# Italian insurance in 2010/2011

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ANIA
Associazione Nazionale
fra le Imprese Assicuratrici

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# Summary

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**ADDITIONAL COMMENT SECTIONS**

## THE RESULTS FOR THE YEAR

*Total premium income increased by 8.4% in 2010...*

Italian insurance companies' total direct and indirect premium income from domestic and foreign business, gross of cessions and retrocessions, grew by 8.4% on a comparable basis, against an increase of 27.1% in 2009.

*...with a slowdown to 11% growth in the life sector and a 2.5% gain in non-life premiums...*

The growth was driven by the life sector, where premiums rose by 11% thanks to Italian savers' marked preference, especially in the first half of the year, for life insurance products of the traditional type that guarantee policyholders the capital invested plus a contractually stipulated minimum return. Non-life insurance premiums turned around from a decline of 1.9% in 2009 to rise by 2.5%.

*...the overall technical result was negative. The collapse of profits from investments more than offset the decline in the cost of claims*

The overall technical result of direct non-life business was negative again, by Euro 447 million, or 1.3% of premiums for the year, compared with 0.2% in 2009. With operating expenses holding stable, the fall in the ratio of expenses to earned premiums from 79.1% to 75.8%, due in part to the decrease of 2.9% in the cost of claims, was more than offset by the collapse of profits from investments, which were more than halved, and by the negative contribution of reinsurance.

*Claims costs and surrenders increased in the life sector...*

The jump in life insurance premiums was accompanied by a 16.8% rise in the cost of claims, due in part to the 13.5% rise in the amount of surrenders.

*...but net premium income remained high...*

Overall net premium income, defined as the difference between premiums and the amounts paid for claims plus the change in the amounts reserved, was positive to the tune of Euro 23.3 billion, in line with the result for 2009. In 2007 and 2008 it had been negative by over Euro 10 billion.

*...the mathematical reserves gained 8.5%...*

The mathematical reserves increased by Euro 32.2 billion, compared with Euro 41.1 billion in 2009. The contribution of net premium income was equal to 72.4%, compared with 58.2% in 2009, when the result on financial operations was relatively more significant. Overall, the mathematical reserves rose to Euro 410,884 million, up by 8.5% (12.2% in 2009).

*...the technical result of the life sector as a whole was negative, mainly owing to accounting losses on government securities...*

The life sector's overall technical result, positive by Euro 3.2 billion in 2009, was negative by Euro 300 million. The deterioration depended basically on accounting losses booked on financial investments, particularly government securities.

*...incurred by insurance companies active in Classes I and V*

For linked policies, the losses on financial investments are borne primarily by the insured. Changes in the value of securities are reflected in the amount of the insured's reserves. For Class I and V policies, instead, unrealized losses on the securities portfolios are sustained by the insurance company. Only realized losses (or gains) count in determining the return for the policyholder, who in any case receives at least the contractually guaranteed minimum yield.

*The technical result of the traditional insurance classes was negative, that of linked-policy classes positive*

This explains why the technical result of Classes I and V was negative (by Euro 700 million and Euro 150 million respectively), while that of Class III was positive (by Euro 560 million).

*The Report presents detailed information on the current value of insurance companies' investments...*

The Report offers detailed information on the current value of investments for non-life policies and life policies other than linked policies. At the end of 2010, before balance sheet valuations, the balance between unrealized capital gains and losses was negative by some Euro 3.8 billion. In particular, for the non-life sector valuation gains exceeded losses by Euro 1.5 billion, while for the life sector the difference was negative by Euro 5.4 billion. The life sector's net revaluation loss was determined by the performance of government securities, on which it had an overall unrealized capital loss of Euro 5.7 billion.

*...showing a net revaluation surplus of Euro 0.6 billion at the end of this April for life and non-life business*

Insurers had an overall net revaluation surplus of Euro 0.6 billion at the end of April, mainly the effect of the write-downs made in the 2010 annual accounts. In particular, the non-life sector recorded a positive balance of Euro 2.6 billion, while for the life sector valuation losses exceeded gains by Euro 2 billion. Here, again, the result for the life sector was determined by government securities, which reflected unrealized capital losses of Euro 3.9 billion on a total book value of Euro 191.8 billion.

*Overall, the Italian insurance industry made a net loss of Euro 700 million, with ROE of minus 1.5%...*

Overall, the Italian insurance industry made an after-tax loss of Euro 700 million, against a profit of Euro 3.9 billion in 2009. The return on equity was negative by 1.5%, against a positive return of 8.5% in 2009.

*...the solvency margin remains high, almost double the required minimum*

At the end of 2010 Italian insurance companies had a solvency margin of Euro 46.6 billion, against a capital requirement of Euro 21.2 billion. In particular, the margin held for life policies amounted to Euro 27.4 billion, or 1.88 times the legal minimum (Euro 14.6 billion), compared with 1.98 times at end-2009. For non-life insurance, it came to Euro 19.1 billion, or 2.89 times the required minimum of Euro 6.6 billion, compared with 2.85 times a year earlier.

*The Report presents an international comparison of the level of taxation of premiums, higher in Italy than in the rest of Europe and set to rise further with fiscal federalism*

The Report presents the customary annual update (to 2009) on the tax rates applied to insurance premiums in the countries of the European Union. The indirect taxation of insurance premiums has not changed in Italy, and this year remains among the highest in Europe. With fiscal federalism, the taxation of motor liability insurance premiums is likely to increase as provinces use their new power to raise or lower the rate assigned to them (now 12.50%) by 3.5 percentage points. As of 27 June 2010, 29 provinces had already raised the tax by the maximum amount. Already in 2009 tax and other fiscal charges on motor liability insurance premiums amounted to 23% of premiums in Italy, well above the European average of 18%.

### FORECASTS FOR 2011

The slower pace of economic recovery in Italy compared with the other industrial countries and the fears of contagion from the sovereign debt crisis could adversely affect overall premium income. In the life sector, in particular, the expansion recorded in 2009 and 2010, driven by sales of Class I guaranteed savings products, is likely to give way to contraction in 2011, although the volume of premiums should be about the same as in 2009 and well above the average for 2007-08.

*Non-life insurance premium income is forecast to grow by 2.4%…*

In the **non-life sector**, premium income is forecast to grow by 2.4%, in line with the previous year's increase of 2.2%. This trend continues to be influenced by the performance of motor liability insurance premiums, which account for about half of all non-life premiums. In particular, motor liability premium income looks set to grow by between 4% and 5%, as a consequence of the rate increases already introduced, which will be applied to policy renewals as they come due in the course of 2011. By contrast, land-vehicle insurance premiums are expected to remain broadly unchanged from the previous year (on the assumption that new car sales will revive over the rest of the year). The same goes for premiums in the property sector (fire and other property insurance), owing to the difficult conditions of the economy. Sickness and health insurance premiums should show a gain, thanks to the expansion of group policies, while general liability insurance premiums are likely to diminish slightly.

Total non-life premium income for 2011 is thus projected at Euro 36.7 billion. The ratio of premiums to GDP is forecast to edge up from 2.31% to 2.35%.

*…while life insurance premiums could fall back by about 5% to roughly the 2009 level, still well above the figures recorded in 2007 and 2008…*

In the **life sector**, after surging in 2009 and 2010 thanks to strong demand for traditional guaranteed minimum-yield products and diversified supply of these products through bank branches, premium income is expected to decline by about 5%. In the first five months of the year new life business amounted to some Euro 21 billion, down from almost Euro 32 billion in the same period of 2010, when growth was fueled by the investment of capital repatriated under the so-called tax shield, but on a par with the amounts registered in 2008 and 2009 (Euro 20 billion and Euro 22 billion, respectively).

*…in detail, premium income is forecast at Euro 65 billion for Class I products…*

New business for Class I products was down by nearly 30% in the first five months of 2011 compared with the year-earlier period (when it had grown by 26%). Assuming that short-term interest rates hold at the same level as in the first five months and financial market conditions do not worsen, the year-on-year decline in premium volumes should diminish steadily, to between 3% and 5%, with premiums amounting to Euro 65 billion.

*…and Euro 15 billion for Class III policies…*

New business for Class III (linked) policies was also down by 30% in the first five months compared with the year-earlier period (when it had surged by

230%). Assuming the equity markets stage a recovery after their decline in the first five months of the year, premiums from financial insurance products (linked policies) are estimated to be in line with the total for 2010, at Euro 15 billion.

Life sector premium income is forecast to come to about Euro 86 billion, its ratio to GDP declining from 5.82% to 5.47%.

*...and to total Euro 122 billion for the life and non-life sectors*

In 2011 **total life and non-life premiums** on direct Italian insurance business are forecast to come to Euro 122 billion (a dip of 2.9% from 2010), declining from 8.13% to 7.83% of GDP.

### LIFE INSURANCE – DIRECT ITALIAN BUSINESS

*In 2010 Italian households' real disposable income and propensity to save diminished...*

Italian households' disposable income rose last year by 1% in nominal terms but fell by 0.5% in real terms. The household saving rate sagged from 10.5% to 9.1%, as a larger share of income went to maintaining consumption, which grew by 2.5% in nominal terms (1% in real terms).

*...and the flow of financial saving slowed owing chiefly to the steep increase in liabilities...*

The year thus saw a further decline in households' financial saving (defined as the difference between the flows of assets and liabilities), which fell from 2.8% to 1.9% of GDP. In particular, the net flow of financial assets rose from Euro 57 billion to Euro 70 billion, that of liabilities from Euro 15 billion to Euro 40 billion

*...households sold bank instruments for the first time since the financial crisis...*

Households' investment choices changed markedly in 2010. For the first time since the outbreak of the financial crisis, there was a net outflow of households' savings from instruments issued by banks (nearly Euro 24 billion, against a net inflow of Euro 51 billion in 2009). This reflected both the normalization of the climate of confidence in financial markets, which permitted a rebalancing of households' portfolios towards riskier instruments, and a pronounced revision of banks' issuance strategies.

*...while they reduced their net purchases of postal instruments...*

For postal instruments, the net investment flow remained positive in 2010 but diminished from Euro 18 billion to Euro 12 billion. For Italian government securities, the net outflow slowed from Euro 55 billion to Euro 4 billion.

*...invested in shares and other equity...*

The bulk of Italian households' financial investment went to shares and other equity, with net inflows totaling Euro 48 billion (of which Euro 47 billion to shares issued by residents), significantly more than in 2009. By contrast, the recovery in purchases of investment fund units that had begun in 2009 came to a halt, with households making net disposals totaling Euro 1 billion.

*...and continued to show a marked preference for life insurance products*

Italian households continued to display a marked preference for life insurance products, especially those of the traditional type with a guaranteed minimum return. The net inflow of Euro 24 billion was in line with that of the previous year.

*The year-end stock of assets was down slightly owing to the fall in asset prices…*

In the course of 2010 the stock of financial assets slipped in value by 0.7%, reflecting the decline in asset prices. Instruments issued by banks again ranked first among financial assets, but their portion of the total was pared from 28.2% to 27.7%; non-sight deposits accounted for practically all the decline.

*…with a decrease in the portion of wealth invested in equities…*

Despite the sizable inflows, the portion of the aggregate portfolio accounted for by shares fell by more than 1 percentage point owing to the fall in share prices through most of 2010. By contrast, the gains in investment funds' net asset values more than offset the net outflow of savings, boosting their portion of households' financial wealth to 6.6% (6.1% in 2009).

*…and a gain in that invested in life insurance policies…*

The portion of wealth invested in insurance policies also expanded, by more than 1 percentage point, reaching 11.4% of the total financial portfolio. Overall, insurance and pension fund reserves and severance pay entitlements made up 18.2% of the stock at the end of 2010. Although it has expanded constantly over the last 15 years, this remains well below the European average (about 30%) owing to the still limited development of supplementary retirement provision in Italy.

*…at end-2010 households held financial assets worth 3.4 times disposable income*

Households' total financial assets fell from 3.5 times to 3.4 times disposable income between December 2009 and December 2010, while the average multiple for the euro area, the United Kingdom and the United States rose. Net financial wealth, calculated by subtracting financial liabilities from assets, was equal to 2.6 times disposable income; the slight drop with respect to 2009 contrasted with increases recorded in the leading countries.

*Life insurance premium income grew by 11.1% in 2010…*

Life insurance premium income totaled Euro 90.1 billion, an increase of 11.1% from 2009, when premiums progressively rebounded from the losses registered in the years from 2006 to 2008. The performance reflected a recovery by financial insurance products and a surge, particularly in the first half of the year, in premiums from traditional policies characterized by a contractually guaranteed minimum return.

*…thanks to strong sales of unit-linked policies…*

Premiums from linked policies amounted to Euro 15.4 billion (Euro 9.7 billion in 2009), with the recovery in unit-linked policies accounting for practically all the increase. By contrast, we estimate that the premium income booked in Italy by companies that operate under the freedom to provide services and essentially offer Class III linked policies fell by 14% to Euro 6 billion.

*…and traditional policies*

Premiums from Class V redemption policies totaled Euro 5.2 billion, about the same as in 2009, while premiums from traditional Class I policies rose by 4.8% to Euro 67.8 billion.

*The growth was concentrated in the first half of the year; it slowed in the second, when interest rates rose*

The growth was concentrated in the first half of the year; in the second half premium income slowed, in concomitance with rising interest rates. The Report contains an analysis showing that there is a correlation between nominal interest rates on Italian government securities and sales of traditional products.

We estimate the share of the stock of insurance companies' reserves for contracts whose value at maturity is guaranteed by the companies at 75%. In particular, "with-profit policies" and profit-sharing policies in general account for 70% of the total reserves and Class III and Class VI products for an additional 5%. The remaining 25% consists of investments in which policyholders are exposed to the performance of the market (15%) and investments featuring protection mechanisms with financial instruments (10%).

*Operating expenses fell again in relation to premiums...*

After falling from 7.4% to 5.0% in 2009, the ratio of operating expenses to premiums declined to 4.8% last year despite the larger share of premiums from Class I policies, characterized in the past by significantly higher expenses. In particular, for these policies the expense ratio was almost halved, falling from 9.1% in 2008 to 5.1% in 2009 and 4.9% in 2010.

*...but the losses on financial investments rose, leading to a negative technical result*

However, as mentioned in our discussion of the changes in the current value of the portfolio, losses on financial investments caused an overall technical loss of Euro 300 million, concentrated in Class I (negative by Euro 700 million). Counting the extraordinary component relating to the life sector, ROE was barely positive at 1.1% (against 15.2% in 2009).

The ratio of profit to technical reserves (an indicator, analogous to the one commonly employed in the asset management industry, whose denominator proxies the total amount of funds invested on behalf of the ensured) was negative and equal to 8 basis points, compared with a positive ratio of 89 basis points in 2009.

*The Report provides information on enrolments in supplementary pension plans*

COVIP data on enrolments in supplementary pension plans show that the number of participants increased by 4.3% during 2010 to reach nearly 5.3 million, or about 23% of all persons in employment or self-employment. The Report also summarizes the main points of the COVIP regulations issued in the second half of 2009 on communications to participants, complaints handling and changes to bylaws and rules.

### NON-LIFE INSURANCE – DIRECT ITALIAN BUSINESS

*Non-life premium income rose by 2.2% on a comparable basis...*

Direct Italian non-life premium income came to Euro 35.9 billion in 2010, an increase of 2.2% compared with 2009 adjusted for changes in the companies active in this business. The ratio of premiums to GDP was unchanged at 2.31%.

Growth was led by motor insurance, where premiums increased by 3.6%, while other non-life insurance business was practically stable, with premium growth of 0.3%.

*...the combined ratio improved, but a decrease in investment income and the negative balance on reinsurance resulted in negative ROE*

The expense ratio held broadly stable, so the decline in the ratio of claims to premiums resulted in an improvement in the combined ratio for the year, which came down to 100.2% after leaping from 98.7% in 2008 to 103.7% in 2009. But declining investment income, which was more than halved, and the negative contribution of reinsurance produced a negative technical result (Euro -450 million). The non-life sector's ROE was -4.7%, compared with a positive result of 0.3% in 2009.

*The Report also contains:*

*...a European comparison on insurance coverage...*

The Report uses CEA data to compare the extent of insurance cover in the various countries of Europe. For the non-life sector, the ratio of premium income to GDP is 2.3% in Italy, compared with 3.2% in France, 3.5% in Germany and 3.6% in the United Kingdom. Excluding motor insurance, the gap with the rest of Europe is wider: the ratio of premiums to GDP is 1.0% in Italy, 2.7% in Germany, 2.3% in France and 2.6% in the UK.

*...a deeper look at medical malpractice insurance...*

The Report offers a study of liability insurance for health care organizations and malpractice insurance for individual physicians. Between 1994 and 2009 the number of claims in this sector more than tripled from 9,500 to over 34,000. In 2009 the number of malpractice claims on individual physicians' policies rose to over 12,500 after falling in 2008. Claims involving health care institutions also increased sharply in 2009, by 21%, to over 21,500 cases; in 2008 they had increased by 10.0%

*...an analysis of credit and surety insurance...*

Premium income from credit insurance in Italy rose by 11% in 2010, closing the year with a positive technical result of Euro 5 million after heavy losses in 2008-09. Surety insurance premiums also increased, by 2.4% to Euro 520 million.

*...the results of a research project on earthquake and flood risk to dwellings in Italy...*

Another section sets out the findings of a research project on earthquake and flood risk to the stock of housing in Italy, conducted by ANIA with the contribution of Guy Carpenter and a working group of representatives of ISVAP, CONSAP and insurance companies.

*...statistics on the extent of homeowners' fire insurance...*

Last year, a statistical inquiry into the extent of fire insurance on Italy's housing stock was begun, with the participation of 70% of the companies engaged in fire insurance business. The sample reported that some 8.5 million homes were insured for Euro 1.9 trillion in 2009. Based on the sample, it is estimated that some 12 million Italian homes, 44% of the total, have fire insurance.

*...ANIA's study on metereological threats...*

There is an account of ANIA's study on the risks of hail, high wind, flooding and heavy precipitation. The project, which was concluded in March 2011, updated the meteorological database and drew a series of digital maps for viewing, consultation and inquiry of the results through an ad hoc software.

*...and a description of the new functions of SIGRA, an updated memorandum of understanding on electronic suretyships, and an account of developments in CAT bonds*

The Report also offers an account of the new functions of the SIGRA integrated flood risk management system, summarizes the updated memorandum of understanding between ANIA, ABI and the Tuscany Region on guidelines for banking and insurance suretyships in electronic format, and analyzes developments in the market for international catastrophe bonds (CAT bonds) in 2009 and 2010.

### MOTOR LIABILITY INSURANCE

*Motor liability premiums increased by 4.5% after three years of decline*

After three consecutive years in which premium volume declined in absolute terms, in 2010 motor liability premium income rose by 4.5% to Euro 17 billion, based on a comparable set of insurers. This was due to the raising of the compulsory minimum coverage and to insurers' price revisions to redress the negative, and worsening, technical performance of the previous two years.

*The number of vehicles insured held steady...*

The number of vehicles insured remained basically stable in 2010, declining by 0.3%. Hence the average cost of liability policies rose by 4.8%. This increase followed reductions of 1.5% in 2005, 0.8% in 2006, 2.7% in 2007, 3.6% in 2008 and 3.9% in 2009.

*...while the average cost of motor insurance has fallen 7.6% in six years*

**In the last six years the average cost of motor liability insurance has come down by 7.6%.**

*The portion of drivers in the top merit class has risen significantly with the new rules...*

A special section of the Report offers a detailed study of the effects of the changes to the bonus-malus rules. There has been a rapid emptying-out of the entry-level class, which accounted for 5.5% of all insured drivers between 2004 and 2006 but has fallen to an average of 1.5% in the last two years. By contrast, there has been a sharp rise in the portion in the top merit class: at the end of 2010 Class 1 accounted for nearly 65% of all insured drivers, and it is estimated that more than 12% of these are there thanks to Law 40/2007, without which the percentage of Class 1 policies would be 55%-56%, a level consistent with normal portfolio creep.

*...the measures produced a premium income shortfall of some 10% in 2008-2010*

Using the "scale of coefficients of the administered tariff" (pursuant to a 1993 regulation of the Interministerial Committee on Prices), we estimate that, other policyholders' characteristics constant, these measures caused a premium shortfall of about 10% in the three years from 2008 through 2010. And this may be underestimated, in view of the fact that the insurance companies actually apply greater reduction coefficients.

*Claims frequency has diminished...*

Claims frequency, i.e. the ratio of all claims incurred and reported during the year that have been or will be indemnified to the number of vehicles exposed to risk (based on number of days covered during the year, "vehicle-years"), was 7.37%, down from 7.77% in 2009.

*...owing to less use of cars and increased self-settlement*

The decline in frequency was the result of a diminution of 5.1% in claims (for a comparable set of insurance companies) during the year. Factors may have been less driving because of higher fuel prices and greater recourse by the insured to self-settlement for small amounts. Counting also an estimate of claims that have been incurred but not yet reported (IBNR), claims frequency comes to 8.13%.

*The cost of claims incurred during the year decreased by 1.5%...*

The cost of claims incurred during the year was Euro 13.9 billion, down by 1.5% on a comparable basis, as the decline in claims frequency more than off-set the increase in the average claim cost from Euro 3,986 to Euro 4,117. Net of IBNR reserves, contributions to the Road Accident Victims Guarantee Fund and other residual items, average claim cost in 2010 was Euro 4,049, an increase of 3.7% from Euro 3,903 in 2009.

*...but total claims cost rose by 2%...*

The total cost of claims, which includes not only claims incurred during the year but also any shortfall in the amounts reserved against claims incurred but not settled in previous years, came to Euro 14.6 billion, an increase of 2% on a comparable basis. Part of the increase depends on the fact that there was a shortfall of Euro 620 million in 2010 in reserves against previous years' claims. One factor in this was the need to adjust the assessment of the indemnity for serious personal injury in keeping with new tables drawn up by various courts.

*...the loss ratio improved...*

The rise in claims cost was offset by the increase in premium income, so the loss ratio improved by some 1.5 percentage points, from 88.9% to 87.3%.

*...relative operating costs eased...*

Operating costs, which comprise administrative expenses in connection with technical management and the costs for the marketing of new policies, the collection of premiums and the organization and operation of distribution networks, came to Euro 3.1 billion in 2010. The ratio to premium income declined last year from 18.9% to 18.4% thanks to the lesser incidence of administrative costs, which came down from 4.9% to 4.4%.

*...but the technical balance, while improving, remained negative owing to the fall in investment income*

The technical balance on direct business was negative by Euro 1,255 million (compared with a negative balance of Euro 1,583 million in 2009). Considering that investment income was cut by more than half, the overall technical result was negative by Euro 762 million (twice the deficit of Euro 381 million recorded in 2009). This was 4.6% of total premium income for the year, sharply worse than the 2.2% deficit of 2009.

*There are special sections on:*

*...the incidence of personal injury in total damages paid...*

A special chapter is given over to the cost of personal injury in motor insurance claims. In 2010 personal injury compensation, at over Euro 9 billion, accounted for two-thirds of total settlement costs. Of this, Euro 3.4 billion was for relatively minor injuries with between 1% and 9% permanent disability; Euro 5.7 billion was for death or more serious disability of more than 9%.

*...the composition of compensation as a function of the seriousness of the injury*

Italy has a higher proportion of claims with personal injury (21.8% in 2009, compared with a European average of 10%). In some parts of the country, the rate rises to over 40%. There is widespread exaggeration of personal injury claims, concentrating on very mild injuries (1%-2% disability), which account for some 15% of claims and more than 78% of non-severe injuries. Italian insurers indemnify these claims with nearly Euro 2 billion a year, or more than 15% of total motor liability compensation.

*The Report also contains a specific chapter on the initiatives of the ANIA Foundation for Road Safety*

A chapter is given over to reporting on the many initiatives undertaken last year by the ANIA Foundation for Road Safety.

On road safety, there is a report on progress towards the European Commission's objective of reducing traffic fatalities by half between 2001 and 2010. Italy has not reached the objective, but by the end of 2009 the number of traffic deaths had been cut by 40%, which represents the saving of some 2,800 lives a year.

A box details the methodology employed by ISTAT, by the Highway Police, and by ANIA in compiling their several sets of statistics on road accidents, deaths and injuries in Italy.

**During 2010, the number of insurance companies operating in Italy decreased as a result of significant mergers and acquisitions.**

## OPERATING INSURANCE COMPANIES

As at 31 December 2010, 242 insurance companies were operating in Italy (241 at 31 December 2009), of which 151 were insurance companies with registered office in Italy (156 at 31 December 2009) and 91 were branch offices of foreign insurance companies (85 at 31 December 2009), mainly from European Union member States (89). During the year there have been cases of companies operating in Italy who decided to modify their presence on the territory operating as branch offices of European companies and not as Italian and non EU companies; this explains the increase of foreign companies with registered offices in the EU and the decrease of Italian companies and branch offices of non EU companies.

Moreover, as at 31 December 2009, 959 insurance companies with registered offices in the EU (or in other States belonging to the EEA) were operating in freedom of services. 81 insurance companies write only life insurance business (of which 20 are foreign branch offices) and 131 companies write only non-life business (of which 55 are foreign branch offices); 23 companies (of which 9 are foreign branch offices) write both life and non-life business, accounting for 35% of the total premium collection in terms of market share; 7 companies write only reinsurance business. Now, following corporate operations, all 7 reinsurance companies are foreign branch offices. 178 insurance companies are ANIA members (of which 32 are corresponding members): these insurance companies represent about 90% of the premiums of the entire market.

Considering the legal status of the 151 companies that have legal offices in Italy, 147 are joint stock companies, 3 are mutual companies and one is a cooperative company.

*NUMBER OF COMPANIES BY LEGAL STATUS*

| BUSINESS SECTOR | | DOMESTIC COMPANIES | | | | FOREIGN BRANCHES | | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | (situation as at 31 December) | Limited companies | Cooperatives | Mutuals | Total | with head office in EXTRA-EU countries | with head office in EU countries | |
| Non-life | 2009 | 76 | - | 2 | 78 | 3 | 49 | **130** |
| | 2010 | 74 | - | 2 | 76 | 2 | 53 | **131** |
| Life | 2009 | 64 | - | - | 64 | - | 16 | **80** |
| | 2010 | 61 | - | - | 61 | - | 20 | **81** |
| Professional reinsurers | 2009 | - | - | - | - | - | 7 | **7** |
| | 2010 | - | - | - | - | - | 7 | **7** |
| Multi branches | 2009 | 12 | 1 | 1 | 14 | - | 10 | **24** |
| | 2010 | 12 | 1 | 1 | 14 | - | 9 | **23** |
| **Total** | **2009** | **152** | **1** | **3** | **156** | **3** | **82** | **241** |
| | **2010** | **147** | **1** | **3** | **151** | **2** | **89** | **242** |

*NUMBER OF COMPANIES IN EU (15) COUNTRIES*
*Data as at 31 December*

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Austria | 73 | 72 | 71 | 71 | 72 |
| Belgium | 171 | 161 | 156 | 151 | 148 |
| Denmark | 206 | 201 | 202 | 202 | 187 |
| Finland | 67 | 66 | 63 | 63 | 63 |
| France | 486 | 477 | 464 | 461 | 452 |
| Germany | 632 | 613 | 609 | 607 | 604 |
| Greece | 95 | 90 | 86 | 85 | 82 |
| Ireland | 226 | 229 | 233 | 236 | 227 |
| Italy | 245 | 246 | 243 | 247 | 241 |
| Luxembourg | 95 | 95 | 94 | 96 | 97 |
| Netherlands | 344 | 360 | 345 | 329 | 314 |
| Portugal | 70 | 76 | 83 | 85 | 87 |
| United Kingdom | 1,118 | 1,050 | 1,017 | 972 | 934 |
| Spain | 362 | 354 | 357 | 296 | 294 |
| Sweden | 415 | 392 | 392 | 381 | 381 |
| **Total** | **4,605** | **4,482** | **4,415** | **4,282** | **4,183** |

*Source: CEA*

*PREMIUMS PER COMPANY IN EU (15) COUNTRIES*
*Euro million*

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Austria | 73 | 72 | 71 | 71 | 72 |
| Belgium | 198 | 183 | 200 | 194 | 192 |
| Denmark | 82 | 93 | 97 | 102 | 109 |
| Finland | 213 | 226 | 239 | 251 | 257 |
| France | 362 | 413 | 422 | 397 | 442 |
| Germany | 250 | 264 | 268 | 271 | 284 |
| Greece | 41 | 49 | 58 | 60 | 66 |
| Ireland | 60 | 71 | 78 | 57 | 55 |
| Italy | 448 | 433 | 408 | 373 | 489 |
| Luxembourg | 12 | 12 | 13 | 20 | 19 |
| Netherlands | 140 | 204 | 217 | 238 | 247 |
| Portugal | 192 | 173 | 166 | 180 | 167 |
| United Kingdom | 238 | 280 | 360 | 254 | 219 |
| Spain | 135 | 149 | 152 | 200 | 204 |
| Sweden | 54 | 59 | 63 | 66 | 62 |
| **Total** | **205** | **228** | **249** | **226** | **232** |

*Source: CEA*

# The Italian insurance market: key figures 2010

**In 2010 the overall result of the insurance sector was negative by 726 million and led to a Return On Equity (ROE) of the sector equal to -1.5% (8.5% in 2009). For the first time since the year 2000 the technical result for the non-life sector was negative (Euro -400 million); the life sector as well registered a negative result (-260 million), following the 2009 positive result of over 3 billion.**

## INCOME STATEMENT

*INCOME STATEMENT – Euro million*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Homogeneous change '10/09** |
|---|---|---|---|---|---|---|---|---|
| **Technical account of non-life and life classes (*)** | | | | | | | | |
| Written premiums | 100,098 | 108,451 | 106,273 | 96,765 | 89,157 | 115,199 | 123,646 | 8.8% |
| Changes in reserves (-) | 40,427 | 41,999 | 19,189 | -9,495 | -22,241 | 40,953 | 32,827 | |
| Investment income | 16,316 | 20,064 | 15,132 | 10,835 | -9,813 | 26,845 | 14,180 | -46.9% |
| Other technical income | 1,215 | 1,321 | 1,337 | 1,433 | 1,527 | 1,448 | 1,419 | |
| Incurred claims (-) | 58,826 | 68,236 | 83,971 | 99,010 | 91,087 | 84,207 | 92,199 | 11.3% |
| Operating expenses (-) | 11,927 | 12,567 | 13,345 | 13,390 | 12,573 | 12,633 | 12,575 | 3.1% |
| Other technical costs (-) | 1,430 | 1,241 | 1,434 | 1,631 | 2,035 | 2,230 | 2,305 | |
| **Balance** | **5,019** | **5,792** | **4,803** | **4,497** | **-2,583** | **3,470** | **-661** | **-118.0%** |
| **Technical account - non-life (*)** | | | | | | | | |
| Written premiums | 34,208 | 34,663 | 35,458 | 35,211 | 34,328 | 33,791 | 33,054 | 2.6% |
| Changes in premiums reserves (-) | 599 | 638 | 629 | 602 | 265 | -21 | 502 | |
| Investment income | 2,234 | 2,318 | 2,115 | 2,131 | 829 | 2,439 | 1,099 | -52.5% |
| Other technical income | 371 | 319 | 371 | 365 | 423 | 472 | 441 | |
| Incurred claims (-) | 24,269 | 24,294 | 25,058 | 24,634 | 25,403 | 26,865 | 25,200 | -1.1% |
| Operating expenses (-) | 7,949 | 8,184 | 8,366 | 8,646 | 8,462 | 8,465 | 8,176 | 1.9% |
| Other technical costs (-) | 1,045 | 883 | 1,082 | 1,000 | 1,085 | 1,165 | 1,115 | |
| **Balance** | **2,951** | **3,302** | **2,808** | **2,825** | **365** | **228** | **-399** | **-191.5%** |
| **Technical account life (*)** | | | | | | | | |
| Written premiums | 65,890 | 73,788 | 70,815 | 61,554 | 54,829 | 81,409 | 90,592 | 11.3% |
| Changes in technical provisions (-) | 39,828 | 41,361 | 18,561 | -10,097 | -22,506 | 40,974 | 32,325 | |
| Investment income | 14,082 | 17,745 | 13,017 | 8,704 | -10,642 | 24,406 | 13,081 | -46.4% |
| Other technical income | 844 | 1,001 | 967 | 1,068 | 1,104 | 976 | 978 | |
| Incurred claims (-) | 34,557 | 43,942 | 58,913 | 74,376 | 65,684 | 57,342 | 66,999 | 16.8% |
| Operating expenses (-) | 3,978 | 4,383 | 4,979 | 4,744 | 4,111 | 4,169 | 4,399 | 5.5% |
| Other technical costs (-) | 385 | 358 | 352 | 631 | 950 | 1,064 | 1,190 | |
| **Balance** | **2,068** | **2,490** | **1,995** | **1,672** | **-2,948** | **3,242** | **-262** | **-108.1%** |
| **Non-technical account** | | | | | | | | |
| Other non-life income | 810 | 894 | 777 | 911 | -416 | 939 | 197 | |
| Other life income | 1,127 | 1,179 | 1,238 | 980 | 462 | 1,177 | 839 | |
| Balance of other income and expenses | -1,016 | -862 | -1,062 | -957 | -1,601 | -1,244 | -1,768 | |
| **Balance of ordinary activities** | **5,940** | **7,003** | **5,757** | **5,431** | **-4,138** | **4,342** | **-1,393** | **-130.7%** |
| **Balance of extraordinary activities** | **1,027** | **691** | **941** | **1,476** | **751** | **840** | **613** | **-28.1%** |
| Taxes on income (-) | 1,731 | 1,837 | 1,537 | 1,558 | -1,407 | 1,312 | -54 | |
| **Result for the financial year** | **5,236** | **5,857** | **5,161** | **5,349** | **-1,980** | **3,870** | **-726** | **-118.1%** |
| **Return on Equity** | **13.6%** | **13.8%** | **11.4%** | **12.5%** | **-4.7%** | **8.5%** | **-1.5%** | |

*(*) Technical items net of cessions and retrocessions*

*(**) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*

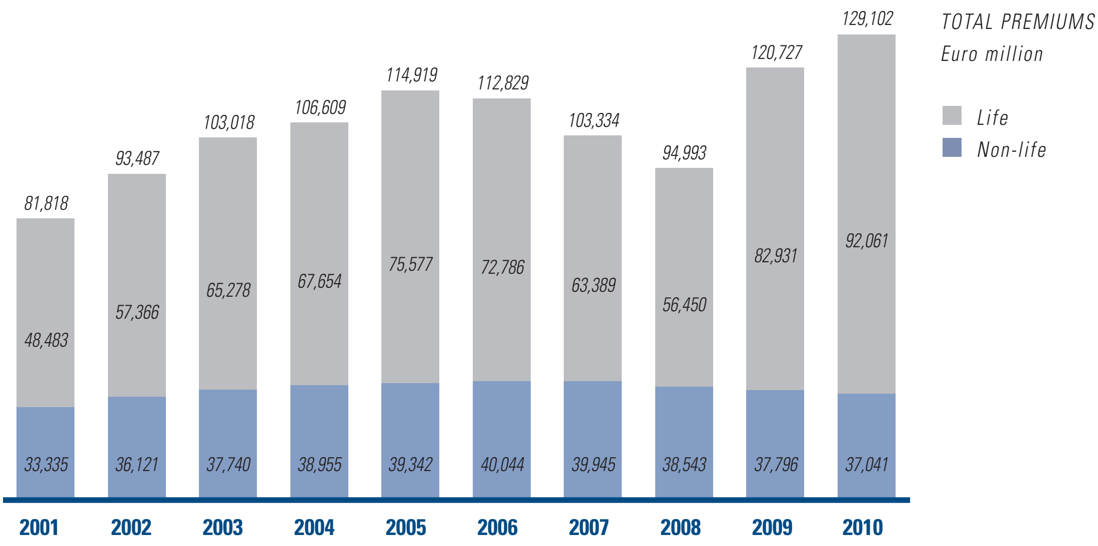
## TECHNICAL ACCOUNT

### Preliminary statement

*The data published in this Report cover all insurance companies registered in Italy and branch offices of foreign companies registered in extra-EU countries. During 2010, the exit of two non-life companies from this aggregate (an Italian company and a branch office of an extra-EU company), which continued their activity in Italy, strongly influenced the overall market amounts of this sector and, consequently, the comparison of balance sheet items between 2009 and 2010 should be done carefully. In order to facilitate the temporal analysis for the total insurance sector, all the rates of change in the Report were calculated in homogeneous terms, that is, not including the data of the two abovementioned companies starting from 2009.*

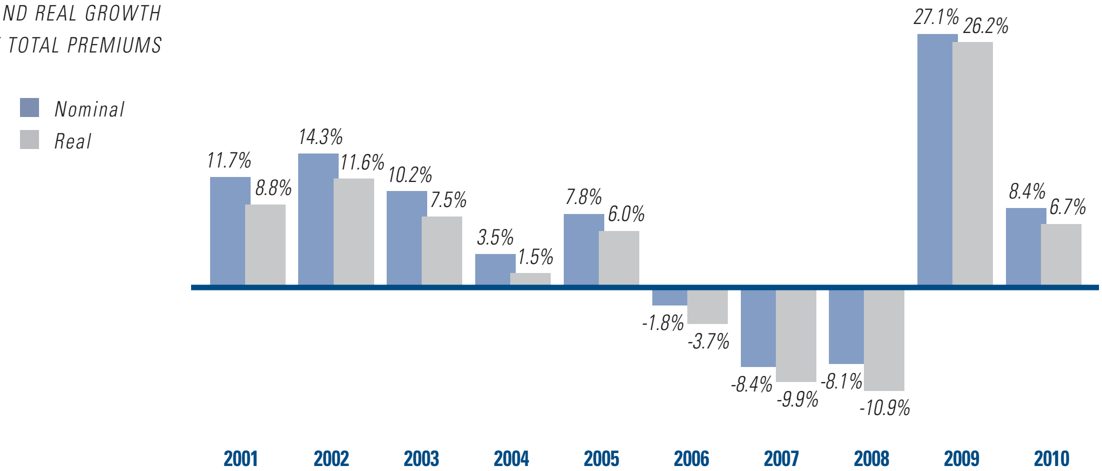
### Premium income

**The total gross premiums for domestic and foreign business, direct and indirect**, gross of reinsurance, collected by the companies with registered offices in Italy and by the branches of foreign non-European Union companies, totalled Euro 129,102 million in 2010. In particular, Euro 37,041 million was collected in non-life classes and Euro 92,061 million in life classes. Overall premiums recorded an increase (in homogeneous terms) in 2010, equal to 8.4% (27.1% in 2009).

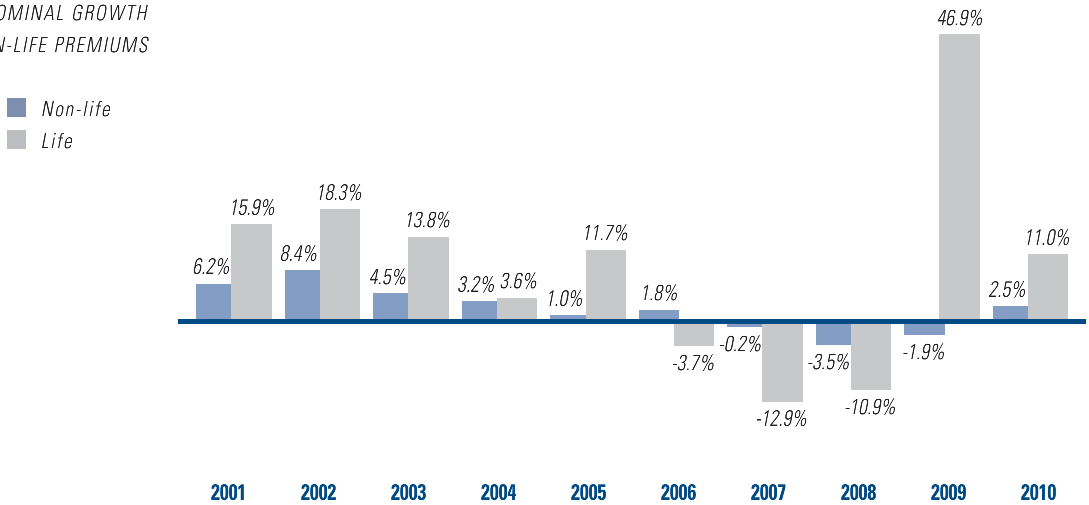


# The Italian insurance market: key figures 2010

*NOMINAL AND REAL GROWTH OF TOTAL PREMIUMS*




*NOMINAL GROWTH OF LIFE AND NON-LIFE PREMIUMS*




After the increase recorded in 2009 (about 47%), the Life sector continued to increase in 2010, even though in a more contained way (+11%).

After three years of decreases, premiums in non-life classes increased by 2.5% compared to 2009 (-1.9% in 2009). As a result of these trends, the share of life premiums on the total increased compared to the previous year (from 68.7% to 71.3%).

The percentage of **premiums ceded to reinsurance** decreased (from 4.6% in 2009 to 4.2% in 2010). The overall amount of these premiums was equal to Euro 5,456 million, of which Euro 3,988 million in non-life classes and Euro 1,469 million in life classes.

**Overall premiums, net of the share of ceded premiums**, reached Euro 123,646 million (with an 8.8% increase compared to the previous year): Euro 33,054 million in non-life classes and Euro 90,592 million in life classes.

## Claims, benefits and provisions

**Benefits to insured** and other beneficiaries, **gross of reinsurance**, are obtained as a sum of the following components:

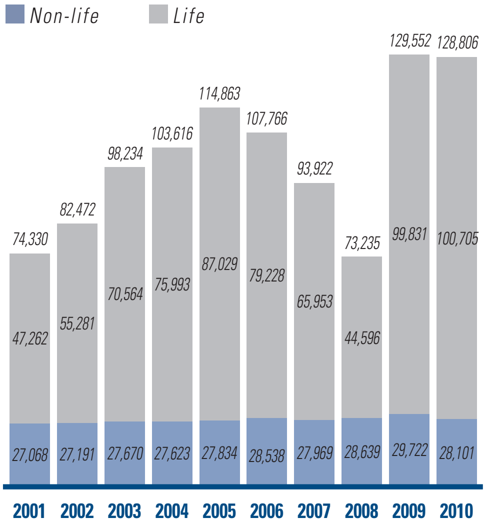
- incurred claims cost and changes in premium reserves for the non-life classes;
- incurred claims cost and changes in mathematical reserves and the other technical reserves for the life classes.

The amount of these benefits was Euro 128,806 million (+0.6% compared to 2009): Euro 28,101 million in non-life classes (-0.6%) and Euro 100,705 million in life classes (+0.9%).

The **reinsurance contribution** was equal to Euro 3,779 million (-13.7%), of which Euro 2,399 million for non-life classes and Euro 1,381 million for life classes.

The **amount of benefits** was therefore Euro 125,027 million (+1.1%): Euro 25,703 million in non-life classes and Euro 99,324 million in life classes.

*CLAIMS, BENEFITS AND PROVISIONS*
*Euro million*

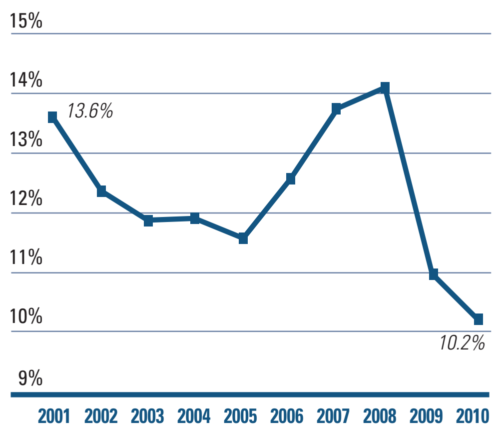



## Operating expenses

**Operating expenses** for direct and indirect business, net of reinsurance, including acquisition costs, costs arising from premium collection, costs relating to the organisation and management of the distribution network and the administration expenses relating to technical management of insurance business, totalled Euro 12,575 million with an increase of 3.1% compared to 2009.

Due to an increase in the overall written premiums and to a change in the mix between life and non-life business, the incidence of operating expenses on written premiums decreased from 10.7% in 2009 to 10.2% in 2010 (it was 14.1% in 2008). In particular, the operating expenses for non-life business were equal to Euro 8,176 million, with an incidence on premiums of 24.7% (25.1% in 2009); for life business, they were equal to Euro 4,399 million, with an incidence on premiums of 4.9% (5.1% in 2009).

*RATIO OF OPERATING EXPENSES TO PREMIUMS*
*Incidence on net written premiums (%)*



### Technical account result

The **technical account result**, net of reinsurance, was negative by Euro 661 million, equal to -0.5% of direct and indirect premiums (it was positive and equal to 3.0% in 2009). There was a negative result for non-life classes by Euro 399 million (it was positive and equal to Euro 228 million in 2009); the incidence of this result on premiums decreased slightly from 0.7% in 2009 to -1.2% in 2010.

There was a negative result for life classes of Euro 262 million (it was positive and equal to Euro 3.2 billion in 2009); the ratio to premiums thus decreased from 4.0% in 2009 to -0.3% in 2010.

*TECHNICAL ACCOUNT RESULT*
*Incidence on net written premiums (%)*

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 2.7 | 2.8 | 4.3 | 5.0 | 5.3 | 4.5 | 4.6 | -2.9 | 3.0 | -0.5 |
| Non-life | 2.2 | 4.1 | 7.4 | 8.6 | 9.5 | 7.9 | 8.0 | 1.1 | 0.7 | -1.2 |
| Life | 3.1 | 2.1 | 2.7 | 3.1 | 3.4 | 2.8 | 2.7 | -5.4 | 4.0 | -0.3 |

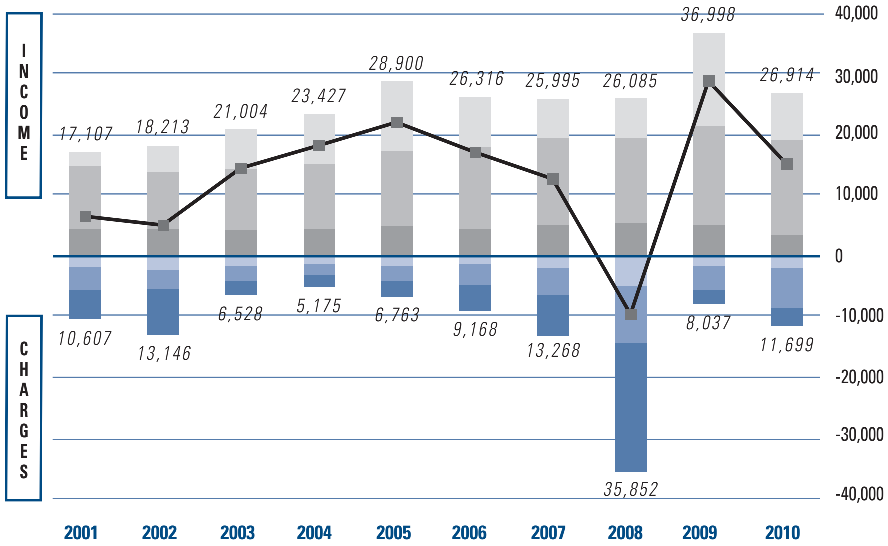
## INVESTMENT INCOME

In 2010 **investment income**, equal to Euro 26,914 million, decreased by about 27% homogeneously (it was equal to 36,998 in 2009). In particular:

– non-life investment income, equal to Euro 3,363 million, decreased homogeneously by 31.6% compared to 2009;
– life investment income (C class), equal to Euro 15,853 million, decreased by 3.9% compared to 2009;
– life investment income (D class), equal to Euro 7,698 million, halved compared to 2009.

More in detail, as highlighted in the chart, the **ordinary gross investment income for life and non-life classes**, equal to Euro 26,914 million, is divided as follows:

– *shares and holdings*, for an amount of Euro 1,731 million (-13.2% compared to 2009), representing 6.4% of the total;
– *investments for the benefit of insured and investment income deriving from pension fund management*, for an amount of Euro 7,698 million (-50.0% compared to 2009), representing 28.6% of the total;




INVESTMENT INCOME AND CHARGES
Euro million

- Non-life investment income
- Life investment income (Class C)
- Life investment income (Class D)
- Non-life investment charges
- Non-life investment charges (Class C)
- Non-life investment charges (Class D)
- Net results of investment (income-charges)

– *land and buildings*, for an amount of Euro 220 million (+4.7% compared to 2009), representing 0.8% of the total;
– *revaluations and realised investments*, for an amount of Euro 4,120 million (-42.1% compared to 2009), representing 15.3% of the total;
– *securities, bonds and other investments*, for an amount of Euro 13,145 million (8.7% compared to 2009), representing 48.8% of the total.

BREAKDOWN OF GROSS ORDINARY INVESTMENT INCOME – LIFE AND NON-LIFE (%)

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| Shares | 11.9 | 13.7 | 12.0 | 9.5 | 10.8 | 11.1 | 13.8 | 13.3 | 5.5 | 6.4 |
| Land and buildings | 4.1 | 2.6 | 1.5 | 1.1 | 0.8 | 0.9 | 0.9 | 0.9 | 0.6 | 0.8 |
| Other investments | 49.7 | 46.8 | 41.9 | 42.7 | 37.5 | 44.6 | 47.2 | 47.9 | 32.9 | 48.8 |
| Revaluations | 17.5 | 12.9 | 12.9 | 11.7 | 11.1 | 12.3 | 13.5 | 13.1 | 19.4 | 15.3 |
| Income from linked and pension funds | 16.8 | 24.0 | 31.7 | 35.0 | 39.8 | 31.1 | 24.6 | 24.7 | 41.6 | 28.6 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

**Investment charges** increased from Euro 8,037 million in 2009 to Euro 11,699 million in 2010 (+46.1%). In particular:

– non-life investment charges, equal to Euro 2,067 million, increased by 21.8%. The result of investment net of such charges remained positive for Euro 1,297 million (Euro 3,378 million in 2009);
– life investment charges (C class), equal to Euro 6,574 million, increased by 67%. The result of investment net of such charges was positive and equal

to Euro 9,279 million and it decreased by -26.1% (it was Euro 12,554 million in 2009);

– life investment charges (D class) equal to Euro 3,058 million, increased by 29%; as a consequence, the result of investment net of charges was positive and equal to Euro 4,640 million (positive and equal to Euro 13,029 million in 2009).

Overall, the net result of investment for the whole insurance sector was positive and equal to Euro 15,215 million (positive and equal to Euro 28,961 million in 2009).

**Extraordinary income**, gross of charges, was equal to Euro 1,260 million (Euro 1,434 million in 2009) and the relative charges were equal to Euro 647 million (Euro 594 million in 2009).

## RESULT FOR THE FINANCIAL YEAR

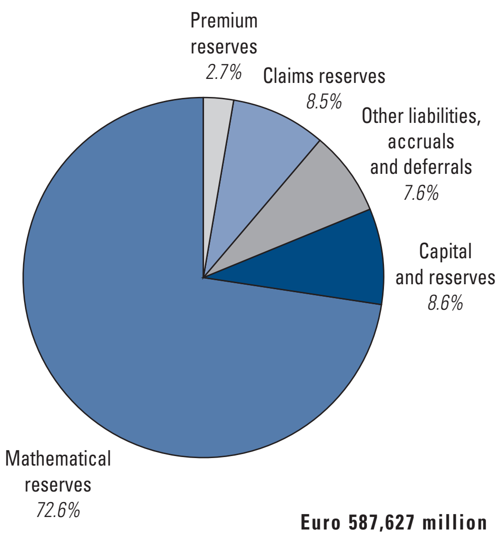
The **result for ordinary activity, non-life and life**, amounted to Euro -1,393 million (it was positive and equal to Euro 4,342 million in 2009). The **result for extraordinary activity** was positive and equal to Euro 613 million (840 Euro million in 2009). Overall, the result before taxes was negative by Euro -780 million.

Considering the (positive) effect of **taxes** equal to Euro -54 million, the **overall result** of the sector highlights profits was negative and equal to Euro 726 million (it was positive and equal to 3.870 Euro million in 2009).

## BALANCE SHEET

### Liabilities

*BREAKDOWN OF LIABILITIES (%) – 2010*




**Euro 587,627 million**

Total liabilities carried in the balance sheet amounted to Euro 587,627 million (+5.5% compared to 2009).

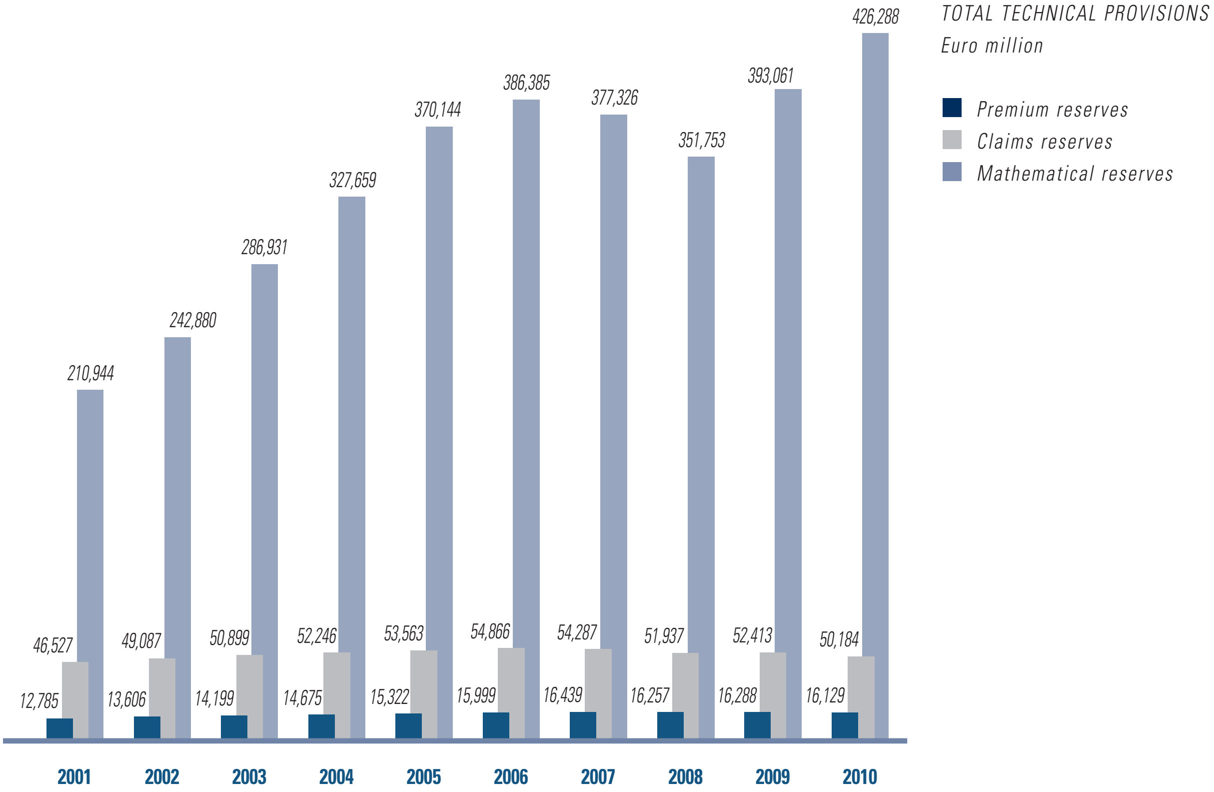
In particular:

– *capital and reserves*, equal to Euro 50,299 million (8.6% of total liabilities) decreased by 1.8% compared to 2009; for the different components, an increase of the subscribed capital (+5.1%) was recorded compared to 2009, equal to Euro 12,033 million; equity reserves, equal to Euro 38,992 million, increased by 8.0% compared to 2009;

– *technical provisions*, representing commitments undertaken on behalf of the insured, were equal to Euro 492,601 million and recorded a increase of 7.3% compared to 2009; they represented 83.8% of the total. Life reserves, weighing for 72.6% on the total, increased by 8.5%, while non-life reserves (claims and premiums) increased by 0.7%;

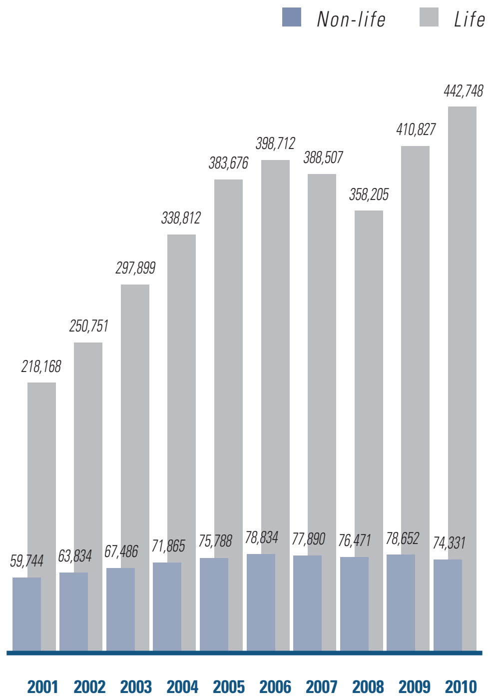
– *other liabilities*, equal to Euro 44,021 million (7.5% of the total), decreased by 4.2% compared to the previous year, and the breakdown for this item

was as follows: subordinated liabilities increased by 6.4% and funds for risks and charges increased by 11.5%; debts and other liabilities decreased by 9.5% while deposits received from reinsurers decreased by 3.2%;
– *accruals and deferrals* totalled Euro 706 million (0.1% of the total).




