Annex L

Speech by Managing Director
Sergio Balbinot

Ladies and gentlemen,

I should like to add a few brief comments of a more technical nature. First of all, in view of the general economic situation, 2011 obviously could not have been a year of major international expansion for the Group; rather, it was a year when the Company had to demonstrate that its business model is able to cope with particularly complex situations, in both economic and financial terms.

As you have heard, the technical results were very good, and in my opinion, this demonstrates two things: the first is that the model works, and the second is that those results were obtained in a particularly adverse economic context for the insurance industry.

Two factors emerge very clearly in the non-life sector: firstly, the strong growth achieved abroad (4%), which exceeds not only that of our main competitors, but also that of several countries' economies. This growth was homogenous, both in countries and within the various business lines.

Analysing the reference context, two main aspects should be borne in mind for 2011, the first of which relates to the vehicle segment. Last year, the trend of this segment was highly diversified in the various countries in which the Group operates: in some of them, including Italy, the trend was negative, but tending to improve rapidly, while in others, a relative improvement was accompanied by a strongly negative outlook (as in the case of France and Germany); there are also countries where there is fierce competition, but the results are still good (such as Austria and Switzerland); and finally, situations which are good but rapidly deteriorating (as in the case of some Central and Eastern European countries). To deal with these diversified situations, the Group has developed geographically differentiated policies and strategies, coordinated by head office, partly by sharing the best practice developed in the Group as regards both the underwriting and the claims management components.

The other factor to be taken into consideration as regards the non-life sector is natural disasters. I should emphasise that 2011 was, after the year of the famous hurricane Katrina, the worst year in history for the insurance industry as regards catastrophe claims. This year in particular there have been numerous claims, in Japan, Australia, Italy, Thailand, the Philippines and other areas, and our Group, which is present in 50 countries, with activities including crossborder business for major multinational risks, could not be immune to this kind of claim. Despite all this, thanks to a good underwriting and reinsurance policy, Generali was able to limit the impact of these claims, and combine growth with profitability.

In the Life sector, the reference situation underwent a major change in 2011, connoted firstly by fierce competition from banks, and secondly by the loss of reliability of investments in government bonds. The Group reacted by further increasing its proactivity in underwriting quality, and the results in the life sector should be interpreted in this light. Today, no less than 65% of new business consists of recurring-premium policies, which give better continuity because they are annual and linked to long-term policies; this is certainly a higher percentage than those of our competitors. Moreover, despite the volatility of the stock markets, 20% of our business still relates to unit-linked products, while the guarantee component of the portfolio has been reduced. The level of first-year guarantees is among the lowest on the market, and we have endeavoured to direct new business also towards guarantees on maturity and on capital. In other words, we have taken effective action on the product portfolio to achieve the important technical margins mentioned earlier by the Group CEO, for the new business margin and the internal rate of return.

A last aspect that should be mentioned is customer relations. In view of the decline in disposable incomes, customers are increasingly sensitive to the price factor, and therefore less loyal and necessarily more independent in taking decisions. Generali has responded to this scenario by innovating. In this context, technological innovation has been used as a factor to increase the diversification rate and customer loyalty. When we speak of innovation, we mean innovation relating to the product, to distribution (remember that over 10% of new life business comes from the “direct” channel), and also to customer service.

This objective has been pursued with the aid of the various Group centres of competence, consisting of some senior executives. They have identified and described a series of managerial levers, inspired by best practices, which have served to establish specific action plans for each territory.

From the operational standpoint, the Group has therefore taken four main approaches: risk selection, diversification (especially geographically, focusing on growth in the emerging countries, which should be the future of our Group), efficiency, and innovation. Innovation is the factor that enables us to grow, even on mature markets, and I believe that only a Group capable of innovating can look, perhaps not with huge optimism, but at least without great fear, at the challenges we shall face in 2012.

Thank you.