



Report on the activities pursued by IVASS in the year 2023

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I. - THE INSURANCE MARKET

In 2023, premium income from Italian direct business of undertakings supervised by IVASS companies was 129.2 billion euro, amounting to 6.2% of GDP; life business accounts for 71% of total premium income. The macroeconomic situation since the second half of 2022 (high inflation but dropping from the third quarter of 2023, restrictive monetary policy, uncertainty related to geo-political events) has manifested its effects mainly in the life sector. The reduction in premium income (-3.3% compared to 2022) and the significant increase in surrenders (+62.6%) accentuated the liquidity risk for companies. Following the easing of tensions in the financial markets in the last quarter of 2023, the profitability of the life business improved and, in contrast to the -1.0% in 2022, was positive with a ROE of 12.6% at the end of 2023, due also to the regulatory derogation that allowed capital losses on circulating securities to be sterilised.

Against a backdrop of a downward trend in rates, in the first quarter of 2024 there was growth in premium income from direct Italian business in class I (+9.5% compared to the corresponding quarter of 2023) and, in contrast to 2023, an increase in class III premium income (+14.6%). The upswing in premium income (from Italian direct business) in class I is also characterised by the opening of new separately managed accounts with profit fund (assets increased from €5 billion in 2022 to €16.4 billion in 2023) designed to capitalise on the rise in government bond yields in 2023 to pay policyholders returns higher than the minimum guaranteed returns and more in line with those of alternative financial investments.

In non-life insurance, premium income from direct Italian business related to supervised undertakings grew by +6.6% (non-motor +7.0%, motor +6.1%). ROE decreased slightly to 7.7% from 8.1% in 2022. The increase in profitability in motor insurance is attributable to the increase in motor liability prices, in technical profit of €0.6 billion compared to a loss of €0.1 billion in 2022. In non-motor lines of business, health (+10.9%), general liability (+7.1%) and property (+7.2%) grew. In the latter class, the loss ratio (gross of reinsurance) of fire and natural forces reached an all-time high of 214.6% (a threefold increase from 71.4% in 2022) due to adverse natural events, mainly in Northern Italy. In the first quarter of 2024, the growth rate of direct deposits of supervised companies remained constant, +7.8% compared to 2023.

The average solvency ratio increased by 12.3 percentage points to 258.4%. Life undertakings recorded an increase of 47 percentage points and non-life undertakings of 13.7 percentage points. The average Solvency ratio of composite companies, at 264.4%, decreased by -7.2 percentage points.

1. - THE LIFE INSURANCE MARKET

1.1. - Premium income and products offered

Premium income of undertakings supervised by IVASS – Premiums of the Italian direct and indirect portfolio of supervised undertakings amounted to 91.3 billion euro, of which 91.2 billion relating to the Italian direct portfolio¹ (-3.3%; fig. I.1).

The decrease in premium income from direct Italian business is due to the contraction of unit-linked policies (class III), from €28.9 billion in 2022 to €19.8 billion (-31.5%); conversely, class I, whose premiums

¹ Premium income of the Italian direct portfolio is gross of reinsurance cessions.

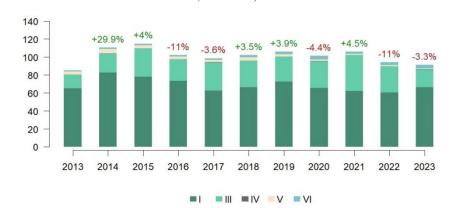
totalled €66.2 billion, grew by +9.2%. The share of class I policies in total premium income increased from 64.3% to 72.6%.

The growth in class I premium income occurs in a macroeconomic environment characterised by high inflation, which has been decelerating since the third quarter of 2023², by restrictive monetary policy, especially in the first half of 2023³ and by high uncertainty on the geo-political-social front, factors that have stimulated demand for savings instruments that at least guarantee the capital invested.

For unit-linked policies there has been a recovery since the second half of 2023⁴. Income from capital redemption products (amounting to €1 billion) showed a marked decrease (-24.2%) compared to the previous year. Permanent health insurance policies (including Long-term care in class IV) showed growth, while still accounting for a marginal proportion of life premiums (€0.3 billion). Pension fund management, up compared to 2022 (+22.9%), generates a premium income of 3.9 billion⁵.

Figure I.1

Premiums by insurance class of supervised undertakings
(billion euro)



Whole-life policies (fig. I.2) are the best-selling tariff type (54% of 2023 premiums). Between 2021 and 2023, they fell by -19.6%, or €12 billion, mainly as a result of the reduction in premium income - in the same period - for unit-linked, where this form of tariff is predominant. Pension-type tariffs are gradually gaining market share, rising from 8.1% of premiums in 2021 (8.7 billion) to 10.9% in 2023 (9.9 billion).

² The average annual change in the national monthly consumer price index for blue- and white-collar households, net of tobacco, recorded by ISTAT in 2023 is +5.4% compared to +8.1% in 2022, with a peak of +8.8% in June 2023.

In the second half of 2023, the expectation prevailed that both the FED and the ECB were not planning any further interest rate hikes and were planning reductions for 2024, as the international macroeconomic forecasts for the year 2024 are characterised by expectations of a marked easing of inflationary tensions, which was already in place by the end of 2023.

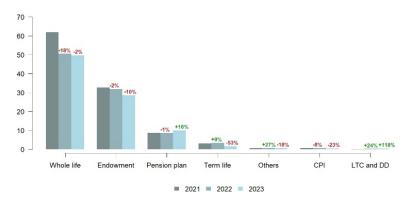
⁴ In 2023, there was growth in the capital markets, especially in equities. The latter, mainly in the second half of the year, showed marked increases.

⁵ There were extraordinary transactions involving the acquisition of fund management mandates with guarantees from insurance companies.

Figure I.2

Life premiums by tariff category⁶

(billion euro)



Premium income from individual policies amounted to €84.9 billion, or 93.4% of total life business⁷. In class I, individual policies account for 95.3%, in class III for 99.9%, in class IV for 82.3%, in class V for 43.3% and in class VI for 41.3%.

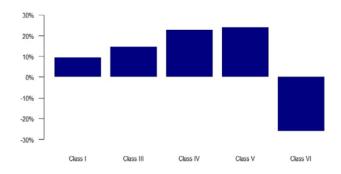
At €61.4 billion, premium income from individual class I with-profit policies is predominant, accounting for 97.7% of total individual policies in this class. In class III, the production of individual policies is made up exclusively of unit-linked, whose premium income amounted to €19.8 billion, while individual class V with-profit capital redemption operations, amounting to €0.4 billion, made up 97.2% of the total class V individual policies, compared to 2.8% of the class V unit-linked individual policies (see table 3.1.2 in the Appendix).

Group policies predominate in class V (56.7% of total written premiums) and class VI (58.7%; see table 3.1.3 in the Appendix).

In the first quarter of 2024, the life business of supervised companies (Italian direct portfolio, gross of reinsurance cessions) amounted to €27.5 billion, up +9.2% year-on-year, following eight consecutive quarters of decline. At €6.3 billion, class III premiums were up +14.6% and class I, with a premium income of €19.8 billion, was up +9.5%. Classes IV (+22.8%) and V (+24%) also grew, although they related to marginal amounts of premiums (€0.1 billion and €0.5 billion respectively). The only decreasing class (-26%) is VI (€0.9 billion).

Figure I.3

Changes in life premium income for supervised undertakings first quarter 2024



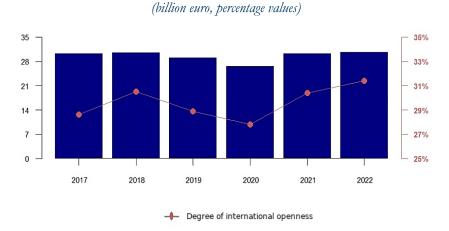
The international activity of Italian undertakings—Premiums of the foreign portfolio collected by Italian undertakings in 2023 stand at 1.5 billion euro (-0.5%), 89.4% of which relating to indirect business.

⁶ Source: Solvency II annual QRT

⁷ See IVASS Statistical Communication no. 3 of May 2024. This data does not include supplementary insurance.

Business pursued abroad by undertakings controlled by Italian-owned groups and undertakings (carried out by undertakings with head office in Italy and by undertakings of Italian groups with head office in other EEA and non-EEA states, Table 2.2.2 in the Appendix), recorded direct premiums for life business amounting to 30.7 billion euro in 2022⁸ (+1.5% compared to 2021). The degree of international openness, defined as the ratio between premiums collected abroad by Italian-controlled undertakings and total premium income for the same undertakings, rose by one percentage point from 30.4% to 31.4%.

Figure I.4
Life premiums collected abroad by Italian-controlled undertakings and degree of international openness



Premiums collected in Italy by foreign undertakings – Premium income of the direct portfolio⁹ collected by branches of undertakings with head office in other EEA state operating in Italy under the right of establishment amounted to 3.9 billion euro¹⁰, -8.7% on 2022. Production is concentrated in classes III, amounting to 2.6 billion (-14.6% over 2022) and I with 1.2 billion (+6.4%).

In the first quarter of 2024, insurance companies with head offices in another EEA state operating in Italy under the right of establishment collected premiums relating to the Italian direct portfolio for \le 1.1 billion, +1% compared to 2023. This accounted for 3.9% of the overall total life business of the Italian direct portfolio realised in Italy under the right of establishment. Production was concentrated in classes I, at \le 0.6 billion (+97.4%), and III at \le 0.5 billion (-33.9%).

With regard to the penetration of foreign-owned groups and companies¹¹ in Italy, direct life premiums written in 2022 (Table 2.2.1 in the Appendix) amounted to €40.9 billion (€53.8 billion in 2021), a reduction of -24.1%. This represents 38% of all premiums collected in Italy.

^{8 2023} data on premiums collected in Italy by foreign undertakings operating under the freedom to provide services are not available as of the date of publication of this Report.

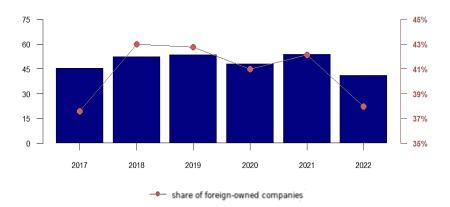
⁹ See IVASS Statistical Communication no. 3 of May 2024. Premium income of the direct portfolio collected in Italy by insurance companies with head office in another EEA state licensed to pursue business in Italy under the right of establishment is gross of any reinsurance cessions.

¹⁰ 4.1% of the overall total life business of the Italian direct portfolio.

¹¹ Undertakings whose parent company has its registered office abroad.

Figure I.5

Life premiums collected in Italy by foreign-owned undertakings (billion euro, percentage values)



Market supply by product type – Considering that life insurance premiums are mainly represented by with-profit, unit-linked and hybrid products, the Insurance-Based Investment Products (IBIPs) marketed as at 31 December 2023 by Italian companies and by a significant sample of foreign companies were analysed on the basis of public pre-contractual Key Information Documents (KIDs). These are 634 products, including 200 with-profit products, 184 unit-linked and 250 hybrid products.

The composition by type of IBIP (Table I.1) has remained more or less stable over the past year. On the other hand, the total number of products offered increased from 542 in Q4 2022 to 634 in Q4 2023.

Table I.1

IBIPs – number and type												
	202	1		2022				2023				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Number of products	576	593	599	586	570	542	553	566	597	634		
% With-profit	36	35	37	36	36	37	40	39	40	39		
% unit linked	29	30	31	31	31	30	29	30	29	29		
% hybrid	35	35	32	33	33	33	31	31	31	32		

Almost all unit-linked and hybrid products have more than one investment option, while nearly all with-profit products are linked to a separately managed account. Single premium products represent the most sizeable portion of the IBIP market (77.9%); those with periodic premiums are less common (22.1%).

The arrangements for the offering of unit-linked and hybrid products is oriented toward the banking channel, while with-profit policies are mainly offered through traditional channels. Foreign firms sell exclusively unit-linked products in the domestic market. The duration of contracts shows the prevalence of whole-life forms for all three segments.

Figure I.6

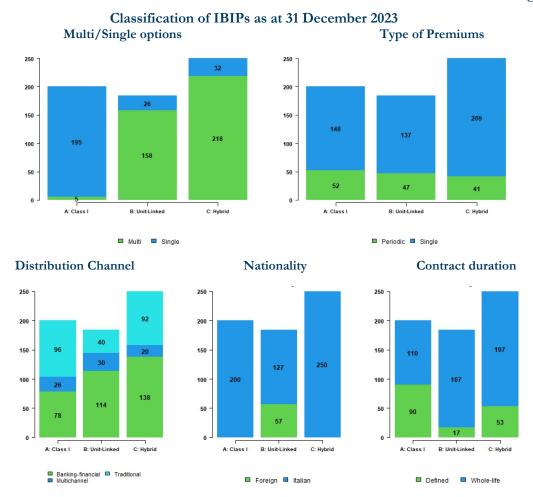
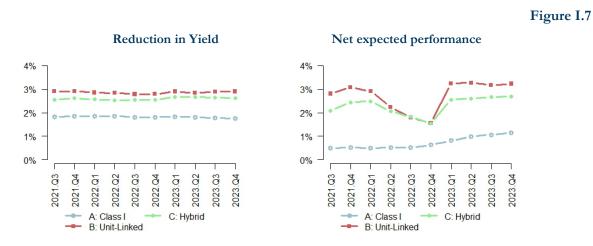


Fig. I.7 shows a growth in the net expected performance contained in KIDs; in particular, an increase is observed for unit-linked policies between the fourth quarter of 2022 and the first quarter of 2023 from 1.6% to $3.2\%^{12}$.

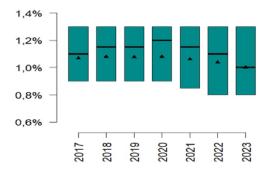


The increase in the expected performance of policies stems, primarily, from a change in PRIIP regulations that modified some calculation rules, including the extension of the time horizon from 5 to 10 years of the time series over which returns are calculated.

With-profit life products may provide for two ways of recognising to insureds part of the yield realised by the separately managed account: for the new 2023 tariffs, in 90% of cases, the entire yield realised is retroceded to policyholders, however, a commission retained by the companies (1% in 2023) is to be subtracted from such yield; in residual cases, the companies directly apply a rate of retrocession of the return of the separately managed account varying between 80% and 99%.

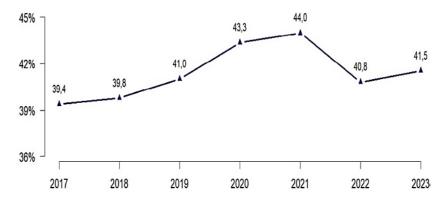
On average, the commission retained by the company decreased between 2017 and 2023 (Fig. I.8); the inter-firm variability (inter-quartile difference) of the retained rate of return has increased since 2021.

Figure I.8 Distribution of the return withheld from with-profit premium rates 13



The share of tariffs with death-only guarantee on the total (Fig. I.9) shows an increase since 2017 and a more recent decrease since 2021.

Figure I.9 Share of with-profit premium rates with zero technical rate with death-only guarantee



Distribution channels – Life products are mainly distributed through banks and post offices (57.4% in 2023) and, to a lesser extent, through insurance agents and brokers (27.4% and 1.6%, respectively) and financial advisors (13.6%).

With-profit premium rates other than rates for hybrid products, with a technical rate of 0% and percentage of the rate of return recognised to policyholders of 100%.

Table I.2

	Composition life premium income by distribution channel									
	Banks and post offices	Agencies	Financial advisors	Brokers and direct sale						
2013	59.1%	23.0%	16.7%	1.2%						
2014	62.0%	20.2%	16.8%	1.0%						
2015	63.1%	19.7%	16.3%	0.9%						
2016	62.3%	22.1%	14.4%	1.2%						
2017	61.0%	22.4%	15.3%	1.3%						
2018	60.8%	22.8%	14.3%	2.2%						
2019	60.7%	23.8%	13.6%	1.9%						
2020	59.0%	25.1%	13.9%	2.1%						
2021	55.4%	24.3%	18.0%	2.3%						
2022	56.9%	26.1%	15.0%	2.0%						
2023	57.4%	27.4%	13.6%	1.6%						

1.2. - The technical/financial management

Figure I.10

Profitability and trends in key profitability indicators – In 2023, life companies report a positive operating result (fig. I.10) of €5.5 billion after the negative in 2022 (-0.4 billion). The ROE of life business, at 12.6 percent, returns to positive after the negative result of 2022 (-1.0%) driven by the operating result.

The balance on the technical account too is in profit by 6 billion euro (fig. I.11), after a loss of 2.2 billion in 2022. The balance on the technical account was affected by claims expenses of 112.9 billion euro (76.8 billion in 2022) that were higher than premium income (91.2 billion, -3.3%). Premiums were insufficient to settle claims.

The bulk of the claims burden¹⁴ is represented by surrenders (€87 billion), including €59.9 billion for class I (€34.9 billion in 2022) and €22.7 billion for class III (€15 billion in 2022).

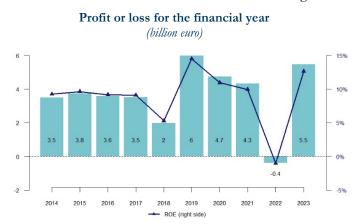
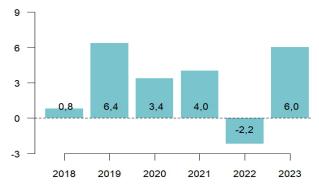


Figure I.11

Balance on the technical account (billion euro)

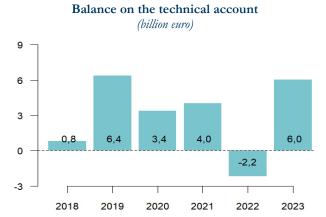


In the first quarter of 2024, based on data sent with the Monitoring of Investments, surrenders amounted to 14.7 billion euro for classes I and V and 8.6 billion for classes III, IV and VI. Compared to the first quarter of 2022, there is a decrease of -10% for classes I and V (-1.7 billion), while classes III, IV and VI show a significant increase of +67% (+3.5 billion).

The balance on the technical account too is in profit by 6 billion euro (fig. I.11), after a loss of 2.2 billion in 2022.

The balance on the technical account was affected by claims expenses of 112.9 billion euro (76.8 billion in 2022) that were higher than premium income (91.2 billion, -3.3%). Premiums were insufficient to settle claims. The bulk of the claims burden is represented by surrenders (€87 billion), including €59.9 billion for class I (€34.9 billion in 2022) and €22.7 billion for class III (€15 billion in 2022).

Figure I.12



Class C technical provisions decreased by €-5.9 billion (€-8.8 billion in 2022) compared to 2022, while class D technical provisions increased by +€53.5 billion (compared to a reduction in 2022 of €-25.8 billion) as a result of the recovery in the value of securities in the portfolio.

The positive result of the technical account was affected by the exercise, by some companies, of the option, granted by Law No. 131/2023 and the consequent IVASS Order 143/2024, amending IVASS Regulation 52/2022, to sterilise capital losses on non-durable securities; in 2023, companies sterilised potential capital losses of €6.8 billion (€17.7 billion in 2022).

Composition of investments and technical provisions – Investments, valued according to local GAAPs principles, are 869 billion euro with an increase of +6.7% compared to 2022; they account for 608.4 billion for class C (+0.2% over 2022) and 260.7 billion class D (+25.8%).

The value of assets against class C reserves (traditional policies that are largely with-profit) is unchanged due to the increase in class I premium income, which in part offsets surrenders, including separately managed accounts, due to the accounting criterion that characterises them¹⁵. Assets included in class D funds show a recovery in value between 2022 and 2023 and benefit from the total portfolio transfer of a company incorporated in Ireland, controlled by an Italian company and operating exclusively in class III, while the premium portfolio declines substantially (-26,3%)¹⁶.

At €579.8 billion, class C technical provisions were affected (-1.0%) by the high volume of claims expenses and the low profitability generated by separately managed accounts. Class D technical provisions, on the contrary, amounted to €260.4 billion, an increase of +25.9% ¹⁷ compared to 2022.

¹⁵ The accounting criterion is based on historical cost, if the asset is fixed, or the lower of historical cost and average compensation price if the asset is current.

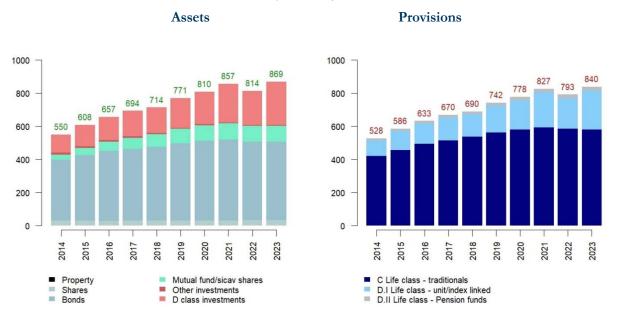
¹⁶ The accounting standard provides for the valuation of assets at current value.

¹⁷ The change in provisions is influenced by the €33.5 billion merger of the company incorporated in Ireland into an Italian company.

Figure I.13

Composition of assets and provisions

(billion euro)



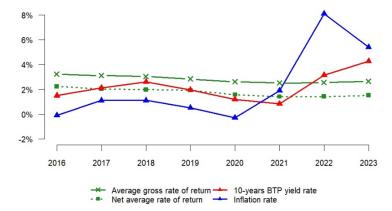
Separately managed accounts – Separately managed accounts are used by insurance undertakings to calculate the gross rate of return attributed to the insurance benefits of with profit policies ¹⁸, by dividing the financial results of the separately managed account in the observation period by the average 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 incurred.

The average rate of return realised (fig. I.13), equal to 2.6%, is in line with 2022 (2.5%). For the second consecutive year the return of the separately managed accounts is lower than the 10-year BTP rate of return and the inflation rate.

The average rate of return retroceded to policyholders of 1.5% highlights the gap with the return on investments in BTPs or other bond instruments.

With profit policies make up almost all of the policies in classes I and V.

Figure I.14
Comparison between the average rate of return of separately managed accounts, BTP rate of return and inflation



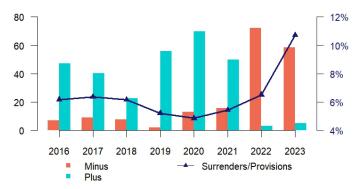
Assets in the separately managed accounts showed a decrease of -€17.9 billion compared to the previous year (-3%), generated by the high volume of outflows that were not fully offset by the premiums written during the year. An examination of the composition of the assets of the separately managed accounts (table I.3) shows a decrease of 15.3 percentage points between 2016 and 2023 in investments in Italian government bonds; on the other hand, the share invested in foreign government bonds increased from 8.3% in 2016 to 20.1% in 2023. Investment in units of undertakings in collective investments also increased from 11.2% to 17.1% over the same period.

Table I.3

Composition of assets assigned to the separately managed accounts in euro											
							(%	s values)			
	2016	2017	2018	2019	2020	2021	2022	2023			
Italian Government	50.5	48.0	45.8	44.2	41.5	39.6	37.6	35.2			
bonds											
Foreign Government bonds	8.3	10.1	11.8	13.1	15.2	16.3	18.5	20.1			
Bonds	26.3	25.4	24.7	24.0	23.9	23.9	24.0	23.8			
Shares	1.7	1.7	1.8	1.9	1.6	1.6	1.7	1.6			
units in UCITS	11.2	12.9	14.1	15.3	16.0	16.3	16.3	17.1			
Other assets	1.9	1.9	1.8	1.5	1.8	2.3	1.9	2.2			

In addition to the high level of surrenders in classes I and V, there is a significant negative trend in net capital gains. The balance of unrealised capital gains and losses is still negative at -53.5 billion, slightly down from 2022 when it reached -69.1 billion (fig. I.14). At 67.2 billion, premium income from classes I and V grew by 8.5%.

Figure I.15 Hidden capital gains and losses of separately managed accounts and surrender rate for classes I and V



Investment strategies are geared towards a reduction in the duration of assets in order to acquire mainly European securities that offer good yield opportunities in the short end of the interest rate curve.

There is a significant increase in the assets of separately managed accounts with a profit fund ¹⁹ from €5 billion in 2022 to €16.4 billion. The asset allocation is similar to traditional separately managed accounts, with the exception of the reduction in assets invested in units of undertakings for collective investments (from 17.2% to 7%) and the growth in recourse to cash (from 0.9% to over 2%). The opening of accounts with a profit fund allows for a twofold positive effect:

- invest in new assets with rates consistent with those on the financial markets, avoiding the realisation
 of capital losses on existing assets in pre-existing separately managed accounts, if sold²⁰;
- spread realised capital gains over a maximum period of eight years, allowing the management to benefit also in the future if interest rates start to fall.

Technical provisions²¹ amount to €558.6 billion, a decrease of -3.9% compared to 2022, and account for almost all the provisions in class C of the statutory financial statements.

Internal funds - The 1-, 3-, 5- and 10-year historical yields of a sample of more than one thousand internal funds²² underlying unit-linked products representing €116 billion of assets under management were analysed. Of these funds, 699 are Italian, with assets of €74.4 billion, with the remaining €41.6 billion referring to 322 foreign funds.

With regard to the composition of funds (Fig. I.15), it can be observed that Italian and foreign funds are mostly of the flexible type (47% of total managed assets, of which 29% are Italian and 18% foreign).

Separately managed accounts with a profit fund, introduced by IVASS Order No. 68 of 14 February 2018, allow, for new contracts only, a new rate of return to be determined. Companies are allowed to sell an asset, with the net capital gains being allocated to the financial result for up to eight years.

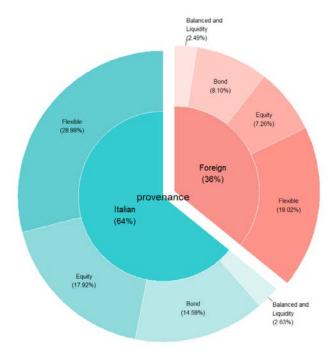
This first effect is also possible with the opening of a new traditional separately managed account.

²¹ The valuation of the technical provisions of with-profit policies for which the separately managed accounts are set up is conducted using the same criteria adopted to calculate the provisions in the statutory financial statements.

^{22 1021} internal funds of Italian and foreign companies with assets of €10 million or more as at 2 April 2024 were sampled from the database provided by an external provider (Fida Rating). Since foreign companies are not required to comply with the investment limits dictated by ISVAP Circular 474/2002, it was decided to look separately at historical yields obtained by funds issued by foreign and Italian entities. Funds were classified as Italian or foreign considering the issuing company's registered office as of three years prior to the valuation date, regardless of the current allocation of the same portfolios as a result of extraordinary corporate operations.

Equity funds represent 25.2% of assets (of which 17.9% are Italian); followed by bonds with 22.7% of assets (of which 14.6% related to Italian funds); balanced and liquidity funds make up the remainder.

Figure I.16 Composition of Italian and foreign internal funds according to the assets under management



Source: IVASS statistics based on FIDA data

The annualised yields of equity funds are on average higher than those of other categories²³ for all observation periods. Annualised yields of Italian flexible funds show higher average performance than the corresponding foreign funds. Italian equity funds show higher average annualised yields than foreign equity funds over shorter observation periods (1 and 3 years), but over longer maturities (5 and 10 years) it is foreign funds that perform best. Italian bond funds show higher average performance than foreign funds on maturities up to five years.

Several outliers can be observed, especially in equity and flexible funds where volatility is higher than in bond funds.

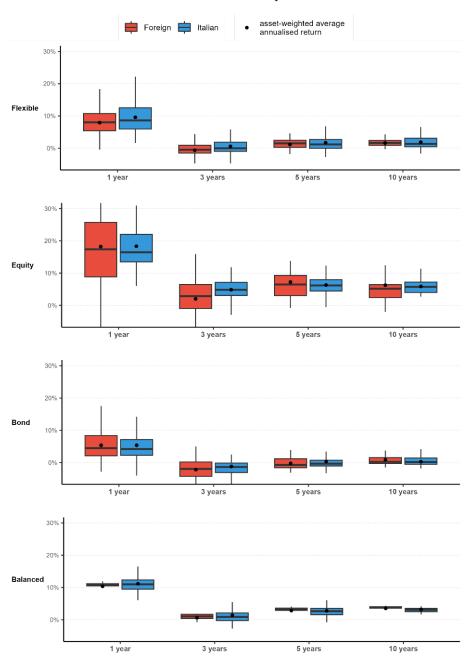
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Liquidity funds are excluded due to their small size in terms of both numbers and assets.

Figure I.17

Annualised return realised by internal funds



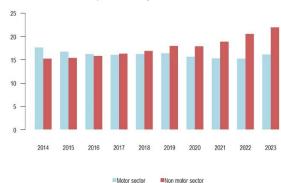
Source: IVASS statistics based on FIDA data

2. - The non-life insurance market

2.1. - Premium income

Premiums written companies supervised by IVASS – In 2023, gross premiums written²⁴ amounted to 43.5 billion euros, an increase of 8.9% compared to 2022. The Italian portfolio (40.1 billion) accounts for the bulk of premium income, while the foreign portfolio of 3.4 billion consists of 68.3% of indirect business. At 1.8%, the ratio of non-life premium income for the Italian direct portfolio on GDP is unchanged from the previous year. In the European scenario, Italy is the country with the greatest exposure to the risk of earthquakes and floods and the country with the greatest share of wealth – more than two thirds – invested in houses and real estate. However, only 2.4% of homes are covered by risks related to natural disasters.

Figure I.18
Non-life premium income – Italian direct portfolio
(billion euro)



Italian direct business is growing by 6.6% and amounts to 38 billion euros²⁵. The increase in premium income in 2023 stems from the development of the non-motor (+7%) and motor (+6.1%) segments.

The motor segment retains a significant weight in non-life business (42.4% of premiums written) due to the growth in premiums for motor liability (+4.3%) and land vehicles (+12.1%). The increase in motor liability is attributable to the increase in the average premium per insured vehicle (+4.4%), from 302.8 euros in 2022 to 316.1 in 2023. Premium income fell by 3 billion compared to 2014 (-20%), when the average premium per insured vehicle amounted to 394.9 euro²⁶.

Of the non-motor lines of business, health and property account for a total of 39.7% (Table I.4) on non-life production²⁷, both up by 7%. In the health sector, premium income from the sickness segment continues to grow at a sustained pace (+10.9% in 2023 and +12.6% in 2022), attributable to the increased use of private coverage, especially collective policies taken out by companies in favour of their employees. In the property segment, the increase in premium income from "other damage to property" (+7.5%) and "fire and natural forces" (+7.6%) is indicative of a greater demand for asset protection against an increase in the loss ratio resulting mainly from adverse weather conditions. 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. Premium growth in general liability continued (+7.1%) due to growth in retail and corporate professional indemnity covers. Legal expense insurance (+5.4%) and assistance (+5.2%) consolidated, mainly due to growth in the travel sector and the development of products offering private

²⁴ Italian and foreign portfolio – insurance and reinsurance business - of undertakings supervised by IVASS.

²⁵ Table 3.2.1. in the Appendix.

Confirming the decline in premiums collected compared to 2014, the IPER survey, which monitors the amounts of premiums actually paid for motor liability insurance by policyholders for private passenger cars taken from a sample of annual contracts, indicates an average premium for the Q4 2023 of 391.4 euros, down 17.6% from 475.1 euros in Q4 2014.

²⁷ Table 3.2.1. in the Appendix.

assistance services. Credit (+6.7%)²⁸ and suretyship (+11.7%) grew, partly as a result of the large number of tenders related to PNRR (Recovery and Resilience Plan) projects.

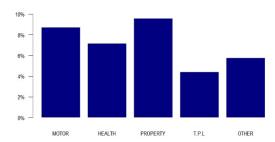
Table I.4

	Breakdown of the main non-life segments													
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023				
Motor insuran ce	53.7%	52.1%	50.6%	49.6%	49.0%	47.7%	46.6%	44.7%	42.6%	42.4%				
Property	17.0%	17.4%	17.7%	17.9%	18.2%	18.3%	18.6%	19.4%	20.1%	20.2%				
Health	15.3%	16.0%	16.8%	17.5%	17.7%	18.4%	18.4%	18.8%	19.5%	19.5%				
General liability	8.6%	9.0%	9.1%	9.0%	9.1%	9.3%	9.8%	10.2%	10.5%	10.6%				
Other	5.4%	5.6%	5.9%	5.9%	6.0%	6.2%	6.6%	6.9%	7.2%	7.3%				

In non-life insurance, in addition to companies supervised by IVASS, in 2023 undertakings with registered offices in other EEA States pursued business in Italy under the right of establishment²⁹, collecting direct insurance premiums³⁰ of €7.1 billion (+13.8% compared to 2022). The incidence of premium income from branches in Italy on the total premium income of supervised undertakings and undertakings with head office abroad³¹ continues to grow, and in 2023 was 15.7% (14.8% in 2022 and 12% in 2013). In certain classes, the market share of EEA branches is particularly high³².

In the first quarter of 2024, premium income from the direct Italian portfolio of companies supervised by IVASS amounted to €10 billion, up by +7.8% compared to the same quarter of 2023. The increase affected all the main lines of business, including +13.5% for land vehicles, +12.1% for fire and natural forces, +10.9% for sickness, +13.9% for financial losses, +7.7% for assistance, and +7.1% for MTPL.

Figure I.19
Changes in life premium income for supervised undertakings first quarter 2024



The weight of the collection of companies with registered offices in other EEA States operating in Italy through branch offices under the right of establishment continued to rise. It amounted to €2.2 billion

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

²⁹ See IVASS Statistical Communication no. 3 of May 2024. In contrast, data concerning the premium income collected in Italy in 2023 by way of f.o.s. are not available.

³⁰ Gross of reinsurance cessions.

³¹ Including funding relating to the Italian direct portfolio of domestic insurance undertakings and branches established in Italy of undertakings with registered offices in a non-EEA State, subject to IVASS prudential supervision on financial stability and solvency.

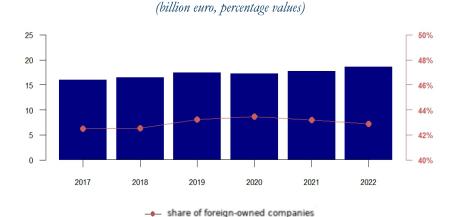
The incidence of EEA companies operating in 2023 in Italy under the right of establishment is high, at 86.5% in credit insurance, 42.8% for goods in transit, 29% in general liability, 28% in financial losses, 27.7% in suretyship insurance and 18.8% in legal expenses; penetration in other damage to property is 15.3%, in accident insurance 13.8%, in assistance 12.9% and in MTPL 9.3%. In the other classes the incidence varies from a minimum of 0% to a maximum of 47.8%.

in absolute value and accounted for 17.8% of the total including companies supervised by IVASS (it was 17.7% and 13.6% in the corresponding quarters of 2023 and 2014)³³.

The international activity of Italian undertakings and the premium income of foreign undertakings in Italy – Direct insurance premiums³⁴ from the non-life portfolio collected in Italy in 2022³⁵ by Italian- and foreign-owned companies³⁶ amounted to 43.4 billion euros (41.1 in 2021), of which 42.9% came from the business of foreign-owned companies (43.2% in 2021). The growth in production in 2022 (+5.7%) involved both inflows from Italian-owned companies (+6.3%, 1.5 billion) and foreign-owned companies (+4.9%; +0.9 billion).

Non-life premiums in Italy of foreign undertakings

Figure I.20



In 2022, direct premiums from non-life business collected abroad by Italian-based companies amounted to €20.4 billion³⁷ (+12.6% compared to 2021), of which 99.9% from the business of Italian-owned companies. The degree of international openness³⁸ is stable compared to 2021 (44.6% in 2021, 45% in 2022), confirming that a substantial share of the premiums collected by Italian-controlled companies comes from the foreign market. The development of production in non-life business also concerns foreign-controlled companies operating under the right of establishment, +16.5% compared to 2021, while for business under f.o.s. a reduction of -9.1% is observed.

The market share of EEA branch offices operating in the first quarter of 2024 in Italy under the right of establishment is high in credit insurance with 89.2%, 48.9% for goods in transit, 35.9% in general liability insurance, 33.3% in suretyship insurance, 28.9% in financial losses, and 28.1% in legal expenses; the shares of 18.3% in other damage to property, 15.8% in accident insurance, 14% in assistance insurance, 11.9% percent in fire and natural forces, and 10.4% in motor liability insurance are also substantial. In the lines of business with a lower premium income, the incidence ranges from a low of 0% to a high of 52.1%.

³⁴ Table 2.2.1. in the Appendix.

³⁵ Latest data available Source EIOPA.

³⁶ Undertakings whose parent company has its registered office abroad.

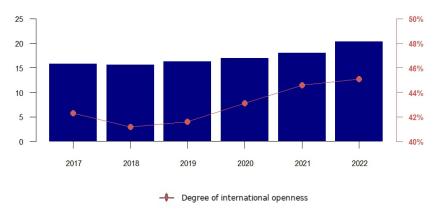
³⁷ Table 2.2.2. in the Appendix.

³⁸ Ratio between premiums collected abroad by Italian-controlled undertakings and total premium income for the same undertakings.

Figure I.21

Non-life premiums collected abroad by Italian undertakings

(billion euro, percentage values)



Distribution channels – After several years of growth in premiums collected through banks and post offices, the share of total premiums remained stable at 9% in 2023. The share of brokers rose slightly to 10.2%, while the agency channel - including those with a mandate (down) and tied agents ³⁹ (up) - remained stable at 76.6% of non-life premiums.

Table I.5

	Composition of non-life premium income by distribution channel										
	Agents	Brokers	Direct sale	Financial advisors banks and post offices							
2013	83.2%	7.6%	5.5%	3.7%							
2014	81.7%	8.5%	5.7%	4.1%							
2015	81.2%	8.2%	5.8%	4.8%							
2016	79.9%	9.2%	5.3%	5.7%							
2017	79.0%	9.4%	5.2%	6.4%							
2018	78.1%	9.6%	5.7%	6.7%							
2019	77.0%	9.2%	6.0%	7.7%							
2020	77.5%	9.6%	5.8%	7.1%							
2021	77.4%	9.3%	5.2%	8.2%							
2022	76.7%	9.7%	4.6%	9.0%							
2023	76.6%	10.2%	4.1%	9.1%							

2.2. - The technical/financial management

Profitability and trends in key profitability indicators— In 2023, the non-life profit and loss account shows a profit for the year of €2.5 billion, down slightly from €2.7 billion in 2022 (Fig. I.21). The ratio of operating result to non-life premiums written⁴⁰ was 5.8%, down from 6.7%. ROE also decreased slightly to 7.7% from 8.1%⁴¹.

³⁹ Offices of insurance companies which promote insurance contracts, located on the Italian territory and using own staff.

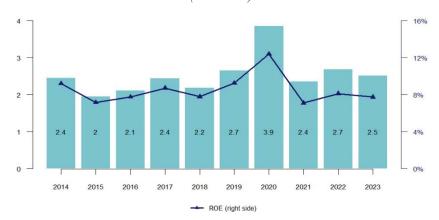
⁴⁰ Table 4.3.4 in the Appendix.

⁴¹ Table 4.3.4 in the Appendix.

Figure I.22



(billion euro)



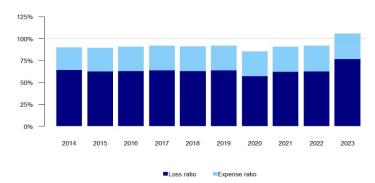
The operating profit, mainly determined by the balance on the technical account, corresponds to 7.9% of earned premiums. The drop of 0.2 billion compared to 2022, only partially offset by the positive amount for profits from investment (5.9% of premiums), is attributable to the increase in claims expenses. The *loss ratio* increased from 63.5% to 67.9% ⁴³. The option to recognise securities held for trade based on their book value allows for sterilization of capital losses on these securities by 0.2 billion ⁴⁴.

As to the Italian direct portfolio alone, gross of reinsurance cessions ⁴⁵ a *loss ratio* of 76.4% (fig. I.22) is noted, up 14 percentage points compared to 62.4% in 2022. The expense ratio is 29%, down slightly from the all-time high of 29.3% recorded in 2022. The increase in the loss ratio implies a combined ratio of 105.4% (97.4% net of reinsurance cessions ⁴⁶), the highest value in the last 23 years.

Figure I.23

Combined ratio of the Italian direct portfolio, gross of reinsurance cessions

(total non-life business)



⁴² Loss ratio derived from the profit and loss account, covering the Italian and foreign direct and indirect portfolio net of reinsurance cessions and retrocession.

Table 4.3.8 in the Appendix.

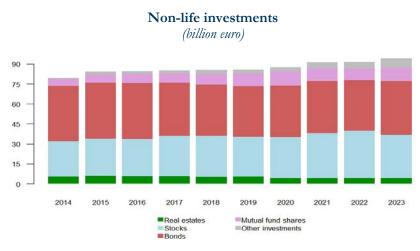
⁴⁴ Pursuant to Law 131/2023 (which incorporates the provisions of Law 122/2022) and IVASS Order 143/2024, amending IVASS Regulation 52/2022

The effects arising from reinsurance cessions of Italian direct business, Italian indirect business and the respective retrocessions, and foreign direct and indirect business and the respective reinsurance cessions and retrocession are excluded.

⁴⁶ Combined ratio derived from the profit and loss account, covering the Italian and foreign direct and indirect portfolio net of reinsurance cessions and retrocession. The boundary of companies considered for statistical purposes in this Report is constructed differently from the figure for the assessments in the Financial Stability Report.

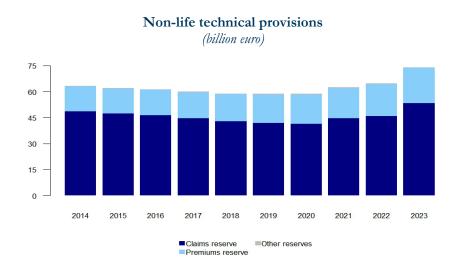
Composition of investments and technical provisions – Non-life investments, measured according to local GAAPs⁴⁷, amounted to 94.1 billion euro, with an increase of 2.9% compared to 2022 (fig. I.23).

Figure I.24



Technical provisions 48 (fig. I.24) amounted to 74 billion euros, up 14.3% from 2022 due to an increase in the value of the provision for claims outstanding (+16.8%) 49 .

Figure I.25



The motor segment – Premium income⁵⁰ from the Italian direct motor portfolio⁵¹ amounted to €16.2 billion, or 42.4% of the total non-life portfolio, up by 6.1% compared to 2022, reaching the highest value in the last four years.

⁴⁷ The accounting criteria adopted is based on historical cost, except in case of impairment losses if the asset is held to maturity, or on the lower of historical cost or sale value inferable from market trends if the asset is held for trading. Also for the financial year 2023, the option adopted is not to write down the value of securities that are not intended to be held on a long-term basis in the company's balance sheet, rather than at their lower sale value inferable from market trends.

⁴⁸ Gross of reinsurance cessions and evaluated according to local GAAPs principles.

⁴⁹ This increase is generated by the (expected) growth in claims expenses, particularly those related to adverse natural phenomena.

⁵⁰ Gross of reinsurance cessions.

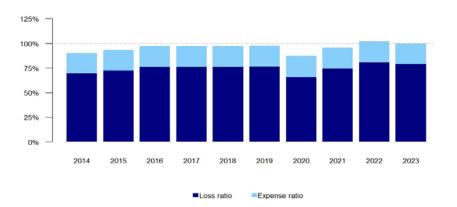
⁵¹ The motor segment includes the insurance classes 10 (motor vehicle liability), 12 (liabilities for ships) and 3 (land vehicles).

In the motor line of business (Fig. I.25), premiums written for motor vehicle liability insurance amounted to €12.2 billion, up 4.3% from 2022. The land vehicles insurance class is characterised by a marked increase of 12.1%, collecting €4 billion. The compulsory component of the motor segment accounted for 75.4% of the total, 11 percentage points less than in 2014 (86.4%). The noncompulsory component tends to account for an increasing share of the profitability of the motor sector.



Motor vehicle liability – The technical account for motor vehicle liability 52 returns to profit, amounting to €0.6 billion, whereas in 2022 there was a loss of €0.1 billion 53 . The profit recovery is mainly due to the €0.2 billion growth in premium income from Italian direct business, gross of reinsurance cessions, which amounted to €11.9 billion (+1.8% compared to 2022), the strong recovery in profits from the investment covering technical provisions 54 of €0.7 billion (€0.2 billion in 2022) and the improvement in the combined ratio (Fig. I.26), amounting to 99.8% (102.2% in 2022).

Combined ratio of Motor liability insurance
(Italian direct insurance portfolio gross of reinsurance cessions)



⁵² Table 4.5.1.1 in the Appendix.

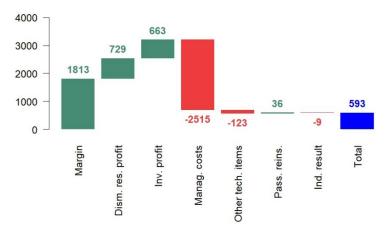
⁵³ The balance on the technical account refers to the Italian portfolio, insurance and reinsurance business, net of reinsurance cessions and retrocessions.

⁵⁴ Profits from the investment of assets representing technical provisions relate to the Italian direct and indirect portfolio.

Figure I.28

Composition of the balance on the technical account of the motor liability insurance class in 2023

(Italian portfolio, insurance and reinsurance business, net of reinsurance cessions - million euro)



The loss ratio of 78.7% resulted from a loss ratio in the financial year of 84.8%⁵⁵, the run-off of the provision for claims outstanding and the change in sums recoverable⁵⁶. In 2023, the latter two items expressed a positive income of 6.1% of earned premiums (highest value since 1998)⁵⁷.

The technical balance of direct business gross of reinsurance cessions⁵⁸ was a loss of €0.1 billion for the second year running, despite a recovery from the loss of €0.3 billion in 2022, thanks to higher premium income and a stable cost of claims. The ratio between average reserve/average cost, which expresses how many times the cost of the claims paid in the year would be covered by the estimated reserved claims on closure of the financial statements, is 3.56 and remained stable in three years, after the growth in 2011-2020.

Table I.6

Average reserve/average cost ratio*										
	(1	eserved	amount	s per un	it paid)					
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation in previous financial years	2.69	2.62	2.77	2.88	2.90	2.83	2.92	2.70	2.89	2.98
Generation in current financial year	3.97	3.99	3.88	3.71	3.73	3.67	4.01	3.61	3.44	3.33
Total	3.56	3.59	3.69	3.70	3.70	3.67	3.72	3.65	3.61	3.56

^{*} Average reserve/average paid. IBNR claims excluded.

Based on 2023 provisional balance sheet data, the frequency of managed MTPL claims incurred in 2023, including an estimate of claims Incurred But Not Reported (IBNR), was 5%, slightly down from 5.1% of claims incurred in 2022 and significantly lower than 5.9% in 2019. Provisional balance sheet data for 2023 show a 1.5% growth in the overall average cost of managed claims incurred in the year, including estimated IBNR claims, resulting from a 2.4% increase in the average cost of paid claims and a 0.8% increase in the average cost of reserved claims including the IBNR component.

⁵⁶ The sum of these changes between 2014 and 2023 has always generated a positive income component, resulting from an initial reserve set aside in the financial statements, relating only to claims of generations prior to the current one, higher than the amounts actually paid and recovered in the reporting year or set aside at the end of the same year for the same claims and recoveries.

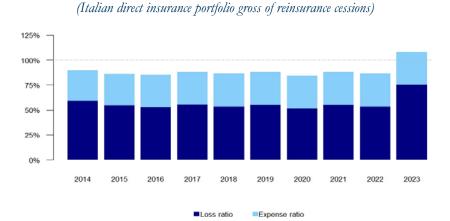
Data is available from 1998 onwards. For the years 2012 and 2013, the difference between the cost of claims incurred in the year and the cost of claims of the current generation alone was positive, indicating, with respect to claims of generations prior to the current generation, a lower initial provision in the financial statements than the sum of the amounts of claims of those generations actually paid and recovered in that year's financial statements or set aside as provision at the end of that year.

⁵⁸ Without taking into account the positive contribution generated by returns from investments covering the technical provisions of this line of business (see definition in the Glossary).

Other non-life classes – Premium income from the direct Italian portfolio of non-life classes other than motor liability insurance, gross of reinsurance cessions, totalled €25.9 billion, up 7.7% from 2022, and reached the highest volume, in nominal terms, historically, at 68% of total non-life business (67.3% in 2022).

