

Country Analysis Report - Italy

Country	Premium Development	Claims Development and Underwriting Profitability	Business Outlook
Italy 2011	<p>During 2011, the general economic recession hit the economy, including the private and public construction market, but the trend is satisfying, even though among the LoBs different situations have been recorded.</p> <p>While for Machinery Breakdown the premium volume recuperate the reduction registered the year before, the BI coverage clearly follows the behaviours of client's turnovers with a reduction of 25% in two years.</p> <p>The impact of the economic recession appears to hit CAR which has a decrease for a second time (near 5 % in two years). in the EAR premium volume the effects of the huge investments in the photovoltaic field is evident (first market worldwide in 2011, with a share on 28% of global installations) .</p> <p>The IDI LoB, which is widely based on one shot premiums paid at the beginning of the insurance period, makes clear evidence of the reduction of the construction market.</p>	<p>Due to the substantial absence of NatCat impacts, also the year 2011 registered an overall positive situation.</p> <p>Concerning the LoBs CAR and EAR it must be underlined that the premium volume is calculated on an accounted base and not on earning base. As a consequence of that, a worsening of the Loss Ratio by about 10% - 15% must be expected.</p> <p>Regarding IDI LR (increased from 6.3% to 29,2%), there are some important impacts to be highlighted:</p> <ul style="list-style-type: none"> - the effect of a heavy claim that occurred in 2010 but registered in 2011; - the method used for defining the premium volume (similarly to CAR and EAR); and - the important reduction of the premium volume (-18,9%); <p>Due to these interlocking aspects, the real LR (claims/earned premium) is difficult to estimate.</p>	<p>During 2012 the persistency of the effects coming from the economic situation is still evident. The renewable energies investments should maintain a positive trend, even if less than in the recent past.</p> <p>In 2013 and the following years an increasing tendency in the economy seems to be the most likely scenario. Also the construction LoBs should show a slight increasing trend, including the public works.</p> <p>For IDI, business remains to clarify the uncertain areas, in particular concerning the compulsory coverage for private buildings.</p>