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Report on the activities pursued by IVASS in the year 2022

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Roma, 19 June 2023

IVASS, 2023 -06-19

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ISSN 2284-4112 (ONLINE) ISSN 2611-5301 (PRINT)

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I. - THE INSURANCE MARKET

In the world's largest insurance markets, the correlation between economic growth and non-life and life insurance penetration remains positive. In 2021 and 2022, both in life and non-life business, insurance stock indices exhibited an upward tendency, in accordance with the average market trend, but in contrast to banking stocks, which remained stable.

In 2022, Italy's insurance penetration ratio (premiums to GDP) was 6.8%, with 4.9% for life premium income and 1.9% for non-life premiums. It was therefore down by one percentage point due to GDP growth (+6.8% in nominal terms) and a -7.2% decline in premium income compared to 2021, resulting from a -11% decline in premiums for the life sector.

The general increase in interest rates, with the 10-year treasury bond rate averaging 3.2% in 2022, up 2.4 percentage points from the previous year's monthly average, resulted in a negative balance of capital gains and losses for the first time since 2012 (- ε 51.6 billion, 9.8% of the book value of securities in the portfolio, excluding linked securities), compared to a net capital gain of ε 70.8 billion at the end of 2021. The regulatory exemption (Law No. 122 of 4 August 2022) permitting the temporary suspension of the effects of capital losses on securities in the trading portfolio on the 2022 financial results enabled the neutralisation of capital losses totalling ε 17.7 billion. Approximately one-third of Italian companies adopted this option, equivalent to two-thirds of the market in terms of assets.

Premium income from Motor Third Party Liability (MTPL) was down 2.1% in 2022, primarily due to price reductions. As a percentage of total non-life premiums, it amounted to 32.7%, a decrease of 16 percentage points compared to 2012. The premiums for non-life classes other than MTPL grew by 8.2%, accounting for 67.3% of the segment, with year-on-year increases particularly in health (+8.5%), property (+8.5%), and general liability (+8.2%). Compared to other European countries, non-life underinsurance in Italy declined.

The return on equity (ROE) for the insurance industry as a whole was 3.2%, hence more than 5 percentage points lower than in 2021. In the life business, it went down from 9.9% in 2021 to -1% in 2022, while profitability increased by one percentage point to 8.1% in the non-life business. The decreased profitability of the life business led to a -0.4 billion loss for the financial year, compared to +4.3 billion in the prior year. Losses in life business recorded a profit of €2.7 billion, essentially unchanged compared to 2021. The balance of the technical account for MTPL was a loss of -€0.1 billion for the first time since 2011. In contrast, non-life classes other than MTPL posted a technical profit of €2.1 billion.

The average solvency ratio (SCR ratio) of Italian companies was 245.8%, down by 5 percentage points compared to 2021, mainly due to life companies, the SCR ratio of which decreased by 25.9 percentage points. Composite and non-life undertakings showed a moderately increasing index. The investment portfolio of the supervised companies, 67% of which consisted of interest rate-sensitive securities, was strongly affected by the rise in interest rates. The market value of investments for contracts other than unit- and index-linked contracts, calculated using Solvency II criteria, fell by -16.4% compared to 2021, while the best-estimate provisions for life insurance contracts (excluding linked policies) fell by -18.4%.

1. - THE INTERNATIONAL INSURANCE MARKET

1.1. - The global insurance market

In order to understand the insurance industry's performance in the context of the global economic-financial cycle, the historical price trend of equities in the banking and insurance sectors, broken down into life and non-life, and the share prices of all stocks (All World) over the period 1998-2023, was analysed (Figure I.1). It should be pointed out that:

- the performance of insurance stocks is affected to a greater extent than banking stocks by geopolitical events causing financial tension (Gulf War, global financial crisis, Brexit, COVID-19, Russia-Ukraine conflict);
- after the financial crisis of 2010, the average price of banking securities remained relatively stable, while the value of insurance securities increased, with the differential tending to widen compared to banking securities;
- after the shock of COVID-19, the gap between life and non-life insurance stocks widened in favour of non-life companies.

Figure I.1



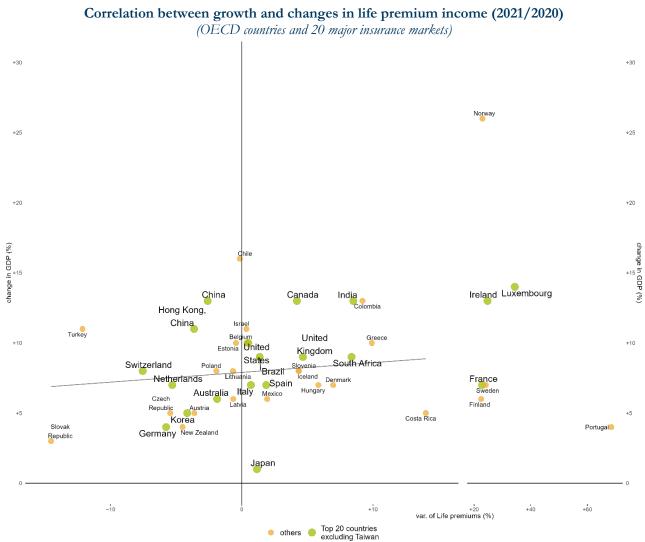
Trend in reference share indexes of the insurance and banking sector

Source: statistics based on Refinitiv Datastream¹.

Refinitiv Datastream, daily time series since 1998 of FTSE World Life Insurance United States Dollar, FTSE World Non-life Insurance United States Dollar, FTSE World Banks United States Dollar, FTSE All World United States Dollar. Last updated on 10 May 2023.

The information gathered by the Organisation for Economic Co-operation and Development (OECD)², supplemented with data from other public and private entities³, makes it possible to identify the positive relationship between insurance activity on a global scale in 2021 (the last year for which complete data are available) and growth (change in GDP).





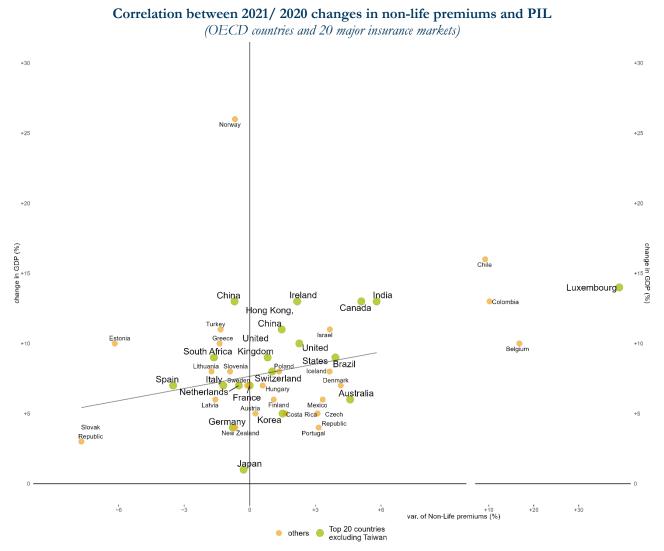
Source: calculation on OECD data, Swiss Re Institute and World Bank

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 publication entitled 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 World Bank and Swiss Re Institute.

Premium income in life (fig. I.2) and non-life (fig. I.3) has increased in many countries, and there is a positive correlation with economic growth, most significantly in non-life⁴.

Figure I.3

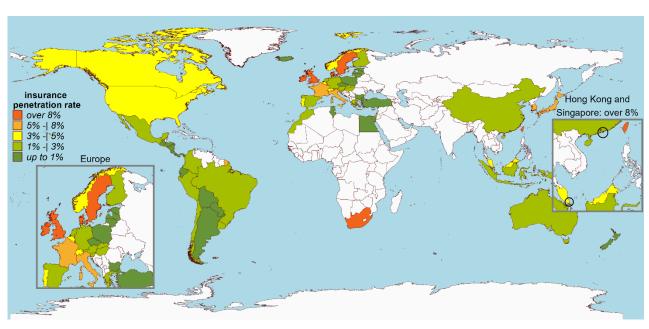


Source: calculation on OECD data, Swiss Re Institute and World Bank

In 2021, Italy continued to show a protection gap, as measured by insurance penetration compared to the OECD average of 4.6% for life and 4.9% for non-life business⁵. Table I.1.1 in the Appendix shows the values for the insurance penetration rate in the various countries. In life business, insurance penetration (Figures I.4 and I.5) is particularly high in the UK and Sweden and to a slightly lesser extent in Italy (4.9 percent) and France; in Germany, Canada and the U.S. non-life insurance is particularly developed. A low penetration rate in non-life insurance is confirmed in Italy (1.9%), a percentage equal to Brazil and Argentina and significantly lower than in France and Germany.

⁴ The results found in the non-life classes are consistent with evidence in the literature; M. Arena (2008), Does Insurance Market Activity Promote Economic Growth? A Cross Country Study for Industrialized and Developing Countries, The Journal of Risk and Insurance, Vol. 75, No.4, 921-946.

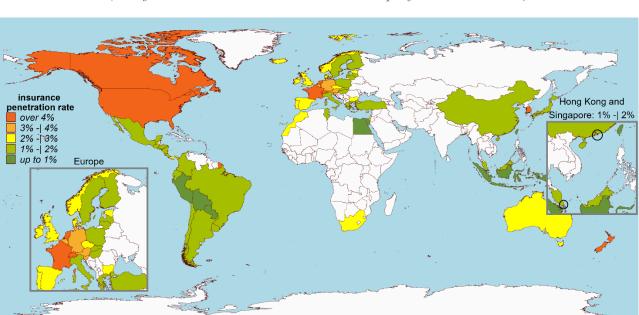
⁵ A sample of small countries, which do not belong to the OECD, is also included in the international comparison of insurance penetration



Premium incidence over GDP - life business – 2021 (20 major insurance markets, OECD countries and sample of non-OECD countries)

Source: calculation on OECD data, Swiss Re Institute and World Bank

Figure I.5



Premium incidence over GDP - non-life business – 2021 (20 major insurance markets, OECD countries and sample of non-OECD countries)

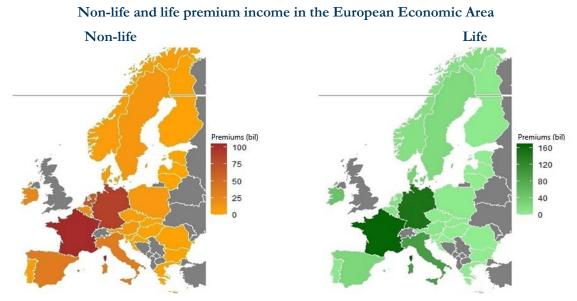
Source: calculation on OECD data, Swiss Re Institute and World Bank

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1.2. - The European insurance market

Total premium income (life and non-life business) in all the European Economic Area (EEA, 27 countries) reached 1,125.2 billion euro in the 4th quarter 2022, of which 479.6 billion from non-life business and 645.6 billion from life business. The largest markets in absolute terms of premium income are France and Germany, with 272.6 billion and 238.8 billion respectively, followed by Italy (131.6 billion), the Netherlands (80.3 billion) and Spain (62.9 billion).





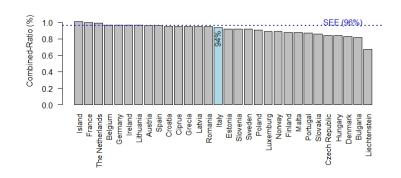
Source: calculation based on EIOPA data

Premium income in non-life business in 2022 (excluding the fourth quarter) show extreme heterogeneity. In France it is 104.9 billion euros, in Germany 88.6 billion, in Italy 35.7 billion and in Spain 36.4 billion. Malta and Luxembourg, with high insurance penetration rates (17.5% and 16.1% of their GDP in 2021, respectively), collect 3.0 billion and 14.3 billion euros.

In life insurance, the order of countries in terms of premium income is as follows: France (167.7 billion), Germany (150.2), Italy (95.9), Ireland (48.8), Spain (26.5 billion) and Luxembourg (24.7).

In the non-life business, the average combined ratio in the EEA at the end of 2022 (fig. I.7) is 96%, indicating that the underwriting process is, on average, profitable; the Italian market is close to the European average (94%). Among the few countries with ratios close to 100% are France (100%) and the Netherlands (99%): in these markets, the deterioration of the combined ratio is partly attributable to inflationary pressure on both sides of the technical account (premiums and claims), with a negative net differential, partly attributable to losses from adverse weather events.

Combined ratio by country – 2022 (% values) Figure I.7



The total assets of undertakings in Italy, France, Germany, Spain account for around two thirds of the European undertakings. In the composition of assets (fig. I.8), government bonds predominate in Italy and Spain, accounting for 34% and 40% of assets, respectively, compared to the European average of 18%. The share of government bonds held by French companies, the first country in terms of asset volume (30% of the European market), is close to the EU average. Germany shows a greater preference toward unit trusts, accounting for 26% of total assets.

The difference between assets and liabilities of Italian companies (shareholders' equity) is lower than the European average and countries where companies hold lower volume assets (Spain). The ratio of total life provisions to total liabilities is 85% in Italy compared to the average of 76%, with 78% in France, 72% in Germany and 69% in Spain. As regards life business, the share of provisions other than unit-linked is prevalent for all countries represented; for unit-linked policies, Italy (24%) and France (18%) have a higher incidence than Germany (9%) and Spain (12%).

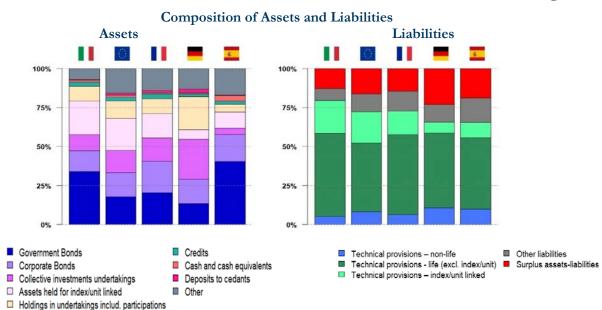
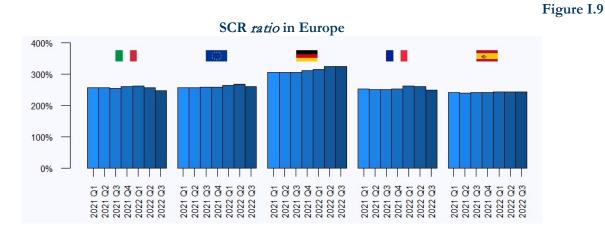


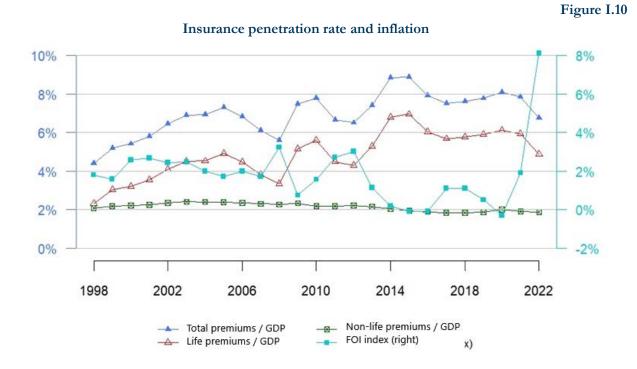
Figure I.8

Until 2021 (fig. I.9) the average SCR ratio of Italian undertakings remained in line with the average European SCR ratio, slightly above that of France and Spain. As of the first quarter of 2022, there has been a decrease in the Italian and French SCR ratio and an increase in the German SCR ratio while it is stable in Spain. On the whole, the average European SCR *ratio* is slightly up.



2. - THE ITALIAN INSURANCE MARKET: STRUCTURAL ASPECTS

In 2022, insurance premiums accounted for 6.8% of Italian GDP at current prices, 4.9% for life and 1.9% for non-life premiums. The ratio of non-life premiums to GDP (Figure I.10) has fluctuated around 2% over the last 20 years, while life premiums have tended to grow and are more volatile (between 4% and 7%), negatively correlated (46%) with the inflation rate (FOI index - blue and white collar households index). The erosion of purchasing power increased the incidence of basic living expenses at the detriment of insurance expenses (substitution effect).



2.1. - Market structure

As at 31 December 2022, the undertakings authorised to pursue insurance and reinsurance business in Italy under the prudential supervision of IVASS were 92 (94 in 2021^o), 88 of which domestic and 4 branches of foreign undertakings with head office in a non EEA country (table 2.1.1 in the Appendix)⁷.

From 2013 to 2022 the number of domestic undertakings dropped from 131 to 88, down by 33% in the ten-year period, mainly as a result of mergers and acquisitions (for the main transactions that took place in 2022, see Ch. IV.1.4.2).

After the sharp decline caused by Brexit between 2020 and 2021, the number of EEA foreign undertakings pursuing business under f.o.s. is increasing slightly (from 884 in 2021 to 889 in 2022) while the number of EEA undertakings licensed to operate in Italy under the right of establishment is 89, down by two from the previous year⁸. 72% of the branches in Italy of EEA undertakings have their head office in France, Germany, Ireland and Luxembourg (tab. 2.1.3 in the Appendix)⁹.

There were 289 companies with head office in an EEA country that actually collected premiums in Italy via f.o.s. (the latest EIOPA data referring to 2021) over a total of 884 authorized undertakings.

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

In 2021, life and non-life premiums collected from Italian customers amounted to 168.9 billion euro (tab. 2.2.1 in the Appendix), up by +7.2% compared to 2020. Premium income of foreign companies¹⁰ was 71.6 billion (42.4% of the total), with an increase of 9.8% year-on-year. Premiums written in Italy by Italian-owned companies amounted to 97 billion in 2021 (+6.2% compared to 2020).

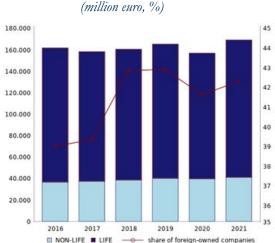
⁶ In 2022, two domestic undertakings terminated the pursuit of insurance business: a non-life undertaking was incorporated by another Italian undertaking, while a non-life undertaking was incorporated by an undertaking with its registered office in another EEA country.

⁷ Since 2009 there are no more Italian specialist reinsurers for both life or non-life business.

⁸ In 2022, 27 undertakings or branches with head office in another EEA state (41 in 2021) were licensed to carry on business under f.o.s., of which 6 from Germany, 5 from Ireland and 4 from France.

⁹ In 2022, one undertaking with head office in Portugal another EEA state (41 in 2021) was licensed to carry on business under f.o.e.

¹⁰ Undertakings whose parent company has its registered office abroad.



Overall Italian direct business and incidence of foreign undertakings

The share of foreign-owned companies in premium income is above 40% for both life and nonlife business (fig. I.12). A differentiated dynamic is observed for the two businesses, with significant growth in the market share of foreign undertakings in life business (from 38% in 2017 to 42% in 2021) and substantial stability in non-life business.

In life business, foreign-controlled undertakings carrying on business under f.o.s. collected a total of 10.8 billion, those under the right of establishment 5.3 billion; for foreign undertakings with registered office in Italy, premiums collected amounted to 37.8 billion.

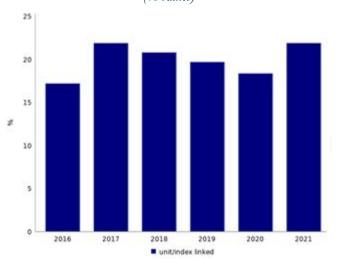


The increase in premium income volumes for foreign companies was mainly driven by unitlinked products. For companies under the right of establishment, gross premiums written amounted

Figure I.12

to \notin 4.0 billion (+64% compared to 2020) and the market share for this type of product (21.3%) remained in line with the years 2016-2020 (Figure I.13)¹¹.

Figure I.13



Incidence of foreign undertakings under the right of establishment – life premium income (% values)

Premiums collected abroad by companies with registered offices in Italy¹², supervised by IVASS, amounted to 48.3 billion euro (tab. 2.2.2 in the Appendix), with an increase of 10.7% year-on-year. The degree of international openness was 33.2%^{13.} 98% of premium income was collected through foreign subsidiaries.

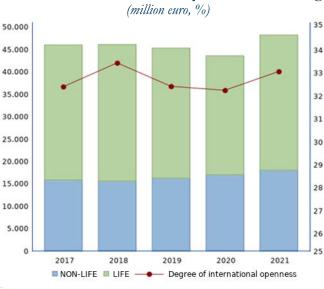
Premium growth in 2021 can be attributed to the positive performance of life business: premiums collected abroad total 30.2 billion, up 13.6% from 2020. Premiums collected abroad in non-life business amount to 18.1 billion, +6.1%. Growth in non-life premiums written abroad is consolidated: compared with 2017, premiums grew by +14.0%.

¹¹ Flows associated with unit- and index-linked products are subject to greater instability than flows associated with class I products.

¹² These are subsidiaries of Italian entities. Premiums collected abroad by undertakings with head office in Italy controlled by foreign entities is negligible.

¹³ The degree of international openness is defined as the ratio between premiums collected abroad by Italian-controlled undertakings and total premium income for the same undertakings.

Table I.1



Premiums collected abroad by Italian undertakings $(1)^{(2)}$

2.3. - Premium income and investments of the undertakings supervised by IVASS

The breakdown of undertakings under the prudential supervision of IVASS according to their nationality and the economic sector of the ultimate parent entity at the end of 2022 is shown in Table I.1.

Premium income and investr	ments by sharehole	dings and parent gr 2022*	oup of the supervised	undertakings –					
(million euro and percentage valu									
Type of control	premiums (Italian direct business)	% breakdown	Investments class C and D	% breakdown					
Foreign undertakings	40,328	31.3	239,737	26.5					
EU and non-EU entities of the insurance sector + non- EU branches	23,823	18.5	131,941	14.6					
EU and non-EU entities of the financial sector	16,504	12.8	107,796	11.9					
Italian undertakings	88,420	68.7	666,182	73.5					
State and public bodies	18,637	14.5	157,756	17.4					
insurance sector	49,365	38.3	321,861	35.5					
Financial sector	20,305	15.8	186,354	20.6					
Other private entities	113	0.1	211	0.0					
Grand total	128,747	100.0	905,919	100.0					

* Excluding one undertaking placed under extraordinary administration.

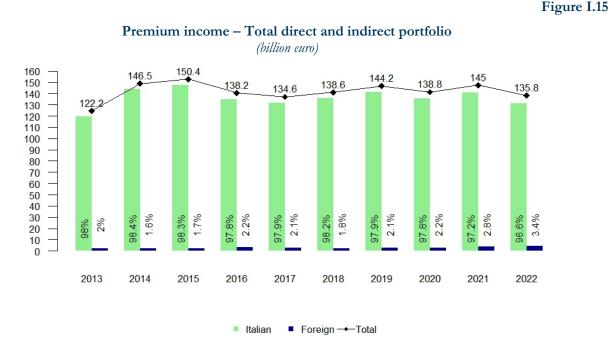
Undertakings supervised by IVASS controlled by domestic entities accounted for 68.7% of premium income and 73.5% of investments. Supervised companies controlled by Italian private entities account for more than half of premium income (54.2%) and investments (56.1%), of which the largest share (49.4 billion) is attributable to insurance-related entities. The incidence of public entities and state-

controlled entities in terms of collected premiums and investments remains stable (14.5% and 17.4%, respectively); followed by entities belonging to the financial sector¹⁴ (15.8% percent of premium income and 20.6 percent of investments).

Foreign-controlled companies supervised by IVASS accounted for 31.3% of life and non-life business, down compared to 34.5% in 2021, and held 26.5% of total investments. The market share held by insurance companies controlled by foreign financial companies, in terms of premiums (12.8%) and investments (11.9%), has decreased sharply.

3. - PREMIUM INCOME

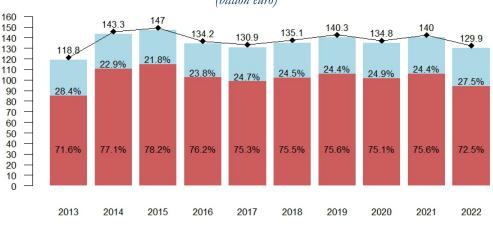
In 2022, gross premiums written recorded for the Italian and foreign portfolio of undertakings supervised by IVASS¹⁵ were 135.8 billion euro, with a decrease of -6.4% compared to the previous year (fig. I.15 and tab. 3.2 in the Appendix). Premiums of the Italian direct and indirect insurance portfolio amounted to 131.2 billion euro (-6.9%), while those relating to the foreign portfolio reached 4.6 billion (+12.9%), thanks to the contribution of reinsurance.



Premium income from Italian direct business (fig. I.16 and tab. 3.2 in the Appendix), amount to 129.9 billion euro; the decrease of -7.2 percent can be attributed to life business (-11%), while non-life business grows (+4.6 percent).

¹⁴ Banks and, to a lesser extent, financial companies.

¹⁵ For an overview of the premium income in Italy in 2021, including foreign undertakings under the right of establishment and f.o.s., please refer to Ch. I.2.2.



Premium income – Italian direct portfolio (billion euro)

■ Life Non life → Total

The ratio of Italian direct portfolio premiums to GDP¹⁶ declined from 7.8% in 2021 to 6.8%, due to the growth in GDP (+6.8% in nominal terms) and the reduction in premium income (-7.2%). The decrease in the ratio of premiums to GDP affected only life business (from 5.9% in 2021 to 4.9%), while this ratio remained unchanged in non-life classes (1.9%, tab. 3.3 in the Appendix).

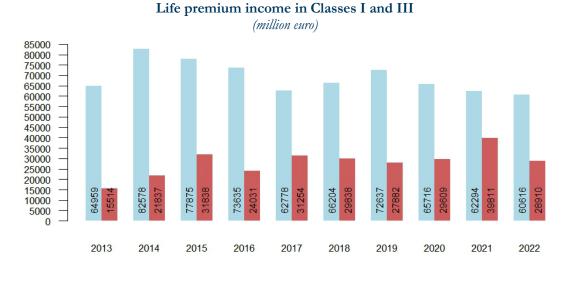
3.1. - Premiums for life business¹⁷

Premium income for class I (insurance on the length of human life) and class III (insurance linked to investment funds), account for almost all the premiums issued, amounting to 94.9% of the total (96% in 2021). Class V (capital redemption operations) and class 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 of 1.4% and 3.4%.

Premium income from life business (Italian direct business), totalling 94.2 billion euro, is down by -11.0% compared to +4.5% in 2021. The decrease was due to the marked reduction in the weight of class III (-27.4%) after the significant growth in 2021 (+34.5%), while premium income in class I varied less (-2.7%). After a long period of decline, class V insurance grew by 7.4%, compared to a decline of 36.7% in 2021. After a decrease of 38.8% in the prior year, Class VI insurance grew significantly by 33.0%.

¹⁶ GDP at year end at market prices: Source: ISTAT, data revised as at April 2023

¹⁷ Data taken from the Monitoring of Investments as of December 31, 2022.



Class I Class III

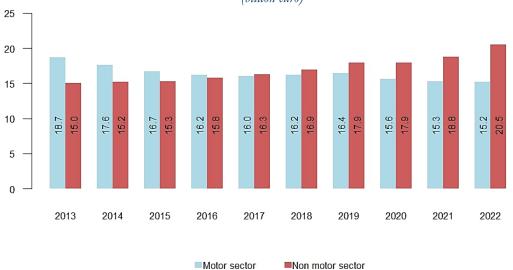
Net premium income (the balance between premiums and claims incurred) fell sharply, due to the decrease in premiums and to the increase in claims costs (tab. I.2).

Table I.2

Life business - premiums and claims burden - Italian direct business										
(million eu									n euro)	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Life premiums (A)	85,100	110,518	114,947	102,252	98,611	102,048	106,012	101,329	105,887	94,228
Claims incurred (B)	66,788	64,577	71,196	62,932	71,155	73,223	76,158	76,446	75,630	78,798
Net income (A)-(B)	18,312	45,941	43,751	39,320	27,456	28,825	29,854	24,882	30,257	15,430

3.2. - Premiums for non-life business

Total non-life premiums written (Italian direct business), amounting to 35.7 billion euro, increased for the second consecutive year (+4.6%), after the decrease in 2020 (fig. I.18 and tab. 3.2.1 in the Appendix). The positive dynamics in premium income in 2022 stems from the development of the non-motor segment against the slight contraction in the motor business (fig. I.19).



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

While maintaining a significant weight in non-life business (42.6% of premium income), premium income in the motor business was down by -0.3% compared to 2021. The reduction in premiums for motor liability¹⁸ (-2,1%) is offset by +6.3% in land vehicles.

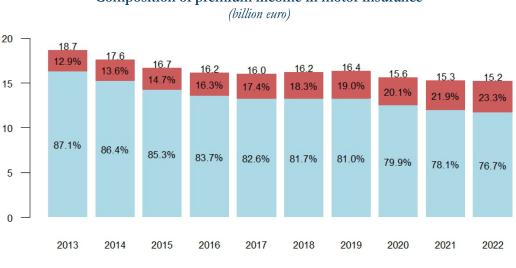


Figure I.19

Composition of premium income in motor insurance

Motor third part liabilities Other motor insurance

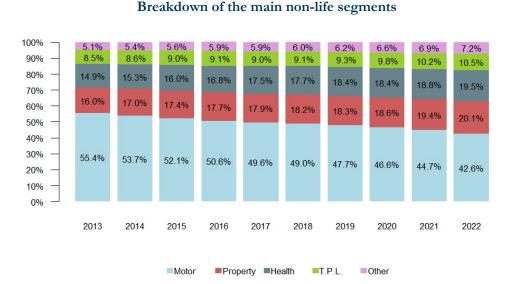
The contraction in motor liability, which totalled 11.7 billion euro in premium income, reflects the decline in average premiums written per insured vehicle (302.8 euro, down by -1.2% compared to the previous year)¹⁹. Premium income fell by 4.6 billion compared to 2013 (-28.3%).

¹⁸ For a broader analysis of the automotive business, see Ch.

¹⁹ Chapter II.1 contains updated statistics on the actual prices (gross of taxes and parafiscal charges) for the first quarter of 2023.

Conversely, premium income growth in other non-life classes (+8.2%) has become more marked. Among the most representative sectors (fig. I.20 and tab. 3.2.1 in the Appendix) there are the health sector and the property sector, accounting for 39.6% of non-life business, which increased by +8.5%. In the health business, premiums in the sickness class increased (+12.6% compared to 2021), attributable to the greater use of private coverage, especially in the corporate sector. In the property sector, the increase in premium income for "other damage to property" (+8.3%) and "fire and natural forces" (+6.2%) is indicative of the growth in the demand for asset protection. In fire and natural forces, both the retail and corporate segments grew, while in the other damage to property business, the corporate segment rose, particularly for hail coverage.

Growth in general liability has become more marked (+8.2%, reaching 10.5% on total non-life business) mainly as a result of the business associated with the Super bonus 110% and the recovery of the corporate sector. legal protection and assistance (+6.8%) consolidate, the latter mainly due to the recovery of the tourism sector after the pandemic period, and so do credit (+25.1%)²⁰ and surety (+7.7%), respectively due to the recovery of economic activities and the high number of tenders also under the PNRR (National Recovery and Resilience Plan).



In non-life business, the share of the motor sector declined by more than 13 percentage points, to the advantage of the health sector (+5 points), *property* (+4 points), general liability (+2 points) and other segments (+2 points).

3.3. - Distribution in life and non-life business

In life insurance, after the 2015 peak (fig. I.21), the share of sales through banks and post offices in Italian direct insurance has gradually shrunk and in 2022 it amounts to 57%, though remaining the

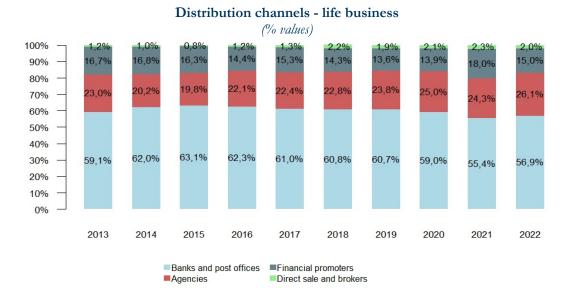
Figure I.20

²⁰ For the credit class, the weight of the companies supervised by IVASS is largely a minority, with 90% of income collected by companies based in other EEA States, which are excluded from the above-mentioned statistics.

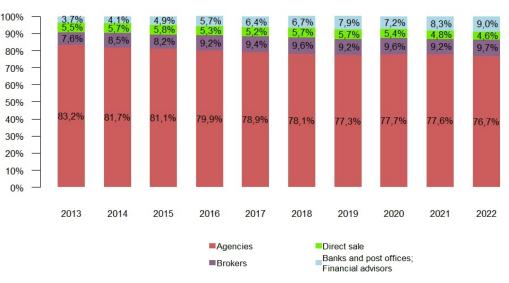
channel most used in the life sector²¹. The weight of agencies increased from 23% in 2013 to 26.1%, while that of financial promoters decreased by -1.7%.

Figure I.21

Figure I.22



In non-life business the traditional channel (agents and brokers) shows a steady decline in the share of total production (fig. I.22), while premiums mediated by bank branches and post offices are growing.



Distribution channels - non-life business

²¹ In this regard, an examination of the December 2022 monthly asset management map report prepared by Assogestioni shows a general reduction in forms of asset management compared to 2021 both in collective form (investment funds - -14.1%) and individual form (life insurance policies and pension funds -15.4%).

4. - STATUTORY FINANCIAL STATEMENTS (LOCAL GAAP)

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

This paragraph (*local gaap*) and the next (Solvency II) provide data relating to companies supervised by IVASS in reference to the two different measurement systems²².

4.1. - Balance Sheet

In 2022, investments measured according to local gaap amounted to 905.9 billion euro (tables 4.1.1, 4.1.4, 4.1.5, 4.1.6 and 4.1.7 in the Appendix), of which 89.9% in the life business and the remaining 10.1% in the non-life business.

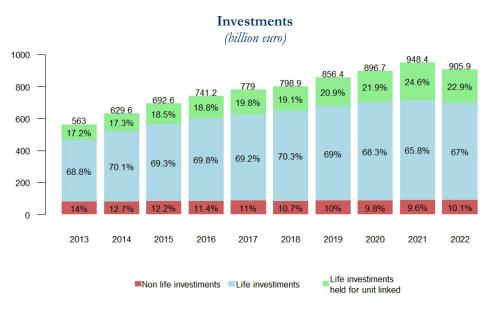
Investments as a percentage of assets (Figure I. 23) increased by more than 4 percentage points compared to 2013, thanks to the positive performance of net income and financial markets. Other asset items, such as bank and postal deposits, cash and cash equivalents and other receivables, recorded minor increases.

The general decline in the value of assets in 2022, mainly due to the reduction of class C and D life investments (Figure I.24), was linked to the unfavourable trend in the financial markets (which had a more pronounced impact on class D measured at current values) and the reduction in net income.

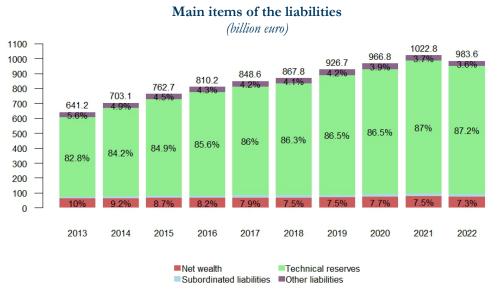




²² Solvency II metrics do not include the income part (profit and loss account) which instead is present in the local gaap financial statements. The latter are based on the cost principle for assets, while liabilities, including technical provisions, are also determined on the basis of prudential assessments (ultimate cost for non-life provisions and 1st order technical bases for life provisions, with the exception of linked policies, measured at market values).



The main item in the liability side (fig. I.25) is made up of life and non-life technical provisions (fig. I.26), amounting to 857.3 billion euro (tab. 4.1.2 in the Appendix).



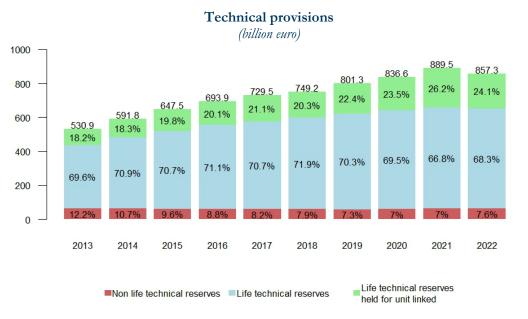
In life business, Class C technical provisions for contracts other than unit and index-linked or deriving from the management of pension funds, remained essentially unchanged in 2022, despite the decreasing net premium income, as they are determined on the basis of prudential assessments²³.

Class D technical provisions are down after growth in previous years, affected by financial market turmoil. Subclass D.I, relating to index and unit-linked policies, suffers a sharp reduction in premium income.

Figure I.24

Figure I.25

²³ Technical provisions are valued by adopting first-order technical bases (demographic assumptions and technical interest rate) and prudential technical bases (provided that class C assets held for trade are expressed at the lower of historical cost and market value).



4.2. - Shareholders' equity

At the end of 2022, the shareholders' equity (fig. I.27) in the statutory accounts amounted to 72 billion euro (76.8 billion euro in 2021), including own funds for 63.2 billion euro (70.2 billion in 2021)²⁴.

Capital provisions fluctuated over time, partly due to the significant decrease beginning 2019 in statutory provisions and reserves for parent company's shares. Until 2021, operating profit had increased significantly, only to shrink in 2022 due to losses in the life business.



Figure I.27

²⁴ More in detail, capital provisions amount to 47.2 billion; corporate capital and endowment and guarantee funds amount to 16.0 billion.

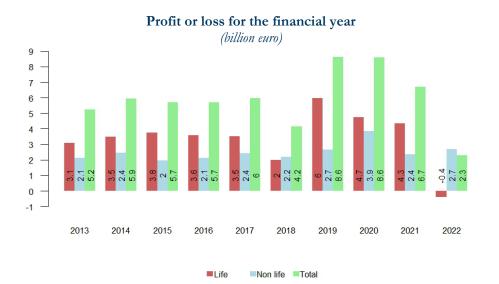
4.3. - Economic-financial operations

In 2022, insurance companies generated a profit of €2.3 billion (down by €4.4 billion in 2021, Figure I.28), hence 1.7% of gross premiums written (4.6% in 2021). The lower profit was due to the life business, which posted a loss of €0.4 billion compared to a profit of €2.7 billion in non-life business.

Thirty six companies, which hold approximately two-thirds of the balance sheet assets, exercised the option to recognise securities held for trade based on their book value²⁵. The exercise of the option concerned securities held for trade with a balance sheet value of €135.7 billion (19.4% of the total balance sheet value of class C investments held by all supervised firms) and a market value of €118 billion. The exercise of this option permitted the suspension of capital losses totalling €17.7 billion²⁶.

During the period from 2013 to 2022, non-life business posted a positive and relatively stable result of approximately €2.2 billion (Figure I.28). The life business recorded a loss in the past year for the first time since 2011. This was due to financial market turmoil.

In terms of premiums (Table 4.3.4 in the Appendix), the profit or loss in non-life business remained positive, despite a sustained decline in MTPL premiums, confirming the increasing contribution of non-motor lines of business to the segment's overall profitability. In life insurance, the ratio was impacted not only by the volatility of results, which is more closely tied to the performance of financial markets, but also by the decline in demand, especially for linked policies.



The ROE for life and non-life was 3.2%, 5.5 points down compared to 8.7% in 2021 (fig. I.29 and tab. 4.3.5 in the Appendix). In the life business, the ROE was negative (-1%, it was 9.9% in 2021); in non-life business, it grew to 8.1% from 7.1% in 2021.

²⁵ This right is exercised in accordance with art. 45, para. 3-octies, 3-novies and 3-decies of Decree Law no. 73 June 2022, converted, with amendments, by Law no. 122 of 4 August 2022. (Chap. III.3.3.1 for the legal details).

²⁶ The company exercising the option allocates profits to unavailable reserves in an amount equal to the difference between the values recorded in the balance sheet or, for securities not held in the portfolio as of 31 December, between the acquisition cost and the market values recorded on the reference date, net of the related tax charge and the effect on existing commitments to policyholders relating to the financial year of the balance sheet and up to five subsequent years.



ROE (Profit or loss for the financial year on Shareholders' equity)

4.4. - Management of life classes²⁷

The operating result of the life business in 2022 (Table I.3) was a loss of €0.4 billion, after ten consecutive years of profits between €5.1 billion in 2012 and €2 billion in 2018.

T	ab	le	I.3

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 percentage values											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Premiums for the current financial year	85,756	110,963	115,504	103,177	99,280	102,609	106,654	101,904	106,558	93,755	
Investment income (net of charges)	15,390	16,717	16,556	16,876	16,681	13,762	19,550	16,080	15,933	8,920	
Net class D income and gains	4,860	6,366	1,748	2,079	3,867	-11,100	17,134	4,948	15,647	-32,403	
Other technical items	-391	-443	-403	-381	-407	-369	-361	-402	-252	-132	
Claims charges	-66,999	-64,651	-71,239	-63,383	-71,749	-73,190	-76,117	-76,480	-76,308	-77,364	
Changes in class C technical provisions	-30,426	-49,913	-37,087	-38,057	-23,877	-24,845	-27,080	-19,612	-15,921	-9,403	
Changes in class D technical provisions	283	-10,374	-16,429	-10,792	-14,627	-597	-27,171	-16,761	-35,575	19,928	
Operating expenses	-3,684	-3,884	-4,064	-3,994	-4,033	-4,002	-4,046	-3,909	-4,100	-3,992	
Allocated investment return transferred to the non-technical account	-1,444	-1,917	-1,821	-1,824	-1,773	-1,442	-2,203	-2,373	-1,962	-1,480	
BALANCE ON THE TECHNICAL ACCOUNT	3,344	2,864	2,765	3,701	3,362	826	6,363	3,394	4,020	-2,171	
Allocated investment return transferred from the technical account	1,444	1,917	1,821	1,824	1,773	1,442	2,200	2,373	1,962	1,480	
Other net income	-828	-563	-636	-814	-886	-913	-1,034	-991	-783	-927	
PROFIT OR LOSS ON ORDINARY BUSINESS	3,960	4,219	3,951	4,711	4,249	1,356	7,529	4,776	5,199	-1,618	
EXTRAORDINARY PROFIT OR LOSS	841	511	939	87	250	365	264	793	199	389	

²⁷ This does not include a company for which the extraordinary administration procedure has been ordered and which has not sent IVASS the provisional balance sheet data for the 2022 financial year.

Profit and loss account of the life business - domestic undertakings and branches of non-EU undertakings* (Italian and foreign portfolio – insurance and reinsurance business)											
(nalian and loreign portiono – insurance and reinsurance business) (million euro and percentage values											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Tax on profit or loss	-1,696	-1,231	-1,136	-1,211	-950	262	-1,815	-835	-1,063	830	
PROFIT OR LOSS FOR THE FINANCIAL YEAR	3,105	3,498	3,753	3,587	3,519	1,983	5,978	4,733	4,335	-399	
Claims incurred as a % of premiums (A)	78.1	58.3	61.7	61.4	72.3	71.3	71.4	75.1	71.6	82.5	
Expense ratio in % (B)	4.3	3.5	3.5	3.9	4.1	3.9	3.8	3.8	3.8	4.3	
Combined ratio in % (A)+(B)	82.4	61.8	65.2	65.3	76.3	75.2	75.2	78.9	75.5	86.8	

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

The negative balance on the technical account of &-2.2 billion contributed to the operating loss. This was attributable to the negative performance of the ordinary financial management²⁸ of investments, which showed a loss of &23.5 billion compared to a profit of &31.6 billion in 2021. The loss was generated by the reduction in net income from class C investments (&8.9 billion compared to &15.9 billion in 2021) and the negative result from class D investments²⁹ (-&32.4 billion; +&15.7 billion in 2021). For class C investments, the drastic downsizing was mainly due to higher decreasing adjustments (Table I.4), attributable to the decline in bond market prices due to the rise in interest rates and the unfavourable performance of the equity markets.

Due to market volatility, charges from class C ordinary financial management increased to \notin 14.3 billion from \notin 5.2 billion in 2021 (Table I.4); as part of these charges, value adjustments accounted for 63.5% of total charges, or \notin 9.1 billion (\notin 2.3 billion in 2021). The regulatory exception to the valuation criteria of the statutory financial statements that permits the temporary suspension of the effects of capital losses on securities in the trading portfolio on the 2022 financial results (Chapter I.4.3) mitigates the magnitude of the increase in charges.

Table I.4

Life business - Financial charges and value adjustments										
(million euro and percentage value										
	2016	2017	2018	2019	2019	2021	2022			
Financial charges	4,316	4,157	6,821	3,988	5,985	5,178	14,341			
of which: value adjustments	1,832	1,921	4,187	1,299	1,970	2,344	9,104			
Ratios of adjustments/charges (%)	42.5	46.2	61.4	32.6	32.9	45.3	63.5%			

Ordinary financial management covers class C held for trade investments and class D investments. With regard to class C, it generates income net of related operating expenses, net realised gains, and value adjustments net of write-backs. Class C held for trade investments are predominantly allocated to other financial investments (sub-class C.III), which are valued at the lower of purchase cost (historical cost) and market value, and the value adjustments of which may be recognised up to the amount of historical cost.

²⁹ Income, net realised gains and unrealised capital gains net of charges and losses on investments for the benefit of policyholders bearing the risk and investments arising from the management of class D pension funds. All assets in this class are valued at current value and are therefore more affected by market trends.

The rising expense ratio, which currently lay at 4.3% (3.8% in 2021), negatively impacted the balance of the technical account³⁰. In life insurance, the balance of the technical account for Class I shows a loss of \notin 1.8 billion, compared to a profit of \notin 4.4 billion in the previous year. Class III showed a negative technical result of -0.7 billion euro, with a deterioration compared to 2021 (-0.6 billion euro); Class V exhibited a negative result of -0.1 billion, compared to a positive result in 2021, equal to 0.1 billion.

Net inflows (Table 4.4.1 in the Appendix) decreased by €14 billion from the previous year to €16.3 billion due to a decline in premium income (the lowest in the past eight years) and, to a lesser extent, an increase in the claims burden (+4.2%). The claims incurred on premiums ratio increased significantly to 82.5%, the highest level since 2013 (Chapter IV.2.2.3 for data updated based on weekly monitoring). The altered economic and financial environment prompted policyholders to satisfy greater liquidity needs and pursue more profitable alternatives to insurance-based investment products, resulting in a greater number of surrenders (57.5% of premiums).

4.4.1. - Separately managed accounts

With-profit life policies constitute the most significant component of Classes I and V. The technical provisions for this sector account for almost all the class C provisions.