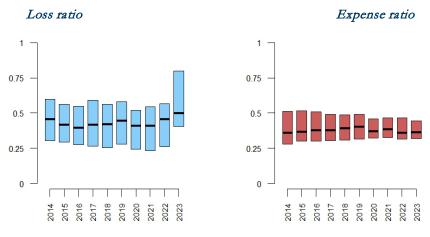
The technical account of the Italian direct and indirect portfolio, net of reinsurance cessions and retrocession, of non-life insurance classes other than MTPL has historically always shown a technical profit (Table 4.5.2.1 in the Appendix), amounting to €1.3 billion in 2023, a decrease of 40.2% (€-0.9 billion in absolute value) compared to 2022. The purely technical management (technical balance) of the Italian direct portfolio⁵⁹, gross of reinsurance cessions, recorded a loss of -€2.4 billion (+€2.8 billion in 2022), due to a combined ratio of 108.1% compared to 86.4% in the previous year (Fig. I.28).

Figure I.29 Combined ratio of non-life classes other than motor liability



The distributions of the loss ratio and the expense ratio (Fig. I.29) show a sharp increase in the last financial year in the variability of the loss ratio between companies.

Loss and expense ratio of non-life classes other than MTPL (each box shows the 25th, 50th, 75th and 95th percentile)



The reinsurance cessions of the Italian direct portfolio and the reinsurance business of the Italian indirect portfolio 60 generated a positive balance, which improved by €3.3 billion compared to 2022. The

Figure I.30

Gross of reinsurance cessions.

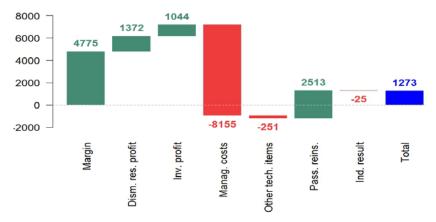
Net of reinsurance cessions and retrocessions.

return on investments covering technical provisions of the Italian portfolio, both direct and indirect, also increased by €0.8 billion compared to the previous year. Both components contribute to a positive balance on the technical account, albeit with an incidence of 5.1% on premiums earned from direct business (9.2% in 2022), the lowest value since 2012.

Figure I.31

Composition of the balance on technical account of non-life classes other than motor liability in 2023

(Italian portfolio, insurance and reinsurance business, net of reinsurance cessions and retrocessions - million euro)



It should be pointed out⁶¹ that:

- the insurance class Land vehicles presents for the first time since the beginning of the historical series ⁶² a technical account with a loss of -€42 million, compared to a profit of €152 million in 2022. The loss stems from the deterioration of the combined ratio, of Italian direct business gross of reinsurance cessions, which reached an all-time high of 115.5% due to the increase in claims and operating expenses, which was not offset by the growth in earned premiums ⁶³;
- the property segment⁶⁴, to which the fire and natural forces class belongs, posted a sharply deteriorating technical balance⁶⁵, with a loss of €1.4 billion (loss of €0.2 billion in 2022), despite reinsurance. This result was weighed down by the loss of €1.3 billion in fire and natural forces alone (loss of €0.4 billion in 2022), characterised by a combined ratio, of the Italian direct business gross of reinsurance cessions, which peaked at 252.8%, due to a loss ratio, attributable to natural disasters, of 214.6%;
- the "other damage to property" line of business has a technical loss due to adverse natural events of
 €259 million, compared to a technical profit of €141 million in 2022. The combined ratio of the Italian
 direct portfolio gross of reinsurance cessions is 106.6%;

⁶¹ Table 4.5.2.2 in the Appendix.

^{62 1998} is the starting year of the time series.

⁶³ The purely technical balance of operations is a negative €608 million, compared to a profit of €134 billion in 2022, heavily impacting the technical result of the insurance class.

⁶⁴ The property sector is made up of the insurance classes: 8. Fire and natural forces, 9. Other damage to property and 16. Miscellaneous financial loss.

⁶⁵ The balance on the technical account is the result of the Italian portfolio, insurance and reinsurance business, net of reinsurance cessions and retrocessions.

- the health segment (accident and sickness insurance) reports a technical balance of €1 billion, up from €0.7 billion in 2022, due to the improvement of the combined ratio of Italian direct business, gross of reinsurance cessions, in accident insurance to 77.9% (78.7% in 2022) and the growth in the share of investment profits covering technical provisions in accident and health insurance. The combined ratio of the Italian direct portfolio, gross of reinsurance cessions, in the sickness class remained stable at 94%;
- general liability insurance remains the most profitable line of business in the non-life sector, with a technical profit of €1.13 billion, an improvement on the €981 million in 2022. The positive result can be attributed to the low combined ratio of 72.4% (70.2% in 2022) of Italian direct business gross of reinsurance cessions, generated by a loss ratio also at moderate levels of 39.5% (36.7% in 2022)⁶⁶;
- legal expenses and assistance show a positive balance on the technical account, totalling €0.4 billion, or 26% of earned premiums. The combined ratio of the Italian direct portfolio gross of reinsurance cessions is 68.8% (67% in 2022);
- the credit and suretyship lines of business remain profitable and recorded a total technical profit of
 €124 million, corresponding to 20.3% of earned premiums. For these classes too, the combined ratio
 of the Italian direct portfolio, gross of reinsurance cessions, stands at low levels, i.e. 61.7% (62.9% in
 2022);
- the transport segment⁶⁷ returned to profitability, showing a profit of €43 million (loss of €27 million in 2022), thanks to the improvement of the combined ratio of Italian direct business gross of reinsurance cessions, which decreased to 89.4% (100.7% in 2022).

Figure I.32
Composition of the balance on the technical account of the insurance class land vehicles in 2023 - Italian portfolio, insurance and reinsurance business, net of reinsurance cessions and retrocessions

(million euro)



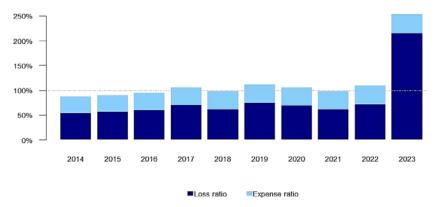
For more insights on the insurance class Land vehicles, see Chapter II.2.3.

⁶⁶ The sharp increase in the share of investment income (from €85 million in 2022 to €328 million) covering the substantial technical provisions of this line of business leads to an increase in the technical profit, despite the unfavourable reinsurance performance.

⁶⁷ The transport sector is made up of the insurance classes: 4.Land vehicles, 5.Aircraft, 6.Ships, 7.Goods in transit, 11. Aircraft liability.

Figure I.33

Combined ratio of fire and natural forces - Italian direct portfolio, gross of reinsurance cessions



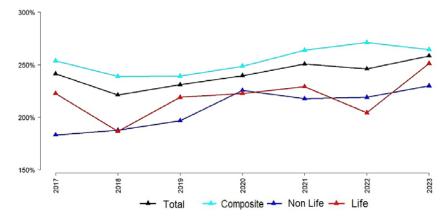
3. - SOLVENCY

3.1. - Solvency Capital requirement ratio and Own Funds

In 2023, the average solvency ratio increased by 12.3 percentage points to 258.4 percent. Life companies register a 47 percentage point increase in the Solvency ratio (down 25 percentage points in 2022). Non-life companies also register an increase of 13.7 percentage points; the average Solvency ratio of composite companies, at 264.4 percent, decreases by 7.2 percentage points.

Solvency ratio of Italian insurance companies

Figure I.34

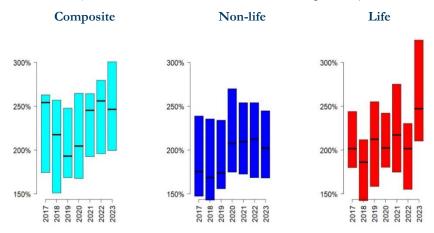


The median value of the *Solvency ratio* is higher (247%) for life companies than for composite (246%) and non-life companies (202%). The distribution for life companies denotes greater variability (interquartile difference) than for composite and especially non-life companies. The variability of distributions is increasing in the last two financial years for life and composite companies.

Figure I.35

Distribution of the Solvency ratio by insurance sector

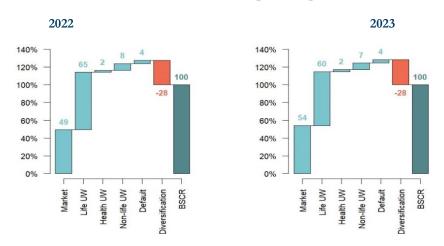
(each box shows the 25th, 50th, 75th and 95th percentile)



3.2. - Solvency capital requirement

The composition of the basic solvency capital requirement (BSCR) as of December 2023 shows a higher incidence of the market risk module compared to the previous year (from 49.4% to 54.2% before diversification). Underwriting risk in life business remains the predominant risk, with an incidence of 60.4% (64.7% in 2022); the share of the non-life underwriting risk is stable (from 7.5% to 7.4%). The share allocated to the degree of vulnerability of assets other than government securities is slightly increasing (from 3.7% to 4.0%).

Figure I.36 Composition of the *Basic Solvency Capital Requirement* (BSCR)



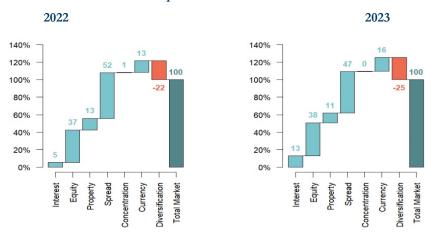
The largest component of market risk (fig. I.36) remains spread risk (47.2 percent in 2023 versus 51.9 percent in 2022), dependent on the volatility of the spread between interest rates on debt instruments and the risk-free rate⁶⁸.

The share of equity risk increases slightly compared to 2022 (from 37.1% to 37.8%).

⁶⁸ Spread risk depends on rating and duration.

Figure I.37

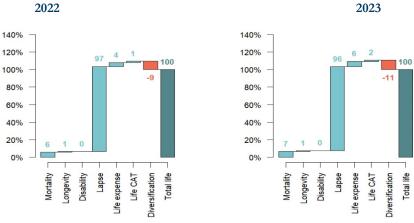




A large part of the underwriting life risk relates to mass lapse risk (amounting to 95.6% of the module in 2023, slightly down from 96.7% in 2022), related to scenarios of mass lapse of life policies in the portfolio.

Figure I.38

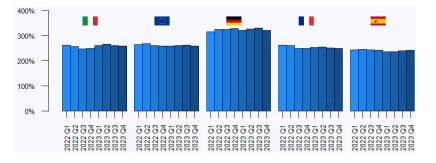
Composition of the underwriting life risk 2022 140%



In 2023 the Italian Solvency ratio was higher than that of France and Spain, but lower than that of Germany. The European solvency ratio is higher than in Italy except for the first and second quarters of 2023, which recorded values above the European average for the first time since 2022.

Figure I.39

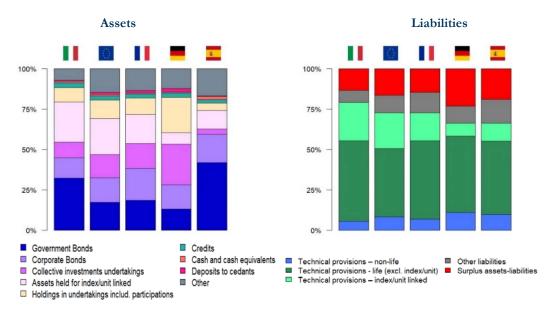
Solvency ratio in Europe



Total life provisions in Italy account for 84.8% of total liabilities, compared to a European average of 77%, 71.8% in Germany, 77.2% in France and 69.7% in Spain. In all the European countries, most of the provisions are the life provisions of with-profit contracts. Italy shows a higher percentage than the European average.

Government and corporate bonds have a higher incidence on total assets for Spain and Italy (59.3% and 44.8%, respectively), compared to 38.47% and 28.2% in the French and German markets. In Germany, the incidence of UCITS on assets is particularly high (25.1%) while in Italy it is 9.8% (on the rise).

Figure I.40 Composition of Assets and Liabilities in Europe



3.3. - Solvency II investments and provisions

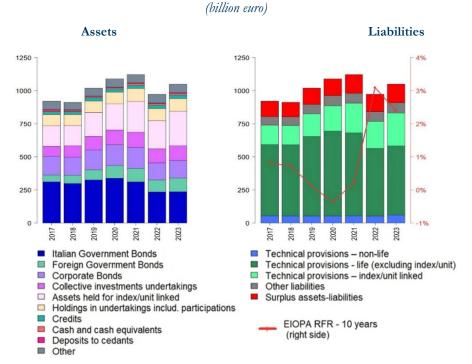
The reduction in the level of interest rates between 2022 and 2023 has led to an increase in the value of assets. The share of Italian government securities on total assets decreases over the past year by 1.8 percentage points (from 24.1% to 22.3%), while the share of foreign securities increases by 0.6 percentage points (from 9.3% to 9.9%). The share of Italian securities decreases for life and composite companies by more than 1.5 percentage points, while for non-life companies it increases by 0.9 percentage points. The weight of investments in foreign securities increases for all undertakings (0.9 percentage points for life, 0.3 for composites, and 0.5 for non-life companies). The incidence of corporate bonds decreases by 0.7 percentage points, from 13.3% in 2022 to 12.6%. The share of investment funds on total assets falls from 11.0% to 10.7%.

Also as a result of an extraordinary transaction of a total portfolio transfer, assets and provisions related to index- and unit-linked policies show a 22% increase in their value.

The reduction in risk-free interest rates has led to the increase in the value of technical provisions. These increases were large for index and unit-linked and non-life business, at 22.7% and 17.2% respectively, while life business other than index and unit-linked showed less growth (+1.7%). The ratio of provisions to total liabilities denotes the reduction of provisions for non-index and unit-linked life policies from 61.1% in 2022 to 57.4% in 2023 due to the significant volume of claims expenses. The weight of index and unit-

linked provisions on total liabilities increases from 24.3 in 2022 to 27.6%, while that for non-life provisions increases by 0.5 percentage points.

Figure I.41 Volumes and composition of assets and liabilities of domestic undertakings



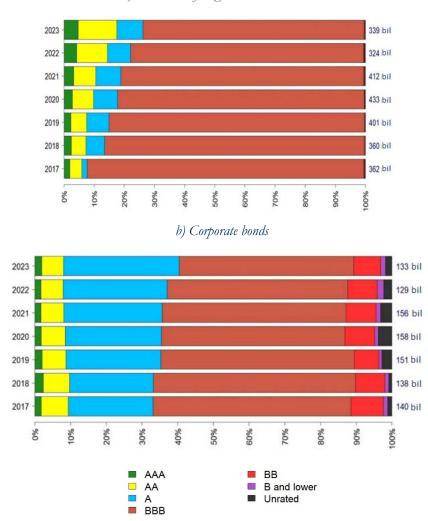
The reduction in the weight of BBB-rated Italian and foreign government bonds observed since 2020 continues. The market value of government securities as a percentage of the portfolio decreases from 81.8% in 2020 to 73.3% in 2023. Securities rated A or higher account for 26.2% in 2023 compared to 17.8% in 2020.

Investments in BBB-rated corporate bonds shows a decrease between 2020 and 2023, with a share from 51.4% to 48.8%. The decrease is more pronounced between 2022 and 2023, amounting to -1.7 percentage points. Investments in A-rated securities increase, from 26.9% in 2020 to 32.4% in 2023 (+3.3 percentage points between 2022 and 2023).

Figure I.42

Composition of corporate bonds by rating class

a) Italian and foreign Government bonds



Assets representing technical provisions – As at 31 December 2023, domestic companies and branches of non-EEA companies reported Solvency II technical provisions⁶⁹ relating to Italian and foreign direct business, equal to 829 billion euro, up by 8.2% compared to 2022.

Assets representing life insurance technical provisions at market value, with the exception of linked contracts and those arising from pension fund management⁷⁰, amounted to 524 billion euro, with a 101.3% coverage ratio of the corresponding provisions. These assets are up by 2.2% over 2022 due to the easing of monetary policy restrictions and the recovery of the stock market. The composition of representative assets⁷¹ saw substantial stability in the market value of debt securities (80.9% of total representative assets, compared to 79.7% in 2022), with a recovery in government and corporate bonds. After years of growth,

⁶⁹ Table 5.5.1 in the Appendix.

⁷⁰ Table 5.5.1 in the Appendix.

⁷¹ Tables 5.5.2 and 5.5.3 in the Appendix.

the market value of UCITS, 59% of which are bonds, contracted slightly (15.3% of total assets to 15.9% in 2022).

The technical provisions of the non-life business amounted to 52.3 billion euro and were covered by 53.2 billion euro of assets⁷², with a 101.8% coverage ratio. For these provisions, growth was observed due to the increase in premiums and commitments towards policyholders as a result of the growth in claims still to be settled and paid, as well as the increase in representative assets following the easing of restrictive monetary policy and the recovery of the stock market. Compared to life insurance, the composition of representative assets⁷³ in non-life business shows a lower share of debt securities, which continues to decline in 2023 mainly due to the reduction in corporate bonds (25.7% of total assets, compared to 32.1% in 2017). The incidence of equity instruments (7.7% of total assets under cover) and UCITS (8.9%) decreased, while the incidence of loans continued to grow, amounting to 12.5% of total representative assets, mainly due to the development of claims against reinsurers and tax credits.

Technical provisions for linked contracts and pension fund management increased to the same extent as representative assets (+22.1% and +19.1% on 2022, respectively), consistent with the change in the value of assets representing contractual benefits⁷⁴.

4. - Insurance undertakings pursuing business in Italy

As at 31 December 2023, the undertakings authorised to pursue insurance and reinsurance business in Italy, under the prudential supervision of IVASS, were 89 (92 in 2022⁷⁵), 85 of which domestic and 4 branches of foreign undertakings with head office in a non EEA country⁷⁶. Between 2013 and 2023, the number of domestic companies decreased from 131 to 85 (-35%), mainly due to mergers and acquisitions, often carried out as part of intra-group reorganisation operations⁷⁷.

The number of EEA foreign undertakings pursuing business under f.o.s. is increasing slightly from 889 in 2022 to 897 in 2023, while the number of EEA undertakings licensed to operate in Italy under the right of establishment is 88⁷⁹ (89 in 2022). 83% of the branches in Italy of EEA undertakings have their head office in France, Germany, Ireland, Luxembourg and Belgium⁸⁰. There were 282 companies with head office in an EEA country that actually collected premiums in Italy via f.o.s. (the latest EIOPA data referring to 2022) over a total of 889 authorized undertakings.

⁷² Table 5.5.1 in the Appendix.

⁷³ Tables 5.5.4 and 5.5.5 in the Appendix.

⁷⁴ Tables 5.5.6 and 5.5.7 in the Appendix.

⁷⁵ In 2023, four undertakings terminated the pursuit of insurance business (two non-life undertakings were incorporated by composite companies, one life undertaking was incorporated by a life company and for one life undertaking the Minister of Enterprises and Made in Italy, upon IVASS' proposal, ordered the withdrawal of the authorization to pursue insurance and reinsurance business and its administrative compulsory winding up. The assets of this latter company were transferred to a new life insurance undertaking.

⁷⁶ Table 2.1.1. in the Appendix.

Note 2009 there are no more Italian specialist reinsurers for both life or non-life business. It should be noted, however, that on January 24, 2024, and April 1, 2024, two domestic companies specializing in offering reinsurance in certain non-life lines of business were registered in Section IV of the Register of Undertakings kept by IVASS.

⁷⁸ In 2023, 24 undertakings or branches with head office in another EEA state (27 in 2022) were licensed to carry on business under f.o.s., fos, of which 4 from Spain, 3 from France, 3 from Cyprus and Sweden, 2 from Luxembourg.

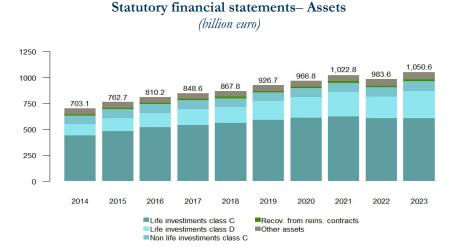
⁷⁹ In 2023, one undertaking with head office in Germany was licensed to carry on business under foe.

⁸⁰ Table 2.1.3 in the Appendix.

4.1. - Balance Sheet (local GAAPs)

The main share of the assets in the statutory balance sheet (Fig. I.42) consists of the various classes that make up investments (Classes C, D.I and D.II). The latter, measured according to local GAAPs, amount to 963,2 billion euro⁸¹, 90.2% of which relating to life business.

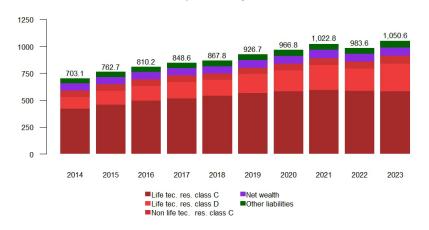
Figure I.43



The main liability item (fig. I.43) is made up of the technical provisions of the life and non-life business, amounting to 914.1 billion euro⁸², of which 91.8% relates to the life business.

(billion euro)

Figure I.44
Statutory financial statements – Liabilities and shareholders' equity



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 compared to 2022. Class D technical provisions are up after the decline in previous years. The sub-class D.I, relating to index- and unit-linked policies, increased in value, despite the reduction in premium income, as it was affected by the merger by incorporation, with the associated portfolio transfer, of a large Irish-based company into a domestic company. Subclass D.II, relating to the management of pension funds, developed due to the growth in

⁸¹ Tables 4.1.1, 4.1.4, 4.1.5, 4.1.6 and 4.1.7 in the Appendix.

⁸² Table 4.1.2 in the Appendix.

premium income largely attributable to the acquisition of the management of negotiated funds with guaranteed minimum returns or capital repayments from insurance companies.

At the end of 2023, the shareholders' equity in the statutory accounts (fig. I.44) amounted to 75.6 billion euro (72 billion in 2022), taking account of the positive operating result of the life business, at 5.5 billion (loss of 0.4 billion in 2022), while capital provisions remained essentially unchanged.

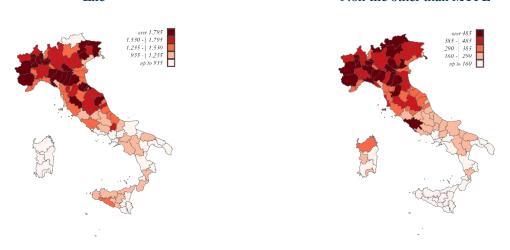
Figure I.45



4.2. - Distribution system and insurance expenditure by province

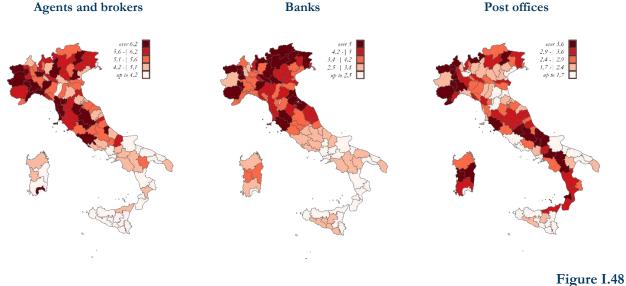
The local life and non-life insurance markets in Italy are characterised by a high degree of segmentation: the per capita premium in life business, defined as the ratio of premiums written to the number of inhabitants per province, averaging €1,422, varies from €3,427 in Milan to €371 in South Sardinia. The dispersion of insurance expenditure per capita, as measured by the variation coefficient, is 36%. Non-life insurance expenditure is also markedly heterogeneous: the per capita premium varies from a maximum of €967 (Milan) to a minimum of €87 (Enna), with a dispersion of 35%.

Figure I.46
Territorial distribution of insurance expenditure per capita in 2022
Life Non-life other than MTPL



The territorial distribution of intermediaries (Fig. I.46) and a graphical analysis of the relationship at provincial level between life and non-life non-motor insurance premiums and the presence of agents (Fig. I.47) and brokers (Fig. I.48) in the province are presented below.

Figure I.47 Territorial distribution of intermediaries every 10,000 inhabitants – 31 December 2022



Relationship between premium income and insurance agents Number of agents in units (abscissas) and premium income per thousand inhabitants in million euro (ordinates)

Non-life other than MTPL Life 3.5 0.75 2.5 0.5 1.5 0.25 0.5 0 2.5 0 5 7.5 10 0 2.5 5 7.5 10

Agenti

Figure I.49 Relationship between premium income and insurance brokers Number of brokers in units (abscissas) and premium income per thousand inhabitants in million euro (ordinates)

Non-life other than MTPL Life 3.5 3 0.75 2.5 1.5 0.5 2.5 2.5 Broker Broker

Agenti

5. - THE INTERNATIONAL LIFE AND NON-LIFE MARKET

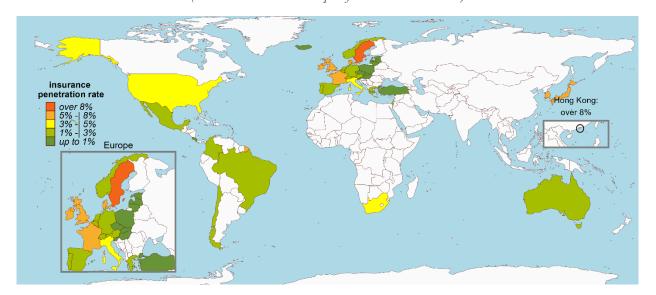
The global insurance market – After a slowdown in 2020 and a subsequent recovery in 2021, 2022⁸³ marked an overall recovery of gross premium growth in nominal terms, both in life and non-life. Premiums in the non-life sector increased faster than in the life sector, partly due to the lower profitability of insurance products compared to other financial instruments. The growth in non-life business is attributable to the post-COVID economic recovery and the increase in premiums resulting from the tariff adjustment due to the increase in the cost of claims for inflation.

The information gathered by the Organisation for Economic Co-operation and Development (OECD) provides an overview of the insurance penetration in 2022 for OECD countries and for a subset of non-OECD countries. Italy continues to show a protection gap⁸⁴ compared to the OECD average data on insurance penetration of 4.3% for life and 5.1% for non-life business. In life business, insurance penetration (Fig. I.49 and I.50) is high in Sweden and to a slightly lesser extent (above 5%) in the United Kingdom, France and Japan; in Italy its value stands at 4.9%. Non-life classes are developed in France, Canada, the US and South Korea, while a low penetration rate of 1.9% is confirmed in Italy.

Figure I.50

Premium incidence over GDP - life business – 2022

(OECD countries and sample of non-OECD countries)



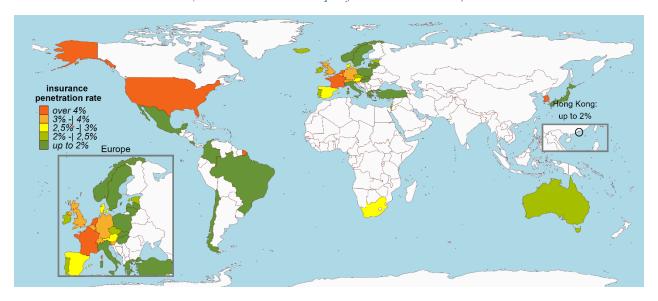
⁸³ Latest date available.

⁸⁴ Table 1.1.1 in the Appendix.

Figure I.51

Premium incidence over GDP - non-life business – 2022

(OECD countries and sample of non-OECD countries)



Comparison with the main European countries – Total premium income (life and non-life business) in all the EEA countries reached 1,179,7 billion euro in the 4th quarter 2022, of which 516.3 billion from non-life business (+6.7%) and 663.4 billion from life business (+1.3%). The largest markets in terms of premium income are France and Germany, with 285.9 billion and 243.8 billion respectively, followed by Italy (130.9 billion), the Netherlands (85.9 billion) and Spain (73.9 billion).

In life insurance, the order of countries in terms of premium income as of the fourth quarter of 2023 sees France in first place (172.6 billion; +2.9%) followed by Germany (148.3 billion; -1,3%), Italy (97.2 billion; -3.4%), Ireland (50.4 billion; +3.2%), Spain (35.2 billion; +32.9%) and Luxembourg (18.9 billion; -27.6%). The ratio of total life provisions to total liabilities is 84% in Italy compared to the European average of 76%, with 77% in France, 72% in Germany and 69.7% in Spain.

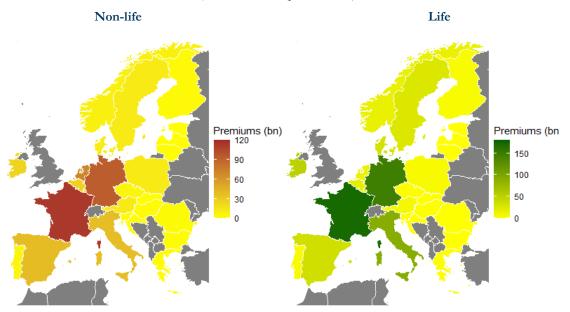
Premium income in non-life business in the fourth quarter of 2023 in France was 113.3 billion euro (+6.4%), in Germany 94.5 billion (+6.5%), in Italy 38.3 billion (+7,4%) and in Spain 38.7 billion (+6.3%)⁸⁵. The ratio of total non-life provisions to total liabilities is 6.6% in Italy compared to 8.1% in France, 14.3% in Germany and 12.1% in Spain.

Malta and Luxembourg, with high insurance penetration rates of 16% and 32% of their GDP in 2022, collect 2.7 billion and 11.9 billion euro (+20% and +7.4%).

Figure I.52

Premium income in the European Economic Area

(billion euro; 4th quarter 2023)



In the non-life business, the average combined ratio in the EEA countries in the third quarter of 2023 is 97%, indicating that the underwriting process is, on average, profitable; for the Italian market, the combined ratio reaches 97%, in line with the European average.

Motor liability insurance in Europe – The average MTPL premiums at the end of 2022⁸⁶, net of tax and para-fiscal charges, paid by policyholders in five European countries (Italy, France, Spain, Germany, United Kingdom) were compared with the respective profitability of the line of business⁸⁷.

The ratio of non-life insurance expenditure to GDP (Fig. I.52) is lowest in Italy (1.9%), with a differential of 2.5 percentage points compared to France (4.6%). The high incidence of motor lines of business on total non-life operating expenses in Italy (42.5%) is affected by the low insurance penetration rate in other non-life lines of business. The non-mandatory coverage component of motor insurance is significant in some countries, notably France (64%) and Spain (48%).

The highest average prices for compulsory cover (tariff premium after taxes) are in Italy (€286) and the UK (€311), while Spain has the lowest value (€176). Differentials between countries are also related to factors such as repair costs⁸⁸ and compensation schemes in case of injury/death. The pure premium (€253 in Italy compared to an average in other countries of €186) and acquisition and management costs (€6

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

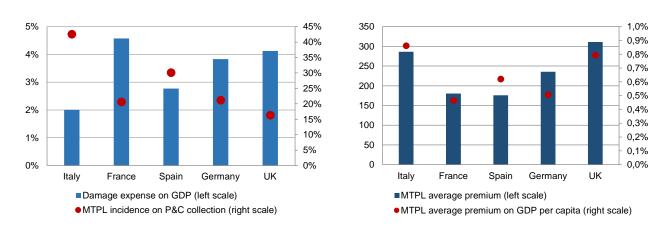
Data on average prices of compulsory motor liability alone acquired from public sources and supplemented by the respective Supervisory Authorities. For the United Kingdom, where policies are distinguished between motor-comprehensive (including all risks insurance) and non-comprehensive (including fire 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 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 UK, the *private car* sector; and for Spain and Germany, the entire MTPL business. For the UK, the effect of converting premiums in pounds sterling into euros, which would accentuate price differences not due to the cost of the MTPL coverage, was limited by using rates that assume equal purchasing power.

⁸⁸ If we consider the average MTPL premium in relation to GDP per capita, the lowest value is recorded in France (0.5%).

higher in Italy) differ between countries. In Italy, the pure premium contributes 88.4% to the average premium, compared to 82.3% for the average. Acquisition commission costs and administrative expenses as a percentage of premiums are higher in other countries than in Italy (25.2% versus 22.1%). Premium differentials appear to be related to the cost of claims rather than to the administrative cost structure (underwriting of contracts and claims settlement).

Negative profitability margins per policy were found in all the countries considered. In Italy it is -22.8 euros, compared with the maximum value in France (-3.6 euros) and the minimum in the United Kingdom (-41.6 euros). The increase in pure premium in Italy (+10%) and in other countries (+9%), combined with the reduction in average premium, is behind the contraction in margins.

Figure I.53
Non-life business and MTPL – premiums and incidence of MTPL in 2022
(% values, euro)



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

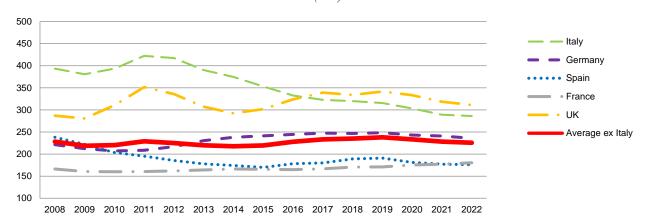
Figure I.54 MTPL average premium and its components - 2022 Differential of average MTPL premium in Italy and in the main European countries (euro) (euro) Average ex Italy UK Germany Spain France Italy 350 250 300 200 250 200 150 150 100 100 50 50 0 Average premium (net of taxes) ■ Average commission and management expenses

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

■ Policy margin

There has been a gradual reduction since 2012 in the differential in terms of the average MTPL premium paid in Italy compared to other countries (Fig. I.54), amounting to €60 in 2022, slightly down from 2021 and significantly down from €165 in 2008.

Figure I.55 MTPL average premium in Italy and in the main European countries (euro)



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

II. - CONTRIBUTIONS FOR ANALYSIS89

1. - LIFE INSURANCE

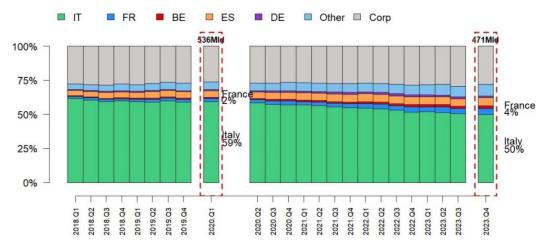
1.1. - Rising rates and investment strategies of insurance companies

The investment choices of Italian insurance companies have shown a change in strategy since the first quarter of 2020 (the start of the pandemic crisis), with the progressive reduction of the share of bonds issued by the Italian State in the portfolio out of the total bonds held⁹⁰. Part of these investments goes into foreign government bonds. The analysis performed assesses the effects of the main financial indicators characteristic of insurance companies (duration of liabilities, leverage ratio, solvency ratio and claim-to-premium ratio) on investment decisions, identifying the effects on investments of inflation expectations and thus on government bond yields.

The share of Italian government bonds in the total investments of insurance companies decreased from 59.4% in Q1 2020 to 49.8% in Q4 2023, with larger changes for companies that had a higher concentration in government bonds at the start of the period. Three major companies reduced their share of Italian securities by more than 20 percentage points, against a market average of 9 percentage points.

Figure II.1

Composition of the bond portfolio
(Italian government bonds and bonds of other States, corporate bonds)

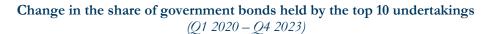


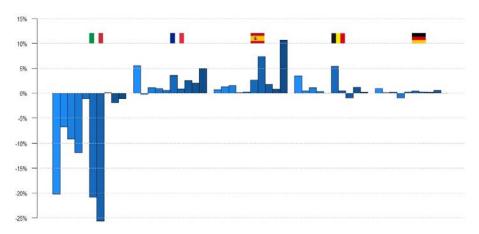
The change in strategy does not seem to be attributable to supply effects, as public debt issues remained stable in the period March 2020-December 2023. An analysis of the changes in the top 10 companies by bonds (Fig. II.2), representing 72.8% of securities held, shows a substitution effect mainly in favour of government bonds issued by Spain and France.

⁸⁹ The chapter includes the first results of ongoing economic analyses. Final results with a more detailed description of the methodology adopted and a more complete verification of the hypotheses will be published by IVASS later this year.

⁹⁰ The analysis does not include class D securities representing unit-linked policies.

Figure II.2

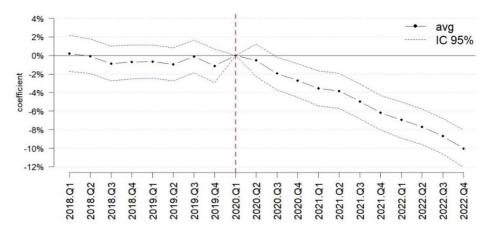




The regression analysis⁹¹ (event study analysis; Fig. II.3), conducted using both market values and nominal values, confirms that the reduction in the share of Italian government bonds persists even when considering certain financial indicators characteristic of companies (duration of liabilities, leverage ratio, solvency ratio and claim-to-premium ratio) potentially correlated with investment decisions.

It should be noted that the yield on 10-year treasury bonds is statistically (negatively) associated with the share of Italian government bonds only after the first quarter of 2020, when as the yield on Italian government bonds increases, the share held decreases. The timing of the change in strategy (the disinvestment in Italian securities occurs before monetary policy changes) is consistent with the assumption that insurers have revised their asset allocation strategies in anticipation of inflation and with a view to portfolio diversification, also in order to reduce fluctuations in the solvency ratio.

Figure II.3
Reduction of the share invested in Italian Government bonds, other factors being equal



Period Q1 2018-Q4 2022, with a sample of 30 companies representing 91% of the market in terms of liabilities at the end of 2022.

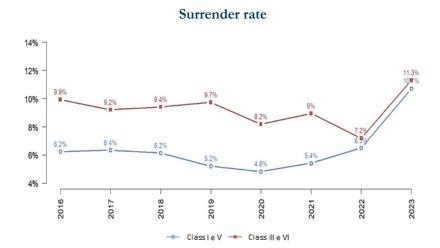
1.2. - Surrenders, financial characteristics and corporate business model

The significant increase in early surrenders on life contracts observed in 2023 correlates with the financial characteristics and business model of Italian insurance companies 92. Surrenders affect to a greater extent companies that place life insurance contracts mainly through the banking channel, which mostly market whole-life policies.

In 2023, the surrender costs for life insurance contracts amounted to €85.1 billion, a significant increase over the previous year (+€31.6 billion). Surrenders associated with class I and V with-profit policies increased by €24.3 billion, and those associated with class III and VI unit-linked policies by €7.3 billion.

In relative terms, the surrender cost ratio in relation to technical provisions at the beginning of the year (surrender rate) was 10.9% (10.7% for with-profit and 11.3% for unit-linked), compared to 6.7% in the previous year. The last time this indicator had exceeded the 10% threshold was in 2011 and 2012 during the sovereign debt crisis, when it was 12.5% and 11.5%, respectively. Even in the three-year period 2006-2008, during the sub-prime mortgage crisis, the surrender rate was high at 10%, 13.2% and 11.6% respectively (Fig. II.4).

Figure II.4



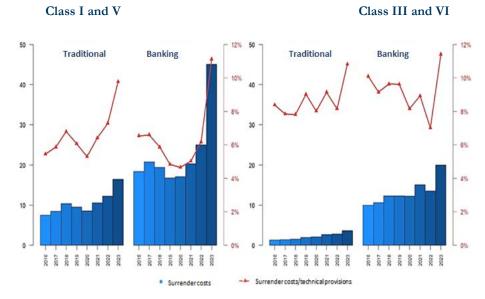
The increase in the surrender rate was most significant for companies operating predominantly through the banking channel. For with-profit policies, the surrender rate in the banking channel increased by 4.9 percentage points compared to 2.5 in the traditional channel; the same trend can also be observed for unit-linked policies, with higher surrenders of +4.4 percentage points for the banking channel versus +2.7 for the traditional channel. In monetary terms, this implies an increase in surrender costs for companies with a predominantly banking channel of €26.5 billion (+€20.1 billion for with-profit policies, +€6.4 billion for unit-linked policies), compared to an increase of €5.1 billion for companies with a predominantly traditional channel (+€4.3 billion for with-profit policies, +€0.8 billion for unit-linked policies).

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⁹² A company established in 2023 was excluded.

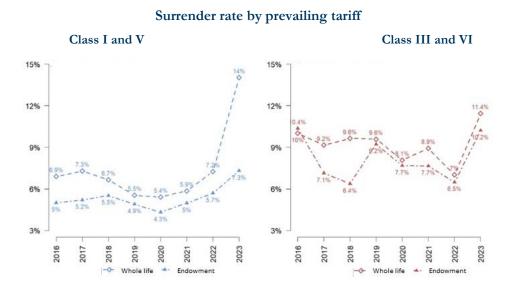
Figure II.5





Companies that market mainly mixed-type policies with a defined maturity show a lower surrender rate than those that market whole-life policies, consistent with the fact that in whole-life contracts surrender is the only method of contract termination (besides death). Therefore, a part of the surrender rate differential is to be considered physiological, as a consequence of the very structure of the products. For companies marketing mainly whole-life products, the growth in the surrender rate of with-profit products was particularly pronounced (+6.7 percentage points compared to +1.2 for unit-linked products).

Figure II.6



Data on Italian household investments (see accounts report published by the Bank of Italy) show that, in 2023, households made net investments of €45 billion in financial assets. This suggests a shift in the motivations behind life insurance policy surrenders, whereby the opportunity to reorganise investments and allocate private savings for higher returns may prevail over the need for household liquidity.

The econometric analysis indicates that the surrender rate, as measured by the ratio of surrenders to provisions, shows a statistically significant association with the trend in 10-year BTP rates, consistent with the hypothesis that in times of rising market rates, savers tend to surrender policies to seek more profitable alternatives to insurance investment products. The elasticity of the surrender rate with respect to the BTP yield is 1.4, i.e. a one percentage point increase in the yield corresponds to a 1.4 percentage point increase in the surrender rate, all other factors being equal (distribution channel, prevailing product type, SCR ratio).

2. - Non-Life Business

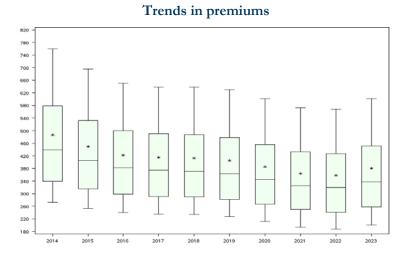
2.1. - MTPL insurance: price dispersion, distribution by Universal Conversion Class (CU), discounts applied by agents

The pronounced price dispersion of MTPL guarantees, while decreasing over time, remains a characteristic feature of the Italian market. The price difference is only partly justified by the heterogeneity of the (observable) risk characteristics of the insured and the clauses chosen by the policyholder. The application of discounts not directly linked to risk parameters (trade discounts) helped, on the one hand, to reduce average prices but, on the other, weakened the relationship between risk and premium, contributing to increased price dispersion.

The average premium for the most expensive contracts, those with a premium above the 75th percentile, is more than three times the premium associated with the least expensive contracts (within the 25th percentile). The Gini index, which can be interpreted as the average difference between two randomly selected insureds, is 25% of the average premium.

The trend in MTPL premium distribution between 2014 and 2023 (Fig. II.7) shows that the fall in prices is generalised, benefiting all insureds: the average premium is down 21.9% compared to 2014, despite the increase observed in 2023 (+6.3%).

Figure II.7



The premium reduction is associated with a decrease in "absolute" dispersion, with the interquartile difference amounting to €193 in 2023 compared to €239 in 2014 (-19%). Conversely, measures of "relative" dispersion, such as the ratio of the 90th to the 10th percentile (from 2.8 to 3), are slightly up. This dynamic is associated with a lower average price for the most expensive contracts: for merit classes 11 to 18 the drop in prices was -13.6% compared to -21% for first class insureds.

The increase in relative dispersion also reflects the reduction in prices for the least expensive contracts (within the 1st quartile), which is greater than the market (-26.9% on 2014). The standard deviation in the first quarter of 2024 is €204 (€183 in the same period of 2023), confirming the upward trend in dispersion.

Table II.1 Statistics of the average premium for motor liability

	Statistics						
	10th percentile	Average	Median	Interquartile difference	90th percentile	Standard deviation	Coefficient of Variation
2014	272.0	487.0	438.7	239.2	759.8	220.4	45.3
2015	253.5	449.5	405.5	217.6	696.0	202.0	44.9
2016	240.0	422.9	382.5	202.2	650.0	188.5	44.6
2017	235.2	414.9	374.2	198.5	638.8	187.4	45.2
2018	234.5	413.3	371.2	196.9	637.8	188.7	45.7
2019	226.4	405.8	362.9	196.6	630.5	190.9	47.0
2020	211.7	385.5	345.0	189.5	601.4	183.6	47.6
2021	193.5	363.6	326.1	183.9	572.3	177.0	48.7
2022	187.6	357.7	319.9	185.6	567.6	179.6	50.2
2023	201.2	380.3	338.0	192.6	601.6	195.0	51.3

Price dispersion is primarily associated with the heterogeneity of the observable risk characteristics of the insureds and the clauses chosen by the policyholder. Relative dispersion measures (ratio of 90th to 10th percentile, coefficient of variation) are higher for contracts with a high risk profile (Fig. II.8.a). Geographically, it can be observed that the dispersion is greatest in the Centre and the South of Italy, where the average price level is highest (Fig. II.8.b).

In order to isolate portfolio composition effects and estimate the share of premium variability explained by observable factors⁹³, a linear regression model of the premium and tariff was estimated with respect to the main characteristics of the insured and the contract.

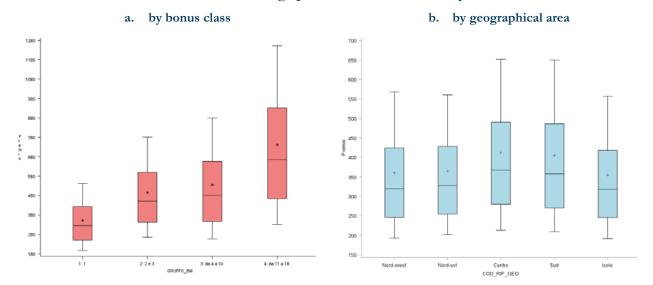
Price variability not explained by observable variables is high. In 2023, 46% of the variability was explained by observable risk factors, whereas in 2014 this indicator was 57%. Therefore, in the period 2014-2023, the explanatory power of these variables decreased, also due to an increasing use of commercial discounts.

The explained variability is highest when looking at the tariff, i.e. the premium before application of the discount (57%, in line with 2014).

The main variables present in the IPER survey were used, relating to the characteristics of the insured, such as class of merit, age, province of residence and vehicle characteristics (power, cylinder capacity class, age of vehicle). Furthermore, the main contractual clauses such as the driving formula, compensation in a specific form and the presence of a black box were taken into account.

Figure II.8

Statistics of the average premium for motor liability in 2023



In 2023, the tariff discount was applied to 90% of policies (72% in 2014). The increase in the number of discounted policies is accompanied by an increase in the incidence, in relative terms, of the discount on the tariff: on average, this discount was 35.9%, double compared to 2014.

Discounting contributes to increased price dispersion for factors not directly related to risk parameters. Discounts act on the average price level through a commercial and a technical component⁹⁴.

The commercial discount accounted for 65.2% of the average total discount in Q4 2023 and for 24.2% of the average tariff. The increase in the explained variability differential between tariff premium and paid premium suggests that discounts help to explain price dispersion. 20% of the price dispersion not explained by observable risk factors is attributable to discounting, in particular its commercial component.

For the purposes of the IPER survey, the discount determined on the basis of risk classification factors is defined as technical; in particular for the presence of clauses/devices with premium-reducing effects (e.g. compensation in a specific form, presence of black boxes with effects on the premium, etc.). The commercial discount includes all non-technical discounts, such as the "welcome discount" and discounts for promotional campaigns, apart from the premium rate flexibility applied by the sales network.

