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FLASH 2010/11

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ITALIAN MARKET TRENDS
FLASH 2010/11

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Table of contents

Executive Summary	pagina	3
European insurance markets in 2010:		4
The Italian Insurance Market: volume and breakdown of business		7
Ranking of Groups: all business		12
Ranking of Groups: Life Sectors		14
Ranking of Groups: Non-Life Sectors		14
Insurance Companies’ Assets		15
Profit and Loss Accounts of listed Groups		16
Profit and Loss Accounts of listed Groups: Life Sectors		17
Profit and Loss Accounts of listed Groups: Non-Life Sectors		18

Executive Summary

The strong recovery of premium income recorded in the life sector in 2009 continued on all the main markets in 2010. Growth was again driven by low risk products which offer a minimum guaranteed return; demand for these products benefited from a rather steep yield curve and the volatility of the stock markets, which in many countries penalised the growth of linked products. The Italian market was once again the most dynamic, with 9.2% growth.

There were some timid signs of recovery of non life premium income on the main European markets, after the disappointing results in the previous year. However, the recovery of premium income seems to have been driven more by tariff changes than by a significant increase in propensity to insure, in view of the still precarious situation of family and company budgets in most of the euro zone countries, especially Spain and Italy.

In the Vehicle segment there was a recovery of rates, which was necessary to rebalance profitability but limited by strong competition in the sector, exacerbated by the economic difficulties of families. The sector was also affected by the expiry of vehicle scrappage programmes, leading to a decline in new vehicle registrations.

Although many Italian companies had to make further impairments in the 2010 financial year, the results for the industry were promising, especially in the non life sector, and the vehicle segment in particular, where there was an improvement in the technical result as a result of the tariff adjustments made by the main insurance groups as from the second half of the 2010 financial year; however, it still posts substantial losses.

In particular, in the life sectors, according to the data on the embedded value of the groups which have published those figures, the value of Italian life insurance companies fell by 9.6% compared with the preceding year, returning to the same levels as in 2008.

The profitability of the non life sectors improved, although the indicators remain negative: Return on Investment (ROI) has risen from -2.6% in the last financial year to the current -1.4%, and the return on equity (ROE) also recovered over 9 percentage points, improving from 19.3% in 2009 to 10.2%.

Data on the first months of 2011 show a marked slowdown in life business in the main European markets. Banks are shifting their sales policies towards deposits and corporate bonds in order to enhance their liquidity and capitalisation, and this explains the sharp contraction in new business originented by banks, especially in Italy and France where the bancassurance channel is the main one. Premiums in non life business increased, but thanks mostly to increases in motor rates.

EUROPEAN INSURANCE MARKETS: LIFE SECTOR STILL GROWING, BUT NON LIFE SECTORS AFFECTED BY THE DIFFICULT ECONOMIC TREND

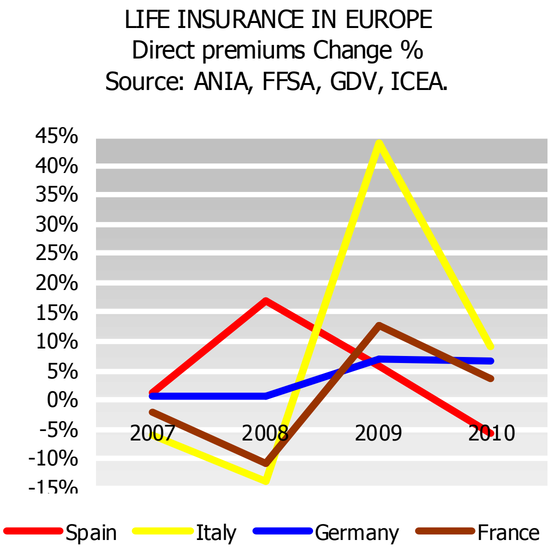
In 2010 the trends on the European insurance market differed considerably between the life and non life sectors.

The strong recovery of premium income recorded in the life sector in 2009 continued on all the main markets. However, the growth of the non life sectors was much more modest, as the still uncertain economic conditions adversely affected the families and forms propensity to buy insurance. This strongly limited the recovery of profitability, partly due to fierce competition, especially in the vehicle segment.

Life insurance benefited from stabilisation of the financial markets and the interest rate curve

Premium income in the life sectors continued to expand on the main European markets, though at a lower rate compared with the strong growth seen in 2009. Growth was again driven by products with low financial risk which offer a minimum guaranteed return; demand for these products benefited from a rather steep yield curve and the volatility of the stock markets, which in many countries penalised the growth of linked products.

As regards individual markets, the Italian market was again the most dynamic, with 9.2% growth (including the premium income of EU companies) after the expansion of over 40% recorded in 2009.



Growth was driven, as in 2009, by the bancassurance and postal channel (which accounts for over 60% of the entire market), the premium income for which increased by 11.7% (again including “off shore” business).

