Generali Group

INSURANCE DOSSIER 2016

ITALIAN MARKET TRENDS - FLASH 2015/16

Group Insurance Research

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1 Executive summary

Economic growth in Euro area continued but remained frail sustained by the recovery of the internal demand with positive impact on insurance sector in almost all European Countries.

The macroeconomic scenario characterized by very low bond yields, especially in the core European markets, was still a burden for the life insurance; the only notable exception was Spain where gross written premiums, after years of a negative trend, increased versus the previous year thanks to the performance of the risk business (+7.6%) driven by the recovery of the housing market. The new wave of uncertainty that affected financial markets at the end of the year re-oriented life insurance demand, previously focused on unit linked products, towards traditional product with guarantees.

The oil price decrease and the very low interest rates on loans sustained the purchase of durable goods (cars and appliances) within all the Euro area with a positive impact on non-life premium collection and motor insurance in particular: in fact in Austria, Poland and Czech Republic land vehicles policies, the so called “casco” policies, grew respectively by 3.3%, 3.7% and 6.1%. In Spain, after seven years of negative results in which the motor insurance lost almost 20% of its business, motor premiums increased by 1.7%.

In France and Germany the increase in non-life insurance was driven by property and land vehicle insurance: the need to recover the strong claims of the previous year forced insurers to put a pressure on tariffs.

In 2015 the Italian insurance sector reported another record year: the overall premium income posted a +3% increase with more than € 155 billion overcoming the previous maximum of € 151 billion reached last year. The result was again driven by the collection of life premiums, up by 4.5%. The selling of multi-line contracts (“hybrid products”) which combine the guarantee of traditional products (class I) with the higher returns of unit-link products (class III), was very successful: IVASS estimated that at the end of 2015 1.6 million savers owned multi-line contracts.

The turnover of Bancassurance - which includes Post Offices - grew by 5.6% and accounted for 62% of overall premium income (it was 61.4% in 2014). The market share of the Agents remained at substantially the same level as last year (12.5%).

In 2015 the non-life sector experienced a further decrease in gross direct premiums confirming the trend already seen in the past years. This was largely due to the poor trend in MTPL premiums (-6.5%), affected by the strong competition between operators which had experienced good technical results that however, from preliminary data released by listed companies, have rapidly worsened. Premiums in the land vehicle line, after several years of negative trend, increased by 3.4%.

Agencies, which are still the most significant distribution channel, recorded a slight decrease in premiums, posting 76%; the weight of direct channel continued to rise (from 5.8% to 6% reaching 8.7% in MTPL segment).

Generali Group confirmed its market leadership in terms of global business, with a 16.4% market share followed by Intesa Sanpaolo Group (that confirmed its leadership in life insurance with a 18.3% market share) and Poste Italiane. Unipol remains the leading group in the non-life business (21,3%) followed by Generali Group (16,5%).

2 The european insurance markets

In 2015 the increase of gross written premiums was positive in the majority of the key insurance markets in which Generali operates, with the exception of the Czech Republic and Poland. In the life insurance the rate of increase was lower than the previous year almost everywhere, apart from Spain, Poland and Slovakia. In the non-life insurance the positive performance of the previous year continued.

EUROPEAN INSURANCE MARKET TRENDS

	Total				Life				Non Life			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
AT	-0,9	1,8	3.5	1.5	-6,9	-0,2	4.1	0.0	3,6	3,2	3.1	2.5
CH	2.1	3.2	0.0	0.2	1.8	5.4	-0.1	0.0	2,4	1,1	0.0	0.5
CZ	-1.0	-0.6	0.9	-2.9	0.1	-1.2	-0.5	-11.3	-1.8	0.0	3.6	3.8
DE	2.0	3,1	2.7	0.7	1.5	3.9	3.1	-1.1	3.7	3.3	2.3	2.5
ES	-5,3	-2,6	-0.6	2.1	-8,9	-3,0	-2.6	1.7	-2,0	-3.8	1.1	2.4
FR	-4.3	3.9	5.6	3.0	-6.2	6.1	8.3	2.7	3.0	1.7	0.9	3.5
HU	-6,5	5,5	4.9	2.5	-9,3	8,5	4.7	-2.6	-3,2	2,3	5.2	8.2
PL	9.5	-7.8	-3.9	-0.2	14,3	-14,1	-8.2	-4.0	3.4	1.1	1.3	3.9
SK	0,2	2,6	0.6	1.4	1,8	6,1	-1.7	-0.6	-1,6	-1,8	3.6	3.8

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

The trend of the life insurance was negative versus the previous year. The macroeconomic scenario characterized by very low bond yields, especially in the core European markets, was still a burden for the life insurance. The only notable exception was Spain, where gross written premiums increased versus the previous year, after years of a negative trend, thanks to the performance of the life risk protection business (+7.6%), driven by the recovery of the housing market, while savings and pensions products, which amount to 85% of the life insurance, showed a modest rise of 0.9%. The other markets where the performance of the life market was better than in 2014 were Poland and Slovakia; however, the performance was still negative even if at a lower rate than in 2014.