Figure II.9

Trend in the average discount on the premium rate

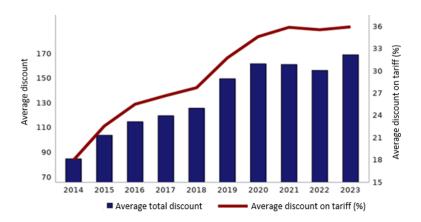
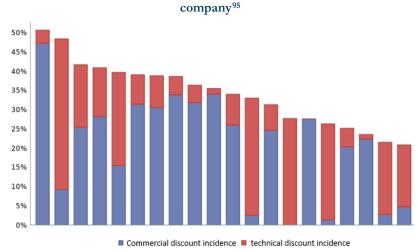


Figure II.10

The composition of the discount is influenced by the business model and the characteristics of the There company. is significant heterogeneity among companies: incidence of the commercial discount on the total is below 30% for a quarter of the companies, while it is above 75% for more than half of them.

Commercial and technical discount in relation to the premium rate by



Direct companies have a slightly lower average incidence of the total discount (33.4% in 2023), with a lower weight of the commercial component in the total discount (47.4%). As expected, for companies distributing predominantly through agencies, the commercial component of discounts plays a more significant role (67.1% of the total discount), contributing to greater tariff customisation.

To confirm the relationship between commercial discounting and price dispersion, it can be observed that (residual) price dispersion is lower among companies that use the online channel to mediate their contracts. The size of the commercial discount shows a limited correlation with the contractual terms and risk characteristics of the insureds and differs significantly between the different market players, all other factors being equal.

Empirical evidence indicates that the use of discounting has helped to reduce premiums but has also weakened the link between price and risk.

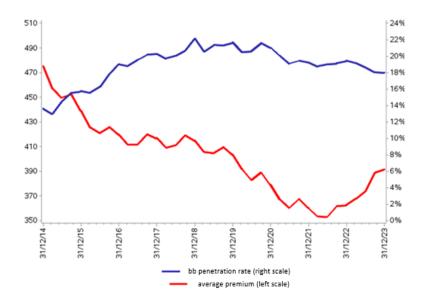
⁹⁵ The top 20 companies by number of contracts signed were represented.

2.2. - The effect of insurance telematics in motor liability insurance on claims, prices and market dynamics

Black box penetration, which reached 22% in the 2018-2020 period, began to decline from 2020 onwards, while the premium trend reversed upwards from 2021, largely due to inflation. Econometric estimates on the effect of the black box on claims and premium (black box discount) are provided and the mechanism through which supply and demand both contribute to reducing/increasing black box adoption as a function of the average market price is clarified.

Fig. II.11 compares the joint development of the average premium and the black box adoption rate over the period 2014-2023.

Figure II.11
Trends in motor liability average premium and rate of adoption of the black box



A limited lag effect between black box and premium can be assumed, consistent with the dynamic structure of black box contracts that link the premium to driving styles recorded in the previous year. In order to quantify the link between prices, claims and black box, an econometric analysis was conducted over the period 2013-2021⁹⁶. Fig. II.12 shows the estimates of the trend in the percentage discount in the presence of a black box, all other risk factors being equal⁹⁷. The discount increases from 12% in 2013 to almost 22% in 2021, consistent with the increase in the adoption rate over the same period.

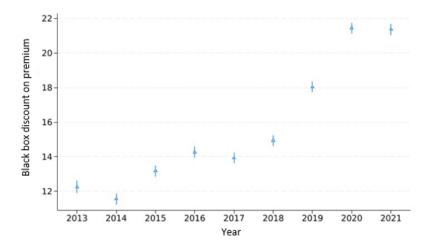
The temporal correlation between the discount and the development of the average premium reflects the effect of supply and demand. On the demand side, when the basic premium without a black box is high, so is the monetary saving due to the black box discount. This "wealth" effect is such that the incentive to adopt the black box is greater in times when the premium is high. On the supply side, the incentive to offer the black box is linked to better risk selection and the reduction in the frequency/cost of claims generated by contractual incentives (more careful driving styles that reduce the premium in the following

⁹⁶ Claims data are largely incomplete for the most recent years.

⁹⁷ The characteristics of the vehicle, the information on the claims history statement (universal bonus class), the contract clauses, the age and province of residence of the policyholder, and the concentration index (HHI) are taken into account.

year). When the premium is low, offering high discounts to incentivise the adoption of the black box may help to reduce the technical margin, with the same reduction in claims.

Figure II.12 Estimate of the percentage discount on the black box, all other risk factors being equal



Econometric analyses indicate that the black box reduces the probability of causing one or more claims by 15%, given the same observable and unobservable risk factors, while the effect on the average cost of claims is smaller (-4%). These effects imply a (average) reduction in pure premium over the period 2013-2021 of about 20%, which is in line with the discount applied in the years 2020-2021. The reduction in claims tends to be greater where the penetration rate is high. For example, the reduction in claims for contracts underwritten in Naples is twice the national average, consistent with a heterogeneous effect of incentives between provinces.

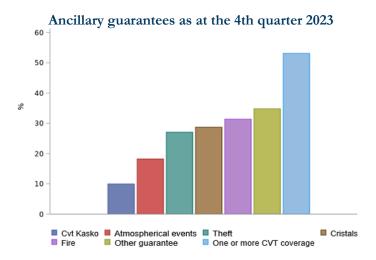
2.3. - Ancillary clauses (Land Vehicles - LV) in motor liability contracts

MTPL ancillary covers, included in the land vehicles line of business, account for a significant proportion of total premium income in the motor segment (24.6% in 2023), progressively increasing over the last 10 years (see Chap. I.2.2). Information is provided on the geographical distribution of contracts covering land vehicles and on the type of contracts having the highest number of ancillary cover (policies with black box, high universal bonus class and taken out by older policyholders).

In the fourth quarter of 2023, policies with at least one active cover for land vehicles accounted for 53.2% of all motor liability policies underwritten 98. The most widely used insurance covers are fire (31.4%), damage to windows (28.7%) and theft (27.1%). Cover for weather-related events is present in 18.2% of policies.

⁹⁸ The data commented on in this section are taken from the Survey on Actual Prices for Motor Liability Insurance (IPER), which, as of July 2023, includes information on the presence of guarantees ancillary to motor liability coverage.

Figure II.13



The territorial distribution of land vehicle guarantees shows significant heterogeneity, with a wider spread in the North (65.1%) than in the South (37.2%) and the Islands (37.9%). In particular, provinces were LV covers are more common are Pavia (76.3%), Lodi (74.5%) and Bolzano (74.5%). In the South and in the Islands, most of the provinces has a penetration rate of ancillary guarantees lower than 40%: the lowest values are observed in Agrigento (28.5%) and Lecce (28.4%).

At the provincial level, the existence of a LV coverage is negatively correlated with the characteristics of the vehicle (fig. II.15), in particular with age (-67.9%). The lower spread of ancillary guarantees in the South appears to be correlated with a higher average age of vehicles (11.5 years) compared to 9.4 years for the North-West provinces.

Figure II.14
Distribution by province of LV guarantees as at the 4th quarter 2023

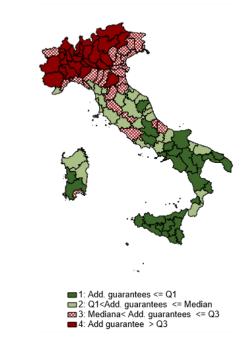
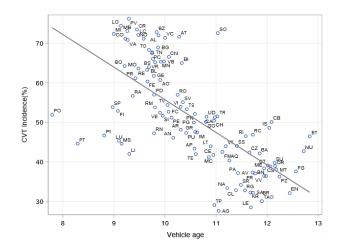


Figure II.15

Average age of the vehicle and spread of LV guarantees as at the 4th quarter 2023



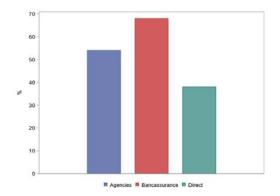
The business model and company size are associated with a different spread of ancillary guarantees (Fig. II.16). The banking channel had a higher incidence of ancillary guarantees (69.4%), compared to the traditional (54.0%) and direct (38.5%) channels.

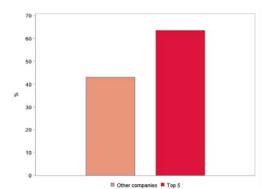
For the top five companies in the MTPL market⁹⁹, the incidence of policies with at least one ancillary guarantee for LV stands at 63.5% of contracts, compared to 53.2% for the market. For these companies, there is a high incidence of fire insurance (36.5%) compared to the average (31.4%). The leading companies in the compulsory motor liability lines of business also retain a dominant position in the market for ancillary cover.

Figure II.16

Share of ancillary guarantees by type of undertaking

a) By distribution channel b) By size ranges





The statistical analysis, based on a non-linear regression model (logit) 100, shows that:

- in the presence of a black box, the probability that the contract is associated with an ancillary guarantee for LV is significantly higher than in a contract without one, all other risk factors being equal;

⁹⁹ Undertakings were classified according to their gross premiums written as at 31 December 2023 in class 10.

¹⁰⁰ In the specification of the model, the main descriptive variables of the insured and vehicle characteristics in the IPER database were used.

- as the bonus class increases, the likelihood of an ancillary guarantee being associated with the contract decreases. For the highest classes (11 to 18), the probability of taking out an ancillary guarantee is very low compared to what is estimated for a contract that has not deteriorated in class (first bonus class);
- the likelihood of a land vehicle guarantee being attached to the contract is higher for policyholders over the age of 24 than for those aged between 18 and 24, all other factors being equal.

2.4. - Healthcare liability: the reasons for the lack of development

A survey carried out by IVASS identifies multiple causes for the limited development of healthcare liability policies, including the low profitability of the insurance class, the increasing costliness of claims, and the difficulty in defining the risk, also due to regulatory and case law uncertainty. Some descriptive statistics are provided.

The medical malpractice market is characterised by high concentration, with a share of premiums collected by the top five companies amounting to 77.5% ¹⁰¹. The high concentration reflects the difficulties in operating in the market reported by insurance companies in a special section of the annual statistical survey ¹⁰².

The difficulty factors reported in the survey as most relevant ¹⁰³ (Fig. II.17) lie in the uncertainty of risk quantification, insufficient profitability and excessive growth in compensations.

Almost one in two companies cite uncertainty due to constantly evolving case law as one of the main reasons for the poor development of healthcare liability insurance in Italy.

Insufficient profitability (reported by 40.0% of companies) and uncertainty about risk quantification (reported by 36.9% of companies) also have a negative impact on the development of the health liability market and on the expectations of companies already active in the sector.

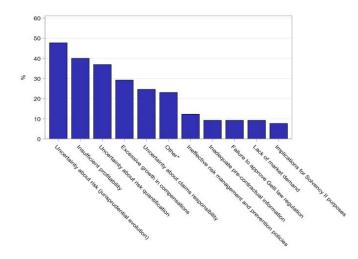
¹⁰¹ See Statistical Bulletin 3/2024 "General and healthcare liability risks in Italy" <a href="https://www.ivass.it/pubblicazioni-e-statistiche/stat

¹⁰² Undertakings licensed to pursue general liability insurance participate in the survey, even if they have not underwritten health liability risks.

Undertakings that completed the questionnaire correctly and indicated at least one obstacle to operating in the market were taken into account (65 out of a total of 85 undertakings participating in the annual statistical survey).

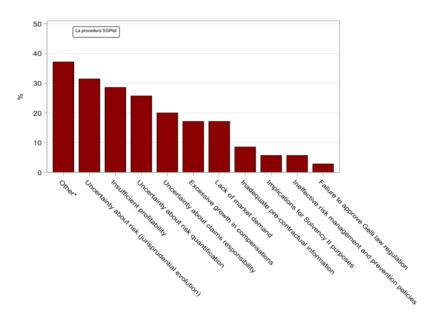
Figure II.17





In addition to the characteristics of the market, non-active companies indicate other reasons as the main obstacles (37.1% of companies reporting at least one obstacle in the questionnaire), which include reasons of a strategic nature (lack of interest in the market) or inherent to the business model (distribution channel used, type of customer).

Figure II.18 Incidence of obstacles to operating in the market for non-active companies in 2022



In the coming years, it will be possible to assess the effects of recent regulatory changes, which may have a positive impact on the legal uncertainty about which insurance companies complain. In particular, in March 2024 the decree (Ministerial Decree No. 232/2023) implementing Law No. 24/2017 (Gelli-Bianco Law) was published. This decree regulates the minimum requirements of insurance contracts for healthcare facilities and healthcare professionals. The implementing decree introduces minimum requirements on the

The percentages shown represent the share of undertakings that indicated that specific response, out of the total number of undertakings reporting at least one obstacle in the questionnaire. Each undertaking can indicate up to a maximum of three responses.

general conditions of operation of "similar measures" (self-retention of risk), which may be adopted by public healthcare facilities as an alternative to insurance coverage, with a potential impact on the propensity of facilities to use one or the other form of risk coverage.

3. - INSURTECH

3.1. - Use of artificial intelligence (IA) in the insurance sector

In 2023, IVASS followed up on the survey carried out at the end of 2022¹⁰⁵ on the use of Machine Learning (ML) algorithms by insurance companies in processes impacting customers, to examine the main insights emerging from in-depth meetings with major insurance companies. The visits proved to be an important opportunity to assess progress in the application of new technologies to the insurance value chain. The assessment was focused on potential biases in the application of models, transparency and explicability of the tools used and the role of the human-in-the-loop in processes using advanced AI technologies. Activities continue in 2024.

This confirms the findings of the IVASS survey and, among many publications on the subject, of a recent EIOPA report¹⁰⁶ on the presence of several ongoing experimentations in the insurance sector, in some cases very advanced, on the use of AI to innovate the organisation and automate processes, to customise products and to improve the predictive capacity of statistical and actuarial models.

AI models can be found in the main areas of the insurance value chain, from risk assessment, to distribution and advice via chat bots, to claims management, to the detection of patterns to prevent fraud. The main benefits are related to savings in processing times (e.g. by exploiting the capabilities of classifying even unstructured documents) and in responding to consumers, to a downward trend in process costs, to the possibility of supporting decisions by using all the data available in the company's information assets or in external databases, to the opportunities related to the renewal of customer offers also by proposing greater customisation.

Among the most relevant elements that emerged in the interaction with companies it is noted that:

- the development and operation of AI models requires a potentially complex organisational and technological infrastructure; the use of dedicated platforms, often in the cloud, managed by specialised technical support, is common; attention is paid to the data used to train the algorithms, including aspects related to data confidentiality (with substantial compliance with privacy and data protection regulations) and high significance and limited statistical bias;
- internal AI training programmes are widely provided; in several cases, the training considers theoretical and application aspects as well as issues of fairness and non-discrimination by exploring the principles of "responsible" AI;
- 80% of companies do not outsource machine learning technologies; in any case, models acquired from third parties do not seem to concern critical processes or systems; externally acquired solutions

¹⁰⁵ www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2023/indagine-algoritmi/index.html

¹⁰⁶ EIOPA Report on the Digitalisation of the European Insurance Sector - April 2024 (www.eiopa.europa.eu/document/download/6ca9e171-42b9-44d7-a2e6-beaf0134ecb8_en?filename=Report%20on%20the%20digitalisation%20of%20the%20European%20insurance%20sector.pdf)

typically include chat-bots and, in a smaller number of cases, anti-fraud systems and visual assessment claims handling systems;

- most companies have or are in the process of defining a specific corporate policy for AI, with a focus
 on data and algorithm governance policy; models are subject to specific validations and audits
 (internal or external) including the use of key indicators to assess performance and risks (KPIs/KRIs);
- all companies that use Machine Learning (ML) models indicate that they have adopted a human-inthe-loop approach, whereby the AI algorithm does not deal directly with the end customer and does
 not make autonomous decisions but is used to support internal processes that always end with human
 intervention;
- more than half of the companies using ML algorithms have a monitoring system in place to detect unwanted exclusion or discrimination of customers; companies that have not equipped themselves with these tools say they are not necessary due to the nature of the algorithms and data processed, with a minor impact on policyholders; the metrics detected in monitoring may indicate the need for model retraining or, in the case of significant risk elements, for blocking the model;
- the approach to transparency includes methods of explaining the results of the models to the end
 user (commercial staff or claims handler, intermediary, claim settler) by providing indications of the
 reasons behind the algorithm's suggestions;
- relevant evidence of transparency towards the consumer is not yet present; in this regard, the
 companies note that the correct level of information to the customer should be identified to indicate
 the use of AI models, the level of automation, the possible need for specific consent, and how to
 object to subjecting one's data to AI techniques;
- there is involvement of the risk management and compliance areas for the assessment of AI risks (operational, reputational, legal, etc.), and of the Data Protection Officer for privacy and user consent management aspects.

Undertakings are experimenting with the use of generative AI¹⁰⁷, usually in protected environments (private clouds) and without interaction with "public" models, to maintain data confidentiality, restrict access and customise the training of models on the basis of undertakings' proprietary repositories. Examples of use can be found in the adoption of these templates for reading and interpreting free-form texts, including questionnaires collected during the signing process, or for handling internal documents and regulations. Experiments indicate the need for experts to query models (prompt engineers).

In order to cope with the digital evolution in a sustainable and responsible manner, companies, intermediaries and technology providers as well as supervisory authorities plan to invest in staff training and in new professionals, not only technical but also attentive in understanding the ethical profiles of the use of new technologies. Organisational and managerial models will have to be adapted to develop critical capabilities and careful governance of data and algorithms.

Operators in the insurance market want clarity in the rules and in the definition of new forms of protection and supervision. AI is also an advanced tool to support compliance for insurance operators (RegTech) and regulatory and supervisory activity (SupTech). In recent years, IVASS, also in cooperation with the Bank of Italy and the ECB, has experimented with AI techniques on claims databases for fraud

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AI models that generate content (text, software code, images, video, music etc.) in response to user requests. Large linguistic models capable of understanding requests and producing answers in natural language fall into this category.

prevention: to facilitate the consultation of insurance documents; to enrich indicators on the stability of insurance companies and to classify complaints in order to make them easier to handle.

Among the issues at the attention of the market and the Authority are the ongoing assessments of the possible effects of the recent European regulation (AI Act, see Chap. 3.2), e.g. in terms of the burden of model validation and policy compliance for high-risk systems, the control of externally acquired data, the application of non-discrimination principles to the insurance sector, safeguarding the necessary differentiation in risk pricing.

3.2. - Regulatory Sandbox

The Decree No. 100 by the Ministry of Economy and Finance (MEF) of 30 April 2021, implementing the delegation envisaged in Decree Law No. 34 dated 30 April 2019, has introduced the regulatory sandbox for the experimentation of technologically innovative financial products and services in a controlled environment. Traditional operators and FinTech and InsurTech new operators can benefit from a transitional simplified regime, in constant dialogue and confrontation with the supervisory Authorities – IVASS, Bank of Italy and CONSOB – with the Fintech Committee at the MEF¹⁰⁸.

Assessments of the eligibility of projects for experimentation are carried out in accordance with Article 12 of the Decree of the Ministry of Economy and Finance, with the verification of the eligibility conditions indicated in Article 6, in particular: innovativeness, need for experimentation, added value for consumers and the market, maturity of the project, economic sustainability. Also required is the appropriateness and effectiveness of the risk control measures to be taken, of the instruments to protect users, of the forms of communication to the public of the admission to the trial, of the activities to be tested, and, where appropriate, the presence of adequate forms of guarantee or insurance in the event of liability towards end users.

A first time slot for submitting applications for admission to the sandbox was open from November 2021 to January 2022, during which six applications were filed with IVASS, three of which were accepted. The admitted projects whose testing was successfully completed in 2023 are:

- Sara Assicurazioni S.p.A. digital register and ownership register of velocipedes (bicycles, e-bikes, electric scooters), based on *blockchain* technology;
- SIA S.p.A. implementation of a home *insurance* for the digital management of the offer, underwriting and management stages of an insurance product;
- X Consulting S.r.l. implementation of a tool that allows, through a QR Code, to verify in real time
 the information on the distributor of insurance policies.

The second time slot for submitting applications for the regulatory sandbox was open from 3 November 2023 to 5 December 2023, during which three applications were filed and the following were accepted with Order of April 2024:

ITAS Mutua – monitoring the driving style to promote the virtuous and environmentally sustainable
use of rental vehicles. The project is sponsored by ANIA and conducted with the car rental company
Autovia S.r.l and the technology partner Connexa InsTech. The expected duration of the test is 18
months;

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¹⁰⁸ https://www.ivass.it/operatori/sandbox

 AINDO S.p.A. – platform for generating and exchanging summary data that replicate patterns and behaviours from source archives without allowing recognition of surveyed subjects. Insurance partner BeRebel S.p.A. is participating in the project. The expected duration of the test is 12 months.

The experimentation of the two new projects has started and will include quarterly progress meetings, as well as additional in-depth studies on aspects of specific interest and the results of the piloting, with the help of performance indicators and questionnaires for consumers and partners participating in the test.

III. - THE EVOLUTION OF THE REGULATORYENVIRONMENT

The year 2023 was characterised by the closing of important negotiations at the European level.

After lengthy negotiations, a provisional political agreement was reached on changes to the Solvency II Directive. The text strengthens the coordination mechanisms between national supervisory authorities and the powers of intervention of the host country and EIOPA on firms operating cross-border, improving policyholder protection. The revision, as a whole, leads to a reduction in capital requirements for companies, which, in the understanding of the European institutions, will benefit the financing of the ecological transition and economic recovery. Among other things, the text clarifies some gaps and uncertainties of interpretation.

Negotiations have closed on the Directive on the recovery and resolution of insurance undertakings, which introduces rules for the orderly resolution of failing insurance companies, limiting impacts on system stability. As strongly desired by Italy, the intervention of Insurance Guarantee Schemes (IGS) in the resolution process has been envisaged, with a guarantee scheme that can also assume the tasks and role of a bridge company to which less stringent regulatory requirements apply.

Of particular significance for consumer protection is the closing of negotiations on the Directive on the distance selling of financial services and on the Artificial Intelligence Regulation (IA). The first strengthens the level of consumer protection in the case of financial services concluded online, by telephone or through other forms of distance marketing. The second introduces harmonised rules to promote the development, use and adoption of AI systems, ensuring a high level of protection of public interests such as health, safety and the protection of fundamental rights.

On the national front, IVASS has proposed changes to the secondary legislation to strengthen the effectiveness of pre-contractual information, reduce and rationalise the documents provided to the policyholder, and contain the organisational requirements for intermediaries and companies.

Among IVASS's regulatory initiatives are those relating to the revision of the regulations on life insurance contracts with the aim of updating the safeguards protecting policyholders, promoting the competitiveness of the insurance sector and enhancing the demographic guarantee component, including in policies with a predominantly financial content.

In the area of sustainable finance, IVASS has adapted the secondary legislation to take into account the recent regulatory interventions of the European Union. The main changes concerned the integration of sustainability risks in the investments of insurance and reinsurance companies, both in their risk management system and in their remuneration policies. To enhance the role of insurance companies as providers of protection for businesses and households against physical risks arising from natural disasters related or not to climate change, IVASS participates in the MEF's Sustainable Finance Coordination Table, where it has promoted the establishment of a Working Group on the Insurance Protection Gap.

The Committee for Macroprudential Policies was established as an independent body to oversee the stability of the financial system, aimed at preventing and countering the emergence of systemic risks and strengthening the capacity to absorb detrimental events for savers.

1. - THE ACTIVITIES OF THE INTERNATIONAL BODIES

IVASS contributes to the work of the International Association of Insurance Supervisors (IAIS) continued, a body which sets out to further cooperation and the convergence of supervisory standards at global level. The Institute participates in the IAIS committees for the definition of prudential rules, the implementation of harmonised standards and supervisory practices and for the strengthening of financial stability (Chap. IV). 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).

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 of IAIG - ComFrame¹⁰⁹), the ICS will be a globally comparable measure of capital adequacy. A first version of the ICS, approved in 2019, is subject to a five-year monitoring period (2020-2024) that is leading to the streamlining of calibrations and the introduction of correctives. At the end of the monitoring, the ICS will become a minimum requirement of consolidated capital (Prescribed Capital Requirement, PCR) for the IAIGs.

The final impact analyses on the ICS incorporating revisions to the standard to make it suitable for implementation as a mandatory capital requirement will take place in 2024. According to the study, the international standard would be consistent with the main features of Solvency II, which include internal models as an alternative method of calculating the requirement.

Holistic framework for the mitigation of systemic risk - In 2022 the FSB suspended the identification 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 sector 110.

This framework includes enhanced supervisory measures¹¹¹, 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.

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.

In 2023, the IAIS continued to review the implementation of the holistic framework. In April, the aggregated report with the results of the assessments on the implementation of the HF Principles and Supervisory Practices in 10 countries (so-called Targeted Jurisdictional Assessment - TJA, carried out over

A set of standards 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.

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/

¹¹¹ The 39 standards, 23 related to the Insurance Core Principles and 16 to the *ComFrame*, relate to the role of supervisors, their powers of intervention, *governance* requirements for companies, macro-prudential supervision, planning and crisis management.

the period 2021-2022¹¹²) was published. Monitoring of these countries' initiatives to fully comply with HF standards has also been initiated. The results of the activities carried out were forwarded to the FSB for its assessment of the effectiveness of the new systemic risk control system.

In November 2023, the IAIS Executive Committee approved the launch of the second TJA audit in 2024-2025 on a further six countries, including Italy.

When approving the HF, the IAIS committed to consider the lessons learned from its implementation, particularly through the results of the TJA exercises, in order to revise certain Insurance Core Principles (ICPs) and related ComFrame standards to improve clarity and ensure consistency of interpretation. The proposed revisions were put out for public consultation in March 2024¹¹³ and affected ICP 12 (Exit from the Market and Resolution), as concerns the resolution planning and powers and the corresponding ComFrame material, and ICP 16 (Enterprise Risk Management for Solvency Purposes), as regards counterparty's risk appetite, liquidity risk and related contingency finance scheme, as well as preemptive recovery plans.

The core element of the IAIS holistic framework is the performance of an annual monitoring exercise (Global Monitoring Exercise - GME) on cross-border and industry-wide insurance groups, to observe trends in the market and identify potential trends of systemic risk accumulation at global level in due time. The results were published in the Global Insurance Market Report (GIMAR¹¹⁴) in December 2023.

The IAIS analyses identified two macro-prudential topics for further study: interest rate, liquidity and credit risks, in a complex macroeconomic environment; structural changes in the life insurance industry, with a focus on asset-intensive cross-border reinsurance and increased investment in illiquid assets, reflecting the industry's search for higher returns.

Convergence of supervisory practices in the international arena – The Institute has been committed to adopting and applying the principles developed by the IAIS for effective and coordinated global insurance supervision. The IAIS encourages the implementation of the international supervisory standards (ICP) in all jurisdictions and assesses compliance and observance by Member Countries via a compliance programme involving peer reviews. IVASS participated in the peer review on ICP 16 (Enterprise Risk Management for Solvency Purpose) launched in 2023, which will be concluded in 2024.

In 2023 IVASS continued its participation in the international works of the IAIS and the FSB on insurance entity resolution.

After the public consultation closed in April 2023, the IAIS published the Issues Paper on the role and functioning of Policyholder Protection Schemes (PPS) within the framework of insurance crisis resolution ¹¹⁵. The Paper illustrates the operating procedures of PPS in light of the evolution of resolution regimes and is accompanied by sample cases of national practices.

The assessment of the application of HF requirements and related supervisory practices involved 10 countries, selected for the significance of their insurance markets and the presence of IAIGs; https://www.iaisweb.org/2023/04/iais-publishes-report-assessing-implementation-of-the-holistic-framework-insurance-standards-in-ten-major-markets/

Public consultation on draft revisions to supervisory material related to the Holistic Framework - International Association of Insurance Supervisors, https://www.iaisweb.org/2024/03/public-consultation-on-draft-revisions-to-supervisory-material-related-to-the-holistic-framework/

https://www.iaisweb.org/uploads/2023/12/Global-Insurance-Market-Report-2023.pdf

¹¹⁵ https://www.iaisweb.org/uploads/2023/12/Issues-Paper-on-roles-and-functioning-of-policyholder-protection-schemes-PPSs.pdf

In 2023, the IAIS continued to forward the findings of the HF implementation to the FSB. Based on these findings and further information gathered from member jurisdictions, the FSB has committed to publishing, on an annual basis from 2023, the list of insurers identified by national supervisors and subject to the resolution planning standards established by the FSB¹¹⁶. However, as this was the first year of reporting, and in the absence of full disclosure from some jurisdictions, the FSB decided to postpone publication by one year.

In December 2023, the FSB published the paper on the Identification of Critical Functions of Insurers, which describes the criteria and methodology adopted in national legal systems to establish whether a function or product or service is critical for the functioning of the sector and, therefore, an important part of the resolution planning and actions¹¹⁷. The publication was preceded by a public consultation, which closed in April 2023.

The FSB also concluded an initial examination of the structure of international insurance groups (Group Structures and Resolution Tools) in order to identify any practical difficulties and obstacles to group resolution. A more detailed survey of individual resolution tools and how they are implemented in relation to group structures and national resolution frameworks will be conducted in 2024.

Finally, in December 2023, the FSB published the Resolution report¹¹⁸, which provides an annual update on the national implementation of the resolution regimes, on the guidelines adopted by the FSB, on the activities carried out and on those planned for the next year.

2. - THE EVOLUTION OF EUROPEAN REGULATIONS

The negotiation on the review of the Solvency II framework – On 13 December 2023 the European Council and the Parliament reached a provisional political agreement on the review of the Directive 2009/138/EC (Solvency II). This agreement came at the end of a long and debated negotiation between the co-legislators, which started in September 2021 with the presentation of the legislative proposal by the European Commission.

MAIN CONTENTS OF THE AGREEMENT ON THE REVIEW OF THE SOLVENCY II DIRECTIVE

The final text is the result of a compromise between the co-legislators that takes on board the Parliament's proposals on quantitative (Pillar I) and sustainability requirements, and the Council's proposals on cross-border and group supervision.

Compared to the current legislation, the compromise text: eases Pillar I requirements, allowing companies a release of capital that, in the intentions of the European institutions, can be directed towards financing the ecological transition and supporting economic recovery; expands the proportionality measures, harmonising the rules for access in the various countries and defining a new category of companies (Small and Non-Complex Undertakings - SNCU) that will automatically benefit from the application of less stringent measures; with regard to companies operating cross-border, it strengthens the coordination mechanisms between national supervisory authorities and the powers of intervention of the host country and EIOPA, improving policyholder protection; complements the micro-prudential framework with macro-prudential measures; strengthens group supervision instruments, including the powers of supervisory authorities, and clarifies the application of certain rules for the calculation of group solvency; introduces sustainability requirements for insurance companies with regard to managing risks

¹¹⁶ The Resolution Planning Standards (RPS) are consistent with the Key Attributes of Effective Resolution Regimes for Financial Institutions.

https://www.fsb.org/wp-content/uploads/P101123-1.pdf

https://www.fsb.org/wp-content/uploads/P151223.pdf

arising from climate change. Noteworthy for the Italian market is the enhanced effect of the Volatility Adjustment, which was revised with regard to the conditions for activating the domestic component.

Member States will have to adopt the laws, regulations and administrative provisions necessary to comply with the amendments to the Directive within 24 months of their entry into force, which is expected in the second half of 2024.

In 2024, the Expert Group on Banking, Payment and Insurance resumed discussions on the revision of the delegated acts (Delegated Regulation (EU) 2015/35).

The negotiation on the Directive on Insurance Recovery and Resolution – On 14 December 2023 negotiations were closed on the EU Directive on the recovery and resolution of insurance undertakings. The political agreement reached between the European Parliament and the Council is the result of a compromise between the European co-legislators that incorporates solutions that are very close to the Council's approach (designation of resolution authorities, scope of pre-emptive planning, conditions for resolution, sources of funding and resolution tools) and takes on board the Parliament's proposals on future areas of regulatory review and the role of guarantee schemes in the resolution process.

MAIN CONTENTS OF THE AGREEMENT ON THE DIRECTIVE ON INSURANCE RECOVERY AND RESOLUTION

The text provides for the establishment of one or, exceptionally, several resolution authorities at national level and introduces coordination obligations with the supervisory authority, the tax authority and between the competent ministries involved. It establishes the obligation of coordination between banking and insurance resolution authorities in the presence of groups or conglomerates and the provision of cross-border cooperation and coordination agreements between resolution authorities, including those of third countries, with the establishment of resolution colleges.

The Directive defines the requirements for pre-emptive planning that resolution authorities are obliged to apply according to proportionality criteria and in compliance with minimum thresholds of national market coverage. These thresholds are 60% and 40% for recovery and resolution planning requirements, respectively. Small and non-complex undertakings are not subject to pre-emptive planning obligations, unless they pose a particular risk at regional or national level.

The agreement defines the criteria for assessing resolvability, the process for detecting impediments to resolution and identifying alternative measures, and the process underlying joint decisions between supervisory and resolution authorities.

The cornerstones of the compromise text remain the objectives and conditions for entering into resolution as well as the general principles to be observed by resolution authorities when implementing the resolution tools and powers vested in them. For each of these instruments and powers, the prerequisites, cases of exclusion and the procedure related to their use are identified. The obligation to set up national financing mechanisms, including in the form of Insurance Guarantee Schemes (IGS), is imposed, leaving the methods of contribution to national discretion.

IGSs can intervene in the resolution process with a guarantee fund that can take over the tasks and role of a bridge company to which less stringent regulatory requirements apply.

The compromise text mandates EIOPA to establish a Resolution Committee within EIOPA and to develop technical standards and guidelines within 18, 24 and 30 months after the entry into force of the Directive.

Member States will have to adopt the laws, regulations and administrative provisions necessary to comply with the amendments to the Directive within 24 months of their entry into force, which is expected in the second half of 2024.

The negotiation on the new Directive on the distance selling of financial services – In 2023 negotiations were concluded on the new EU Directive on the distance selling of financial services (DMFSD). The Institute provided technical support to the Minister of Enterprises and Made in Italy (MIMIT).

The Directive shall have to be implemented by 2025 while the national implementing provisions shall apply from 19 June 2026. The Directive strengthens and adapts the level of consumer protection to recent innovations in the digital field, in the case of financial services concluded online, by telephone or through other forms of distance marketing, where there is no sector-specific regulation. Provisions are introduced on pre-contractual disclosure, exercise of the right of withdrawal, adequate explanations and human intervention.

Negotiations on the Retail Investment Strategy - In July 2023, the Spanish Presidency of the European Council started the negotiation of the legislative proposals implementing the Retail Investment Strategy, presented by the Commission. During the negotiations - in which IVASS provided technical support to the Ministry of Economy and Finance - there was extensive debate in the Council and in the Parliament, given the strong opposition by the industry to some controversial issues. These include the obligation for manufacturers and distributors to compare insurance-based investment products with benchmarks (e.g. costs and returns) before placing them on the market in order to measure their actual value for the customer (Value for Money – VfM assessment), enhanced requirements on incentives paid or received by distributors (best interest test) and a partial ban on companies paying incentives to distributors.

In 2024, negotiations continued in the Council under the Belgian Presidency, which reached agreement on a compromise text on 12 June; the Parliament had voted on the compromise texts in plenary session on 23 April. Under the new Commission, negotiations between co-legislators will be started to agree on the final texts of the package.

VFM APPROACH AND DISCLOSURE

The proposal on the VfM raised concerns among the delegations in the Council about the possible impact on competition, the risk that the focus would only be on the cost component and that the benchmark would in fact result in a price regulation system. With regard to the partial ban on incentives, Member States expressed divergent views ranging from outright rejection of any ban, to support for a total ban. On the best interest test, Member States were in favour of the proposal but expressed concerns about its interconnections with the adequacy test and the VfM approach. Less controversial proved to be the discussion on the strengthening of suitability and appropriateness tests. On the subject of disclosure, the increase in transparency towards consumers and the adaptation of disclosure documents to digital distribution were welcomed, as was the subject of marketing communications and practices, which assigns new tasks to the supervisory authorities.

With regard to the proposed amendments to the PRIIP Regulation, the most debated issues concerned the rules for the presentation of key information for Multi-Option Products (MOPs). The need to ensure adequate cost transparency and the introduction of interactive research and simulation tools for comparing different investment options is considered by some delegations to be technically difficult and costly to implement. The revision of the rules concerning the performance information to be included in the KID has been the subject of much debate, with particular regard to the possibility of also indicating past performance for certain types of PRIIPs, to be defined in the second level regulation.

In 2024, the negotiations continued in the Council under the Belgian Presidency, while on 20 March the Economic Affairs Committee of the European Parliament voted on the compromise texts approved by the Parliament in plenary session on 23 April.

The negotiation on the European Regulation on Artificial Intelligence (AI Act) – In December 2023, the European Council and the Parliament reached a political agreement on the Artificial Intelligence Act. The text, already formally approved by the co-legislators between March and May 2024, will soon be published in the Official Journal of the EU.

THE PRINCIPLES OF THE ARTIFICIAL INTELLIGENCE REGULATION

The AI Act introduces harmonised rules to promote the development, use and adoption of AI systems in the internal market, while ensuring a high level of protection of public interests such as health, safety and the protection of fundamental rights. The Regulation adopts a risk-based approach and classifies AI systems by distinguishing between fully prohibited systems, and high-risk, limited or minimal risk systems. Most of the forecasts focus on high-risk systems for which, before and after they are placed on the market, there are requirements and obligations whose compliance is subject to the supervision of the national competent authorities appointed by the Member States. With reference to the insurance sector, the Regulation identifies the systems used for pricing and risk assessment with regard to natural persons and for life and health insurance products as high-risk.

The Regulation provides for a complex system of governance at European and national level. At European level, the AI Board will be in charge of ensuring coordination between the competent national authorities, while the AI Office set up within the Commission will be responsible for supervision, coordination and guidance with reference to more complex or generalised AI systems (General Purpose AI - GPAI).

At the national level, Member States will have to identify at least one notifying authority, which will supervise conformity assessment bodies, third-party bodies authorised to carry out conformity assessment of high-risk AI systems, and one Market Surveillance Authority (MSA), which will instead be called upon to supervise the implementation of the Regulation, monitoring high-risk systems after they have been placed on the market. One of the nationally appointed MSAs is to be identified as the contact point for relations with European bodies.

For high-risk AI systems placed on the market, commissioned or used by financial institutions (including insurance companies and intermediaries), the Regulation identifies the MSA as the national supervisory authority for the respective banking and insurance sector, insofar as the placing on the market, commissioning or use of the AI system is directly related to the provision of financial services. By way of derogation, in justified circumstances and with guaranteed coordination, the Member State may identify another entity.

The Regulation will enter into force 20 days after its publication in the Official Journal of the European Union (OJEU). Six months after entry into force, the provisions on prohibited AI systems will apply, and after 12 months, the rules on governance, sanctions and Global Partnership on Artificial Intelligence (GPAI) models will apply. After 24 months, most of the provisions for high-risk systems will come into force.

The negotiation was followed, with regard to the possible effects on the financial sectors, by an interinstitutional contact group, composed of representatives of the Bank of Italy, IVASS and the Financial Intelligence Unit for Italy (FIU), which provided technical support to the Ministry for Technological Innovation and Digital Transition (MITD) and subsequently, to the Innovation Department of the Presidency of the Council of Ministers.

The negotiation on the European Regulation on Financial Data Access (FiDAR) – On 28 June 2023 the European Commission published a draft European Regulation on Access to Financial Data (Financial data

Access Regulation - FiDAR) which, in line with the goals of the Digital Finance Strategy launched by the European Commission in 2020¹¹⁹, outlines an open finance framework for access to financial data. The proposal extends to all financial services, including insurance services, what is provided for in the banking sector with regard to payment services, with the aim of stimulating innovation and competition in financial services while reinforcing consumer protection safeguards through full control over their data and preventing forms of financial exclusion.

The proposal obliges financial entities (data holders) to share data (customer data), subject to customer consent and for a fee, with other financial entities and third-party operators (Financial Information Service Providers - FISPs) in order to launch innovative financial products on the market. In the insurance sector, the scope would include data on insurance-based investment products and non-life products, with the exclusion of health and sickness products.

In December 2023, the Committee on Economic and Monetary Affairs (ECON) of the European Parliament published a first draft report on the proposal, while negotiations on a first compromise text continue in the EU Council. IVASS, in coordination with the other financial supervisory authorities, follows the negotiations by providing technical support to the Ministry of Economy and Finance.

The DORA Regulation – definition of the implementing provisions – The following standards envisaged by the DORA Regulations have been approved by the three ESAs and forwarded to the European Commission: RTS on the management of ICT risk, RTS on the classification of ICT incidents, RTS on the management policy for the use of ICT services provided by third parties and ITS with the templates for the information register.

The public consultation on the remaining documents was launched in December 2023, and ended in March 2024. It concerned Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) on the content and timing of IT incident reporting, Guidelines on estimating costs and annual losses from incidents, RTS on the minimum content of contracts with suppliers, RTS on Threat-Led Penetration Testing (TLPT), RTS on conducting surveillance of critical suppliers, Guidelines on cooperation between ESAs and supervisory authorities.

In 2023 the European Commission received the Advice for the preparation of the Delegated Acts specifying the criteria for the designation of ICT third-party service providers as critical and determining the amount of the oversight fees to be charged to these service providers (Regulations 2024/1502 and 2024/1505 published in the OJEU of 30 May 2024).

At national level, the delegation criteria for the implementation of the DORA Regulation and of the related Directive were included in the European Delegation Law 2022-2023.

IVASS participates in international working groups on operational resilience and ICT risk which are aimed at conducting a gap analysis between the EIOPA guidelines and the DORA regulations on operational resilience; identifying incident reporting procedures (EIOPA) for defining classification, report content and data collection tools on major incidents; assessing Cyber Risk in Insurance (IAIS), its impact on financial stability globally and how insurance companies can mitigate this risk; conducting a Cyber Risk Crisis Exercise (EIOPA) to improve awareness and training, verify the effectiveness of procedures and measures in place; facilitating the information flows required by DORA (EBA).

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¹¹⁹ COM/2020/591 of 24 September 2020, "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Digital Finance Strategy for the EU".

2.1. - The European Supervisory Authorities

Consumer Protection – The EIOPA Committee on Consumer Protection and Financial Innovation (CCPFI), chaired by IVASS, drafted documents aimed at the convergence of market conduct supervision and at providing guidance for insurance operators. The Institute is involved in the follow-up of the thematic review on the risks to the consumer arising from the distribution of insurance products in combination with credit products ¹²⁰. In addition to the surveys conducted at the national level to investigate the critical issues that emerged from the Thematic Review, IVASS is working with EIOPA on the development of risk indicators, based on retail risk indicators, aimed at supporting the assessment of the concrete impact of the follow-up actions in terms of results for consumers, i.e. to assess whether after the adoption by the national authorities of the specific actions against outliers and the implementation by the industry of the Warning issued by EIOPA, the critical issues that emerged from the European survey still persist.

The Institute contributed to the drafting of the 12th Consumer Trends Report¹²¹ and the preparation of the sixth EIOPA report on the costs and performances of long-term retail investments and pension products¹²², containing a verification of the transparency and comparability of the products, to the benefit of consumers.

In the Sustainable Finance Strategy project, IVASS is working on greenwashing risks and supervision of sustainable finance policies to follow up on the Call for Advice addressed by the European Commission to the three ESAs in July 2022. The work was completed on 31 May 2024 with the publication of the final report, based on the ESAs' shared approach to assessing the risks of greenwashing and the implications for the insurance market, and an Opinion for the definition of a common supervisory approach to the identification and handling of Sustainability Claims and greenwashing cases ¹²³.

The Institute is actively involved in EIOPA in defining the methodology for determining benchmarks for assessing the Value for Money of unit-linked and hybrid products. The methodology is designed to support supervisors in their risk-based supervision activities by facilitating the identification of outliers with a risk of little or no VfM for consumers. The public consultation closed on 15 March 2024 and, as a result, EIOPA intends to finalise the methodology by the end of this year¹²⁴.

IVASS has contributed to the drafting of the second report on the implementation of the IDD Directive and to the drafting of the Q&A to facilitate convergence in the interpretation of EU regulations on insurance distribution and in the exercise of the national supervision ¹²⁵; it has contributed to the drafting of the fourth EIOPA report on administrative sanctions and other measures imposed by national authorities for the violation of provisions implementing the same Directive.

SECOND EIOPA REPORT ON THE APPLICATION OF THE INSURANCE DISTRIBUTION DIRECTIVE (IDD) 126

IVASS has contributed to the drafting of the second report on the transposition of the IDD Directive (EU) 2016/97 on insurance distribution, prepared by EIOPA pursuant to Article 41 of the same Directive, based on

¹²⁰ https://www.eiopa.europa.eu/eiopa-calls-better-value-money-bancassurance-warning-banks-and-insurers-2022-10-04 en

¹²¹ https://www.eiopa.europa.eu/publications/consumer-trends-report-2023 en

¹²² https://www.eiopa.europa.eu/publications/eiopas-costs-and-past-performance-report-december-2023 en

¹²³ https://www.eiopa.europa.eu/publications/eiopas-final-report-and-opinion-greenwashing-advice-european-commission en

¹²⁴ https://www.eiopa.europa.eu/eiopa-consults-its-methodology-setting-value-money-benchmarks-2023-12-15 en

¹²⁵ The replies provided by EIOPA are not binding for the member states, which maintain discretion on the implementation of EU legislation.

¹²⁶ https://www.ciopa.europa.eu/ciopa-publishes-second-report-application-insurance-distribution-directive-idd-2024-01-15 en

data collected through special surveys of supervisors and stakeholders. In continuity with the previous edition, the report analyses the following areas:

- changes in the market structure of insurance intermediaries (including data on cross-border business and the impact of the Directive on small and medium-sized intermediaries); compared to the first edition of the IDD Application Report¹²⁷ and of the Report on Market Structure of Intermediaries¹²⁸, there continues to be a decrease in the number of registered intermediaries in Europe, mainly natural persons, as well as a slight reduction in the number of EU intermediaries operating cross-border;
- the impact of the framework introduced by the IDD on the quality of advice and sales practices (conflicts of interest and remuneration, cross-selling, POG and VfM), the level of professionalism of distributors, the growth of digitalisation and new distribution models, application problems and regulatory provisions on which guidance needs to be developed. With regard to the last point, the report investigates the impact of the judgement by the EU Court of Justice 129 that included in the scope of the IDD the activity carried out under certain conditions by the policyholder of collective policies. The paper concludes with the need for guidance on the conditions that may qualify the policyholder as an intermediary and on the division of responsibilities between home and host Authorities on cross-border activity;
- the impact of the IDD on the supervisory tasks of national authorities, with particular regard to the overall resources devoted to the supervision of market conduct, the powers acquired by national authorities (e.g. mystery shopping), and the areas where cooperation needs to be intensified in the case of cross-border activities.

Compared to the first edition, the report covers additional topics, such as the impact of Delegated Regulation (EU) 2021/1257 on the integration of sustainability factors into POG and market conduct requirements for the sale of Insurance-Based Investment Products (IBIPs) as well as the impact of inflation and rising interest rates on insurance distribution business and consumers.

IVASS is also involved in the mystery shopping activities coordinated by EIOPA.

IVASS followed the drafting of the RTS on the adjustment of the basic amounts in euro of the minimum amounts of cover of professional indemnity insurance policies and the financial capacity of intermediaries, provided for by the IDD in accordance with the percentage change in the European consumer price index¹³⁰.

EIOPA initiatives on the convergence of supervisory practices – EIOPA annually publishes the supervisory convergence plan, indicating the priority areas, identified following a risk-based approach and in the light of the material impact on policyholders and financial stability, the influence on fairness, level playing field or the proper functioning of the internal market through the existence of possible supervisory arbitrage, as well as the key areas of supervision where practices differ substantially.

Among the areas of focus in 2023 is the statement on the use of governance agreements in third countries, published on 2 February 2023, which states that companies or intermediaries with a registered office in the EU may not operate in the European Economic Area through their own branches located in

https://www.eiopa.europa.eu/publications/report-application-insurance-distribution-directive_en_

^{128 &}lt;a href="https://www.eiopa.europa.eu/eiopa-evaluates-european-insurance-intermediaries-markets-2018-12-13">https://www.eiopa.europa.eu/eiopa-evaluates-european-insurance-intermediaries-markets-2018-12-13 en

^{129 &}lt;u>Case C-633/20, TC Medical Air Ambulance Agency:</u>
https://curia.europa.eu/juris/document/document.jsf?text=&docid=266563&pageIndex=0&doclang=EN&mode=req&dir=&occ=firs
t&part=1&cid=2234497

https://www.eiopa.europa.eu/eiopa-publishes-changes-minimum-amount-professional-indemnity-insurance-cover-and-financial-capacity-2023-07-03 en

third states but must only do so through establishments located in the EEA. The statement is aimed at avoiding circumvention of EU rules by setting up empty boxes in the EEA and operating de facto from third countries.