Banks’ sales strategies focused on Class III products (which grew by 58% after the 47% decline in 2009), although Class I products (which grew by 4.8%) are still preferred by customers (accounting for over 70% of the overall premium income on the market); demand was boosted by the prospect of fairly high returns (around 4% gross as against a 1.6% inflation rate, and three month BOT rates of just over 1%) and low financial risk.

The growth of the sector also remained robust on the other major European markets, though to different extents.

In France, premium income grew by 3.8%, a reduction on the 12.7% recorded in 2010. Demand for euro denominated (traditional) policies, which represent over 85% of the life market, was boosted by the increase in the spread between the yields offered and those of other savings products: the gross return on life policies was 3.4%, over twice the return on Livrets A, the traditional form of saving used by French families. The performance of premium income was fairly similar in the various distribution channels.

The growth of life premium income also remained stable in Germany, at historically high levels: premiums increased by 6.8%, a slight slowing compared with the 7.1% recorded in 2009. Growth was driven by the single-premium policy segment (+33.6%), demand for which was boosted by the returns on the policies, which exceeded those of German government bonds.

The Spanish market ran counter to the general trend, largely due to the serious crisis affecting the economy. Premium income in the life sectors fell by 5.7% in 2010, mainly due to the 23.7% decline in collective policies, resulting from the difficult situation on the labour market.

The UK recorded a recovery of premium income in 2010, after the financial crisis which seriously affected insurance business in 2008 and 2009.

New business increased by 5%, slightly offsetting the 27.7% reduction in 2009 that followed the poor performance in 2008 (-17.7%). The recovery was driven by pension products, premium income from which had seriously weakened in the preceding two years.

The most recent data on 2011 point to a marked weakening in new business in all the main European markets. Between January and May new business in Italy was down by 29.1% compared with the same period in 2010, while in France premiums fell by 12%.

Premium growth is hampered by the strong competition from other savings products, especially those distributed by banks. In order to enhance liquidity and capitalisation and to comply with the tighter requirement imposed by the Basel III regulation, several banks are shifting their sales policies towards time deposits and bank bonds. The negative impact on insurance products is particularly strong in countries such as France and Italy, where bancassurance is by far the most important distribution channel for life products. In Germany, in the first quarter life insurance premiums were 6% lower compared with the same period in 2010.

Signs of recovery appeared from the non life sectors in 2010, but they continued to be affected by the uncertain economic situation and by competition in the vehicle segments.

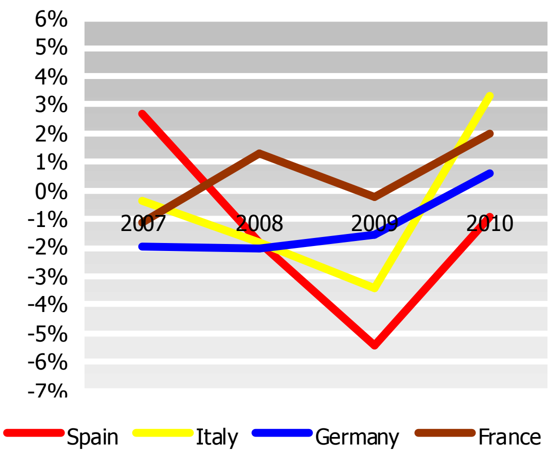
In 2010 there were some timid signs of recovery of non life premium income on the main

European markets, after the disappointing results of the previous year.

However, the recovery of premium income seems to have been driven more by tariff adjustments than by a significant increase in propensity to insure, in view of the still precarious situation of family and company incomes in most countries in the euro zone, especially Spain and Italy. Germany represents an exception; its strong economic recovery has boosted investments, contributing to premium income in various non vehicle segments.

The relative weakness of premium income does not help to improve the technical and financial accounts, which deteriorated in many countries in conjunction with the economic crisis.

MOTOR INSURANCE IN EUROPE
Direct premiums Change %
Source: ANIA, FFSA, GDV, ICEA.



In the Motor segment there was a recovery in rates, necessary to rebalance profitability. However, the rate adjustment was limited by fierce competition in the sector, exacerbated by families' economic difficulties. The sector was also affected by the expiry of government vehicle scrappage schemes, leading to a decline in new vehicle registrations. The overall effect was growth of below 1% per annum in many countries, apart from Germany, where premium income increased by 2%.

All this was exacerbated in Italy by the effect of the massive legislative and regulatory innovation of the last few years. Consequently, the marked increase in premium income (4.5%) was due almost entirely to tariff adjustments which, however, had a minimal effect on the technical balance of the third party vehicle liability segment. The combined ratio of the segment remained at around 106%, practically unchanged since 2009: for every € 100 of premiums, companies have incurred costs amounting to over €106.

As regards the other non life sectors, those most closely associated with manufacturing industry have been affected by the weakness of the recovery, again with the partial exception of Germany. The slow recovery in production and profitability levels has reduced companies' insurance propensity. Equally, the still difficult situation on the job market and weak wage dynamics have reduced families' income growth, together with their demand for insurance cover.

