA's priorities for market conduct supervision is the analysis of the gap between available insurance offers and actual consumer protection needs. The issue, which emerged in 2020 as a result of the pandemic and changed needs for health or income protection, was further explored in 2021, identifying lack of clarity of contracts as one of the causes. It has been noted that the protection sought by consumers when purchasing the policy may be lost at the point of need due to the presence of exclusions that are not clearly explained or cannot be linked to the guarantee of interest.

The subject of contractual clarity has always been a concern of the Institute, which has implemented various initiatives on specific products or exclusion clauses. A broader, market-wide analysis of the clarity of contracts and the presence of exclusion clauses requires the use of appropriate methodologies and technological support to ensure adequate coverage of the analysis and equal treatment of different companies and products.

In 2021, the Institute initiated the acquisition of a database containing the characteristics of products placed on the non-motor insurance market, updated with the (pre)contractual documentation of the product of 28 companies, representing 80% of premium income. The service enables the structured analysis of contracts and their clauses and facilitates the comparison of different products. The use of artificial intelligence techniques to support the structured analysis of insurance contracts is also being explored.

### 1.3. - Mystery Shopping

A Conference held on 19 October 2021 marked the end of the project, funded by the European Commission, aimed to integrate mystery shopping among the supervisory tools available to IVASS to field-test market conduct.

With the support of a private partner and EIOPA for the development and field testing of the working method, a handbook for the use of mystery shopping in support of supervision was issued. The handbook was also used in the EIOPA works on the *Market Conduct Supervisory Handbook,* a set of supervisory guidelines aimed to support convergence and harmonisation of market conduct supervision at European level.

The EU regulatory framework is provided by Regulation (EU) 2017/2394, which gives the Consumer Protection Authorities (in Italy it is IVASS for the insurance sector), the power to make use of mystery shopping, limited to cross-border operations. Accompanying this is the integration of EIOPA's power in the updated version of EU Regulation 2010/1094, which allows the ESAs to coordinate mystery shopping initiatives conducted by national Authorities.

In Italy, the possibility of using mystery shopping has been extended thanks to the 2019/2020 European law (Provisions for the fulfilment of obligations arising from Italy's membership in the European Union), which amended Article 144-*bis (*2) of the Consumer Code. The latter stipulates that the competent Authorities may acquire data, news and information, also with the help of external parties, in which case reference is made to implementing regulations.

IVASS has put up for public consultation the draft implementing regulation governing the procedures for carrying out mystery shopping activities, with particular regard to the requirements and duties of the external subjects that the Institute may use (see Chapter III.3.1.1).

## 2. - CONDUCT SUPERVISION ON ITALIAN UNDERTAKINGS

In 2021, supervision of Italian firms focused on the product oversight and governance processes implemented by firms, with a particular focus on IBIPs and health, travel and income protection products, in line with the expectations set out by EIOPA in July 2020 in its Supervisory expectations on POG requirements amidst Covid-19 situation[167].

Supervision included important moments in the life of the insurance product, such as the management of IBIP products, claims settlement and the control exercised by companies over distribution. Post-inspection activities were conducted to verify the proper and timely implementation of the actions foreseen in the remedial plans.

[167] https://www.eiopa.europa.eu/content/supervisory-expectations-product-oversight-and-governance-requirements-amidst-covid-19_en

## 2.1. - Supervision over product design (POG)

Supervision over the implementation by Italian operators of the POG discipline, introduced by the IDD, continued. In line with the EIOPA guidelines[168] on risk-based supervision and verification of the substantial effectiveness of POG processes in terms of concrete results for consumers, IVASS activity in 2021 focused on unit-linked and hybrid products, through off-site and on-site actions, prioritising the most critical cases.

In 2021 and early 2022, the correct and timely implementation of remedial plans required of two IBIP companies following inspections was assessed.

Seven companies from major insurance groups, operating through different distribution channels, were convened to discuss valuation processes and methodologies, also in the light of European regulations and EIOPA guidance. The meetings also dealt with the topic of sustainability, checking the level of preparedness for the implementation of European legislation on ESG IBIP products.

One company, following the intervention of IVASS, stopped distributing a with-profit mixed product and five hybrid products for which it had been found for the class I component that there was no financial guarantee that the premiums paid would be returned at the expiry of the contracts, apart from in case of surrender. The company revised the products by reinserting the minimum guaranteed return at maturity on the class I product and the with-profit component of hybrid products. This guarantee was also extended to ongoing contracts for customers who had already purchased the withdrawn products.

The verification of actual value for the policyholder in non-life products assessed in the POG process is based on value-for-money metrics that may differ even profoundly from those used in the life sector for IBIP products. The assessment of VfM for non-life products was geared towards the business lines potentially impacted by the pandemic, involving companies that showed abnormal values of certain risk indicators.

The business model and the changes made to the products during the pandemic for an Italian company active in travel insurance were examined in depth following the EIOPA thematic review (see 4.3). The focus was on low loss ratios in health insurance and high commissions to the sales network in medical expense insurance, which the company undertook to review as soon as possible according to the agreements with distributors. A specific focus was devoted to the POG process, as it was noted that the company added Covid-19 coverage to the products without considering this update as a significant change that would have required adequate safeguards for policyholders. This was on the basis of an internal policy that qualified as significant only particularly high changes in pricing involving situations where the relevant thresholds were exceeded. The company has welcomed the suggestion to revise the policy, increasing the cases that constitute a significant change, including using absolute thresholds.

168 https://www.eiopa.europa.eu/content/eiopa-approach-supervision-product-oversight-and-governance_en

Two Italian companies, which were asked to investigate some anomalous indicators, mainly referring to PPI-type products, reduced their commission costs for intermediaries with a positive effect on VfM for policyholders.

The offer of non-life products distributed by utility companies, usually combined with the provision of such services, was examined. The products offered mostly concern the assistance class, cover possible equipment failures, are inexpensive and sometimes offered free of charge during promotional operations, but have numerous limitations and exclusions, which are made evident by the small number of claims. Major operators in the utilities field were convened and interventions were made at some Italian companies.

Finally, one company was asked to make additions to the policy conditions of some car assistance products and to realign the nomenclature used with the Glossaries.

## 2.2. - Supervision on the management of IBIPs

Special attention was paid to products with underlying funds held by an asset management company that had become illiquid, assessing for six companies the specific actions taken to protect policyholders. Some companies have continued to pay policyholders by disinvesting the securities in the funds under the best terms, others have frozen payments for the units pertaining to these securities, pending a new listing by the asset manager. Only a few policyholders of one company experienced losses of more than 30% of the sums invested.

Further in-depth analyses were conducted on the effects of the war between Russia and Ukraine. The companies belonging to the main groups were asked about the impact on Italian policyholders of investments in securities issued by these states. No company reported any capital losses on assets, whether directly or indirectly exposed, that would have an impact on the performance of the separately managed account. With regard to some internal funds or external unit-linked UCITS, the presence of exposed assets resulted in a capital loss of more than 10% of the value. The companies did not report losses exceeding 30% of the invested capital.

One company, for which shortcomings in the application of the 'monitoring and safeguard commissions' to unit-linked products had been identified during the inspection, with a practice that induced a preference for group-managed funds, was asked to minimise the gap between the valuation criteria for the selection of third-party or group UCITS to be combined with the product.

One company, which showed abnormal risk indicators compared to market averages, was asked to explain its investment management strategies and the policies pursued to recognise returns to holders of with-profit policies.

## 2.3. - Extraordinary transactions on internal funds and separately managed accounts

Following prior notifications from three companies, proceedings were instructed in connection with extraordinary transactions involving the merger of Internal Funds or the demerger of a separately managed account. In early 2022, the prior notification concerning the merger of two separately managed accounts underlying individual pension products (PIPs) was processed.

The proposal of a company to demerge a separately managed account with the establishment of a new account with a Profit Fund under Art. 7-bis of IVASS Regulation 38/2011, to which a selection of contracts would be transferred, was evaluated. As things stand at present, the rule does not allow such an operation, as the possibility of setting up a Profit Fund within an existing separately managed account is provided for by Order 68/2018 only for new contracts. This is dealt with in Discussion Paper 1/2022, which contains preparatory considerations for future regulatory interventions by IVASS on life products.

Notifications concerning amendments to the regulations of seven separately managed accounts and twenty-one internal funds were examined and assessed to ascertain the absence of prejudice to policyholders. 29 communications, submitted pursuant to Article 26 of IVASS Regulation 41/2018, concerning losses on unit-linked policies were assessed.

### 2.4. - Supervision on benefits and claims settlement processes

In collaboration with the Antitrust Authority, the monitoring of the settlement processes of a company active in health policies continued, which was followed by the company's activation of measures aimed at impacting the settlement processes in the short term and of measures of a strategic nature, more favourable to policyholders and aimed at overcoming the critical issues encountered.

Also in the health sector, an audit of the settlement processes of another company continued. The company was asked to review the settlement policies of existing contracts and the guidelines prepared with the main health funds in a favourable sense for the insured party, to make them clearer and correctly direct the user to the party (company or fund) responsible for managing the payment of the health benefit. The company responded positively to the indications given.

The settlement processes of a company with regard to certain lines of business were examined in detail, with particular regard to possible changes in contractual conditions as a consequence of Covid-19, production trends and the development plan for the next three years. The company pointed out that it had not made any changes to the contractual conditions of the products on the market, as there are no specific exclusions for the pandemic.

For another company, operating in the life business and subject to inspection, the initiatives taken and the commitments made to remove criticalities in the process of controlling the quality of settlement services, outsourced to another company, and the related management and monitoring of the settlement process were positively assessed.

Supervision of settlement processes also involves processes related to the payment of dormant life insurance policies (see below). In 2021, eight Italian operators which recorded a significant number of 'unknown' deaths were examined. In some cases, they revealed deficiencies in business processes to mitigate policy dormancy. The Institute implemented a follow-up for one company on the identification of policies that were actually dormant, their settlement and plans to increase the effectiveness of the payment to beneficiaries. The work carried out revealed the need, especially for companies that use financial distributors, to strengthen the information flow from the distributor to the company, taking action as soon as there is news of the death of a customer, who often holds several financial, banking and insurance positions.

Action was taken against a company that had challenged the limitation period for a term life insurance policy covering a loan granted by the bank distributing the policy. IVASS highlighted the advisability, in view of consumer protection and the prevalence of substance over form, of not contesting the limitation period against the beneficiary if the deceased policyholder was a customer of the distributing bank. This in view of the fact that the close relationship between manufacturer and distributor should have prompted the bank to immediately notify the company of the death.

### 2.5. - Supervision on the control of the distribution networks

IVASS continued its supervision of insurance companies' controls over their distribution networks, through a structured analysis of annual reports on the control of distribution networks. Thirty-four reports were analysed, 16 for companies collecting premiums mainly through the banking/financial channel and post offices and 18 for those using mainly traditional networks (agents and brokers). Checks were carried out to verify the effectiveness of the interventions, the actual strengthening of the controls and tools for monitoring the network, sometimes at the suggestion of the Institute. Information was acquired on the criteria and tools used by companies for monitoring and planning controls (e.g. dashboards). Some interventions raised awareness among companies of the importance of adopting measures to mitigate critical issues and to implement the control systems that they lacked. The companies concerned revised the objectives of their policies and control systems in the light of the IDD principles. They adjusted the procedures for sharing monitoring activities with the Compliance function and the distributor's business areas, and expanded the set of risk indicators for the distribution network.

A special focus was reserved for the indicators (Key Performance Indicator and Key Risk Indicator) adopted by the companies and the main banking distributors to develop an off-site and on-site monitoring system based on a risk-based approach, capable of intercepting unfair conduct or sales practices by the distribution network on a preventive basis. These initiatives have made it possible to improve the systematic mapping and analysis of risk indicators (KRIs) used by the market (more than 500) subdivided by areas and lines of business (Life, PPI, Non-life insurance classes), the purposes of the indicator and the related alert thresholds.

### 2.6. - Trend analysis of products offered

Every six months IVASS monitors the trends in the offer of insurance products through a survey involving all companies.

The development trend in non-life insurance continues to have a strong technological connotation. Digital instruments make it possible to map risks due to climate change and make the underwriting and settlement processes more efficient. Apps were launched to get MTPL quotes based on driving styles, and so were digital health platforms, dematerialized expertise tools for bad weather damage in agriculture and systems to provide easier access for SMEs.

The offer is increasingly characterised by cover offered on a modular basis. There is no shortage of on-demand coverage, and parametric and pay-per-use products are emerging, including:

- for the health sector: digital products on demand or modular products combined with assistance services for people and their families, with specific covers (i.e. against possible reactions to Covid-19 vaccines) or parametric cancer coverage;
- in support of mobility: customizable digital policies or policies for green vehicles; packages for family members that include multiple coverage in a single contract (car, home, accident and health);
- home insurance: pay-per-use policies and modular premium based on the actual use of the home or against theft; cyber or catastrophe coverage or to encourage recourse to the ecobonus;
- in support of SMEs: digital policies for trade businesses to protect business, people, assets and data or for some categories (wind farms, beekeeping, self-employed drivers and couriers, nursing homes, etc.) and multi-risk policies that allow for the customisation of deductibles and discounts;
- third-party liability: policies for directors, auditors, managers and companies in the event of disputes by employees; for administrative and accounting liability of employees of the Public Administration; compulsory coverage for those who practice downhill skiing;
- cyber: policies against cyberbullying, damage to digital reputation, online purchases and data loss; or damage caused by cyber attacks or multi-risk covers for companies and professional firms, in case of cyber-attacks.

In the life sector, the new products offered are mainly focused on individual hybrid products or with-profit products. The composition of the product basket remains largely unchanged, confirming the clear predominance of IBIP products, accounting for 80% of new products. There has been an increase in with-profit life products for which net realised gains are allocated to the profit fund (14 products) and greater attention has been devoted to the offer of stand-alone long-term care policies. There was a setback in insurance individual savings plans (PIR), as only 3 new products were launched during the year.

Of particular note is the offering of products linked to internal funds based on investments that relate to energy transition, issues related to global warming, water and waste management, increased longevity and increased population of urban centres.

## 3. - CONDUCT SUPERVISION ON FOREIGN UNDERTAKINGS

In 2021 IVASS actively participated in the expert group co-ordinated by EIOPA, which amended the Decision relating to the collaboration of the Insurance Supervisory Authorities, effective as of 1 July 2021. The project builds on the Solvency II revision and EIOPA's new tasks, with the goal of strengthening information exchange between national Authorities on companies with cross-border business, identifying potential risks early, promoting proactive supervision and immediate supervisory actions, mitigating risks before they become problems for policyholders, and ensuring the same protection for European policyholders regardless of the state where the company is based.

Close cooperation continued with EIOPA and the other insurance Authorities of the Member States for the supervision of foreign companies, both during the phase of entry into the Italian market, and in relation to the market conduct of companies already present in Italy under the right of establishment or the free provision of services.

At the end of 2020 (the most up-to-date EIOPA data), there were 350[169] foreign undertakings operating in Italy with branches or under f.o.s., with a premium income of EUR 22.6 billion (16.4 in the life sector and 6.2 in the non-life sector), for a 14% share of the Italian market.

In line with previous years, foreign companies are mainly active in the life sector (73% of total foreign companies), in particular with index and unit-linked policies (83% of life premiums) and come mainly from Ireland and Luxembourg. A significant portion of premiums collected by undertakings based in Ireland relate to Italian banking or insurance groups. Compared with the previous year, there is a decline in life business (-21%).

A stable trend is confirmed in the non-life sector, with companies coming mainly from Ireland, France, Luxembourg, Belgium and Germany and pursuing business in motor liability, general liability, fire and other damage to property, credit and suretyship.

### 3.1. - Entry of EU undertakings into the Italian market and supervision following entry

43 new authorisations for entry into Italy were granted to EU undertakings for the pursuit of business by way of f.o.s., 4 to undertakings operating under the right of establishment, and 21 extensions into other classes of business were granted to companies already present in the Italian market. 13 opinions were issued to EU Supervisory Authorities in relation to portfolio transfers between foreign undertakings operating in Italy under right of establishment or f.o.s.

The strengthening of cooperation with the other Supervisory Authorities and with EIOPA, both ex ante and in day-to-day operations, concerned:

- three Maltese undertakings and one Belgian undertaking, operating in non-life classes, in particular suretyship, and one Austrian company pursuing life business, for which enhanced cooperation with the Home Authority was activated or continued, and this made

[169] Of which 312 undertakings operating under f.o.s. and 84 with an establishment, with some undertakings active under both systems.

it possible to carry out coordinated supervisory initiatives on the undertakings' activities and the related distribution network in Italy;

- two Irish undertakings active in the PPI sector and a Belgian undertaking active in the suretyship sector, for which the adoption of remedial plans to overcome critical aspects relating to market conduct in Italy was obtained at the request of IVASS and with the cooperation between supervisory Authorities;

- two Croatian companies pursuing motor liability, one of which suspended its activity in Italy and the other took steps to overcome critical issues following interventions by IVASS and the home Authority.