*TOTAL TECHNICAL PROVISIONS*
*Euro million*

*TOTAL INVESTMENTS**
*Euro million*




*(*) Net of professional reinsurers*

### Assets

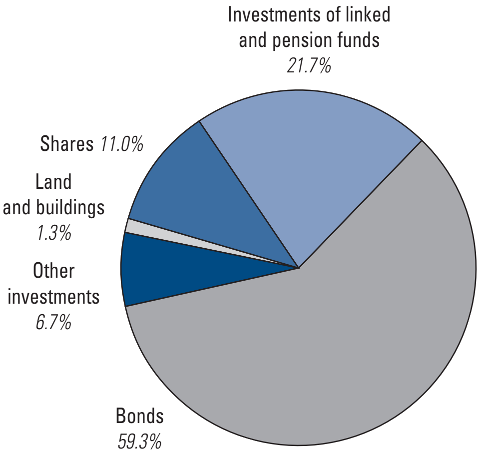
Investments, the reinsurance share of technical provisions, amounts owed by debtors, other assets, accruals and deferred income amounted to Euro 587,627 million, equaling the total amount of liabilities.

In particular:

– *investments* reached Euro 517,080 million, representing 88.0% of total assets. Investments in non-life classes were equal to Euro 74,331 million (-2.1% compared to 2009) and investments in life classes were equal to Euro 442,748 million (+7.8% compared to 2009).
All the other forms of investment, except those related to the life sector D class which decreased by 4.3% (112.132 million) and those related to stock and shares which decreased by 3.9% (56.791 million), increased as follows:
  – investments in land and buildings equal to Euro 6,517 million, increased by 2.6%;
  – investments in loans and deposits equal to Euro 34,700 million, increased by 7.3%;

# The Italian insurance market: key figures 2010

*BREAKDOWN OF INVESTMENTS (%) – 2010*




**Euro 517,080 million**

- investments in bonds and other fixed income securities equal to Euro 306,939 million, increased by 13.0%;
- the *technical provisions borne by reinsurers* amounted to Euro 18,807 million, decreased by 1.8% and represent 3.2% of the total assets;
- *amounts owed by debtors* were equal to Euro 27,027 million (4.6% of the total), with an increase of 9.0%. These refer to amounts owed deriving from direct insurance activities (Euro 11,833 million), amounts owed deriving from reinsurance activities (Euro 1,513 million), and other amounts owed (Euro 13,464 million);
- *amounts owed by shareholders* (Euro 15 million), intangible assets (Euro 6,313 million consisting of commissions and other expenses) and other assets (Euro 13,291 million) reached a total of Euro 19,619 million (3.3% of the overall amount), thus recording an 7.6% decrease;
- *accruals and deferred income* amounted to Euro 5,093 million (0.9% of the total), increased by 4.4%.

*BALANCE SHEET – Euro million*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Homogeneous change '10/09* |
|---|---|---|---|---|---|---|---|---|
| **LIABILITIES** | **475,716** | **526,899** | **547,569** | **537,180** | **505,362** | **560,780** | **587,627** | **5,5%** |
| CAPITAL AND RESERVES | 44,780 | 51,301 | 50,297 | 46,042 | 40,932 | 51,803 | 50,299 | -1.8% |
| *Subscribed capital* | *10,991* | *12,982* | *13,402* | *11,399* | *11,472* | *11,925* | *12,033* | *5.1%* |
| *Equity reserves* | *28,621* | *32,463* | *31,837* | *29,370* | *31,440* | *36,351* | *38,992* | *8.0%* |
| *Profit for the financial year* | *5,169* | *5,857* | *5,058* | *5,273* | *-1,980* | *3,527* | *-726* | |
| TECHNICAL PROVISIONS | 394,581 | 439,029 | 457,250 | 448,052 | 419,947 | 461,762 | 492,601 | 7.3% |
| *Non-life classes* | *66,921* | *68,885* | *70,865* | *70,726* | *68,194* | *68,701* | *66,313* | *0.7%* |
| *Life classes* | *327,659* | *370,144* | *386,385* | *377,326* | *351,753* | *393,061* | *426,288* | *8.5%* |
| OTHER LIABILITIES | 35,989 | 36,141 | 39,352 | 42,465 | 43,820 | 46,436 | 44,021 | -4.2% |
| *Subordinated liabilities* | *2,862* | *3,295* | *4,725* | *6,085* | *6,924* | *8,374* | *8,753* | *6.4%* |
| *Provisions for risks and charges* | *2,105* | *2,219* | *2,206* | *2,133* | *2,117* | *1,711* | *1,837* | *11.5%* |
| *Deposits received from reinsurers* | *12,876* | *12,994* | *12,999* | *13,109* | *12,660* | *12,398* | *11,999* | *-3.2%* |
| *Debts and other liabilities* | *18,146* | *17,632* | *19,423* | *21,139* | *22,119* | *23,954* | *21,433* | *-9.5%* |
| ACCRUALS AND DEFERRALS | 366 | 428 | 670 | 621 | 663 | 779 | 706 | -9.1% |
| **ASSETS** | **475,716** | **526,899** | **547,569** | **537,180** | **505,362** | **560,780** | **587,627** | **5.5%** |
| AMOUNTS OWED BY SHAREHOLDERS | 15 | 3 | 25 | 30 | 6 | 41 | 15 | |
| INTANGIBLE ASSETS | 4,262 | 3,947 | 3,839 | 3,441 | 3,021 | 6,891 | 6,313 | |
| INVESTMENTS: | 416,322 | 465,109 | 483,143 | 470,989 | 434,676 | 489,479 | 517,080 | 6.2% |
| *Land and buildings* | *4,842* | *5,805* | *5,933* | *5,808* | *6,265* | *6,526* | *6,517* | *2.6%* |
| *Shares and holdings* | *48,793* | *54,096* | *55,532* | *56,249* | *54,976* | *59,635* | *56,791* | *-3.9%* |
| *Bonds and other fixed income securities* | *208,051* | *235,036* | *252,727* | *239,081* | *226,866* | *273,755* | *306,939* | *13.0%* |
| *Loans and deposits* | *30,460* | *33,603* | *29,100* | *32,529* | *29,590* | *32,351* | *34,700* | *7.3%* |
| *Investments for the benefit of life insurance policyholders and the investments deriving from the management of pension funds* | *124,176* | *136,569* | *139,852* | *137,322* | *116,980* | *117,211* | *112,132* | *-4.3%* |
| TECHNICAL PROVISIONS BORNE BY THE REINSURERS | 20,753 | 21,072 | 20,770 | 20,658 | 19,411 | 19,283 | 18,807 | -1.8% |
| AMOUNTS OWED BY DEBTORS | 21,020 | 21,529 | 22,381 | 23,400 | 25,706 | 25,563 | 27,027 | 9.0% |
| OTHER ASSETS | 10,149 | 11,652 | 13,168 | 14,342 | 18,131 | 14,617 | 13,291 | |
| ACCRUALS AND DEFERRED INCOME | 3,194 | 3,587 | 4,242 | 4,321 | 4,411 | 4,907 | 5,093 | 4.4% |

*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*

## THE CURRENT VALUE OF THE SECURITIES PORTFOLIO

In 2008 ANIA began conducting a sample survey to obtain detailed information on the current value of investments and assess the effects of unrealized capital gains or losses on the overall portfolio, using a methodology consistent with the one specified in ISVAP Regulation 36/2011. The latest survey, which takes 30 April 2011 as its valuation date, covers practically the totality of Class C investments for the non-life and life sectors, excluding loans and deposits with credit institutions and ceding undertakings, which account on average for 3-4%; it does not cover investments relating to linked policies and pension funds (Class D). The current value of assets was calculated by summing their book value (the value stated in the accounts before balance-sheet valuations) and the balance between unrealized capital gains and losses.

The balance-sheet value of the Class C investments monitored, estimated on a sample of firms accounting for 90% of total investment value, amounted to Euro 403 billion at 30 April 2011, up from Euro 388 billion at end-2010, at which date the Class C investments recorded in the balance sheets of all insurance companies totaled Euro 405 billion (Table 1). In par-

*TABLE 1 - TOTAL INSURANCE MARKET (SAMPLE-BASED ESTIMATES) – LIFE AND NON-LIFE SECTORS*
*Euro million*

| | **Current value of investments** | | | **% composition of investments 30 April 2011** | **Current value of investments** | | |
|---|---|---|---|---|---|---|---|
| | **Durable** | **Non durable** | **Total** | | **Memo: total investments** | | |
| | ***30 April 2011*** | | | | ***December 2008*** | ***December 2009*** | ***December 2010*** |
| Total non-life | 46,720 | 31,801 | 78,521 | 19.5% | 79,214 | 83,027 | 77,003 |
| Total life | 163,237 | 161,384 | 324,621 | 80.5% | 226,117 | 285,303 | 311,450 |
| **Grand total** | **209,957** | **193,185** | **403,142** | **100.0%** | **305,331** | **368,330** | **388,453** |

| | **Balance of valuation gains/losses** | | | **Balance of valuation gains/losses** | | |
|---|---|---|---|---|---|---|
| | **Durable** | **Non durable** | **Total** | **Memo: total investments** | | |
| | ***30 April 2011*** | | | ***December 2008*** | ***December 2009*** | ***December 2010*** |
| Total non-life | 2,092 | 488 | 2,579 | 1,056 | 4,298 | 1,538 |
| Total life | -3,647 | 1,646 | -2,001 | -7,959 | 5,933 | -5,371 |
| **Grand total** | **-1,556** | **2,134** | **578** | **-6,903** | **10,231** | **-3,832** |

ticular, the difference between the 2010 balance-sheet value and the current value observed in the survey depends on the fact that the balance-sheet value:

- for securities held on a durable basis, does not incorporate unrealized capital gains and losses;
- for securities not held on a durable basis, does not include unrealized capital gains and, in the case of insurance companies that used the option provided by Decree Law 78/2010, unrealized capital losses.

Of the Italian insurance industry's **Euro 403 billion of Class C investments** at current value at end-April, Euro 78.5 billion (20%) referred to the non-life sector and Euro 325 billion (80%) to the life sector. Taking the two sectors together, Euro 210 billion (52%) was in durable investments and Euro 193 billion (48%) in investments not held on a durable basis. Overall, **the balance between unrealized capital gains and losses showed a revaluation surplus of Euro 0.6 billion** (compared with an overall revaluation deficit of Euro 3.8 billion at the end of 2010). The two sectors' contributions differed. The non-life sector recorded a positive balance of Euro 2.6 billion. The life sector's balance between valuation gains and losses, though negative by about Euro 2 billion, had improved by more than Euro 3 billion from just four months earlier.

### Non-life sector

The largest asset class consisted in debt securities and other fixed-income securities, mainly not held on a durable basis, which accounted for 47.6% of the total and had a current value of Euro 37.4 billion at the end of April, up from the end of 2010 (Table 2). Among the other important holdings were shares and other equity in affiliated undertakings (32.5%), whose value was down slightly compared with the end of 2010.

**The balance between valuation gains and losses** at the end of April 2011 **was positive by Euro 2.6 billion** (compared with more than Euro 4 billion at end-2009 and Euro 1.5 billion at 31 December 2010). The positive balance derived mainly from investments held on a durable basis (Euro 2.1 billion), above all from the improvement in the overall revaluation surplus on shares and other equity to Euro 1.2 billion from Euro 0.8 billion at the end of 2010. The investment sector with the largest positive balance in absolute terms was land and buildings (Euro 1.4 billion). The balance between valuation gains and losses on debt securities and other fixed-income securities was slightly negative, but less so than in the previous year.

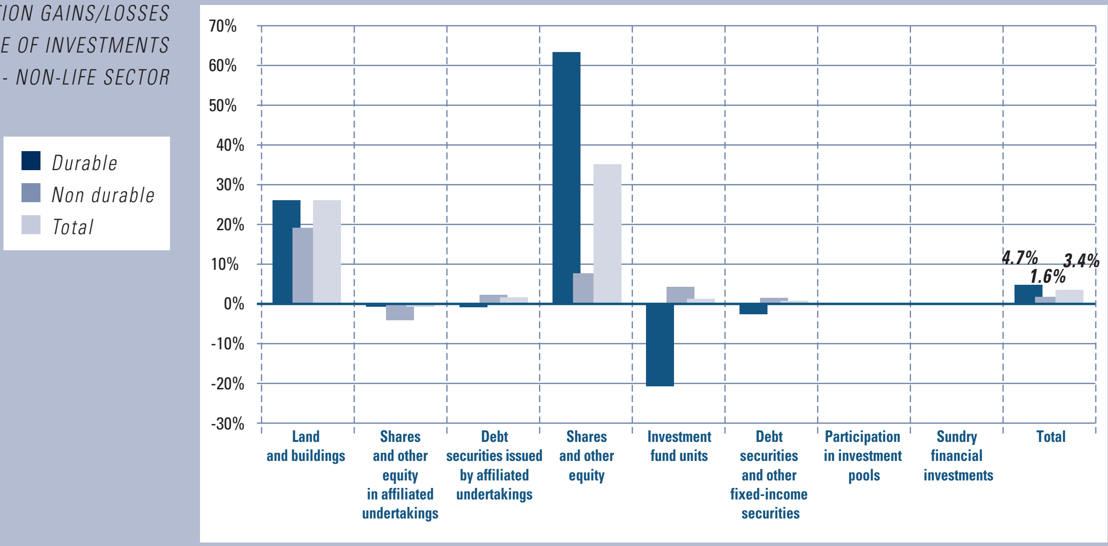
*TABLE 2 - TOTAL INSURANCE MARKET (SAMPLE-BASED ESTIMATES) - NON-LIFE SECTOR*
*Euro million*

| | Current value of investments | | | % composition of investments 30 April 2011 | Current value of investments | | |
|---|---|---|---|---|---|---|---|
| | Durable | Non durable | Total | | Memo: total investments | | |
| | *30 April 2011* | | | | *December 2008* | *December 2009* | *December 2010* |
| **C.I Land and buildings (A)** | **7,000** | **38** | **7,038** | **9.0%** | **6,420** | **6,289** | **7,034** |
| C.II.1 Shares and other equity in affiliated undertakings | 25,365 | 147 | 25,512 | 32.4% | 27,714 | 28,240 | 25,839 |
| C.II.2 Debt securities issued by affiliated undertakings | 156 | 591 | 747 | 1.0% | 611 | 657 | 712 |
| **Total C.II.1 and C.II.2 (B)** | **25,521** | **738** | **26,260** | **33.4%** | **28,325** | **28,897** | **26,551** |
| C.III.1 Shares and other equity | 2,662 | 1,799 | 4,460 | 5.7% | 4,895 | 4,961 | 4,140 |
| C.III.2 Investment fund units | 334 | 2,839 | 3,173 | 4.0% | 3,293 | 3,279 | 3,145 |
| C.III.3 Debt securities and other fixed-income securities | 11,203 | 26,179 | 37,382 | 47.6% | 35,602 | 39,523 | 35,935 |
| C.III.5 Participation in investment pools | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 |
| C.III.7 Sundry financial investments | 0 | 208 | 208 | 0.3% | 679 | 79 | 197 |
| **Total C.III.1, 2, 3, 5, 7 (C)** | **14,199** | **31,025** | **45,223** | **57.6%** | **44,469** | **47,842** | **43,418** |
| **Grand total (A + B + C)** | **46,720** | **31,801** | **78,521** | **100.0%** | **79,214** | **83,027** | **77,003** |

| | Balance of valuations gains/losses | | | Balance of valuations gains/losses | | |
|---|---|---|---|---|---|---|
| | Durable | Non durable | Total | Memo: total investments | | |
| | *30 April 2011* | | | *December 2008* | *December 2009* | *December 2010* |
| **C.I Land and buildings (A)** | **1,442** | **6** | **1,448** | **1,671** | **1,182** | **1,417** |
| C.II.1 Shares and other equity in affiliated undertakings | -33 | -5 | -38 | 1,507 | 1,040 | -136 |
| C.II.2 Debt securities issued by affiliated undertakings | -1 | 12 | 11 | -30 | 24 | 12 |
| **Total C.II.1 and C.II.2 (B)** | **-34** | **7** | **-27** | **1,477** | **1,064** | **-125** |
| C.III.1 Shares and other equity | 1,031 | 125 | 1,156 | -1,228 | 870 | 756 |
| C.III.2 Investment fund units | -85 | 112 | 27 | -72 | 82 | -1 |
| C.III.3 Debt securities and other fixed-income securities | -263 | 241 | -22 | -1,014 | 1,098 | -498 |
| C.III.5 Participation in investment pools | 0 | 0 | 0 | 0 | 0 | 0 |
| C.III.7 Sundry financial investments | 0 | -3 | -3 | 222 | 2 | -11 |
| **Total C.III.1, 2, 3, 5, 7 (C)** | **683** | **475** | **1,158** | **-2,092** | **2,052** | **246** |
| **Grand total (A + B + C)** | **2,092** | **488** | **2,579** | **1,056** | **4,298** | **1,538** |

**The ratio of the balance between unrealized gains and losses to book value was equal to 3.4 per cent overall**; it was 4.7% for durable and 1.6% for non durable investments (Figure 1). The ratio was highest for shares and other equity, whose positive balance was equal to about 35% of book value, followed by land and buildings (26%).

*FIGURE 1 - BALANCE OF VALUATION GAINS/LOSSES AS % OF BOOK VALUE OF INVESTMENTS AT 30 APRIL 2011 - NON-LIFE SECTOR*




Investments in government securities deserve closer examination. Their relative importance differs between the durable and non durable investment portfolios (Table 3). In particular, government securities, with a current value of Euro 7.5 billion at the end of April 2011, accounted for about 16% of total Class C investments held on a durable basis, up from the increasing balance-sheet figures of the last three years (12.1% in 2008, 12.9% in 2009 and 13.9% in 2010). Valuation gains and losses were virtually in balance. Government securities worth nearly Euro 16 billion accounted for half the Class C investments not held on a durable basis, with valuation gains equal to valuation losses.

*TABLE 3*
*INVESTMENTS IN GOVERNMENT SECURITIES NON-LIFE SECTOR*
*Euro billion*

| Listed and unlisted government securities held on a durable basis | | | | |
|---|---|---|---|---|
| | Book value | Current value | Balance of valuation gains/losses | Govt securities/ Total Class C assets (current value) |
| 2008 | 5.2 | 5.2 | 0.0 | 12.1% |
| 2009 | 5.6 | 5.8 | 0.2 | 12.9% |
| 2010 | 6.4 | 6.3 | -0.1 | 13.9% |
| Apr. 11 | 7.7 | 7.5 | -0.2 | 16.1% |
| **Listed and unlisted government securities not held on a durable basis** | | | | |
| | Book value | Current value | Balance of valuation gains/losses | Govt securities/ Total Class C assets (current value) |
| 2008 | 17.5 | 17.5 | 0.0 | 48.1% |
| 2009 | 18.6 | 19.0 | 0.4 | 49.6% |
| 2010 | 16.2 | 15.8 | -0.4 | 50.0% |
| Apr. 11 | 15.8 | 15.8 | 0.0 | 49.7% |

## Life sector

Debt securities and other fixed-income securities also ranked at the top of investments in the life sector, with a current value of Euro 271 billion at 30 April, up by Euro 13 billion from end-2010 (Table 4). Shares and other equity in affiliated undertakings totaled Euro 21.6 billion (6.7%) and investment fund units just under Euro 15.8 billion (4.9%).

At the end of April the **balance between unrealized capital gains and losses was negative by some Euro 2 billion**, compared with more than Euro 5.4 billion at the end of last year. The balance improved sharply for practically all kinds of investment; for debt securities, the improvement topped Euro 2 billion.

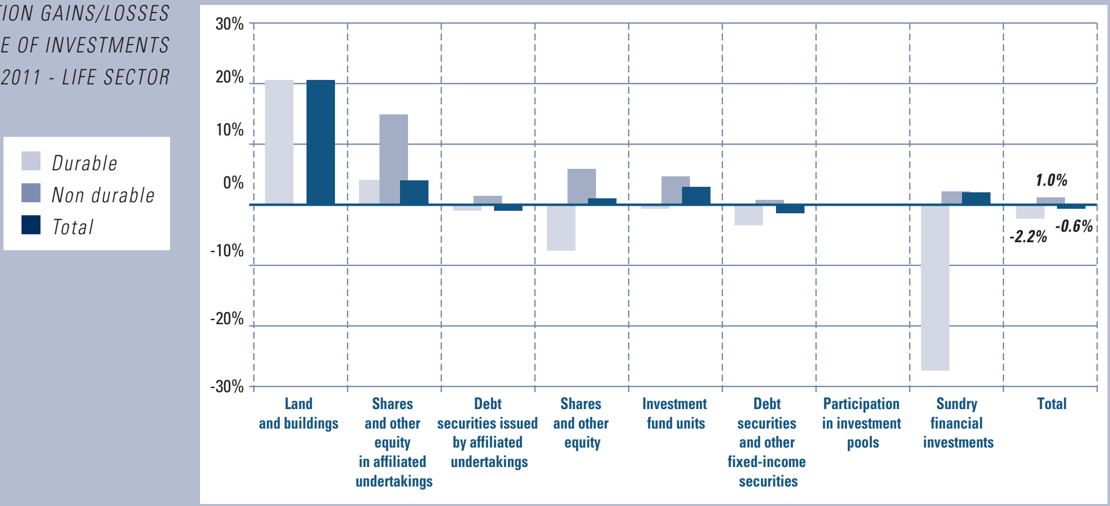
*TABLE 4 - TOTAL INSURANCE MARKET (SAMPLE-BASED ESTIMATES) - LIFE SECTOR*
*Euro million*

| | Current value of investments | | | % composition of investments 30 April 2011 | Current value of investments | | |
|---|---|---|---|---|---|---|---|
| | Durable | Non durable | Total | | Memo: total investments | | |
| | *30 April 2011* | | | | *December 2008* | *December 2009* | *December 2010* |
| **C.I Land and buildings (A)** | **1,071** | **1** | **1,071** | **0.3%** | **1,285** | **1,307** | **911** |
| C.II.1 Shares and other equity in affiliated undertakings | 21,504 | 141 | 21,645 | 6.7% | 19,437 | 19,062 | 21,704 |
| C.II.2 Debt securities issued by affiliated undertakings | 2,616 | 1,264 | 3,880 | 1.2% | 1,787 | 2,122 | 3,693 |
| **Total C.II.1 and C.II.2 (B)** | **24,120** | **1,405** | **25,525** | **7.9%** | **21,224** | **21,184** | **25,398** |
| C.III.1 Shares and other equity | 3,081 | 5,974 | 9,055 | 2.8% | 6,762 | 10,103 | 8,185 |
| C.III.2 Investment fund units | 5,541 | 10,228 | 15,769 | 4.9% | 11,323 | 12,682 | 15,359 |
| C.III.3 Debt securities and other fixed-income securities | 129,420 | 141,811 | 271,231 | 83.6% | 184,715 | 237,013 | 258,257 |
| C.III.5 Participation in investment pools | 0 | 0 | 0 | 0.0% | 1 | 1,455 | 0 |
| C.III.7 Sundry financial investments | 4 | 1,966 | 1,970 | 0.6% | 807 | 1,559 | 3,341 |
| **Total C.III.1, 2, 3, 5, 7 (C)** | **138,046** | **159,979** | **298,024** | **91.8%** | **203,608** | **262,812** | **285,141** |
| **Grand total (A + B + C)** | **163,237** | **161,384** | **324,621** | **100.0%** | **226,117** | **285,303** | **311,450** |

| | Balance of valuations gains/losses | | | Balance of valuations gains/losses | | |
|---|---|---|---|---|---|---|
| | Durable | Non durable | Total | Memo: total investments | | |
| | *30 April 2011* | | | *December 2008* | *December 2009* | *December 2010* |
| **C.I Land and buildings (A)** | **182** | **0** | **182** | **306** | **168** | **161** |
| C.II.1 Shares and other equity in affiliated undertakings | 807 | 18 | 825 | 1,491 | 785 | 582 |
| C.II.2 Debt securities issued by affiliated undertakings | -22 | 16 | -7 | -244 | 54 | -28 |
| **Total C.II.1 and C.II.2 (B)** | **784** | **34** | **818** | **1,247** | **839** | **554** |
| C.III.1 Shares and other equity | -250 | 330 | 80 | -4,447 | -276 | -729 |
| C.III.2 Investment fund units | -20 | 450 | 430 | -438 | 122 | 284 |
| C.III.3 Debt securities and other fixed-income securities | -4,342 | 793 | -3,549 | -4,705 | 5,078 | -5,647 |
| C.III.5 Participation in investment pools | 0 | 0 | 0 | 0 | 8 | 0 |
| C.III.7 Sundry financial investments | -1 | 39 | 38 | 78 | -5 | 7 |
| **Total C.III.1, 2, 3, 5, 7 (C)** | **-4,613** | **1,612** | **-3,001** | **-9,512** | **4,926** | **-6,086** |
| **Grand total (A + B + C)** | **-3,647** | **1,646** | **-2,001** | **-7,959** | **5,933** | **-5,371** |

**The ratio of the balance between unrealized gains and losses to book value for the life sector was negative and equal to -0.6% overall**; it was -2.2% for investments held on a durable basis and +1.0% for non durable investments (Figure 2). The highest positive ratio was for investments in land and buildings (more than 20%), followed by shares and other equity in affiliated undertakings (4%). The highest negative ratio was recorded for debt securities and other fixed-income securities, standing at -1.3% overall (-3.2% for durable investments and +0.6% for non durable investments).

*FIGURE 2 - BALANCE OF VALUATION GAINS/LOSSES AS % OF BOOK VALUE OF INVESTMENTS AT 30 APRIL 2011 - LIFE SECTOR*




Investments in government securities again deserve a closer look (Table 5). They make up a very considerable portion of both durable and non durable portfolios, approaching 60% and topping Euro 90 billion in both cases. The balance between valuation gains and losses was negative by Euro 3.8 billion and Euro 0.1 billion, respectively, in the two portfolios (improving from minus Euro 3.3 billion and minus Euro 2.4 billion at end-2010).

*TABLE 5*
*INVESTMENTS IN GOVERNMENT SECURITIES*
*LIFE SECTOR*
*Euro billion*

| Listed and unlisted government securities held on a durable basis | | | | |
|---|---|---|---|---|
| | Book value | Current value | Balance of valuation gains/losses | Govt securities/ Total Class C assets (current value) |
| 2008 | 67.9 | 68.1 | 0.2 | 57.4% |
| 2009 | 71.1 | 72.8 | 1.7 | 54.7% |
| 2010 | 95.7 | 92.4 | -3.3 | 57.9% |
| Apr. 11 | 99.9 | 96.1 | -3.8 | 58.9% |
| **Listed and unlisted government securities not held on a durable basis** | | | | |
| | Book value | Current value | Balance of valuation gains/losses | Govt securities/ Total Class C assets (current value) |
| 2008 | 51.6 | 51.7 | 0.1 | 48.1% |
| 2009 | 79.7 | 80.9 | 1.2 | 53.1% |
| 2010 | 87.5 | 85.1 | -2.4 | 56.1% |
| Apr. 11 | 91.9 | 91.8 | -0.1 | 56.9% |

## THE SOLVENCY MARGIN

At the end of 2010 insurance companies with registered office in Italy, excluding reinsurers, had a solvency margin of Euro 46.6 billion for their total assets in the life and non-life sectors, showing an increase compared to the previous year. The margin is 2.20 times higher than the minimum requirement (equal to 21.2 billion).

For life business, the margin (Euro 27.4 billion) was equal to 1.88 times the minimum requirement (Euro 14.6 billion), determined in terms of mathematical provisions and capital at risk. The ratio had been 1.98 in 2009. For non-life business the margin (Euro 19.1 billion) was 2.89 times the minimum requirement (Euro 6.6 billion), determined in terms of the amount of premiums written and the average cost of claims in the last three years (taking the higher of the two criteria). The ratio had been 2.85 in 2009 and 2.61 in 2008.

*SOLVENCY MARGIN 2004-2010 (EXCLUDING REINSURERS)*
*Euro million*

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|
| **LIFE** | | | | | | | |
| Solvency margin | 20,954 | 23,999 | 24,435 | 22,722 | 19,699 | 26,578 | 27,449 |
| Solvency margin required by law | 10,266 | 11,544 | 12,041 | 11,890 | 11,587 | 13,444 | 14,582 |
| *Cover ratio* | *2.04* | *2.08* | *2.03* | *1.91* | *1.70* | *1.98* | *1.88* |
| **NON-LIFE** | | | | | | | |
| Solvency margin | 17,308 | 20,826 | 20,382 | 17,585 | 16,805 | 19,236 | 19,139 |
| Solvency margin required by law | 5,825 | 6,095 | 6,263 | 6,473 | 6,446 | 6,758 | 6,624 |
| *Cover ratio* | *2.97* | *3.42* | *3.25* | *2.72* | *2.61* | *2.85* | *2.89* |
| **TOTAL** | | | | | | | |
| Solvency margin | 38,262 | 44,825 | 44,817 | 40,307 | 36,504 | 45,814 | 46,588 |
| Solvency margin required by law | 16,091 | 17,639 | 18,304 | 18,363 | 18,033 | 20,202 | 21,206 |
| *Cover ratio* | *2.38* | *2.54* | *2.45* | *2.20* | *2.02* | *2.27* | *2.20* |

*Source: ISVAP*

## THE INTERNATIONAL SETTING

In 2009 premiums written worldwide totalled USD 4,066 billion, reflecting a decrease of 1.1% in real terms compared to the previous year. The data is less negative than the one registered in 2008, when the premium collection crunch was equal to -3.6%.

Life premium volume totalled USD 2,332 billion, down by 2.0% compared to 2008 (-5.8% the previous year).

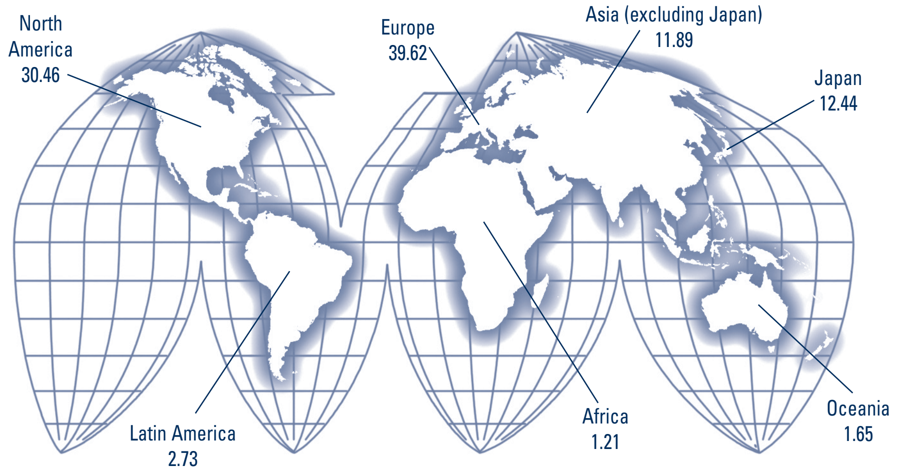
Non-life premium volume remained substantially stable at the 2008 levels: the premium volume equal to USD 1,735 remained stable (-0.1%) compared to the previous year; in 2008 the volume decreased by -0.5% compared to 2007.

The negative performance of the American and English insurance sector contributed significantly to the decrease of life insurance premiums, with a two-digit figure drop in real terms, concentrated in investment-linked policies;. in emerging countries, particularly in Asia, insurance premiums continued to grow steadily.

The financial crisis did not hit the non-life market significantly. Premium collection turned out to be stable also in 2009 as a result of a decrease of premium collection in Europe and the United States, and an increase in the rest of the world.

In 66% of countries the overall growth of the insurance sector outperformed GDP growth. In 2010, with GDP growth picking up again, premium growth and profitability should continue to grow as well.

*WORLDWIDE DIRECT INSURANCE IN 2009 - MARKET SHARES*




*Source: Swiss Re - SIGMA World Insurance in 2009*

*PREMIUMS IN 2009*
*USD million*

| | LIFE | NON-LIFE | TOTAL |
|---|---|---|---|
| North America | 536,001 | 702,584 | 1,238,585 |
| Latin America | 43,625 | 67,285 | 110,910 |
| Europe | 953,515 | 657,105 | 1,610,620 |
| *of which:* | | | |
| *Western Europe* | *935,520* | *590,433* | *1,525,953* |
| *Central/Eastern Europe* | *17,995* | *66,672* | *84,667* |
| Asia | 732,267 | 257,184 | 989,451 |
| *of which:* | | | |
| *Japan* | *399,100* | *106,856* | *505,956* |
| Africa | 32,564 | 16,723 | 49,287 |
| Oceania | 33,592 | 33,649 | 67,241 |
| **Total** | **2,331,564** | **1,734,530** | **4,066,094** |

*Source: Swiss Re - SIGMA World Insurance in 2009*

*REAL GROWTH RATE IN 2009 (%)*

| | LIFE | NON-LIFE | TOTAL |
|---|---|---|---|
| North America | -13.5 | -1.5 | -7.1 |
| Latin America | 7.8 | 4.3 | 5.7 |
| Europe | 3.5 | -1.2 | 1.8 |
| *of which:* | | | |
| *Western Europe* | *4.1* | *-0.5* | *2.6* |
| *Central/Eastern Europe* | *-20.1* | *-7.5* | *-10.9* |
| Asia | 1.8 | 5.6 | 2.8 |
| *of which:* | | | |
| *Japan* | *-0.8* | *-2.0* | *-1.1* |
| Africa | -15.0 | 0.4 | -11.1 |
| Oceania | -19.4 | 2.9 | -9.6 |
| **Total** | **-2.0** | **-0.1** | **-1.1** |

*Source: Swiss Re - SIGMA World Insurance in 2009*

# The Italian insurance industry in the international setting

## THE MAIN MARKETS IN THE EUROPEAN UNION

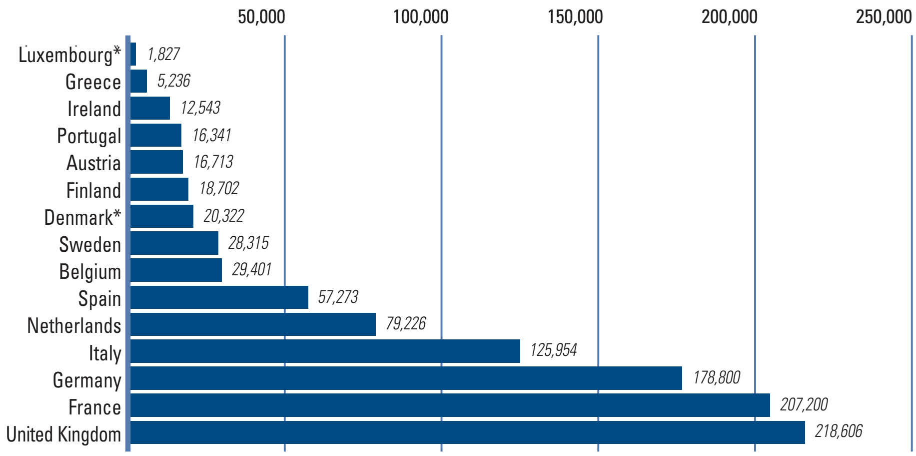
In 2010 insurance companies in the first 15 EU member states wrote premiums for Euro 1,016,459 million, a value increased compared to the previous year (+4.8%); in 2009 premiums registered only a slight increase (+0.1%).

The sharpest growth rates were observed in Sweden (+20.5%), Finland (+15.5%) and Portugal (+12.6%), the positive rates of United Kingdom and Italy should also be noted, with premium growth rates equal to 6.9%. In 2010 negative rates compared to 2009 were observed in Spain (-4.6%) and Greece (-2.6%).

With regard to the life sector, premiums totalled Euro 635,076 million in 2010 with a 5.6% increase compared to the previous year (1.7% in 2009). A large drop was registered by Spain (-8.1%), Greece (-7.7%) and the Netherlands (-6.9%). The sharpest increases were observed in Sweden (+21.9%), Italy (+11.1%) and Germany (+6.0%).

In 2010 non-life premiums totalled Euro 381,384 million with a 3.5% increase compared to the previous year (-2.5% in 2009). This result was mainly determined by Sweden (+15.8%), the United Kingdom (+10.6%), the Netherlands (6.1%) and Germany (+2.6%); growth rates were negative in Ireland (-2.6%) and Spain (-1.2%).

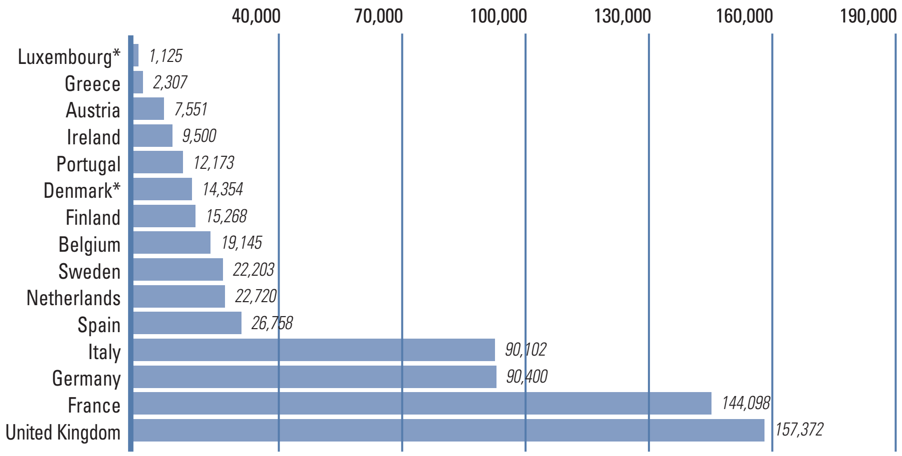
*DIRECT PREMIUMS IN THE EUROPEAN UNION (15) IN 2010*
*TOTAL*
*Euro million*




*Source: CEA*

*(*) 2009 data*

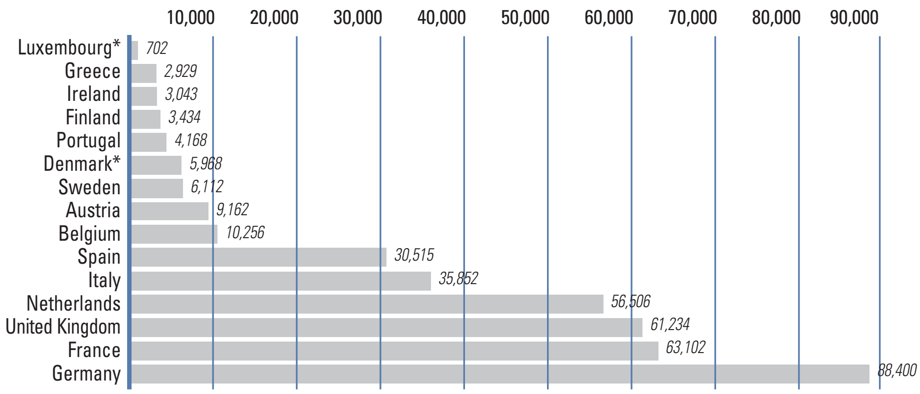
DIRECT PREMIUMS IN THE EUROPEAN UNION (15) IN 2010
LIFE
Euro million




(*) 2009 data

Source: CEA

DIRECT PREMIUMS IN THE EUROPEAN UNION (15) IN 2010
NON-LIFE
Euro million




(*) 2009 data

Source: CEA

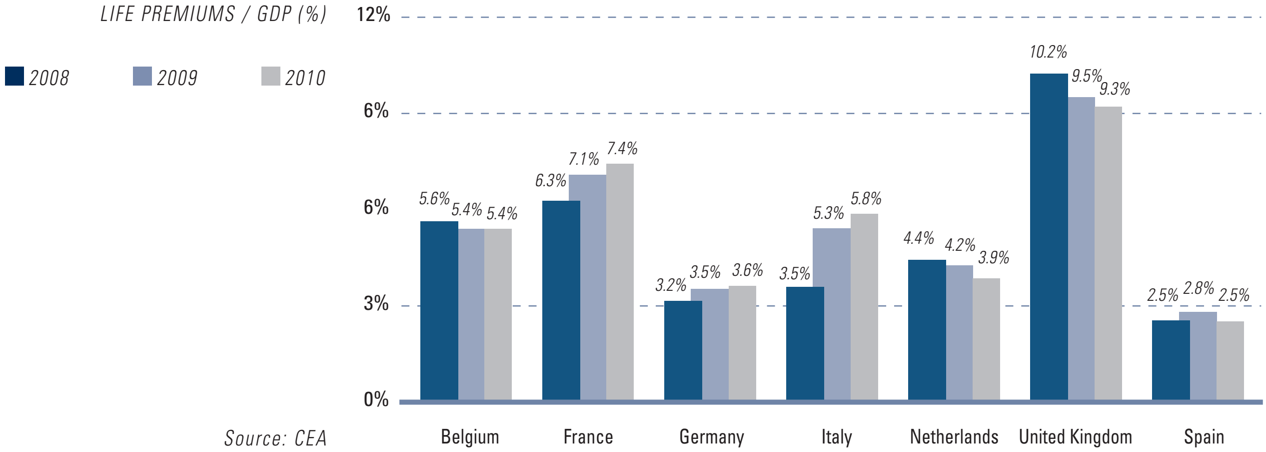
### THE IMPORTANCE OF INSURANCE BY COUNTRY

Between 2008 and 2010 the ratio of premium volume to GDP – the insurance "penetration" index – moved differently in the life and non-life sectors. It is necessary to point out that data relative to 2010 provided by CEA are still provisional and, in some cases, they are estimates made by insurance associations of the respective countries.

With regard to the life sector, in the three-year period the ratio decreased in Belgium, passing from 5.6% in 2008 to 5.4% in 2009 to remain stable in 2010; in Spain, after a moderate increase registered in 2009 (2.8%), in 2010 the index returns to the 2008's levels equal to 2.5%. A gradual decline was registered in the Netherlands where index declined from 4.4% in 2008 to 3.9% in 2010 and in the United Kingdom where index decreased from 10.2% registered in 2008 to 9.3% in 2010. Italy registered a strong increase passing from 3.5% in 2008 to 5.3% in 2009, reaching and stopping at 5.8% in 2010.

The trend of the index was positive also in France, with a value equal to 7.4% in 2010 (6.3% in 2008), and above all in Germany, where in 2010 it was equal to 3.6% (3.2% in 2008).

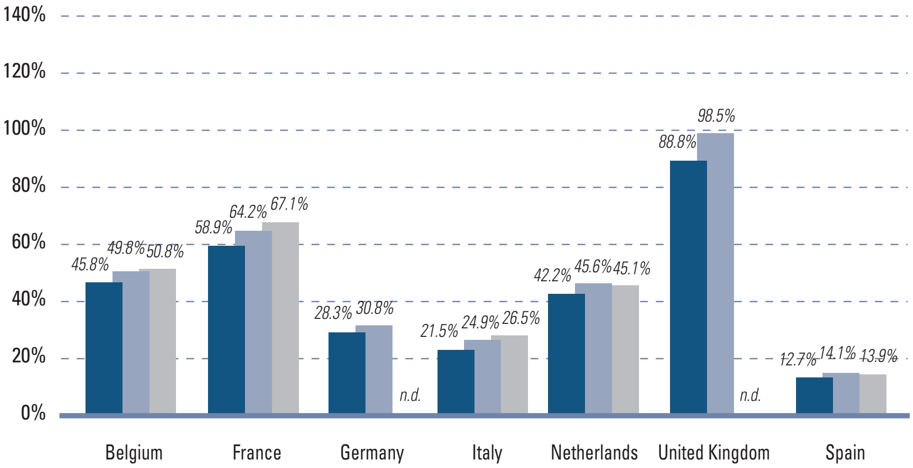
*LIFE PREMIUMS / GDP (%)*




*Source: CEA*

As regards life insurance provisions, due to the lack of data for 2010 for the United Kingdom and Germany, for these two countries the analysis was restricted to the years 2008 and 2009.

In Italy the ratio of life insurance provisions to GDP, an indicator showing the degree of maturity of the life insurance market, increased slightly from 21.5% in 2008 to 24.9% in 2009 rising to 26.5% in 2010; in Italy the ratio remained lower than in the other European countries except Spain, where the ratio passed from 14.1% in 2009 to 13.9% in 2010. In 2009 the United Kingdom continued to register the highest indicator (98.5% from 88.5% in 2008), for the same years Germany passed from 28.3% in 2008 to 30.8% in 2009. In 2010 in France the ratio grew to 67.1% (58.9% in 2008 and 64.2% in 2009); the same trend, but by lower levels, was registered in Belgium where the ratio passed from 45.8% in 2008 to 50.8% in 2010. The Netherlands registered a moderate decline in 2010 with an index value equal to 45.1% (45.6% in 2009).

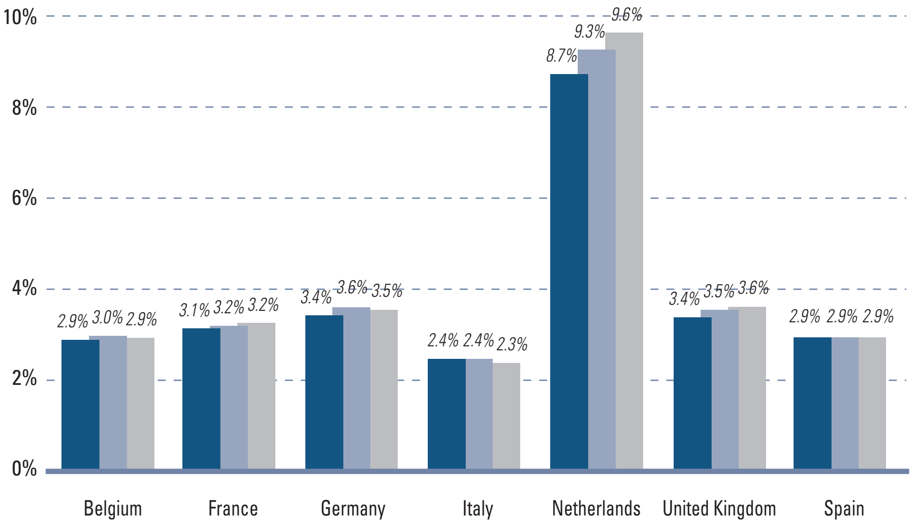



MATHEMATICAL PROVISIONS / GDP (%)

2008 2009 2010

Source: CEA

In the non-life sector Italy again had the lowest ratio of premiums to GDP. In the three-year period (2008-2010) the indicator decreased slightly compared to the previous years going from 2.4% to 2.3% showing a large "gap" compared to the other European countries. The ratios in Belgium (2.9%), Spain (2.9%) and France (3.2%) were almost unchanged. Instead opposite trend are recorded in Germany and United Kingdom that respectively reach values in 2010 equal to 3.5% (3.6% in 2009) and 3.6% (3.5% in 2009). Finally, the Netherlands, reflecting more positive effects in terms of premium collection from the privatization of the health system started in 2006, registered a value equal to 9.6% in 2010, the highest in Europe and almost seven percentage points higher than the Italian ratio.



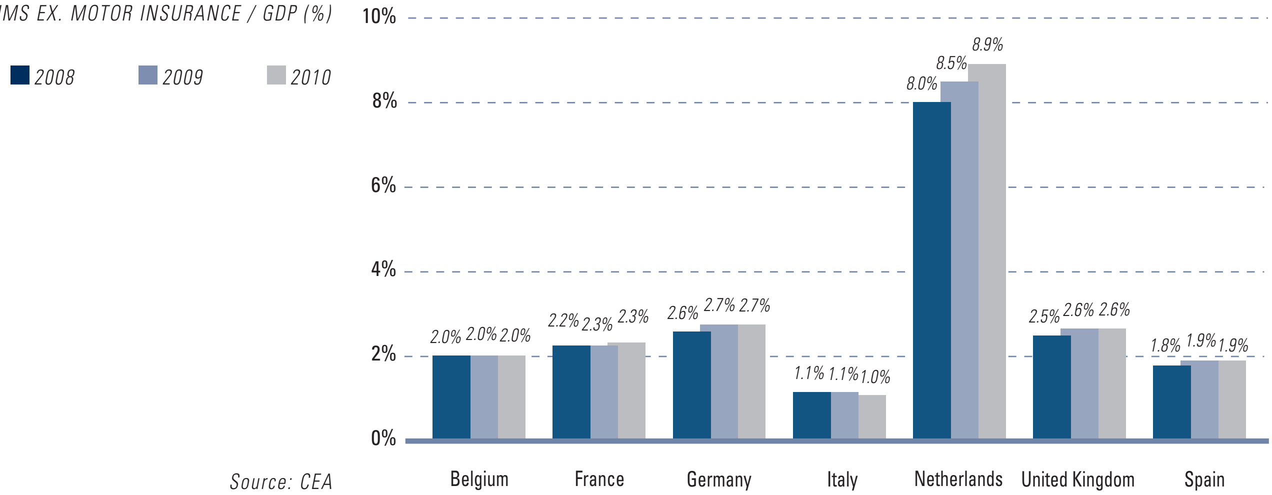

NON-LIFE PREMIUMS / GDP (%)

2008 2009 2010

Source: CEA

The gap between Italy and the other European countries looks even wider, in the non-life insurance "penetration" index, if motor premiums are excluded (mandatory by law everywhere). In 2010 the ratio was equal to 1.0% in Italy (1.1% in 2008 and 2009), whereas it doubled for Belgium. Data remained unvaried compared to the previous year as to Germany (2.7%), the United Kingdom (2.6%), France (2.3%) and Spain (1.9%). As in the previous table one must highlight the positive growth of the index for the Netherlands in 2010, with a value equal to 8.9%, thus reaching a gap of almost 8 percentage points with Italy.

*NON-LIFE PREMIUMS EX. MOTOR INSURANCE / GDP (%)*




*Source: CEA*

## TAXATION OF PREMIUMS IN THE EUROPEAN UNION

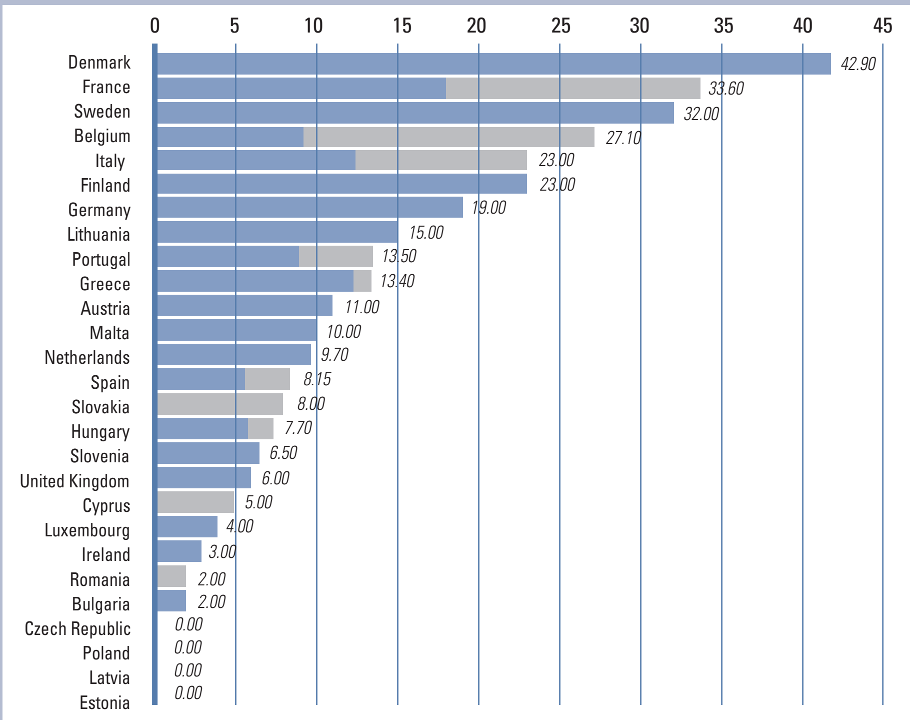
Once more this year the incidence of indirect taxation on insurance premiums in Italy is among the highest in the EU.

As always you will find in the following tables the detail concerning motor insurance, fire, general liability and goods in transit.