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 in the observation period by the average deposit of the assets of the same account. The financial result consists of the financial income earned by the same account, including the trading margin and trading therein, the profits realised and the losses incurred³¹.

Composition of assets assigned to the separately managed accounts in euro (market total)							
	(million euro and percentage values)						
	2016	2017	2018	2019	2020	2021	2022
Government bonds	58.9%	58.2%	57.8%	57.4%	56.8%	56.0%	56.2%
Bonds	26.3%	25.4%	24.7%	24.0%	23.8%	23.8%	23.9%
Listed shares	1.4%	1.3%	1.4%	1.5%	1.2%	1.2%	1.1%
Unlisted shares	0.3%	0.3%	0.4%	0.3%	0.4%	0.5%	0.6%
units in UCITS	11.2%	12.9%	14.0%	15.2%	16.0%	16.3%	16.3%
Other assets	1.9%	1.9%	1.8%	1.5%	1.8%	2.3%	1.9%
Total	470,667	502,468	526,590	552,636	570,586	587,447	592,672

³⁰ The main components of operating expenses are acquisition commissions, accounting for 49.9% (50.9% in 2021) and other administrative expenses for 30.3% (28.1% in 2021).

Table I.5

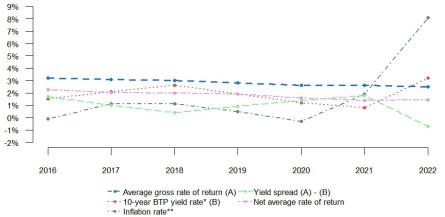
³¹ Capital gains net of any capital losses are taken into account only if actually realised. Gains and losses are determined in relation to the value recorded for the corresponding assets in the ledger of the separately managed account. The average deposit in the observation period is given by the total average deposit of the values entered in the ledger of the assets assigned to the separately managed account at the purchase price.

The volume of assets of separately managed accounts (Table I.5) was virtually unchanged compared to the previous year, at 0.9% against 2.9% in 2021. Due to the reduction in premium income, premiums collected were barely sufficient to settle benefits (claims, maturities and redemptions)³².

The gross average rate of return (Figure I.30) was 2.5%, not varying substantially from the previous year and, for the first time in the period 2016-2022, is below the 10-year rate of return on treasury bonds. The average rate of return recognised to policyholders was 1.4% net of the average retention of 1.1%. The recovery in interest rates, correlated with the increase in the average inflation rate, has not yet been reflected in the asset composition of separately managed accounts due to the low incidence of new business after accounting for the payments made.

Figure I.30

Comparison between the average rate of return of the separately managed accounts, inflation rate and BTP rate of return



Technical provisions amounted to 579 billion euro, including any additional technical provisions, with the exclusion of the additional provision for guaranteed interest rate risk, with a +1% increase compared to 2021.

4.4.2. - Market supply by type of life products

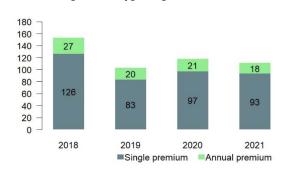
In 2022, the vast majority (82%) of newly-marketed with-profit products fell into class I. A total of 92% of the with-profit products offered on the market had a technical rate of $0\%^{33}$.

The analysis of the number of new with-profit products shows a general reduction for all types of coverage and premium. New whole-life products went from 46 in 2018 to 13 in 2022, and products with a pre-defined maturity from 107 to 26. By contract type, between 2018 and 2022 new single-premium products decreased from 126 to 27 and periodic-premium products from 27 to 12.

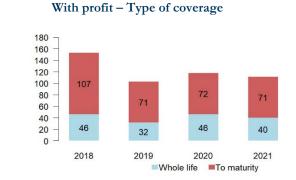
³² The total value of the assets may not be less than the amount of the mathematical provisions set up for with profit contracts linked to the performance of the separately managed account. Assets are recorded at the value resulting from the last available balance sheet or, alternatively, at the load value in the general accounts of the company.

³³ Guarantee of the invested premium only.

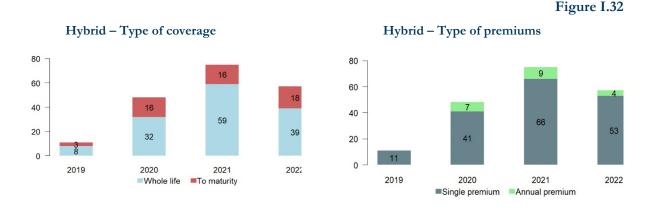
Figure I.31



With profit - Type of premiums



The number of new hybrid products³⁴ on offer decreased in 2022 after it had peaked in 2021. New single-premium products (possibly with the option of additional payments) made up the majority of the offer, placed mainly through whole-life forms of coverage.



4.5. - Management of non-life classes

Non-life business posted a profit for the year (Table I.6 and Figures I.28 and I.33) for the eleventh consecutive year and amounted to \notin 2.7 billion in 2022, up by \notin 0.3 billion from the previous year and in line with pre-COVID-19 values.

The balance of the technical account, positive for the twelfth year in a row and amounting to $\notin 2.6$ billion (7.9% of earned premiums), was a primary contributing factor to operating profit. The balance of the technical account was down $\notin 0.5$ billion year-on-year, despite the increase in premium income. This was due to:

the increase in the loss ratio³⁵; the loss ratio increased from 62.9% to 63.5%, hence close to pre-COVID-19 levels (63.7% in 2019);

³⁴ Hybrid products consist of a combination of a with-profit tariff and a unit-linked tariff with the option to switch from one component to the other during the term of the contract. Hybrid products have multiple investment options reserved for the unit-linked component only, while the with-profit part invests in a single separately managed account.

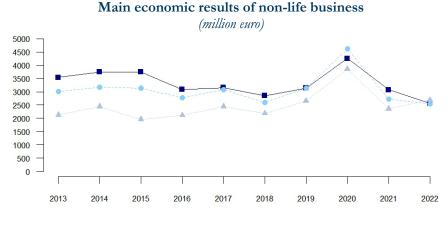
³⁵ It should be kept in mind that selective lockdowns were still in place in the first part of 2021, mainly on a regional scale, which were progressively eased as the summer arrived and the pandemic situation improved.

- growth in the ratio of operating expenses against premiums; The expense ratio increased by one
 percentage point on account of the rebalancing of premiums in favour of non-motor insurance
 classes, which are characterised by higher operating expenses than motor insurance;
- a reduction in net ordinary investment income and consequently a decrease in the share of profits transferred to the technical account (from €1.1 billion in 2021 to €0.7 billion in 2022).

Table I.6

Profit and loss accour	nt of the no	n-life busi	iness - Do	mestic un	dertakings	and bran	ches of I	non-EU u	ndertakir	ngs
	Italian and									-
								n euro and	percentag	e values)
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Premiums earned	32,241	31,353	30,675	29,587	29,571	29,875	31,032	30,660	31,468	32,350
Investment return transferred from the technical account	1,262	1,346	1,288	1,161	1,278	825	1,346	890	1,085	698
Claims charges	-21,323	-20,187	-19,291	-18,826	-18,770	-18,745	-19,757	-17,742	-19,779	-20,550
Other technical items	-581	-509	-588	-599	-598	-565	-568	-809	-588	-406
Change in other technical provisions	2	1	0	-1	-2	-6	-10	-8	-8	-12
Operating expenses	-8,041	-8,245	-8,318	-8,219	-8,310	-8,510	-8,889	-8,717	-9,079	-9,492
Change in equalisation provisions	-14	-12	-15	-14	-11	-16	-11	-15	-23	-27
BALANCE ON THE TECHNICAL ACCOUNT	3,546	3,747	3,751	3,089	3,157	2,858	3,142	4,258	3,076	2,561
Investment income (net of charges)	2,087	2,270	2,149	2,283	2,673	2,144	3,002	2,950	2,634	1,897
Investment return transferred to the technical account	-1,262	-1,346	-1,288	-1,161	-1,278	-825	-1,346	-890	-1,085	-698
Other net income	-1,354	-1,502	-1,469	-1,437	-1,471	-1,571	-1,666	-1,702	-1,905	-1,217
BALANCE ON ORDINARY BUSINESS	3,018	3,170	3,143	2,773	3,081	2,606	3,132	4,617	2,718	2,543
Extraordinary net income	473	450	72	137	208	176	269	173	170	301
Tax on profit or loss	-1,365	-1,173	-1,259	-795	-844	-599	-750	-938	-532	-160
PROFIT OR LOSS FOR THE FINANCIAL YEAR	2,125	2,446	1,956	2,114	2,445	2,183	2,652	3,851	2,357	2,684
% variation in premiums vs previous year	-3.1%	-2.8%	-2.2%	-3.5%	-5.4%	-1.0%	3.4%	-1.2%	2.6%	2.9%
Loss ratio	66.1%	64.4%	62.9%	63.6%	63.5%	62.7%	63.7%	57.9%	62.9%	63.5%
Expense ratio	24.9%	26.3%	27.1%	27.8%	28.1%	28.5%	28.6%	28.4%	28.9%	29.3%
Combined ratio	91.1%	90.7%	90.0%	91.4%	91.6%	91.2%	92.3%	86.3%	91.7%	92.8%

The increase in operating profit in 2022 compared to 2021 stemmed from the reduction in net non-technical expenses, the positive result from extraordinary operations and the lower tax burden, which offset the contraction in the balance of the technical account (Figure I.33).



---Non life technical profit ---- Ordinary mangement profit ----- Current year profit

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

After a decade of profit, in 2022 the technical account for MTPL insurance (Table 4.5.1.1 in the Appendix) showed a loss of $\notin 0.1$ billion ($\notin 0.7$ billion in 2021). This was attributable to:

- the growth in the cost of claims and the substantial stability of operating expenses, which increased as a percentage of premium income;
- the continued decline in premium income, ongoing since 2013. Premium income amounted to €11.7 billion in 2022 (-4% compared to 2021). Only in 1998³⁶ was the volume of premiums lower than 2022 in nominal terms, resulting in a deterioration of the technical balance of direct insurance, the development of which is measured by the combined ratio³⁷ (Figure I.34).

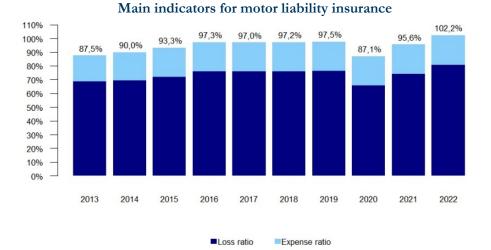


Figure I.34

³⁶ Starting year of the time series.

³⁷ Sum of the loss ratio and the expense ratio.

Due to the $\notin 0.4$ billion increase in the cost of claims compared to 2021, generated by an increase in the claims frequency³⁸ in MTPL and in the average cost³⁹ of claims incurred in 2022, the loss ratio reached 80.7% (74.3% in 2021); to find a higher value of this ratio, one has to go back to 2011 (84.5%).

The loss ratio for claims incurred in 2022 only (current generation claims) was 86.2% (78.2% in 2021), the highest figure since 2010, indicating a downward trend in profitability.

The difference between the total cost of claims for all the generations and the cost of claims for the current generation in each reporting year shows a negative value between 2014 and 2022, 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 2022, this difference is 5.5% of earned premiums, which represents the maximum value since 1998⁴⁰.

Over the period, there was 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. At system level, the provisions for claims outstanding for MTPL have, since 2014, proven to be more than sufficient for the payment of the claims relating to the generations prior to that for the year of the financial statements⁴¹.

Operating expenses amounted to 2.5 billion euro, with an incidence on premiums earned (*expense ratio*) which stood at 21.5% (21.3% in 2021). The growth of this indicator in recent years has resumed (18.3% of premiums in 2012).

The technical balance of direct business recorded a loss of $\notin 0.3$ billion after having been in profit for ten consecutive years. This was attributable to the combined effect of lower premium income and a higher cost of claims⁴².

The time series of the average reserve/average cost ratio (Table I.7), broken down by generation relating to the current year and to the previous ones, expresses how many times (in prospect, considering the time necessary for the payment and any future increase in costs) the average cost of

³⁸ Based on 2022 provisional balance sheet data, the frequency of managed MTPL claims incurred in 2022, including an estimate of claims Incurred But Not Reported (IBNR), was 5.1%, an increase from 4.9% of claims incurred in 2021 (due to the full recovery of traffic following the end of the COVID-19 emergency), but a significant decrease from the 5.9% in 2019.

³⁹ Provisional balance sheet data for 2022 show a +2.8% growth in the overall average cost of managed claims incurred in the year, including estimated IBNR claims, resulting from a 4.8% increase in the average cost of paid claims and a 0.7% increase in the average cost of reserved claims including the IBNR component. The rise in average costs was due to higher inflation, which had an effect on the price of vehicle repairs and labour costs. Since April 2022, there has been an adjustment of the amounts for compensation for biological damage for minor injuries (up to nine points of permanent disability), to make up for inflationary increases over the past three years. Due to these factors, the average cost of claims managed ($(\xi_{5,053})$) is lower only than in 2020 due to a decrease in the number of high-cost claims as a result of traffic disruptions related to COVID-19.

⁴⁰ Data is available from 1998 onwards. For the years 2012 and 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 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. 4.5.1.2 in the Appendix), to be compared with the *loss ratio* of 86.2%. The balance of the provision for claims incurred in previous years shows a saving for the ninth consecutive year, equal to 4.3% of premiums earned (5.5% including also the positive effect of the balance of recoveries).

⁴² Due to market volatility, the positive contribution of the allocated investment return transferred from the non-technical account decreased by 57% in 2021, which led to the deterioration of the balance on the technical account.

the claims paid in the year is covered by the estimated average reserved claims on closure of the insurance company's financial statements.

Table I.7

Figure I.35

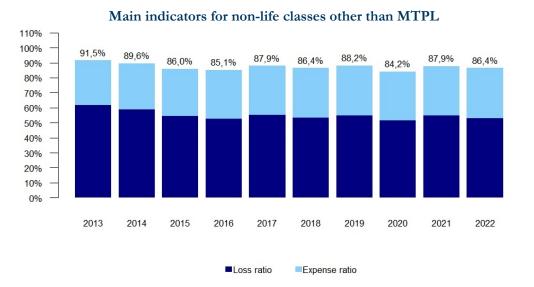
Average reserve/average cost ratio*												
(reserved amounts per ur										it paid)		
2013 2014 2015 2016 2017 2018 2019 202								2020	2021	2022		
Generation in previous financial years	2.61	2.69	2.62	2.77	2.88	2.90	2.83	2.92	2.70	2.89		
Generation in current financial year	4.13	3.97	3.99	3.88	3.71	3.73	3.67	4.01	3.61	3.44		
Total	3.45	3.56	3.59	3.69	3.70	3.70	3.67	3.72	3.65	3.61		

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

The total average reserve/average cost ratio was 3.6, stable in the last few years, after the growth in the 2011-2016 period. The current generation ratio is down from the previous year, due to the growth in the average cost of payments higher than that of amounts reserved.

4.5.2. - Other non-life classes

Since 1998⁴³ the technical account of non-life classes other than motor liability and liability for ships has always disclosed a technical profit (tab. 4.5.2.1 in the Appendix). In 2022 this result amounts to 2.1 billion euros, slightly down (-0.1 billion) from the previous year. For these lines of business as a whole, purely technical management (technical balance) is positive, as the combined ratio is significantly below 100% (fig. I.35).



The technical balance of direct business was &2.8 billion, up by &0.6 billion due to the improvement of the combined ratio (from 87.9% in 2021 to 86.4%). The reduction of the loss ratio (from 54.9% to 53.1%) offset the increase in the expense ratio (from 32.9% to 33.3%).

⁴³ Starting year of the time series.

The deterioration in the balance of outward reinsurance ((0.3bn)) and the reduction in investment income ((0.3bn)) led to the decline in the balance on the technical account. Technical profit is 9.2% of earned premiums (10.3% in 2021), the lowest value since 2015.

For lines of business other than MTPL (Table I.8), against an average combined ratio of 86.4%, significantly higher values were recorded in fire (109.6%), land vehicles (95.8%) and health (94%) business lines, while general liability (70.2%) and accident (78.7%) lines remained below average.

Table I.8

Technica	I performance	of non-life o	lasses ot	her than m	otor liabilit	y and liabilit	y for ship	s - Italian	portfolio	
							(millior	n euro and	percentag	e values)
Insurance class	Claims/premiums					Combined ratio (C)* = (A) + (B)		cal balanc	tec e* ac ins	ance on the chnical count direct urance and surance)
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
				Health se	ctor					
Accident	38.7%	41.5%	36.8%	37.2%	75.5%	78.7%	737	664	735	627
Sickness	81.8%	70.6%	22.7%	23.4%	104.5%	94.0%	-261	117	-180	117
Total	59.7%	56.1%	29.9%	30.3%	89.6%	86.4%	476	782	555	743
			Motor se	ctor – only	land vehicl	es**				
Land vehicles	61.2%	63.1%	32.8%	32.7%	94.1%	95.8%	180	134	234	152
				Transpo	ort					
Railway rolling stock	49.8%	35.7%	19.7%	17.9%	69.5%	53.6%	3	4	2	3
Aircraft	43.3%	210.5%	10.5%	12.6%	53.9%	223.1%	7	-16	3	-7
Ships	72.2%	95.2%	19.4%	19.5%	91.7%	114.8%	20	-43	1	-24
Goods in transit	46.1%	46.5%	31.4%	31.9%	77.5%	78.4%	32	36	17	7
Aircraft liability	37.5%	-5.3%	16.4%	22.0%	53.9%	16.7%	4	7	-3	-6
Total	60.7%	76.6%	23.5%	24.2%	84.2%	100.8%	65	-13	19	-27
				Property s	ector					
Fire and natural forces	61.3%	71.4%	36.7%	38.3%	98.0%	109.6%	-9	-306	-26	-416
Other damage to property	63.2%	54.8%	33.3%	33.2%	96.5%	88.0%	74	379	5	141
Financial loss	22.2%	36.6%	37.6%	40.9%	59.8%	77.5%	199	129	163	86
Total	58.9%	59.5%	35.0%	36.0%	94.0%	95.5%	265	202	142	-189
				General lia	,					
General liability	47.3%	36.8%	33.4%	33.5%	80.7%	70.2%	580	1,052	779	980
				Credit/Sure						
Credit	26.2%	40.0%	40.9%	36.1%	67.2%	76.1%	20	17	5	8
Suretyship	17.7%	21.2%	37.6%	39.1%	55.3%	60.4%	168	155	130	96
Total	19.0%	24.3%	38.1%	38.6%	57.0%	62.9%	188	171	136	104
				expenses /						
Legal expenses	21.9%	16.8%	39.4%	40.0%	61.4%	56.8%	178	214	163	181
Assistance	32.3%	36.6%	36.7%	36.2%	69.0%	72.7%	250	231	197	181
Total	28.6%	29.5%	37.7%	37.5%	66.2%	67.0%	428	445	360	362
Grand total	54.9%	53.1%	32.9%	33.3%	87.9%	86.4%	2,182	2,773	2,225	2,126

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

In particular, it should be noted that (Table I.8):

the health segment (accidents and sickness) reported a balance on the technical account of €0.7bn, up on 2021 due to the improved combined ratio in sickness insurance (94% in 2022).

The trend is attributable to the lower cost of claims and the growth in premium income, which led to a decrease in the loss ratio from 81.8% in 2021 to $70.6\%^{44}$;

- land vehicles insurance showed a positive balance on the technical account of €0.2 billion, despite the growth in the cost of claims. The loss ratio increased from 61.2% in 2021 to 63.1% in 2022 due to the upturn in road traffic, vehicle theft and persistent extreme weather events;
- general liability showed a significant improvement in the loss ratio (36.8%, 47.3% in 2021) due to a decrease in the cost of claims and an increase in premium income. The balance on the technical account reached €980 million, an increase of over 20% compared to 2021, due to the performance of insurance operations;
- in 2022 the property segment had a negative balance on the technical account of €0.2 billion. This is attributable to insurance against fire and natural forces: the increase in the loss ratio to 71.4% (61.3% in 2021) and in the expense ratio to 38.3% (36.7% in 2021) resulted in a combined ratio of more than 100% for this line of business, a symptom of unsustainable management;
- the legal protection and assistance generated a positive balance on the technical account, totalling €0.4 billion, due to a combined ratio at a low level of 67%;
- the profitability of general liability and legal protection and assistance lines of business was linked to the reduction in overall claims costs; more than 40% of the overall balance on the technical account of non-life business (other than MTPL) is attributable to general liability.

⁴⁴ In 2020, the pandemic led to a decline in healthcare services, especially those paid by the NHS, while in 2021 there was a sharp recovery in such services from and a sharp increase in the cost of health insurance claims, especially among contractual supplementary health funds.

Combined Ratio and its components (loss and expense ratios) (% values) 0% 20% 40% 60% 100% 120% 80% 2022 78,7% 41.5% Infortuni 2021 75,5% 38.7 2020 5,3% 72,1% 2019 77,4% 2018 76,2% 38 6 2022 94,0% Malattia 2021 104,5% 2020 2019 90,6% 93,8% 70,1% 2018 70.49 94.3% ncendio ed 2022 109,6% elementi 71.4% naturali 2021 98,0% 2020 69,0 105,9% 2019 111,5% 97,7% 2018 Generale 2022 70.2% 2021 80.7% 2020 69.6% Ċ 2019 63,9% 2018 Ř 69,5% Corpi di veicoli terrestri 2022 95,8% 2021 94,1% 2020 2019 87,5% 101.3% 2018 91,7% 0% 20% 40% 60% 80% 100% 120% loss ratio

4.5.3. - General liability

In 2022, premium income from Italian direct business in general liability amounted to €3,751 million⁴⁵, up 8.2% from 2021. Income grew steadily, with premiums up by 32.5% compared to 2014. This class contributed 10.5% to premium income in non-life business and is the second largest non-life class in terms of gross premiums written, after MTPL.

The technical balance for this line of business increased by +81.2% compared to the previous year, when the sharp increase in claims cost resulted in a reduction of the technical balance before reinsurance of \notin 580ml⁴⁶. The trend of insurance business had a positive impact on the balance of the technical account (\notin 980 million), which was negatively impacted by the performance of financial operations.

Since 2014, the balance on the technical account before reinsurance has increased by €733 million, thanks to the contribution of strictly insurance business. The increase in profitability is accompanied by an increase in market activity. Despite the fact that general liability insurance was more concentrated than non-life insurance classes overall (60.7% of premiums were collected by the top five companies compared to 54% for non-life insurance), the market share of the top five operators fell by more than 9 percentage points.

Figure I.36

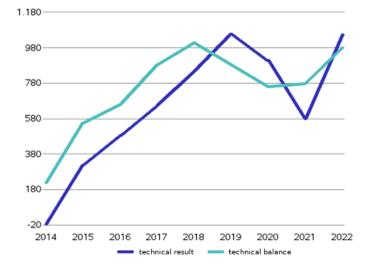
⁴⁵ The perimeter includes the companies supervised by IVASS, based on provisional balance sheet data for 2022.

⁴⁶ Statistical Bulletin Year IX - No. 14 - December 2022: in 2021 the technical balance was down by 36.2 % compared to 2020.



Figure I.38

Performance of the technical balance and account (million euro)



Agricultural policies with quantitative data linked to climate change

IVASS monitors the issue of risk management in agriculture, including in an effort to raise awareness of climate change and close the sector's protection gap. It is a member of the Technical Commission chaired by MASAF (Ministero dell'Agricoltura, della Sovranità Alimentare e delle Foreste - Ministry of agriculture, food sovereignty and forestry) that is responsible for drafting the PGRA (Piano di Gestione dei Rischi in Agricoltura - risk management plan for agriculture), a measure that annually regulates the entire facilitated risk management system financed by EU and national funds.

The most relevant novelty of the 2023 PGRA relates to the introduction of the AgriCat mutual fund, established by Law No. 234/2021 and operational from January 2023, to cover damage to agricultural production caused by flood, drought, frost and hoarfrost. In line with the objectives of raising the awareness of farmers with regard to the benefits of mutualisation and spreading a culture of risk and prevention, in 2023 a premium mechanism was introduced into the PGRA to benefit new policyholders with subsidised policies, raising the indemnity limit to be borne by the fund by 5%.

The increasing economic exposure of companies, coupled with the limited and asymmetric sectoral and territorial distribution of policies and the contraction of reinsurance capacity, have incentivised increasingly selective underwriting policies and led to a progressive increase in the cost of agricultural policies over the years. By playing a complementary role to other risk management tools, in particular to insurance policies, the AgriCat fund is able to reduce the level of exposure faced by companies.

With reference to the subsidised market only, estimates for 2022 issued by ISMEA (Istituto di Servizi per il Mercato Agricolo Alimentare - Institute of Agricultural Food Market Services) indicated the highest ever insured value of €9.5 billion (+4.5% compared to 2021) while the premiums for vegetable crop policies reached €698.3 million (+12.6% on the previous year)⁴⁷. Despite encouraging signs, in 2021 the number of insured farms was only 74,192 out of more than 1 million active farms, while the insured area amounted to 1.3 million hectares, 10.5% of the Utilised Agricultural Area (UAA)⁴⁸.

It is mainly the larger, organisationally structured farms and those with a strong propensity to export that make use of the insurance instrument. This is also due to the lack of awareness of the opportunities offered by insurance and to the legal structure of the farms, which are predominantly small sole proprietorships or family businesses. To overcome this, constant training and direct information aimed at increasing risk awareness are necessary.

In this scenario, an insurance offer, characterised more by the inclusion of services to support farms in risk prevention, could better match the needs of agricultural farms. New digital technologies could be relevant in reducing underinsurance in this sector and restoring technical balance to the insurance business. On this front, new opportunities are offered by the use of big data, blockchain technology and parametric policies.

5. - THE SOLVENCY II REPORTING

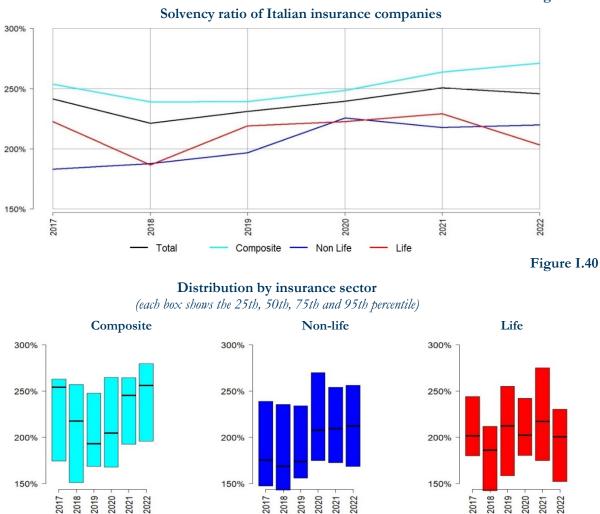
5.1. - Solvency Capital requirement ratio and Own Funds

The average solvency ratios of Italian companies (fig. I.39) decreased by 4.9 percentage points, falling to 245.8% in 2022 (from 250.7% in 2021); this change is mainly attributable to life insurance companies, while for composite and non-life companies the average index is increasing⁴⁹. The decrease in the solvency ratio is generalised for life insurance companies (Figure I.40), while the variability of the ratio increases for non-life companies.

⁴⁷ Data illustrated by ISMEA at the 15th National Conference on risk management in agriculture of 10 February 2023. Link: https://www.cesarweb.com/save-the-date_xv-convegno-gestione-rischio-in-agricoltura/

⁴⁸ For more details about the numbers in the industry see the speech by IVASS Secretary General at the Conference "Climate Change and Insurance as a Tool for Food Security" https://www.ivass.it/media/interviste/intervista/sdp-aida-cesifin-2023/

⁴⁹ For composite insurers 271.1% in 2022 and 263.7% in 2021; for non-life companies 220.0% and 217.6%.

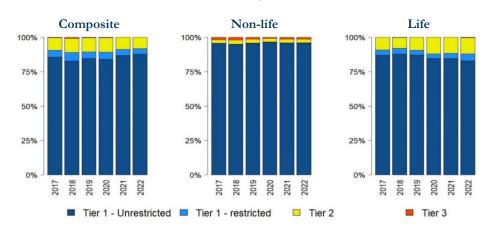


Own funds⁵⁰ of Italian companies are of a high quality (fig. I.41). In 2022, the total amount of own funds decreased compared to the previous year by -5.7% for composite insurance companies, -5.6% for non-life insurance companies and -3.9% for life insurance companies. The composition of own funds in terms of Tiers remained stable.

Eligible Own Funds (EOFs) consist on average of Tier 1 funds in the amount of 91.7% in the case of composite insurance companies, 95.9% for non-life insurance companies and 87.9% for life insurance companies. 75% of composite companies have a ratio of Tier 1 to total EOFs of over 81%, for non-life insurance companies over 96% and for life insurance companies over 82%.

Figure I.39

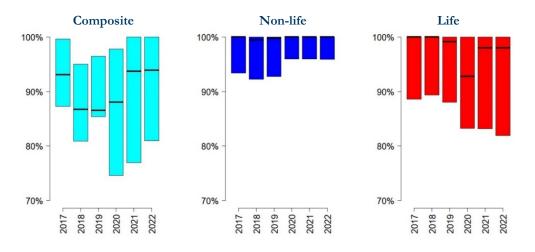
Own funds are classified into three tiers based on their loss absorption capacity. They are composed of at least 50% Tier 1 funds (maximum loss absorption capacity) while for Tier 3 (minimum loss absorption capacity) the upper limit is 15%.



Composition of Eligible Own Funds (EOF)



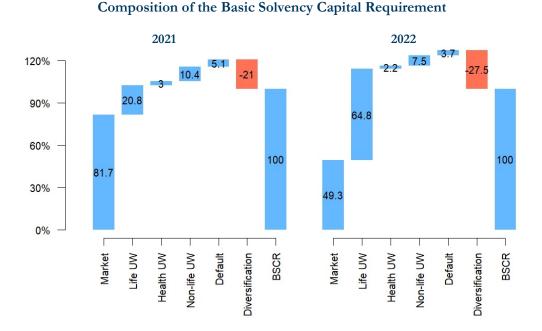
Tier 1/Eligible Own Funds by insurance sector *(each box shows the 25th, 50th, 75th and 95th percentile)*



5.2. - Solvency capital requirement

For companies using the standard formula, the composition of the Basic Solvency Capital Requirement⁵¹ (BSCR) as at December 2022 (Figure I.43) shows an increase in the weight of the life underwriting risk module (from 20.8% in 2021 to 64.8%), while the weight of the market component has fallen sharply (from 81.7% to 49.3%). There was a slight decrease from 10.4% to 7.5% in the non-life underwriting component and in the component associated with the degree of vulnerability of assets other than government bonds, namely counterparty risk (from 5.1% to 3.7%).

⁵¹ The BSCR is determined before introducing the operational risk component and the adjustment for the loss absorption capacity of technical provisions and deferred taxation.



The component predominantly affecting the life underwriting risk (Figure I.44) is the lapse mass⁵² risk, the capital requirement of which is equal to the loss of own funds that would result from the immediate termination of a significant portion of the policies in the portfolio⁵³. In 2022, the increase in interest rates generated a considerable increase in the SCR *lapse*⁵⁴ (Figure I.45), from €6 billion to €30 billion.

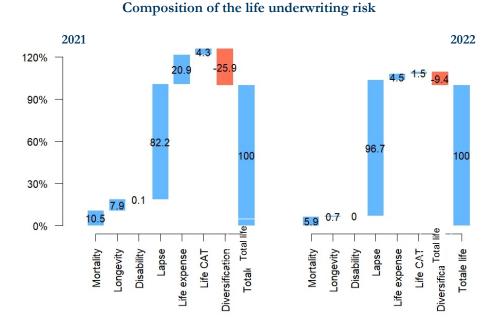
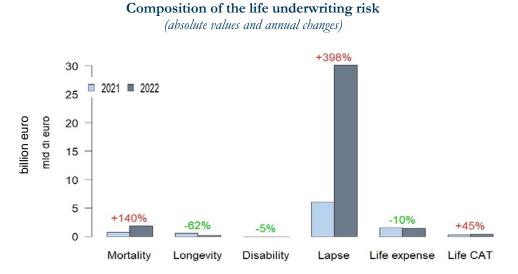


Figure I.44

 52 $\,$ See art. 142 of Commission Delegated Regulation (EU) 2015/35. $\,$

⁵³ See the above-mentioned art. 142 (6) of Commission Delegated Regulation (EU) 2015/35.

⁵⁴ The SCR for lapse risk is defined as the highest of the capital requirements for the risk of increasing lapse rates (lapse up), risk of a permanent decline in lapse rates (lapse down), and risk of mass lapse (*lapse mass*).

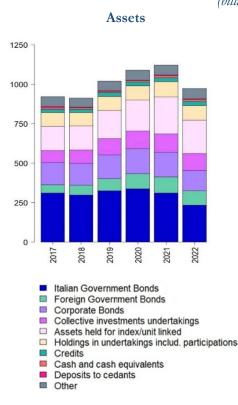


5.3. - Highlights of the financial statements for domestic companies and insurance groups

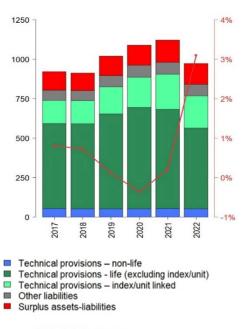
In 2022 (Figure I.46), investments⁵⁵, 66.8% of which are interest rate sensitive, fell by -16.4% compared to the previous year. This was associated with the increase in bond yields.

Figure I.46

Volumes and composition of assets and liabilities of domestic undertakings (billion euro)



Liabilities



EIOPA RFR - 10 years (right side)

⁵⁵ Net of investments for unit linked contracts.

Assets related to linked contracts decreased to the same extent as provisions $(-8.5\%)^{56}$. A detailed examination reveals a sharp decline in the value of investments in bonds (government and corporate), both Italian and foreign (-20.3%), especially for life insurance companies (-19.6%) and the life component of composite companies (-22.6%); non-life insurance companies show a smaller reduction in assets (-8.0%), as the effect of the rate increase is mitigated by the lower duration of securities on the assets side.

The value of investments in Italian government bonds decreased by 24.8%, while corporate bonds (-17.3%) and units in UCITS (-9, 2%) declined to a lesser extent.

The rise in bond interest rates generated an increase in the risk-free curve with which the best estimates are discounted⁵⁷, with the consequent reduction in technical provisions of -15.4% for life insurance and -5.2% for non-life insurance. The most significant decrease observed for life business also derives from the impact of the discount rate curve, due to the longer duration of life contracts compared to the average settlement time of claims in the non-life business⁵⁸.

As in the case of sole ownerships, the assets and liabilities of the domestic groups (Table 5.3.5 in the Appendix) were down. Compared to 2021, the market value of investments decreased by 17.2% for contracts other than unit and index-linked contracts and 9.4% for linked contracts; life technical provisions other than unit-linked decreased by -19.7% and those of the unit-linked business by -8.6%, after a continuous increase over the five-year period.

5.4. - Investments

The share of government bonds held by companies in the three-year period 2020-2022 (Figure I.47), mostly rated BBB, showed a decreasing share of the total, in terms of market value, from 81.8% in 2020 to 77.2% in 2022. Securities rated A or higher rose from 17.8% in 2020 to 22% in 2022. The change in the composition by rating is affected by differential trends in interest rates between countries. An increase in the spread⁵⁹ between the yields of Italian government bonds and those of the main countries in which Italian insurance companies invest (Spain, France, Germany and Belgium) can be observed over the three-year period 2020-2022.

Investments in BBB-rated corporate bonds denote a slight decrease from 51.4% in 2020 to 50.5% in 2022. Investment in bonds rated A or higher increases (from 11.8% in 2020 to 12.3%) but a non-marginal share with BB rating remains unchanged (8.4 percent from 2020).

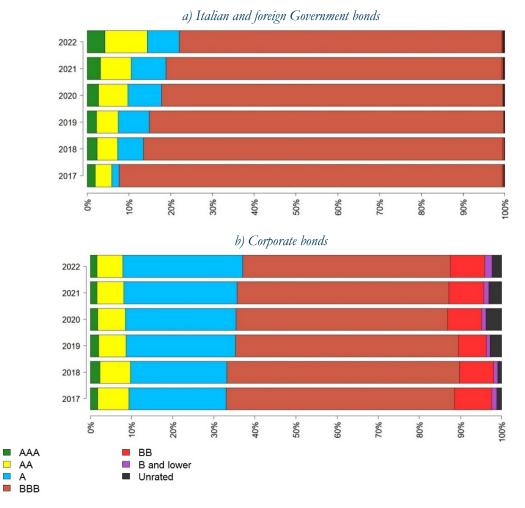
⁵⁶ For these contracts, the value of the assets determines the mathematical provision calculated as the countervalue of the units covering the contractual benefits.

⁵⁷ The definition of technical provisions under the Solvency II regime envisages an allocation that adds the provisions calculated as best estimates (BE) and as risk margin. BEs are a projection of the difference between outgoing cash flows (for benefits at maturity, claim or surrender) and incoming cash flows for future premiums, discounted according to a risk-free interest rate structure provided by EIOPA.

⁵⁸ In determining technical provisions, the choice of assumptions on the behaviour of policyholders (Article 26 of the Delegated Acts) in the projection years is of particular importance. Policyholders may decide to suspend payment of the premiums, requesting surrender as a result of assessments independent of the performance of financial markets (non-dynamic surrender) or dependent on their evolution (dynamic surrender).

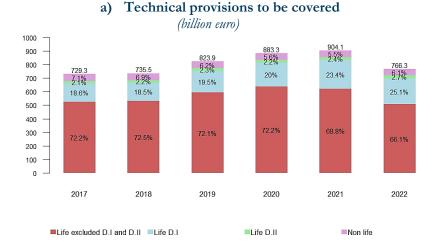
⁵⁹ Over the three-year period 2020-2022, the spread of Italian government bonds increases by: 103 bps with Germany, 72 bps with France, 58 bps with Spain and 59 bps with Belgium.

Composition of corporate bonds by rating class

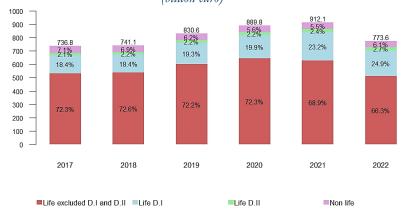


5.5. - Assets representing technical provisions

Domestic companies and branches of non-EEA companies reported an amount of Solvency II technical provisions to be covered as at 31 December 2022 (fig. I.48a and tab. 5.5.1 in the Appendix) relating to Italian and foreign direct business, equal to 766 billion euro, -15.2% compared to 2021.



b) Assets representing technical provisions (billion euro)



Assets representing technical provisions amounted to 774 billion euro (fig. I.48b), with a coverage ratio⁶⁰ of 101%, unchanged compared to the previous years. 93.9% of these assets relate to life insurance, substantially in line with the last few years.

Assets representing life insurance technical provisions at market value, with the exception of linked contracts and those arising from pension fund management (tab. I.9 and tab. 5.5.2 in the Appendix), amount to 513 billion euro and are down by -18.4% compared to 2021 due to the increase in rates. In recent years, the reduction in the incidence of debt securities (79.7% of total representative assets, compared to 86.4% in 2017) is driven by the lower weight of government bonds, which decreased by 5 percentage points compared to 2017. The share of UCITS is on the rise (15.9% of assets, compared to 8.6% in 2017), more than 60% of which are bonds.

⁶⁰ Ratio in percentage terms between the amount the assets allocated to cover technical provisions and the technical provisions to be covered.

Table I.9

Assets representing technical provisions of the life direct portfolio (excluding linked policies and pension funds) and non-life at the end of 2022										
					(milli	on euro)				
2022	Life	%	Non-life	%	Total	%				
Government bonds	285,517	55.6	16,607	35.1	302,124	53.9				
Corporate bonds	123,850	24.1	13,010	27.5	136,860	24.4				
Equity instruments	10,661	2.1	4,156	8.8	14,817	2.6				
Undertakings for collective investment	81,678	15.9	5,148	10.9	86,826	15.5				
Real estate	252	0.1	4,369	9.2	4,621	0.8				
Secured and unsecured loans	187	0.0	316	0.7	503	0.1				
Credits	6,438	1.3	3,395	7.2	9,833	1.8				
Cash and deposits	4,241	0.8	248	0.5	4,489	0.8				
Other assets	331	0.1	47	0.1	378	0.1				
Total	513,155	100.0	47,296	100.0	560,451	100.0				

The technical provisions of the non-life business amounted to 46.8 billion euro and were covered by 47.3 billion euro (tab. I.9 and tab. 5.5.4 in the Appendix) of assets with a 101% coverage rate. For these provisions and the associated representative assets, the decrease was less pronounced (8.0%) both because debt securities have a lower average share and residual maturity than in life business and because of the increase in production and commitments to policyholders in classes other than MTPL.

Compared to life insurance, non-life insurance recorded a lower share of debt securities over total representative assets for securities. This share was down six percentage points compared to 2017, a reduction led by corporate bonds (27.5% of total assets, compared to 32.1% in 2017). Growth was seen in the weight of equity instruments (8.8%), of UCITS (10.9%, against 9.7% in 2017) and, above all, of amounts receivable (double compared to 2017).

Assets for linked contracts and pension fund management decreased to the same extent as provisions (-9.1% and -2.9% on 2021, respectively), consistent with the reduction in the value of assets representing contractual benefits (table I.10 and tables 5.5.6 and 5.5.7 in the Appendix).

Table I.10

Technical provisions of the direct life portfolio representative assets by type of	· ·		and corresponding
			(million euro)
	Technical provisions	Representati ve assets	% over grand total *
Contracts linked to the value of units in UCITS	94,282	94,429	12.2%
Unit-linked contracts	97,725	97,844	12.7%
Index-linked contracts	16	16	0.0%
Total provision for class D.I	192,023	192,289	24.9%
Open pension funds	15,529	15,548	2.0%
Pension funds	5,305	5,305	0.7%
Total provision for class D.II	20,834	20,853	2.7%
Grand total class D	212,857	213,142	27.6%

* Percentages relating to Technical provisions and to Representative assets.

II. - CONTRIBUTIONS FOR ANALYSIS

In addition to providing information on IVASS's anti-fraud activity, the launch of Preventivass (a web application that enables users to compare the prices of MTPL insurance policies) and the InsurTech regulatory sandbox, the Chapter contains insights into motor liability insurance, life insurance and the effect of rates on the insurance market.

The reduction in the average MTPL premium of 26% between Q1 2014 and Q1 2023 is partly related to the reduction in the pure premium (-10% in 2014-2022). Competitive dynamics, as measured by the Herfindahl-Hirschman Index (HHI), contributed at least 15% to the price reduction. However, over the most recent period, rising inflation caused the average price paid in Italy to increase to €368 in Q1 2023 (+4% year-on-year), even though premiums have continued to converge between the north and south of the country. The difference between the Italian premium net of tax and para-fiscal charges and the average of the main European countries is €61 in 2021, more than €100 less than the difference recorded in 2008. This difference is related to a higher pure premium of €59 and to differences in the compensation systems and the degree of coverage, whereas some countries have higher deductibles for lower premiums than Italy. On average, and as in other European countries, the technical margin per policy in MTPL in Italy is negative.

The expected net performance reported in the KID of with-profit products, which averaged 1.5% as of December 2022, shows, for 26% of the products, that the projections based on the current and foreseeable returns of the separately managed accounts are lower than the performance indicated in the pre-contractual information.

The share of class I and V premiums in total income of life business is positively correlated with the rate of return on 10-year BTPs. Over the period 2018-2022, for the same company and taking into account other economic shocks, a 100 basis point increase in the risk-free EIOPA rate produced a -6% reduction in the value of liabilities, while the elasticity of assets with respect to the 10-year BTPs was -4.2%. The effect on the Solvency ratio of an increase of 100 basis points in the yield spread between the BTPs and the EIOPA risk-free rate is estimated at -27 percentage points, a net effect generated by the higher elasticity of own funds to interest rates compared to the SCR.

The analysis of market trends and efficiency goes hand in hand with the management of procedures and databases in the service of consumers (Estimator), anti-fraud activity (Claims Database and Antifraud Integrated Database (AIA)) and policy support in the MTPL line of business (IPER and CARD). The evaluation of anti-fraud processes at insurance companies continues, affected by the growth of claims exposed to fraud risk (+13.9% in 2021) and a decline in criminal proceedings related to claim settlement (-11%).

1. - MOTOR LIABILITY INSURANCE: COMPARISON BETWEEN ITALY AND OTHER EUROPEAN COUNTRIES ON PREMIUMS AND COSTS

The average MTPL premiums for 2021⁶¹, net of tax and contribution charges, paid by policyholders in five European countries (Italy, France, Spain, Germany, United Kingdom) were

⁶¹ Last year for which comparable information is available at European level. The data were acquired by the Supervisory Authorities and supplemented, when necessary, with other official information.

compared, together with the related components (cost of claims, operating expenses, technical margin)⁶².

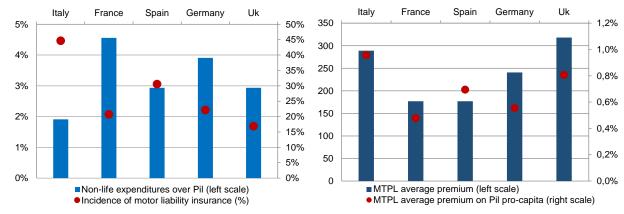
Italy ranks first in terms of the share of motor insurance in total non-life expenditure (44.6%), compared to the lowest amount (16.9%) in the UK. Non-mandatory MTPL ancillary coverages are particularly significant in France and Spain.

In 2021, the average MTPL premium in Italy, net of tax and para-fiscal charges, was \notin 289 compared to \notin 177 in Spain and France. The difference is primarily related to the different claims frequency. Consideration must be given to the cost of living⁶³, the characteristics of national tax, compensation and welfare systems, particularly in the treatment of personal injury (biological and financial damage), the presence of more efficient public transport that discourages the use of private cars. The ratio of insured vehicles to inhabitants is particularly low in the UK (37%⁶⁴) compared to the average of other countries (73%).

The gap for Italy increases if the price actually paid by policyholders is considered, inclusive of tax and para-fiscal components. In Italy, the para-fiscal component (National Health Service) is 10.5% of the taxable premium compared to 1.5% in Spain. Tax and para-fiscal charges account for 26.2% of the Italian premium compared to 9.5% in Spain, 12% in the UK⁶⁵, 35% in France and 19% in Germany.