The following were subject to public consultation in 2023 and will be approved by 2024:

- an opinion on the supervision of captive insurance and reinsurance companies, focusing on intragroup transactions (in particular, cash pooling), the consistent application of the Prudent Person Principle (PPP) and governance aspects in relation to key functions and outsourcing requirements, taking the proportionality principle into account;
- supervisory statement on the supervision of reinsurance underwritten with non-EU insurance and reinsurance companies, which outlines supervisory expectations to mitigate risks arising from regimes not deemed equivalent to Solvency II. The statement covers the assessment of the corporate context when using third-country reinsurance and the importance of early dialogue with supervisory authorities. This includes supervisory considerations on the assessment of reinsurance agreements and the risk management systems of companies using third-country reinsurers.

Joint Committee of the European Supervisory Authorities – In 2023, the focus of the ESA Cooperation Forum (Joint Committee) was on sustainable finance, Packaged Retail Investment and Insurance-based Investment Products (PRIIPs), financial education, financial conglomerates as well as the DORA Regulation.

On the topic of sustainable finance (see also par. 4), the Committee focused on providing support to the European Commission on the revision of the RTS required by the EU Regulation 2019/2088 (Sustainable Finance Disclosure Regulation - SFDR) for the part related to Principal Adverse Impacts (PAIs) and financial product disclosures. The main areas of intervention focus on the extension of social PAIs, on strengthening the transparency of the "do not significantly harm" (DNSH) principle, the improvement of de-carbonisation disclosure (with the inclusion of information on reduction targets for greenhouse gas emissions) as well as the simplification of the financial product disclosure template, with a reformulation of the information provided and enrichment of the narrative part to meet the requests made by consumers in testing exercises. The Committee's work is contained in a Final Report, published on 4 December 2023.

The work on PRIIPs has focused on the drafting of Q&As aimed at promoting supervisory convergence and supporting market participants in the practical application of European legislation, among which worthy of note are the amendments made by Delegated Regulation (EU) 2021/2268 to the RTS provided for in Delegated Regulation(EU) 2017/653 with the inclusion, as of 1 January 2023, of UCITS in the scope of application of the PRIIPs Regulation 2014/1286.

With regard to financial conglomerates, the Committee focused on resolving questions received from the ESAs and the Joint Committee on the application as of December 31, 2023, of the Implementing Regulation laying down technical standards for the harmonised reporting of information on risk concentrations and intra-group transactions at the financial conglomerate level¹³¹. In addition to the annual update of the list of conglomerates with parent companies in the EU and EEA countries, the Committee continued its analysis of issues related to the calculation of capital adequacy in order to define the relevant harmonised reporting templates for supplementary supervision information.

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https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R2454

3. - THE EVOLUTION OF NATIONAL REGULATIONS

Implementation of the Corporate Sustainability Reporting Directive (CSRD) – Directive 2022/2464 on Corporate Sustainability Reporting (CSRD) entered into force on 5 January 2023 and extended the sustainability disclosure requirements envisaged by Directive 2014/95 on non-financial reporting (NFRD). The Corporate Sustainability Reporting Directive (CSRD), implementing the European Green Deal, aims to improve the transparency, quality and consistency of sustainability data available to investors, consumers and other stakeholders. On 22 December 2023, the first 12 standards adopted by the European Commission were published, applicable to all economic sectors (European Sustainability Reporting Standard - ESRS).

IVASS, in concert with the other supervisory authorities concerned, contributed to the preparation of the draft decree transposing the CSRD drafted by the Treasury Department and the Italian State General Accounting Office, which was put out for public consultation in early 2024. The target date for the transposition of the CSRD by the Member States is 6 July 2024.

Decree implementing the DORA Regulation – The EU Regulation concerning digital operational resilience ¹³² for the financial sector (Digital Operational Resilience Act – DORA) defines a uniform framework for financial entities to address and mitigate risks arising from information and communication technology (ICT) and to promote the supervision of third-party providers in ICT services. The scope of application includes insurance and reinsurance undertakings with the exception of those not subject to the Solvency II Directive, as well as insurance intermediaries, including ancillary intermediaries, that are not micro, small or medium-sized enterprises.

The European regulations sets out a very broad framework of harmonized rules for 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 EU Regulation provides for several options that member states can exercise in their national legislative framework. IVASS, together with the Bank of Italy, CONSOB, COVIP and ACN, is working with the MEF to provide technical input for the adoption of the transposition decree. The regulatory intervention will contain coordinated measures for the financial sector, aimed at defining a national legislative framework to adapt to the European discipline, also with regard to the supervisory and sanctioning system.

3.1. - National initiatives to support ministries

Insurance Arbitrator – Discussions continued with the Ministry of Enterprise and Made in Italy and the Ministry of Justice in order to provide technical contributions and useful evaluation elements to respond to the remarks of the Council of State contained in its interim opinion of 7 February 2023 on the draft decree regulating the insurance arbitrator, pursuant to Article 187-1 of the CAP, and to allow the regulatory process to continue.

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¹³² 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 or indirectly, through the use of services offered by third-party information and communication technology providers.

Implementation of the Anti-mine Law – Coordination with the Bank of Italy, COVIP and MEF continued in 2023 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.

The law prohibits intermediaries of the banking, financial, insurance, supplementary pension sectors and banking foundations from financing companies involved in the production and marketing of anti-personnel mines and cluster munitions. To ensure compliance with the ban on financing, the law requires licensed intermediaries to adopt appropriate procedural safeguards and to consult publicly available lists of companies producing anti-personnel mines and cluster munitions and sub-munitions.

The Bank of Italy, COVIP, IVASS and the Ministry of Economy and Finance are assigned the responsibility for verifying compliance with the financing prohibition and the task of issuing, in concert with each other, instructions on the exercise of enhanced controls over the activities of intermediaries.

In July 2023, the joint public consultation with the Ministry of Economy and Finance, the Bank of Italy and COVIP on the Draft Instructions¹³³ referred to in Article 3(1) of the law on the exercise of enhanced controls over the operations of intermediaries was completed. The publication of these Instructions is currently being finalised.

The implementation of the Motor Insurance Directive – In 2023, IVASS provided technical support to the competent Ministries for the implementation of Directive 2021/2118/EU, amending Directive 2009/103/EC relating to motor liability insurance.

Legislative Decree No. 70 of 15 May 2023 implemented the amendments to Articles 10-bis(13)(2) and 25-bis(13)(2) of Directive 2009/103. These amendments concern the establishment of the Body responsible for providing compensation to injured parties in the event of the insolvency of the insurance company, even when the accident occurred in a member state other than the state of residence, and the power to negotiate an agreement with the equivalent bodies of the other member States, in order to regulate the reimbursement procedures.

Legislative Decree No. 184 of 22 November 2023 implemented the remaining provisions, including: the integration of the notion of "vehicle", the introduction of a definition of "use of a vehicle" linked to the vehicle's function as a means of transport, the clarification in line with the case law of the EU Court of Justice that the insurance obligation applies whatever the nature of the area, public or private, in which the vehicle circulates or is parked 134, the cross-border recognition of claims history statements, the regulation of price comparison tools, the intervention of the Guarantee Fund for the Victims of Road Accidents and of the compensation body in case of insolvency of the insurer, the payment times and the recourses against the equivalent Funds and Bodies in other EU Member States.

Decree transposing the ESRB Recommendation on the Committee for macro-prudential policies – Leg. Decree no. 207 of 7 December 2023 implemented the Recommendation of the European Systemic Risk Board of 22 December 2011¹³⁵ on the macro-prudential mandate of national authorities. The decree establishes and

¹³³ Consultation Paper 3/2023.

¹³⁴ 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.

Recommendation ESRB/2011/3. The recommendation identifies the safeguarding of financial stability as the ultimate goal of macroprudential policy, to be pursued also by strengthening the resilience of the financial system and reducing the occurrence of systemic risks. For the conduct of macroprudential policy, Member States are advised to designate an authority in national legislation.

regulates the Macroprudential Policy Committee as an independent authority composed of the four supervisory authorities on the financial sector (Bank of Italy, IVASS, CONSOB and COVIP), chaired by the Bank of Italy, and identifies its composition, organisational arrangements, functions and tasks. In addition, it amends the sectoral single texts by providing for a review of IVASS's powers of intervention under Article 188 of the CAP¹³⁶, regulating the conditions and modalities for the exercise of the micro- and macro-prudential supervisory powers attributed to IVASS.

The Committee exercises analytical, monitoring and policy-making functions and is endowed with powers, including the power to make recommendations to its member authorities¹³⁷. As far as IVASS is concerned, worthy of note are the recommendations to take preventive or corrective measures with respect to all or individual insurance or reinsurance undertakings in order to safeguard the stability of the financial system as a whole and to counter systemic risks (Article 188(3-quater) of the CAP)¹³⁸.

Requirements for health liability policies - IVASS provided technical input for the preparation of the Decree by the Ministry of Enterprise and Made in Italy No. 232/2023¹³⁹ concerning the Regulation implementing Article 10(6) of Law No. 24/2017 (Law on health liability, the so-called Gelli Law). The Regulation governs the determination of the minimum requirements for insurance policies for public and private healthcare and social-health facilities and for healthcare professionals, the minimum guarantee requirements, the general conditions for the operation of other similar measures, including the direct assumption of risk, the rules for the transfer of risk in the event that an insurance company takes over the contract, the provision in the facilities' financial statements for a risk fund and a fund consisting of a provision set aside for the compensation for reported claims. The Regulation defines the scope of compulsory cover, the minimum amounts of cover differentiated by risk classes, the temporal effectiveness of the covers, the insurer's withdrawal and the objections that can be raised against the injured party. It regulates the requirements that healthcare facilities must meet if they decide not to use insurance coverage, but to resort to direct assumption of risk

This Decree entered into force on 16 March 2024. From that date, it is possible to start the direct action provided for by Article 12 of the same law, which allows injured parties to apply directly to insurance companies, as is the case in motor liability insurance.

Measures for the teaching of insurance education - In 2023, IVASS provided the relevant Ministries and Parliamentary Committees with technical input for the approval of Law No. 21 of 5 March 2024, on measures to support capital competitiveness, promoting the recognition of the role of insurance education as part of the measures relating to financial education. Article 25 provides for the integration of financial and insurance education, as well as social security planning into the teaching of civic education in schools. It is envisaged that IVASS, together with the other financial sector authorities, will be involved in the

Powers of intervention: a) convene the members of the administrative and control bodies, the general managers of insurance and reinsurance undertakings, the legal representatives of the auditing firm and those who are responsible for the key functions within insurance and reinsurance undertakings; b) order the convocation of the shareholders' meeting and the meeting of the administrative and control bodies of insurance and reinsurance undertakings, by specifying the items to be included in the agenda and submitting to their examination the measures required to ensure that management is in accordance with the law; c) directly undertake the convocation of the shareholders' meeting and the meeting of the administrative and control bodies of insurance and reinsurance undertakings, when these bodies have not fulfilled the measure referred to in b); d) convene the persons who perform functions partly included in the operational cycle of insurance and reinsurance undertakings, within the framework of checks limited exclusively to insurance or reinsurance profiles.

¹³⁷ The Committee is identified as the national authority competent to assess the effects on financial stability of changes in benchmark indices applied to banking contracts, in implementation of the Benchmark Regulation - Regulation (EU) 2016/1011, as amended by Regulation (EU) 2021/168 (Articles 23-ter(7) and 28(2)).

¹³⁸ Regulation (EU) 2016/1011, as amended by Regulation (EU) 2021/168 (Articles 23-ter(7) and 28(2)).

¹³⁹ Published in the Official Journal no. 51 of 1 March 2024.

definition of the programmes and contents of the teaching of financial and insurance education by the Ministry of Education and Merit. Special agreements will be entered into between the said Ministry and IVASS, Bank of Italy, CONSOB and COVIP to promote the culture of financial, insurance and pension education.

Establishment of the Life insurance guarantee fund – The Budget Law 2024¹⁴⁰ supplemented the safeguards, reorganisation and winding up measure for insurance companies with the provision of the Life Insurance Guarantee Fund¹⁴¹ among member insurance companies and intermediaries¹⁴². The purpose of this intervention is to protect those entitled to insurance benefits from life insurance policies in the event that the member company is subject to insolvency proceedings. The Fund, which is governed by private law, reimburses protected benefits¹⁴³ up to a maximum amount of €100,000 per claimant, with the exception of certain insurance products for which this limit does not apply^{144.} Membership of the fund is compulsory: failure to join the fund or subsequent exclusion from it results in the withdrawal of authorisation to pursue life insurance business or removal from the RUI. IVASS approves the Fund's articles of association and may issue implementing provisions.

Provisions relating to insurance against risks arising from natural disasters – IVASS provided technical support to the competent Ministries for the preparation of the provisions of the 2024 Budget Law¹⁴⁵ that introduce compulsory insurance cover against natural disasters for Italian companies registered in the Companies Register and foreign companies with a permanent establishment in Italy, excluding agricultural businesses. Undertakings are required to take out, by December 31, 2024, insurance contracts covering damage to property (land and buildings, plant and machinery, industrial and commercial equipment) directly caused by natural disasters and catastrophic events occurred in the Italian territory (earthquakes, floods, landslides, and overflowing rivers).

SACE S.p.A. is authorized to grant, at market conditions, coverage up to 50% of the compensations which insurers and reinsurers are required to provide in case of occurrence of the damage events, up to the maximum amounts envisaged by the regulation for the years 2024, 2025 and 2026 The State guarantee on first demand and without recourse is granted on the obligations accepted by SACE S.p.A.

¹⁴⁰ Law No. 213 dated 30 December 2023. State budget for the financial year 2024 and multi-year budget for the three-year period 2024-2026, article 1(113-122)

¹⁴¹ The 2024 Budget Law introduced Chapter VI-bis (articles 274-bis et seq.) into Title XVI of the CAP, as part of the measures for the safeguard, reorganisation and winding up of insurance undertakings.

The following entities shall be required to join the Fund: 1) Italian insurance companies authorized to carry on business in one or more life insurance classes and subjects recorded in the Single Register of Insurance Intermediaries (RUI), when the amount of annual premiums, whether directly collected or mediated, in the life classes is 50 million euros or more. 2) the branches of non-EU insurance undertakings authorized to carry on business in one or more life insurance classes in Italy, except when they join an equivalent foreign insurance guarantee system. The fund may accept as members branches of EU insurance companies operating in Italy in one or more life classes or EU companies operating in Italy in one or more life classes under the freedom to provide services.

^{143 &}quot;Protected benefits" are credit rights of policyholders or beneficiaries of life insurance policies by way of indemnification, capital repayment, payment of an annuity or otherwise.

See Article 274-septies CAP, par. 3: "The maximum amount referred to in paragraph 1 shall not apply to protected benefits related to life insurance contracts referred to in article 1, paragraph 1, letter ss-bis), numbers 2), 3), 4) and 5)." We refer in particular to the following products "2) life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or disability; 3) pension products which, under national law, are recognised as having the primary purpose of providing the investor with an income in retirement, and which entitle the investor to certain benefits; 4) officially recognised occupational pension schemes falling under the scope of Directive 2003/41/EC or Directive 2009/138/EC; 5) individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider."

¹⁴⁵ Art. 1 (101-111), of Law 213/2023.

The implementing provisions are to be laid down in a Decree by the Ministry of Economy and Finance/Ministry of Enterprises and Made in Italy, after consulting IVASS on issues that most directly relate to prudential supervision profiles.

The draft framework law on post-natural disaster reconstruction (AC1632) provides for an advance settlement procedure for the partial payment (30%) by insurance companies of compensation for damages caused by natural disasters to assets instrumental to the business activity (Article 23). The draft law delegates the Government to identify insurance schemes aimed at compensating individuals and companies for damage to buildings caused by natural disasters and catastrophic events (Article 25).

Right to be forgotten to cancer patients - Law No. 193/2023, implementing constitutional and internationally recognised rights, introduced the right to be forgotten, i.e. the right of persons cured of an oncological illness not to provide information or be subjected to investigations concerning their previous health condition, in the cases and within the limits established by law.

In order to ensure equal treatment and non-discrimination, the law applies, inter alia, in the case of access to banking, financial, investment and insurance services or in the context of concluding any other type of contract. Where information relating to the policyholder's state of health is likely to influence the contract terms and conditions, the law does not permit such information to be requested from an individual who has suffered from cancer in the past and is considered cured. Cure is presumed to have occurred when active treatment of the disease has been completed, without recurrence, for more than ten years or for more than five years if it arose before the age of 21. Companies and banking and insurance intermediaries must inform the policyholder about the right to be forgotten for oncological patients at all contractual and precontractual stages, including those relating to the renewal of contracts.

The implementing provisions, to be issued by subsequent decrees, are referred to the Ministry of Health 146 and the Ministry of Labour and Social Policy, for their respective areas of competence. IVASS and the other Authorities involved are required to establish, by means of their own measures, the implementing procedures, if necessary by preparing forms and models. IVASS is considering the adaptation of the sectoral secondary regulation, with coordinated actions with the other authorities in the financial sector and with the Data Protection Authority, which is responsible for supervising the application of the provisions.

3.2. - Accounting initiatives

Statutory financial statements (local GAAPs) - The Decree Laws No. 176/2022 and No. 131/2023, and the Decrees of the Ministry of Economy and Finance of 4 September 2023 and 8 February 2024, extended to the entire 2023 financial year the option not to write down the securities in the held-for-trade portfolio and to deduct the portion attributable to policyholders from the unavailable reserve, providing that companies determine the amount of dividends taking into account the amount distributed for the 2022 financial year. IVASS has consistently amended Regulation No. 52/2022 by means of Orders No. 127/2023, No. 138/2023 and No. 143/2024.

Amendments to current accounting regulations – Continuing departures from the accounting standard for the valuation of securities classified in the held-for-trade portfolio may cast doubt on the ability of the

On 24 April 2024, the Decree of 22 March 2024 of the Ministry of Health was published in the Official Journal, containing the list of oncological illness for which shorter deadlines apply than those provided for in Article 2(1), Article 3(1)(a) and Article 4(1) of Law No. 193/2023.

current rules on financial statements to give a true and fair view of the companies' assets, financial position and operating results.

In order to avoid further derogations to the valuation criteria for financial instruments allocated to the held-for-trade portfolio, IVASS, in view of the forthcoming transition of financial statements to international accounting standards, has drafted and submitted to the Ministry of Economy and Finance a proposal to amend the national accounting rules that draws on the logic of IAS/IFRS¹⁴⁷.

Transition of financial statements to IAS/IFRS - In 2023, IVASS continued to investigate, together with the industry, ANIA and the Ministry of Economy and Finance, the aspects related to a possible transition of insurance financial statements to IAS/IFRS.

Relations with the Italian Accounting Standards Setter (Organismo Italiano di Contabilità - OIC) – In 2023, two opinions were issued to the OIC in connection with new national accounting standards.

Other initiatives – IVASS supported the Ministry of Economy and Finance by providing advice on accounting matters, including the international accounting standards to be transposed, their official translations and the preparation of the meetings of the Accounting Regulatory Committee (ARC).

3.3. - Initiatives on secondary legislation

Revision of the rules governing life insurance products - IVASS is working on revising the rules governing life insurance contracts in order to define a regulatory framework that best pursues the objective of balancing the needs of consumer protection with those of promoting the adequate competitiveness of the insurance sector, enhancing the specific demographic guarantee component of the policies.

A second public consultation on the draft regulation governing index and unit-linked products where the investment risk is borne by policyholder was launched in March 2024. The articles were significantly amended as a result of the first public consultation of the draft regulation conducted between March and June 2022. The main amendments introduced regard:

- the differentiation, under certain conditions, of the investment limits of internal funds according to
 the characteristics of their unit-linked products and the policyholders to whom they may be sold, with
 a consequent review and increase of these limits; in these scenarios, the company is required to adopt
 appropriate liquidity risk management measures¹⁴⁸;
- revising the provisions on management fees, introducing cost-containment safeguards for consumers and allowing management fees when justified by an actual service provided by the insurance company even in the case of linked UCIs (Undertakings in Collective Investment)¹⁴⁹; in the latter case, the

¹⁴⁷ IFRS 4, repealed as of January 1, 2023 due to the introduction of IFRS 17.

Account has been taken of the amendments introduced by the Decree by the Ministry of Economy and Finance No. 19 of 13 January 2022 to Ministerial Decree No. 30/2015 of the Ministry of Economy and Finance, which allow investment in reserved Italian Alternative Investment Funds (AIF) to a broader pool of non-professional customers than in the past, with substantial assets who are interested in investing in illiquid assets over a medium to long-term period. Discussions in the negotiation of measures in the Retail Investment Strategy published by the EU Commission on May 24, 2023 were taken into account.

¹⁴⁹ The approach adopted ensures maximum consistency with the framework regarding the containment of the costs to be borne by the policyholder and the realisation of return expectations of the insurance product, in line with the EIOPA Statement on VfM, according to which, in case of underlying funds managed by affiliated entities, they should only be made available when they offer "... at least similar value for money than comparable funds on the market. These assessments should be evident in the product design, product testing and pricing process and systems and controls should be in place to ensure conflicts of interest are managed and mitigated."

company is required to adopt adequate safeguards to mitigate and prevent the potential conflict of interest;

 the reformulation of the demographic guarantee provisions, making explicit the scope of the demographic risk assessment in cases where the policyholder expresses a need to cover this risk, against which a calibration is necessary.

With a view to revising the regulation of life products, IVASS, on the basis of the stakeholders' comments on Discussion Paper No. 1/2022, intervened on ISVAP Regulation No. 38 of 3 June 2011 on the separately managed accounts to which with-profit policies are linked.

On 28 March 2024, Consultation Document No. 3 was published. It is intended to allow life undertakings, subject to strict conditions, to extend the profit fund and the consequent methods for calculating the average rate of return of the separately managed accounts, also for ongoing contracts. The amendment aims to increase the management flexibility of companies and stabilise the returns of separately managed accounts over several years to help revitalise the offer of with profit contracts.

Both consultations were widely participated by stakeholders and ended on 27 May 2024. Comments are being analysed.

Order on the new RUI – Order No. 134 of 25 July 2023, which supplemented and amended IVASS Regulation No. 40 of 2 August 2018 and lays down rules on the procedures for accessing and managing the RUI 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). The previous methods of submitting applications and notifications to the Registry, which were based on the use of electronic templates and sending them by certified e-mail, have therefore been repealed.

IVASS wanted to ensure full coordination between its own regulations and the Digital Administration Code (CAD)¹⁵⁰, which provides for the right to use digital solutions and tools by persons using online services offered by, among others, independent administrative authorities, as well as to implement the provisions of the CAP¹⁵¹.

On 4 December, IVASS published the implementing instructions and technical specifications for accessing the new RUI web portal.

Requirements of directors and managers – In implementation of Article 76 of the CAP and after the adoption of MiSE Ministerial Decree No. 88¹⁵² of 2 May 2022, which introduced significant amendments on the eligibility requirements for directors and managers and persons involved in the key functions of insurance companies, reinsurance undertakings and ultimate Italian parent companies, IVASS revised

¹⁵⁰ Issued with legislative decree No. 82 of 7 March 2005.

¹⁵¹ Article 109 (1-ter) CAP, under which: "The register shall be easily accessible and allow the complete and direct registration in line with the provisions set out by IVASS regulation (..)".

MiSE Ministerial Decree No. 88 of 2 May 2022, effective as of 1 November 2022, repealed the provisions contained in MiSE Regulation No. 220.of 11 November 2011.

Regulations No. 29 of 6 September 2016¹⁵³ and No. 38 of 3 July 2018¹⁵⁴ to adapt their content to subsequent primary legislation and regulations.

The public consultation¹⁵⁵ on the draft order amending these Regulations was launched in July 2023. As a result of the consultation, IVASS Order No. 142 of 5 March 2024 was adopted. Among the most important new features are the provisions adjusting the regulatory framework concerning the introduction of the quota of the least represented gender and the identification of the percentage of independent directors. Significant changes were also made to the procedures for assessing eligibility requirements and criteria.

Letter to the market on Product Oversight and Governance (POG) – The public consultation on the draft letter to the market was concluded on 6 November 2023. The letter outlines IVASS's expectations regarding the oversight and governance of insurance products, aimed at fostering (also following the significant shortcomings found in the process) the uniform and correct application of the European and national framework on the subject. The expectations, which are of a general and non-binding nature, were published on 27 March 2024 and are intended to serve as a guide for insurance companies and the de facto manufacturers, with a focus on IBIPs.

The same principles, criteria and purposes should guide the correct implementation of POG rules applicable to non-IBIP life products and non-life business.

In order to promote equal protection for Italian policyholders, IVASS will represent to the home supervisor the expectations in relation to products marketed in Italy by entities with registered offices in the EEA, operating in Italy under the right of establishment or under the freedom to provide services.

Amendments to the Anti-money laundering Regulation – On 16 June 2022 EBA published the "Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer". IVASS notified EBA of its intention to comply with these Guidelines and on 14 June 2023 launched a public consultation on the amendments that it intends to make to Regulation no. 44 of 12 February 2019¹⁵⁶. The amendments were adopted with Order No. 144/2024 and are aimed at harmonising the corporate governance and internal controls structure in the area of anti-money laundering and concern the role and duties of the corporate bodies, the holder of the anti-money laundering function and the anti-money laundering officer, as well as the outsourcing arrangements and group-wide policies, controls and procedures.

Digitized transmission of personal information – In 2023, the regulatory process on the digitized transmission of personal information continued. The public consultation of the Draft Regulation "RIGA" (Register of Insurance Companies and Groups), aimed at regulating the fulfilments that companies have to follow for the digital reporting of personal data and information on holdings, shareholders, members of corporate bodies and persons performing control functions, has been launched and concluded.

The legislation implements national provisions and European principles on the computerised transmission of personal data and provides a tool for sending data and information for supervisory and statistical activities to IVASS. The methods adopted ensure the integration of supervisory information with

¹⁵³ The Regulation lays down provisions on local insurance undertakings.

¹⁵⁴ The Regulation lays down provisions on the system of governance.

¹⁵⁵ Consultation Paper 7/2023.

¹⁵⁶ The Regulation lays down money laundering provisions on the organisation, procedures and internal controls and customer due diligence.

the personal data managed by the Bank of Italy, the appropriate digital processing of information, improved data quality and a simplification of the regulatory provisions on information production.

The Regulation - submitted for examination to the Data Protection Authority, which issued a favourable opinion on 21 March 2024 published on 11 April 2024 - governs the information managed by the RIGA application, with reference to the personal and corporate data of insurance companies and groups, the data transmission system with an indication of the subjects required to send reports and the procedures to be followed to enable users to access the application, the consultation by companies of the information in the Bank of Italy's Register of Subjects, as well as the procedure for enriching the Register of Subjects in the case of subjects to be reported who are not listed.

Further regulatory interventions – In June 2023, Order 132/2023 amending IVASS Regulation No. 18 of 15 March 2016 concerning the application rules for determining technical provisions was published. The amendments, in force since 1 January 2023, bring IVASS's regulations fully in line with the EIOPA guidelines on the valuation of technical provisions and on contract boundaries.

In July 2023, Order 135/2023 amending and supplementing IVASS Regulation No. 36 of 28 February 2017 laying down new provisions on the transmission of data for the survey on actual prices for motor liability insurance (IPER) was published.

Eight letters to the market for interpretation or application purposes were published.

Update of the Criteria for the application of the interlocking ban in the financial sector – With their Communication of 24 February 2024, IVASS, together with the Bank of Italy and CONSOB, in agreement with AGCM, published on their respective websites the second update on the interlocking Criteria ¹⁵⁷ for the application of the prohibition to hold positions in competing undertakings in the financial sector.

For the identification of companies falling under the ban, the criteria, adopted by the Authorities in 2012 in implementation of Article 36 of Decree Law No. 201/2011 (so-called "Save Italy"), refer to the provisions of the Antitrust Law¹⁵⁸ concerning the turnover thresholds relevant for the notification of concentration transactions and the method of calculation. In a 2018 update, the three authorities had provided for the automatic extension of the periodic adjustment of only the turnover threshold to the interlocking ban, but not its calculation methods.

The Annual Market and Competition Act (Law No. 118/2022) amended the Antitrust Act¹⁵⁹ with regard to the method of calculating turnover, maintaining for the insurance sector a calculation criterion based on economic values, in line with substantial continuity with the past.

The update of the Criteria was necessary in order to adapt the calculation methods and to ensure their consistency with the competition rules that the ban aims to protect. The changes are relevant for offices taken up or renewed after the publication of the Communication.

Prohibition from assuming or exercising offices between competing companies or groups of companies operating in the credit, insurance or financial markets, with size above certain thresholds, as such relevant to competition.

¹⁵⁸ Law 287/1990.

¹⁵⁹ Art. 16 (2)

3.4. - Relations with other authorities and bodies

Opinions were issued to the Italian Antitrust Authority (AGCM) on four transactions involving insurance companies and banks in connection with as many acquisition projects.

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

IVASS continues the process of regulatory simplification, also taking into account the changes introduced by IVASS Regulation No 54/2022¹⁶⁰. In 2023, IVASS carried out an AIR (regulatory impact analysis) and a VIR (regulatory impact verification) only on acts deriving from national, European or international standards introducing innovative and significant elements by virtue of the exercise of the regulatory power. In carrying out these analyses, assessments were made of the possible competitive impact of the regulatory intervention.

The acts issued in 2023 implemented national primary regulations, incorporated European Solvency II innovations and introduced elements of sustainable finance.

Against nine Regulatory Measures, of which seven amending Regulations, and eight Letters to the Market, three AIRs and six VIR were carried out and were included in the respective accompanying reports. In addition, there are three AIRs (regulatory impact analyses) and three VIRs (regulatory impact verifications), included in the respective consultation documents, on regulatory acts whose process had not yet been completed in 2023.

In March 2023, following the adoption of IVASS Regulation No. 54/2022 and the experience gained in the field, IVASS updated the Methodological Guide for Regulatory Impact Analysis and Verification ¹⁶¹. The general principles on AIR and VIR are explored in depth, highlighting the peculiarities and common aspects, clarifying the application criteria of the proportionality principle, illustrating the AIR and VIR processes and describing the stages of analysis and the methodologies to be adopted.

Discussion with the AIR Observatory continued, whose input was taken into account in drafting of the AIRs (Regulatory Impact Analyses) and VIRs (Regulatory Impact Assessments) of IVASS regulatory acts. IVASS provided the Observatory with information on the organisation of institutional communication and on transparency processes.

4. - WORK ON SUSTAINABLE FINANCE

IVASS considers as key objectives of supervisory policies aimed at the stability of the Italian insurance sector and consumer protection, full awareness and firm control by companies of the risks - generated or suffered - related to climate change and ESG sustainability (environmental, social and corporate governance).

In 2023, IVASS continued its efforts to reduce the insurance protection gap ¹⁶² in physical risks related to natural disasters and to conduct analyses on the quality and availability of data on climate risk exposures. It is a relevant issue for Italy in relation to the strong exposure to catastrophic events that insist on a territory characterised by high vulnerability, hydrogeological movements, in turn amplified by climate change and

¹⁶⁰ The Regulation lays down provisions on the discipline of procedures for the adoption of IVASS' regulatory and general acts as referred to in article 23 of law no. 262 of 28 December 2005.

¹⁶¹ https://www.ivass.it/normativa/nazionale/secondaria-ivass/regolamenti/2022/n54/Nuova Guida Metodologica AIR e VIR.pdf

¹⁶² Reference is made to the difference between the optimal insurance coverage level and the actual coverage level.

seismic events. The high exposure to physical risk and the associated high reconstruction costs borne by public finance can create problems for financial stability, bringing to the attention of policy makers the need to identify appropriate risk mitigation, prevention and transfer instruments, first and foremost insurance.

IVASS launched the second annual monitoring of natural catastrophe risks and sustainability ¹⁶³, targeted at all the companies pursuing insurance business in Italy. The survey will facilitate, over time, the construction of a system of data on ESG risks, which is robust and functional for the achievement of institutional objectives. In September 2023, the EU Commission considered the initiative a best practice among European practices on prudential supervision of financial sustainability. The main outcomes of the first survey were published in October 2023 in the Report on the monitoring of risks from natural catastrophes and sustainability ¹⁶⁴.

In September 2023, the activities related to the European Commission's project called "Technical Support Instrument 2023 - Flagship ESG Risk Management Framework for the Financial Sector 165" began, with a view to obtaining information and analyses on the protection gap against natural disasters in Italy. In-depth studies will be conducted on the current causes of low insurance coverage for natural disasters in Italy as well as possible prevention measures and policy recommendations to close the existing protection gap, taking into account best practices in Europe.

IAIS Activities and international fora – 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 (ICP) in light of climate change. In this regard, IAIS launched a public consultation ¹⁶⁶, to promote a globally harmonised prudential response for the management of climate change risks.

European regulations – Further to the entry into force of Directive 2022/2464 on Corporate Sustainability Reporting (CSRD), the first 12 standards adopted by the European Commission applicable to all the economic sectors (European Sustainability Reporting Standard - ESRS) were published on 22 December 2023. The ESRS specify the information that a company must disclose about substantial impacts, risks and opportunities in relation to environmental, social and governance sustainability.

Publication of the Delegated Acts of the EU Taxonomy continues (Regulation EU 2020/852). On 27 June 2023, the Commission issued Delegated Regulation 2023/2486¹⁶⁷ establishing the criteria for

¹⁶³ The first survey was launched in 2022 with letter to the market of 27 July 2022. https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2022/lm-27-07/index.html.

The survey is aimed to contribute to the objectives set out in IVASS 2021- 2023 Strategic Plan on sustainability and transition to a green economy, monitor financial stability profiles at national level related to increasing environmental risks, monitor the progress made by Italian companies in adapting to the new European provisions on sustainable finance; support the alignment of the provisions issued by IVASS with the European regulations; effectively contribute to steering international works; https://www.ivass.it/media/interviste/documenti/interventi/2023/rc 11 10 2023 bocconi/RC Bocconi 11 10 2023 it.pdf

https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/stabilita-finanziaria/2023/esg-2023/Rapporto monitoraggio rischi natcat sostenibilita 2023.pdf

The Flagship project "ESG Risk Management Framework for the Financial Sector" has the immediate goals of strengthening the Member states' ability to manage ESG risks in the financial sector; develop common supervisory tools at European level; raise investors' awareness of the importance of ESG risks for their decisions. In the longer term, the project aims to increase the level of resilience and stability of the financial system and contribute to the green transition.

https://www.iaisweb.org/2023/11/iais-launcs-public-consultation-on-climate-risk-supervisory-guidance-market-conduct-and-scenario-analysis/

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L 202302486

determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems. These criteria make it possible to identify the activities that cause no significant harm to any of the other environmental objectives.

Regulation (EU) 2023/2631¹⁶⁸ on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds was issued on 22 November 2023. The Regulation establishes a system to register and supervise external reviewers of European green bonds and provides optional disclosure templates for bonds marketed as environmentally sustainable and for sustainability-linked bonds in the Union.

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). The RTS relating to the disclosure to be provided on the exposure of financial products ¹⁶⁹ to investments in assets related to gas and nuclear energy ¹⁷⁰ have been expanded. The review of Regulation (EU) 2022/1288, the public consultation of which ended in July 2023 ¹⁷¹ concerned the simplification of ESG disclosure, PAI ¹⁷² indicators and the identification of sustainable investment with regard to the DNSH principle ("do no significant harm") ¹⁷³. In December 2023, the final report of the public consultation on the proposed amendments to the aforementioned RTS submitted for review by the European Commission was published ¹⁷⁴.

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 2023 EIOPA focused on: i) 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 Directive on the Solvency II review (Chap. III.2.1.1); ii) re-assessment and calibration of the parameters for calculating the capital requirement in the standard formula for catastrophe risks to cover climate change; iii) the assessment of the insurance protection gap for natural disaster risks, through the updating of the risk dashboard as aggregate and country-level monitoring tool¹⁷⁵ and the public consultation of the EIOPA Staff Paper on measures to address demand-side aspects of the NatCat protection gap; iv) assessing the impacts of underwriting in the insurance industry in light of the integration of climate risks into non-life underwriting policies and practices and climate change adaptation measures aimed at increasing the resilience of society and the real economy; v) assessment of the greenwashing risks and

https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302631

¹⁶⁹ This intervention followed the publication of the Report ESA on disclosures for fossil gas and nuclear energy investments under SFDR.

¹⁷⁰ 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.

¹⁷¹ Joint Consultation Paper - Review of SFDR DR regarding PAI and financial product disclosures.

¹⁷² Indicators of the principal adverse impact of investment decisions on sustainability factors.

¹⁷³ 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).

https://www.esma.europa.eu/sites/default/files/2023-12/JC 2023 55 - Final Report SFDR Delegated Regulation amending RTS.pdf

¹⁷⁵ https://www.eiopa.europa.eu/tools-and-data/dashboard-insurance-protection-gap-natural-catastrophes_en

insurance market implications, in accordance with the Call for Advice sent to the three ESAs by the European Commission in July 2022.

On points (i) and (ii), the relevant public consultation documents were published in December 2023¹⁷⁶ and April 2024¹⁷⁷, respectively. The final reports are expected in the second half of 2024, together with the report on greenwashing risks mentioned under (v). In execution of the mandates contained in the Directive on the Solvency II review, in early 2024 EIOPA initiated the preparation of guidelines for assessing the risks of insurance companies arising from biodiversity loss and of an RTS with minimum standards and reference methodologies to be followed by companies when drawing up their financial risk management plans for sustainability factors in the short, medium and long term, including those arising from the transition to a low-carbon economy.

National legislation – In May 2023, as a result of the public consultation, Order No. 131¹⁷⁸ was adopted. This Order amends and integrates IVASS Regulations on investments and assets representing technical provisions, corporate governance system, insurance and reinsurance distribution and product oversight and governance requirements, to align them to the recent provisions of the European Union on sustainable finance, ¹⁷⁹. The regulatory interventions concerned the integration of sustainability risks in the investments of insurance and reinsurance companies, both in their risk management system and in their remuneration policies. Further interventions were focused on conflicts of interest and conduct when advising on the placement of insurance-based investment products (IBIP), integrating policyholders' sustainability preferences, with special regard to the suitability assessment e 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.

In November 2023, as part of the public consultation on changes aimed at simplifying and streamlining pre-contractual information on the distributor and product, further amendments to IVASS Regulations Nos. 40/2018 and 41/2018 were proposed in order to complete the adaptation to the European regulations on sustainable finance.

Coordination Table on Sustainable Finance – IVASS continued its work within the Coordination Table on Sustainable Finance at the Ministry of Economy and Finance, in which the other sector authorities participate (Bank of Italy, CONSOB and COVIP). There, the Institute has promoted the establishment of a Working Group on the Insurance Protection Gap (IPG) to enhance the role of insurance undertakings as providers of protection for businesses and households against physical risks arising from natural disasters

https://www.eiopa.europa.eu/document/download/540706b0-16a3-4990-8dbb-3280726fb1e8 en?filename=Consultation%20Paper%20on%20the%20Prudential%20Treatment%20of%20Sustainability%20Risks.pdf

https://www.eiopa.europa.eu/consultations/consultation-20232024-reassessment-natural-catastrophe-risk-standard-formula_en_

^{178 &}lt;a href="https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2023/provv-131/index.html">https://www.ivass.it/normativa/nazionale/secondaria-ivass/normativi-provv/2023/provv-131/index.html

¹⁷⁹ Regulations EU 2019/2088 on sustainability - related disclosures in the financial services sector (SFDR) and 2020/852 on the classification of sustainable investments (EU Taxonomy), delegated regulations amending Solvency II (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 and the Directive on insurance distribution (IDD) (Delegated Reg. EU 2021/1257 amending Reg. EU 2017/2358 and 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.

related or not to climate change. The activities carried out in 2023 by the Table were published in an Annual Report¹⁸⁰.

The IPG WG aims to identify the basic characteristics of a national mixed public-private insurance scheme against natural disaster risks to help reduce the high rate of underinsurance against this type of risk and to reduce the areas where the data gaps on the analysis of exposure to climate and environmental risks are most concentrated in order to guard against the potential economic, financial and human impacts of such risks in Italy. In the Work Group, IVASS carried out a survey of national legislative initiatives on the subject over the last 20 years and an in-depth study of insurance systems against catastrophe risks in other European and non-European countries. IVASS has taken initiatives¹⁸¹ to promote debate between the public and private sectors to identify possible solutions for reducing the protection gap against catastrophe risks. In August 2023, the WG shared with stakeholders a policy document identifying desirable characteristics and minimum requirements for a national system of protection against physical hazards of a catastrophic nature also related to climate change.

IVASS' participation in the Sustainable Finance Coordination Table and in the IPG WG continued in 2024. IVASS will provide technical support to the institutions and competent Ministries for the drafting of the implementing provisions of the regulations that are being studied or initiated, such as the decree on the compulsory coverage of companies from risks related to natural disasters provided for in the 2024 Budget Law and the provisions of the draft framework law on post-natural disaster reconstruction (AC 1632) on insurance schemes aimed at compensating companies and individuals for damage to buildings caused by natural disasters and catastrophic events.

5. - MEASURES FOR SIMPLIFYING THE PROCEDURES AND THE BUREAUCRATIC AND PAPER-BASED FULFILMENTS¹⁸²

As part of the regulatory production and review processes, IVASS continuously monitors the evolution of the primary regulatory framework to verify the compliance of the implementing provisions and the functionality of the related implementation procedures. In this context, it puts in place the necessary adjustment actions, pursuing the efficiency of the regulatory activity, the effectiveness and quality of the solutions developed also through instruments that favour stakeholder participation.

In this regard, the adoption of measures aimed at significantly simplifying the regulation of IVASS, in connection with the requests expressed by the national legislature (Article 22(15-bis and 15-ter) of Law No. 221/2012 - Conversion into law, with amendments of Decree Law No. 179/2012) should be noted.

November 2023 saw the publication of Consultation Document No. 9 on the draft Order concerning amendments and additions to IVASS Regulations Nos. 40 and 41/2018. The public consultation, which ended in January 2024, completes a cycle of discussions with stakeholder associations (companies, intermediaries) and the main players in the insurance market, aimed at verifying the effectiveness of the

https://www.ivass.it/pubblicazioni-e-statistiche/pubblicazioni/altre-pubblicazioni/2024/tavolo-sostenibilita-mef/MEF -Relazione annuale sul 2023.pdf

On 14 July 2023 a seminar was held at IVASS on "Insurance Protection Gap and the next challenges - The contribution of the insurance industry and institutions to make households and businesses more resilient", which was attended by many institutions and stakeholders; https://www.ivass.it/media/avviso/17-sem-insurance-protection-gap/

¹⁸² Report required under Article 22(15-ter) of Decree Law no. 179 of 18 October 2012, converted by Law 221/2012.

regulatory solutions adopted and capturing further instances of simplification ¹⁸³ than those introduced in 2018 by operators. The text is currently being published ¹⁸⁴.

The new provisions aim to strengthen the effectiveness of the information provided to the policyholder and introduce the necessary simplification and streamlining interventions to increase their protection at every stage of the relationship with the distributor.

The regulatory intervention is aimed to reduce the number of information documents delivered by the distributor by providing for a Single Pre-contractual Model, differentiated by product type (IBIP and non-IBIP), which integrates the information contained in several forms¹⁸⁵. With regard to product information, the intervention simplifies the structure of additional Pre-Contractual Information Documents by making a selection of the information material contained therein and introducing a maximum page limit.

The proposed interventions also take into account the need to ensure proper coordination and consistency with European and national legislation on sustainable finance.

This is without prejudice to the measures introduced with the adoption of Regulation No. 41/2018, aimed at pursuing the objective of enhancing digital relations in the insurance market, such as the revision of the regulation of reserved internet areas (so-called home insurance), the substitution of paper communications with digital ones upon the customer's choice, and the reduction of the obligations to publish information on specific insurance contracts in newspapers with the simultaneous publication on the company's website 186.

Further simplification measures may be assessed during the national transposition of the revisions made to the IDD, as part of the regulatory innovation measures contained in the Retail Investment Strategy (RIS), the negotiation of which is currently underway and which, among other things, provides for the adaptation of the disclosure of information to digital distribution (transition to the digital by default regime for all insurance products, as already provided for in Directive 2004/39/EC - Markets in Financial Instruments Directive (MIFID)).

The amendments introduced also apply to the distribution of IBIPs by insurance undertakings and intermediaries registered in the sections of the Register referred to in Article 109(2)(a) and (b), and their collaborators referred to in Article 109(2)(e), and intermediaries referred to in Article 109(2)(c) of the same Register, and therefore the issuance of the Order requires the acquisition of CONSOB's opinion, pursuant to Article 121-quater of the CAP.

¹⁸⁵ Annexes 3, 4 and 4-bis.

Among other things, the obligation to publish the returns of separately managed accounts and the value of units in internal funds or UCIs in daily newspapers was eliminated. Further measures concerned the enhancement of the website with expanded content for the benefit of users and businesses, and the introduction of the obligation to digitally manage contractual information, so as to facilitate the collection of data to support the effective management of target customers, as well as the identification of the identity of the beneficiary of life insurance policies, helping to curb the phenomenon of dormant policies.

IV. - PRUDENTIAL SUPERVISION

1. - PRUDENTIAL SUPERVISION

In life insurance, the sudden rise in rates during 2023 encouraged policy surrenders by more yield-sensitive policyholders, attracted by more profitable investment alternatives, and at the same time increased the vulnerability of companies to liquidity risk, taking account of the net capital losses on financial investments. The last months of 2023 saw a recovery in production and a reduction in the amount of net capital losses, partly reabsorbed by the fall in interest rates.

In this context, supervision focused in particular on liquidity risk and started periodic monitoring of trends in surrenders, premiums and capital losses on financial investments. Supervisory analyses made use of new tools specifically developed to monitor this risk. IVASS has initiated discussions with the most exposed companies for in-depth analyses by means of sensitivity analyses, taking into account the trend of surrenders and the related liquidity levels of the companies. The supervision department assessed the management initiatives taken by companies to mitigate liquidity risk in light of the trend in surrenders.

The non-life lines of business show, with particular regard to damage to property and MTPL insurance, a strongly evolving situation, characterised by tariff increases resulting from the growth in the cost of claims and the contraction of demand due to the reduction in the purchasing power of households and companies. The increase in the claims cost as a result of inflation contributed to a negative impact on the technical management with declining results. For short-tail lines of business, the effects of increased costs generally manifest themselves over a one-year time frame, while for long-tail lines of business, the effects extend over several years, depending on claims development. For these lines of business, the current downward trend in inflation will delay its effects, necessitating an ongoing review of the methods and models used to assess technical provisions.

Non-life business has also been characterised by the increased risk of natural catastrophes linked to climate change and the rising cost of reinsurance, resulting in an increase in the risks retained by insurers.

Prudential supervisory action has been targeted at assessing the initiatives adopted by undertakings to address 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.

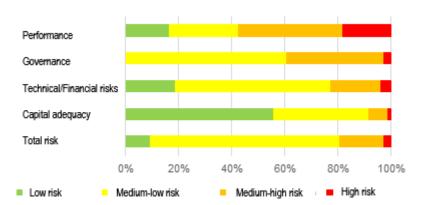
The first phase of the process is dedicated to assessing the risks to which the undertaking is exposed through a quantitative approach (Risk Assessment Framework - RAF) based on indicators (Key Risk Indicators - KRI), referring to the areas of profitability, governance, technical/financial management 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, with special regard to the assessments of the technical provisions, financial and liquidity risks.

The assessments carried out in 2023 showed the following breakdown of companies by risk area and overall.

