Generali Group

INSURANCE DOSSIER 2015

ITALIAN MARKET TRENDS 2014/15

Group Insurance Research

generali.com

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1 Executive summary

During 2014 the improvement in financial conditions created opportunities for the insurance business in most of the European markets, where premium income and profitability were broadly on the rise.

In the Euro area, life insurance premiums experienced substantial growth in several markets, maintaining and even overtaking the good performance of 2013. However, there are two exceptions to this trend: Germany, where growth slowed down and where the persistence of a low interest rate environment negatively affected the appeal of guaranteed and may represent a threat to companies financial stability, and Spain, where there was only a moderate level of growth in the life premiums in contrast to substantial contraction in past year. Low investment return combined with Solvency II Requirements have rapidly shifted the product mix in favor of Unit Linked policies.

In the non-life business, the pattern was more diversified. In particular, in the motor segment France registered modest growth whereas Spain suffered from a large decline in premiums. Excluding the costs related to severe weather events or legislative changes concerning the compensation of bodily injuries, the weakness of domestic economic activity had a beneficial effect on the sector in several countries, which experienced a drop in claims frequency and in the average cost of claims. This has led to a higher profitability in the sector creating competitive pressure and lower tariffs. By contrast, in Germany the good performance in terms of premium growth was driven by sustained income growth, which allowed companies to adjust tariffs in order to compensate for the losses caused by severe weather events and strong competition over the past years.

Italy posted a record-high overall premium income of over € 150 billion (+20% compared to 2013). In life business the turnover was up 23.3%. The new business in Unit-linked products posted an impressive 63% growth. According to data provided by ANIA, one third of the new life contracts written in 2014 was in hybrid products, which blend traditional policies with guarantees on the principal and yield with unit linked products. Premiums intermediated by Banks and Post Offices', by far the most important distribution channels, grew by 36.7% and accounted for 61.4% of life premium income, followed by agents (12.5%).

The non-life sector experienced a decrease in premium income because of the ongoing shrinking of turnover in the motor LoBs (-7.%), due to claims frequency at a record low, and the average cost of claims remaining stable. Data released by the main companies for the first quarter of 2015 showed that motor lines continued to achieve satisfactory levels of profitability. Agencies are still the most important distribution channel, handling 80.7% of premiums. The direct channel continued to grow and it now intermediates 5.2% in the non-life premium income, in particular almost 9% in the motor segment.

The Generali Group has maintained its leadership in the overall market, with a market share of 15.9%. Intesa Sanpaolo (mainly dealing with life insurance) came second with a 14.1% share, followed by Unipol (11.3%). In the life insurance sector Intesa Sanpaolo remained the market leader with a share of 18.6% and posted a 60.3% increase in premiums over the previous year. The Generali Group still ranked second with a 15.4% share, followed by Poste Italiane (13.6%).

2 European insurance markets

In 2014 the Insurance sector posted a positive result in many European markets, with the exception of Spain and Poland. Among the big Euro-zone countries, only Germany saw a lower rate of growth in life insurance than the previous year, even if it remained quite solid. In the non-life insurance Germany and France, which had had positive rates of growth already in 2013, continued to post positive numbers even if the trend slowed down in Germany and accelerated in France. Spain came out in 2014 with a positive, even if close to zero, rate of growth in premiums, after years of negative rates of growth.

EUROPEAN INSURANCE MARKET

EUROPEAN INSURANCE MARKET TRENDS												
	Total				Life				Non Life			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
AT	-1,7	-0,9	1,8	3.3	-7,5	-6,9	-0,2	3.8	2,9	3,6	3,2	2.8
CH	1.4	2.1	3.2	0.8	1.4	1.8	5.4	1.1	1,4	2,4	1,1	0.5
CZ	-0.7	-1.0	-0.6	0.8	0.3	0.1	-1.2	-0.5	-1.6	-1.8	0.0	1.9
DE	-0,4	2.0	3,1	2.7	-1.7	1.5	3.9	2.7	2.7	3.7	3.3	3.2
ES	4,1	-5,3	-2,6	-0.7	9,5	-8,9	-3,0	-2.6	-0,3	-2,0	-3.8	0.1
FR	-8.3	-4.3	3.9	6.0	-10.9	-6.2	6.1	7.1	4,2	3.0	1.7	1.5
HU	-3,4	-6,5	5,5	4.0	-0,8	-9,3	8,5	4.7	-6,5	-3,2	2,3	3.1
PL	6.0	9.5	-7.8	-4.9	1,5	14,3	-14,1	-8.3	12.0	3.4	1.1	-0.9
SK	2,0	0,2	2,6	1.1	1,4	1,8	6,1	-0.3	2,5	-1,6	-1,8	2.9

Note: Non-Life is not inclusive of Health for Austria, France and Germany.

The stabilization of financial markets and the timid signs of recovery in European economies were able to give some sprint to the life business in Europe. The strong result of the life business was evident in Hungary and France , where the premiums grew by 4.7% and 7.1% respectively (after 8.5% and 6.1% in 2013).

In France net collection reached €21bn, increasing by 10bn with respect to 2013. However, it remained well below the peak of around €50bn posted in 2009-10. The good performance of stock prices lifted turnover in the unit linked business, up 26.9%. The performance of traditional products was more subdued, +4.7%.