In Germany the single premium component added a lot of volatility to the picture and suffered the most from the difficult conditions, characterized by persistently low financial returns, closing the year with a sizeable setback, while regular premiums kept the sector afloat by enjoying a moderate growth. Also in the Czech Republic, according to CAP (the Czech Insurers Association), the decrease was particularly strong in single premiums (-27%), but here current premiums decreased as well.

Austrian life insurance stagnated in 2015. But differently from other markets the negative contribution of regular premiums was counterbalanced by the 3.8% growth in single premiums which saved the day for the sector as a whole. Life insurance stagnated as a whole also in Switzerland due to the negative contribution to growth coming from individual life (-2.2%) while collective life still recorded positive growth amid general distress in profitability from the record lows in financial returns.

In France the positive performance of the first quarter was stopped by the volatility in financial markets which induced savers to invest in traditional products (+6.7%) away from Unit linked products (-3%).

The non-life insurance posted a far better result than the life one, in line with the previous year, thanks in particularly to the good performance of the motor insurance.

In Germany non-life lines grew satisfactorily, although slowing down slightly with respect to the previous year. Motor recorded a 3.5% increase but could still not keep up with claim costs, thus profitability deteriorated to 98% Combined Ratio (CoR). Property premiums too grew healthily but below the dynamics of claims; therefore profitability (CoR) declined to 95% (private) and 103% (industrial). In Switzerland the renewed dynamics of car registrations helped the Motor sector to 1.2% growth. In Austria the still robust growth of Property & Casualty, up 2.5% in premiums, while the contemporaneous contraction of 2.5% in claim costs improved profitability further. Motor insurance in particular saw a moderate evolution in TPL and robust growth in Casco (3.3%) and especially in Motor Hull (5.3%).

In France the low claims in the motor insurance kept the increase in premiums contained, while in the property market the need to recover the strong claims expenses of the previous year put a pressure on premiums which increased by 3.5%.

In Spain the non-life premiums went up by 31.3 billion euro; premiums in all lines of business increased: in particular the motor ones grew by 1.7%, after seven years of negative results in which the motor insurance lost almost 20% of its business. In 2015 car registration, pushed also by the government aids, increased by 23% surpassing the 1 million units.

In Poland non-life insurance gross written premiums increased by 0.6% in 2015 (+3.9% if we consider also reinsurance accepted) after the negative result of 2014 (-0.9%). Motor was up by 2.1%: both casco insurance of land vehicles and motor third party liability were up in 2015 after the poor performance of the previous two years. However the increase in claims pushed the loss ratio of MTPL from 73% in 2014 to 84% in 2015.

In the Czech Republic premiums in the motor insurance had a positive performance (+3.7%), driven by motor hull premiums which posted a strong +6.1% versus the previous year. In line with economic recovery and with the pick-up in disposable income there was an increase in the number of vehicles and also a shift towards more expensive vehicles.

3 The Italian insurance market: volume and business breakdown

LIFE INDIVIDUAL NEW BUSINESS

National, extra UE and UE companies (change %)

Line of business	2015 Mln Euro	Ch. % 15/14	Ch. % 14/13	Ch. % 13/12
Lob I	64.520	-4,1	42,4	36,4
Lob III	45.936	28,4	44,7	22,5
of which Unit	*45.935*	*28,5*	*45,2*	*30,5*
Index	*1*	*-99,6*	*-74,4*	*-92,7*
Lob V	2.489	-20,7	100,5	32,5
Other	143	30,9	20,5	-14,2
Total	**113.087**	**6,4**	**44,4**	**31,3**

Source: ANIA

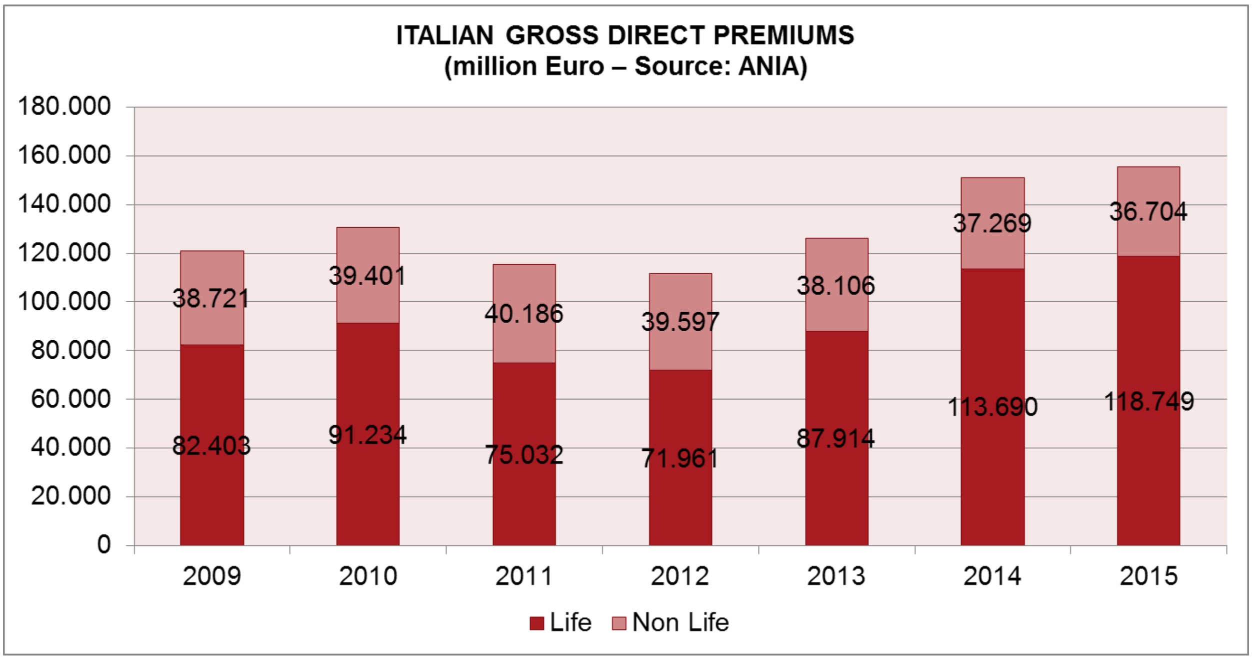
In 2015 the insurance sector reported another record year: the overall premium income posted a +3% increase with more than € 155 billion overcoming the previous maximum of €151 billion last year.