In 2021, IVASS participated in six EIOPA collaboration platforms, including those related to:

- a company active in the life sector, with critical issues on products sold in several European countries, for which, thanks to intense international cooperation, the Home Authority has initiated supervisory proceedings, adopting transitional measures in the meantime;

- a company operating in the life sector, with critical issues relating to the business model, on which an analysis of the products marketed in the various markets was carried out. The analysis confirmed the critical issues identified by IVASS; intense international cooperation is underway between the Authorities of the countries where the company is active;

- another life company, with serious issues relating to the products (deficiencies in the POG process, complexity of the product, high mediation costs that make the product unprofitable for consumers). Thanks to the intervention of IVASS in cooperation with the home Authority, the company has so far refrained from marketing the product in Italy and is in the process of making changes to the POG process to ensure the existence of VfM for Italian policyholders;

- one undertaking active in Italy in the suretyship sector and in medical professional indemnity insurance, to which the home Authority withdrew the authorization to the pursuit of insurance business and requested the opening of the bankruptcy procedure.

IVASS has attended eight colleges of supervisors on cross-border groups operating in Italy with particularly significant branches, discussing issues relating to market conduct in Italy.

The participation of IVASS allowed a focus on critical issues related to the settlement processes of two Irish companies, for which a remedial plan was obtained, the implementation of which is being overseen with the cooperation of the other supervisory Authorities involved.

For foreign companies too, IVASS assessed the effectiveness of the safeguards and controls on the distribution network through a sample analysis of the annual reports required by Article 46 of Regulation 40/2018. Following the critical issues found, initiatives were implemented at companies and contacts made with the home Authorities. As a result of this action, one company initiated a remedial plan to strengthen the control of bank and traditional distributors with regard to the placement of stand-alone PPI, accident and health products. Other companies have taken similar initiatives to improve the control of distribution network behaviour in Italy.

### 3.2. - Brexit – action to ensure service continuity to Italian policyholders

On 31 December 2020 the Decree Law no. 183 "Milleproroghe" (converted into law on 23 February 2021) became effective. As a result, insurance undertakings with head office in the United Kingdom and Gibraltar which, on that date, were licensed to carry out business in Italy under the right of establishment or the freedom to provide services, can continue their business after the expiry of the transitional period (end 2020) limited to the management of existing contracts and covers. Undertakings were required to submit to IVASS, within 90 days of the end of the transitional period, a Plan detailing the measures to regularly and expeditiously execute the contracts and covers existing at that date, including the payment of claims.

In 2021 IVASS received management plans from 42 undertakings.

## 4. - THEMATIC SURVEYS

### 4.1. - Dormant policies

IVASS continued its commitment to facilitating the collection of benefits by beneficiaries and avoiding that dormant policies become time-barred.

While waiting for the activation of the direct access for companies to the data on deaths to check the existence of non collected policies[170], in 2021 too, IVASS offered companies the cross-check service on policyholders' tax codes against the data on deaths in the Tax Registry[171].

24.6 million tax codes (relating to life and accident policies) reported by all Italian companies and by the foreign companies pursuing business in Italy were cross-checked, and 215.842 deaths were ascertained. The results of the cross-checks were returned to the undertakings, so as to allow them to identify and contact the beneficiaries and to swiftly proceed with the payment of the amounts due.

### 4.2. - Policies linked to mortgages and other loan contracts

In 2021, IVASS continued to participate in the *thematic review* launched by EIOPA on mortgage life and other credit protection insurance sold through banks (PPI – Payment Protection Insurance). A questionnaire was submitted to European companies and banks, aimed

[170] The Decree Law 23/10/2018 no. 119, converted into law no. 136 of 17/12/2018) which amended the Decree of the President of the Republic (D.P.R.) no. 116/2007, provides for the activation of the IT cooperation service between the Revenue Agency and the companies for access to the data on deaths in the Tax Registry pending the definition of the procedures for direct access by companies to the information in the National Database of Residents, which has recently been established.

[171] Letter to the market dated 13 December 2021 https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm-13-12/Lettera_al_mercato_13_12_2021.pdf con requesting companies to send to IVASS the tax codes of policyholders of all life policies and accident policies providing a lump sum death benefit in the event of accidental death in force on 31 December 2021 in addition to any contracts no longer in force for which companies needed to verify the eventual date of death.

at gathering information on cost levels and sales practices, as well as at assessing the value for money of products. At European level, the analysis has shown that these products have high commissions, a low claims/premiums ratio and a low VfM for customers. IVASS is working with EIOPA to identify possible actions against outliers and the market as a whole.

### 4.3. - Travel insurance policies

In 2021 IVASS continued its follow-up on EIOPA's thematic review on travel insurance policies, which had highlighted the presence in Europe of problematic business models. In view of the resumption of travel as the pandemic situation improves, IVASS convened three leading companies in the travel sector to assess the robustness of POG processes, the distribution model, the responsiveness of companies, and organisational and process initiatives for business recovery.

It was found that companies have updated their insurance offerings to meet the new needs of travellers arising from the pandemic, including health cover in the event of a pandemic, removed planned exclusions, and added optional pandemic-related guarantees (e.g. reimbursement of expenses due to staying in one place because of the contagion).

Several companies have revised their agreements with the network, which plays a central role in this business, by reducing the maximum commission levels.

## 5. - SUPERVISION OVER MARKET CONDUCT FOR DISTRIBUTORS

### 5.1. - Preventive supervision actions

The Institute continued its efforts to strengthen a forward-looking supervisory approach in order to identify trends at an early stage that may significantly affect the market and consumers. Particular attention was paid to digital distribution and the entry of non-traditional players into insurance distribution (see below).

The Institute has carried out in-depth investigations and initiatives on intermediaries' processes and procedures, in order to verify their effectiveness and help spread the control culture that underpins healthy and robust businesses. The intermediaries were selected on the basis of size criteria and from warning signals related to specific products or events in the networks of collaborators.

The application of size criteria is possible thanks to a data collection[172], made systematic by IVASS Regulation 50/2022 dedicated to the reporting to the Institute of data and information on non-life premiums collected by companies through individual intermediaries or without any mediation. This data is used in conjunction with life business data, pursuant to IVASS Regulation 44/2019.

[172] National and EU undertakings collected information on non-life production, with evidence of premium income in motor liability, general liability and suretyship, broken down by distributor https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm-19-07-rami-danni-lps/index.html and https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2021/lm-19-07-rami-danni-stabilimenti/index.html.

### *5.1.1. - Digital distribution – InsurTech*

Actions were implemented on intermediaries (agents and brokers, the latter also acting as comparators), operating mainly through websites and call centres. Interventions were aimed at obtaining correct, clear and transparent information on the web portal, e.g. when quoting car products, about business partners, the correct compilation of data for assessing the demands and needs, clarifications on the policies offered and the operating characteristics of companies (e.g. CARD membership for EU companies).

In implementation of the strategic objective to monitor the evolution of InsurTech in the distribution sector, the business models of 20 insurance intermediaries and three technology start-ups were analysed, selected from among those employing new technologies in the insurance sector. For each subject, research and analysis were carried out on the offers through digital channels, simulations of the purchase process in mystery surfing mode were performed where possible, and assessments were made of the transparency of the offer and the way in which customer demands and needs were measured. In 13 cases, meetings were organised to analyse the business model and operations in depth.

Most of the actors encountered refer to a B2C (business-to-consumer) model in which products are offered directly to end customers through digital channels. The B2B2C (business to business to consumer) model, consisting of offering one's own technological platform to support the business of other intermediaries for subsequent contact with customers or even directly to retail, is less widespread or co-exists with the former. The innovation mainly aims at a fast and fully digital policy underwriting process for the customer, which is currently largely achieved when insurance companies make their internal applications accessible to intermediaries. Claims management is still handled in the traditional way. More advanced technologies, such as machine learning algorithms, are not yet widespread among intermediaries, who plan to use them in the near future.

### *5.1.2. - Insurance distribution by energy distribution companies and other public utilities*

An investigation was launched into insurance distribution by some leading companies in the utilities sector, which offer insurance products ancillary to the main service, either free of charge or with a try-and-buy approach (so-called embedded insurance). For each operator, research was carried out, mainly on websites, to verify the distribution methods and transparency of offers on products in the catalogue, performing, where possible in mystery surfing mode, simulations on the purchasing process, and surveying the reputation on the web.

The panorama is varied: only some companies are registered in the Single Register of Intermediaries (RUI), others offer insurance products under an exemption regime, as policyholders of a group policy offered to their customers as an ancillary service. The cover is offered via the website, via call centres or also via points of sale in the territory.

Dialogue with operators has made it possible to verify aspects relating to distribution models and customer protection, such as the way in which pre-contractual and contractual information is presented, as well as the way in which demands and needs are recorded and the adequacy of the insurance offer is assessed, together with the forms of premium payment, where applicable. Particular attention has been paid to the assessment of the VfM of the products offered, in the presence of clauses limiting the guarantees (deductibles, exclusions, excesses, maximum amount of cover, etc.).

## 5.2. - Supervisory actions resulting from reports

In 2021, 235 reports of possible misconduct by intermediaries were examined; these reports were received from consumers, insurance undertakings, the police and other parties, down by -32% compared to 344 in 2020. There were 29 lawful revocations of agency mandates, communicated by insurance undertakings (21 in 2020) and 97 sanctioning proceedings were initiated, mainly related to failure to remit premiums for significant amounts and forgery of insurance documentation.

**Table V.1**

**Reports received by type of intermediary**

*(units and % values)*

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **Intermediary** | **Number** | **%** | **Number** | **%** |
| **Agents (sect. A)** | 59 | 25.2% | 85 | 24.7 |
| **Brokers (sect. B)** | 45 | 19.2% | 90 | 26.2 |
| **Canvassers (sect. C)** | -- | -- | -- | -- |
| **Banks/other (sect. D)** | -- | -- | 13 | 3.8 |
| **Collaborators (sect. E)** | 120 | 51.0% | 137 | 39.8 |
| **Other operators** | 11 | 4.6% | 19 | 5.5 |
| **Total** | **235** | **100.0** | **344** | **100.0** |

The reports concerning intermediaries registered in the RUI gave rise to gauged supervisory measures, including:

– the need to strengthen the system of controls on the fulfilment of the good repute and professional requirements of collaborators, considering also the principle of accountability enshrined in Article 119(3) of the CAP;

– the recommendation to distributors to strengthen supervision and control of information and promotional content on their own and their collaborators' websites and social networks;

– with reference to the sale of financial or credit products (mostly mortgages for the purchase of homes) combined with the offer of insurance policies, by financial or credit intermediaries who also operate as insurance distributors (usually registered in Section E of the RUI as collaborators of brokers or banks), the request for appropriate safeguards on the risks associated with the opacity of the dual and related role of the intermediary and the optionality of the insurance offer, as well as the remuneration policies underlying the sale;

– the operation of branch offices abroad of supervised distributors, requiring actions to ensure that both the branch office and the Italian parent company have formalised procedures and effective governance and control of distribution.

With reference to the financial and banking channel, following a report by a consumer association on potentially critical profiles on the offer through the on-line channel of fire and explosion policies linked to mortgages, off-site supervisory activities and meetings with eight banks took place. Following IVASS' initiatives, the companies and banks that distribute these products have improved transparency and clarity for the consumer by making changes to the websites where the financing instalment can be simulated and to the policy information.

Following a report which highlighted critical issues regarding the reimbursement of unused premiums for early repayment of loans related to CPI products distributed by a banking intermediary, IVASS took action against the distributor and the issuing companies. The operators concerned took corrective actions that helped resolve the criticality and the reimbursement of premiums to the entitled parties.

Also as a result of reports by the *Organismo di vigilanza e tenuta dell'albo unico dei Consulenti finanziari* (OCF) (Italian body responsible for the supervision and keeping of the single register of financial advisors) concerning intermediaries registered with the RUI, six supervisory activities were carried out in relation to the control of the bank staff's good repute and professional requirements, in order to identify irregular behaviour on the part of the sales network. A request was made, where necessary, to strengthen the monitoring system, and three bank distributors took steps to enhance their control procedures.

## 6. - CONTRASTING UNAUTHORISED PURSUIT OF BUSINESS

### 6.1. - The fight against irregular websites

In its supervision of the proper functioning of the insurance market to ensure adequate consumer protection, the Institute has long been engaged in combating websites that promote and sell fake policies, which cannot be traced back to operators in the sector.

Motor liability policies remain the predominant target, primarily because of their mandatory nature. It exploits the consumer's perception of high cost and the ease of purchasing via the web, which increased during the most acute phases of the pandemic, with widespread use of the digital tool to search for and take out low-cost insurance cover. The cost of the policy offered by the scammer is usually low and coupled with advantageous, but mendacious, offers to lower the consumer's defences.

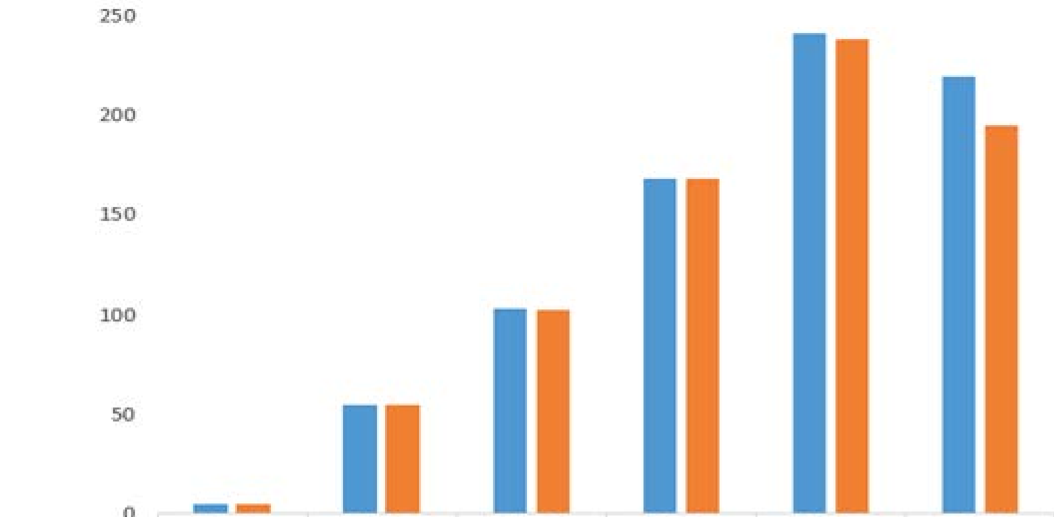
The phenomenon, known as ghost insurance or ghost broking, is particularly harmful for consumers who, in addition to the economic damage and to the absence of an insurance coverage, find themselves exposed to the risk of incurring fines and administrative detention of the vehicle. Industry players (intermediaries and companies) are also increasingly victims of identity theft, with damage to their image and reputation.

In 2021, there was slightly more encouraging data in the number of reports received by the IVASS Consumer Contact Centre and those sent by operators in the sector, Local Police and Judicial Police Units, Moreover, also as a result of the Institute's awareness-raising activities, consumer mistrust of – and attention to – electronic payment forms and on-line transactions is growing.

IVASS issued 21 press releases reporting 219 irregular websites, 90% of which are currently offline, almost all of which with a decrease of -9%, compared to 241 in 2020.

**Figure V.1**

**Irregular websites reported by IVASS**




| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| reported websites | 5 | 55 | 103 | 168 | 241 | 219 |
| off-line | 5 | 55 | 102 | 168 | 238 | 195 |

In the fight against fraudulent mediation, IVASS has developed the following actions:

- informing consumers by publishing press releases, list of irregular sites[173], newsletters and advice for consumers[174], also through audiovisual contributions[175];
- collaboration with the anti-fraud structures of the companies, the local police and the investigating Authorities;
- collaboration with the major web service hosting companies, registration service providers and the Italian Registry of Domains (NIC) for the purpose of taking down the content of irregular sites or domains;

[173] www.ivass.it/consumatori/proteggi/ELENCO_SITI_WEB_DI_INTERMEDIAZIONE_ASSICURATIVA_IRREGOLARI.pdf

[174] https://www.ivass.it/media/newsletter/documenti/Siti_irregolari_situazione_marzo_2021.pdf

[175] https://www.youtube.com/watch?v=9izD8L-IKbY

- cooperation with the Google search engines for the removal of fake site ads.

### 6.2. - Counterfeiting of policies

In 2021 IVASS reported 12 cases of counterfeiting of insurance policies, in particular of suretyship policies.

Of particular relevance is the case of two mediation companies deceived by a self-proclaimed representative of an EU intermediary through whom they distributed numerous suretyship contracts, which were later disavowed by the EU company concerned. IVASS handled these cases in close cooperation with the companies that were the victims of counterfeiting and with the Home Authorities, informing consumers by means of press releases in order to avoid the spread of the phenomenon and actively cooperating with the Judicial Authorities.

## 7. - OPINIONS ISSUED TO AGCM

An opinion has been issued pursuant to Article 27(1-*bis*) of the Consumer Code, concerning an investigation initiated by the Antitrust Authority (AGCM) against an insurance company for an unfair commercial practice concerning conduct and omissions aimed at hindering the exercise of rights deriving from the contractual relationship, inducing consumers/policyholders to forego the economic benefits to which they would be entitled. Following the measure issued by AGCM, cooperation continued for the assessment of the compliance plan submitted by the company and, following a specific request, an update was provided to the AGCM on the company's conduct, with particular reference to the trend in complaints and the nature of the critical issues encountered.