Germany (2.7% after 3.9% in 2013) and Switzerland (1.1% after 5.4% in 2013) were also able to post positive results, even if lower than in the previous year; while Austria came out with a positive rate of growth in premiums after years of negative readings. German life insurance was driven by a robust dynamics in single premiums, but profitability is under strain from the historically low level of interest rates on fixed income products.

The very solvency of insurers might be under threat as guaranteed rates on the existing portfolio far exceed market yields. Insurance regulation is being reshaped to face the challenge; meanwhile Life insurance products are still proving an attractive investment alternative for customers.

In Spain life premium growth was still negative in 2014 but the recovery trend continued (-2.6% after -3.0% in 2013): the demand for products was dragged down by the reduction in guaranteed yields.

Life gross written premiums in the Czech Republic went down by 0.5% in 2014 in national currency. The decrease was evenly spread between current premiums and single premiums. In Poland life insurance continued its negative trend, albeit at a lower speed than in the previous year (-8.3% in 2014 versus -14.1% in 2013). Premiums of both traditional products and insurance products linked to investment fund decreased during the year. While the fall in traditional products was lower than the previous year, Unit linked showed a negative rate of growth for the first time since 2008.

The non-life business continued the recovery trend of the year before with the main exception of Poland. Results in France and Germany were almost in line with the previous year: in France +1.5% (preliminary estimate) against 1.7% in 2013 while in Germany 3.2% compared to 3.3% in 2013. In Spain there was an halt in the falling down of non-life premiums.

The performance of motor premiums was quite good in Germany, France and Spain. It was positive in Germany and France (+2% and +4.6% respectively), while in Spain even if negative it showed a recovery trend. The auto combined ratio improved in Germany, while it worsened in France and Spain: in Germany rate making was able to absorb the exceptional losses from the 2013 storms, while in France the combined ratio increased for several reasons: first of all bad weather and the ongoing increase in vehicle maintenance and repairing costs, but also a 2% hike in the frequency of TPL accidents involving bodily injuries and some regulatory changes, in particular the upward revision of compensations for bodily injuries.

Premiums in the motor insurance in Czech Republic had a very positive performance (+3.1%) after five years of negative rates of growth (-1.9% in 2013). The result was mainly remarkable in the TPL line which, thanks to progressively increased premium rates in new and renewed contracts strongly recovered: the loss ratio of the motor line declined from 62% to 58%. On contrary in Poland the fall in motor premiums (-3.3%) continued, which together with a pick-up in claims, increased the loss ratio from 65% to 71%.

3 EU legislative developments: new requirements for the sale of Insurance-based Investment Products (edited by GROUP EU & INTERNATIONAL AFFAIRS of Assicurazioni Generali)

The new EU Directive on Markets in Financial Instruments (2014/65/EU or MiFID2) repealing Directive 2004/39/EC (MiFID1) was published in the European Official Journal on 12 June 2014, together with the Regulation on Markets in Financial Instruments (No 600/2014 or MiFIR). European Member States have two years to transpose the new rules, which will be applicable starting from January 2017.

MiFID2 constitutes an integral part of the European reforms aimed at establishing a sounder, more transparent and more responsible financial system in the aftermath of the financial crisis, as well as to ensure a more integrated, efficient and competitive financial market. It is a vehicle for reinforcing investors' confidence, reducing unregulated areas and ensuring that Supervisors are granted adequate powers to fulfil their tasks.

In addition, due to delays in the legislative process for the revision of the EU Directive that regulates the mediation of insurance products (2002/92/EC or IMD1), MiFID2 amends such Directive and lays down additional requirements for the sale of Insurance-based Investment Products or IbIPs (so-called IMD1.5 regime). The objective is to ensure a coherent level of investor protection, as investments that involve contracts of insurance can be "made available to customers as potential alternatives"[1] to financial instruments subject to MiFID2.

Insurance-based Investment Products are defined as insurance products "that offer a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations". This definition does not include:

- *non-life insurance products as listed in Annex I of Directive 2009/138/EC (Classes of Non-life Insurance);*
- *life insurance contracts where the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;*
- *pension products which, under national law, are recognized as having the primary purpose of providing the investor with an income after retirement, and which entitles the investor to certain benefits;*
- *officially recognized occupational pension schemes falling under the scope of Directive 2003/41/EC or Directive 2009/138/EC;*
- *individual pension products for which a financial contribution from the employer is required by national law and where the employer or the employee has no choice as to the pension product or provider.*

Therefore, the definition of IbIP basically encompasses insurance products with an investment element, such as unit linked and index linked life insurance contracts, or life insurance contracts with-profits or variable bonuses, hybrid life insurance contracts that contain both unit linked and with profit elements[2].

In particular, IMD1.5 introduces the following general principles for the selling of Insurance-based Investment Products:

- *Member States shall ensure that, when carrying out insurance distribution activities, an insurance intermediary or insurance undertaking acts honestly, fairly and professionally in accordance with the best interests of its customers;*
- *all information, including marketing communications, addressed by the insurance intermediary or insurance undertaking to customers or potential customers shall be fair, clear and not misleading. Marketing communications shall be clearly identifiable as such;*
- *Member States may prohibit the acceptance or receipt of fees, commissions or any monetary benefits paid or provided to insurance intermediaries or insurance undertakings, by any third party or a person acting on behalf of a third party in relation to the distribution of Insurance-based Investment Products to customers.*

[1] Directive 2014/65/EU
[2] *Joint Committee of the European Supervisory Authorities Discussion Paper "Key Information Documents for Packaged Retail and Insurance-based Investment Products (PRIIPs)" 17/11/2014*

IMD1.5 also lays down rules on the prevention of conflicts of interest. According to the new provisions, European Member States shall require insurance intermediaries and insurance undertakings to take all appropriate steps to identify conflicts of interest between themselves, including their managers, employees and tied insurance intermediaries, or any person directly or indirectly linked to them by control and their customers or between one customer and another that arise in the course of carrying out any insurance distribution activities.