Figure II.1





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

⁶² The analysis pertains to the mandatory liability coverage. For the United Kingdom, where policies are distinguished between motor-comprehensive (including all risks insurance) and non-comprehensive (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 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; for Spain and Germany, the entire MTPL business. To limit the effect of converting premiums in the United Kingdom from pounds sterling into euro, which would accentuate price differences not due to the cost of the MTPL coverage, conversion rates have been used that assume equal purchasing power.

⁶³ For example, the average MTPL premium in relation to GDP per capita is lower in France (0.5%) than in Italy (1.0%).

⁶⁴ Incidence calculated with reference to cars for private use.

⁶⁵ The figure for the para-fiscal component in the UK is not available.

1.1. - Structure of MTPL prices: the various components

At the end of 2021, the average motor liability premium in Italy (premium rate net of taxes) was 289 euro, with a cost of claims (pure premium) of 203 euro, compared with an average in other countries of 228, and 171 euro, respectively (fig. II.2).

The higher price paid in Italy reflects the higher average cost of claims, which is €59 higher than the average for other countries, and acquisition and operating costs that are €6 higher. The pure premium accounts for 79.5% of the average premium compared with 74.8% for the average in other countries.

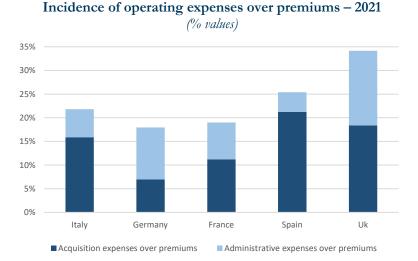
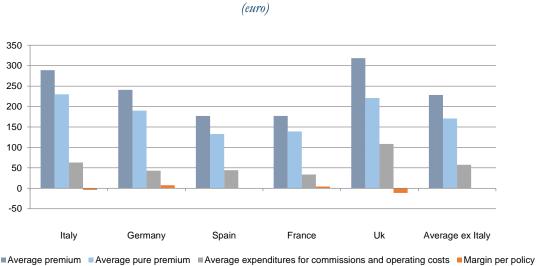


Figure II.2

The incidence of management costs on premiums differs among the countries considered: 18% in Germany and 34.1% in the United Kingdom,⁶⁶, with Italy in the middle (21.8%). Acquisition costs are particularly high in Spain (21.2%) and lower in Germany (7%); in Italy, acquisition costs account for 15.9% of premiums, of which 10.9% refer to commission costs. The different composition of expenses reflects the characteristics of the relevant markets.

The technical margin per policy is low or negative in all countries. In Italy it is -4 euros, compared with the maximum in Germany (+8 euros) and the minimum in the United Kingdom (-12 euros).

⁶⁶ The indicator for the UK is calculated on net premiums written, in line with the methodology used by the ABI.



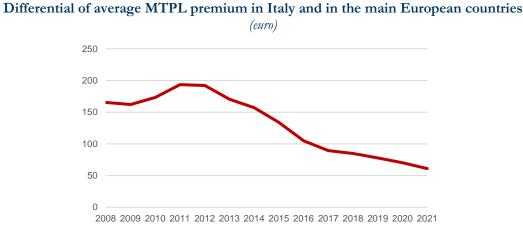
MTPL average premium and its components - 2021

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

The temporal analysis of MTPL premiums net of tax and para-fiscal charges shows the gradual reduction since 2012 of Italy's gap with the average of other countries (Figure II.4). The difference is 61 euros in 202167, down more than 100 euros from 2008. Germany, France and the United Kingdom show an increase in the average premium compared to 2008.

Figure II.4

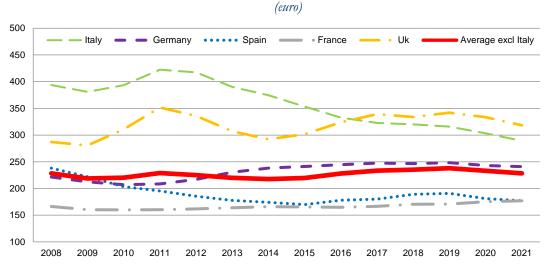
Figure II.3



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

54

⁶⁷ The price differential has been updated from previous Annual Reports to recalculate data for the UK.



MTPL average premium in Italy and in the main European countries

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

The MTPL premium in the motorcycle sector in Italy

In Italy MTPL for motorcycles has a loss ratio greater than 100%. The provincial distribution of claims shows a higher variability than that of premiums, indicating that the latter are affected by other variables compared to claims. The sum of what was paid for the claims in the accident year and the estimate for IBNR claims represents a small share of total premiums, while the weight of claims written in the provisions is predominant.

Econometric analysis shows that more than 80% of the premium variability between provinces is explained by claims paid in the accident year, the estimate for claims incurred but not reported, and geographical location (higher values for southern Italian provinces). The amounts of the claims written in the provisions and the location of the provinces in northern or central Italy are not significant. The price differential reflects factors such as the degree of competition in local markets. Claims written in the provisions affect tariffs less than proportionally. In the southern provinces, the premium is burdened by a 16% increase for the same pure premium.

2. - THE MAIN MTPL INDICATORS IN ITALY

Table II.1 and tables II.2.1 and II.2.2 in the Appendix show, for the MTPL business as a whole and, separately, for the automobile and two-wheel (mopeds and motorcycles) sectors, trends in the frequency of claims, in the average cost (analysed between paid and reserved, including the estimate of claims incurred but not reported - IBNR), in the pure premium (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.1

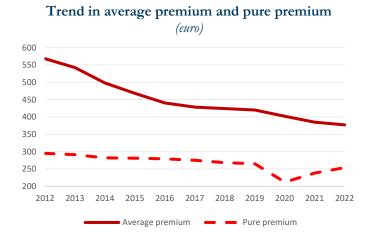
	Total MTPL and liability for ships (gross of IBNR)											
									(thous	ands of u	nits, euro a	nd % values)
			Claim	is paid	Claims written	in the provisions	Total	Total claims		Pure premium		rage premium
Year	Risk unit	Claims frequency	Average cost	% Variation	Average cost	% Variation	Average cost	% Variation	Value	% change	Value	% change
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%
2022	43,780	5.1%	2,911	5.0%	8,978	0.0%	4,950	2.7%	254	6.5%	377	-2.1%
% Change 2022/2012	9.4%			20.6%		4.1%		7.3%		-13.9%		-33.6%
% Change 2022/2019	2.1%			12.6%		7.4%		11.8%		-4.2%		-10.2%

In 2022:

- risk units are 43.8 million, of which 32.9 million are cars and 4.3 million are motorbikes and motorcycles; claims frequency stands at 5.1%, still below pre-Covid-19 levels (6.0% in 2019);
- average total cost of paid and reserved claims is 4,950 euro. The 2.7% increase over 2021 is related to the increase in the average cost of payments for claims, generated by inflation. The trend in average costs drives pure premium growth, up 6.5% from 2021 (8.1% for passenger cars).

Considering the stable claims frequency and the slight decline in average costs in the prepandemic period, the decrease in pure premium of 10.2% between 2012 and 2019 contributed less than half of the decrease in average premium over the same period (-26.1%). IPER data on actual premiums suggest a price decline also associated with market dynamics, such as reduced concentration, increased tariff discounting and the spread of the black box.

Figure II.6

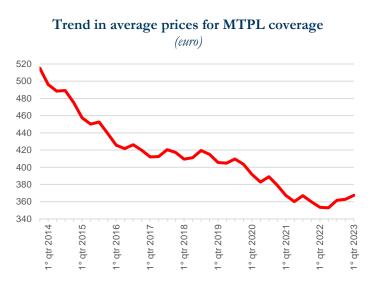


2.1. - Trend in actual prices for MTPL coverage

The average price paid as shown by the survey on actual prices for motor liability insurance (IPER) is 368 euros for contracts underwritten in the first quarter of 2023, with a change of +4.0 percent year-on-year, up for the second consecutive quarter⁶⁸.

The context of high inflation and the gradual resumption of mobility at the end of the COVID-19 restrictions led to an increase in the cost of MTPL claims (Chapter II.1.2), breaking the trend of constant premium reduction since 2014.

The average price for MTPL coverage, down by 26% compared to 2014, remains below the levels recorded in the pre-pandemic period (€406 in the first quarter of 2019).

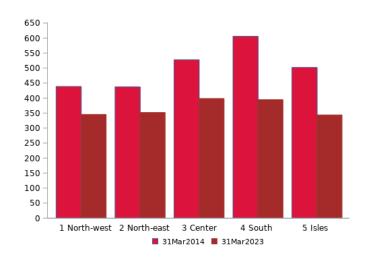


Prices are heterogeneous among the macro-areas of the country, with a differential between the South and the Northwest of 49 euros in the first quarter of 2023. Policyholders resident in the South pay on average a premium that is 14.2% higher than policyholders in the North West (395 compared to 346 euro).

There is a gradual alignment of average premiums among macro-areas (fig. II.8). Compared to the first quarter of 2014, the South experienced a premium decrease of 35% compared to a decrease of -21% in the North-West. In the last year, the convergence between North and South has continued, thanks to a smaller price increase for policyholders in the South (+1.9% vs. +4.5% in the North West). The largest annual price increase is in the Centre (+5.4%), which, in the first quarter of 2023, unlike previous years, has become the most expensive macro-region (€399).

Figure II.7

⁶⁸ Statistical Communication Year II no. 2 https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/comunicazionistatistiche/2023/n_2/index.html

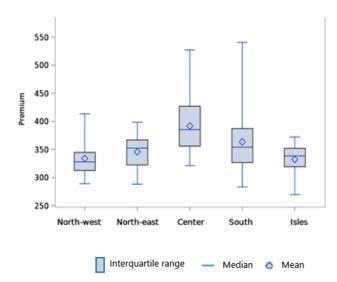


Price for MTPL coverage by macro-region in the first quarter of 2014 and of 2023

The macro-regions with the highest premiums show greater provincial dispersion. In the South, the average price ranges from 283 euro (Potenza) to 541 euro (Naples). This variability reflects the greater dispersion of pure premium observed in these areas, with a differential between maximum and minimum gross pure premium in the South of more than 170 euro⁶⁹.

Figure II.9

Distribution of average MTPL provincial premiums by macro-region in the first quarter of 2023



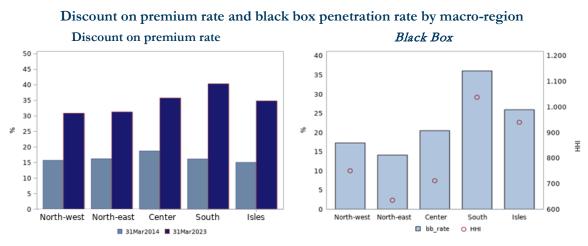
In the context of the generalised increase in discounting on MTPL policies observed since 2014, convergence between macro-regions is supported by a more pronounced discount policy for more expensive areas. In Q1 2023, the share of discount on tariff for policyholders in the south of Italy averaged 40.3% (16.1% in 2014) compared to 30.9% for the north west (15.7% in 2014). The high

⁶⁹ Technical data for the car sector (2022 data).

discounts applied to policyholders in the South are associated with a higher prevalence of the "black box" (36%, compared to the national average of 21.9%).

The higher discount rate for policyholders in the south does not seem to be associated with more intense competitive dynamics, given that a higher degree of concentration is observed in the macro-region⁷⁰.

Figure II.10



2.1.1. - The dynamics of prices between undertakings

Almost all companies increased prices in the first quarter of 2023, with significantly different changes ranging from +0.1% to +27.3% (fig. II.11). Eleven companies adopted increases greater than +4.0%; three companies increased average prices by more than $10\%^{71}$. Only eight companies reduced prices, including three by more than -3%.

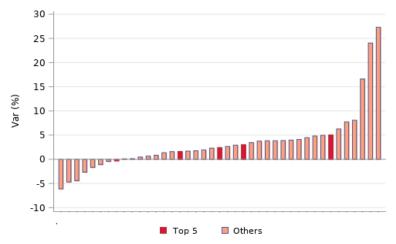
Among the top five firms (60% of the market in terms of premiums written in 2022^{72}) price changes range from -0.3% to +5.1%, with a heterogeneous trend among firms.

⁷⁰ Concentration is measured by the Herfindall Index (HHI). HHI is calculated as the number of policies taken out.

⁷¹ The three firms with increases greater than 10% have particularly low average starting prices compared to the national average and are therefore presumably more sensitive to inflationary dynamics.

⁷² Total premiums written in class 10.

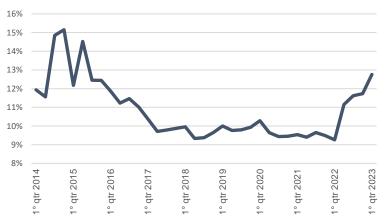




2.1.2. - Company switch rate

In the first quarter of 2023, 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 12.8%⁷⁴, with a significant increase on an annual basis (fig. II.12)⁷⁵. After the period of stability observed between 2017 and 2022, policyholders tended to increase their propensity to switch, including in light of the average price increase.

Figure II.12



Trend in the company switch rate

⁷³ The top five undertakings were identified based on their market share in terms of premiums collected. One undertaking was excluded from the representation because its portfolio has contracted significantly and the two periods are therefore not comparable.

⁷⁴ The increase in the company switch rate also reflects portfolio transfers related to the termination of business by an undertaking operating by way of free provision of services.

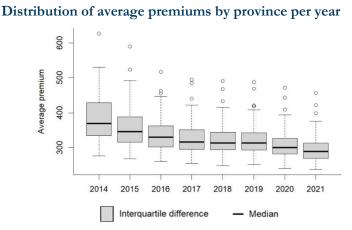
⁷⁵ The company switch rate measured between 2014 and 2015 is affected by the partial portfolio transfer that took place between two large companies, the effects of which are felt to varying degrees depending on the quarter of policy renewal.

2.2. - The variability of motor liability prices and claims among provinces and undertakings

2.2.1. - Analysis across provinces

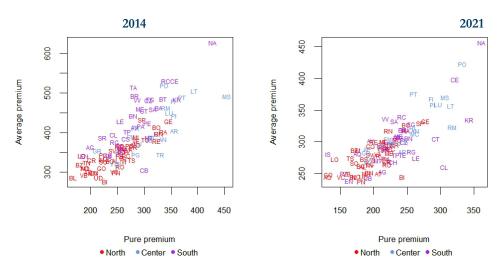
The Italian motor liability market has historically been characterized by significant variability in average premiums by province per insured risk unit⁷⁶ (Chap. II.1.3). These premiums show a differential between minimum and maximum of 224 euro in 2021 (-36% compared to 2014)⁷⁷.

Figure II.13



This heterogeneity is explained, first of all, by a different cost of risk among Italian provinces, with a positive and statistically significant correlation between the pure premium gross of IBNR and the average premium (figure II.13).

Figure II.14

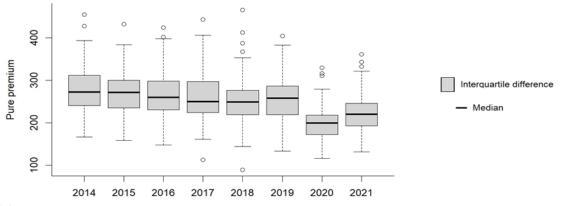


Relationship between gross pure premium and average premium

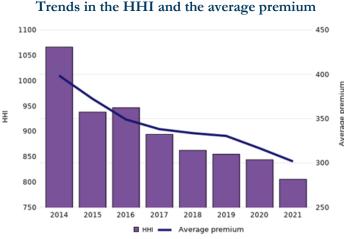
⁷⁶ In this paragraph, reference is made to the average premium per insured unit, net of tax and contribution charges.

⁷⁷ Technical data on motor liability for the car sector. For comparability, the provinces in Sardinia, which underwent reorganization in 2017, are excluded.

Distribution of average gross pure premiums by province per year



The marked price reduction is accompanied by a lower market concentration (24.5% on the 2014 HHI in the number of risk units from technical data, see Figure II.16).



In the light of this descriptive evidence, the aim was to assess whether there are additional factors, apart from the pure premium, that affect the average price and how much each component of the overall risk (paid, outstanding and IBNR claims) contributes to the determination of the final premium. The results confirm the significance of the cost of risk in all its components and also of market concentration. The combination of these variables explains over 70% of the variability on a provincial

Competition seems to play a role in market dynamics in that more concentrated markets increase margins for insurance companies⁷⁹. All else being equal, an increase equivalent to the standard deviation

Figure II.16

basis 78.

⁷⁸ In order to isolate the effect of the HHI on prices, a linear model was estimated using the available provincial data from 2014 to 2021 and selecting the following explanatory variables: pure premium components (paid, outstanding and IBNR claims), descriptive variables of market characteristics (including the HHI) and a variable associated with population density and the number of risk units, as a measure of market size.

⁷⁹ Data collected in the IPER survey were used. The analysis by province and by company takes into account the main contract terms and the characteristics of policyholders.

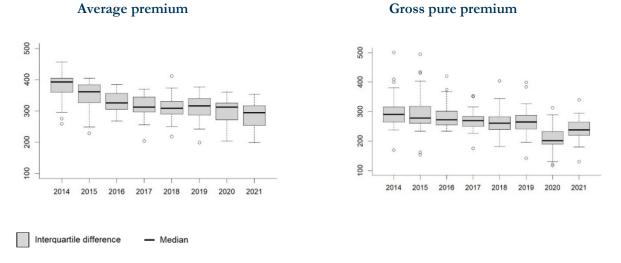
of the HHI is associated with an increase in the average premium of €18, which corresponds to approximately 15% of the reduction observed in the price paid.

2.2.2. - Heterogeneity between undertakings

The MTPL market is characterised by a significant variability of average prices⁸⁰ between companies⁸¹, reflecting a marked heterogeneity of companies' portfolios in terms of policyholder risk and contractual offerings.

Figure II.17

Distribution of the average premium and gross pure premium between undertakings



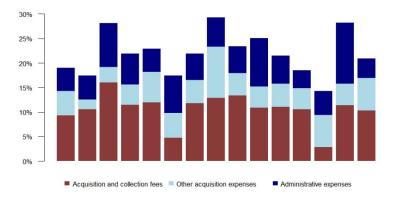
The average premium per company (Figure II.17) varied in 2021 between \notin 200 and \notin 354. A variability of the cost structure can be observed, with operating expenses as a percentage of premiums written per company ranging between 9.7% and 36.7% (between 14.3% and 29.3% for the top 15 companies). A first factor in this heterogeneity is the distribution channel, with lower operating costs on average for companies that mainly use the direct channel⁸².

⁸⁰ Reference is made to the average premium per insured unit, net of taxes and parafiscal charges.

⁸¹ The analysis refers to supervised undertakings with more than ten thousand policies and excludes some outliers from the average premium. Average premiums and pure premium are calculated using technical data.

⁸² For more details see also the Statistical Bulletin "Insurance Activity in the Motor Insurance Sector", https://www.ivass.it/pubblicazioni-e-statistiche/statistiche/bollettino-statistico/2023/n_01_2023/index.html





In view of the significant variability, it was examined whether the business model adopted by the companies influenced the average price. The average price is lower for direct and bancassurance companies than for traditional ones, just as it is lower for smaller companies than for larger ones.

Figure II.19

Trend in the average price by size and distribution channel⁸³ Size Distribution channel Premio medio prime 5 Premio medio altre Agencies Others

For the same gross pure premium, operating expenses per policy, prevailing distribution channel and size⁸⁴, the top five companies charge higher prices than the rest of the market. In contrast, companies using distribution channels other than agencies charge lower prices for the same pure premium⁸⁵.

⁸³ In the analysis by distribution channel, the classification was made using information from IPER.

⁸⁴ The size of the undertaking is approximated with a binary variable equal to one for the first five operators and zero for the remaining ones.

⁸⁵ The model is capable of explaining 60% of the observed variability, and does not take account of the different contract conditions applied by individual companies, which affect the final price, but only of the cost of the risk.

Sustainable mobility and MTPL insurance

The need to reduce climate-altering emissions⁸⁶ has led the European Union to take action in favour of the transition from endothermic engine to electric motor, which should be achieved by 2035. IEA⁸⁷ data showed that, at the end of 2022, China had 60% of global electric car sales, with Europe and the US representing the second and third global markets; 10 million electric cars were registered worldwide in 2022 (a figure that exceeds 9 million total registrations in Europe). The IEA projections foresee a 35% share of sales for the electric car in 2030 (14% in 2022).

The transition to the electric engine - coupled with autonomous or assisted driving scenarios - will have an effect on the insurance industry, taking into account a progressive paradigm shift in urban and extra-urban mobility, with shorter distances, the need for recharging, and smart city connection services⁸⁸.

In Italy, electric motorisation is still in its infancy, concentrated in metropolitan cities and in the north of the country. Automobile Club Italia (ACI) data show that electric cars, including hybrids powered by petrol or diesel, account for 4% of registrations in 2022, while the Observatory of the Milan Polytechnic notes fewer than 40,000 public charging stations, concentrated in Lombardy (16%), Piedmont and Veneto (10.5%), Lazio (9.8%) and Emilia-Romagna (9.4%), and fewer than 500 charging stations on the motorway network.

The potential effect of new mobility and more advanced accident prevention systems on compensation costs and on premiums will be all the greater if effective in reducing claims. Combining traffic monitoring data⁸⁹ of ANAS (Azienda Nazionale Autonoma delle Strade Statali - National Autonomous Roads Company) with IVASS data on standardised accidents per km of provincial road network⁹⁰, a relationship between traffic density and accident rate was estimated, indicating, on a preliminary basis, a potential decrease of at least -6% in accidents against a 10% reduction in traffic flows.

2.3. - The trend in MTPL operating costs

IVASS has long since taken steps to streamline and simplify the MTPL underwriting processes, starting with the dematerialisation of the risk certificate in 2015, and to reduce the incidence of fraud, with a positive impact on costs for insurance companies. In general, it is believed that increasing technological innovation can help contain operating costs.

An analysis of the cost components of motor liability insurance makes it possible to verify significant changes. In the period 2014-2021⁹¹, which was characterised by a constant price decrease, the expense ratio went up by 0.8% to 21.3% of premiums earned. Operating expenses decreased less than premiums, down 18.3% and -21.5% respectively.

The increase in the expense ratio is mainly attributable to the higher ratio of administrative costs to premiums, up from 4.9% in 2014 to 5.8% in 2021. The dynamics of commission costs were stable over time, with an almost constant incidence on premiums (10.5% in 2014 vs. 10.6% in 2021). In contrast, the incidence of acquisition costs other than commissions decreased between 2015 (5.1%)

⁸⁶ The COP26 goal of Net Zero Emissions (NZE) of CO2 by 2050 corresponds to limiting global warming to 1.5°C.

⁸⁷ International Energy Agency (OCSE), Global EV Report 2023.

⁸⁸ Klaus R. Kunzmann, Smart Cities: A New Paradigm of Urban Development, in "Crios, Critica degli ordinamenti spaziali" 1/2014; Seuwou, P., Banissi, E., Ubakanma, G. (2020). The Future of Mobility with Connected and Autonomous Vehicles in Smart Cities. In: Farsi, M., Daneshkhah, A., Hosseinian-Far, A., Jahankhani, H. (eds) Digital Twin Technologies and Smart Cities. Internet of Things. Springer, Cham.

⁸⁹ www.stradenaas.it e www.stradeanas.it/it/le-strade/la-rete-anas.

⁹⁰ IVASS Annual Report for 2021, Annexes, Tab. 45.

⁹¹ The last year for which detailed data is available on the components of MTPL operating expenses.

and 2018 (4.5%) by more than half a point, although it increased over the last three years (4.9% in 2021).

25% 20% 15% 10% 5% 0% 2014 2015 2016 2017 2018 2019 2020 2021 Commission costs Acquisition costs other than commissions Administrative expense

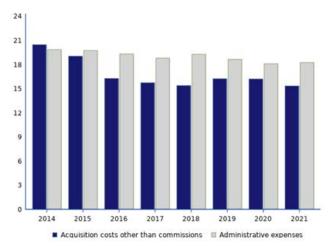
Trend of the expense ratio and its components (% values – annual data)

In order to isolate the effect of the reduction in premiums, unit costs per contract are considered in the denominator of the operating expense indicators. In absolute terms, administrative costs per policy decreased slightly from \notin 19.9 to \notin 18.3, while unit acquisition costs other than commissions decreased more markedly from \notin 20.5 to \notin 15.3 per policy. Overall, management expenses per policy, other than commissions, decreased by 15%.

Figure II.21

Figure II.20





To check whether the reduction of average unit costs other than commissions uniformly affected the market, the latter was split between the top five and the remaining players.

The cost structure between the two groups of companies displays different characteristics. Since 2020, companies with the largest market share have on average been more efficient than the rest of the

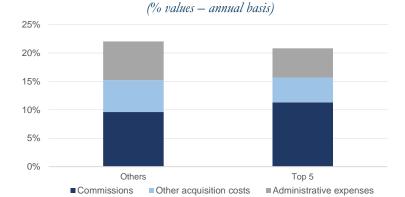
market, with an aggregate expense ratio in 2021 of 20. 8%, which for individual companies was between 16.8% and 24.8%. The rest of the market was characterised by an expense ratio of 22.0%, with a higher variability, measured by an interquartile range of 8%.

Figure II.22



With regard to the development of the expense ratio components, expense items other than commissions (administrative expenses and miscellaneous acquisition costs) affected larger firms less, suggesting a greater ability to contain fixed costs and the presence of economies of scale. The weight of commissions on premiums was highest for the top five companies that predominantly use the agency channel.





Structure of the management costs of the top 5 operators and the rest of the market in 2021

Cost trends over time show a comparable decline in average acquisition costs for both groups compared to 2015, suggesting that the process of increased efficiency in the underwriting phase characterised the market as a whole.

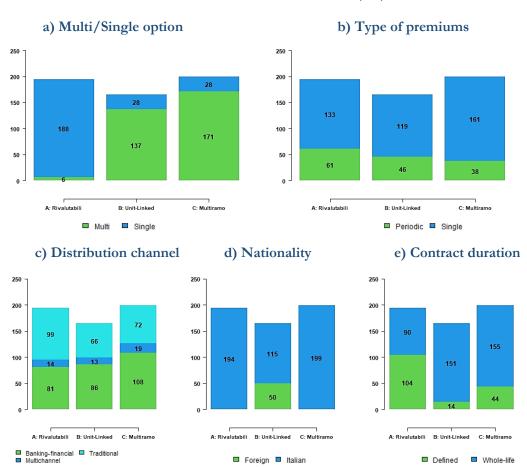
3. - LIFE INSURANCE

3.1. - Heterogeneity of individual insurance-based investment products (IBIP)

Heterogeneity of individual insurance-based investment products (IBIP) offered was analysed from the data contained in public pre-contractual information documents (KID). All the individual products on the market as of December 31, 2022, of Italian undertakings and a sample of foreign undertakings, representing more than 80% of the life insurance premiums of all foreign undertakings operating in Italy, were considered.

There were 558 individual products on the market at the end of 2022, including 194 with-profit, 165 unit-linked and 199 hybrid products. Most unit-linked and hybrid products have more than one underlying investment option (so-called multi-option) while with-profit products, almost all of them, are linked to a single separately managed account. Single premium products, also with the possibility to pay additional premiums, account for the majority of offerings for all three product types (413 single-premium, 145 periodic-premium). Unit-linked and hybrid products are mainly offered through the banking-financial channel. Foreign companies offer mainly unit-linked products in the Italian market, while with-profit products are offered exclusively by Italian companies. Unit-linked and hybrid products are mainly in the whole-life form, without a defined maturity, while for with-profit policies the number of products with a defined maturity is slightly higher than for whole-life products.

Figure II.24



Classification of IBIPs marketed as at 31/12/2022

For IBIP products, the contract type, the expected reduction in yield expressed on an annual basis due to the contract costs borne by the policyholder (reduction in yield - RIY), and the expected net performance, i.e., the expected annual return net of RIY, were analysed over time.

The composition by product type (fig. II.25) has remained unchanged since the third quarter of 2021, as has the average level of RIY. Significant differences are found between with-profit, unit-linked and hybrid policies. With regard to the expected net performance, a decrease is observed for unit-linked and hybrid products (-1.5% in December 2022, including -1.26% for unit-linked and -0.54% for hybrid products between September 2021 and December 2022), while still remaining higher than for with-profit policies.

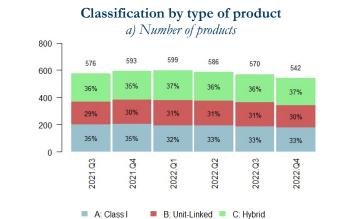
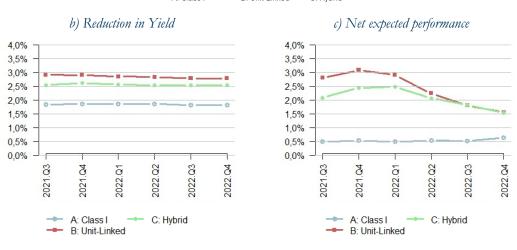


Figure II.25



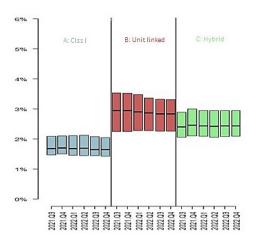
The with-profit policies offered by the insurance market (fig. II.26) show less heterogeneity in terms of cost and net expected performance than unit-linked and hybrid policies, with a smaller interquartile difference, as measured by the width of boxplots. In the fourth quarter of 2022, this difference for the RIY of unit-linked policies is 1.1% compared to 0.6% for with-profit policies; on the other hand, with regard to net expected performance, it is 2.9% for unit-linked contracts, compared to 0.8% in with-profit policies⁹².

⁹² Net expected performance is calculated through a projection of future returns while the net realized rate of return (in with-profit policies equal to 1.4%, Chap. I.4.4.1) is the average rate of return recognized to policyholders net of the average retention of 1.1%.

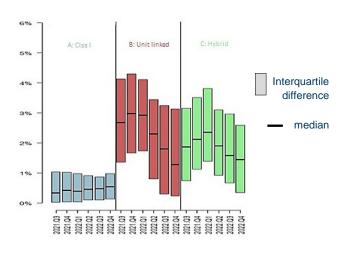
Figure II.26

Figure II.27



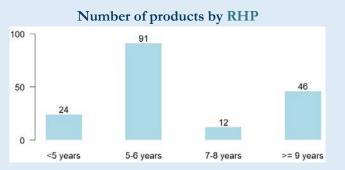






Comparison between the return of with-profit products specified in the KID and the return achievable

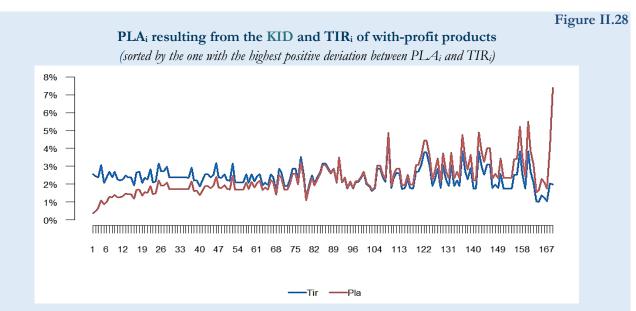
Expected net performances in the moderate market scenario⁹³, resulting from the KIDs of with-profit products, were compared with the returns achievable recalculated on the basis of the projection of current and foreseeable returns of separately managed accounts that companies report to IVASS⁹⁴. 173 products were selected (81% of the with-profit products sold at the end of 2022) having a recommended investment period of no more than 15 years, taking into account that the foreseeable returns provided by the companies are projected for the average remaining maturity of the policy portfolio with the maximum limit of 15 years.



For each product, a single premium paid by the policyholder of $\pounds 10,000$ was assumed and the capital invested was determined by deducting the entry costs indicated in the KIDs from the premiums paid. The initial capital invested is projected on the basis of foreseeable returns until the end of the recommended investment period. Subsequently, the TIR_i (Tasso Interno di Rendimento - internal rate of return) was calculated and compared with the PLA_i (Performance Lorda Attesa - expected gross performance) resulting from the KID data, equal to the sum of expected net performance in the moderate scenario and total costs (Reduction in Yield - RIY), net of entry costs, for homogeneity between the magnitudes compared.

⁹³ Pursuant to Delegated Regulation (EU) 2017/653, the moderate scenario corresponds to the value of the investment at the 50th percentile of the estimated distribution of possible outcomes over the recommended holding period, based on observation of historical data over the past 5 years.

⁹⁴ Letter to the market of 30 May 2013.



The deviations result from the different methodology of calculating the PLAi compared to the TIRi. The latter is established by projecting the insured capital by means of the foreseeable returns provided by the companies up to the end of the recommended investment period, while the PLAi is based on the calculation of the expected net performance estimated on the historical data of the returns realised by the separately managed accounts.

A good alignment between PLAi and TIRi emerges for 74% of products, while for the remaining 26% there are deviations between the projection based on expected rates and the performance indicated in the pre-contractual information⁹⁵.

4. - EFFECTS OF INTEREST RATES

4.1. - The reallocation of life premiums among insurance classes

In 2022, life premium income of Italian companies⁹⁶ was 94 billion euro (-11% compared to 2021 and -4.7% compared to 2019), with a change in the composition by line of business (fig. II.29) reflecting trends in financial markets. Generally, the share of class I and V premium income increases when bond yields rise, conversely, the share of class III premium income increases when equity markets rise.

⁹⁵ The number of products for which PLAi and TIRi are almost aligned such that the PLAi/TIRi) coefficient is close to 1 (0.8<= (PLAi/TIRi) <=1.2) is 76 (44% of the 173 products). The deviations of less than 0.8 amount to 52 (30%) and constitute the cases in which the PLAi is lower than the TIRi, highlighting a less worrying situation for the consumer, who will see higher returns at the end of the recommended investment period than those envisaged at the time of entering into the contract. Conversely, 45 products (26% out of 173 products) had an indicator above 1.2. In such cases, there is a presumption of prejudice for policyholders, since the projection based on foreseeable rates is deficient compared to the net performance expected in the pre-contractual information documents.</p>

⁹⁶ Source: IVASS monthly monitoring of investments

a) Composition



After a phase of decline in the share of class I and V premiums and growth in class III, a trend reversal can be observed in 2022. The share of class III premiums decreased from 38% in 2021 to 31%, in favour of classes I and V, which grew from 60% to 66% respectively, with the largest share increase in the last four months and exceeding 70% in the first two months of 2023.

	Life premium income					
		-		(billion euro)		
Year	Class I and V	Class III	Other classes	Total		
2019	76.3	29.5	2.9	108.7		
2020	68.1	29.1	4.0	101.2		
2021	63.5	39.8	2.6	105.9		
2022	61.9	28.9	3.4	94.2		

The gradual increase in 2022 of the share of premiums from classes I and V over total life premiums coincided with the increase in bond yields, with a positive correlation of 47% between the rate of return on 10-year BTP and the share of the two classes. Considering that the reaction of premium income to changes in economic and financial variables is not immediate, using the one-month lagged series yields a higher correlation (56%). This correlation reaches 85% between January 2022 and February 2023.

Table II.2

Figure II.29

A similar but opposite correlation is present between the yield of 10-year BTPs and the share of class III premiums (-53% between October 2018 and February 2023 and -80% between January 2022 and February 2023). Class III premium income is positively correlated with the FTSE MIB share index (56% in the period October 2018-February 2023), although in correspondence with an increase in the FTSE in the second half of 2022, the share of class III continued to decline, the effect of rising bond rates on class I and V premiums prevailing.

Table II.3

Correlation between financial variables and composition percentages by line of business					
				(% values)	
	October 2018 - Fe	ebruary 2023	January 2022 - Fe	ebruary 2023	
	Share of Class I and V	Share of Class III	Share of Class I and V	Share of Class III	
Return on 10Y BTP	47	-53	85	-80	
Return on 10Y BTP for the previous month	56	-62	92	-90	
FTSE MIB Index	-56	54	0	-3	

The correlations are confirmed by the econometric analysis, taking the share of class I and V premiums over total class I, III and V premiums as the dependent variable. For the same company, in times of high bond yields, a change of 100 basis points in the BTP yield corresponds on average to a 3.14% increase in the share of classes I and V. This share, on the other hand, is invariant compared to the equity index.

In the first quarter of 2023, 24 new with-profit products were put on the market by 13 different companies, compared with 10 new products from 4 companies in 2022 and 11 new products from 8 companies in 2021.

Two new products are linked to specific assets for the first 5 years, to take advantage of rising rates of return on government bonds. No changes are observed on the guaranteed rates of the new offerings, which remain at $0\%^{97}$.

4.2. - The recomposition of investments

The significant increase in bond yields⁹⁸ in 2022 reduced the value of bonds held by companies by 19.7%, changing their asset allocation. High bond rates have not prompted a review of investment strategies in the insurance market, which shows only small changes in nominal values (Figures II.30 and 31) that can be considered physiological. The 2% increase in the nominal value of bonds (+3.4% for government bonds and -1.4% for corporate bonds) did not produce a generalised change in the investment preferences of companies at the end of 2022.

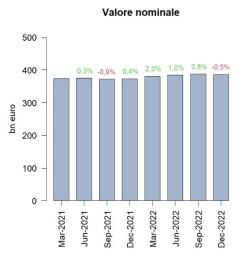
⁹⁷ Koijen, Ralph S.J., and Motohiro Yogo. 2021, "The Evolution from Life Insurance to Financial Engineering" Geneva Risk and Insurance Review 46 (2): 89-111.

⁹⁸ For example, 351 basis points for the 10-year BTP and 448 basis points for the Iboxx BBB index (source Refinitiv).

Government securities

Figure II.30





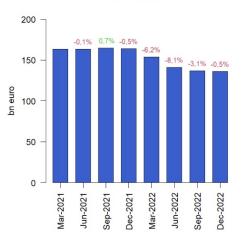
Nominal value

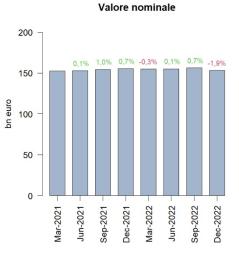
Figure II.31

Corporate bonds

Nominal value







4.3. - The effect on the Solvency ratio

The value of the Solvency ratio of insurance companies is associated in a statistically significant way with the differential between the yield on BTPs⁹⁹ and the EIOPA risk-free rate¹⁰⁰ (Figure II.32). Between December 2017 and December 2022, there was a significant negative correlation of -74.5% between the Solvency ratio and the aforementioned differential.

⁹⁹ The yield on BTPs succinctly represents the evolution of the bond market and thus of the asset portfolio of Italian insurance companies, since the latter invest mainly in both government and corporate bonds.

¹⁰⁰ Used for discounting insurance liabilities.

Analysing the quarterly changes in the components constituting the Solvency ratio, i.e. the eligible own funds (EOF) and the SCR, it can be observed that over the period 2018-2022, the change in EOF is mainly associated with the change in the yield spread (negative correlation of 67.7%). No significant correlation emerges between changes in the SCR and the 10-year EIOPA risk-free rates of return, except for evidence of a negative dependence between December 2021 and December 2022, corresponding to the significant increase in risk-free rates from negative to positive.

One of the main components of EOF is the excess of assets over liabilities (EAOL). Quarterly changes between the value of corporate assets, largely made up of bonds, mainly government bonds, and BTP yields show a significant negative correlation of -83.6% over the 2018-2022 period. Liabilities mainly consist of technical provisions, whose quarterly changes are negatively correlated (-80.6%) with the 10-year EIOPA risk-free rate.

For the same company, and taking into account aggregate macroeconomic shocks, a more indepth econometric analysis¹⁰¹ reveals that, over the period 2018-2022, a +100 basis point change in the risk-free rate produced, on average, a 6% reduction in the value of liabilities, while the same change in the BTP yield generated, on average, a -4.2% reduction in assets. In times when the risk-free rate is above 1%, an increase of 100 basis points led to a quarterly average reduction of the SCR of -5.1% while an increase of 100 basis points in the yield spread between BTP and the EIOPA risk-free rate generated a reduction of -8.5% for own funds and 27 percentage points for the Solvency ratio¹⁰².

Figure II.32

a) SCR ratio

¹⁰¹ The econometric analysis performed explored the historical effects of rising rates and was not intended for forecasting purposes.

¹⁰² The empirical results were consistent with the evidence in the literature regarding the interaction between monetary policy and insurance risk exposure, for ex. Koijen, Ralph S.J., and Motohiro Yogo. 2021, "*Global Life Insurers during a Low Interest Rate Environment*", American Economic Review Papers and Proceedings (2022).

c) Change in SCR

160

120

80

40

0

-40

-80

-120

-160

160

120

80

40

0

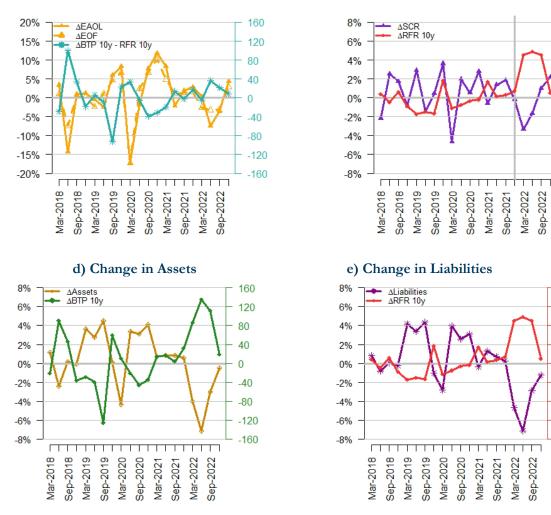
-40

-80

-120

-160

Sep-2022



b) EAOL vs EOF

5. - SERVICES AND DATA BANKS

5.1. - Motor liability estimator

IVASS Regulation No. 51/2022 laying down provisions concerning the operation of an online comparison service for MTPL tariffs called "Preventivass" has been in force since October 2022 for insurance companies and since the end of February 2023 for intermediaries.

IVASS has developed functions that facilitate the use of the system by professional operators by activating Application to Application (A2A) connections with companies. These connections permit intermediaries working with these companies to obtain quotations directly from the management system used. These functionalities are used by several companies, while with others tests are in progress for forthcoming activation. The higher query volumes were successfully handled thanks to the scalability of the system, with a zero rejection rate and a speed of exchange of IT flows adapted to the needs expressed by the companies.

With the entry into force in March 2023 of the obligations for intermediaries the anticipated increase in the quotes requested has occurred. In the first three months from March to May more than 22 million quotes were processed, compared to the 3 million in the previous four months.

Quotes processed by Preventivass from March to May 2023 ¹⁰³					
March - April 2023	Quotes processed	Quotes issued	Valid quotes		
public website	18,920,877	18,570,705	17,995,001		
Online A2A channel	2,681,177	2,612,397	2,554,126		
Branded channel	221,295	219,987	207,942		
massive A2A (as from 31 March)	901,374	901,374	901,374		
Total	22,724,723	22,304,463	21,658,443		

Table II.4

The number of reports and formal complaints received from users was very low compared to the high volumes handled. By the end of April 2023, IVASS had received 19 reports or complaints from intermediaries (from March 2023) and 38 from consumers (from November 2022), often relating to the difficulty of concluding a contract on the basis of quotes obtained through Preventivass. IVASS intervenes promptly with the companies by verifying the grounds, timing and resolution of the issues reported or by ascertaining the finalization of the estimate or the legitimacy of the impediment.

Since November 2022, the Contact Centre has received more than 850 calls from consumers for information or assistance in the quotation process and about 250 from intermediaries for clarification on how to comply with regulatory requirements.

At the end of April 2023, only 17 companies (34.7% of the total) supplemented their insurance offer on Preventivass¹⁰⁴ with the proposal of at least 5 or more clauses additional to the basic contract¹⁰⁵ that make the premium decrease or increase, while 28 companies (57.1%) submitted an offer without additional clauses. The offer including additional clauses was a decisive element for an informed consumer choice. This points to an approach to the public estimate calculator (Preventivatore) by some companies that is limited to formal compliance with the regulatory obligation, without exploiting its informative and competitive potential.

By comparing the premiums displayed on Preventivass with those actually applied to MTPL insurance contracts on the same licence plate, extracted from the IPER survey (Chapter II.5.3.1), it is possible to infer that the difference between the premium paid and the quotation proposed by the company is primarily attributable to the commercial discounts practised by the company or its

¹⁰³ Preventivass receives requests for quotes from several channels:

public website: the request entered by the user at www.preventivass.it is transmitted to all the companies operating in Italy and an equal number of quotes is returned;

branded channel on the insurance company's website: the user's request produces only the quote of the undertaking from whose website Preventivass was queried;

online A2A: the user's request produces only the quote from the undertaking that activated the A2A connection with Preventivass;

massive A2A: quote requests are massively submitted by an undertaking.

¹⁰⁴ Article 22 of decree-law no. 179 of 18 October 2012, converted, after amendment, by law n. 221 of 17 December 2012, as defined by the decree of the Minister of Economic Development no. 54 of 11 March 2020.

¹⁰⁵ This includes: exclusive driving, expert driving, increase in the minimum amounts of cover established by law, limitation and exclusion of recourse, damage to third parties caused by the trailer with its own number plate and properly towed, remote detection systems of vehicle operation, preventive vehicle inspection, alcohol detection systems, payment of the premium in instalments, suspension of insurance coverage.

intermediaries. This evidence is confirmed by the small number of companies (only eight) that indicated premiums with evidence of discounts in Preventivass.

5.2. - Anti-fraud Database Evolution (Claims Data Bank and Anti-Fraud Information Database-AIA)

In September 2022, the new IT application for the centralised collection of MTPL claims (EBDS - Evoluzione Banca Dati Sinistri- Evolution of the Claims Database) came into operation, replacing the previous claims database with information as well as technological and organisational innovations.

The reporting scheme was rationalised by introducing new variables on the basis of the experience gained and taking into account innovations, including technological innovations, in claims settlement. Quality controls have been added for greater reliability and completeness of the data used in the decision-making process of the anti-fraud functions.

As of 2022, the new AIA portal has been fully operational, allowing integrated online and mobile consultation of EBDS information and AIA indicators. The portal facilitates greater flexibility and speed in authorisation activities for data access, now largely decentralized within companies.

5.3. - IPER and CARD Evolution

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

In order to reduce the statistical burden on reporting entities, ISTAT (Istituto Nazionale di Statistica - National Statistics Institute) and IVASS are in the process of formalising a protocol for the exchange of data in aggregate form, on a monthly basis, which includes the use of actual prices in IPER for the calculation of the consumer price index. To this end, the survey will be conducted on a monthly basis, superseding the current quarterly frequency, with a consequent migration to the Bank of Italy's IT platform. An IVASS-ISTAT-ANIA (Associazione Nazionale fra le Imprese Assicuratrici - National Association of Insurance Companies) technical round table has been set up, which, in cooperation with the insurance companies, aims to extend the survey to motorcycles and mopeds in 2024.