Another opinion concerned investigative proceedings initiated against a company for alleged unfair commercial practices in the settlement of motor liability claims, such as the imposition of obstacles to the exercise of the right of access to the claim file documents, the failure to comply with the legal deadlines for the settlement of claims, and the request for redundant documentation for settlement purposes that had already been sent or was available to the claims adjuster.

Information was also provided, pursuant to Article 27(3) and (4) of the Consumer Code, concerning the motor liability claims settlement procedure of another company.

Finally, an opinion was issued in relation to an investigation into alleged unfair commercial practices by an intermediary in the motor liability policy comparison sector. The conduct at issue in the proceedings concerned the solicitation to conclude insurance contracts by the call centre in violation of the Consumer Code, the lack of information on whether the business partners were an undertaking or an intermediary and on whether or not the latter had joined the direct compensation procedure.

## 8. - MANAGEMENT OF THE SINGLE REGISTER OF INTERMEDIARIES (RUI)

At the end of 2021, 237,193 entities were registered in the RUI, broken down below by Section and by natural or legal person.

Table V.2

**Number of intermediaries registered in the sections of the RUI at end 2021**

*(units)*

| Sections | Type of intermediary | Natural persons | Companies | Total |
|---|---|---|---|---|
| A | Agents | 17,773 | 8,555 | 26,328 |
| B | Brokers | 3,866 | 1,720 | 5,586 |
| C | Direct canvassers | 1,675 | | 1.675 |
| D | Banks, financial intermediaries, stock brokerage companies Poste Italiane S.p.A. – Bancoposta services division | | 420 | 420 |
| E | Staff involved in mediation outside the premises of the intermediary registered in section A, B or D, for which they conduct business, including their employees and/or collaborators | 184,466 | 14,684 | 199,150 |
| Enclosed list | Intermediaries having their residence or head office in another EEA Member State | | 4,034 | 4,034 |
| **Total** | | **207,780** | **29,413** | **237,193** |

Table V.3 shows the breakdown by gender and age group of natural persons included under Sections A and B.

Table V.3

**Breakdown by gender and age group of natural persons included under sections A or B of the RUI**

*(units and % values)*

| | Male | | Female | |
|---|---|---|---|---|
| **Age group** | **Number** | **% over total M+F** | **Number** | **% over total M+F** |
| Up to 40 years | 1,457 | 6.7% | 611 | 2.8% |
| From 41 to 55 | 7,473 | 34.5% | 2,405 | 11.1% |
| From 56 to 65 | 5,920 | 27.4% | 1,337 | 6.2% |
| Over 65 | 2,063 | 9.5% | 373 | 1.7% |
| **Total** | **16,913** | **78.2%** | **4,726** | **21.8%** |

Table V.4 shows the breakdown by province, based on the residence for natural persons and on the head office for legal persons.

**Table V.4**

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

*(units and % values)*

| Region | Agents | % over total agents | Brokers | % over total brokers | Agents and brokers per 10,000 inhabitants* | Agents and brokers per billion euro of GDP** |
|---|---|---|---|---|---|---|
| Valle D'Aosta | 76 | 0.29 | 10 | 0.18 | 6.9 | 19.0 |
| Piedmont | 2,376 | 9.03 | 416 | 7.45 | 6.5 | 22.1 |
| Liguria | 857 | 3.26 | 287 | 5.13 | 7.5 | 24.8 |
| Lombardy | 4,897 | 18.60 | 1,295 | 23.18 | 6.2 | 16.9 |
| **North West** | **8,206** | **31.18** | **2,008** | **35.94** | **6.4** | **18.8** |
| Veneto | 2,407 | 9.14 | 426 | 7.63 | 5.8 | 18.6 |
| Trentino-Alto Adige | 522 | 1.98 | 88 | 1.58 | 5.7 | 13.9 |
| Friuli - Venezia Giulia | 548 | 2.08 | 117 | 2.10 | 5.5 | 18.1 |
| Emilia Romagna | 1,993 | 7.57 | 282 | 5.04 | 5.1 | 15.2 |
| **North East** | **5,470** | **20.77** | **913** | **16.35** | **5.5** | **16.7** |
| Tuscany | 2,014 | 7.65 | 327 | 5.85 | 6.3 | 21.0 |
| Marche | 710 | 2.70 | 84 | 1.51 | 5.3 | 20.1 |
| Umbria | 483 | 1.83 | 67 | 1.20 | 6.4 | 25.8 |
| Latium | 2,507 | 9.52 | 931 | 16.67 | 6.0 | 18.5 |
| **Centre** | **5,714** | **21.70** | **1,409** | **25.23** | **6.0** | **19.9** |
| Abruzzo | 643 | 2.44 | 73 | 1.31 | 5.6 | 23.4 |
| Molise | 149 | 0.56 | 18 | 0.32 | 5.7 | 27.8 |
| Campania | 1,468 | 5.58 | 546 | 9.76 | 3.6 | 19.6 |
| Basilicata | 265 | 1.01 | 25 | 0.45 | 5.3 | 25.3 |
| Puglia | 1,380 | 5.24 | 187 | 3.36 | 4.0 | 22.2 |
| Calabria | 743 | 2.82 | 53 | 0.95 | 4.3 | 25.9 |
| **South** | **4,648** | **17.65** | **902** | **16.15** | **4.1** | **22.0** |
| Sicily | 1,655 | 6.29 | 288 | 5.15 | 4.0 | 23.4 |
| Sardinia | 635 | 2.41 | 66 | 1.18 | 4.4 | 21.8 |
| **Islands** | **2,290** | **8.70** | **354** | **6.33** | **4.1** | **23.0** |
| **Total** | **26,328** | **100.00** | **5,586** | **100.00** | **5.4** | **19.3** |

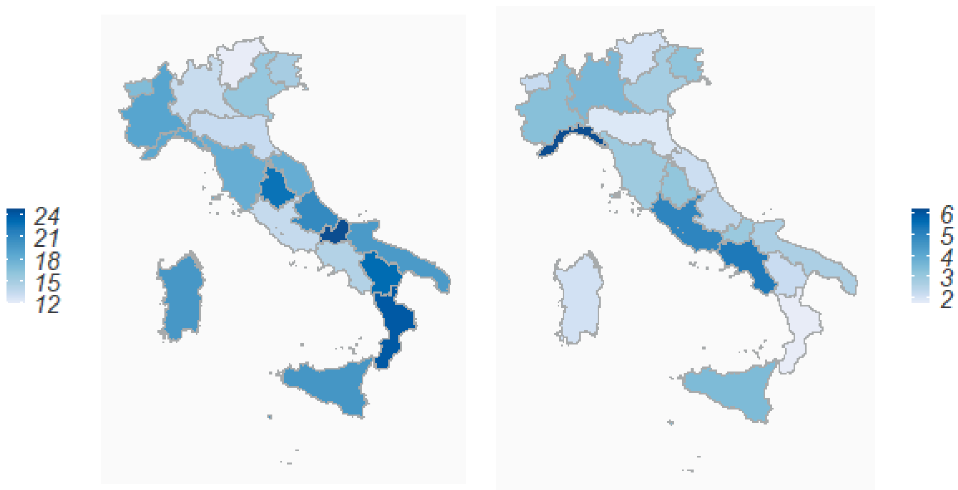
* Source: ISTAT, Population resident in Italy on 01 January 2021. – ** Source: ISTAT, 2020 GDP, production side, December 2020.

**Figure V.2**

**Distribution across the national territory of agents and brokers registered in the RUI– 2021**

*(number per billion euro of GDP)*

**Agents** **Brokers**




The joint work of IVASS and the Bank of Italy continues on the new web portal for the direct updating of RUI data by intermediaries and companies.

Since March 2022, IVASS has published information relating to the persons enrolled in the RUI also in open data format, available to market operators and scholars, and processable in a massive way. All the public information contained in the RUI, classified by categories of Intermediaries, Mandates, Positions, Collaborators and Head Offices is available in the website of IVASS[176].

## 9. - INVESTIGATIONS HANDLED

As part of the management of the RUI, in 2021, 70,667 applications for registration, changes in the information and removal were processed, with the same average processing time as in 2020. The applications for registration in Sections A and B are processed in approximately 30 days while the applications for registration in Section E have shorter processing times.

**Table V.5**

**Proceedings completed in 2021 by type of investigation**
*(units)*

| | Sect. A | Sect. B | Sect. C | Sect. D | Sect. E | Enclosed List | Total |
|---|---|---|---|---|---|---|---|
| Registrations* | 400 | 145 | 3,105 | 5 | 38,708 | 748 | **43,111** |
| Removals** | 912 | 337 | 12 | 23 | 15,536 | 395 | **17,215** |
| Reinstatements | 98 | 49 | 208 | 1 | | | **356** |
| Moving from one section to another | 393 | 86 | 2,089 | | 413 | | **2,981** |
| Extension of business abroad | 286 | 552 | | 4 | | | **842** |

[176] https://www.ivass.it/operatori/intermediari/rui/index.html

**Proceedings completed in 2021 by type of investigation**
*(units)*

| | Sect. A | Sect. B | Sect. C | Sect. D | Sect. E | Enclosed List | Total |
|---|---|---|---|---|---|---|---|
| Measures for the activation of operations or inactivity | 1,097 | 487 | | | | | **1,584** |
| Annotations on the register by effect of disciplinary proceedings | 50 | 38 | | 1 | 34 | | **123** |
| Changes in personal data | 2,635 | 921 | 1 | 196 | 582 | 120 | **4,455** |
| **Total** | **5,871** | **2,615** | **5,415** | **230** | **55,273** | **1,263** | **70,667** |

* 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.

## 9.1. - Foreign intermediaries

In the list enclosed to the RUI, which includes EU intermediaries licensed to operate in Italy, 4,034 intermediaries were registered as at 31 December 2021, compared to 6,523 at the end of 2020.

The reduction is mainly attributable to a review of the updated reporting by the home country supervisory Authorities. Following the introduction of the payment of the supervisory fee to IVASS also for EU intermediaries (MEF decree of 9 September 2021), bilateral contacts were initiated with the competent Authorities to verify the positions in the Enclosed List. This activity resulted in the removal of 1,579 intermediaries, mostly from Austria and Luxembourg.

98% of EU intermediaries operate in Italy under the freedom to provide services. 27% of these intermediaries come from Austria, 18% from France, 16% from Germany, 9% from Luxembourg and 8% from Belgium.

## 9.2. - Ancillary intermediaries

Three ancillary intermediaries, as in 2020, mainly carry out an activity other than insurance distribution and, pursuant to Article 1.cc-septies of the CAP, may distribute only insurance products that are complementary to the main good or service, with the exclusion of life insurance and third party liability. Such intermediaries may receive a mandate directly from an insurance company[177]. Two of them offer technology services as their core business and the third is a producer of energy from renewable sources.

The 13,472 ancillary collaborators[178], at the end of March 2022, mainly carried out an activity other than distribution (typically, they are car dealers or travel agencies) and provided their services on behalf of and under the responsibility of 1,641 principal intermediaries. The latter are broken down as follows: 67% are banking or financial intermediaries enrolled in section

[177] While waiting for the new RUI, as provided for by art. 102, paragraph 2, of IVASS Regulation no. 40/2018, intermediaries who declare to operate on behalf of one or more insurance companies, are automatically transferred on a transitional basis to section A of the Register with evidence of the qualification of ancillary insurance intermediary.

[178] Ancillary collaborators are entered in section E of the RUI and appear in a specific list published on the IVASS website.

D of the RUI, 17% agents enrolled in section A, 11% brokers in section B and 5% brokers operating in Italy under the European passport regime.

### 9.3. - Automatic updating, checks and other support activities for intermediaries

Pending the new application for the management of the RUI, the data to be collected following the implementation of the IDD[179] is published weekly in separate lists on the IVASS website.

The monitoring of the positions of registered parties who fail to comply with the obligation to pay the supervisory fee or fail to carry on business without a good reason for over three years led to a massive cancellation procedure for 197 intermediaries in Section A (Agents), 64 in Section B (Brokers) and 3 in Section D (banks, financial companies).

RUI update activity was extended to the management of the numerous positions non-compliant with the obligation of payment of the contribution to the broker fund managed by CONSAP.

In relation to 969[180] sample checks on the possession of the self-declared registration requirements, pursuant to Article 71 of Presidential Decree no. 445 of 28 December 2000 and Article 35 of IVASS Regulation 40/2018, two proceedings for removal from the RUI, due to the loss of the good repute requirements, and nine measures of refusal of registration were initiated.

497 requests from intermediaries for information on their position in the register and 44 requests for access to records and information from law enforcement or prosecutors' offices were given a reply. 272 historical certifications and certificates of professional qualifications were issued and information on distribution agreements or agency appointments was processed for 3,700 appointments and 5,100 terminations.

### 9.4. - The qualifying examination for registration in the RUI

The qualifying examination for registration in Sections A and B of the Register – 2020 session – announced through IVASS Order no. 110 of 13 April 2021, was concluded in October 2021. The test was held in person in Rome, with the necessary arrangements to manage the Covid-19 emergency. 3,005 candidates participated out of 5,005 admitted. 663 passed the examination, equal to 22% of attendees, in line with the previous session.

The qualifying examination for the 2021 session was announced through order no. 116 of 15 December 2021. 4,311 applications for participation were received.

[179] These are data relating to 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 and to the names of insurance and reinsurance distribution managers of insurance and reinsurance undertakings and intermediaries registered in Sect. D of the Register.

[180] Including 490 natural persons and 479 companies.

## 10. - HANDLING OF COMPLAINTS

### 10.1. - Complaints handled by IVASS

In 2021 20,136 complaints were examined (+6.4% compared to the previous year; Table V.6). A significant increase is recorded in the requests for information (+33%) received from consumers, law enforcement officials, PA, mainly related to the status of foreign companies operating in Italy and the validity of insurance coverage issued. The reversal of the downward trend that had characterised the pre-pandemic years since 2013 is confirmed for the second consecutive year.

The sector receiving most complaints was again compulsory MTPL insurance, which accounts for 60% of complaints received, with an increase in the management of claims (+86%) and in the underwriting area (+14%). For non-life lines of business other than MTPL, where complaints fell by -5.1%, there was greater dissatisfaction in the accident/health segment; consumers complain in many cases about an opaque, complex and not readily understandable contractual content, which can generate unfulfilled expectations and difficulties in obtaining benefits.

A decrease of -5.7% was recorded in the number of complaints in the life sector. Difficulties in understanding certain contracts, particularly those with a financial component, are also reported in this segment, where the complexity of the clauses and sales methods that are not suited to the customer's risk profile and expectations are highlighted. The reasons for dissatisfaction mainly concern the placing of the contract and management of the settlement of benefits (surrenders and capital at maturity, or claim).

**Table V.6**

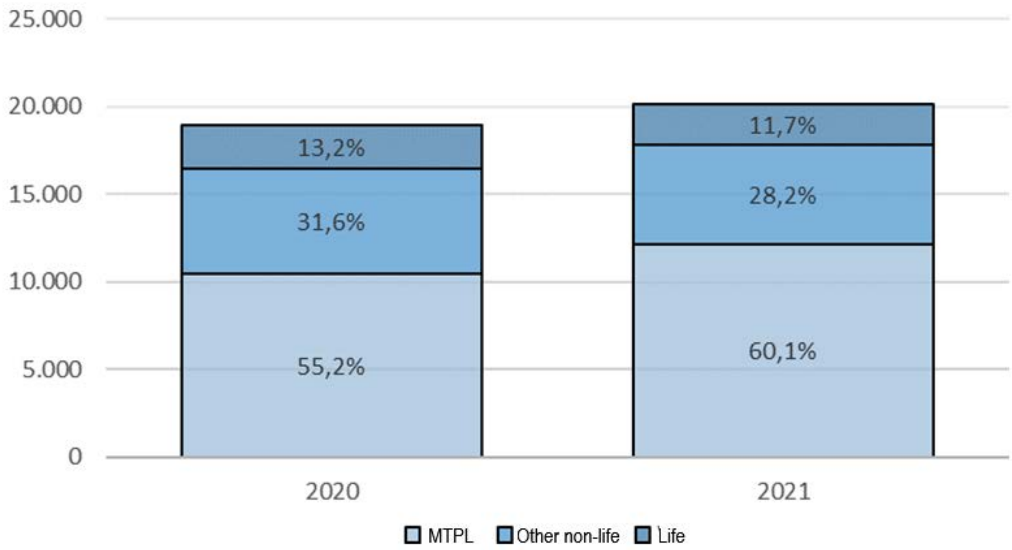
**Complaints received by IVASS: distribution by sector**

| Year | MTPL | Other non-life classes | Total Non-life | Life | Grand total |
|---|---|---|---|---|---|
| 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 |
| 2019 | 9,306 | 4,923 | 14,229 | 2,065 | 16,294 |
| 2020 | 10,444 | 5,983 | 16,427 | 2,492 | 18,919 |
| 2021 | 12,109 | 5,677 | 17,786 | 2,350 | 20,136 |
| Var. 2019/2018 | -15.1% | -3.2% | -11.3% | -9.6% | -11.1% |
| Var. 2020/2019 | 12.2% | 21.5% | 15.5% | 20.7% | 16.1% |
| Var. 2021/2020 | 15.9% | -5.1% | 8.3% | -5.7% | 6.4% |

The graph below illustrates the percentage composition of complaints received by IVASS and allows us to appreciate the changes in 2021 compared to the previous year. In fact, it can be seen that the percentage share of complaints in MTPL rose by 5 points, while the share in other non-life and life lines of business fell.