The result was again driven by the collection of life premiums, up by 4.5% (considering direct business written by Italian companies); according to data provided by ANIA on domestic and foreign Companies (including those operating in freedom of service), new business premiums showed a +6.4% increase.

The reduction in non-life gross premiums continued for the fourth year in a row (-1.5%). Nevertheless, data showed 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 7.0% last year to 7.3%.

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.



The fall in intermediation margins due to plunging bond rates and the stringent regulatory requirements imposed by Solvency II drove insurance companies' preferences towards multi-line contracts (also called "hybrid" products) which combine the guarantee of traditional products (class I) with the higher returns of unit-link products (class III). IVASS estimated that at the end of 2015 1.6 million savers owned multi-line contracts (in 2014 350,000 hybrid policies had been purchased).

Therefore, insurance companies have balanced their mix of products: "traditional products" (classes I and V), offering a low level of financial risk, were down by 8% compared to 2014, accounting for 69% of overall premiums; investment products (Class III) continued to show an excellent performance (accounting for as much as 30% of the premium income on the life market whereas in 2014 it was only 21.5%). This result was boosted by sales of Unit Linked policies (+41% according to IVASS data): the majority of these "investment contracts" are sold through banks and financial advisors which have become by far the main distributors of these products.

The turnover of Bancassurance - which includes Post Offices - grew by 5.6% (+5% taking into account the offshore business) and accounted for 62% of overall premium income (it was 61.4% in 2014). The market share of the Agents remained at substantially the same level as last year (12.5%) and that of the Agencies fell from 7.7% to 7.1%. The share of financial advisors was in line with the previous year (17.9%) even though their turnover grew by 4.6%.

DISTRIBUTION CHANNEL MARKET SHARE
LIFE BUSINESS (percentage)

Distribution channel	2011	2012	2013	2014	2015
Banks	41,5	33,1	43,0	47,8	46,7
Post Offices	12,7	14,6	15,0	13,6	15,3
Tied agents	16,2	16,0	14,1	12,5	12,5
Company staff	9,3	10,4	8,6	7,7	7,1
Financial advisors	19,2	24,8	18,3	17,9	17,9
Brokers	1,0	1,2	1,0	0,6	0,5
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: ANIA

Should the turmoil in financial markets continue in the course of 2016, advisors' role could become of paramount importance: at the moment customers are very uncertain whether to choose low risk products which offer a guaranteed return albeit minimum, or to invest in other products which currently may offer very low margins as well. In this scenario advisors can use their professional skills to offer advice tailored to individual clients' specific requirements.

The non-life lines contracted for the fourth year in a row and turnover was down 1.5%. As a result, insurance penetration, namely the premium to GDP ratio, fell further from 2.31% in 2014 to 2.24%.

In 2015 the non-life sector experienced a further decrease in gross direct premiums confirming the trend already seen in the past years. This was largely due to the poor trend in the motor sector (-5.1%), affected by the strong competition between operators which had experienced good technical results: notably MTPL premiums were down by 6.5% as against -7% in 2014 and -7.1% in 2013.

Data for the current year released by listed companies seems to have worsened as far as technical results are concerned: until last year such results had benefited from the positive effects of the coming into force of the new rules aimed at curbing frauds in bodily injuries (in particular whiplash).

Premiums in the land vehicle line increased (+3.4%) after several years of negative trend, mainly due to a marked increase in car registrations (+15.8% in 2015).

The growth of this branch was sustained by fleet replacement of rental service and lease companies which always provide to protect their vehicles against damages buying “Casco” insurance.

The growth in non-motor segment was in line with the previous year (+2.1%) with the exception of other damages line of business which declined by 0.7%. All other non-life segments were on the rise: general liability grew by 5.1%, health was up by +2.2%, while the transport sector recorded a growth of 3.1%; credit and suretyship expanded by +1.8%. Other small lines such as legal insurance, assistance and financial loss services showed a strong growth (+6%).