The ranking of the main European groups has not changed significantly since 2009. The companies and groups with the strongest presence in the life sector continued to flourish. As regards mergers and acquisitions, there has been a resumption of operations, which mainly involve the UK market at present. However, according to many analysts, the forthcoming entry into full effect of Solvency II (2013) may lead to a strong resumption of external growth operations as early as this year.

2010 GROSS PREMIUM INCOME OF LEADING EUROPEAN INSURANCE GROUPS (billion euro – Ifrs – ch.%)

Rank '10	Rank '09	Group	Total	Life	Non Life
1	1	AXA	85,5	55,5	27,6
2	2	Generali	68,4	46,3	22,1
3	3	Allianz	67,9	24,0	43,9
4	4	Munich Re	45,5	25,0	21,2
5	6	Aviva	40,5	29,1	11,4
6	5	Zurich F.S.	37,6	9,3	24,9
7	7	CNP	32,3	28,5	3,8
8	8	ING	27,9	-	-
9	9	Prudential	24,9	24,9	-
10	10	Aegon	21,1	20,4	0,7

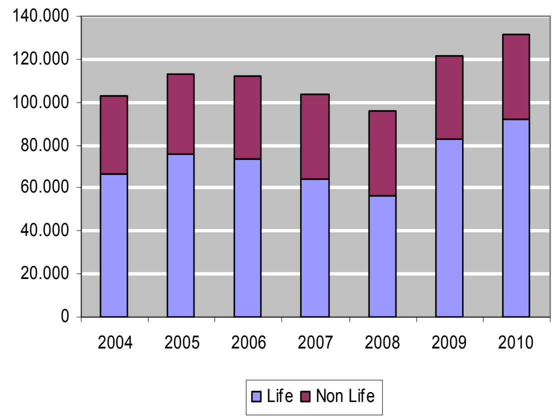
AXA: gross written premiums comprehensive of commissions and charges linked to investment conctracts
Allianz: before intra-group elimination.
Munich Re: after consolidation.
Zurich: Total includes premiums of Corporate Center, Other activities and consolidation adjustments.
Prudential: gross written premiums are comprehensive of commissions and charges linked to investment contracts.
Aegon: gross written premiums

The Italian insurance market: volume and breakdown of business

In past editions of the Insurance Dossier, the reference market consisted of premium income earned by Italian and non EU companies, but did not include the premium income of EU companies (with freedom of establishment or services) earned in Italy. Since January 2010 a major non life company, Zurich Insurance, which held eighth position in the ranking of non life companies with a 4% market share, has transferred its portfolio to an Irish company, Zurich Insurance PLC; it is therefore no longer subject to supervision by ISVAP (the Institute for the Supervision of Private and Collective Insurance) as it is not an Italian or non EU company. During the year another company specialising in the assistance segment, Mondial Assistance Italia, belonging to the Allianz group, transferred its portfolio to a Dutch company, Mondial Assistance Europe N.V., also thus exiting from the group of companies subject to ISVAP supervision.

In 2010, according to ISVAP data, agents of EU companies in Italy intercepted 10% of the overall premium income in the non life sectors, and are therefore included in the reference market. All the comments relating to growth and market shares related to a market including EU agents (earlier years have also been adjusted).

Italian direct premiums
(million euro - source: ANIA)



2010 was a good year for the Italian insurance market; its growth rate remained high (+8.3%), though not exceptional as in 2009 (+28.1%).

The index that measures the degree of penetration of the insurance market, namely the premium to GDP ratio, rose from 8% in 2009 to 8.5%.

Life sector has grown by 11.3% in terms of premiums for direct Italian business, with a premium to GDP ratio of 5.9% (5.4% in 2009), while the non life sectors only account for 2.5% of the GDP, although they grew by 1.8%.

As regards life insurance, bearing in mind that 2009 was an outstanding year, when record premium income volumes for Italy were achieved as a result of the favourable interest rate situation, the effects of the tax shield and a rapid change of business focus by banks and promoters, the 8.3% growth of premium income in 2010 can be considered an excellent result for the sector.

Demand continued to focus on "traditional" products (classes I and V), which offer interesting returns and a low financial risk. Demand for class III policies, especially unit linked policies, recovered well.

As regards supply, the banks, which presented growth rates exceeding 60% at the beginning of the year, did not maintain their excellent sales performance in the subsequent months.

The forthcoming implementation of the more stringent rules required by Basel III, in terms of the greater financial soundness required of banks, has forced them to recapitalise and raise liquidity by refocusing their products from insurance policies to bond issues, which enabled them to obtain cash at lower costs than institutional investors would expect; the effects of this situation are reflected by the decline in premium income in the first quarter of 2011, which amounted to just under 27%.

In 2010, the needs of supply and demand were met by class III and V life insurance products, as will be seen below, as regards the performance of those products in terms of new business.