An insurance intermediary or insurance undertaking shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its customers.

Where such arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to customer interests will be prevented, the insurance intermediary or insurance undertaking shall clearly disclose to the customer the general nature and/or sources of conflicts of interest before undertaking business on its behalf.

In addition, IMD1.5 empowers the European Commission to adopt delegated acts in order to:

- *define the steps that insurance intermediaries or insurance undertakings might reasonably be expected to take to identify, prevent, manage and disclose conflicts of interest when carrying out insurance distribution activities;*
- *establish appropriate criteria for determining the types of conflict of interest whose existence may damage the interests of the customers or potential customers of the insurance intermediary or insurance undertaking.*

In light of this, the European Commission asked the European Insurance and Occupational Pensions Authority (EIOPA) to develop a technical advice on the issue within 7 months after the entry into force of MiFID2 (February 2015).

EIOPA presented its technical advice on 30 January 2015[3], proposing a number of possible provisions, such as:

- *disclosures to clients*
- *organizational requirements*
- *measures on inducements/third party payments*

The European Commission delegated acts needed for the implementation are forthcoming.

[3] *EIOPA "Technical Advice on Conflicts of Interest in direct and intermediated sales of insurance-based investment products" 30/01/2015*

4 The Italian insurance market: volume and business breakdown

Insurance market reached a record high in 2014: the overall premium income posted a 19.7 % increase reaching almost € 151 billion overcoming the previous maximum of € 130.6 billion in 2010.

LIFE INDIVIDUAL NEW BUSINESS

National, extra UE and UE companies (change %)

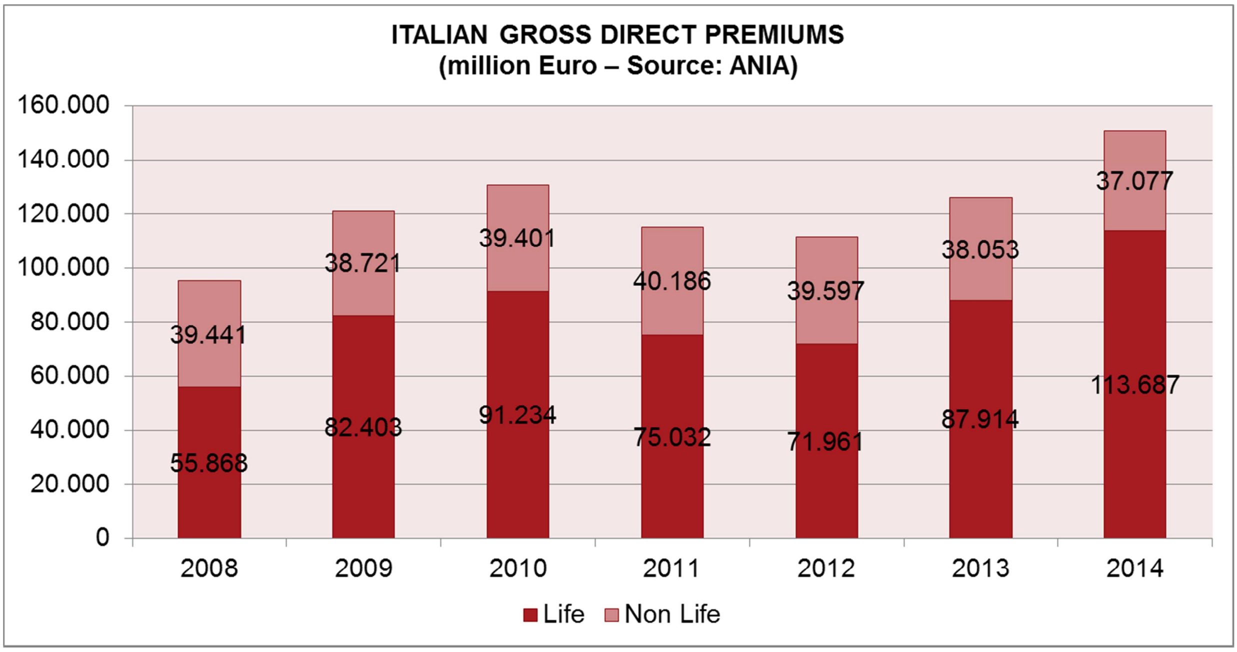
Line of business	2014 Mln Euro	Ch. % 14/13	Ch. % 13/12	Ch. % 12/11
Lob I	67.258	42,4	36,4	-15,1
Lob III	35.771	44,7	22,5	8,1
of which Unit	*35.747*	*45,2*	*30,5*	*-9,1*
Index	*25*	*-74,4*	*-92,7*	*-64,6*
Lob V	3.138	100,5	32,5	-26,3
Other	109	20,5	-14,2	0,0
Total	**106.277**	**44,4**	**31,3**	**-8,8**

Source: ANIA

The result was driven by the collection of life premiums, up by 29.3% (considering direct business written by Italian companies); according to data provided by ANIA on Italian and European Companies, new business premiums showed a 44.4% increase. The reduction in non-life gross premiums continued for the third year in a row (-2.6%). Nevertheless, data show an improvement in technical profitability.