It is interesting to note that in some lines (accident, property, general liability and transport 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.

ANIA data show that EU companies selling their products in FOS were responsible for 12.8% of the overall premium income in the non-life sectors, after the 12% posted in 2014.

ITALIAN GROSS DIRECT PREMIUMS

National, extra UE and UE companies (million Euro)

Lines of business	2015	Share %	Ch. % 15/14	Ch. % 14/13	Ch. % 13/12	Ch. % 12/11
Accident	3.394	2,2	0,4	0,3	0,2	-0,6
Health	2.284	1,5	2,2	1,2	-3,4	-1,2
Motor other risk	2.688	1,7	3,4	-1,2	-8,4	-8,1
Marine, Aviation & Transport	726	0,5	3,1	-2,9	-6,6	-6,7
Fire	2.648	1,7	0,1	0,7	-0,5	-0,2
Other damages	3.101	2,0	-0,7	3,8	1,2	0,2
Motor TPL	14.946	9,6	-6,5	-7,0	-7,1	-1,2
General Liability	4.136	2,7	5,1	2,3	1,6	2,9
Credit / Suretyship	985	0,6	1,8	0,7	1,3	-2,6
Others	1.797	1,2	6,0	9,5	5,7	-5,6
Total NON LIFE	**36.704**	**23,6**	**-1,5**	**-2,2**	**-3,8**	**-1,5**
of which motor	***17.635***	**11,3**	**-5,1**	**-6,2**	**-7,3**	**-2,2**
non-motor	***19.070***	**12,3**	**2,1**	**2,1**	**0,3**	**-0,6**
Totale LIFE	**118.749**	**76,4**	**4,4**	**29,3**	**22,2**	**-4,1**
Total	**155.453**	**100,0**	**3,0**	**19,8**	**13,0**	**-3,2**

Agencies, which are still the most significant distribution channel, recorded a slight decrease in premiums, posting 76% against 77.3% in 2014. They are followed by brokers (12.8%) specialized in commercial risks.

DISTRIBUTION CHANNEL MARKET SHARE

NON LIFE BUSINESS (percentage)

Distribution channel	2011	2012	2013	2014	2015
Tied agents	78,8	77,6	76,3	75,1	73,6
Brokers	10,7	11,3	12,1	12,4	12,8
Company staff	2,3	2,6	2,0	2,2	2,4
Direct selling (phone, internet)	4,4	5,1	5,7	5,8	6,0
Banks	3,6	3,3	3,7	4,3	5,0
Financial advisors	0,2	0,1	0,1	0,2	0,3
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: ANIA

The direct channel continued to rise (from 5.8% to 6%), stable compared to the previous year (8.7%) in the motor segment.

The banking channel, mainly focusing on non-motor insurance products, also continued to grow (5% against 4.3% in 2014). Its market share has increased from 6.4% in 2014 to 7.2%. It is worth noting motor insurance, and MTPL in particular, sold by this distribution channel represent 2.4% of whole MTPL insurance market (it was 2.1% in 2014).

4 Ranking of Groups - all segments

2015 was characterized by just one major operation, the acquisition of Carige's and Carige's Vita Nuova insurance business by the US Fund Apollo which renamed them Amissima and Amissima vita respectively.

Internal reorganization within the main insurance groups and within Unipol in particular continued in order to streamline company structures and reduce their management costs: Europa Tutela Giudiziaria, Systema Compagnia di Assicurazioni, Liguria Assicurazioni and Liguria Vita were merged by incorporation into UnipolSai Assicurazioni; the insurance portfolio of Dialogo Assicurazioni was transferred to Linear Assicurazioni and that of Linear Life was transferred to UnipolSai.

LIST OF THE TEN LEADING GROUPS

Italian direct premiums in 2015 (million Euro)

Rank 2015	Rank 2014	Group	TOTAL	Share %	LIFE	Share %	NON LIFE	Share %
1	1	Generali	25.567	16,4	19.494	16,4	6.073	16,5
2	2	Intesa San Paolo	21.972	14,1	21.686	18,3	286	0,8
3	4	Poste Italiane	18.238	11,7	18.145	15,3	93	0,3
4	3	Unipol	15.542	10,0	7.728	6,5	7.814	21,3
5	5	Allianz	13.759	8,9	8.622	7,3	5.137	14,0
		FIRST FIVE GROUPS	**95.079**	**61,2**	**75.676**	**63,7**	**19.403**	**52,9**
6	6	Cattolica	5.390	3,5	3.361	2,8	2.030	5,5
7	8	Mediolanum	4.987	3,2	4.927	4,1	60	0,2
8	9	AXA	4.688	3,0	2.841	2,4	1.847	5,0
9	7	Cardif/BNP	4.502	2,9	4.320	3,6	182	0,5
10	12	Zurigo	4.076	2,6	2.706	2,3	1.371	3,7
		SECOND FIVE GROUPS	**25.300**	**15,2**	**18.154**	**15,3**	**5.490**	**15,0**
		TOTAL	**155.453**	**100,0**	**118.749**	**100,0**	**36.704**	**100,0**

Source: ANIA

Generali Group confirmed its market leadership in terms of global business, with a premium income of € 25,567 million and a 16.4% market share. Intesa Sanpaolo Group ranked again second with a premium income of € 21,972 million and a 14.1% share, followed in the third place by Poste Italiane with a premium income of € 18,238 million and a 11.7% market share. Unipol fell into fourth place (with a 10% market share) while Allianz ranked fifth (8.9%).