The release into production is planned in the second half of 2023, with data acquisition from July 2023.

5.3.2. - CARD

In 2022, the "Modello CARD" project was launched to implement an integrated system in the Bank of Italy's technology platform to support the processing for the simulation of incentives and penalties (IVASS Order 79/2018). The calculation of incentives is managed in cooperation with CONSAP (Concessionaria Servizi Assicurativi Pubblici - Public Insurance Services Dealer). The new system will enable IVASS to manage the process underlying the calibration of the incentive model and

the calculation of the CARD lump sums, ensuring greater standardisation and automation of the different steps, thereby reducing operational risk. The project will be launched into production in 2023.

6. - ANTI-FRAUD

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

In September 2022, the new EBDS Claims Database was released into production. This new database is characterized by the presence of new information relevant for anti-fraud purposes as well as new IT security, confidentiality and data integrity safeguards.

In 2022 IVASS received 24 reports from individuals (22 in 2022) on alleged unlawful behaviours, including relevant cases of identity theft. Following in-depth investigations, appropriate information was provided to the Judicial Authority.

IVASS has initiated targeted analyses on identity theft, taking a census of reported cases and conducting in-depth investigations to provide companies with useful elements to activate control procedures, particularly at the risk-taking stage.

A total of 54 reports received from the authorities and 97 requests for checks on motor liability insurance coverage for vehicles without insurance documentation following roadside checks were processed (36 and 117 respectively the previous year).

The total number of accesses to records was 552 (535 in 2021) and concerned personal data in 394 cases (350), third-party data in 71 (91) and 87 requests from the Authorities (94).

103 new authorisations were granted for consultation of the Claims Data Bank (91 in 2021), to staff of judicial and local police organisations.

6.2. - Undertakings' anti-fraud activities

Based on the annual reports on the trend of anti-fraud activities submitted by insurance companies to IVASS, as per Regulation No. 44/2012, it is noted that in 2021 the total number of reported claims is 2.4 million, up +19% on a national basis compared to the previous year, but lower than in 2019 when 2.8 million claims were recorded.

In parallel with the rise in reported claims, claims classified as at risk of fraud (565,000 vs. 496,000) increased by +13.9% compared to 2020. Claims to be investigated for fraud risk amount to 300 thousand (273 thousand in the previous year), with an increase of +9.4%.

Insurance companies initiated 2,486 criminal proceedings related to the claims settlement phase, down by -11% compared to the previous year. On the whole, 21,833 criminal proceedings were brought by the undertakings from 2015 to 2021, of which 36% with final outcomes (7,908). There was a reversal of the trend in the number of reports and/or legal actions initiated by undertakings for cases related to the underwriting or pre-underwriting phase is confirmed. This number is 393 compared to 289 in the previous year (+32%).

The assessment procedure on the anti-fraud activity conducted in 2021 on 49 companies showed a positive aggregate score on the overall management of MTPL claims (both CARD - Convenzione tra Assicuratori per il Risarcimento Diretto - Agreement between Insurers for Direct Compensation - and NO CARD) for 25 companies, with a market share in terms of claims of 36% (down from 43% in the previous year). For CARD-CID (Convenzione di Indennizzo Diretto - Direct Compensation Agreement) management, 25 companies had a positive score (against 12 the previous year), accounting for 51% of claims (60% in 2020). The CARD-CTT (Convenzione Terzi Trasportati - Agreement on Passengers) procedure shows recovery indicators, with 26 companies having positive indicators, representing a 53% share of claims (38% in 2020).

Differently from the previous financial year and in line with the decrease observed in the claims closed without follow-up for fraud risk (-5%), the savings made by companies thanks to anti-fraud activity, amounting to 214 million euro, are down from 2020 (-13.4%, they were 247 million).

For more details see the Report on anti-fraud activities for 2021¹⁰⁶.

6.2.1. - Provisional data on undertakings' anti-fraud activities in 2022

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 2022 have been drawn up (tab. II.5).

Insured risk units have remained stable on a national basis (300 thousand less, approx. -0.8% less than in the previous year) while reported claims grew by 100 thousand units compared to 2021 (2.4 million compared to 2.3 in the previous year).

	2	2022 reports -	ISVAP Regul	ation n. 44/2	2012		
							(units)
Macro zones	Regions	Risk units	Claims reported	Claims exposed to fraud risk	Claims investigated in relation to the risk of fraud	Claims investigated in relation to fraud risk that were closed without payment	Claims subject to reporting/ legal action
	EMILIA ROMAGNA	3,473,216	181,770	39,508	16,384	1,613	105
	FRIULI VENEZIA GIULIA	965,889	38,900	8,383	2,695	334	36
	LIGURIA	1,144,022	75,854	16,938	7,223	834	67
NORTH	LOMBARDIA	7,646,661	453,350	88,796	33,686	3,436	301
NORTH	PIEMONTE	3,331,952	181,540	42,783	15,909	1,743	155
	TRENTINO-ALTO ADIGE	990,484	47,288	13,835	2,953	504	24
	VALLE D'AOSTA	106,161	5,319	1084	429	65	4
	VENETO	3,811,935	169,082	30,935	10,483	1,161	43
	North - Total	21,470,319	1,153,103	242,262	89,762	9,690	735
	LATIUM	4,278,841	304,139	75,413	38,035	4,751	438
CENTRE	MARCHE	1,196,865	56,520	11,965	5,400	546	27
JENINE	TOSCANA	2,960,518	181,581	37,265	16,166	1,766	109
	UMBRIA	722,848	35,165	8,022	3,532	414	19

Table II.5

¹⁰⁶ https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/pubblicazioni-antifrode/2021/index.html

							(units)
Macro zones	Regions	Risk units	Claims reported	Claims exposed to fraud risk	Claims investigated in relation to the risk of fraud	Claims investigated in relation to fraud risk that were closed without payment	Claims subject to reporting/ legal action
	Centre - Total	9,159,071	577,405	132,665	63,133	7,477	593
	ABRUZZO	960,615	46,732	11,107	4,545	642	49
	BASILICATA	400,810	16,304	4,693	2,388	357	36
SOUTH	CALABRIA	1,154,294	52,980	17,442	10,281	1,478	90
	CAMPANIA	2,924,664	219,274	109,354	73,043	10,955	1.051
	MOLISE	234,392	10,024	3,560	2,029	342	18
	PUGLIA	2,452,035	133,866	40,871	21,457	2,536	257
	South -Total	8,126,809	479,180	187,027	113,743	16310	1501
	SARDINIA	1,097,976	60,823	11,884	4,794	634	21
ISLANDS	SICILIA	3,145,679	196,765	53,874	26,691	3,224	141
	Islands - Total	4,243,655	257,588	65,758	31,485	3858	162
Domestic T	Domestic Total		2,467,276	627,712	298,123	37,335	2,991

2022 reports - ISVAP Regulation n. 44/ 2012

7. - INSURTECH – THE REGULATORY SANDBOX

The focus on innovative activities in the insurance sector (InsurTech), present in several areas of IVASS, from regulation (Chapter III.2.1.1 and 2.1.7) to prudential supervision (Chapter IV.1.2.3) and conduct (Chapter V.2.5 and 4.3) has been enriched with a new instrument in cooperation with the Bank of Italy and CONSOB (Commissione Nazionale per le Società e la Borsa - National Commission for Companies and the Stock Exchange) with the establishment by the MEF (Ministero dell'Economia e delle Finanze - Ministry of Economy and Finance) through Ministerial Decree No. 100/2021 of the regulatory sandbox of FinTech activities.

The first time slot for submitting applications for the regulatory sandbox¹⁰⁷ closed on 15 January 2022.

Prior to the application for admission to the sandbox, meetings were held with 11 market players in informal discussions concerning 12 projects.

Six applications were received by IVASS, of which three were related to projects presented during informal discussions, while three were not announced. The applications were followed by two failures to start the project, one for incomplete documentation and one for non-relevance to IVASS matters; 1 was rejected for failure to respond to a request for clarification/further information; 3 applications were accepted and admitted for the trial phase (proceedings commenced) of which two from FinTech operators (category referred to in Article 5(1)(c) of Ministerial Decree No. 100/2021) and one from an insurance company (category as per Article 5(1)(d) of the same Ministerial Decree).

¹⁰⁷ The time slot opened on 15 November 2021, for a duration of two months, equal to the maximum duration allowed by the Decree, without providing numerical or thematic limits to eligible projects.

IVASS found the informal dialogue to be extremely useful and effective, as it enabled to guide operators with regard to aspects of the process and their evaluations on whether to submit the application, given the evident lack, in some cases, of one or more of the requirements provided for under the Ministerial Decree. The informal consultation was appreciated by operators as an opportunity to discuss innovative issues with IVASS.

The three projects accepted are ongoing, monitored by the relevant IVASS departments.

Table II.6

Scope and technologies of eligible projects				
Scope	Prevailing technology			
Fraud prevention/detection	DLT/blockchain			
Document Management Efficiency	DLT/blockchain			
Streamlining of Distribution Process for Intermediaries	Application Programming Interfaces (API) / QR Code			

IVASS had several meetings with the operators to monitor the progress of the trials (with particular reference to the timetables for the execution of the projects), the state of development and completion of the applications and technological functionalities, preparation of the documentation to guarantee protection of the end customers, and the correct implementation of the requirements provided for in the proceedings of admission.

For two of the three projects, a six-month extension of the trial was granted in accordance with Article 17(4) of the Decree.

The first sandbox time slot revealed rigidities in the admission process and, therefore, the need for initiatives to simplify the regulatory framework.

III. THE EVOLUTION OF THE REGULATORYENVIRONMENT

Seven years after the launch of the risk-based prudential paradigm (Solvency II), and four years after the entry into force of the Insurance Distribution Directive (IDD), the European insurance industry is undergoing further significant regulatory changes. The updating of prudential and insurance crisis management rules is accompanied by the regulation of phenomena that cut across all sectors of the financial industry. Particular reference is made to the provisions on sustainable finance and digital technologies, as well as to the strengthening of the regulatory framework for the protection of the saver, insured party or retail investor and the way in which insurance products are sold.

IVASS participates in numerous European fora, providing technical support to the relevant ministries so that prudential and crisis management regulations converge towards solutions that are fair, effective in preserving the stability of the single market and respectful of differences between countries. There is still room for improvement in the assumptions for providing Europe with rules on the recovery and resolution of companies in difficulty, for example with regard to the need for a minimum harmonisation of national guarantee schemes, which is not yet fully supported by Member States.

Equal efforts are devoted in EIOPA and IAIS, where the Institute contributes to the development of common rules, convergence of supervisory practices, financial stability, and systemic risk assessment. Intense collaboration has been provided to EIOPA and the ESAs' cooperation committees, which have focused on insurance-based investment products for retail customers, financial education, financial conglomerates, and operational resilience.

With regard to sustainable finance, it is worth mentioning the setting up of a Coordination Table at the Ministry of Economy and Finance, in which IVASS actively participates, to facilitate discussion between institutions, stimulate the formulation of shared policies aimed at reducing and managing physical and transitional risks environmental, mobilising financial resources towards sustainable investments and mitigating the insurance protection gaps which are so significant in our country.

Digitalisation influences the entire insurance supply chain, from product design to pricing, from sales and after-sales service provision to the role of distribution networks, and from operational processes of companies and intermediaries to the generation and processing of new data. Opportunities for operators are evident, as are risks for the sound and prudent management of undertakings and consumer protection. The debate on artificial intelligence has seen IVASS involved in helping to shape European legislation (draft Artificial Intelligence Regulation). IVASS put equal effort to define the Regulation on Digital Operational Resilience (DORA), published at the end of 2022.

IVASS is engaged to a significant extent in providing technical support to the national legislator in updating the primary regulations. This led to the issuance in 2022 of the new regulations on the eligibility requirements for corporate officers and those who perform key functions in insurance companies, strengthening their governance and control structures.

Important innovations concerned accounting matters with the entry into force of IFRS 17 and the definition of the rules for the preparation of IAS/IFRS financial statements. The draft of a joint decree by MIMIT (Ministero delle Imprese e del Made in Italy - Ministry of Enterprise and Made in Italy) and the Ministry of Justice has been finalised in order to regulate the Insurance Arbitrator, established in

2018. In the area of MTPL insurance, the competent Ministry was provided with input for the revision of the regulatory texts relevant to the application of the new EU regulations.

Work continues on the revision of secondary regulations on the reform of life insurance products and regulations for the sale of insurance products. By streamlining the fragmented provisions on insurance contract underwriting and customer disclosure, the consultations in 2022 laid the groundwork for a practical response to the need to encourage companies to offer life products with higher insurance content and robust guarantees against demographic risks.

1. - The activities of the international bodies

IVASS contributes to the work of the International Association of Insurance Supervisors (IAIS), which are aimed at promoting cooperation and convergence of supervisory standards at global level. It also participates in the IAIS committees for the definition of prudential rules, the implementation of harmonised rules and supervisory practices, financial stability (Chap. IV.2). Since 2018, IVASS has been a member of the IAIS' Executive Committee. The issues relating to systemic risk management are also discussed by the Financial Stability Board (FSB).

1.1. - Supervision of international insurance groups and capital standard

The IAIS work continued for the definition of a risk-based capital requirement (*Insurance Capital Standard* – ICS) applicable to large internationally active insurance groups (IAIG). As an integral part of the common framework for the supervision of IAIGs (*Common Framework for the Supervision* – ComFrame¹⁰⁸), the ICS will be a globally comparable measure of capital adequacy. A first version, approved in 2019, is subject to a five-year monitoring period¹⁰⁹ (2020-2024) that may lead to the streamlining of calibrations and the introduction of application correctives and will culminate in the final formulation of the minimum requirement of consolidated capital (*Prescribed Capital Requirement* – PCR).

The final Insurance Capital Standard (ICS) impact analyses along with a public consultation will take place in 2023. These will include recommendations on alternative methods of calculating the requirement, including, on an interim basis, the use of internal models.

1.2. - Holistic framework for the mitigation of systemic risk

In 2022 the FSB suspended the annual identification¹¹⁰ of Global Systemically Important Insurers (G-SII), approving the holistic framework (HF) developed by the IAIS for the assessment and mitigation of systemic risk in the insurance sector¹¹¹. The FSB will continue to receive the results from the IAIS of its annual monitoring exercise supporting the assessment of possible systemic risk profiles in the insurance industry. The FSB may, in consultation with the IAIS and national authorities and on

¹⁰⁸ Standards aimed 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 IAIG (*Internationally Active Insurance Groups*).

¹⁰⁹ During the monitoring the IAIG send a confidential report to the Authority responsible for supervising the group. Any failure to comply with the ICS during the monitoring will not trigger supervisory action.

¹¹⁰ Already suspended by the FSB in November 2019 pending the results of the first years of implementation of the Holistic framework.

https://www.fsb.org/2022/12/the-fsb-endorses-an-improved-framework-for-the-assessment-and-mitigation-of-systemic-risk-in-theinsurance-sector-and-discontinues-annual-identification-of-global-systemically-important-insurers/

the basis of HF assessments, make public its assessments of the systemic importance of individual insurers and the consistent application of prudential measures. In line with the three-year review of the IAIS methodology, in 2025 the FSB may review the HF-based systemic risk assessment and mitigation process and consider whether to reinstate an updated G-SII identification process.

1.2.1. - First assessment on the implementation of the holistic framework

The holistic framework includes enhanced supervisory measures, the annual monitoring of trends in the global insurance market and the potential systemic risk accumulation as well as the assessment of the full and consistent implementation of supervisory measures in all jurisdictions. The analysis of the degree of compliance with HF standards¹¹², which started in 2020¹¹³, continued in 2022 with a more in-depth assessment of the application of HF requirements and related supervisory practices in 10 jurisdictions, selected for the significance of their insurance markets and the presence of Internationally Active Insurance Groups (IAIGs)(*Targeted Jurisdictional Assessment* – TJA)¹¹⁴. The results of the assessment - coordinated by IVASS - were presented to the FSB¹¹⁵ in December 2022.

1.2.2. - Global monitoring and methodology for calculating systemic risk scores of international groups

In late 2022, the IAIS launched a public consultation on the first three-year review of Individual Insurer Monitoring, the assessment methodology applied annually on an individual basis to monitor insurance market developments and assess systemic risk. The methodology, updated with the results of the consultation, will be implemented from FY 2023.

1.2.3. - Impacts of the discontinuation of the identification of G-SIIs on the proceedings of the Effective Resolution Regime

Following the discontinuation of the identification of G-SIIs, as from 2023 the FSB will publish in the Annual Resolution Report and on its website the list of insurers identified by national supervisors on the basis of the HF and subject to resolution planning and resolvability assessment standards, in line with the Key Attributes of Effective Resolution Regimes for Financial Institutions (KA)¹¹⁶. Should the FSB deem it useful to apply KAs to other systemically important insurance undertakings, including with the help of analyses conducted by the IAIS, it may publicly express its views on the appropriateness of entities subject to KAs. The FSB intends to collect information on the approaches taken by individual jurisdictions and develop guidelines on the application of KAs.

1.3. - Convergence of supervisory practices in the international arena

1.3.1. - Insurance Core Principles and peer review

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 international supervisory standards (*Insurance Core Principles*– ICP) in all jurisdictions and assesses

¹¹² These are 39 standards, 23 related to the Insurance Core Principles and 16 to the ComFrame related to the role of supervisors, their powers of intervention, governance requirements for companies, macro-prudential supervision, planning and crisis management.

¹¹³ Worldwide assessment of the degree of compliance by insurance supervisory authorities in 26 jurisdictions, including IVASS (*BaseLine Assessment*).

¹¹⁴ Jurisdictions chosen based on the amount of premiums written (at least the top six by gross premium volume according to Swiss Re Sigma ranking 2018 data) and with at least two or more IAIG.

¹¹⁵ The report containing the results of the TJA will be made public by the IAIS in 2023.

¹¹⁶ The KAs will continue to apply to any crisis resolution regime and for any type of financial institution (including an insurance company that is systemically significant or critical in the event of bankruptcy), but the applicability of some KAs, specifically targeted at former G-SIIs (KAs 8-11), will depend on the discretion of individual jurisdictions.

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 was concluded in 2022.

1.3.2. - Resolution of insurance companies – LAIS and FSB

In 2022 IVASS continued its participation in the international works of the IAIS and the FSB on insurance entity resolution.

The IAIS has put up for public consultation the Issues Paper on the role and functioning of Policyholder Protection Schemes (PPS) within the framework of insurance crisis resolution, updating a study conducted in 2013 and providing an overview of the functioning of PPS in light of the evolution of resolution regimes. The consultation closed in April 2023.

In January 2022 the FSB launched a public consultation on two documents relating to *Resolution Funding* and *Internal Interconnectedness in Resolution*. In July 2022, it organized a meeting to promote an exchange of views with industry representatives¹¹⁷.

Two documents on the Identification of Critical Functions of Insurers and Group Structures and Resolution tools¹¹⁸ are currently being drafted. The first will describe the criteria adopted in national legal systems to establish the criticality of a function or product or service at the sectoral level, which may affect the resolution plan and actions. The second insight aims to gain a greater understanding of the various existing group structures and their impact on planning and effective crisis resolution. Subsequently, the individual resolution instruments and how they are applied in national frameworks will be examined.

In December 2022, the FSB published the Resolution report, which provides an annual update on the national implementation of the FSB resolution regimes and guidelines on this matter as well as on issues for future consideration.

2. - THE EVOLUTION OF EUROPEAN REGULATIONS

2.1. - Legislative initiatives under discussion or approved

2.1.1. - The DORA Regulation

Regulation (EU) 2022/2554 on the Digital Operational Resilience Act (DORA) for the financial sector was published in the Official Journal of the European Union (OJEU) on 27 December 2022, along with Directive 2022/2556, having the same date, amending the rules on the governance of financial intermediaries to make them consistent with the new ones.

The term digital operational resilience denotes a company's ability to build, secure and review its operational integrity and reliability, ensuring the security of its computer and network systems, directly

¹¹⁷ An excerpt of the main issues discussed during the event is published on the FSB website.

¹¹⁸ Publication is expected in 2023 and in 2024 respectively.

or indirectly, through the use of services offered by third-party information and communication technology (ICT) providers.

The scope of application covers all (re)insurance undertakings with the exception of those not subject to the Solvency II Directive¹¹⁹, as well as (re)insurance intermediaries, including ancillary intermediaries, that are not micro, small or medium-sized enterprises.

The salient points in cyber security are based on ICT risk management, the management, classification and reporting of ICT incidents, basic and advanced testing for digital operational resilience, and the management of third-party ICT risks, including the supervision of currently unsupervised providers of critical ICT services to financial entities.

The implementation of the Regulation, scheduled for 17 January 2025, is subject to the issuing of implementing provisions, on which the ESA Joint Committee is working.

2.1.2. - The revision of Solvency II

In the first six months of 2022 the EU Council reached an agreement on the review of Directive 2009/138/EC (Solvency II), ratified during the EcoFin meeting on 17 June 2022. The text (general approach) illustrates the Council's position for the continuation of negotiations in the trialogue with the European Parliament and the Commission. On 6 June 2022, the draft report for the revision of the same Directive was published by the Committee on Economic and Monetary Affairs (ECON) of the European Parliament, where discussions are ongoing.

Main contents of the Council's general approach on the revision of the Solvency II Directive

The text ratified by the Council is in line with the Commission's proposal, especially with reference to the quantitative requirements of Pillar I. With regard to the Volatility Adjustment, the most widely used countercyclical mechanism in Europe, the proposal to make the adjustment more suitable for mitigating artificial volatility in balance sheets, by revising the conditions for activating the domestic component, a relevant factor for the Italian market, has been accepted with minimal changes.

Compared to the Commission's proposal, the Council differs on: i) proportionality measures, strengthening the powers of the Supervisor and EIOPA; ii) cross-border supervision, raising the quantitative thresholds triggering enhanced cooperation between home and host authorities and weakening EIOPA's intervention powers in these matters; iii) macro-prudential measures (assessment of macro-prudential risks in the ORSA report and in the investment strategy); liquidity risk management plan, the application of which is conditional on a request from the Supervisor; the role of EIOPA (and in some cases the ESRB) strengthened by providing for the drafting of implementation guidelines and standards; iv) emphasis on the concept of collective interest in applying more pervasive measures.

At the centre of the negotiations were issues related to the strengthening of the internal market and cross-border supervision, proportionality and first-pillar measures, in particular for the calculation of technical provisions (extrapolation of the risk-free rate curve and risk margin) and the balance between Directive and Delegated Acts

In 2023, discussions continued in the Expert Group on Banking, Payment and Insurance on the revision of Delegated Regulation (EU) 2015/35¹²⁰, in particular on the quantitative requirements of Pillar I. Negotiations, which are ongoing, have made significant progress, although the agreement

¹¹⁹ Undertakings to which, on the basis of the size requirements set out in Article 4, the provisions of the Directive do not apply.

¹²⁰ An initial revision to Delegated Regulation (EU) 2015/35 on the taking-up and pursuit of the business of insurance and reinsurance (socalled Delegated acts) was made by Delegated Regulation (EU) 2019/981 of 8 March 2019.

among the Member States is conditional on the outcome of the political discussions on the scope of the delegations to be granted to the Commission. In these negotiations, IVASS has provided technical support to the MEF,

2.1.3. - Negotiations on the Directive on Insurance Recovery and Resolution

In December 2022, the EU Council Presidency reached an agreement on the Commission's proposal for a Directive on Recovery and Resolution for the insurance sector, with regard to which IVASS provided technical support to the MEF. The compromise text forms the basis for the negotiation in the trialogue with the European Parliament and the Commission, which is expected by mid-2023. The rules are not expected to come into force until 2025 at the earliest.

Proposal for a Directive (EU) on Recovery and Resolution for the insurance sector

The compromise text adopted by the Council confirms the main contents of the Commission's draft directive, including the objectives and conditions required for a resolution, the establishment of a resolution authority, the requirements for pre-emptive resolution planning and powers, the evaluation process to be carried out in the event of resolution, the resolution of cross-border groups and relations with third countries. Detailed elements and substantial technical changes were introduced. The decision not to introduce Insurance Guarantee Schemes (IGSs) for policyholders is confirmed, even though IVASS has always supported the need for them in all European fora where the issue is discussed.

Compared to the Commission proposal, the Council text departs from it as regards:

- conditions for resolution, introducing among the prerequisites that the undertaking is failing or likely to fail, an additional condition relating to balance sheet insolvency (assets are lower than liabilities);
- scope of pre-emptive planning, reducing the quantitative thresholds of minimum national market coverage level to identify entities subject to recovery and resolution planning requirements;
- partial revision of the definition of critical functions for the application of planning requirements;
- provision for Member States to establish national financing arrangements, including in the form of national IGSs to protect policyholders, with adequate funds to compensate at least policyholders in the event of a breach of the No-Creditor Worse-Off (NCWO) principle in accordance with the mechanism of the home country principle¹²¹. Additional coverage and funding are left to national discretion;
- technical amendments to the regulation of individual resolution tools to facilitate their use. For Write-Down
 and Conversion tools (WDCI), the power to convert insurance claims has been introduced and the list of
 mandatory exclusions has been extended. The intervention of IGSs in the resolution process has been
 enhanced;
- obligation in the presence of banking-insurance conglomerates to coordinate the resolution of insurance companies with that of banks;
- introduction of a review clause, whereby, no later than 5 years after the entry into force of the Directive, the Commission will have to assess the state of implementation of the rules, in particular of the provisions on financing arrangements, reporting to the Parliament and the Council.

2.1.4. - Negotiation on the Directive on the distance selling of financial services

On 11 May 2022, the European Commission presented a proposal for a review of the Directive on the distance selling of financial services (*Distance Marketing of Consumer Financial Services Directive* –

¹²¹ This is the principle that no creditor may receive less from the resolution proceedings than it would have received had normal domestic insolvency proceedings been applied.

DMFSD) amending Directive 2011/83/EU (*Consumer Rights Directive* – CRD), by inserting a specific chapter relating to contracts concerning financial services.

The proposal aims to simplify and innovate the regulatory framework, taking into account the digital environment and innovations in the distance selling of financial contracts. The draft directive provides special safeguards for pre-contractual information and the regulation of the right of withdrawal for financial services sold at a distance that are not yet covered by European sectoral regulations. It regulates aspects of particular importance to the insurance industry, given the increasing significance of product placement via remote channels, aided by artificial intelligence (chatbots and roboadvising).

IVASS provided technical support to MIMIT in the negotiations that started at the EU Council in June 2022 and ended with the adoption of the general approach in March 2023.

2.1.5. - The Retail Investment Strategy

Within the framework of works of the Capital Markets Union 2020 Action Plan, which envisaged the publication of a Strategy for Retail Investment, on 24 May 2023 the European Commission adopted a legislative proposal¹²² which envisages measures to facilitate and encourage retail consumers' access to the single market for financial services, largely based on the technical opinions of EIOPA, ESMA and the ESA *Joint Committee*.

The package is made up of a draft Omnibus Directive amending the IDD and MIFID Directives (and, to a lesser extent UCITS, AIMFD and Solvency II) and a draft Regulation amending the PRIIP Regulation.

The Omnibus Directive considers the advice issued by EIOPA¹²³ in April 2022 and partially incorporates its contents on disclosure, incentives, POG and value for money requirements, suitability assessment, and financial education, while innovating on the topics of cross-border supervision (establishment of collaboration platforms by analogy with Solvency II) and marketing communications (obligations and responsibilities on distributors on marketing practices and communications). The provisions on POG (introduction of new requirements for manufacturers and distributors to ensure adequate VfM of products), those on inducement (introduction of customer best interest requirements), the rationalisation of customer information documentation, and the raising of professional requirements for distributors are among the most significant innovations.

The amendments in the proposed Regulation modifying the PRIIP Regulation largely take over the contents of the advice issued by the three ESAs in April 2022. The main changes include: disclosure in digital format and the possibility of adopting a layering approach; introduction of a specific section of the KID dedicated to product sustainability profiles; methods for the presentation of costs for multioption products; removal of the comprehension alert.

Compared to 2021 the market value of investments for contracts other than *unit* and *index-linked* was down 16.4%. Best-estimate provisions for life insurance contracts (excluding linked policies), which were also strongly affected by rising rates, fell by 18.4%.

¹²² https://finance.ec.europa.eu/publications/retail-investment-package_en

¹²³ IVASS Annual Report 2021, Box CMU and Retail Investment Strategy: https://www.ivass.it/pubblicazioni-estatistiche/pubblicazioni/relazione-annuale/2022/Relazione_IVASS_sul_2021.pdf.

2.1.6. - Negotiation on the Artificial Intelligence Act

Negotiations on the draft European Regulation on Artificial Intelligence (Artificial Intelligence Act - AI Act) were concluded successfully on 6 December 2022 with an agreement among the Member States on a compromise text. We are awaiting the approval of the Parliament, which is expected on 12 June. to proceed with the trialogue between the Commission, the Council, and the Parliament.

The text proposed by the Council maintains the risk-based approach proposed by the Commission and confirms the horizontal nature of the Regulation, while introducing modifications to the definition of artificial intelligence, classification and requirements for high-risk AI systems, conformity assessment and market surveillance, transparency, and innovation-supporting measures.

With regard to the insurance sector, in accordance with the position of IVASS, references to the Solvency II and IDD Directives have been added in order to better coordinate the sectoral legislation with the general discipline introduced by the Regulation. The text classifies as high risk the systems used by the insurance industry for risk assessment and pricing of life and health insurance products for natural persons¹²⁴.

2.2. - The European Supervisory Authorities

2.2.1. - Consumer protection

The work of the EIOPA Committee on Consumer Protection and Financial Innovation (CCPFI), chaired by IVASS, led to the drafting of documents aimed at the convergence of market conduct supervision and guidance for the industry.

The Institute contributed to the EIOPA Guidance on the integration of customers' sustainability preferences in the suitability assessment for IBIP¹²⁵, participated in the Thematic Review on consumer risks arising from the distribution of insurance products in combination with credit products¹²⁶ (see box) and collaborated on a document on travel insurance policies (*Warning to the travel insurance industry*)¹²⁷ based on a previous review.

The Institute participated, as it does every year, in the preparation of the 11th Consumer Trends Report¹²⁸ and in the drafting of the fifth EIOPA report on the costs and performances of long-term retail investments and pension products¹²⁹, containing a verification of the transparency and comparability of the products, to the benefit of consumers. It is involved in the mystery shopping activities coordinated by EIOPA and in the definition of methodologies for the manufacturers' assessment of the value for money of unit-linked and hybrid products¹³⁰. Q&A were drafted to facilitate

¹²⁴ With the exception of insurance products purchased by micro and small businesses for their own use.

¹²⁵ https://www.eiopa.europa.eu/system/files/2022-07/guidance_on_integration_of_customers_sustainability_preferences_under_idd.pdf

¹²⁶ https://www.eiopa.europa.eu/eiopa-calls-better-value-money-bancassurance-warning-banks-and-insurers-2022-10-04_en

¹²⁷ https://www.eiopa.europa.eu/system/files/2019-12/eiopa_supervisoryresponsetotindingsofthematicreviewtravelinsurance_oct2019.pdf

¹²⁸ https://www.eiopa.europa.eu/publications/consumer-trends-report-2022_en

¹²⁹ https://www.eiopa.europa.eu/system/files/2023-01/costs_and_past_performance_report_2023_0.pdf

¹³⁰ https://www.eiopa.europa.eu/eiopa-issues-its-methodology-assessing-value-money-unit-linked-market-2022-10-31_en

convergence in the interpretation of EU regulations on insurance distribution and in the exercise of the national supervision.¹³¹.

IVASS contributed to the drafting of the third EIOPA report on administrative sanctions and other measures imposed by national authorities for the violation of national provisions implementing the IDD¹³² and is involved in the second report on the application of the IDD to be submitted to the Commission in early 2024. IVASS contributed to the EIOPA Supervisory Statement on exclusions in insurance products related to risks arising from systemic events, on exclusions from insurance coverage, starting with the pandemic and ending with exclusions due to exceptional and unforeseeable events¹³³ and collaborated in the Supervisory Statement on Differential Pricing Practices in non-life insurance lines of business, on non-life policy price differentiation practices that may harm loyal or vulnerable customers.

The Institute participates in the work of the Conduct Suptech, aimed at developing a centralised database for the use of the KID data on PRIIP for supervisory purposes. It also contributed to the consultation document¹³⁴ on the regulatory technical standards for adjusting the amounts of the minimum amounts of cover for professional indemnity insurance and the financial capacity of intermediaries, as envisaged by the IDD as a result of the changes in consumer prices published by Eurostat.

Thematic Review EIOPA on mortgage life and other credit protection sold through banks

The Institute participated in the thematic review carried out at European level on the risks to the consumer arising from the distribution of insurance products in combination with credit products. EIOPA published the results of the survey on a sample of banks and insurance companies, noting the following critical issues:

- limited choice for the consumer; 83% of banks associate the insurance policy with the primary credit product, thus limiting the consumer's ability to choose a policy from a different provider;
- non-homogeneity of the product; coverage, exclusions and product design vary widely between credit
 protection policies, making comparison and use of other providers difficult; the policy premium for the same
 consumer and a mortgage of the same amount and duration can vary considerably from one bank to another;
- limits on withdrawal or "switch"; 43% of companies indicate that in order to exercise the right of withdrawal, the consumer must reach an agreement with the bank, request its consent and meet certain conditions, frequently because these are collective policies where the bank is the policyholder and which were designed based on the bank's requests.
- conflicts of interest due to high profitability; a significant part of the premiums paid by consumers remunerates banks for the sale of credit protection policies, against a low claim ratio in the three-year period 2018-20; the claims paid are less than 30% of the premiums underwritten¹³⁵;
- some credit protection products provide for the payment of a single premium (32% of policies on mortgages,
 51% on consumer credit and 18% on credit cards), which is sometimes financed together with the loan and

¹³¹ The replies provided by EIOPA are not binding for the member states, which maintain discretion on the implementation of EU legislation.

https://www.eiopa.europa.eu/system/files/2022-12/annual_report_idd_sanctions_2021.pdf
 https://www.eiopa.europa.eu/system/files/2022-

^{09/}supervisory_statement_on_exclusions_related_to_risks_arising_from_systemic_events.pdf

¹³⁴ https://www.eiopa.europa.eu/consultations/consultation-draft-amending-regulatory-technical-standards-adapting-base-euro-amountsprofessional_en

¹³⁵ 74% of the banks in the sample stated that they had no cost allocation model for credit protection products; they did not provide an estimate of the part of the remuneration that could be used to cover distribution costs.

is therefore interest-bearing; this represents a critical issue in the event of early repayment, transfer to another lender or cancellation of the policy;

 close interconnections between companies and banks; 63% of the companies in the sample have close links with banks, with risks of conflicts of interest. In such cases, the fees for the banks are higher, as is the revenue generated by the distribution of policies compared to that for the granting of credit.

EIOPA issued a warning to insurers and banks authorised to distribute insurance products regarding critical issues¹³⁶, urging compliance with the IDD and POG requirements. The Institute cooperates with EIOPA and the Bank of Italy for actions vis-à-vis the market and outliers.

2.2.2. - The call for advice on securitisation

In 2022, IVASS participated in the EIOPA work on drafting the technical opinion in response to the Commission's Call for Advice on the revision of the prudential framework for securitization¹³⁷. Based on the data from a sample of European companies and on feedback received, the technical opinion - adopted in December 2022 - suggests no changes to existing standards¹³⁸.

2.2.3. - EIOPA initiatives on the convergence of supervisory practices

EIOPA annually publishes the supervisory convergence plan. Priority areas are identified using an approach based on risk and on the impact on policyholders and financial stability, in terms of how this may affect the fairness, level playing field, or proper functioning of the internal market while avoiding arbitrage and substantial divergence in supervision.

The 2022 EIOPA areas of interventions, in which the Institute participated, include:

a) Supervisory statement on the supervision of run-off undertakings (7 April 2022)

The document is aimed at ensuring harmonized and high-quality supervision of undertakings in run-off, taking into account specific risks and the proportionality and prudent person principles. The paper defines supervisory expectations in the context of portfolio transfers, acquisitions of qualifying holdings, mergers and supervision.

b) Supervisory statement on exclusions in insurance products related to risks arising from systemic events (22 September 2022)

The document aims to ensure the comprehensibility of insurance coverage and limit the risk of products covering systemic risks becoming unaffordable or unavailable if revised as a result of such events. The document covers aspects related to transparency and clarity of information as well as those related to product supervision and governance.

¹³⁶ https://www.eiopa.europa.eu/system/files/2022-09/10.0_eiopa-bos-22-434-warning-to-insurers-and-banks-on-credit-protectioninsurance.pdf

¹³⁷ The request was to assess the effect of the changes in the rules on capital requirements (for banks and insurance companies) and liquidity (for banks) against the original objective of contributing to the healthy revival of securitisation in the European market in a prudent manner. The request is part of the Commission's commitments in relation to the Capital Market Union (CMU).

¹³⁸ The opinion, published on 12 December 2022, concluded that the Solvency II regime does not seem to affect the reduced securitisation of EU insurers. As regards the consistency of calibration methods in the insurance and banking frameworks, it should be noted that, although changes are possible, their effectiveness in revitalising the securitisation market remains uncertain and could lead to increased complexity.

c) Supervisory statement on the management of non-affirmative cyber exposures (22 September 2022)

Given the increasing significance of IT incidents in the financial sector, the document draws the attention of national authorities to the supervision of cyber risk. Undertakings are expected to investigate, and supervisors to ascertain, the impact of "non-affirmative" or "silent" cyber risk, i.e. potential exposures hidden in existing contracts and not explicitly allowed for or ruled out, from the aspect of corporate strategy and governance, underwriting practices, and risk management and mitigation, taking into account scenarios on hacker threats. Companies with significant exposure to silent cyber risk and without a plan for its identification and management should be subject to closer supervisory scrutiny.

2.2.4. - Joint Committee of the European Supervisory Authorities

In 2022 the cooperation forum between the ESAs (Joint Committee) focused its attention on sustainable finance (Chap. III.3.4.3), on *Packaged Retail Investment and Insurance-based Investment Products* (PRIIP), on financial education, financial conglomerates and the DORA Regulation (Chap. III.2.1.1).

With regard to PRIIPs, following the Joint Committee's issuance of technical advice to the Commission on aspects related to Regulation (EU) 2014/1286¹³⁹, work focused on updating the Q&A¹⁴⁰ to the new regime applicable from January 1, 2023 as a result of the amendments made to Delegated Regulation (EU) 2017/653 by Delegated Regulation 2021/2268. The date of application pursuant to Article 18(3) of the aforementioned Regulatory Technical Standards (RTS) 2017/653 has been aligned with the end of the transitional UCIT¹⁴¹ exemption scheduled for 31 December 2022.

On the subject of financial education, the Joint Committee ESAs thematic report on financial education initiatives on digitalization, with a focus on cybersecurity, scams and fraud¹⁴², was published, which illustrates the implementation in the various countries of education initiatives on digitalization, with a focus on cybersecurity, scams and fraud. As a result of the insights gained during the COVID-19 pandemic, it was deemed necessary to address the new risks, such as vulnerability and exclusions, associated with the use of digital technology for financial services. The Report provides insights for NCAs in financial education initiatives.

With reference to the DORA Regulation, the Sub-Committee on Digital Operational Resilience (JC SC DOR) was established to support ESAs and the Committee in fulfilling policy mandates. 40 national authorities are participating (including IVASS, the Bank of Italy, and CONSOB), the SSM, ESAs, and, as observers, ENISA, ESRB, the Commission, ECB, and SRB.

By the end of 2024, the JC SC DOR must finalize the preparation of all the documents required by the Regulation or the Commission (Chap. III.2.1.1) to enable the implementation of the same from

¹³⁹ IVASS Annual Report 2021, Box CMU and Retail Investment Strategy, https://www.ivass.it/pubblicazioni-estatistiche/pubblicazioni/relazione_annuale/2022/Relazione_IVASS_sul_2021.pdf

¹⁴⁰ https://www.eiopa.europa.eu/system/files/2022-12/jc_2022_69_priips_qa_update_december_2022.pdf

¹⁴¹ The UCIT transitional regime, which was provided for on a transitional basis until 31 December 2022 under Article 32 of PRIIP Regulation 2014/1286, exempted management companies, investment companies and persons providing advice on units in undertakings for collective investment in transferable securities from the obligations to prepare and deliver the KID PRIIP, taking into account the similar KID preparation and delivery obligations under the UCIT Directive.

¹⁴² The Report is based on the analysis of 127 financial education and digitization initiatives of national authorities. The report and database of initiatives are available at the link https://www.eiopa.europa.eu/publications/esas-thematic-report-national-financial-education-initiativesdigitalization-focus-cybersecurity_en.

January 17, 2025. The mandate includes preparatory work for the gradual development of an effective European response in the event of a serious cyber incident or significant threat impacting the stability and integrity of the European Union's financial system.

In addition to handling the annual update of the list of financial conglomerates with a parent company in the European Economic Area (EEA), the Committee continued the discussion on harmonised reporting templates for supplementary supervisory information on capital adequacy. On 14 December 2022, the Commission issued an implementing regulation containing technical standards for the harmonised reporting of information on risk concentrations and intra-group transactions at the financial conglomerate level¹⁴³, with effectiveness from 31 December 2023.

3. - THE EVOLUTION OF NATIONAL REGULATIONS

3.1. - The transposition of EU regulations

3.1.1. - Motor Insurance Directive

Directive (EU) 2021/2118 of the European Parliament and of the Council of 24 November 2021 amending Directive 2009/103/EC relating to motor liability insurance was published in the OJEU on 2 December 2021. This Directive introduces minimum protection of parties injured as a result of traffic accidents across the Union and ensures compensation in case of insolvency of insurance undertakings through a compensation body.

Furthermore, the directive: *i*) limits the perimeter of the insurance obligation in line with EU case law; *ii*) integrates the notion of "vehicle"; *iii*) introduces a definition of "use of a vehicle" linked to the vehicle's function as a means of transport; *iv*) 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 this obligation for vehicles withdrawn from circulation temporarily or permanently, subject to a formal administrative procedure or other equivalent procedure in national law; *v*) introduces the cross-border recognition of claims history statements, *vi*) regulates independent price comparison tools.

The Institute provided the MIMIT with its technical input on the potential changes to the Road Code and the CAP resulting from the transposition of the Directive.

The general deadline for transposition is December 23, 2023, which can be extended to June 23, 2023 with reference to the allocation to a (new or existing) body of the tasks of compensating, in the case of insolvency of the insurance undertaking, parties injured as a result of accidents also when the accident has occurred in a Member States other than their Member State of residence and of entering into agreements with the corresponding bodies in other states. In connection with the June deadline, and in accordance with IVASS proposal, the Government submitted a draft Legislative Decree (Government Act No. 28) to Parliament. This authorises CONSAP, as manager of the Guarantee Fund for Victims of Road Accidents and the Italian compensation body, to compensate injured parties and to enter into agreements with the corresponding European bodies, pursuant to Articles 10-bis and 25-bis of the Directive. The Legislative Decree has been approved and is awaiting publication in the Official Journal.

¹⁴³ EUR-Lex - 32022R2454 - EN - EUR-Lex (europa.eu).

3.2. - National initiatives to support ministries

3.2.1. - Insurance Arbitrator

The collaboration with the competent Ministries continued for the definition of a legal framework for the out-of-court dispute resolution system in the insurance sector, 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). On 7 February 2023, the Council of State delivered an interlocutory opinion¹⁴⁴. Suitability of corporate officers and those who perform key functions.

The MiSE Decree no. 88 of 2 May 2022 has implemented article 76 of the CAP on the eligibility requirements for corporate officers and persons involved in the key functions of insurance companies, reinsurance undertakings and ultimate Italian parent companies. The Ministerial Decree, defined in close cooperation with IVASS, repealed the MiSE (Ministry of Economic Development) Decree No. 220 of 11 November 2011, with the exception of the provisions relating to the requirements for holders of shares in insurance or reinsurance undertakings, the full definition of which is delegated by primary legislation to MiSE (now MIMIT- Ministry of Enterprise and Made in Italy), after consulting IVASS.

The Ministerial Decree lays down rules on: *i*) objective and mandatory requirements of professionalism, integrity and independence; *ii*) criteria of competence and correctness: *iii*) limits to carrying on a plurality of tasks simultaneously and availability of the time necessary to efficiently carry out the role assigned *iv*) the self-assessment by the company's administrative and control bodies on their adequate composition, which shall progressively take into account the minimum quota of 33% for the least represented gender, including, for the administrative body and the internal board committees only, the quota of independent directors, the definition of which has been deferred to the implementing provisions on corporate governance issued by IVASS. Provisions will be made for representatives of local insurance companies, particular mutual insurers and undertakings adopting alternative governance systems.

The Decree applies to appointments and renewals after 1 November 2022, the date of its entry into force. For holders of key functions in office on that date, evaluations are carried out within six months after the two-year period from the date of its entry into force has elapsed.

The adoption of these rules represents a significant step towards strengthening the governance requirements of insurance companies by enabling a more structured assessment and process of the suitability of senior executives as a safeguard for sound and prudent management.

3.2.2. - Regulation on PEPP

Regulation (EU) 2019/1238 governs the *Pan-European Personal Pension Product* (PEPP), a voluntary long-term individual pension product, characterised by a system of full portability within the borders of the European Union, as it grants savers the right to continue contributing into their existing PEPP account, also when changing their residence to another Member State. Member States are given the task of defining different regulatory options concerning the conditions for accumulation and payment of benefits (age limits, minimum duration, request for advances, etc.), the supervisory set-up, labour

¹⁴⁴ The request for opinion had been forwarded by the Ministry of Enterprises and Made in Italy, in a note dated January 25, 2023.

law and the tax regime, whereby the same treatment as for national individual pension products is desired.

On 3 August 2022, by way of implementation of the guiding principles and criteria set forth in Law No. 53 of 22 April 2021 (European Delegation Law 2019-2020), Legislative Decree No. 114 was issued. It identifies the competent national authorities for the purposes of the performance of the supervisory activities provided for by Regulation (EU) 2019/1238 and the exercise of the relevant sanctioning powers, based on the nature of the PEPP, consistent with the division of competences provided for, at the national level, between COVIP (Commissione di Vigilanza sui Fondi Pensione - Pension Fund Supervisory Commission), the Bank of Italy, CONSOB and IVASS.

In accordance with the recommendation of EU legislators, the Legislative Decree assigns PEPPs the same tax treatment as supplementary pension schemes.