In motor insurance, taxes and other charges amount to 23% of premiums, well above the European average of 18%. In particular, taxation is lower in the United Kingdom (6%), Spain (8.15%) and the Netherlands (9.7%). Germany applies slightly higher taxes on average (19%), while in France the incidence on premiums reaches 33.6%. The branch's tax load is destined to grow under the law enabling provinces to increase or decrease by 3.5 percentage points the rate destined to them (equal at present to 12.50%). The 27 of June 29 provinces had already increased taxes at top level. The tax rate on Italian fire insurance premiums, at 22.25%, is higher than in Germany and the United Kingdom (13.2% and 6% respectively), but it continues to be lower than in France (30%).

Aside from Finland (23%), the tax rate on Italian general liability insurance premiums is the highest in Europe (22.25%), exceeding the tax rates applied in

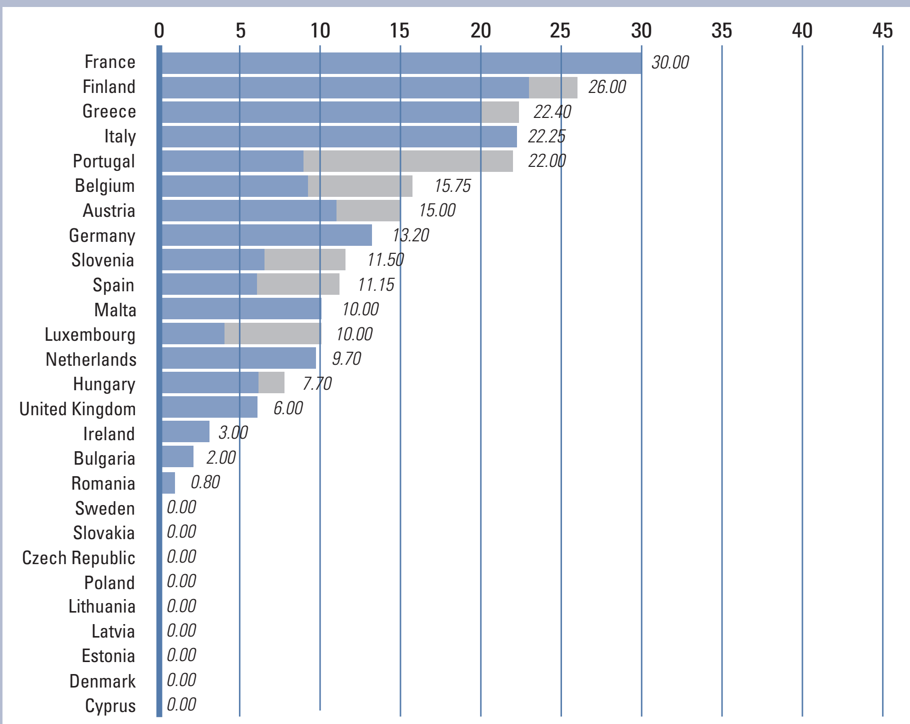
*MOTOR (%)*




*Taxes* *Other charges*

*Source: CEA*

*FIRE (%)*



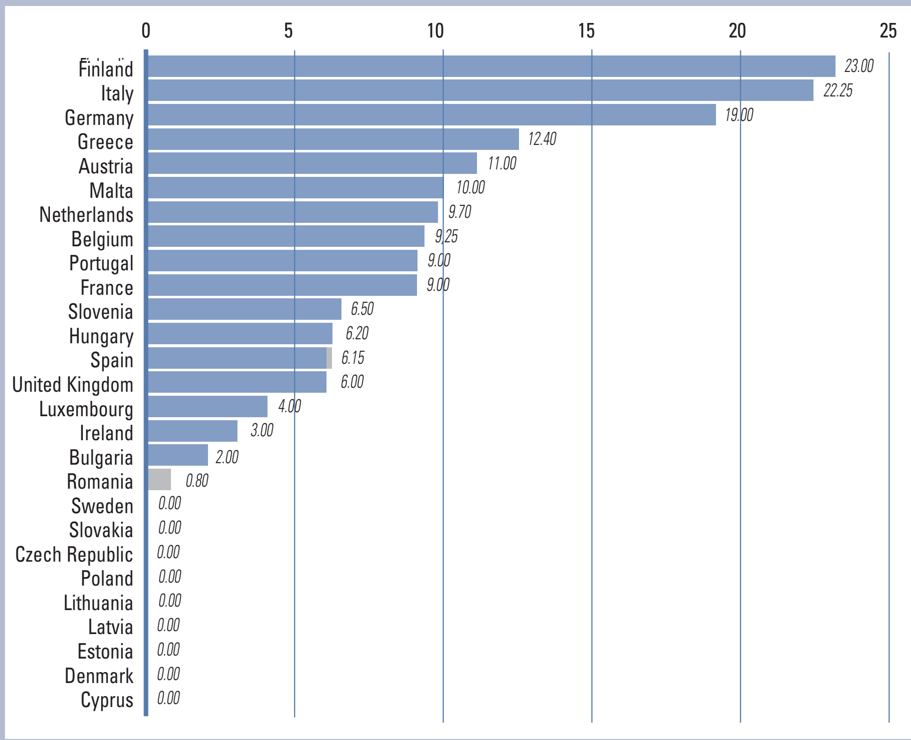

*Taxes* *Other charges*

*Source: CEA*

Germany (19%), France (9%), Spain (6.15%) and the United Kingdom (6%). Shipping insurance premiums are taxed at 7.5% for goods transported via sea and air and at 12.5% for those transported via land. The European countries with the highest tax rates are Finland (23%), Germany (19%) and Greece (12.4%); a 6% tax rate is applied in the United Kingdom, while in France and in most other countries no such provision is established for these lines of business.

*GENERAL LIABILITY (%)*

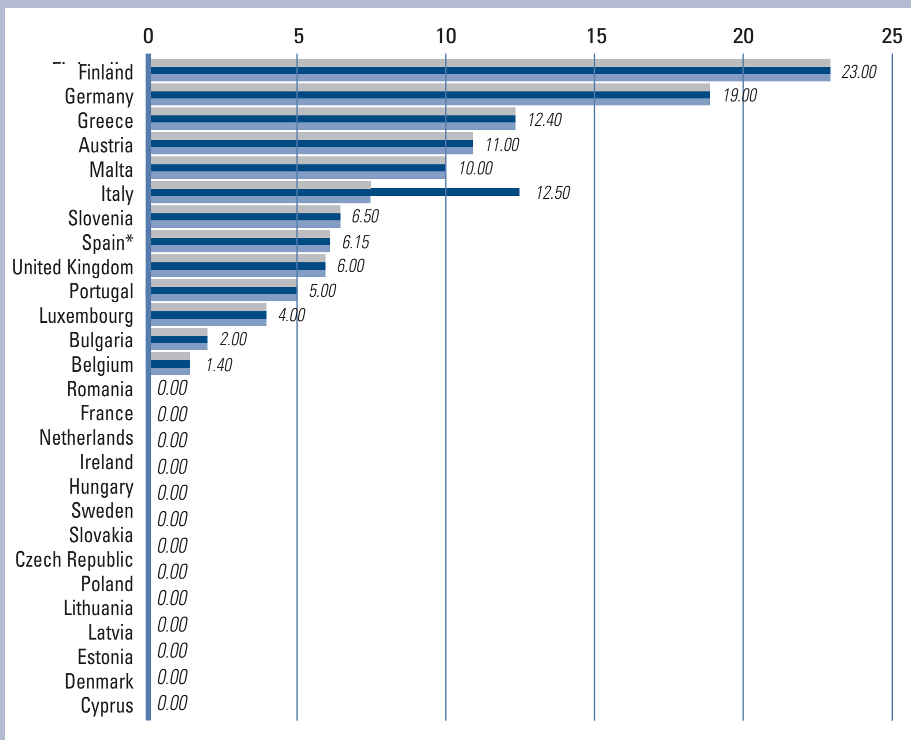
*Taxes* *Other charges*




*Source: CEA*

*GOODS IN TRANSIT – TAXES*

*Via air*
*Via land*
*Via sea*

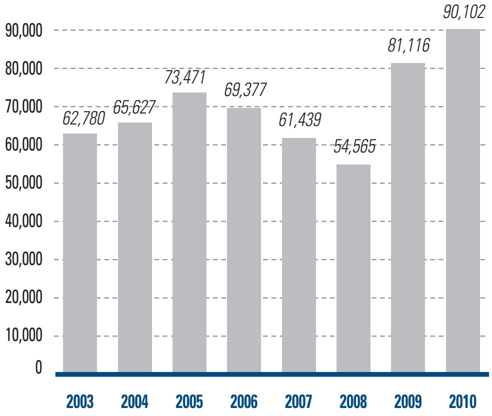



*Source: CEA*
*(*) Spain's data include taxes (6.00) and other charges (0.15)*

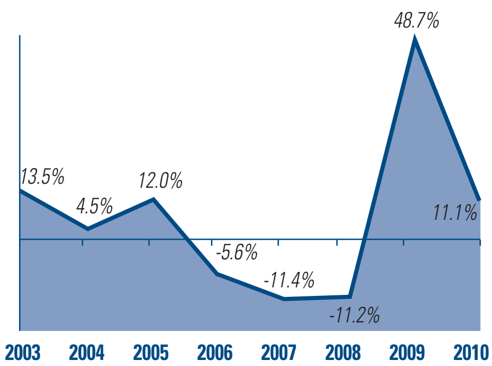
# Life insurance

**In 2010 premiums in life insurance business increased by 11.1% compared to the previous year, exceeding Euro 90 billion, reflecting the strong increase registered in linked polices (+60%) and a slight growth in Class I (+4.8%). However, this improvement was accompanied by the halving of investment income; with the amount of benefits similar to that of the previous year, the overall result of the technical account was negative, with a sharp worsening compared to 2009.**

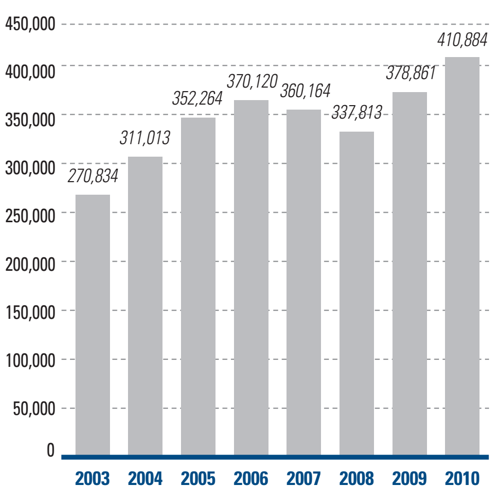
*DIRECT PREMIUMS*
*Euro million*




*DIRECT PREMIUMS*
*Annual growth rate*




*TOTAL LIFE TECHNICAL RESERVES*
*Euro million*




## DOMESTIC BUSINESS

**Premiums for direct domestic business** for the 75 insurance companies operating in life classes amounted to Euro 90,102 million, with an increase (+11.1%), compared to 2009 when life premiums registered a great increase after the decreasing period registered from 2006 to 2008.

The growth of life insurance in the last two years is due to the growing demand from insureds of products offering minimum guarantees, in addition to the new increase in unit-linked products. In percentage, life premiums represented 71.5% of the total business (life and non-life) in 2010, with an increase in market share of 2 percentage points compared to 2009. On the other hand premiums collected in Italy by companies operating under the **freedom to provide services** – essentially Class III products (Linked) – decreased. ANIA estimated that in 2010 the premiums written by these companies amounted approximately to over Euro 6 billion, with a 14% decrease compared to 2009.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 66,802 million, a 17% increase also due to the rise of surrenders compared to the previous year (+13.5%).

In 2010 the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was positive at Euro 23,300 million (the same amount was registered in 2009); both in 2007 and 2008 it had been negative for over Euro 10,000 million.

**The change in mathematical and other technical provisions** was positive at Euro 32,180 million (it was equal to Euro 41,114 million in 2009). The net cash flow was equal to 72.4% (58.2% in 2009 when the results in financial management had been more important).

**The technical provisions** were equal to Euro 410,884 million, thus increasing by 8.5% (+12.2% in 2009).

**Operating expenses** were equal to Euro 4,301 million (Euro 4,090 million in 2009); they also include the administration expenses relating to the technical

*LIFE TECHNICAL ACCOUNT*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 62,780 | 65,627 | 73,471 | 69,377 | 61,439 | 54,565 | 81,116 | 90,102 |
| Incurred claims (-) | 25,453 | 34,313 | 43,710 | 57,804 | 74,316 | 65,547 | 57,198 | 66,802 |
| Changes in technical provisions (-) | 43,257 | 39,666 | 41,196 | 18,303 | -10,245 | -22,636 | 41,114 | 32,180 |
| Balance of other technical items | 427 | 476 | 697 | 633 | 468 | 104 | 19 | -105 |
| Operating expenses (-) | 3,745 | 3,864 | 4,308 | 4,589 | 4,681 | 4,056 | 4,090 | 4,301 |
| Investment income | 10,661 | 13,523 | 17,062 | 12,126 | 8,176 | -11,030 | 23,996 | 12,610 |
| **Direct technical account result** | **1,413** | **1,783** | **2,016** | **1,440** | **1,331** | **-3,328** | **2,730** | **-676** |
| Reinsurance result and other items | 293 | 249 | 327 | 471 | 292 | 320 | 442 | 367 |
| **Overall technical account result** | **1,706** | **2,032** | **2,343** | **1,911** | **1,623** | **-3,008** | **3,172** | **-309** |
| **Net cash flow** | **37,327** | **31,314** | **29,761** | **11,573** | **-12,877** | **-10,982** | **23,918** | **23,300** |
| Annual % changes in premiums | 13.5% | 4.5% | 12.0% | -5.6% | -11.4% | -11.2% | 48.7% | 11.1% |
| Expense ratio | 6.0% | 5.9% | 5.9% | 6.6% | 7.6% | 7.4% | 5.0% | 4.8% |
| Investment income/Technical provisions | 4.3% | 4.6% | 5.1% | 3.4% | 2.2% | -3.2% | 6.7% | 3.2% |
| **Technical account result/Gross written premiums** | **2.3%** | **2.7%** | **2.7%** | **2.1%** | **2.2%** | **-6.1%** | **3.4%** | **-0.7%** |
| **Overall technical account result/Gross written premiums** | **2.7%** | **3.1%** | **3.2%** | **2.8%** | **2.6%** | **-5.5%** | **3.9%** | **-0.3%** |
| **Overall technical account result/Technical provisions** | **0.68%** | **0.70%** | **0.71%** | **0.53%** | **0.44%** | **-0.86%** | **0.89%** | **-0.08%** |

*Indexes and changes (%) are calculated on data in Euro thousand*

management of insurance business, in addition to acquisition costs, costs arising from premium collection and costs relating to the organisation and operation of the distribution network. The growth in operating expenses (+5.1%) has been lower than premium growth; the incidence decreased from 5.0% in 2009 to 4.8% in 2010; this is mainly due to the growth in share of single premium polices, whose expenses have a lower impact compared to periodic and recurrent premiums.

The **result of investment income** in 2010 was equal to Euro 12,610 million (it was equal to Euro 23,996 in 2009). This issue weighed on the **result of the technical account for direct business** and reflected a loss of Euro -676 million (it was positive and equal to Euro 2,730 million in 2009). In 2010 the ratio to premiums declined to -0.7% from 3.4% in 2009.

The net result for reinsurance activities and indirect insurance business was positive at Euro 367 million (Euro 442 million in 2009).

**The overall technical account result** was negative by Euro 309 million (it was positive at Euro 3,172 million in 2009). Clearly there was a decrease both in the ratio to premiums (from 3.9% in 2009 to -0.3% in 2010) and in the ratio to technical reserves (from 0.89% in 2009 to -0.08% in 2010).

## INDIVIDUAL LIFE CLASSES

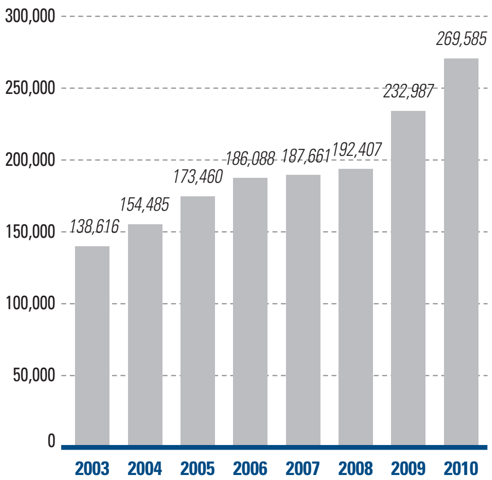
### Class I – Life insurance

*CLASS I - LIFE*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 27,788 | 30,101 | 33,871 | 32,746 | 27,166 | 31,430 | 64,741 | 67,834 |
| Incurred claims (-) | 14,839 | 16,761 | 18,253 | 23,064 | 28,995 | 29,745 | 28,974 | 35,684 |
| Changes in technical provisions (-) | 14,737 | 15,692 | 18,610 | 12,796 | 1,531 | 4,713 | 40,477 | 36,521 |
| Balance of other technical items | -96 | -88 | -41 | -113 | -192 | -357 | -337 | -553 |
| Operating expenses (-) | 1,941 | 2,048 | 2,365 | 2,634 | 2,811 | 2,845 | 3,284 | 3,316 |
| Investment income | 5,350 | 5,950 | 6,458 | 6,610 | 7,025 | 3,433 | 9,518 | 7,116 |
| **Direct technical account result** | **1,525** | **1,462** | **1,060** | **749** | **662** | **-2,797** | **1,187** | **-1,124** |
| Reinsurance result and other items | 292 | 247 | 371 | 459 | 335 | 332 | 419 | 397 |
| **Overall technical account result** | **1,817** | **1,709** | **1,431** | **1,208** | **997** | **-2,465** | **1,606** | **-727** |
| **Net cash flow** | **12,949** | **13,340** | **15,618** | **9,682** | **-1,829** | **1,685** | **35,767** | **32,150** |
| Annual % changes in premiums | 15.8% | 8.3% | 12.5% | -3.3% | -17.0% | 15.7% | 106.0% | 4.8% |
| Expense ratio | 7.0% | 6.8% | 7.0% | 8.0% | 10.3% | 9.1% | 5.1% | 4.9% |
| Investment income/Technical provisions | 4.1% | 4.1% | 3.9% | 3.7% | 3.8% | 1.8% | 4.5% | 2.8% |
| **Technical account result/Gross written premiums** | **5.5%** | **4.9%** | **3.1%** | **2.3%** | **2.4%** | **-8.9%** | **1.8%** | **-1.7%** |
| **Overall technical account result/Gross written premiums** | **6.5%** | **5.7%** | **4.2%** | **3.7%** | **3.7%** | **-7.8%** | **2.5%** | **-1.1%** |
| **Overall technical account result/Technical provisions** | **1.38%** | **1.17%** | **0.87%** | **0.67%** | **0.53%** | **-1.30%** | **0.76%** | **-0.29%** |
| *Premiums to total life premiums ratio (%)* | *44.3%* | *45.9%* | *46.1%* | *47.2%* | *44.2%* | *57.6%* | *79.8%* | *75.3%* |

*Indexes and changes (%) are calculated on data in Euro thousand*

*TECHNICAL PROVISIONS - CLASS I - LIFE*
*Euro million*




Due to the strong increase observed in the minimum guaranteed return polices, the **premiums for direct domestic business** collected by the 74 companies operating in this class amounted to Euro 67,834 million; the increase was equal to 4.8% compared to 2009. The ratio of premiums for the class to total life premiums decline from 79.8% in 2009 to 75.3% in 2010.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, achieved Euro 35,684 million, in increase (+23%) compared to 2009. The strong increase in surrenders contributed (+ 35% compared to the previous year).

On the whole the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was positive at Euro 32,150 million, in decrease compared with 2009 when it was equal to Euro 35,767 million.

The **change in mathematical and other technical provisions** was equal to Euro 36,521 million, recording about a ten-fold decrease compared to 2009. The contribution of the net collection to the variation of the mathematical provisions, equal to 88%, remained unvaried compared to the previous year. The stock provisions during 2010 increased by 15.7% and reached the amount of Euro 269,585 million.

**Operating expenses** were equal to Euro 3,316 million (Euro 3,284 million in 2009). The ratio to premiums decreased from 5.1% in 2009 to 4.9% in 2010.

Considering investment income (Euro 7,116 million), the **result of the technical account for direct business** reflected a loss of Euro 1,124 million (it was positive at Euro 1,187 million in 2009). The ratio to premiums fell from 1.8% in 2009 to -1.7% in 2010.

The net result for reinsurance activities and indirect insurance business was positive at Euro 397 million.

**The overall technical account result** was negative at Euro -727 million. The incidence on premiums was equal to -1.1% (+2.5% in 2009), at the same time the ratio to technical reserves declined from 0.76% in 2009 to -0.29% in 2010.

### Class III - Life insurance linked to investment funds or index-linked insurance

In 2010 there has been a renewal of trust of savers to insurance products with more financial content. **Premiums for direct domestic business** collected by the 64 insurance companies operating in this class amounted in 2010 to Euro 15,408 million (Euro 9,732 million in 2009). Consequently the percentage in relation to overall direct life premiums rose from 12.0% in 2009 to 17.1% in 2010. The improvement of premiums of 60% compared to 2009 is due almost exclusively to the resumption of unit-linked policies.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 24,693 million and registered an increase compared to 2009 (+9.4%), despite a slight decrease of surrenders amount compared to the previous year (-3%).

On the whole the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was for the third year in a row negative and equal to Euro 9,285 million, even though in slight increase compared to Euro -12,848 million registered in 2009.

The negative **change in mathematical and other technical provisions** declined from Euro -1,351 million in 2009 to Euro -5,712 million in 2010. The mathematical provisions stock declined by 5.4% compared to 2009.

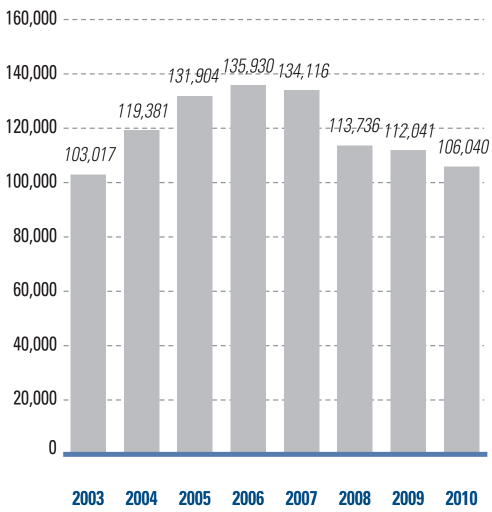
# Life insurance

*CLASS III - INVESTMENT FUNDS*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 26,488 | 24,756 | 26,389 | 27,385 | 29,053 | 18,558 | 9,732 | 15,408 |
| Incurred claims (-) | 7,590 | 13,370 | 20,797 | 25,192 | 28,821 | 23,156 | 22,580 | 24,693 |
| Changes in technical provisions (-) | 22,145 | 16,146 | 12,634 | 4,220 | -1,862 | -20,215 | -1,351 | -5,712 |
| Balance of other technical items | 548 | 589 | 757 | 759 | 671 | 467 | 370 | 455 |
| Operating expenses (-) | 1,578 | 1,614 | 1,706 | 1,747 | 1,661 | 1,072 | 632 | 837 |
| Investment income | 4,156 | 5,993 | 8,781 | 3,723 | -418 | -14,603 | 12,714 | 4,543 |
| **Direct technical account result** | **-121** | **207** | **790** | **708** | **686** | **409** | **955** | **588** |
| Reinsurance result and other items | -5 | 5 | -45 | 16 | -33 | -9 | 18 | -32 |
| **Overall technical account result** | **-126** | **212** | **745** | **724** | **653** | **400** | **973** | **556** |
| **Net cash flow** | **18,898** | **11,386** | **5,592** | **2,193** | **232** | **-4,598** | **-12,848** | **-9,285** |
| Annual % changes in premiums | 7.9% | -6.5% | 6.6% | 3.8% | 6.1% | -36.1% | -47.6% | 58.3% |
| Expense ratio | 6.0% | 6.5% | 6.5% | 6.4% | 5.7% | 5.8% | 6.5% | 5.4% |
| Investment income/Technical provisions | 4.5% | 5.4% | 7.0% | 2.8% | -0.3% | -11.8% | 11.3% | 4.2% |
| **Technical account result/Gross written premiums** | **-0.5%** | **0.8%** | **3.0%** | **2.6%** | **2.4%** | **2.2%** | **9.8%** | **3.8%** |
| **Overall technical account result/Gross written premiums** | **-0.5%** | **0.9%** | **2.8%** | **2.6%** | **2.2%** | **2.2%** | **10.0%** | **3.6%** |
| **Overall technical account result/Technical provisions** | **-0.14%** | **0.19%** | **0.59%** | **0.54%** | **0.48%** | **0.32%** | **0.86%** | **0.51%** |
| *Premiums to total life premiums ratio (%)* | *42.2%* | *37.7%* | *35.9%* | *39.5%* | *47.3%* | *34.0%* | *12.0%* | *17.1%* |

*Indexes and changes (%) are calculated on data in Euro thousand*

*TECHNICAL PROVISIONS - CLASS III - INVESTMENT FUNDS*
*Euro million*




**Operating expenses** were equal to Euro 837 million (Euro 632 million in 2009) while the ratio to premiums was 5.4%, with a deterioration of 6.5% compared to 2009.

Due to the recovery in investment income, which amounted to Euro 4,543 million (equal to Euro 12,714 in 2009), the **result of the technical account for direct business** was positive at Euro 588 million, decreasing with respect to 2009. As a consequence the ratio to premiums fell from 9.8% in 2009 to 3.8% in 2010.

The net result for reinsurance activities and indirect insurance business was negative at Euro 32 million.

**The overall technical account result** was positive at Euro 556 million (Euro 973 million in 2009). Both the ratio to premiums (equal to 3.6%) and the ratio to the technical reserves (equal to 0.51%) decreased with respect to 2009.

### Class IV - Long-term healthcare insurance

**Premiums for direct domestic business** for the 29 insurance companies operating in this class amounted to Euro 27 million (+4.2% compared to 2009).

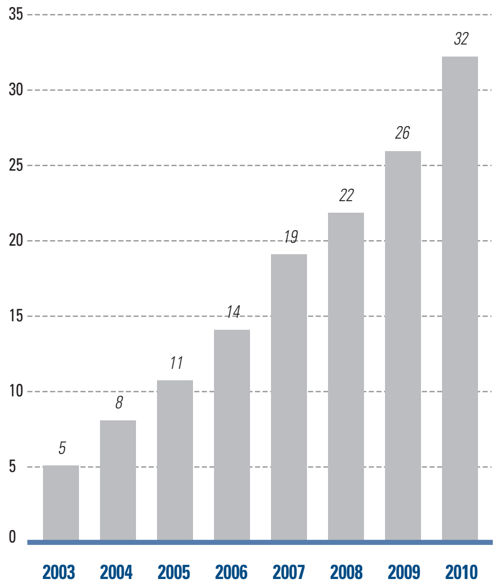
*CLASS IV - HEALTHCARE*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 17 | 18 | 24 | 23 | 30 | 25 | 26 | 27 |
| Incurred claims (-) | 7 | 9 | 12 | 7 | 7 | 8 | 9 | 9 |
| Changes in technical provisions (-) | 2 | 2 | 2 | 3 | 6 | 3 | 4 | 6 |
| Balance of other technical items | 0 | 0 | -2 | 0 | 1 | -1 | -1 | -2 |
| Operating expenses (-) | 4 | 2 | 3 | 3 | 3 | 3 | 5 | 4 |
| Investment income | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 2 |
| **Direct technical account result** | **4** | **5** | **6** | **10** | **15** | **10** | **9** | **8** |
| Reinsurance result and other items | -5 | -4 | -5 | -9 | -12 | -6 | 0 | 0 |
| **Overall technical account result** | **-1** | **1** | **1** | **1** | **3** | **4** | **9** | **8** |
| **Net cash flow** | **10** | **9** | **12** | **16** | **23** | **17** | **17** | **18** |
| Annual % changes in premiums | 61.3% | 9.2% | 28.9% | -2.4% | 32.8% | -17.1% | 4.3% | 4.2% |
| Expense ratio | 21.8% | 11.6% | 12.5% | 12.3% | 9.9% | 12.8% | 18.0% | 15.1% |
| Investment income/Technical provisions | 1.4% | 3.9% | 5.6% | 2.6% | 3.0% | 2.3% | 6.6% | 6.7% |
| **Technical account result/Gross written premiums** | **24.2%** | **27.7%** | **23.6%** | **42.7%** | **49.9%** | **40.9%** | **33.7%** | **30.1%** |
| **Overall technical account result/Gross written premiums** | **-6.2%** | **3.5%** | **6.0%** | **2.3%** | **9.8%** | **17.4%** | **33.7%** | **29.4%** |
| **Overall technical account result/Technical provisions** | **-6.93%** | **9.67%** | **14.93%** | **4.34%** | **18.32%** | **21.57%** | **37.43%** | **27.93%** |
| *Premiums to total life premiums ratio (%)* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* | *0.0%* |

*Indexes and changes (%) are calculated on data in Euro thousand*

**The overall technical account result** was positive at Euro 8 million (Euro 9 million in 2009). The ratio to premiums was 29.4% (33.7% in 2009) whereas the ratio to the technical reserves was about 28%.

*TECHNICAL PROVISIONS - CLASS IV - HEALTHCARE*
*Euro million*




## Class V - Capitalization operations

**Premiums for direct domestic business** for the 63 insurance companies operating in this class amounted to Euro 5,153 million with a 1.5% increase compared to 2009. The percentage of overall direct life premiums decreased from 6.3% in 2009 to 5.7% in 2010.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 5,809 million (Euro 5,461 million in 2009).

On the whole the **net cash flow**, defined as the difference between premiums and amounts paid and the change in the provisions for amounts to be paid, was negative and equal to Euro -656 million, in a slight further reduction compared to 2009 (Euro -383 million).

The **change in mathematical and other technical provisions** was positive at Euro 181 million (Euro 492 million in 2009).

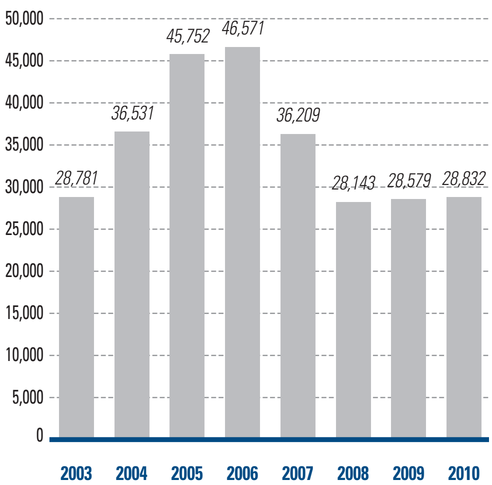
# Life insurance

*CLASS V - CAPITALIZATION*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 8,360 | 10,554 | 12,692 | 8,938 | 4,469 | 3,196 | 5,078 | 5,153 |
| Incurred claims (-) | 3,003 | 4,149 | 4,615 | 9,478 | 16,380 | 12,494 | 5,461 | 5,809 |
| Changes in technical provisions (-) | 6,243 | 7,631 | 9,418 | 1,017 | -10,562 | -8,077 | 492 | 181 |
| Balance of other technical items | -26 | -29 | -20 | -19 | -19 | -23 | -31 | -29 |
| Operating expenses (-) | 215 | 190 | 223 | 188 | 177 | 101 | 136 | 110 |
| Investment income | 1,136 | 1,558 | 1,751 | 1,747 | 1,542 | 413 | 1,371 | 821 |
| **Direct technical account result** | **9** | **113** | **167** | **-17** | **-3** | **-932** | **329** | **-155** |
| Reinsurance result and other items | 11 | 1 | 5 | 5 | 3 | 4 | 5 | 2 |
| **Overall technical account result** | **20** | **114** | **172** | **-12** | **0** | **-928** | **334** | **-153** |
| **Net cash flow** | **5,357** | **6,405** | **8,077** | **-540** | **-11,911** | **-9,298** | **-383** | **-656** |
| Annual % changes in premiums | 26.5% | 26.2% | 20.3% | -29.6% | -50.0% | -28.5% | 58.9% | 1.5% |
| Expense ratio | 2.6% | 1.8% | 1.8% | 2.1% | 4.0% | 3.2% | 2.7% | 2.1% |
| Investment income/Technical provisions | 4.4% | 4.8% | 4.3% | 3.8% | 3.7% | 1.3% | 4.8% | 2.9% |
| **Technical account result/Gross written premiums** | **0.1%** | **1.1%** | **1.3%** | **-0.2%** | **-0.1%** | **-29.2%** | **6.5%** | **-3.0%** |
| **Overall technical account result/Gross written premiums** | **0.2%** | **1.1%** | **1.4%** | **-0.1%** | **0.0%** | **-29.0%** | **6.6%** | **-3.0%** |
| **Overall technical account result/Technical provisions** | **0.08%** | **0.35%** | **0.42%** | **-0.03%** | **0.00%** | **-2.88%** | **1.18%** | **-0.53%** |
| *Premiums to total life premiums ratio (%)* | *13.3%* | *16.1%* | *17.3%* | *12.9%* | *7.3%* | *5.9%* | *6.3%* | *5.7%* |

*Indexes and changes (%) are calculated on data in Euro thousand*

*TECHNICAL PROVISIONS - CLASS V - CAPITALIZATION*
*Euro million*




**Operating expenses** were equal to Euro 110 million (Euro 136 million in 2009). The ratio to premiums thus came down from 2.7% in 2009 to 2.1% in 2010.

Considering the decrease in investment income equal to Euro 821 million, the **result of the technical account for direct business** reflected a negative result of Euro 155 million (it was positive at Euro 329 million in 2009).

The net result for reinsurance activities and indirect insurance business was positive at Euro 2 million.

The **overall technical account result** was negative at Euro -153 million (it was positive at 334 million in 2009).

### Class VI - Pension fund management

**Premiums for direct domestic business** for the 42 insurance companies operating in this class amounted to Euro 1,679 million, with a 9.0% increase compared to 2009, when the premiums collection amounted to Euro 1,539 million.

**Amounts paid** for claims and the change in the provisions for amounts to be paid, net of recoverable sums, totalled Euro 606 million (Euro 173 million in 2009).

*CLASS VI - PENSION FUNDS*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 128 | 198 | 495 | 285 | 720 | 1,356 | 1,539 | 1,679 |
| Incurred claims (-) | 15 | 24 | 33 | 64 | 113 | 146 | 173 | 606 |
| Changes in technical provisions (-) | 131 | 194 | 532 | 267 | 643 | 939 | 1,492 | 1,185 |
| Balance of other technical items | 3 | 3 | 4 | 7 | 9 | 18 | 17 | 26 |
| Operating expenses (-) | 8 | 10 | 11 | 17 | 29 | 35 | 33 | 34 |
| Investment income | 19 | 23 | 71 | 46 | 26 | -273 | 392 | 127 |
| **Direct technical account result** | **-4** | **-4** | **-6** | **-10** | **-30** | **-19** | **250** | **7** |
| Reinsurance result and other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Overall technical account result** | **-4** | **-4** | **-6** | **-10** | **-30** | **-19** | **250** | **7** |
| **Net cash flow** | **113** | **174** | **462** | **221** | **607** | **1,210** | **1,366** | **1,073** |
| Annual % changes in premiums | 3.4% | 54.4% | 150.4% | -42.4% | 152.5% | 88.3% | 13.5% | 9.0% |
| Expense ratio | 6.4% | 5.0% | 2.3% | 6.0% | 4.0% | 2.6% | 2.2% | 2.0% |
| Investment income/Technical provisions | 5.2% | 4.4% | 8.2% | 3.5% | 1.4% | -9.6% | 9.0% | 2.2% |
| **Technical account result/Gross written premiums** | **-3.3%** | **-2.0%** | **-1.2%** | **-3.4%** | **-4.1%** | **-1.4%** | **16.2%** | **0.4%** |
| **Overall technical account result/Gross written premiums** | **-3.3%** | **-2.0%** | **-1.2%** | **-3.4%** | **-4.1%** | **-1.4%** | **16.2%** | **0.4%** |
| **Overall technical account result/Technical provisions** | **-1.20%** | **-0.79%** | **-0.66%** | **-0.74%** | **-1.62%** | **-0.68%** | **5.73%** | **0.13%** |
| *Premiums to total life premiums ratio (%)* | *0.2%* | *0.3%* | *0.7%* | *0.4%* | *1.2%* | *2.5%* | *1.9%* | *1.9%* |

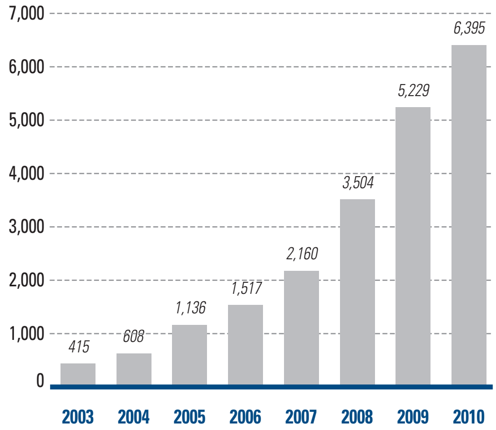
*Indexes and changes (%) are calculated on data in Euro thousand*

The **change in mathematical and other technical provisions** was equal to Euro 1,185 million with a decrease compared to 2009.

**Operating expenses** were equal to Euro 34 million (Euro 33 million in 2009). The ratio to premiums was 2.0% (2.2% in 2009).

Considering investment incomes (Euro 127 million), the **result of the technical account for direct business** reflected a profit of Euro 7 million (Euro 250 million in 2009). The **overall technical account result** was positive by the same amount, since the net result for reinsurance activities was nil in 2010.

*TECHNICAL PROVISIONS - CLASS VI - PENSION FUNDS*
*Euro million*

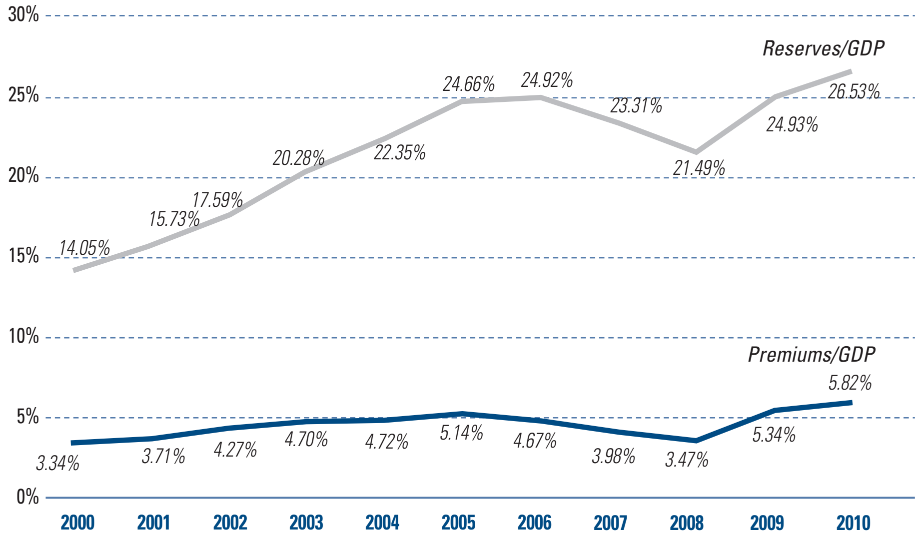



## LIFE INSURANCE AND GDP

The extraordinary growth of life premiums, started in 2009 and continued in 2010, albeit in a more limited way, determined an increase of both the ratios of premiums and mathematical reserves to GDP. In particular the ratio of mathematical reserves to GDP in 2010 reached its maximum level (26.53%) and so did the ratio of premiums to GDP, increasing from 5.34% in 2009 to 5.82% in 2010.

# Life insurance

*PREMIUMS AND RESERVES AS A % OF GDP*




## EVOLUTION OF THE SUPPLY OF LIFE PRODUCTS IN THE LAST FIVE YEARS

### Estimates of the share of guaranteed savings pertaining to life products

Using the insurance company data available and making a number of approximations and assumptions, we can estimate the share of the stock of insurance companies' reserves whose end-of-contract value is guaranteed by the companies.

For 2010 the share is estimated at just over three quarters of the reserves set aside by insurance companies (Figure 1). In particular, "with-profit policies" and profit-sharing policies in general account for 70% of the total reserves and Class III and Class VI products for an additional 5%.

The share of savings whose value at policy maturity is guaranteed by the companies comprises:

– the reserves for with-profit and profit-sharing policies;
– the reserves for unit-linked products that are invested in internal funds/collective investment undertakings that insurance companies classify as "guaranteed";
– the reserves corresponding to index-linked products featuring the insurer's guarantee;
– the reserves invested in the guaranteed sub-funds of pension funds.

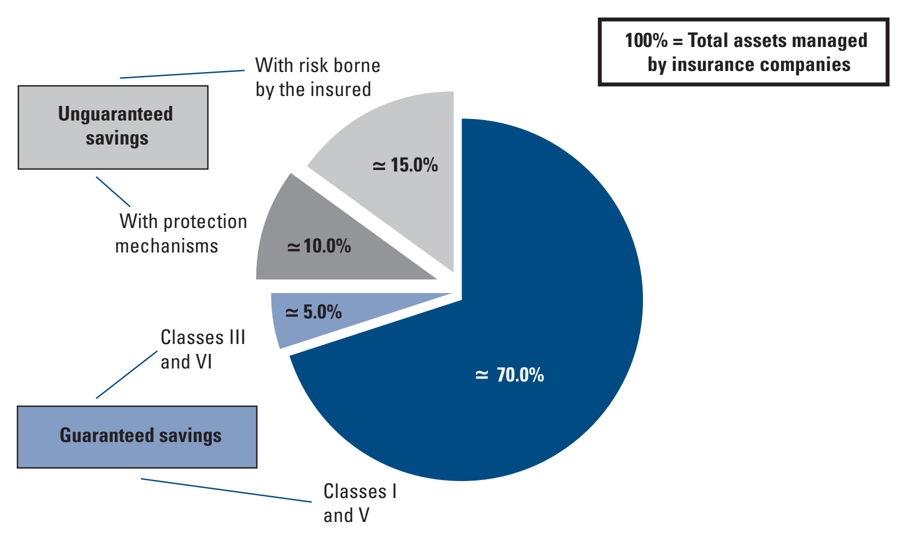



*FIGURE 1*
*% COMPOSITION OF THE ASSETS MANAGED BY INSURANCE COMPANIES: ESTIMATES FOR 2010*

*Source: Based on ISVAP data*

The remaining portion of the reserves set aside by insurance companies amounted to just under 25%, nearly three-fifths of it in investments in which the insured are exposed to the performance of associated funds or sub-funds (mostly unit-linked policies and pension funds) and two-fifths in investments explicitly or implicitly featuring protection mechanisms based on financial instruments (for example, unit-linked policies tied to "protected" internal funds or collective investment undertakings, index-linked products tied to structured financial portfolios that provide for at least the premium to be repaid to the policyholder at the contract's maturity).

### Asset allocation corresponding to life products

On the same basis we can also estimate the asset allocation pertaining to life products.

At the end of 2010 government securities made up about 50% of the assets covering the commitments deriving from life products, corporate bonds 35% and shares 10% (Table 1).

For with-profit and profit-sharing products offering guaranteed minimum returns, the portion of government securities rises to more than 60% while that of bonds falls to 28.2% and shares to 4.9%.

For Class III and Class VI products, where the results of the investment are typically linked to the performance of the financial markets, we find an evident search for a higher combination of risk and return. In particular, shares

TABLE 1
*ASSET ALLOCATION OF LIFE PRODUCTS IN 2010 (%)*

| **Macro-asset class** | **Asset allocation corresponding to life products** | | | |
|---|---|---|---|---|
| | **Total life market** | Sub-total with-profit products | Sub-total Class III and VI products: All Class III and VI products | Sub-total Class III and VI products: *of which: unit-linked* |
| Government securities | 49.8% | 62.2% | 16.9% | *25.6%* |
| Bonds | 35.5% | 28.2% | 54.8% | *33.5%* |
| Shares and units | 10.3% | 4.9% | 24.7% | *35.1%* |
| Liquidity | 2.2% | 1.7% | 3.5% | *5.8%* |
| Property and other | 2.1% | 2.9% | 0.0% | *0.0%* |
| Total | 100.0% | 100.0% | 100.0% | *100.0%* |

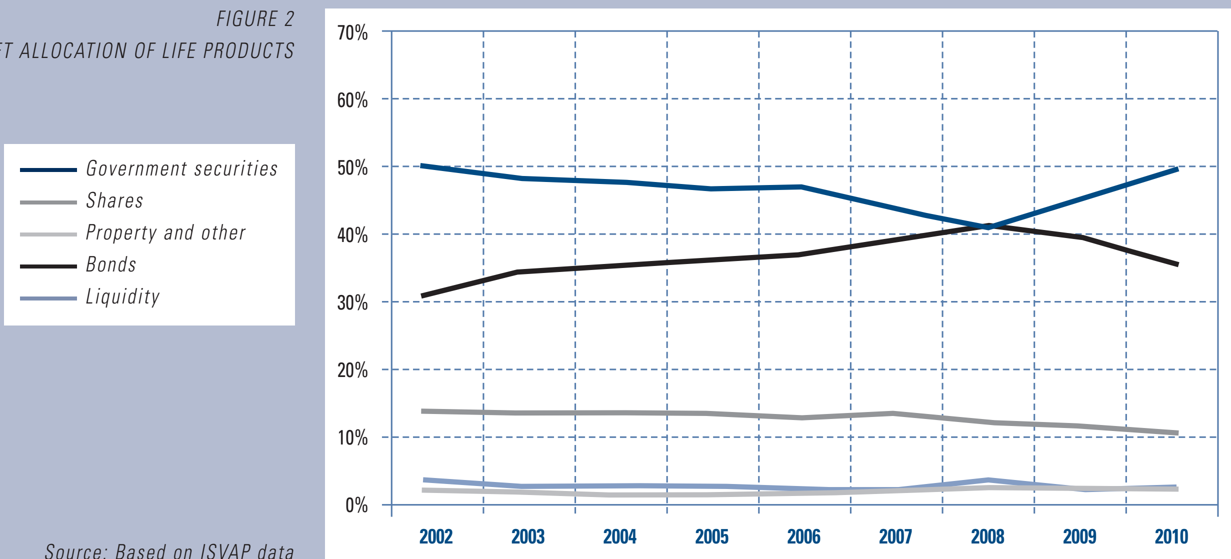
*Source: Based on ISVAP data*

made up nearly a quarter of the total portfolio and corporate bonds 54.8%, thanks not least to their importance in respect of index-linked policies.

Examining the trend in asset allocation corresponding to all life products in recent years (Figure 2), we find a return to the primacy of government securities with respect to corporate bonds. By contrast, in 2008 the portions invested in these two asset classes were about the same; in 2002 there had been a gap of about 20 percentage points between them. Over the same years there was a gradual fall in investment in equities, while the portion invested in liquid assets, real estate and other assets held roughly unchanged.

Restricting our discussion to life products with a return guaranteed by the company (Figure 3), we see a partial reallocation of the financial portfolio

FIGURE 2
*EVOLUTION OF ASSET ALLOCATION OF LIFE PRODUCTS*




*Source: Based on ISVAP data*

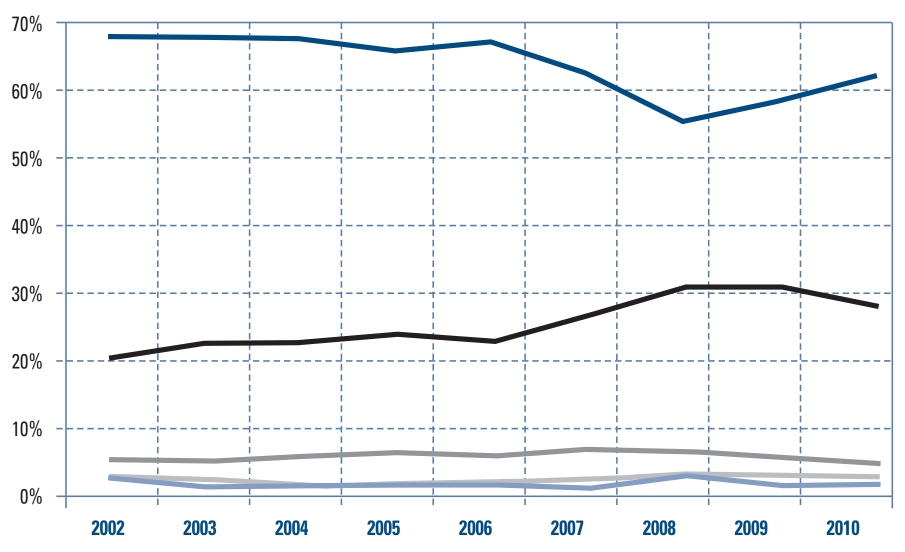



*FIGURE 3*
*EVOLUTION OF ASSET ALLOCATION OF PROFIT-SHARING LIFE PRODUCTS*
*(%)*

*Government securities*
*Shares*
*Property and other*
*Bonds*
*Liquidity*

*Source: Based on ISVAP data*

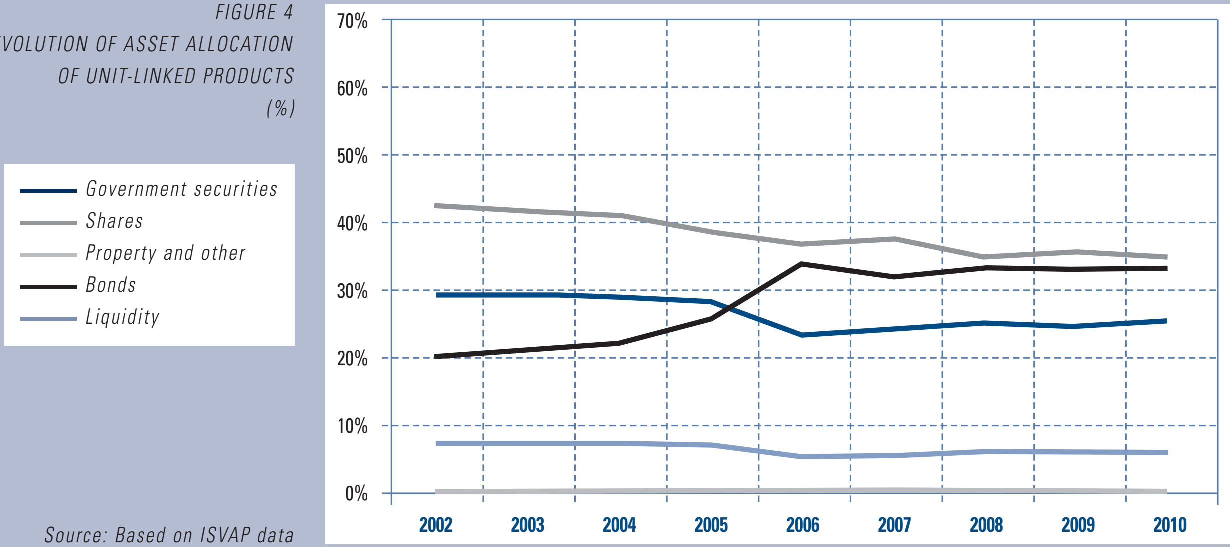
between government securities, down from nearly 70% of the total in the early part of the last decade to just over 60% in 2010, and corporate bonds, which have fluctuated in recent years around 30%, compared with 20% in the first half of the decade. The portion invested in shares is more stable, always within 1 percentage point of 6%. Nevertheless, it is worth recalling that for life products carrying a guaranteed minimum yield the actual yield for the policy-holder is not a direct mark-to-market function of the corresponding asset allocation, owing both to the contractual guarantees and to the specific method of determining the return (valuation of assets at cost and only realized capital gains/losses).

The reallocation towards corporate bonds suggests a search for higher yields than those offered by government securities, partly as a consequence of the particularly low yields on government paper, which until the recent turbulence were even lower than the minimum rates guaranteed by recent generations of profit-sharing policies sold in the last few years, i.e. generally with a maximum guaranteed return of 2.5%.

Lastly, the asset allocation corresponding to unit-linked policies includes a larger dose of equities, whose portion of the portfolio has nevertheless gradually diminished in recent years to the benefit of fixed-income securities, especially corporate bonds (Figure 4).

In particular, in 2010 shares made up just over a third of the total investment, compared with more than 40% in the first years of the century; corporate bonds now stably account for about a third of the total investments of internal funds and collective investment undertakings, whereas some years ago they had made up a little more than one fifth.

FIGURE 4
EVOLUTION OF ASSET ALLOCATION
OF UNIT-LINKED PRODUCTS
(%)




Source: Based on ISVAP data

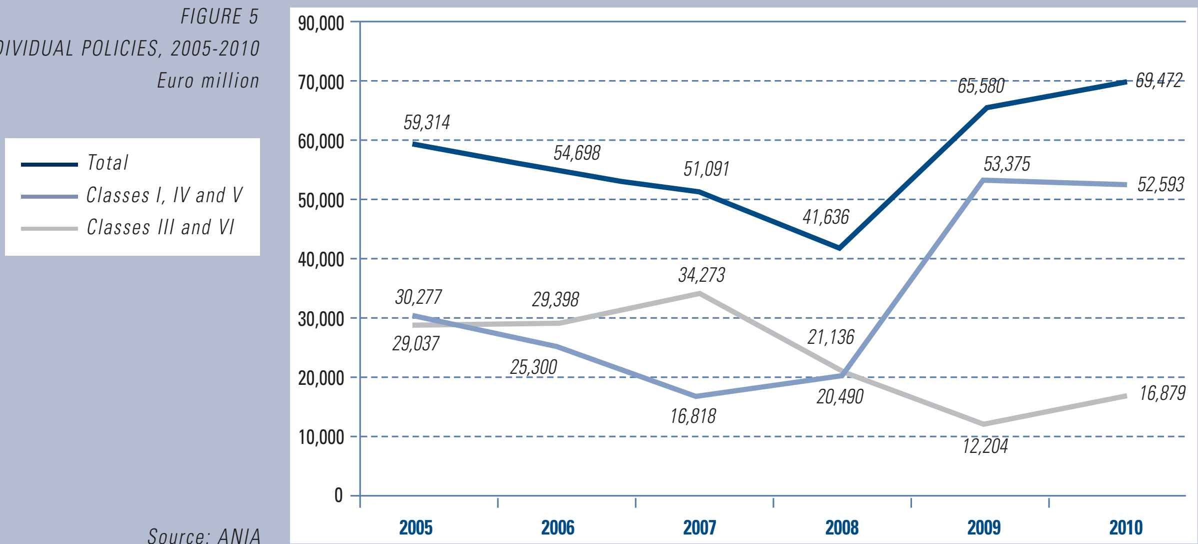
### The evolution of the demand for life products

Demand for new individual life products reached a historical high in 2010 with nearly Euro 70 billion of new premiums (Figure 5). Contributory factors were:

– robust premiums from traditional products offering a minimum guaranteed return, which, including pure risk products, came to Euro 52.6 billion, in line with the previous year's strong expansion;
– the return to growth of linked policies and pension funds, which with Euro 16.9 billion of new premiums still fell far short of the 2007 level (Euro 34.3 billion).