Market concentration slightly increased in 2015: the market share of the top five groups rose from 60.2% in 2014 to 61.2%; the overall market share held by the ten leading groups slightly fell from 77% in 2014 to 76.4%.

5 Ranking of Groups: Life segments

Intesa Sanpaolo Group confirmed its leadership in the business with a 18.3% market share (18.6% in 2014) and a premium income of € 21,686 million (+2.7% compared to 2015).

Generali remained second with a 16.4% market share and a premium income of € 19,494 million, followed by Poste Italiane.

Allianz ranked fourth with a premium income of € 8,622 million and a 7.3% market share, ahead of Unipol (7.73 million and 7.2% market share). Mediolanum rose to sixth position and Cardif/BNP fell by one place to become the seventh largest group in Italy (3.6% market share).

Market concentration increased: the combined market share of the top five groups rose from 62.2% in 2014 to 63.7%; the share of the top ten operators slightly decreased, from 81.1% to 80.2%.

LIST OF THE TEN LEADING GROUPS IN LIFE SECTOR

Rank 2015	Rank 2014	Group	LIFE	Share %	Change %
1	1	Intesa San Paolo	21.686	18,3	2,7
2	2	Generali	19.494	16,4	11,5
3	3	Poste Italiane	18.145	15,3	17,6
4	4	Allianz	8.622	7,3	0,9
5	5	Unipol	7.728	7,2	-5,2
		FIRST FIVE GROUPS	**75.676**	**63,7**	**7,0**
6	7	Mediolanum	4.927	4,1	-6,1
7	6	Cardif/BNP	4.320	3,6	-18,3
8	8	Credit Agricole	3.694	3,1	-7,6
9	9	Cattolica	3.361	2,8	-6,0
10	10	Aviva	3.261	2,7	-1,1
		SECOND FIVE GROUPS	**19.562**	**16,5**	**-8,6**
		OTHERS	**23.511**	**19,8**	**9,2**
		TOTAL	**118.749**	**100,0**	**4,4**

Source: ANIA

6 Ranking of Groups: Non-Life segments

LIST OF THE TEN LEADING GROUPS IN NON LIFE SECTOR

Rank 2015	Rank 2014	Group	NON LIFE	Share %	Change %
1	1	Unipol	7.814	21,3	-12,2
2	2	Generali	6.073	16,5	-5,2
3	3	Allianz	5.137	14,0	12,4
4	4	Cattolica	2.030	5,5	12,8
5	5	Reale Mutua	1.958	5,3	-6,0
		FIRST FIVE GROUPS	**23.012**	**62,7**	**-3,7**
6	6	AXA	1.847	5,0	-4,8
7	7	Zurigo	1.371	3,7	-2,3
8	8	GAN/Groupama	1.125	3,1	-3,8
9	9	Vittoria (Acutis)	1.069	2,9	3,5
10	10	ACI/Sara	572	1,6	-3,6
		SECOND FIVE GROUPS	**5.984**	**16,3**	**-0,2**
		OTHERS	**7.708**	**21,0**	**4,6**
		TOTAL	**36.704**	**100,0**	**-1,5**

Source: ANIA

Unipol remains the leading group in the non-life business even after selling a non-life portfolio worth € 1.1bn, including a network of 725 agencies and 470 employees previously belonging to Milano Assicurazioni. Unipol recorded a premium income of € 7,814 million and a market share of 21.3%. Generali held the second place (16.5% and € 6,073 million). Allianz ranked third (14% and € 5,137 million), ahead of Cattolica (5.5%), Reale Mutua (5.3%) and Axa (5%).

Non-life segments showed a reduction in market concentration: the top five groups held 62.7% of the market, against 64.1% in 2014. The concentration of the top ten companies also fell from 80.2% to 79%.

7 International mobility of workers and pension rights: the state of the art in the EU

Free movement of workers is a founding principle of European Union involving 2.8% of EU citizens: at the end of 2012, according to Eurostat data, 14.1 million people resided in Member States other than those of which they are citizens[1].

Article 45 of the Treaty on the Functioning of the European Union provides that Freedom of movement constitutes a fundamental right of all European workers. It entails the abolition of any discrimination based on nationality between workers of EU countries (and their family members) as regards employment, salary and other conditions of work and employment. In order to achieve that, EU has made major efforts to create an environment without barriers that directly or indirectly may hamper workers mobility, like guaranteeing the mutual recognition of professional qualifications, providing European health insurance coverage and issuing a Directive on cross-border healthcare, etc.