3.2.3. - The Decree implementing the Procurement Code and the Decrees implementing the regulations on properties still under construction

a) The Decree implementing of the Public Procurement Code

At the end of an extensive consultation procedure, the MiSE Decree No. 193 of 16 September 2022¹⁴⁵ was adopted, containing the model templates for suretyship guarantees and for general liability policies to be used in public tenders, referred to in Legislative Decree No. 50 of 18 April 2016 (Public Procurement Code). The Ministerial Decree consists of two Sections: the first, on suretyship guarantees, confirms the substantive regulation provided for by the MiSE Decree No. 31 of 19 January 2018 implementing Articles 103(9) and 104(9) of the original Procurement Code; the second concerns general liability insurance coverage.

b) Decrees implementing the regulations on properties still under construction

In 2022, two ministerial regulations were issued to protect purchasers of real estate under construction, thereby filling a legislative gap. IVASS participated in the technical round table at the Ministry of Justice and contributed to the drafting of the decrees. Specifically:

with Ministerial Decree No. 125 of 6 June 2022, the Minister of Justice, in agreement with the Minister of Economy and Finance, approved the standard model of suretyship policy relating to the transfer of ownership or other real right to use a property under construction pursuant to Article 3(7-bis) of Legislative Decree No. 122 of 20 June 2005¹⁴⁶, as amended by Article 385 of Legislative Decree 14/2019 (business crisis and insolvency code). The most important aspect of the new rules is the obligation for the builder to enter into and deliver to the purchaser, before or upon the conclusion of a contract for the non-immediate transfer of ownership or another right to use the property, a suretyship of an amount equal to the sums or value of any other

¹⁴⁵ Ministerial Decree No. 193/2022, published in the Official Journal on 14 December 2022, provides that the suretyship guarantees and insurance coverage provided for in Articles 24(4), 35(18), 93(1), 103(1), (6), (7), and 104(1) of Legislative Decree No. 50/2016, must conform to the model schemes provided for in Annex A. In order to simplify the procedures, bidders and contractors must, therefore, provide the contracting authority with the data sheets contained in Annex B. In the transitional provisions, the Ministerial Decree stipulates that the Regulation must be applied to procedures and contracts for which the calls or notices announcing the tender procedure were published after the date of its entry into force (29 December 2022) and, in the case of contracts without publication of calls or notices, if invitations to submit tenders have not yet been sent.

¹⁴⁶ Legislative Decree No. 122 of 20 June 2005 lays down provisions for the protection of property rights of purchasers of property still under constructions, pursuant to Law No. 210 of 2 August 2004, which delegates the Government to issue provisions on the subject.

consideration that the builder has collected or has yet to collect in accordance with the terms and conditions of the contract;

 Ministerial Decree No. 154 of 20 July 2022 regulates the content and characteristics of the tenyear subsequent general liability insurance policy for the benefit of the purchaser of a property under construction and the relevant standard model pursuant to Article 4(1) of Legislative Decree No. 122/2005¹⁴⁷.

3.2.4. - Anti-mine Law

Coordination with the Bank of Italy and COVIP continued in 2022 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.

As a result of amendments to the original text, insurance and reinsurance companies were included in the scope of the law; the obligation to publish the list of companies carrying out the prohibited production activities was also removed.

As the supervisory body for the intermediaries' activities subject to this financing ban, IVASS has collaborated with the Bank of Italy, COVIP and MEF in drafting instructions for the exercise of enhanced controls on the operations of licensed intermediaries supervised by them. The document was submitted for public consultation on 28 April 2023.

3.3. - Other regulations and interventions

3.3.1. - Accounting initiatives

a) Statutory Financial Statements (Local Gaap)

Decree-Law No. 73 of 21 June 2022, converted with amendments by Law No. 122 of 4 August 2022 (Simplification Decree 2022) provided measures for companies using local Generally Accepted Accounting Principles (*local gaap*). Article 45(3-octies to 3-decies) permits the temporary and exceptional suspension of capital losses on securities in the held-for-trade portfolio by valuing them at their 2021 balance sheet value, but restricts the distribution of profits up to the amount of the non-write-down by providing for an unavailable reserve. To cope with the financial turmoil of 2022, this provision can be extended depending on the changing environment.

In accordance with Article 45(3-novies) of the Simplification Decree, IVASS regulated the operating procedures for insurance companies in Regulation No. 52 of 30 August 2022, establishing

¹⁴⁷ In particular, Article 4 provides that the ten-year subsequent general liability policy must be taken out by the builder in favour of the purchaser of the property under construction and delivered at the same time as the deed of sale, under penalty of nullity of the contract, which can only be invoked by the purchaser. The policy takes effect from the date of completion of the works in such a way as to cover material and direct damage to the building, including damage to third parties (for which the builder is liable under Article 1669 of the Italian Civil Code) deriving from total or partial ruin or from serious construction defects of the works, due to a defect in the ground or a defect in the construction, and in any case manifested after the final purchase or assignment contract has been stipulated.

that, if said companies avail themselves of this option, they must submit additional information to IVASS and be subject to governance¹⁴⁸ and public disclosure requirements¹⁴⁹.

The lawmakers once again intervened on Article 45(3-decies) of the 2022 Simplification Decree when converting the so-called Aid Decree *quater*¹⁵⁰, allowing only insurance companies to deduct, from the unavailable reserve, the portion of the non-write-down of securities attributable to policyholders for the current fiscal year and up to five subsequent fiscal years. The amendment binds a smaller portion of a company's assets, potentially permitting a higher distribution of profits.

The entry into force of the amendment called for IVASS' intervention on Regulation 52/2022 to ensure that the distribution of profits complied with specific governance safeguards, the representation of Solvency II technical and capital provisions, and in accordance with forward-looking financial and solvency commitments.

b) Accounting standard IFRS 17

As of 1 January 2023, the international accounting standard IFRS 17 "Insurance Contracts", which has replaced the IFRS 4 with the same name, has come into force. From the same date, almost all Italian insurance companies has applied accounting standard IFRS 9 'Financial Instruments' for the first time, instead of IAS 39 "Financial instruments - recognition and measurement". The adoption of IFRS 17 completes the IAS/IFRS accounting framework for the insurance world.

With Order No. 121 of 7 June 2022, IVASS updated Regulation 7/2007 and its annexes to transpose IFRS 17, particularly with regard to the presentation and disclosure of accounting items relating to insurance contracts. The intervention is part of the powers in the field of insurance financial statements attributed to IVASS by the Italian law.

The changes introduced take into account the proportionality required by Article 191(2) of the CAP and the need to improve financial reporting for the benefit of users. They promote information transparency and ensure an adequate level of comparability of insurance data.

On this occasion, the content of the notes on the accounts was reorganised with the aim of making the financial statements more intelligible by rationalising the information provided directly by the companies and that requested by IVASS.

The enactment of the accounting standard IFRS 17 and the definition of a comprehensive framework for the preparation of IAS/IFRS financial statements provide the basis for a concrete response to the need to simplify and rationalise the complex framework of accounting regimes applicable to insurance companies¹⁵¹, which has for a long time been to the attention of IVASS.

In order to gather views from stakeholders regarding a regulatory intervention targeted at aligning statutory financial statements with IAS/IFRS rules, IVASS organised the seminar "The Review of Insurance Financial Statements: Opportunities and Challenges", attended by speakers from MIMIT,

¹⁴⁸ Resolution of the administrative body and report of the heads of the risk management and actuarial functions.

¹⁴⁹ Management report and explanatory notes to the financial statements.

¹⁵⁰ Decree law n. 176 of 18 November 2022, converted, after amendment, by law n. 6 of 13 January 2023.

¹⁵¹ Insurance and reinsurance undertakings, both listed and unlisted, draw up their financial statements based on national accounting rules, except for those which issue financial instruments admitted to trading on regulated markets of any EU member State and do not draw up consolidated accounts, which draw up their financial statements in compliance with the IAS/IFRS international accounting standards.

MEF, CONSOB, Organismo Italiano di Contabilità (the Italian Accounting Standards Setter), Assirevi (the Italian association of auditing firms), industry and academia. Following the seminar, MEF initiated contact with the insurance industry and IVASS in order to establish a round table to define shared changes to the regulatory framework.

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

In 2022, five opinions were issued to the OIC in connection with new national accounting standards or amendments to existing standards.

d) Other initiatives

The Institute provided support to the MEF (Ministry of Economy and Finance) in the preparation of the meetings of the *Accounting Regulatory Committee* (ARC) and in the official translation into Italian of the international accounting standards transposed by the EU.

3.3.2. - The revision of the regulations on life products

The public consultation on the revision of the regulation of life insurance contracts was conducted from March to June 2022, with reference to the proposed regulation of unit-linked products and the discussion paper on life products.

The contributions from stakeholders, particularly market participants, both domestic and foreign, were numerous and showed interest in the particulars of the implementation of the new provisions. IVASS is committed to reviewing feedback in order to define a discipline that achieves a balance between consumer protection and market demands through an open and transparent process.

The provisions are aimed at rationalization and greater cost transparency to preserve the value of the insurance product over time, taking 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.

In view of a broader review of the regulations concerning life products, IVASS has made available for public consultation a document containing the assumptions and topics of interest for a reform of this sector.

The proposed topics include the separately managed accounts to which traditional class I policies are linked (to make the profit fund mechanism introduced in 2018 entirely effective), the coverage of demographic risk for class III products (to revitalise the insurance content of linked products) and life products (to expand the insurance market's offering based on the European experience).

The discussion paper, which was ground breaking for IVASS and well-received by the academy, made it possible to obtain valuable feedback to steer future regulatory interventions well in advance.

In October 2022, IVASS received the award for the best "Assessment and consultation" in the contest organized by the Jean Monnet Chair on *EU Approach to Better Regulation* at LUMSA University, in collaboration with the AIR Observatory and under the patronage of the Minister for Public Administration and the OECD. It was recognized that the practice of early consultation with respect to the regulatory process follows international and European guidelines and can be easily replicated in other administrations.

3.3.3. - Regulation on mystery shopping

With IVASS Regulation No. 53 of 30 August 2022, whose public consultation closed in April 2022, the provision of the Consumer Code¹⁵² was implemented, which extends the powers of investigation and intervention, contemplated by the European legislation, to the hypothesis of domestic infringements and allows national Authorities to carry out *mystery shopping*¹⁵³, availing 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 detailed provisions enable mystery shopping to support supervisory action on the market conduct of insurance companies and intermediaries by regulating the following: *i*) the identification by IVASS, in the deed of appointment, of the purpose and the objective and subjective scope of mystery shopping; *ii*) the requirements of professionalism, experience and independence of the external staff, so as to safeguard the quality and reliability of this activity, with the specific definition of the parameters for conducting said assessment; *iii*) the determination of the tasks of the external staff, ensuring adequate quality standards as well as confidentiality and professional secrecy, including on the part of employees and collaborators; *iv*) the manner in which remuneration is to be determined, by reference to market criteria and in such a way that it ensures the required quality standards and is unconnected with the outcome of the checks carried out.

3.3.4. - The Regulation on the adoption of IVASS' regulatory acts

Regulation No. 54 of 29 November 2022 revised the discipline of procedures for the adoption of IVASS' regulatory and general acts¹⁵⁴. The provisions repealed IVASS Regulation No. 3 of 5 November 2013, implementing the provisions of the Law on the protection of savings, in light of the growing influence of European institutions on the production of insurance regulations and the close cooperation between national authorities.

The objectives are to enhance the efficiency of IVASS' regulatory activity by streamlining and simplifying the rules and to increase the effectiveness and quality of the solutions developed by employing tools that promote the transparency of regulatory options and the participation of stakeholders in the regulatory production process.

The Regulation has: *i*) defined the scope more precisely; *ii*) extended IVASS' power to derogate from procedural provisions in order to avoid inefficient procedural duplication; *iii*) enhanced the principles in the Law on the protection of savings for greater efficiency in the regulatory production process, including with regard to procedural participation of stakeholders; *iv*) established a deadline of sixty days from the start of the consultation, unless IVASS indicates otherwise, to assure the consistency in the conclusion of the procedures.

In accordance with the principle of transparency in consultation procedures, IVASS is expected to publish the methods and procedures used to conduct the AIR (Analisi dell'Impatto della Regolamentazione - regulatory impact analysis) and VIR (Verifica dell'Impatto della Regolamentazione

¹⁵² Art. 144-bis of the Consumer Code, aimed at adapting national provisions to Regulation (EU) 2017/2394 (Consumer Protection Cooperation Network, CPC).

¹⁵³ Regulation EU CPC sets out, in article 9, paragraph 3, specific powers of investigation, including the power to purchase goods or services as test purchases, where necessary, under a cover identity, in order to detect infringements covered by this Regulation (power of *mystery shopping*).

¹⁵⁴ Article 23 of Law No. 262 of December 28, 2005, introduced a general and uniform regime for regulatory proceedings under the jurisdiction of IVASS and other financial sector supervisory authorities to ensure uniform protection for savers.

- regulatory impact assessment), which have been developed in line with the highest national and international standards and practices.

3.3.5. - Orders regarding domains and the new RUI

In 2022, IVASS intervened on insurance distribution Regulation 40/2018. It did so in an effort to revise the provisions regarding the professional requirements of insurance intermediaries, the promotion and distance marketing of insurance contracts, and the procedures for accessing and managing the RUI (Registro Unico degli Intermediari - Single Register of Intermediaries).

In June 2022, a public consultation¹⁵⁵ was launched on the amendments to the provisions on professional requirements. This concerned the possession of an educational qualification of at least upper secondary level, or a foreign educational qualification, and the introduction of an obligation for intermediaries¹⁵⁶ to notify IVASS of the domain and any internet sub-domain used for the promotion and placement of insurance contracts or just for the promotion of insurance contracts. As a result of the public consultation, IVASS Order No. 128 of 20 February 2023 (Domain Order) was adopted.

In order to optimise the management of the RUI as required by the digital administration code¹⁵⁷, and in line with the provisions of Article 109-bis(1-ter) of the CAP, a RUI web portal application will be adopted to enable operators to make requests for registration, modification and removal with access via SPID (Sistema Pubblico di Identità Digitale - public digital identity system), the CNS (Carta Nazionale dei Servizi - national services card) or the CIE (Carta d'Identità Elettronica - electronic identity card). Some activities can be directly completed by those authorised to operate on the site, without the obligation to sign the document of interest electronically, while others will require validation by IVASS. The proposed changes were subject to public consultation, which ended on 2 May 2023¹⁵⁸.

3.3.6. - Amendments to the Regulation on technical provisions

Between December 2022 and February 2023, public consultation was held on amendments to IVASS Regulation No. 18 of 15 March 2022 concerning the application rules for determining technical provisions under Article 36-bis of the CAP. The revision of the Regulation is aimed to bring IVASS's regulations fully in line with the EIOPA guidelines on the valuation of technical provisions and on contract boundaries, published on 6 July 2022 and in force since 1 January 2023.

3.3.7. - Further regulatory measures

In May 2022, Regulation No. 50/2022 was published, introducing the obligation also for nonlife insurance companies to report to IVASS data and information on an annual basis on premiums collected through individual intermediaries or without any mediation.

Regulation No. 51/2022 was published in June 2022. It governs the operation of the online information comparison service for motor liability tariffs, called Preventivass. The second public

¹⁵⁵ Consultation Paper 7/2022.

¹⁵⁶ The obligation applies to intermediaries registered with the RUI or included in the attached List. With regard to the intermediaries included in section D of the Register, the obligation applies to insurance contracts other than insurance-based investment products IBIP.

¹⁵⁷ Legislative Decree No. 82 of 7 March 2005.

¹⁵⁸ Consultation Paper 2/2023.

consultation, launched after the receipt of numerous and substantial comments from stakeholders during the first consultation, closed on April 16.

3.3.8. - Frequently Asked Questions

IVASS continued to provide interpretative and applicative support on insurance distribution regulations. In April 2022, IVASS published additional clarifications¹⁵⁹ on Regulation No. 40/2018 concerning the professional requirements of intermediaries and possession of the educational qualification, with reference to the modifications introduced by IVASS Order No. 97/2020 and the related transitional regulation; the fulfilment of the obligation to keep the documentation pursuant to Article 67 of IVASS Regulation No. 40/2018 by distributors by means of storage with a third party; the prerequisites for the existence of the obligation for collaborators of the intermediaries registered in Section E of the RUI to be provided with a digital domicile pursuant to Article 37 of Decree-Law No. 76/2020¹⁶⁰.

3.4. - Relations with other authorities and bodies

Opinions were issued to the Italian Antitrust Authority (AGCM) on five transactions involving insurance companies and banks in connection with as many acquisition projects. Regarding price comparators, an opinion was issued to assess the existence of an alleged cartel involving the exchange of information between the main operators providing such services and insurance companies active in Italy, for the direct sale of MTPL policies (alleged violation of Article 101 of the Treaty on the Functioning of the EU).

3.5. - Regulatory Impact Assessment and Verification (RIA and RIV)

Also in 2022, and following the principle of regulatory simplification, IVASS carried out an AIR (regulatory impact analysis) and a VIR (regulatory impact verification) only on acts deriving from national, European or international standards with respect to which it introduced innovative and significant elements by virtue of the exercise of the regulatory power attributed to it. In particular, against the issuance of five Regulations, four Regulatory Measures, of which one amending the Regulations, and thirteen Letters to the Market, three AIRs and one VIR were carried out and were included in the accompanying reports of the respective regulatory acts.

For the new elements introduced by IVASS Regulation No. 54/2022 with reference to the AIR and VIR, reference should be made to Chapter III.3.3.4.

In March 2023, the methodological guide for regulatory impact analysis and verification was published on the IVASS institutional website.

Discussion with the AIR Observatory continued, whose input was taken into account in the update of the Institute's internal procedure and in the drafting of the AIRs (Regulatory Impact Analyses) and VIRs (Regulatory Impact Assessments) of the regulatory acts. IVASS provided the

¹⁵⁹ https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/2018/n40/Chiarimenti_applicativi_Regolamento_40-2018_aprile_2022.pdf

¹⁶⁰ Converted, with amendments, by Law no. 120 of 11 September 2020 introducing urgent measures for simplification and digital innovation.

Observatory with information on the organisation of institutional communication and on the impact of the pandemic on regulatory and transparency processes.

4. - WORK ON SUSTAINABLE FINANCE

In recent years, the cooperation of international institutions on environmental, social and governance (ESG) factors has progressively strengthened, with a focus on the impacts of climate change and the transition to a low-carbon economy. IVASS focused in particular on the degree of integration of climate risks into the governance and risk management systems of insurance companies, on impact assessments (by defining climate scenarios) and on data quality and availability.

a) LAIS Activity

IVASS 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).

In the IAIS Climate Risk Steering Group (CRSG), IVASS contributed to the adaptation of international supervisory standards (Insurance Core Principles - ICP) in light of climate change. The IAIS summarised the findings in a consultation paper¹⁶¹, outlining the revisions to the work programme to promote a globally harmonised prudential response.

b) European Regulations

The Directive 2022/2464 on corporate sustainability reporting (*Corporate Sustainability Reporting Directive* – CSRD), was published in the OJEU on 14 December 2022. This Directive entered into force on 5 January 2023 and amended the Non-Financial Reporting Directive (NFRD), extending sustainability disclosure requirements to large insurance companies, large banks and large listed companies, approximately 50 000 companies in total, compared to the current 11 000. The Directive, a key element of the efforts to direct capital towards sustainable activities in the EU, aims to improve the transparency, quality, and consistency of sustainability data and requires the disclosure of information on the risks and opportunities posed by environmental and social factors, as well as their effects on people and the environment. This will help investors, consumers and other stakeholders assess the sustainability performance of businesses, thus implementing the European Green Deal.

Publication of the Delegated Acts of the EU Taxonomy continues (Regulation EU 2020/852). After the publication of Delegated Regulations 2021/2139¹⁶² and 2021/2178¹⁶³, the Commission issued Delegated Regulation 2022/1214¹⁶⁴ on March 9, 2022, which includes, under certain conditions,

¹⁶¹ https://www.iaisweb.org/uploads/2023/03/climate-risk-supervisory-guidance-part-one.pdf

¹⁶² Delegated Regulation 2021/2139 (*Climate Delegated Act*) lays down the technical screening criteria to determine under which conditions the contribution of an economic activity to the two climate objectives - mitigation and adaptation - of the EU taxonomy can be considered substantial, provided that the activity does not cause significant harm to other environmental objectives.

¹⁶³ Delegated Regulation 2021/2178 (*Disclosure Delegated Act*) specifies the content and presentation of the information that undertakings must report on eco-sustainable economic activities and specifies the methodology for complying with this disclosure requirement.

¹⁶⁴ Complementary Climate Delegated Act.

activities in the gas and nuclear energy sector among those covered by the Taxonomy. Delegated Acts on the criteria for the remaining four objectives are awaited¹⁶⁵.

On 23 February 2022 the Commission published a proposal for a Directive on the supervisory duties (*due diligence*) of undertakings for sustainability purposes (*Corporate Sustainability Due Diligence Directive* – CSDDD), aimed to promote responsible and sustainable business conduct. Due diligence is targeted at identifying, preventing and mitigating the negative impacts on human rights and the environment of the undertaking's activities and those of companies with which it has established business relationships. The proposal, which the Commission intends to apply to the financial sector as well, was negotiated in the EU Council, where an agreement was reached in December 2022. Discussions in the EU Parliament are ongoing.

The Regulation on a voluntary standard for EU green bonds (*Green Bond Standard* – EU GBS) is being negotiated among the co-legislators (trialogue) to improve the effectiveness, transparency, comparability and credibility of the relevant market and encourage the issuance and dissemination of these bonds. In this regard, IVASS provides technical support to the MEF.

c) ESA Joint Committee

The Committee dealt with the review of Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 (SFDR) with the regulatory technical standards (RTS) specifying some details of the content of the SFDR. The RTS relating to the disclosure to be provided on the exposure of financial products¹⁶⁶ to investments in assets related to fossil gas and nuclear energy¹⁶⁷ have been expanded. The review concerned the simplification of ESG disclosure, PAI¹⁶⁸ indicators and the identification of sustainable investment with regard to the DNSH principle (*do no significant harm*)¹⁶⁹. In April 2023, the ESA launched a public consultation on the proposed amendments¹⁷⁰. The following documents were published: the update of the ESA *Supervisory Statement on the application of the Sustainable Finance Disclosure Regulation*¹⁷¹, clarification on the draft RTS of the SFDR framework¹⁷², with special regard to PAI indicators and to the DNSH principle, Q&A¹⁷³ on the application of Delegated Regulation 2022/1288.

¹⁶⁵ Sustainable use and protection of marine waters and resources; transition to a circular economy; pollution prevention and control; protection and restoration of biodiversity and ecosystems.

¹⁶⁶ This intervention followed the publication of the Report ESA on disclosures for fossil gas and nuclear energy investments under SFDR.

¹⁶⁷ Commission Delegated Regulation (EU) 2023/363 of 31 October 2022 amending and correcting the regulatory technical standards laid down in Delegated Regulation (EU) 2022/1288 as regards the content and presentation of information in relation to disclosures in precontractual documents and periodic reports for financial products investing in environmentally sustainable economic activities.

¹⁶⁸ Indicators of the principal adverse impact of investment decisions on sustainability factors.

¹⁶⁹ Pursuant to Article 2 (17) of the SFDR, "sustainable" investment means any investment in an economic activity that contributes to an environmental or social objective, and that does not significantly harm any of those objectives (DNSH principle defined in Article 2-bis introduced by Regulation (EU) 2020/852 - Taxonomy).

¹⁷⁰ Joint Consultation Paper - Review of SFDR DR regarding PAI and financial product disclosures.

¹⁷¹ https://www.eiopa.europa.eu/esas-issue-updated-supervisory-statement-application-sustainable-finance-disclosure-regulation-2022-03-24_en

¹⁷² https://www.eiopa.europa.eu/system/files/2022-06/jc-2022-23-clarifications-on-the-esas-draft_rts-under-sfdr.pdf

¹⁷³ https://www.eiopa.eu/system/files/2022-11/jc_2022_62_jc_sfdr_qas.pdf

d) EIOPA's Action Plan

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

In 2022, EIOPA's work focused on: *i*) the assessment of the insurance protection gap for natural disaster risks, through the implementation of an aggregate and country-level monitoring tool; *ii*) defining a prudential treatment in Pillar I for insurance assets and activities that are substantially associated with environmental and social factors, under the mandate given to EIOPA in the proposal for the revision of Solvency II; *iii*) the degree of integration of climate change risks into the risk and solvency assessment¹⁷⁴ of the insurance industry; *iv*) assessing the impacts of underwriting policies and practices and climate change adaptation measures aimed at increasing the resilience of society and the real economy; *v*) calibration of the parameters for calculating the capital requirement in the standard formula for catastrophe risks to cover climate change; *vi*) greenwashing risks and insurance market implications, in accordance with the Call for Advice sent to the three ESAs by the European Commission in July 2022.

As regards point i), EIOPA published a map of the insurance protection gap in the EEA countries for five natural disaster risks (river and rain flood, coastal flood, forest fire, storm, earthquake). Information on national insurance schemes and average contract limits (deductibles and maximum amounts of cover) is included. The project aims to monitor the risks associated with the protection gap in Europe, identify the countries most exposed to physical risks and risk factors, develop proactive prevention measures, promote a scientific approach to protection gap management and action, increase stakeholder awareness, and strengthen synergies among EU countries.

In light of the opinion expressed in 2021 on supervisory expectations in the assessment of climate risks by insurers and the integration of climate scenarios into the Own Risk Solvency Assessment (ORSA), EIOPA published an application guidance for the undertakings' assessment in August 2022.

In February 2023, with the support of a number of European supervisors including IVASS, EIOPA published an analysis on insurance products sold on the European market that: *i*) offer cover for climate-related risks due to temperature, wind, water and solid masses; *ii*) integrate climate change-related adaptation measures that reduce policyholders' exposure to physical climate risk; *iii*) provide incentives (e.g. through reduced premiums or deductibles) for policyholders to take preventive adaptation measures when climate risks occur. The analysis revealed a high degree of non-homogeneity in the climate adaptation measures taken by European non-life insurers and the relative levels of integration into their policies. It also showed that, given the difficulty for insurance companies to assess the exact risk reduction, any risk avoidance actions taken by policyholders are not very effective in changing product pricing¹⁷⁵. There is broad consensus that such measures are an effective means of maintaining the availability and affordability of coverage in the future.

In 2023, work will focus on finalising the report on dedicated prudential treatment for activities associated with environmental and social objectives and for activities that cause substantial harm to the same objectives, under the Commission's mandate. Work will continue on the calibration of the

¹⁷⁴ Own Risk and Solvency Assessment – ORSA.

¹⁷⁵ In particular, the duration of the contracts, usually one year, is too short a time to take into account the impacts of ongoing climate risks.

parameters for calculating the capital requirement under the standard formula for natural catastrophe risks, as well as on greenwashing risks, which should be completed in 2024.

e) National regulations

In October 2022, IVASS launched a public consultation¹⁷⁶ on the proposals for amending IVASS Regulations 24/2016¹⁷⁷, 38/2018¹⁷⁸, 40/2018¹⁷⁹ and 45/2020¹⁸⁰, for the purpose of adapting them to the new rules on sustainable finance referred to in Regulations (EU) 2019/2088¹⁸¹ (SFDR) and 2020/852 (Taxonomy)¹⁸² and to Delegated Regulations amending the legal framework of Solvency II¹⁸³ and the IDD¹⁸⁴. As a result of the public consultation, IVASS Order No. 131 of 10 May 2023 was adopted.

Regulatory interventions aim to ensure consistency between national and European standards, in particular with regard to the integration of sustainability risks in the investments of insurance and reinsurance companies, both in their risk management system and in their remuneration policies. Conflicts of interest and conduct when advising on the placement of insurance-based investment products are addressed, integrating policyholders' sustainability preferences, with special regard to the suitability assessment. There are provisions on the identification of the target market, including the negative market, on product testing, monitoring and review, and on information flows between manufacturer and distributor, to support customer sustainability objectives.

Together with the other sectoral authorities (Bank of Italy, CONSOB, and COVIP), IVASS participates in the MEF's Sustainable Finance Coordination Table, where it has promoted a project to acknowledge the value of insurance companies as providers of protection for businesses and households against physical risks, including catastrophe risks such as earthquakes and transition risks, also related to climate change.

f) Accounting initiatives

With regard to the Corporate Sustainability Reporting Directive (CSRD), the Institute provided collaboration to the MEF in activities preparatory to publication.

On the subject of information on sustainability, the Institute supported EIOPA in preparing the comment letter to the public consultation of the EFRAG (European Financial Reporting Advisory Group) on the first set of draft European Sustainability Reporting Standards (ESRS) and the opinion

¹⁷⁶ Consultation Paper 9/2022.

¹⁷⁷ Regulation on investments and assets representing technical provisions.

¹⁷⁸ Regulation laying down provisions on the system of governance.

¹⁷⁹ Regulation laying down provisions on insurance and reinsurance distribution.

¹⁸⁰ Regulation on insurance product oversight and governance requirements.

¹⁸¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

¹⁸² Regulation (EU) 2020/852 (Taxonomy) establishes the general framework for determining whether an economic activity qualifies as environmentally sustainable, the degree of environmental sustainability of an investment and for boosting sustainable investments.

¹⁸³ Delegated Regulation (EU) 2021/1256 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the *governance* of insurance and reinsurance undertakings.

¹⁸⁴ Delegated Regulation (EU) 2021/1257 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products.

to the Commission on the final version of the aforementioned standards proposed by EFRAG to the Commission in November 2022.

IV. - PRUDENTIAL SUPERVISION

1. - PRUDENTIAL SUPERVISION

The evolving macroeconomic environment following the Russian-Ukrainian conflict, the ensuing energy crisis, and the ECB's start of quantitative tightening have radically changed the financial variables relevant to the insurance industry.

In recent months, the uncertainty of the economic and financial scenario has increased considerably, including in view of the protracted war. Inflation reached high levels in the euro area, driven mainly by exceptionally high energy and major commodity prices. Central banks have started to tighten monetary conditions, and this has had an impact both on the interest rate structure (which has now largely turned positive) and on the cost of credit.

The phenomena described above have produced, and are still capable of producing, important repercussions on the insurance sector with specificities that differentiate the non-life sector from the life sector, and that are relevant in the definition of IVASS actions.

The life business was strongly affected by the sudden rise in interest rates, which, while initially helping to improve the solvency position of companies (by reducing the value of Best Estimate Liabilities (BEL)) for the discounting component, gradually led to the absorption of most of the capital gains on the investment portfolio and subsequently to the emergence of significant capital losses. Against this backdrop, the vulnerability of life insurance companies to surrenders (lapse risk) and liquidity risks has increased, which may be exacerbated by the decline in premium income related to the economic situation. The credit risk has increased and the outlook for the general economic development could lead to an increase in the default rate and downgrades of issuers of securities in the investment portfolio, which would have a negative impact on own funds.

In addition to investment effects comparable to life insurance, an increase in interest rates reduces BELs on the Solvency II financial statements for the non-life sector. This is due to the discounting of cash flows, which is not advantageous to the statutory financial statements because its ultimate cost accounting principles prohibit the discounting of the provisions for claims outstanding.

The increase in inflation has convergent effects between the statutory and Solvency II financial statements with regard to the increase in indemnity and compensation costs. Even with a restrictive monetary policy, uncertainty about expected inflation levels increases the difficulty for companies to define pricing strategies, the amount of technical provisions and BELs and, more generally, to manage risks. Inflation risk adds uncertainties related to the different cost dynamics that characterise the specificities of the insurance offering and the duration of the run-off of the provision for claims outstanding.

Prudential supervisory action is targeted at addressing the risks arising from the described scenario.

1.1. - The supervisory review process (SRP)

The supervisory review process enables the Institute to reach an opinion on the risks to which insurance undertakings and groups are exposed and on the governance, 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 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 technical provisions, financial and liquidity risks on the basis of monthly monitoring of investments, premiums and surrenders.

As a complement to the prudential control process, in-depth analyses of the business models of a sample of leading life insurance companies and groups were carried out on the basis of specific analysis processes.

In its investigations, carried out with a follow-the-money approach so as to identify the most representative business areas and products in the portfolio, IVASS took into account the specificities of the individual entities, the context in which they operate, their market positioning and the distribution networks they use. Supply and investment strategies, profitability profiles and the effects on a company's risk profile were considered. In line with the priorities identified by EIOPA, an indepth study was carried out on the profitability analyses conducted by companies on the main products. This was in terms of funding, guarantee sustainability and profitability, and focused on the characteristic of their openness to new subscriptions and a company's ability to create value and remunerate shareholders. The in-depth investigations made it possible to identify the strengths and weaknesses of the choices made by companies in their business model.

The assessments carried out in 2022 showed the following breakdown of companies by risk area and overall riskiness:

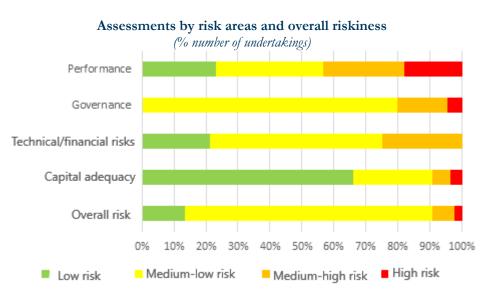
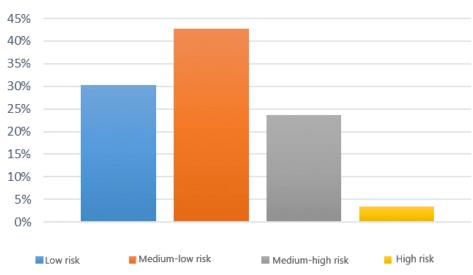


Figure IV.1

Higher riskiness is observed in the areas of performance (15 small- to medium-sized companies and one medium-large company), governance (four companies, one of which with a significant impact), and capital adequacy (three companies). All these situations were closely monitored by the Institute and were the subject of supervisory interventions.

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.2



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. Two companies, one carrying on life business and the other non-life business, with a market share of 1.6% and 0.2% respectively, 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.

The sharp increase in the inflation rate drew IVASS' attention to the assessment of the possible impact on the technical liabilities and solvency position of insurance companies. The changed market conditions, characterised by the significant rise in interest rates, are monitored through specific indepth analyses. These are carried out by requesting sensitivity analyses and evaluations on the effects of unfavourable scenarios of the trend of financial variables capable of influencing the decisions of policyholders and, consequently, of affecting the financial balance of the separately managed accounts with impacts on the profitability and solvency of the companies.

Particular attention was paid to Eurovita S.p.A. As a result of the on-site inspections, which revealed serious and widespread deficiencies in the governance and management of financial risks and regulatory capital, in July 2022 the Institute adopted supervisory measures in relation to the company and its parent company Eurovita Holding S.p.A., requesting the implementation of a capital strengthening by the following month of October. In the absence of the required capital strengthening

and in the presence of the changed macroeconomic scenario to which the company was particularly exposed, in September the individual and group solvency capital requirement breached the regulatory minimum requirements. This resulted in the company being required to submit a recovery plan to the Institute, aimed at restoring an adequate level of own funds within six months of non-compliance.

At the end of January 2023, as a result of the relevant investigation, the Institute did not approve the recovery plan as it was found to be lacking factual evidence to restore compliance with the solvency capital requirement. In the absence of any prospects for recovery, in light of the serious violations of the regulations governing the activities of insurance companies, on 31 January 2023 IVASS adopted the order appointing a provisional administrator. In order to stop the rapid increase in surrenders of contracts linked to separately managed accounts, which could jeopardize the company's recovery prospects and undermine the interests of those entitled to insurance benefits, on 6 February 2023, IVASS ordered the temporary suspension of the right to exercise the surrenders regulated by the contracts entered into with Eurovita. Finally, by Decree dated 29 March 2023, the MIMIT, in view of the continuation of the conditions underlying the adoption of the order appointing the provisional administrator, ordered, upon the Institute's proposal, the dissolution of the company's and parent company's administrative and control bodies for the duration of one year. Following this, IVASS appointed the bodies of the extraordinary administration procedure and simultaneously extended, until June 30, 2023, the measure suspending the right to exercise surrenders.

1.2. - Supervision of the corporate governance system

1.2.1. - Supervisory action on corporate governance

The collaboration with the supervised entities on the corporate governance structure adopted continued, in compliance with the principle of proportionality. The audits aim to identify, from a current and forward-looking perspective, the presence of risks arising from inadequate governance structures. In 2022, IVASS formulated interventions and carried out meetings with 24 companies. The main issues dealt with concerned the structure of key functions, regulatory requirements for members of corporate bodies, shareholders and key corporate officers.

On 1 November 2022 the Decree of the MISE No. 88 of 2 May 2022 (Regulation on the suitability requirements and criteria of corporate officers and those who perform key functions in accordance with article 76 of the CAP) entered into force. It introduces: *i*) an articulation of objective and mandatory requirements of professionalism, integrity and independence, and criteria of competence and correctness; *ii*) limits to carrying on a plurality of tasks simultaneously and the need to dedicate the time necessary to efficiently carry out these tasks; *iii*) the self-assessment by the company's administrative and control bodies of its adequate composition. To facilitate companies in the transposition of the requirements, IVASS devised a questionnaire made available to the market and, in order to ensure uniformity in the application of the new regulations, prepared application guidelines to support supervisory analysts.

The use of outsourcing of key functions and essential and important activities by companies has led to additional analyses of outsourcing in light of the prior communications to which such management choices are subject. Investigations were carried out on 102 communications, submitted by 50 companies, relating in four cases to outsourcing of key functions and in 98 to activities related to various business processes, of which two to suppliers located in third countries. In some cases, these functions were outsourced to group companies, with the aim of optimising resources, skills and increasing the efficiency of the service provided. The significant recourse to outsourcing, including as a result of the acceleration of digitalisation processes, has led IVASS to set up a working group with the goal of making supervisory processes more efficient and of evaluating regulatory interventions aimed at streamlining and making preventive communications more effective and at strengthening governance safeguards.

1.2.2. - The analysis of remuneration policies

The review of remuneration policies represents a major topic in the assessment of corporate governance structures, in light of the current legal and regulatory framework set out in Commission Delegated Regulation 2015/35 of 10 October 2014, in IVASS Regulation No. 38 of 3 July 2018, in the Letter to the Market of 5 July 2018 and in the EIOPA Opinion on the supervision of remuneration principles in the insurance and reinsurance sector, published on 7 April 2020.

The analyses were focused on the adequate balancing of the fixed and variable components of remuneration, performance setting and measurement, the deferral of the long-term variable component, the criteria for determining the component based on financial instruments, the remuneration of holders of key functions, and malus and clawback clauses.

The review revealed in some cases profiles not fully complying with the relevant regulatory framework or the expectations outlined in the Letter to the Market and in the EIOPA Opinion. Measures were implemented for three companies.

As a result of the previous year's interventions, in 2022 the groups concerned complied with the requests, supplementing and modifying their policies. Areas for improvement have emerged with regard to the incidence of the variable component of remuneration with respect to the fixed component. This is in relation to the role played by risk takers and the mechanisms identified to make the payment of variable remuneration consistent with the provisions requiring the use of financial instruments, particularly as regards mutual insurance companies and unlisted companies.

1.2.3. - ICT Governance and cyber security

The analysis of ICT plans is an important tool for corporate governance assessments in the field of Information and Communication Technology and cyber security. Analyses of six companies showed a level of partial inadequacy for half of the sample. The main areas for which adjustment initiatives were requested concerned the absence of a quantitative assessment of ICT risks and the incompleteness of the incident management process, with reference to the failure to define the levels of severity that trigger reports to IVASS in compliance with IVASS Regulation No. 38/2018.

As a result of these analyses, and in order to verify the market's compliance with the EIOPA Guidelines on ICT security and governance, a survey was completed, by means of a self-assessment questionnaire, involving 97 companies, of which 24 were parent companies. The analysis of the responses showed that, according to the companies, 86% of the requirements of the EIOPA Guidelines¹⁸⁵ have been met.

With regard to the management of ICT and cyber risks, the absence of a dedicated methodology for the identification, measurement, monitoring and mitigation of these risks has emerged in many cases, often brought under the broader umbrella of operational risk management. Outsourcing in the

¹⁸⁵ https://www.eiopa.europa.eu/system/files/2020-10/eiopa-bos-20-600-guidelines-ict-security-and-governance.pdf

cloud shows a limited use of due diligence for the selection of cloud providers, which, in many cases, are not audited by outsourcers. These aspects will need to be assessed further in the light of the European DORA regulation on operational resilience, which establishes a surveillance regime for suppliers and critical third parties in ICT Services.

With regard to governance aspects, it was noted that the dedicated information security function (Chief Information Security Officer - CISO) often does not report directly to the governing body, contrary to the EIOPA Guidelines.

With regard to the management of serious cyber incidents, in 2022 only one report was received pursuant to IVASS Regulation No. 38/2018 relating to a ransomware cyber-attack. This encrypted 400 files resulting in the failure to upload updated quotes of unit-linked funds, the inability to access the client area of the website and failure to connect to the MTPL quote tool "Preventivass".

Four reports were received of malfunctions that could not be classified as serious IT security incidents. These concerned: *i*) fraud by an agent who, by exploiting a vulnerability in the IT system, managed to take out counterfeit policies by collecting premiums with altered amounts; *ii*) the presence of a website through which unknown persons were fraudulently advertising an investment management portal; *iii*) intrusion of a hacker into two electronic archives administered by a cloud provider; *iv*) violation of personal data of previous customers as a result of the theft of access credentials by a hacker, to the detriment of a foreign company controlled by an Italian group.

In all cases, in-depth investigations were carried out to assess the effects on the services provided to policyholders, the restoration of functionality and, where necessary, notification to the Data Protection Authorities. In any case, based on the evaluations made by the companies, the events that occurred had limited economic and reputational impacts.

1.3. - Checks on the stability of undertakings and of groups

Since the entry into force of Solvency II in 2016 l' IVASS authorized five group internal models for the calculation of the Solvency Capital Requirement, used by 16 undertakings pursuing business in Italy, and a model for the calculation of the individual requirement. In 2022 two new groups expressed their intention to apply for the approval of the use of internal model.

Two groups are currently authorised to use group-specific parameters (GSP), while 12 undertakings use undertaking-specific parameters (USP) at individual level. Other two undertakings notified their intention to start the activities necessary to apply for authorisation to use USP.

The check on the appropriateness of internal models and USP/GSP and their calibrations requires ongoing activity to assess that changes in market variables or the operating environment are correctly reflected in the risk profile. Of particular importance are the checks on the assumptions underlying the capital absorption models and the evaluation of any changes proposed by the companies.

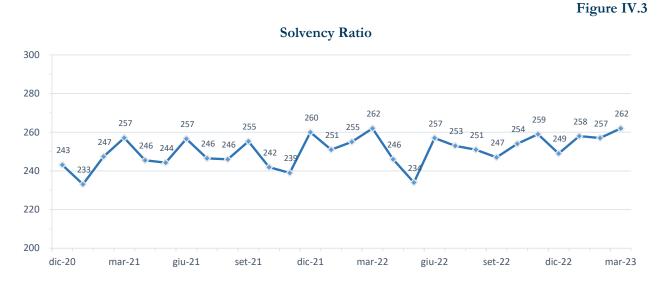
The stability of undertakings and groups is also monitored through checks on the adequacy of the *standard* formula for the representation of the undertakings' risk profile, the analysis of investments and own funds. In-depth analyses of technical, financial and economic management, as well as of risk

mitigation techniques, contribute to the assessment of the company's operations, ability to generate capital and financial soundness.

1.3.1. - Developments in the solvency and liquidity situation of companies

After the end of the pandemic period, the monitoring measures initiated in 2020 on the solvency and liquidity situation of companies and insurance groups were maintained in order to quickly grasp, in the new macroeconomic context, the potential effects of market variables on the risk profile of companies.

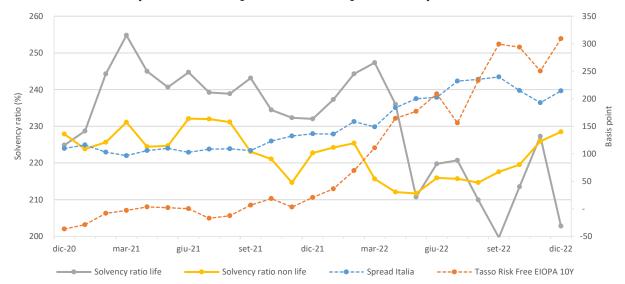
The average market solvency ratio of 260% at the end of 2021 declined in the second quarter of 2022 to around 250% at year-end, showing the resilience of the market as a whole. The trend was confirmed in early 2023.



NOTE: Weighted average Ratio The quarterly figure is taken from Solvency II reporting while the intra-quarter months are calculated from monthly monitoring also by proxy. From March 2022, the two reports are homogeneous.

The significant rise in interest rates and the impact of the spread on government bonds significantly affected the Solvency ratio, increasing its volatility compared to 2021. The analysis of the solvency ratio broken down by non-life and life companies shows a greater stability for the former, and a structural higher volatility for the latter, in view of a more pronounced exposure to financial risks. The comparison of the Solvency ratio values of life and non-life companies with the 10-year risk-free rate and the spread of Italian government bonds (fig. IV.4) shows, starting from the second half of 2022, a greater dependence of the Solvency Ratio of life companies on the interest rate and spread trend, with a negative correlation (see Chap. II.3.3 for a more in-depth econometric analysis).

Figure IV.4



Trend in the Solvency Ratio and comparison with the spread in Italy and the EIOPA risk-free rate

The monitoring of the liquidity situation, initiated by EIOPA in June 2020 on a monthly basis, continued in 2022 on a quarterly basis, involving all life and composite companies as well as some nonlife companies representing 80% of the market. 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 early months of 2023 saw an intensification of surrenders (Chapter IV.2.1) which, together with the contraction in production, led to tensions on the liquidity positions of some life companies, including in view of the increased incidence of portfolio losses induced by rises in interest rates. The phenomenon is more pronounced for class I and V policies and for companies distributing through the banking channel or via financial promoters. Supervisory analyses were initiated in relation to the most exposed companies, which were asked for sensitivity analyses on interest rate risk and surrender dynamics.

1.3.2. - Own funds assessment

The assessment of own funds assumes a central role in the supervisory review process, given the need for companies and groups to always have sufficient capital for their risk profile and to meet the relevant capital requirement. The qualitative and quantitative valuations are carried out with reference to the current and prospective situation, on the basis of the overall supervisory information assets acquired, also as part of the valuations of extraordinary transactions.