LIFE INDIVIDUAL NEW BUSINESS (National, extra UE and UE compagnie – change %)					
	2010 mln euro	**2010 ch.**	**2009 ch.**	**2008 ch.**	**2007 ch.**
Lob I	49.497	-3,0	163,7	29,9	-26,0
Lob III	16.817	37,9	-42,3	-38,8	15,5
of which Unit	*12.859*	*103,7*	*-46,7*	*-24,2*	*28,4*
Index	*3.959*	*-32,4*	*-36,6*	*-50,0*	*6,5*
Lob V	3.095	32,0	106,3	-40,8	-62,9
Other	63	60,0	-34,4	-67,8	650,1
Total	**69.472**	**5,9**	**57,5**	**-18,5**	**-6,9**

Source: Ania

If direct Italian premium income and that of EU companies is considered, the growth rate of the Italian market as a
Our comment on life premium income concludes with the usual description of the distribution channels operating in Italy.
Banks (including the Post Office) have slightly increased their market share, from 58.8% to 59.1% in 2010. The market share of the financial promoters’ channel remains substantially unchanged at 16.2%.
As regards the other channels: agents have increased their share to 16.3% (15.7% in 2009), while the share of head offices and subsidiary agencies fell from 8.4% in the preceding year to 7.3%, despite a growth of turnover in 2010.

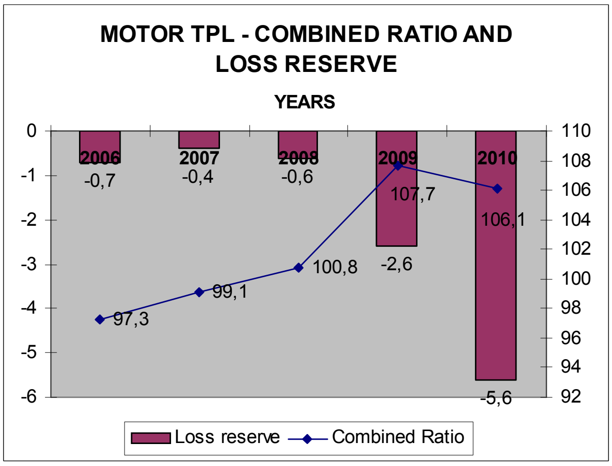
The non life sectors, as stated, have grown by 1.8% in terms of direct insurance business premiums, an improvement on the trend which has characterised the sector in recent years and brought a 1.9% decline in premium income in 2009.

MARKET SHARE PER DISTRIBUTION CHANNEL LIFE BUSINESS (percentage)					
Channel	**2006**	**2007**	**2008**	**2009**	**2010**
Banks	50,4	48,8	43,6	50,1	48,8
Tied Agents	19,9	21,1	23,8	15,7	16,3
Company Staff	11,7	11,2	11,6	8,4	7,3
Post Offices	8,6	9,0	10,1	8,7	10,3
Financial Adv.	8,5	8,5	10,1	16,3	16,2
Brokers	0,9	1,4	1,3	0,8	1,1
Total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**

Source: Isvap e Ania, data processed by R&D.

Non life premium income was driven by the vehicle segment, which had grown at well below inflation level for years, and actually declined in recent years, due to strong competitive pressures combined with some distorting regulatory effects that affected the compulsory third party motor insurance segment.

The vehicle insurance sector has definitely benefited from the tariff increases implemented by the main players in the sector, in order to gradually rebalance a class which had presented a gradual deterioration of the technical trend in recent years (the combined ratio, which rose from 96.7% in 2005 to 107.7% in 2009) which however continued to be affected by run off losses on the claims reserves which have amounted to 5.6% of premiums as against 2.6% in the preceding year.



Source: ISVAP

The non life non motor sectors were adversely affected by the difficult economic conditions of the country, and especially the weakness of internal demand, which was partly offset by the recovery of exports; nevertheless, premium income remained at substantially the same levels as last year (+0.1%).

The development of premium income from sickness policies (+3.9%) and the property sector (Fire and Other Property Damage) (+2%) was good, while the Transport and Aviation sector showed a 3.6% decline. The "financial" sectors, namely Credit and Security Deposits, which were affected by the slowdown in demand for mortgages and loans and stricter conditions of credit supply in 2009, have begun to grow again (+2.7%).