**Figure V.3**

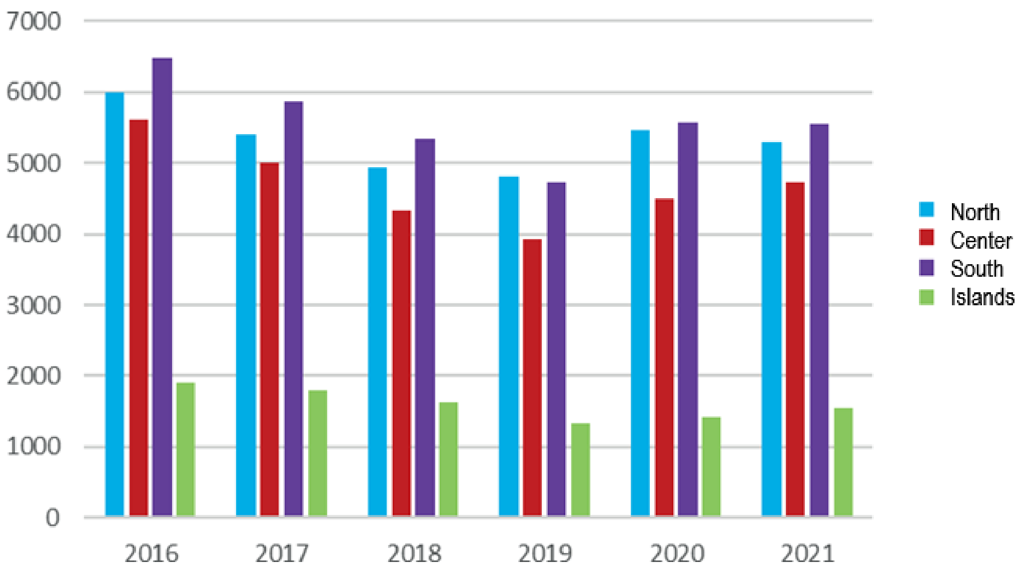
**Distribution of complaints years 2020 – 2021**
*(% values)*




The origin of complaints by geographic area showed no significant changes compared to 2020 (Fig. V.4).

**Figure V.4**

**Origin of complaints by geographic area**
*(number of complaints)*




The number of enquiries received and processed was 1,183 compared to 906 in 2020. These are questions on heterogeneous insurance topics, often with a high degree of complexity, or requests for information received from consumers, Offices of the State Prosecutor, law enforcement officials, PA, related in general to the status of foreign companies operating in Italy under the right of establishment or the free provision of services and the verification of the validity of insurance coverage issued by them (with particular reference to the suretyship class). In the event that the available information is insufficient to satisfy the request or critical issues emerge, the company is directly concerned, involving the foreign supervisory Authority where necessary.

Investigations relating to 25,715 complaints were completed (3,700 more than in 2020), with totally or partially favourable outcomes for complainants in 38% of the cases (Table V.7), a substantially stable number compared to the previous year. There has been an increase in the percentage of investigations completed with totally favourable outcomes for consumers (28.6% compared to 26.8% in the previous year). These files were opened in 2021 or 2020; only 1.7% of the cases concerned positions that were older in time and for which the persons concerned requested the reopening of the complaint position.

**Table V.7**

**Investigations concluded by IVASS in 2021**

| | Number | % |
|---|---|---|
| Totally upheld by the undertaking | 7,355 | 28.6% |
| Partially upheld by the undertaking | 2,362 | 9.2% |
| Not upheld by the undertaking | 9,234 | 35.9% |
| Sent to the undertakings for direct handling first | 6,620 | 25.7% |
| Complaint transmitted to a different Authority with jurisdiction | 144 | 0.6% |
| **Total** | **25,715** | **100.0%** |

### *10.1.1. - Complaints in the non-life classes*

In the MTPL sector (Table V.8) complaints concerning claims handling and settlement increased to 85.7%, while those concerning the contractual area decreased to 13.5%. The latter area includes complaints about the application of the bonus-malus regime, as well as delays and criticalities in the management of the contractual relationship (e.g. in the case of switching coverage from one vehicle to another or suspending coverage).

**Table V.8**

**MTPL complaints – distribution by area**

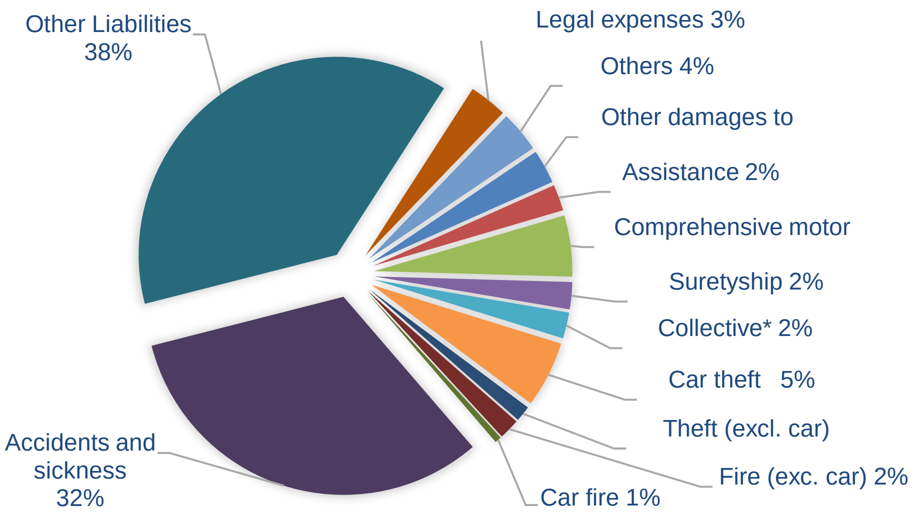
| Area | 2017 | 2018 | 2019 | 2020 | % Comp. 2020 | 2021 | Comp. % 2021 |
|---|---|---|---|---|---|---|---|
| Claims | 10,224 | 9,239 | 7,607 | 8,375 | 80.2% | 10,377 | 85.7% |
| Contractual | 1,531 | 1,634 | 1,649 | 2,032 | 19.4% | 1,640 | 13.5% |
| Commercial /Other | 99 | 92 | 50 | 37 | 0.4% | 92 | 0.8% |
| **Total** | **11,854** | **10,965** | **9,306** | **10,444** | **100.0%** | **12,109** | **100.0%** |

For almost all non-life classes other than MTPL (Fig. V.5) insignificant changes are observed in the number of complaints, remaining at levels close to those of 2020. Worth noting, after peaking in 2020 also due to the cancellation of travel because of the pandemic emergency, is the reduction in complaints concerning assistance (-62.7%).

**Figure V.5**

**Complaints in non-life insurance classes other than MTPL – 2021**

*(% values)*




* Loss of employment, Accident and Sickness

The majority (79%) of complaints received on non-life policies other than MTPL (Table V.9) concerned the claims settlement area, highlighting delays in the payment of compensation or an insufficient assessment of damages. Complaints in the contractual area (21%) mainly concern the interpretation and application of contractual conditions.

**Table V.9**

| Other non-life insurance complaints – distribution by area | | | | | |
|---|---|---|---|---|---|
| **Area** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Claims | 4,076 | 3,810 | 3,883 | 4,705 | 4,486 |
| Contractual, Commercial and Other Areas | 1,519 | 1,273 | 1,040 | 1,278 | 1,191 |
| **Total** | **5,595** | **5,083** | **4,923** | **5,983** | **5,677** |

### *10.1.2. - Complaints in the life assurance classes*

Consumers' dissatisfaction with life insurance policies is evenly distributed between the settlement and contractual areas. In the first case, consumers complain about delays in the payment of benefits or problems on the sums paid by the company in case of early surrender, in the second case, there are cases of opacity or insufficiency of the information they received by undertakings and/or intermediaries when taking out policies, or critical issues in terms of the assessment of adequacy in relation to the needs and situation of the policyholder; in other cases, complaints relate to the correct application of contractual clauses.

**Table V.10**

| Life complaints – distribution by area | | | | | |
|---|---|---|---|---|---|
| **Area** | **2017** | **2018** | **2019** | **2020** | **2021** |
| Claims | 1,029 | 848 | 855 | 1,330 | 1,147 |
| Contractual, Commercial and Other Areas | 1,606 | 1,436 | 1,210 | 1,162 | 1,203 |
| **Total** | **2,635** | **2,284** | **2,065** | **2,492** | **2,350** |

### *10.1.3. - Complaints against intermediaries*

In 2021, 414 complaints against intermediaries (Brokers, Banks and EU Intermediaries, Table. V.11) were received and processed. Complaints against agents and their collaborators are not included in the calculation, as they are handled through the principal companies on the basis of ISVAP Regulation 24/2008.

**Table V.11**

| Complaints against intermediaries received by IVASS – by sector (2021) | | | | | |
|---|---|---|---|---|---|
| **Section / List** | MTPL | Other non-life | **Total Non-life** | Life | **Total** |
| **Section B** | 80 | 112 | **192** | 10 | **202** |
| **Section D** | 9 | 78 | **87** | 100 | **187** |
| **Enclosed list** | 4 | 19 | **23** | 2 | **25** |
| **Total** | 93 | 209 | **302** | 112 | **414** |

## 10.2. - Complaints received by insurance undertakings

In 2021 the Italian and foreign insurance undertakings operating in Italy received 92,975 complaints from consumers (-0.3% compared to 2020).

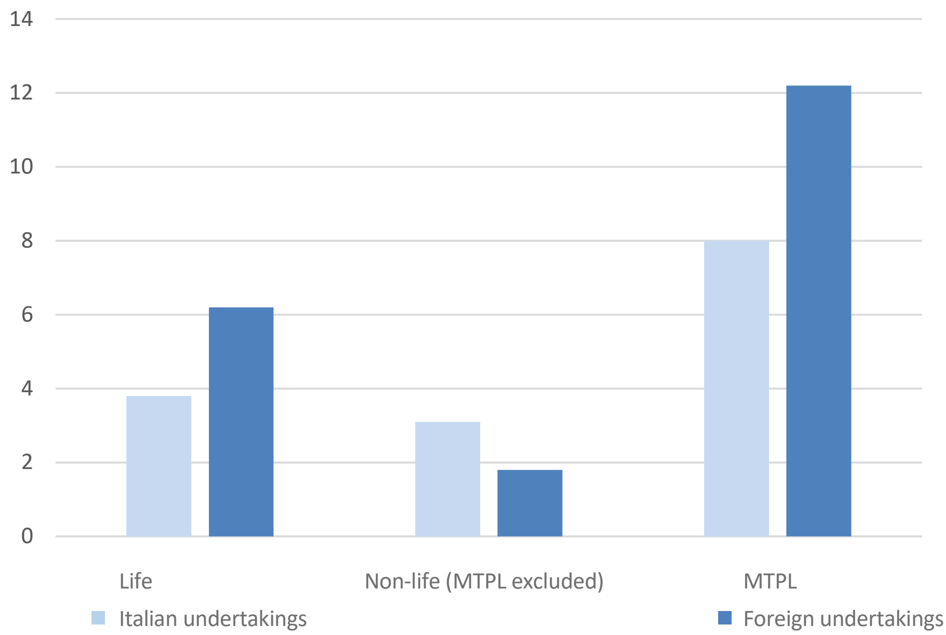
Italian companies (tab. V.12) received 78,015 complaints (-3.3% compared to 2020), while foreign companies received 14,960 complaints, with an increase of 19.1%, confirming the upward trend in the previous year (14.9%). For Italian companies, the number of complaints relating to MTPL is substantially similar to complaints relating to non-life insurance other than MTPL, while for foreign companies the largest number of complaints is concentrated in the MTPL class.

**Table V.12**

| Complaints received by undertakings by insurance class – 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Undertakings** | **Life and non-life** | | **Life** | | **Non-life (MTPL excl.)** | | **MTPL** | |
| | **No.** | **2021 / 2020** | **No.** | **2021 / 2020** | **No.** | **2021 / 2020** | **No.** | **2021 / 2020** |
| Italian | 78,015 | -3.3% | 13,757 | -5.2% | 32,166 | 9.7% | 32,092 | -13.0% |
| Foreign | 14,960 | 19.1% | 3,421 | 36.3% | 5,699 | -4.8% | 5,840 | 43.7% |
| **Total** | **92,975** | **-0.3%** | **17,178** | **1.0%** | **37,865** | **7.3%** | **37,932** | **-7.4%** |

**Figure V.6**

**Breakdown by sector of the complaints received by the undertaking incidence on the number of contracts in the sector – year 2021**
*(number of complaints/10 thousand contracts)*




The highest number of complaints (37,932, equal to 40.8% of the total) continues to be concentrated in motor liability insurance, with an overall decrease of -7.4% compared to 2020. This is due to a significant drop in complaints against Italian companies (-13%) countered by a sharp increase in complaints against foreign companies (+43.7%).

There was an increase (+7.3%) in non-life complaints other than MTPL, which accounted for 40.7% of the total. For foreign companies, the weight of this segment in terms of complaints represents 38.1% of the total (down from 47.7% last year), while for Italian companies the incidence is 41.2% (up from 36% last year).

The life sector remained stable overall (+1%), although, against a decrease of -5.2% of complaints for Italian companies, there was a significant increase for foreign companies (+36.3%).

**Table V.13**

| Complaints of undertakings operating in Italy: distribution by sector (2016-2021) | | | | | |
|---|---|---|---|---|---|
| Year | MTPL | Other non-life | Total Non-life | Life | Total |
| 2016 | 55,618 | 39,983 | **95,601** | 24,834 | **120,435** |
| 2017 | 49,896 | 34,694 | **84,590** | 19,384 | **103,974** |
| 2018 | 45,896 | 35,561 | **81,457** | 15,822 | **97,279** |
| 2019 | 41,702 | 34,247 | **75,949** | 15,682 | **91,631** |
| 2020 | 40,956 | 35,300 | **76,256** | 17,015 | **93,271** |

| Complaints of undertakings operating in Italy: distribution by sector (2016-2021) | | | | | |
|---|---|---|---|---|---|
| Year | MTPL | Other non-life | Total Non-life | Life | Total |
| 2021 | 37,932 | 37,865 | **75,797** | 17,178 | **92,975** |
| *Var. 2018/2017* | *-8.0%* | *+2.5%* | ***-3.7%*** | *-18.4%* | ***-6.4%*** |
| *Var. 2019/2018* | *-9.1%* | *-3.7%* | ***-6.8%*** | *-0.9%* | ***-5.8%*** |
| *Var. 2020/2019* | *-1.8%* | *+3.1%* | ***+0.4%*** | *+8.5%* | ***+1.8%*** |
| *Var. 2021/2020* | *-7.4%* | *+7.3%* | ***-0.6%*** | *+1%* | ***-0.3%*** |

As to the outcome of the complaints against Italian and foreign undertakings, 29.3% were upheld (30.1% in 2020). 55.9% of complaints were dismissed (the same percentage as in 2020), while settlement agreements led to the closure of 9.5% of cases (it was 9.3%). 5.3% (it was 4.7%) of complaints were still in the investigation phase at the end of 2021.

The average response time to complainants was 21 days, in line with the previous year and well below the time limit of 45 days envisaged by ISVAP Regulation 24/2008. For motor liability claims, the average time is even lower (19 days).

### *10.2.1. - Publication on the IVASS website of data on complaints received by undertakings*

The half-yearly publication on the IVASS website[181] of data on complaints received by insurance undertakings continues to play an important role in assisting consumers, steering them towards a more informed and unbiased choice of the operators who can better respond to their insurance needs.

It continues to have a knock-on effect on businesses, inducing undertakings to comparing their results with those of other undertakings and improving internal processes and the quality of the service offered to consumers, encouraging measures to remove the root causes of complaints.

## 10.3. - Action on undertakings arising from complaints

The analysis and management of complaints received from consumers, in addition to favouring the solution of the individual case, is increasingly aimed at identifying the underlying causes in order to demand, from a systemic perspective, the adoption of business process corrective measures by the supervised entities. The gradual affirmation of this approach in the handling of complaints makes the Institute's work to protect consumers more incisive and helps reduce the causes of complaints.

The analysis of complaints received by IVASS, supplemented by the verification of the half-yearly data on complaints handled directly by Italian and foreign companies (Regulation 24/2008), is accompanied by intense interaction with the Institute's supervisory structures, which have led to actions at the companies concerned with "root-cause" letters, meetings with company representatives, and to inspections where necessary.

[181] https://www.ivass.it/consumatori/reclami/2021/1sem2021/All.1_Dati_per_singola_impresa_Tavola_reclami_premi.xlsm

### *10.3.1. - Initiatives in the life sector*

For the life sector, the main initiatives concerned issues related to the process of managing the settlement of insurance benefit as well as critical issues related to the complexity of contractual clauses and the way in which policies are sold (par 10.1.2). These were targeted interventions that, in addition to resolving the individual case, worked across the board on the internal processes of supervised entities in order to provide more widespread and effective protection for customers. In cases of complaints against foreign companies, the home Authorities were involved.