In 2022, capital strengthening transactions were carried out by 14 companies for a total amount of €2,202 million, including €680 million in subordinated liability issues. The actions taken by the companies were aimed at ensuring an adequate level of solvency to cope with the negative effects of financial market trends. This led to a significant increase in capital absorption on the mass lapse risk module (surrenders).

An assessment was made also of important capital management operations aimed at optimising the debt structure also through the redistribution of maturities, the reduction in interest cost and the replacement of subordinated securities that, as of January 1, 2026, can no longer be used as Tier 1 equity (grandfathered securities).

1.3.3. - Investment analysis

The work centred on evaluating investment policies, their consistency with risk appetite and the principles of sound and prudent management, as well as on analysing the financial instruments with the highest risk.

After the start of the war in Ukraine, IVASS checked possible exposures of supervised companies to countries involved in the conflict. The direct exposure of the insurance industry is very low.

Since the second half of 2022, the steepening of the risk-free rate curve has led to a significant increase in capital losses on securities. This has made it necessary to closely monitor the development of hidden capital losses in insurance portfolios and the capital absorption effects on the mass lapse risk of individual companies. Initiatives have been taken to monitor the development of the surrenders ratio in relation to premiums and risks related to liquidity tensions.

The analyses carried out have made use of the indicators of the *Risk Assessment Framework* to quantify the incidence of illiquid assets or assets that are difficult to measure, the presence of low-rated assets and the degree of portfolio diversification. Investments held indirectly by companies through investment funds were investigated. Although not a widespread phenomenon, some operators increased their exposure to real assets (including real estate and infrastructure) and unlisted securities, with a view to greater diversification and to contain the effects of inflation and volatility experienced in listed markets. The increase in these investments has led to a focus of supervisory attention on their proper valuation, especially of illiquidity profiles, and on the effectiveness of investment governance and control. These aspects were also investigated by means of on-site inspections.

With regard to the ESG sustainability profile, initial sensitivity analyses of the investments of some companies to different energy transition scenarios were undertaken; the monitoring of companies' investment policies and their exposure to climate-relevant sectors, analyses conducted in the ORSA and compliance with transparency and disclosure obligations continued.

1.3.4. - Assessment of technical provisions and best estimate liabilities (BEL)

Non-life provisions for claims outstanding are subject to periodic review on the basis of standardised methodologies (actuarial pre-review) and specific assessments for cases that require further investigation. Checks are performed on statutory data and on data derived from Solvency II supervisory reporting, supplemented by the acquisition of more detailed information relating to the CARD direct compensation procedure and expenses, in order to make assessments for claims subject or not subject to the direct compensation procedure.

Considering the macro-economic context, the Supervisory Review Process on the valuation of technical provisions took into account inflationary dynamics capable of affecting the cost of claims with differentiated intensity depending on both the insurance coverage and the duration of the risks assumed. The high uncertainty about expected inflation levels increases the technical implications underlying the assumptions and methodologies for the valuation of technical provisions.

An analysis of the effects of inflation on the provision for claims outstanding was carried out in order to identify possible situations of concern in advance, and a systematic review of the

documentation (ORSA Report 2021, Half-Yearly Report 2022 and provisional data on the ORSA Report 2022) was carried out to verify the sensitivity of the non-life market to inflation risk. Prior to the closing of the 2022 financial statements, discussions were initiated with the companies and auditing firms to assess initiatives to address the phenomenon through interventions in the claim settlement processes and the estimate of provisions. There was a high awareness among companies of the risks associated with inflationary effects in managing the claims cycle. The increase in average cost has prompted companies to adopt cost containment strategies and to identify methodological approaches to take cost growth scenarios into account when assessing future charges.

Life insurance technical provisions are subject to annual verification through analyses of key indicators and reports by the key functions of companies and auditing firms with reference to statutory and Solvency II supervisory data.

In the supervisory process for the valuation of life insurance BELs, a sample of eight companies was selected to verify the appropriateness of the valuations made, including in view of the possible effects of the pandemic crisis on the calculation assumptions. The audits included direct discussions with companies and allowed areas for improvement to be identified both with regard to mortality and surrender assumptions and in the second-level controls performed by the actuarial functions. The corrective actions taken by the companies resulted in a $\in 283$ million increase in BELs for four companies and a 2 percentage point higher capital requirement, with an average 12 percentage point reduction in the Solvency ratio.

1.3.5. - Analyses on reinsurance and risk-mitigation tools

The reinsurance instrument not only allows the transfer of risks, but also has effects in terms of capital absorption. Given the risk profile of the Italian insurance market, reinsurance cessions mainly concern non-life business lines (96% of ceded premiums) and are generally implemented through non-proportional contractual mechanisms.

In the second half of 2022, the life sector saw an increased demand for mass lapse risk transfer covers, driven by a significant increase in the capital requirement due to the impairment of bonds held by companies.

The solutions identified provide for the transfer to the reinsurer of the risk arising from an increase in surrenders that exceeds the assumptions used in the BEL calculation. The covers provide that, within certain thresholds, the reinsurer undertakes to pay the ceding company amounts equivalent to the negative effects on own funds arising from the difference between the higher observed surrender rate and the rate assumed in the BEL calculation.

In order to verify the adequacy of the proposed solutions with the regulatory framework and the EIOPA Opinion of 9 July 2021¹⁸⁶, specific discussions and investigations were conducted in the phase preceding the underwriting of reinsurance contracts. The actual risk transfer and its consistency in terms of capital absorption benefits were assessed.

Some technical solutions were found to comply with standards and principles on proper risk mitigation techniques in terms of strategies, business models and risk governance.

¹⁸⁶ Opinion on the use of risk mitigation techniques by insurance and reinsurance undertakings.

1.3.6. - The checks on the approved internal models

In order to monitor the ability of internal models to assess risks correctly, back testing and benchmarking analyses and calibration and validation checks are performed on an ongoing basis.

Back testing on interest rate and credit spread risk calibrations did not reveal any critical situations or require supervisory intervention. The verifications refer to calibrations at the end of 2021 and do not yet take into account the significant changes in market conditions, in particular for interest rates, in 2022.

For the internal models covering non-life underwriting risk, back testing analyses on the premium risk calibration revealed critical issues due to the misapplication of claims frequency adjustments to take account of the effects of the COVID-19 pandemic. On the reserve risk, changes in calibration were requested, stimulating (with a view to use testing) the involvement of the various corporate functions in understanding the results obtained.

In order to investigate the robustness of the modelling and calibration in the internal models, the analyses were supplemented by comparing the internal model with the standard formula data (model drift) in order to identify any divergence in trends and investigate the reasons for this.

In 2022, an analysis of the process of assessing operational risk calibrations, which are strongly characterised by the use of expert judgement, was initiated. In the checks on the calibration of a group internal model, it was necessary to remind the companies of the qualitative standards set during the authorisation phase to ensure that the documentation allowed the different stages of the calibration process to be retraced.

Among the tools available to the supervisor for verifying internal models are the results of the comparative studies carried out by EIOPA on the assessments adopted by peer undertakings, with the aim of improving convergence among European authorities.

Among the comparative studies, the Market and Credit Risk Comparative Study (MCRCS) is worthy of note, which compares market and credit risks on specific financial instruments such as government and corporate bonds, equity indices, real estate and derivatives, and on uniform benchmark portfolios across the models being assessed. In 2022 three Italian groups and one individual company, out of a total of 20 models at European level, took part in the exercise. The results of the analysis and their rank against their peers were discussed in bilateral meetings with the companies.

The second exercise of the Non-Life Comparative Study (NLCS), in which 75 companies from 34 insurance groups from 18 European countries participated, has been concluded. The study compares non-life premium and reserve risk estimates made with internal models, considering the relationship between requirement and volume measures (capital intensity) over the period 2016-2020. Capital intensity levels are compared to standard formula levels. For the nine Italian companies that participated in the survey, no critical issues have emerged.

The study on the impact of diversification in internal models conducted by EIOPA since 2019 is drawing to a close. This study aimed to analyse the effects of the different risk aggregation models on the solvency requirement. The Study on Diversification in Internal Models involved most of the approved internal models at European level, and exploited the synergy with the Non-Life Comparative

Study. The findings were presented to the participating groups with whom initial discussions were initiated.

EIOPA has started an in-depth study on the modelling of operational risk and life technical risks and established a working group, in which IVASS is participating, to define the chapter of the Supervisory Guide (SRP Handbook) on the calibration of internal models.

1.3.7. - Activities on significant changes to the internal models

The pre-application and application activities on internal model changes concluded with the issue of the authorisations to two groups, for one 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 non-life underwriting risk.

The Institute continued its pre-application activities for the relevant changes concerning, for one group, the extension of the internal model to the underwriting risks of the non-life and health business and, for the other group, the life business. Pre-application processes for changes in market and life risk modelling continued for one company and two groups.

1.3.8. - Verification of the adequacy of the standard formula and the specific parameters (USP)

One undertaking was authorised to use the USP. The early dialogue process aimed at authorisation continued for two other companies for which IVASS' audits had revealed the inadequacy of the standard formula to represent the company's risk profile. For four companies for which the standard formula was assessed as not appropriate, a conservative margin of 43% of the total SCR was requested. The analysis was repeated on companies with predominant activity in fire, general liability and health insurance classes, necessitating further investigation in two cases.

In the monitoring of authorised companies, the need to extend the scope of the specific parameters to non-authorised segments and risks was noted for one company.

In the case of two merged companies, it was verified that the requirements for using USP were still fulfilled by the company resulting from the merger.

1.4. - Supervision on the shareholdings and on the 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 taken into account.

1.4.1. - Changes in ownership structure of controlling or qualified interests

The Institute examined four operations for the acquisition of controlling interests in insurance undertakings and one acquisition of a qualifying holding, which resulted in changes in the ownership structure and in the structure of some insurance groups. In particular, the operations subject to authorisation concerned:

- the transfer, from Assicurazioni Generali S.p.A. to Generali Italia S.p.A., of the total control of Società Cattolica di Assicurazione S.p.A. and, consequently, of the insurance companies controlled by it. The transaction is part of the broader project to integrate Società Cattolica di Assicurazione S.p.A. into the Generali Group aimed at rationalising the Italian subgroup;
- the insourcing of the insurance business through the acquisition by Banco BPM of total control of the corporate capital of Bipiemme Vita S.p.A. and, through the latter, of Bipiemme Assicurazioni S.p.A;
- the acquisition by Athora Holding Ltd, through Athora Italy Holding DAC, of a 100% controlling interest in Amissima Vita S.p.A., which, following the transaction, changed its corporate name into Athora Italia S.p.A. The acquisition is intended to allow the Athora insurance group to enter the Italian life insurance market and consolidate its presence in Europe;
- the acquisition by Poste Italiane S.p.A., through its subsidiary Net Holding S.p.A. expressly set up for this purpose, of a controlling interest in the corporate capital of Net Insurance S.p.A. and, consequently, of Net Insurance Life S.p.A. The acquisition aims to develop the Poste Vita Group's business in salary/pension-backed loans in relation to which Net Insurance is among the leading market players;
- the acquisition of a qualifying holding in the corporate capital of Bene Assicurazioni S.p.A. by Epifarind B.V. and Italmobiliare S.p.A., indirectly and directly respectively.

1.4.2. - Evolution of the structure of groups

Insurance groups continued to simplify their shareholding structure, expand their offering model and implement diversification strategies for more efficient management.

In 2022, among the changes aimed at simplifying the group structure and unifying the organisational and governance structure to achieve cost synergies, mention should be made of the mergers by incorporation of Cargeas Assicurazioni S.p.A. into Intesa Sanpaolo Assicura S.p.A., of REVO S.p.A., an investment holding company at the head of the Elba insurance group, into the subsidiary Elba Assicurazioni S.p.A. (which changed its corporate name to REVO Insurance S.p.A.), and of HDI Italia S.p.A. into the parent company HDI Assicurazioni S.p.A.. The transactions, effective 1 July 2023, which will affect certain Italian companies of the Generali Group, have the same purpose, namely, the merger of Genertel S.p.A. into Società Cattolica di Assicurazione S.p.A. (which, following the transaction, will take the corporate name of Genertel S.p.A. and transfer its registered office from Verona to Trieste), the demerger of Società Cattolica di Assicurazione S.p.A. into Generali Italia S.p.A. into Generali Italia S.p.A.

Two extraordinary transactions were authorised with the aim of changing the strategy adopted by the company or the group to focus on countries or business lines and products that are more profitable or absorb less capital. Also of relevance are the transfers of contracts of classes I, V, and hybrid products from Zurich Investments Life S.p.A. to the Italian branch of the Portuguese company GamaLife, and the transfer of the insurance portfolio of the Dubai branch of Assicurazioni Generali S.p.A. to a local company. IVASS assessed 21 projects for the acquisition of shareholdings, including controlling shareholdings, by companies, including one in countries outside the EEA, and for the establishment of companies operating in the insurance, financial, healthcare, technology, real estate and agricultural sectors. The initiatives were performed within the framework of the strategic objectives set out in the business plans. They respond to the need to diversify investments by type of assets and by geographic area and to consolidate the position in important markets.

1.5. - Access and extension of insurance business

In 2022, requests for authorisations to extend insurance business to other lines of business with respect to those already exercised by Arca Vita S.p.A., Elba Assicurazioni S.p.A. and Global Assistance S.p.A. were assessed, while Siat Assicurazioni S.p.A. waived its right to exercise the MTPL insurance business.

Six Italian companies have notified their intention to extend their insurance and reinsurance activities under the free provision of services or the right of establishment in EEA or non-EU countries.

1.6. - Coordination with the other Authorities and Institutions

1.6.1. - Supervision of groups and financial conglomerates – the College of Supervisors

IVASS acted as group supervisor for five groups with cross-border operations for which supervisory activities are carried out in coordination with the other Authorities that are part of the Colleges of Supervisors and with EIOPA.

During the annual meetings, IVASS discussed the results of the joint risk assessment on the most relevant risks for groups and undertakings belonging to such groups, as well as of the in-depth studies conducted, such as climate risk and its inclusion in ORSA scenarios, the effects of the Russia-Ukraine war, emerging and non-quantifiable risks, cyber and ICT risk prevention, and the organisation of key functions.

As in previous years, the 2023 work plan was defined. This includes common lines of action for all colleges of supervisors, such as joint risk assessment, focus on climate risks, monitoring of the macroeconomic scenario, and other topics related to the specificity of each group.

IVASS forwarded the feedback from the supervisors summarising the overall assessment from the joint risk assessment and identifying areas for improvement, to the supervised groups after being shared within the Colleges.

As host supervisor, IVASS participated in 15 colleges coordinated by foreign Supervisory authorities, four of which were from third countries. Joint risk assessments and other specific issues of relevance, including the assessment on the application of the IAIS Holistic framework and business sustainability in terms of ESG factors were shared within the Colleges.

A number of cross-border insurance groups are part of Italian financial conglomerates, the list of which is updated jointly by the Bank of Italy, CONSOB and IVASS. The analyses carried out in 2022 confirmed one insurance-led conglomerate (Generali) and one banking-led conglomerate (Mediolanum) under the supervision of IVASS/Bank of Italy and two banking-led conglomerates engaging "significant" banking intermediaries, (Credem and Intesa) under the supervision of ECB/IVASS. As of 1 January 2022, the bank-led conglomerate Mediolanum has been added, subject to ECB coordination, given that the parent company has acquired the status of significant bank. The results of supervision on the conglomerates are discussed in the Colleges of Supervisors in which the European Authorities of the banking and insurance sectors participate.

IVASS' collaboration with the ECB and the Bank of Italy has led to the identification of Banco BPM as the head of a new banking-led financial conglomerate in 2023.

The three authorities continued their collaboration relations pursuant to Article 3(1-bis) of Legislative Decree No. 142/2005 concerning a leading Italian insurance group in relation to its significant relationships with the banking subsidiary. The existence of a durable link aimed at developing the parent company's business, which is a prerequisite for the identification of a new financial conglomerate, is being checked.

1.6.2. - Supervision in the Crisis Management Group

In 2022, IVASS continued enhanced supervision on the basis of the holistic framework (HF), an integrated system of measures aimed at assessing and mitigating sources of systemic risk in the insurance industry, which was approved in 2019 by the IAIS. In December 2022, the FSB, in agreement with the IAIS, decided to discontinue the annual identification of insurance groups exposed to systemic risk (G-SII) and to maintain the HF system, which was recognised as more effective (Chapter III.1.2).

The CMG activity involved Generali as group supervisor, the only Italian group designated as an Internationally Active Insurance Group (IAIG), and Allianz as host supervisor.

Despite the fact that the HF system does not provide for the preparation of the Systemic Risk Management Plan (SRMP), the Authorities have found it necessary to require supervised groups to submit an annual document assessing their systemic risk on the basis of the indicators defined by the IAIS in the HF and concerning, inter alia, size, interconnectedness of activities, availability of liquid assets, and substitutability of services provided.

In the work of the CMG, the authorities asked the groups concerned to make improvements to their crisis management plans (Liquidity Risk Management Plan and the Recovery Plan).

1.6.3. - 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 Decree). The regulations have, among other things, set up at the MEF of a Committee for public financial support for exports. The Committee may be assisted by its member administrations and may request opinions from IVASS. In order to define the role of the Institute, a Regulation of the Committee (approved by Ministerial Decree of 6 March 2021), delegated the regulation of the scope, timing and manner of the Institute's involvement to a Memorandum of Collaboration between IVASS and the Committee. The discussion between the parties produced a text, underwritten on 24 November 2022, which forms an integral part of the Committee's Regulation.

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 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. Cooperation was also aimed to verify the information contained in the Prospectuses on the admission to the listing of shares of two insurance companies.

2. - MACRO-PRUDENTIAL SUPERVISION

IVASS combines micro-prudential supervisory action with macro-economic in-depth analysis. The analysis consists in the examination of the relevant economic and social context, systemically relevant risk analysis, and assessments of the resilience of the insurance market and of how certain variables have driven the development of the industry. In the exercise of its tasks relating to financial stability and the development of insurance macro prudential supervisory tools, IVASS participates in international work to share and coordinate actions aimed at strengthening the resilience of the sector¹⁸⁷.

2.1. - The risks of the Italian insurance sector

At national level, IVASS carries out monitoring at different frequencies (weekly, monthly, quarterly and annually) in order to check the evolution of risks already present and the emergence of new ones so as to identify any accumulation of systemic risk.

In 2022, the quarterly monitoring of vulnerabilities in the insurance sector¹⁸⁸ revealed substantial resilience to the direct and indirect effects of the conflict in Ukraine and the ensuing energy crisis.

The quarterly analysis¹⁸⁹ of financial stability risks based on indicators defined at European level and adapted, where appropriate, to the specificity of the domestic market¹⁹⁰ (*Risk Dashboard*) shows that in the fourth quarter of 2022 the risks to the financial stability of the Italian insurance sector were on the rise, due to high inflation and the rapid upward shift in the risk-free interest rate curve. The macroeconomic environment constitutes the main source of vulnerability for the Italian and European insurance sector (see Table IV.1). In the medium term, continued high inflation would affect the solvency, profitability and liquidity of insurance companies.

¹⁸⁷ IVASS participated in the discussion for the issuance by the ESRB of: *i*) a Warning to the private sector, market participants and authorities to continue to prepare for possible adverse scenarios, with the aim of preserving or enhancing the resilience of the EU financial sector in supporting the real economy (*Warning of the European Systemic Risk Board of 22 September 2022 on vulnerabilities in the Union financial system, ESRB/2022/7*); *ii*) a note on macroprudential aspects of trade credit insurance (TCI), underlining its importance for the real economy especially in times of stress generated by the consequences of the pandemic (*Issues note on macroprudential aspects of trade credit insurance*, August 2022); *iii*) a Recommendation on the vulnerabilities in the commercial real estate sector (CRE) in the EEA, exposed to cyclical and structural risks (*Recommendation on vulnerabilities in the commercial real estate sector in the European Economic Area, ESRB/2022/9*).

¹⁸⁸ IVASS collects information not included in current supervisory reporting. The analyses is based on a sample of individual undertakings and groups, representing more than 90% in terms of assets.

¹⁸⁹ 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.

¹⁹⁰ The main characteristics of the *Risk Dashboard* and its usefulness for monitoring insurance risks are described in Educational paper No. 26 "A Risk Dashboard for the Italian insurance sector" (IVASS, 3 May 2023).

Risk Dashboard (4th quarter 2022)				
	IVASS		EIOPA	
	Level	Trend ¹⁹¹	Level	Trend
Macro Risks	high	→	high	Ľ
Credit Risks	average	→	average	→
Market Risks	average	^	average	→
Liquidity Risks	average	↑	average	7
Profitability and solvency risks	medium-low	7	average	→
Interlinkages Risks	low	→	average	→
Insurance Risks	low	→	medium-low	→
Market perception	low	$\mathbf{\Lambda}$	medium-low	R

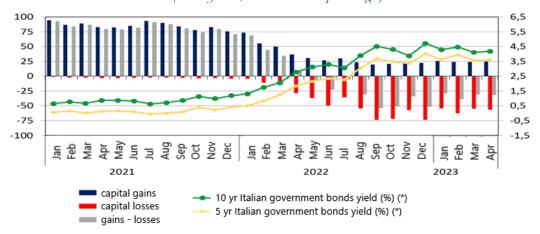
Table IV.1

Source: IVASS and EIOPA (European Risk Dashboard Q4-2022)

The rise in bond yields in 2022, which continued in early 2023, generated a net negative balance of unrealised capital gains and losses on companies' investments. At the end of April 2023, the net balance was approximately -€32 billion (Fig. IV.5), just under 5% of the load value. Net capital losses are mainly observed on government bonds, which, although declining slightly, remain the main form of investment for Italian insurance companies.

Figure IV.5

Investments - Unrealised capital gains and losses (monthly data; billion euro and percentages)



Source: statistics based on IVASS and Refinitiv data - (*) right scale

The value of capital losses on assets that can potentially be liquidated to meet disbursements for charges and surrenders is also important from a liquidity perspective. The degree of liquidity of assets,

¹⁹¹ The arrows indicate the change relative to the previous quarter: ↑ = significant increase (>1), **7** = increase (>0,5), **→** = constant, **\u00e9** = decrease (>0,5), **\u00e9** = significant decrease (>1).

measured by the ratio of liquid assets to total assets (*liquid asset ratio*)¹⁹², is down from 59% at the end of 2021 to 56% at the end of 2022.

IVASS monitors the Italian insurance market's exposure to short-term liquidity risk on a monthly basis¹⁹³; the survey, started in 2020 following the spread of the pandemic¹⁹⁴ did not show any critical situation in 2022 in the liquidity position¹⁹⁵ of the insurance sector.

IVASS has strengthened its monitoring of investments and life premium income, which has been carried out on a weekly basis since mid-March 2023.

Rising inflation and rising returns on financial asset substitutes for policies dampened premium income, especially in the life sector, and fuelled early terminations of investment contracts. In the life business, there was a sharp increase in the ratio of surrenders to premiums. At market level, the indicator reached 88% at the end of April 2023, 35 percentage points higher than in the same period last year. The phenomenon is particularly relevant for companies distributing products through the banking channel or via financial promoters, for which the ratio of surrenders to average premiums rose to 120% at the end of April 2023, from 58% at the end of April 2022 (Fig. IV.6).

Vulnerabilities related to surrenders

To investigate the reasons for the increase in surrenders, IVASS conducted an analysis as part of its quarterly monitoring of vulnerabilities in the insurance sector in Q2 2022¹⁹⁶. The trend is largely attributable to greater liquidity needs of policyholders generated by the macroeconomic environment, but also to reinvestment choices in more profitable financial instruments. According to an EIOPA study, the Italian insurance market has a higher exposure to lapse risk than the European average. This is mainly due to the higher proportion of life contracts that can be surrendered¹⁹⁷, the reduced penalties in the event of early contract termination, and the tax regime applicable to life insurance.

¹⁹² 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.

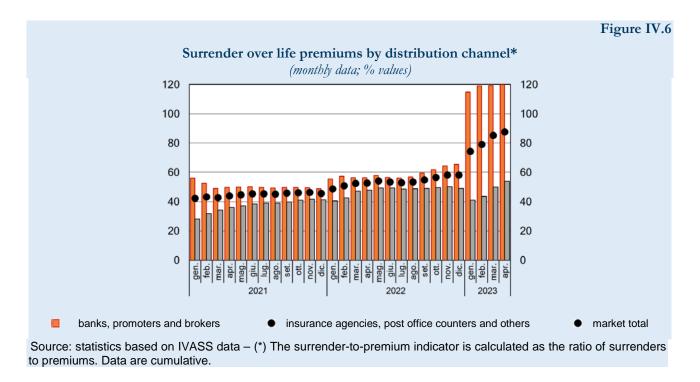
¹⁹³ The Italian sample is composed of 12 composite companies, 29 life companies and 9 non-life companies; these represent, in terms of premium income, the entire life sector and 80% of the non-life sector.

¹⁹⁴ The monitoring activity is carried out in coordination with EIOPA, which conducts the exercise annually on a sample of 125 European companies, including 20 Italian companies (12 life, 4 composite and 4 non-life).

¹⁹⁵ The liquidity position is given by the difference, in the reference period of 90 days, between inflows and outflows; it is calculated including the initial cash on hand for the period.

¹⁹⁶ The request for in-depth analyses also took into account the international focus on the effect of inflation, rising rates and low growth in the insurance business.

¹⁹⁷ Life liabilities, measured according to EIOPA methodologies, show a high vulnerability to liquidity risk due to the fact that all the bestestimate provisions relate to products with a surrender option. In its document on methodological principles for liquidity stress testing, EIOPA ranks the best estimates of insurance products according to the degree of contractual and tax penalties, assigning a high vulnerability to products with no penalties, a medium-high vulnerability to products with penalties, and a zero vulnerability to products that do not allow the exercise of the surrender option; https://www.eiopa.europa.eu/system/files/2019-12/eiopa_report_on_insurers_asset_and_liability_management_dec2019.pdf



In 2022, premium income for hybrid products, which combine coverage from several insurance classes, typically Class I and Class III, decreased, reaching 34 billion euro (-16% compared to 2021)¹⁹⁸. The share of hybrid premiums in the total life business is declining but remains significant at 46% (50% at the end of 2021).

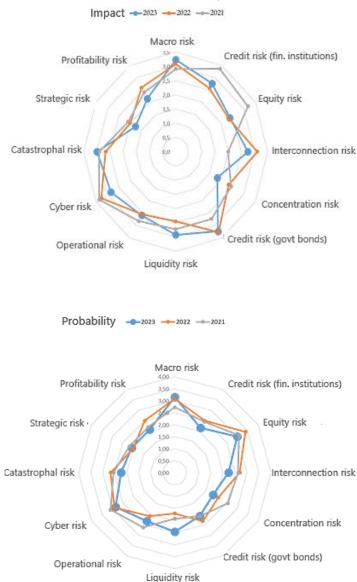
Looking forward, no vulnerabilities have emerged related to interest rate guarantees in life insurance contracts¹⁹⁹. Prospective returns on separately managed accounts for the next seven years are broadly stable at around 2.6%, reflecting, to a limited extent, the effects of the current macroeconomic environment. These yields are generally higher than the guaranteed return offered by the contracts in force.

IVASS organises periodic discussions with rating agencies, leading consultancy firms and industry analysts in order to examine the main market trends and risk profiles (Fig. IV.7).

¹⁹⁸ The analysis on hybrid policies covers a sample of companies that accounts for 83% in terms of life technical provisions at the end of 2022.

¹⁹⁹ The semi-annual survey, introduced with a Letter to the Market of 30 May 2013, requires forward-looking sensitivity analyses on expected returns and technical provisions of with profit contracts linked to separately managed accounts. In June 2021, IVASS intervened to provide clarifications on the instructions which, among other things, require assessments based on 3 scenarios. In the base scenario, the analyses consider forward rate structures derived from swap rates, while in the stress scenario, an instantaneous, parallel, upward and downward shock of 100 b.p. is applied https://www.ivass.it/operatori/imprese/raccolta-dati/richieste-dati/2013/Lettera_al_mercato.pdf

Figure IV.7



Trend in the impact and probability of occurrence of risks

Further points of attention addressed in the meetings include:

- income components that are most affected by the reference scenario and that may undermine prospective profitability targets;
- the liquidity risks of the sector and what elements can increase them;
- the potential impact on future non-life and life business model choices, and, with particular regard to the life business model, the potential critical issues related to the banking channel.

2.2. - Climate change and sustainable finance

Sustainability risks (environmental, social and governance - ESG) and, in particular, climate risks have been the subject of reflection for years among regulators and supervisors, nationally and internationally (Chapter III.4)²⁰⁰.

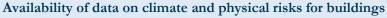
A survey conducted by EIOPA²⁰¹ has shown that Italy is among the European countries most exposed to the risk of natural disasters, in terms of frequency and vulnerability, often related to climate change (physical and transitional risks) and with environmental and land degradation. At the same time, in our country insurance coverage to protect businesses and households is lower.

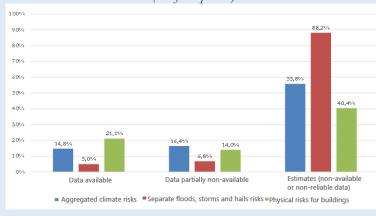
Monitoring of risks from natural catastrophes and sustainability

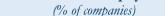
On 27 July 2022²⁰², IVASS launched a monitoring of risks from natural catastrophes and sustainability, in line with the objectives of IVASS 2021-2023 Strategic Plan and with the commitments undertaken on the occasion of the Finance Day of the UN Climate Change Conference (COP26)²⁰³. The monitoring revealed useful elements for: *i*) analysing, at the micro- and macro-prudential level, the possible impacts of transition risks and physical risks in insurance companies; *ii*) identifying potential vulnerabilities significant to the stability of the system and of the financial markets; *iii*) learning about premium income for risks related to natural disasters; *iv*) assessing the alignment of national regulations with European legislation; *v*) steering work on sustainable finance at national and international level.

Accurate data on insurance protection for climate risks are not always available. Flood, storm and hail risks are estimated by 90% of companies and physical risks for buildings²⁰⁴ by 40% (Fig. IV.8).

Figure IV.8







Source: IVASS, Monitoring of risks from natural catastrophes and sustainability.

²⁰⁰ Since 2018, IVASS has been contributing to various national, European and international sustainability projects with a focus on climate change-related risks. In the European context, these contributions have been substantial in terms of the evidence gathered and the analyses produced.

²⁰¹ EIOPA, Dashboard on insurance protection gap for natural catastrophes, December 2022.

²⁰² https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2022/lm-27-07/Lettera_al_mercato_27_07_2022.pdf

²⁰³ The survey, both qualitative and quantitative, involved all companies based in Italy and those from non-EEA countries operating under the right of establishment.

²⁰⁴ Physical risks also include earthquake, not linked with climate change.

Reporting difficulties also affect data on the sustainability of investments, particularly when the use of data providers is necessary.

Analyses show that sustainability policies are widespread in the insurance market. Almost all companies have adopted (78%) or plan to adopt (13%) investment or underwriting strategies that integrate ESG factors into their policies. More than 70% of non-life undertakings consider climate change risks to be significant.

Premium income in 2021 for climate-risk policies, at €2.1 billion (6% of total non-life premiums), has remained stable since 2019; claims expenses increased (+28% in 2020-2021²⁰⁵, equal to +€440 ml, excluding expenses). Premium income for earthquake risk policies, totalling €364 ml in 2021, increased by 25% over 2020 and by 28% over 2019.

At the national level, there is a significant concentration of insurance coverage of climate risks in five insurance groups, which are leaders in non-life business (77% of premiums related to climate risks). Almost all the premium income for natural catastrophe risks is concentrated in fire and other damage to property and in other non-life classes. Insurance contracts are annual for more than 50% of companies. A premium reduction is envisaged if the policyholder adopts risk mitigation measures, mainly in tailor-made contracts and for corporate clients.

²⁰⁵ From insights conducted by IVASS as part of the vulnerability analyses of the insurance sector described in Climate change and sustainable finance in the 2021 IVASS Annual Report (https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/relazioneannuale/2022/Relazione_IVASS_sul_2021.pdf)

3. - INSPECTIONS

In 2022, 30 inspections were carried out, 25 of which at insurance undertakings.

On-site inspections related to prudential supervision profiles in 13 cases, the combat of money laundering in six cases and in other six cases market conduct aspects (Chap. V.12). In particular, six inspections were conducted at major companies, covering 83% of large companies and 52% of the entire market over the last three years. Two inspections were conducted in collaboration with the other European Supervisory Authorities, one with the home supervisory Authority, at a company based in France, and the other at an Italian branch of a Croatian company.

IVASS inspection planning process is aligned with international standards and the Bank of Italy's supervision, and takes account of the proposals made by the off-site Departments on the basis of the outcome of the prudential assessment process, which incorporates the results of IVASS risk analysis system, and the information acquired for the purpose of monitoring the conduct of operators and consumer protection.

The inspections are carried out on the basis of the guidelines that focus 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.

Having overcome the contingencies of the COVID-19 pandemic, inspections are conducted in a hybrid mode, with on-site presence by far the most prevalent, accompanied by off-site activities tailored to the topics under inspection. The on-site presence allows immediate access to the company's information assets, interaction with stakeholders, and feedback on the application of policies, the effectiveness of processes, and the veracity of reports and statements made.

3.1. - Insurance undertakings

There were 13 inspections on profiles of prudential relevance.

A minimum frequency of on-site assessments on all the undertakings was ensured, with three inspections at small-sized companies that had not been audited on-site for more than 5 years and with a methodological approach focused on the areas of greatest importance for the supervisory authorities (governance structures, calculation of SCR premium and reserve risk and of best estimate liabilities, technical provisions of the statutory financial statements). The other ten inspections concerned the correctness and consistency of the assumptions for the calculation of the best estimate of technical provisions and underwriting risk modules, the sustainability of the financial guarantees on the with-profit life insurance portfolio and the integration of recently acquired portfolios, the functionality of the corporate governance system and the effectiveness of the monitoring on the management of financial investment risks, including in its capacity as the ultimate Italian parent company, and the strategic planning process for a medium-sized companies, including one specialising in medical malpractice, the adequacy of the corporate governance and internal control systems and the calibration of the group's internal model were verified, with a focus on the performance of the model on property and casualty risks.

Six judgments were issued in the unfavourable area concerning:

- a company's financial risk management with shortcomings in terms of strategic asset allocation and Risk Appetite Framework, entrusted to generic documents, which are not suitable for providing clear guidelines in terms of risk appetite and the classification and valuation of financial instruments, especially investments in private debt and private equity funds. The monitoring of assets under management, carried out in-house or delegated to third parties, was inadequate in the face of a business plan that enhances their income contribution. The unfavourable assessment also concerned the strategic risk for distribution aspects, determined by the underestimation of the impact on production volumes of the possible termination of a significant commercial agreement and the overestimation of the contribution of a recent banking partnership, confirmed by the 2022 figures;
- the adequacy of corporate governance and internal controls of two companies for which policies and procedures were found to be inconsistent with their management characteristics and risk profile, and the absence of constant and effective supervision of risk management and control processes, with a significant impact on the calculation of best estimate liabilities and capital requirements;
- in another case, anomalies in certain transactions with related parties and a lack of management levers suitable for encouraging the efficient selection of risks by the agency network in a context of a higher claims rate than the market;
- the limited functionality of the administrative body of another company, due to the peculiar composition of the body, the majority of whose members hold delegated powers, and the Chairperson's extensive involvement in company management. This has resulted in an unsatisfactory exercise of the role of guidance and supervision due to confusion with the management function, increased by the absence of structured mechanisms to verify the exercise of delegated powers. Significant shortcomings were found in the reporting to the Board, with timing inconsistent with the relevance and complexity of the decisions to be taken, which limited full compliance with the "duty to act in an informed manner" required under civil law;
- insufficient exercise of its prerogatives by the Board of Directors of another company. Generic policies, poorly-functioning and sometimes untimely pre-meeting information for the Board of Directors, and the passive acceptance of late and formal involvement on strategic issues, have led to a sterile exercise of management's fundamental task of guidance and control. Effective scrutiny of the latter's activities is further affected by gaps in the body's competencies, which are not commensurate with the size and operational complexity of the company.

For two of the six companies with an unfavourable opinion, sanction proceedings were initiated in relation to the deficiencies found.

3.2. - Anti money laundering

IVASS carries out its activity following a risk-based approach as outlined in the FATF recommendations and in the national legislation implementing EU directives.

Italian insurance companies and foreign companies pursuing business in Italy carry out the analysis and assessment of money laundering risk, based on the criteria and methodology defined in IVASS Regulation No. 44/2019, as amended by IVASS Order No. 111/2021. Companies operating under f.o.s. are asked to send a reduced set of information.

In 2022, seven inspections were carried out, six of which at undertakings, including the parent company and three companies operating in Italy of a group with a significant market share, and a national company and the Italian branch of an Irish-based company belonging to a major European group. All the inspections involved follow-up checks on the effectiveness of the action taken to remove the deficiencies identified in previous inspections. The inspection at the insurance intermediary concerned the main distributor of the products of two of the companies inspected.

Sanctioning procedures were commenced against two insurance companies and three insurance intermediaries.

Institutional collaboration with the Guardia di Finanza (Finance Police) and cooperation with the UIF (FIU) continued. The Institute expressed its prior agreement, as per art. 9 of Legislative Decree 231/07, in relation to four audits by the Guardia di Finanza, to which information on the subjects to be inspected was provided and cooperation was ensured, also during the audits.

3.3. - Development of on-site supervisory tools

After the release, in 2021, of two analysis paths supporting the inspection activity, relating to life insurance technical provisions and the product oversight process (POG) on the manufacturer side, at the end of 2022, four additional analysis paths were released, relating to non-life technical provisions, claims data bank, anti-fraud activity and information technology (ICT) risks.

The objectives of the new analysis paths retrace what was stated in the 2021 Annual Report (Chapter IV.3.4). In summary, the methodological framework allows inspectors to set up their inspections according to a sequence of logical and procedural steps. The investigation's scope and evaluation criteria are outlined in order to facilitate the inspected company's full comprehension and enhance the objectivity of the inspection report, thereby maximising the expected outcome and aiding the supervisory offices in their efforts to address the weaknesses identified and prevent the escalation of emerging ones.

4. - COMPULSORY WINDING UP

Undertakings undergoing administrative compulsory winding up were subject, as usual, to the supervision on the regular performance of asset realisation, determination of liabilities and distribution of amounts owed to creditors. 249 measures were issued, including the extension, reappointment and replacement of commissioners and of members of the supervisory committee.

In 2022 the Institute:

- authorised the filing, with the competent court, of the final balance sheet, financial statements and final allocation plan of Lloyd Centauro Italia S.p.A. and Emmecivi s.r.l. (Previdenza Group);
- removed from the register of companies La Peninsulare S.p.A. and Il Sole S.p.A., which had
 previously filed their final documents, as well as Lloyd Nazionale Italiano S.p.A. (NITLLOYD),
 an undertaking closed down after the composition with an accepting party.

The real estate assets are the main obstacle to the closure of liquidations. Attention is paid to the methods of auction sale and the related publicity, together with the initiatives taken to encourage the sale of the remaining assets, in accordance with the recent provisions of the Crisis Code and the Code of Civil Procedure. In 2022 the sale of 12 real estate assets was authorised, bringing the total number of properties sold between 2015 and 2022 to 84.

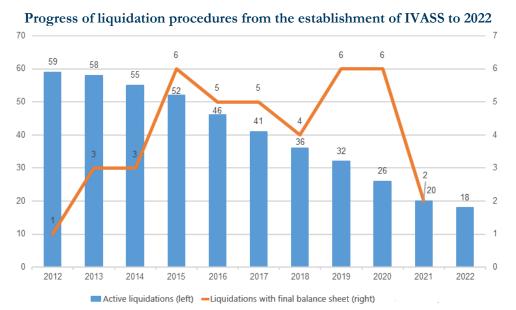
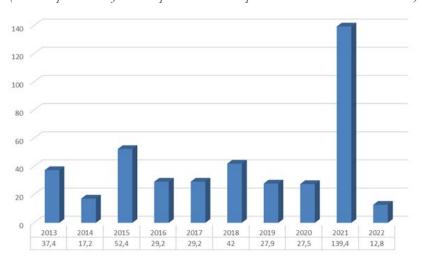


Figure IV.9

In 2022, 4,9 million euro were paid for MTPL claims to creditors of undertakings undergoing administrative compulsory winding up, based on the data provided by CONSAP S.p.A. - Guarantee Fund for Victims of Road Accidents.

IVASS authorised the disbursement of 12.8 million euro to the creditors of Lloyd Centauro Italiana S.p.A. Admitted to the final allocation plan. 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 paid for MTPL claims.

Figure IV.10



Payments to creditors from the establishment of IVASS (amounts paid under final and partial allocation plans and advances in million euro)

The Institute is in contact with the European Supervisory Authorities responsible for the control of foreign undertakings in the final steps of the crisis or placed in winding up, which carried on business in Italy under the freedom to provide services or 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 2022, the Romanian Supervisory Authority ASF (Autoritatea de Supraveghere Financiară) informed that the Bucharest Court declared the bankruptcy of Societatea de Asigurare Reasigurare City Insurance S.A., which pursued business in Italy by way of freedom of services, mainly in the suretyship class.

V. MARKET CONDUCT SUPER VISION AND CONSUMER PROTECTION

IVASS' consumer protection activities cover numerous aspects that span the entire relationship between consumer and insurance product. On the one hand, there is the preventive supervision on the implementation of processes put in place by industry players to gather consumer needs properly and comprehensively and, consequently, design and offer insurance products that meet those needs. On the other hand, there is the analysis of the causes of dissatisfaction expressed by consumers, including through complaints, and the consequent implementation of corrective actions on the processes implemented. These activities are complemented by IVASS' ongoing commitment to the widespread dissemination of insurance education, with the aim of supporting the consumer in perceiving and addressing the protection needs that can be met by the insurance sector.

The continuous refinement of methodologies to prioritise the analysis of insurance products and to establish their value for money (VfM), in line with European guidelines aimed at ensuring homogeneity of supervisory practices applied in an integrated market, characterised the work carried out in 2022. Particular attention was paid to unit-linked and hybrid IBIP products.

Focus areas for 2023 include in-depth studies on the sustainability characteristics (ESG) of IBIP products that various operators have begun manufacturing and distributing, and which IVASS is also closely examining in relation to the risk of greenwashing, i.e. only formal attention to environmental protection requirements.

Digital innovation in terms of products and distribution represents a challenge for the insurance market, which is monitored by IVASS through continuous contact with operators, surveys and regulatory sandboxes through which new activities or innovative ways of pursuing traditional activities can be tested.

IVASS is reinforcing its supervision on mediation activity with a preventive (forward-looking) approach, thanks to greater availability of data, in order to stimulate intermediaries to strengthen their distribution processes and, consequently, to increase consumer protection.

Complaint handling, which increased significantly compared to 2021, confirms its effectiveness and versatility as a consumer protection tool, pursuing individual protection and strengthening the overall level of consumer protection.

The use of consumer reports as indicators of possible management criticalities of companies and intermediaries provides a way to calibrate supervisory interventions aimed at urging corrective actions on products and business processes. Particular attention has been devoted to strengthening the technological infrastructure that IVASS uses to handle complaints.

Increasingly important is the promotion of insurance education to foster informed consumer choices and the development of an inclusive market. IVASS considers educational action for schools a priority and supports the inclusion of financial, insurance and social security education as part of school curricula.

In 2022, IVASS updated the training and educational materials available to primary and secondary school students and sought closer ties and collaboration with key stakeholders, particularly universities, to disseminate an insurance culture.

1. - SUPERVISION OF MARKET CONDUCT - ANALYSIS METHODOLOGIES AND TOOLS

1.1. - Life products

The assessment of the adequacy of the Value for Money (VfM) of *unit-linked* and hybrid products has been brought to the attention of IVASS and the European supervisors due to the critical issues related to their complexity and high costs, which in some cases undermine profitability expectations for the consumer.

EIOPA has developed a methodology for the supervision of companies' POG processes²⁰⁶ (see box), developed following the issuance of the Supervisory Statement on VfM²⁰⁷, which aims at the convergence of supervisory methods and actions for European consumer protection.

The EIOPA methodology involves conducting a profit test of IBIP products for clients, which jointly considers the expected returns and the costs borne by the underwriters over the whole life of the contract with the aim of estimating the profit for the policyholder at maturity, in the event of surrender and death. Profit test analysis, which is already utilised by undertakings to evaluate their profitability, when implemented on the customer side enables verification that performance expectations are fair, reasonable, and appropriate to the customer's needs and expectations, and thus measures the product's value for money.

EIOPA's methodology for assessing VfM in the unit-linked market

The methodology published by EIOPA on 31 October 2022 proposes an assessment of the VfM of IBIP products by verifying the application of the principles of the Supervisory Statement on VfM issued on 30 November 2021. It is a flexible methodology which can be adapted to the specificities of different markets, and at the same time can promote homogeneity of evaluation. The methodology involves three levels of analysis:

- 1. risk-based **market monitoring** to identify potentially critical products or companies for further analysis. Four approaches, which can be combined, are proposed, differing in the database used to construct the PRIIP-KID indicators, national reporting, Solvency II reporting, asset analysis of the main funds underlying the products;
- 2. detailed analysis of the products identified as potentially critical or placed by companies highlighted as outliers in phase 1, by means of quantitative indicators measuring the cost impact and product performance applied to a customer-side profit test analysis carried out by companies or supervisors on the basis of their own model. The analysis can be carried out on the basis of the assumptions used by the company in drawing up the KIDs and completed by considering qualitative indicators on other aspects that can offer added value to customers, including the sustainability of the product and the presence of digital services;
- 3. evaluation of the **POG process** of products for which the Phase 2 analyses do not allow a definitive judgement to be made on the presence/absence of a VfM of the product for the target market. The analysis consists of verifying whether the company's POG process guarantees adequate results for the consumer in terms of VfM, i.e. whether the characteristics of the products, even if complex or with high costs, meet the needs, objectives and characteristics of the target markets for which the product is intended. The analysis follows the expectations

²⁰⁶ Methodology to assess value for money in the unit-linked market https://www.eiopa.europa.eu/document-library/methodology/methodologyassess-value-money-unit-linked-market_en?source=search

²⁰⁷ Supervisory Statement on assessment of value for money of unit-linked insurance products under product oversight and governance published on 30 November 2021. https://www.eiopa.europa.eu/document-library/supervisory-statement/supervisory-statement-assessment-of-value-money-of-unit

of the supervisory authorities regarding POG in the EIOPA's approach to the supervision of product oversight and governance²⁰⁸.