Examining the last five years, premium income from new business contracted sharply between 2005 and 2008, then picked up in 2009-10. Over the period its compound average rate of growth was just over 3%.

FIGURE 5
NEW BUSINESS, INDIVIDUAL POLICIES, 2005-2010
Euro million




Source: ANIA

In detail, Figure 6 shows that the spurt in new business for traditional policies was driven by Class I guaranteed savings products. The expansion is ascribable in part to the increase in the supply of such polices and also reflects the launch of several innovative products that proved highly popular.

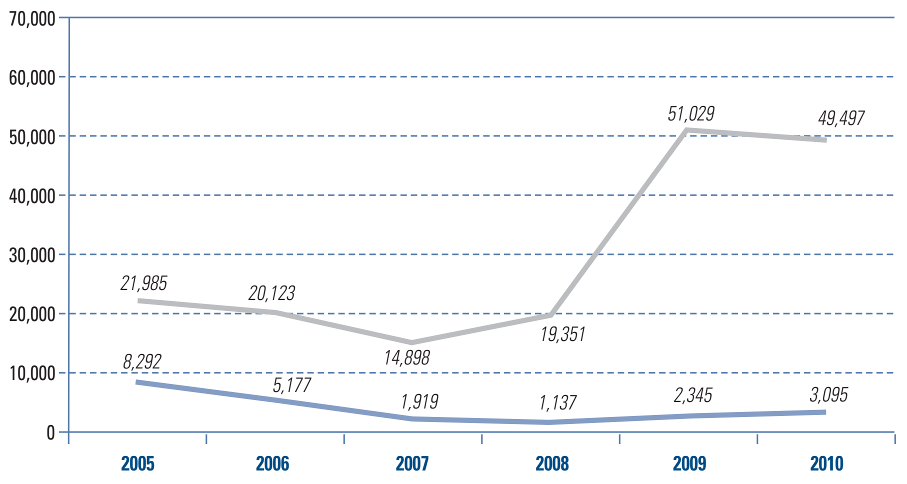



*FIGURE 6*
*NEW BUSINESS, "TRADITIONAL" POLICIES, 2005-2010*
*Euro million*

*Class I*
*Class V*

*Source: ANIA*

Analyzing the monthly data, we find a negative correlation (-0.89 in the period January 2005-April 2011) between the nominal rates offered by Italian government securities and sales of traditional products. This is especially evident between September 2008 and the start of 2010, when the yield on government securities fell from just under 5% to 0.5% while the monthly flows of new business rose from about Euro 1 billion to more than Euro 5 billion (Figure 7).

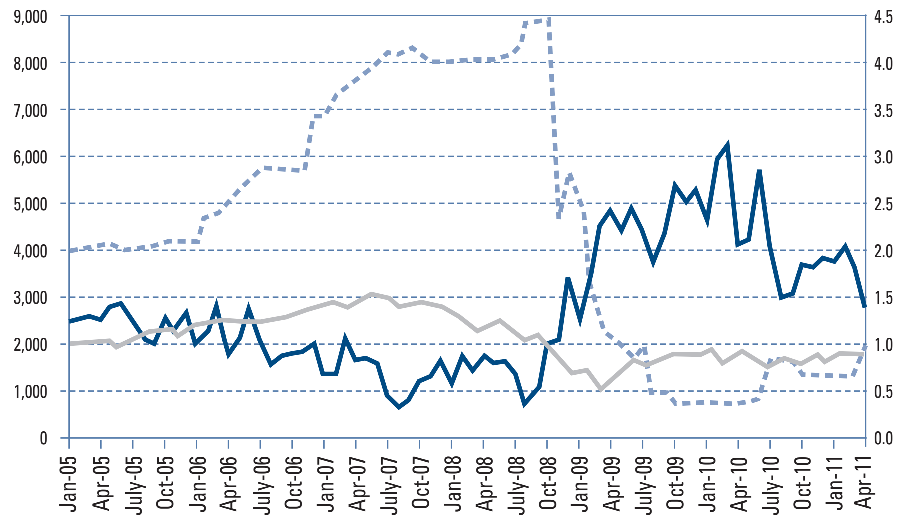


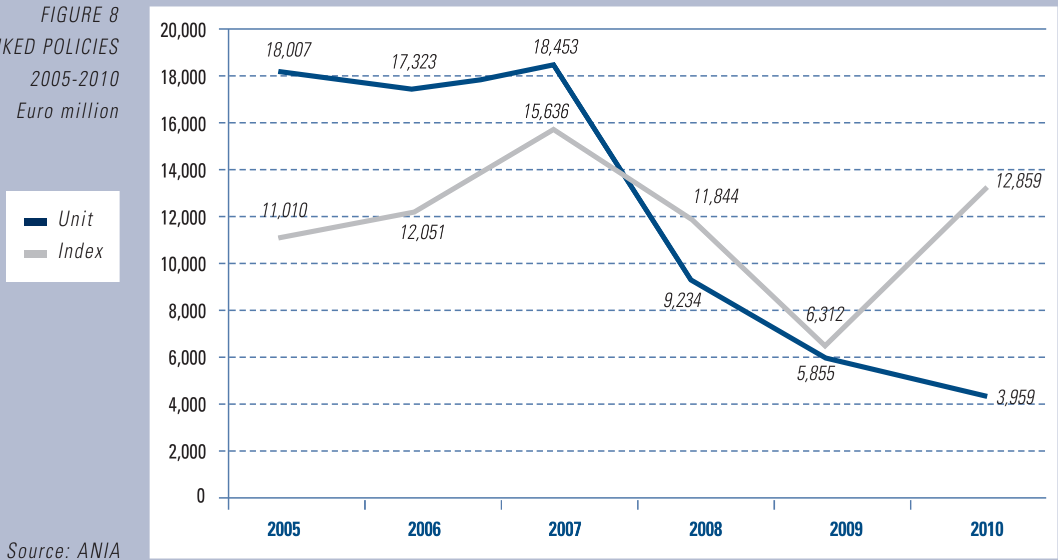

*FIGURE 7*
*MONTHLY TREND OF NEW BUSINESS IN TRADITIONAL PRODUCTS AND YIELD ON ITALIAN TREASURY BILLS (BOTS), 2005-APRIL 2011*

*Monthly new business Classes I, IV and V; amounts in Euro million (left-hand scale)*
*3-month BOT yield; per cent (right-hand scale)*
*FTSE Mib index; 1.1.2005=1 (right-hand scale)*

*Source: ANIA, Thomson Reuters, Datastream*

The volume of new index-linked premiums shows a sharp contraction from 2007 through 2010, while for unit-linked policies we see a return to growth in 2010 after two years of sharp decline (Figure 8). Premiums from new unit-linked policies in 2010 totaled Euro 12.9 billion, not markedly below the peak of Euro 15.6 billion recorded in 2007, before the onset of the financial crisis.

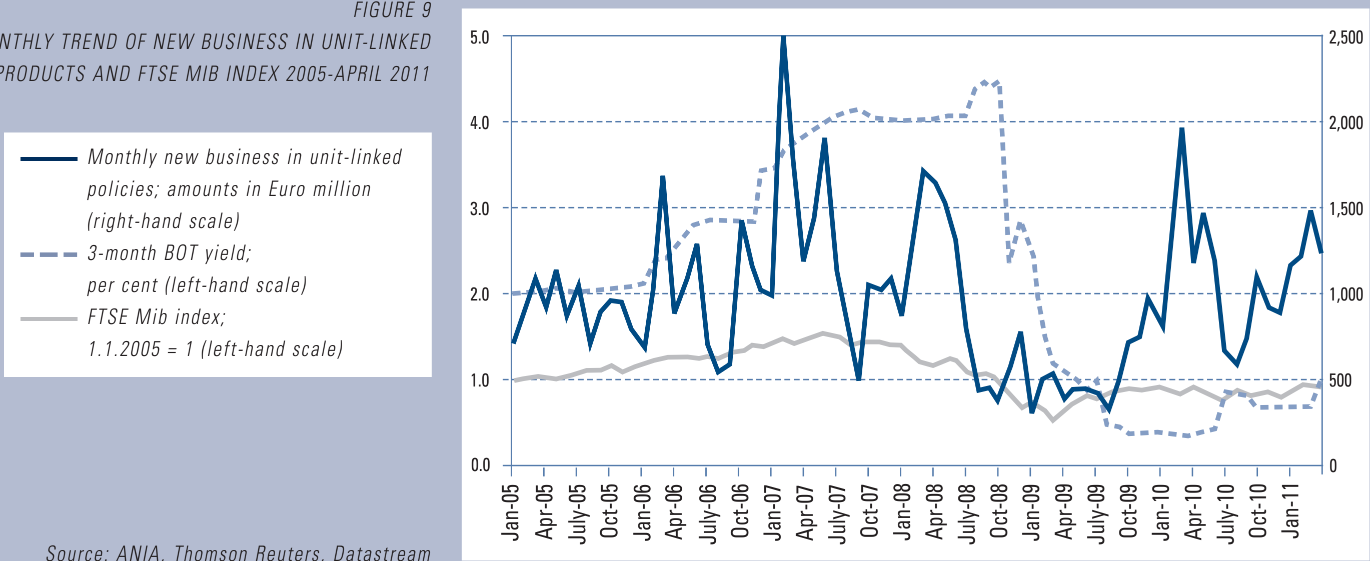
*FIGURE 8*
*NEW BUSINESS IN LINKED POLICIES*
*2005-2010*
*Euro million*




*Source: ANIA*

The volume of new unit-linked business is positively correlated (+0.43 in the period January 2005-April 2011) with the performance of the FTSE Mib Italian stock exchange index (Figure 9).

*FIGURE 9*
*MONTHLY TREND OF NEW BUSINESS IN UNIT-LINKED PRODUCTS AND FTSE MIB INDEX 2005-APRIL 2011*




*Source: ANIA, Thomson Reuters, Datastream*

The volume of new business in insurance-based individual pension plans and individual pure risk products show an overall rising trend, but the amounts are still marginal compared with the total (Figure 10).

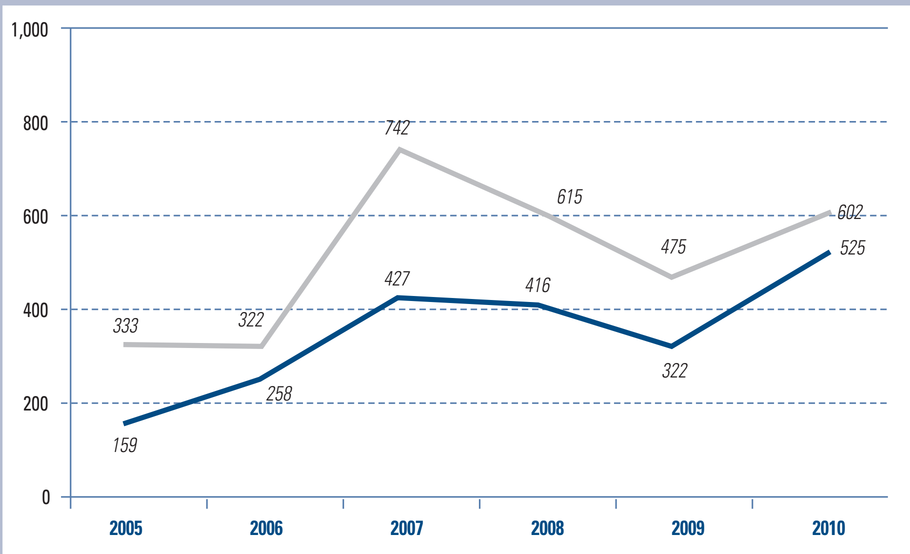



*FIGURE 10*
*NEW BUSINESS IN INDIVIDUAL PENSION PLANS AND PURE RISK PRODUCTS 2005-2010*
*Euro million*

*Source: ANIA*

## LIFE INSURANCE AND ITALIAN HOUSEHOLDS' SAVINGS

Italian households' nominal disposable income, which contracted sharply by 3.1% in 2009, grew by 1% last year (Table 1). However, the rise in consumer prices curtailed households' purchasing power, which declined by 0.5% after falling by 3.1% in 2009.

The expansion in households' nominal income was driven by earnings from payroll employment, which contributed more than 58% of the total last year and grew by 1.0% (against a decline of 1.3% in 2009). Positive contributions also came from self-production (imputed rent and ordinary maintenance of owner-occupied dwellings, value of domestic services), up by 2.6%, and from other property income (rentals of land and income of the insured in respect of the return on insurance technical reserves), up by 4.5%. Receipts from financial income distributions declined again, with net interest income falling by 11.3% (down 44.4% in 2009) and dividends by 5.0% (down 33.9% in 2009).

Current taxes increased by 2.2%, after falling by 3.1% in 2009, and net social security contributions rose slightly by 0.5%, against a decline of 1.3% in 2009. Net social benefits received by households increased by 2.3% (+4.7% in 2009).

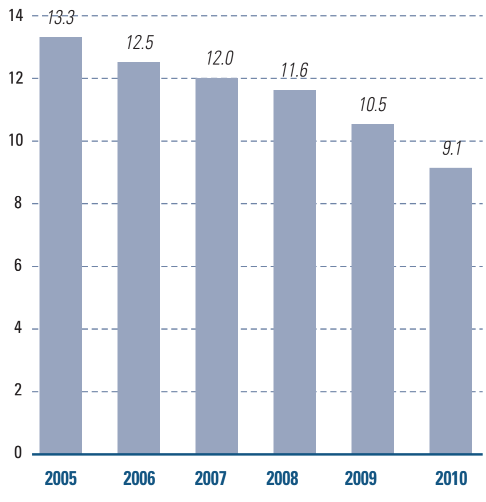
*TABLE 1 - FORMATION, DISTRIBUTION AND USES OF CONSUMER HOUSEHOLDS' DISPOSABLE INCOME*
*(% changes on previous year)*

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| Gross operating result (a) | 5.4 | 5.8 | 7.1 | 0.7 | 2.6 |
| Compensation of employees (+) (b) | 4.7 | 3.9 | 3.7 | -1.3 | 1.0 |
| Transferred share of mixed income (+) | 1.4 | 0.8 | -1.0 | -0.2 | -0.7 |
| Net property income (+) | 8.2 | 9.1 | -0.2 | -35.4 | -5.8 |
| Net interest | 9.6 | 8.0 | 9.5 | -44.4 | -11.3 |
| Dividends | 10.9 | 10.2 | -16.6 | -33.9 | -5.0 |
| Other net property income (c) | -0.5 | 10.3 | 0.2 | -7.4 | 4.5 |
| Other profits distributed by corporations and quasi-corporations (+) | -0.2 | 2.4 | -2.3 | -7.2 | 3.2 |
| Gross primary income (d) | 4.0 | 3.9 | 2.4 | -4.7 | 0.7 |
| Current taxes on income and wealth (-) | 8.9 | 7.4 | 5.1 | -3.1 | 2.2 |
| Net social contributions (-) (e) | 2.9 | 5.5 | 4.9 | -1.3 | 0.5 |
| Net social benefits (+) | 4.5 | 4.8 | 4.9 | 4.7 | 2.3 |
| Other net transfers (+) (f) | 29.3 | -2.3 | 4.6 | -0.4 | -7.0 |
| Gross disposable income (g) | 3.3 | 3.3 | 2.0 | -3.1 | 1.0 |
| Adjustment for change in net equity of households in pension funds (+) | -18.7 | -55.5 | -1.9 | -5.7 | -21.8 |
| Final consumption expenditure (-) | 4.0 | 3.4 | 2.4 | -1.8 | 2.5 |
| Gross saving (h) | -2.6 | -2.1 | -0.8 | -12.6 | -12.1 |
| Capital taxes (-) | -87.5 | 42.9 | 72.6 | 1.104.1 | -78.0 |

*Source: Istat, Conti economici nazionali*

*(a) Net proceeds from activities connected with production for self-consumption. They include the value of imputed rents, of owner-occupied dwellings and ordinary maintenance, the value of domestic services; (b) Domestic incomes plus net incomes from abroad; (c) Rentals of land and property income attributed to the insured in respect of the yields of insurance technical reserves; (d) operating result plus compensation of employees, share of mixed income transferred by producer households, net property income and other profits distributed by corporations and quasi-corporations; (e) Actual social contributions (including amounts transferred to severance pay funds) and notional contributions paid by consumer households, net of those received as employers; (f) insurance premiums net of claims payments, net transfers to/from general government, non-profit institutions serving households and rest of the world; (g) primary income minus current taxes and net social contributions, plus net social benefits and net current transfers; (h) gross disposable income minus final consumption expenditure, plus adjustment for change in net equity of households in pension funds.*

*FIGURE 1*
*HOUSEHOLD SAVING RATE*
*(% of disposable income)*




*Source: Istat. The saving rate is defined as the ratio of saving (gross of amortizations and net of changes in pension fund reserves) to gross disposable income*

Households' final consumption expenditure turned upwards, growing in both nominal and real terms (+2.5% and +1% respectively). According to ISTAT data, the faster growth in consumption with respect to income determined a significant reduction of 1.4 percentage points in the household saving rate, the ninth consecutive annual decline. Gross of debt amortizations and net of changes in pension fund reserves, the flow of saving fell to 9.1% of gross disposable income, the lowest figure since 1990 (Figure 1).

The Survey on Household Income and Wealth that the Bank of Italy carries out every two years shows that between 2000 and 2008 the reduction in the propensity to save was concentrated in the lower brackets of equivalent income and wealth; it was also more accentuated among households resident in the South and Islands and among those that did not resort to borrowing. Some 32% of households whose head was younger than 35 had nil or negative saving in 2008, compared with 26% in 2000.

### Financial saving

In 2010 the net flow of financial investment by Italian households and non-profit institutions (for brevity, simply "households") amounted to nearly

*TABLE 2 - FINANCIAL ASSETS OF ITALIAN HOUSEHOLDS*

| | YEAR-END STOCKS | | | | FLOWS | | | |
|---|---|---|---|---|---|---|---|---|
| | Euro million | | % of total | | Euro million | | % of total | |
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Notes and coin | 106,948 | 111,939 | 2.9 | 3.1 | 7,062 | 5,305 | 12.4 | 7.6 |
| Bank instruments | 1,039,975 | 1,016,240 | 28.2 | 27.7 | 50,910 | -23,559 | 89.7 | -33.7 |
| *of which: sight deposits* | *512,612* | *515,823* | *13.9* | *14.1* | *21,309* | *-9,729* | *37.5* | *-13.9* |
| *other deposits* | *151,202* | *132,541* | *4.1* | *3.6* | *3,656* | *-4,081* | *6.4* | *-5.8* |
| *medium and long-term securities* | *376,161* | *367,876* | *10.2* | *10.0* | *25,945* | *-9,749* | *45.7* | *-13.9* |
| Post-office deposits and other post-office funding | 313,468 | 325,788 | 8.5 | 8.9 | 17,948 | 11,904 | 31.6 | 17.0 |
| Government securities | 213,895 | 188,254 | 5.8 | 5.1 | -55,221 | -4,369 | -97.3 | -6.2 |
| *of which: short-term* | *25,815* | *19,038* | *0.7* | *0.5* | *-64,275* | *-5,858* | *-113.2* | *-8.4* |
| *medium and long-term* | *188,081* | *169,216* | *5.1* | *4.6* | *9,054* | *1,489* | *16.0* | *2.1* |
| Medium and long-term corporate securities | 3,688 | 329 | 0.1 | 0.0 | -2,081 | 4,865 | -3.7 | 7.0 |
| Investment fund units | 224,959 | 243,204 | 6.1 | 6.6 | 8,712 | -867 | 15.3 | -1.2 |
| *of which: Italian* | *158,578* | *153,416* | *4.3* | *4.2* | *-616* | *-18,199* | *-1.1* | *-26.0* |
| *foreign* | *66,381* | *89,788* | *1.8* | *2.5* | *9,328* | *17,332* | *16.4* | *24.8* |
| Shares and other equity | 800,264 | 755,555 | 21.7 | 20.6 | 43,042 | 48,065 | 75.8 | 68.7 |
| *of which: Italian* | *774,449* | *725,407* | *21* | *19.8* | *44,031* | *46,670* | *77.6* | *66.7* |
| *foreign* | *25,815* | *30,148* | *0.7* | *0.8* | *-989* | *1,395* | *-1.7* | *2.0* |
| Other external assets | 232,335 | 230,793 | 6.3 | 6.3 | -35,178 | -1,698 | -62.0 | -2.4 |
| *of which: deposits* | *66,381* | *63,780* | *1.8* | *1.7* | *-33,514* | *-3,426* | *-59.0* | *-4.9* |
| *short-term securities* | - | *624* | *0* | *0* | *444* | *11* | *0.8* | *0,0* |
| *medium and long-term securities* | *165,953* | *166,389* | *4.5* | *4.5* | *-2,109* | *1,717* | *-3.7* | *2.5* |
| Insurance, pension fund reserves and severance pay entitlements | 630,623 | 668,287 | 17.1 | 18.2 | 28,029 | 26,396 | 49.4 | 37.7 |
| *of which: reserves of the life sector* | *383,537* | *417,782* | *10.4* | *11.4* | *24,343* | *23,837* | *42.9* | *34.1* |
| Other assets | 118,011 | 122,625 | 3.2 | 3.3 | -6,460 | 3,925 | -11.4 | 5.6 |
| **Total assets** | **3,687,853** | **3,663,013** | **100.0** | **100.0** | **56,763** | **69,966** | 100.0 | 100.0 |
| **Total liabilities** | **883,836** | **923,265** | **100.0** | **100.0** | **15,011** | **39,325** | | |
| **BALANCE** | **2,804,017** | **2,739,748** | | | **41,752** | **30,641** | | |

*Source: Based on Banca d'Italia, Conti finanziari*

Euro 70 billion, up by more than 20% from Euro 57 billion in 2009 (Table 2). Nevertheless, the steep increase in the flow of households' financial liabilities, from Euro 15 billion in 2009 to nearly Euro 40 billion, caused a sharp decline in financial saving (defined as the difference between flows of financial assets and liabilities), which fell from Euro 42 billion to Euro 31 billion and from 2.8% to 1.9% of GDP (partly as a result of the upturn in nominal GDP).

Households' investment choices changed markedly in 2010. For the first time since the outbreak of the financial crisis, there was a net outflow of households' savings from instruments issued by banks (nearly Euro 24 billion, against a net inflow of Euro 51 billion in 2009). This reflected both the normalization of the climate of confidence in financial markets, which permitted a rebalancing of households' portfolios towards riskier instruments, and a pronounced revision of banks' issuance strategies.

For postal instruments, the net investment flow remained positive in 2010 but diminished from Euro 18 billion to Euro 12 billion. For Italian government securities, the net outflow slowed from Euro 55 billion to Euro 4 billion.

The bulk of Italian households' financial investment went to shares and other equity, with net inflows totaling Euro 48 billion, of which Euro 47 billion to shares issued by residents. This was significantly more than in 2009, when the net inflow totaled Euro 43 billion and was positive by Euro 44 billion for shares issued by residents. By contrast, the recovery in purchases of investment fund units that had begun in 2009 came to a halt, with households making net disposals amounting to Euro 1 billion.

Italian households continued to display a marked preference for life insurance products, especially those of the traditional type with a guaranteed minimum return. The net inflow of Euro 24 billion was in line with that of the previous year.

In the course of 2010 the stock of financial assets slipped in value by 0.7%, reflecting the decline in asset prices. Instruments issued by banks again ranked first among financial assets, but their portion of the total was pared from 28.2% to 27.7%; sight deposits accounted for practically all the decline.

Despite the sizable inflows, the portion of the aggregate portfolio accounted for by shares fell by more than 1 percentage point owing to the fall in share prices through most of 2010. By contrast, the gains in investment funds' net asset values more than offset the net outflow of savings, boosting their portion of households' financial wealth to 6.6% (6.1% in 2009).

The portion of wealth invested in insurance policies also expanded, by more than 1 percentage point, reaching 11.4% of the total financial portfolio. Overall, insurance and pension fund reserves and severance pay entitlements made up 18.2% of the stock at the end of 2010. Although it has expanded constantly over the last 15 years, this remains well below the European average (about 30%) owing to the still limited development of supplementary retirement provision in Italy.

Households' total financial assets fell from 3.5 times to 3.4 times disposable income between December 2009 and December 2010, while the average multiple for the euro area, the United Kingdom and the United States rose (Table 3). Net financial wealth, calculated by subtracting financial liabilities from assets, was equal to 2.6 times disposable income; the slight drop with respect to 2009 contrasted with increases recorded in the leading countries.

TABLE 3
RATIO OF HOUSEHOLDS' FINANCIAL ASSETS
TO DISPOSABLE INCOME

| | Financial assets | | | Net financial wealth | | |
|---|---|---|---|---|---|---|
| | 2007 | 2009 | 2010 | 2007 | 2009 | 2010 |
| **Italy** | **3.44** | **3.49** | **3.43** | **2.66** | **2.65** | **2.57** |
| France | 2.92 | 2.84 | 2.94 | 2.03 | 1.95 | 2.01 |
| Germany | 2.80 | 2.81 | 2.88 | 1.86 | 1.90 | 1.98 |
| Spain | 2.44 | 2.06 | 2.10 | 1.26 | 0.96 | 0.97 |
| Euro area | 3.09 | 3.00 | 3.08 | 2.05 | 1.94 | 2.00 |
| United Kingdom | 4.62 | 4.36 | 4.49 | 2.90 | 2.73 | 2.91 |
| United States | 4.76 | 3.97 | 4.14 | 3.41 | 2.71 | 2.93 |
| Japan | 4.94 | 4.87 | – | 3.71 | 3.66 | – |

*Sources: Bank of Italy and ISTAT for italian data. For other countries: Banque de France and INSEE (France); Deutsche Bundesbank (Germany); Banco de España (Spain); Eurostat and BCE (for euro area); Bank of England and Central Statistical Office (United Kingdom); Federal Reserve System – Board of Governors and Bureau of Economic Analysis (United States); Bank of Japan and Cabinet Office (Japan).*

According to Bank of Italy data, in 2009 households' net wealth was equal to 8.2 times disposable income. During the decade the financial component of net worth diminished and real assets rose to 68% of the total (from 58% in 2000). The change in the relative importance of the two components is largely due to the difference between the performance of financial asset prices and house prices.

## SUPPLEMENTARY PENSION PLANS: ENROLMENTS AND NEW REGULATIONS

### Enrolments

COVIP data on enrolments in supplementary pension plans as of 31 December 2010 show that the number of participants increased by some 200,000 during the year (+4.3%) to reach nearly 5.3 million, or about 23% of all persons in employment or self-employment (Table 1).

In particular, the number of private-sector employees enrolled rose by 3.9% to 3.8 million at the end of the year. Enrolment in occupational pension funds

TABLE 1
ENROLMENTS IN SUPPLEMENTARY PENSION PLANS

| Pension plans | Enrolments | | Change % |
|---|---|---|---|
| | Dec. 2009 | Dec. 2010 | |
| Occupational pension funds | 2,040,150 | **2,010,904** | -1.4 |
| Open pension funds | 820,385 | **848,415** | 3.4 |
| Individual retirement plans | 1,547,923 | **1,770,285** | 14.4 |
| Pre-existing pension funds | 673,039 | **667,930** | -0.8 |
| **Total** | 5,055,284 | **5,271,884** | **4.3** |
| of which: private-sector | 3,692,223 | **3,835,764** | 3.9 |

declined again, while the number of participants in open pension funds rose slightly and that of workers covered by individual retirement plans jumped further.

Pension plans' resources and yields both benefited in 2010 from the overall positive performance of financial markets. Resources grew by 12.7% to total Euro 83.2 billion. Occupational funds returned an average of 3.0%, open funds 4.2% and unit-linked individual retirement plans 5.1%, against a 2.6% revaluation of accrued severance pay.

Equity sub-funds turned in the best results, with yields ranging from 6.2% for occupational pension funds to 7.5% for individual retirement plans. The guaranteed sub-funds of occupational pension funds and open pension funds returned less than 1%, considerably less than traditional insurance savings products, which again proved to be the most efficient instrument offering guaranteed returns and again outperformed severance pay funds.

### New regulations – Communications to participants

On 22 July 2010 COVIP issued new provisions concerning the periodic statement sent to supplementary pension plan participants, benefit disbursement notifications and other communications to participants during the year. The new provisions entered into force on 1 January 2011, with effect from the periodic statement for the year 2010 (to be sent to participants by 31 March 2011).

The periodic statement to participants is to be sent on paper or in electronic format (upon the participant's consent) to all participants enrolled as of 31 December of the previous year except those who have not paid in contributions in the previous year and have an accrued position of less than Euro 100. The periodic statement contains the following information:

- the participants' data (personal identification data, type of enrolment, identification code or policy number, date of enrolment in the particular plan and in supplementary pension provision, and information on the designated beneficiaries in case of the participant's death;
- summary of the participant's position as of 31 December (value of the accrued individual position, net return and total expense ratio of the subfund elected by the participant);
- details of the participant's position (value at the end of the previous year and at the end of the reference year, number of units and value of the unit at the end of the year and at the end of the previous year for each sub-fund or of the revalued amount for Class I individual retirement plans; details of receipts from contributions, transfers and repayments, distinguishing contributions by type; details of outlays deriving from advances and partial redemptions, expenses charged directly to the participant, inclusive of

premiums for any accessory guarantees); where applicable, information on loans taken out by the participant secured by one-fifth of salary that have been notified to the manager of the supplementary pension plan.

The periodic statement must also provide:

- a pie-chart showing the allocation of the individual position by asset macro-class (debt securities including cash equivalents and equity securities), and information on the amount of contributions paid in and not deducted from taxes in the previous year and the reference year on the basis of the information reported to the plan by the participant;
- the net returns for the last 3, 5 and 10 years compared with the yield of the benchmark, where applicable, with a brief explanation of the results, and the yield on accrued severance pay for the reference year.

COVIP confirmed that a benefit disbursement notification must be used and sent promptly to the interested party (the participant or the designated beneficiary in the event of the participant's death) for partial or total redemptions, transfers of position, advances and lump-sum benefit payments.

After the heading and some preliminary information, the notification must show:

- Section 1: identification data like that foreseen for the periodic statement except for the data of the beneficiary and, in the case of transfer, the plan to which the position has been transferred;
- Section 2: the accrued individual position (a simplified version of the information given in Section 3 of the periodic statement);
- Section 3: the amount paid out, with details concerning the taxes levied or, where applicable, noting that the payment must be deemed provisional owing to late payment of contributions or for other reasons.

With regard to other communications during the year, COVIP made it obligatory for every supplementary pension plan to make timely information available to participants on their contributions history and the evolution of their positions in a special restricted access section of the plan's website. There is no requirement for periodic communication of the performance of sub-fund units during the year. However, if a plan elects to communicate such information to participants, it must disclose the manner of communication to COVIP.

### New regulations – Complaints handling

With a resolution adopted on 4 November 2010, COVIP issued instructions for complaints handling by supplementary pension plans. The new rules entered into force on 1 April 2011, to enable the entities under COVIP's supervision to prepare a digital complaints register and adapt their websites – providing all the necessary information about the filing of complaints and their transmission to COVIP – as well as to revise the plans' information documents accordingly.

The rules require supervised entities to offer a timely response to complainants. The timeframe should be consistent with the complexity of the matter but in no case may it exceed 45 days from the day of receipt of the complaint.

The new regulation specifies which entities are obligated to follow the new complaints handling procedure, defines "complaint" as to both its form (written) and content (alleged irregularities, problems or anomalies, but not mere requests for information) and establishes the general procedures for operating the digital complaints register that each entity must institute, specifying which data are to be linked to each complaint. However, no minimum complaints retention period is established.

The regulation leaves the exact organization and procedure for handling complaints up to the individual institution, which must in any case comply with the principles of timeliness, transparency, correctness and good faith.

COVIP has also published a Practical Guide for the transmission of complaints to it.

Subsequently, with its Circular dated 2 December 2010, COVIP established rules for compulsory supervisory reports and summary information on complaints handling by supplementary pension plans.

Initially, supervised institutions will have to send COVIP information on complaints received in 2011, with particular reference to those received in the reference period from 1 April to 31 December, accompanied by summary information on the number of complaints filed during the entire year. Accordingly, COVIP attached to the Circular the report form along with a description of the individual items that appear in the form. The report form is divided into six sections: the pension plan's identification data; contact person data for any clarifications; number of complaints received during the reference period, divided into "processable" and "unprocessable"; number of complaints received during the reference period, broken down by type of complainant; number of complaints received during the reference period, broken down by field of activity involved; and number of complaints handled during the reference period, broken down into "completed" – with a further breakdown between "accepted" and "rejected" – and "still under examination".

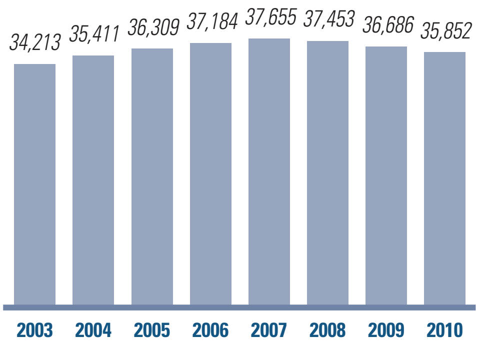
### Other regulatory developments

On 15 July 2010 COVIP issued its new regulation on the procedures for authorization of supplementary pension plans, amendments to bylaws and fund rules, recognition of legal personality, mergers and transfers, and cross-border activity. The new regulation rationalizes existing procedures and groups the proceedings in being, expanding the cases where, if prior authorization by COVIP is not required, pension plans may make use of simple notification (amendments to bylaws and rules) and the tacit consent mechanism.

Lastly, on 20 December 2010, at COVIP's headquarters, ANIA and the other associations of undertakings operating in the supplementary pension sector signed a new self-regulatory agreement revising the contents of Annex 1 (record path) to the "Guidelines – Best Practice for managing transfers between supplementary pension plans", which they had originally approved on 24 April 2008. A working group coordinated by COVIP and including insurance company delegates revised and updated the path in the light of experience of the first phase of implementation.

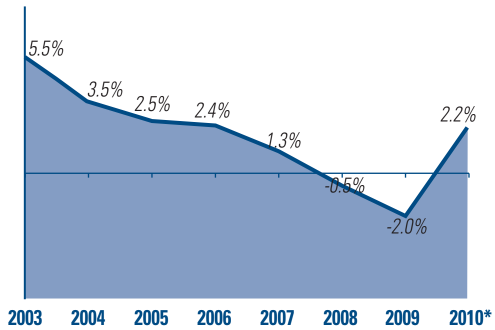
# Non-life insurance

DIRECT PREMIUMS
Euro million




**In 2010 non-life premium income amounted to Euro 35,852 million, with a 2.0% increase in homogeneous terms. Its share of total premiums decreased from 31% to 28.5% mainly because of the strong growth of the life sector. In the presence of a stable expense ratio, the improvement in the loss ratio caused the combined ratio to fall to 100.2%; the reduction in the investment result, more than halved compared to 2009, and the negative reinsurance result, however, produced a negative overall technical account (-450 million).**

GROWTH RATE OF DIRECT PREMIUMS



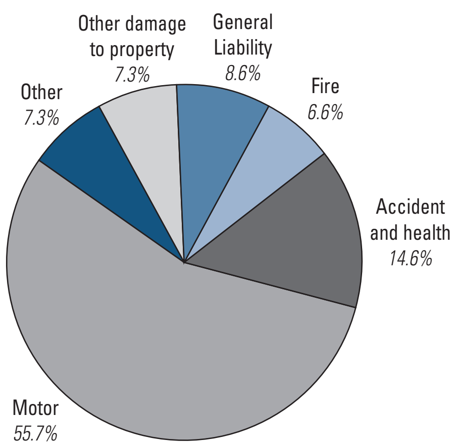

(*) In homogeneous terms

## DOMESTIC BUSINESS

### Preliminary statement

*The data published in this Report cover all insurance companies registered in Italy and branch offices of foreign companies registered in extra-EU countries. During 2010, the exit of two non-life companies from this aggregate (an Italian company and a branch office of an extra-EU company), which continued their activity in Italy, strongly influenced the overall market amounts of this sector and, consequently, the comparison of balance sheet items between 2009 and 2010 should be done carefully. In order to facilitate the temporal analysis for the total non-life sector, all the rates of change in the Report were calculated in homogeneous terms, that is, not including the data of the two above mentioned companies starting from 2009.*

**Premiums for direct domestic business** for the 104 insurance companies operating in non-life classes were equal to Euro 35,852 million, with a 2.2% increase in nominal terms and a 0.6% increase in real terms compared to the previous year, both calculated in homogeneous terms. This trend was determined above all by the increase (+3.6%) in motor insurance business (motor third party liability insurance, third party liability insurance for watercraft and land vehicles insurance), which represents about 56% of overall non-life income. The percentage share of the total of non-life and life premiums was equal to 28.5%, decreasing from 31.2% in 2009, mainly as a consequence of the strong growth of life premiums.




35,852 million

BREAKDOWN OF MAIN NON-LIFE CLASSES

The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 26,421 million (Euro 28,873 million in 2009), with a 4.0% decrease compared to the previous year; the ratio to earned premiums was equal to 74.8%, down from 78.8% in 2009.

*NON-LIFE TECHNICAL ACCOUNT*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Change in homogeneous terms* |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 34,213 | 35,411 | 36,309 | 37,184 | 37,655 | 37,453 | 36,685 | 35,852 | 2.2% |
| Changes in premiums reserves (-) | 734 | 610 | 627 | 622 | 570 | 351 | 34 | 535 | |
| Incurred claims (-): | 24,306 | 24,549 | 24,841 | 25,861 | 26,079 | 27,538 | 28,973 | 26,785 | -2.9% |
| - incurred claims cost for the current accident year (-) | 24,456 | 24,928 | 25,709 | 26,509 | 26,597 | 27,917 | 28,873 | 26,421 | -4.0% |
| - excess/shortfall of reserves for those claims incurred in previous accident years | 150 | 379 | 868 | 648 | 518 | 379 | -100 | -364 | |
| Balance of other technical items | -503 | -591 | -561 | -717 | -653 | -747 | -716 | -710 | |
| Operating expenses (-) | 7,703 | 8,058 | 8,392 | 8,660 | 9,191 | 9,158 | 9,053 | 8,747 | 1.4% |
| - commissions | 5,138 | 5,338 | 5,546 | 5,755 | 6,011 | 6,008 | 5,898 | 5,731 | 1.6% |
| - other acquisition costs | 1,004 | 1,046 | 1,105 | 1,170 | 1,238 | 1,327 | 1,370 | 1,404 | 5.6% |
| - other administration costs | 1,561 | 1,674 | 1,741 | 1,735 | 1,942 | 1,823 | 1,785 | 1,612 | -2.6% |
| **Direct technical balance** | **967** | **1,603** | **1,888** | **1,324** | **1,162** | **-341** | **-2,091** | **-925** | **48.2%** |
| Investment income | 1,629 | 1,917 | 1,991 | 1,854 | 1,924 | 774 | 2,368 | 1,039 | -53.7% |
| **Direct technical account result** | **2,596** | **3,520** | **3,879** | **3,178** | **3,086** | **433** | **277** | **114** | **-75.2%** |
| Reinsurance results and other items | -407 | -864 | -845 | -661 | -515 | -142 | -344 | -561 | -77.6% |
| **Overall technical account result** | **2,189** | **2,656** | **3,034** | **2,516** | **2,571** | **291** | **-67** | **-447** | **-413.9%** |
| Annual % changes in premiums | 5.5% | 3.5% | 2.5% | 2.4% | 1.3% | -0.5% | -2.1% | 2.2% | |
| **Combined ratio** | **95.1%** | **93.3%** | **92.7%** | **94.0%** | **94.7%** | **98.7%** | **103.7%** | **100.2%** | |
| - Expense ratio | 22.5% | 22.8% | 23.1% | 23.3% | 24.4% | 24.5% | 24.7% | 24.4% | |
| - Commissions/Gross written premiums | 15.0% | 15.1% | 15.3% | 15.5% | 16.0% | 16.0% | 16.1% | 16.0% | |
| - Other acquisition costs/Gross written premiums | 2.9% | 3.0% | 3.0% | 3.1% | 3.3% | 3.5% | 3.7% | 3.9% | |
| - Other administration costs/Gross written premiums | 4.6% | 4.7% | 4.8% | 4.7% | 5.2% | 4.9% | 4.9% | 4.5% | |
| - Loss ratio: | 72.6% | 70.5% | 69.6% | 70.7% | 70.3% | 74.2% | 79.1% | 75.8% | |
| - Loss ratio for the current accident year | 73.1% | 71.6% | 72.1% | 72.5% | 71.7% | 75.2% | 78.8% | 74.8% | |
| - Excess/shortfall of reserves for previous years claims/ Earned premiums | 0.4% | 1.1% | 2.4% | 1.8% | 1.4% | 1.0% | -0.3% | -1.0% | |
| **Technical balance/Earned premiums** | **2.9%** | **4.6%** | **5.3%** | **3.6%** | **3.1%** | **-0.9%** | **-5.7%** | **-2.6%** | |
| **Technical account result/Earned premiums** | **7.8%** | **10.1%** | **10.9%** | **8.7%** | **8.3%** | **1.2%** | **0.8%** | **0.3%** | |
| **Overall technical account result/Earned premiums** | **6.5%** | **7.6%** | **8.5%** | **6.9%** | **6.9%** | **0.8%** | **-0.2%** | **-1.3%** | |

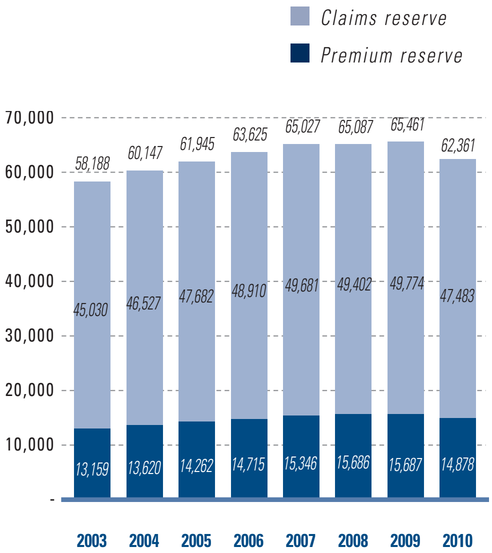
*Indexes and changes (%) are calculated on data in Euro thousand*
*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*

The **incurred claims cost for the financial year**, which includes, compared to the incurred cost of the current year, also the excess/shortfall of reserves for those claims incurred in previous accident years, was equal to Euro 26,785 million (Euro 28,973 million in 2009), with a 2.9% decrease. The ratio to earned premiums was equal to 75.8%, with an improvement compared to 79.1% in 2009.

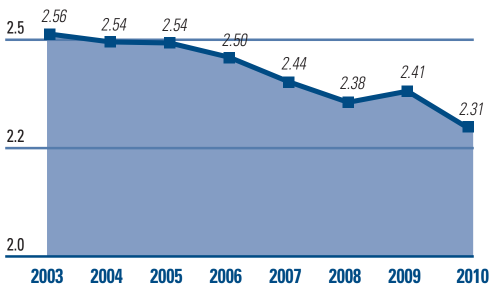
**Operating expenses**, which include administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of

# Non-life insurance

*PREMIUM RESERVES AND CLAIMS RESERVES*
*Euro million*




*NON-LIFE PREMIUMS / GDP (%)*




*The ratios indicated take account of the revision of gross domestic product data recently carried out by ISTAT.*

the distribution network, were equal to Euro 8,747 million with a 1.4% increase in homogeneous terms and an incidence on direct premiums equal to 24.4%, in slight decrease compared to the previous year (24.7%). The ratio of commissions expenses to written premiums was substantially stable (16.0%); the ratio of acquisition costs to written premiums increased slightly from 3.7% in 2009 to 3.9% in 2010. The ratio of administration expenses to written premiums decreased from 4.9% in 2009 to 4.5% in 2010.

The **technical balance for direct business** was negative at Euro 925 million (negative at Euro 2,091 million in 2009).

Counting investment income, equal to Euro 1,039 million (more than halved compared to 2009), the **direct technical account result** was positive at Euro 114 million (Euro 277 million in 2009). The incidence on premiums was equal to 0.3% (0.8% in 2009).

The passive reinsurance and net indirect business result was negative by Euro 561 million (negative at Euro 344 million in 2009).

The **overall technical account result** showed a loss of Euro 447 million (loss of Euro 67 million in 2009). The ratio to earned premiums was equal to -1.3% (-0.2% in 2009).

**Technical reserves**, net of recoverable sums, amounted to Euro 62,4 billion in 2010; among these, premium reserves were at Euro 14,9 billion while claims reserves for the current and previous accident years were at Euro 47,5 billion.

## NON-LIFE INSURANCE AND GDP

The ratio of non-life premium to GDP decreased from 2.41% in 2009 to 2.31% in 2010. In homogeneous terms the ratio of non-life premium to GDP was substantially stable.

**After three years of decrease, motor insurance premiums registered a 4.5% increase in 2010. The growth in premiums, together with the smaller increase in claims costs, caused the combined ratio to recover from 107.7% in 2009 to 105.7% in 2010. Despite the improvement in the technical balance, the significant decline in the investment result compared with 2009 produced a negative overall balance on the technical account. The overall technical results for land vehicles remained positive; for the third consecutive year overall premiums registered a decrease.**

## MOTOR LIABILITY MANAGEMENT

The data indicated below include figures relating to compulsory third party liability insurance for watercrafts.

### Preliminary statement

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**Premiums for direct domestic business**, collected by the 58 companies operating in this class, totalled Euro 16,996 million in 2010, with a 4.5% increase compared to 2009, after three consecutive years of decrease (from 2007 to 2009). This was due to both the increase in compulsory minimum coverage and the adjustment of premiums by insurers in order to cope with the worsening of the technical result. These premiums represented 47.4% of the overall premiums for non-life classes (46.3% in 2009)

The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 13,944 million, with a 1.5% decrease compared to 2009. 2010, the fourth year of application of the direct indemnity

## Motor insurance

*MOTOR LIABILITY*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Homogeneous change '10/09* |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 17,646 | 18,087 | 18,198 | 18,416 | 18,239 | 17,637 | 16,994 | 16,996 | 4.5% |
| Changes in premium reserves (-) | 280 | 91 | 82 | 64 | -10 | -167 | -5 | 310 | |
| Incurred claims (-): | 14,177 | 14,375 | 14,284 | 14,588 | 14,732 | 14,672 | 15,106 | 14,566 | 1.9% |
| - incurred claims cost for the current accident year (-) | 13,982 | 14,561 | 14,756 | 14,940 | 14,794 | 14,761 | 14,912 | 13,944 | -1.5% |
| - excess/shortfall of reserves for those claims incurred in previous accident years | -195 | 186 | 472 | 352 | 62 | 89 | -194 | -622 | |
| Balance of other technical items | -178 | -228 | -211 | -232 | -226 | -290 | -267 | -243 | |
| Operating expenses (-) | 3,047 | 3,169 | 3,235 | 3,276 | 3,346 | 3,275 | 3,208 | 3,132 | 2.5% |
| - commissions | 1,900 | 1,949 | 1,944 | 1,962 | 1,936 | 1,882 | 1,808 | 1,782 | |
| - other acquisition costs | 418 | 437 | 468 | 498 | 514 | 559 | 574 | 602 | |
| - other administration costs | 729 | 783 | 823 | 816 | 896 | 834 | 826 | 748 | |
| **Direct technical balance** | **-36** | **224** | **386** | **256** | **-55** | **-433** | **-1,583** | **-1,255** | **1.9%** |
| Investment income | 888 | 1,077 | 1,104 | 992 | 963 | 344 | 1,217 | 497 | -57.0% |
| **Direct technical account result** | **852** | **1,301** | **1,490** | **1,248** | **908** | **-89** | **-366** | **-758** | **-512.4%** |
| Reinsurance results and other items | -12 | -61 | -16 | 9 | 49 | -2 | -15 | -4 | 77.5% |
| **Overall technical account result** | **840** | **1,240** | **1,474** | **1,257** | **957** | **-91** | **-381** | **-762** | **-446.3%** |
| Annual % changes in premiums | 6.0% | 2.5% | 0.6% | 1.2% | -1.0% | -3.3% | -3.6% | 4.5% | |
| **Combined ratio** | **98.9%** | **97.4%** | **96.6%** | **97.3%** | **99.1%** | **101.0%** | **107.7%** | **105.7%** | |
| - Expense ratio | 17.3% | 17.5% | 17.8% | 17.8% | 18.3% | 18.6% | 18.9% | 18.4% | |
| - Commissions/Gross written premiums | 10.8% | 10.8% | 10.7% | 10.7% | 10.6% | 10.7% | 10.6% | 10.5% | |
| - Other acquisition costs/Gross written premiums | 2.4% | 2.4% | 2.6% | 2.7% | 2.8% | 3.2% | 3.4% | 3.5% | |
| - Other administration costs/Gross written premiums | 4.1% | 4.3% | 4.5% | 4.4% | 4.9% | 4.7% | 4.9% | 4.4% | |
| - Loss ratio: | 81.6% | 79.9% | 78.8% | 79.5% | 80.7% | 82.4% | 88.9% | 87.3% | |
| - Loss ratio for the current accident year | 80.5% | 80.9% | 81.5% | 81.4% | 81.1% | 82.9% | 87.7% | 83.6% | |
| - Excess/shortfall of reserves for previous years claims/ Earned premiums | -1.1% | 1.0% | 2.6% | 1.9% | 0.3% | 0.5% | -1.1% | -3.7% | |
| **Technical balance/Earned premiums** | **-0.2%** | **1.2%** | **2.1%** | **1.4%** | **-0.3%** | **-2.4%** | **-9.3%** | **-7.5%** | |
| **Technical account result/Earned premiums** | **4.9%** | **7.2%** | **8.2%** | **6.8%** | **5.0%** | **-0.5%** | **-2.2%** | **-4.5%** | |
| **Overall technical account result/Earned premiums** | **4.8%** | **6.9%** | **8.1%** | **6.8%** | **5.2%** | **-0.5%** | **-2.2%** | **-4.6%** | |
| *Premiums to total non-life premiums ratio (%)* | *51.6%* | *51.1%* | *50.1%* | *49.5%* | *48.4%* | *47.1%* | *46.3%* | *47.4%* | |

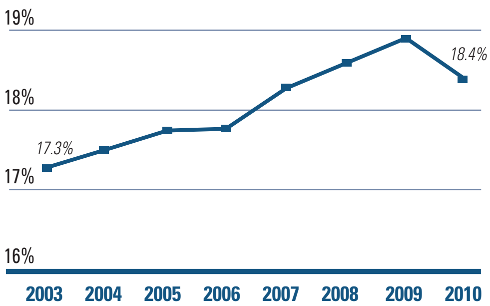
*Indexes and changes (%) are calculated on data in Euro thousand*
*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*

system, was characterized by an opposite change in technical loss indicators: claims frequency registered a decrease that was substantially compensated for by the increase in average claims cost; overall, incurred claims cost for the current accident year registered a slight decrease.

The **incurred claims cost for the financial year**, which also includes the excess/shortfall of reserves for those claims incurred in previous accident years, was equal to Euro 14,566 million (Euro 15,106 million in 2009) with an almost 2.0% increase in homogeneous terms compared to 2009. This was partially due to a shortfall of reserves for the second consecutive year for those claims incurred in previous accident years equal to Euro 620 million. A contributory fact was the revaluation adjustment of severe physical damage arising from the new valuation tables settled by several Italian courts. The increase in claims costs was compensated for by the increase in written premiums, so that loss ratio improved of about 1.5 percentage points (from 88.9% in 2009 to 87.3% in 2010).

**Operating expenses** amounted to Euro 3,132 million (Euro 3,208 million in 2009) and include administration expenses relating to technical management of insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of the expenses to premiums (18.4%) decreased compared to 2009; this trend was mainly determined by the decrease in the administration costs (from 4.9% in 2009 to 4.5% in 2010). The ratio of commissions and acquisition costs to written premiums were both substantially stable.

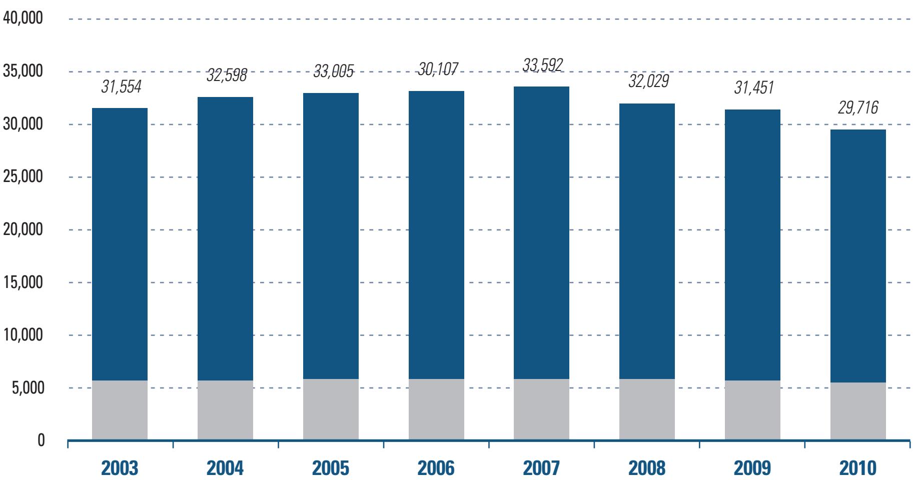
*RATIO OF OPERATING EXPENSES TO PREMIUMS (%)*




The **technical balance for direct business** was negative at Euro 1,255 million (negative at Euro 1,583 million in 2009).

Considering investment income (Euro 497 million) more than halved compared to 2009, the **technical account result for direct business** was negative at Euro 758 million (negative at Euro 366 million in 2009).

Taking the balance for reinsurance into account (negative at Euro 4 million), the **overall technical account result** was negative at Euro 762 million (negative at Euro 381 million in 2009).




*MOTOR LIABILITY TECHNICAL RESERVES*
*Euro million*

*Premium reserve*
*Claims reserve*

# Motor insurance

**Technical reserves**, net of recoverable sums, amounted to Euro 29,716 million in 2010, with a slight reduction compared to 2009. Among these, the premium reserve was about Euro 5,600 million while the claims reserve for current and previous accident years was about Euro 24,150 million.

## LAND VEHICLES INSURANCE MANAGEMENT

This class, defined by law as "land vehicle hulls", includes insurance against all forms of damage to or loss of land motor vehicles.