As a result of the rising premium income in the life sector, insurance penetration, (premiums to Gross Domestic Product), increased from 5.5% last year to 7.0%.

The demand for life insurance products continued, fueled by low interest rates in the bond market. This made insurance products with minimum guaranteed interest rates more attractive and spurred the demand for long term saving products.



Companies are tilting the product mix toward unit linked products, given the fall in intermediation margins due to plunging bond rates and the coming into force, in January 2015, of the Solvency II regulation. This, and the good stock market performance explain the 63.1% increase in United Linked new business.

DISTRIBUTION CHANNEL MARKET SHARE

LIFE BUSINESS (percentage)

Distribution channel	2010	2011	2012	2013	2014
Banks	49,5	41,5	33,1	43,0	47,8
Post Offices	10,4	12,7	14,6	15,0	13,6
Tied agents	15,4	16,2	16,0	14,1	12,5
Company staff	7,4	9,3	10,4	8,6	7,7
Financial advisors	16,3	19,2	24,8	18,3	17,9
Brokers	1,0	1,0	1,2	1,0	0,6
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: ANIA

According to data provided by ANIA, hybrid products accounted for 1/3 of the new business in 2014; they combine traditional life insurance and Unit Linked products, and give investors the option of periodically shifting funds across lines.

"Traditional" products" (classes I and V), offering a low level of financial risk, were down by 1% compared to 2013, but still account for almost 78% of overall premiums. More financially intensive products (Class III), showed a good performance (+59.6%) in particular Unit Linked policies (+60.6%): they are mostly sold through banks and financial.

Bancassurance turnover grew by 36.7% (35.2% taking into account the offshore Business) and accounted for 61.4% of overall premium income (it was 58% in 2013). The market share of the Agencies fell from 8.6% in 2013 to 7.7% and that of the Agents fell from 14.1% to 12.5%. The share of financial advisors fell from 18.3% to 17.9%, even though their turnover grew by 26.4%.

According to a recent report by Moody's, Italian life insurance companies are among the least exposed to the impact of a sustained low interest rate environment. Investment return of the sector is still far higher than the average guaranteed rate (estimated by Moody's between 2% and 3%); moreover, the duration of life policies is lower than that of most other European countries and reduces the mismatch with respect to liabilities to just around one year.

The non-life lines contracted for the third year in a row and turnover was down 2.6%. As a result, insurance penetration, namely the premium to GDP ratio, slightly fell from 2.4% in 2013 to 2.3%.

The 6.2% fall in motor premiums was in line with the previous year, and was mainly due to the reduction in claims frequency, which led to an improvement of technical results and a subsequent strong competition between operators. Notably, MTPL premiums were down by 7% confirming the trend already seen in 2013. Data for 2015 released by listed companies show a continuous improvement in the technical results, benefiting from the positive effects of the coming into force of the new rules aimed at curbing frauds in bodily injuries (in particular whiplash).

On the contrary the Hull line still suffers from weak disposable income: despite a marked increase in car registrations (+4.3%) premiums were up by just 1.2%.

ITALIAN GROSS DIRECT PREMIUMS

National, extra UE and UE companies (million Euro)

Lines of business	2014	Share %	Ch. % 14/13	Ch. % 13/12	Ch. % 12/11	Ch. % 11/10
Accident	3.381	2,2	0,3	0,2	-0,6	0,3
Health	2.234	1,5	1,2	-3,4	-1,2	-0,7
Motor other risk	2.596	1,7	-1,2	-8,4	-8,1	-2,0
Marine, Aviation & Transport	705	0,5	-2,9	-6,6	-6,7	0,8
Fire	2.647	1,8	0,7	-0,5	-0,2	0,3
Other damages	3.123	2,1	3,8	1,2	0,2	0,6
Motor TPL	15.983	10,6	-7,0	-7,1	-1,2	4,7
General Liability	3.747	2,5	-1,3	0,2	2,9	-3,0
Credit / Suretyship	966	0,6	0,7	1,3	-2,6	6,4
Others	1.695	1,1	9,5	5,7	-5,6	2,5
Total NON LIFE	**37.077**	**24,6**	**-2,6**	**-3,9**	**-1,5**	**2,0**
of which motor	***18.579***	**12,3**	**-6,2**	**-7,3**	**-2,2**	**3,7**
non-motor	***18.498***	**12,3**	**1,4**	**0,0**	**-0,6**	**0,0**
Totale LIFE	**113.687**	**75,4**	**29,3**	**22,2**	**-4,1**	**-17,8**
Total	**150.764**	**100,0**	**19,7**	**12,9**	**-3,2**	**-11,8**

Source: ANIA

The non-motor segment recorded only a modest increase in premiums (+1.4%), reflecting still weak demand for non-mandatory cover: in particular, turnover in Transport and General Liability lines fell by 2.9% and 1.3% respectively. All other non-life segments were on the rise: Health was up by 1.2%, while the property sector expanded by 2.4% and Credit and Suretyship by + 0.7%. Other small lines such as legal insurance, assistance and financial loss services recorded a considerable growth (+9.5% overall).