1.2. - Non-life products

IVASS has strengthened its analysis of non-motor non-life products by setting up, on an experimental basis, a database to compare the main characteristics of products on the market. The trial was successful and led to the acquisition of the tool to support market conduct supervision. The analysis focused on exclusion clauses in coverage for natural catastrophes, pandemics and cyber risk in the event of war, which were also under scrutiny by EIOPA in order to assess whether effective insurance covers for clients' needs are actually available. The cover requested by customers may, in fact, be unavailable on the market or, although purchasable, prove to be ineffective due to unclear contract terms and the presence of significant exclusions.

1.3. - Analysis of simplicity and clarity in insurance contracts

As part of the objectives of strengthening the supervision of insurance products, IVASS collaborated with an external provider on a scientific research project to assess, including with the use of artificial intelligence tools, the simplicity and clarity of insurance contracts.

The survey covered 30 accident products designed for retail customers, marketed as of July 2022 by 30 insurance companies, including three foreign ones, the premium income of which accounted for 83% of the total market in this line of business. Its aim was to derive, through the use of algorithms, quantitative indicators of text readability based on objective parameters, to be complemented by qualitative analysis. The quantitative indicators of each product per company were compared to the comprehensibility indices of a text considered to be of average accessibility (the Italian Constitution) and to competitors.

It has come out that:

- contractual texts have a level of difficulty that, on average, makes them difficult to understand for citizens with primary and secondary school education and also puts higher educated citizens at a disadvantage; the average of the Gulpease Index²⁰⁹, which measures the level of comprehensibility of the text, is 44.3 compared to 54.9 for the Italian Constitution, with minor deviations between companies;
- the most critical element is that of syntax: the number of words per period, the number of propositions per period and the percentage of subordinate sentences are all worse than in the Constitution. Periods are excessively long, often made up of more than 25 words;
- as regards the grammar, the subjunctive is commonly used instead of the simpler indicative;

 $^{^{208}\} https://www.eiopa.europa.eu/content/eiopa-approach-supervision-product-oversight-and-governance_en?source=search$

²⁰⁹ The parameters for evaluating a text according to this index are as follows:

⁻ index of less than 80: text difficult to read for persons with primary school education

⁻ index of less than 60: text difficult to read for people with secondary school education (= B1 level)

⁻ index of less than 40: text difficult to read for people with higher education.

- another critical element is the lexicon, with the recourse to a bureaucratic language;
- the use of unnecessary technical terms and words of uncommon usage, outside the "basic vocabulary".

IVASS will hold a public event at the end of June 2023 to communicate the results of the research to the market and to share the best practices identified and the Institute's expectations.

2. - CONDUCT SUPERVISION ON ITALIAN UNDERTAKINGS

2.1. - Supervision over product design - POG

Supervision over the implementation by Italian operators of the POG discipline focused on the IBIP approval processes. The paper-based interventions were conducted in a coordinated manner with the inspections (Chapter V.12), covering a large share of the national market. The activities were carried out in line with the EIOPA guidelines on supervision²¹⁰ and on the VfM of IBIP products. IVASS' supervisory action aims in particular to verify that companies have robust and structured POG processes in place to market products that comply with the European and national regulatory framework.

The verification of the compliance with the Supervisory Statement principles of the IBIP approval processes of 8 companies was completed and the correct and timely implementation of remedial plans requested from 2 companies following inspection was assessed.

As a result of these activities, 4 companies revised the VfM evaluation models applied in the test phase and 3 companies stopped marketing critical products in terms of cost and performance expectations.

While progress has been made in product approval processes and control systems, widespread shortcomings remain, especially in the product testing phase and in quantitative methodologies for assessing the VfM of IBIPs.

The validity of IVASS' action is confirmed by an EIOPA peer review in 2022 among national supervisory authorities, in which IVASS is among the four authorities in the best evaluation bracket.

In the wake of the EIOPA 2023-2026 strategic plan, which promotes the creation of a sustainable insurance market, initial in-depth studies were launched on the design of products whose investment policies are geared towards ESG, with reference to 18 companies that market IBIP products with these characteristics in Italy.

2.2. - Supervision on the management of IBIPs

IVASS received 189 communications of losses of more than 30% and of further losses of 10% or more on *unit-linked* contracts, submitted pursuant to Article 26 of IVASS Regulation 41/2018. The number of communications is increasing considerably due to the performance of the bond markets

²¹⁰ https://www.eiopa.europa.eu/content/eiopa-approach-supervision-product-oversight-and-governance_en

and the increased volatility of the stock market, which is attributable to geopolitical events and market trends.

For those communications that were relevant in terms of the number of policyholders involved and/or the recurrence of the products and/or the funds affected by the losses, in-depth investigations were carried out with seven companies to investigate the reasons for the losses; one company suspended the levying of commissions on the underlying asset until the losses were recovered; another planned to replace the underlying funds whose performance had not been adequate; for another company, recurring losses were attributable - in addition to the performance of the underlying assets to the fact that policyholders suspended payments, not following the initially planned savings plan. In general, fixed charges have had a significant impact on small investment products, making it appropriate to take protective action vis-à-vis policyholders for whom the product no longer offers any utility.

In all cases, the monitoring, management and safeguarding activities carried out on the underlying funds were examined in detail with the companies involved in order to assess the effectiveness of the activities undertaken, especially in cases of persistent losses, as well as the need to take any remedial action to protect policyholders.

IVASS' monitoring action continues on the remedial plan adopted by an Italian company following criticalities detected on multiple underwriting and succession operations of IBIP policies, which led to a compensation paid to the policyholders involved for a total amount of €700,000.

2.3. - Extraordinary transactions on internal funds and separately managed accounts

Proceedings were instituted in connection with an application to demerge four internal funds underlying a hybrid product so as to implement an industrial reorganisation strategy.

Amendments to the regulations of 12 separately managed accounts and 31 internal funds were examined and assessed to ascertain the absence of prejudice to policyholders. The regulations of six internal funds and three newly established separately managed accounts were also examined to verify the compliance of their contents with the regulations.

2.4. - Supervision on the control of the distribution networks

In order to identify risks associated with the distribution of insurance products in advance, analysis continued of the companies' annual reports on controls carried out on their distribution networks.

The evaluation of the status of implementation of the risk indicator systems developed by companies to verify the conduct of sales networks, including with a view to identifying best market practices, was concluded.

IVASS took action with respect to three operators to request a reinforcement of the indicator dashboards (*key risk indicator*). In further six cases, audits were conducted to ascertain the implementation of indicator dashboards, previously requested by IVASS.

2.5. - Insurtech meetings with companies

By way of implementation of the strategic objective of monitoring Insurtech issues and enhancing analysis on business models focused on digital technology, IVASS, in continuation of the meetings conducted in 2021 with insurance intermediaries, organised 11 meetings with Italian companies, selected on the basis of an assessment of their technology profiles.

Companies have shown a strong interest in enabling technologies for new digital distribution strategies. The state of the developments is heterogeneous. Most companies encountered have implemented services for customers, in particular for internal processes, while others have a more cautious approach and are in the testing phase. Almost all solutions relate to non-life policies.

Companies are defining their governance processes on the introduction of new technologies and are using in-house multidisciplinary expertise and teams with business and IT components, collaborating with external parties for the technology components (e.g. blockchain management).

Great importance is placed on the digitalisation of underwriting processes, either direct or through intermediaries, therefore numerous undertakings have equipped themselves with digital electronic signature systems (Advanced Electronic Signature with OTP), digital drawers, web-based or app-based questionnaires, automatic retrieval of public data (e.g. cadastral information, companies' financial statements), and automated communication facilitation processes.

3. - CONDUCT SUPERVISION ON FOREIGN UNDERTAKINGS

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 pursuing business in Italy under the right of establishment or the free provision of services.

At the end of 2021 (the most up-to-date EIOPA data) there were 302 foreign undertakings²¹¹ operating in Italy, with a premium income of 29.2 billion euro (22.9 in the life sector and 6.3 in the non-life sector) and a market share of 17%.

Foreign companies are mainly active in the life sector (78% of total premiums of foreign companies), in particular with unit-linked policies (87% 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 an increase in life premium income (+39%).

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.

IVASS has collaborated with EIOPA and other authorities to develop the cross-border notification tool, an application that went into effect on 1 February 2023 to enhance the security and timeliness of cross-border information exchanges, thereby enhancing consumer protection.

²¹¹ Of which 270 undertakings operating under f.o.s. and 72 with an establishment, with some undertakings active under both systems.

3.1. - Entry of new EU undertakings into the Italian market and supervision following entry

26 new authorisations for entry into Italy were granted to EU undertakings for the pursuit of business by way of f.o.s., 1 to an undertaking operating under the right of establishment, and 34 extensions into other classes of business were granted to companies already present in the Italian market. 17 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, ex ante and in day-to-day operations, concerned:

- two Maltese undertakings and two Belgian undertakings, 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 it possible to carry out coordinated supervisory initiatives on the undertakings' activities and the related distribution networks in Italy;
- two Croatian companies, one of which has suspended its activities in Italy following interventions by IVASS and the home authority, and as regards the other, active in the MTPL sector, followup activities are underway aimed at overcoming the critical issues that emerged;
- a UK company, for which critical issues emerged in the management of the run-off of the Italian post-Brexit business.

In 2022, IVASS participated in five EIOPA collaboration platforms, the most noteworthy of which are:

- a Slovakian life company whose persistent criticalities have not yet been effectively addressed by the home supervisor, in respect of which EIOPA issued a recommendation in May 2022 in connection with a breach of union law procedure, confirmed by a formal opinion of the European Commission in September 2022; the authorisation to pursue business was withdrawn by the home Authority on 5 June 2023;
- a Luxembourg-based life company whose products, distributed in several European countries, were already at the attention of supervisors due to their very high costs. Following a joint inspection and the consequent follow-up by the home supervisor, the company stopped marketing these products and issued others, with partially reduced costs, shorted duration and without certain critical technical features. A remedial plan is being considered for policyholders who subscribed to the previous products;
- a life company based in Liechtenstein, in relation to products characterised by costs such as to make the product unprofitable for customers, sold in the Maltese territory by an Italian intermediary without having been subjected in advance to a proper POG process. As a result of the cooperation between authorities, the company stopped marketing these products and the intermediary ceased its activities in Malta; a remedial plan is being considered for policyholders who subscribed to the previous products.

IVASS is a member of 11 colleges of supervisors on cross-border groups with significant branches in Italy, where it has provided updates on conduct in the domestic market.

Critical issues emerged in the settlement processes of two MTPL companies, together with the system of controls on the Italian distributor, in relation to the latter's additional role as claims manager. The critical issues were shared with the home authorities of the two companies.

For foreign companies too, IVASS assessed the robustness of the safeguards and controls on the distribution network through the analysis of the annual reports submitted pursuant to Article 46 of IVASS Regulation 40/2018. The reports of some foreign companies have highlighted criticalities that were made known to the home authorities. As a result of the interventions, two companies revised their processes for monitoring the distribution network, with greater involvement of the parent company.

The exploitation of quantitative data on the business conducted in Italy by foreign companies was improved to support the prioritisation of supervision of market conduct.

3.2. - Brexit - action to ensure service continuity to Italian policyholders

As established in the decree-law 183/2020 (Milleproroghe), insurance undertakings with head office in the United Kingdom which, until 31 December 2020, were licensed to carry out business in Italy under the right of establishment or the freedom to provide services, continued their business limited to the management of existing covers, without commencing new business or renewing existing contracts,

In 2022, IVASS received 22 reports on the state of implementation of the Plan containing the measures for the regular execution of the contracts, including the payment of claims.

4. - THEMATIC SURVEYS

4.1. - Dormant policies

IVASS continued to facilitate the collection of benefits by beneficiaries in order to avoid that dormant policies become time-barred. While waiting for the activation of the direct access for companies²¹², IVASS offered the cross-check service on the tax codes of holders of life and accident policies against the data on deaths in the Tax Registry²¹³.

24.1 million tax codes reported by Italian companies and by foreign companies pursuing business in Italy were cross-checked and 139.145 deaths were ascertained. The results were returned to the undertakings, so as to allow them to contact the beneficiaries and to proceed with the payment of the amounts due. Companies have been asked to provide IVASS, by June 2023, with data on payments made on dormant policies that have emerged since 2018²¹⁴.

²¹² Decree-law no. 119 of 23 October 2018, 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.

²¹³ Letter to the market dated 6 December 2022 https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2022/lm-06-12/index.html 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 30 November 2022 in addition to any contracts no longer in force, when they have not been already communicated for previous cross-checks, for which companies needed to verify the date of the death.

²¹⁴ Letter to the market of 16 March 2023 https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2023/lm-16-03/index.html

Audits on the settlement of dormant policies, also conducted by meeting with 6 Italian and 11 foreign operators with high numbers of unknown deaths, revealed the need for further action to improve the manner and timing of information exchanges with financial distributors who receive notice of the death by virtue of their banking relations with the customer, and in some cases, the documentation required for the settlement of the claim, which is too burdensome; some companies reported difficulties in the settlement resulting from the identification and tracking of beneficiaries, which were not always easy, for which areas of possible intervention were suggested. For some foreign companies, of Irish and French origin, work was done with the home supervisor to facilitate the identification of solutions that would allow the settlement process to run its course and, where possible, the adoption of measures favourable to the beneficiaries.

4.2. - Policies linked to mortgages and other loan contracts

In 2022, IVASS continued its work for the EIOPA thematic review on PPI – *Payment Protection Insurance* policies linked to mortgages and loans sold through banks and contributed to the drafting of the EIOPA Final Report showing the results of the survey. Critical issues for consumers related mainly to the bancassurance model through which products are predominantly sold in all European countries. The high commissions paid by insurance companies to selling banks reveal potential conflicts of interest in the sale; the low claims/premiums ratio is indicative of a low VfM of these products for the customer.

On the basis of these findings, pursuant to Article 9.3 of Regulation (EU) 2010/1094, in October 2022 EIOPA issued a warning²¹⁵ to insurance companies and distributing banks, inviting them to take action to overcome the critical issues identified and to prepare for the review of the actions taken by the national supervisory authorities supported by EIOPA. At the beginning of 2023, IVASS started audits on Italian operators, in cooperation with the Bank of Italy.

4.3. - Survey on artificial intelligence

In late 2022, IVASS conducted a survey on the use of Machine Learning (ML) algorithms by insurance companies in processes impacting customers. The survey is part of the strategic goal of analysing the evolution and impact of InsurTech issues, promoting digital development in a modern system of consumer protection and market conduct supervision.

The questionnaire surveyed 93 supervised undertakings (Italian undertakings and branches of non-EU undertakings). The results have shown that companies are at an early knowledge-gathering stage regarding the use of ML algorithms, adopted mainly for the optimization of internal processes and, only in limited cases, in the relations with policyholders. Experimentations are under way on the added value of ML to business, pending the definition of the relevant regulatory framework at the European level.

27% of companies, accounting for a market share of 78% in non-life and 25% in life business, stated that they use at least one ML algorithm in processes with direct impact on customers. ML algorithms are used for fraud prevention, motor liability claims management and for the identification of customer intention to churn (churn patterns), including for pricing purposes at policy renewal.

²¹⁵ https://www.eiopa.europa.eu/system/files/2022-09/10.0_eiopa-bos-22-434-warning-to-insurers-and-banks-on-credit-protectioninsurance.pdf

Decision trees are the most widely used ML algorithms, followed by neural networks. 20% of algorithms are managed in outsourcing, the remainder are developed in-house or in collaboration with technology partners.

5. - Supervision of the market conduct of distributors

5.1. - Preventive supervision actions

In line with IVASS strategic plan and with the activities planned by EIOPA, the commitment to a forward-looking supervisory approach with the prior identification of critical issues in the distribution of insurance policies continued.

In-depth investigations were undertaken on a sample of intermediaries selected on the basis of production volumes, type of business, methods of interaction with customers, presence and number of networks of collaborators. Distribution in the life sector, distribution mechanisms, and POG processes on the distributor side were evaluated, including customer needs and information flows with manufacturers, and, where relevant, the business model.

In 2022, activities were conducted to improve the exploitation of quantitative data on non-life and life distribution per intermediary in order to support the prioritisation of market conduct supervision activities.

5.2. - Supervisory actions resulting from reports

In 2022, 161 reports (down by 31.5% compared to 235 in 2021) of possible misconduct by intermediaries were examined; these reports were received from consumers, insurance undertakings, intermediaries, the police and other parties. There were 25 lawful revocations of agency mandates, communicated by insurance undertakings (29 in 2021) and 48 sanctioning proceedings were initiated, mainly related to failure to remit premiums for significant amounts, failure to record policies after the collection of the premium, forgery of insurance documentation and inadequacy of contractual proposals.

	Reports receiv	red by type of interr	nediary	
				(units and % values)
	20	22	202	21
Intermediary	Number	%	Number	%
Agents (section A)	47	29.2	59	25.2
Brokers (section B)	31	19.2	45	19.2
Canvassers (section C)				
Banks/other (section D)	5	3.1		
Collaborators (section E)	70	43.5	120	51.0
Other operators	8	5.0	11	4.6
Total	161	100.0	235	100.0

Table V.1

The reports resulted in supervisory actions, aimed at pursuing, among other things:

- an improvement of the recruitment policies of collaborators (registered in Section E) by intermediaries registered in Sections A, B or D of the Single Register of Intermediaries and a strengthening of the control system on their continuous fulfilment of the good repute and professional requirements, including through the monitoring of the sanctioning measures adopted against them by other Supervisory Authorities;
- careful monitoring by intermediaries of the activities of the network of employees and collaborators, in order to increase supervision and control in the best interests of consumers, and to ensure full compliance with the rules of conduct, in particular on the clarity and adequacy of contracts;
- better information to users on the identity and contact details of intermediaries who use websites and social network profiles for the online promotion and distribution of insurance contracts. The interventions, supported by checks carried out directly on the sites, also concerned the policy sales processes (customer journey) where deficiencies or anomalies were detected;
- verification of the operation of branch offices abroad of supervised distributors and resolution of critical issues related to the business model and marketing of complex life products (unitlinked), requiring actions to ensure the existence of formalised procedures and effective governance and control of insurance distribution in the branch office and the Italian parent company. Enhanced cooperation with the home supervisory authorities was initiated to ensure proper handling of relations with policyholders.

Following a report which highlighted critical issues regarding the reimbursement of unused premiums for early repayment of loans related to PPI products distributed by a banking intermediary, IVASS took action against the distributor, which adopted corrective measures and reimbursed premiums to the entitled parties.

In support of judicial investigations, replies were provided to requests for information on distributors, received from public prosecutors, the police or the finance police, on registration in the RUI and on supervisory records.

6. - CONTRASTING UNAUTHORISED PURSUIT OF BUSINESS

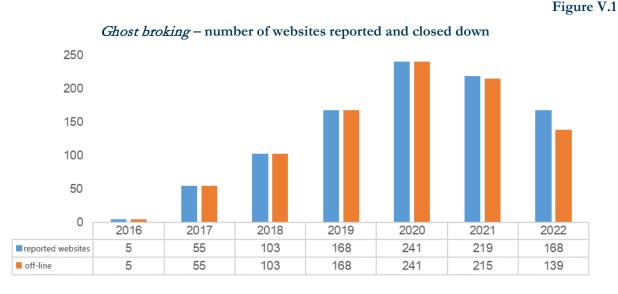
6.1. - The fight against irregular websites

IVASS continued its action to combat the phenomenon of Internet sites promoting and selling counterfeit insurance policies, mainly temporary motor vehicle liability policies, not related to any intermediary registered in the RUI.

Ghost broking, perpetrated through ghost sites that often use the logos and trademarks of leading insurance companies or intermediaries without authorisation, is dangerous for consumers and for the insurance market. It is illegal in that it involves the illicit use of the web to promote and trade false policies, the unauthorised pursuit of insurance mediation, and the theft of the identity of duly registered and operating intermediaries.

In 2022 IVASS issued 16 press releases reporting 168 irregular websites²¹⁶, 60 of which in the last quarter. More than 83% of the identified sites were closed down.

Although declining over the past two years, the phenomenon of ghost broking remains significant in size (Fig. V.1).



IVASS continued to combat the spread of fake sites by cooperating with:

- the anti-fraud structures of insurance companies, the local police and the investigating authorities;
- the major web service hosting companies, registration providers and the Italian Registry of Domains (NIC) for the purpose of taking down the content of irregular sites or domains.

Discussions have been intensified with the main search engines, including Google, for the removal from the web of adverts referring to fake sites and to promote the adoption of procedures for a prior verification of the qualification requirements of parties requesting an ad for insurance purposes. In order to facilitate this check of persons applying for registration of an internet domain for insurance purposes, since March 2022 the data of persons duly registered with the single register of intermediaries have been made available on IVASS' website.

IVASS is in the process of compiling the list of internet domains of distributors of insurance contracts by means of distance communication techniques (white list) for publication in the Register of Insurance Intermediaries. In February 2023, an Order was issued introducing the obligation for parties registered with the single register of intermediaries to notify IVASS of the domain and sub-domain, if any, used for the activity of insurance mediation on the web.

6.2. - Counterfeiting of policies

In 2022, 22 cases of counterfeit policies, particularly suretyship policies, were reported by consumers and insurance companies. IVASS handled these cases in cooperation with the Judicial

²¹⁶ www.ivass.it/consumatori/proteggi/ELENCO_SITI_WEB_DI_INTERMEDIAZIONE_ASSICURATIVA_IRREGOLARI.pdf.

Authority, with the companies that were the victims of counterfeiting and with the Home Authorities, informing consumers by means of press releases.

The Institute handled requests to verify the authenticity of the policies, providing feedback to the beneficiary Public Administrations, the Guardia di Finanza (Italian finance police) and the Public Prosecutor's Offices.

7. - OPINIONS ISSUED TO AGCM

Within the framework of the memorandum of understanding with the Antitrust Authority (AGCM), two opinions were issued pursuant to article 27, paragraph 1-bis, of the Consumer Code, concerning a proceeding against two insurance companies 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, the failure to specify the criteria for quantifying the damage when making the offer of compensation or the reasons underlying the refusal to make an offer.

An opinion was issued on an investigation procedure against an insurance intermediary for an unfair commercial practice resulting from the misleading nature of the initiative in the placement of an insurance policy, reserved for those who would join a purchasing group promoted on the website of a consumer association.

IVASS provided information to the Antitrust Authority (AGCM) in relation to an investigation into alleged unfair commercial practices by companies not supervised by IVASS and that offer services related to MTPL insurance contracts.

8. - MANAGEMENT OF THE SINGLE REGISTER OF INTERMEDIARIES (RUI)

At the end of 2022, 235,404 entities were registered in the RUI, broken down by Section and by natural or legal person. With the exception of Section B (+2%), the data show a decline in the number of registered subjects in all the sections, with the largest decrease in Section C (-15%).

Number of intermediaries registered in the sections of the RUI at end 2022							
				(units)			
Sections	Type of intermediary	Natural persons	Companies	Total			
Α	Agents	17,385	8,352	25,917			
В	Brokers	3,947	1,753	5,700			
С	Direct canvassers	1,426		1.426			
D	Banks, financial intermediaries, SIM (stock brokerage companies) and Poste Italiane S.p.A Bancoposta services		398	398			
E	Staff involved in mediation outside the premises of the intermediary registered in section A, B or D, for which they conduct business, including their employees and collaborators	182,921	15,084	198,005			
Enclosed list	Intermediaries having their residence or head office in another EEA State		3,958	3,958			
Total		205,679	29,725	235,404			

Table V.2

Table V.3 shows the breakdown by gender and age group of natural persons included under Sections A and B.

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	1,383	6.5%	594	2.8%				
From 41 to 55	6,991	32.8%	2,327	10.9%				
From 56 to 65	6,159	28.9%	1,376	6.5%				
Over 65	2,114	9.9%	388	1.8%				
Total	16,647	78.0%	4,685	22.0%				

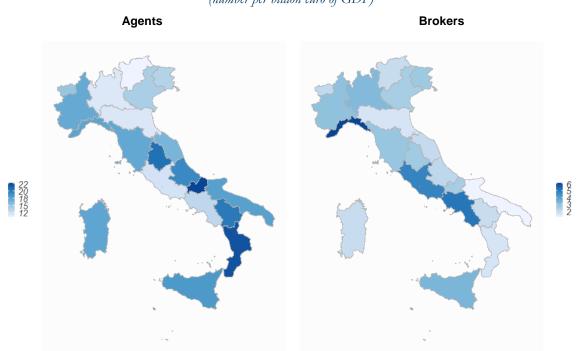
The breakdown by province (Tab. V.4) is based on the residence for natural persons and on the head office for legal persons.

Table V.4

						(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	72	0.28	10	0.18	6.6	17.3
Piedmont	2,341	9.03	417	7.32	6.5	20.2
Liguria	857	3.31	297	5.21	7.6	23.7
Lombardy	4,828	18.63	1,327	23.28	6.2	15.2
North West	8,098	31.25	2,051	35.98	6.4	17.1
Veneto	2,371	9.15	435	7.63	5.8	17.1
Trentino-Alto Adige	520	2.01	93	1.63	5.7	13.0
Friuli - Venezia Giulia	544	2.10	111	1.95	5.5	16.8
Emilia Romagna	1,960	7.56	277	4.86	5.1	13.7
North East	5,395	20.82	916	16.07	5.5	15.2
Tuscany	1,987	7.67	337	5.91	6.3	20.2
Marche	692	2.67	86	1.51	5.2	18.4
Umbria	473	1.83	63	1.11	6.2	23.6
Latium	2,443	9.43	952	16.70	5.9	17.2
Centre	5,595	21.59	1,438	25.23	6.0	18.6
Abruzzo	631	2.43	71	1.25	5.5	21.5
Molise	145	0.56	17	0.30	5.5	25.5
Campania	1,473	5.68	568	9.96	3.6	18.5
Basilicata	259	1.00	25	0.44	5.2	22.3
Puglia	1,365	5.27	91	3.35	3.7	19.1
Calabria	725	2.80	55	0.96	4.2	23.9
South	4,598	17.74	927	16.26	4.1	20.4
Sicily	1,625	6.27	300	5.26	4.0	21.8
Sardinia	606	2.34	68	1.19	4.2	19.5
Islands	2,231	8.61	368	6.46	4.0	21.1
Total for Italy	25,917	100.00	5,700	100.00	5.4	17.7

*Source: ISTAT, Population resident in Italy on 01 January 2022. –** Source: ISTAT, 2021 GDP, production side, December 2022.

Figure V.2



Distribution across the national territory of agents and brokers registered in the RUI-2022 (number per billion euro of GDP)

The joint work of IVASS and the Bank of Italy continues on the 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 computable in a massive way. The public information contained in the RUI, which is updated weekly and is classified by categories of Intermediaries, Mandates, Positions, Collaborators and Head Offices, is available in the website of IVASS²¹⁷.

8.1. - Investigations handled

As part of the management of the RUI, in 2022, 63,736 applications for registration, changes in the information and removal were processed, with the same average processing time as in 2021. The applications for registration in Sections A and B are processed on average in 20 days while the applications for registration in Section E have shorter processing times.

²¹⁷ https://www.ivass.it/operatori/intermediari/rui/index.html

Proceedings completed in 2022 by type of investigation								
							(units)	
	Sect. A	Sect. B	Sect. C	Sect. D	Sect. E	Enclosed List	Total	
Registrations*	347	127	2,816	5	35,577	274	39,146	
Removals**	607	180		28	15,408	327	16,550	
Reinstatements	75	51	122				248	
Moving from one section to another	515	93	1,698		547		2,853	
Extension of business abroad	348	286		2			636	
Measures for the activation of operations or inactivity	470	123		1			594	
Annotations on the register by effect of disciplinary proceedings	41	24		2	24		91	
Changes in personal data	2,014	830		181	409	184	3,618	
Total	4,417	1,714	4,636	219	51,965	785	63,736	

* 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.

8.2. - Automatic updating, checks and other support activities for intermediaries

The data relating to ancillary insurance intermediaries who operate under assignment of another intermediary registered in sections A, B, C or F, to the staff of intermediaries registered in Sect. E who work outside the premises of the latter and to the names of distribution managers of insurance and reinsurance undertakings and intermediaries registered in Sect. D of the RUI, to be collected following the implementation of the IDD, 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 142 intermediaries in Section A and 69 in Section B. 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 948 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 sixteen measures of refusal of registration were initiated.

418 requests from intermediaries for information on their position in the RUI, 54 requests for access to records and 179 requests for information from law enforcement or prosecutors' offices were given a reply. 500 historical certifications and certificates of professional qualifications were issued and information on distribution agreements or agency appointments was processed for 4,945 appointments and 4,127 terminations.

Table V.5

8.3. - The qualifying examination for registration in the RUI

The qualifying examination for registration in Sections A and B of the RUI - 2021 session - announced through IVASS Order no. 116 of 15 December 2021, was concluded in October 2022. The test was held in person in Rome, with the necessary arrangements to manage the COVID emergency. 2,638 candidates participated out of 4,273 admitted. 1,027 passed the examination, equal to 39% of attendees.

The qualifying examination for the 2022 session was announced through IVASS Order no. 125 of 20 December 2022. 4,039 applications for participation were received.

9. - HANDLING OF COMPLAINTS

9.1. - Complaints handled by IVASS

A total of 24,601 complaints were handled in 2022, with a significant increase (+22.2%) over 2021, also up on 2020.

The increase in complaints is mainly due to the motor liability line of business (+26.5%, 3,200 more complaints than in 2021), which accounted for 62% of total complaints, most of which regarding issues related to the methods and timing of claims settlement.

Complaints related to other non-life lines of business (28% of the total) were declining (-21.9% over 2021). In the area of health insurance policies, consumers expressed dissatisfaction with the services provided, due to overly complex contract contents or difficulties in accessing services.

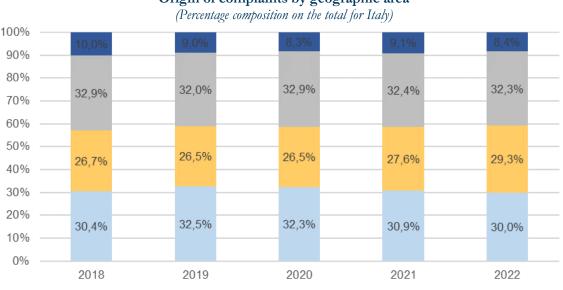
In life insurance (10% of total complaints) there was a slight decrease compared to 2021 (0,7%). The reasons for dissatisfaction mainly concern the placing of the contract and the settlement of benefits (surrenders, capital at maturity, claims).

Complaints received by IVASS - distribution by sector								
Year	MTPL	Other non-life classes	Total Non-life	Life	Grand total			
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			
2022	15,314	6,920	22,234	2,367	24,601			
Var. 2021/2020	15.9%	-5.1%	8.3%	-5.7%	6.4%			
Var. 2022/2021	26.5%	21.9%	25%	0.7%	22.2%			

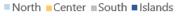
Table V.6



The origin of complaints by geographic area, expressed as percentage of the total for Italy, showed no significant changes compared to 2018.



Origin of complaints by geographic area



There is also an increase (+12.2%) in the number of requests for information from consumers, public prosecutors, law enforcement officials, and public administrations on insurance regulations and to obtain confirmation of the operation in Italy of foreign companies and the validity of insurance policies and proposals, particularly in the suretyship and MTPL classes. The number of enquiries processed in 2022 was 1,327 compared to 1,183 in 2021 and 906 in 2020. In the event that the information is insufficient to satisfy the request or in case of critical issues, the company was directly concerned, involving the foreign supervisory authority where necessary. Cases of counterfeiting have been identified, and the necessary initiatives were taken to combat the phenomenon and inform consumers.

Figure V.3

Figure V.4

In 2022, investigations relating to 21,886 complaints were completed, with totally or partially favourable outcomes for complainants in 39.1% of the cases (Table V.7). The percentage of investigations completed with totally favourable outcomes for consumers increased (30.3% compared to 28.6% in 2021). In 96.7% of the cases, these files were opened in 2022 or 2021; the remaining 3.3% 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

Table V.8

Investigations concluded by IVASS in 2022							
	Number	%					
Totally upheld by the undertaking	6,626	30.3%					
Partially upheld by the undertaking	1,925	8.8%					
Not upheld by the undertaking	5,050	23.0%					
Sent to the undertakings for direct handling first	6,556	30.0%					
Complaint transmitted to a different Authority with jurisdiction	1,729	7.9%					
Total	21,886	100.0%					

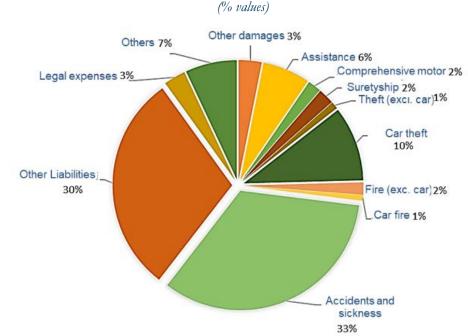
9.1.1. - Complaints in the non-life classes

In the MTPL sector (Table V.8) complaints in the area of claims handling and settlement increased compared to 2021 (86.9% of the total), while those in the contractual area, which are the subject of specific supervisory measures, decreased to 8.3%. Dissatisfaction with the settlement process also concerns the failure by the undertaking to comply with the time-limits established by law for making an offer and for the payment of the sums offered.

	MTPL complaints - distribution by area									
Area	2018	2019	2020	2021	Comp. % 2021	2022	Comp. % 2022			
Claims	9,239	7,607	8,375	10,377	85.7%	13,302	86.9%			
Contractual	1,634	1,649	2,032	1,640	13.5%	1,276	8.3%			
Commercial/ Other	92	50	37	92	0.8%	736	4.8%			
Total	10,965	9,306	10,444	12,109	100.0%	15,314	100.0%			

Complaints in non-life classes other than MTPL (fig. V.5) show an increase in the assistance class (6% compared to 2% in 2021) and in car theft (10% compared to 5% in the previous year).

Figure V.5



Complaints in non-life insurance classes other than MTPL – 2022

Complaints relating to non-life policies other than MTPL most often regard claims settlement (81%, Table V.9), especially the benefit payment stage. Complaints in the contractual area (19%) concern the interpretation and application of contractual conditions.

Other non-life insurance complaints - distribution by area								
Area	2018	2019	2020	2021	2022			
Claims	3,810	3,883	4,705	4,486	5,591			
Contractual, Commercial and Other Areas	1,273	1,040	1,278	1,191	1,329			
Total	5,083	4,923	5,983	5,677	6,920			

9.1.2. - Complaints on life insurance

Dissatisfaction with life insurance policies concerns the settlement and contractual areas. Consumers complain about delays in the payment of benefits or problems on the sums paid by the company in case of early surrender. Complaints often stem from poor information provided during the placement of the contract. With regard to the contractual area, consumers complain about the opacity or insufficiency of the information they received by undertakings and intermediaries when taking out policies, or issues in the assessment of the adequacy of the product in relation to the needs and risk profile of the policyholder. In some cases, changes in the contractual relationship (portfolio transfers) are at the root of the complaints, especially with regard to the transparency and timeliness of the information provided to policyholders.

Table V.9

Table V.10

Table V.11

Life complaints - distribution by area								
Area	2018	2019	2020	2021	2022			
Claims	848	855	1,330	1,147	1,313			
Contractual, Commercial and Other Areas	1,436	1,210	1,162	1,203	1,054			
Total	2,284	2,065	2,492	2,350	2,367			

9.1.3. - Complaints against intermediaries

In 2022, 407 complaints against intermediaries (brokers, banks and EU intermediaries, Table V.11) were 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.

Complaints against intermediaries received by IVASS – distribution by sector year 2022							
Section / List	MTPL	Other non-life classes	Total Non-life	Life	Total		
Registered in Sect. B	77	106	183	5	188		
Registered in Sect. D	7	67	74	86	160		
EU Intermediaries	6	48	54	5	59		
Total	90	221	311	96	407		

9.2. - Complaints received by insurance undertakings

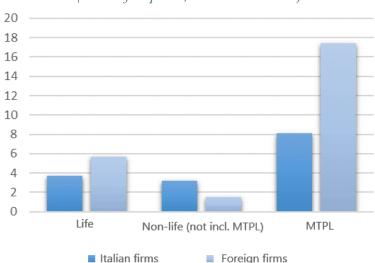
In 2022 the Italian and foreign insurance undertakings operating in Italy received 96,976 complaints from consumers (+4.3% compared to 2021). Of these, 78,120 complaints were received from Italian companies, a substantially stable number compared to 2021, while 18,856 complaints were received from foreign companies, an increase of +26%, confirming the increase recorded in the previous year (+19.1%). The number of MTPL complaints remained the same as that of complaints for non-life insurance classes other than MTPL for Italian companies; for foreign companies, the number of complaints in MTPL insurance is 60% of the total. (Table V.12)

With 41,427 complaints, MTPL recorded an overall increase of +9.2% compared to 2021, entirely attributable to the strong increase recorded for foreign companies.

								Table V.12	
Complaints received by undertakings by insurance class – 2022									
	Life and n	Life and non-life Total		al Life business		e business excluded)	Γ	MTPL	
	No.	2022/2021	No.	2022/2021	No.	2022/2021	No.	2022/2021	
Italian undertakings	78,120	0.1%	13,754	0.0%	32,217	0.2%	32,149	0.2%	
Foreign undertakings	18,856	26.0%	3,162	-7.6%	6,416	12.6%	9,278	58.9%	
Total	96,976	4.3%	16,916	-1.5%	38,633	2.0%	41,427	9.2%	

Figure V.6

Breakdown by sector of the complaints received by undertakings – incidence on the total number of contracts in the sector – year 2022



(number of complaints/10 thousand contracts)

The incidence of complaints on the total number of contracts for foreign undertakings is more than twice (17.4) that of Italian undertakings (8.1).

There was a more modest increase (+2% compared to +7.3% in 2021) in non-life complaints other than MTPL, which accounted for 39.8% of the total. For foreign companies, the weight of this segment in terms of complaints represents 34% of the total, while for Italian companies the incidence is 41.2%

Overall, complaints in the life sector decreased (-1.5%), although a significant decrease was observed for foreign companies (-7.6%), while complaints against Italian companies remained stable (-0.02%).

Complai	nts of undertaki	ngs operating in Italy – dis	tribution by sector (2	2016-2022)	
Year	MTPL	Other non-life classes	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
2021	37,932	37,865	75,797	17,178	92,975
2022	41,427	38,633	80,060	16,916	96,976
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%	-0.3%
Var. 2022/2021	9.2%	2.0%	5.6%	-1.5%	4.3%

Table V.13

Italian and foreign undertakings processed on the whole 95.1% of treatable complaints. 31.9% of all the complaints processed were upheld, 58.1% dismissed, the residual 10% was closed with a settlement agreement. The remaining 4.9% was undergoing investigation at end 2022.

The average response time to complainants was 22 days (21 in 2021), well below the time-limit of 45 days envisaged by ISVAP Regulation 24/2008. For the complaints regarding motor liability, the average response time is lower (17 days compared to 19 days in 2021).

9.2.1. - Publication on the IVASS website of data on complaints received by undertakings

IVASS, as usual, oversees the half-yearly publication on its website of data on complaints received by insurance undertakings²¹⁸, an interactive tool available to consumers to help them compare the performance of different companies and for a more informed and unbiased choice of the operators who can better respond to their insurance needs.

The comparison with the data and indicators of other companies induces undertakings to improve internal processes and quality of the service and encourages measures to remove the root causes of complaints.

9.3. - Action on undertakings and intermediaries arising from complaints

Consumer complaints to IVASS, telephone calls to the Contact Centre, and qualitative/quantitative information sent semi-annually to IVASS on complaints received by undertakings are the sources through which the Institute learns the reasons behind consumer dissatisfaction, identifies its causes and adopts targeted supervisory actions.

Complaint handling confirms its effectiveness as a consumer protection tool by pursuing individual protection and strengthening the overall level of consumer protection. The reports serve as warning signs of possible management problems of undertakings and intermediaries, and they

 $^{^{218} \} https://www.ivass.it/consumatori/reclami/2022/All_1_dati_per_singola_impresa_Tavola_reclami_premi.xlsm$

recommend calibrated supervisory interventions like root cause letters to demand changes to the affected business processes, meetings with company representatives, and the beginning of inspections as needed.

9.3.1. - Initiatives in the life sector

In the life sector, reports mainly concerned the placement phase of contracts. Consumers complain about the lack of information on the characteristics of the contracts, management costs, the duration of the contractual commitment, and the consequent impossibility of an early termination of the contract without suffering penalties (sometimes considerable).

The work of the intermediary who placed the contract is often questioned, as it is the intermediary who is required to assess the suitability of the product with respect to the needs, risk profile and requirements of the insured. IVASS intervened to demand that, in the underwriting phase, intermediaries behave in a manner that better complies with their obligations set out in the regulations, and that companies carry out timely checks on the actions of the subject to which they have entrusted the placement of policies. Where critical issues arise in the sales phase, companies are asked to find solutions to ensure effective protection for policyholders.

Where these critical cases affected companies with head offices in another EU state, the home country supervisory authorities and EIOPA were involved.

IVASS continued its monitoring of consumer complaints, reporting critical issues in the placement and settlement of policies linked to loans (Payment Protection Insurance - PPI). In the light of joint interventions with the Bank of Italy, IVASS also took action with respect to Italian and foreign companies to ensure compliance with consumer protection provisions.

9.3.2. - Initiatives in the non-life sector - MTPL

MTPL was the subject of a special focus, given the significant number of complaints received and the recurrence of problems of particular relevance to users.

Supervisory initiatives mainly concerned the settlement of claims, with the largest number of complaints relating to delays in the verification and assessment of damage, in the formulation of the compensation offer, or in the communication of the refusal to make an offer.

To ensure that the settlement process is marked by criteria of fairness and efficiency and that the offer of compensation is made, within the time limits, following a thorough and prompt assessment of the dynamics of the accident and the damages suffered by the claimants, companies were asked to revise their business processes. Particular attention has been paid to ensuring that the injured party is provided with adequate justification by the company in the event of a refusal to make an offer.

Checks continued on the proper handling of damages suffered by passengers following a road accident. The right of the passenger is based on Article 141 of the CAP, which may be invoked by anyone who suffers an injury on the Italian territory, be they Italian or foreign citizens, regardless of the State of registration of the vehicles involved in the accident. The approach taken by IVASS is a manifestation of the enhanced protection that the legislature intended to provide to the blameless victim carried on a vehicle involved in the collision, regardless of any dispute on the attribution of liability between the drivers of the vehicles involved, with the sole exception of the accidental case.

This position has been expressly confirmed by the recent judgement of the United Sections of the Court of Cassation (Cass. United Sect. 30 November 2022, judg. no. 35318).

IVASS intervened on the reports of delays and inefficiencies in the recognition of the right of access to the claims file in order to reaffirm the principle that access cannot be refused except in the cases peremptorily indicated by law, given the significant interest of the injured party and the policyholder in knowing the elements on which the insurer has taken a specific position as regards compensation.

Action has been taken on companies to ensure greater transparency in the placement and renewal of MTPL contracts. In the case of renewals, critical issues arose with respect to MTPL policies containing exclusion and recourse clauses (e.g. the "expert driving" clause), since the necessary checks were not carried out by the company and the intermediary to ensure that these clauses were still appropriate to the policyholder's needs. Changing family situations may, in fact, render a previously signed clause no longer adequate. The undertakings concerned complied with the IVASS' requirements.

We continue to receive reports and complaints regarding the omission or incorrect input of data to the MTPL cover database. The undertakings concerned informed us that they have taken corrective action to address the issue, and, at IVASS' request, they have offered to reimburse the policyholder for the administrative fine levied by the police.

IVASS continues to receive numerous reports of scams in connection with the purchase of MTPL policies promoted on the web. The issue is of particular importance to users and is constantly under the scrutiny of IVASS and market operators, who systematically report on the phenomenon, urging consumers to be extremely cautious. In the event of reports of potential scams by unauthorised operators or fake sites, IVASS, in addition to taking all initiatives to curb the phenomenon, has drawn consumers' attention to some useful tips, recommending, for example, not to pay premiums with prepaid cards.

9.3.3. - Initiatives in the non-life sector - health insurance policies

The analysis of complaints confirms significant criticalities concerning the lack of clarity of contract terms and conditions, with shortcomings in pre-contractual information (especially in collective policies, for which the information burden falls on employers as policyholders) and difficulties in opening the claim. Complaints are also received about delays in getting feedback on requests for information regarding how benefits are activated or on the status of processing of dossiers.

These critical issues have given rise to targeted interventions to ensure greater transparency and proactivity in the relationship with beneficiaries and to call for an audit of internal processes and settlement policies and consequent remedial action where necessary.

IVASS receives many reports on healthcare that do not concern insurance companies but rather health funds and mutual societies that are not subject to IVASS' supervision. Recipients of benefits often find it difficult to perceive the differences between the different actors involved in providing health care and, above all, between the different disciplines and forms of protection provided by the system.

Complaints are frequent against specialised companies that organise the health care service and deal directly with the customer and the affiliated health care facilities.

With a view to customer protection, IVASS has taken on issues related to insurance companies not only when they are directly involved, but also when they act as guarantors of the healthcare offerings of health funds.

9.3.4. - Initiatives in the non-life sector - Professional indemnity insurance

Many complaints in the field of professional indemnity coverage report the lack of the possibility, for example in the case of medical malpractice, to start direct action in favour of the injured third party, who often asks the company directly for indemnity in their favour, even though they are not formally entitled to the claim. Considering that the compulsory insurance regime favours primarily the protection of the injured party in place of the policyholder responsible for the damage, IVASS requests that the claim be investigated in order to assess the merits of the claim for compensation and, in the event of a negative response, to explain the reason for the refusal for the sake of fairness and transparency of relations.

Several complaints relate to coverage denials based on alleged inaccuracies or concealments in the pre-contractual stage. Particularly problematic is the coordination between the regulations of Articles 1892 and 1893 of the Italian Civil Code (inexact or incomplete declarations) and the claimmade cover scheme, where the guarantee also covers loss-generating events prior to its activation. In such cases, it is assumed that the policyholder was already aware of such events when the contract was entered into. Considering that the applicability of the guarantee to events occurring before its activation is the characteristic feature of claim-made covers with retroactivity, the companies were asked to investigate the actual knowledge of the circumstances giving rise to the prior-risk exception, which is only justified if there is serious, precise and concordant evidence on this point.

9.3.5. - Complaints against intermediaries

Consumer complaints against intermediaries concerned both the underwriting and the claims settlement phase.