*LAND VEHICLES*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Homogeneous change '10/09* |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 3,062 | 3,145 | 3,154 | 3,205 | 3,284 | 3,208 | 3,132 | 2,962 | -1.2% |
| Changes in premium reserves (-) | 52 | 45 | 61 | 61 | 104 | -13 | -12 | -18 | |
| Incurred claims (-): | 1,257 | 1,260 | 1,417 | 1,485 | 1,579 | 1,933 | 2,131 | 1,868 | -8.0% |
| - incurred claims cost for the current accident year (-) | 1,361 | 1,388 | 1,514 | 1,569 | 1,666 | 1,990 | 2,157 | 1,902 | -7.6% |
| - excess/shortfall of reserves for those claims incurred in previous accident years | 104 | 128 | 97 | 84 | 87 | 57 | 27 | 34 | |
| Balance of other technical items | -40 | -46 | -36 | -51 | -39 | -38 | -34 | -35 | |
| Operating expenses (-) | 738 | 759 | 748 | 765 | 827 | 824 | 830 | 784 | -1.4% |
| - commissions | 517 | 531 | 518 | 534 | 569 | 559 | 562 | 531 | |
| - other acquisition costs | 88 | 88 | 89 | 92 | 100 | 108 | 114 | 122 | |
| - other administration costs | 133 | 140 | 141 | 139 | 158 | 157 | 154 | 131 | |
| **Direct technical balance** | **975** | **1,035** | **892** | **843** | **735** | **426** | **149** | **293** | **92.6%** |
| Investment income | 47 | 57 | 59 | 56 | 58 | 27 | 79 | 32 | -57.6% |
| **Direct technical account result** | **1,022** | **1,092** | **951** | **899** | **793** | **453** | **228** | **325** | **42.6%** |
| Reinsurance results and other items | -50 | -46 | -19 | -38 | -27 | -5 | 30 | -18 | -156.2% |
| **Overall technical account result** | **972** | **1,046** | **932** | **861** | **766** | **448** | **258** | **307** | **18.1%** |
| Annual % changes in premiums | 3.6% | 2.7% | 0.3% | 1.6% | 2.5% | -2.3% | -2.4% | -1.2% | |
| **Combined ratio** | **65.8%** | **64.8%** | **69.5%** | **71.1%** | **74.8%** | **85.7%** | **94.3%** | **89.2%** | |
| - Expense ratio | 24.1% | 24.1% | 23.7% | 23.9% | 25.2% | 25.7% | 26.5% | 26.5% | |
| - Commissions/Gross written premiums | 16.9% | 16.9% | 16.4% | 16.7% | 17.3% | 17.4% | 17.9% | 17.9% | |
| - Other acquisition costs/Gross written premiums | 2.9% | 2.8% | 2.8% | 2.9% | 3.1% | 3.4% | 3.6% | 4.1% | |
| - Other administration costs/Gross written premiums | 4.4% | 4.4% | 4.5% | 4.3% | 4.8% | 4.9% | 4.9% | 4.4% | |
| - Loss ratio: | 41.7% | 40.7% | 45.8% | 47.2% | 49.7% | 60.0% | 67.8% | 62.7% | |
| - Loss ratio for the current accident year | 45.2% | 44.8% | 48.9% | 49.9% | 52.4% | 61.8% | 68.6% | 63.8% | |
| - Excess/shortfall of reserves for previous years claims/ Earned premiums | 3.5% | 4.1% | 3.1% | 2.7% | 2.7% | 1.8% | 0.8% | 1.1% | |
| **Technical balance/Earned premiums** | **32.4%** | **33.4%** | **28.8%** | **26.8%** | **23.1%** | **13.2%** | **4.7%** | **9.8%** | |
| **Technical account result/Earned premiums** | **33.9%** | **35.2%** | **30.7%** | **28.6%** | **24.9%** | **14.1%** | **7.3%** | **10.9%** | |
| **Overall technical account result/Earned premiums** | **32.3%** | **33.7%** | **30.1%** | **27.4%** | **24.1%** | **13.9%** | **8.2%** | **10.3%** | |
| *Premiums to total non-life premiums ratio (%)* | *9.0%* | *8.9%* | *8.7%* | *8.6%* | *8.7%* | *8.6%* | *8.5%* | *8.3%* | |

*Indexes and changes (%) are calculated on data in Euro thousand*

*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*

**Premiums for direct domestic business** for the 65 insurance companies operating in this class amounted to Euro 2,962 million in 2010 (-1.2% compared to 2009 in homogeneous terms), accounting for 8.3% of the overall non-life insurance premiums. The reduction, for the third consecutive year, was mainly due to both the sharpening economic crisis, which persuaded some insured not to subscribe accessory coverage, and the contraction in new vehicles registered (-11%) in 2010.

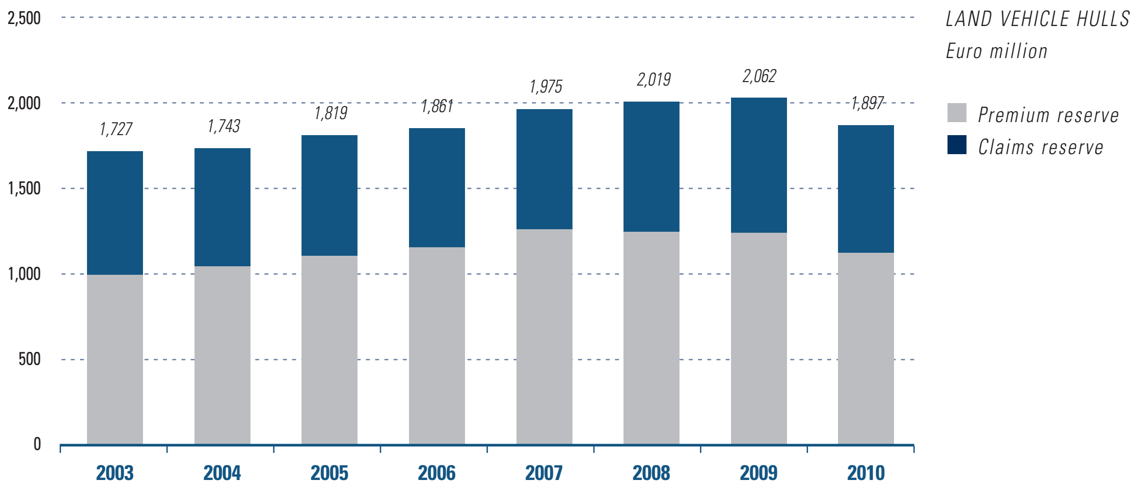
The **incurred claims cost for the current accident year**, defined as the sum of the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 1,902 million, with a 7.6% decrease compared to 2009. The ratio to earned premiums was equal to 63.8%, about 5 percentage points lower than in the previous year.

The **incurred claims cost for the financial year**, which also includes the excess/shortfall of reserves for claims incurred in previous accident years, was equal to Euro 1,868 million (Euro 2,131 million in 2009). The ratio to earned premiums was equal to 62.7%, down from 67.8% in 2009.

**Operating expenses** amounted to Euro 784 million (Euro 830 million in 2009) and include administration expenses relating to the technical management of insurance business and acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The ratio of the operating expenses to premiums was 26.5% (the same as in 2009).

The **technical balance for direct business** was positive at Euro 293 million (Euro 149 million in 2009).

Considering investment income, the **technical account result for direct business** was positive at Euro 325 million (Euro 228 million in 2009).




*LAND VEHICLE HULLS TECHNICAL RESERVES*
*Euro million*

Taking the balance for reinsurance into account, the **overall technical account result** was positive at Euro 307 million (Euro 258 million in 2009), equal to 10.3% of premiums (8.2% in 2009).

**Technical reserves**, net of recoverable sums, amounted to Euro 1,897 million in 2010, with a 4.5% decrease in homogeneous terms compared to 2009. Among these, premium reserves were at Euro 1,130 million while claims reserves for the current and previous accident years were at Euro 770 million.

### THE AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY IN THE MOTOR LIABILITY SECTOR

Analysis of the overall loss ratio of the motor liability insurance sector for the entire market must take into account both the number of claims made during the year (which in proportion to the number of vehicles insured gives the "claims frequency") and their average cost.

**Number of claims.** The total number of claims incurred and reported is given by the sum of claims incurred and settled during the year and of claims reserved (which will give rise to a payment in the future), but does not include the estimate of those incurred but not reported (IBNR) during 2010 but that will be reported in future years. By this count, the number of claims totaled **3,070,201** in 2010, down 9.1% from the 3,377,024 in 2009. This decline was due in significant measure to the exclusion from direct Italian insurance business of the portfolios of one Italian insurer and one representative of insurers outside the European Economic Area, whose portfolios were entirely assigned in 2010 to Italian representatives of Area enterprises. Even so, recalculating the percentage change on a uniform basis (i.e. counting the 2009 figure net of these two insurers' business) there was still a 5.1% decline in claims.

**Claims frequency (excluding IBNR).** Claims frequency as shown in Panel A of Table 1 is defined as the ratio between the number of claims incurred and reported during the accident year that have given or will give rise to compensation and the number of vehicles exposed to the risk of claim-generating accident (measured on the basis of days of exposure during the year, or "vehicle-years"). This technical indicator fell from 7.77% in 2009 to **7.37%** in 2010, marking a decline of 5.04%. After three years of rising claims frequency, then, the trend was inverted last year, frequency falling back near the level registered in 2006, the last year before compulsory direct compensation. The improvement may have been due to less use of cars owing to higher fuel prices and an increase in the practice of settlement of small claims by policyholders themselves, in order to avoid having to pay higher premiums. Moreover, after years of steady increase, the number of vehicles insured declined in 2010 by 0.3% (from 41.741 to 41.634 million, net in 2009 of the vehicles covered by the two insurers that exited from direct Italian business last year. The

*TABLE 1 - AVERAGE COST OF CLAIMS AND CLAIMS FREQUENCY IN THE MOTOR AND MARINE LIABILITY INSURANCE SECTORS*
*Euro*

| | PANEL A: Excludes claims IBNR, the contribution to the Road Accident Victims Guarantee Fund and other residual items | | | | | | | | PANEL B: Includes claims IBNR, the contribution to the Road Accident Victims Guarantee Fund and other residual items | |
|---|---|---|---|---|---|---|---|---|---|---|
| YEAR | % CLAIMS FREQUENCY | % CHANGE | AVERAGE CLAIM COST - PROPERTY DAMAGE | % CHANGE | AVERAGE CLAIM COST - PERSONAL INJURY | % CHANGE | AVERAGE TOTAL CLAIM COST** | % CHANGE | % CLAIMS FREQUENCY | AVERAGE CLAIM COST |
| 2000 | 9.82% | -1.26% | 1,278 | 2.93% | 9,920 | 14.91% | 2,809 | 13.07% | 10.95% | 2,825 |
| 2001 | 8.54% | -13.08% | 1,431 | 12.02% | 11,175 | 12.65% | 3,186 | 13.41% | 9.55% | 3,207 |
| 2002 | 7.82% | -8.42% | 1,535 | 7.26% | 12,686 | 13.53% | 3,532 | 10.87% | 8.78% | 3,503 |
| 2003 | 7.66% | -2.09% | 1,634 | 6.44% | 13,542 | 6.75% | 3,805 | 7.74% | 8.63% | 3,771 |
| 2004 | 7.61% | -0.63% | 1,701 | 4.10% | 13,206 | -2.48% | 3,982 | 4.65% | 8.58% | 3,964 |
| 2005 | 7.55% | -0.75% | 1,644 | -3.33% | 13,106 | -0.76% | 4,047 | 1.62% | 8.51% | 4,038 |
| 2006 | 7.47% | -1.09% | 1,674 | 1.83% | 13,233 | 0.97% | 4,100 | 1.31% | 8.47% | 4,080 |
| 2007 | 7.61% | 1.89% | 1,764 | 5.35% | 11,958 | -9.64% | 3,967 | -3.24% | 8.52% | 4,014 |
| 2008 | 7.73% | 1.58% | 1,772 | 0.46% | 11,830 | -1.07% | 3,913 | -1.36% | 8.57% | 3,972 |
| 2009 | 7.77% | 0.46% | 1,725 | -2.65% | 11,694 | -1.15% | 3,903 | -0.26% | 8.60% | 3,986 |
| 2010* | 7.37% | -5.04% | n,d | n,d | n,d | n,d | 4,049 | 3.74% | 8.13% | 4,117 |

*(*) ANIA estimates based on ANIA quarterly statistics and advance information on 2010 financial statements - Changes are affected by the withdrawal from direct Italian business of an Italian insurer and the representative of a non-EEA insurer.*
*(**) Source: ISVAP; for 2010, the data are from ISVAP reporting forms*

decrease was most pronounced in areas where claims frequency tends to be higher than average.

**Average cost of claims (excluding IBNR).** The average cost of claims shown in Panel A of Table 1 is derived by dividing the total cost of claims (paid and reserved) by their number. The indicator takes account both of payments made in final or partial settlement and of compensation payments that companies expect to make in the future for claims that have been reported but whose amount has yet to be determined (reserved amounts). It excludes incurred but non-reported claims (IBNR reserves), contributions to the Road Accident Victims Guarantee Fund and other residual items.

These items have been excluded from the 2010 data in order to allow uniform comparison with the data for previous years, derived from ISVAP analysis using this methodology. On this basis, the average claim cost in 2010 was Euro **4,049**, up 3.74% from Euro 3,903 in 2009.

**Number of claims and average cost (including IBNR).** The total number of claims, including the IBNR estimate, came to **3,386,699** in 2010, down by 9.5% from 2009, and down by 5.5% on a comparable basis (Panel B of Table 1);

claims frequency also declined by 5.5%, from 8.60% to **8.13%**. Counting all the components included in the definition of the costs of claims for the period (item 18 of ISVAP Form 17), i.e. including IBNR reserves, the contribution to the Road Accident Victims Guarantee Fund and other residual items, the average cost of claims for the period rose by 3.3% to Euro **4,117**.

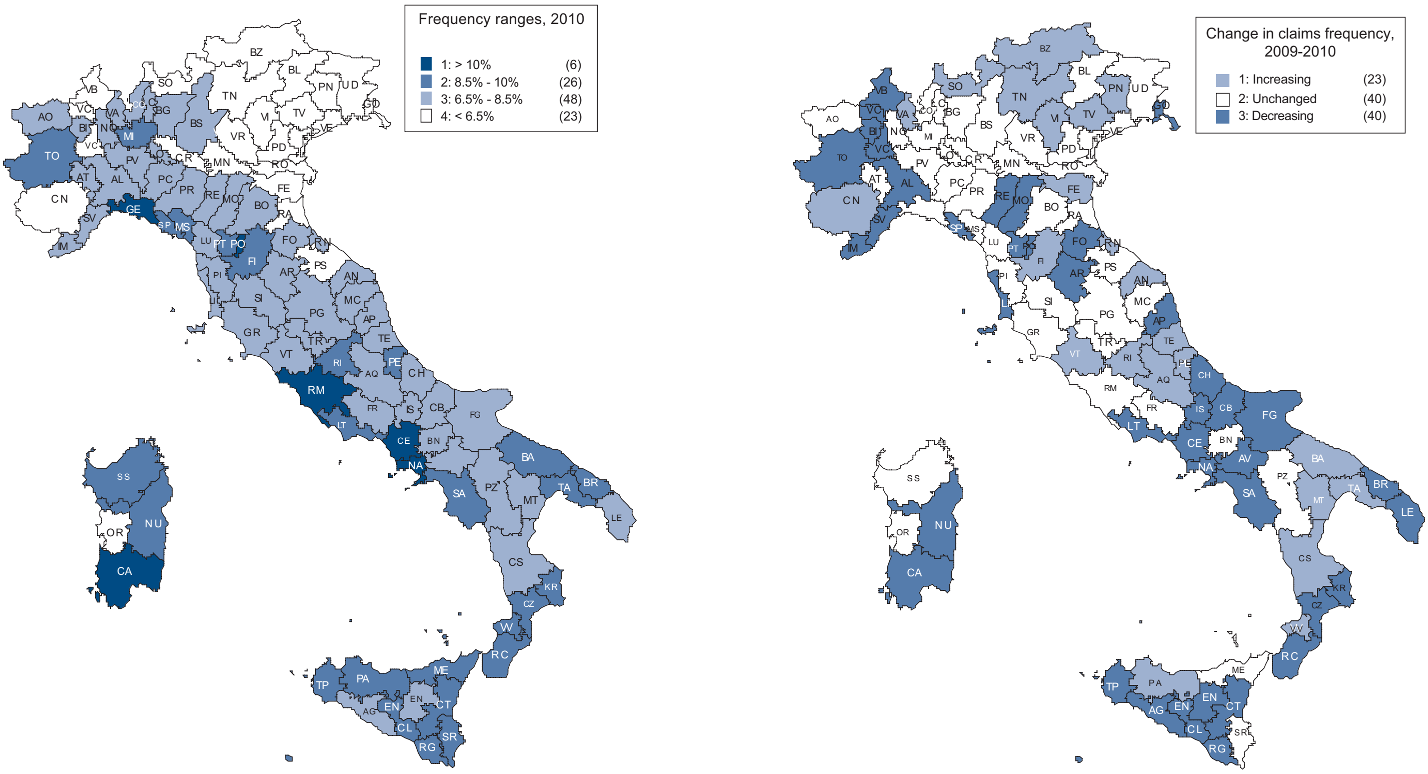
On a comparable basis (i.e. net of the two insurers that abandoned direct Italian business last year), there was a 5.5% fall in the number of claims and a 4.2% increase in their average cost (using the homogeneous sample, the average claim cost in 2009 was Euro 3,951), so that taking account of the 0.3% decline in the number of insured vehicles, **there was a decline of 1.5% in the overall cost of claims for the year (item 18, ISVAP form 17)**.

Italy continues to combine one of the highest average claim costs in Europe with equally high claims frequency. The latest CEA survey, with data for 2008 counting claims incurred during the year and excluding those not resulting in compensation, shows that Italian claims frequency (8.6%) was the highest in Europe (Germany had a frequency of 6.6% and France 4.4%). Even with the diminution recorded in 2010, the Italian figure would still be among the highest in Europe. And the cost of claims in Italy was also much higher than in the other main European countries: nearly Euro 4,000 in 2008, compared with Euro 3,300 in Germany and Euro 3,500 in France.

As noted, last year Italy saw a slight decline in the number of vehicles insured. The fall was more pronounced in some parts of the country (Figure 1, right-hand map). Most of the provinces registering a diminution were located in the South.

Comparing the map of claims frequency (Figure 1, left-hand map) with that of the change in number of vehicles insured, we see that there is considerable overlap – that is, many of the provinces where the number of vehicles declined were among those where claims frequency was highest. This is most evident in the regions of Campania, Calabria, Sardinia and Sicily. In the Centre and North, this pattern is found for the provinces of Prato, Pistoia, La Spezia and Turin. Four of the six provinces with the highest claims frequencies in 2010 follow the pattern: Cagliari, Caserta, Naples and Prato. The trend certainly contributed to the nationwide decline in claims frequency in 2010. By comparison with 2009, the share of insured vehicles in low-frequency provinces increased (e.g. in the regions of the North-East), while that of the high-frequency provinces decreased.

*FIGURE 1 – CLAIMS FREQUENCY BY PROVINCE, 2010 AND CHANGE IN RISKS COVERED, 2009-2010*



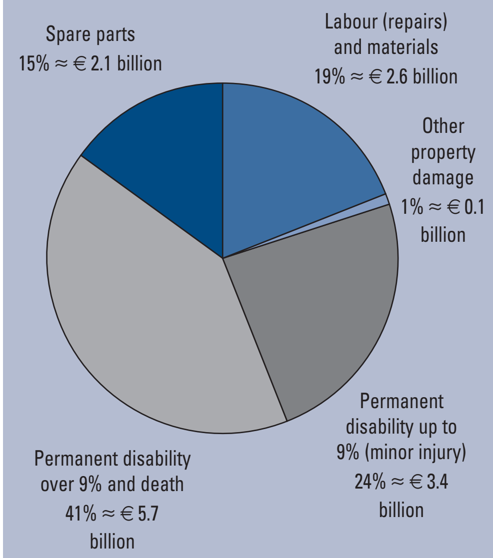

## COMPENSATION FOR PERSONAL INJURY

The total damages paid (for both property damage and personal injury) came to Euro 14 billion in 2010 [1]. Of this, almost two thirds (Euro 9 billion) was in relation to personal injury (including the injury component of mixed claims); Euro 3.4 billion consisted in compensation for permanent disability of between 1 and 9 percent, the remaining Euro 5.7 billion for more severe disability or death (Figure 1).

In 2007, 21.0% of all motor liability claims involved personal injury. In 2008 this rose to 21.3%, and in 2009 to 21.8%. Already enormously high by European standards (about 10 percentage points above the average), in some parts of

[1] Both total damages and number of claims are affected by the withdrawal from direct Italian business of an Italian insurer and the Italian representative of a non-European insurer in 2010, both of whose portfolios were assigned to representatives in Italy of European insurers.

*FIGURE 1*
*DISTRIBUTION OF TOTAL COST OF LIABILITY COMPENSATION*




*Compensation for property damage (Euro 4.7 billion, 35% of the total)*

*Compensation for personal injury (Euro 9.1 billion, 65% of total claims cost). Includes property damage in mixed claims*

Italy the proportion is over 40%. Figure 2 and Table 2 show that again in 2009 the problem provinces of the South were far out of line with respect to the national average of 22%. All the provinces in the region of Puglia showed such high proportions: Crotone, 44%; Brindisi, 43%; Taranto, 42%; Foggia, 38%, Bari and Lecce 36%.

There is widespread exaggeration of personal injury claims, concentrating on very mild injuries (1-2 percent disability), which account for some 15 percent of claims and more than 78 percent of non-severe injuries. Italian insurers indemnify these claims with over Euro 2 billion a year, or more than 15% of total motor liability compensation (Table 1). Each year about 750,000 accidents involve a personal injury claim, and 650,000 of these are non-severe (no more than 9% disability); and more than 500,000 claims are for very mild disability (1%-2%). Most of these injury claims are for "whiplash" injuries that in other countries do not give rise to recognition of permanent disability but only compensation for temporary injury and medical costs commensurate with the very limited discomfort sustained, generally quite short-lived.

ANIA's annual statistics for a representative sub-sample of insurers that supplied detailed data allow calculation of the percentage distribution of claims

*TABLE 1 - DISTRIBUTION OF CLAIMS BY TYPE OF CLAIM AND BY PERCENTAGE OF PERMANENT DISABILITY*

| Permanent disability % | % Distribution Number of claims | % Distribution Amount of claim | Average cost of personal injury *(Euro)* | | |
|---|---|---|---|---|---|
| | | | Driver | Passenger | Bystander |
| 1 | 8.3% | 7.3% | 2,508 | 2,887 | 4,039 |
| 2 | 6.6% | 7.8% | 3,332 | 3,853 | 5,109 |
| 3 | 2.2% | 3.5% | 4,560 | 5,240 | 6,498 |
| 4 | 0.9% | 1.9% | 5,747 | 6,822 | 8,436 |
| 5 | 0.5% | 1.3% | 6,887 | 8,643 | 10,865 |
| 6 | 0.2% | 0.8% | 9,113 | 11,660 | 12,769 |
| 7 | 0.2% | 0.7% | 12,201 | 13,536 | 16,537 |
| 8 | 0.1% | 0.6% | 14,821 | 18,838 | 19,167 |
| 9 | 0.1% | 0.6% | 19,441 | 28,485 | 31,570 |
| *Up to 9* | *19.1%* | *24.6%* | **3,566** | **3,903** | **6,839** |
| *Over 9* | *2.7%* | *40.9%* | | | |
| **Tot. personal injury claims** | **21.8%** | **65.5%** | | | |
| **Tot. property damage claims** | **78.2%** | **34.5%** | | | |
| **Total claims** | **100.0%** | **100.0%** | | | |
| **MEMORANDUM ITEM:** | **Number of claims** | **Amount of claim** | | | |
| | **3,386,699** | **€ 13.9 billion** | | | |

*Source: ANIA, Data partially estimated*

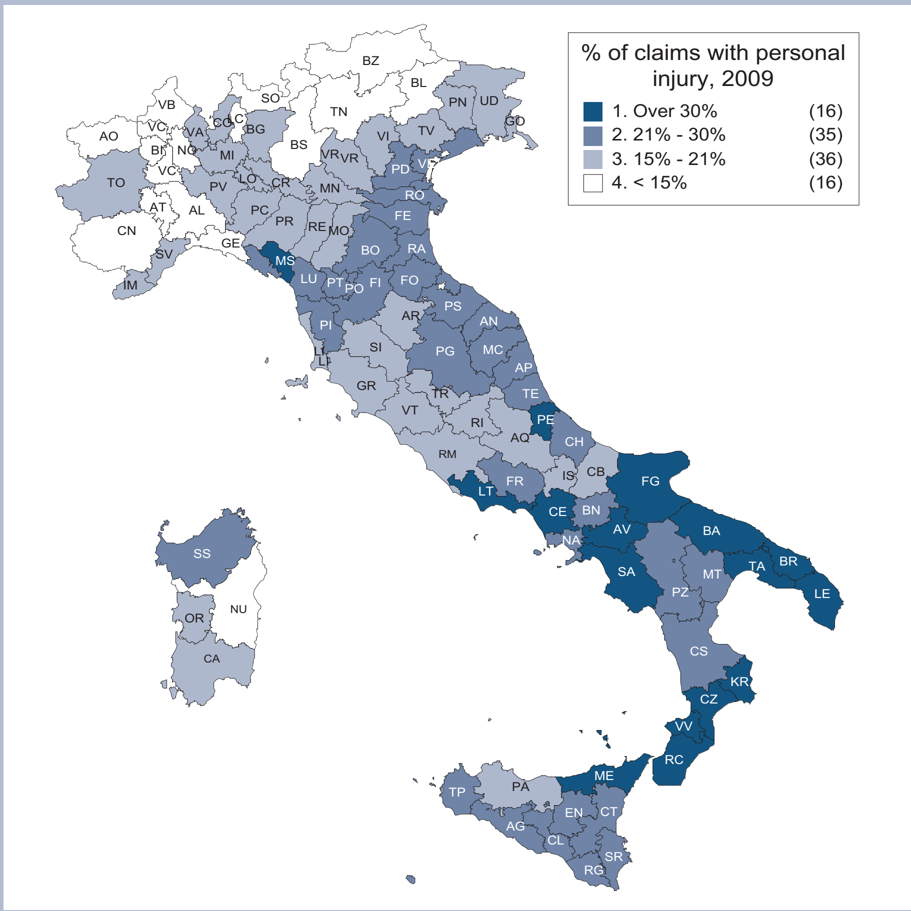



*FIGURE 2*
*PROPORTION OF CLAIMS INVOLVING PERSONAL INJURY, BY PROVINCE, 2009*

by type of damage and severity of injury. We also estimated the average cost of personal injury claims separately for drivers, passengers, and bystanders. The cost was considerably greater for bystanders, who are more exposed to more severe injury. It is also possible that in the case of bystanders courts may tend to award higher amounts for the other components of non-economic damages (e.g. moral damages) and more generous compensation in the framework of the “personalization” of damages for the particular condition of the claimant. It should also be borne in mind that the distribution of costs by type of claimant may also be affected by the differing distribution of ages within each percentage point of disability. These factors may help explain why, for a given percentage of disability, the monetary compensation awards differ between drivers, passengers and bystanders.

As to more serious injuries (those involving at least 10 percent permanent disability), once again we must note that the rules governing their economic valuation and forensic assessment have yet to be promulgated, even though the procedure for their approval has been completed long since.

*TABLE 2 - INCIDENCE OF CLAIMS WITH PERSONAL INJURY, BY PROVINCE, 2008-2009* (%)*

| Province | 2009 | 2008 | Change 2009 / 2008 |
|---|---|---|---|
| (1) | (2) | (3) | (4) |
| CROTONE | 43.6 | 44.0 | -0.72% |
| BRINDISI | 43.5 | 41.6 | 4.45% |
| TARANTO | 41.5 | 40.0 | 3.89% |
| FOGGIA | 38.3 | 37.2 | 3.04% |
| BARI | 36.1 | 34.6 | 4.47% |
| LECCE | 36.1 | 34.4 | 5.04% |
| VIBO-VALENTIA | 35.6 | 36.7 | -3.11% |
| AVELLINO | 35.4 | 33.3 | 6.33% |
| LATINA | 34.5 | 32.9 | 4.96% |
| CATANZARO | 34.3 | 32.0 | 7.00% |
| REGGIO-CALABRIA | 33.3 | 31.0 | 7.40% |
| SALERNO | 32.1 | 31.1 | 3.52% |
| MESSINA | 31.9 | 30.0 | 6.54% |
| CASERTA | 31.1 | 30.5 | 2.04% |
| PESCARA | 30.9 | 30.5 | 1.15% |
| MASSA-CARRARA | 30.0 | 30.2 | -0.61% |
| CHIETI | 29.5 | 28.4 | 3.56% |
| RIMINI | 29.3 | 28.9 | 1.36% |
| COSENZA | 29.3 | 29.5 | -0.82% |
| CATANIA | 28.9 | 26.5 | 9.11% |
| CALTANISSETTA | 28.8 | 26.7 | 7.89% |
| AGRIGENTO | 28.4 | 26.6 | 6.68% |
| FROSINONE | 28.2 | 26.6 | 5.67% |
| ENNA | 27.4 | 27.0 | 1.47% |
| PISTOIA | 27.3 | 27.5 | -0.60% |
| PISA | 27.0 | 26.1 | 3.55% |
| ANCONA | 26.4 | 24.9 | 5.87% |
| RAGUSA | 26.3 | 26.7 | -1.21% |
| TERAMO | 26.0 | 25.9 | 0.42% |
| BENEVENTO | 25.4 | 23.4 | 8.75% |
| LUCCA | 25.4 | 23.9 | 6.12% |
| PESARO-URBINO | 25.3 | 24.4 | 3.63% |
| MACERATA | 25.2 | 24.7 | 2.06% |
| SASSARI | 25.0 | 24.7 | 1.28% |
| RAVENNA | 24.5 | 23.5 | 4.16% |
| MATERA | 24.4 | 24.1 | 1.28% |
| SIRACUSA | 24.3 | 22.9 | 5.81% |
| ASCOLI-PICENO | 24.2 | 24.2 | -0.05% |
| VENICE | 24.0 | 23.7 | 1.35% |
| POTENZA | 23.4 | 21.3 | 9.40% |
| LA-SPEZIA | 23.0 | 25.9 | -11.30% |
| PRATO | 22.7 | 23.7 | -4.12% |
| NAPLES | 22.3 | 21.1 | 5.56% |
| FLORENCE | 22.3 | 22.1 | 0.75% |
| FERRARA | 22.1 | 21.7 | 2.06% |
| BOLOGNA | 21.9 | 22.3 | -1.67% |
| PERUGIA | 21.7 | 21.4 | 1.55% |
| PADUA | 21.5 | 21.0 | 2.49% |
| TRAPANI | 21.4 | 20.7 | 3.21% |
| ROVIGO | 21.4 | 19.3 | 10.48% |
| FORLÌ-CESENA | 21.2 | 21.6 | -1.70% |
| REGGIO-EMILIA | 20.9 | 20.3 | 3.15% |
| ISERNIA | 20.8 | 21.2 | -1.83% |
| TERNI | 20.6 | 20.0 | 3.36% |
| AREZZO | 20.6 | 20.7 | -0.49% |
| PALERMO | 20.1 | 20.8 | -3.33% |
| RIETI | 20.0 | 19.3 | 3.92% |
| TREVISO | 19.9 | 19.9 | 0.27% |
| L'AQUILA | 19.4 | 20.7 | -6.10% |
| PIACENZA | 19.1 | 18.8 | 1.54% |
| LIVORNO | 18.9 | 17.7 | 6.53% |
| VERONA | 18.9 | 18.9 | -0.05% |
| ROME | 18.8 | 18.5 | 1.44% |
| CAGLIARI | 18.7 | 18.4 | 2.11% |
| CARBONIA-IGLESIAS | 18.7 | 17.8 | 5.21% |
| OLBIA-TEMPIO | 18.7 | 17.9 | 4.47% |
| TRIESTE | 18.6 | 16.3 | 14.35% |
| TURIN | 18.6 | 17.5 | 6.52% |
| GORIZIA | 18.3 | 17.7 | 3.53% |
| MEDIO-CAMPIDANO | 18.1 | 17.9 | 1.09% |
| LODI | 17.9 | 18.8 | -5.04% |
| MODENA | 17.8 | 17.4 | 2.07% |
| VARESE | 17.6 | 17.9 | -2.01% |
| OGLIASTRA | 17.3 | 19.3 | -10.49% |
| CAMPOBASSO | 17.3 | 17.9 | -3.25% |
| GROSSETO | 17.2 | 17.6 | -2.25% |
| MILAN | 17.2 | 17.5 | -2.13% |
| CREMONA | 17.0 | 17.4 | -2.21% |
| COMO | 17.0 | 16.6 | 2.03% |
| PAVIA | 16.9 | 17.4 | -3.33% |
| VITERBO | 16.6 | 15.9 | 4.61% |
| SIENA | 16.6 | 16.2 | 2.36% |
| MANTUA | 16.4 | 16.9 | -2.58% |
| ORISTANO | 16.3 | 16.3 | -0.16% |
| VICENZA | 16.3 | 16.9 | -3.61% |
| BERGAMO | 16.2 | 16.2 | -0.31% |
| PARMA | 16.0 | 16.4 | -2.49% |
| IMPERIA | 15.9 | 16.0 | -0.92% |
| PORDENONE | 15.8 | 16.7 | -5.97% |
| UDINE | 15.2 | 15.4 | -1.14% |
| SAVONA | 15.2 | 14.9 | 2.34% |
| NUORO | 14.9 | 14.9 | -0.01% |
| LECCO | 14.6 | 14.6 | 0.07% |
| BRESCIA | 14.5 | 14.8 | -1.89% |
| NOVARA | 14.5 | 14.7 | -1.36% |
| ALESSANDRIA | 13.9 | 14.3 | -2.55% |
| SONDRIO | 13.1 | 13.1 | -0.31% |
| ASTI | 13.0 | 13.1 | -0.13% |
| AOSTA | 13.0 | 12.5 | 3.82% |
| BELLUNO | 12.8 | 12.4 | 3.19% |
| VERBANIA | 12.8 | 12.8 | -0.47% |
| VERCELLI | 12.5 | 13.3 | -5.65% |
| GENOA | 12.4 | 13.6 | -8.56% |
| TRENTO | 12.4 | 12.8 | -3.31% |
| CUNEO | 12.3 | 12.0 | 3.23% |
| BOLZANO | 10.7 | 10.7 | 0.08% |
| BIELLA | 10.2 | 10.6 | -3.56% |
| **TOTAL** | **22.2** | **21.6** | **2.91%** |

*(*) The provincial incidence of personal injury claims is drawn from ANIA's annual statistics; this accounts for the slight difference in the total (22.2%) from the ISVAP data (21.8%), which lack the provincial breakdown*

## GEOGRAPHICAL DISTRIBUTION OF MOTOR INSURANCE FRAUD

Each year ISVAP calculates the incidence of cases of ascertained insurance fraud on total claims (and amounts), in order to estimate the extent and impact of this type of crime. In 2009, a total of 83,378 fraudulent claims were detected, equal to 2.50% of all claims incurred and reported; in 2008 the number was 76,784, or 2.31%. That is, after years of steady decline in motor insur-

*MOTOR LIABILITY INSURANCE FRAUD IN ITALY BY REGION*

| | 2009 | | 2008 | |
|---|---|---|---|---|
| **Region** | **% fraudulent claims (no.)** | **% fraudulent claims (value)** | **% fraudulent claims (no.)** | **% fraudulent claims (value)** |
| (1) | (2) | (3) | (4) | (5) |
| PIEDMONT | 0.99% | 0.95% | 0.96% | 1.02% |
| VALLE D AOSTA | 0.25% | 0.46% | 0.25% | 0.24% |
| LOMBARDY | 0.95% | 1.13% | 0.85% | 0.99% |
| TRENTINO-ALTO ADIGE | 0.42% | 0.44% | 0.35% | 0.30% |
| VENETO | 0.79% | 0.76% | 0.71% | 0.84% |
| FRIULI-VENEZIA GIULIA | 0.39% | 0.39% | 0.47% | 0.39% |
| LIGURIA | 1.62% | 1.72% | 1.59% | 1.62% |
| EMILIA ROMAGNA | 0.73% | 0.80% | 0.70% | 0.79% |
| **NORTH** | **0.91%** | **0.96%** | **0.85%** | **0.93%** |
| TUSCANY | 1.08% | 1.30% | 1.18% | 1.02% |
| UMBRIA | 0.51% | 1.13% | 0.46% | 0.45% |
| MARCHE | 1.01% | 0.97% | 1.23% | 0.92% |
| LAZIO | 2.06% | 1.91% | 1.66% | 1.58% |
| **CENTRE** | **1.54%** | **1.54%** | **1.38%** | **1.24%** |
| ABRUZZO | 1.01% | 1.12% | 1.00% | 0.97% |
| MOLISE | 1.11% | 1.93% | 1.28% | 1.03% |
| CAMPANIA | 9.58% | 8.68% | 9.51% | 8.13% |
| PUGLIA | 6.17% | 5.27% | 5.49% | 5.18% |
| BASILICATA | 2.09% | 2.01% | 1.93% | 1.89% |
| CALABRIA | 4.03% | 3.90% | 3.82% | 3.97% |
| **SOUTH** | **6.62%** | **5.90%** | **6.30%** | **5.62%** |
| SICILY | 3.03% | 2.91% | 2.91% | 2.93% |
| SARDINIA | 0.87% | 0.75% | 0.81% | 0.75% |
| **ISLANDS** | **2.51%** | **2.36%** | **2.41%** | **2.41%** |
| **TOTAL ITALY** | **2.50%** | **2.40%** | **2.31%** | **2.24%** |

*Source: ISVAP – Indagine sul fenomeno della criminalità nel settore assicurativo. Based on data for 2009 (Letter dated 29 July 2010)* ance fraud, 2009 marked an upturn, especially in some geographical areas. ISVAP's data report only frauds detected by the insurers themselves with the limited resources at their disposal.

Again in 2009 Northern Italy showed the lowest incidence of fraud, equal to 0.91% of claims (0.85% in 2008). However, save for Friuli-Venezia Giulia, where the rate declined, all the other regions of the North registered a slight rise in the rate of fraud. In Trentino-Alto Adige it rose especially sharply, from 0.35% to 0.42%, in Lombardy from 0.85% to 0.95%, and in Piedmont from 0.96% to 0.99%. Liguria remains the most fraud-prone region of the North, Valle d'Aosta the least fraud-prone in all of Italy (0.25%).

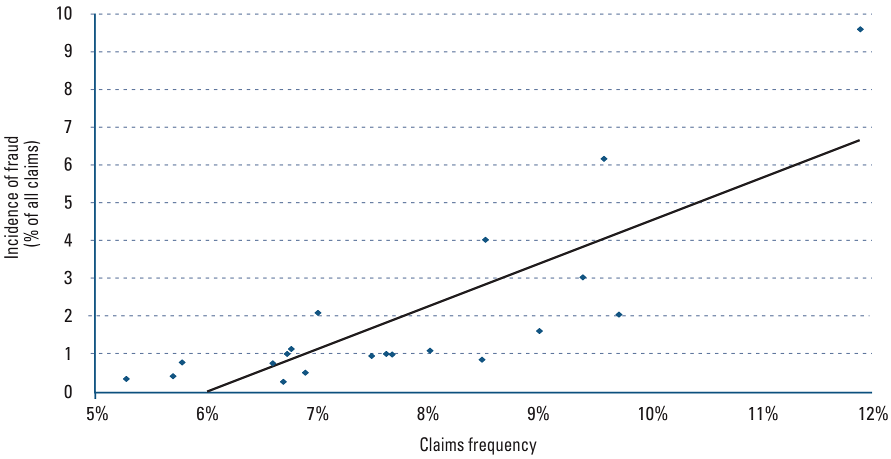
The incidence of fraud rose in the South as well, from 6.30% to 6.62%. The rate of fraudulent claims remains highest in this part of Italy. The region with the highest share of fraudulent claims is Campania (9.58%, up from 9.51% in 2008). The provinces of Caserta and Naples head the list at 12.44% and 11.28% respectively. But the region where the increase was most pronounced was Puglia, where the incidence rose from 5.49% to 6.17%. The province of Foggia showed the highest incidence in the region at 9.48%, but the steepest rise was in Taranto, from 4.51% to 7.14%. Calabria too has a high if somewhat more moderate incidence of fraud at 4.03%. The other mainland regions of the South are below the national average.

Among the regions of the Centre, Lazio displays the highest fraud rate, with a rise from 1.66% in 2008 to 2.06% in 2009. The increase was due essentially to the city of Rome, where the number of frauds jumped 27.5%.

The incidence of fraud in the island regions is basically in line with the national average, at 2.51% in 2009. However, this reflects essentially a higher rate in Sicily (3.03%), while Sardinia shows an incidence well below the national average, at 0.87%.

The amount of compensation in connection with fraudulent claims also varies significantly with location. In the South, it came to over 6% of total damages, compared with an average of under 1.5% in the Centre and North.

The correlation coefficient between claims frequency and the incidence of ascertained fraud was calculated by ISVAP at 0.80 on a regional basis in 2009, a statistically significant value. By province, the correlation was also highly significant, at 0.64. These values strongly suggest that claims frequency is influenced by fraud: the areas where fraud is most common are also those with the highest claim frequencies.




*REGIONAL CORRELATION BETWEEN CLAIMS FREQUENCY AND INCIDENCE OF FRAUD IN MOTOR LIABILITY INSURANCE: 2009*

## MOTOR LIABILITY INSURANCE PRICES IN THE LONG TERM

Given compulsory liability insurance, the annual rise in premium income is a gauge of the increase in the total amount spent by policyholders for coverage. To calculate the average price of individual coverage, however, one must obviously take account of the variation in the number of vehicles insured. Dividing premium volume by number of vehicles, one gets the average per-vehicle price of coverage ([1]).

Table 1 shows the average price for insurance of a vehicle and its component factors over the years. The results can be summarized as follows:

– after falling steadily from 2005 to 2009, last year the average price for motor liability insurance rose by 4.8%;
– overall, from 2005 through 2010 there was a reduction of 7.6%.

In the market, "list prices" – which do not correspond exactly to the actual prices paid for new or renewed motor liability policies – were 5.6% higher in May 2011 than in May 2010 (Istat). The Istat result differs from other surveys, which found a larger increase, because it covers different risk profiles, considered more representative of all of Italy, and also factors in the application of the law mandating the "household" bonus-malus.

([1]) Methodologically, using the variation in the average premium to measure the rise in prices means employing the national accounts method for calculating consumption deflators, which is a Paasche index. The deflator, that is, is a variable-weights index, taking account of the exact composition of insurance expenditure and the price actually paid by the insured. Specifically, the deflator takes account of:

– the motorist's actual merit class, so that if in the reporting year he is in a better class than the previous year (which happens over 95% of the time), the deflator finds a reduction (or smaller increase) in price;
– discounts with respect to listed prices, so that if a motorist gets a discount in the reporting year that he didn't have the year before, the deflator finds a reduction (or smaller increase) in price.

In addition, the change in 2010 reflects the rise in the compulsory minimum cover from Euro 774,685 to Euro 2.5 million for personal injury plus Euro 500,000 for property damage. The change went into effect in December 2009 and accordingly worked its effects in 2010 as elapsing policies were renewed.

It bears repeating that list prices do not reflect the prices actually paid by motorists but are the maximum reference price for each type of risk coverage. Accordingly, variations are not a reliable indicator of the change in actual spending by consumers. List prices, that is, may be misleading in that:

1) They ignore the bonus for drivers who do not cause accidents (more than 90 percent of the total).
2) They take no account of discounts, caps on which are barred by Law 248/2006, known as the Bersani decree.
3) They do not consider the growing number of motorists who change insurer every year to get a better price. Sample surveys put this portion at between 9% and 12% of all policyholders. Obviously, the number who

*TABLE 1 - MOTOR LIABILITY INSURANCE PREMIUMS. PREMIUMS (EXCLUDING MARITIME), 1994-2010*

| YEAR | 1. Premiums | | | 2. No. vehicles in circulation (*) | | 3. Average price of coverage per vehicle (index: 1994=100) | | 4. Memo. item: ISTAT motor liability index | | 5. Memo. item: ISTAT consumer price index | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Mn. euro) | Index | Annual % change | Index | Annual % change | Index | Annual % change | Index | Annual % change | Index | Annual % change |
| 1994 | 8,663 | 100.0 | 6.1 | 100.0 | 3.0 | 100.0 | 2.9 | 100.0 | 8.5 | 100.0 | 4.1 |
| 1995 | 9,316 | 107.5 | 7.5 | 102.1 | 2.1 | 105.3 | 5.3 | 110.2 | 10.2 | 105.3 | 5.3 |
| 1996 | 9,770 | 112.8 | 4.9 | 101.8 | -0.3 | 110.9 | 5.3 | 120.2 | 9.1 | 109.5 | 4.0 |
| 1997 | 10,655 | 123.0 | 9.1 | 102.8 | 1.0 | 119.6 | 7.8 | 131.2 | 9.2 | 111.7 | 2.0 |
| 1998 | 11,745 | 135.6 | 10.2 | 107.3 | 4.4 | 126.4 | 5.7 | 149.1 | 13.6 | 113.9 | 2.0 |
| 1999 | 13,226 | 152.7 | 12.6 | 109.6 | 2.1 | 139.4 | 10.3 | 174.0 | 16.7 | 115.8 | 1.7 |
| 2000 | 14,196 | 163.9 | 7.3 | 112.4 | 2.6 | 145.8 | 4.6 | 190.8 | 9.6 | 118.7 | 2.5 |
| 2001 | 15,315 | 176.8 | 7.9 | 116.9 | 4.0 | 151.2 | 3.7 | 211.3 | 10.7 | 122.0 | 2.7 |
| 2002 | 16,628 | 191.9 | 8.6 | 120.1 | 2.8 | 159.7 | 5.6 | 235.8 | 11.6 | 125.0 | 2.5 |
| 2003 | 17,622 | 203.4 | 6.0 | 123.5 | 2.8 | 164.7 | 3.1 | 247.7 | 5.0 | 128.4 | 2.7 |
| 2004 | 18,062 | 208.5 | 2.5 | 126.0 | 2.0 | 165.4 | 0.4 | 250.0 | 0.9 | 131.3 | 2.2 |
| 2005 | 18,171 | 209.8 | 0.6 | 128.7 | 2.1 | 163.1 | -1.5 | 254.3 | 1.7 | 133.8 | 1.9 |
| 2006 | 18,387 | 212.3 | 1.2 | 131.2 | 2.0 | 161.8 | -0.8 | 260.1 | 2.3 | 136.6 | 2.1 |
| 2007 | 18,208 | 210.2 | -1.0 | 133.5 | 1.7 | 157.5 | -2.7 | 264.0 | 1.5 | 139.1 | 1.8 |
| 2008 | 17,606 | 203.2 | -3.3 | 133.9 | 0.3 | 151.8 | -3.6 | 270.2 | 2.4 | 143.8 | 3.3 |
| 2009 | 16,963 | 195.8 | -3.6 | 134.2 | 0.2 | 145.9 | -3.9 | 278.1 | 2.9 | 144.9 | 0.8 |
| 2010 (°) | 16,964 | 204.6 | 4.5 | 133.9 | -0.3 | 152.9 | 4.8 | 298.2 | 7.2 | 147.1 | 1.5 |

*(°) The percentage changes in number of vehicles insured and in premiums have been calculated for a uniform sample, i.e. taking account of the withdrawal from direct Italian business of one Italian insurer and the representative in Italy of one non-EEA insurer, whose portfolios were assigned to two Italian representatives of European insurers. According to preliminary data, the number of vehicle-years insured in 2010, 41.7 million, was just slightly down (0.3%) from 2009. On an accounting basis (i.e. counting the two withdrawing companies only in 2009), the nominal changes would be a decrease of 4.3% for vehicle-years and 0.0% for premiums*

*(*) Starting with 2008, the number is calculated on the basis of the change in the number of vehicles insured derived from an ANIA survey, using a methodology consistent with that which ISVAP has specifically requested of insurance companies. For previous years, number of vehicles registered according to ACI*

switch is directly proportional to price trends, diminishing when prices fall, as in 2005-2009, and increasing when they rise.

4) They do not take account of the second Bersani decree's impact on bonus-malus clauses. In practice, the measure improperly imposes "discounts" for certain classes of policyholders: specifically, members of households acquiring an additional vehicle and motorists held to be jointly responsible for an accident but not the "primary" driver at fault.

The actual price of motor liability insurance is the premium paid to take out a new policy or renew an old one. The sum of all the premiums paid by the insured is the national community's total expenditure for the purchase of motor liability insurance. It corresponds to the entire market's premium income as reported in the insurers' financial statements.

Table 2 compares Istat's list price index and the actual cost of liability insurance, from financial statements, over the past five years (also giving the change between 2010 and 2011 according to Istat). In the years from 2006 to 2009 the gap between the change in the Istat index and that in the average premium cost widened to between 6 and 7 percentage points, since by construction the Istat index cannot reflect the impact of the new bonus-malus rules (discussed elsewhere), which inevitably shift policyholders towards the better merit classes, or of the upward trend in discounts. In 2010, by contrast, the gap narrowed, essentially because the scope for discounts offered by insurance agents was narrowed by reason of the worsening of insurers' technical accounts.

The latest available Eurostat data indicate that in May 2011 the average list price of motor liability insurance in Italy was 5.6% higher than twelve months earlier (Table 3), in line with the European average. The countries with above-

*TABLE 2*
*MOTOR LIABILITY INSURANCE PRICES*

| Year | Istat price (% change) (a) | ANIA price (% change) (b)* | Difference (% points) (b-a) |
|---|---|---|---|
| 2006 | 2.3 | -0.8 | -3.1 |
| 2007 | 1.5 | -2.7 | -4.2 |
| 2008 | 2.4 | -3.6 | -6.0 |
| 2009 | 2.9 | -3.9 | -6.8 |
| 2010 | 7.2 | 4.8 | -2.4 |
| May 2011 (**) | 5.6 | | |

*(*) For 2010. estimated data*
*(**) Twelve-month change*

*TABLE 3*
*CHANGE IN TRANSPORT EQUIPMENT INSURANCE PRICE INDEX (%)*

| | AVERAGE FOR YEAR | | | | | TOTAL | 12-MONTH |
|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2006-2010 | May 2010-2011 |
| **Italy** | **2.3%** | **1.5%** | **2.4%** | **2.9%** | **7.2%** | **17.2%** | **5.6%** |
| **Austria** | -4.4% | 0.3% | 0.3% | 2.3% | 2.8% | **1.1%** | **3.0%** |
| **Belgium** | 1.6% | 6.3% | 1.4% | -1.2% | 0.3% | **8.5%** | **1.3%** |
| **Denmark** | 6.0% | 0.7% | 1.8% | 0.6% | 4.0% | **13.6%** | **1.9%** |
| **Finland** | 1.6% | 2.9% | 4.6% | 5.5% | 4.0% | **20.0%** | **3.0%** |
| **France** | -0.8% | -1.6% | 0.5% | 1.6% | 6.6% | **6.2%** | **1.2%** |
| **Germany** | -1.6% | 1.8% | 2.8% | 2.0% | 4.2% | **9.5%** | **4.3%** |
| **Greece** | 2.6% | 2.1% | 2.6% | 7.0% | 13.2% | **30.3%** | **8.4%** |
| **Ireland** | -5.9% | -10.9% | -3.6% | 11.5% | 1.4% | **-8.6%** | **7.5%** |
| **Luxembourg** | 0.0% | 0.0% | 0.0% | 0.9% | -2.6% | **-1.7%** | **3.5%** |
| **Norway** | -1.3% | -0.5% | 3.5% | 4.2% | 4.2% | **10.4%** | **4.1%** |
| **Netherlands** | -4.3% | -2.7% | 0.6% | 1.8% | 0.1% | **-4.7%** | **3.7%** |
| **United Kingdom** | 0.0% | 3.2% | 1.7% | 10.3% | 30.8% | **51.5%** | **26.8%** |
| **Spain** | 2.0% | 1.7% | 2.0% | 1.3% | 1.8% | **9.1%** | **2.4%** |
| **Sweden** | 4.1% | 11.4% | 3.7% | 2.0% | 2.0% | **25.0%** | **-0.8%** |
| **EU 25** | **0.0%** | **1.4%** | **1.7%** | **2.1%** | **6.0%** | **11.6%** | **5.6%** |

*Source: Eurostat*

average increases were Greece, Ireland, and above all the United Kingdom, where the index rose by 27%. Between 2006 and 2010 motor insurance prices rose 51.5% in the UK and 30.3% in Greece. Sweden and Finland also showed considerable rises (25% and 20% respectively). In Italy the five-year increase came to 17.2%; this was higher than average owing above all to the 7.2% increase recorded in 2010.

### THE "CRISIS" OF THE BONUS-MALUS SYSTEM

Law 40/2007 (known as "Bersani-bis"), in effect since 3 April 2007, introduced two mandatory provisions concerning bonus-malus motor insurance policies:

- the obligation for the insurer to apply to the policy on an additional vehicle acquired by the owner of one already insured or by a permanent component of the owner's household the same merit class as that assigned to the owner of the currently insured vehicle;
- the obligation for the insurer to apply merit penalties ("malus") only when the policy-holder bears the "primary liability" for an accident, thereby excluding cases of minor liability and equal joint liability (50% each).

Both measures, in view of the unwarranted benefits obtained by the persons involved (new policyholders and drivers responsible for accidents) have:

- redistributed the insurers' premium income requirement, left entirely out of consideration by lawmakers, which will eventually worsen the conditions of all the insured;
- helped to hasten the crisis of the system, which is now incapable of performing its original function, namely correlating the insured's premium with his driving record over time.

The diminution in insurers' expected premium income due to the price reductions imposed in the types of contract covered by the law result in a disequilibrium that has to be made good by redistributing the income shortfall over the entire set of policyholders.

Based on data consistent with those acquired by ISVAP in February 2011 with a view to possible modifications of the system, ANIA has analysed the distribution of policies (by type of vehicle under bonus-malus) in existence in December 2010 among the 18 universal conversion merit classes and determined the number that have benefited from the Bersani law.