DISTRIBUTION CHANNEL MARKET SHARE

NON LIFE BUSINESS (percentage)

Distribution channel	2010	2011	2012	2013	2014
Tied agents	79,4	78,8	77,6	76,3	75,1
Brokers	10,5	10,7	11,3	12,1	12,4
Company staff	2,6	2,3	2,6	2,0	2,2
Direct selling (phone, internet)	3,6	4,4	5,1	5,7	5,8
Banks	3,7	3,6	3,3	3,7	4,3
Financial advisors	0,2	0,2	0,1	0,1	0,2
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: ANIA

In some lines (accident and fire in particular) EU firms that sell their products in Italy under freedom of services (FOS) regime play an important role, growing more than Italian and non-EU companies.

IVASS data show that EU companies selling their products in FOS continued to perform well, writing 11.5% of the overall premium income in the non-life sectors.

Agencies continued to be by far the most important channel, with 77.3% of premiums against 78.3% in 2013. They are followed by brokers (12.4%) specializing in commercial risks.

The direct channel continued to expand rising from 5.7% to 5.8% and now it intermediates over 8.8% in the motor segment.

The banking channel, mainly focusing on non-motor insurance products, also continued to grow (4.3% against 3.7% in 2013). Its market share has increased from 5.5% in 2013 to 6.4%.

5 Ranking of Groups - all segments

Several M&As were undertaken in 2014: Le Assicurazioni di Roma was acquired by CF Assicurazioni, Eurovita Assicurazioni was acquired by J.C. Flowers and finally Argeas acquired UBI Assicurazioni which was renamed to Cargeas. Royal & Sun Alliance will be transferred to ITAS Mutua but the transaction is expected to complete in the course of 2015, being subject to approval from English Insurance Regulatory Authorities. Finally it is important to highlight that Mapfre has signed an agreement with Direct Line to acquire its motor insurance subsidiaries in Italy.

Internal reorganization within the main insurance groups continued: Zurich Life Insurance and Zurich Life & Pensions were merged together generating Zurich Investments, Aviva Assicurazioni ed Aviva Previdenza were merged by incorporation into Aviva Italia and Aviva Life respectively, UNIQA Protezione S.p.A. was merged with UNIQA Assicurazioni S.p.A, ISI Insurance was merged by incorporation into Arca Assicurazioni, Antoniana and Veneta Popolare Assicurazione were merged by incorporation into Allianz, and finally Helvetia Vita was merged into Chiara Vita.

Generali Group confirmed its market leadership in terms of global business, with a premium income of €23,897 million and a 15.9 % market share.

Gruppo Intesa Sanpaolo ranked second with a premium income of € 21,333 million and a 14.1% share, while Unipol was third with a 11.3% share. Poste Italiane held the fourth position with a premium income of € 15,517 million and a 10.3% market share, followed by Allianz (8.7%).

GENERALI

LIST OF THE TEN LEADING GROUPS

Italian direct premiums in 2014 (million Euro)

Rank 2014	Rank 2013	Group	TOTAL	Share %	LIFE	Share %	NON LIFE	Share %
1	1	Generali	23.897	15,9	17.490	15,4	6.407	17,3
2	2	Intesa San Paolo	21.333	14,1	21.122	18,6	245	0,7
3	3	Unipol	17.053	11,3	8.153	7,2	8.900	24,0
4	4	Poste Italiane	15.517	10,3	15.429	13,6	88	0,2
5	5	Allianz	13.118	8,7	8.547	7,2	4.572	12,3
		FIRST FIVE GROUPS	**90.918**	**60,3**	**70.141**	**62,2**	**20.211**	**54,5**
6	8	Cattolica	5.658	3,8	3.575	3,1	2.083	5,6
7	7	Cardif/BNP	5.451	3,6	5.289	4,7	162	0,4
8	6	Mediolanum	5.306	3,5	5.249	4,6	57	0,2
9	11	AXA	4.800	3,2	3.000	2,6	1.799	4,9
10	14	Credit Agricole	4.085	2,7	3.999	3,5	85	0,2
		SECOND FIVE GROUPS	**25.300**	**16,8**	**21.113**	**18,6**	**4.187**	**11,3**
		TOTAL	**150.764**	**100,0**	**113.687**	**100,0**	**37.077**	**100,0**

Source: ANIA

Market concentration slightly declined in 2014: the market share of the top five groups fell from 61.2% in 2013 to 60.3%%; the overall market share held by the ten leading groups remained practically unchanged at 77.1%.

6 Ranking of Groups: Life Segments

Intesa Sanpaolo confirmed its leadership in the business with a 18.6% market share (19.5% in 2013) and a premium income of € 21,122 million, up 23.2% in 2014. Generali remained second with a 15.4% market share and a premium income of € 17,490 million, followed by Poste Italiane. Allianz ranked fourth with a premium income of € 8,547 million and a 7.5% market share, ahead of Unipol (8.15 million and 7.2% market share). Cardif/BNP rose to sixth position overtaking Mediolanum (4.6% market share).

Market concentration declined in 2014: the combined market share of the top five groups fell from 63.2% in 2013 to 62.2%; the share of the top ten operators has also slightly decreased, from 82.5%% to 81%.