A number of reports have highlighted critical issues in the placement of MTPL contracts through the digital platform, with reference to the lack of transparency of contractual transactions in which, alongside annual MTPL cover, different services were offered that were not clearly explained and with a different and longer duration than MTPL cover.

Policyholders found themselves exposed to payment reminders for such services, which they believed were not due. Joint action was taken against the distributor and the insurance company providing the insurance cover, requesting remedial action.

In general, the spread of digital platforms for selling insurance packages (typically non-life) and other services to customers, despite unquestionable benefits for consumers in terms of contracts that better meet actual insurance needs and cost-effectiveness, may come with risks such as aggressive selling practices, difficulties in identifying the responsible party in case of inefficiencies, and sometimes opaque content.

Complaints against intermediaries also concerned the settlement phase in non-life insurance, and in particular MTPL, when the intermediary is instructed by the client to ask the insurer to settle a claim, or, more often, is instructed by the insurance company itself to settle the claim.

In cases of delays and inefficiencies in the settlement of claims, IVASS intervened on the intermediaries, involving the principal company, where necessary.

For complaints against intermediaries in the life sector, please refer to Chapter V.9.3.1 on the critical issues arising in the sales phase, with particular reference to the assessment of the adequacy of the product in relation to the needs, demands and risk profile of the policyholder.

9.4. - The Contact Centre

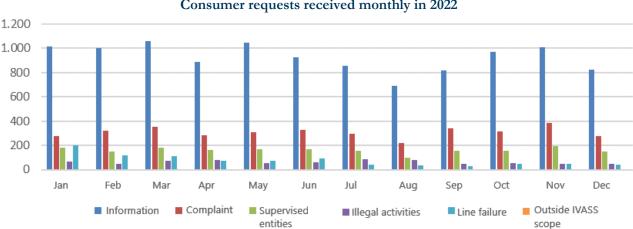
IVASS Contact Centre is an effective support tool for consumers in insurance matters, which is of great use to the Institute in identifying situations that require timely supervisory action.

In 2022, 35,719 telephone calls reached the Contact Centre (18,687 from consumers and 17,032 from intermediaries), for an average of 2,976 calls per month and 142 per day. The service dedicated to users of the Motor Third Party Liability Public Estimator handled 1,059 calls. The average duration of conversation is 3 minutes and a half.

Compared to 2021, the number of calls received decreased (-22% for the consumer area, -23% for intermediaries) and the ratio of calls dealt with to calls received is stable at 98%.

					Table V.14			
Activities of IVASS Consumer Contact Centre								
	2018	2019	2020	2021	2022			
Calls received	32,871	31,702	29,869	24,391	19,032			
Calls dealt with	29,512	28,340	29,230	23,875	18,687			
% dealt with/received	90.00%	89.40%	97.80%	97.50%	98.20%			

60% of the telephone calls concerned requests for information on insurance regulations, 20% information on the progress of complaints submitted to the Institute, 11% checks on supervised entities, and 4% reports on possible cases of unauthorised pursuit of insurance business.



Consumer requests received monthly in 2022

Figure V.7

The customer satisfaction survey, introduced in July 2021, saw a gradual increase in user satisfaction in 2022. The level of satisfaction with the quality of the information received and the interaction with the Contact Centre staff was very high and is steadily increasing. 84.2% of the consumers who participated in the survey rated the service with the highest scores, confirming the results of careful training and guidance of staff.

10. - THE INSURANCE ARBITRATOR

The collaboration with the competent Ministries continued for the setting up an out-of-court insurance dispute resolution system (AAS), envisaged by article 187 paragraph 1 of the CAP, similar to 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 MIMIT decree, jointly with the Ministry of Justice and upon proposal of IVASS.

The competent Ministries agreed on the text of the Decree, which was forwarded to the Council of State for the required opinion. The latter issued an interim opinion asking the Ministry of Enterprise and Made in Italy to supplement the data and information provided in order to be able to comment on the substance of the measure.

In cooperation with the Bank of Italy, IVASS staff assigned to the insurance arbitrator (AAS) were involved in work experience in the technical secretariats of the banking and financial arbitrator (ABF), in order to gain concrete experience of the work processes and the IT application.

The adaptation of the IT infrastructure to be used by the AAS Technical Secretariat continues. The infrastructure, developed with the Bank of Italy, has been adjusted to handle the peculiarities of structure and distribution model that characterise the insurance market compared to the banking market.

11. - INSURANCE EDUCATION

For some time now, IVASS has included in its Strategic Plan the promotion of insurance education, which is regarded as essential for raising the level of consumer protection, in the firm belief that an adequate level of skills and knowledge can enable consumers to make an informed choice based on their actual coverage needs and to compare the available alternatives. The tools for understanding the importance of insurance as a means of protection and savings represent a lever of development and social inclusion to which IVASS assigns great importance.

IVASS' efforts on the insurance education front stem from this awareness and recognition of the close correlation between the population's financial and insurance literacy correlates and their ability to cope, at individual and system level, with crises and changes in the social, economic and technological sphere. The huge gaps in the knowledge of Italians by geographic area, gender and socio-economic status and in comparison with other countries make it necessary to broaden, for all age groups, insurance knowledge and skills.

Since February 2022, the insurance education activity has been carried out by a dedicated sector, set up to strengthen and ensure continuity in IVASS' work.

11.1. - Initiatives carried out by IVASS

In 2022, IVASS made use of innovative approaches and communication methods tailored to the different target groups to which insurance education is directed. Training materials were completely revised to make them up-to-date with regulatory developments and more inclusive, usable and appealing in style and language.

For adults, seven "Insurance Guides in simple terms" were published. The series includes two general guides ("What insurance is for" and "Defend yourself against scams"), in which the functioning of insurance is explained, as well as the pathway to make an informed choice of whether and how to insure oneself, including how not to fall victim to scams. Five specific Guides concern the most common insurance policies (motor liability, accident and health, general liability, vita, life, policies linked to mortgages and loans).

The use of simple language, practical examples, concise info-graphics and summaries, including a glossary, aim to make the new materials accessible to the general public and to entice reading.

Three educational Notebooks aimed at students have been published, tailored to the different school levels. "Holidays at Villa Sicura" (for primary schools), "Unexpected event at the Museum" (for first level high schools) and "#AssoTEEN - Practical handbook on insurance" (for second level high schools). The Notebooks emphasise learning through play and identification with the characters in stories adapted to different age groups. All materials are available in the website section #IMPARACONIVASS.

In order to strengthen communication and adapt it to new languages, the production of podcast content on insurance education was initiated.

The Insurance Education Day was organized on 19 October 2022, as part of the Financial Education Month. The topic of insurance knowledge was addressed for women, for whom there remains a literacy gap with men, observable as early as school age.

11.2. - Participation in the EDUFIN Committee

IVASS actively contributes to the National strategy for financial, insurance and social security education pursued by the Committee for the Planning and Coordination of Financial Education Activities (EduFin), of which IVASS is a member along with the Bank of Italy, CONSOB, COVIP, CNCU, OCF, MEF, MIUR, MIMIT and the Ministry for Labour and Social Policy.

In 2022 IVASS contributed to important initiatives planned by the Committee, in particular within the framework of the fifth Financial, Insurance and Welfare Education Month (October 2022, Chap. V.11.1), with informative and sensitisation events targeting children, students, adults and undertakings on insurance matters. Partnerships were established with newspapers and periodicals to increase the degree of dissemination of financial and, with the collaboration of IVASS, insurance education issues.

IVASS provided active support in the organisation of the Global Money Week, promoted by the OECD to raise awareness among young people about the importance of financial literacy.

Collaboration with stakeholders has been strengthened, first and foremost by defining Guidelines for interaction with the EduFin Committee, in order to foster (by regulating the risk of conflict of interest) the involvement in financial, insurance, and social security education of parties outside the Committee who can contribute to reaching as many recipients as possible.

A first important form of collaboration, aimed at promoting financial, insurance and social security education in the workplace, was the signing of a memorandum of understanding with the University of Roma Tre (December 2022), under which Committee members will organise teaching modules for the university's administrative staff.

11.3. - Initiatives in collaboration with the Bank of Italy

Increasingly close synergies with the Bank of Italy have led to intensified collaboration in financial and insurance education initiatives.

A PCTO (Percorso per le Competenze Trasversali e per l'Orientamento - Pathway for Transversal Skills and Orientation) pilot project was carried out, organised with the Bank of Italy, CONSOB and COVIP and the students of a school in Rome. Students were invited to give an account of what they had learned about insurance through the creation of audio and video content for social media platforms.

To bring insurance education to the territory, a pilot initiative was carried out in the municipality of Tocco di Casauria (Pescara), with the involvement of the L'Aquila and Pescara branches of the Bank of Italy. The aim was to raise awareness among local institutions and the public of the importance of basic knowledge on financial and insurance issues and the driving role that institutions on the territory can play in this regard. On this occasion, the new insurance education materials were presented.

Cooperation continues for the School Project in which the Bank of Italy is engaged in agreement with the Ministry of Education. Aimed at secondary school students, the project is designed to create financial education courses for teachers throughout the country, in order to include insurance in educational programmes in a structured manner.

12. - INSPECTIONS

In 2022 six on-site inspections related to market conduct aspects, including verification of the status of implementation of the requirements envisaged by European and national laws on Product Oversight and Governance (POG). Four on-site inspections were conducted at insurance intermediaries.

12.1. - Insurance undertakings

The six inspections regarded:

- for three undertakings, including two bancassurance undertakings, the implementation of the POG requirements introduced by the IDD and EU Regulation 2017/2358 and IVASS Regulation 45/2020;
- with reference to MTPL, the efficiency of the claim settlement processes and the verification of the tariff rules and recalculation of the premium according to the discounts applied, the correctness of the CARD management and the related governance and control aspects;
- follow-up of the effectiveness of the actions taken to ensure the proper functioning of the company's sales and after-sales processes, including the quality of services rendered to customers and the improvement of the IT management system.

Five unfavourable opinions were issued, three of which referring to POG.

While taking into account the progressive convergence with the regulatory framework, compliance with the POG framework shows widespread shortcomings in terms of governance and management of the associated risks and the functionality of relevant controls. A lack of incisiveness on the part of the Boards of Directors in guiding and monitoring the work of senior management has emerged. This weakness was reflected in the approval of overly general policies regarding the objectives to be pursued and the evaluation criteria to be adopted, especially in the product testing phase.

At the organisational level, the incorrect allocation of responsibilities and the failure to assign an autonomous role to the second-level control functions has repercussions on the monitoring of operational and compliance risks. The lack of application processes that clearly outlined methods, criteria and tolerance thresholds to ensure compliance of operations with the policies was pervasive, and reduced the stakeholders' margin of flexibility.

The target market was not sufficiently granular, considering the technical characteristics and complexity profiles of the products. Weaknesses emerged in customer profiling, with limited value given to factors that are relevant for the identification of the target market, as well as for the algorithm for determining the customer's risk profile, which did not guarantee a conservative approach for more risk-averse customers.

Product testing has shown recurring weaknesses in the assessment of product suitability for the target market, with poorly substantiated and documented qualitative tests, and quantitative tests which, in some cases, refer to the mere cost recovery in the moderate scenario for the Recommended Holding

Period (RHP), and which are not accompanied by assessments of the proportion between costs and expected performance.

Value for Money models have shown shortcomings in their set-up in terms of weighting, which is unsuitable for effectively intercepting products with low or no value for the customer, and in the significance of the quantitative variables to be weighted. One bancassurance company was weak in its monitoring over the sales process of the main distributor.

For one company with an unfavourable opinion, sanction proceedings were initiated in relation to the deficiencies found.

12.2. - Insurance intermediaries

Investigations were conducted at four insurance intermediaries, which were focused on the transparency of the information provided in the sales process and the effectiveness of the controls over the distribution network. In some cases, this network was very large and built on the wholesale organisational model, which includes numerous agents and brokers as horizontal collaborators.

In one case, the investigations were also extended to the branch operating in another EU state, with the cooperation of the host supervisory authority. Organisational and procedural weaknesses emerged, as well as a collaborator incentive system that was strongly unbalanced towards the quantitative component (production growth) as opposed to the qualitative one.

VI. SANCTIONS

IVASS continues to study and investigate the many issues related to the concrete application of the sanctions regime. Of particular importance when quantifying the penalty is the assessment of the effects of remedial activities undertaken by the persons responsible for the breach.

In 2022, the first proceedings relating to directors and managers and employees who have been assigned the responsibility of specific functions in some operating areas or sectors were concluded with the application of a sanction. The notifications of breaches originated from shortcomings and weaknesses in the company's governance structure and the lack of sufficiently critical scrutiny by corporate bodies and corporate control functions, which, in turn, generated shortcomings in key corporate processes. IVASS's attention on such infringements is maximum, also with a view to deterring and preventing behaviour detrimental to the sound and prudent management of companies.

Sanctioning proceedings were also instructed against companies for deficiencies on the part of corporate bodies in directing and supervising the process of compliance with the POG regulations introduced by the IDD and Regulation (EU) 2017/2358, most recently supplemented by IVASS Regulation No. 45/2020.

The alternative procedure of the remote hearing, made structural after the COVID emergency phase, was frequently used by the recipients of sanctioning proceedings. This operational method complies with the need for full defence and, at the same time, ensures rapidity and lower cost compared to the ordinary conduct of the hearing in person at IVASS's premises.

IVASS has commenced preliminary activities for the procedure for the designation and appointment of the members of the Guarantee Committee, which is entrusted with the function of proposing the administrative sanction that IVASS imposes on supervised intermediaries in the event of violations (anti-money laundering matters are excluded from the Committee's competence).

1. - SANCTIONING PROCEEDINGS

254 sanctioning proceedings were examined, including 85 pecuniary sanctions, 119 non pecuniary sanctions (14 for breaches committed before 1 October 2018) and 50 dismissals. The total pecuniary sanctions imposed amounted to 6.7 million euro.

1.1. - Sanctions issued

Sanctions were imposed on 28 companies, 21 of which were Italian, accounting for 23.3% of total Italian companies, on 19 company's managers and employees, and on 121 intermediaries.

Table VI.1

	Sanctions issued					
	(Number of sanctions	(Number of sanctions in units, amounts in million euro and % values)				
	No.	%	Amount			
Pecuniary sanctions	85	33.5	6.7			
Non-pecuniary sanctions	119	46.8	-			
Dismissals	50	19.7	-			
Total sanctions	254	100.0	6.7			

Table VI.2

Pecuniary sanctions by recipients									
	(Number of sanctions in units, amounts in million euro and % value								
	Directors and								
	Undertakings	managers and employees	Intermediaries	Total					
Number of sanctions	62	19	4	85					
%	72.9	22.4	4.7	100.0					
Amount of sanctions	4.8	1.8	0.1	6.7					
%	71.6	26.9	1.5	100.0					

Table VI.3

Non-pecuniary sanctions by section of registration of recipient intermediaries								
(Number of sanctions in units and % values)								
	Sect. A	Sect. B	Sect. D	Sect. E				
	Agents	Brokers	Financial	Collaborators	Total			
			intermediaries					
Number of sanctions	35	30	-	54	119			
%	29.4	25.2	-	45.4	100.0			

31 sanctioning proceedings were subject to judicial appeal (15.2% of sanctioning proceedings issued), including six non pecuniary sanctions issued against intermediaries, seven against an undertaking regarding motor liability claims settlement and access to documents, and 18 against corporate officers and personnel.

1.2. - Types of violations found

1.2.1. - Not relating to distribution

84 pecuniary proceedings were issued, for a total amount of 6.7 million euro.

Table VI.4

3		<u> </u>	istribution by ty	-					
		(Number of sanctions in units, amounts in million euro and % values)							
Breach of provisions	Number	% total	% total in motor liability	Amount	% total	% total in motor liability			
on motor liability	48	57.1%		2.5	37.3%				
of which regarding:									
Claims settlement	20	23.8%	41.7%	1.8	26.8%	72.0%			
Claims history statements	5	6.0%	10.4%	0.1	1.5%	4.0%			
Claims Data Bank	7	8.3%	14.6%	0.1	1.5%	4.0%			
Database of claims history statements	11	13.0%	22.9%	0.2	3.0%	8.0%			
Access to documents	5	6.0%	10.4%	0.3	4.5%	12.0%			
	Number	% total	% tot. other violations	Amount	% total	% total other violations			
Other violations	36	42.9%	-	4.2	62.7%				
of which regarding:									
Settlement of life policies	10	11.9%	27.8%	1.0	14.9%	23.8%			
Management	23	27.4%	63.9%	3.1	46.3%	73.8%			
Irregularities intermediaries	3	3.6%	8.3%	0.1	1.5%	2.4%			

1.2.2. - Distribution

106 sanctioning proceedings were issued, including 105 non pecuniary sanctions and 1 pecuniary sanction.

Table VI.5

Sanctioning procee	edings - bre	akdown by	section of registratio	n of recipient inter	rmediaries		
	(Number of sanctions in units, amounts in euro and % va						
Outcome	Sect. A Agents	Sect. B Brokers	Sect. D Financial Intermediaries	Sect. E Collaborators	Total	% over total	
Reprimand	15	11	0	14	40	37.7	
Censure	8	8	0	17	33	31.1	
Pecuniary Number Amount	1 5,000	0	0	0	1 5,000	1.0	
Striking off (natural persons)	7	4	0	15	26	24.5	
Removal from the register (company)	3	1	0	2	6	5.7	
Total	34	24	0	48	106	100.0	

The 14 disciplinary proceedings relating to violations committed by intermediaries before 1 October 2018 are subdivided as follows:

	Disciplinary sa	nctions by see	ction of registration of	of recipient intermedia	ries				
(Number of sanctions in units and % values)									
Outcome	Sect. A Agents	Sect. B Brokers	Sect. D Financial Intermediaries	Sect. E Collaborators	Total	% over total			
Reprimand	0	0	0	3	3	21.4			
Censure	0	2	0	1	3	21.4			
Striking off	2	4	0	2	8	57.2			
Total	2	6	0	6	14	100.0			

Table VI.6

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, 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.

1.3. - 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 2022, IVASS accepted the requests for instalments with the maximum extension allowed.

Sanctions paid (thousand euro and % values) By year of issue of the sanction 2022 2021 2020 2019 Total Amount paid 4,609.5 177.0 244.4 13.2 5,044.1 By sanction beneficiary - 2022 **CONSAP – FGVS** NATIONAL REVENUE Total (Violation of MTPL legislation) (Other violations) Amount paid % total % total Amount paid 2,514.7 49.9 2,529.4 50.1 5.044.1

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Table VI.7

VII. LEGAL ADVICE

1. - Advice

In 2022 the Legal Services Office of IVASS handled 227 opinions (251 the previous year), 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 and international working groups on institutional issues and regulatory activities, also contributing to the analysis of the Institute's Regulations.

	Table VII.1
Entities requesting advice - 2022	
	Number
Governing Bodies and Secretariat Office of the President and the Board of Directors	26
Prudential supervision	7
Supervisory regulations and policies	16
Market Conduct Supervision	44
Consumer protection	14
Management of resources	27
Sanctions and Winding up	38
Inspectorate	9
Research and data management	9
EU Court of Justice (questions for preliminary ruling)	14
Body responsible for corruption prevention and transparency	1
External experts	19
Press Office	2
Automatic	1
Total	227

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 2022, 44 new cases of litigation were initiated, including extraordinary appeals to the Head of State and cases for which appeal was filed (Table. VII.2).

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Table VII.2

Litigation cases initiated in 2022– by subject matter					
	(number)				
Supervisory measures (undertakings)	2				
Supervisory measures (intermediaries)	2				
Pecuniary administrative sanctions	8				
Disciplinary sanctions on intermediaries	11				
Criminal affairs	3				
Tax bills	5				
Personnel	2				
Others	11				
Total	44				

2.1. - Significant decisions issued in 2022 confirming precedents or with new profiles

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 – sanctions pursuant to Article 183 of the CAP – no violation of the principle of legality – no need for specific regulatory provisions

1. Article 183 of the CAP contemplates an immediately effective, sufficiently specific, clear and understandable rule of conduct whereby insurance undertakings are required to *act with diligence, fairness and transparency in dealings with policyholders and insured parties.* The rule, in fact, transposes general clauses to be applied as standard by all sector operators, corresponding to similar standards established also in in other areas of the legal system (civil law)²¹⁹.

2. The principle set forth in Article 183 of the CAP consists of *regulatory elements* (the conduct of insurance companies in accordance with *diligence, fairness and transparency* both in the offer and in the performance of contracts, vis-à-vis policyholders and insured persons) which, for the determination of their content, may require hetero-integration by means of reference to a rule other than the "incriminating" one. These are elements of a strictly legal nature that find their legal basis in Articles 1176, 1218, 1337 and 1375 of the Italian Civil Code, so that the principle to be followed is identifiable without uncertainty, with the consequent undoubted compliance with the principles of certainty and sufficient definiteness of the sanctioned conduct.

3. In the text of the law, the use of non-rigid elements (diligence, fairness and transparency) does not contravene the principle of legality nor its corollaries in terms of certainty and precision, since it is a drafting technique that allows conduct that would otherwise have required long case lists to be summarised with one word.

4. Primary legislation providing for administrative sanctions may, subject to the less stringent principles inferable from Article 23 of the Italian Constitution, refer also to sub-legislative acts for the purpose of supplementing the (administratively) sanctioned principle under the same Law. Also of relevance, depending on the specific case, are the violations of fundamental obligations incumbent on the insurance company such as that of clarity, transparency and fairness in the

²¹⁹ Lazio Regional Administrative Court, Sect. II *ter*, 13 December 2022, no. 16796; Lazio Regional Administrative Court, Rome, Sect. II *ter*, 4 November 2022, no. 14388; Lazio Regional Administrative Court, Rome, Sect. II *ter*, 21 March 2022, no. 3221.

negotiations, conclusion and execution of the contract, the breach of which - in addition to being relevant on a civil law level, pursuant to Articles 1337, 1366 and 1375 of the Civil Code - incorporates administrative offences aimed at ensuring the proper functioning of the insurance system in order to protect the interests of policyholders, which is the primary objective of the supervisory powers attributed to IVASS and has become a protected legal interest.

5. The provision of Article 17 of ISVAP Regulation 35/2010, in identifying a precise obligation of the companies to send *to the policyholder at least thirty days before the expiry date of the contract a written communication with the indication of the expiry date and of the documents to be sent for the payment of benefits, specifically and concretely implements Article 183, paragraph 2, of the CAP and establishes a minimum threshold of fairness required of the companies when settling policies reaching maturity²²⁰.*

b) Administrative pecuniary sanctions against intermediaries – the principle of the autonomy of public-law inquiries – the obligation to suspend proceedings for the imposition of administrative sanctions in matters falling within the competence of IVASS pending criminal proceedings on the same material facts, does not exist.

6. The general principle of the autonomy of public-law assessments implies the irrelevance of an acquittal in criminal proceedings for facts for which parallel administrative proceedings have been conducted²²¹.

7. In accordance with the principle of the autonomy of public-law investigations, when unlawful acts are relevant from an administrative point of view within the competence of IVASS, the latter is not obliged to suspend proceedings pending the outcome of the criminal trial²²².

c) Pecuniary administrative sanctions imposed on undertakings – Article 148 of the CAP, obligation to make the offer to the injured party or to specify the reasons for not making an offer – delays in the refusals to make an offer – reduction of the sanction invoked for payment of the amount at the same time as the offer, albeit at a time subsequent to the late refusal, is not due.

8. The only case in respect of which Article 315(3) of the CAP provides for the possibility of the insurance undertaking benefiting from a reduction of the penalty is that of the payment of the indemnity at the same time as the formulation of the offer, albeit late with respect to the statutory time limit from the receipt of the claim for compensation²²³.

9. As is clear from the wording, Article 315(3) of the CAP constitutes an incentive provision with the function of accelerating the out-of-court settlement with reference to a payment deadline still pending and presupposes, in order for the insurance company to benefit from the reduction of the penalty, that the repentant conduct is the result of a timely and autonomous initiative of the company itself, while the deadline is still open and before the commencement of the sanctioning proceedings.

10. In no event may the fact that, after committing the offence, the company changed its mind and made an offer, imply the reopening of the time limit in respect of an unlawful act that had already been committed as a result of the crystallisation of the relevant delay following the late refusal.

²²⁰ Lazio Regional Administrative Court, Sect. II ter, 13 December 2022, no.16749; Lazio TAR, Sect. II ter, 13 December 2022, no. 16737.

²²¹ Lazio Regional Administrative Court, Sect. II ter, 20 June 2022, no. 8241; Lazio TAR, Sect. II ter, 14 April 2022, no. 4580, confirming the approach already followed by Lazio Regional Administrative Court, Sect. II ter, 8 July 2019, no. 9054.

²²² Lazio Regional Administrative Court, Sect. II ter, 20 June 2022, no. 8241, mentioned previously.

²²³ Lazio Regional Administrative Court, Sect. II ter, 09 December 2022, no. 16525.

11. The detail of Article 315(3) of the CAP and its character as an exception to the rule laid down in paragraph 2 (which provides only for minimum and maximum values between which the penalty is to be determined) preclude an analogical or extensive interpretation of the provision.

12. To be entitled to the benefit of the law, it is necessary to show proof of sending of the offer. The mere attestation from the debtor's own corporate IT applications, which lack external verification, and proof in the files of the simultaneous payment, cannot be considered sufficient for this purpose, since the issuance of the cheque is only preliminary to the actual payment of the relevant amount.

d) Financial penalties imposed on intermediaries - Article 117 of the CAP, failure to pay sums collected by way of premium - obligation to record premiums - sufficiency for the purposes of the investigation of conclusive data emerging from multiple inspections and accounting audits of the undertaking in cross-examination with the intermediary, exists - prohibition to offset premiums against any amounts due to the intermediary by the company.

13. Failure to pay to the company the insurance premiums collected by intermediaries from customers, according to settled case law, is not only a breach of contract, but represents the appropriation of unavailable sums, subject to earmarking, which, given the economic mechanism of the insurance market (reversal of the production cycle), risks making it difficult to settle claims and, in the most serious cases, putting the risk guarantee system into default²²⁴.

14. The trustworthiness required of the insurance agent consists especially in the ability to fulfil its obligations with regard to the management of other people's money. This is an area in which the diligence required of the intermediary is not limited to the mere absence of malicious conduct aimed at misappropriating or withholding for a longer period of time than is due the sums of money of which it is the custodian. It extends, rather, to the diligence required to ensure the prompt delivery of the sums to the persons entitled thereto, so that the failure to pay or even the delay in paying the premiums collected constitutes a serious and inexcusable breach of a primary obligation, compliance with which is necessary to ensure the functioning of the insurance system as a whole.

15. No regulation authorises or permits the intermediary to cover insurance policies and issue the corresponding documents to the customer without having collected the premiums. From the point of view of public law, what is relevant for the sanctions under Article 117 of the CAP is only that the company did not receive the necessary financial coverage, but remained bound to the customer²²⁵.

16. The obligation under Article 117 of the CAP also includes the obligation to register the premiums received, which is a necessary preliminary activity with respect to the obligation to keep segregate assets.

17. In the presence of conclusive data, such as the company's multiple inspections and accounting audits in respect of which there has been cross-examination with the intermediary and the latter has had the opportunity to answer in writing, an independent accounting audit by the Supervisory Authority is not necessary. The signing of the company's inspection report with acceptance of the report and its contents, together with the declaration of acknowledgement of the amounts for premiums to be paid to the principal company with assumption of responsibility and commitment to

²²⁴ Lazio Regional Administrative Court, Sect. II *ter*, 4 November 2022, no. 14387; Tar Lazio, Sect. II *ter*, 6 May 2022, no. 6809; Council of State, Sect. I, 27 January 2022, no. 132/2022 (Case no. 74/2021) decisive opinion on extraordinary appeal to the Head of State.

²²⁵ TAR Lazio, Sect. II ter, 6 May 2022, no. 6809, mentioned previously.

the payment itself, further demonstrates the sufficiency of the documentary evidence acquired, without any need for further investigation²²⁶.

18. In accordance with the strict mechanism of the segregation of assets, the existence of the intermediary's claims against the company does not permit offsetting against the insurance premiums due to it.

19. The scrutiny of the legitimacy of the sanctioning measure is carried out on the basis of the data available at the time of its adoption. The panel of judges is not obliged to make up, by carrying out further investigations, for the deficiencies in the defence of the private individual who, in the course of the proceedings, has not provided evidence capable of proving the non-existence of the alleged offences.

20. The duty to give reasons for the sanctioning measure in relation to the defences of the person concerned is sufficiently fulfilled by a formula referring to their examination and their inability to justify a different result of the measure, there being no need for their analytical refutation.

21. Prior to the changes introduced by Legislative Decree 68/2018, Article 326(1) of the CAP provided for the possibility of not notifying the ascertained offence in cases of absolute lack of prejudice to the timely exercise of supervisory functions or to the interests of policyholders and other persons entitled to insurance benefits. This was of an entirely exceptional nature, with the consequent need for strict and literal interpretation and lack of any detriment in the conduct (merely formal infringements).

e) Monetary sanctions against intermediaries - issue of policies with lower premiums than those actually corresponding, based on actuarial calculations, to the guarantees provided to users - infringement of Article 183 of the CAP, exists - application of the criterion of material accumulation of sanctions.

22. The issuance (by resorting to fictitious contract holders resident or based in provinces with a lower loss ratio) of MTPL policies at lower premiums than those corresponding, based on actuarial calculations, to the guarantees provided to users alters the correct classification of risks in violation of Article 183 of the CAP and can prejudice the interests of policyholders and insured persons²²⁷.

23. These policies cause a certain loss to insurance companies as the premium collected is lower than the risk associated to the insured vehicles when such vehicles actually circulate in areas with a higher loss rate than that declared for the purposes of quantifying the premium.

24. The imposition of the pecuniary sanction is correctly carried out in application of the regime of material accumulation of sanctions when the offences ascertained consist of autonomous infringements of the protected interests of which the individual insured persons whose contracts were irregularly classified were the bearers. As a result of their structural autonomy, each of the multiple sanctioned behaviours is actually capable of independently harming the legal interest protected by the rule, namely the intermediary's diligence and fairness during the underwriting phase and the establishment of a contractual relationship free from irregularities and with adequate risk coverage²²⁸.

f) Disciplinary sanctions against intermediaries - contractual link between the documents relating to the professional assignment (brokerage agreement and its annex) and the policy placement acceptance form, exists

²²⁶ Council of State, Sect. I, 27 January 2022, no. 132/2022 (Case no. 74/2021) decisive opinion on extraordinary appeal to the Head of State, mentioned previously.

²²⁷ Lazio TAR, Sect. II ter, 20 June 2022, no. 8241; Lazio TAR, Sect. II ter, 14 April 2022, no. 4580, mentioned previously; Lazio TAR, Sect. II ter, 20 January 2022, no. 688.

²²⁸ Lazio Regional Administrative Court, Sect. II ter, 04 November 2022, no. 14387.

- incompleteness and lack of transparency of documents transmitted to the client, applies.

25. Assignment documents prior to the actual placement of insurance products are not limited to the establishment of the professional relationship, but can also contain information required by consumer protection regulations.

26. Between the acts of professional assignment and those directed to the actual placement of insurance products there is a contractual link, since they pursue a *unitary and complex economic result, realised not by means of a single transaction, but through a coordinated plurality of contracts, which retain their own independent cause.* Thus, the events of one contract affect the others, impacting their validity and effectiveness; any elements that are in the abstract capable of affecting the consent for either contract (the professional assignment given to the broker and the insurance contract with the company) are relevant even if included in the context of the negotiation of the other, precisely because of the uniqueness of the protection of the policyholder-consumer pursued pursuant to Article 183 of the CAP.

27. The interest pursued by Article 183 of the CAP is immanent to the entire phase of the contact between the intermediary and the customer, since the latter, not having special knowledge of insurance law, is hardly able to perceive the legal difference between the two phases and even between the two legal contracts into which he/she is about to enter (the mandate given to the broker and then the insurance contract with the company).

g) Supervisory measures against EU companies pursuing business under the freedom to provide services - judicial annulment and subsequent claim for damages resulting from supervisory activity - psychological element under article 2043 of the Civil Code (fault), not applicable - excusable error.

28. For the purposes of compensation for damage caused by supervisory activities, it is not sufficient that the harmful measure is unlawful, as established in the judgement annulling it; but it is also necessary to demonstrate the subjective element of serious misconduct on the part of the Authority which adopted it. Given the absence of any (even minor) negligence on the part of the Authority, it was determined that there were no grounds for a claim for damages in the current instance²²⁹.

3. - LEGAL TRAINING

Mandatory training for in-house attorneys continued in2022 through 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 internal training activities involved the lawyers of the Legal Office, also as speakers, on topics of interest to IVASS such as the "Gelli-Bianco" Law, claim made clauses, transparency and simplification in life and non-life insurance products, with particular regard to pre-contractual information (KID, DIP - Pre-contractual Information Document, additional DIP), the revision of the Motor Insurance Directive (MID), and the proceedings within the competence of EIOPA.

²²⁹ Council of State, Sect. VI, no. 725 of 21 January 2022.

VIII. ORGANIZATION

On the subject of internal administration, IVASS continued on the path of managerial and organisational innovation, investing in its human capital and technology, adopting new operating models, strengthening the efficiency of institutional action and the flexibility of the organization.

On 1 April 2022, the new hybrid working model, in which the distance method coexists and is permanently integrated with face-to-face work, entered into force, following the definition of the implementing regulations, according to a planning delegated to the heads of the basic units, subject to the requirements of organisational effectiveness.

Further interventions during the year achieved greater efficiency in IVASS's IT architecture, with an increase in the technological services provided by the Bank of Italy, and the revision of the operational risk management system.

Work continued on strengthening synergies with the Bank of Italy.

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 2022, 23 meetings were held, 99 resolutions were passed and 38 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 2022, 34 meetings were held, 85 resolutions were passed and 13 information notices were examined.

The Secretary General is responsible for the coordination and supervision of the activities of the structures²³⁰.

²³⁰ https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/index.html

2. - ORGANISATIONAL EVOLUTION

The main lines of evolution in 2022 of the internal organisation concerned the implementation of IVASS's Strategic Plan, the launch of a new hybrid working model and the development of an efficiency measurement system.

2.1. - Strategic planning and changes in the organisational structure

The monitoring of the stage of implementation of the activities aimed at achieving the four objectives 2021-2023 Strategic Plan was started:

- 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.

In order to strengthen synergies between IVASS and the Bank of Italy, the functions concerning relations with the media and institutional communication activities were transferred to the latter, with the secondment of IVASS staff.

2.2. - Management control

As part of the internal system of management control, the collection of timesheets on the amount of work dedicated to the processes and activities carried out by each unit continued on a quarterly basis. The development of the model made it possible to relate institutional outputs to work processes in order to calculate average production times.

A model was developed to measure corporate efficiency in terms of the annual change in a productivity index that relates the institutional products produced during the year to the amount of work involved.

2.3. - The new model of work organisation after the emergency

As from April 2022, the new hybrid working model, which combines distance work with faceto-face work, has become fully operational, with the aim of increasing the efficiency and effectiveness of administrative action, while at the same time pursuing a better work/life balance for employees.

Parallel to this, the monitoring of its implementation and compliance with the rules and limits governing its operation has been started. Staff in-person working plans are acquired from the Structures on a monthly basis for ex-post verification and subsequent detailed analysis.

2.4. - Procurement

In 2022, work continued on the management of the IVASS Supplier Register, which was set up as part of the procurement portal in 2020 and where, at the end of the year, 143 suppliers were registered, distributed among 9 categories and 42 sub-categories of products.

Joint procurement with the Bank of Italy continued, also through the close coordination of twoyear plans for the purchase of services and supplies, for the purpose of achieving savings in administrative action and in the cost of purchasing products and services.

IVASS concluded 103 new contracts for the acquisition of goods and services, as a result of the same number of award procedures, for a total value of \notin 3,759,319.51, plus VAT. In particular, the breakdown by type of procedure is:

- 53% of the total value was awarded through procedures for the subscription of agreements and framework agreements (8 contracts for €1,993,368.47 plus VAT);
- 29% were entrusted through negotiated procedure without prior publication of a contract notice, pursuant to Article 63(2)(c) of Legislative Decree No. 50/2016, being mostly the renewal of software licences or proprietary platforms for the provision of data and information (9 contracts for €1,083,675.46, plus VAT);
- the remaining 18% was entrusted through direct award pursuant to Article 1 of Law No. 120/2020. Although this type of procedure is used in 80% of cases (86 out of 103 contracts for €682,275.58, plus VAT), it concerns low value contracts with an average value of €7,933, plus VAT.

Particularly noteworthy among the procurement activities carried out during the year were those relating to the acquisition of IT services to support supervision for the valuation of the assets of insurance companies and groups (VAIGA) and for the online comparison of MTPL tariffs (Preventivass).

3. - RISK MANAGEMENT AND INTERNAL CONTROLS

The Institute has a system of internal controls aimed at verifying the effectiveness of management and work processes, the monitoring of operational risks and compliance with internal and external regulations. The system is functional to the pursuit of strategic objectives, the quality of services and the efficiency in the use of resources.

The Internal Audit Office carried out the planned audits for the year 2022. The audits covered three important operational processes of the Institute and two projects as well as one targeted investigations concerning the control systems for the management process of digital correspondence (CAD). Where improvement needs have been identified, IVASS Structures have undertaken the relative action plans, the implementation of which is constantly monitored.

The operational risk management (ORM) system was strengthened and made more effective through important 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. More active forms of collaboration have been introduced between the Internal Audit Office and the Functions in charge of second-level controls. This in order to pool the available information, methodologies and working tools and make the system of internal controls and the information process more effective for IVASS's Top Management. In particular, relations and collaboration between the Internal Audit Office and the Data Protection Officer, the Officer responsible for transparency and prevention of corruption and the ORM Function have been consolidated.

3.1. - Ethics, prevention of corruption, transparency, data protection

The composition of 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, was renewed with the appointment of new members.

As a safeguard against the risks of corruption and of administrative transparency, in cooperation with the Bank of Italy a feasibility study was completed on the creation of a whistleblowing procedure available to IVASS staff for the confidential reporting of any illegal conduct detected. The procedure will be available from January 2024.

With regard to internal regulations on personal data protection, the updating of the criteria for the identification of retention periods and the information to be provided to data subjects has been initiated.

3.2. - Health and safety at work

Attention remained high on protecting the health of staff. In the first part of the year, hygiene and sanitation measures were confirmed to contain the spread of contagion through extraordinary sanitisation of workstations and shared areas, and personal protective equipment were provided to employees.

A flu vaccination campaign was carried out in cooperation with the Bank of Italy in 2022 too.

4. - Staff

4.1. - The number of staff

As at 31 December 2022 there were 354 permanent staff (14 less than 31 December 2021), 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).

Distribution of IVASS staff by professional area at year end								
						(Units)		
Area	Permane	ent staff	Fixed-ter	m staff	Tot	al		
	2021	2022	2021	2022	2021	2022		
Professional/Managerial								
Directors/Central Directors	32	30	1	-	33	30		
Specialists/Experts	284	276	-	-	284	276		
Operational								
Operational staff	52	48	4	-	56	48		
Total	368	354	5	-	373	354		

Table VIII.1

The holders of managerial positions among IVASS' employees were 40, including Directors and Specialists, of which 48% women, with an average age of 55.

IVASS makes use of staff seconded from the Bank of Italy which, at the end of 2022, amounted to 44 staff (including 9 holders of organizational positions), of which 15 directors, 24 professionals and 5 operational staff. IVASS seconded 8 employees to the Bank of Italy, two Directors are on unpaid leave as they have been assigned positions with EIOPA and two experts who have been assigned positions of university researcher.

In January 2022 one lawyer was recruited, using the ranking list from the competition announced by the Bank of Italy (employment then terminated due to resignation). In May 2022, the winners of two public competitions launched in 2021 were recruited. They included 6 Experts in economics and business administration and the 4 Experts in statistical-actuarial subjects and/or in mathematics and finance. It was agreed in November 2022 that all the suitable candidates in the rankings of the aforementioned competitions as well as of the competition for the recruitment of 15 graduates in law, which ended in 2020, would be hired. The 14 winners took up their posts on 1 February 2023.

Following the recruitments, the average age of staff was 49 years.

At the beginning of 2023, seven operative employees were recruited following a competition, fulfilling the legal requirements on the recruitment of staff with disabilities. The selection is under way for four ICT experts with knowledge in cyber security or in distributed and distributed ledger technologies and artificial intelligence.

4.2. - Regulations on careers

In 2022, managerial appointments were made for 7 positions as a result of vacancy procedures initiated in 2021, and procedures for filling a further 13 positions were completed. Of the 20 managers, for 11 this was their first position, 3 previously held other positions and 6 were confirmed in the same position.

At the end of 2022, a procedure was launched for the advancement to the post of Director (2 posts) and an internal selection for the advancement from the Operational Area to the profile of Expert in the Professional-Managerial Area (2 posts). Advancements take place through selections aimed at

ascertaining possession of the professional qualification to perform the functions and tasks of the profile and area.

The procedures were concluded with the appointment of the winners at the beginning of 2023.

4.3. - Training

IVASS staff participated in 121 training initiatives; 377 employees were involved, i.e. 94% of staff, including staff seconded by the Bank of Italy, with an average of 39 hours of training per capita.

With a view to convergence, in 2022 an Agreement was approved between the Bank of Italy and IVASS defining the scope of cooperation in the area of staff training.

IVASS enjoys a fruitful collaboration with the Bank of Italy to achieve ever greater synergies in human resources development. In particular, an integrated training plan was set up, based on thematic Schools (School of Supervision, School of Protection and Financial Education, Managerial School and Language and Multicultural School) structured according to a university-type approach, with multi-year courses.

The training of the thematic schools has been supplemented with the usual specialised offer for all staff, of a transversal nature, including courses in data science, information technology, programming languages, procurement, administration, professional writing, and training for specific needs intended for a small number of people.

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 71% of the staff, continued.

5. - ICT SYSTEMS

The integration of IVASS ICT services with those of the Bank of Italy is going on, according to the provisions of the framework agreement²³¹ regulating the ICT collaboration between the two authorities, in line with the Institute's strategic planning.

Significant progress in the development of information systems has led to the release of important IT services, including the Evolution Claims Data Bank, the Complaints Information System, the Estimator Data Warehouse and the Collaboration-2FA system²³².

The process of handover of IVASS's technology services to the Bank of Italy has advanced significantly, reaching 67% of the total, with an increase of 11% compared to 2021, which can be attributed to the gradual divestment of IVASS proprietary systems.

5.1. - ICT planning process

The IT planning process involves the continuous management of the ICT service portfolio.

²³¹ 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.

²³² Document sharing platform with dual-factor authentication access capable of handling information classified as highly confidential.

The Board approved the Institute's ICT strategic planning for 2023, with aims at aligning the initiatives with the strategic objectives of the Institute and at ensuring their sustainability in terms of human and financial resources. The plan includes ongoing projects, maintenance requests and additional requirements expressed by the Departments. The estimated cost of implementing the plan for 2023 has increased by 12% compared to 2022.

IVASS's ICT service portfolio includes the list of ongoing projects and maintenance activities, the catalogue of services in production and a list of discontinued services. The gradual integration with the Bank of Italy's technology infrastructure led to the divestment of several assets, including the Complaint platform, the Insurance Education portal and the BDS application.

5.2. - Development and maintenance of ICT services

The development process of ICT services for the Institute consists of the study phase followed by the implementation and production release phase.

In 2022, a study was launched on IVASS Whistleblowing Procedure, setting up a dedicated system for the receipt and management of reports of irregularities and offences (Chap. VIII.3.1).

The implementation of the following project initiatives began:

- VAIGA Undertakings' Asset Valuation, aimed at automating the process of calculating the market value and risk index of insurance companies' assets
- Sanctions Information System, to support the Institute's sanctioning process, with adequate IT security and operating continuity requirements;
- IPER Survey on the actual prices for motor liability insurance, aimed at collecting and processing statistical data on the actual prices of motor liability insurance, thus replacing the current data collection application and the relevant *data warehouse*;
- CARD (Agreement between Insurers for Direct Compensation), to manage the incentive model for direct compensation in motor liability insurance, supporting the calculation of incentives and the exchange of information flows with CONSAP;
- Single Register of Intermediaries, with the complete overhaul of the RUI database management;
- Insurance Arbitrator, to implement an information system supporting the out-of-court settlement of disputes relating to insurance contracts.

The following applications have been released into operation:

- Evolution of the Claims Database (EBDS), which has adapted the Claims Database to the innovations provided for by primary legislation and the new operational requirements, thus achieving the migration of the procedure on equipment owned by the Bank of Italy;
- Complaints information system (GEDI), aimed at a better performing application, provided with adequate safeguards for the protection of cyber security and operational continuity;

- Estimator Data Warehouse, with data collected by the Public Estimator Preventivass.

5.3. - Management of ICT services

The amount of services within IVASS's ICT catalogue has increased by 21% compared to 2021. This value is managed 33% by IVASS and 67% by the Bank of Italy. In 2022, a total of 4,500 service requests were fulfilled, a decrease of 9% compared to the previous year. The management of requests was taken over 41% by IVASS and the remaining 59% by the IT function of the Bank of Italy (+5% compared to 2021, also in relation to the higher level of integration).

5.4. - Cyber security

IVASS participates in a number of IT security initiatives, including internal and external training seminars, advanced training courses in cooperation with the Bank of Italy, security awareness plans, publication of news on the intranet, e-mails and quarterly newsletters.

The Institute regularly participates in the Committee on cyber security coordinated by the Bank of Italy and CERTFin²³³.

It is worth mentioning the participation in international working groups on the subject of:

- Risk Management (EIOPA), with the aim of conducting a gap analysis between the EIOPA guidelines and the regulation on operational resilience (DORA; Chapter III.2.1);
- Incident Reporting (EIOPA), with the aim of predefining classification, report content and data collection tools on major incidents;
- Cyber Risk in Insurance (IAIS), to assess how this risk can affect financial stability globally and how insurance companies can mitigate this risk.

The IT Continuity Plan was updated to support critical processes, in line with the corporate risk management system (ORM).

An important cyber security awareness initiative "I Navigati - Informati e sicuri" (The Surfers - Informed and Safe) was launched to raise awareness of the most common cyber frauds against the financial sector, under the patronage of the Personal Data Protection Authority.

²³³ 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.

ADMINISTRATION OF IVASS

PRESIDENT

Luigi Federico SIGNORINI	SENIOR DEPUTY GOVERNOR OF THE BANK OF ITALY
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BOARD OF DIRECTORS

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SECRETARY GENERAL

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