ITALIAN GROSS DIRECT PREMIUMS National, extra Ue and UE compagnie (milions Euro)						
Lines of business	**2010**	**Incr. %**	**Ch.% '10/'09**	**Ch.% '09/'08**	**Ch.% '08/'07**	**Ch.% '07/'06**
Accident	3.378	2,6	0,1	-1,4	0,8	3,3
Health	2.331	1,8	3,9	1,5	5,5	12,5
Motor other risks	3.186	2,4	-1,4	-1,7	-1,8	3,2
Marine, aviation & transports	827	0,6	-3,6	-6,0	7,3	-5,9
Fire	2.640	2,0	3,1	1,9	0,1	-0,3
Other damages	2.951	2,2	0,8	0,6	7,1	2,7
Motor TPL	17.887	13,6	4,2	-3,7	-3,3	-0,6
General Liability	3.799	2,9	-3,7	0,4	3,0	5,9
Credit & suretyship	916	0,7	2,7	-7,5	-0,4	8,7
Others	1.518	1,2	-1,3	2,6	11,0	12,4
Total Non - Life	**39.432**	**30,0**	**1,8**	**-1,9**	**0,0**	**2,0**
of which motor	***21.073***	***16,0***	***3,3***	***-3,4***	***-3,1***	***0,0***
non-motor	***18.359***	***14,0***	***0,1***	***-0,2***	***3,7***	***4,7***
Total Life	**92.058**	**70,0**	**11,3**	**47,3**	**-12,8**	**-12,0**
Total	**131.491**	**100,0**	**8,3**	**27,0**	**-7,9**	**-7,1**

Source: Ania

As regards distribution, the channel preferred by Italian policyholders is agencies, which raised 82.4% of premium income. They are followed by brokers (8.4%) specialising in business risks. However, as stated in earlier editions of the dossier, this percentage underestimates the true importance of brokers, because the ISVAP statistics to which we refer only record direct business between brokers and insurance companies, whereas in a number of cases, the broker contacts the agent, to which the policy is then "allocated".

The direct channel, which probably benefits more than any other distribution channel from the lower spending capacity of families, was increasingly popular, rising from 3% to 4.1% (approx. 5% in compulsory third party vehicle insurance).

The banking channel also continued its slow growth (3.4%, against 2.6% in 2009), mainly focusing on non vehicle insurance.

The prospects for this channel indicate further growth in 2011, as the non life company of Poste Italiane which began operations in the second half of 2010 will finally come into full operation;

MARKET SHARE PER DISTRIBUTION CHANNEL NON LIFE BUSINESS (Percentage)					
Channel	**2006**	**2007**	**2008**	**2009**	**2010**
Tied Agents	84,6	84,2	84,1	82,3	82,4
Brokers	7,6	7,5	7,5	8,4	8,0
Company Staff	3,6	3,7	3,3	3,0	2,0
Direct selling (phone-Internet)*	2,7	2,8	2,8	3,0	4,1
Banks	1,4	1,7	2,2	2,6	3,4
Financial Adv.	0,1	0,1	0,1	0,1	0,1
Total	**100**	**100**	**100**	**100**	**100**

Source: Isvap and Ania, data processed by R&D
* Main Channel data

Montepaschi and Intesa have also announced that they have begun selling vehicle products at their bank branches.

Data on the first quarter of the 2011 seem to confirm the trend in life insurance premiums observed in the last months of 2010. Premiums were down 22.8% compared with the same period last year and the 29% fall in new business in the January to May period highlights the ongoing weakness of the industry. Banks and financial advisors report the worst performance in terms of new business (falling by more than 30%)

Capitalisation products were the worst performing one as new business fell by 58% year on year in the January to May period. Banks continued to sell large quantties of own bonds, at the expense of insurance products.

The growth in non life business (3.3% year on year in the first quarter) was driven by MTPL,up by 6%.

Premiums in the other lines of business stagnate or , as in the case of motor hull, declined. The only exception is health insurance, where the increase in healthcare costs led premiums to increase by 10% year on year.

Ranking of groups – all business

2010 was characterised by just one major operation, the acquisition of the Arca group by Unipol, completed in July 2010, and by the exit of two major companies from the group of those subject ISVAP supervision: Zurich Insurance Company, which was taken over by Irish company Zurich Insurance PLC, and Mondial Assistance Italia (Allianz group), which was taken over by with Dutch company Mondial Assistance Europe N.V..

LIST OF THE 10 LEADING GROUPS Italian direct premiums in 2010 (milions euro)								
Rank `10	**Rank `09**	**Group**	**TOTAL**	**Share %**	**LIFE**	**Share %**	**NON LIFE**	**Share %**
1	1	Generali	21.205	16,1	13.516	14,7	7.689	19,5
2	3	Intesa San Paolo	13.562	14,3	13.365	14,5	198	0,5
3	2	Allianz	11.868	9,0	7.555	8,2	4.313	10,9
4	4	Fondiaria - Sai	11.693	8,9	4.589	5,0	7.104	18,0
5	7	Poste Italiane	9.518	7,2	9.494	10,3	24	0,1
		FIRST FIVE GROUPS	**67.846**	**51,6**	**48.518**	**52,7**	**19.328**	**49,0**
6	6	Unipol	9.466	7,2	5.105	5,5	4.361	11,1
7	5	Mediolanum	9.048	6,9	9.024	9,8	24	0,1
8	8	AXA-UAP	6.287	4,8	4.618	5,0	1.669	4,2
9	9	Aviva	6.059	4,6	5.555	6,0	504	1,3
10	10	Cattolica	4.682	3,6	3.088	3,4	1.594	4,0
		SECOND FIVE GROUPS	**35.542**	**27,0**	**27.390**	**29,8**	**8.152**	**20,7**
		TOTAL	**131.491**	**100**	**92.058**	**100**	**39.432**	**100**

The internal reorganisation of the main groups continued, in order to simplify their structure and reduce their management costs.