International mobility and its impact on social security schemes

There are many issues concerning the content and impact of the free movement of workers particularly in the social security area/field (first pillar) where territoriality principle applies: employees in a EU Member State are subject to the pension law of the Member State they work in and pay the social contributions there. Consequently, when a worker moves to another country and takes up employment there:

- *as a migrant worker in the EU he/she stops paying social security contributions in the country of origin and is liable to pay them in the "host" country.*

As a result:

- *without EU policy coordination on pensions, a worker who moves to another country not having reached the necessary age and level of contributions needed in order to be eligible for the pension schemes would see the contributions he/she has paid/accrued in the country of origin lapse, would therefore risk not to be entitled to any pension rights even in the host country and, therefore, he/she risks not be able to ensure an adequate retirement income to support his/her future consumption.*

As for the supplementary pension, private schemes may require participants to meet certain conditions before their pension rights (of second and third pillar) are accrued, namely a "waiting period" (a minimum period of employment, before a worker becomes eligible) and a "vesting period" (a minimum period of scheme membership in order to be entitled to supplementary pension rights). Therefore:

- *should an employee move to another Member State before having acquired pension rights, he would lose them out.*

***The prospect of a loss of these rights could be a clear disincentive to mobility** even more so in the light of the growing importance of supplementary pensions which should offset part of the reduction of the state pension system.*

[1] According to an Eurobarometer survey published by the Commission in 2010, 10% of Europeans had lived and worked in another country while 17% intended to do so in the future.

The coordination of social security systems: the “aggregation” rule

Regulation (EC) No 883/2004 and Regulation No 987/2009 laying down the procedure for implementing Regulation (EC) establish common rules and principles which have to be observed by all State Members and aim at coordinating the different national social protection systems.

The coordination provisions provide for the “aggregation of periods”: first pillar pension requirements can be met by considering all aggregated periods of insurance or employment completed in each Member State where he/she worked. Within the European Union, only contribution periods of a minimum of 1 year (52 weeks) qualify for aggregation. In case of Extra-EU labour mobility, aggregation is possible only if specific bilateral agreements between the origin and the host country are in force: in that case the minimum period of contribution for aggregation can vary across countries depending on each specific agreement. For the purpose of aggregation, contributions can also be paid on a voluntary basis. To qualify for this right in Italy the worker must have paid work contributions for at least one week.

The aggregation rule does not imply transferring the contributions one has accumulated in one country to another: the worker, once eligible to retirement, will make application to the country of residence Pension Authority, which will be responsible for paying the pension benefit, calculated by the “pro rata” method, according to the different calculation rules in force in the countries involved in the aggregation procedure. All the single countries involved would then refund the Pension Authority which provides the pension benefits.

A solution for supplementary pension

Directive 2014/50/EU of 16/04/2014 deals with the minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights. It only applies to labour market pension schemes (II pillar) and thus neither to voluntary contributions to individual/personal pension schemes nor to state pensions, which are covered under the coordination regulation. The directive stipulates that vesting or waiting periods should not exceed three years and that the vested pension rights of outgoing workers can remain in the scheme in which they vested (“dormant pension rights”) or be paid out to the worker as a capital sum. Dormant pension rights must be treated in line with the value of the rights of active scheme members or benefits currently being paid out. Where an outgoing worker has not yet acquired vested pension rights when the employment relationship is terminated, the supplementary pension scheme shall reimburse the contributions paid by the outgoing worker. Member States have until 2018 to take any steps necessary in order to comply with the Directive.

As regards standardized Personal Pensions (III pillar), significant debate has arisen about how to develop Pan-European products as an alternative to traditional individual pensions plans. The growth of such products would determine a series of common rules for personal pension products which would enable providers to easily “export” their services in the different EU countries. From a consumer perspective, increasing levels of competition in the sector are likely to drive down the fees and help reach certain efficiencies in management and administration costs.

However, the creation of an efficient Pan-European pension system is still a slow and difficult process: EU member states have definitional differences and different pension regulations and this lack of consistency tends to reduce the appeal of these pension products to the advantage of traditional “local” products.

8 Assets held by insurance companies

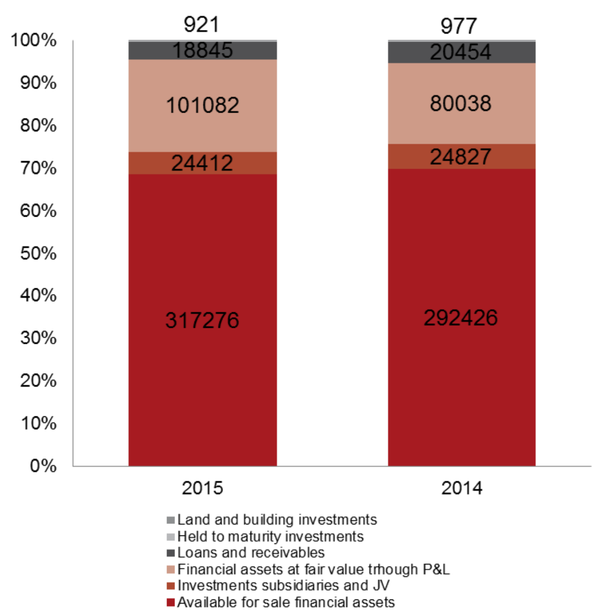
According to the financial statements of the main insurance groups listed on the Italian Stock Exchange (Generali, Unipol, Intesa San Paolo Vita and Fideuram Vita, Cattolica, Reale Mutua and Vittoria), their total assets grew by 8.8% in 2015, having benefited from a low interest rate environment and a moderately positive performance of equity markets.