LIST OF THE TEN LEADING GROUPS IN LIFE SECTOR

Rank 2014	Rank 2013	Group	LIFE	Share %	Change %
1	1	Intesa San Paolo	21.122	18,6	23,2
2	2	Generali	17.490	15,4	30,4
3	3	Poste Italiane	15.429	13,6	17,1
4	5	Allianz	8.547	7,5	44,4
5	4	Unipol	8.153	7,2	37,3
		FIRST FIVE GROUPS	**70.741**	**62,2**	**27,3**
6	7	Cardif/BNP	5.289	4,7	22,0
7	6	Mediolanum	5.249	4,6	12,6
8	11	Credit Agricole	3.999	3,5	80,7
9	10	Cattolica	3.575	3,1	42,3
10	8	Aviva	3.294	2,9	14,8
		SECOND FIVE GROUPS	**21.407**	**18,8**	**26,3**
		OTHERS	**21.539**	**18,9**	**40,0**
		TOTAL	**113.687**	**100**	**29,3**

Source: ANIA

7 Ranking of Groups: Non-Life Segments

LIST OF THE TEN LEADING GROUPS IN NON LIFE SECTOR

Rank 2014	Rank 2013	Group	NON LIFE	Share %	Change %
1	1	Unipol	8.900	24,0	-8,8
2	2	Generali	6.407	17,3	-8,9
3	3	Allianz	4.572	12,3	3,9
4	6	Cattolica	2.083	5,6	21,7
5	4	Reale Mutua	1.941	5,2	1,2
		FIRST FIVE GROUPS	**23.903**	**64,5**	**-4,1**
6	5	AXA	1.799	4,9	-1,3
7	7	Zurigo	1.403	3,8	-3,3
8	8	GAN/Groupama	1.168	3,2	-3,1
9	9	Vittoria (Acutis)	1.033	2,8	5,1
10	10	ACI/Sara	594	1,6	-5,4
		SECOND FIVE GROUPS	**5.997**	**16,2**	**0,3**
		OTHERS	**7.178**	**19,4**	**0,5**
		TOTAL	**37.077**	**100,0**	**-2,6**

Source: ANIA

Unipol remains the leading company in the non-life business even though it was forced to sell a non-life portfolio worth € 1.1bn, including 725 agencies and 470 employees. Unipol recorded a premium income of € 8,9bn and a market share of 24,0%.

Generali kept the second place (17,3%% and € 6,407 million) followed by Allianz (12,3% and € 4,572 million). Cattolica which acquired 100% of Fata rose to the fourth position (5.6%), overtaking Reale Mutua (5.2%) and Axa (4.9%).

Non-life segments showed a reduction in market concentration: the top five groups held 64.5% of the market, against 65.5% in 2013. The concentration of the top ten companies also fell from 81.2% to 80.6%.

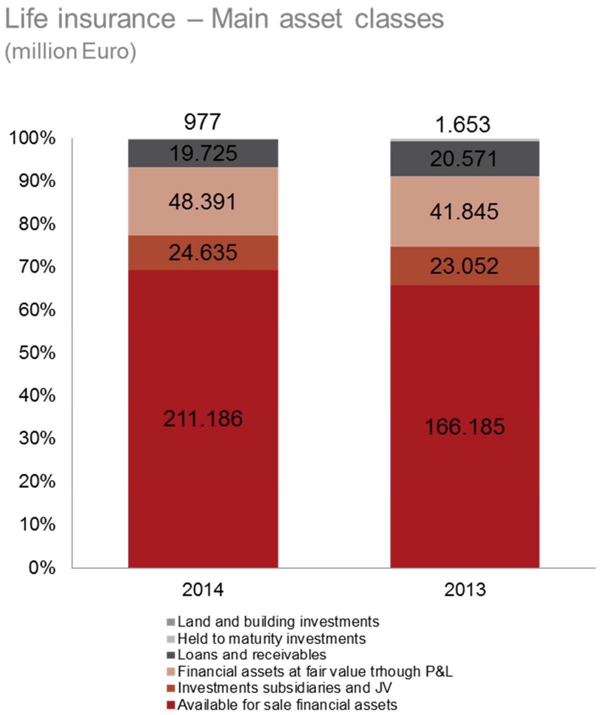
8 Assets held by insurance companies

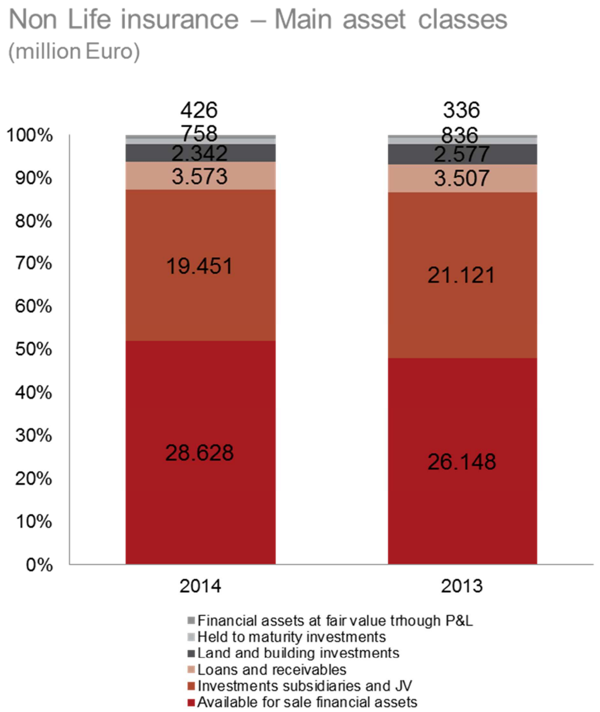
According to the financial statements of the main insurance groups listed on the Italian Stock Exchange (Generali, Unipol, Intesa San Paolo Vita, Cattolica, Reale Mutua and Vittoria), their total assets grew by 13.2% in 2014, thanks to the overall increase in asset prices (especially bonds)

88.9% of assets are linked to financial investments (against 86% in 2013). Of the remaining categories, 5.2% is related to accounts receivable (including reserves held by reinsurers), 3.2% is split between tangible/intangible and liquid assets, and the remaining 2.7% consists of “other assets”.