Figure IV.1

Assessments by risk areas and overall riskiness

(% number of undertakings)

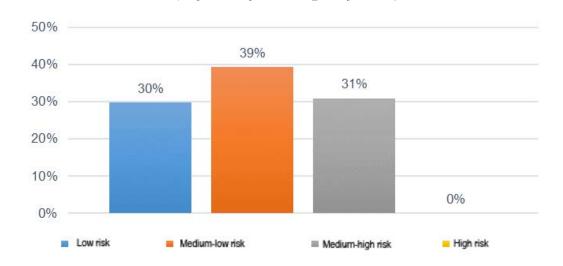


Higher riskiness is observed in the areas of performance (12 small- to medium-sized companies and one medium-large company) and technical financial risks (three medium-sized or medium-large companies).

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)



69% of undertakings have a low or medium-low risk profile. The remaining 31% falls within the medium-high risk range; no company falls within the high risk range.

Based on the ratings and priorities identified, specific supervisory initiatives were taken also in the individual areas of analysis.

The above analyses of the risk profile of undertakings do not include Eurovita S.p.A., since already in 2022, as a result of the on-site inspections, serious and widespread deficiencies had emerged in the governance and management of financial risks and regulatory capital. The Institute adopted supervisory measures in relation to the company and its parent company Eurovita Holding S.p.A., including the request for a capital strengthening that the main shareholder did not implement.

THE EUROVITA CASE

As of September 2022, due to the macro-economic scenario characterised by rising interest rates, the company and the Eurovita Group, in the absence of the required capital interventions, breached the solvency capital requirement. The companies submitted a recovery plan to IVASS, which did not approve it as it did not contain any concrete elements to restore compliance with the capital requirement. On 31 January 2023, in the absence of any prospects for recovery and taking account of the serious violations of the regulations governing the activities of insurance companies, IVASS adopted the Order appointing a provisional administrator. On 6 February 2023, on account of the rapid increase in surrenders of contracts linked to separately managed accounts, IVASS ordered the temporary suspension of the right to exercise the surrender of the contracts entered into with Eurovita with a view to safeguarding the company's recovery prospects.

On 29 March 2023, in the absence of restoration measures, the Minister of Enterprises and Made in Italy, upon the Institute's proposal, ordered by decree that the administrative and control bodies of Eurovita S.p.A. and its parent company be dissolved for a duration of one year. IVASS appointed the bodies of the extraordinary administration procedure, which initiated the search for a solution to the crisis.

At the end of June 2023, five major Italian companies (Generali Italia S.p.A., Intesa Vita S.p.A., Poste Vita S.p.A., UnipolSai S.p.A. and Allianz S.p.A.), with the collaboration of 24 banks distributing Eurovita products and 6 system banks, agreed on a deal to safeguard the company's policyholders. The transaction envisaged the creation of a new life company (Cronos Vita Assicurazioni S.p.A.), a subsidiary of the above-mentioned companies, which would acquire part of Eurovita's corporate assets if the latter were put into compulsory liquidation.

The Order of the temporary suspension of the right to exercise the surrender of the contracts entered into with Eurovita was extended until 31 October 2023 to enable the resolution of the corporate crisis.

On 27 October 2023, Minister of Enterprises and Made in Italy, upon IVASS' proposal, ordered the withdrawal of Eurovita's authorization to pursue insurance business and the administrative compulsory winding up of Eurovita and Eurovita Holding.

At the same time, the Institute appointed the bodies administering the administrative compulsory winding up. On 30 October 2023, it authorised the liquidator to sell Eurovita's corporate assets comprising, inter alia, the entire insurance portfolio and employment relationships to Cronos Vita Assicurazioni.

The transfer of the corporate assets to Cronos Vita Assicurazioni made it possible to achieve full protection of the interests of policyholders and insureds, while safeguarding employment levels.

The plan is that, within 18 to 24 months after the acquisition of the corporate assets (i.e. by 2025), Cronos Vita Assicurazioni will transfer the entire corporate assets to the shareholder companies through the sale of separate business units. The division of the portfolio will take place in a homogeneous manner, so as to ensure that contracts attributable to a single intermediary are assigned to a single company.

1.2. - Supervision of the corporate governance system

Discussions continued with supervised companies to verify the presence of risks arising from inadequate governance structures. The main issues concerned changes to the governance structure following inspections or changes in the controlling shareholder, the structure of key functions and

compliance with regulatory requirements for corporate officers. In 2023, IVASS formulated interventions and carried out meetings with 69 companies, equal to 77% of supervised companies.

Particularly intense was the review of the requirements and criteria for members of corporate bodies and managers of control functions introduced by the Decree of the Ministry of Economic Development No. 88/2022, effective from 1 November 2022. The investigations resulted in 62 requests for clarification, as a result of which 16 companies had to make recommendations on the application of the new provisions. The most critical situations regarded the independence of judgement, the limit to carrying on a plurality of tasks simultaneously and the availability of time. In its discussions with the companies, IVASS urged them to consider the requirements of the regulations as a means of raising the quality of governance.

The review of remuneration policies continued, 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.

As a result of IVASS's interventions, two groups and one company have integrated or modified their policies in line with current regulations. The most relevant aspects concerned the variable remuneration components, the performance measurement and deferral period, targets, including non-financial targets, and the operation of malus and claw-back clauses.

In 2023, IVASS extended its analysis to life companies, including with regard to the impact of the macroeconomic environment on their business models, in line with EIOPA's Union-Wide Strategic Supervisory Priorities.

Supervision of the governance system also focused on audits of disclosures concerning the outsourcing of key functions and essential and important activities. Particular attention was paid to the reasons underlying these choices and the safeguards put in place by companies to verify the quality of the services provided by suppliers. Assessments were carried out on 114 communications, submitted by 46 companies, relating in six cases to outsourcing of key functions and in 108 to activities related to various business processes, of which one to suppliers located in third countries. In some cases, these functions were outsourced to group companies, with the aim of exploiting the synergies, increasing skills and the efficiency of the service provided within the group.

ANALYSES ON INFORMATION AND COMMUNICATION TECHNOLOGY

In the assessments on the governance of information and communication technology and cyber security, the analysis of ICT plans is a relevant tool. The adequacy of controls on outsourced ICT activities was also verified, taking into account the increasing use of outsourcing, with particular reference to the use of cloud computing. Analyses of six companies showed a level of partial inadequacy for more than half of the sample and in one case the assessment was of full inadequacy. Improvements were required due to the absence of adequate controls to govern outsourcing, the lack of quantitative methods to assess ICT and cyber risks, as well as shortcomings in the incident management process, which often lacked adequate criteria and thresholds for classifying incidents.

Regarding the handling of serious cyber incidents, two reports were received in 2023 under IVASS Regulation No. 38/2018 referring to a ransomware attack on: i) one company's business application, which affected 900 megabytes of data, preventing data on the weekly monitoring of investments and net premium income from life insurance business from being regularly sent to IVASS; ii) a postal service provider of the reporting company, which caused the exfiltration of 120 gigabytes of data owned by several companies. Another company, which used the same provider as in (ii), reported the same attack, although it did not classify it as a serious IT security incident because

the forensic examination conducted by the provider could not prove that the exfiltrated data belonged to that company.

Two reports of malfunctions that could not be classified as serious IT security incidents concerned: i) a ransomware attack on a provider of a foreign company in the same group as the reporting company that had a limited impact on the Italian company's customers; ii) a temporary disruption of the institutional site of the reporting company caused by a distributed denial of service attack, neutralised within a few hours by the company. In all cases, indepth 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, IVASS authorized five internal models for the calculation of the group Solvency Capital Requirement, used by 16 undertakings pursuing business in Italy, and a model for the calculation of the individual requirement. For other two groups, the activities aimed at the approval of the use of the internal model are underway.

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 started the activities necessary to apply for authorisation to use USP.

The appropriateness of internal models and USP/GSP and their calibrations are constantly monitored to check that the assessments are able to capture the impacts on the risk profiles resulting from changes in market variables or the operating environment. Of particular importance are the undertakings' requests on the checks on the assumptions underlying the capital absorption models and the assessments of significant changes to the model.

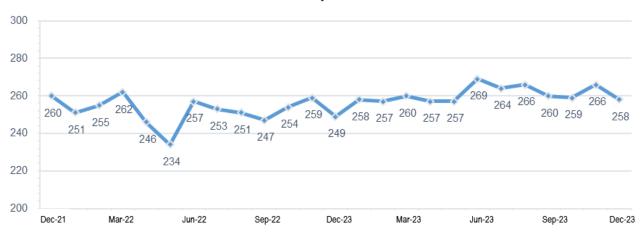
The stability of undertakings and groups is also monitored through checks on the adequacy of the *standard* formula for the representation of the undertakings' risk profile, the analysis of investments and own funds. In-depth analyses of technical, financial, economic and liquidity management, as well as of risk mitigation techniques, contribute to the assessment of the company's operations, ability to generate capital and financial soundness.

Solvency and liquidity situation of companies – The monitoring measures initiated in 2020 on the solvency and liquidity situation of companies and insurance groups were maintained even after the end of the pandemic period. These tools enable to quickly grasp the effects of market variables on the risk profile of companies.

The average market solvency ratio, which was 249% at the end of 2022, remained stable in the first months of 2023 showing substantial resilience of the market as a whole despite the further rise in interest rates, the intensification of surrenders and a reduction in premium income. In the second half of the year, the average solvency indicator increased as a result of the contraction of interest rates and spread and the capital strengthening and risk mitigation actions taken by the companies most exposed to the life market. The average Solvency ratio at the end of 2023 was 258%.

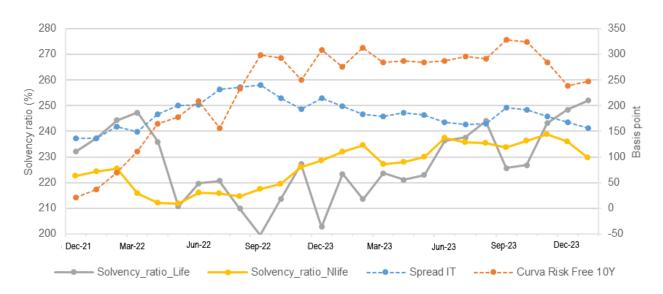
Figure IV.3





In the current market environment, the analysis of the solvency ratio broken down by non-life and life companies shows a greater stability of the former, and a structural 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 values of the 10-year risk-free rate and of 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 compared to the risk-free interest rate and spread trend.

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 2023 on a quarterly basis, involving life and composite companies as well as non-life companies representing 80% of the market. Liquidity risk was assessed with a forward-looking approach

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.

by analysing the estimated cash flow movements in and out and in terms of the company's ability to meet its commitments without resorting to the early sale of assets.

The early months of 2023 saw an intensification of surrenders which, together with the contraction in production, led to tensions on the liquidity positions of some life companies, in view of the increased incidence of portfolio losses induced by rises in interest rates. The phenomenon has turned out to be more pronounced for the portfolios of class I and V policies and for companies distributing through the banking channel or via financial promoters. IVASS intensified its dialogue with the most exposed companies, requesting sensitivity analyses on interest rate risk and surrender dynamics. Qualitative/quantitative investigations were carried out on production and surrender volumes, distribution channels (soundness of distribution agreements, type of clientele mediated), the soundness of ownership structures (ability to promptly support any capitalisation needs) and the investments of separately managed accounts (incidence of net capital losses, level of minimum guaranteed amounts, level of liquidity). As a result of these analyses, actions were taken on some companies to encourage the adoption of the necessary corrective actions to mitigate liquidity risk and possible strains on the solvency position.

Given the continuing contraction of production and the high level of surrenders, monitoring of premium income, surrenders and capital losses continued throughout 2023 on a monthly or weekly basis.

Own funds assessment – The Institute assesses the own funds of the undertakings and groups as part of the Supervisory Review Process. The assessment concerns the qualitative and quantitative profiles of the own funds from a current and forward-looking perspective, also considering the impacts of the stress scenarios reported in the ORSA report.

IVASS verified that the available regulatory capital was constantly sufficient to cover the capital requirement and maintain an equity surplus appropriate to the characteristics and complexity of the company and the group. The quality of own funds covering the Solvency Capital Requirement was also assessed, taking into account the need to maintain a high quality of capital against risks resulting from the changing macroeconomic environment. In this context, in-depth investigations were carried out on the methodology for calculating the Expected Profits Included in Future Premiums, which make up the reconciliation reserve.

In 2023, capital strengthening transactions were carried out by 15 companies for a total amount of €1,568 million, including €930 million in subordinated liability issues. Forty per cent of the capital increases concerned Tier 1 equity, the highest quality level recognised by Solvency II. The actions taken as a result of supervisory findings ensured an adequate level of solvency to cope with the negative effects of financial market trends and surrenders and re-establish the solvency level above the target threshold of the risk appetite framework adopted by the undertakings' administrative body.

An assessment was made of three 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).

Investment analysis – In view of the high level of interest rates and the growth in surrenders, in 2023 IVASS intensively monitored the development of capital losses on investments in insurance portfolios and the initiatives of companies to ensure adequate matching of cash inflows and outflows. The actions of some companies to increase the short-term availability of sources of liquidity necessary to finance the increased volume of surrenders and the effects of the economic situation on investment policies and strategies were discussed in detail.

Analyses on investments continued as part of the Risk Assessment Framework, using indicators to quantify the degree of liquidity, security and diversification of the portfolio. Particular attention was paid to aspects relating to the valuation at market prices of investments, mainly of unlisted or illiquid instruments, including through in-depth analyses of individual securities to verify the consistency between prices and the variability of the main risk factors to which they are exposed.

The analyses also covered the governance of the investment process as a whole and the definition of the target asset allocation, in order to assess its consistency with risk appetite, the principles of sound and prudent management, and the profitability requirements arising from the business model adopted and the returns offered by alternative investment products.

The regulation of sustainable finance has increased IVASS's focus on ESG sustainability of investments and the integration of ESG principles into companies' investment policies, also in light of the climate risk sensitivity analyses in the ORSA.

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 with more detailed information relating to the CARD direct compensation procedure and expenses, with a separate assessment for claims subject or not subject to CARD.

In view of the continuing uncertainty over expected inflation levels, albeit decreasing, IVASS continued to monitor, including through discussions with the main market operators and with the companies appointed to audit the financial statements, the impact of the inflation on the management of the claims cycle. This is also in view of the fact that for long-tail lines of business, the effects of cost increases are spread over several years depending on claims development, which means that the impact of the drop in inflation is delayed. IVASS's analyses were aimed at verifying, in line with the recommendations of the European Authority, that, when calculating technical provisions, companies use methodologies that explicitly project inflation and check the appropriateness of the assumed inflation expectations. The presence of a good control framework aimed at cost containment, through operational strategies, and the estimation of future charges including inflationary effects was confirmed.

IVASS conducted a study to assess the effects of inflation-induced variability as an additional risk factor in determining the best estimate of the provisions for outstanding claims and of the capital requirement, which revealed the possibility of significant impacts. In internal models, inflation is considered implicitly, as it is included in the time series used for risk calibration but not as a risk driver.

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 assessment of the Best Estimate Liabilities (BEL) of the life insurance business, in-depth investigations continued on eight companies to verify the consistency of the assumptions adopted and the appropriateness of the valuations, with direct talks with the companies, the acquisition of data and documentation, and the forwarding of remarks. Following IVASS's intervention, some companies adjusted their provisions and the solvency capital requirement.

In the case of two companies authorised to use the Transitional Measure on Technical Provisions (TMTP), four years having passed since the first use of the measure, IVASS acquired the recalculation performed to verify that the linear amortisation of the TMTP was consistent with the actual run-off period

of the portfolios taken as reference for the calculation of the measure. The recalculations provided by the companies showed that the TMTP was reduced to zero due to the rise in interest rates.

Analyses on reinsurance and risk-mitigation tools – For non-life undertakings reinsurance is one of the main mitigation tools for underwriting risk and is generally implemented through traditional non-proportional contractual mechanisms.

For life companies, the rise in interest rates in 2022, partly continued in 2023, led to a significant increase in the capital requirement for the risk of early termination of policies in the portfolio (lapse risk). Some companies modified their reinsurance strategies to provide new covers related to lapse risk transfer. Non-traditional reinsurance solutions with an increasing degree of complexity depending on the characteristics of the portfolio being covered were explained to the Institute in advance.

IVASS investigated the reinsurance solutions presented by some companies to verify that they guaranteed effective risk transfer and to assess their consistency in terms of capital absorption benefits. The positively assessed reinsurance solutions complied with the regulatory framework and the EIOPA Opinion of 9 July 2021 188 as they proved to be adequate risk mitigation techniques in terms of strategies, business models and risk governance.

The Institute carried out, similarly to what has been done since 2019, a check on the data quality of the annual Solvency II (QRT) reporting submitted by companies with reference to reinsurance. The reporting is used in the supervisory process and for the development of statistics and transmitted to EIOPA and the ECB to support European-level analyses. Examination of the data revealed the persistence of widespread anomalies that did not allow the reinsurer's concentration risk to be assessed, nor did it make it possible to verify whether debts owed by reinsurers from non-EU countries with non-equivalent solvency regimes were used to cover technical provisions. The problems detected in the quality of the data made it necessary to intervene on some groups to validate the information acquired

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

Backtesting on interest rate and credit spread risk calibrations did not reveal any critical situations requiring supervisory intervention. However, the sudden rise in interest rates in 2022 highlighted the need for models and calibrations capable of predicting appropriate shocks under all market conditions.

For internal models covering life underwriting risks, investigations into the issue of mass lapse risk have in some cases revealed the need for explicit modelling of this risk. For non-life underwriting risk, a standardised procedure for backtesting analysis has been defined and shared with other European authorities in the EIOPA workstream.

For operational risks, which are strongly characterised by the use of expert judgement, the calibration check revealed in some cases a failure to meet the quality standards set at the authorisation stage in order to ensure that the documentation allows the various calculation steps to be retraced. In one case, a non-prudential approach was found in the individual steps of the capital requirement definition process, which was the subject of specific remark to the undertaking.

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¹⁸⁸ Opinion on the use of risk mitigation techniques by insurance and reinsurance undertakings.

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

Authorisation of new internal models and significant changes to approved internal models — Pre-application processes have been initiated for the authorisation of the use of the internal model of two groups, of which IVASS is group supervisor.

The pre-application and application activities on internal model changes concluded with the issue of the authorisations to four groups, for two 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 the extension of the models to non-life market, credit and underwriting sub-risks.

Pre-application activities for major changes to the internal models of two groups and one sole proprietorship company were completed. For one group, the changes concerned the life and market risks and the extension of the internal model to the underwriting risks of the non-life and health business, for the other group the extension to the life business and for the individual undertaking the modification of the market and credit risk models. Pre-application for changes to the interest rate model is in progress for one group. For one group, in view of the materiality of the portfolio concerned, reviews of the impact of recent extraordinary transactions on the internal model were initiated.

Verification of the adequacy of the standard formula and the specific parameters (USP) — Early dialogue on the use of the specific parameters for calculating the solvency requirement of two undertakings was initiated. For authorised companies, the continuous monitoring of the application of the specific parameters revealed certain criticalities in the applicability of the calculation methods imposed by the regulations, which made it necessary for the administrative bodies to assess the ability of the USP to represent the risk profile of the companies and the possible need to adopt conservative margins on the capital requirement. For one company, it was found that the methodology for calculating the specific reserve risk parameter needed to be modified to make it more appropriate to represent the actual risk profile and consistent with the valuation of the provision for claims outstanding.

Checks on the adequacy of the standard formula for assessing the premium and reserve risks of the non-life and health segments for companies pursuing mainly fire, general liability and health lines of business did not reveal any areas of concern. For other companies, for which previous adequacy analyses of the standard formula had revealed significant deviations in the risk profile, corrective measures to the calculation of the capital requirement were requested. The early dialogue aimed at the authorisation of USP of these companies continued. In one case, where significant changes in the business were found, the USP approach proved to be inadequate to represent the risk profile of the company, which, therefore, will initiate the process for the authorisation of the internal model.

1.4. - Supervision on the shareholdings and on the structure of groups

When assessing the shareholdings of insurance undertakings and the structure of groups, IVASS ascertains whether the conditions guaranteeing their sound and prudent management are met.

In cases of acquisitions of qualifying holdings and 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.

2023 was characterized by numerous operations for the acquisition of qualifying holdings and controlling interests in insurance undertakings and in companies operating in other sectors, as well as by extraordinary operations which resulted in significant changes in the ownership structure and in the structure of some insurance groups. Some changes were a result of changes in bancassurance agreements.

CHANGES IN OWNERSHIP STRUCTURE OF CONTROLLING OR QUALIFIED INTERESTS

The Institute examined 13 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. The operations subject to authorisation concerned:

- the acquisition by Iccrea Banca S.p.A. of a holding representing 70% of BCC Vita S.p.A. and BCC Assicurazioni S.p.A.'s corporate capital which, considering the shareholding already held (30%), resulted in the acquisition of the total control of the companies. Following a competitive procedure, Iccrea Banca S.p.A. identified the new industrial partners to which it will cede control of the above-mentioned companies, BNP Paribas Cardif S.A. for BCC Vita S.p.A. and Assimoco S.p.A. for BCC Assicurazioni S.p.A.;
- the acquisition, by Allianz S.p.A., of a holding representing 50% of the corporate capital held by UnipolSai Assicurazioni S.p.A. in Incontra Assicurazioni S.p.A. The remaining share is held by Unicredit S.p.A. The transaction is part of the project to strengthen the bancassurance agreement between Unicredit and Allianz, which becomes its sole insurance partner in the non-life sector;
- the acquisition by Banco BPM Vita S.p.A. of a 65% holding in the capital of Vera Vita S.p.A. and Vera Financial DAC and a 65% holding in the capital of Vera Assicurazioni S.p.A. and Vera Protezione S.p.A., which was simultaneously sold to the Crédit Agricole Group. The transactions are part of the plan to strengthen the Banco BPM Group's business model, which includes the insourcing of the life insurance business and the activation of a strategic partnership with Crédit Agricole Assurances S.A. for the non-life and protection sectors;
- the concerted acquisition by the shareholders of Unipol Gruppo S.p.A. (18 entities, mainly cooperative companies), as a result of the shareholders' agreement and the effectiveness of the increased voting rights, of a controlling interest in the share capital of Unipol Gruppo S.p.A. (65.7% of voting rights);
- The acquisition by VHV Vereinigte Hannoversche Versicherung A.G. of the controlling interest in the capital
 of Assicuratrice Val Piave S.p.A. (91.13%) held by Itas Mutua. The transaction is aimed at developing the
 VHV group's presence in the Italian non-life market;
- the acquisition of control of ArgoGlobal Assicurazioni S.p.A. by the Bermuda-based reinsurance company Brookfield Reinsurance Limited;
- the acquisition by Mr. Alberto Di Tanno, through the newly established Nobis Holding S.p.A., of a controlling interest (83.71%), in the corporate capital of Nobis Assicurazioni S.p.A. and Nobis Vita S.p.A. As a result of this transaction, Nobis Holding S.p.A. assumed the role of parent company;
- the acquisition by Europ Assistance S.A. of a controlling interest in the corporate capital of Europ Assistance
 Italia S.p.A., without prejudice to the indirect control by Assicurazioni Generali S.p.A. The transaction is aimed
 at making the group's organizational, management and information processes more efficient in the assistance
 line of business;

- the acquisition by Allianz SE, through Allianz S.p.A., of a controlling interest (99.99%) in the corporate capital
 of Tua Assicurazioni S.p.A. The transaction is part of the Allianz Group's development strategies in the Italian
 non-life market;
- the acquisition by Delfin S.a.r.l. of 10% of the corporate capital of Assicurazioni Generali S.p.A. as a result of the unintentional exceeding of the threshold provided for by the regulations for qualified shareholdings consequent to the buy-backs of own shares by the company.

Evolution of the structure of groups – Insurance groups continued to simplify their shareholding structure to achieve cost synergies, rationalize the organizational structure, and expand and diversify their offering model.

Among the changes in the shareholding structure, IVASS assessed the cross-border mergers of the Irish companies UnipolRe D.a.c. into UnipolSai Assicurazioni S.p.A., Intesa Sanpaolo Life D.a.c. into Intesa Sanpaolo Vita S.p.A. and the Luxembourg company CattRe S.A. into Assicurazioni Generali S.p.A. A further transaction involved the merger of CNP Vita Assicurazione S.p.A. and CNP Vita S.c.a.r.l, into CNP Vita Assicura S.p.A.

As part of the transactions aimed at expanding and diversifying the supply model of insurance groups, IVASS examined 16 projects for the acquisition of controlling and significant shareholdings, one of which involved the acquisition of 26 companies operating in the asset management sector with headquarters in several countries.

The projects examined concerned acquisitions, including in the banking, finance, healthcare, technology, agriculture and renewable energy sectors, aimed at diversifying investments by asset type and geographical area and, in some cases, to consolidate positioning in certain markets or strengthen partnerships with banking operators.

Access and extension of insurance and reinsurance business – In 2023, requests for authorisations to extend insurance business to other lines of business with respect to those already exercised by Berkshire Hathaway International Insurance Limited - Italian Branch and Net Insurance S.p.A., were assessed.

Enel Reinsurance – Compagnia di Riassicurazione S.p.A. and Prysmian Riassicurazioni S.p.A. were authorised to pursue captive reinsurance business in some non-life classes. The companies were established to realise, through merger by incorporation, the re-domiciliation in Italy of the activities carried out by the captive reinsurance companies Enel Insurance NV based in the Netherlands and Prysmian Re Company DAC based in Ireland. The projects are aimed at achieving greater efficiency in the management of the reinsurance business for the risks of the industrial groups to which they belong. Companies will continue to reinsure only group risks in continuity with and in the same manner as the merged companies.

A further transaction concerned the granting to Cronos Vita Assicurazioni S.p.A. of the authorisation to carry out insurance business in the life classes I, III, IV and V and non-life classes 1 and 2, aimed at transferring the corporate assets of Eurovita S.p.A. in compulsory administrative liquidation (par. 1.1).

IVASS evaluated the establishment by Intesa Sanpaolo Vita S.p.A. of a branch office in Ireland, which will also operate in Italy under the freedom to provide services. The transaction is part of the merger by incorporation of Intesa Sanpaolo Life D.a.c. into Intesa Sanpaolo Vita S.p.A. aimed at concentrating the marketing of class III products in a single company and at preserving and developing the staff and specialist skills in unit-linked products present in the Irish company.

The notifications sent by seven Italian companies concerning their intention to extend their insurance and reinsurance business under the freedom to provide services in EEA or non-EEA states were examined.

1.5. - Coordination with the other Authorities and Institutions

Supervision of groups and financial conglomerates – the College of Supervisors – IVASS acted as group supervisor for four 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 impact of the macroeconomic scenario on the business model, emerging and non-quantifiable risks, cyber and ICT risk prevention, the assessment of the application of the IAIS Insurance Capital Standard, market conduct.

As in previous years, the 2024 work plan 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 its impact on the business model, 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 to the supervised groups after being shared within the Colleges.

As host supervisor, IVASS participated in 14 colleges coordinated by foreign Supervisory authorities, five 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, the impact of climate-related risks 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 2023 confirmed one insurance-led conglomerate (Generali) and one banking-led conglomerate (Mediolanum) under the supervision of IVASS/Bank of Italy and four banking-led conglomerates engaging "significant" banking intermediaries (Credem, Intesa, Mediolanum e BPM), under the supervision of ECB/IVASS. Banco BPM has been identified as a financial conglomerate in 2023, as a result of the work done with the ECB and the Bank of Italy. 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, the ECB and the Bank of Italy continued their collaboration pursuant to Article 3(1-bis) of Legislative Decree No. 142/2005 concerning a leading Italian insurance group with regard to its significant relationships with a banking subsidiary. The existence of a durable link aimed at developing the parent company's business, as envisaged in Article 1(1, s), of Legislative Decree No. 142/2005, which is a prerequisite for the identification of a financial conglomerate, is being checked.

Supervision in the Crisis Management Group - In 2023, 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.

The CMG activity involved Generali, where IVASS was group supervisor, the only Italian group designated as an Internationally Active Insurance Group (IAIG), and Allianz where IVASS was host supervisor. The analysis of the systemic risk management plan, liquidity risk management plan and recovery

plan continued, to check their consistency with the evolution of the global economic scenario and the structure and activity of the groups concerned. Discussions continued with other Supervisors to plan activities to develop and update the resolution plan, in view of the upcoming enactment of the Insurance Recovery and Resolution Directive.

Relations with the MEF, the ECB, the Bank of Italy and CONSOB – The reference regulations on non-market transactions in favour of SACE S.p.A., modified by art. 2 of decree law no. 23 of 8 April 2020, have set up at the MEF a Committee for public financial support for exports aimed at strengthening support for exports by Italian undertakings. The Committee may be assisted by its member administrations and may request technical opinions from IVASS. In 2023, the Institute was invited to participate, without voting rights, in four meetings of the Committee. No opinion was requested from IVASS regarding the transactions analysed.

IVASS continued its collaboration with the Bank of Italy and CONSOB for the monitoring of the positions held by corporate officers in the corporate bodies of banks, insurance companies and financial companies (*interlocking*).

Information and documents were exchanged with the ECB and the Bank of Italy on 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. A Memorandum of Understanding is being drawn up to strengthen cooperation between the Institute and the Commission in the exercise of their respective institutional activities with respect to insurance issuers.

International Activities – IVASS participates in EIOPA working groups to improve supervisory convergence among European authorities.

Among the comparative studies on internal models, the Market and Credit Risk Comparative Study (MCRCS) 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 2023 three Italian groups and one individual company, out of a total of 20 models approved in the EU, took part in the exercise. The results of the analysis and their rank against their peers were discussed in bilateral meetings with the companies.

75 companies from 34 insurance groups from 18 European countries participated in the second exercise of the Non-Life Comparative Study (NLCS). The study compared non-life premium and reserve risk estimates made with internal models, over the period 2016-2020. The final report, prepared with the support of national authorities and published by EIOPA¹⁸⁹, provides an overview of the supervisory initiatives taken as a result of this study. 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 was concluded. 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 results

¹⁸⁹ https://www.eiopa.europa.eu/publications/comparative-study-non-life-underwriting-risk-internal-models_en_

were shared with the participating groups and were published in the EIOPA's final report Comparative Study on diversification in internal models¹⁹⁰. The study provides an overview of modelling approaches and provides to national authorities with various diversification indicators, useful for ongoing monitoring of the adequacy of internal models.

The activities of the working groups for the Comparative study on modelling of Life Risk and the Operational risk initiative continued. The first investigates the understanding of life underwriting risk in internal models to provide European authorities with tools for supervision. The second study aims to produce a qualitative overview of existing internal models for operational risks and good supervisory practices.

A working group was set up to analyse templates for groups and companies adopting an internal model. The activity involved the development of the design and IT architecture of an analysis tool for producing a descriptive report of the main findings of internal models.

IVASS contributed to the drafting of the chapter of EIOPA's Supervisory Handbook (SRP Handbook) dedicated to risk calibration of internal models, to be published soon. The manual contains the key elements that national authorities are recommended to consider when assessing the calibration of companies' internal models, in order to foster the convergence of supervisory actions and improve their quality. Roles in the governance of the internal model calibration process are outlined, and the document set underlying the process and the input data necessary for calibrations are defined, together with the relevant legal requirements. Particular attention is paid to how expert judgement is used and to the uncertainty of parameters, which is relevant when limited or unreliable data are available. The importance of backtesting is emphasised as a fundamental tool in model validation and calibration.

The Institute participates in Expert Network 4 (ENW4), which explored issues related to technical risks and internal models including the examination of the evolution of catastrophe risk models in light of climate change, and in Expert Network 8 On Reinsurance (ENW8), in which, following insights into the use of reinsurers based in third states, IVASS contributed to the Supervisory statement on supervision of reinsurance concluded with third country insurance and reinsurance undertakings.

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¹⁹⁰ https://www.eiopa.europa.eu/publications/comparative-study-diversification-internal-models en

2. - MACRO-PRUDENTIAL SUPERVISION

IVASS combines micro-prudential supervisory action with assessments on the financial stability of the insurance industry, analysing systemically relevant risks and favouring the development of insurance macro-prudential supervision tools. For this purpose, IVASS participates in national and international work to share and coordinate actions aimed at strengthening the resilience of the insurance and financial sector as a whole, in close collaboration with the Bank of Italy¹⁹¹.

After the low interest rate environment of a few years ago, which was one of the main challenges for insurance companies globally, especially in the life sector, the sudden and high increase in interest rates has had an impact on the Italian insurance market through the increase in early terminations of life contracts and the depreciation of assets. The resulting difficulties in obtaining cash flow without realising economic losses were reflected in an increased liquidity risk, on which IVASS remains highly focused.

Internationally, the exposure of insurance companies to the real estate sector is closely monitored, given the associated risks that could undermine financial stability. IVASS launched an investigation to monitor the risk associated with the real estate sector and, specifically, the non-residential sector.

In order to assess the resilience of the European insurance market's capital and liquidity positions to adverse changes in financial and insurance variables, EIOPA also initiated a new stress test exercise involving four Italian groups; IVASS decided, at national level, to extend the exercise to seven more companies.

THE 2024 INSURANCE STRESS TEST

EIOPA launched a new stress test exercise in April 2024 to assess the resilience of capital and liquidity positions of the European insurance market to unfavourable changes in financial and insurance variables, based on a scenario characterized by intensifying geopolitical tensions leading to low growth, high inflation, and adverse shocks contributing to further inversion of the yield curve.

The financial shocks considered include rising premiums for risks related to government and private bonds, an increase in risk-free interest rates, and a decline in the stock and real estate markets. The insurance shocks considered are an increase in surrenders for life policies, in non-life claims costs and expenses, a reduction in premiums earned and a reduction in amounts recoverable from reinsurance¹⁹².

Insurance companies are affected by the economic environment designed through multiple channels, including inflation in the cost of claims and expenses, financial market volatility, and policyholder behaviour.

The reference date for the exercise is 31 December 2023 and the scope includes the main 48 European insurance entities ¹⁹³, of which four Italian groups (Generali, Unipol, Intesa Sanpaolo Vita and Poste Vita). As in the past, EIOPA will publish aggregate results at the end of 2024 and, for greater transparency, will require voluntary publication of individual results by participating entities. For a more comprehensive assessment of the resilience of the Italian insurance system and in line with the previous exercises, IVASS extended the stress test exercise to seven Italian insurance entities (groups with assets over EUR 3 billion and one individual company with assets over EUR 10 billion).

¹⁹¹ IVASS's assessments of systemic risks in the insurance sector feed into the semi-annual Financial Stability Report published by the Bank of Italy.

https://www.eiopa.europa.eu/insurance-stress-test-2024_en

¹⁹³ With a European market share of 75% of total assets.

The risks of the Italian insurance sector - At national level, IVASS carries out monitoring at different frequencies (from weekly to 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.

The quarterly analysis ¹⁹⁴ of financial stability risks based on indicators defined at European level and adapted, where appropriate, to the specificity of the domestic market ¹⁹⁵ (Risk Dashboard) shows that in the fourth quarter of 2023 the risks for the Italian insurance sector are decreasing slightly, although liquidity risk remains high due to the persistent dynamics of early terminations of insurance contracts. The industry's profitability is recovering, despite the fact that the non-life sector is suffering, in part, from higher claims expenses, particularly those resulting from climate change-related events. Market risks declined as a result of both the decrease in the volatility of bond yields and equity prices, and the contraction of the spread between guaranteed and realised rates of Italian life insurance companies and the spread between the duration of financial assets and liabilities.

Table IV.1

IVASS Risk Dashboard								
	Q4-2023	Q4-2022						
Macro Risks	Average	Medium-high						
Credit Risks	Average	Average						
Market Risks	Medium-low	Medium-high						
Liquidity Risks	High	High						
Profitability and solvency risks	Medium-low	Average						
Interlinkages Risks	Medium-low	Medium-low						
Insurance Risks	Low	Low						
Market perception	Low	Low						
Environmental, Social and Governance (ESG) Risks	Medium-low	Average						
Cyber Risks	Average	Medium-low						

The riskiness of the Italian insurance sector, as perceived by the market, remains low: market indicators show increasing expected profits in March 2024, in line with European markets.

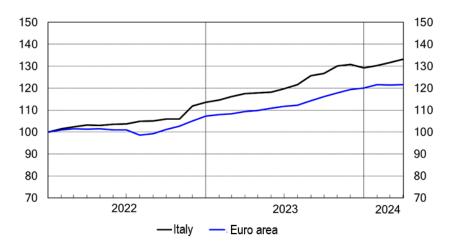
¹⁹⁴ The calculations refer to the information for the quarter under analysis for the insurance indicators and to the most up-to-date information for the market indicators which, in some cases, take account of forecast estimates aimed at strengthening the outlook

¹⁹⁵ 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).

Figure IV.5

Expected profits of Italian and European insurance companies (*)

(monthly data; indices: January 2022 = 100)



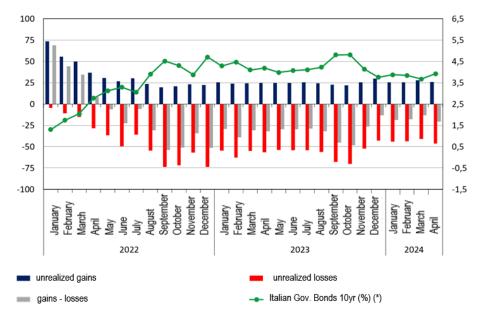
Source: statistics based on Refinitiv data. - (*) Weighted average for the number of outstanding shares of expected profits per share over the 12 months following the reference date of a sample of leading Italian and euro-zone insurance companies. Italy includes Assicurazioni Generali, Mediolanum Assicurazioni, Poste Italiane, UnipolSai. The euro area includes the major companies included in Datastream's index of the area's insurance sector.

Unrealised capital gains and losses – The decline in bond yields since November 2023 has been reflected in a contraction of net unrealised capital losses on investments, which amounted to €21 billion in April 2024 (Fig. IV.6), mainly attributable to public and private bonds.

Figure IV.6

Unrealized gains and losses on investments

(monthly data; billion euro and percentage values)



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

IVASS analyses unrealised capital gains and losses at the level of the individual separately managed account, calculating the ratio of securities with capital gains or minimum capital losses ¹⁹⁶ to the total securities held in the individual account. The lower the value of the indicator, with the same management strategy, the greater the company's exposure to losses when selling securities, where unrealised capital losses are realised. At the end of 2023, an improvement is observed at market level, with the average indicator at 44%, 9 percentage points higher than in 2022.

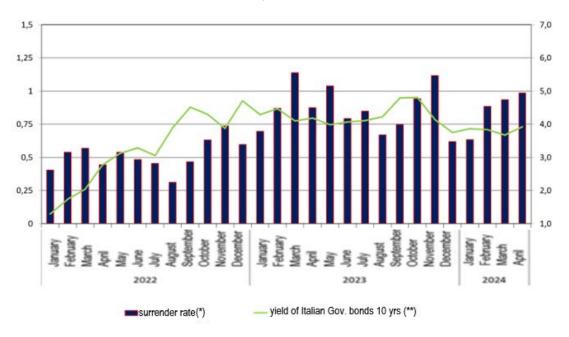
Early terminations of insurance contracts and liquidity risk as a whole – In addition to maintaining enhanced monitoring of investments and life premium income¹⁹⁷, IVASS has continued its in-depth investigations into early terminations of life contracts since 2022.

For the domestic market, the ratio of surrenders to premiums ¹⁹⁸ at the end of 2023 was 96%. In April 2024, the indicator remains high, reaching 92%, 4 percentage points higher than in the same period last year. The phenomenon remains significant for companies that distribute mainly through the banking channel or financial promoters, with a ratio of 105%, compared to 119% in April 2023.

Analyses conducted by IVASS showed a causal link between the observed Italian government bond yields and the monthly surrender rate ¹⁹⁹.

Surrender rate and yield of Italian Government bonds
(monthly data; % values)





Source: statistics based on IVASS and Refinitiv data - (*) The surrender rate is calculated as the ratio between the cost of surrenders in Class I in the reference month and the book value of the separately managed account. - (**) right scale.

¹⁹⁶ Up to 2% of the value entered in the general ledger at the purchase price or, if not available, of the balance sheet value.

¹⁹⁷ Since October 2023, monitoring has been carried out on a fortnightly basis.

¹⁹⁸ The surrender-to-premium indicator is calculated as the ratio of surrenders to premiums. Data are cumulative.

¹⁹⁹ The surrender rate is calculated as the ratio between the cost of surrenders in Class I and the book value of the separately managed account.

The dynamics and reasons underlying early terminations are influenced not only by the distribution channel but also by the size of the policy. Although surrenders for policies with provisions exceeding €500,000 accounted for only 1% of the 1.6 million contracts surrendered in 2023, in terms of value they generated 29% of the settlements recorded for the year. For these policies, the ratio of surrenders to provisions set aside by companies (lapse ratio)²⁰⁰ is 18%, almost double the market average for the same period (10%; Fig. IV.8).

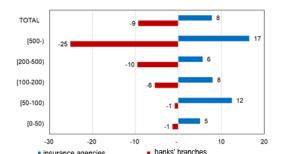
31% of surrendered contracts relating to with profit policies linked to separately managed accounts had a surrender value lower than the premium paid; this percentage takes a sharply decreasing course as the amount of the provision increases.

For policies with provisions in excess of €500,000, 65% of the provisions are attributable to companies that distribute products primarily through banks and financial promoters. 61% of total surrenders in 2023 and 80% of surrenders on larger policies can be attributed to these companies. Compared to 2022, the provisions of companies distributing products mainly through banks and financial promoters decreased by 9% overall, due to a generalised decline in all contract ranges considered (Fig. IV.8); in the range with provisions above €500,000, there is a decrease of 25%. In contrast, the provisions of companies distributing mainly through the traditional channel increased by 8%, thanks to a generalised increase, especially in the segment with provisions above €500,000 (+17%).

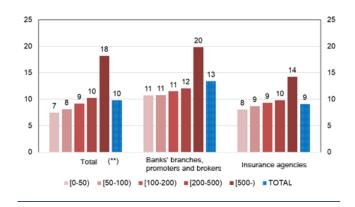
For policies with provisions in excess of €500,000, which are characterised by better contractual conditions, early termination seems to result from more conscious financial choices that are sensitive to the alternative return offered by financial products deemed to be substitutes for insurance.

Figure IV.8





Lapse ratio (Data as at 31 December 2023; % values)



Source: statistics based on IVASS data – (**) Data for the total sample include post offices.

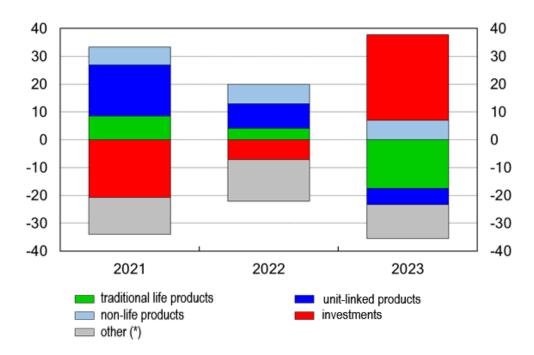
Higher surrender outflows, together with lower premium income, have led to a substantial change in the composition of insurance companies' cash flows over the two-year period 2022-2023 (Fig. IV.9). The progressive contraction of the net balance of life insurance cash flows and the resulting liquidity needs are

²⁰⁰ The lapse ratio is an indicator given by the ratio of the amount of settlements due to surrenders for the period to the provision set aside at the beginning of the same period.

being met by companies by not reinvesting securities at maturity, thus reducing the investment capacity of the Italian insurance industry.

Figure IV.9





Source: statistics based on IVASS data - * "Other" net cash flows, which include, inter alia, operating expenses, intra-group flows and taxes, are only marginally affected by the performance of the insurance business.

Real estate sector - The real estate sector, especially Commercial Real Estate (CRE), is internationally considered vulnerable to the cyclical risks associated with rising inflation and the pronounced deterioration of growth prospects due to continuing geopolitical tensions.

The quarterly monitoring of vulnerabilities in the Italian insurance sector²⁰¹ revealed a limited risk with regard to the real estate sector, given the companies' low exposure of 4% of investments at the end of 2023 compared to a European average of 10% at the end of 2022²⁰². Almost all of the exposures of Italian insurance companies to the real estate sector are commercial, of which 56% through real estate funds. The Italian insurance market assesses the risks associated with the sector as low not only because of the limited exposure but also because of the high quality standards of the real estate held and the reliability of the tenants.

²⁰¹ IVASS collects information in addition to the supervisory reporting harmonised at European level. The analysis is based on a sample of individual undertakings and groups, representing more than 90% of the market in terms of assets.

Real estate investments are identified in SII reporting following the EIOPA methodology (FAQ 22 https://www.eiopa.eu/system/files/2021-09/faq insurance statistics.pdf).

3. - ANTI-FRAUD SUPERVISION 203

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

In 2023, IVASS addressed the issue of MTPL insurance policies related to the use of vehicles with an invalid Single Document, subject to the so-called mini-transfer in the event of sale to a car dealer or used vehicle seller. In July 2023, a letter to the market was published in which all companies operating in the MTPL insurance sector in Italy were asked to carry out checks to intercept any irregular assumption of risk. The letter clarifies that liability arising from the use of these vehicles must be covered by a special insurance policy on the test plate. IVASS's action has stimulated investigations by the police to verify the display of the test plate, as well as the entitlement to the tax benefits set out in Article 56(6) of Legislative Decree No. 446/1997. This resulted in an increase in the number of reports from the authorities and the adoption by companies of measures to resolve the critical issues related to existing contracts, as well as to put in place safeguards to ensure the correct taking up of risks.

Reports submitted by individuals and the monitoring of data in the Claims Database brought to light alleged illegal cases, including significant cases of identity theft. IVASS has launched targeted analyses, taking a census of suspicious cases and conducting in-depth investigations to provide companies with useful elements to activate controls at the risk-taking and claims settlement stages. A verification, reporting, monitoring and alerting procedure has been developed to address, in the interest of consumers and the market, the misuse of personal data in the insurance sector.

An analysis was carried out on the phenomenon of vehicle registrations to nominees, and cooperation with the police was undertaken to define and adopt measures to counter and proactively intercept cases of use of fictitious persons.

Intense investigation activity was stimulated by requests from the police engaged in roadside checks, with reference to the regularity of insurance coverage and the appropriateness of the procedures adopted by companies to make the data flow to the database of insurance coverage managed by the Ministry of Infrastructure and Transport punctual and complete.

Access by private individuals to the data in the Claims Database recorded an increase of almost 70% in 2023 (788 compared to 465 in 2022), a clear sign of greater awareness of IVASS's anti-fraud activity on the part of the public involved in road traffic accidents. Specifically, the 678 access requests concerned personal data (394 in 2022), while 110 accesses concerned third-party data (71 in 2022). Requests for access by law enforcement agencies are also growing steadily and significantly (130 compared to 87 in 2022, an increase of about 50%), as are applications for new authorisations to consult the Claims Database (136 compared to 103 in 2022, with an increase of 32%) submitted by the staff of judicial and local police structures.

With reference to notifications reporting to IVASS alleged irregular conduct by market operators or third parties, 33 complaints (24 in 2022) submitted by consumers were handled, while 158 indications (151 the previous year) were received from security authorities, for alleged irregularities implemented by insurance companies, mostly relating to failure to notify or late notification of MTPL insurance cover to the database managed by the Ministry of Infrastructures and Transport. The investigations confirmed, in most cases, delays on the part of companies in implementing the Insurance Coverage Database due to

 $^{^{203}\,}$ Pursuant to Article 21(2,f) of Decree Law no. 179 of 18 October 2012, converted by Law 221/2012.

computer or human error, while cases of non-compliance with the insurance obligation on the part of private individuals are limited. In addition, 148 general enquiries were received and dealt with.

3.2. - Undertakings' anti-fraud activities

Provisional data on undertakings' anti-fraud activities in 2023 – 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 2023 have been drawn up (tab. IV.2).