A number of reports of companies' refusal to pay out insurance benefits after the death of the insured due to inaccurate/reticent statements by the policyholder led to targeted action by the Institute on the content of medical history questionnaires used in the placement of life and LTC (long-term care) policies. The need for more structured health questionnaires to be submitted to policyholders to enable them to provide thoughtful and informed responses was emphasised. It has been stressed that, according to recent case law rulings, in order to be able to refuse payment of the benefit, the declarations must be factually inaccurate or reticent, made with malice or gross negligence, and that the reticence must have been decisive in the formation of the insurer's consent. As a result of these interventions, the companies concerned settled the benefits and revised their underwriting processes.

Despite the interventions of IVASS, including through general communications jointly with the Bank of Italy, there are still complaints from consumers who report difficulties in the placement and settlement of policies linked to loans (PPI). The Institute continues to monitor this area, with interventions vis-à-vis the Italian and foreign companies concerned, urging compliance with the provisions issued to protect customers.

Also with reference to the settlement phase, some consumers complain about delays related to requests for documentation for FATCA (*Foreign Account Tax Compliance Act*) and CRS (*Common Reporting Standard*). In these cases too, IVASS's targeted interventions follow an approach geared towards streamlining and simplifying the settlement processes, in compliance with the legal requirements imposed on companies.

### *10.3.2. - Problems in the non-life segment Motor liability insurance*

The analysis of complaints relating to delays in MTPL claims settlement and to missing or incomplete feedback on access to companies' claims files continued, with specific initiatives, and on the underlying business processes, with the aim of removing the root criticalities.

Complaints relating to the claims settlement phase show critical issues in relation to the correct interpretation and application of Article 141 of the CAP (compensation for passengers). Some undertakings, with regard to the meaning to be attributed to the 'unforeseeable circumstances' referred to in the first paragraph of Article 141, have argued that human conduct, in particular that of the driver of the vehicle in which the passenger is travelling, should also be included in that meaning. According to this restrictive interpretation, the rule would be applicable only in cases where the driver of the car in which the passenger is travelling is at least jointly responsible for the accident. Root cause actions have been taken against the companies to reaffirm an interpretation of Article 141 CAP in line with the purpose of protecting passengers and with the consolidated guidelines of the case law of the Court of Cassation[182], regardless of any ascertainment as to the responsibility of the drivers of the vehicles involved in the accident. Similar protection is to be recognised for passengers carried on a vehicle registered abroad, who suffer an accident on the Italian territory, and who are entitled to claim compensation for damages from the UCI (*Ufficio centrale italiano* – Italian national bureau), pursuant to Article 141 of the CAP, regardless of the assessment of the liability of the parties involved in the accident. The undertakings concerned have complied with the IVASS guidelines aimed at protecting the innocent third party.

Critical issues have been identified in the underwriting phase of MTPL contracts with regard to some foreign companies that place products through the direct channel, including digitally. The latter unilaterally cancelled the coverage, after payment of the premium by the policyholder and even some time after the conclusion of the contract, in the presence of discrepancies between the data declared by the policyholder at the underwriting stage and those subsequently verified by the company. Following interventions by IVASS, the companies concerned correctly anticipated the underwriting checks prior to premium payment and the Policy Terms and Conditions (PTC) were adjusted accordingly, and the option of unilateral cancellation of the contract was removed.

The analysis of some complaints identified cases of omission or incorrect input of data to the MTPL cover database. This verification, following checks by Law Enforcement.

Agencies, causes considerable inconvenience to the insured – possible administrative sanctions and seizure of the vehicle – for facts not attributable to them but caused by omissions on the part of the companies.

The companies concerned, who were asked to explain the process of managing the updating of the database and the safeguards put in place to prevent further cases of delayed data input, assured that they had taken corrective action in order to verify any failure to update coverage on a daily basis and to identify ex-ante any problems with correct and timely data input.

A number of complaints relate to clauses in motor insurance contracts (both motor third party liability and comprehensive motor insurance), which provide for the application of deductibles/excesses to be paid by the insured/damaged party in the event that he/she uses a body repair shop not affiliated with the insurance company to repair the damaged vehicle ('direct repair' clauses). Such clauses are made in return for a discount on the premium. Following an in-depth examination of the content of the clauses, IVASS proceeds, where appropriate, to make a

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182 In particular see Cassation., 3rd Civil Section, 23 June 2021, No. 17963: "In the case of Article 141 (…) the passenger files a claim to the insurer of the vehicle in which they were carried, on the basis of the mere allegation and evidence of the damage and of the causal link (Cassation 13 October 2016, No 20654)," regardless of which driver of the vehicles involved in the accident is liable", with the only possible objection of the unforeseeable circumstances which, in a judgement that leaves out the identification of liabilities for the accident, must logically be a concept which differs from the negligent conduct of the driver of the other vehicle involved and must therefore coincide with the natural and human factors unrelated to the other vehicle. (…) The action provided for in Article 141 does not introduce a judgment on the liability of the drivers of the vehicles involved in the accident (...). Art. 141 limits the judgment on liability to the absence of unforeseeable circumstances. Extending it instead to the lack of (or concurrent) liability of the other vehicle would mean limiting the action of the passenger to cases of exclusive or concurrent liability of the carrier with the consequence that Art. 141 would add nothing to the common action under art. 2054, paragraph 2, of art. 2055 of the Italian Civil Code and art. 144 of the insurance code".

report to the Antitrust Authority, which is competent in the matter pursuant to the Consumer Code.

### *10.3.3. - Health insurance policies*

Complaints on health insurance policies are of particular importance, given the fragile situation of the person requesting the benefit, which requires companies to pay utmost attention to consumers, in compliance with the contractual conditions. There are critical issues with the content of the products, the terminology of which is often unclear and misleading for customers who believe they have subscribed to a product with certain characteristics and guarantees only to realise at the time of the claim that they do not exist.

The situations reported by users mainly concern the delays with which companies handle applications for cover in the presence of surgery, contradictory information on how to apply for direct assistance or reimbursement, and cancellations ordered on services already authorised, following subsequent administrative checks.

In addition to the resolution of practical cases, IVASS' interventions focused on the underlying management processes, with a view to the systemic and 'root cause' deflation of consumer complaints in this sensitive area. In particular, the Institute asked companies to make certain contractual terms and conditions easier to understand and more unambiguous, and to adopt more consumer-friendly behaviour when settling benefits (e.g. in the area of medical transport, hospitalisation allowance and Covid-19 allowance).

### *10.3.4. - Professional indemnity insurance*

A number of complaints reported problematic aspects of professional indemnity guarantees, particularly with regard to the claims settlement phase. These are, in particular, denials of coverage based on the temporal delimitation of the insured risk (on a claims made basis), as well as disputes over the date on which the insurer's indemnity obligation arises.

The Institute, with a view to maximum protection for insured persons and injured parties, has asked the companies concerned to make changes to the mechanisms adopted to pursue effective continuity over time between the policies taken out by the insured person, avoiding gaps in cover. In some cases, companies have been asked to take action to satisfy the policyholder's claims, in the face of convictions immediately enforceable against the latter, irrespective of whether the policyholder has satisfied the claim of the injured party.

### *10.3.5. - Complaints against intermediaries*

The Institute receives numerous communications from users complaining about uncertainties in the roles played by intermediaries in the distribution of insurance products, especially when done through the use of IT platforms.

In such contexts, many consumers prove to be not completely aware of the fact that the IT platform used is operated by the intermediary on behalf of the company, and in fact confuse the role and identity of the intermediary with those of the company, as well as the nature of any non-insurance services provided at the same time. On this issue, the Institute has intervened with the intermediaries concerned, also involving the companies providing insurance cover, in order to change the processes with a view to transparency.

Similarly, action has been taken to call upon intermediaries to make a correct assessment of suitability, a duty of conduct that takes on particular relevance where the consumer is about to request quotes that he/she then translates into contracts via digital tools.

### 10.4. - The Contact Centre

The telephone assistance service continues to be an important means of support for citizens, offers replies and insurance guidance and represents a valuable channel for IVASS for rapidly intercepting problems requiring supervisory action.

Equally important is the telephone service for intermediaries registered in the Single Register of Intermediaries and in the Enclosed List. It is a valid tool for providing information and support to operators in the handling of administrative problems and in the multiple requirements envisaged by sector regulations.

From April 2021, the Contact Centre service offered by the Institute for the benefit of consumers and intermediaries has been extended to users of the Motor Third Party Liability Public Comparator (see Chapter II) to provide assistance, especially in the launch phase of the new application. Since July 2021, a system for surveying the customer satisfaction of contact centre users has been introduced. Only 3% of callers took part in the survey, of whom more than two-thirds rated the quality of the information received and the interaction with staff as highly satisfactory.

In 2021, a total of 47,502 telephone calls reached the Contact Centre, of which 24,391 relating to consumers, 22,429 to intermediaries and 682 to the Comparator. The calls dealt with were 46,573, for an average of 3,881 calls per month and 182 calls per day. Compared to 2020, the total number of calls received decreased by -15%.

Telephone calls received from consumers, down by 18% compared to 2020, were dealt with for an average of 98% (substantially the same percentage as in 2020), with an average operator response time of 14 seconds (it was 15 the year before) and an average duration of conversation of 3.8 minutes.

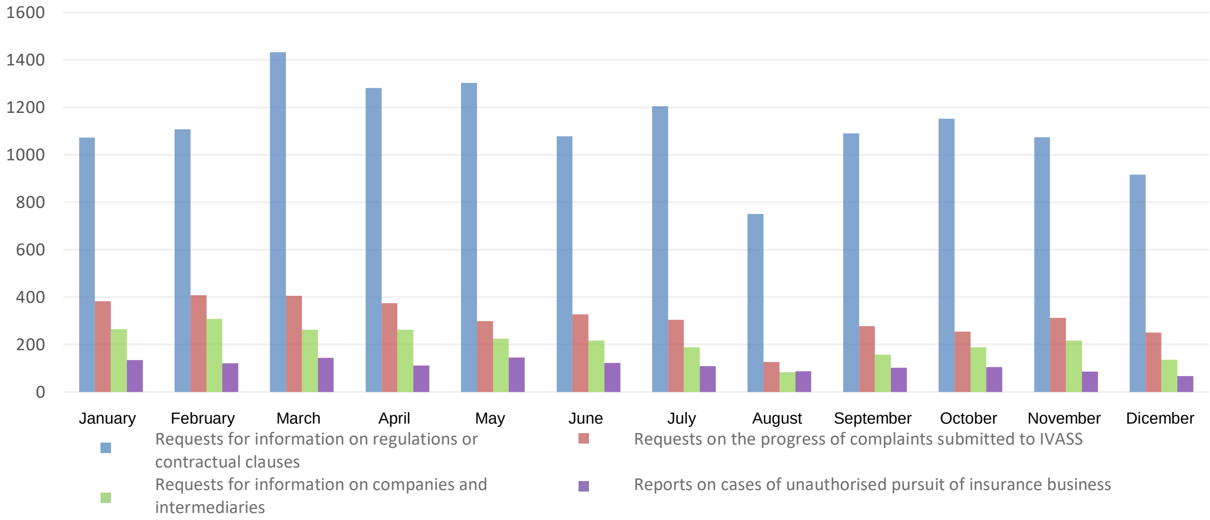
**Table V.14**

| Activities of IVASS Consumer Contact Centre | | | | | |
|---|---|---|---|---|---|
| | **2017** | **2018** | **2019** | **2020** | **2021** |
| Calls received | 30,630 | 32,871 | 31,702 | 29,869 | 24,391 |
| Calls dealt with | 28,114 | 29,512 | 28,340 | 29,230 | 23,875 |
| % dealt with/received | 96.90% | 90.00% | 89.40% | 97.80% | 97.50% |

59% of the telephone calls concerned requests for information on insurance regulations (in particular motor liability and life policies linked to mortgages and loans), 17% information on the progress of complaints submitted to the Institute, 11% requests for information on companies and intermediaries, and 6% concerned reports on possible cases of unauthorised pursuit of insurance business.

**Figure V.7**

**Consumer requests received monthly**
*(number of complaints/10,000 contracts)*




## 11. - THE INSURANCE ARBITRATOR (AAS)

The collaboration with the competent Ministries continued for the setting up an out-of-court dispute resolution system in the insurance sector (AAS), envisaged by article 187 paragraph 1 of the CAP, similar to what has already been implemented in the banking sector (*Arbitro Bancario e Finanziario* – ABF) and financial sector (*Arbitro per le Controversie Finanziarie* – ACF).

The implementing regulations are to be issued through a MiSE decree, to be adopted jointly with the Ministry of Justice and upon proposal of IVASS. The interministerial decree will regulate the essential aspects of the ADR, such as the recourse to the Arbitrator, the nature of the disputes that can be submitted to the Body, the composition and functioning of the arbitration panels, the tasks of the technical secretariat and the procedure for the resolution of disputes (assessment of admissibility, carrying out of the procedure and assumption of the determination by the deciding body).

The detailed aspects of the regulation will be left to the implementing rules issued by IVASS, to ensure the consistency of the ADR with the unique characteristics of the insurance industry.

From an organisational perspective, the cooperation between the Bank of Italy and IVASS continued, with the provision of work experience at some technical secretariats of the ABF, aimed at giving IVASS staff dedicated to the Arbitrator direct and practical experience of the work processes and the use of the IT application.

## 12. - INSURANCE EDUCATION

For some time now, IVASS has included in its Strategic Plan the promotion of insurance education as one of the tools for raising the level of consumer protection and achieving the objectives of social inclusion and combating underinsurance. An adequate level of knowledge and skills in insurance is crucial for greater awareness of risks and of the tools to manage and mitigate them.

The aim is to enable consumers to compare the available alternatives and to make an informed choice based on their actual coverage needs and in full understanding of the importance of insurance as a savings tool. The level of the population's financial and insurance literacy correlates with their ability to cope, at individual and system level, with difficult times and to plan for the achievement of their individual and family goals.

The need to broaden, for all age groups, insurance knowledge and skills appears even more urgent in the current economic crisis, which is part of a complex context of ongoing social, economic and technological changes and of a framework marked by huge gaps in the financial knowledge of Italians, by geographic area, gender and socio-economic status. This gap also exists when compared with other countries.

The launch, in February 2022, of the Insurance Education Sector within the Consumer Protection Service will strengthen, structure and provide greater continuity to the Institute's activities. In this context, the revision of the oldest training materials (Practical Guides and educational working papers) was initiated, in order to update their content and layout and make them more user-friendly.

### 12.1. - Survey on insurance literacy

In 2021, the results of the survey into the Italians' insurance knowledge commissioned by IVASS to the Milan University Bicocca and DOXA[183] were made available. The survey represented a first step towards the definition of a system for measuring the level of insurance knowledge, skills and behaviours, and consequently for measuring the results of a strategy designed to strengthen them, identifying the areas of greatest criticality in the various segments of the population. The survey is the first of its kind also at international level and was presented at the OECD's International Network for Financial Education; if repeated over time, it may provide a tool for measuring the effectiveness of the insurance education actions carried out.

The results revealed a very low level of basic knowledge, accompanied by a wrong perception of one's own level of insurance culture (lower than perceived), which induces incorrect behaviour and makes the need for training less perceived.

The survey made clear the need for generalist knowledge, such as that related to the probabilistic calculation, to be developed in school education. This is why IVASS, together with the other institutions that are part of the Committee for the Promotion and Coordination of

183 https://www.ivass.it/consumatori/conoscenza-assicurativa/index.html

Financial, Insurance and Social Security Education Initiatives (Edufin Committee), considers the compulsory introduction of the teaching of financial education in schools to be fundamental.

The survey confirms the under-insurance of Italians and a low insurance profile, with a small proportion of respondents taking out non-mandatory insurance policies, particularly in the South. Compared to the North, the percentage of Italians who do not have any policy except the compulsory ones is almost double in the Centre and three times as high in the South and Islands.

A significant correlation emerges between insurance profile and educational qualification: those with a higher level of education tend to take out more insurance covers and give more correct answers to questions on knowledge of basic concepts, products and insurance logic. They also show higher levels of risk aversion and think that thier insurance culture is not enough.

Two thirds of the respondents do not take out insurance because they consider the policy too expensive, denoting a lack of knowledge of the insurance mechanism and the value of the protection service. The structure of the insurance contract is also not fully understood. 28% of the sample takes into account exclusions as well as the events covered, and only 61.8% knows that a policy without deductibles is more expensive than one with deductibles. The survey has also shown that the lack of comprehensibility of the policy (50%), mistrust of insurance companies and intermediaries (42%) and previous negative experiences (28%) are among the causes that halt the underwriting of policies.

## 12.2. - Initiatives carried out by IVASS

In 2021, the Institute's initiatives to increase consumer protection through insurance education continued, also with the use of innovative approaches and different languages in relation to the targets to which the activity is addressed.

Among the initiatives aimed at the general public, 12 newsletters were published to make citizens better informed when faced with insurance choices. Two new insurance short videos on health and payment protection insurance policies were produced, bringing to 10 the number of short informational videos financed by the MiSE and published on the IVASS website, available to organisations and associations for their own insurance education initiatives.