Numerous takeover operations were performed: as regards the Allianz Group, the companies Assicuratrice Italiana Danni e Bernese Assicurazioni were taken over by Allianz, while L.A. Vita was taken over by Assicuratrice Italiana Vita.

In the Fondiaria Sai group, Dialogo Vita was taken over by Milano Assicurazioni, and Systema Vita was taken over by Fondiaria Sai.

The Unipol Group has completed the takeover of Navale Assicurazioni by Unipol Assicurazioni.

Quadrifoglio Vita, belonging to the AXA group, was taken over by AXA MPS Assicurazioni Vita.

Generali maintained its overall leadership, with premium income from direct insurance business amounting to € 21,205 million, and a 16.1% market share.

With the acquisition of Intesa Vita, an operation we described in the last Insurance Dossier, the Intesa San Paolo Group became the second largest Italian insurance group, with a 14.3% market share. Allianz fell to third place, with premium income amounting to € 11,868 million, while Fondiaria Sai remained in fourth place with an 8.9% share, followed by the Poste Italiane group, which rose to fifth place with a 7.2% market share.

The Unipol Group again took sixth place in the ranking, followed by Mediolanum, AXA UAP, Aviva and Cattolica. Market concentration declined in 2010: the market share of the top five groups fell from 53.3% in 2009 to 51.6%; however, if the first ten groups are considered, the concentration remained practically unchanged, at 78.6%.

Ranking of groups: Life Sectors

Even without Intesa Vita, Generali was again the leading company in the life sector, with premium income of € 13,516 million and a 14.7% market share (15.4% in 2009).

The Intesa San Paolo Group took second place with a 14.5% share, while Poste Italiane (the Italian Post Office) rose to third place, with premium income of € 9,494 million and a 10.3% share, overtaking Mediolanum, which fell back to fourth position, followed by Allianz and AVIVA, which recorded premium income of € 7.6 and € 5.6 million and a market share of 8.2% and 6% respectively.

Unipol fell by one place to become the seventh largest group in Italy, followed by AXA UAP and Fondiaria Sai.

Concentration on the life market fell: the top five groups hold a combined market share of 57.5%, as against 58.9% in 2009.

LIST OF THE 10 LEADING GROUPS IN LIFE BUSINESS

Rank '10	Rank '09	Group	TOTAL	Share %	Ch. %
1	1	Generali	13.516	14,7	6,4
2	2	Intesa San Paolo	13.365	14,5	13,2
3	5	Poste Italiane	9.494	10,3	33,9
4	3	Mediolanum	9.024	9,8	-5,5
5	4	Allianz	7.555	8,2	-0,6
		FIRST FIVE	**52.953**	**57,5**	**8,6**
6	7	Aviva	5.555	6,0	35,5
7	6	Unipol	5.105	5,5	-2,6
8	8	AXA-UAP	4.618	5,0	14,0
9	9	Fondiaria - Sai	4.589	5,0	25,7
10	11	Cattolica	3.088	3,4	13,2
		SECOND FIVE	**22.955**	**24,9**	**11,3**
		OTHERS	**16.150**	**17,6**	**21,1**
		TOTAL	**92.058**	**100**	**11,3**

Concentration has fallen from 83.9% to the present 82.4% even if the premium income of the top ten companies is taken into consideration.

Ranking of groups: Non-life Sectors

In 2010 Generali also maintained its leadership in the non life sectors, with premium income of € 7,689 million and a 19.5% market share, ahead of Fondiaria Sai (18.2%).

Unipol rose to third place, with premium income of € 4,361 million and an 11.1% market share, overtaking Allianz, which fell to fourth place, followed by Reale Mutua (5%) and Zurigo (4.3%).

LIST OF THE 10 LEADING GROUPS IN NONLIFE BUSINESS					
Rank '10	**Rank '09**	**Group**	**TOTAL**	**Share %**	**Ch. %**
1	1	Generali	7.689	19,5	0,7
2	2	Fondiaria – Sai	7.104	18,0	0,6
3	4	Unipol	4.361	11,1	2,4
4	3	Allianz	4.313	10,9	-4,3
5	5	Reale Mutua	1.991	5,0	2,9
		FIRST FIVE	**25.459**	**64,5**	**0,2**
6	6	Zurigo	1.689	4,3	-6,2
7	7	AXA-UAP	1.669	4,2	1,8
8	8	Cattolica	1.594	4,0	4,1
9	9	GAN/Groupama	1.206	3,1	8,9
10	10	ACI/Sara	691	1,8	0,7
		SECOND FIVE	**6.849**	**17,4**	**1,3**
		OTHERS	**7.125**	**18,1**	**8,3**
		TOTAL	**39.432**	**100**	**1,8**

Source: Ania, data processed by R&D

Market concentration also declined slightly in the non life sectors: the market share held by the top five groups was 64.5% (65.6% in 2009); and market concentration declined, from 83% last year to the present 82%, even considering the top ten companies.