Table 1 (columns 2-4) shows that through the end of 2010 nearly 3 million vehicles (10.7% percent of all those insured) had benefited from the favourable conditions imposed by Law 40/2007. A substantial majority of these (2.17 million, or 73%) were in the best merit class, accounting for over 12 percent of all

*TABLE 1 - DISTRIBUTION OF CARS BENEFITING FROM "HOUSEHOLD BONUS" THROUGH 2010*

| Universal conversion class | No. cars insured at 31/12/2010 (millions) | No. cars having benefited from household bonus (millions) | Proportion of vehicle class having benefited (%) | No. policies written in 2010 benefiting (millions) | Proportion of policies written in 2010 benefiting (%) |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1 | 17.676 | 2.170 | 12.3% | 0.885 | 32.6% |
| 2 | 1.386 | 0.139 | 10.1% | 0.062 | 24.9% |
| 3 | 1.457 | 0.144 | 9.9% | 0.059 | 22.6% |
| 4 | 0.814 | 0.070 | 8.6% | 0.032 | 19.9% |
| 5 | 0.786 | 0.063 | 8.0% | 0.029 | 18.3% |
| 6 | 0.728 | 0.055 | 7.6% | 0.026 | 17.6% |
| 7 | 0.707 | 0.048 | 6.8% | 0.023 | 16.4% |
| 8 | 0.762 | 0.058 | 7.6% | 0.024 | 16.1% |
| 9 | 0.792 | 0.062 | 7.9% | 0.025 | 15.9% |
| 10 | 0.854 | 0.063 | 7.4% | 0.024 | 15.3% |
| 11 | 0.577 | 0.043 | 7.5% | 0.021 | 16.9% |
| 12 | 0.429 | 0.028 | 6.6% | 0.015 | 15.2% |
| 13 | 0.398 | 0.019 | 4.7% | 0.011 | 11.3% |
| 14 | 0.385 | 0.008 | 2.2% | 0.006 | 2.1% |
| 15-18 | 0.085 | (...) | (...) | (...) | (...) |
| **Total** | **27.836** | **2.975** | **10.7%** | **1.243** | **25.3%** |

*(...) Not significant*

the vehicles in the class. This distribution is the result of three years of application of the new rules. Limiting our scrutiny to 2010 alone (columns 5 and 6), i.e. considering only new policies issued during the year [1], we find that one policy in four (1.2 million) was awarded a better merit class than would otherwise have applied. This percentage increases for the top class, in which fully a third of all vehicles benefited from the Bersani decree.

Three years since the law's entry into force, a large number of insured are still benefiting from its more favourable provisions. In 2010 alone, over 40% of all policyholders benefited.

The distortions to the implicit penalty mechanisms of the bonus-malus system are highlighted more clearly if we examine the change in the distribution among the 18 merit classes over the past seven years. The values reported in Table 2 show,

[1] Defined as all policies written on vehicles not insured by the company prior to 2010.

first of all, the rapid emptying of the entry class (class 14). From 2004 through 2006 this level had accounted for around 5.5% of all insured vehicles; its share fell significantly already in 2007, to 4.6%, and then drastically to 2.0% in 2008, when the full effects of the measure were felt. It slipped further to 1.4% in 2010.

*TABLE 2 - ECONOMIC EFFECT OF SLIPPAGE IN BONUS-MALUS RATINGS*

| Universal conversion class | Bonus-malus tariff coefficient | Percentage composition of insured vehicles by year | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | **2010** | **2009** | **2008** | **2007** | **2006** | **2005** | **2004** |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
| 1 | 0.50 | 63.5% | 58.3% | 55.2% | 51.1% | 48.8% | 48.1% | 46.0% |
| 2 | 0.53 | 5.0% | 5.0% | 5.1% | 5.2% | 4.9% | 5.5% | 5.1% |
| 3 | 0.56 | 5.2% | 5.3% | 5.1% | 5.6% | 5.6% | 5.4% | 5.5% |
| 4 | 0.59 | 2.9% | 3.3% | 3.2% | 3.2% | 3.6% | 3.8% | 3.7% |
| 5 | 0.62 | 2.8% | 3.0% | 3.1% | 3.2% | 3.1% | 3.7% | 3.9% |
| 6 | 0.66 | 2.6% | 2.8% | 2.9% | 3.1% | 3.0% | 3.1% | 3.8% |
| 7 | 0.70 | 2.5% | 2.7% | 2.8% | 2.9% | 3.1% | 3.1% | 3.4% |
| 8 | 0.74 | 2.7% | 2.7% | 2.8% | 2.9% | 2.9% | 3.2% | 3.6% |
| 9 | 0.78 | 2.8% | 2.9% | 2.8% | 3.0% | 3.0% | 3.1% | 4.0% |
| 10 | 0.82 | 3.1% | 3.2% | 3.2% | 3.1% | 3.7% | 3.2% | 3.3% |
| 11 | 0.88 | 2.1% | 3.6% | 3.5% | 3.4% | 3.3% | 3.4% | 3.5% |
| 12 | 0.94 | 1.5% | 3.1% | 4.1% | 3.8% | 4.0% | 3.7% | 3.9% |
| 13 | 1.00 | 1.4% | 2.0% | 3.4% | 4.6% | 4.6% | 4.5% | 4.3% |
| **14** | **1.15** | **1.4%** | **1.6%** | **2.0%** | **4.6%** | **5.8%** | **5.5%** | **5.4%** |
| 15 | 1.30 | 0.1% | 0.3% | 0.4% | 0.3% | 0.4% | 0.4% | 0.4% |
| 16 | 1.50 | 0.1% | 0.1% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% |
| 17 | 1.75 | 0.0% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% |
| 18 | 2.00 | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| **Weighted avg. coeff.** | | **0.5782** | **0.5993** | **0.6148** | **0.6356** | **0.6471** | **0.6444** | **0.6495** |
| ***% change*** | | ***2010 vs 2009*** ***-3,5%*** | ***2009 vs 2008*** ***-2,5%*** | ***2008 vs 2007*** ***-3,3%*** | ***2007 vs 2006*** ***-1,8%*** | ***2006 vs 2005*** ***0,4%*** | ***2005 vs 2004*** ***-0,8%*** | |

At the same time, there has been a very sharp increase in the percentage in the best merit class (class 1). It is normal, of course, for the merit distribution to "creep" towards the top class, since each year more than 95 per cent of the insured cause no accident for which they hold "primary liability" (2). But the

(2) Although in the last few years the frequency of accidents caused by policyholders has been about 7.5%, not all of these claims are such as to result in a bonus-malus penalty. The frequency of accidents that actually affect bonus-malus class is estimated at 5.5%. Here too the Bersani decree intervened, providing that the insurer could lower the policyholder's merit class only if the driver had "primary liability" for the accident, as determined by the claim settlement to the other party.

fact that the best merit class has expanded so massively since 2007, compared with the pattern until that year, is certainly not normal. The class expanded further in 2010 and now comprises nearly 65% of all insured. Considering that more than 12% of those in the first class are there thanks to Law 40/2007, had this rule not been passed the proportion of all vehicles in the class would be 55 or 56 percent, a value more in line with normal "portfolio creep".

For a summary if approximate gauge of the economic effect of this shift in merit class distribution, let us look at the "scale of coefficients of the administered tariff" (Interministerial Committee on Prices regulation of 1993), given in column 2. Under this scale, the premium paid by a policyholder in class 1 is equal to half that of class 13 and a quarter of that of class 18. However, the scale of coefficients now in use by insurers provides for greater variation (in some instances, the best class shows a coefficient as low as 0.35 with respect to class 13).

The average coefficient, weighting the scale by the distribution according to class, was 0.578 in 2010, down from 0.599 in 2009. This means that, other characteristics of policyholders being equal, the shift in the distribution by class resulted in a 3.5% fall in the weighted average cost of motor liability coverage in 2010 (it fell by 2.5% in 2009 and 3.3% in 2008). And these figures are probably underestimated, in view of the fact that the insurance companies actually apply reduction coefficients of more than 50 percent of the administered tariff.

Overall, the measures resulted in a premium shortfall of about 10% in 2008-2010.

In view of these problems, ISVAP has begun to examine, together with ANIA and insurance companies themselves, possible solutions to preserve the effectiveness of the bonus-malus system both in ensuring technical-financial balance and in guaranteeing transparency, comparability and equity for policyholders.

Insurers maintain that the driver's individual record over the years is an essential factor in designing the structure of policy charges, but that this parameter need not be bound to the classical model (merit classes, rules for class shifts, and coefficients that reward or penalize policyholders according to a predetermined schema). The industry has accordingly produced a proposal that takes into account:

– a number of years of actual insurance history up to a preset maximum (for instance, ten years, against the five now provided for in the risk certificate);
– diversification according to type of accident (e.g. those involving personal injury, or those involving primary or partial liability).

## DIRECT INDEMNITY FOUR YEARS ON: AN APPRAISAL

The direct indemnity system is now four years old, enough time for a reasonable analysis of its impact on damage compensation and the main technical indicators (claims frequency, average cost of claims and speed of settlement) for the main vehicle types (cars, trucks, motorcycles/scooters).

Proper analysis of trends must take account of a series of important factors that could distort the comparison:

- in 2007 direct indemnity was in effect for only eleven months; further, the procedure was not open to accidents involving two drivers insured by the same company (cases of so-called "natural" direct indemnity);
- starting 1 January 2008, albeit on a voluntary basis, "natural" claims involving two drivers insured by the same company could be entered into the CARD direct indemnity system.
- starting in 2009 it became obligatory for insurers to handle eligible "natural" claims through the CARD system.

The differing procedures for determining the fixed compensation amounts have also affected the technical indicators. In 2007 there was a single amount for CID compensation payments. In 2008 and 2009 there were two for separate amounts for property damage and for minor personal injury. In 2010 the single compensation amount covering both property damage and minor personal injury was reinstated, but calculated separately for motorcycles/sccoters and other vehicles. The method for determining the fixed compensation amount for passengers was changed only in 2010, when – as for the CID – the single amount was subdivided according to vehicle type (motorcycles/scooters and other vehicles).

In addition, the turnover in scooters has affected the distribution of claims and their average amount according to procedure: only scooters with the new type of licence plate can be handled by the direct indemnity method.

Finally, direct indemnity involves claims whose total cost is only half the overall cost of motor liability claim costs. This proportion must accordingly be borne in mind in appraising the potential reduction of claim costs.

In general, direct indemnity has certainly had a positive impact on the speed of settlement by insurers. Claims frequency, which rose constantly from 2007 through 2009, turned back downwards in 2010 to the level registered prior to the introduction of the new system. The pattern for the average cost of claims was exactly the opposite: after three years of reduction, 2010 saw a rise that brought it back up to the 2006 level (Table 1).

TABLE 1
TECHNICAL INDICATORS, MOTOR LIABILITY INSURANCE

| Year | Claims frequency | Average cost of claims (€) | Speed of settlement (**) |
|---|---|---|---|
| 2006 (*) | 7.47% | 4,100 | 65.2% |
| 2007 | 7.61% | 3,967 | 67.6% |
| 2008 | 7.73% | 3,913 | 69.7% |
| 2009 | 7.77% | 3,903 | 69.0% |
| 2010 | 7.37% | 4,049 | 70.4% |

*(*) Counts only accidents for which the insured motorist is liable. In 2007, with the introduction of direct indemnity, the claims considered are those "handled", i.e. the total of CARD plus non-CARD claims*
*(**) Percentage of claims settled in the year incurred*

In detail:

– settlement speed has increased; claims settled in the same year they were incurred rose from 65.2% of the total in 2006 to 70.4% in 2010;
– claims frequency (not counting those lodged late) was 7.37% in 2010, down 5 per cent from 2009 (in 2006 it had been 7.47%);
– the average cost of claims (settled and reserved during the year) was Euro 4,049 in 2010, up nearly 4 per cent from 2009 (in 2006 it was Euro 4,100).

### Direct indemnity: the data

*Incidence of CARD claims.* In the fourth year of direct indemnity, the percentage of claims handled through the CARD direct indemnity convention increased once more to 80.7%, compared with 79.5% in 2009, due mainly to the rise in the proportion of claims involving scooters handled through the procedure (from 43.0% in 2009 to 51.0% in 2010). In 2008 the incidence of CARD claims was 73.1% of the total for all vehicles; in 2007, 71.2%.

The proportion of claims not eligible for direct indemnity (for at least one type of damages) came to 20.0% in 2010. CARD and non-CARD claims together add up to more than 100% because a single accident can cause damages that are covered by CARD and others that are not.

The incidence of direct indemnity procedures differs according to vehicle type (Table 2). For cars and motorcycles/scooters, which make up 80%of all insured vehicles, the proportion of claims handled via the direct indemnity procedure is between 82% and 85%. For trucks, two thirds of accidents are covered by the CARD convention, but the percentage is considerably higher for smaller trucks (72.5% for those below 3.5 tons, 46.4% for those above that threshold). The incidence increased for both types in 2010; since 2007, the heavy trucks have registered the sharpest increase, from 34.4% to 46.4%.

# Motor insurance

*TABLE 2 - PROPORTION OF CLAIMS HANDLED VIA CARD CONVENTION (*)*

| Type of vehicle | 2010 | | | 2009 | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|---|---|---|
| | % insured vehicles | % CARD claims | % non-CARD claims | % CARD claims | % non-CARD claims | % CARD claims | % non-CARD claims | % CARD claims | % non-CARD claims |
| PRIVATE PASSENGER CARS | 70.5 | 85.0 | 15.7 | 84.9 | 15.6 | 80.7 | 19.9 | 78.8 | 21.4 |
| MOTORCYCLES/SCOOTERS | 12.3 | 74.9 | 26.2 | 73.1 | 27.8 | 66.4 | 34.4 | 59.5 | 40.7 |
| *- of which MOTORCYCLES* | *8.1* | 82.3 | 18.9 | 82.9 | 18.1 | 79.4 | 21.4 | 77.7 | 22.8 |
| *- of which SCOOTERS* | *4.1* | 51.0 | 49.7 | 43.0 | 57.8 | 31.3 | 69.5 | 16.3 | 83.4 |
| TRUCKS | 7.7 | 65.9 | 34.5 | 64.5 | 36.0 | 55.6 | 44.9 | 52.4 | 47.8 |
| *- of which < 3.5 TONS* | *6.4* | 72.5 | 28.0 | 71.3 | 29.2 | 62.4 | 38.0 | 59.4 | 40.7 |
| *- of which > 3.5 TONS* | *1.4* | 46.4 | 54.1 | 44.7 | 55.6 | 37.8 | 62.8 | 34.4 | 65.7 |
| OTHER VEHICLES | 9.5 | 62.5 | 38.4 | 58.4 | 42.9 | 57.6 | 44.0 | 34.7 | 65.1 |
| **TOTAL** | **100.0** | **80.7** | **20.0** | **79.5** | **21.2** | **73.1** | **27.5** | **71.2** | **29.0** |

*(*) Based on quarterly motor liability statistics. A claim may involve some damages handled via the CARD direct indemnity convention and others handled outside it and may therefore be counted in both items; consequently, the total may be greater than 100%*

Other vehicle types – taxicabs, buses, agricultural vehicles, circulating mobile machinery, and all cars and motorcycles/scooters not for private use or not insured under the bonus-malus system (excluding all vehicles covered by fleet insurance policies) – account for 9.5% of the total. The incidence of direct indemnity for this group increased significantly, from 58.4% in 2009 to 62.5% in 2010.

*Claims frequency.* Claims frequency (excluding late reports) decreased by 5 per cent in 2010, from 7.77% to 7.37% (7.61% in 2007 and 7.73% in 2008). Thus after three years of increase, claims frequency improved in 2010, getting back down to the levels found prior to the introduction of the direct indemnity procedure (Table 3).

*TABLE 3*
*CLAIMS FREQUENCY BY TYPE OF VEHICLE AND SETTLEMENT PROCEDURE (*)*

| Settlement procedure/year | All vehicles | Passenger cars | Trucks < 3.5 tons | Trucks > 3.5 tons | Motorcycles | Scooters |
|---|---|---|---|---|---|---|
| CARD 2007 | 4.98% | 5.90% | 4.39% | 4.09% | 3.65% | 0.49% |
| CARD 2008 | 5.66% | 6.60% | 4.71% | 4.61% | 4.05% | 0.96% |
| CARD 2009 | 6.17% | 7.19% | 5.21% | 4.97% | 4.37% | 1.32% |
| CARD 2010 | 5.95% | 6.91% | 5.13% | 4.98% | 3.87% | 1.46% |
| Non-CARD 2007 | 2.64% | 2.38% | 4.54% | 10.59% | 1.39% | 2.88% |
| Non-CARD 2008 | 2.13% | 1.85% | 3.26% | 8.74% | 1.24% | 2.42% |
| Non-CARD 2009 | 1.64% | 1.42% | 2.29% | 6.64% | 1.03% | 1.91% |
| Non-CARD 2010 | 1.47% | 1.32% | 2.05% | 6.02% | 0.92% | 1.47% |
| TOTAL 2007 | 7.61% | 8.30% | 8.85% | 14.37% | 5.03% | 3.28% |
| TOTAL 2008 | 7.73% | 8.47% | 7.81% | 12.64% | 5.28% | 3.17% |
| TOTAL 2009 | 7.77% | 8.59% | 7.42% | 11.28% | 5.36% | 3.12% |
| TOTAL 2010 | 7.37% | 8.19% | 7.12% | 10.82% | 4.74% | 2.87% |

*(*) Excluding claims reported late, i.e. incurred during the year but reported in a subsequent year. These account for between 10 and 15 percent of all claims*

There are several reasons for the reversal. One contributing factor may have been decreased vehicle use owing to higher fuel prices (also confirmed by the decrease in fuel consumption, according to the Ministry for Economic Development). Second, there was a slight decrease, nationwide, in the number of vehicles insured; and the decrease was concentrated in the provinces with relatively high claims frequency, further improving the technical indicator at national level. Finally, policyholders had greater recourse to self-settlement for minor accidents, as is confirmed by the number of claims submitted to the claims clearing house operated by Consap.

The number of CARD claims tends to increase, because the number eligible for the direct indemnity procedure increases.

*Speed of settlement.* The direct indemnity procedure has improved settlement speed, gauged by the number of claims settled definitively within the first year. In 2006, 65.2% of claims were settled within the year. This rose to 67.6% in 2007 and 70.4% in 2010. The rise is due to the increase, in 2010, in the proportion of claims covered by the CARD convention, which on average are settled more rapidly. Motor scooters, for which the number of claims covered by direct indemnity increased considerably, also registered one of the most substantial gains in settlement speed in 2010.

A closer analysis of settlement speed distinguishes between the two types of claims handled, namely CARD and non-CARD. Table 4 shows that 76.1% of the CARD (direct indemnity) claims were settled within the year in 2010 (74.8% in 2009), and just 46.5% of the non-CARD claims (46.6% in 2009). The difference depends on the fact that the non-CARD claims comprise not only multiple-vehicle accidents but also all claims for serious personal injury (permanent disability of the non-liable driver of more than 9%, injury to bystanders and passengers of the liable vehicle), which generally take considerably longer to settle.

*TABLE 4 - SETTLEMENT SPEED: CLAIMS SETTLED IN YEAR INCURRED*

| Type of vehicle | 2010 | | | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % All claims | % CARD claims | % Non-CARD claims | % All claims | % CARD claims | % Non-CARD claims | % All claims | % CARD claims | % Non-CARD claims | % All claims | % CARD claims | % Non-CARD claims |
| PRIVATE PASSENGER CARS | 71.8 | 78.0 | 40.1 | 70.3 | 76.2 | 40.4 | 71.1 | 77.3 | 48.8 | 68.3 | 72.5 | 50.5 |
| MOTORCYCLES/SCOOTERS | 55.1 | 58.5 | 43.8 | 54.5 | 57.3 | 46.1 | 57.4 | 58.9 | 54.4 | 57.3 | 55.4 | 59.0 |
| *- of which MOTORCYCLES* | *52.8* | *58.2* | *28.9* | *52.2* | *57.4* | *28.6* | *54.4* | *59.3* | *37.2* | *52.3* | *56.1* | *37.1* |
| *- of which SCOOTERS* | *62.5* | *60.4* | *62.1* | *61.9* | *56.8* | *62.8* | *65.6* | *56.1* | *68.6* | *69.3* | *47.4* | *73.3* |
| TRUCKS | 69.4 | 76.3 | 55.1 | 68.0 | 74.6 | 55.2 | 68.5 | 74.5 | 61.3 | 67.3 | 69.8 | 63.6 |
| *- of which < 3.5 TONS* | *70.5* | *77.8* | *51.3* | *68.9* | *76.1* | *51.3* | *70.1* | *76.4* | *60.5* | *68.7* | *71.8* | *63.0* |
| *- of which > 3.5 TONS* | *66.0* | *69.0* | *61.1* | *65.2* | *67.5* | *61.2* | *64.3* | *66.1* | *62.5* | *63.8* | *61.2* | *64.4* |
| OTHER VEHICLES | 71.4 | 74.9 | 63.0 | 72.4 | 75.9 | 64.6 | 69.3 | 72.3 | 63.7 | 69.4 | 66.6 | 70.6 |
| **TOTAL** | **70.4** | **76.1** | **46.5** | **69.0** | **74.8** | **46.6** | **69.7** | **75.6** | **53.3** | **67.6** | **73.9** | **58.1** |

*TABLE 5*
*AVERAGE CLAIM COST*
*BY TYPE OF SETTLEMENT PROCEDURE*
*Euro*

| Procedure/year | All claims | *% change* |
|---|---|---|
| CARD 2007 | 2,436 | |
| CARD 2008 | 2,563 | *5.2%* |
| CARD 2009 | 2,555 | *-0.3%* |
| CARD 2010 | 2,667 | *4.4%* |
| Non-CARD 2007 | 6,840 | |
| Non-CARD 2008 | 7,407 | *8.3%* |
| Non-CARD 2009 | 8,847 | *19.4%* |
| Non-CARD 2010 | 9,488 | *7.2%* |
| TOTAL 2007 | 3,967 | |
| TOTAL 2008 | 3,913 | *-1.4%* |
| TOTAL 2009 | 3,903 | *-0.3%* |
| TOTAL 2010 | 4,049 | *3.7%* |

Claims involving motorcycles and motor scooters, especially the latter, continue to be marked by especially slow settlement. This is due to the fact that a higher proportion of accidents involving these vehicles result in personal injury, so that also in the case of CARD claims for damages by motorcycle/scooter users, settlement is slower than for other types of vehicle. Further, as the drivers and passengers of these vehicles are more vulnerable, the injury is often severe and is therefore handled by the traditional, non-CARD procedure, reducing settlement speed for this type of claim.

*Average claims cost.* After three years in which direct indemnity had a beneficial impact on the average cost of claims (reducing it by 5% between 2006 and 2009), the trend was reversed in 2010 with a rise of nearly 4% to Euro 4,049 (Table 5). One factor was faster settlement (the proportion of claims settled within the year rose by more than 1 percentage point; Table 4), which brought forward the payment of claims that were larger, on average. Another factor may well have been drivers' greater recourse to informal settlement, which excluded a number of small claims from the system.

Here again, straight comparison of the average cost of CARD and non-CARD claims is improper, in that the differing incidence of claims due to changes in the compensation procedure certainly affected claims cost. For example, the average cost of non-CARD claims rose in 2010 as a natural consequence of the higher incidence of CARD claims, which shifted to the latter procedure a number of comparatively small claims formerly handled by the non-CARD procedure. However, the average cost of CARD claims themselves also rose in 2010 (by 4.4%), since the procedure covered a higher proportion of motorcycle/scooter accidents, with their larger damages owing to the higher incidence of personal injury.

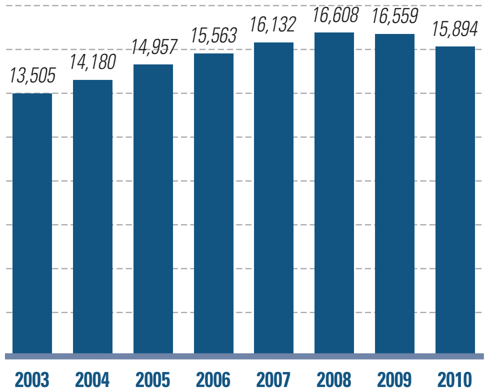
**In 2010 premiums collected in non-life classes other than motor insurance increased slightly. Despite the improvement of the combined ratio by almost five percentage points, the result of the technical balance was almost equal to 0, due to lower gains from investments and the disappointing result of the reinsurance business.**

## NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR CLASSES

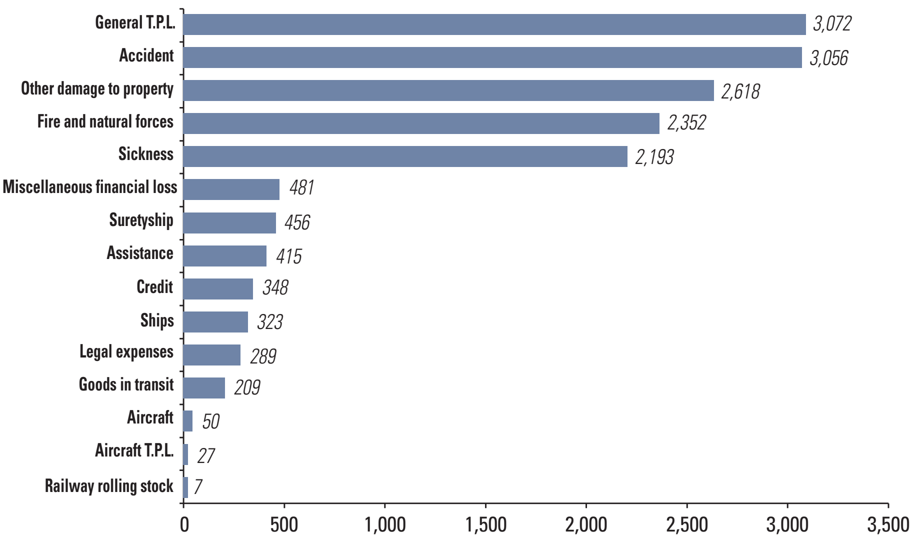
### Preliminary statement

*The data published in this Report cover all insurance companies registered in Italy and branch offices of foreign companies registered in extra-EU countries. During 2010, the exit of two non-life companies from this aggregate (an Italian company and a branch office of an extra-EU company), which continued their activity in Italy, strongly influenced the overall market amounts of this sector and, consequently, the comparison of balance sheet items between 2009 and 2010 should be done carefully. In order to facilitate the temporal analysis for the total insurance sector, all the rates of change in the Report were calculated in homogeneous terms, that is, not including the data of the two abovementioned companies starting from 2009.*

*DIRECT PREMIUMS NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE*
*Euro million*




*DIRECT PREMIUMS BY INSURANCE CLASS – 2010*
*Euro million*



# Other non-life insurance classes

*GROWTH RATE OF DIRECT PREMIUMS BY INSURANCE CLASS – 2010**

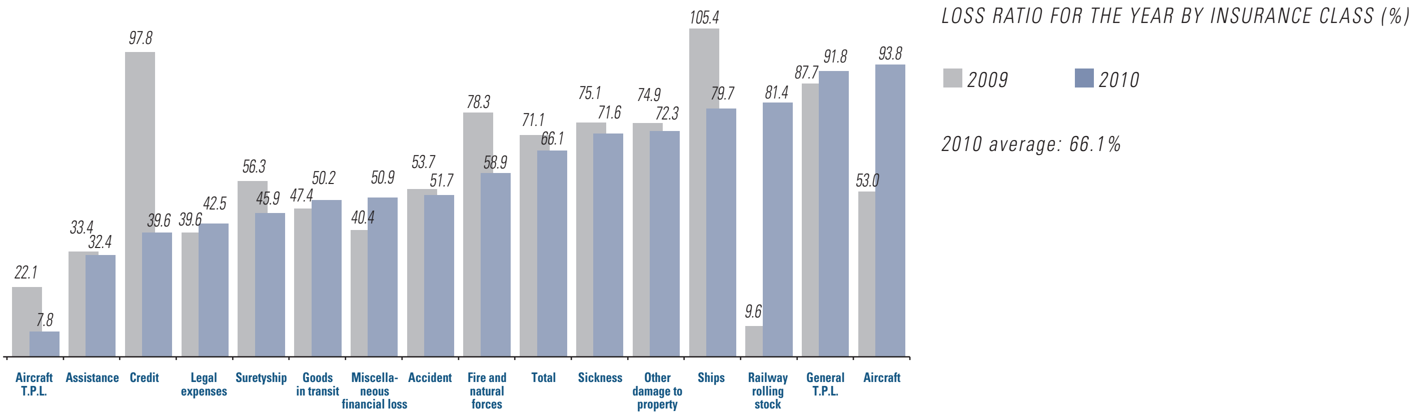
*(*) Change calculated in homogeneous terms*

*2010 average: 0.3%*


*NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE (excluding land vehicles insurance management, motor liability management)*
*Euro million*

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Homogeneous change '10/09* |
|---|---|---|---|---|---|---|---|---|---|
| Gross written premiums | 13,505 | 14,180 | 14,957 | 15,563 | 16,132 | 16,608 | 16,559 | 15,894 | 0.3% |
| Changes in premium reserves (-) | 402 | 474 | 484 | 497 | 476 | 531 | 51 | 243 | |
| Incurred claims (-): | 8,872 | 8,914 | 9,140 | 9,788 | 9,768 | 10,933 | 11,736 | 10,351 | -8.2% |
| - incurred claims cost for the current accident year (-) | 9,114 | 8,979 | 9,439 | 10,000 | 10,137 | 11,166 | 11,804 | 10,575 | -6.4% |
| - excess/shortfall of reserves for those claims incurred in previous accident years | 242 | 64 | 298 | 212 | 369 | 233 | 68 | 224 | |
| Balance of other technical items | -283 | -318 | -314 | -434 | -388 | -419 | -414 | -432 | |
| Operating expenses (-) | 3,919 | 4,130 | 4,409 | 4,619 | 5,018 | 5,059 | 5,015 | 4,831 | 1.2% |
| - commissions | 2,723 | 2,858 | 3,084 | 3,259 | 3,506 | 3,567 | 3,528 | 3,418 | |
| - other acquisition costs | 497 | 521 | 548 | 580 | 624 | 660 | 682 | 680 | |
| - other administration costs | 699 | 751 | 777 | 780 | 888 | 832 | 805 | 733 | |
| **Direct technical balance** | **28** | **343** | **610** | **225** | **482** | **-334** | **-657** | **37** | **105.5%** |
| Investment income | 695 | 784 | 829 | 806 | 903 | 403 | 1,072 | 510 | -49.7% |
| **Direct technical account result** | **723** | **1,128** | **1,439** | **1,031** | **1,385** | **69** | **415** | **547** | **54.6%** |
| Reinsurance results and other items | -346 | -758 | -811 | -632 | -537 | -135 | -359 | -539 | -62.3% |
| **Overall technical account result** | **377** | **370** | **628** | **398** | **848** | **-66** | **56** | **8** | **-64.1%** |
| Annual % changes in premiums | 5.4% | 5.0% | 5.5% | 4.1% | 3.7% | 3.0% | -0.3% | 0.3% | |
| **Combined ratio** | **96.7%** | **94.2%** | **92.6%** | **94.6%** | **93.5%** | **98.5%** | **101.4%** | **96.5%** | |
| - Expense ratio | 29.0% | 29.1% | 29.5% | 29.7% | 31.1% | 30.5% | 30.3% | 30.4% | |
| - Commissions/Gross written premiums | 20.2% | 20.2% | 20.6% | 20.9% | 21.7% | 21.5% | 21.3% | 21.5% | |
| - Other acquisition costs/Gross written premiums | 3.7% | 3.7% | 3.7% | 3.7% | 3.9% | 4.0% | 4.1% | 4.3% | |
| - Other administration costs/Gross written premiums | 5.2% | 5.3% | 5.2% | 5.0% | 5.5% | 5.0% | 4.9% | 4.6% | |
| - Loss ratio: | 67.7% | 65.0% | 63.2% | 65.0% | 62.4% | 68.0% | 71.1% | 66.1% | |
| - Loss ratio for the current accident year | 69.6% | 65.5% | 65.2% | 66.4% | 64.8% | 69.4% | 71.5% | 67.6% | |
| - Excess/shortfall of reserves for previous years claims/ Earned premiums | 1.8% | 0.5% | 2.1% | 1.4% | 2.4% | 1.4% | 0.4% | 1.4% | |
| **Technical balance/Earned premiums** | **0.2%** | **2.5%** | **4.2%** | **1.5%** | **3.1%** | **-2.1%** | **-4.0%** | **0.2%** | |
| **Technical account result/Earned premiums** | **5.5%** | **8.2%** | **9.9%** | **6.8%** | **8.8%** | **0.4%** | **2.5%** | **3.5%** | |
| **Overall technical account result/Earned premiums** | **2.9%** | **2.7%** | **4.3%** | **2.6%** | **5.4%** | **-0.4%** | **0.3%** | **0.0%** | |
| *Premiums to total non-life premiums ratio (%)* | *39.5%* | *40.0%* | *41.2%* | *41.9%* | *42.8%* | *44.3%* | *45.1%* | *44.3%* | |

*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the Italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*




## Premiums

Premiums for direct domestic business collected in non-life insurance classes other than motor classes (that is excluding land vehicles, motor third party liability and marine vehicle third party liability) were equal to Euro 15,894 million in 2010, up by 0.3% compared to 2009. Classes registering an increase in written premiums were other damage to property (+1.9%), assistance (+5.4%), suretyship (+3.9%), legal expenses (+2.3%), sickness (3.2%), credit (+11.0%%), aircraft T.P.L. (+4.8%) and fire and natural forces (+3.6%).

All other classes have registered a decrease. In particular, classes like general T.P.L. (-3.0%) and financial losses (-14.7%) have experienced a reduction in the retail portfolio, due to the difficult economic environment discouraging new subscriptions and due to long-term policies' withdrawals. Reductions in the world production and trade have determined a decrease in shipping volumes and in the value of the goods shipped, hence a decrease in premiums concerning the relevant class. Premium incidence of other non-life insurance classes on the total non-life premiums decreased from 45.1% in 2009 to 44.3% in 2010, mainly because of the decrease in motor insurance premiums.

The **incurred claims cost for the financial year**, defined as the total paid cost and the total reserved cost for all claims incurred in the current accident year, amounted to Euro 10,575 million, with a decrease of 6.4% (calculated homogeneously) compared to the previous year. Considering that written premiums for the financial year have slightly decreased (-0.8%), the loss ratio for the current accident year has improved, decreasing from 71.5% in 2009 to 67.6% in 2010. There are many reasons for the decrease in total claims costs over the last financial year. The property sector has experienced a decrease in claims frequency compared to 2009, partly due to better weather conditions and partly due to monitoring techniques applied by the companies in order control fraud-risk in small claims (such as claims for malfunctions of electric or electronic appliances). Suretyship and credit, are other classes experiencing a decrease in claims cost, due to the improvement of the overall economic conditions during the last year.

# Other non-life insurance classes

Slight increases of incurred claims costs registered during 2010 in financial losses, assistance and legal expenses due to an increase in claims frequency; a worsening of the quality of portfolios and a greater awareness by insureds of the various guarantees offered contributed to this increase. In particular as concerns legal expenses there was an increase in average claims cost due to an growth of professional charges compared to the recent past. As to accident and health classes, and also in general T.P.L., incurred claims cost remained substantially unvaried compared to 2009.

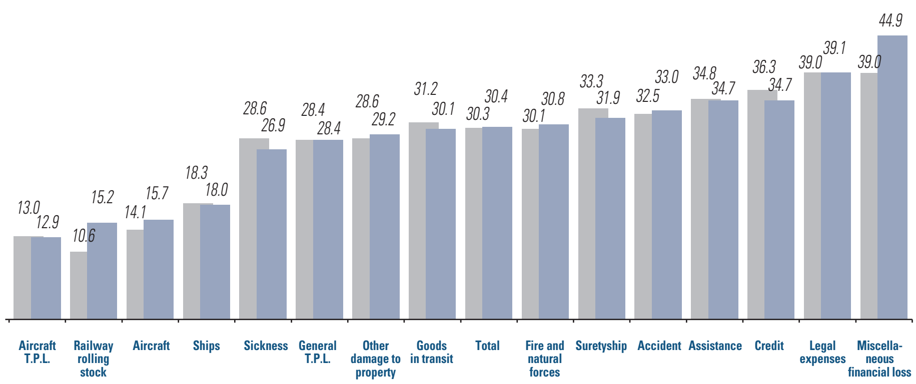
The **incurred claims cost**, which also includes the possible excess/shortfall for claims incurred in previous accident years, totaled Euro 10,351 million, 8.2% less than in 2009. For almost all other classes, except general T.P.L., an increase was registered compared to the previous years. The ratio between this incurred claims cost and earned premiums was equal to 66.1%, a decrease if compared to last year (71.1%). The insurance classes that contributed the most to the improvement of this indicator – and whose weight, in terms of written premiums, is more relevant in comparison to other classes – were accident, whose loss ratio decreased from 53.7% in 2009 to 51,7% in 2010, fire and natural forces (from 78.3% to 58.9%), sickness (from 75.1% to 71.6%) and other damage to property (from 74.9% to 72.3%).

**Operating expenses** were equal to Euro 4,831 million (Euro 5,015 million in 2009) and include administration expenses relating to the technical management of the insurance business, acquisition costs, costs arising from premium collection and costs relating to the organisation and management of the distribution network. The incidence of these operating expenses on premiums was equal to 30.4%, up from 30.3% in 2009. Notably, the expense ratio of the agent commissions increased from 21.3 % in 2009 to 21.5% in 2010, whilst administrative expenses were down from 4.9% in 2009 to 4.6% in 2010. The classes showing the highest expense ratio were miscellaneous financial loss (44.9%), credit and assistance (34.7%),legal expenses (39.1%); ratios lower than 20% were observed in ships (18.0%), aircraft (15.7%), aircraft third party liability (12.9%) and railway rolling stock (15.2%).

*OPERATING EXPENSES BY INSURANCE CLASS*
*% INCIDENCE ON PREMIUMS*

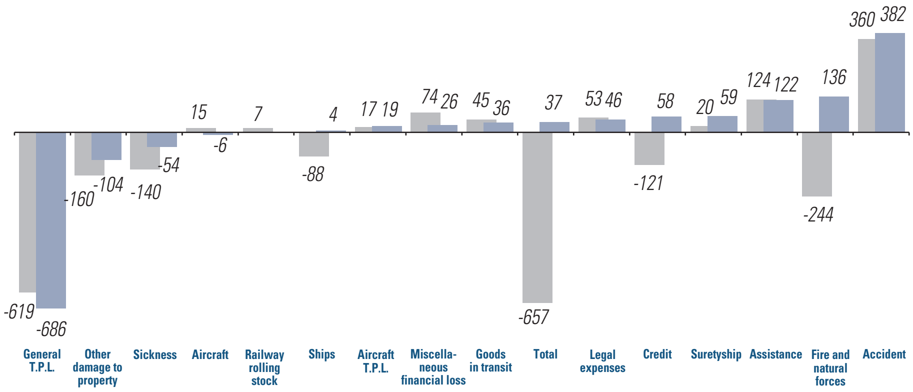
*2009* *2010*

*2010 average: 30.4%*



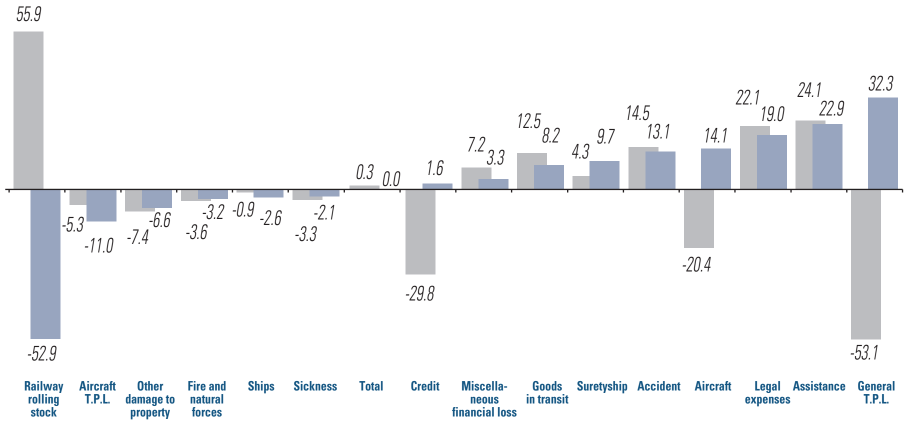
*DIRECT TECHNICAL BALANCE BY INSURANCE CLASS*
*Euro million*

2009 2010




*% INCIDENCE OF OVERALL TECHNICAL ACCOUNT RESULT ON EARNED PREMIUMS BY INSURANCE CLASS*

2009 2010




The **technical balance for direct business** was negative at Euro 37 million (negative at Euro 657 million in 2009). This improvement was due to the previously mentioned decrease in incurred claims cost; in particular a positive technical balance, higher than Euro 100 million, was recorded by the following classes: accident (Euro 382 million against Euro 360 million in 2009); assistance (Euro 122 million against Euro 124 million in 2009); and fire and natural forces (Euro 136 million against a loss of Euro 244 million in 2009). The largest negative balances were registered for general third party liability (Euro -686 million), and other damage to property (Euro -104 million).

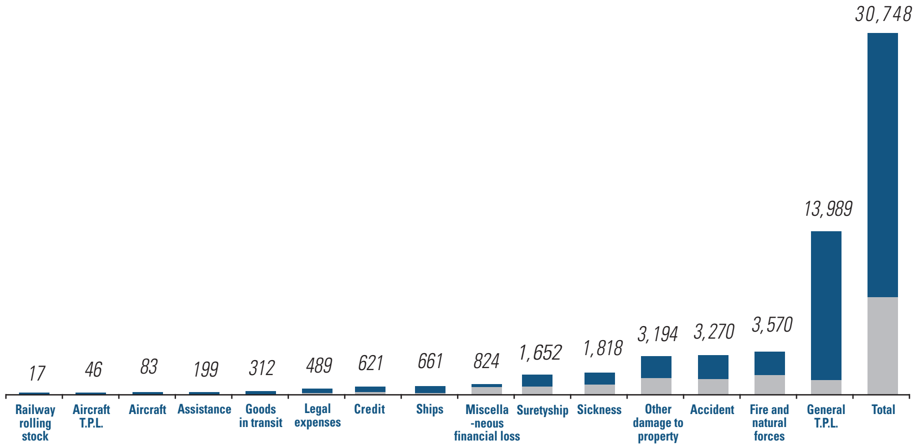
Considering that **investment income amounted to** Euro 510 million in 2010 (down more than 50% if compared to last year), the **direct technical account result** was positive by Euro 547 million (Euro 415 million in 2009).

Also considering the reinsurance balance, which was particularly negative in 2010 (-539 million), the **overall technical account result** was just positive by Euro 8 million (negative by Euro 56 million in 2009), with an incidence on premiums close to 0% (0.3% in 2009). In particular, ratios higher than 10% were registered for the following branches:, accident (13.1%), legal expenses (19.0%), assistance (22.9%) and aircraft T.P.L. (32.3%). Negative values were registered for railway rolling stock (-52.9%), general T.P.L. (-11.0%) and other damage to property (-6.6%).

**Technical reserves** for non-life insurance classes other than motor classes, net of recoverable sums by insureds and third parties, totaled Euro 30,748 million in 2010; premium reserves were at 8,176 million while the claims reserve reached 22.572 million. The largest portion of reserves are those set aside for general third party liability (Euro 13,989 million for both premium and claims), followed by reserves for fire and natural forces (Euro 3,570 million), accident (Euro 3,270 million) and other damage to property (Euro 3,194 million).

*TECHNICAL RESERVES FOR NON-LIFE INSURANCE CLASSES OTHER THAN MOTOR INSURANCE – 2010*
*Euro million*

*Claims reserves* *Premium reserves*




## SHIPPING INSURANCE: CHALLENGES OF THE NEW DECADE

As a new decade gets under way, the international situation is marked by a significant new expansion of world trade, led by the rapid growth of the Asian economies, and by heightened social and political tensions in North Africa and the Middle East, an accentuation of climate-related events in the Far East, and new episodes confirming the seriousness of the problem of piracy on the high seas.

ANIA held an international conference on some of the most topical problems, with the participation of representatives of the law and insurance communities, to compare and contrast differing legal traditions and experiences.

One of the challenges that will face marine insurers, not just in 2011 but in the years ahead, is certainly the recrudescence of piracy.

The key points are familiar enough:

- the deterioration of security in the waters off Somalia and in the Gulf of Aden, which has increasingly drawn the attention of governments and authorities to the maritime and insurance sectors since the taking of the fully-laden oil tanker *Sirius Star* by pirates in November 2008;
- the reflection of the "hull" insurance sector, reconsidering the way in which shippers' risk of piracy is covered, in view among other things of the ever greater difficulty (especially since September 11) of drawing a clear line between piracy and terrorism (which entails shifting piracy from the traditional category of "hull" insurance to that of "risk of war and the like");
- the change in pirates' *modus operandi* by comparison with a few decades back. Specifically, they now consider ship, cargo and crew alike as valuables to be ransomed. In May 2011 more than 700 seamen were being held for ransom on 32 ships scattered along the Somalian coast and in the Gulf of Aden. Furthermore, the effects of these assaults extend beyond the mere taking of ships, posing a constant threat to the global supply chain in one of the world's crucial shipping lanes. Finally, increased use of the "mother ship" technique has vastly extended the pirates' area of operations.

This is the background to the International Maritime Organization's February 2011 "Action Plan to Promote the 2011 World Maritime Day Theme – Piracy: Orchestrating the Response". The Plan seeks to replicate the success in significantly reducing piracy in the years around the turn of the century in the hot spots of the day, the South China Sea and the Straits of Malacca and Singapore.

The Plan sets six principal objectives:

1. increase pressure at the political level to secure the release of all hostages being held by pirates;
2. review and improve the IMO guidelines to Administrations and seafarers and promote compliance with industry best management practices and the recommended preventive, evasive and defensive measures ships should follow;
3. promote greater levels of support from, and coordination with, navies;
4. promote anti-piracy coordination and co-operation procedures between and among States, regions, organizations and industry;
5. assist States to build capacity in piracy-infested regions of the world, and elsewhere, to deter, interdict and bring to justice those who commit acts of piracy and armed robbery against ships;
6. provide care for those attacked or hijacked by pirates and for their families.

A second problem with substantial impact on the industry is that of sanctions. The US President's Executive Order of 13 April 2010 prohibits US firms and citizens from making payments to a number of enumerated bodies. Actually, the rule carries broader implications, raising doubts over the possible repercussions on shippers who elect to pay ransom for the release of hostages and vessels in the hands of pirates.

More generally, one should consider the impact on shipping from the international community's sanctions against Iran, in particular the European Union's ban on trade with that country, and specifically the ban on insurance or reinsurance in favor of Iranian entities.

Governments and regulators are coming to see that the financial industry – banking and insurance in particular – can play a significant role in supporting trade to countries or areas subject to trade sanctions. In many cases, there are explicit bans on insurance and reinsurance. Naturally, the application of sanctions may vary from case to case, but it tends in any case to be extensive, sometimes with severe repercussions on companies active in these sectors owing to their geographical location or the nationality of their corporate bodies or even of individual staff members. This attitude reflects the attempt by the authorities to increase the efficacy of the sanctions. Insurers have always had to deal with these issues, but in the new era in which we are now living they need to be even more vigilant to make sure that the insurance cover offered is compliant with the rules.

### MEDICAL MALPRACTICE INSURANCE

Medical malpractice continues to get extensive media coverage, given the high rate of litigation between patients and health care practitioners, presumably due to changing attitudes on the part of patients, who are now much more rights-conscious than in the past. Factors in the increase include:

– the proliferation of attorneys and law firms that are "malpractice specialists" and have increased the bringing of class actions, as is shown by their advertising campaigns on television and radio and in the press;
– a trend in jurisprudence to broaden the cases of liability and to increase the amount of damages awarded. In this regard the penal Court of Cassation [1], in overturning a Milan Appeals Court judgment acquitting a doctor of negligent homicide (for having released a heart attack victim from hospital prematurely) because the "health service guidelines" had been fol-

(1) Cass. pen., sez. IV, 23 November 2010, no. 1873.

lowed, has ruled that compliance with those guidelines cannot always be deemed to relieve the physician of liability;
- the decision by some local authorities to centralize/organize the handling of malpractice claims regarding multiple health care facilities and to transfer only those of a certain amount to the insurance industry, or even not to transfer the risk at all in favour of so-called "self-insurance";
- legislative remedies to this critical situation, with the presentation of a number of bills; however, rather than deal directly with the phenomenon and its costs, the proposals appear to concentrate mainly on assigning liability solely to the health care institutions so that physicians can work with greater peace of mind and on organizing the structures to handle possible litigation.

Since 2004 ANIA has compiled annual statistics on this insurance sector – one that is unfortunately highly topical and with sharply negative technical accounts. The statistics report the volume of business and claims frequency since 1994, with the construction of technical indices. Two insurance categories are considered:

- institutional liability for healthcare organizations: comprises all policies covering healthcare facilities' liability for medical damages, be they public or private (the survey does not cover nursing homes, medical analysis laboratories, diagnostic centers or universities);
- individual malpractice insurance for physicians: comprises all policies covering doctors' liability, regardless of whether they belong to a healthcare organization.

### Estimating premium volume

Direct Italian medical liability insurance business is estimated at Euro 485 million in 2009, 60% of it accounted for by institutional policies and 40% by individual policies (2). The statistics do not include the premiums of European insurance companies that do malpractice business in Italy under the freedom to provide services. The premium volume in 2009 was down by about half a percentage point from 2008, owing mainly to a 6.1% fall in the premiums paid by healthcare institutions, which elected to retain a larger portion of the risk exposure either through higher deductibles or through self-insurance. Individual practitioners' premium volume, by contrast, increased by 8.9%, probably

(2) ANIA's estimate for the entire market is based on a sample survey of insurers that accounted for 33% of the premium income of the entire general third-party liability branch in 2009.

because of the price revision necessitated by the persistent technical imbalance in this business sector.

Over ten years (1999-2009), total premiums in the medical insurance sector recorded average annual growth of 12.5%.

### Number and average cost of claims

As Table 1 reports, the number of claims filed with Italian insurers in 2009 was estimated at over 34,000, two thirds of them involving institutional policies; the number was up 15% from 2008.

*TABLE 1 - NUMBER OF CLAIMS FILED**

| Year of registration | Institutional liability | % change on previous year | Individual malpractice | % change on previous year | Total medical liability | % change on previous year |
|---|---|---|---|---|---|---|
| *(1)* | *(2)* | *(3)* | *(4)* | *(5)* | *(6)* | *(7)* |
| 1994 | 6,345 | | 3,222 | | 9,567 | |
| 1995 | 11,411 | 79.9% | 5,892 | 82.9% | 17,303 | 80.9% |
| 1996 | 13,028 | 14.2% | 4,028 | -31.6% | 17,057 | -1.4% |
| 1997 | 18,672 | 43.3% | 4,829 | 19.9% | 23,501 | 37.8% |
| 1998 | 21,678 | 16.1% | 6,036 | 25.0% | 27,714 | 17.9% |
| 1999 | 23,261 | 7.3% | 9,073 | 50.3% | 32,334 | 16.7% |
| 2000 | 23,249 | 0.0% | 10,078 | 11.1% | 33,327 | 3.1% |
| 2001 | 21,911 | -5.8% | 11,238 | 11.5% | 33,149 | -0.5% |
| 2002 | 19,028 | -13.2% | 11,443 | 1.8% | 30,471 | -8.1% |
| 2003 | 16,566 | -12.9% | 10,874 | -5.0% | 27,440 | -9.9% |
| 2004 | 16,356 | -1.3% | 11,988 | 10.2% | 28,344 | 3.3% |
| 2005 | 16,343 | -0.1% | 12,290 | 2.5% | 28,633 | 1.0% |
| 2006 | 16,424 | 0.5% | 11,959 | -2.7% | 28,383 | -0.9% |
| 2007 | 16,128 | -1.8% | 13,415 | 12.2% | 29,543 | 4.1% |
| 2008 | 17,746 | 10.0% | 11,851 | -11.7% | 29,597 | 0.2% |
| 2009 | 21,476 | 21.0% | 12,559 | 6.0% | 34,035 | 15.0% |

*(*) ANIA estimate of total number of claims filed based on a sample of insurance companies whose premium income in 2009 accounted for 33% of the entire general third-party liability total*

Table 2 gives the breakdown of total claims (institutional liability and individual malpractice) into those settled and those reserved, both by number and by amount, according to their year of registration. The percentages settled (whether by number or by amount) are low for the more recent generations of claims, because both the effective liability of the insured and the value of the damage are generally quite uncertain. With the passage of time the percentage of settled claims rises, to over 90% for those older than ten years.

TABLE 2
% OF TOTAL MEDICAL LIABILITY CLAIMS SETTLED AT 31/12/2009: NUMBER AND AMOUNT, BY YEAR OF REGISTRATION

| Year of registration | No. of claims settled (%) | No. of claims reserved (%) | Amount of claims settled (%) | Amount of claims reserved (%) |
|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) |
| 1994 | 96.6 | 3.4 | 89.9 | 10.1 |
| 1995 | 96.7 | 3.3 | 90.8 | 9.2 |
| 1996 | 95.8 | 4.2 | 87.1 | 12.9 |
| 1997 | 94.8 | 5.2 | 88.6 | 11.4 |
| 1998 | 93.8 | 6.3 | 85.8 | 14.2 |
| 1999 | 91.0 | 9.0 | 80.0 | 20.0 |
| 2000 | 87.3 | 12.7 | 75.3 | 24.7 |
| 2001 | 82.0 | 18.0 | 66.0 | 34.0 |
| 2002 | 77.7 | 22.3 | 58.3 | 41.7 |
| 2003 | 71.5 | 28.5 | 55.2 | 44.8 |
| 2004 | 64.9 | 35.1 | 45.6 | 54.4 |
| 2005 | 58.1 | 41.9 | 38.0 | 62.0 |
| 2006 | 52.7 | 47.3 | 32.8 | 67.2 |
| 2007 | 37.3 | 62.7 | 22.8 | 77.2 |
| 2008 | 26.0 | 74.0 | 14.9 | 85.1 |
| 2009 | 9.8 | 90.2 | 5.4 | 94.6 |

The average claim cost tends to increase as the percentage settled rises, which is to say as the data solidify. At first, in fact, insurers often underestimate the cost of claims, because the evaluation of physical impairment is complex and adequate information is commonly not available immediately after the occurrence of the event. This is compounded by uncertainty in evaluating damages owing to frequent changes in court rulings in this field.