The issues were identified on the basis of reports from consumer associations and the institutional activities of IVASS. Contributions to webinars organised by institutions, associations and academia have increased.

For adult consumers, in cooperation with the Bank of Italy, the ABI (Italian Banking Association) and 12 banks and insurance companies, the CERTFin campaign 'I Navigati, informati e sicuri' was carried out with a view to raising customer awareness of the need for a more informed and safe use of digital tools and channels (Chap. VIII.5.4). With specific reference to insurance, emphasis was placed on fake policies promoted via the Internet, a phenomenon that IVASS actively combats (Chap. V.6). The educational initiative stems from the realisation that, in a market that is rapidly moving on-line, the Institute's action must also address digital insurance education.

With regard to young people, the collaboration continued with the Bank of Italy in the "School Project", launched in agreement with the Ministry of Education, and intended for second level high school students. The project aims to implement financial education courses for teachers throughout the country; insurance education is included in educational programmes based on the demand expressed by schools.

A partnership has been established with the Global Thinking Foundation, which specialises in the creation of diversified projects in the area to support the needy and most vulnerable groups, primarily women, with participation in events in the area dedicated to insurance issues.

### 12.3. - Participation in the EDUFIN Committee

IVASS actively contributes to the National strategy for financial, insurance and social security education pursued by the EduFin Committee, of which IVASS is a member along with the Bank of Italy, Consob, COVIP, CNCU, OCF, MEF, the Ministry of Education, MiSE and the Ministry for Labour and Social Policy.

The Institute has contributed to many of the Committee's initiatives to make financial knowledge and skills available to all. To spread awareness of the Committee, its portal and its initiatives, a national communication campaign was carried out with advertisements in newspapers, TV and social networks, as well as content included in popular TV programmes.

The project financed by the European Commission for the implementation of dissemination initiatives on the portal www.quellocheconta.gov.it was completed. It is a web series in which the protagonists are confronted with the most common financial choices, including taking out an insurance contract; a self-assessment quiz on finance, insurance and pensions to test the level of financial literacy in terms of knowledge and behaviour; 5 video tutorials in which the protagonist searches for answers to common questions to deal with everyday financial choices; an 'Account Notebook', a financial planning tool that takes into account income and expenditure to plan savings.

In order to test the application of the guidelines for financial education of the adult population promoted by the OECD, a training course dedicated to the world of sport was set up, implementing a memorandum of understanding between the EDUFIN Committee and CONI. The modules, implemented in an experimental manner (live and asynchronous courses), cover financial, insurance and social security topics. IVASS has overseen three modules, on the basic concepts of insurance, necessary to make informed choices, on the essential characteristics of the most common non-life and life products as well as on individual protection tools for policyholders, on insurance scams and on how to avoid falling victim to them.

Among the Committee's activities carried out with IVASS' contribution was the fourth Financial, Insurance and Welfare Education Month (October 2021), with over 700 informative and sensitisation events targeting children and adult students. The third Insurance Education Day organised by IVASS, which in 2021 involved students from two high schools in Rome.

Support was provided for the organisation of the Global Money Week, promoted by the OECD in March to raise awareness among young people about financial literacy.

# *VI. SANCTIONS*

In 2021, IVASS verified, in light of the application experience gained, the concrete effectiveness of the sanctioning regime introduced in the CAP for violations committed since October 2018 and identified areas for further study to improve its deterrence and proportionality.

The application of the principle of relevance for the initiation of proceedings concerning violations of the same nature (so-called unitary assessment) in the area of MTPL claims settlement and other consumer protection rules has been refined. The revision process resulted in the closure with dismissal orders of some of the proceedings already initiated. For those concluded with an injunction, there was an increase in the average amount of the penalty, while the number of proceedings decreased, an effect that has been observed since the first implementation of the unitary assessment instrument.

The first proceedings relating to the conduct on the part of company officers and employees were initiated, in addition to the proceedings opened against a company for facts found to be serious in terms of jeopardising solvency and significant exposure to legal and reputational risks. The examination of the preliminary investigations and defence arguments of the interested parties is ongoing.

During the period of the epidemic emergency, the persons involved in the sanctioning proceedings were able to exercise their right of defence swiftly and safely by conducting the hearing via video-conference (IVASS Order No. 99 of 6 October 2020), as an alternative to the ordinary conduct of the hearing at the headquarters. The procedure, hitherto obligatory to ensure operational continuity for the Institute's sanctioning activity in the emergency circumstance, was appreciated by the operators. It is hoped, with a view to the simplification of administrative activity, that more and more interested parties will ask to hold hearings in this way, as it allows for less burdensome participation and compliance with the statutory deadlines in cases where it is difficult or impossible to travel.

Consistently with the changed regulatory framework, the Institute has laid the foundations for greater efficiency in the management of the sanctioning process, with the implementation of IT security safeguards and high business continuity requirements, guaranteeing accessibility by IVASS users participating in the proceedings.

## 1. - SANCTIONING PROCEEDINGS

465 sanctioning proceedings were issued, including 109 pecuniary sanctions, 124 non pecuniary sanctions (17 for breaches committed before 1 October 2018) and 232 dismissals. The total pecuniary sanctions imposed amounted to EUR 3.6 million.

### 1.1. - Sanctions issued

Sanctions were imposed on 44 undertakings, 34 of which were Italian, accounting for 37% of the market, and 129 intermediaries.

**Table VI.1**

| Sanctions issued | | | |
|---|---|---|---|
| *(Number of sanctions in units, amounts in million euro and % values)* | | | |
| | **No.** | **%** | **Amount** |
| **Pecuniary sanctions** | 109 | 23.4 | 3.6 |
| **Non-pecuniary sanctions** | 124 | 26.7 | - |
| **Dismissals** | 232 | 49.9 | - |
| **Total sanctions** | **465** | **100.0** | **3.6** |

**Table VI.2**

| Pecuniary sanctions by recipients | | | |
|---|---|---|---|
| *(Number of sanctions in units, amounts in million euro and % values)* | | | |
| | **Undertakings** | **Intermediaries** | **Total** |
| **Number of sanctions** | 102 | 7 | 109 |
| **%** | *93.6* | *6.4* | *100.0* |
| **Amount of sanctions** | 3.2 | 0.4 | 3.6 |
| **%** | *88.9* | *11.1* | *100.0* |

**Table VI.3**

| Non-pecuniary sanctions by section of registration of recipient intermediaries | | | | | |
|---|---|---|---|---|---|
| *(Number of sanctions in units and % values)* | | | | | |
| | **Sect. A Agents** | **Sect. B Brokers** | **Sect. D Financial Intermediaries** | **Sect. E Collaborators** | **Total** |
| **Number of sanctions** | 41 | 32 | - | 51 | 124 |
| **%** | *33.1* | *25.8* | - | *41.1* | *100.0* |

Nine sanctioning proceedings were subject to judicial appeal (3.9% of sanctioning proceedings issued), including eight sanctions issued against intermediaries and one pecuniary sanction against an undertaking regarding motor liability claims settlement, in relation to 34 claims items.

## 1.2. - Types of violations found

### *1.2.1. - Not relating to distribution*

104 pecuniary proceedings were issued, for a total amount of EUR 3.4 million.

Table VI.4

| Sanctions not relating to distribution by type of violation | | | | | | |
|---|---|---|---|---|---|---|
| (Number of sanctions in units, amounts in million euro and % values) | | | | | | |
| | Number | % total | % total MTPL | Amount | % total | % total MTPL |
| **Violation of MTPL provisions** | 92 | *88.5* | | 2.3 | 67.7 | |
| *of which regarding:* | | | | | | |
| *Claims settlement* | *20* | *19.2* | *21.7* | *0.9* | *26.5* | *39.1* |
| *Claims history statements* | *5* | *4.8* | *5.4* | *0.3* | *8.9* | *13.1* |
| *Claims Data Bank* | *22* | *21.2* | *24.0* | *0.4* | *11.8* | *17.4* |
| *Database of claims history statements* | *40* | *38.5* | *43.5* | *0.6* | *17.6* | *26.1* |
| *Access to documents* | *5* | *4.8* | *5.4* | *0.1* | *2.9* | *4.3* |
| | **Number** | **% total** | **% total violations of other provisions** | **Amount** | **% total** | **% total violations of other provisions** |
| **Violation of other provisions** | *12* | *11.5* | | 1.1 | 32.3 | |
| *of which regarding:* | | | | | | |
| *Settlement of life policies* | *4* | *3.8* | *33.3* | *0.1* | *2.9* | *9.1* |
| *Management* | *4* | *3.8* | *33.3* | *0.6* | *17.6* | *54.5* |
| *Irregularities intermediaries* | *4* | *3.8* | *33.3* | *0.4* | *11.8* | *36.4* |

## 1.2.2. - Distribution

110 sanctioning proceedings were issued, including 107 non pecuniary sanctions and 3 pecuniary sanctions.

Table VI.5

| Sanctioning proceedings – breakdown by section of registration of recipient intermediaries | | | | | | |
|---|---|---|---|---|---|---|
| (Number of sanctions in units, amounts in euro and % values) | | | | | | |
| Outcome | Sect. A Agents | Sect. B Brokers | Sect. D Financial Interm. | Sect. E Collaborators | Total | *% over total* |
| **Reprimand** | 3 | 12 | 0 | 5 | 20 | *18.2* |
| **Censure** | 19 | 3 | 0 | 26 | 48 | *43.6* |
| **Pecuniary** | | | | | | |
| ***Number*** | 2 | 0 | 1 | 0 | 3 | *2.7* |
| ***Amount*** | 10,000 | | 5,000 | | 15,000 | |
| **Striking off (natural persons)** | 8 | 7 | | 14 | 29 | *26.4* |
| **Removal from the register (company)** | 5 | 4 | 0 | 1 | 10 | *9.1* |
| **Total** | **37** | **26** | **1** | **46** | **110** | ***100.0*** |

The 17 disciplinary proceedings relating to violations committed before 1 October 2018, are subdivided as follows:

**Table VI.6**

| Disciplinary sanctions by section of registration of recipient intermediaries | | | | | | |
|---|---|---|---|---|---|---|
| *(Number of sanctions in units and % values* | | | | | | |
| **Outcome** | **Sect. A Agents** | **Sect. B Brokers** | **Sect. D Financial Interm.** | **Sect. E Collaborators** | **Total** | ***% over total*** |
| **Reprimand** | 1 | 2 | 0 | 0 | 3 | *17.6* |
| **Censure** | 2 | 1 | 0 | 2 | 5 | *29.4* |
| **Striking off** | 3 | 3 | 0 | 3 | 9 | *53.0* |
| **Total** | **6** | **6** | **0** | **5** | **17** | ***100.0*** |

The conducts that led to the striking off of intermediaries were mainly related to: non-remittance of the amounts collected as premiums to undertakings or relevant intermediaries, often accompanied by the failure to record the collections, violation of the obligation to keep separate accounts deriving from the failure to establish a separate current account or its incorrect management, falsification of contractual documents, counterfeiting of the policyholder's signature, communication of untruthful information to policyholders, i.e.the issue of false attestations at the time of the contractual offer.

Censure measures were generally imposed as a result of failure to comply with the rules requiring transparency, diligence, correctness and professionalism with respect to policyholders as well as with the provisions on the adequacy of contractual proposals and pre-contractual disclosure obligations.

### *1.2.3. - Anti-money laundering*

Two pecuniary proceedings were issued, for a total amount of EUR 0.2 million.

## 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 as the payment was made after the time-limit of 30 or 60 days, depending on whether the recipient resides in Italy or abroad, or payments pertaining to injunctions for which monthly instalments were allowed, having satisfied the conditions envisaged by art. 26 of Law no. 689/1981 (extension up to a maximum of 30 monthly instalments to the recipient “who is in economic hardship”). In 2021, IVASS accepted the requests for instalments with the maximum extension allowed.

**Table VI.7**

| Sanctions paid | | | | | |
|---|---|---|---|---|---|
| *(thousand euro and % values)* | | | | | |
| | **By year of issue of the sanction** | | | | |
| | **2021** | **2020** | **2019** | **2018** | **Total** |
| **Amount paid** | 3,414.2 | 170.3 | 15.8 | 6.9 | 3,607.2 |

| **By sanction beneficiary – 2021** | | | | |
|---|---|---|---|---|
| **Consap – FGVS (Violation of MTPL legislation)** | | **NATIONAL REVENUE (Other violations)** | | **Total** |
| **Amount paid** | **% total** | **Amount paid** | **% total** | |
| 2,231.6 | 61.9 | 1,375.6 | 38.1 | 3,607.2 |

# VII. LEGAL ADVICE

## 1. - ADVICE

In 2021 the Legal Services Office of IVASS handled 251 opinions, up compared to the 228 opinions issued in 2020, providing the Governing Bodies and Directorates of the Institute (tab. VII.1) with assistance and legal support in the performance of their institutional activities, protecting the consistency of operating decisions with the reference legal framework.

There was continued commitment in the numerous national (also set up jointly with the Bank of Italy) and international working groups on institutional issues and regulatory activities, also contributing to the analysis of the Institute's Regulations, and in the Steering Committee for Technological Innovation in the Insurance Sector.

**Table VII.1**

| Entities requesting advice – 2021 | Number |
|---|---|
| Board of Directors and Secretariat Office of the President and the Board | 26 |
| Prudential supervision | 11 |
| Supervisory regulations and policies | 10 |
| Market Conduct Supervision | 81 |
| Consumer protection | 25 |
| Management of resources | 27 |
| Sanctions and Winding up | 17 |
| Inspectorate | 8 |
| Research and data management | 13 |
| EU Court of Justice (questions for preliminary ruling) | 17 |
| Body responsible for corruption prevention and transparency | 1 |
| External experts | 10 |
| Press Office | 2 |
| Automatic | 3 |
| **Total** | **251** |

## 2. - LITIGATION

As prescribed in the IVASS 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 2021, 31 new cases of litigation were initiated, including extraordinary appeals to the Head of State and cases for which appeal was filed (Table VII.2).

**Table VII.2**

| Litigation cases initiated in 2021– by subject matter | |
|---|---|
| | *(number)* |
| Pecuniary administrative sanctions | 6 |
| Disciplinary sanctions on intermediaries | 7 |
| Appeals against other supervisory measures: intermediaries | 2 |
| Tax bills | 2 |
| Criminal affairs | 2 |
| Proceedings to claim compensation for supervisory measures | 1 |
| Winding-up | 1 |
| Qualifying examination for registration in the RUI | 1 |
| Others | 9 |
| **Total** | **31** |

## 3. - LEGAL TRAINING

In 2021 mandatory training for in-house attorneys included participation in seminars and specialist legal seminars, also in mandatory ethics, with attribution of the related educational credits in accordance with the current *Regulation on continuous training* issued by the Rome Bar. The Office has, in addition, organized two legal seminars with an international scope, on the subject of Resolution Regime for Failing Insurers and Catastrophe Bonds.

## 4. - RULINGS ISSUED IN 2021

The following summaries are extracted from judgments pronounced in proceedings brought against sanctioning measures, with a selection of decisions that are significant for IVASS' institutional activity as they highlight new profiles or confirm previous positions.

*a. Pecuniary administrative sanctions – non-prohibitory sanctions against insurance undertakings having their head office in EU Member States pursuant to Article 193 of the CAP – competence of IVASS without involvement of the home State, exists.*

1. Article 193 of the CAP provides, with reference to EU undertakings, for the involvement of the home State only when it is a question of adopting, within the scope of the supervisory power, measures affecting the operation of the undertaking (paragraphs 2 to 4), whereas the application of precise financial penalties, relating to individual infringements, is not subject to the obligation to involve the home State, since it is not possible, on pain of breach of the EU and constitutional principles of equality and competition, to provide for a different system for the application of sanctions for EU and Italian undertakings[184].

[184] Lazio TAR (Regional Administrative Court), Rome, Sect. II *ter*, 29 December 2021, no. 13586, confirming the approach of Lazio TAR, 21 January 2019, no. 794-2019; Lazio TAR , 18 December 2018, no. 12339/2018; 12340/2018 and 12341/2018.

b. *Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – circulation on areas equivalent to public roads.*

2. The junction between the access ramp to a condominium garage and the adjacent pavement is to be equated with a road for public use in the sense of Article 3 of Ministerial Decree No. 86/2008. The notion of driving on areas equated with public roads must necessarily include driving on any space where the vehicle can be used *in a manner consistent with its usual function.*

3. As long as a vehicle retains the characteristics relating to its functionality, both logical-structural and regulatory, the use to which it is actually put is irrelevant: the use of a motor vehicle in a manner consistent with its usual function in fact entails a hazard and risk according to the function of the vehicle itself, which must be covered by compulsory MTPL insurance, regardless of whether the circulation or parking takes place in a private courtyard, on an access ramp to a garage or on a public road[185].

c. *Pecuniary administrative sanctions – risk management policy – specific risks related to outsourcing – system of internal controls on outsourced activities – missives intended to make the undertaking's position with regard to the rules known – failure of the Supervisory Authority to reply – good faith of the undertaking, does not exist.*

4. The legal framework of reference on the subject of supervision of outsourced activities requires, as a precautionary measure, continuous monitoring by the company of the operating methods of the entity to which it has outsourced a service, a control that includes periodic and penetrating attention to the existing discipline, aimed at adapting the activity of the outsourced company to the standards of efficiency with which the insurance company would be required to comply if it had not outsourced.