91.5% of assets are linked to financial investments (against 90.7% in 2014). Of the remaining categories, 3.1% is related to loans and receivable (including reserves held by reinsurers), 2.9% is split between tangible/intangible and liquid assets, and the remaining 2.5% consists of “other assets”.

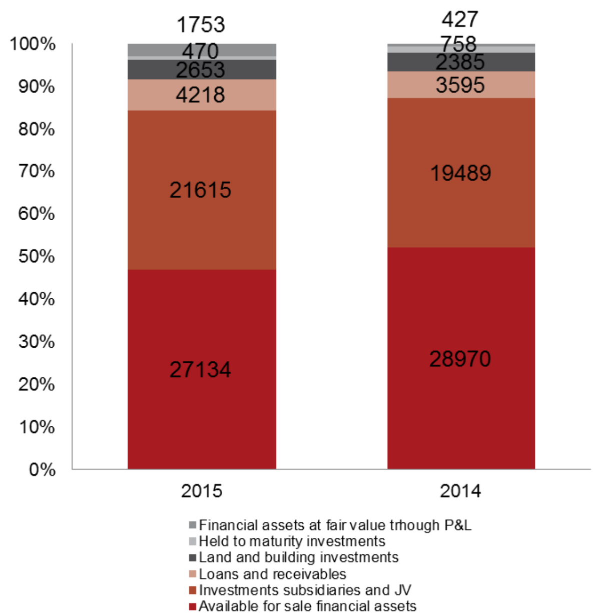
In the life insurance business, assets under management grew by 10% as compared to 2014. Financial investments accounted for 94.3% of total assets, (90.7% in 2014), and are broken down as follows: 69.8% is represented by financial assets available for sale, 19.1% by financial assets with a fair value recorded in the Profit and Loss Account, 5.9% by shareholdings in controlled and associated companies and joint ventures, 4.9% by loans and receivables, and the remaining 0.3% by real estate investments and investments held to maturity.

In the non-life lines, assets under management increased by 1.5% as compared to 2014. Financial investments accounted for 73.8% of the total, broken down as follows: 46.9% is represented by financial assets available for sale (52.1% last year), 37.4% by shareholdings in controlled and associated companies and joint ventures (35% in 2014), 3% by financial assets accounted at fair value in the Profit and Loss Account, 7.3% by loans and receivable, and the remaining 5.4% by real estate investments and investments held to maturity.

Life insurance – Main asset classes
(million Euro)



Non Life insurance – Main asset classes
(million Euro)



9 Profit and Loss Accounts of listed Groups

Profit and loss accounts of listed companies, which account for almost 65% of the non-life insurance market and almost 68% of the life market, enable us to draw some conclusions about the technical trend on the Italian insurance market.

Although losses due to adverse weather related events in 2015 were lower than in the previous year, Profit and Loss Accounts were negatively affected both by the decline in government bond interest rates and by the instability of financial markets which caused net losses in budgets (in comparison to net gains in 2014)

The "return on equity" (ROE) therefore decreased from 11.7% to 9.9%.

10 Profit and Loss Accounts of listed Groups: Life

The 2.6% decrease in the premium income is due to the application of some international accounting standards which provide that "investment contracts" be excluded from the gross written premiums (+6.1% is the actual growth). The ratio of general expenses to premiums rose to 4.6%, as against 4.3% in 2014. Administrative costs (0.9%) were in line with the previous year and acquisition costs have increased (3.5% as against 3.3%). Claims paid, including variations in technical reserves, decreased by 5.1%, from € 76.4 billion in 2014 to € 72.4 billion in 2015. Pre-tax profits were up by 4.3%; the return on assets (ROA) remained stable at 0.8%.

New life business, as well as premium income, increased in 2015 by 5.1% (source: IVASS). In terms of business mix, single-premiums grew by 5.7%, while recurrent premiums decreased by 5%.