Consequently, the average cost of claims tends to rise over time (Table 3). For claims filed in 1994, for example, after eight years, in 2002, insurers estimated

TABLE 3
AVERAGE COST OF MEDICAL LIABILITY CLAIMS
(Euro)

| Year of registration | At 31.12.2002 | At 31.12.2004 | At 31.12.2005 | At 31.12.2006 | At 31.12.2007 | At 31.12.2008 | At 31.12.2009 |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1994 | 16,410 | 30,212 | 28,898 | 29,833 | 28,421 | 28,904 | 29,012 |
| 1995 | 14,418 | 21,464 | 21,406 | 22,976 | 22,488 | 22,687 | 22,676 |
| 1996 | 16,961 | 23,253 | 22,000 | 21,789 | 21,622 | 23,819 | 23,493 |
| 1997 | 25,331 | 31,082 | 29,594 | 29,214 | 28,961 | 32,948 | 31,940 |
| 1998 | 17,939 | 24,517 | 22,474 | 30,152 | 29,966 | 34,271 | 33,924 |
| 1999 | 22,820 | 28,144 | 28,556 | 32,063 | 32,571 | 37,281 | 36,511 |
| 2000 | 22,254 | 32,298 | 33,887 | 37,600 | 37,634 | 39,968 | 40,605 |
| 2001 | 21,843 | 31,675 | 33,152 | 36,757 | 35,974 | 40,042 | 40,159 |
| 2002 | 20,157 | 33,026 | 35,298 | 39,903 | 38,490 | 42,732 | 43,196 |
| 2003 | | 30,306 | 34,379 | 39,475 | 39,080 | 44,521 | 47,241 |
| 2004 | | 22,706 | 29,755 | 36,545 | 38,349 | 44,083 | 43,304 |
| 2005 | | | 26,670 | 33,174 | 35,471 | 42,383 | 42,245 |
| 2006 | | | | 30,659 | 33,408 | 41,476 | 42,019 |
| 2007 | | | | | 26,670 | 38,266 | 38,816 |
| 2008 | | | | | | 29,505 | 34,067 |
| 2009 | | | | | | | 25,083 |

the average cost at Euro 16,400, but two years later, after ten years, the estimate had doubled to what now appears to be the "final" average cost of claims of that generation (about Euro 30,000). The same pattern can be observed for all the generations of claims, sometimes with an acceleration. For the 2004 generation, for example, the average almost doubled after only four years, from Euro 22,700 in the year of registration to over Euro 43,000 in 2009.

### Loss ratios

These cost trends, together with the growing number of claims registered each year, have produced extremely negative results for the sector's technical accounts. As with other business segments, for a correct assessment of the performance of medical liability insurance we must also examine the loss ratio (claims in relation to premiums) for the entire medical liability branch year by year (Table 4).

At 31 December 2009 the average loss ratio for all generations was practically 170%. For the most recent generation the ratio came to 153%. As for the evolution of the loss ratio over time, as the percentage settled rises and information is stabilized, we find two distinct patterns:

- for the generations of claims registered from 1994 to 2003, the loss ratio estimated at 31 December 2009 was particularly high (ranging from 177% for claims registered in 2003 to 331% for the 1998 generation);
- from 2004 onwards the loss ratio is lower, though it is still clearly at levels that make this business unprofitable: loss ratios range from 123% for 2007 filings to 153% for those registered in 2009.

The difference between claim generations presumably depends on insurers' improving ability to estimate and forecast trends.

*TABLE 4*
*LOSS RATIO (CLAIMS/PREMIUMS), TOTAL MEDICAL LIABILITY INSURANCE*

*2010 average: 170%*

| Year of registration | At 31.12.2002 | At 31.12.2004 | At 31.12.2005 | At 31.12.2006 | At 31.12.2007 | At 31.12.2008 | At 31.12.2009 |
|---|---|---|---|---|---|---|---|
| *(1)* | *(2)* | *(3)* | *(4)* | *(5)* | *(6)* | *(7)* | *(8)* |
| 1994 | 199% | 251% | 241% | 251% | 238% | 240% | 241% |
| 1995 | 182% | 212% | 216% | 206% | 202% | 201% | 201% |
| 1996 | 187% | 198% | 195% | 191% | 187% | 199% | 198% |
| 1997 | 223% | 320% | 300% | 293% | 286% | 336% | 323% |
| 1998 | 168% | 340% | 313% | 288% | 284% | 341% | 331% |
| 1999 | 179% | 262% | 266% | 249% | 246% | 330% | 321% |
| 2000 | 151% | 216% | 219% | 208% | 206% | 233% | 217% |
| 2001 | 154% | 218% | 218% | 200% | 192% | 215% | 204% |
| 2002 | 149% | 232% | 229% | 199% | 192% | 207% | 199% |
| 2003 | | 196% | 199% | 171% | 162% | 173% | 177% |
| 2004 | | 145% | 170% | 154% | 150% | 144% | 140% |
| 2005 | | | 173% | 162% | 155% | 133% | 131% |
| 2006 | | | | 158% | 157% | 150% | 141% |
| 2007 | | | | | 140% | 130% | 123% |
| 2008 | | | | | | 111% | 147% |
| 2009 | | | | | | | 153% |

### CREDIT INSURANCE

Credit insurance is less common in Italy than in other advanced countries, even though the Italian economy is characterized by a large number of small and medium-sized enterprises which, by nature, should have greater need for this kind of insurance. Credit insurance, in fact, protects the insured business (which has supplied goods or services to third parties and is therefore a creditor in their regard) against the risk of non-payment by customers/buyers/debtors. In the case of definitive total or partial non-payment or of substantial lateness in payment, the insurance company pays the amount stipulated to the policyholder as indemnity. Under the law the contract must refer to all the contracting business's debtors (the principle of inclusiveness) or at least to homogeneous groups of them (according to type of product, for instance) and must specify an obligatory deductible portion borne by the insured (business risk), varying with the type of guarantee offered.

Insurance cover may refer to both domestic and export sales; and the risk insured may be either commercial or, in some cases of exports, political (country risk). Trade credit insurance covers legal default (ascertained following bankruptcy or other default procedures) and de facto default (non-payment beyond a given period of time), and political risk in connection with non-economic events deriving from conflicts, institutional change or unilateral acts by governments. Trade credit insurance is provided by specialized companies, generally single-class multinationals that seek to diversify their exposure internationally. In Italy the top five insurers account for 90% of total premiums. Operationally, before selling a policy the insurance company collects information and analyzes the prospective policyholder's customer portfolio in order to assign to each customer/buyer/debtor or group of buyers a figure representing the maximum insurable amount of receivables. This provides the insured business with useful information on its customers' solvency and creditworthiness, helping to prevent possible defaults. To keep the risk profile up to date, insurance company staff regularly visit the insured's clients/buyers/debtors, among other things to understand their needs and detect any uncertainties that may arise concerning the credit. Depending on the actual sales generated by the customer/buyer/debtor or group of buyers, the insurer estimates the portion of the potential credit available that is used, hence the amount of actual insurance cover provided.

Although these insurance instruments are still underdeveloped in Italy, this type of cover and the connected services (indemnity for claims, accurate information and evaluation of the creditworthiness of customers/buyers/debtors, possibly credit recovery) constitute an important element towards maintaining confidence in short- and medium-term commercial transactions, increasing market competitiveness, containing the cost of credit management, and enhancing firms' financial stability: all factors that sustain economic growth.

During the profound economic and financial crisis that began in 2008, which produced losses for credit insurers in 2008-09 that exceeded the cumulative technical profits of the previous ten years, trade credit insurance proved to be an effective instrument for mitigating the risks of commercial transactions and helped sustain the economy by supplying liquidity to the insured businesses during the crunch. Insurance companies kept their credit policies in being where possible, restructuring the positions of the policyholders, sustaining their losses, flanking and supporting them in times of difficulty.

In 2010 there was an increase of 11% in the premium volume of direct Italian credit insurance business, while the technical account returned to profit, if only barely.

*CREDIT INSURANCE - DIRECT ITALIAN BUSINESS*
*Euro million*

| Year | Premium income | % change over previous year | Technical account result | Result/premium income |
|---|---|---|---|---|
| 1998 | 203 | | 23 | 11.3% |
| 1999 | 219 | 7.9% | 7 | 3.2% |
| 2000 | 272 | 24.2% | 14 | 5.1% |
| 2001 | 314 | 15.4% | 18 | 5.7% |
| 2002 | 321 | 2.2% | 15 | 4.7% |
| 2003 | 301 | -6.2% | 17 | 5.6% |
| 2004 | 268 | -11.0% | 20 | 7.5% |
| 2005 | 279 | 4.1% | 6 | 2.2% |
| 2006 | 297 | 6.5% | 15 | 5.1% |
| 2007 | 331 | 11.4% | 22 | 6.6% |
| 2008 | 335 | 1.2% | -80 | -23.9% |
| 2009 | 314 | -6.3% | -98 | -31.2% |
| 2010 | 348 | 11.0% | 5 | 1.4% |

Credit insurance in Italy is characterized by a higher percentage of insurers that do business as representatives of foreign insurance companies or under the freedom to provide services, which accounted for more than 12% of the sector's total premiums in 2010.

### TYPES OF RISK INSURED IN SURETY COVERAGE

Owing to its special characteristics, surety insurance is governed by specific regulations establishing the criteria for engaging in this line of business and the types of operations that it includes.

Surety insurance consists of policies that perform the same legal and economic function as – that are substitutes for – a suretyship in cash or other goods, or a personal guarantee that a given party (the policyholder) must provide in favour of the beneficiary (public or private) to guarantee future pecuniary obligations either from failure to discharge obligations undertaken or as indemnity for damages or penalty.

The insurance company thus guarantees performance of the policyholder's obligations directly vis-à-vis the beneficiary, who receives the surety policy as a guarantee of the obligor's performance of contract. Consequently, for the insurer the assessment of the obligor and of his presentation to the insurer is of fundamental importance.

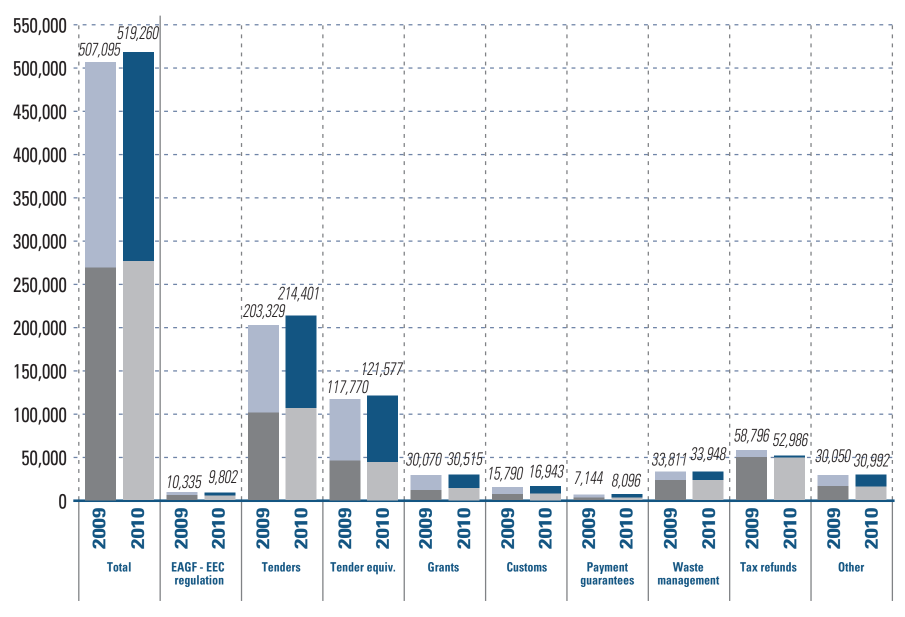
ANIA conducts a twice-yearly survey of premium income from surety insurance (as well as of new business), with a breakdown into the main types of risk covered. In 2010 virtually all the insurers active in this field (93%) participated in the inquiry. Premiums from surety insurance amounted to Euro 519.3 million in 2010, up 2.4% from Euro 507 million in 2009. The increase was due to premiums for new business, which gained 2.8%. After the downturn in 2009 owing to a decreased propensity to spend on the part of households and firms, premium income in this insurance class recorded moderate growth (and a sharper increase in credit insurance), signaling a recovery in business activity. Premiums on new policies, worth over Euro 277 million, represented 53.4% of the total in 2010 (53.2% in 2009).

About 65% of the surety premium income recorded in 2010 was accounted for by two main types of risk: "tender" policies (mostly on public works) and policies "equivalent to tender". Together these two types of risk accounted for more than Euro 336 million in premium income in 2010, up from Euro 330 million in 2009. Sureties play a fundamental role in safeguarding the public interest in public works tenders and are accordingly governed by law (Legislative Decree 163/2006, the Public Procurement Code). Recourse to surety insurance permits firms to participate in the tender and guarantees the performance of contractual obligations and expenses in case of contract award. "Equivalent-to-tender" policies cover the obligations to municipal administrations incurred by builders for the installation of primary and secondary urban infrastructure and the cost of construction or execution of urban infrastructure public works.

## Other non-life insurance classes

*SURETY INSURANCE PREMIUM INCOME*
*Euro (000's)*

*Gross premiums in year*
*Of which, new business*




*N.B.: The data in the figure, on which the text is based, differ from those of ANIA's statistics presented in March 2011 in that the estimates at that date were adjusted to take account of the final data on premium income in 2010, which became available in the interim, and also exclude the premiums of an insurance company put into administrative liquidation*

Guarantees for "tax refunds" (granted in favor of the tax authorities for the refunding of undue tax payments as a result of rectification notices from the competent authorities) accounted for 10.2% of the premium income in 2010 (11.6% in 2009) and amounted to nearly Euro 53 million, down 10 per cent. New business for this type of risk also diminished slightly (by 0.8%), but its share of total premiums rose from 86.2% to 94.9%.

Premium income for "waste management" policies remained unchanged in 2010. These policies insure the compliance of the beneficiaries – Ministry for the Environment or regional, provincial or local governments – with legal obligations and indemnity for any expenses for environmental clean-up for domestic transport, storage, and disposal and cross-border shipment and, lastly, for inclusion in the national register. Premium volume in 2010 came to some Euro 34 million. New business, however, increased by more than the average, rising 6.8% to Euro 25.7 million.

"Grant" insurance was stable. These policies, which insure against errors in the assignment of funds granted by European institutions and central, regional or local government for specific projects, brought in Euro 30.5 million in premiums in 2010, and also recorded the sharpest gain in new business (up 21.1% from 2009), which accordingly rose from 40.8 to 48.7 per cent of total premium income.

Aside from tax refund policies, the other type of surety business that contracted in 2010 was that on European Agricultural Guarantee Fund (EAGF) payments and EEC regulations, whose premium income fell 5.2% to Euro 9.8 million. The subsidy guarantees insure reimbursement of EU grants, contributions and premiums in the agricultural market when controls ascertain the policyholder's total or partial ineligibility for the subsidy. EEC regulation policies guarantee the collection of the customs duties and other taxes due to a member state in relation to merchandise transiting through its territory.

Premiums on "customs risk" policies (suretyships on periodic deferred payment of customs duties, for temporary imports and other customs operations) increased by 7.3% in 2010, from Euro 15.8 million to about Euro 17 million.

Less common than the other varieties, policies relating to "guarantees of payment" registered premium volume of Euro 8 million in 2010, up by 13.3% from scarcely Euro 7 million in 2009. This type of policy had recorded the sharpest drop of all in 2009 (28%).

Premium income on other risks not specified above (entry of foreigners, generic, judicial, non-employee employment relationships, subordinated collaboration relationships, tax collection in respect of cooperative enterprises and limited companies, tax collection for credit institutions) also increased, gaining 3.1% to Euro 31 million.

### ANIA STUDY ON POTENTIAL CATASTROPHIC DAMAGE TO ITALY'S HOUSING STOCK AND POSSIBLE INSURANCE SCHEMES

For many years a discussion has been under way in Italy on the need for insurance cover for housing against natural disasters. The recent catastrophes in Italy (the earthquake in L'Aquila on 6 April 2009) and elsewhere would appear to have heightened the population's perception of the risks of natural disaster and also sparked some dissatisfaction with today's procedures for intervention, which call for reconstruction grants after the fact and accordingly do not guarantee compensation that is adequate to the damage sustained and provided within a reasonable time. A recent survey by CINEAS, a university consortium on risk and risk management, found that 70% of the residents in areas at risk would be willing to take out a natural disaster policy if it were tax-subsidized and could be had at a cost of about Euro 200.

ANIA has contributed to the discussion through the work of Guy Carpenter and with the collaboration of a working group consisting of representatives of ISVAP, CONSAP and insurance companies. The Association has produced a study – forthcoming – entitled "Earthquake and flood damage to Italy's housing stock: A quantitative study and possible insurance schemes." In addition to setting out the advantages to citizens and government of an insurance scheme against catastrophic risk, the main purpose of the study is to provide information for future discussion on a topic that is of greater public interest than ever. The questions the survey seeks to answer and summary results are given below.

1. *What is the annual damage to housing due to earthquake or flooding? What is the detailed distribution of its probability? As a consequence, how much capital – capacity, to use insurance jargon – is needed to insure housing stock, given that an insurance scheme is bound to indemnify uncertain damages that could amount, in the case of natural catastrophe, to a multiple of the certain premium for such coverage?*

According to ISTAT, Italy's residential housing units number 27 million, with a reconstruction value estimated at Euro 3.9 trillion (1). The average annual damage to these assets from earthquakes and floods is estimated at Euro 2.8 billion (2), corresponding to Euro 73 per Euro 100,000 of housing unit rebuilding value (Table 1 and Figure 1).

With the very high probability of 99.5% annual housing damage will not exceed Euro 34 billion, so an insurance scheme with that amount of capacity would meet the requirements of the European Solvency II rules that go into effect in January 2013. Note that deductibles on this coverage would reduce the amount of indemnity paid and concentrate it on the most serious events; this would consequently also reduce the capacity requirement.

*TABLE 1*
*NATURAL DISASTERS (EARTHQUAKE AND FLOOD). MAXIMUM PROBABLE ANNUAL DAMAGE BY RETURN PERIOD*
*(Euro)*

| Damage due to natural catastrophes | |
|---|---|
| **Total amount insured** | **3,903,666,099,700** |
| **Return period (years)** | **Maximum probable damage** |
| 10 | 6,897,600,786 |
| 20 | 11,070,362,411 |
| 25 | 12,649,962,821 |
| 50 | 18,490,476,733 |
| 100 | 25,682,040,085 |
| 200 | 34,226,463,373 |
| 250 | 37,294,111,157 |
| 500 | 47,321,488,194 |
| 1,000 | 57,484,912,662 |
| 100 RP/TAI % | 0.66% |
| 250 RP/TAI % | 0.96% |
| 500 RP/TAI % | 1.21% |
| Expected annual damage* | 2,852,525,404 |
| Rate x Euro 100,000** | 73.07 |

*(*) Average distribution of maximum probable annual damage*
*(**) Ratio of expected annual damage to total amount insured (times 100,000)*

2. *Why discuss compulsory or semi-compulsory insurance (3)? Why has the market for voluntary insurance against these risks failed to take off in Italy?*

The market in natural catastrophe insurance for housing in Italy has not yet taken off, owing to the lack of both demand and supply. On the demand side, ex-post government grants have led the population to believe, wrongly, that they have a right to compensation, resulting in little propensity for individual precautions. And sensitivity to the issue is concentrated in the highest-risk areas, making what little demand there is subject to strong adverse selection. On the supply side, the high risk of the Italian territory makes such coverage demanding in terms of capital allocation, while the difficulty of attaining a critical mass of policyholders not concentrated exclusively in the highest-risk areas has discouraged mass marketing of such policies. This is the reason for the recent discussion on compulsory natural disaster insurance or the compulsory extension of fire insurance to cover that risk.

3. *What insurance schemes are practicable? Who should take on the risk? The private insurance market with the support of the capital market, the State, or a combination of the two? How should insurance cover be distributed? How should damage be valued and indemnified?*

(1) Based on the rebuilding costs supplied by CRESME, with a provincial breakdown for standard building types.
(2) Damages estimated using the RMS simulation model for earthquake risk and the SIGRA model for flood risk.
(3) "Semi-compulsory" insurance means the obligatory extension of fire insurance policies to cover natural catastrophes.

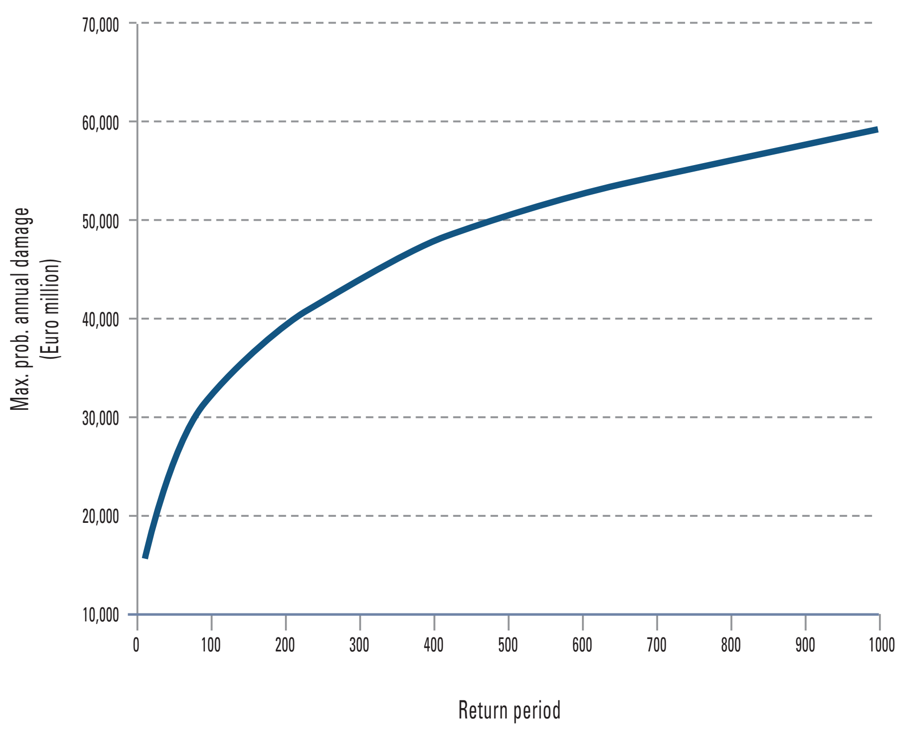



*FIGURE 1*
*MAXIMUM PROBABLE DAMAGE FROM NATURAL CATASTROPHES*

Traditional insurance, in which the insured takes out a policy to protect a good, can be described as performing three distinct functions: risk transfer, sale and management of policies, and valuation and indemnification of damage. In the case of risk transfer, which involves the receipt of a known amount (the policy premium) in exchange for the indemnification of unknown damages, there are three possible actors: the private insurance and reinsurance market, the financial markets, and the State. In Italy, given the high geological risk and the consequently large capital requirement, a reasonable solution would be a mix of State and private insurance. As for the other functions, the private insurance industry is the natural candidate to perform them efficiently, thanks to its widespread agency network for writing policies and assessing and indemnifying claims.

4. *Should the price of cover be proportionate to the risk, or should it be strongly mutualistic, equal throughout the national territory? What role might be played by a consortium or an equalization fund?*

Insurance schemes can have prices commensurate with the risk of the territory involved, hence significantly diversified from place to place (Table 2). Or else premiums can be the same throughout the nation. In this case there must be special arrangements, such as equalization funds or insurance consortia, to allow the free market to coexist with the imposition of geographically undifferentiated prices. Finally, prices varying on the basis of building techniques and preventive measures may be a major incentive for virtuous conduct in this field.

*TABLE 2 - PROVINCIAL RATES PER €100,000 OF INSURED VALUE*

| Province | Rate per € 100,000 | Amount insured (Euro billion) | Province | Rate per € 100,000 | Amount insured (Euro billion) |
|---|---|---|---|---|---|
| L'Aquila | **239.90** | 27.94 | Naples | **65,80** | 114,10 |
| Reggio Calabria | **201.81** | 41.73 | Caserta | **65,25** | 47,01 |
| Ravenna | **191.69** | 30.69 | Cremona | **59,98** | 25,43 |
| Forli-Cesena | **187.94** | 27.31 | La Spezia | **59,64** | 16,82 |
| Isernia | **187.29** | 8.10 | Gorizia | **58,69** | 10,90 |
| Rieti | **186.01** | 13.92 | Latina | **53,54** | 32,54 |
| Terni | **174.60** | 14.50 | Bergamo | **53,23** | 71,84 |
| Catanzaro | **165.61** | 26.31 | Trento | **52,38** | 42,06 |
| Messina | **161.26** | 42.70 | Caltanissetta | **51,77** | 18,52 |
| Florence | **160.72** | 59.76 | Chieti | **50,38** | 29,97 |
| Perugia | **158.24** | 47.14 | Salerno | **48,84** | 60,73 |
| Cosenza | **154.17** | 53.45 | Piacenza | **47,99** | 21,57 |
| Vibo Valentia | **153.37** | 12.94 | Padua | **47,15** | 69,24 |
| Reggio Emilia | **150.19** | 35.06 | Matera | **41,65** | 11,81 |
| Rimini | **148.78** | 19.37 | Venice | **41,59** | 60,15 |
| Pistoia | **146.19** | 21.15 | Lodi | **39,52** | 12,67 |
| Bologna | **139.41** | 62.25 | Trieste | **37,44** | 15,76 |
| Modena | **135.72** | 48.09 | Trapani | **35,25** | 38,42 |
| Foggia | **132.98** | 41.35 | Imperia | **34,43** | 16,76 |
| Lucca | **132.21** | 30.68 | Aosta | **28,65** | 10,67 |
| Treviso | **131.93** | 68.15 | Viterbo | **27,17** | 20,58 |
| Pordenone | **130.92** | 28.47 | Rovigo | **27,10** | 20,99 |
| Catania | **129.41** | 59.54 | Turin | **26,57** | 127,39 |
| Prato | **129.40** | 14.09 | Agrigento | **26,45** | 34,29 |
| Benevento | **124.76** | 18.37 | Verbano-Cusio-Ossola | **23,59** | 13,55 |
| Macerata | **122.96** | 21.76 | Grosseto | **22,99** | 16,48 |
| Avellino | **117.34** | 28.89 | Lecco | **22,73** | 21,70 |
| Parma | **111.22** | 32.36 | Pavia | **22,38** | 37,33 |
| Frosinone | **109.14** | 38.87 | Genoa | **21,91** | 55,22 |
| Ascoli Piceno | **109.09** | 24.91 | Bari | **20,05** | 80,92 |
| Potenza | **106.53** | 25.37 | Livorno | **18,77** | 18,80 |
| Ancona | **103.25** | 28.47 | Taranto | **18,76** | 41,84 |
| Crotone | **100.75** | 13.91 | Sondrio | **18,17** | 15,46 |
| Vicenza | **100.38** | 68.17 | Cuneo | **18,07** | 45,37 |
| Pisa | **98.91** | 26.59 | Alessandria | **17,48** | 34,87 |
| Pesaro e Urbino | **98.67** | 24.48 | Milan | **16,23** | 209,21 |
| Ferrara | **97.29** | 28.65 | Bolzano | **15,96** | 29,62 |
| Campobasso | **95.82** | 17.44 | Lecce | **15,37** | 73,17 |
| Arezzo | **95.59** | 22.03 | Savona | **14,49** | 23,43 |
| Teramo | **90.20** | 22.33 | Biella | **13,75** | 15,25 |
| Belluno | **88.83** | 21.59 | Como | **12,56** | 37,82 |
| Palermo | **88.57** | 71.65 | Vercelli | **11,90** | 13,30 |
| Udine | **87.50** | 52.34 | Brindisi | **10,78** | 33,91 |
| Siracusa | **87.16** | 28.00 | Asti | **9,22** | 16,89 |
| Pescara | **86.38** | 18.83 | Varese | **7,87** | 56,49 |
| Enna | **79.99** | 11.76 | Novara | **6,97** | 24,58 |
| Verona | **78.23** | 63.22 | Sassari | **6,14** | 39,65 |
| Massa-Carrara | **78.03** | 14.09 | Oristano | **3,84** | 14,56 |
| Brescia | **76.40** | 84.71 | Nuoro | **0,47** | 23,49 |
| Rome | **73.93** | 205.62 | Cagliari | **0,38** | 55,73 |
| Mantua | **73.24** | 33.25 | | | |
| Siena | **73.21** | 17.73 | | | |
| Ragusa | **65.80** | 24.71 | Italy | **73,07** | 3,903.67 |

## HOMEOWNERS' FIRE INSURANCE

In 2010 ANIA initiated the collection of statistics on the diffusion of homeowners' fire insurance policies (data up to 2009). The statistics, based on the participation of over 70% of the companies active in fire insurance, permit a geographical analysis of the distribution of these policies. The sample shows 8.5 million homes with fire insurance, for a total insured amount of Euro 1.9 trillion (Figure 1 and Table 1)

Geographically, the insured homes are concentrated in the North, most particularly in Veneto, Lombardy, Piedmont, Emilia-Romagna and parts of Friuli Venezia Giulia. The provinces of Milan, Turin and Rome, in any case, account for nearly a quarter of the nationwide total.

In all the other provinces the percentage of dwellings insured is lower, only occasionally exceeding 3%. In nearly half of the provinces, mostly in the Centre and South, the proportion falls below 0.5%.

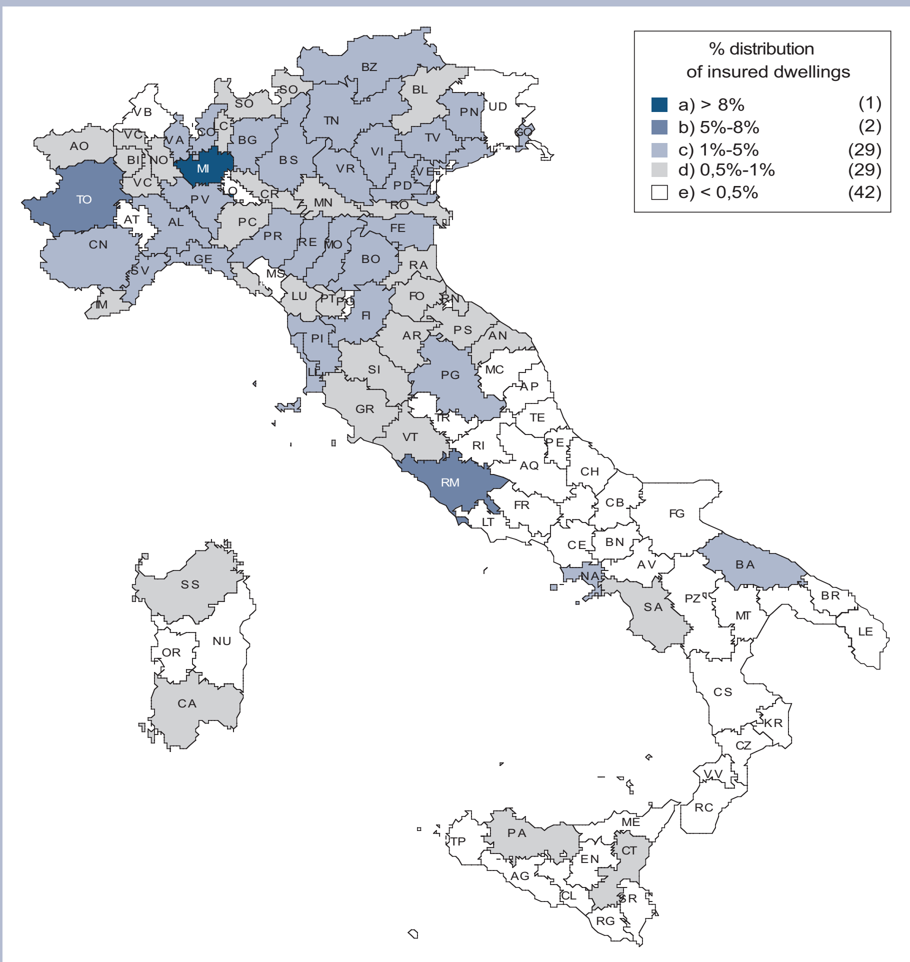



*FIGURE 1*
*% DISTRIBUTION OF DWELLINGS INSURED*

# Other non-life insurance classes

*TABLE 1 - DISTRIBUTION OF DWELLINGS AND AMOUNTS INSURED BY PROVINCE*

| SAMPLE: TOTAL DWELLINGS INSURED | | | | |
|---|---|---|---|---|
| Province | Dwellings | % of dwellings | Amount insured (mln of €) | % of amount insured |
| Agrigento | 13,995 | 0.2% | 1,990 | 0.1% |
| Alessandria | 99,030 | 1.2% | 20,437 | 1.1% |
| Ancona | 71,412 | 0.8% | 14,184 | 0.7% |
| Aosta | 44,493 | 0.5% | 10,153 | 0.5% |
| Ascoli Piceno | 33,534 | 0.4% | 7,103 | 0.4% |
| L'Aquila | 23,214 | 0.3% | 5,121 | 0.3% |
| Arezzo | 43,726 | 0.5% | 10,514 | 0.6% |
| Asti | 37,984 | 0.4% | 8,714 | 0.5% |
| Avellino | 11,084 | 0.1% | 2,694 | 0.1% |
| Bari | 94,133 | 1.1% | 18,603 | 1.0% |
| Bergamo | 182,300 | 2.1% | 40,653 | 2.1% |
| Biella | 43,748 | 0.5% | 10,981 | 0.6% |
| Belluno | 65,082 | 0.8% | 14,916 | 0.8% |
| Benevento | 6,620 | 0.1% | 1,611 | 0.1% |
| Bologna | 261,447 | 3.1% | 48,850 | 2.6% |
| Brindisi | 13,722 | 0.2% | 2,326 | 0.1% |
| Brescia | 254,335 | 3.0% | 54,221 | 2.9% |
| Bolzano | 99,361 | 1.2% | 35,202 | 1.9% |
| Cagliari | 56,360 | 0.7% | 10,224 | 0.5% |
| Campobasso | 11,467 | 0.1% | 2,637 | 0.1% |
| Caserta | 27,299 | 0.3% | 7,851 | 0.4% |
| Chieti | 21,174 | 0.2% | 4,532 | 0.2% |
| Caltanissetta | 10,037 | 0.1% | 2,385 | 0.1% |
| Cuneo | 137,174 | 1.6% | 29,610 | 1.6% |
| Como | 122,356 | 1.4% | 32,562 | 1.7% |
| Cremona | 75,896 | 0.9% | 14,620 | 0.8% |
| Cosenza | 27,646 | 0.3% | 5,017 | 0.3% |
| Catania | 47,497 | 0.6% | 8,432 | 0.4% |
| Catanzaro | 12,564 | 0.1% | 2,575 | 0.1% |
| Enna | 3,250 | 0.0% | 677 | 0.0% |
| Forlì-Cesena | 70,215 | 0.8% | 17,474 | 0.9% |
| Ferrara | 82,163 | 1.0% | 14,392 | 0.8% |
| Foggia | 32,036 | 0.4% | 5,908 | 0.3% |
| Florence | 206,762 | 2.4% | 44,010 | 2.3% |
| Frosinone | 17,087 | 0.2% | 3,862 | 0.2% |
| Genoa | 231,296 | 2.7% | 44,198 | 2.3% |
| Gorizia | 95,237 | 1.1% | 20,629 | 1.1% |
| Grosseto | 41,927 | 0.5% | 8,246 | 0.4% |
| Imperia | 51,895 | 0.6% | 11,283 | 0.6% |
| Isernia | 108 | 0.0% | 11 | 0.0% |
| Crotone | 4,020 | 0.0% | 904 | 0.0% |
| Lecco | 61,940 | 0.7% | 17,096 | 0.9% |
| Lecce | 20,685 | 0.2% | 4,170 | 0.2% |
| Livorno | 83,318 | 1.0% | 13,227 | 0.7% |
| Lodi | 36,735 | 0.4% | 7,791 | 0.4% |
| Latina | 30,991 | 0.4% | 7,229 | 0.4% |
| Lucca | 67,575 | 0.8% | 16,183 | 0.9% |
| Macerata | 32,807 | 0.4% | 6,629 | 0.3% |
| Messina | 35,093 | 0.4% | 7,196 | 0.4% |
| Milan | 804,273 | 9.5% | 185,023 | 9.7% |
| Mantua | 78,980 | 0.9% | 17,303 | 0.9% |
| Modena | 139,109 | 1.6% | 31,850 | 1.7% |
| Massa-Carrara | 24,404 | 0.3% | 5,958 | 0.3% |
| Matera | 4,084 | 0.0% | 875 | 0.0% |
| Naples | 183,607 | 2.2% | 44,784 | 2.4% |
| Novara | 76,582 | 0.9% | 18,514 | 1.0% |
| Nuoro | 9,773 | 0.1% | 2,260 | 0.1% |
| Oristano | 4,802 | 0.1% | 966 | 0.1% |
| Palermo | 75,695 | 0.9% | 19,886 | 1.0% |
| Piacenza | 54,487 | 0.6% | 11,580 | 0.6% |
| Padua | 144,617 | 1.7% | 33,960 | 1.8% |
| Pescara | 25,954 | 0.3% | 5,692 | 0.3% |
| Perugia | 85,144 | 1.0% | 18,309 | 1.0% |
| Pisa | 85,748 | 1.0% | 15,446 | 0.8% |
| Pordenone | 184,452 | 2.2% | 39,644 | 2.1% |
| Prato | 35,629 | 0.4% | 8,251 | 0.4% |
| Parma | 90,024 | 1.1% | 19,510 | 1.0% |
| Pistoia | 52,490 | 0.6% | 11,528 | 0.6% |
| Pesaro e Urbino | 55,720 | 0.7% | 11,661 | 0.6% |
| Pavia | 116,271 | 1.4% | 23,753 | 1.2% |
| Potenza | 7,630 | 0.1% | 1,529 | 0.1% |
| Ravenna | 75,074 | 0.9% | 18,067 | 1.0% |
| Reggio Calabria | 17,941 | 0.2% | 3,693 | 0.2% |
| Reggio Emilia | 85,490 | 1.0% | 22,339 | 1.2% |
| Ragusa | 11,111 | 0.1% | 1,978 | 0.1% |
| Rieti | 11,548 | 0.1% | 2,233 | 0.1% |
| Rome | 619,412 | 7.3% | 166,797 | 8.8% |
| Rimini | 50,944 | 0.6% | 14,007 | 0.7% |
| Rovigo | 38,447 | 0.5% | 6,533 | 0.3% |
| Rep, San Marino | 1,035 | 0.0% | 305 | 0.0% |
| Salerno | 49,577 | 0.6% | 12,317 | 0.6% |
| Città del Vaticano | 1,309 | 0.0% | 162 | 0.0% |
| Siena | 60,796 | 0.7% | 14,677 | 0.8% |
| Sondrio | 38,685 | 0.5% | 8,659 | 0.5% |
| La Spezia | 44,013 | 0.5% | 8,534 | 0.4% |
| Siracusa | 19,320 | 0.2% | 3,595 | 0.2% |
| Sassari | 41,601 | 0.5% | 8,965 | 0.5% |
| Savona | 90,874 | 1.1% | 16,449 | 0.9% |
| Taranto | 28,804 | 0.3% | 5,019 | 0.3% |
| Teramo | 19,060 | 0.2% | 4,303 | 0.2% |
| Trento | 108,276 | 1.3% | 25,317 | 1.3% |
| Turin | 530,279 | 6.2% | 102,461 | 5.4% |
| Trapani | 19,567 | 0.2% | 3,628 | 0.2% |
| Terni | 30,326 | 0.4% | 6,158 | 0.3% |
| Trieste | 638 | 0.0% | 113 | 0.0% |
| Treviso | 158,758 | 1.9% | 40,214 | 2.1% |
| Udine | 7,595 | 0.1% | 1,574 | 0.1% |
| Varese | 172,139 | 2.0% | 46,111 | 2.4% |
| Verbano-Cusio-Ossola | 38,076 | 0.4% | 9,204 | 0.5% |
| Vercelli | 40,619 | 0.5% | 8,699 | 0.5% |
| Venice | 173,798 | 2.0% | 40,391 | 2.1% |
| Vicenza | 139,779 | 1.6% | 32,283 | 1.7% |
| Verona | 153,073 | 1.8% | 32,492 | 1.7% |
| Viterbo | 40,489 | 0.5% | 7,446 | 0.4% |
| Vibo Valentia | 4,891 | 0.1% | 874 | 0.0% |
| Uncoded | 78,168 | 0.9% | 16,960 | 0.9% |
| **TOTAL** | **8,494,820** | **100.0%** | **1,900,677** | **100.0%** |

It is impossible, at province level, to determine the percentage of all dwellings that are insured, since our data are for a sample. Obviously, the distribution of value insured is quite similar to that of the number of homes insured – again, heavily concentrated in the North of Italy.

Based on the sample observed, we can estimate that 12 million Italian homes were insured against so called "civil risk" in 2009. As ISTAT counts 27.3 million dwellings, the percentage would be 44%. However, this figure is subject to two principal, if offsetting, distortions:

– *overestimation effect*: it is possible that the same dwelling may have both a stand-alone policy (in the name of the owner) and a comprehensive policy covering the entire apartment building or condominium;
– *underestimation effect*: possible non-counting of some dwellings insured by group policies, such as those linked to home mortgage loans.

For a sub-sample of insurers that responded with respect to some additional parameters, a more detailed breakdown of additional risk factors is possible. For instance, of the 4.5 million policies reported by this group (for total insured value of Euro 1.86 trillion), 69% were multi-risk policies, 22% comprehensive building policies, and just over 9% stand-alone homeowner policies (Table 2). By amount insured, however, nearly half was accounted for by comprehensive building policies (as these, naturally, are for higher values), 43% by multi-risk policies and just 9% by stand-alone policies.

*TABLE 2*
*HOMEOWNER POLICY BY TYPE*

| Type | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| Fire, stand-alone | 423,302 | 9.4 | 158,092 | 8.5 |
| Comprehesive, building | 964,392 | 21.5 | 894,655 | 48.1 |
| Multi-risk | 3,092,069 | 69.0 | 808,324 | 43.4 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

Of the policies, 77% are on single dwelling units proper, 21% on residential buildings, and only 2.5% on auxiliary commercial premises, i.e. premises on the ground floor of apartment blocks (Table 3). Obviously, for the value insured the percentages change; specifically, buildings consisting of more than one dwelling account for more than half of the total value insured.

*TABLE 3*
*RISK SECTOR*

| Sector | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| Single dwelling | 3,442,627 | 76.8 | 829,859 | 44.6 |
| Auxiliary commercial unit | 113,261 | 2.5 | 61,664 | 3.3 |
| Building | 923,875 | 20.6 | 969,548 | 52.1 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

On the basis of our sub-sample, only 18.6% of the policies have a third-party beneficiary, as is the case of mortgage insurance policies in connection with home purchase loans (Table 4) ([1]). Over 81% of policies have no such constraint. By value insured, too, the percentage of policies subject to some form of beneficiary constraint is modest, less than a fifth (17%).

*TABLE 4*
*THIRD PARTY BENEFICIARY*

| | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| Third-party beneficiary | 3,647,180 | 81.4 | 1,548,177 | 83.2 |
| No third-party beneficiary | 832,583 | 18.6 | 312,894 | 16.8 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

At present, the extension of fire insurance to cover natural disasters is very limited in Italy; 99.5% of fire policies have no such extension (Table 5). If our sample is representative of the entire market, this means that there are just 35,000 policies for earthquake or flood risk or both.

*TABLE 5*
*EXTENSION TO NATURAL CATASTROPHE*

| | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| None | 4,459,556 | 99.5 | 1,815,552 | 97.6 |
| At least earthquake | 6,933 | 0.2 | 6,551 | 0.4 |
| At least flood | 1,317 | 0.0 | 3,695 | 0.2 |
| At least earthquake plus flood | 11,958 | 0.3 | 35,273 | 1.9 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

The great majority of these contracts (88%) are for "full value" ([2]) and only 12% for first absolute risk ([3]). In terms of insured amounts, absolute risk policies are much less important, accounting for just 6% of the total.

([1]) The apparently low figure of 18.6% for insurance policies tied to mortgages probably depends on the fact that only individual policies, comprehensive policies for buildings, and multi-risk policies were counted. Fire insurance policies taken out by individuals through banks are frequently sold as single "properties" insured within group policies and would thus escape observation. Calculating the proportion of policies with a third-party beneficiary on stand-alone policies only (numbering 3.4 million; Table 2), the percentage rises to over 24%.

([2]) "Full value" insurance means that the amount insured corresponds to the value of the goods insured. If the actual value of the goods at the time of the hazard event is greater than the insured value, the insurer indemnifies damage in proportion to the ratio between the value insured and the real value of the goods.

([3]) "First absolute risk" insurance differs from "full value" in that the policy is not for an amount corresponding to the full value but for the maximum damage that the insured considers he will sustain in the case of the hazard event. Indemnity here is therefore not proportional; the insurer indemnifies all damage up to the amount stipulated.

TABLE 6
FORMS OF COVERAGE

| | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| First absolute risk | 548,835 | 12.3 | 105,252 | 5.7 |
| Full value | 3,930,928 | 87.7 | 1,755,819 | 94.3 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

More than half the fire insurance policies (52%) cover the "contents" of the home (belongings), but these policies account for only 31% of the insured value. Presumably such coverage applies only to stand-alone policies, necessarily for less value than policies for whole buildings, which rarely cover dwelling contents.

TABLE 7
INSURANCE OF HOME CONTENTS

| | No. policies | % of policies | Amount insured (millions of €) | % of amount |
|---|---|---|---|---|
| No coverage | 2,145,608 | 47.9 | 1,291,656 | 69.4 |
| Coverage | 2,334,155 | 52.1 | 569,415 | 30.6 |
| **Total** | **4,479,763** | **100.0** | **1,861,071** | **100.0** |

## THE QSIGAV PROJECT: STUDY ON METEOROLOGICAL THREATS (HAIL, WIND, PRECIPITATION)

The climate change that has occurred in recent years exposes Italy to a progressive increase in both frequency and severity of some meteorological events that, as recent incidents have shown, can have a tragic social and economic impact. These changes also have a powerful effect on insurance policies against meteorological risks.

ANIA has accordingly decided to update a study carried out in 2004 by the National Research Council (CNR) in Florence on commission from the Generali Group. The study maps the Italian territory to pinpoint meteorologically dangerous areas for hail, high wind, flooding and precipitation; it is designed as a support for insurers in evaluating the particular risk of the territory in which insured goods are located.

The study was concluded in March 2011. Apart from the updating of the meteorological database, it has produced a digital mapping for viewing, consultation and inquiry on the results for the meteorological variables through an ad hoc software called QSIGAV ("Sistema informativo Q-GIS grandine, alluvioni, vento e precipitazioni" [hail, flood, wind and precipitation]).

### The meteorological database

The meteorological database has been updated through 2009 for significant events of hail, high winds and heavy precipitation. Data on floods have been left out, since the market already has a satisfactory instrument for treating flood risk (SIGRA). The database consists of the CNR's aggregation and processing of data from a series of sources:

- data certified by the UN World Meteorological Organization, available at the US National Climatic Data Center, which includes the data collected by the weather service stations of the Italian air force and of the Ministry for Agricultural and Forestry Policies (a total of about 100 observation stations throughout Italy);
- the European Severe Storms Laboratory's certified Severe Weather Database;
- the proprietary database of Meteo-Grandine, a firm, on hailstorms in Italy;
- more detailed data on hailstorms gauged by a network of hailpads, available only for the regions of Trentino-Alto Adige and Friuli-Venezia Giulia;
- data on average monthly precipitation collected by weather stations and satellite data from the Global Precipitation Climatology Centre.

### QSIGAV functions

QSIGAV can display thematic maps for one or more types of event by municipality and aggregate them. The analyst can obtain, for any given territory, the frequency of events according to severity, for every type of weather event (the user can also determine the breadth of the severity classes). The default settings are:

- Hail
  - number of events in 10 years
  - number of events in 10 years with hailstones of diameter 5-10 mm
  - number of events in 10 years with hailstones of diameter 11-15 mm
  - number of events in 10 years with hailstones of diameter 16-20 mm
  - number of events in 10 years with hailstones of diameter >20 mm
- Wind:
  - number of events in 10 years with winds of at least 75 km/h
  - number of events in 10 years with winds of at least 90 km/h
  - number of events in 10 years with winds of at least 100 km/h
  - number of events in 10 years with winds of 120 km/h or more
- Precipitation:
  - number of events in 10 years with precipitation of at least 10 mm
  - number of events in 10 years with precipitation of at least 20 mm
  - number of events in 10 years with precipitation of at least 50 mm
  - number of events in 10 years with precipitation of at least 75 mm
  - number of events in 10 years with precipitation of 100 or more

**Territorial distribution of weather events**

Let us give some examples of the kinds of thematic map that can be drawn using QSIGAV. We can see, for instance, that the areas most exposed to hailstorms are some municipalities in the North-West and the region of Campania (Figure 1)

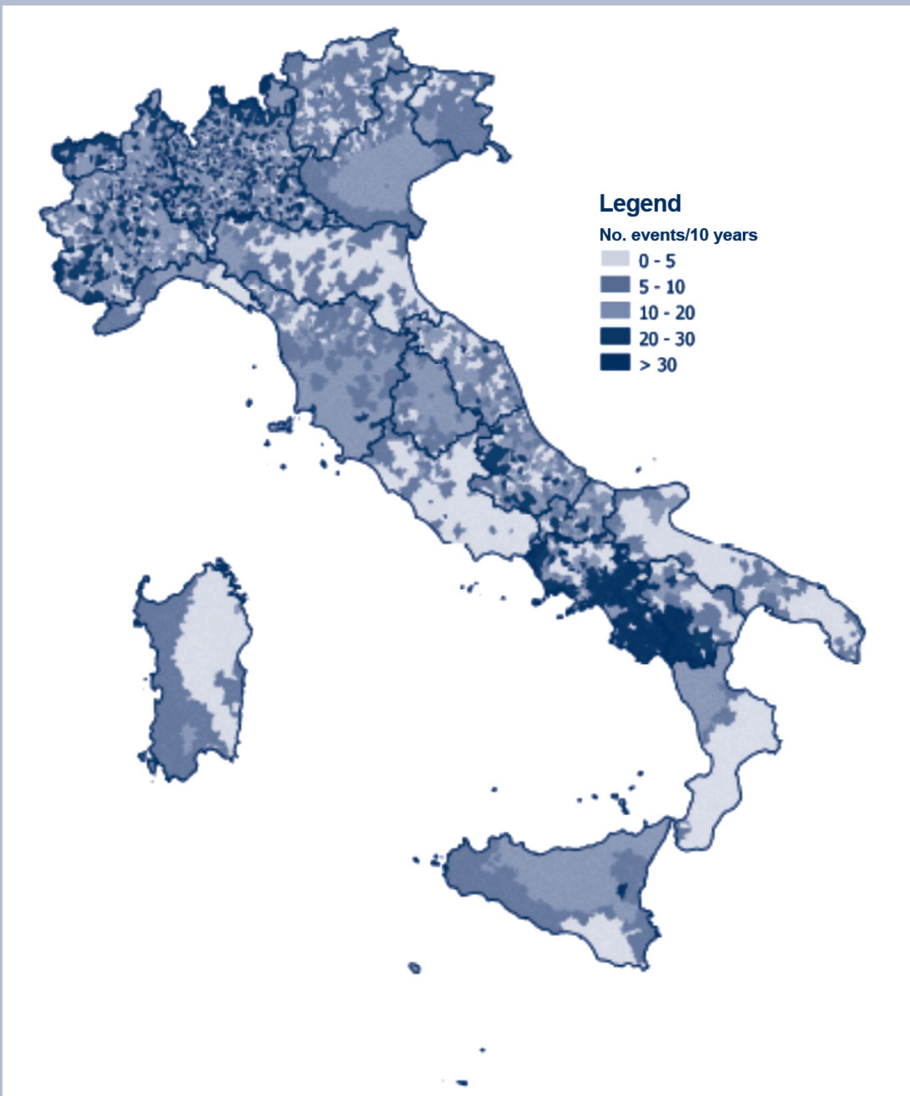
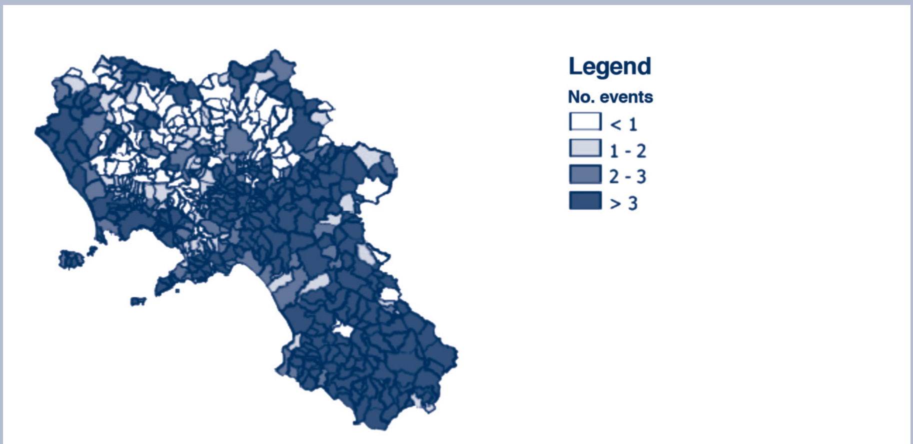



*FIGURE 1*
*FREQUENCY OF HAILSTORMS IN 10 YEARS - ITALY*

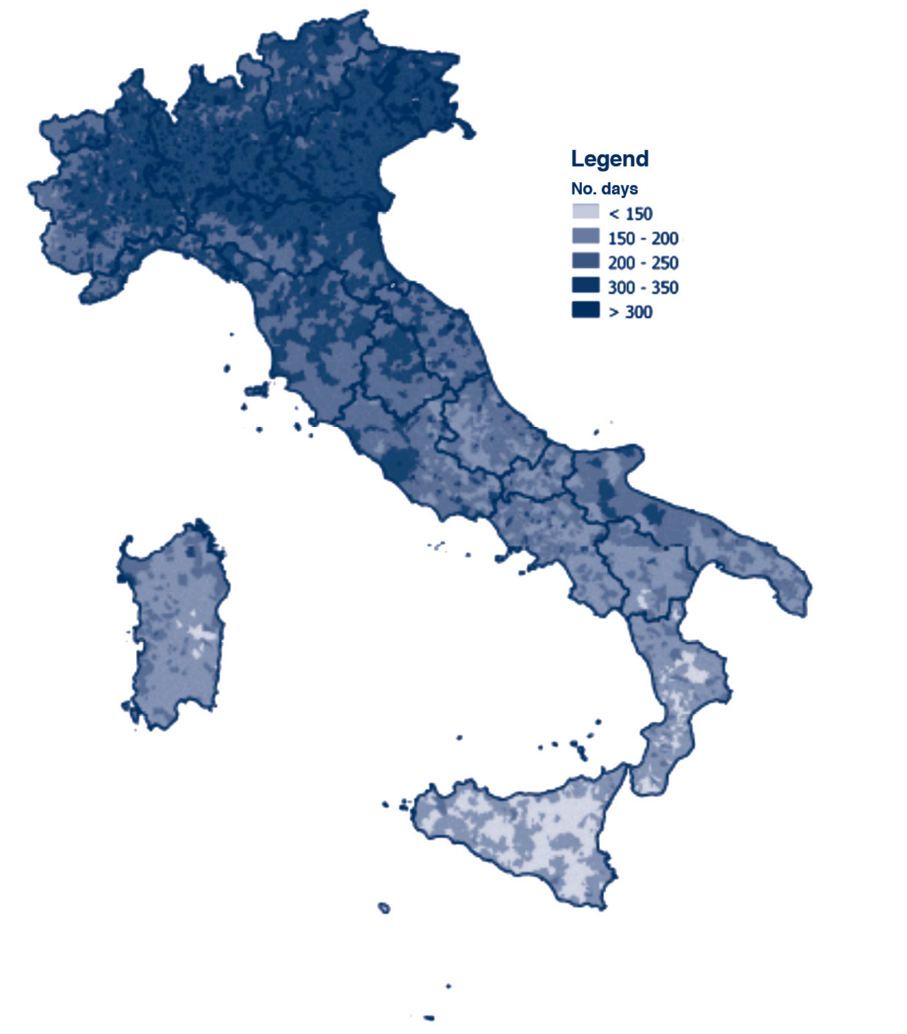
A more detailed breakdown for Campania, the region most exposed to hail risk, shows that most municipalities within the region recorded more than 3 hailstorms in 10 years with stones with a diameter of more than 20 mm (Figure 2).