5. The principle of continuity in the monitoring of the outsourced entity's operating methods has unequivocal general value and is equally applicable to all the supervised entities, since the monitoring obligations are not based on the size or internal structure of the company, which is fully consistent with the precautionary purpose of the discipline.

6. In light of very clear regulations in identifying the requirements for outsourced activities, the existence of an undertaking's reliance deserving of protection as a result of sending a letter to the Supervisory Authority aimed at making known the position of the supervised company with respect to the regulations themselves, is excluded. The failure to immediately adopt a sanctioning measure, in fact, does not eliminate the full awareness, on the part of the insurance company, that it has violated punctual and specific regulatory provisions, which excludes good faith[186].

d. *Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – rationale of the rules and legal good protected – denial of compensation communicated by telephone, inadmissibility – relevance of fraud in the rejection of the claim for compensation.*

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185 Lazio TAR, Sect. II *ter*, 28 December 2021, no. 13510, in the light of national (Cass., United Sections, 30 July 2021, no. 21983) and Community case-law (CJEU 20 June 2019, C-100/18; CJEU 4 September 2014, Case C-162/ 13).

186 Lazio TAR, Sect. II *ter*, 6 May 2021, no. 5313.

7. The legal good protected by Article 148 of the CAP is not so much the payment to the alleged injured party of a sum of money, but rather the right of the same to know in a rapid and definite manner the outcome, possibly even negative, of the claim for damages against the company. The rationale is to prevent the insurer from taking advantage of its position of economic strength to engage in delaying behaviour, postponing the fulfilment of its obligations as long as possible.

8. The imposition of the pecuniary sanction is correctly carried out in application of the regime of material accumulation of sanctions when – although originating from a single accident – the offences ascertained consist of autonomous injuries to the protected interests of each of the injured passengers. Each of them, in fact, had an independent interest in receiving a timely offer or an equally timely communication of the reasons for not making an offer for compensation for the damage in relation to the autonomous injuries suffered as a result of the accident, regardless of the fact that the claim for compensation was contemporaneous[187].

9. In the reasoned rejection, the undertaking must specify, in a precise manner and with reference to the concrete characteristics of the party's request, the reasons why, if any, it does not consider making the offer.

10. The denial of compensation communicated by telephone is absolutely irregular and violates Article 4(a) of ISVAP Circular 293/1997. The notice of refusal – in accordance with the very rationale of the rule providing for the obligation to promptly communicate the reasons for not making an offer – must be made by objectively verifiable forms of communication, failing which Art. 148 CAP would be circumvented[188].

11. Any investigations in case of suspicion of fraud may legitimise the denial of compensation, but the company is required to activate the appropriate protection instruments and in any case to start criminal proceedings against the person who had qualified as the injured party; the insurance undertaking must for that purpose put in place steps to corroborate an assessment at least of the likelihood of the alleged fraudulent conduct to its detriment, otherwise the mere allusion to the occurrence of such an eventuality would enable it to evade the sanctions laid down by Article 315 of the CAP for the protection of compliance with the terms of Articles 148, 149 and 150 of the CAP[189].

*e. Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – waiver of complaint – extinguishing effect of the sanctions procedure, does not exist – effects of incomplete application for compensation.*

12. Complaints to IVASS regarding possible breaches during the out-of-court settlement procedure – which may be lodged by a much wider range of persons than individual injured parties – cannot in any way be assimilated to a party's petition aimed at obtaining from IVASS an administrative measure with direct effects on the complainant or the requested compensation or other direct benefit, but constitutes a mere solicitation of supervisory powers.

13. Any sanctioning proceedings initiated at the request of users are only against the insurance company, while the complainant is not a party to such proceedings, since the

[187] Lazio TAR, Sect. II ter, 12 July 2021, no. 8305, 8306 and 8307.

[188] Lazio TAR, Sect. II *ter*, 18 October 2021, no. 10703 and 10704.

[189] Lazio TAR, Sect. II *ter*, 18 October 2021, no. 10703 and 10704, mentioned previously.

sanctioning proceedings – and in general the activity of IVASS – are not carried out to protect the "private and economic" interest of the individual injured party, but in the public interestin the proper functioning of the insurance system, with the consequence that the sanctioning procedure can be activated and concluded by the Institute even after the complainant has "renounced" the complaint, given that the public intervention will always be aimed at compliance with the procedural rules, and will neither concern the grounds nor the amount of the compensation[190].

14. Nor does the waiver of the complaint affect the assessment of the seriousness of the conduct, which is commensurate – in accordance with the wording and the ratio of the regulation – with only the duration of the delay in the formulation of the offer for compensation, the only profile that the administration must take into account for the purposes of assessing the seriousness of the conduct.

15. The incompleteness of the claim for damages is not in itself capable of causing the suspension of the time limit for the formulation of the offer or the reasoned refusal; the insurer, upon receipt of the claim, may suspend the out-of-court procedure only by promptly (within 30 days) formulating a detailed and precise request to supplement the claim; in in the absence of such a request for documentation, the company must in any case make a proposal for compensation, or state its refusal to pay compensation, even if the claim is generic and incomplete[191].

16. The notification of a judicial summons for damages does not interrupt the calculation of the insurer's delay in making an offer for compensation to the injured party. The summons of the party responsible for the accident by the injured party cannot be considered a satisfactory event for the latter, nor can it be appreciated as a factual circumstance excluding culpable inertia on the part of the insurance company with respect to its obligations to make an offer.

17. The activity not subject to the supervisory power, to which the meaning of Article 4 (2)(a) of ISVAP Regulation 24/2008 must be referred, concerns the determination of the compensation to be paid only on a private basis, for the settlement of which the injured party has brought an action before the civil court[192].

*f. Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – question of the constitutional unlawfulness of Article 315 of the CAP in relation to Articles 3 and 41 of the Constitution – manifest groundlessness*

18. The question of the constitutional unlawfulness of Article 315 of the CAP in relation to Articles 3 and 41 of the Constitution is manifestly unfounded because the quantification criterion followed by the provision itself – in line with the provisions of Article 11 of Law 689/1981 – commensurate the amount of the sanction with the duration of the delay in the

[190] Lazio TAR, Sect. II *ter*, 12 July 2021, no. 8305, 8306 and 8307, mentioned previously.

[191] Lazio TAR, Sect. II *ter*, 3 December 2021, no. 12509, 12510 and 12511; Lazio TAR, Sect. II *ter*, 2 November 2021, no. 11209, 11210, 11211, 11212, 11215 and 11216. Lazio TAR, Sect. II *ter*, 18 October 2021, no. 10703 and 10704. Lazio TAR, Sect. II *ter*, 25 June 2021, no. 7656

[192] Lazio TAR, Sect. II *ter*, 2 November 2021, no. 11215 and 11216; Lazio TAR, Sect. II *ter*, 12 July 2021, no. 8305, 8306 and 8307, mentioned previously.

formulation of the offer, thus identifying an objective parameter, consistent with the purpose of the rules violated, proportional to the conduct voluntarily engaged in by the offender[193].

g. *Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – document produced only in the appeal – infringement of the principles of proximity of the burden of proof, loyal cooperation with the Supervisory Authority and self-responsibility, exists.*

19. The contested measure can only be scrutinised on the basis of objective preliminary findings and the reopening, in administrative proceedings, of the procedural investigation assisted by technical discretion is not permissible. In fact, the filing of new documents in court cannot invalidate, ex post, the legitimacy of the sanctioning measure taken on the basis of proceedings in which the insurance company has been granted wide powers of participation and defence; otherwise, the power to produce only in court documents that were already available to the accused at the time of the administrative proceedings would result in an infringement of the principle of mutual cooperation; the consequences of a conscious and unjustified failure to produce documents in the proceedings must be attributed to the person guilty of the omission[194].

h. *Pecuniary administrative sanctions – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – personal injury – features of the invitation to visit – suspension of time limits pursuant to Article 148(3) of the CAP.*

20. In the matter of compensation for personal injury, the suspension of the terms of the offer does not follow from the mere appointment of the doctor from whom the company has requested the assessment of the damage nor from the mere summoning of the injured party to a medical examination nor from the possible communication to the company by the specialist physician of the non-examination due to the injured party's failure to appear, but from the rigorous and punctual proof that the summons to the examination was effectively communicated to the injured party and that the latter had no legitimate reasons for the impediment justifying the non-appearance.

21. In order to produce a suspension of the offer period under Art. 148(3) of the CAP the letter of invitation to the medical examination for the injured party must not only be timely, but must also be substantiated. Such is not the case with the letter, copied to the applicant for compensation, which merely invests a trustee with the task of identifying the medical examiner to whom to entrust the task of examining the injured party, given that the injured party could not derive from the letter itself any indication as to the name of the doctor, his address or other contact details, nor as to the time and place of the medical examination.

22. In the face of a generic communication that makes it impossible for the addressee to know when to go for an examination and with which doctor or, at least, by whom he should be contacted or, in a further subordinate way, whom to contact in order to undergo an examination, the conduct of the injured party cannot in any way be characterised as a deliberate

[193] Lazio TAR, Sect. II *ter*, 3 December 2021, no. 12508, 12509, 12510 and 12511; Lazio TAR, Sect. II *ter*, 2 November 2021, no. 11209, 11210, 11211 and 11212; Lazio TAR, Sect. II *ter*, 18 October 2021, no. 10703 and 10704.

[194] Lazio TAR, Sect. II ter, 12 November 2021, no. 11707/2021.

and imputable avoidance of the examination, a necessary condition under the law, with strict proof, for triggering the suspension of the obligations of communication incumbent on the insurance company[195].

*i. Financial penalties against intermediaries – absolute prohibition of conflict of interest – Article 183 CAP – awareness of the insured, non-discriminatory.*

23. Article 48 of the IVASS Regulation 5/2006 introduced an absolute and mandatory ban on conflicts of interest (in the case at hand: the dual role of intermediary and beneficiary of the policy, also through the indication of a family member) which disregards the ascertainment of damage and the assessment of the policyholder's will, which is irrelevant in this respect, since this is a case of presumed danger, based on maximum prevention, envisaged and assessed a priori in its offensiveness by the reference rule.

24. Conflict of interest constitutes a paradigmatic and particularly serious case of conduct in breach of the general duties of fairness and transparency towards policyholders and insured persons[196].

*j. Disciplinary sanctions – striking off – untimeliness of the request for a hearing made after the meeting had taken place – alleged exclusion from company management of the person responsible for the mediation activity is not an exemption.*

25. A request for a hearing made after the meeting has taken place is untimely. Indeed, the decision whereby the Guarantee Committee on disciplinary proceedings – having taken note of the fact that the accused did not appear, despite having been notified in good time of the date of the meeting, in the absence of any communication of a legitimate impediment or request for postponement – adopted the relevant decision in the light of the preliminary investigation material in its files at that time, is unquestionably consistent with the aim of ensuring the prompt settlement of the sanctioning proceedings.

26. The function of the person responsible for insurance mediation within the agency is to prevent the companies themselves, as such exempt from disciplinary liability, from evading the relevant sanctions. As long as the intermediary continues to be registered in the Single Register of Intermediaries as the person responsible for insurance mediation within the agency, he retains a position of control in the legal sense over the activity of the entity for which he works, assuming a position of guarantee vis-à-vis the supervisory Authorities and, more generally, the market to which the obligations and corresponding responsibilities for omissions in the event of non-compliance are referred.

27. The fact that the supervisory powers connected with the office, in concrete terms and for the most varied reasons, were not exercised does not exonerate the intermediary from the aforementioned liability. Timely notification to IVASS of the termination of office or the objective impossibility of exercising supervisory powers is an exemption[197].

*k. Disciplinary sanctions – striking off – non-payment to the company of the sums collected by way of*

[195] Lazio TAR, Sect. II *ter*, 3 December 2021, no. 12507.

[196] Council of State, Sect. I, 14 June 2021, no. 1049/2021 (Case no. 1361/2020) decisive opinion on extraordinary appeal to the Head of State (Pres. Decree 19 November 2021).

[197] Lazio TAR, Sect. II *ter*, 10 June 2021, no. 6982.

*premium – failure to record collection, is relevant – sufficiency of the subjective element of guilt – autonomy of disciplinary proceedings from criminal proceedings.*

28. The non-payment to the undertaking of sums collected from policyholders by way of premiums cannot be justified for any reason, since the premiums collected constitute unavailable sums earmarked for a special purpose, from which they cannot be diverted. Failure to register the collection also causes serious and direct harm to consumers. The fact that the non-payment is of modest amount cannot be of any relevance.

29. For the purposes of the configuration and existence of the disciplinary liability underlying the sanction of the striking off, proof of wilful misconduct is not required, as culpable conduct in direct conflict with the minimum standards of professional reliability, rigour, care and precision, which are essential for the proper performance of insurance distribution, for the protection of users-consumers and the certainty of legal relations, is also sufficient.

30. The disciplinary sanctioning proceedings provided for in Title XVIII CAP (Sanctions and sanctioning procedures) is autonomous and independent of any criminal proceedings that may have been commenced in respect of the same facts that are the subject of administrative charges. The subject of the disciplinary proceedings is not the ascertainment of the existence of criminal acts, but the observance of the rules of fairness, diligence and professional transparency to which all insurance intermediaries are bound in their relations with consumers.

31. Stemming from the autonomy of disciplinary sanctioning proceedings is the rule whereby the suspension of disciplinary proceedings pending criminal proceedings constitutes a discretionary power attributed to the Administration, which, without prejudice to the principle of autonomy, may exercise it where, owing to the complexity of the investigations or for other reasons, it does not have the necessary elements for the definition of the proceedings. Moreover, the Authority is entitled to resume disciplinary proceedings, without waiting for the criminal proceedings to be finalised by a final judgment, when it considers that the elements subsequently acquired allow the decision to be taken. The existence of previous convictions is expressly provided for in Article 62 as an aggravating circumstance justifying the application of a higher sanction[198].

[198] Council of State, Sect. I, 26 August 2020, no. 1440/2020 (Case no. 178/2019) decisive opinion on extraordinary appeal to the Head of State, reference to Civil Cassation, Labour Section, 13 May 2019, no. 12662 (Pres. Decree 30 June 2021). Confirms that no significance can be attached to the fact that the non-payment is of modest amount, Council of State, Sect. I, 19 January 2021, no. 64/2021 (Case no. 513/2020) decisive opinion on extraordinary appeal to the Head of State (Pres. Decree 28 April 2021).

# VIII. ORGANIZATION

On the subject of internal administration, IVASS continued its managerial and organisational innovation, investing in human capital and technology, adopting new operating models, strengthening the efficiency of institutional action and the flexibility of the organizational machine.

In 2021 IVASS carried out its activities in the emergency context brought about by the pandemic, with extensive use of smart working, in line with government and health authority guidelines. The experience gained in 2020 and 2021 formed the basis for the definition of a new work organisation model, in which remote working coexists and is permanently integrated with presence in person .

The evolution carried out in 2021 was aimed at improving the internal organisation, optimising the IT architecture and strengthening internal risk controls. In particular, two new basic units were established, in line with the development of institutional tasks; synergies with the Bank of Italy were enhanced through the integration of the two institutions' document management; in prospective terms, the new Strategic Plan 2021-2023 and the IT Plan 2022 were defined; a review of the operational risk management system was initiated.

## 1. - IVASS' BODIES

In accordance with Article 2 of the Statute, the following are IVASS bodies:

- the President;
- the Joint Directorate and the Board of Directors;

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 2021, 20 meetings were held, 111 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. It is responsible for the general administration of IVASS, without prejudice to the functions assigned to the Joint Directorate by the Statute. In 2021, 27 meetings were held, 71 resolutions were passed and 10 information notices were examined.

The Secretary General is responsible for the coordination and supervision of the activities of the structures[199].

## 2. - ORGANISATIONAL CHANGE AND OPTIMISATION

The internal organisational structure has been extensively revised in recent years. In 2021, efficiency measures were geared towards improving the organisation of work and space as well as the optimal exploitation of technology in close synergy with the Bank of Italy's IT function, with a particular focus on monitoring security profiles.

### 2.1. - Strategic planning and changes in the organisational structure

The monitoring of the implementation of the 2018-2020 Strategic Plan was completed and a third planning cycle was launched, with the approval by the Joint Directorate of the new 2021-2023 Strategic Plan, with which the Institute aims to complete the action of strengthening institutional activities and promoting an effective contribution of the insurance industry to the economic development of the country, through the following four strategic objectives:

- strengthen supervisory action and protection of insurance service customers;
- contribute to national and international regulatory developments also with a view to increasing the insurance industry's contribution to the resilience of the national system and sustainable economic development;
- promote digital development in a modern consumer protection system;
- enhancing human capital and innovating the organisation in terms of flexibility and efficiency.

Internal organisational initiatives saw the creation of two organisational units: the New comparator management Sector, to ensure supervision, on an ongoing basis, over the new IT application, and the Insurance financial statements regulation Sector, set up for the purpose of monitoring the transposition of the international accounting standards on accounting, financial statements and supervisory reporting for the insurance sector.