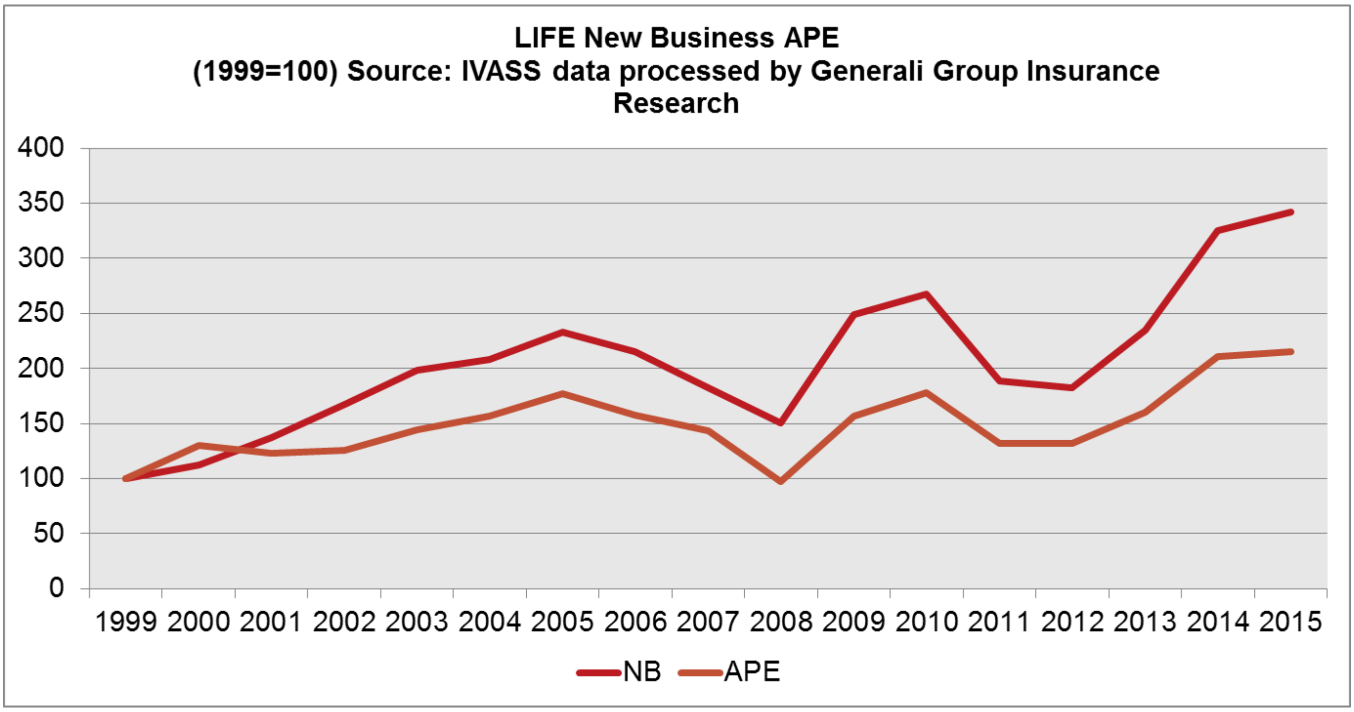
RECLASSIFIED PROFIT AND LOSS ACCOUNT – LIFE

Italian portfolio (million Euro)

	2015	2014
Gross written premiums	66.419	68.212
Net earned premiums	**65.614**	**67.402**
Income from financial instruments at fair value entered in P&L account	**450**	**1.526**
Income from other financial instruments	**13.118**	**13.231**
Income from subsidiaries	**1.612**	**2.123**
Claims paid and change in insurance provisions	**72.415**	**76.339**
Charges deriving from other financial instruments	**1.736**	**1.382**
Net operating expenses	**3.032**	**2.945**
Earnings before tax	**3.820**	**3.663**

Source: P&L accounts of listed companies processed by Generali Group Insurance Research

Finally, if we take into consideration how much value was created by the life insurance business we see that the 2015 financial year was positively affected by the reduction of the spread between Italian government bonds and the German ones and by the favorable trend of financial markets. 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 15.9% if compared with 2014.



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

The sample of listed companies ended the 2015 financial year with a pre-tax profit of € 1,687 billion.

The combined ratio fell, albeit slightly, from 92.2% to the current 91.1% and remained almost stable at 90.3% if we include Allianz. This result is due to the reduction in claims paid (-9.6%) which has more than made up for the 7.7% contraction in premium income.

The figures released by the main listed companies for the first quarter of 2016 are positive, although technical results are somewhat worse: the average cost of claims has declined but the frequency has surged probably due to an increased use of vehicles in the wake of cheaper gasoline prices.

RECLASSIFIED PROFIT AND LOSS ACCOUNT – NON LIFE

Italian portfolio (million Euro)

	2015	2014
Gross earned premiums	21.612	23.451
Premiums ceded to reinsurers	2.015	2.226
Net earned premiums	**19.597**	**21.226**
Income from financial instruments at fair value entered in P&L account	**160**	**-219**
Income from other financial instruments	**1.781**	**2.116**
Income from subsidiaries	**735**	**992**
Claims paid and change in insurance provisions	**12.816**	**14.155**
Charges deriving from other financial instruments	**1.163**	**1.116**
Net operating expenses	**5.224**	**5.413**
Other costs	**2.244**	**2.167**
Earnings before tax	**1.687**	**2.500**

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

The non-motor segment continued on a positive trend thanks to the lack of exceptionally bad weather which is usually a cause of major damages.

The operating expenses to premiums ratio further increased and reached 26.7% from 25.5% in 2015 mainly due to lower premiums. The acquisition costs to premiums ratio was 21.6%, while the administration costs to premiums ratio was substantially stable at 5%.

Accordingly, the profitability of the non-life lines worsened in 2015. The Return on Assets fell from 3.2% to 2.2%.