In the life insurance business, assets under management grew by 17.2%. Financial investments accounted for 92.8% of total assets, showing a slight increase over 2013, and are broken down as follows: 65.6% is represented by financial assets available for sale, 16.5% by financial assets with a fair value recorded in the Profit and Loss Account, 9.1% by shareholdings in controlled and associated companies and joint ventures, 8.1% by loans, and the remaining 0.7% by real estate investments and investments held to maturity.

In the non-life lines, assets under management dropped slightly (-1.4%) as compared to 2013. Financial investments accounted for 72.3% of the total, broken down as follows: 51.9% is represented by financial assets available for sale (48% last year), 35.3% by shareholdings in controlled and associated companies and joint ventures (38.7% in 2013), 0.8% by financial assets accounted at fair value in the Profit and Loss Account, 6.5% by loans and accounts receivable, and the remaining 5.6% by real estate investments and investments held to maturity.





9 Profit and Loss Accounts of listed Groups

Profit and loss accounts of listed companies, which account for almost 60% of the non-life insurance market and 50% of the life market, have benefited from more stable financial markets, resulting in higher profits in particular in the life sector, as well as from the positive trend of claims in the non-life insurance.

The “return on equity” (ROE) increased to 11.3% from 9.6% in 2013.

10 Profit and Loss Accounts of listed Groups: Life

Thanks to the sharp increase in premium income (+24%), the ratio of costs to premiums fell to 4.9%, as against 5.7% in 2013. Administrative costs (1.1% as against 1.4% in 2013) and acquisition costs (4.3% as against 4.8%) have also fallen. Claims paid, including variations in technical reserves, increased by 23.6%, from € 45.8 billion in 2013 to € 56.7 billion in 2014. Pre-tax profits were up by 29.8%; the return on assets (ROA) slightly increased from 0.9% to 1%.

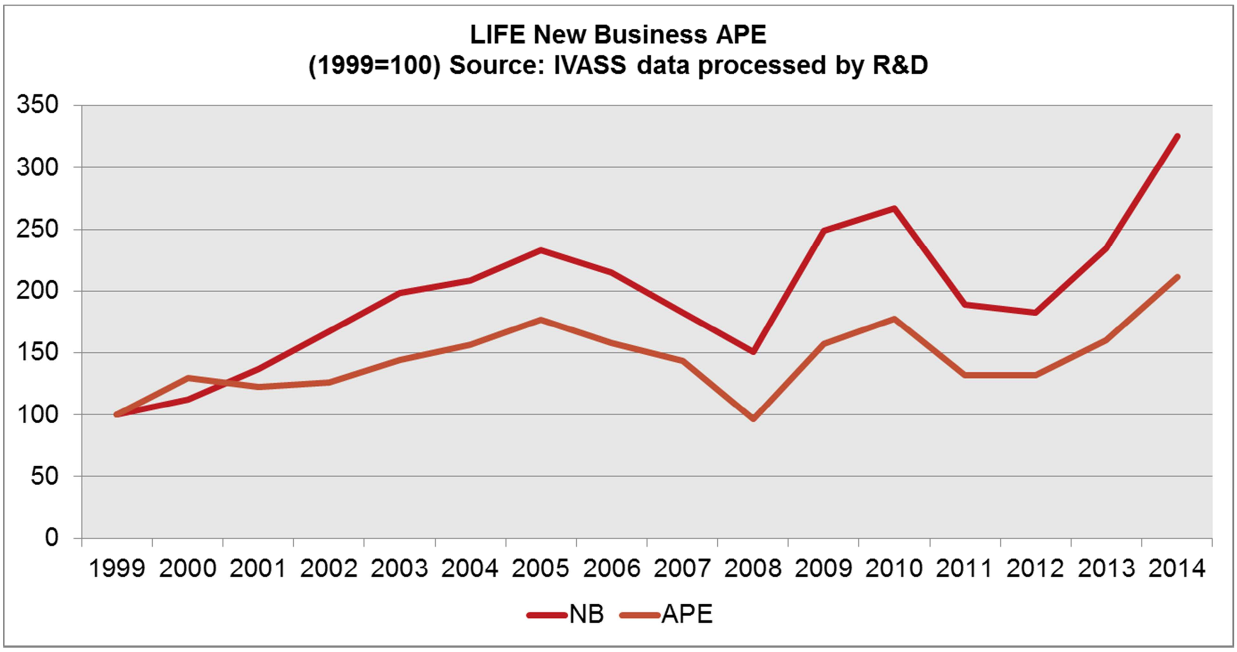
RECLASSIFIED PROFIT AND LOSS ACCOUNT – LIFE

Italian portfolio (million Euro)

	2014	2013
Gross written premiums	51.315	41.378
Net earned premiums	**50.519**	**40.586**
Income from financial instruments at fair value entered in P&L account	**632**	**1.034**
Income from other financial instruments	**10.316**	**9.272**
Income from subsidiaries	**2.112**	**1.928**
Claims paid and change in insurance provisions	**56.729**	**45.822**
Charges deriving from other financial instruments	**1.079**	**1.143**
Net operating expenses	**2.497**	**2.359**
Earnings before tax	**3.410**	**2.627**

Source: P&L accounts of listed companies processed by R&D

Finally, if we take into consideration how much value was created by the life insurance business we see that the 2014 financial year was positively affected by the revaluation of the financial assets. Indeed, in terms of the embedded value trend of the groups which disclose it, it can be observed that the value of Italian life insurance companies, including dividends paid and variations in net equity, grew by 4.4% if compared with 2013.