Table IV.2

	2023	reports - ISV	AP Regulatio	n n. 44/ 2012	2		(verita)
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	3,526,123	184,920	41,321	16,335	1,566	82
	FRIULI VENEZIA GIULIA	992,673	40,102	8,901	3,013	371	50
	LIGURIA	1,152,796	75,667	17,182	7,052	862	196
NORTH	LOMBARDIA	7,488,308	465,142	92,306	33,419	4,140	330
NORTH	PIEDMONT	3,408,111	182,844	45,142	15,954	1,958	188
	TRENTINO-SOUTH TYROL	1,294,914	46,217	13,836	2,922	547	32
	AOSTA VALLEY	115,790	5,662	1,199	484	91	2
	VENETO	3,870,936	175,156	33,058	10,640	1,240	73
	North - Total	21,849,651	1,175,710	252,945	89,819	10,775	953
	LATIUM	4,246,884	303,709	79,566	37,992	4,517	415
	MARCHE	1,195,672	58,190	12,394	5,140	611	40
CENTRE	TUSCANY	3,125,762	179,085	38,280	15,904	1,692	77
	UMBRIA	726,955	35,310	7,543	3,142	395	16
	Centre - Total	9,295,274	576,294	137,783	62,178	7,215	548
	ABRUZZO	967,518	47,752	11,070	4,269	660	53
	BASILICATA	396,165	16,264	4,907	2,383	375	22
SOUTH	CALABRIA	1,171,491	53,170	17,794	9,821	1436	123
300111	CAMPANIA	3,018,835	218,045	110,739	71,237	10,335	955
	MOLISE	232,251	10124	3,427	1,766	315	18
	APULIA	2,473,662	132,909	42,707	20,226	2,599	269
	South -Total	8,259,922	478,264	190,644	109,702	15,720	1,440
	SARDINIA	1,127,450	62,783	13,001	4,902	706	13
ISLANDS	SICILY	3,165,622	197,765	57,814	26,849	2,910	134
	Islands - Total	4,293,073	260,548	70,815	31,751	3,616	147
Domestic Total		43,697,919	2,490,815	652,187	293,450	37,326	3,088

Compared to the previous year, there was a slight increase in risk units for claims reported of +1.6% and +0.6% respectively. The number of claims closed without payment as a result of anti-fraud activities

carried out have remained substantially stable (37,335 claims in 2022). Claims subject to reporting/legal action have again recorded a growth (+3.2%).

Undertakings' anti-fraud activities in 2022 – 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 2022 the total number of reported claims is 2.5 million, up +4% on a national basis compared to the previous year, but still lower than in 2019 (last year before COVID) when 2.8 million claims were recorded.

In parallel with the rise in reported claims, claims classified as at risk of fraud (627,000 vs. 565,000) increased by +11% compared to 2021. Claims to be investigated for fraud risk remained substantially stable, standing at 297 thousand (300 thousand in the previous year), with a slight decrease (-1%).

Insurance companies initiated 1,782 criminal proceedings related to the claims settlement phase, down by -18% compared to the previous year. On the whole, 16,868 criminal proceedings were brought by the undertakings from 2016 to 2022, of which 37% with final outcomes (6,201).

In 2022, claims closed without follow-up for fraud risk confirmed a slight decrease (37,000 compared to 40,000 in 2021, -6% compared to the previous year), the savings achieved by companies due to antifraud activities, amounting to 203 million euros, showed a slight decrease compared to 2021 (-5%, it was 214 million).

4. - PRUDENTIAL ON-SITE SUPERVISION

On-site supervision contributes, together with off-site supervision, to the supervisory review process. It aims to ensure the full effectiveness of supervisory action by supplementing the information framework available to IVASS with elements of quantitative and qualitative analysis as well as interpretations of corporate phenomena that cannot otherwise be acquired. Specific inspection techniques (access to company archives, walk-through analysis of operational and control processes, sample checks) and the constant interaction with corporate officers make it possible to collect data and information suitable for a more accurate assessment of risk profiles, especially for those characterised by a significant qualitative dimension. In this perspective, of particular relevance is the contribution provided by inspections on issues such as the adequacy of corporate governance and internal controls, the functionality in practice of the organisational structure, the quality of the risk management system and the presence of an appropriate risk culture, and the reliability of data and market information.

In 2023, 26 inspections were carried out, 18 of which at insurance undertakings. They related to prudential supervision profiles in 13 cases, and in other five cases market conduct aspects (see Chap. V.9). Nine inspections were conducted at major companies, covering 85% of large companies and 49% of the entire market over the last three years. One inspection was conducted in collaboration with the home supervisory Authority, at the Italian branch of an Irish undertaking.

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. The assessment of corporate governance structures represents a major topic for the supervisory activity; the good quality of corporate bodies and corporate officers is in fact the main safeguard for a sound and prudent management.

Inspections are conducted in a hybrid mode, with on-site presence by far the most prevalent, accompanied by off-site activities. 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.

Insurance undertakings — When planning the 13 inspections on profiles of prudential relevance, a minimum frequency of on-site assessments on all the undertakings was ensured, with two 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 eleven audits covered: the strategic risk and sustainability of the business model in the new macro-economic environment for a life company using the banking distribution channel and a non-life company with an ambitious development project in non-motor insurance; the management of financial assets and related risks, with particular reference to investments in complex or illiquid financial instruments; the governance, management and control of ICT and cyber security risks; follow-up on the adequacy of the remedial actions implemented to remove deficiencies resulting from dysfunctions in the governance of

Solvency II assessment processes. In the case of large companies, the functionality of the group's corporate governance system and relations with subsidiaries, as well as the role played by the latter, were examined; management and coordination activities vis-à-vis group companies in the field of non-life and life reserving, as well as control and monitoring activities carried out in the capacity as the ultimate Italian parent company; how motor liability and general liability provisions for claims outstanding are updated for inflation.

In the audits on strategic risk, areas for improvement emerged first of all with regard to the lack of regulation of the strategic planning process, which defines the roles and responsibilities of the actors involved, the assumptions and methodologies underlying the assessments, as well as monitoring and reporting methods, also in order to ensure the involvement of the Board of Directors in determining strategies and assessing execution risk, at the stage of preparing the plan and not only at the time of its final approval. Secondly, with reference to volume and profitability growth forecasts, the need was noted to strengthen their demonstrability, when developed on the basis of expert judgements, and to accompany them with rigorous sensitivity analysis.

The governance, management and control of ICT risks are topics to which inspection activity, in line with IVASS's strategic priorities, has progressively given more space. In this regard, the investigations aim to verify the consistency of ICT strategies with corporate objectives, the ability of the information system to constantly support decision-making and risk management processes and their evolution, data governance, IT security management with a specific focus on cyber security, and the adequacy of controls. The audits conducted identified areas for improvement mainly related to data quality controls and outsourced activities; in the area of cyber security, the need to strengthen the authentication system for access to corporate systems from external networks, as well as to adopt uniform criteria for classifying and handling incidents, was reported.

Out of the eleven inspections carried out, four judgements were issued in the unfavourable area.

In the area of financial risk management, weaknesses emerged in terms of the methodologies supporting cash flow projections for Asset Liability Management (ALM), mainly aimed at minimising the economic impact of fluctuations in the risk-free rate curve, with the duration gap as the sole indicator and risk limit, without measuring misalignments between assets and liabilities at different maturities. Other critical issues, which were confirmed in the backtesting analyses, concern the process of estimating new business and the models used for surrender forecasts.

On the subject of corporate governance, the profiles reported concerned the exercise by the Board of Directors of its prerogatives of direction and supervision over management activities, characterised by the issuance of generic policies - with a consequent excessive expansion of the Executive's discretionary powers - the need to ensure a composition of the body consistent in terms of collective adequacy, with size and operational complexity, as well as the need to ensure timely information flows to the Board, especially on issues of strategic importance, as a fundamental prerequisite for the body to act in an informed manner. In this context, another topic discussed in depth was the role of the Chairperson of the Board of Directors, as promoter of the smooth functioning of corporate governance and guarantor of the balance of power vis-à-vis the Executive Committee.

Finally, on the subject of reserve risk, the discussion focused on corporate policies, which cannot be limited to mere references to regulations, but must provide appropriate indications to circumscribe the discretionality of operational structures and allow effective control over the compliance of practices with the Board guidelines. The need for methodological documents to describe in detail the criteria to be followed for calculation and validation activities was reiterated, especially within groups, in order to limit the adoption of different methodological approaches between companies to the proven specificities of

individual company portfolios. A further focus of attention was the Future Management Action (FMA) Plan, whose need for an independent critical review by the administrative body, its binding nature for management, and the need for a precise assessment of its consistency with the company's and the group's current operating practice and strategy were underlined.

For one of the four inspections companies with an unfavourable opinion, sanctioning proceedings were initiated in relation to the deficiencies found.

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 Order No. 111/2021. Companies operating under f.o.s. are asked to send a reduced set of information.

In 2023, the Institute participated in the Supervisory Colleges on AML/CFT, established in implementation of the guidelines (JC 2019-81 of 16 December 2019) issued by the three European Supervisory Authorities (ESAs) and aimed at achieving effective supervision over Groups with cross-border operations.

Sanctioning procedures were commenced against one insurance company and five 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 three 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.

5. - COMPULSORY WINDING UP

In 2023, the companies of the Eurovita Group, i.e. Eurovita S.p.A., a company operating in the life sector, and the parent company Eurovita Holding S.p.A., were placed in compulsory winding up. (Decree of the Ministry of Enterprises and Made in Italy of 27 October 2023). IVASS appointed the bodies administering winding-up proceedings, common for the Group companies, which started the winding-up operations (see Chap. IV.1).

The adoption of compulsory winding up measures followed the crisis of the companies, in respect of which provisional administration and subsequently extraordinary administration measures had been taken. In order to safeguard the interests of policyholders and employees, a system operation was defined, with the authorisation to the transfer of the corporate assets, including the insurance portfolio, from Eurovita S.p.A. to a new company, Cronos Vita Assicurazioni S.p.A.

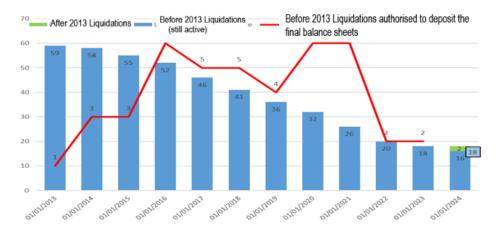
The supervision of undertakings undergoing administrative compulsory winding up is constant and continuous, with the aim of verifying the regular performance of asset realisation, determination of liabilities and distribution of amounts owed to creditors. 141 transactions were analysed in advance and authorised after verification of the prerequisites, while 70 acts of appointment, extension, renewal or replacement of liquidators and members of supervisory committees were issued.

In 2023, the activities carried out by the Institute also made it possible to achieve:

- the authorisation to file, with the competent court, the final balance sheet, financial statements and final allocation plan of the companies Delta S.p.A., closed with pending legal proceedings pursuant to Article 261(7) of the CAP, and of Comitas S.p.A., which completed the final proceedings and was removed from the registrar of companies;
- the removal from the registrar of companies of Arfin Solutions S.r.l. (Arfin Group) and Emmecivì S.r.l. (Previdenza Group) that had previously filed their final documents.

With regard to the real estate assets of the liquidations, whose presence is often the main obstacle to closure, IVASS' attention has long been paid to the methods of auction sale and the related publicity, with initiatives taken to encourage the sale of the remaining assets, in line with most recent provisions of the Crisis Code and the Code of Civil Procedure. As a result, three further real estate assets were sold in 2023, which made it possible to start the closing procedure for two liquidations. Between 2015 and 2023, 87 properties were sold.

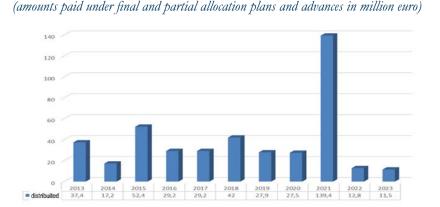
Figure IV.10 Liquidation procedures from the establishment of IVASS to 31 December 2023



As to the disbursement to creditors, in 2023 IVASS authorised the disbursement of a total of 11.5 million euro to the creditors admitted to the final allocation plan of Comitas S.p.A. and Delta S.p.A. Among the creditors of Comitas 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.

Based on the data provided by Consap S.p.A. – Fondo di Garanzia per le Vittime della Strada (the national guarantee fund), in 2023 damages amounting to 3.5 million euro were paid for MTPL claims caused by policyholders insured with undertakings placed under administrative compulsory winding up.

Figure IV.11
Payments to creditors from the establishment of IVASS



The Institute continues to be 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 2023, the Romanian Supervisory Authority ASF (Autoritatea de Supraveghere Financiară) informed that the Bucharest Court declared the bankruptcy of Euroins Romania Asigurare Reasigurare S.A.

V. MARKET CONDUCT SUPER VISION AND CONSUMER PROTECTION

Conduct risk is receiving increasing attention at the European level for the adequate protection of policyholders and the impact on the prudential management profile. The long-term sustainability of companies goes through reliability, product quality, behaviour at the "moment of truth" when claims have to be paid, and reputation. Market conduct is central for insurance companies and supervisors.

On this basis, IVASS has defined an integrated system of consumer protection actions aimed at achieving high standards of protection: from preventive supervision of business processes governing POG (Product Oversight and Governance) to interventions on insurance products that do not meet consumer needs; from the cross-examination of customer complaints with companies to the request, when necessary, to remove the organisational shortcomings that are the root cause of such complaints; to increasing efforts on the insurance education front to enable consumers to define their own protection needs and choose the most appropriate insurance solutions.

As regards POG, IVASS's focus, in line with European guidelines, is on ensuring that products, particularly insurance-based investment products (IBIP), have an adequate VfM for policyholders and that there is a fair share of policyholders' profits generated by the products.

IVASS also closely monitors the phenomenon of insurance offers implemented through digital channels and is strongly committed to combating the unauthorised pursuit of insurance business online.

Complaints received by IVASS, which increased in 2023 in the same way as calls to the Contact Centre, plus information on complaints received by companies, represent an information asset that makes it possible to combine the solution of the individual case with a systemic vision. By focusing on recurring reasons for complaints, targeted supervisory actions can be taken. Complaints reflect critical issues in the two fundamental insurance processes, underwriting and settlement, and play an important role in understanding market trends.

Significant, including from a forward-looking perspective, is the use of technology to enhance the handling of consumer complaints, to facilitate the filing of a complaint, and to the management and analysis of complaints, to ensure efficient and effective action of consumer protection.

Law No. 21/2024 included financial, insurance and social security education in the Civic Education curriculum in schools of all levels. In view of the implementation of this reform, IVASS revised the teaching materials for pupils and teachers, and initiated a teacher training programme in conjunction with other institutions. IVASS's presence on the ground was strengthened through collaborations with stakeholders, including universities, high schools and foundations.

1. SUPERVISION OVER MARKET CONDUCT

1.1. - Methodologies and analysis tool

Insurance-based investment products (IBIP): Market monitoring (Layer I) and detailed analysis of individual products (Layer II) - As part of its monitoring of the sale of IBIP products on the Italian market, IVASS completed the implementation of a methodology for analysing these products based on a two-level approach (Layer I

and Layer II), in line with the harmonised methodology developed by the European supervisory community and published by EIOPA on 31 October 2022²⁰⁴.

The first phase of analysis (Layer I), refined over the past few years and based on PRIIP-KID data, aims to identify outliers, characterised by high costs and low expected customer performance, for further investigation in the next phase, Layer II. The selection is made by homogeneous clusters, based on the type of IBIP (with-profit, unit-linked and hybrid) and the Recommended Holding Period (RHP), comparing the total costs (initial, recurring, ancillary, exit, etc.) to be borne by the client (Reduction In Yield - RIY) and the return expected by the client in a moderate financial scenario. The transition to Layer II is triggered when certain indicators are exceeded, including the absolute level of RIY and the balance in the distribution of the profit generated by the product between company and insured. Attention is also paid to the evaluation of demographic guarantees.

Layer II, implemented in 2023, includes a tool (client-side profit test) for the detailed analysis of outliers in order to verify whether or not they have real value (*Value for Money*) for the target customers. On the basis of the analysis of the contract terms and of assumptions of return on the underlying investments, the instrument provides for the projection of the cash flows generated by the product for the client in terms of premiums, costs and benefits throughout the product's life cycle and the determination of the valuation indicators set out in the letter to the market of 27 March 2024²⁰⁵ on POG. Analyses are designed to ensure that costs, taking into account any financial and demographic guarantees, are proportionate to the services provided, thus ensuring a balanced allocation between the company and the customer of the return generated by the product, such that the return expectations, consistent with its risk profile, are not compromised.

Layer II also includes a specific analysis methodology for IBIPs with sustainability features (ESG), taking into account the relevant regulatory framework, which is currently being defined.

The internal funds underlying IBIPs: fund monitoring (Layer I) and detailed analysis of individual funds (Layer II) – IVASS has developed a new analysis tool, based on a two-level approach, to monitor the performance of internal insurance funds of IBIPs and detect potential critical issues related to inefficient financial management that could generate unexpected losses for customers.

In the first phase of the analysis (Layer I), after clustering the funds into homogeneous groups²⁰⁶, thresholds are set linked to the observation of the funds' performance compared to the cluster average, in order to identify outliers, i.e. the internal funds that could generate, with a higher probability than the others, situations of particular distress.

In the next phase (Layer II), in-depth investigations are carried out on outliers, including by comparing performance with the benchmark, if any, in order to assess the need for supervisory intervention and to anticipate any situations that could lead to client detriment.

Supervision over intermediaries - priority for analysis - The high number of intermediaries subject to supervision by IVASS (over 32,000 registered in the Single Register of Intermediaries, including agents,

²⁰⁴ Methodology to assess value for money in the unit-linked market; https://www.eiopa.europa.eu/document-library/methodology/methodology-assess-value-money-unit-linked-market_en

²⁰⁵ https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2024/lm-27-03-24/index.html

²⁰⁶ This regards 21 clusters.

brokers, banks and other financial entities, with a pool of collaborators exceeding 197,000) makes it necessary to have tools to prioritise supervisory activities, according to a risk-based approach.

To this end, an IT application has been developed for data collection and exploitation, based on the communications transmitted annually by Italian and foreign companies²⁰⁷ on premiums collected through their sales networks and on the data available to IVASS in the RUI databases, to develop indicators suitable for intercepting intermediaries with anomalous operations or trends in the volumes of premiums mediated and/or with complex networks of collaborators.

The analysis of the indicators contributed to the supervisory activities on the business models of intermediaries and the distribution policies of insurance companies (see 1.2 and 1.4 below).

1.2. - Conduct supervision on undertakings

Supervision of IBIPs - IVASS intervened on four companies that had products in their portfolios characterised by high costs and low expected performance, identified as outliers and for which the Layer II profit test had confirmed the critical aspects.

The in-depth study led the companies: in one case to decide to stop marketing the product, in another to carry out a complete restyling of the product, and in the other cases to reduce the costs applied to the products in order to improve performance for policyholders.

Based on the methodology for monitoring the performance of internal funds underlying IBIPs, IVASS intervened on two companies: in one case, the significant incidence of fixed charges on run-off funds was verified, in another, the inefficiency of the financial management of the funds, which had been entrusted to an external manager and which, following the findings, the company took back in-house.

The information resulting from fund monitoring was supplemented with the analysis of 117 notifications for losses exceeding 30% on unit-linked contracts sent to IVASS pursuant to Article 26 of IVASS Regulation No. 41/2018. Action was taken against two companies with significant disclosures in terms of the number of policyholders involved and/or the recurrence of the products and funds concerned. For one company, the monitoring, management and safeguarding activities on the funds underlying the products were investigated. In another case, supervisory intervention led the company to eliminate the monthly fixed costs applied to the product.

Supervision of the POG (Product Oversight Governance) process – Supervision of the POG process focused on the check of the models adopted by Italian operators for the definition of the target market, product testing, VfM methodology and the post-sale monitoring.

The activities were carried out in line with the EIOPA guidelines²⁰⁸ on supervision of the POG process and with the EIOPA methodology on the VfM of IBIP products.

In 2023, follow-ups of POG inspections were carried out against five companies for which the onsite checks had revealed shortcomings in certain process steps. The remedial plans adopted by the companies to overcome the inspection findings were examined and thematic meetings were organised with

https://www.eiopa.eu/publications/eiopas-approach-supervision-product-oversight-and-governance en

²⁰⁷ IVASS Regulations No. 44/2019 and 50/2022.

the companies to investigate the measures adopted and monitor their progress, requesting, where necessary, appropriate improvements. The distribution strategies of companies were explored in depth (see below).

In discussions with companies, special focus was placed on aspects related to the customer-side profit test of the product and the VfM model, the subject of the expectations set out in the letter to the market on POG of 27 March 2024.

The activity led the companies to a review of processes and a reorganisation of the governance system, with a greater empowerment of the control functions and, in some cases, the suspension of the sale of products that were critical in terms of actual customer value and the gradual review of all the products in the portfolio on the basis of the new VfM models.

Supervision of extraordinary transactions on internal funds and separately managed accounts of IBIPs — Proceedings were instructed in connection with seven mergers, proposed by six companies, which involved 20 separately managed accounts.

The merger transactions, which increased significantly compared to 2022, arose from the need to rationalise the number of managements by improving, as a result of their greater size, the management efficiency of investments and the level of liquidity, with the consequent possibility of coping with surrender outflows by reducing the risk of having to realise capital losses.

As part of an extraordinary corporate reorganisation operation, proceedings were instructed for the demerger of a separately managed account and six internal funds together with two mergers of separately managed accounts.

Amendments to the regulations of 16 separately managed accounts and 6 internal funds were examined to ascertain the absence of prejudice to policyholders. The regulations of 12 internal funds were also examined.

The documents relating to the establishment of seven separately managed accounts with-profit fund were also examined to verify the compliance of their contents with the regulations. The creation of new managed accounts was motivated by the environment of rising interest rates and the need to have returns in line with the market.

Supervision over non-life products – IVASS has consolidated its analysis of the main non-motor non-life products on the market, also by means of a database enabling the comparison of the main characteristics of the products on the market. In-depth investigations were conducted on policies against cyber risk offered to retail customers and to small and medium-sized enterprises (see par. 4.3).

The claim settlement processes of three Italian companies were investigated in relation to business lines for which, on the basis of the Retail Risk Indicators (RRI) calculated on Solvency II data, values were found to be out of line with market averages (low loss ratios, increase in claims), mainly referring to motor liability, accident and general liability products. As a result of the comparison, the companies took actions to improve settlement activity and reduce complaints.

IVASS launched a series of meetings with ten non-life insurance companies to investigate the conducts adopted by companies with potential negative repercussions for policyholders and intermediaries, concerning the introduction of clauses that would give the company the power to unilaterally change contract conditions (*jus variandi*) and campaigns introducing unfavourable changes in portfolios. The studies are in progress.

Supervision over distribution strategies – As part of the monitoring of POG policies of major insurance companies, analyses were carried out on the selling strategies of some companies with traditional distribution and of those using the banking/financial channel.

Analyses were carried out to identify the risks associated with the distribution of insurance products, based on the findings of the reports on the control of distribution networks submitted by companies pursuant to Article 46 of IVASS Regulation No. 40/2018 and other available documentation (such as open sources, pre-contractual and contractual information available on the web or documentation specifically requested from companies).

Follow-up analyses were conducted with respect to companies affected by inspections during the year and action was taken with respect to critical issues that emerged regarding the proper management of risks associated with insurance distribution.

This concerned in particular the audit of the actions taken to strengthen underwriting processes, profiling and recording of insurance customer demands & needs, the adoption of remuneration policies and policies for the management of conflicts of interest consistent with the best interests of consumers, as well as to ensure the presence of adequate information flows and feedback with the distribution network on the products sold and adequate monitoring of the network itself through appropriate tools, such as dashboards of indicators including POG processes.

Supervision on dormant life insurance policies – IVASS's efforts to facilitate the payment of dormant life insurance policies by companies to beneficiaries continued in 2023.

Apart from the cross-check service on insureds' tax codes against the Tax Register, in collaboration with the Revenue Authority, undertakings were requested to report, by June 30, 2023, on the status of payment of the sums related to the policies that have been cross-checked in 2022 and in past years.

The check showed that undertakings ascertained the entitlement to payment for 110,061 dormant policies (about 59% of the total policies cross-checked), worth more than 5 billion euros, of which 4 billion euros had already been paid and collected by beneficiaries as of June 30, 2023.

Meetings were held with market participants which still had high numbers of unpaid policies, including those audited in the years before 2022, in order to investigate the reasons and seek solutions to facilitate the search for and timely contact of beneficiaries. The meetings, with eight Italian and five foreign operators, as well as with their banking networks, where necessary, revealed that the reasons for the slowdown were the excessive medical documentation required by companies for the settlement, often difficult to find, information exchanges with banking distributors not always well structured or integrated, the search for beneficiaries often based only on sending letters, even repeatedly, without activating alternative systems required by the extraordinary nature of the situation.

As a result of the meetings, operators made commitments to improve procedures and implement more effective services and activities for tracing and contacting beneficiaries.

IVASS initiated targeted inspections of dormant policies to verify the management of the processes. During the year, one inspection was carried out against a company for which examination of the data revealed critical issues. The inspection confirmed the issues, revealing widespread deficiencies, with the significant presence of dormant policies in terms of number and amount. Close follow-up is underway to verify the suitability of the remedial plan adopted to overcome the critical issues identified.

In the latter part of the year, a significant change occurred that will structurally contribute to the reduction of the phenomenon of dormant policies in our country: the implementation of the rule²⁰⁹, introduced in 2028 upon IVASS' proposal, which stipulates that companies can directly access the National Database of Residents (ANPR) to check whether their insureds are still alive. The consultation is mandatory at least once a year, and by 31 March of the following year, companies must report to IVASS on the status of payments.

Data is accessed through the National Digital Data Platform (PDND); this result has been achieved thanks to the collaboration between the Digital Transition Department of the Presidency of the Council and IVASS; the first accesses occurred in November 2023, and companies, both Italian and foreign, are consolidating massive consultation processes.

At the same time, IVASS adopted a new automated data collection procedure called POL.DO. (*Polizze Dormienti* - Dormant policies), based on the Infostat platform, which enables companies to report on the status of payments.

1.3. - Supervision on the activity of foreign undertakings in Italy

In continuity with previous years, the supervision on the entry of foreign companies into the Italian market and their ongoing operation for market conduct issues continued in cooperation with the insurance authorities of the other Member States and with EIOPA.

As at 31 December 2023, 88 EEA insurance and reinsurance undertakings were authorised to pursue business in Italy through an establishment and 897 undertakings by way of free provision of services (without a permanent presence). According to the data on premiums notified by EIOPA, foreign undertakings actually in operation in Italy in 2022 (latest data available) were 330²¹⁰, with a total premium income of 23 billion euro (15.6 in life insurance business and 7.4 in non-life) and a market share of 18% on the entire Italian market.

Foreign companies are mainly active in the life sector (68% of total premiums of foreign companies), in particular with unit-linked policies (85% of life premiums of foreign companies). Undertakings come mainly from Ireland and Luxembourg, with a significant portion of premiums collected by undertakings based in Ireland which relate to Italian banking or insurance groups. Compared to the previous year, there was a decline in premium income in life insurance (-32%), with the largest decrease in index and unit-linked business (-34%).

There was a significant increase in non-life premium income (+12%), mainly collected by companies based in Ireland, France, Luxembourg, Belgium and Germany and pursuing business in motor liability, general liability, fire and other damage to property, credit and suretyship.

Entry of new EU undertakings into the Italian market and supervision following entry – The Cross-border Notification Tool went into effect on 1 February 2023. This tool, developed by EIOPA in collaboration with national authorities, enhances the security and timeliness of information exchanges between national supervisors on cross-border operations.

²⁰⁹ Article 3(1-quinquies) of Presidential Decree No. 116 of 22 June 2007 on deposits and dormant policies as amended by Decree Law No. 119 of 23 October 2018.

²¹⁰ 281 undertakings operating under f.o.s. and 86 with an establishment, with some undertakings active under both systems.

23 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 16 extensions into other classes of business were granted to companies already pursuing business in Italy. Seven 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.

IVASS continued its enhanced cooperation with other supervisory authorities, with the involvement of EIOPA for cases of particular relevance, in relation to the phase prior to the entry of companies into Italy and their current operations, with particular regard to:

- a Luxembourg company and two Austrian companies, operating in the life sector, for which an
 enhanced cooperation with the home authority was activated, aimed at identifying coordinated
 supervisory measures, in relation to critical issues in the Italian market, concerning VfM and product
 distribution policy, in two cases highlighted as a result of inspections carried out on the Italian
 distributor;
- a Croatian company and a French company, active in the MTPL sector in Italy, for which the follow-up aimed at overcoming the critical issues that emerged during the inspection continued; for the French company, the activities ended in 2023 as the company took the necessary actions to remove the findings. The Home Authorities were constantly updated on developments;
- a Bulgarian company, where there were criticalities in the claims management process in the MTPL line of business.

In 2023, IVASS participated in four EIOPA collaboration platforms, the most noteworthy of which are:

- the Slovak company NOVIS for which, in June 2023, the home supervisor adopted the withdrawal
 of the authorisation to the pursuit of insurance business and for which there are concerns for the
 protection of policyholders related to the failure of the Slovak court to appoint a liquidator, nine
 months after the withdrawal of the authorisation;
- a Luxembourg life company, subject to a joint inspection by the home supervisor and host authorities, whose products were found to be critical due to the level and complexity of the costs applied in the versions distributed in various European countries; Following the 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 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 collaboration between authorities, the company never started marketing these products in Italy, and in early 2024 the collaboration platform was closed.

In 2023 IVASS provided updates on conduct in the domestic market in 11 Colleges of supervisors of which it is member, on cross-border groups with significant branches in Italy.

Supervision continued, with the involvement of the home Authority, on two companies operating in the motor liability class, for which critical issues had emerged in the settlement processes and in the system of controls on the Italian distributor, in relation to the latter's additional role as claims manager. In one case, IVASS took part in inspections on the Italian branch at the invitation of the home authority.

1.4. - Supervision of the market conduct of distributors

Supervision of intermediaries' POG processes – For the evaluation of the Product Oversight and Governance (POG) processes of intermediaries, in addition to the supervisory activities resulting from inspections, IVASS developed an action plan aimed at the preventive identification of critical issues in the operations of insurance intermediaries and in the distribution of insurance policies.

A survey was conducted on the distribution policies and POG controls of a sample of intermediaries (agents, brokers, bank/post offices) with retail customers, selected according to their production volumes, type of business, methods of interaction with customers, presence and size of networks of collaborators. Supervisory investigations were carried out on agents and brokers with relationships with foreign companies that had marketed insurance products with a complex structure and dubious VfM to clients.

Interventions focused on the degree of company organisation, the state of implementation of processes on distribution mechanisms and POG policies, with a focus on how product information is shared with manufacturing companies, the process of identifying an "actual target market" for marketed products, and the identification of customer demands & needs.

IVASS is in the process of supervising the examined distributors in order to overcome the criticalities detected and to strengthen the controls adopted in the POG area, and is investigating the business models adopted by brokers of foreign companies to verify whether these organisational schemes produce value for the customer. The presence of a master broker or a wholesale broker operating under the exclusive mandate of the foreign company does not always guarantee adequate distribution processes and higher quality in the insurance offer to consumers. IVASS intervenes by investigating, among other things, the role played by the broker, whether it has direct contact with customers or uses other intermediaries, and whether its presence leads to increased costs.

Meetings were held with six major insurance brokers active in the non-life market for in-depth discussions on their business model, organisational structure and governance structures, POG distribution mechanisms and policies on conflicts of interest and remuneration, as well as their possible role in the design and development of insurance products.

Further meetings were conducted with five banking and financial distributors to study more in-depth the distribution of non-life insurance products, particularly in combination with their typical business products.

Supervisory actions resulting from reports – In 2023, 189 reports (up by 17% compared to 161 reports in 2022) of possible misconduct by intermediaries were examined; these reports were received from consumers, insurance undertakings, intermediaries, the police and other parties. There were 26 lawful revocations of agency mandates, communicated by insurance undertakings and 39 sanctioning proceedings were initiated, mainly related to failure to remit premiums to the insurance undertaking for significant amounts, failure to record policies after the collection of the premium, forgery of insurance documentation and inadequacy of contractual proposals, distribution of false surety policies, failure to control the operation of the network of collaborators.

Table V.1

	Reports receiv	ed by type of intern	nediary	
				(units and % values)
	20	23	202	22
Intermediary	Number	%	Number	%
Agents (section A)	43	22.8	47	29.2
Brokers (section B)	46	24.3	31	19.2
Canvassers (section C)		_		
Banks/other (section D)	_	_	5	3.1
Collaborators (section E)	97	51.3	70	43.5
Other operators	3	1.6	8	5.0
Total	189	100.0	161	100.0

The reports resulted in supervisory actions, aimed at pursuing, among other things:

- a strengthening of recruitment policies on the part of intermediaries in the network of collaborators, also operating inside the premises (both registered and not registered with the RUI, taking into account that even non-members are required to meet the good repute and professional requirements) and of the monitoring of their conduct in the best interests of consumers, in particular to ensure the adequacy of insurance contracts with respect to customer needs. The checks were extended to include the presence of appropriate organisational procedures for controlling the exercise of delegated and proxy powers conferred on the persons responsible for the distribution registered with the RUI;
- better information to users on the identity of the operators 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); in cases of shortcomings in the information provided to customers about the product or in the procedures for acquiring the information needed to verify the suitability of the contract to the customer's needs, appropriate strengthening of the procedures was requested;
- in the area of conflicts of interest, in particular for remuneration mechanisms, the adoption of effective organisational safeguards by reference undertakings and intermediaries aimed at avoiding criticalities in the market conduct of distribution networks in the underwriting phase. These critical issues can be traced back to the achievement of commercial objectives of a quantitative nature, and the lack of controls including: i) the proper appreciation of qualitative elements in the assessment of the distributor's conduct obtained, for example, from any complaints or the pursuit of appropriate training; ii) the adoption of blocking systems in policy sales processes and risk indicators that intercept conduct potentially detrimental to the customer's best interest; iii) the adoption of criteria and instruments that penalise sales non-compliant with the customer's best interest, e.g. remuneration mechanisms linked to the actual duration of contracts and the recovery/return of commissions in the case of non-compliant sales.

In support of judicial investigations, the Institute provided replies to requests for information on intermediaries, received from public prosecutors, the police or the finance police, on registration in the RUI and on the existence of previous supervisory issues.

2. THEMATIC SURVEYS

Policies linked to mortgages and loans – In 2023, the Institute carried out follow up activities on companies and their distributing banks in relation to the survey on PPI – Payment Protection Insurance - policies linked to mortgages and loans. IVASS launched a survey on the pricing of these products and the costs incurred by companies to remunerate the sales network. Targeted letters were sent to 18 companies (12 Italian and 6 foreign) and 8 banks with the aim of learning about the self-assessment initiatives following the EIOPA's guidance provided with a warning²¹¹ and to investigate the critical issues that emerged from the analysis conducted: a low claims/premiums ratio, indicative of a low VfM for the customer, and a high rate of rejected claims, possible indication of a restrictive settlement policies and/or underwriting arrangements not always based on transparency and fairness.

Discussions are underway on actions to improve underwriting and settlement policies of companies and banks. IVASS expects a significant reduction in the rate of rejected claims and increased consumer awareness of the coverages offered and exclusions so that these products have a real value for the customer.

In relation to cross-border business, supervisory activities have been shared with the competent foreign authorities.

Analysis of simplicity and clarity in insurance contracts – IVASS continued its follow-up on the scientific research project to assess, including with the use of artificial intelligence tools, the simplicity and clarity of contractual texts on a sample of 30 accident contracts.

Nine quantitative indices were designed and calculated to measure the clarity of texts, including the Gulpease Index, which measures the level of comprehensibility; the values were compared with those of the Italian Constitution, which is considered to be an effective and easily accessible legal text in terms of syntax and language. Alongside quantitative analysis, a qualitative analysis was carried out on the elements of structure, customer orientation and graphics.

The survey showed that contractual texts have a level of difficulty higher than for the Constitution, with critical aspects regarding the language and syntax that make them difficult to understand for citizens with primary and secondary school education and also put higher educated citizens at a disadvantage.

The report with the results of the survey²¹², the best practices identified and IVASS' expectations were disclosed during a workshop on June 26, 2023.

IVASS sent each insurance company in the sample a product analysis sheet, pointing out the points of improvement and asking companies to let IVASS know any comments and initiatives to improve the clarity and transparency of their contract texts. Based on these suggestions, companies have started the revision of contract texts, which will gradually affect the entire portfolio and is expected to be completed between 2024 and 2025. The Institute is also monitoring these activities through meetings with the companies.

²¹¹ In October 2022, in accordance with Article 9.3 of Regulation (EU) 2010/1094.

²¹² Analisi quali quantitativa chiarezza contratti 26 6 23.pdf (ivass.it)

Policies against cyber risk – IVASS has conducted a survey²¹³ on insurance policies against cyber risk (cyber policies), available on the Italian market as at 30 July 2023. The analysis looked at a sample of 50 insurance policies for individuals or households (retail customers) and SMEs, either stand-alone or modular²¹⁴. The survey showed that:

- the policies for SMEs mainly cover financial losses incurred by the firm following a cyber-attack, compensation for damage caused to third parties and legal expenses for disputes arising from the insured event. Usually, these policies also offer ancillary covers, protecting the firm for vulnerabilities that existed prior to a cyber-attack, and in post-event management, for example for the restoration of IT operations or the management of reputational damage;
- in the policies for retail customers, which are mainly of a modular type, covers can often be extended to the entire household and concern financial losses, damage caused to third parties, legal expenses for disputes arising from the insured event, in several cases associated with personal assistance. Covers also include psychological counselling if the cyber-attack has caused a traumatic event to the person, such as in case of cyberbullying, cyberstalking and revenge porn;
- the policies show room for improvement in terms of exhaustiveness and unambiguousness of the technical terms used;
- some companies require specific operating conditions of the person or company to be insured, as
 prerequisites to make the risk insurable and, consequently, the cover operational; these are issues that,
 if not adequately described to the client, can undermine the understanding of the coverage acquired;
- there are sometimes exclusions and deductibles that reduce the scope and applicability of this coverage, even with margins of ambiguity.

ESG policies and the greenwashing risk – IVASS conducted a survey on IBIP policies offered on the Italian market on 15 June 2023 with sustainability-ESG characteristics²¹⁵, in order to verify their structure and how they are presented to the public. The survey involved 18 insurance companies (including 2 foreign ones) for a total of 106 policies classified as "sustainable," relating to more than 1.1 million contracts and a premium income of 48.8 billion euro since the beginning of the marketing.

Among the policies examined, there is a prevalence of hybrid policies (45% of the sample), followed by unit-linked (29%) and with-profit policies (26%). 92% of the sample is made up of policies classified under art. 8 SFDR (light green, promoting environmental or social characteristics in their investment policies), the remaining 8% relates to policies classified under Article 6 SFDR (which integrate sustainability risks in investment decisions). No policy has been classified under art. 9 SFDR (dark green).

The analysis also showed that:

 no clear cases of greenwashing were found, in a few sporadic cases misalignments between the texts of KIDs and pre-contractual documentation (DIP) were detected;

²¹³ Indagine cyber risk 10 2023.pdf (ivass.it)

Namely policies offering a wide range of guarantees for the customer, covering the person or property, organised in modules that can be variously combined and that have optional cyber covers, to be purchased in conjunction with other guarantees.

https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2024/Analisi polizze IBIP con caratteristiche ESG Marzo 2024.pdf

- no new policies or ad hoc separately managed accounts have been created, companies have revised the asset allocation of policy investments to include ESG-compliant assets, preferring external funds (UCITS);
- companies have integrated sustainability-related issues into their policies on insurance Product Oversight and Governance (POG) and in their distribution policies.

3. CONTRASTING UNAUTHORISED PURSUIT OF BUSINESS

The preventive fight against unauthorised sites and the creation of the white list - Due to the widespread trade in counterfeit insurance policies through illegal websites not belonging to companies and intermediaries authorised to carry out insurance business, IVASS has developed new prevention systems along two lines:

- the publication of a white list of websites used by insurance intermediaries duly registered with the RUI²¹⁶. The list, which includes around 7,000 internet domains and is also available in an open data version, is particularly important in guiding consumers to protect themselves in advance against online scams;
- the dialogue with Google to introduce, also in Italy, the prior verification of the legitimacy of online advertisers wishing to advertise their sites by means of paid sponsorship (Google Ads). The system, which is present in other financial and insurance markets (such as the UK, Singapore and Australia) where it has made a significant contribution to reducing fraud, provides for Google's prior consultation of IVASS's public databases²¹⁷ to check whether advertisers are licensed to carry out insurance mediation activities.

Another fraud prevention tool is a section on the home page of the IVASS website called "Protect yourself from scams - cyber risk and unauthorised sites" with recommendations for consumers on what to check for safe online purchases, in particular: consult IVASS white lists, be wary of proposals via WhatsApp and avoid payments with prepaid credit cards.

The shut-down of unauthorised sites – In 2023, IVASS strengthened its activities to combat unauthorised sites by initiating the exercise of the power to shut-down such sites on the basis of Law No. 238/2021, which amended Article 144-bis of the Consumer Code, extending the powers set forth in European Regulation 2017/2394 to "domestic" infringements.

Following discussions and sharing of experiences with other supervisory authorities (such as CONSOB and AGCOM -the Italian Communications Authority) that are also engaged in the fight against online illegal activities, and with the main internet and connectivity service providers, from November 2023 IVASS implemented the procedure for the exercise of the power to shut-down sites, which affected 117 unauthorised internet sites until mid-June 2024.

To these must be added further 96 unauthorised sites that, during the investigation, were spontaneously taken off-line by the subjects (Registrars) who had registered the domain, following IVASS's requests for clarification.

²¹⁶ The data are communicated to IVASS by intermediaries pursuant to Order No. 128/2023.

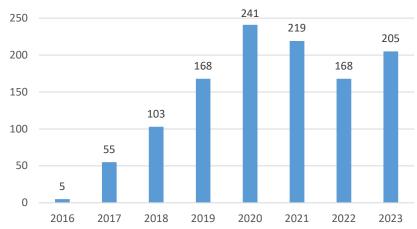
²¹⁷ IVASS has made available to Google in open data mode the information contained in the RUI, in the RIGA (Register of undertakings) and the white lists of regular internet domains of intermediaries and insurance companies

Once the unauthorised nature of the site and the pursuit of unauthorised insurance mediation activities have been ascertained, the procedure provides for the issuance of a cease order against the unauthorised party, if traceable, and at the same time of an order to inhibit access to the site's content via fixed and mobile lines to telephone and connectivity providers, with redirection of users to a page reporting that the site is not authorised. Cease orders are published on the IVASS website, in the section "Protect yourself from scams - cyber risk and unauthorised sites".

In 2023, IVASS alerted consumers to 205 unauthorised sites through 13 press releases. More than 86% of these sites were neutralised.

Figure V.1

Number of reported unauthorised sites



Combating the counterfeiting of suretyship policies – In 2023, 25 cases of counterfeit policies, particularly suretyship policies apparently issued by foreign companies, were reported to the Institute. These include 10 cases reported by the companies themselves and the remaining 15 reported by policyholders and home Authorities. IVASS handled these cases in cooperation with the companies that were the victims of counterfeiting and with the Home Authorities, in collaboration with the Judicial Authority, informing consumers by means of press releases.

In those cases, where it was possible to identify the intermediary who proposed the policies, sanctioning proceedings were initiated.

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.

In the fight against the counterfeiting of policies, the collaboration between ANAC (the Anti-Corruption Authority), IVASS, the Bank of Italy and AGCM (the Antitrust Authority) should also be noted, aimed at enabling public administrations to directly verify the validity of insurance and bank guarantees submitted by participants in public tenders. The verification mechanism outlined by ANAC Resolution No. 606/2023²¹⁸ and implemented by IVASS provides that contracting entities can access IVASS's website to

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²¹⁸ According to the provision of the Public Procurement Code (leg. decree 36/2023).

consult the list of Italian and foreign companies authorised to issue guarantees, finding the method offered by each of the companies to verify the validity of the suretyship policy, or, alternatively:

- the access to a section within its website dedicated to real-time verification by uploading the policy data;
- the indication of a Certified Electronic Mail address reported in the Register of insurance undertakings RIGA kept by IVASS, to which the contracting entity can ask for confirmation of authenticity and receive a reply within 5 days.

The solution is transitional in nature, pending verification methods on blockchain platforms.

4. OPINIONS ISSUED TO AGCM

Within the framework of the memorandum of understanding with the Antitrust Authority (AGCM), in 2023 the Institute had exchanges of information with AGCM in relation to proceedings, for which the Institute had issued the relevant opinions, against two companies for unfair commercial practices in the settlement of motor liability claims.

In relation to a proceeding initiated by the AGCM against a company for alleged unfair commercial practices put in place in connection with the offer of insurance services in the healthcare sector, IVASS provided the Authority, pursuant to Article 27(3) of the Consumer Code, with information for the purposes of the investigation and issued its opinion pursuant to paragraph 1-bis of the same Article.

5. MANAGEMENT OF THE SINGLE REGISTER OF INTERMEDIARIES (RUI)

At the end of 2023, 234,713 intermediaries were registered in the RUI, including 204,404 natural persons, mainly collaborators registered in Sect. E, and 30,309 companies. With the exception of Section B (+0.8%), the data show a slight decline (-0.4%) in the number of registered subjects, confirming the trend in the previous year, with the largest decrease in Section C (-22.7%).

Table V.2

	Number of intermediaries registered in the sections of the RUI at end 2023									
				(units)						
Sections	Type of intermediary	Natural persons	Companies	Total						
Α	Agents	17,181	8,453	25,634						
В	Brokers	3,988	1,758	5,746						
С	Direct canvassers	1,102		1,102						
D	Banks, financial intermediaries, SIM (stock brokerage companies) and Poste Italiane S.p.A Bancoposta services		393	393						
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	182,133	15,674	197,807						
Enclosed list	Intermediaries having their residence or head office in another EEA State		4,031	4,031						
Total		204,404	30,309	234,713						

Table V.3

Breakdown by gender and age group of natural persons included under sections A or B of the RUI									
				(units and % values)					
		Male		Female					
Age group	Number	% over total M+F	Number	% over total M+F					
Up to 40 years	1,367	6.5%	574	2.7%					
From 41 to 55	6,623	31.3%	2,233	10.5%					
From 56 to 65	6,313	29.8%	1,448	6.8%					
Over 65	2,209	10.4%	402	1.9%					
Total	16,512	78.0%	4,657	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

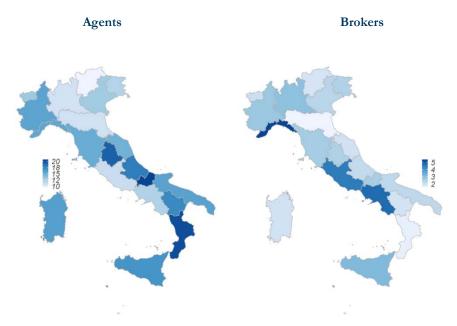
Dist	Distribution across the national territory of agents and brokers registered in the RUI									
					(۱	units and % values)				
Region	Agents	% over total agents	Brokers	% over total brokers	Agents and brokers per 10,000 inhabitants*	Agents and brokers per billion euro of GDP**				
Aosta Valley	71	0.28	11	0.19	6.7	15.2				
Piedmont	2,304	8.99	417	7.26	6.4	18.6				
Liguria	840	3.28	292	5.08	7.5	21.0				
Lombardy	4,790	18.69	1,330	23.15	6.1	13.8				
North West	8,005	31.22	2,050	35.70	6.3	15.5				
Veneto	2,356	9.19	427	7.43	5.7	15.4				
Trentino-South Tyrol	504	1.97	101	1.76	5.6	11.4				
Friuli - Venezia Giulia	529	2.06	108	1.88	5.3	14.8				
Emilia Romagna	1,936	7.55	265	4.61	5.0	12.4				
North East	5,325	20.77	901	15.69	5.4	13.7				
Tuscany	1,954	7.62	346	6.02	6.3	17.9				
Marche	682	2.66	90	1.57	5.2	16.9				
Umbria	472	1.84	61	1.06	6.2	22.0				
Latium	2,387	9.31	964	16.78	5.9	15.8				
Centre	5,495	21.43	1,461	25.44	5.9	16.9				
Abruzzo	624	2.43	75	1.31	5.5	20.3				
Molise	148	0.58	19	0.33	5.7	23.4				
Campania	1,471	5.74	577	10.04	3.7	17.2				
Basilicata	261	1.02	29	0.50	5.4	19.4				
Apulia	1,347	5.25	192	3.34	3.9	18.2				
Calabria	731	2.85	58	1.01	4.3	22.0				
South	4,582	17.87	950	16.54	4.1	18.7				
Sicily	1,626	6.34	307	5.34	4.0	19.9				
Sardinia	604	2.36	74	1.29	4.3	18.0				
Islands	2,230	8.70	381	6.63	4.1	19.4				
Total for Italy	25,637	100.00	5,743	100.00	5.3	16.1				

^{*}Source: ISTAT, Population resident in Italy on 01 January 2022. —** Source: ISTAT, 2022 GDP, production side, December 2023.