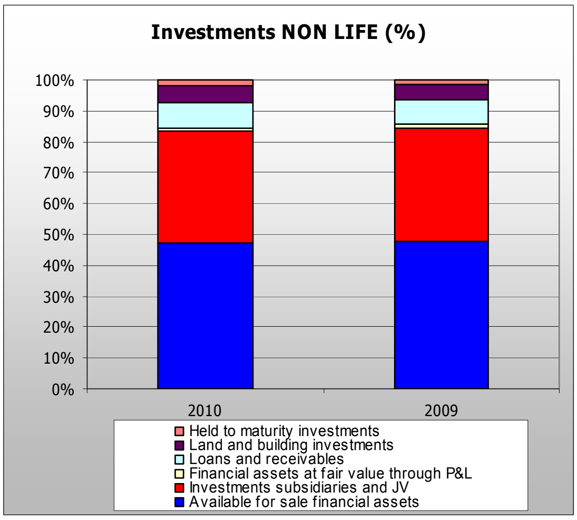
Insurance companies' assets

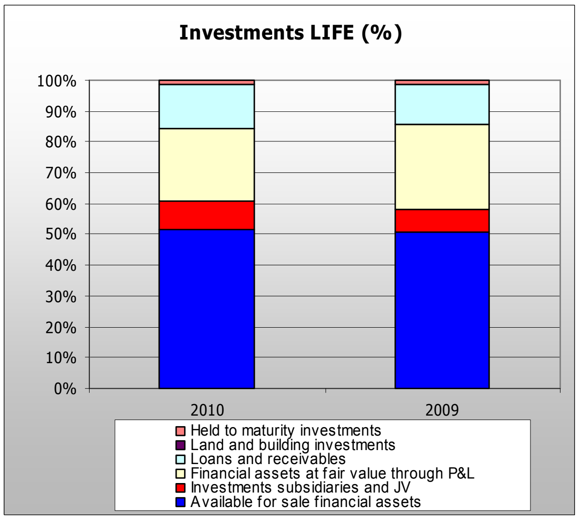
According to the information contained in the consolidated financial statements published by the main listed insurance Groups (Generali, Fondiaria Sai, Unipol, Cattolica, Reale Mutua, Mediolanum and Vittoria), insurance companies' total assets fell by 7.6% in 2010 as a result of the poor stock market trend. 79.7% of assets is related to financial investments (as against 84.1% in 2009).

Of the remaining categories, 7.8% is related to debts receivable (including reserves held by reinsurers), 3.7% is divided between tangible/intangible and liquid assets, and the remaining 8.1% consists of "other assets".

In the non life sectors, assets under management fell slightly (0.9%) compared with the preceding year. Financial investments constitute 66.1% of the assets, broken down as follows: 47.1% is represented by financial fixed assets available for sale (47.7% last year), 36.5% by shareholdings in controlled and associated companies and joint ventures (36.9% in 2009), 0.8% by financial assets with a fair value recorded in the Profit and Loss Account, 8.3% by loans and debts receivable, and the remaining 6.3% by real estate investments and investments held to maturity.

Assets under management in the life sectors fell by 9.5% compared with 2009.





Financial investments constitute 84.1% of the total assets (88.7% last year), broken down as follows: 50.7% is represented by financial assets available for sale, 27.8% by financial assets with a fair value recorded in the Profit and Loss Account, 7.3% by shareholdings in controlled and associated companies and joint ventures, 12.7% by loans, and the remaining 1.5% by real estate investments and investments held to maturity.

Profit and loss accounts of listed groups

The data set out below are taken from the 2010 consolidated financial statements of the main listed Italian insurance groups which, in terms of premiums earned, account for nearly 60% of the non life sectors and 50% of the life sectors, and enable some conclusions to be drawn about the technical trend on the Italian insurance market. Some major bancassurance companies, whose full financial statements are unavailable, are unfortunately missing from the life sample.

During 2009, the consolidated profit and loss accounts of companies were adversely affected by the impairments that many groups were forced to record following the clarification provided by the Bank of Italy, ISVAP and Consob regarding the accounting standards to be used when valuing some items in the financial statements (such as goodwill, intangible assets, shareholdings, valuation of "available for sale" securities and financial liabilities) in compliance with the accounting legislation and the international accounting standards (IAS).