11 Profit and Loss Accounts of listed Groups: Non-Life

The sample of listed companies ended the 2014 financial year with a pre-tax profit of € 3,237 million, a considerable improvement over the € 2,784 milion recorded in the previous year, thanks to the further improvement of technical profitability.

The combined ratio fell by almost one percentage point, from 92.9% to 92.2% and even reached 90.7% if we include Allianz. The good performance is due to the reduction in compensation paid (-7.6%) which has more than compensated the contraction in premium income (-4.8%). The figures released by the main listed companies for the first quarter of 2015 are positive, although a worsening in technical results can be detected, especially in motor insurance LoBs.

The operating expenses to premiums ratio further increased and reached 25.6% from 24.3% in 2014 mainly due to lower premiums.

RECLASSIFIED PROFIT AND LOSS ACCOUNT – NON LIFE

Italian portfolio (million Euro)

	2014	2013
Gross earned premiums	23.001	24.284
Premiums ceded to reinsurers	2.154	2.386
Net earned premiums	**20.847**	**21.898**
Income from financial instruments at fair value entered in P&L account	**-218**	**-153**
Income from other financial instruments	**2.078**	**2.072**
Income from subsidiaries	**979**	**907**
Claims paid and change in insurance provisions	**13.887**	**15.027**
Charges deriving from other financial instruments	**576**	**474**
Net operating expenses	**5.331**	**5.316**
Other costs	**1.874**	**2.144**
Earnings before tax	**3.237**	**2.784**

Source: P&L accounts of listed companies processed by R&D; figures do not include Allianz since a P&L account for Italy has not been published yet.

The acquisition costs to premiums ratio was 20.6%, while the administration costs to premiums ratio was 4.9%.

Accordingly, the profitability of the non-life lines improved in 2014. The Return on Assets rose from 3.6% to 4.2%.

In the motor segment the loss ratio continued to improve as a result of the further reduction in claims frequency, which has dropped to 5.5% and is down by 2.5% as compared to 2013, when it fell by 5.6%. There is however a slowdown in the rate of contraction of the claims frequency which can be ascribed to the drop in gasoline prices during 2014 which has led to a more intensive use of vehicles. The average cost of claims fell slightly (-0.5%), to an estimated € 1,719, driven by the reduction in payments for injuries to third parties (- 7.6%) but partially offset by the surge in the cost of claims settled outside the direct compensation mechanism.

12 IVASS investigation into online insurance comparators

The increasingly widespread of the comparison websites, particularly in the field of motor liability insurance, has motivated IVASS to carry out an investigation into commercial websites on the Italian Market in order to ensure that guidelines set forth in January 2014 by the "Report on Good Practices on Comparison Websites" published by the European Supervisory Authority of Insurance and Pension Funds (EIOPA) are enforced. This report seeks to promote the adoption of behaviors ensuring correctness and transparency of the information disclosed to the public and avoid conflicts of interest that may influence the result of the comparison.

The investigations found some critical points:

- *commercial conflicts of interest: it came out that websites compare only (or mostly) insurance companies which have signed partnership agreements; moreover, the information on the websites may not allow the consumer to be aware of the existence of a commission received by the website owner for each contract concluded, causing a potential conflict of interest;*

- *the comparison is based only on the price, and does not disclose the level and detail of the coverage offered by the products. Moreover, it does not show the differences in the content of the policies (maximum covers, exclusion clauses/deductibles, recourse, exclusions, etc.) and does not provide the consumer with information on the share of companies compared in the overall market;*

- *lack of transparency: the consumer is often not aware of the commercial nature of the activity, nor of the type of service provided; additionally, the site does not normally contain instructions on how to make a complaint. As for products, in the motor liability insurance, unrequested supplementary/additional/optional covers are sometimes offered as a default option, which must then be deselected when purchasing the policy on a website;*

- *use of advertising messages that could sometimes mislead consumers into believing that they can save significant money and buy the best product, by claiming that they compare the "best" companies on the market;*

The corrective measures IVASS requested the websites to adopt, by 31 January 2015, are the following:

- *ensure on the home page an exhaustive listing of the firms/intermediaries having partnership agreements with them, and underline that the website gets a fee connected with the service provided;*
- *indicate explicitly in the comparison output, for each policy, the commissions paid by the company in case a contract is concluded;*
- *disclose in the home page the number of insurance companies compared and its weight in the market;*
- *ensure that the number of companies that engage in advertising activity for the purpose of comparison corresponds to that of the companies actually compared. If one or more companies are not quoted, the website must give the consumer an explanation and provide the missing quotations on a subsequent occasion;*
- *identify the consumer's insurance needs and consequently provide only comparative rankings that meets the consumer's demands and expectations;*
- *avoid comparisons based on price only; the features of the policy must also be mentioned on the website, allowing consumers, to be in a position to make an objective comparison and informed choices;*
- *avoid that additional/supplementary/optional covers be combined with opt-out mechanisms;*
- *modify the procedure for gathering sensitive personal data and other "disclaimers" which now collects the consent to data storage in an automatic and indistinct way;*
- *review the advertising messages to protect consumers from misleading advertising in accordance with the current legislation on this matter.*