Figure V.2

Distribution across the national territory of agents and brokers registered in the RUI– 2023

(number per billion euro of GDP)



Information relating to the persons enrolled in the RUI available on the IVASS website²¹⁹also in open data format, and processable in a massive way.

The implementation of the "New RUI" web portal has been completed, replacing the previous application as of 4 June 2024, with the direct updating of data by intermediaries and companies as a radical innovation. The launch of the portal was preceded by a fruitful collaboration between IVASS and the trade associations of insurance intermediaries and companies to test the new functionalities.

Investigations handled – In 2023, the management of the RUI included the examination of 62,518 applications for registration, changes in the personal data and removal. There has been an increase in the number of applications for extension of mediation business abroad, from 632 to 1,247 with a significant increase of 96%.

Table V.5

Proceedings completed in 2023 by type of investigation										
							(units)			
	Sect. A	Sect. B	Sect. C	Sect. D	Sect. E	Enclosed List	Total			
Registrations*	342	113	1,759	6	35,931	227	38,378			
Removals**	568	185	1	11	15,118	155	16,038			
Reinstatement	61	31	97				189			
Moving from one section to another	413	84	1,222		478		2,197			
Extension of business abroad	1036	211					1247			
Measures for the activation of operations or inactivity	416	138		4			558			

²¹⁹ https://www.ivass.it/operatori/intermediari/rui/index.html

Proceedings completed in 2023 by type of investigation										
							(units)			
	Sect. A	Sect. B	Sect. C	Sect. D	Sect. E	Enclosed List	Total			
Annotations on the register by effect of disciplinary proceedings	25	26			14		65			
Changes in personal data	2,155	861		174	554	102	3,846			
Total	5,016	1,649	3,079	195	52,095	484	62,518			

^{*} 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 include the termination of the last collaboration agreement, loss of registration requirements, striking off from the Register.

Automatic updating, checks and other support activities for intermediaries – 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 the cancellation for 187 intermediaries in Section A and 77 in Section B. 13 brokers were deleted for failure to pay the contribution to the Broker Fund managed by CONSAP.

1,042 sample checks were made 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, which did not result in any removal from the RUI.

1,308 requests from intermediaries for information on their position in the RUI, 20 requests for access to records and 109 requests for information from law enforcement or prosecutors' offices were given a reply. 413 historical certifications of registration in the RUI and certificates of professional qualifications were issued

The qualifying examination for registration in the RUI – The annual qualifying examination for registration in Sections A and B of the RUI was held in Rome in October 2023. 2,536 candidates participated out of 4,008 admitted.

884 were judged suitable, i.e. 34.8% of participants.

The qualifying examination for 2024 was announced through IVASS Order no. 140 of 19 December 2023. Compared to previous years, the Order provided for some changes to streamline the application process, including the payment of the participation fee at the same time as the application.

6. HANDLING OF COMPLAINTS

6.1. Complaints handled by IVASS

In 2023, 30,118 complaints were processed. Compared to 2022, there has been an increase of 22.4%, confirming the rising trend observed last year (+22.2%).

The increase in complaints affects all the insurance segments. In the motor liability line of business complaints are on the rise by 19.3% (+2,954 more complaints than in 2022), most of which regarding the methods and timing of claims settlement. Motor liability insurance accounted for 61% of total complaints.

Complaints related to other non-life lines of business increased by 35.5% (+2.457). The most frequent issues concerned comprehensive motor insurance, accident and sickness, general liability. Complaints relating to non-life business other than motor liability accounted for 31% of the total.

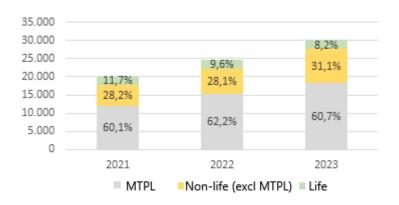
In life insurance (8% of total complaints) there was a lower increase when compared with 2022 (+4.5%, +106 complaints). The reasons for dissatisfaction reported by policyholders and beneficiaries mainly concern the settlement of benefits (early surrenders, capital at maturity, claims) and the management of contracts.

Table V.6

	Complaints received by IVASS - distribution by sector										
Year	MTPL	Other non-life classes	Total Non-life	Life	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						
2023	18,268	9,377	27,645	2,473	30,118						
Var. 2022/2021	26.5%	21.9%	25%	0.7%	22.2%						
Var. 2023/2022	19.3%	35.5%	24.3	4.5%	22.4%						

Figure V.3



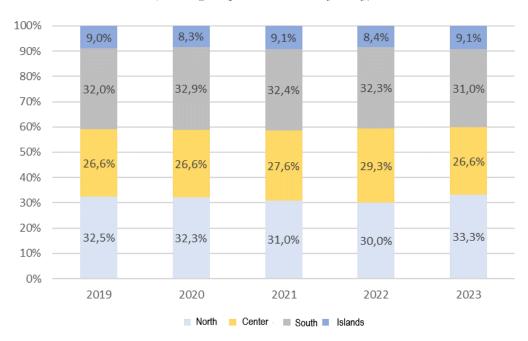


The origin of complaints by geographic area has shown no significant changes since 2019

Figure V.4

Origin of complaints by geographic area

(Percentage composition on the total for Italy)



In 2023, investigations relating to 26,867 complaints were completed, with totally or partially favourable outcomes for complainants in 41.5% of the cases, up from 39.1% in 2022 (Table V.7). Also the percentage of investigations completed with totally favourable outcomes for consumers increased (31.4% compared to 30.3% in 2022). In 98.3% of the cases, these files were opened in 2023 or 2022; the remaining 1.7% of the cases concerned positions that were older in time and for which the persons concerned requested the reopening of the complaint position.

Table V.7

Investigations concluded by IVASS in 2023									
	Number	%							
Totally upheld by the undertaking	8,440	31.4%							
Partially upheld by the undertaking	2,710	10.1%							
Not upheld by the undertaking	8,564	31.9%							
Sent to the undertakings for direct handling first	6,900	25.7%							
Complaint transmitted to a different Authority with jurisdiction	253	0.9%							
Total	26,867	100.0%							

984 requests for information from consumers, public prosecutors, law enforcement officials, and public administrations on applicable insurance regulations were examined to confirm the operation in Italy of foreign companies and the validity of insurance policies and proposals. In the latter case, the requests, which mainly concern suretyship policies (see paragraph 3) or motor vehicle liability insurance, are forwarded to the companies concerned for the necessary checks. In many cases, it has been possible to intercept cases of counterfeiting, in relation to which the necessary steps have been taken to combat the phenomenon and inform consumers.

Complaints in the non-life business – In the MTPL sector (Table V.8) complaints in the area of claims handling and settlement increased compared to 2022 (+1.845 complaints), as did those in the contractual area (+ 1.078 complaints).

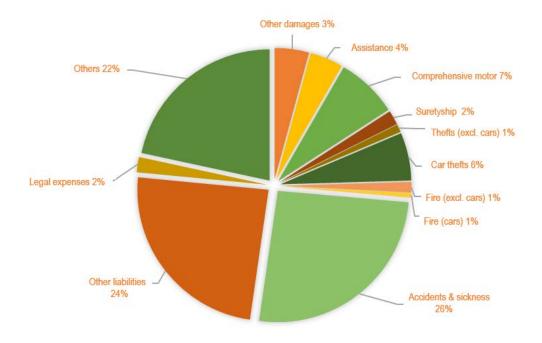
The main reasons for dissatisfaction with the settlement process relate to delays in making the offer of compensation and paying the sum offered, as well as difficulties in contacting the settlement structure responsible for handling the claim. For the contractual area, complaints concern, among other things, the lack of knowledge and transparency of contractual mechanisms, especially in the presence of insurance packages where motor liability cover is sold together with ancillary guarantees.

Table V.8

	MTPL complaints - distribution by area										
Area	2019	2020	2021	2022	Comp. % 2022	2023	Comp. % 2023				
Claims	7,607	8,375	10,377	13,302	86.9%	15,147	82.9%				
Contractual	1,649	2,032	1,640	1,276	8.3%	2,354	12.9%				
Commercial/ Other	50	37	92	736	4.8%	767	4.2%				
Total	9,306	10,444	12,109	15,314	100.0%	18,268	100.0%				

Complaints in non-life lines of business other than motor liability (Fig. V.5) show an increase in the percentage referring to comprehensive motor insurance (7% compared to 2% in 2022).

Figure V.5
Complaints in non-life insurance classes other than MTPL – 2023
(% values)



Complaints relating to non-life policies other than MTPL most often regard claims settlement (75.6%, Table V.9); those relating to the contractual, commercial area and other subjects (24.4%) concern, in particular, the interpretation and application of contract terms and conditions and show an increase in their percentage weight compared to 2022 (19.2%).

Table V.9

Other non-life insurance complaints - distribution by area										
Area	2019	2020	2021	2022	2023					
Claims	3,883	4,705	4,486	5,591	7,093					
Contractual, Commercial and Other Areas	1,040	1,278	1,191	1,329	2,284					
Total	4,923	5,983	5,677	6,920	9,377					

Complaints in the life business – Dissatisfaction with life insurance policies mainly concerns the settlement area (60%) and, to a lesser extent, the contractual area (24%). Consumers complain about delays in the payment of benefits at maturity or in case of early surrender; another reason for complaint concerns the identification of the beneficiary. In the contractual area, consumers complain about difficulties in managing the relationship, particularly in cases of interruption due to early surrender or suspension of premium payments. In some cases, changes in the product, especially in the case of contract transformation, are at the origin of complaints.

Table V.10

Life complaints - distribution by area								
Area	2019	2020	2021	2022	2023			
Claims	855	1,330	1,147	1,313	1,481			
Contractual, Commercial and Other Areas	1,210	1,162	1,203	1,054	992			
Total	2,065	2,492	2,350	2,367	2,473			

Complaints against intermediaries – In 2023, 626 complaints against intermediaries (brokers, banks, 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. Compared to 2022, there was a significant increase of 54%, or +207.

The largest number of complaints is against brokers; the main problems related to the contractual area, including the assumption of risk and the transparent representation to the client of the contract terms and conditions; complaints in the settlement area related, among other things, to the role of the intermediary appointed for the handling of the claim by the insured party or by the insurance company providing the guarantee.

Complaints against intermediaries registered in section D of the RUI (banks and financial intermediaries, *Poste Italiane - Divisione servizi di bancoposta*) are also on the increase, with the majority of reports concerning policies linked to mortgages and loans. The reports focus in particular on the way in which the intermediary assumes the risk and on aspects related to the adequacy of insurance coverage with respect to the customer's situation and needs.

Table V.11

Complaints against intermediaries received by IVASS – distribution by sector year 2023						
Section / List	MTPL	Other non-life	Total Non-life	Life	Total	
Registered in Sect. B	203	185	388	9	397	
Registered in Sect. D	9	133	142	59	201	
EU Intermediaries	2	26	28	-	28	
Total	214	344	558	68	626	

6.2. Complaints received by insurance undertakings

In 2023 the Italian and foreign insurance undertakings operating in Italy received 107,564 complaints from consumers (+10.9% compared to 2022). Of these, 89,438 complaints were received by Italian companies, with an increase of 14.5% compared to 2022, while 18,126 complaints were received by foreign companies, with a decrease of -3.9% compared to 2022, which follows the increases, sometimes significant, in previous years.

The number of MTPL complaints prevails over the other lines of business (45.3% of the total); tab. V.12). The 48,700 motor liability complaints recorded an overall increase of 17.6%.

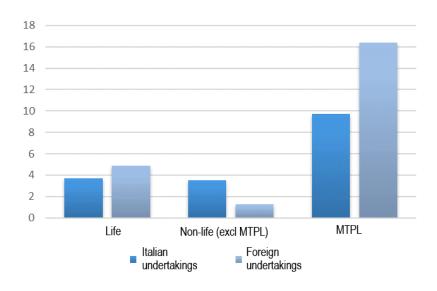
Table V.12

Complaints received by undertakings by insurance class – 2023									
	Life and n	Life and non-life Total		Life business		Non-life business (MTPL excluded)		MTPL	
	No.	2023/2022	No.	2023/2022	No.	2023/2022	No.	2023/2022	
Italian undertakings	89,438	14.5%	13,968	1.6%	37,105	15.2%	38,365	19.3%	
Foreign undertakings	18,126	-3.9%	2,198	-30.5%	5,593	-12.8%	10,335	11.4%	
Total	107,564	10.9%	16,166	-4.4%	42,698	10.5%	48,700	17.6%	

Figure V.6

Breakdown by sector of the complaints received by undertakings – incidence on the total number of contracts in the sector – year 2023

(number of complaints/10 thousand contracts)



The incidence of complaints on the total number of contracts remains significantly higher for foreign undertakings than for Italian companies in motor insurance (16.4 versus 9.7) and, albeit with a smaller gap, in life insurance (4.9 versus 3.7).

There was an increase (+10.5%) in non-life complaints other than MTPL, which accounted for 39.7% of the total. For foreign companies, the weight of this segment in terms of complaints represents 30.9% of the total, while for Italian companies the incidence is 41.5%

Life complaints decreased overall (-4.4%), although the decrease was attributable only to foreign companies (-30.5% or 964 complaints in absolute terms), despite the slight increase (1.6%) in complaints for Italian companies.

Table V.13

Complaints of undertakings operating in Italy – distribution by sector (2016-2023)						
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	
2023	48,700	42,698	91,398	16,166	107,564	
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%	
Var. 2023/2022	17.6%	10.5%	14.2%	-4.4%	10.9%	

Italian and foreign undertakings processed on the whole 92.9% of treatable complaints. 32.8% of all the complaints processed were upheld, 59.3% dismissed, the residual 7.9% was closed with a settlement agreement. The remaining 7.1% was undergoing investigation at end 2023.

The average response time to complainants was 22 days (the same as in 2022), 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 (18 days compared to 17 days in 2022).

Publication on the IVASS website of data on complaints received by undertakings – IVASS oversees the half-yearly publication on its website of data on complaints received by insurance undertakings ²²⁰, an interactive tool available to consumers to help them compare the performance of different companies and better choose the operators who can respond to their insurance needs.

The tool continues to prove its usefulness by urging companies to improve their internal processes with a view to comparison and competition between market players.

²²⁰ https://www.ivass.it/consumatori/reclami/2023/y-2023/All 1 dati per singola impresa Tavola reclami premi 2023.xlsm

6.3. Action on undertakings and intermediaries arising from complaints

Consumer complaints, telephone calls to the Contact Centre, and qualitative/quantitative information sent every six months to IVASS on complaints received by undertakings have enabled the Institute to focus on the main reasons behind consumer dissatisfaction and adopt targeted supervisory actions. Such an approach confirms the signalling role of the complaint and allows the solution of the individual case to be combined with a systemic vision.

Complaints reflect the main critical issues in the two fundamental insurance processes, underwriting and settlement, and can play an important role in understanding market trends. In this perspective, the analysis of complaints leads to the identification of possible critical issues in order to direct supervisory action through corrective measures against undertakings and intermediaries, graduating their intensity: convening of company representatives, "root cause" letters to intervene in affected business processes, initiation of inspections. An important role is played by information activities aimed at consumers to raise their level of insurance awareness and, in particular, knowledge of existing rights and protection instruments.

Initiatives in the life sector – In the life sector, the majority of complaints continue to concern the placement of policies and the incorrect or incomplete information received on the main characteristics of contracts, with the result that consumers only discover ex post that the policy they have taken out does not correspond to their insurance needs. The lack of information concerns in particular the level of risk of the contract (e.g. the presence of a guarantee of conservation of capital), management costs, the duration of the contractual commitment, penalties in the event of early withdrawal from the contract.

In many case the complaint questions not only the insurance undertaking but also the work of the intermediary who placed the contract, 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. In some cases, relating to companies based in another EU state, home authorities and EIOPA were involved.

With reference to corporate events involving some companies, several consumers approached IVASS for information on what becomes of their policies and on how they can manage them. IVASS provided direct support to complainants and, at the same time, intervened with the companies concerned, asking them to adequately inform policyholders of their rights and options under current legislation and contractual provisions.

IVASS continued its monitoring of consumer complaints, reporting critical issues in the placement and settlement of policies linked to loans (Payment Protection Insurance - PPI). Several complainants reported that the intermediary they had approached had made the taking out of the PPI policy a precondition for the granting of a loan, although the policy was formally optional. With regard to multi-risk policies that combine insurance coverage of various types (including sickness, accident and loss of employment), several complaints concerned the placement of policies that were inappropriate to the insured person's situation or condition.

IVASS has intervened with Italian and foreign companies to ensure compliance with consumer protection rules, reminding them of their obligations to inform the consumer about the possible compulsory nature of the insurance guarantee for the granting of the loan and to offer only policies that are consistent with the policyholder's insurance needs.

Some complaints concerned delays in the settlement of life insurance policies, following a claim, maturity or early surrender, often caused by shortcomings in the communications between the insurance company issuing the policy and the intermediary handling the direct relationship with the consumer. IVASS

intervened with the companies involved, asking them to verify and optimise their procedures for exchanging information with intermediaries.

Initiatives in the non-life sector - MTPL - Particular attention is paid to the difficulties concerning motor liability insurance, given its social importance and the increase in complaints in this line of business.

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. With reference to the preliminary investigation phase of claims management, delays are complained of, due to requests by the company for additional documentation, which has already been transmitted or is irrelevant to the investigations to be carried out.

In the presence of significant and recurrent dysfunction, companies were asked to revise their business processes 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. Particular attention has been paid to ensuring that adequate reasons are provided to the injured party by the company, not only in the event of refusal, but also in the event of submission of the offer, so that the criteria for the quantification of the compensation and, possibly, in the apportionment of liability, are clearly and analytically indicated.

Targeted interventions were carried out also for the recognition of the right of access to the claims file, reaffirming 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.

On the contractual front, action has been taken on companies to ensure greater transparency in the placement and annual renewal of MTPL contracts. IVASS intervened with the companies concerned, emphasising the importance of clear and complete information in the pre-contractual phase about the characteristics of the contract.

Critical problems have been reported in relation to MTPL policies that provide for monthly premium payments and the simultaneous installation of a satellite device on the vehicle covered. Consumers complained of difficulties in concluding, terminating or renewing the contract, as well as problems with the installation of the satellite device. IVASS has intervened with the companies to request remedial action to ensure maximum protection for policyholders. The companies followed up on the IVASS requests and took corrective action to overcome the critical issues.

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 particularly relevant given the social danger of fake covers, and is at the attention of IVASS, which has urged market operators on several occasions to systematically inform about the phenomenon, calling on consumers to pay the utmost attention.

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 advice,

recommending, for example, that they use the list of sites of insurance companies supervised by IVASS and of intermediaries registered with the RUI on the IVASS website (white list) and that they do not pay premiums using methods that are abnormal or not allowed (e.g. to prepaid cards).

Initiatives in the non-life sector - suretyship policies — Several public and private entities contacted IVASS to obtain confirmation of the authenticity of the suretyship policies they had taken out or of which they were the beneficiaries. Given that each company must equip itself with tools to allow verification of the validity of the contract, IVASS intervened with the companies which apparently issued the policies to request confirmation of their authenticity, providing direct feedback to the applicant.

If it ascertained that a suretyship policy was counterfeit, IVASS publicised it appropriately.

Initiatives in the non-life sector - health insurance policies – Health insurance policies continue to be the subject of a significant number of complaints concerning the lack of clarity of contract terms and conditions, shortcomings in pre-contractual information and difficulties in opening and managing the claim; numerous 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 protect individual policyholders and, in the most serious cases, to requests for an audit of internal processes and for the adoption of consequent remedial action.

IVASS continues to receive a number of reports on healthcare that do not concern insurance companies but rather health funds and mutual societies that are not subject to IVASS' supervision: whenever insurance companies are directly involved in the offerings of health funds, the Institute intervened with regard to the undertakings concerned for the resolution of the critical issues reported in the complaint. When no insurance company is involved, information is provided to the complainant, clarifying the differences between the various disciplines and forms of protection provided by the legal system.

Initiatives in the non-life sector – Professional indemnity insurance – When it comes to professional indemnity cover, not only insured parties turn to IVASS but also, in various cases, injured parties who do not have a direct right of action against the company and encounter difficulties in receiving compensation for damages. Difficulties were reported in obtaining information from the insurance company of the professional involved about the handling of the claim.

IVASS asks to investigate the claim in order to assess the merits of the claim for compensation and, in the absence of any grounds for refusal, to provide the information requested or explain the reasons for any refusal also to the injured third party, in order to guarantee maximum transparency in the management of the claim.

Some professionals have pointed out the unwillingness of the insurance company providing the cover to pay the indemnity directly to the injured party, even following the express request of the insured party and the ruling of the judicial authority. IVASS intervened against the companies by asking them to pay the amount due directly to the injured party, without requiring that this payment be made in advance by the professional.

Initiatives in the non-life sector – natural events – Following the damage caused by natural events that affected some areas of the country (heavy hailstorms that involved municipalities in Northern Italy and the flooding in Emilia-Romagna), several reports were received from policyholders (holders of multi-risk home

policies and of coverage for weather-related events linked to MTPL policies) who complained of delays in the assessment and compensation of damages suffered.

IVASS intervened to verify the proper handling of claims and, in the event of critical issues or delays, urged companies to take prompt action to ensure due protection for consumers. The companies involved complied with the indications received, sometimes attributing the problems that emerged to peaks in the claims frequency, with very high and unpredictable concentrations of damaging events in limited areas of the territory.

Initiatives in the non-life sector – travel policies – With regard to some companies specialising in travel insurance, an increase in complaints was noted, mainly due to critical issues in the handling and settlement of claims. Consumers' complaints concerned the entitlement and quantification of compensation, as well as delays in the handling of claims and related payments.

IVASS intervened with the companies concerned, requesting a thorough analysis of the problems and, in the event of irregularities, to take remedial measures to protect policyholders.

Complaints against intermediaries – Consumer complaints against intermediaries concerned both the underwriting and the claims settlement phase, in line with the role played by intermediaries in placing risks and, therefore, in verifying the adequacy of the contract in relation to the needs and requests of the policyholders, and in the settlement of the claim and, more in general, of the insurance benefit.

With regard to the placement of risks, the complaints essentially concern the poor compliance of the insurance solutions underwritten with the requests made by the policyholder to the intermediary, with particular reference to the more complex life products, in respect of which there are numerous requests for cancellation made by consumers for not having understood the nature and characteristics of the contract, due to the lack of information at the placement stage (see Chapter V.9.3.1 on the critical issues 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). Other reports have highlighted critical issues in the placement of insurance contracts through digital platforms. The spread of these instruments, while being attractive to consumers, requires safeguards with regard to the presence of automatisms that could weaken the fairness of the process and the possible reduction in the level of attention on the part of the customer in verifying the contractual contents before signing.

In relation to the settlement area in life and non-life insurance, many consumers complained of inadequate assistance from the intermediary who had placed the policy in the event of a claim or in the execution of the benefit, for example with regard to the indication of the documents to be submitted to the company and the procedures to be followed in order to obtain the payment.

6.4. The Contact Centre

IVASS Contact Centre continues to represent an effective support tool not only for consumers in insurance matters, but also for the Institute in identifying situations that require timely supervisory action.

In 2023, 38,156 telephone calls reached the Contact Centre (22,525 from consumers and 15,631 from intermediaries), for an average of 3,180 calls per month, more than 150 per day. The service dedicated to users of the Motor Third Party Liability Public Estimator handled 2,084 calls. The average duration of conversation is 2 minutes and a half.

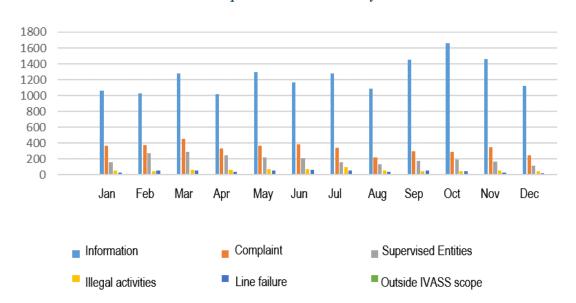
Compared to 2022, the number of calls received increased (+6,2%, equal to +2,273 calls). The increase was entirely attributable to calls in the consumer area (+21%), while those relating to intermediaries decreased (-9.8%). The ratio of calls dealt with to calls received has remained stable (98%).

Table V.14

Activities of IVASS Consumer Contact Centre							
	2018	2019	2020	2021	2022	2023	
Calls received	32,871	31,702	29,869	24,391	19,032	23,024	
Calls dealt with	29,512	28,340	29,230	23,875	18,687	22,525	
% received/ dealt with	90.0%	89.4%	97.8%	97.5%	98.2%	97.8%	

66.2% of the telephone calls dealt with concerned requests for information on insurance regulations, 17.8% information on the progress of complaints submitted to the Institute, 10.4% checks on supervised entities, and 3.1% reports on possible cases of unauthorised pursuit of insurance business.

Figure V.7
Consumer requests received monthly in 2023



The level of satisfaction with the quality of the information received and the interaction with the Contact Centre staff has remained constant. 85.5% of the consumers who participated in the survey (84.2% in 2022) rated the service with the highest scores, confirming the results of careful training and guidance of staff.

7. THE INSURANCE ARBITRATOR

In the area of consumer protection, IVASS's preparatory activities continued for the implementation of the out-of-court redress system for insurance disputes, envisaged by Article 187.1 of the CAP, amended by Article 1(18) of Legislative Decree no. 187 of 30 December 2020 (Insurance Arbitrator - AAS).

Steps have been taken in defining the regulatory framework of the articulated procedure for the adoption by the Ministry of Enterprises and Made in Italy, in agreement with the Minister of Justice, and upon the proposal of IVASS, of the decree to which the CAP entrusts the determination of the criteria for the conduct of proceedings, the composition of the deciding body, and the nature of disputes relating to insurance services and benefits arising from an insurance contract. The draft interministerial decree, which was again agreed upon by the competent ministries in December 2022, was forwarded to the Council of State for its opinion, which was issued as an interim opinion in February 2023.

IVASS promptly took steps to collect the data and elements to be provided to Ministry of Enterprises and Made in Italy for the purpose of feedback to the Council of State, also by launching a survey of a representative sample of companies for an updated estimate on the possible workload of the new body based on the number of complaints not accepted/rejected by the companies.

The implementation of the Insurance Arbitrator Portal, through which it will be possible to submit appeals online, continued, and so did the development of the computer application that will allow the Technical Secretariat to manage the investigation of the appeal until its decision. In synergy between IVASS and the Bank of Italy, the Banking and Financial Arbitrator application is being reused, and is undergoing evolutionary maintenance to adapt it to the peculiarities of the insurance sector.

8. Insurance education

For some time now, IVASS has included in its Strategic Plan the promotion of insurance education as one of the tools for raising the level of consumer protection and, since 2022, has entrusted this activity to the Insurance Education Sector, so as to strengthen, structure and provide greater continuity through the use of dedicated and specialised resources.

An adequate level of knowledge and skills in insurance is crucial to make consumers and undertakings - especially SMEs - more aware of the risks they run and of the tools to manage and mitigate them. Education enables consumers to ponder and compare the available alternatives and to make an informed choice based on their actual coverage needs. It provides the tools for understanding the importance of insurance as a means of savings. It is a key lever for development and social inclusion to which IVASS attaches great importance.

IVASS' efforts stem from this awareness and from the close correlation between the population's financial and insurance literacy and their ability to cope, at individual, family and system level, with crises and difficult times and to plan for the achievement of their goals.

In order to monitor the level of the population's insurance knowledge and skills and assess the effectiveness of the activities undertaken, in 2023 a preliminary market consultation was conducted, preparatory to the launch of a new survey to measure Italians' level of insurance knowledge and behaviours.

Initiatives carried out by IVASS – In 2023, the Institute's initiatives continued, also with the use of innovative approaches in relation to the different targets to which insurance education is addressed.

With the approval of the Capital Decree, which introduced financial education as part of civic education (Law No. 21/2024), training initiatives for teachers were supplemented and strengthened so that they are also trained in high-tech subjects such as insurance.

The range of insurance education materials for schools was completed with the publication in January 2023 of three Educational Notebooks for primary and secondary school pupils. In September, to coincide with the start of the new school year, the Educational Notebooks were joined by the three "Teacher Guides" to help teachers organise classroom teaching in practice.

In this perspective, the "Insurance Education in Schools" project was implemented, in agreement between IVASS, the Bank of Italy and the Ministry of Education and Merit, to contribute to the growth of the insurance culture of the new generations. The project consists of webinars held by IVASS experts aimed at primary and secondary school teachers: the aim is to train them to pass on the basic knowledge to students to make them more aware of the need to protect themselves against risks and the importance of making informed insurance choices.

Again with the aim of providing support to teachers to introduce insurance education in schools, in the first quarter of 2024 IVASS also joined the project "Saper(e)Consumare" (Know how to consume) promoted and financed by the Ministry of Enterprises and Made in Italy, in collaboration with the Ministry of Education and Merit (https://www.sapereconsumare.it/), adding a module dedicated to insurance to the cycle of financial education initiatives. The training course offers support to primary and secondary school teachers not only via webinars but also with the provision of teaching kits. In both cases, the ultimate goal is to put teachers in the best position for effective insurance education in the classroom.

As part of the Global Money Week in March 2024, the second edition of the IVASS event dedicated to secondary school students was held in Siena. As in the first edition, communication and engagement methods were used that, through the use of technology, allowed for more interaction with students and effective learning techniques.

In implementation of the strategy to increase stakeholder involvement, a memorandum of understanding was signed with the University of Florence and a protocol is being drawn up with the Tancredi Foundation of Potenza, for the implementation of insurance education initiatives in the territory aimed at students, adults and businesses.

With reference to the target group of young adults between the ages of 18 and 35, and in order to reach as many people as possible through the use of modern tools adapted to the most commonly used languages and means of communication (social platforms in particular), the Podcast Project was set up to produce digital audio content on insurance education. The 10-episode series takes its cue from the Insurance Guides in simple terms and, through the solution of practical cases, answers the most useful questions and solves recurring consumer doubts, focusing in particular on MTPL and life insurance policies. The episodes are broadcast weekly on major platforms such as Spotify, Spreaker and Audible.

At the international level, support was provided to the EIOPA JCCP sub-group on financial education for the drafting of the two factsheets on financial education dealing with the impact of inflation (Factsheet on how do inflation and the rise in interest rates affect my money) and choices on sustainable finance (ESAs Joint Committee Sustainable Finance Factsheet).

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, MIM, MIMIT and the Ministry for Labour and Social Policy.

With the establishment of the new Committee, the collaboration was structured with the setting up of Panels dedicated to the main processes that characterise its action (Technical Panel for the evaluation of stakeholder projects, Global Money Week Panel for the coordination of the OECD week on financial education of young people from pre-school age, Sample Surveys Panel for the survey of the level of financial education of the different segments of the population) with the participation of representatives of the Committee members, including IVASS.

The Institute gave a significant contribution to the numerous Committee's initiatives to create a condition in which financial knowledge and skills are available to all, in particular during the fifth Month dedicated to financial, insurance and social security education (October 2023) with more than 800 information and awareness-raising events aimed at children, students and adults on finance, insurance and pension matters. In this context, the Insurance Education Day was organized (19 October 2023), focused on insurance coverage in the agricultural sector and an event hold on *Agricultural Risks and Climate: a Changing World*.

9. MARKET CONDUCT ON-SITE SUPERVISION

In 2023 five 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). An investigation involved a leading company in the Italian market for outsourcing services to insurance companies in the area of claims management and settlement (*Third Party Administrator*). Seven on-site inspections were conducted at insurance intermediaries.

Insurance undertakings – The five inspections regarded:

- for 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, the correct management of complaints and the related governance and control aspects;
- the process of managing "dormant" life insurance policies at a leading market operator;
- the correct fulfilment of the regulatory obligations concerning the online information comparison service for motor liability tariffs (Preventivass) and the related governance and control aspects.

Two unfavourable opinions were issued, one of which referring to POG.

Even taking into account the progressive convergence with the regulatory framework, a lack of incisiveness emerged in the exercise by the Board of Directors of its powers of guiding and monitoring the development processes of IBIPs and monitoring of the activities of the main distributor. In particular, the indications and contents of the corporate policies were weak, as they were inspired by a logic of mere repetition of the regulations issued by IVASS; similarly, there are no quantitative metrics for assessing conduct risk, nor are there any mechanisms for reporting to the administrative body on the proper functioning of the POG process. In the absence of precise guidelines, application solutions have shown widespread shortcomings in the various stages of the product approval and monitoring process.

The definition of the target market for each product is based on the logic of allowing it to be marketed within the entire target commercial segment (e.g. retail or private), regardless of the financial profile of the clientele. Following this approach, the mechanisms adopted to limit the distributor's discretion in proposing investment options to customers proved to be ineffective, as they were not supported by analyses of the degree of complexity and riskiness of these options.

The product testing phase revealed a general weakness in the rationale behind the qualitative-quantitative evaluations. In this context, particular critical aspects concerned the functioning of the in-house developed software for calculating the VfM.

The monitoring of the sales process is only of a formal nature, not allowing the correct detection and rapid resolution of irregularities in the distributor's behaviour in the best interest of customers. Weaknesses in insurance advice and MIFID profiling were also identified and reported to CONSOB for the adoption of measures within its competence.

Insurance intermediaries - Investigations were conducted at seven insurance intermediaries, which were focused on the transparency of the information provided in the sales process, compliance with the distributor's POG regulations and effectiveness of the tools for the control of the distribution network. In

most of the cases inspected, this network was very large and built on the wholesale organisational model, which includes numerous agents and brokers as horizontal collaborators, or on a model in which the intermediary who has distribution agreements in place with the companies interposes himself between the companies and the intermediaries who are in direct contact with the public, primarily agents and brokers or their collaborators (B2B2C model).

Four of the audits were part of a reconnaissance campaign of the concrete operating methods adopted by distributors presenting themselves to the market as Managing General Agents (MGAs). These are insurance agents, generally multi-firm agents, who are characterised by coordinating a distribution network and managing in the name and on behalf of the principal companies a large part (in some cases, the entirety) of the distribution activity in certain areas or lines of business, and possibly also of the subsequent claims management and support in complaints handling.

Notwithstanding these peculiarities, the audits revealed that the lengthening of the distribution chain and the role, typical of some intermediaries, of managing networks made up of other intermediaries, which in turn have a large number of collaborators, affect the adequacy of the safeguards aimed at ensuring compliance with the rules of conduct in force (including, in particular, those provided for by the POG rules).

10. MOTOR LIABILITY ESTIMATOR

"Preventivass", the online information comparison service on MTPL tariffs has become fully operational as of 1 March 2023, when IVASS Regulation No. 51/2022 came into force.

In 2023, following the transposition of EU Directive 2021/2118, the primary rule (Article 132.1 of the CAP) providing for the public estimator was revised, to bring it fully in line with the conditions and objectives set forth by the European Parliament and the Council.

From June 2023 to the end of May 2024, 86 million quotations were processed²²¹, with 97.34% of valid quotations²²², achieving a high level of service²²³.

CHANNELS FOR ACCESS TO PREVENTIVASS							
			Table V.15				
Quotes processed by Preventivass from June 2023 to May 2024							
	Quotes processed	Quotes issued ²²⁴	Valid quotes				
Public website	45,582,676	45,145,979	44,265,036				
Online A2A channel	25,386,444	25,030,745	24,429,089				
Branded channel	316,678	313,443	304,227				
Massive A2A	14,810,879	14,810,879	14,810,879				
Total	86,096,677	85,301,046	83,809,231				

Public website – The public channel can be reached on the internet by consumers and professionals via the site www.preventivass.it. The request for a quote entered by the user is sent to all the companies operating in the MTPL business in Italy (45 entities at the end of May 2024), returning an equal number of quotes for the user to compare. The 45.5 million quotes processed through this channel between June 2023 and May 2024 were thus derived from more than one million requests entered by users. In a letter to the market dated 18 July 2023, IVASS provided interpretative and operational clarifications on the regulatory requirements regarding the advertising of Preventivass on companies' websites. Further initiatives are being studied to spread the knowledge and potential of the service to consumers.

Branded channel – This function can be activated by users by accessing the websites of each insurance company, in compliance with the provisions of Law No. 221/2012. Unlike the public channel, in this case the user's request produces only the quote of the undertaking from whose website Preventivass was queried. Initially, the branded channel was used by sole agents to fulfil regulatory obligations. The subsequent implementation by many companies of A2A channels dedicated to intermediaries has progressively reduced the number of queries through this functionality.

Application to Application (A2A) Connections – The A2A channels, set up by IVASS to facilitate the use of the system by intermediaries, grew very rapidly, producing more than 40 million quotes between June 2023 and May 2024. A2A online access, which allows intermediaries to obtain Preventivass quotes directly from the management system used by the companies they work for, was adopted by 26 insurance companies in May 2024 for a market

²²¹ Quotations for which the request data set (user input data + enrichment data from industry databases) has been completed and has been validly transmitted to the company(ies) (depending on the channel);

Quotations sent by companies within 30 seconds of receiving the request, validated by computer checks and displayed on the application's various channels (public website, branded, A2A online or A2A massively);

²²³ The valid quotations are 98.25% of those issued.

²²⁴ Quotations for which, following the request, the undertaking has transmitted a response (or communicated a reason for not-responding), to be subjected to computer validation checks before being displayed on the application.

share of 80%. The A2A massive functionality, designed to make quotes available to intermediaries at the time of insurance cover renewals, was activated by 15 companies, accounting for 68%.

Reports - Between May 2023 and May 2024, 124 reports or requests for clarification about the public estimator were forwarded to IVASS by users. Most of these (115) came from consumers, who in 60% of cases complained of difficulties in concluding the contract on the basis of the quotes obtained through Preventivass. IVASS acted promptly by verifying with the companies the causes of the inefficiency complained of, ascertaining the subsequent finalisation of the estimate or the legitimacy of the impediment. In the same period, the dedicated Contact Centre received more than 2,019 calls from consumers who asked for information or assistance in the quotation process and inquiries from 138 intermediaries, seeking mainly clarification on how to comply with regulatory requirements.

Insurance offer on Preventivass – The Public insurance estimator enables to compare the premiums offered by all insurance undertakings operating in Italy with regard to the basic motor liability contract, the standard contract providing the minimum coverage to comply with the legal obligation. Companies are entitled to enrich the compulsory cover by offering the additional clauses provided for in the Decree of the Ministry of Economic Development No. 54/2020²²⁵. These clauses affect the final premium, representing options limiting or extending MTPL insurance coverage, and also providing contract management arrangements that meet different consumer needs.

The amendment introduced by Legislative Decree No. 184/2023 transposing EU Directive 2021/2118 on the suspension of MTPL insurance policies (Article 122-bis of the CAP) reduced the additional clauses that can be activated by companies. The new provision, in defining how to apply for suspension, the maximum duration and extension, grants all insured persons the right to obtain suspension of insurance cover at no additional cost. The possibility of suspension was therefore removed from the list of additional clauses, and the relevant option in Preventivass was disabled from 23 December 2023.

The offer of additional clauses on the public estimator decreased compared to the previous year. For the time being, only six companies (13.3% of the total) have significantly supplemented their insurance offer on Preventivass with the proposal of 5 or more clauses additional to the basic contract, 27 companies (60% of the total) submitted an offer almost without any ancillary covers and 12 companies (26.7% of the total) offer three or four ancillary covers. This tends to differentiate from the point of view of completeness the offers conveyed via the public quotation system from offers found on other commercial channels.

Finally, the low use of discounting on the basic contract should be noted, as only 10 companies (22%) of the total) considered adopting this option, which was often applied at starting prices considerably higher than the average.

Inspection activity - Inspection activity between the end of 2023 and the beginning of 2024 verified the compliance of two companies with the provisions of IVASS Regulation No. 51/2022 and the business policies adopted in the display of the offer on Preventivass.

For the latter, the checks concerned "direct" companies that market MTPL products mainly using the internet channel not operated by agency networks. In these cases, the discounts applied by intermediaries should not affect the dynamics of the prices displayed on Preventivass.

²²⁵ 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.

The analysis revealed the overall adequacy of the initiatives and actions taken by companies to implement regulatory obligations. On the other hand, the corresponding strategic and operational actions to align the management of the public quotation system with the purposes for which it was established have not been carried out.

Starting with a comparison of the premiums offered on Preventivass and those on other sales channels, the differences between the risk quotation process used for the basic contract offer displayed on the public Preventivass and the process used for other sales channels (company website, call centres, commercial aggregators, intermediaries) were examined. Although the same management applications and tariffs are used, the parameters adopted in the pricing processes on other channels are not always adequately valued, and sometimes even excluded, in the quotation of the risk from the basic contract, even in the presence of the necessary information contained in the Electronic Model transmitted by Preventivass for each request for quotation.

Added to the above criticality is the failure to apply or marginal application in Preventivass of discounts, even of a purely technical nature, whose adoption is present in all other sales channels. It was found that the premium calculation for the basic contract arrives at significantly higher amounts than those calculated for the same risk on requests for quotations from other sources (company website, commercial aggregator, etc.).

Companies do not fully exploit the potential of the public channel for information and distribution purposes, probably because of the limited coverage insurable under the basic contract, which is restricted to pure MTPL. Through other distribution channels, companies supplement the offer with ancillary guarantees (fire, theft, roadside assistance, etc.) that are significantly more profitable than MTPL cover, and consequently apply additional premium discounts.

Proposals for regulatory integrations are being considered in order to include in the public quotation system, in addition to the offers linked to the basic contract, other covers directly related to the circulation of vehicles.

VI. IT SERVICES AND INSTITUTIONAL DATA BANKS

1. ANTI-FRAUD DATABASE (CLAIMS DATA BANK AND ANTI-FRAUD INFORMATION DATABASE - AIA)

In 2023, the new IT application for the centralised collection of MTPL claims (EBDS - *Evoluzione Banca Dati Sinistri* – Evolution of the Claims Database) and the portal of the Anti-Fraud Integrated Database (AIA - *Archivio Integrato Antifrode*) became fully operational. The applications reside on Bank of Italy systems and implement information, technological and organisational innovations.

The EBDS 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.

The new AIA portal allows integrated online and mobile consultation of EBDS information and AIA indicators. The application facilitates greater flexibility and speed in authorisation activities for data access, now largely decentralized within companies.

The full operation of the EBDS and the wide use by companies of the portal are confirmed by the amount of information processed. In 2023, more than 17 million communications were made to the EBDS, of which 2.5 million related to new claims, and 1.8 million consultations via the AIA portal by 2,200 users were recorded. At the end of 2023, the AIA portal was also made available to the law enforcement agencies: in the first four months of 2024, consultations via the Interforce Data Processing Centre exceeded 35,000.

Initial verifications show that the data collected are more effective in supporting predictive analyses of possible fraudulent phenomena and in responding to reports from the police or companies, including identity theft and the issuance of insurance contracts for vehicles with invalid Single Vehicle Identity Documents.

The start-up of the EBDS and the AIA portal allowed for the decommissioning of the old Claims Data Base applications, including the one for web queries, representing a further step towards the integration of IVASS's systems with those of the Bank of Italy, as provided for by the law establishing IVASS, and a further structural improvement of the IT applications, particularly in terms of management and security.

2. SUPERVISORY REPORTING

Parallel to the management and evolutionary development activities of the surveys in operation through the Infostat infrastructure, the new survey for the collection of consolidated half-yearly reports prepared by insurance groups in accordance with IFRS 17 was released in 2023. In the second quarter of 2024, the survey for IFRS 17 consolidated annual accounts went into operation. June 2023 saw the launch of the "anti-money laundering reporting - life and non-life premiums by intermediary" (AML), sent by a number of entities (around 450) and with a granularity of the data transmitted that has no equal in other IVASS collections.

In the second half of 2023, efforts to transpose the new Solvency II taxonomy (version 2.8) were particularly intense. The significant reporting innovations introduced with this update had considerable

impacts on the data collection and control procedures as well as on the structured statistical products used by internal users.

In 2023, an analysis of the privacy aspects of the Regulation for the Register of Insurance Undertakings and Groups (RIGA) was carried out with the cooperation of the Data Protection Authority. In particular, checks were focused on the implications of the use of the Bank of Italy's Register of Subjects by reporting entities. The activity ended at the beginning of 2024 and RIGA Regulation No. 55 was issued on 11 April 2024. The data recorded in RIGA include information on the outsourcing activities of insurance companies, as required by an EIOPA Recommendation: this choice made it possible to avoid the setting up of a specific survey with positive effects on the costs of supervisory reporting.

The entry into force of the RIGA Regulation represents a further element in the integration of IVASS's information systems with those of the Bank of Italy, and makes it possible to create useful organisational synergies, particularly for companies belonging to banking groups, thanks to the use of similar procedures for the reporting of personal and governance data to be provided to IVASS and the Bank of Italy.

The search for technological solutions capable of guaranteeing greater security and efficiency to the protocols for exchanging data with the outside world required a review of the IT procedure for communicating interlocking data with the Bank of Italy and CONSOB (information on persons holding positions in banks, insurance companies and other financial entities). In 2023, a new flow exchange platform was identified that combines user-friendliness and increased confidentiality safeguards; the application is operational from the beginning of 2024 and enables the decommissioning of the previous infrastructure.

Between the end of 2023 and the beginning of 2024, the organisational and IT procedure was defined, in close cooperation with the Bank of Italy, in application of ECB Regulation No. 31/2022 on the verification of compliance with the reporting obligations of insurance undertakings (non-compliance framework), effective from the end of April 2024.

3. IPER AND CARD

CARD – The "CARD Model" project went into production in July 2023. The Project, included in the strand of the decommissioning of IVASS IT systems, characterised by technological obsolescence and high operational risk, has created a service integrated in the Bank of Italy's systems and functional to the CARD incentive system (IVASS Order No. 79/2018).

The CARD incentive system has been active since 2015 and measures the efficiency of participating companies in several respects: anti-fraud, cost, cost dynamics and claims settlement times. The company's positioning with respect to the market average for the above-mentioned profiles determines incentives or penalties, the size of which is commensurate with the company's claims burden.

The project, in addition to specific calculation and simulation functionalities on the model's performance, implemented new infrastructural and application solutions for system monitoring and flow exchange that, with a view to software sharing and reuse, were also used in the IPER project.

IPER – The first phase of the project "Statistical survey on the actual prices for motor liability insurance" has been in production since July 2023. The project involves the decommissioning of the former IVASS IT system and migration to the Bank of Italy's systems. It serves multiple purposes, including providing ISTAT with information on MTPL premiums, which is useful for calculating the consumer price

index, increasing the frequency of the survey from quarterly to monthly, including information on moped and motorbike contracts (in a second phase), expanding the variables surveyed, raising information safety and availability profiles, and increasing automation aimed at reducing the management burden.

The second part of the project involves the implementation of a dedicated data collection for moped and motorbike prices and will be released for production in October 2024.

The IPER survey repository currently consists of 85 million policies, of which 78 million came from the previous environment and 7 million from the current survey, with a monthly growth of 700,000 units.

4. PROCEDURES TO SUPPORT SUPERVISION AND STATISTICAL ANALYSIS

The progress made in integrating IVASS's information system into that of the Bank of Italy has made it possible to consolidate and strengthen it in terms of functionality, data quality and cyber security, with the release of IT tools to support the performance of institutional tasks.

Traditional procurement and provisioning models for resources and services, data processing methods and technological solutions that have long been adopted for process automation are being complemented by innovative approaches based on cloud computing and the use of big data and advanced analytics that can raise the levels of effectiveness and efficiency of IT services available to users. The use of machine learning and artificial intelligence technologies is under experimentation.

In 2023, the launch of granular data reporting on the activities of insurance intermediaries for AML purposes (see par. 2) resulted in an increase in the quality and completeness of the data collected and the reports available to end users.