With a view to the simplification and optimisation of processes, the Institute's Protocol Centre was integrated into the corresponding structure of the Bank of Italy, to which the Institute's document management activities and competencies were transferred.

[199] https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/index.html

## 2.2. - Management control

Quarterly collection of timesheets on the amount of work dedicated to the processes and activities carried out by each unit continued. The survey contributed to the analyses of the FTEs absorbed by these processes and activities, also to determine the cost of the services rendered.

## 2.3. - The new model of work organisation after the emergency

In light of the experience gained during the emergency period in terms of work organisation and agile processes, the Institute has adopted a new hybrid work model, based on alternating between work performed in person and work performed remotely.

The aim of the reform has been of increasing the efficiency and effectiveness of administrative action, while at the same time pursuing a better work/life balance for employees, without prejudice to the control of operational risks.

The hybrid labour agreement was signed with the trade unions in the second part of 2021, after the labour contract renewal for the three-year period 2019-2021 was concluded.

The underlying principles of the new framework are the voluntary nature (the person chooses whether to make use of remote work), inclusiveness (through a better reconciliation of personal and work needs), the neutrality of the choice (with reference to the effects on advancements in career, economic profiles, and job opportunities), flexibility (through decentralised management of the model that allows the manager to take into account the operational needs of organisational units), and trust and delegation as the founding elements of the relationship between manager and employee.

In the first months of 2022, the detailed rules were defined. The new hybrid working model came into force on 1 April 2022.

## 2.4. - Procurement

In 2021, intensive work continued on the management of the IVASS Supplier Register, which was set up and activated as part of the procurement portal in 2020; at the end of the year, 132 suppliers were registered in the Register, distributed among 9 categories and 42 product sub-categories. Further investigations are still in progress.

As the health emergency situation continued, the management of contracts in the portfolio was aimed at reshaping their performance and service levels to ensure the provision of services in total safety and in compliance with the emergency regulations issued by the Government.

Joint procurement with the Bank of Italy continued, also through the close coordination of two-year plans for the purchase of services and supplies, achieving on the one hand significant savings in administrative action and, on the other hand, containing the cost of purchasing products and services, due to the economies of scale guaranteed by higher countervalue procurement procedures

## 3. - RISK MANAGEMENT AND INTERNAL CONTROLS

The Institute has a system of internal controls aimed at improving the pursuit of strategic objectives, the quality of services and the efficiency in the use of resources, monitoring operational risk and compliance with internal and external regulations.

The Internal Audit Office carried out the planned audits for the year 2021. The audits covered two macro-processes and two projects of the Institute that are still in progress, as well as two targeted investigations concerning IT planning and sanction profiles, respectively. The Audit Office also conducted a survey of the Institute's IT applications, aimed at identifying those used to support work processes, identifying any critical profiles and areas for improvement.

Where improvement needs have been identified as a result of the audits, IVASS Structures have undertaken action plans, the implementation of which is constantly monitored.

The operational risk management system was strengthened with the establishment of a specific working group that allows close collaboration between the Internal Audit Office and the ORM (Operational Risk Management) function of the Resource Management Service aimed at increasing the effectiveness of the system through initiatives aimed at acquiring, organising and making information on work processes and related risks available, refining analysis and monitoring capacity and improving the information supporting decision-making processes.

Relations between the Internal Audit Office and the Functions in charge of 2$^{nd}$ level controls (ORM Function, Officer responsible for transparency and prevention of corruption and Data Protection Officer) have been better structured – with the organisation of quarterly meetings – with the aim of strengthening synergies between control functions and enabling greater efficiency and cost-effectiveness of the internal control system.

### 3.1. - Ethics, prevention of corruption, transparency, data protection

The Ethics Committee, established in accordance with Article 12 the Statute of IVASS with the purpose of supervising the correct application of the Codes of Ethics in force, continued assessing and monitoring ethical issues, with the aim of guiding the conduct of the recipients of the Codes.

Work is under way, in cooperation with the Bank of Italy, on the implementation of the IT procedure for the management of reports of irregularities and offences (whistleblowing) by IVASS employees, staff seconded from the Bank of Italy and external staff. The update in 2021 of the Institute's internal rules on personal data protection (IVASS Circular 13/2018) achieved the strengthening of organisational and security safeguards in order to make the procedures increasingly compliant with the guidelines of the Authority for the protection of personal data, the relevant provisions and the best practices on personal data protection.

### 3.2. - Health and safety at work

Against the backdrop of the sanitary emergency, attention remained high on protecting the health of staff and containing the risks of contagion in the workplace. The use of smart working has been modulated over time according to successive governmental and regional measures. Hygiene and sanitation measures were reinforced to contain the spread of contagion through extraordinary sanitisation of workstations and shared areas, the activity of the company general practicioner was intensified to assess cases of weakness, and personal protective equipment and disinfectant gels were provided to employees.

Also with a view to helping prevent the risk of contagion, a flu vaccination campaign was carried out in cooperation with the Bank of Italy, and days for antigen swabs were organised.

## 4. - STAFF

### 4.1. - The career system

In 2021, the implementation of the arrangements envisaged in the career system of 2016 continued. In particular, the staff appraisal session was carried out, with reference to performances in 2020, the internal progress procedure for the post of Director was carried out, aimed at enhancing professional qualifications and recognising merit and individual contribution to the achievement of institutional objectives, through a comparative check among candidates, and vacancy procedures were launched to fill one top managerial position which had remained vacant (Head of Directorate) and eight other positions.

### 4.2. - The number of staff

As at 31 December 2021 there were 368 permanent staff (one less than 31 December 2020), compared to the staff number recognised by law of 400 (355 set by the law establishing IVASS, 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 5 fixed-term staff (+1 compared to 2020).

**Table VIII.1**

**Distribution of IVASS staff by professional area at year end**

*(units)*

| Area | Permanent staff | | Fixed-term staff | | Total | |
|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| **Professional/Managerial** | | | | | | |
| Directors/Central Directors | 32 | 32 | 1 | 1 | 33 | 33 |
| Specialists/Experts | 276 | 284 | - | - | 276 | 284 |
| **Operational** | | | | | | |
| Operational staff | 61 | 52 | 3 | 4 | 64 | 56 |
| **Total** | **369** | **368** | **4** | **5** | **373** | **373** |

At the end of 2021, the holders of managerial positions were 37 Directors and Specialists, of which 54% women, with an average age of 56.

IVASS continued to make use of staff seconded from the Bank of Italy (which, at the end of 2021, included 33 staff, of which 12 directors, 19 professionals and 2 operational staff). In turn, IVASS seconded 8 employees, 6 to the Bank of Italy and 2 to European institutions, in addition to two Directors who are on unpaid leave for assigned positions with EIOPA.

In 2021, the Institute recruited 17 members of staff following the measures to fill vacancies with next-ranking candidates of two competitions launched in 2019. They included 13 graduates in law and 4 graduates in ICT.

In August 2021, two public competitions were announced, for the recruitment of 6 Experts in economics and business administration and of 4 Experts in statistical-actuarial subjects or in mathematics and finance. The selections ended in March 2022, the successful candidates took up their duties from May 2022.

Two staff members with the profile of lawyer were also recruited, using the ranking list from the competition announced by the Bank of Italy, following an agreement between the two institutions.

In consideration of the provisions of art of Legislative Decree no. 75 of 25 May 2017, and subsequent amendments and additions on the subject of overcoming precarious employment in public administrations, one resource already hired with fixed-term contract following an open competition was stabilised.

## 4.3. - Training

IVASS staff participated in 131 training initiatives; 393 employees were involved, i.e. 97% of staff, including staff seconded by the Bank of Italy, with an average of 31 hours of training per capita.

Technical training was aimed at supporting professional development through specific initiatives on evolving issues, while at the same time reinforcing IT knowledge necessary for supervisory activities or related to new technologies (45 initiatives involving 270 employees).

In the field of management training, individual coaching courses were set up for Heads of Directorate, Heads of Division and their deputies according to their specific needs, role and work characteristics.

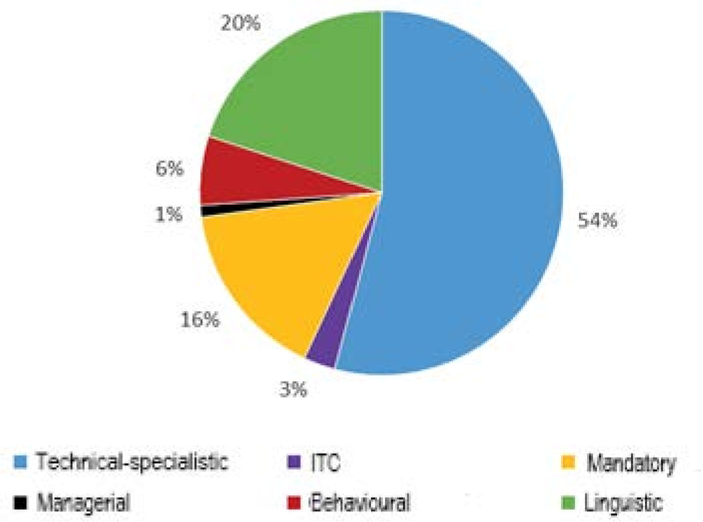
Training in techniques useful for work involved basic courses on professional writing and courses to train in the modern forms of written communication (infographics, writing for the web, persuasive writing and video-television writing).

Work experience at the Bank of Italy was intensified with the aim of enriching the departments' know-how and fostering synergies and links between the two institutions.

Training on health and safety, privacy, ethics and legality, which involved most of the staff, and the provision of detailed English language training courses, which involved 76% of the staff, continued.

**Figure VIII.1**

**Distribution of training activity – hours spent in 2021**




## 5. - IT SYSTEMS

The integration of IVASS ICT services with those of the Bank of Italy is going on, according to the provisions of the framework agreement[200] regulating the ICT collaboration between the two Authorities and in line with the Institute's strategic planning.

### 5.1. - ICT planning process

In December 2021, the Board approved the Institute's ICT strategic planning for 2022, drafted on the basis of the IT needs outlined by the Structures. This document aims to frame all IT initiatives in a unitary logic ensure their alignment with the strategic lines of the Institute and to verify their sustainability in terms of human and financial resources needed for their implementation. The Plan outlines the IT projects in progress, the evolutionary maintenance on existing applications, the operating cost of existing or new IT services. The needs expressed by the Directorates were assessed in order of priority of implementation, on the basis of a methodology which compares the value of the initiative with its riskiness.

[200] The agreement for the use by IVASS of IT services provided by the Bank of Italy was signed in 2014 and was renewed, for a further 5-year period, in August 2019.

### 5.2. - IT development – IT services maintenance

The development process of IT services for the Institute consists of the study phase followed by the implementation and production release phase.

In 2021, the most important initiatives for which the study phase has been launched are:

- IVASS Whistleblowing Procedure, aimed at setting up a dedicated system for the receipt and management of reports of irregularities and offences committed by IVASS employees, staff seconded from the Bank of Italy and external staff with a user account;

- VAIGA Undertakings' Asset Valuation, aimed at automating the process of calculating the market value and risk index of insurance companies' assets

- IPER Survey on the actual prices for motor liability insurance, aimed at collecting and processing the data of the survey on the prices of motor liability insurance.

The study phase was completed and the implementation phase of the following project initiatives began:

- CARD, to manage the IT activities supporting the incentive model and the operations for the calculation, simulation of penalties and incentives and the exchange of information flows with CONSAP.

- Sanctions Information System, for the creation of an application to support the Institute's sanctioning process, equipped with adequate IT security and high operating continuity requirements.

The main initiatives in the pipeline also include:

- Evolution of the claims database (EBDS), to adapt it to the recent innovations provided for by primary legislation and the new operational requirements, as well as to migrate the procedure to equipment owned by the Bank of Italy.

- Single Register of Intermediaries (RUI), a project designed to merge the RUI into a single database and single tool;

- Complaints information system, directed at replacing the current application with a new, better performing one, provided with adequate safeguards for the protection of cyber security and operational continuity;

- Insurance Arbitrator, an initiative aimed to implement an information system supporting the out-of-court settlement of disputes relating to insurance contracts;

- Comparator Data Warehouse, fed with data collected and managed by the Public Comparator cloud procedure.

On the other hand, the operational release phase was completed for the following applications:

- Public Comparator, a tool to compare the motor liability estimates of all the undertakings present on the market. The service, called PreventIVASS, went into production in May 2021 and uses, together with the aforementioned EBDS and RUI projects, the services of the SPID – Sistema Pubblico di Identità Digitale (Public Digital Identity System) for the authentication of professional users;

- Pedius, a tool to support accessibility. Introduced as already in use at the Bank of Italy as an application for smartphones and tablets allowing deaf people to contact users directly from the fixed and mobile phone network;

- Applications aimed at data collection. Systematic notifications for life business, Reporting on exposure to interest rate risk, Separately managed accounts.

The release of the RUI Open Data Service should be noted: the service makes available on the IVASS institutional website the information contained in the public portion of the RUI, in a format (CSV) that can be processed by automatic tools.

Thanks to the progressive path of integration with the Bank of Italy's technological infrastructures set forth in the ICT framework agreement, it was possible to modernise important assets such as the mainframe platform through re-engineering on industry-standard platforms to support supervisory activities and statistical surveys, the technological upgrade of the local network at the Via del Quirinale building, the upgrade of the operating system of workstations and the extranet connection system, as well as the infrastructure supporting multiple applications that had been in operation for some time.

Finally, the remaining applications managed independently by the Institute were constantly monitored.

### 5.3. - Management of IT services

The Institute's IT service catalogue maintains a number of units (52) in line with the 2020 figures. IVASS is responsible for the management of 23 services (44% of the total), while the remaining 29 (56%) are managed by the Bank of Italy, marking a significant increase (+15%) over the previous year and demonstrating continued progress in technological integration.

### 5.4. - Cyber security

IVASS participates in coordination initiatives on cyber security with the Bank of Italy.

With specific reference to the Institute and the insurance sector, it is worth mentioning the participation in CERTFin[201], in particular in the CyberInsure observatory for in-depth studies on security in the insurance sector and on the subject of counterfeit policies, and in national cooperation working groups. Supervisory activities follow the security of companies and intermediaries. IVASS legacy system migration projects at the Bank of Italy are intended not only to strengthen functionality, but also to achieve higher levels of security for the Institute.

Participation in international working groups made it possible to make relevant contributions in the areas of:

- review of the European Authority's (EIOPA) cloud strategy to identify opportunities and risks, also in light of the dissemination of the public cloud among national Authorities;

- publication of the EIOPA Guidelines[202], on Information and Communication Technology Security and Governance, with effect from 1 July 2021 for the whole European insurance market. In this context, and in compliance with the principle of proportionality, the establishment of a Function, characterised by independence and objectivity, dedicated to IT security, is envisaged within the companies, whose head reports to the Administrative Body.

The Institute's IT security awareness efforts for consumers continue. In cooperation with the Bank of Italy, the Italian Banking Association and 12 private entities, IVASS contributed to the campaign[203] promoted by CERTFin 'I Navigati, informati e sicuri' aimed at combating cyber crime, in support of users of banking, financial and insurance services. The campaign was launched in November 2021 with ads on private TV channels, press and social media, which was followed, given the interest in the topic of the newly established Agency for National Cyber Security (ACN) and the Prime Minister's Office, by a subsequent institutional campaign on RAI TV and radio channels in December, an important period for on-line purchases.

With reference to the policies for access to the Institute's systems and databases, in May 2021 Circular 14 was issued, which establishes the rules of conduct and security principles in the system for controlling access to corporate IT resources, at the same time defining the operating procedure on the registration and management of digital identities within the IVASS Information System.

201 The CERTFin – CERT Finanziario Italiano (https://www.certfin.it/) is a public-private cooperative initiative aimed at enhancing the cyber risk management capability of financial operators and the resilience of the Italian financial system through the operational and strategic support of prevention, preparedness and response activities to cyber attacks and security incidents. IVASS participates in the Strategic Committee.

202 https://www.eiopa.europa.eu/sites/default/files/publications/eiopa_guidelines/eiopa-gls-ict-security-and-governance-it.pdf

203 https://inavigati.certfin.it/

# ADMINISTRATION OF IVASS

## PRESIDENT

| | |
|---|---|
| Luigi Federico SIGNORINI | Senior Deputy Governor of the Bank of Italy |

## BOARD OF DIRECTORS

| | |
|---|---|
| Luigi Federico SIGNORINI | Chair |
| Alberto CORINTI | Board Member |
| Riccardo CESARI | Board Member |

## JOINT DIRECTORATE

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|---|---|
| Ignazio VISCO | Governor of the Bank of Italy |
| Luigi Federico SIGNORINI | Senior Deputy Governor of the Bank of Italy |
| Alessandra PERRAZZELLI | Deputy Governor of the Bank of Italy |
| Piero CIPOLLONE | Deputy Governor of the Bank of Italy |
| Paolo ANGELINI | Deputy Governor of the Bank of Italy |
| Alberto CORINTI | Board Member |
| Riccardo CESARI | Board Member |

## SECRETARY GENERAL

Stefano DE POLIS