*FIGURE 2*
*FREQUENCY OF HAILSTORMS IN 10 YEARS WITH STONES LARGER THAN 20 MM - CAMPANIA REGION*




The frequency of high winds is not highly diversified geographically, save for episodes with winds stronger than 75 km/h, which are concentrated in the North-East.

*FIGURE 3*
*NO. DAYS IN 10 YEARS WITH PRECIPITATION MORE THAN 10 MM*



Finally, the number of days with precipitation greater than 100 mm is fairly uniform throughout Italy (generally, no more than four in 10 years). For more moderate but still heavy precipitation (more than 10 mm in a day), however, the frequency is quite diversified. All the municipalities of the Centre and North recorded more than 200 such days in 10 years, and some of them had over 500 (Figure 3). The region with the fewest heavy rain days is Sicily, followed by Calabria.

### THE NEW FUNCTIONS OF SIGRA

The integrated flood risk management system (*Sistema Integrato per la Gestione del Rischio Alluvionale*, SIGRA) supports insurers in evaluating exposure to flood risk both of individual policies and of entire portfolios. The system was created between 2004 and 2007 by a pool of Italian insurers coordinated by ANIA. In recent years we have continued to develop it, with improvements both in processing time and in functions available to users. In particular, the models for calculating the flood risk exposure of a portfolio of policies based on past or simulated flood scenarios has been thoroughly revised, and a mechanism for valuing exposure to indirect damage (losses due to the interruption of economic activity) has been introduced.

SIGRA exploits a mass of historical and geographical data, some of them acquired ad hoc, and detailed hydrological and statistical models. The system is based on the possibility of estimating the frequency and severity of floods and vulnerability of the insured to flood risk depending on precise location. Special instruments are provided (based on Geographical Information System technologies) for locating each element as precisely as possible within Italy.

In order to value the risk exposure of individual policies, SIGRA makes it possible to determine whether each good insured is located within an area subject to flooding and also to quantify risk in terms of annual expected loss and maximum possible loss. Finally, the system can calculate the distribution of direct damage (flood damage to buildings, merchandise and machinery) and indirect damage, net of deductibles and any other limitations stipulated in the policy.

In assessing entire portfolios, SIGRA can be used to verify the cumulative risk exposure in a given area, to plan reinsurance, and to calculate the solvency capital requirement. Note that SIGRA offers valuations only for the portion of the portfolio located in an area that has been studied. For the moment, the software offers no indications for other areas. The assessments are based on simulation of about 100,000 flooding events and an estimate of the distribution of total net damage (direct and indirect) to the policy portfolio by single events (Figure 4). The distribution is also estimated on an annual basis (Figure 5).

*FIGURE 4*
*DISTRIBUTION OF NET DAMAGE PER EVENT*
*(Euro)*

| Return period (years) | Occurrence exceeding probability (OEP) |
|---|---|
| 10 | 1,012,630 |
| 20 | 1,575,369 |
| 25 | 1,575,368 |
| 50 | 1,743,916 |
| 100 | 1,902,454 |
| 200 | 2,469,628 |
| 250 | 2,743,882 |
| 500 | 4,546,223 |
| 1,000 | 4,549,787 |

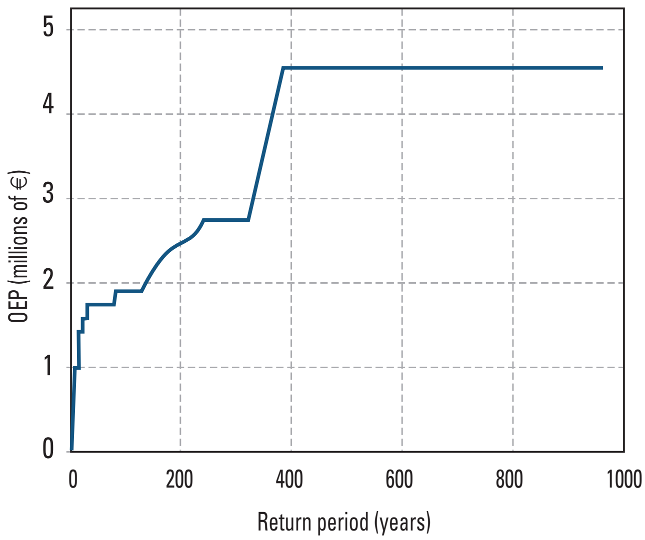
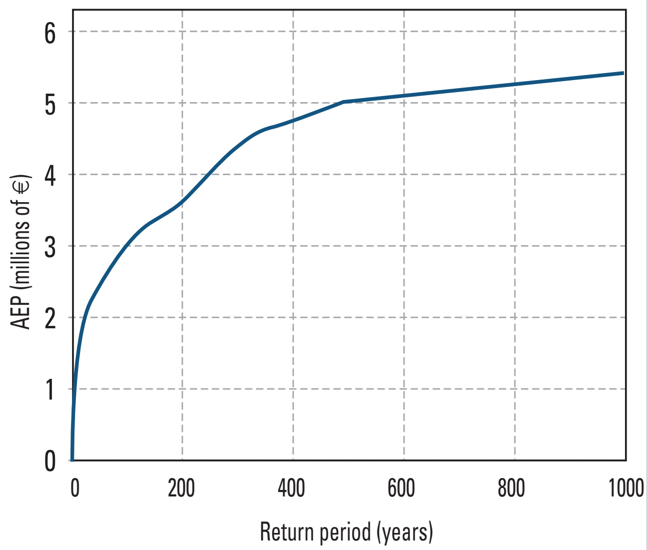



*FIGURE 5*
*DISTRIBUTION OF ANNUAL NET DAMAGE*
*(Euro)*

| Return period (years) | Annual exceedance probability (AEP) |
|---|---|
| 10 | 1,429,624 |
| 20 | 1,855,649 |
| 25 | 2,001,394 |
| 50 | 2,427,420 |
| 100 | 2,939,009 |
| 200 | 3,608,597 |
| 250 | 4,002,788 |
| 500 | 4,972,248 |
| 1,000 | 5,398,274 |
| Rate x 100,000 | 21.35 |
| 100 Tr%SAT | 0.13 |
| 200 Tr%SAT | 0.16 |
| 250 Tr%SAT | 0.18 |
| 500 Tr%SAT | 0.22 |




As for the distribution of the damage caused by a single event, the section for "Information on the distribution of net damage by event" gives a table and a figure showing the damage distribution by return period. The section "Information on the distribution of total net annual damage" has a table giving that distribution, the pure premium rate per Euro 100,000 insured value, and the ratio of aggregate exceedance probability, for various return periods, to the insured value.

**Drainage basins**

To draw the SIGRA risk maps, 36 drainage basin authorities were identified, covering a total land area of 307,000 square kilometers. The segments analyzed by SIGRA come to some 7,700 kilometers in length, or 4% of the national territory, and cover more than 80% of the territory considered to be at risk of flooding, some 11,500 square kilometers. They were identified using demographic and economic indicators, taking account of the presence of industries at risk of significant accidents.

*NUMBER OF STAFF*

| YEAR | ADMIN. | DEALERS | TOTAL |
|---|---|---|---|
| 2002 | 36,987 | 2,993 | 39,980 |
| 2003 | 36,429 | 2,862 | 39,291 |
| 2004 | 37,275 | 2,830 | 40,105 |
| 2005 | 37,016 | 2,908 | 39,924 |
| 2006 | 36,665 | 3,130 | 39,795 |
| 2007 | 36,567 | 3,156 | 39,723 |
| *2007 (*)* | *41,121* | *5,157* | *46,278* |
| 2008 | 41,479 | 5,352 | 46,831 |
| 2009 | 41,881 | 5,488 | 47,369 |
| 2010 | 41,730 | 5,456 | 47,185 |

*(*) For the first time in 2007 the total includes 4,554 employees of other entities controlled by insurance companies and roughly 2,000 additional dealers as a consequence of a large corporate restructuring*

*TOTAL STAFF COSTS*
*Euro million*

| YEAR | ADMIN. | DEALERS | TOTAL |
|---|---|---|---|
| 2002 | 2,119 | 117 | 2,236 |
| 2003 | 2,268 | 115 | 2,383 |
| 2004 | 2,379 | 129 | 2,508 |
| 2005 | 2,457 | 142 | 2,599 |
| 2006 | 2,533 | 154 | 2,687 |
| 2007 | 2,711 | 169 | 2,880 |
| *2007 (*)* | *2,972* | *277* | *3,249* |
| 2008 | 3,118 | 273 | 3,390 |
| 2009 | 3,142 | 261 | 3,403 |
| 2010 | 3,192 | 263 | 3,456 |

*(*) For the first time in 2007 total costs relating to staff include 4,554 employees of other entities controlled by insurance companies and roughly 2,000 additional dealers as a consequence of a large corporate restructuring*

*ANNUAL CHANGE IN TOTAL STAFF COSTS (%)*

| YEAR | ADMIN. | DEALERS | TOTAL |
|---|---|---|---|
| 2003 | 7.0 | -1.7 | 6.6 |
| 2004 | 4.9 | 12.2 | 5.2 |
| 2005 | 3.3 | 10.1 | 3.6 |
| 2006 | 3.1 | 8.5 | 3.4 |
| 2007 | 7.0 | 9.7 | 7.2 |
| 2008 | 4.9 | -1.6 | 4.3 |
| 2009 | 0.8 | -4.2 | 0.4 |
| 2010 | 1.6 | 0.7 | 1.6 |

*ANNUAL CHANGE IN STAFF COSTS PER EMPLOYEE (%)*

| YEAR | ADMIN. | DEALERS | TOTAL |
|---|---|---|---|
| 2004 | 4.5 | 15.3 | 5.2 |
| 2005 | 2.3 | 9.3 | 2.8 |
| 2006 | 4.1 | 3.0 | 3.7 |
| 2007 | 7.6 | 5.5 | 7.4 |
| 2008 | 4.6 | -3.8 | 3.8 |
| 2009 | -0.1 | -7.2 | -0.8 |
| 2010 | 1.3 | -0.2 | 1.2 |

## STAFF AND LABOUR COSTS

At the end of 2010 the Italian insurance industry employed a total of 47,185 people, 0.4% less than the previous year when the employees were 47,369 (+1.1% compared to 2008). The estimate for the whole market was made using data of a very representative sample of companies.

Included among the 41,730 administrative employees were 3,735 employees of entities controlled by insurance companies, to whom the national labour contract of the insurance sector applied. Overall, administrative staff decreased in 2010 by 151 units (-0.4%), despite an increase in the call center employees to both the first section (+2.0%) and second section (+2.2%) adding up to 2,205 units at the end of the year; the number of executives (-2.1%) is equal to 1,143. The number of dealers was 5,456, that is 32 less than the previous year (-0.6%).

At the end of 2010 total labour costs of the industry amounted to Euro 3,456 million, of which Euro 3,192 million related to administrative staff and Euro 263 million to dealers.

To obtain per capita labour costs, as well as to calculate staff trends, the semi-sum method was adopted. Moreover it was necessary to employ a number of estimation techniques to allow consistent comparisons with data collected before 2007, when for the first time about 5,000 employees and approximately 2,000 dealers of entities controlled by insurance companies were included in the count after a major corporate restructuring.

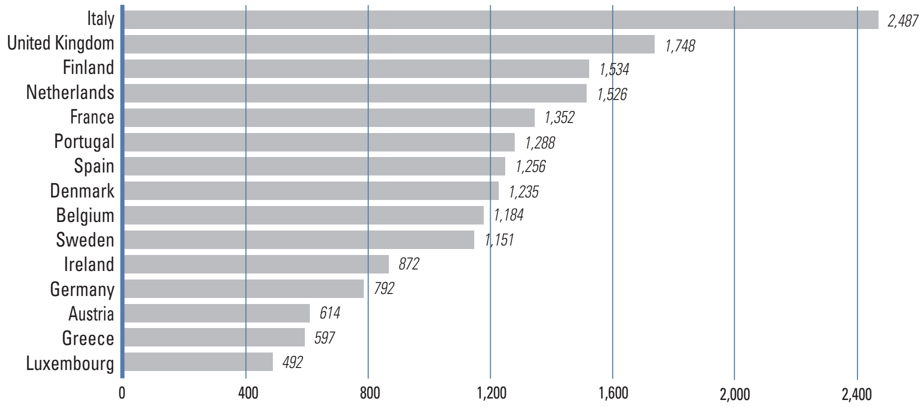
In 2010 total labour costs of administrative staff increased by 1.6%, whereas the cost per worker, equal to Euro 76,400, increased by 1.3%.

Total labour costs of dealers increased by 1.2%, while average cost per dealer (equal to Euro 48,100 in 2010) remained practically the same.

Overall, total staff costs increased moderately (+1.6%), slightly more than unit costs (+1.2%).

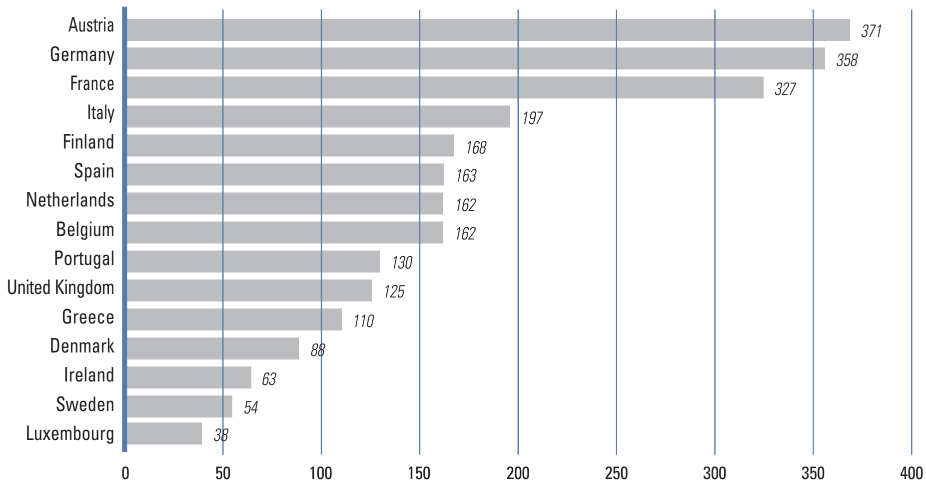
*PREMIUMS PER EMPLOYEE IN EU-15 COUNTRIES – 2009*

*Euro (000's)*




*Source: CEA*

*EMPLOYEES PER COMPANY IN EU-15 COUNTRIES – 2009*




*Source: CEA*

**In life insurance distribution, 2010 was once again marked by the significant expansion of premiums written through bank branches. Premiums collected by financial advisers and by agents grew as well, although at a slower pace. Premiums collected by direct sales, after 2009's moderate expansion, contracted slightly. For non-life business, the main distribution channel still consists of insurance agents, whose business increased marginally. Premiums collected directly by companies and through banks grew considerably more. An ANIA study based on data from the Italian Association of Insurance and Reinsurance Brokers (AIBA) has shown that insurance company figures underestimate the importance of brokers in the non-life sector.**

## LIFE BUSINESS

The sustained growth in the life insurance market in 2009 continued in 2010, although at a lesser pace, mainly owing to the business intermediated by bank branches; the performance of financial advisers and agents was positive too, but there was a contraction of premium volume collected through the direct channel (Table 1).

Premiums written through bank branches increased by 15%, causing an increase of this channel's market share (60.3%, 58.1% in 2009) and impacting positively on the five-year annual average change in premiums collected (+4.1%).

Premiums written last year through financial advisers kept growing, but at a much lesser rate (+9.3%, from +143.3% in 2009), consolidating this type of intermediary as the second-leading distribution channel. In the last five years advisers have recorded average annual growth of 20.8%.

*TABLE 1 - LIFE INSURANCE BUSINESS BY DISTRIBUTION CHANNEL, 2006-2010*

| CHANNEL | Gross written premiums (euro million) | | | | | Market share (%) | | | | | Average | Yearly change | | | | | (%) Average annual change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2006 | 2007 | 2008 | 2009 | 2010 | (2006-2010) | 2006 | 2007 | 2008 | 2009 | 2010 | (2006-2010) |
| Bank branches (*) | 40,957 | 35,496 | 28,688 | 47,210 | 54,303 | 59.0 | 57.8 | 52.5 | 58.1 | 60.3 | ***57.5*** | -8.0 | -13.3 | -19.2 | 64.3 | 15.0 | ***4.1*** |
| Financial advisers | 5,907 | 5,237 | 5,409 | 13,141 | 14,365 | 8.5 | 8.5 | 9.9 | 16.2 | 15.9 | ***11.8*** | 5.8 | -11.3 | 3.3 | 143.3 | 9.3 | ***20.8*** |
| Agents | 13,830 | 12,969 | 12,852 | 12,897 | 13,809 | 19.9 | 21.1 | 23.6 | 15.9 | 15.3 | ***19.2*** | 3.4 | -6.2 | -0.9 | 0.5 | 7.1 | ***0.6*** |
| Direct sales | 8,086 | 6,862 | 6,811 | 7,057 | 6,688 | 11.7 | 11.2 | 12.5 | 8.7 | 7.4 | ***10.3*** | -11.2 | -15.1 | -0.8 | 4.2 | -5.2 | ***-6.0*** |
| Brokers | 598 | 875 | 805 | 811 | 936 | 0.9 | 1.4 | 1.5 | 1.0 | 1.0 | ***1.2*** | -32.2 | 46.5 | -8.0 | 2.3 | 15.4 | ***1.2*** |
| **Total** | **69,377** | **61,439** | **54,565** | **81,116** | **90,102** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | ***100.0*** | **-5.6** | **-11.4** | **-11.2** | **48.7** | **11.1** | ***4.2*** |

*(*) Includes premiums collected by post office branches*

Despite the growth of premiums intermediated by agents, their market share continued shrinking in 2010 to slightly above 15%.

Direct sales decreased by 5.2%, after the increase registered during the previous year. and which inverted the 2006-2008 negative trend.

Policies distributed by brokers recorded a limited premium collection (less than 1 billion in 2010), but nevertheless recorded a substantial expansion of 15.4%.

From the breakdown of life insurance business by type of policy (Tables 2 and 3) it emerges that in Class I agents' market share increased from 16.1% in 2009 to 16.6% in 2010 as a result of the 8.2% growth in premiums collected by this type of intermediaries. Banks and financial advisers' shares remained steady (60.7% and 15.3%, respectively), recording a growth in line with the average class I market average.

*TABLE 2*
*COMPOSITION OF LIFE MARKET BY DISTRIBUTION CHANNEL AND CLASS (%)*

| CLASS | AGENTS | BROKERS | BANK BRANCHES (*) | FINANCIAL ADVISERS | DIRECT SALES | TOTAL |
|---|---|---|---|---|---|---|
| | | | 2010 | | | |
| I - Life | 16.6 | 1.0 | 60.7 | 15.3 | 6.4 | 100.0 |
| III - Linked | 4.8 | 0.0 | 69.2 | 25.3 | 0.7 | 100.0 |
| IV - Healthcare | 31.0 | 60.0 | 3.8 | 0.0 | 5.2 | 100.0 |
| V - Capitalization | 27.2 | 4.2 | 40.1 | 1.0 | 27.6 | 100.0 |
| VI - Pension funds | 22.1 | 0.5 | 23.4 | 3.4 | 50.6 | 100.0 |
| Ind. ret. plans (**) | 43.1 | 0.1 | 7.1 | 39.8 | 9.9 | 100.0 |
| **TOTAL LIFE** | **15.3** | **1.0** | **60.3** | **15.9** | **7.4** | **100.0** |
| | | | 2009 | | | |
| I - Life | 16.1 | 1.1 | 60.7 | 15.4 | 6.7 | 100.0 |
| III - Linked | 9.2 | 0.0 | 57.7 | 32.0 | 1.0 | 100.0 |
| IV - Healthcare | 26.6 | 66.8 | 2.6 | 0.2 | 3.8 | 100.0 |
| V - Capitalization | 23.6 | 1.5 | 35.5 | 0.5 | 38.9 | 100.0 |
| VI - Pension funds | 23.2 | 0.0 | 28.5 | 4.4 | 44.0 | 100.0 |
| Ind. ret. plans (**) | 41.3 | 1.7 | 3.9 | 40.5 | 12.6 | 100.0 |
| **TOTAL LIFE** | **15.9** | **1.0** | **58.1** | **16.2** | **8.7** | **100.0** |

*(*) Includes premiums collected by post office branches*
*(**) Premiums for individual retirement plans (contracts under Legislative Decree 252/2005, Article 13.1(b), are a subset of those for individual Class I and Class III policies (life insurance and investment funds)*

*TABLE 3*
*CHANGE IN PREMIUM VOLUME, 2010/2009, BY CLASS AND DISTRIBUTION CHANNEL (%)*

| CLASS | AGENTS | BROKERS | BANK BRANCHES (*) | FINANCIAL ADVISERS | DIRECT SALES | TOTAL |
|---|---|---|---|---|---|---|
| I - Life | 8.2 | -3.3 | 4.7 | 4.3 | -0.2 | 4.8 |
| III - Linked | -17.6 | 12.8 | 89.7 | 25.1 | 5.0 | 58.3 |
| IV - Healthcare | 28.3 | 0.4 | 57.5 | -76.6 | 50.1 | 4.2 |
| V - Capitalization | 16.9 | 182.2 | 14.3 | 110.2 | -27.6 | 1.5 |
| VI - Pension funds | 4.3 | 12432.3 | -10.4 | -15.8 | 26.2 | 9.0 |
| Ind. ret. plans (**) | 23.5 | -93.1 | 115.2 | 16.0 | -7.1 | 18.2 |
| **TOTAL LIFE** | **7.1** | **15.4** | **15.0** | **9.3** | **-5.2** | **11.1** |

*(*) Includes premiums collected by post office branches*
*(**) Premiums for individual retirement plans (contracts under Legislative Decree 252/2005, Article 13.1(b), are a subset of those for individual Class I and Class III policies (life insurance and investment funds)*

In an opposing trend compared to 2009, the strong growth of Class III premiums (linked policies) was accompanied by a substantial increase in the activity of the banking channel, which registered a 90% increase in the premium volume intermediated and a growth of the market share from 57.7% in 2009 to 69.2% in 2010, returning closer to the level reached in 2008. This impacted on the market shares of agents and financial advisers, which shrank considerably with respect to 2009; in terms of premiums collected agents experienced a decrease of 17.6% whereas financial advisers registered an increase of 25%, still far from the performance registered by bank counters.

For capitalization policies (Class V), the portion accounted for by direct sales continued shrinking also in 2010 slipping below 30% (40% in 2009). Agents' share, on the contrary, increased from 23.6% to 27.2%, increasing by almost 4 percentage points in 2009, while the banking channel improved for this type of products, registering an increase in market share from 35.5% in 2009 to 40.1% in 2010, thanks to a premium volume in growth by over 14%.

Agents confirmed as the leading sales channel for individual retirement products, with 43.1% of the market (it was equal to 41.3% in 2009). Both financial advisers and direct sales lost market shares, the former slipping from 40.5% in 2009 to 39.8% in 2010 and the latter falling from 12.6% to 9.9%; bank branches improved their premium volume, thanks to a doubling of individual retirement products in 2010, leading to an increase of their market share of more than 3 percentage points, going from 3.9% in 2009 to 7.1% in 2010.

As regards premiums/contributions to pensions funds (class VI), the portion collected by bank branches decreased in favor of an increase of that collected by the direct channel, leaving unchanged all other types of intermediaries.

## NON-LIFE BUSINESS

### Preliminary statement

*The data published in this Report cover all insurance companies registered in Italy and branch offices of foreign companies registered in extra-EU countries. During 2010, the exit of two non-life companies from this aggregate (an Italian company and a branch office of an extra-EU company), which continued their activity in Italy, strongly influenced the overall market amounts of this sector and, consequently, the comparison of balance sheet items between 2009 and 2010 should be done carefully. In order to facilitate the temporal analysis for the total insurance sector, all the rates of change in the Report were calculated in homogeneous terms, that is, not including the data of the two abovementioned companies starting from 2009.*

Agents have always been the leading channel of premium collection in the non-life insurance sector. After two consecutive years of contraction, premiums collected by agents grew in 2010 by 1.3% with respect to the previous year; in the last five years the average growth rate remained substantially unvaried (Table 4).

In 2010 brokers retained second place with 7.7% of the sector's total premiums, though scoring a slight contraction of 1.4% for the year. However, brokers' market share is underestimated in that it does not count the substantial volume of premiums (estimated at 20 percentage points) that the brokers collect but present to agents rather than directly to the insurance companies. Taking this into account, the premiums collected through brokers in 2010 would come to **Euro 9.8 billion**, rather than the Euro 2.7 billion registered in the official statistics: **27.4%** instead of 7.7% of the total. Agents' business volume would accordingly be brought down from Euro 29.5 billion to **Euro 22.5 billion** and their market share from 82.4% to **62.7%**.

This estimate of the share of premiums coming through the brokerage channel has been produced by ANIA on the basis of data provided by the insurance brokers' association AIBA and supplementary information supplied by the leading Italian insurance brokers. The AIBA does not have official data on the volume of business done by brokers but estimates it from their payments to the compulsory guarantee fund, augmented by a portion of premiums calculated on the basis of brokerage fees (not subject to compulsory contributions). AIBA's estimate of the premiums channeled through brokers (nearly Euro 16 billion for the entire non-life sector) is much higher than ANIA's estimate, essentially because of different fee-based calculations.

Total direct sales of non-life insurance products increased in 2010 (by 7.9%), owing to an increase in direct Internet and telephone sales (+18.9%). Over the

*TABLE 4 - NON-LIFE INSURANCE BUSINESS BY DISTRIBUTION CHANNEL, 2006-2010*

| CHANNEL | Gross written premiums (Euro million) | | | | | Market share (%) | | | | | Average | Yearly change | | | | | (%) Average annual change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2006 | 2007 | 2008 | 2009 | 2010 | (2006-2010) | 2006 | 2007 | 2008 | 2009 | 2010 (*) | (2006-2010) |
| Agents | 31,315 | 31,751 | 31,381 | 30,516 | 29,532 | 84.1 | 84.3 | 83.8 | 83.0 | 82.4 | ***83.5*** | 2.1 | 1.4 | -1.2 | -2.8 | 1.3 | ***-0.1*** |
| Brokers (**) | 2,779 | 2,771 | 2,854 | 2,921 | 2,749 | 7.5 | 7.4 | 7.6 | 7.9 | 7.7 | ***7.6*** | -0.6 | -0.3 | 3.0 | 2.3 | -1.4 | ***1.5*** |
| Direct sales | 2,438 | 2,427 | 2,359 | 2,187 | 2,273 | 6.6 | 6.4 | 6.3 | 6.0 | 6.3 | ***6.3*** | 8.3 | -0.4 | -2.8 | -7.3 | 7.9 | ***0.3*** |
| *of which: phone and Internet* | 994 | 1,054 | 1,042 | 1,081 | 1,282 | 2.7 | 2.8 | 2.8 | 2.9 | 3.6 | ***3.0*** | 5.3 | 6.1 | -1.1 | 3.7 | 18.9 | ***6.3*** |
| Bank branches (***) | 624 | 677 | 804 | 1,070 | 1,251 | 1.7 | 1.8 | 2.1 | 2.9 | 3.5 | ***2.4*** | 14.5 | 8.6 | 18.6 | 33.2 | 17.3 | ***18.1*** |
| Financial advisers | 28 | 29 | 54 | 51 | 48 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | ***0.1*** | -22.4 | 2.7 | 86.9 | -5.9 | -5.7 | ***5.9*** |
| **Total** | **37,184** | **37,655** | **37,451** | **36,746** | **35,852** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | ***100.0*** | **2.4** | **1.3** | **-0.5** | **-1.9** | **2.2** | ***0.5*** |

*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the Italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*
*(**) The share attributed to brokers does not take account of a portion of premium volume (estimated at almost 20 percentage points in 2010) originated through this channel but presented to agencies and not directly to insurers*
*(***) Includes premiums collected by post office branches*

past five years, direct sales have shown an average annual increase of 0.3%, this channel's market share holding slightly over 6%, whereas the average annual increase of direct Internet and telephone sales was equal to 6.3%.

Business done through bank branches, the market share of which accounts for 3.5% of the premium total in 2010, continued growing also in 2010 (+17.3%), though slowing down with respect to the previous year (+33.2%). The progressive expansion of this channel determined a doubling of the market share in the last five years. Financial advisers continue to have a tiny share (0.1%).

In the motor insurance sector (liability and land vehicles), the leading channel is agents, accounting for about 89% of the entire market. Compared to 2009, their volume of premiums increased by 2.5% in 2010 (Tables 5 and 6). Next behind agents come direct telephone and Internet sales, accounting for 6% of the market; their volume of business gained 8.5% and 34.4% respectively last year. Bank branches, with 1.5% of the market, also scored a substantial increase in 2010 (+16% compared to 2009).

*TABLE 5*
*NON-LIFE INSURANCE MARKET SHARES BY SECTOR AND DISTRIBUTION CHANNEL (%)*

| SECTOR | AGENTS | BROKERS (*) | BANK BRANCHES (**) | FINANCIAL ADVISERS/ INV. FIRMS | INSURANCE CO. AGENCIES | OTHER DIRECT SALES TELEPHONE | OTHER DIRECT SALES INTERNET | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | |
| Motor liability | 89.3 | 2.7 | 1.2 | 0.0 | 0.8 | 3.2 | 2.8 | 100.0 |
| Land vehicle | 84.6 | 4.5 | 3.0 | 0.0 | 2.2 | 3.1 | 2.6 | 100.0 |
| ***Total motor*** | ***88.6*** | ***3.0*** | ***1.5*** | ***0.0*** | ***1.0*** | ***3.2*** | ***2.7*** | ***100.0*** |
| Accident and sickness | 71.0 | 11.4 | 8.6 | 0.7 | 7.4 | 0.5 | 0.4 | 100.0 |
| Shipping (°) | 31.4 | 62.1 | 0.0 | 0.0 | 6.3 | 0.1 | 0.1 | 100.0 |
| Property (°°) | 77.6 | 11.3 | 6.9 | 0.1 | 3.3 | 0.5 | 0.4 | 100.0 |
| Gen. third party liability | 83.5 | 10.7 | 1.6 | 0.1 | 4.0 | 0.0 | 0.1 | 100.0 |
| Credit and suretyship | 76.0 | 15.6 | 3.4 | 0.0 | 4.9 | 0.0 | 0.0 | 100.0 |
| ***Total non-motor*** | ***74.6*** | ***13.5*** | ***6.0*** | ***0.3*** | ***5.0*** | ***0.3*** | ***0.3*** | ***100.0*** |
| **Total non-life** | **82.4** | **7.7** | **3.5** | **0.1** | **2.8** | **1.9** | **1.7** | **100.0** |
| **2009** | | | | | | | | |
| Motor liability | 90.3 | 2.7 | 1.3 | 0.0 | 0.7 | 3.0 | 2.0 | 100.0 |
| Land vehicle | 86.0 | 5.6 | 1.5 | 0.0 | 2.4 | 2.6 | 1.8 | 100.0 |
| ***Total motor*** | ***89.6*** | ***3.2*** | ***1.3*** | ***0.0*** | ***1.0*** | ***2.9*** | ***2.0*** | ***100.0*** |
| Accident and sickness | 71.8 | 12.1 | 6.7 | 0.8 | 7.7 | 0.5 | 0.4 | 100.0 |
| Shipping (°) | 32.5 | 60.3 | 0.1 | 0.0 | 7.0 | 0.0 | 0.1 | 100.0 |
| Property (°°) | 77.3 | 11.5 | 6.1 | 0.1 | 4.4 | 0.4 | 0.3 | 100.0 |
| Gen. third party liability | 84.0 | 10.9 | 1.2 | 0.1 | 3.8 | 0.0 | 0.1 | 100.0 |
| Credit and suretyship | 77.9 | 15.6 | 1.8 | 0.0 | 4.7 | 0.0 | 0.0 | 100.0 |
| ***Total non-motor*** | ***75.1*** | ***13.8*** | ***4.9*** | ***0.3*** | ***5.4*** | ***0.3*** | ***0.2*** | ***100.0*** |
| **Total non-life** | **83.0** | **7.9** | **2.9** | **0.1** | **3.0** | **1.7** | **1.2** | **100.0** |

*(*) The share attributed to brokers does not take account of a portion of premium volume (estimated at almost 20 percentage points in 2010) originated through this channel but presented to agencies and not directly to insurers*
*(**) Includes premiums collected by post office branches*
*(°) Shipping sector includes: Railway rolling stock, Aircraft, Ships, Goods in transit and Aircraft T.P.L.*
*(°°) Property sector includes: Fire and natural forces, Other damage to property, Miscellaneous financial loss, Legal expenses and Assistance*

*TABLE 6*
*CHANGE IN NON-LIFE PREMIUM VOLUME, 2010/2009, BY SECTOR AND DISTRIBUTION CHANNEL (%)*

*(*) The changes (%) were calculated in homogeneous terms, that is, not including in 2009 the data of two companies that, during 2010, exited from the Italian direct market (an Italian company and a branch office of an extra-EU company) and continued their activity in Italy as branch offices of foreign companies registered in EU countries*
*(**) The share attributed to brokers does not take account of a portion of premium volume (estimated at almost 20 percentage points in 2010) originated through this channel but presented to agencies and not directly to insurers*
*(***) Includes premiums collected by post office branches*
*(°) Shipping sector includes: Railway rolling stock, Aircraft, Ships, Goods in transit and Aircraft T.P.L.*
*(°°) Property sector includes: Fire and natural forces, Other damage to property, Miscellaneous financial loss, Legal expenses and Assistance*

| | 2010/2009 (*) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SECTOR | AGENTS | BROKERS (**) | BANK BRANCHES (***) | FINANCIAL ADVISERS/ INV. FIRMS | INSURANCE CO. AGENCIES | OTHER DIRECT SALES TELEPHONE | OTHER DIRECT SALES INTERNET | TOTAL |
| Motor liability | 3.4 | 6.9 | 0.1 | 642.1 | 2.2 | 7.6 | 34.6 | 4.5 |
| Land vehicle | -2.6 | -22.8 | 88.3 | 6685.7 | -13.1 | 13.6 | 32.8 | -1.2 |
| ***Total motor*** | ***2.5*** | ***-1.5*** | ***16.1*** | ***902.5*** | ***-3.6*** | ***8.5*** | ***34.4*** | ***3.6*** |
| Accident and sickness | 0.0 | -6.4 | 24.2 | -13.0 | -0.9 | 3.7 | 23.0 | 0.8 |
| Shipping (°) | -4.2 | -0.9 | -69.3 | n.a. | -4.1 | 8.0 | 15.4 | -2.5 |
| Property (°°) | 1.0 | 1.2 | 8.7 | -4.6 | -12.7 | 8.3 | 44.1 | 1.2 |
| Gen. third party liability | -3.7 | -1.3 | 23.3 | 0.0 | 0.3 | 60.2 | 21.7 | -3.0 |
| Credit and suretyship | 1.7 | 9.5 | 90.2 | n.a. | 8.4 | n.a. | n.a. | 4.8 |
| ***Total non-motor*** | ***-0.4*** | ***-1.4*** | ***17.7*** | ***-11.5*** | ***-3.8*** | ***7.0*** | ***32.6*** | ***0.3*** |
| **Total non-life** | **1.3** | **-1.4** | **17.3** | **-5.7** | **-3.8** | **8.3** | **34.2** | **2.2** |

Agents and brokers also remained the leading collectors of non-motor, non-life premiums, with respective market shares of 74.6% and 13.5% in 2010, even though their volume of business contracted. Even though the total premium collection growth was inferior to the one registered in the years 2008 and 2009, bank branches strengthened their position in the non-motor insurance sector with rises of 24.2% in sickness and accident insurance, 90.2% in credit and suretyship and 23.3% in general liability. Transport insurance premiums decreased in 2010 by 69.3%.

## ROAD ACCIDENTS IN ITALY: THE FIGURES FOR 2009

ISTAT data on road accidents in Italy, monitored in part in connection with the efforts to achieve the European Commission's objective of halving the number of fatalities between 2001 and 2010, show that such accidents numbered 215,405 in 2009, resulting in 4,237 deaths and 307,258 injuries (Table 1).

The number of deaths registered the sharpest annual decline for the decade, dropping by 10.3%.

*TABLE 1*
*DEATHS AND INJURIES FROM ROAD ACCIDENTS IN ITALY, 2000 TO 2009*

| | Deaths | | Injuries | |
|---|---|---|---|---|
| | Number | % change on previous year | Number | % change previous year |
| 2000 | 7,061 | 5.6 | 360,013 | 13.7 |
| 2001 | 7,096 | 0.5 | 373,286 | 3.7 |
| 2002 | 6,980 | -1.6 | 378,492 | 1.4 |
| 2003 | 6,563 | -5.9 | 356,475 | -5.8 |
| 2004 | 6,122 | -6.7 | 343,179 | -3.7 |
| 2005 | 5,818 | -4.9 | 334,858 | -2.4 |
| 2006 | 5,669 | -2.6 | 332,955 | -0.6 |
| 2007 | 5,131 | -9.5 | 325,850 | -2.1 |
| 2008 | 4,731 | -7.8 | 310,739 | -4.6 |
| 2009 | 4,237 | -10.3 | 307,258 | -1.1 |

*Source: ACI/ISTAT*

Between 2000 and 2009 the annual toll fell by 40%, still above the goal set in Lisbon but a very substantial reduction of some 2,800 nonetheless.

### The situation in Europe and the new objectives for 2020

The number of road deaths in Italy is lower than in France (4,273), but higher than in the other major EU-15 countries (85 more than in Germany and 1,592 more than in the United Kingdom). Relative to population, the number of road deaths in Italy is the sixth-highest among the EU-15: 7.1 per 100,000 inhabitants, compared with a European average of 6.0 (Table 2).

*TABLE 2*
*DEATHS IN ROAD ACCIDENTS IN THE EU-15 COUNTRIES*

| | Number | | | Percentage change | | Deaths per 100,000 pop. |
|---|---|---|---|---|---|---|
| | 2000 | 2008 | 2009 | 2009/2000 | 2009/2008 | |
| Austria | 876 | 679 | 633 | -27.7 | -6.8 | 7.6 |
| Belgium | 1,470 | 944 | 955 | -35.0 | 1.2 | 8.9 |
| Denmark | 498 | 406 | 303 | -39.2 | -25.4 | 5.5 |
| Finland | 396 | 344 | 279 | -29.5 | -18.9 | 5.2 |
| France | 8,079 | 4,275 | 4,273 | -47.1 | 0.0 | 6.6 |
| Germany | 7,503 | 4,477 | 4,152 | -44.7 | -7.3 | 5.1 |
| Greece | 2,037 | 1,612 | 1,555 | -23.7 | -3.5 | 13.8 |
| Ireland | 418 | 280 | 240 | -42.6 | -14.3 | 5.4 |
| Italy | 7,061 | 4,725 | 4,237 | -40.0 | -10.3 | 7.1 |
| Luxembourg | 76 | 35 | 47 | -38.2 | 34.3 | 9.5 |
| Netherlands | 1,082 | 677 | 644 | -40.5 | -4.9 | 3.9 |
| Portugal | 1,877 | 885 | 840 | -55.2 | -5.1 | 7.9 |
| Spain | 5,777 | 3,100 | 2,605 | -54.9 | -16.0 | 5.7 |
| Sweden | 591 | 397 | 355 | -39.9 | -10.6 | 3.8 |
| United Kingdom | 3,580 | 3,059 | 2,645 | -26.1 | -13.5 | 4.3 |
| **EU-15** | **43,321** | **27,903** | **25,772** | **-40.5** | **-7.6** | **6.0** |

*Source: Community Road Accident Data Base (Care)*

The cumulative decrease in traffic fatalities between 2000 and 2009 in Italy was in line with the European average (40.5%) and less pronounced than in Portugal (55.2%), Spain (54.9%), France (47.1%) and Germany (44.7%).

### Road safety: European policy orientations for 2011-2020

Despite the progress made in the last decade, the European Commission has underscored the need for further efforts by the member states to improve road safety.

The achievements of the third action programme for road safety, though falling short of its ambitious objectives, encourage Europe to persevere with a clearly articulated strategy for constantly decreasing the toll of road accident fatalities.

For this reason the Commission has set the goal of halving the overall number of accident victims in the European Union between 2011 and 2020.

In spurring the member countries to take concrete measures in the field of vehicle, infrastructure and road-user safety, the European policy orientations place particular stress on the need to:

– create a framework of cooperation based on **exchanges of best practices** throughout the EU;

– adopt a strategy for emergency service response in order **to reduce the number of personal injuries and deaths from road accidents**;
– improve the safety of **vulnerable users of road networks**.

The Commission has also laid down **three fundamental principles**:

– **fostering the adoption of stricter road safety standards throughout Europe**;
– **defining an integrated approach to road safety**;
– **developing subsidiarity, proportionality and responsibility**.

To support action towards the new objective, the Commission has identified seven sub-objectives, for each of which measures will be proposed at national and EU level:

1) **improving road education and the training of road users** – it is necessary to improve the quality of licensing and training, particularly for beginners;
2) **strengthening enforcement** – the Commission, the European Parliament and the Council intend to cooperate in organizing cross-border exchanges of information on road safety. The Commission will also develop campaigns for implementation of the rules, including the possibility of installing speed limiters and alco-locks on light commercial vehicles;
3) **building safer road infrastructure** – the Commission will make sure that European funds are spent only on infrastructure projects that meet EU road safety standards;
4) **improving vehicle safety** – Besides continuing to promote vehicle safety, the Commission will examine and propose measures to ensure a progressive harmonization and strengthening of EU legislation on technical standards and roadworthiness tests;
5) **promoting the use of modern technologies to improve road safety** – the Commission will continue to promote the use of intelligent transport systems in order to improve road safety. The effectiveness and rapidity of aid will be improved through the "eCall" pan-European emergency calling system installed on vehicles;
6) **improving emergency and post-accident-assistance services** – the Commission will propose instituting a global action strategy for road injuries and first aid, to mitigate the consequences of accidents;
7) **protecting vulnerable road users** – the Commission will act to improve the safety of motorcyclists in terms of operator behaviour and the safety of vehicles and infrastructure. Further, it will encourage infrastructure projects that are likely to enhance the safety of bicyclists and other vulnerable users of the road network.

To foster implementation of the European policy orientations for road safety for 2011-2020, an open framework of cooperation will be instituted between the EU countries and the Commission. In parallel, each member state will also draft a national road safety plan, with objectives reflecting the specific national situation. Lastly, the Commission will strive to improve the existing instruments for data collection and analysis.

### THE NUMBER OF ROAD ACCIDENTS THAT CAUSED PERSONAL INJURY: COMPARISON OF SOURCES AND METHODOLOGICAL ISSUES

The statistics on road accidents and the number of deaths and injuries that ISTAT publishes each year are obtained by collecting data on accidents throughout Italy. They only cover accidents in which the police intervene and which cause death or injury. The data come from forms filled out by the police – Highway Police, Carabinieri, Provincial Police, Municipal Police – that intervened at the scene of the accident. In particular, ISTAT collects data on all accidents that occur in roads or squares open to traffic in which stationary or moving vehicles (or animals) are involved and which give rise to death or personal injury. The data therefore exclude claims with only property damage, accidents in which police intervention is not required, and those that take place outside public traffic areas, i.e. courtyards, service stations, garages and carparks, tramways and railways, and those in which no vehicle (or animal) is involved.

Another dataset for measuring the accident rate on Italian roads, used especially to assess developments during the year, comes from the Highway Police. As Table 3 shows, the number of deaths and injuries in this dataset is lower than that reported by ISTAT, because the Highway Police is only one of the authorities contributing to the national data collected by ISTAT. In addition, the Highway Police data only refer to accidents on motorways and state, provincial and municipal roads; accidents that take place in urban centers are excluded.

*TABLE 3*
*DEATHS AND INJURIES IN ROAD ACCIDENTS IN ITALY, 2001 TO 2010*

| | PANEL A: HIGHWAY POLICE | | | | PANEL B | |
|---|---|---|---|---|---|---|
| | Deaths | | Injuries | | Memo: ISTAT data | |
| | Number | % change | Number | % change | No. deaths | No. injuries |
| 2001 | 2,309 | n.a. | 74,169 | n.a. | 7,096 | 373,286 |
| 2002 | 2,520 | 9.1 | 84,217 | 13.5 | 6,980 | 378,492 |
| 2003 | 2,187 | -13.1 | 72,342 | -14.1 | 6,563 | 356,475 |
| 2004 | 1,891 | -13.5 | 66,777 | -7.7 | 6,122 | 343.179 |
| 2005 | 1,860 | -1.6 | 64,997 | -2.7 | 5,818 | 334,858 |
| 2006 | 1,889 | 1.6 | 66,057 | 1.6 | 5,669 | 332,955 |
| 2007 | 1,682 | -10.9 | 63,763 | -3.5 | 5,131 | 325,850 |
| 2008 | 1,507 | -10.4 | 57,656 | -9.6 | 4,731 | 310,739 |
| 2009 | 1,295 | -14.1 | 53,756 | -6.8 | 4,237 | 307,258 |
| 2010 | 1,213 | -6.3 | 51,163 | -4.8 | n.a. | n.a. |

*Source: Polizia Stradale, ISTAT*

The Highway Police data show that the number of fatalities continued to fall in 2010, though not as sharply as in the previous three years.

Nevertheless, the ISTAT statistics on road accidents (and, naturally, the partial data collected by the Highway Police) cannot be taken as representing the totality of accidents on Italian roads. In particular, the number of accidents recorded by ISTAT (215,405 in 2009) represents barely 5.8% of the total number of accidents for which insured parties filed claims with insurers (3,741,283 in 2009).

Examining the insurance data in detail, some 3.7 million motor liability claims were filed in 2009. In most instances, compensation was paid for damage to vehicles or property, but a significant portion (800,000, or 22%) also covered personal injury. Italy is among the European countries with the highest percentage of claims for personal injury. In 2006 the personal injury claims rate in Italy was more than twice as high as in countries such as Austria (10.0%), France (10.0%) and Germany (9.8%) (Table 4).

*TABLE 4*
*PERCENTAGE OF CLAIMS WITH PERSONAL INJURY, 2006*

| Country | Incidence of personal injury per 100 claims |
|---|---|
| **ITALY** | **21.0** |
| SPAIN | 17.8 |
| SWEDEN | 16.3 |
| AUSTRIA | 10.0 |
| FRANCE | 10.0 |
| GERMANY | 9.8 |
| PORTUGAL | 7.2 |
| NORWAY | 6.8 |
| POLAND | 5.5 |
| GREECE | 4.0 |

*Source: CEA, based on latest available data*

It is worth noting that over 1 million persons received compensation for the more than 800,000 claims involving personal injury filed with insurance companies in 2009, since some claims involve more than one person. With the entry into force of the direct indemnity system in 2007, insurance companies' databases were reorganized, so we now also have information on the number of non-liable drivers and of passengers who sustain personal injury. This allows us to make a more precise estimate of the average number of persons involved in a claim: 1.34 in 2009 (compared with 1.30 in 2008).

It should also be borne in mind that the number of injuries and deaths in the insurance statistics do not include persons who were involved in accidents but not entitled to indemnification, such as liable drivers and those hurt in one-vehicle accidents, nor does it reflect compensation payments by the Road Accident Victims Guarantee Fund for accidents caused by uninsured or unidentified vehicles.

The difference between the insurance statistics and the ISTAT data thus stems mainly from the fact that the latter to not include accidents in which the police did not intervene, which give rise to the majority of claims. Most of the personal injuries for which the insurance sector pays compensation are minor and are caused for the most part by accidents in urban centers, for which the police are rarely called in. To quantify the phenomenon, consider that of the 800,000 motor vehicle personal injury claims recorded by insurance companies in 2009, 710,000 (87%) involved temporary or permanent disability of less than 9%. And of the latter, some 500,000 (78%) were for a permanent disability of between 1% and 2%, corresponding to those generally recognized for so-called whiplash. Considering the average number of persons injured in a road accident, these claims correspond to between 700,000 and 800,000 persons injured, which may help explain the wide gap between the two sources.

*TABLE 5 – DEATHS AND INJURIES IN ROAD ACCIDENTS IN ITALY, 2000-2009: INSURANCE DATA*

| Generation of event | Number of claims paid and reserved* | % of claims with personal injury | Number of claims with personal injury | % change on previous year | Average number of persons injured per accident | Total number of persons sustaining personal injury - ANIA |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 2000 | 4,521,607 | 17.7 | 801,250 | n.a. | n.a. | n.a. |
| 2001 | 4,066,529 | 18.4 | 746,313 | -6.9 | n.a. | n.a. |
| 2002 | 3,836,135 | 17.9 | 687,052 | -7.9 | n.a. | n.a. |
| 2003 | 3,708,020 | 18.2 | 675,955 | -1.6 | n.a. | n.a. |
| 2004 | 3,673,744 | 19.8 | 728,413 | 7.8 | n.a. | n.a. |
| 2005 | 3,654,072 | 21.0 | 765,953 | 5.2 | n.a. | n.a. |
| 2006 | 3,661,945 | 21.0 | 768,336 | 0.3 | n.a. | n.a. |
| 2007 | 3,685,452 | 21.0 | 772,305 | 0.5 | 1.25 | 965,381 |
| 2008 | 3,716,084 | 21.3 | 791,047 | 2.4 | 1.30 | 1,028,362 |
| 2009 | 3,741,283 | 21.8 | 817,467 | 3.3 | 1.34 | 1,092,086 |

*(*) Includes the estimate of claims IBNR*

## THE ITALIAN INSURANCE INDUSTRY IN 2011

The slower pace of economic recovery in Italy compared with the other industrial countries and the fears of contagion from the sovereign debt crisis could adversely affect overall premium income: In the life sector, in particular, the expansion recorded in 2009 and 2010, driven by sales of Class I guaranteed savings products, is likely to give way to contraction in 2011, although the volume of premiums it should be about the same as in 2009 and well above the average for 2007-08.

In the **non-life sector**, premium income is forecast to grow by 2.4%, in line with the previous year's increase of 2.2%. This trend continues to be influenced by the performance of motor liability insurance premiums, which account for about half of all premiums from non-life business. In particular, motor liability premium income is forecast to grow by between 4% and 5%, as a consequence of the rate increases already introduced, which will be applied to policy renewals as they come due in the course of 2011. By contrast, land-vehicle insurance premiums are expected to remain broadly unchanged from the previous year (on the assumption that new care sales will revive over the rest of the year). The same goes for premiums in the property sector (fire and other property insurance), owing to the difficult conditions of the economy. Sickness and health insurance premiums should show a gain, thanks to the expansion of group policies, while general liability insurance premiums are likely to diminish slightly.

Total non-life premium income for 2011 is estimated at Euro 36.7 billion. The ratio of premiums to GDP is forecast to edge up from 2.31% to 2.35%.

In the **life sector**, after surging in 2009 and 2010 thanks to strong demand for traditional guaranteed minimum-yield products and diversified supply of these products through bank branches, premium income is expected to decline by about 5%. In the first five months of the year new life business amounted to some Euro 21 billion, down from almost Euro 32 billion in the same period of 2010, when growth was fueled by the investment of capital repatriated under the so-called tax shield, but on a par with the amounts registered in 2008 and 2009 (Euro 20 billion and Euro 22 billion, respectively).

In particular, new business for Class I products was down by nearly 30% in the first five months of 2011 compared with the year-earlier period (when it had grown by 26%). Assuming that short-term interest rates hold at the same level as in the first five months and financial market conditions do not worsen, the year-on-year decline in premium volumes should diminish steadily, to between 3% and 5%, with premiums amounting to Euro 65 billion.

New business for Class III (linked) policies was also down by 30% in the first five months compared with the year-earlier period (when it had surged by 230%).

# Forecasts for 2011

Assuming the equity markets stage a recovery after their decline in the first five months of the year, premiums from financial insurance products (linked policies) are estimated to be in line with the total for 2010, at Euro 15 billion.

Life sector premium income is forecast to come to about Euro 86 billion, its ratio to GDP declining from 5.82% to 5.47%.

Consequently, in 2011 **total life and non life premiums** on direct Italian insurance business are forecast to come to Euro 122 billion (a dip of 2.9% from 2010), declining from 8.13% to 7.83% of GDP.

*TABLE 1*
*INSURANCE PREMIUMS IN ITALY: FORECASTS*
*Euro million*

| CLASS | PREMIUMS 2010 | PREMIUMS 2011 | % CHANGE 2010-2009 (*) | % CHANGE 2011-2010 (*) |
|---|---|---|---|---|
| Motor liability | 16,964 | 17,642 | 4.5% | 4.0% |
| Land vehicles | 2,962 | 2,962 | -1.2% | 0.0% |
| Accident | 3,056 | 3,071 | -0.7% | 0.5% |
| Sickness | 2,193 | 2,303 | 3.2% | 5.0% |
| Fire and natural forces | 2,352 | 2,352 | 3.6% | 0.0% |
| General liability | 3,072 | 3,041 | -3.0% | -1.0% |
| Other property | 2,618 | 2,644 | 1.9% | 1.0% |
| Other non-life | 2,637 | 2,689 | -0.7% | 2.0% |
| **TOTAL NON-LIFE** | **35,852** | **36,704** | **2.2%** | **2.4%** |
| *As a % of GDP* | *2.31%* | *2.35%* | | |
| Class I - Life insurance | 67,834 | 65,121 | 4.8% | -4.0% |
| Class III - Investment funds | 15,409 | 15,254 | 58.3% | -1.0% |
| Other life classes | 6,859 | 5,213 | 3.3% | -24.0% |
| **TOTAL LIFE** | **90,102** | **85,588** | **11.1%** | **-5.0%** |
| *As a % of GDP* | *5.82%* | *5.47%* | | |
| **ALL CLASSES** | **125,954** | **122,292** | **8.4%** | **-2.9%** |
| *As a % of GDP* | *8.13%* | *7.82%* | | |

*Source: ANIA estimates*
*(*) Calculated on a homogeneous sample.*
*(°) 2010 data are provisional outturns, those for 2011 are estimated*

The data published cover all insurance companies registered in Italy, branch offices of foreign companies registered in extra-EU countries and branch offices of foreign companies that write reinsurance business only.

2010/2011 figures are provisional

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