The analysis of information on the capital structure of companies is based on a new system capable of verifying the market value of financial instruments managed by companies using integrated supervisory reporting and market data (VAIGA – Asset Valuation of Insurance Companies and Groups).

In continuity with the evolutionary strategy initiated in previous years, project initiatives were completed to strengthen data production and exploitation tools to support prudential supervision, market conduct and inspection tasks.

VII. SANCTIONS

Also in 2023, IVASS paid the utmost attention to the sanctioning consequences of the conduct of supervised entities, in order to pursue the deterrent function of the sanction in compliance with the principles of proportionality and adequacy, enhancing, where present, the proactivity of the persons involved in the sanctioning procedure in the adoption of concrete and effective remedial actions aimed at removing the irregularities and the detrimental effects thereof.

Proceedings instituted against companies and, in some cases, their corporate officers following onsite or off-site inspections concerned: critical issues in the functionality of the corporate governance and risk management system; weaknesses in governance and control over product distribution and inadequate implementation of the remedial plan required by IVASS; non-compliance with the rules of conduct towards policyholders and insured persons in the performance of contracts. A number of proceedings opened in AML matters against insurance companies and mediation firms were concluded with sanctions, mainly arising from shortcomings in the performance of customer due diligence, or against members of a company's board of internal auditors whose actions failed to detect important criticalities in the performance of the requirements of primary law and regulations to ensure sound and prudent management and to prevent AML phenomena (Legislative Decree No. 231/2007, and subsequent modifications).

The members of the Guarantee Committee were nominated and appointed at the end of a procedure that followed the formalities and timelines established by Law No. 241/1990, as amended²²⁶. The Committee, which carries out the preliminary investigation of sanctioning proceedings initiated against intermediaries supervised by IVASS (excluding anti-money laundering matters), took office and started operating immediately after its appointment.

1. - SANCTIONING PROCEEDINGS

130 sanctioning proceedings were examined, including 56 pecuniary sanctions, 50 non pecuniary sanctions and 24 dismissals. The pecuniary sanctions imposed amounted to 7 million euro.

Sanctions issued - The recipients of sanctioning proceedings were 26 companies, 17 of which were Italian, accounting for 20% of total Italian companies, 8 company's managers and 57 intermediaries.

Table VII.1

	Sanctions issued					
	(Number of sanctions	(Number of sanctions in units, amounts in million euro and % values)				
	Number % Amount					
Pecuniary sanctions	56	43.1	7.0			
Non-pecuniary sanctions	50	38.4	-			
Dismissals	24	18.5	-			
Total sanctions	130	100.0	7.0			

²²⁶ By IVASS Order No. 129 of 18 April 2023, Luciano Panzani was appointed as Chairman, and Anna Carla Nazzaro as expert member. By IVASS Order No. 133 of 27 June 2023, Renato Santagata de Castro was appointed as expert member. The Committee has a term of four years starting on 18 May 2023; the appointment may be renewed only once.

Table VII.2

Pecuniary sanctions by recipients (Number of sanctions in units, amounts in million euro and % values) Directors and managers and **Undertakings** Intermediaries **Total** employees Number 40 8 8 56 % 71.4 14.3 14.3 100.0 **Amount** 6.3 7.0 0.4 0.3

5.7

4.3

90.0

Table VII.3

100.0

of recipient intermediaries							
(Number of sanctions in units and % values)							
	Sect. A Agents	Sect. B Brokers	Sect. D Sect. E Fin. interm. Collaborators				
Number of sanctions	18	14	1	17	50		
%	36.0	28.0	2.0	34.0	100.0		

Non-pecuniary sanctions by section of registration

Six sanctioning proceedings were subject to judicial appeal (5.7% of sanctioning proceedings issued), including four non-pecuniary sanctions issued against intermediaries and two sanctions against undertakings regarding motor liability claims settlement and life policies.

Violations found in relation to distribution - Regarding this matter, of the 58 sanctions imposed on intermediaries, 51 were in the area of insurance distribution (50 non-pecuniary and 1 pecuniary).

Sanctioning proceedings regarding distribution - breakdown by section of registration of recipient

Table VII.4

			intermediaries					
(Number of sanctions in units, amounts in euro and % values)								
Outcome	Sect. A Agents	Sect. B Brokers	Sect. D Fin. interm.	Sect. E Collaborator s	Total	% over total		
Reprimand	6	1	1	0	8	15.7		
Censure	6	5	0	9	20	39.2		
Pecuniary Number Amount	1 5,000	0	0	0	1 5,000	2.0		
Striking off□ (natural persons)	3	6	0	8	17	33.3		
Removal from the register (company)	3	2	0	0	5	9.8		
Total	19	14	1	17	51	100.0		

The conducts that led to the striking off of intermediaries were mainly related to: non-remittance of the amounts collected as premiums to undertakings or relevant intermediaries, often accompanied by the failure to record the collections, violation of the obligation to keep separate accounts deriving from the failure to establish a separate current account or its incorrect management, falsification of contractual documents, communication of untruthful information to policyholders, with the issue of false attestations at the time of the contractual offer.

Censure measures were generally imposed for failure to comply with the requirement to act honestly, fairly, professionally and with transparency when carrying out insurance distribution as insurance distributors are required to pursue the best interests of policyholders, including, sometimes, the failure to comply with the provisions on the adequacy of contractual proposals.

Violations found in areas other than distribution - 49 pecuniary proceedings were issued, for a total amount of sanction of 6.7 million euro.

Table VII.5

		S	anctions not r	elating to dis	tribution by ty	pe of violation		
				(Number	of sanctions in	units, amounts i	n million euro	and % values)
		·	Number	% total	% total in motor liability	Amount	% total	% total in motor liability
Violation o	of	MTPL	32	65.3%		1.63	24.3%	
of which regardi	ing:							
Claims settler	nent		15	30.6%	46.9%	1.4	20.9%	85.9%
Claims Data L	Bank		7	14.3%	21.9%	0.08	1.2%	4.9%
Database of o	laims	history	8	16.3%	25.0%	0.09	1.3%	5.5%
Access to doc	cumer	nts	2	4.1%	6.2%	0.06	0.9%	3.7%
			Number	% total	% total violations of other provisions	Amount	% total	% total violations of other provisions
Violation of provisions	of	other	17	34.7%		5.07	75.7%	
of which regardi	ing:							
Settlement policies	of	life	4	8.2%	23.5%	0.88	13.1%	17.3%
Management			11	22.4%	64.7%	4.13	61.7%	81.5%
Irregularities intermediaries			2	4.1%	11.8%	0.06	0.9%	1.2%

Money laundering - 6 pecuniary proceedings were issued (of which five against insurance intermediaries and one against a foreign undertaking operating in Italy under the right of establishment) for a total amount of 300 thousand euro.

Table VII.6

Money laundering sanctions					
(Number of sanctions in units, amounts in million euro and % values)					
No.	% over total	Amount	% over total		
6	5.7	0.3	4.3		

The sanctions paid – The amounts of the sanctions paid during the year refer to injunctions issued by the Institute also 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").

Table VII.7

	Sanctions paid							
				(thou	usand euro a	nd % values)		
		By year of issu	ue of the sanction					
	2023	2022	2021	2020	2019	Total		
Amount paid	4,727.0	2,009.0	1.8	221.3	3.5	6,962.6		
		By sanction b	eneficiary - 2023					
	Consap – FGVS (Violation of MTPL legislation)		NATIONAL REVENUE (Other violations)			Total		
	Amount paid	% total	Amount paid		% total			
	1,050.5	15.1	5,912.1		84.9	6,962.6		

VIII. LEGAL ADVICE

1. - ADVICE

In 2023 the Legal Services Office of IVASS handled 150 opinions (227 the previous year), providing the Governing Bodies and Directorates of the Institute (tab. VIII.1) with assistance and legal support in the performance of their institutional activities, protecting the consistency of operating decisions with the reference legal framework.

Table VIII.1

Entities requesting advice - 2023	
	(number)
Governing Bodies and Secretariat Office of the	14
President and the Board of Directors	1-7
Prudential supervision	9
Supervisory regulations and policies	7
Market Conduct Supervision	22
Consumer protection	13
Management of resources	25
Sanctions and Winding up	22
Inspectorate	3
Research and data management	10
EU Court of Justice (questions for preliminary ruling)	7
Body responsible for corruption prevention and	1
transparency	·
External experts	14
Press Office	1
Automatic	2
Total	150

There was continued commitment in the working groups (in some cases set up at international level) on institutional issues and regulatory activities.

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 2023, 49 new cases of litigation were initiated, including extraordinary appeals to the Head of State and cases for which appeal was filed (Table. VIII.2).

Table VIII.2

Litigation cases initiated in 2023- by subject matter					
	(number)				
Supervisory measures (undertakings or legislation)	1				
Supervisory measures (intermediaries)	5				
Pecuniary administrative sanctions	29				
Disciplinary sanctions on intermediaries	8				
Measures ordering the shut-down of unauthorised sites	1				
Criminal affairs	1				
Tenders	1				
Tax bills	3				
Total	49				

Significant decisions issued in 2023 confirming precedents or with new profiles – The following summaries are extracted from judgments pronounced in proceedings brought against IVASS sanctioning and supervisory measures, with a selection of decisions that are significant for IVASS' institutional activity²²⁷.

- 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 the violation of contractual obligations is relevant not only in civil law, but also in public law as per Article 183(1, a) of the CAP ²²⁸.
- 1. Article 183 of the CAP contemplates an immediately preceptive, 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).
- 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* 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. The breach of the obligations incumbent on the insurance company under the contract is relevant not only in civil law, but also in public law pursuant to Article 183(1)(a) of the CAP. The peculiar nature of the insurance market requires that civil law protection (realised by the payment of interest for the

²²⁷ The decisions are cited in the footnote under the abstract in italics after the letter. The paragraph marked with the Arabic numeral in which the individual summary is expressed contains the specific indication of a decision when, while belonging to a common orientation, the decision itself contains a specific summary on specific aspects.

Lazio Regional Administrative Court, Sect. II ter, 10 October 2023, no. 14973, confirming the approach of Lazio Regional Administrative Court, Sect. II ter, 13 December 2022, no. 16796; Lazio TAR, Sect. II ter, 4 November 2022, no. 14388; Lazio TAR, Sect. II ter, 21 March 2022, no. 3221.

- delay in performance under the contract) be flanked by an administrative repressive instrument, aimed at preventing and rebalancing the bargaining position of the parties.
- 5. The structural autonomy of the breaches of contractual obligations towards each insured person is not in contrast with the unity of the measure that constitutes the final act of the proceedings initiated by the supervisory authority. 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, the holders of which were the individual insured persons against whom the violation was committed. The violations must therefore be distinguished for each insured person, thus excluding in application of Article 8(1) of Law No. 689/1981, a provision that presupposes a formal concurrence of offences, i.e. multiple breaches resulting from a single action or omission the invocation of the criterion of legal accumulation for the purposes of quantifying the penalty.
- b) 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 rationale of the rule and principle of the relevance²²⁹.
- 6. The out-of-court settlement procedure provided for in Article 148 et seq. of the CAP is aimed at the public protection of the injured party's right to obtain, within a rapid and transparent procedure, adequate and prompt compensation for the prejudice suffered. This protection consists in the establishment by the company of a fair and proper cross-examination with the injured party, with all the obligations to be borne by the company and strictly regulated deadlines to prevent the insurer from taking advantage of its position of economic strength to put in place delaying attitudes and postpone the fulfilment of its obligations as long as possible, also through expedients that exploit the lack of information of the those entitled to insurance benefits.
- 7. These provisions define the cases of suspension or interruption of the deadline for making an offer of compensation in terms of absolute exhaustiveness and exceptionality: the interruption governed by Article 148(5) of the CAP only results from the timely formulation of a request, addressed to the injured party, to supplement the incomplete request for compensation, while the suspension, governed by Article 148(3) of the CAP, occurs only in the case of the refusal of the injured party to undergo the checks strictly necessary for the assessment of the damages.
- 8. The rationale of Article 148 of the CAP albeit in the shift from the principle of "absolute lack of prejudice" under Article 326 of the CAP to that of "relevance of the violation" remained unchanged, aiming at the rebalancing of the dominant position of the insurance company vis-à-vis the consumer.
- 9. The mere expiration of the time limits laid down by the sectoral regulations in the absence of appropriate justification entails the existence of the factual prerequisite, of an objective nature, justifying the exercise of the sanctioning power. The greater or lesser number of established cases of delay when several cases have been established in a given reference period does not therefore affect the exercise of the sanctioning power: the company does not have an "exemption" that excludes its liability when there is a limited number of cases of violation, also because every consumer is entitled to obtain preventive protection, based on the compliance imposed by sector regulations of the time limit within which their request must be examined.

²²⁹ Lazio TAR, Sect. II ter, 09 October 2023, no. 14876; Lazio TAR, Sect. II ter, 06 June 2023, no. 9533; Lazio TAR, Sect. II excerpt, 24 January 2023 no. 1253, principle already followed in case law, see for example Council of State, Sect. VI, 11 January 2023, no. 335, 336 and 337, also mentioned below.

- 10. The relevance of the breach, which is to be assessed "according to the criteria defined by IVASS with its Regulation, taking into account the incidence of the behaviours on the protection of policyholders and of parties entitled to insurance benefits, [...] as well as on the exercise of the supervisory functions.", is to be referred to cases involving offences of danger and not of damage, so that it is sufficient for the existence of the offence that the procedural breach or the conduct of the agent has even only endangered the protected legal interest. ²³⁰.
- 11. The impairment of the protected interest need not necessarily take the form of an economic loss, since otherwise the violation of the rules of conduct or procedure would never be punishable²³¹.
- 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 suspension of time limit under par. (5) failure to request additional documentation, effects substitutability with invitation to medical examination for the injured party, not applicable²³².
- 12. Article 148(5) of the CAP lays down that the time-limits for making an offer of compensation or communicating the reasons for not making an offer shall be suspended when undertakings have promptly asked for the necessary information supplementing claims that have not been filled out completely by injured parties. The only effect of a claim for indemnification that does not meet the statutory requirements is that the conditions for the company's submission of the request for supplementary documentation are fulfilled within thirty days of receipt of the incomplete claim for indemnification. The possible incompleteness of the claim, therefore, far from justifying a delay in the fulfilment of the offer of compensation, obliges the company to promote a dialogue with the claimant and to request the necessary integrations.
- 13. The undertaking's invitation to the injured party to undergo a medical examination by bringing the relevant documentation does not replace the failure to request the necessary supplementary information as provided for in Article 148(5) of the CAP²³³.
- 14. The fact that a claim for damages even if made with a single request concerns three different injured parties involved in an individual accident as passengers, is irrelevant and does not exclude the autonomy of the respective positions. The relevant compensation procedures as they relate to individual natural persons in respect of whom the damages may have been different and the personal contexts of life on which the relevant assessments are to be made may vary constitute distinct positions with respect to the liable party and the uniqueness of the event that caused the indemnifiable damages. Article 8(1) of Law No. 689/1981, in fact, provides for the unification of the sanction only in the case of infringements committed with a single action or omission (formal concurrence of offences) and not also when the plurality of infringements is attributable to distinct conducts (material concurrence of offences).
- d) Administrative sanctions against corporate officers performing administrative, management and control functions, as well as employees pursuant to Article 311-sexies of the CAP breach of the specific duties connected to the offices of the natural person sanctioned or of the body to which that person belongs failure to exercise the powers of direction, management and control ascertainment of violations and timeliness of the notification by independent authorities principle of relevance nature of offences of danger need to prove the prejudice to third parties, not

²³⁰ Lazio Regional Administrative Court, Sect. II ter, 09 October 2023, no. 14876; Lazio TAR, Sect. II ter, 19 July 2023, no. 12185; Lazio TAR, Sect. II ter, 19 July 2023, no. 12174; Lazio TAR, Sect. II-ter, 12 May 2023, no. 8186 and 8187.

²³¹ Lazio Regional Administrative Court, Sect. II ter, 09 October 2023, no. 14876; Lazio TAR, Sect. II excerpt, 24 January 2023 no. 1253.

²³² Lazio Regional Administrative Court, Sect. II except, 24 January 2023 no. 1253, principle already followed in case law, see for example Council of State, Sect. VI, 21 June 2017 no. 3006.

²³³ Council of State, Sect. VI, 11 January 2023, no. 335, 336 and 337.

- applicable quantification of the sanction²³⁴.
- 15. The penalties provided for in Articles 310(1), 310-bis(1) and 310-quater of the CAP constitute offences of danger and not of damage, so that it is sufficient for the existence of the offence that the procedural violation or the conduct of the agent has even only endangered the protected legal interest.
- 16. The sanctions themselves apply when the infringements are of a material nature, to be assessed according to the criteria defined by IVASS in Article 11 of Regulation No. 39/2018. The relevance of violations may be inferred, taking into account the impact of the conduct on the overall organisation and corporate risk profiles, from at least one of the criteria laid down in the said Regulation.
- 17. The provisions regulating, at the level of primary legislation, the corporate governance system (Article 30 of the CAP), the risk management and assessment system (Articles 30-bis and 30-ter), the internal control system (Article 30-quater), further specified by the relevant IVASS regulatory provisions, and the reference to the parameters of *prudence, proportionality, adequacy, diligence, fairness and transparency* widely used in the rules on administrative offences for breach of supervisory provisions in regulated markets require a necessary interpretation and contextualisation of the relevant principles.
- 18. With a regulatory technique similar to that used for the supervisory authorities of the banking and financial sectors, IVASS is assigned the task of promptly intercepting critical issues in the management of insurance companies and preventing prejudicial situations. These tasks which add to the more traditional functions aimed at remedying or mitigating the same criticalities ex post do not constitute a substitution of IVASS for the supervised subject, given that the supervision is limited to assessing, for the protection of the insured and the insurance market and on the basis of an ex ante judgement, the adequacy of the decision-making processes of the companies in relation to the purposes and procedural methods identified by the legislation, which are particularly relevant due to the need to protect public interests protected by the Constitution. This adequacy check is performed on an essentially procedural level and concerns both compliance with the various legal and regulatory requirements and the (abstract and potential) appropriateness of the procedures and acts adopted with the purposes pursued by the legislator.
- 19. In the light of their nature as offences of danger and not of damage, the individual irregularities that are the subject of the supervisory findings are not appreciated, with an atomistic approach, as punctual violations considered in isolation. The adoption of certain repeated procedural violations, on the other hand, constitutes a failure to comply with the ordinary principles of diligence required of the corporate bodies, taking into account the legislative provisions and the regulatory provisions adopted by IVASS, which must necessarily be interpreted in the light of the criteria that the conduct must be appropriate to achieve the protection purpose pursued. The individual episodes, in this sense, have an illustrative purpose and are considered in their symptomatic value.
- 20. A sanctioning measure that has not been preceded by warnings, orders or prohibitions of the Supervisory Authority is not unlawful, since the prior adoption of such corrective measures is considered by Article 8(2) of IVASS Regulation No. 39/2018 as evidenced by the word "also" in the text a possible, but not essential, prerequisite for the adoption of the sanctioning measure.
- 21. As consistently observed in case law, in the field of administrative violations assessed by independent authorities, the assessment does not coincide with the mere acquisition of the results of investigations, but requires, in order to be considered complete, a phase of examination and assessment of the documentation collected. The time limits within which the competent Administration must notify the breach, therefore, do not run from the time of the material acquisition of the documentation and information or the date on which the breach was committed, but from the time of the complete

²³⁴ Lazio Regional Administrative Court, Sect. II ter, 19 July 2023 no. 12185, 19 July 2023 no. 12174, 12 May 2023 no. 8186 and 8187.

- examination and assessment of the preliminary investigation material in terms of its sanctioning relevance, a process that is all the longer the greater the volume of the material to be assessed and the greater the complexity, including legal complexity, of the cases under examination²³⁵.
- 22. The determination of the amount of the sanction to be imposed is governed by the provisions of Article 29 of IVASS Regulation No. 39/2018, which expressly provides that the proceeding authority shall indicate, from time to time, from among the eleven criteria abstractly applicable, those concretely deemed relevant, and the failure to use all the criteria listed by the rule does not imply illegitimacy.
- 23. On the subject of the justification of the *quantum* of the pecuniary administrative sanctions, the graduation between the minimum and the maximum amount corresponds to the power of the Administration to determine the penalty with respect to the concrete gravity of the offence, without the need to specify the criterion followed, since the determination of the sanction in the face of a precise and articulated notification of the breach is an expression of the assessment of gravity made by the proceeding body and absorbs any further reason that could be demanded only by exasperating the formal notion of justification.
- 24. The overall justification of the sanctioning measure must be assessed in the light of its entire content as regards the reasons for the alleged gravity of the conduct, the assessment of which, for the purposes of the quantification of the sanction, constitutes an expression of discretion, which cannot be generally reviewed by the court except in the event of excess of power, in its various symptomatic forms, such as manifest illogicality, manifest unreasonableness, evident disproportionality and misrepresentation.
- 25. Article 325-ter of the CAP generally lays down that the sanctions imposed by IVASS shall be published in IVASS' Bulletin and website to provide information to the market about the fairness of insurance market participants; IVASS may also establish further forms of publicity of the measure, and order the infringer to bear the relevant costs²³⁶.
- 26. Pursuant to the second paragraph of Article 325-*ter* of the CAP, exceptions to this rule occur in cases where the publication concerns personal data, may jeopardise the stability of the markets or an ongoing criminal investigation; or may cause disproportionate damage to the parties involved, provided that such damage can be determined. In the absence of precise proof, the assertion that the publication would have jeopardised the possibility of re-employment in the insurance sector of the person sanctioned is not sufficient, since irrespective of the publication of the extract of the sanction the possible notoriety in the professional sector of the event which led to the sanction concerned must be taken into account.
- e) Supervision of undertakings powers of intervention under Article 188 of the CAP aimed at acquiring information and urging management in compliance with the sectoral regulations immediate impairment of the undertaking's legal sphere not applicable²³⁷.
- 27. As an expression of the supervisory powers aimed at acquiring information and urging management in compliance with the sector regulations, the notification pursuant to Article 188 of the CAP with which IVASS in view of the critical issues that emerged during the inspection formulated supervisory requests to the insurance company and ordered that the examination of the relative content be within an assigned term placed on the agenda of the Board of Directors, in the presence of the Board of Statutory Auditors, in order to adopt a resolution on the issues and indications represented therein, does not entail an immediate impairment of the legal sphere of the company due to the absence of the procedural requirement of a defensible interest. In fact, the notification itself does not produce

²³⁵ Principle reiterated in the field of supervision over intermediaries by the Lazio Regional Administrative Court, Sect. II-ter, 25 January 2023, no. 1288.

²³⁶ Lazio TAR, Sect. II-ter, 19 July 2023, no. 12174

²³⁷ Lazio Regional Administrative Court, Sect. II-ter, 23 August 2023, no. 13396.

- autonomous effects, but aims to ensure the sound and prudent management of the company, as well as transparency and fairness towards customers, with the primary objective of providing consumer protection.
- f) Supervision of intermediaries need for insurance agents to have a mandate, applicable "horizontal" collaborations under Article 22(10) of Decree-Law No. 179/2012 nature²³⁸.
- 28. The need for insurance agents to hold an agency mandate stems from the definition contained in Article 109 of the CAP that, when defining the sections into which the RUI is divided, provides in paragraph 2 (a) that "The register shall be subdivided into separate sections listing: a) insurance agents, in their capacity as intermediaries acting in the name or on behalf of one or more insurance or reinsurance undertakings;" thus unequivocally requiring the existence of a mandate contract.
- 29. The rule introduced by Article 22(10) of Decree-Law No. 179/2012, converted by Law No. 221/2012²³⁹, must be interpreted in the light of the provisions of Article 109(2)(a) of the CAP, with the result that the various forms of mutual cooperation contemplated by that provision must be carried out in accordance with the categorisation contained in the aforementioned Article 109. The use of the expression "also through the use of their respective mandates" far from having the effect of abrogating the definition of insurance agent contained in Article 109(2)(a) of the CAP precisely because of the use of the adjective "respective", presupposes, rather than excludes, that all participants in the collaboration have a mandate.
- 30. It follows from a systematic reading of the above provisions that the legitimacy of the collaboration between two intermediaries registered in section A of the RUI (agents) presupposes that both are registered in that section and therefore fulfil, on an ongoing basis, the requirements for registration, including the possession of a mandate and perform the activity corresponding to that of insurance agent.
- 31. The possible lack of a mandate on the part of one of the intermediaries would, on the other hand, lead to a distortion of the collaboration, given that the work of a person without a mandate seemingly falls within the scope of the activities reserved for persons registered in Sections B (brokers) and E (collaborators) of the RUI, whereas the horizontal collaboration agreement cannot substitute the absence of a mandate to justify the registration in Section A of the RUI.
- 32. The requirements of enrolment in Section A of the RUI and of obtaining an agency mandate are not mutually independent, but cumulative, according to a chronological sequence whereby the first requirement must be fulfilled prior to the second and the second may be temporarily lost for a maximum period of three years, after which, in the absence of the assumption of a new agency mandate, pursuant to Article 113(1)(c) of the CAP, the intermediary is automatically removed from the register, unless a justified reason is given.
- 33. The agreements that give rise to the horizontal collaboration relationships governed by Article 22(10) of Law No. 221/2012 are agreements other than those between agents and brokers ratified by the company pursuant to Article 118 of the CAP.
- g) Disciplinary 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. Prejudice in civil judgements, not

²³⁸ Lazio Regional Administrative Court, Sect. II-ter, 24 February 2023, no. 3248; Lazio TAR, Sect. II-ter, 14 March 2023, no. 4483.

²³⁹ Article 22, paragraph 10, Decree Law 179/2012, converted by Law 221/2012, reads: "In order to overcome the current segmentation of the insurance market and to increase the degree of freedom of the different operators, the insurance intermediaries referred to in paragraph 2(a), (b) and (d) of Article 109 of Legislative Decree No. 209/2005, as well as those included in the list enclosed to the register of intermediaries referred to in Article 33(2) of ISVAP Regulation No. 5/2006, may adopt forms of mutual collaboration in the performance of their activities also through the use of their respective mandates".

applicable.

- 34. The general principle of the autonomy of public-law investigations rules out when unlawful acts within the competence of IVASS also have criminal relevance the latter is obliged to suspend proceedings pending the outcome of the criminal trial²⁴⁰.
- 35. No legislative or regulatory provision provides that the administrative disciplinary proceedings conducted by the insurance supervisory authority must be suspended pending civil proceedings. On the contrary, reasons of public interest and the aim of protecting the supervised sector in the presence of incorrect behaviours, enable the Administration to believe that there are grounds for continuing the administrative procedure²⁴¹.
- h) Disciplinary sanctions against intermediaries non-payment of sums collected by way of premium nature of offence of presumed danger, applicable need for fraudulent intent or unjust enrichment, not applicable prohibition on offsetting premiums with any claims of the intermediary against the undertaking probative value of settlement agreements between intermediary and undertaking duties of non-exclusive agencies assessment of the seriousness of the offence 242.
- 36. 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; given the economic mechanism of the insurance market (reversal of the production cycle), this appropriation risks making it difficult to settle claims and, in the most serious cases, putting the risk guarantee system into default.
- 37. The particular seriousness of the failure to remit sums to the company, on the basis of the applicable statutory and regulatory provisions, defines a tort of presumed danger for which the failure to prove damage consequential to the conduct is irrelevant²⁴³.
- 38. 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.
- 39. For the purposes of the disciplinary liability of the intermediary, the failure to pay or even the delay in paying the premiums collected are equivalent. The signing of a settlement agreement with the insurance company for the deferred repayment of the sums collected by way of premium must be recognised as a confession of non-remittance of the amounts collected²⁴⁴.
- 40. 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 it²⁴⁵.
- 41. Article 63 of IVASS Regulation 40/2018 in specifying the content of the general duties placed by Article 54 of the same Regulation on distributors (act honestly, fairly, professionally and with transparency in

²⁴⁰ Lazio Regional Administrative Court, Sect. II ter, 1 June 2023, no. 9364, confirming the approach already followed by Lazio Regional Administrative Court, Sect. II ter, 20 June 2022, no. 8241 and Lazio Regional Administrative Court, Sect. II ter, 14 April 2022, no. 4580.

²⁴¹ Lazio Regional Administrative Court, Sect. II ter, 19 April 2023, no. 6765.

²⁴² Lazio Regional Administrative Court, Sect. II ter, 20 July 2023, no. 12243; Lazio Regional Administrative Court, Sect. II ter, 17 July 2023, no. 12082; Lazio Regional Administrative Court, Sect. II ter, 01 June 2023, no. 9364; Lazio Regional Administrative Court, Sect. II ter, 9 March 2023, no. 3898.

²⁴³ Lazio Regional Administrative Court, Sect. II ter, 11 April 2023, no. 6255; Lazio TAR, Sect. II ter, 26 April 2023, no. 7199.

²⁴⁴ Lazio Regional Administrative Court, Sect. II ter, 20 July 2023, no. 12243; Lazio TAR, Sect. II ter, 12 June 2023, no. 10026.

²⁴⁵ Principle recently followed by Lazio Regional Administrative Court, Sect. II ter, 11 April 2023, no. 6255 and 26 April 2023, no. 7199.

accordance with the best interests of policyholders and insured persons and in such a manner as not to prejudice the interests of the latter;) – lays down, with specific regard to non-exclusive agencies, that "Intermediaries operating for various undertakings shall adopt procedures designed to guarantee, also in case of proceedings for enforcement, the attribution of monies to each principal insurance undertaking and the respective insured persons" ²⁴⁶.

- 42. The assessment of the alleged gravity of the conduct, in light of the entire contents of the disciplinary measure, constitutes an expression of administrative discretion, generally not susceptible to review by the court except in cases of excess of power, in its various symptomatic forms, such as manifest illogicality, manifest unreasonableness, obvious disproportion and misrepresentation.
- 43. 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)²⁴⁷.
- i) Disciplinary sanctions against intermediaries- embedment of jurisdiction limitation period ²⁴⁸.
- 44. The fact of being registered with the RUI when the breach of disciplinary importance is committed constitutes the legal prerequisite that makes IVASS competent in this regard in order to avoid circumventions by the persons registered, as laid down in Article 113(3) of the CAP and, with even greater textual clarity, in Article 324(7-bis) of the CAP.
- 45. The legitimacy of the exercise of the sanctioning power against a person who was registered at the time the breach was committed but was subsequently removed is also based on the circumstance that the sanction of striking off, in addition to resulting in the immediate removal from the Register, has important consequences as regards the reinstatement, given a new registration is precluded for persons struck off before the expiry of five years from the sanction and is subject to a new and current assessment of all the requirements of Articles 110, 111 and 112 of the CAP. Striking off ultimately has effects that go beyond the cessation of professional practice.
- 46. By express exclusion contained in Article 12 of Law No. 689/1981, Article 28 of the same Law does not apply to disciplinary proceedings. The five-year limitation period established by the same Article 28 relates only to the right to collect the pecuniary administrative sanctions, without prejudice to the applicability of the rules of the Civil Code on the interruption of the limitation period, which is effectively brought about by the service within five years from the commission of the acts of the notification of the breach.

3. - LEGAL TRAINING

Mandatory training for in-house attorneys continued in 2023 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. Of particular note is the study meeting, organised by IVASS and the Department of Legal Sciences of the University of Florence, on the topic of Access to business crisis management tools and

²⁴⁶ Lazio TAR, Sect. II ter, 11 April 2023, no. 6255; Lazio TAR, Sect. II ter, 26 April 2023, no. 7199.

²⁴⁷ The ruling is common to both pecuniary penalties and disciplinary sanctions applicable to cases occurred before the changes introduced by Legislative Decree no. 68/2018, see Lazio Regional Administrative Court, Sect. II ter, 09 October 2023, no. 14876; Lazio TAR, Sect. II excerpt, 14 September 2023 no. 13793; Lazio Regional Administrative Court, Rome, Sect. II excerpt, 24 January 2023 no. 1253.

²⁴⁸ Lazio Regional Administrative Court, Sect. II ter, 20 July 2023, no. 12243.

professional costs: a role for insurance? on the subject of the feasibility of insurance policies to cover professional costs related to corporate crisis management, and the seminar on The role and proceedings within the competence of EIOPA.

IX. ORGANISATION

On the subject of internal administration, IVASS continued on the path of managerial, organisational and technological innovation. Also in view of the hybrid working model, IVASS has begun an analysis of its work processes in terms of effectiveness, efficiency and monitoring of operational risks, and a review of the overall structure of delegated powers based on the evolution of institutional tasks and the external context.

Further interventions were targeted at achieving 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.

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 2023, 24 meetings were held, 122 resolutions were passed and 30 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 2023, 33 meetings were held, 81 resolutions were passed and 9 information notices were examined.

The Secretary General is responsible for the coordination and supervision of the activities of the structures²⁴⁹.

2. - ORGANISATIONAL EVOLUTION

The main lines of evolution of the internal organisation concerned the implementation of the objectives of IVASS 2021-2023 Strategic Plan. The new rules on hybrid work were implemented and a new system for measuring business efficiency was launched.

Strategic planning and changes in the organisational structure – During the implementation period of the 2021-2023 Strategic Plan, the organisational structure was adjusted to achieve the levels of flexibility and

²⁴⁹ https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/index.html

efficiency needed to strengthen supervisory action and protection of insurance service users; increase IVASS's international presence; encourage the use of digital technologies and enhance human capital.

In view of the fourth strategic planning cycle for the three-year period 2024-2026, a scenario analysis was carried out to define the objectives of the new Strategic Plan.

Technological development – Digital transformation is a key element in facilitating IVASS organisational change and achieving its strategic objectives. In 2023, tools were implemented that simplify and make operational processes more efficient, support remote working and enable effective monitoring of resources and activities.

The integration of IVASS ICT services with those of the Bank of Italy is going on, according to the provisions of the framework agreement²⁵⁰ regulating the ICT collaboration between the two authorities and 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 CARD, IPER, RUI and VAIGA (see Chap. VI).

The handover of IVASS's technology services to the Bank of Italy has advanced significantly, reaching 72% of the total, with an increase of 5% compared to 2022, which can be attributed to the gradual divestment of IVASS proprietary systems.

The IT planning process involves the continuous management of the ICT service portfolio. The Board approved the ICT strategic planning for 2024, with aims at aligning the initiatives with the strategic objectives 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 implementation envisages an increase of 2% compared to 2023.

The development process of ICT services for the Institute consists of the following phases: study, implementation, production release and maintenance.

A study was launched for the online complaints project, aimed at setting up an internet portal dedicated to consumers allowing them to submit online complaints and enquiries concerning their relations with insurance companies and intermediaries, in order to increase the efficiency of complaints handling carried out by IVASS and improve the quality of the service provided to the public.

The implementation of whistleblowing project initiatives continued, with the definition of a dedicated procedure for the receipt and management of reports of irregularities and offences committed by employees, staff seconded from the Bank of Italy and external staff with a user account; other project initiatives concerned the IT support to the operation of the Insurance Arbitrator and to IVASS sanctioning procedures. The new projects are also characterised by a high focus on IT security and business continuity profiles.

Among the IT services released in operation is the New RUI Portal, aimed at evolving the tool supporting the Single Register of Intermediaries to take into account the changed regulatory and technological reference context, and the need for integration with the Single Digital Gateway. The RUI publishes information on registered intermediaries also in open data format and, together with the

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²⁵⁰ The agreement for the use by IVASS of IT services provided by the Bank of Italy was signed in August 2019 for a 5-year period, and is currently being renewed.

Estimator, Claims Data Base and AIA services, makes use of the *Sistema Pubblico di Identità Digitale* (SPID - Public Digital Identity System) for the authentication of professional users.

Routine maintenance initiatives have been carried out, including the adaptation of the institutional website to allow the public to register in order to receive notifications on published updates and to direct any access to unauthorised sites to an information page, in accordance with the new legal provisions granting IVASS the power to shut-down fake insurance sites.

Management of ICT services – The amount of services within IVASS's ICT catalogue has increased by 3% compared to 2022. These services are managed 28% by IVASS and 72% by the Bank of Italy.

In 2023, 3,184 service requests were fulfilled, a decrease of 30% compared to the previous year. The management of requests was taken over 46% by IVASS and the 54% by the IT function of the Bank of Italy.

Management control – As part of the internal system of management control, the quarterly collection of timesheets on the amount of work dedicated to the processes and activities carried out by each unit continued. The information obtained through these surveys, combined with the processing of analytical accounting by cost centres, allowed the allocation of costs to IVASS's structures and their further distinction into direct costs of activities, costs of support activities and costs of instrumental activities.

The results were used in simulations to determine the cost of certain specific institutional activities.

The measurement of corporate efficiency continued, as determined by the annual change in a productivity index that relates the institutional products produced to the amount of work involved.

Procurement – With the entry into force of the new Public Procurement Code, IVASS obtained registration on the ANAC list of qualified contracting entities pursuant to Article 63 of Legislative Decree No. 36/2023.

Procurement activities continued seamlessly, both autonomously and jointly with the Bank of Italy and the other Authorities (Antitrust Authority, CONSOB and ANAC) and the Agency for National Cyber Security, within the framework of the memorandum of understanding entered into for the identification of joint strategies for the purchase of works, services and goods.

This form of collaboration is a useful tool for rationalising and containing the costs associated with carrying out tendering procedures, through the realisation of economies of scale that ensure cost savings.

IVASS concluded 126 new contracts for the acquisition of goods and services, as a result of the same number of award procedures, for a total value of €7,880,086, plus VAT:

- 84% of the total value was awarded through open procedure (3 contracts for €6,632,361.78 plus VAT);
- 8% was awarded through negotiated procedure without prior publication of a contract notice, pursuant to Article 76 of Legislative Decree No. 36/2023;
- the remaining 8% was awarded through procedures not exceeding the Community threshold (framework agreement, negotiated procedure without contract notice, direct award).

All the details of the procedures carried out are made available on IVASS' website within the "Transparent Administration" section.

3. - COMMUNICATION

In 2023, the IVASS Communication office continued to support institutional activities with initiatives, information campaigns, meetings with the press and the opening of social profiles, with the aim of making the public aware of IVASS and its functions. A total of 145 (123 in 2022) requests for interviews, information and participation in events were handled, as well as 16 interviews for press, radio and TV, not to mention 33 speeches, hearings and participation in webinars and conferences. 43 press releases and 24 notices were issued.

936 documents were published in Italian and English on the institutional website. The site had 1.8 million visits (+10.7% compared to 2022) and 950,000 downloads (+7.5%). In November 2023, the e-mail alert service for content published on the site was activated.

To strengthen the visibility of initiatives and activities, IVASS's presence on social platforms was expanded: February 2023 saw the opening of the LinkedIn profile, which now has 11,000 followers, and at the end of September the Instagram account was opened, with the aim of reaching younger people. Videos posted on the latter channel achieved an average of 900 views. The opening of social channels helped to increase the number of subscribers to the monthly newsletter, whose graphic layout was updated to allow it to be shared on social media. The publication of posts on X (former Twitter) and photographs on Flickr continued. 31 videos were published on YouTube (13 in 2022). The first podcast series was produced and can be heard on major online platforms.

4. - INTERNAL AUDIT

The Internal Audit Office has consolidated the methodologies for analysing the risks associated with IVASS's processes, for the purpose of providing assurance to the Top Management Bodies and supporting the Organisational Structures in preparing and verifying the remedial actions to be taken.

At the end of 2023, work began on the analysis and study as well as the preparation of the operational tools for the implementation of advisory initiatives planned for 2024.

The audits planned for the year 2023 were carried out. The audits covered six areas of investigation. Where improvement needs have been identified, the Departments have undertaken the relative action plans, the implementation of which is constantly monitored.

The activities carried out benefited from collaboration with other functions, mainly with the Operational Risk Management (ORM) system for the analyses conducted on processes and risks, and with the Functions in charge of second-level controls for the effective integration and evaluation of information through mutual exchange.

The preparation of IT tools useful for an orderly management of the information for the Office continued, with the aim of improving the usability of the available data for a more immediate and rational support to the activities carried out.

5. - MONITORING OF RISKS

The operational risk management – 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.

These interventions concerned the implementation of a new IT architecture for the continuous integrated management of information relating to operational risks, making it possible to provide the Top Management with more up-to-date and comprehensive information.

The new ORM system was formalised by updating the internal regulations in March 2023.

Cybersecurity - 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.

Seminars were organised to raise the awareness of all IVASS staff on cyber security, with reference to the EIOPA Guidelines on ICT security and governance, social engineering techniques, and the 2023 Global Insurance Market Report on cyber security.

The Institute participates in the Committee on cyber security coordinated by the Bank of Italy and CERTFin²⁵¹. In this context, the following should be noted:

- the publication of a quarterly newsletter Cyber News, dedicated to cyber security regulation of the financial sector;
- the creation of a section called "Defend yourself against scams" in the institutional website, containing information on cybersecurity threats and online scams;
- the campaign "Cybersecure feasible business" to raise awareness of the importance of investing in the security of systems and information for their employees.

As part of the ICT Framework Agreement with the Bank of Italy, policies for the secure use of cloud computing services were implemented.

Ethics, prevention of corruption, transparency, data protection – The Ethics Committee of IVASS is charged, among other things, with supervising the correct application of the Codes of Ethics for IVASS' bodies and personnel. It also gives opinions on concrete cases submitted to its attention. The Committee made up of a Chairman and of two members, whose term of office lasts for five years and may not be renewed. In

²⁵¹ 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.

²⁵² https://www.ivass.it/cyber/

²⁵³ The initiative has the Patronage of the Data Protection Authority and the National Cybersecurity Agency: https://www.ivass.it/cyber/campagna-cybersicuri-impresa-possibile/

2023, IVASS Joint Directorate appointed two new members of the Committee, without prejudice to the mandate of the Chairman ²⁵⁴.

On the anti-corruption and transparency front, the implementation phase of the IVASS whistleblowing procedure was launched and will be available by 2024.

With regard to internal data protection regulations, the information to be given to data subjects has been updated and the criteria for determining retention periods are being updated too.

Health and safety at work - On the workplace safety front, a comprehensive review of risk management and facility management services (plant maintenance, hygiene and environmental surveillance) was carried out, which involved, among other things, updating the Risk Assessment Document and Emergency Plans. A new three-year contract was signed for the provision of services related to integrated occupational health and safety management.

As far as management of workers' health is concerned, the new company doctor conducted regular health surveillance activities and, with the cooperation of the Bank of Italy, the usual flu vaccination campaign took place.

6. - STAFF

The number of staff – As at 31 December 2023 there were 367 permanent staff (13 more than 31 December 2022), compared to the staff number recognised by law of 400.

Table IX.1

Distribution of IVASS staff by professional area at end 2023						
						(units)
Area	Permane	ent staff	Fixed-ter	m staff	Tot	al
	2023	2022	2023	2022	2023	2022
Professional/Managerial						
Directors/Central Directors	34	32	1	-	34	32
Specialists/Experts	281	276	-	-	281	276
Operational						
Operational staff	52	46	4	-	52	46
Total	367	354	5	-	367	354

The holders of managerial positions among IVASS' employees were 39, including Directors and Specialists, of which 46% women, with an average age of 56.

IVASS makes use of staff seconded from the Bank of Italy which, at the end of 2023, amounted to 47 staff (including 10 holders of organizational positions, including the Secretary General). These are 15 directors, 28 professionals and 4 operational staff. Eight employees have been seconded to the Bank of

²⁵⁴ The Chairman of the Committee is Prof. Cesare Mirabelli, Emeritus President of the Constitutional Court; the new members are Prof. Anna Giunta (Full Professor of Applied Economics at "Roma Tre" University) and Prof. Emiliano Di Carlo (Full Professor of Business Economics at "Tor Vergata" University of Rome).

Italy; two have been assigned positions with EIOPA and are on unpaid leave; other two are on unpaid leave as they have obtained an academic position.

In 2023, 25 staff members were hired:

- in February 2023, all the suitable candidates in the rankings of the three competitions launched in previous years took up their posts; four Experts in economics and business administration, four Experts in statistical-actuarial subjects and/or in mathematics and finance and six graduates in law;
- in June 2023, the winners of the selection process for seven recruitments in the Operational Area reserved for members of the list referred to in Article 8 of Law No. 68/1999, started in 2022, took up their posts;
- between October and December 2023 four winners of the competition, launched in 2022, for ICT experts with knowledge in cyber security or in distributed and distributed ledger technologies and artificial intelligence, were hired.

In December 2023, some of the suitable candidates in the rankings of the above-mentioned competitions were recruited. These are five operative staff eligible for the selection reserved for those registered in the list referred to in Article 8 of Law No. 68/1999 and four Experts eligible for the ICT competition. The new staff took up their posts in early 2024.

Following the above recruitments, the average age of staff was 50 years.

Career development – The career system, which was reformed in 2016 and is based on the principle of dual ladder careers (managerial and professional), is oriented towards the enhancement and development of individuals and is based on management mechanisms rewarding merit.

In particular, internal vertical advancement procedures (advancement from the operational area to the professional-managerial area and advancement of professionals) are selections aimed at ascertaining possession of the professional qualification required to perform the functions and tasks of each area/profile. They are carried out by means of a comparative assessment of the candidates meeting the requirements, performed by a commission on the basis of the assessment elements envisaged for each procedure²⁵⁵, also relating to knowledge of the English language and, for the transition to the role of Director, of the results of an assessment of managerial/behavioural skills carried out by external experts.

As planned for 2023, the following procedures for advancement in career were followed: three advancements from Expert to Specialist profile; an advancement from Lawyer to Senior Lawyer; an advancement from Specialist to Director.

Training – IVASS pays increasing attention to the training of staff. IVASS staff participated in 129 training initiatives; 372 employees were involved, i.e. 90% of staff, including staff seconded by the Bank of Italy, with an average of 30.71 hours of training per capita.

As regards the transition to another role, these include annual evaluations, the curriculum vitae (which also includes knowledge of one or more foreign languages), and the interview. For the transition to another area, candidates must pass a written test (aimed at ascertaining knowledge of IVASS's national and international tasks as well as its internal organisation) and an oral test, as well as an optional test on knowledge of one of the following languages: English, French, German and Spanish.

The most significant part of the technical-specialist training was realised with the multi-year programmes of the Thematic Schools of Supervision and Financial Protection and Education, launched at the beginning of 2022.

In 2023, the first cycle of the two-year training course for "Insurance Supervisory Analysts" within the scope of the Supervisory School was completed, which saw the delivery of 26 training initiatives over the two-year period, of which 13 in 2023, through the use of in-house trainers. In addition to the above training initiatives, designed primarily for new recruits, but open to all staff (as in the other thematic schools), three refresher courses were organised on topics of particular interest to supervision, for two of which external lecturers were used.

Training continued in the Management School for Heads or Deputy Heads of Department and Base Units, as well as ad hoc initiatives for supporting managers and professionals with coordination roles, and training for international profiles in the School of Languages and Multiculturalism.

The training of the thematic schools has been supplemented with the specialised offer for all staff, for activities of a transversal nature between IVASS and the Bank of Italy (e.g. courses in data science, information technology, programming languages, procurement, internal administration).

Training on health and safety, privacy, ethics and legality, which involved most of the staff, as well as basic English language training open to all the employees, which involved 70% of the staff.

ADMINISTRATION OF IVASS

PRESIDENT

Luigi Federico SIGNORINI SENIOR DEPUTY GOVERNOR OF THE BANK OF ITALY

BOARD OF DIRECTORS

Luigi Federico SIGNORINI PRESIDENT

Alberto CORINTI BOARD MEMBER

Riccardo CESARI BOARD MEMBER

JOINT DIRECTORATE

Fabio PANETTA GOVERNOR OF THE BANK OF ITALY

Luigi Federico SIGNORINI SENIOR DEPUTY GOVERNOR OF THE BANK OF ITALY

Alessandra PERRAZZELLI DEPUTY GOVERNOR OF THE BANK OF ITALY

Paolo ANGELINI DEPUTY GOVERNOR OF THE BANK OF ITALY

Chiara SCOTTI DEPUTY GOVERNOR OF THE BANK OF ITALY

Alberto CORINTI BOARD MEMBER

Riccardo CESARI BOARD MEMBER

SECRETARY GENERAL

Stefano DE POLIS