Although many Italian companies had to record further impairments in the 2010 financial year, the results of the industry were promising, especially in the non life sector, and the vehicle segment in particular, where there was an improvement in the technical result due to the tariff changes made by the main insurance groups as from the second half of the 2010 financial year; however, that result still posted substantial losses.

Profit and loss accounts of listed groups - life sectors

Although the sample of listed companies is not as representative of the market as a whole in the life as in the non life insurance sectors, analysis of the data so far made public by operators at least enables some conclusions to be drawn.

RECLASSIFIED PROFIT AND LOSS ACCOUNT LIFE BUSINESS Italian portfolio (milion euro)		
	2010	**2009**
Gross written premiums	39.971	40.956
Net earned premiums	**39.039**	**39.999**
Income from financial instruments at fair value entered in P&L account	**1.901**	**5.136**
Income from other financial instruments	**7.418**	**6.970**
Income from subsidiaries	**506**	**772**
Claims paid and change in insurance provisions	**42.988**	**46.802**
Charges deriving from other financial instruments	**1.918**	**2.221**
Net operating expenses	**2.225**	**2.314**
Earning before tax	**1.717**	**1.669**

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

In 2010 the ratio of costs to premiums remained substantially stable, at 5.6%.

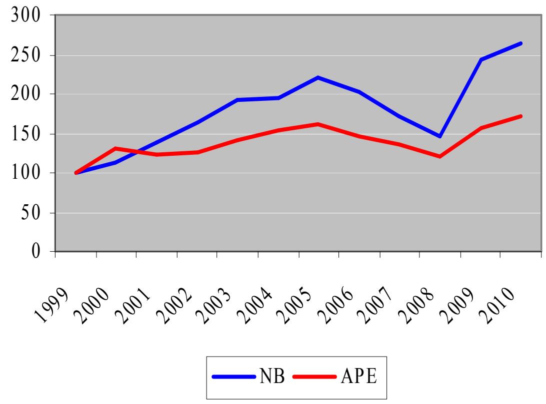
Administrative costs and acquisition costs remained stable, at 1.3% and 4.3% respectively.

Costs relating to claims, including the variation in technical reserves, declined by 8%, from € 46.8 billion in 2009 to € 43 billion in 2010.

The pre tax profit for the year increased by 2.9% compared with the preceding year; Return on Ivestment(ROI) improved slightly, from 0.7% to 0.8; and the Return on Equity (ROE) also improved, from 9% to 10.5%.

LIFE New Business APE

(1999 = 100) Source: ANIA data processed by R&D



New life business, like premium income, recorded an 8% increase in 2010, which is not comparable with the exceptional +67.6% recorded in the preceding year.

If the sales mix is considered, single premium products increased by 7.8%, while recurring premium policies grew by 12.3%.

As regards "value creation", the 2010 financial year was affected by impairments of part of their financial activities that many companies were obliged to record.

Considering the embedded value of the groups that publish that figure is observed, the value of Italian life insurance companies (including dividends paid and variations in net equity) fell by 9.6% compared with the preceding year, returning to the same levels as the 2008 financial year.

Profit and loss accounts of listed groups – non life sectors

The sample of listed companies ended the 2010 financial year with a pre tax loss of € 957 million, a definite improvement on the € 1,778 loss made in the preceding year. The tariff increases applied by all the main insurance groups from the second half of the 2009 financial year had favourable effects on the technical trend in the sector.

The combined ratio fell by nearly two percentage points, from 104.5% to the present 102.9%, and the data recorded in the first quarter of 2011 confirm this trend.

Despite the fierce competition that has continued to characterise the motor segment (including optional cover) in the last few years, there was an improvement of nearly 1½ percentage points in the loss ratio 2010 (from 80.3% to 78%).

RECLASSIFIED PROFIT AND LOSS ACCOUNT NON LIFE BUSINESS Italian portfolio (milion euro)	2010	2009
Gross earned premiums	24.947	24.659
Assigned premiums	2.225	2.143
Net earned premiums	**22.722**	**22.516**
Income from financial instruments at fair value entered in P&L account	**-57**	**-26**
Income from other financial instruments	**1.547**	**1.573**
Income from subsidiaries	**802**	**671**
Claims paid and change in insurance provisions	**18.079**	**18.274**
Charges deriving from other financial instruments	**1.358**	**1.940**
Net operating expenses	**5.442**	**5.414**
Other costs	**2.362**	**2.209**
Earning before tax		
Charges deriving from other financial instruments	**-957**	**-1.778**

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

The ratio of costs to premiums and acquisition costs to premiums remained substantially stable, at 24% and 19.6% respectively.

However, administration costs fell slightly (4.4% as against 4.6% in the preceding year).

The profitability of the non life sectors improved in 2010, although the indicators remain negative: the "profit for year to total assets" ratio (ROI) has risen from 2.6% in the last financial year to the current 1.4%; and the ROE (return on equity) also recovered over 9 percentage points, improving from 19.3% in 2009 to 10.2%.

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