

IMIA Country Analysis 2016

Country	Premium Development	Claims Development and Underwriting Profitability	Business Outlook
<p>Italy</p>	<p>The Y2015 trend, in line with previous years with exception of Y2014 when GWP bounced, was reconfirmed at Y2016 end. The overall reduction of almost 12% is basically due to the strong reduction of MB/BE premium (- 36%) suffering for the extremely soft market. MB is linked with Property market behavior/competition and in some cases MB premium is drained by Property due to coverage rearrangement on combined (Property+MB) basis.</p> <p>Also EE/EELoP reported a reduction of almost 10% in GWP due to soft market conditions.</p> <p>As expected, due to the lack of new business, CAR premium volume shrank as well. An important portion of the entire GWP referring to additional premiums as a result of existing covers extension.</p> <p>The shrinkage of CAR was partially balance by the increase in IDI premium. Some sizable infrastructure projects went to completion in 2016 and considered sound for Decennial Liability policy activation.</p> <p>Erection All Risk market remains stable with GWP aligned to Y2015 result. Year 2016 results are the consequence of the combined effects of Italian market stagnation - a market in the very initial stage of recovering from economic crunch and still short of new business – and strong insurance market competition. Top Italian construction firms are mostly targeting infrastructure projects abroad and medium size firms are developing new business strategies with special attention to international opportunities.</p>	<p>2016 for Italian Engineering market was a negative year also under the claims perspective. All class (type) of business reported an increase in total claims amount. Thirty million out of the total forty million increase in claims volume is almost equally spread over MB, EE and IDI; but with completely different meanings and effects.</p> <p>Combined with the strong reduction in MB premium, the almost +18% increase in claims amount is moving MB from a comfortable 62% loss ratio (Y2015) to well over 100% in Y2016. Noting that no major MB claims are reported, the bad news is the increase in claims frequency.</p> <p>Also EE loss ratio is worsening but, despite the decrease in GWP, the result is still in the positive court. However, considering the average costs of the policies, it is not brilliant at all and insurers should pay special attention to the negative trend of EE business. The increase of IDI claims is the expected “maturing” effect of Decennial Liability policies written in the past and activated over the last 10 years. The variation is important but, at the moment, even the new premium volume is good enough for balancing the increase in claims experience and maintaining the loss ratio is a safe area.</p> <p>EAR claims total amount is slightly increasing while difference in CAR claims amount is around +10%. Both sectors were affected by major claims during 2016. We cannot comment on Loss Ratio for CAR and EAR being the below L/R data indicative only (see Premium / Claims Sheet notes).</p>	<p>Y2017 in Italy started with positive signals but still the economic recovery is far to be substantial. The signals of mild improvement should be reconfirmed by year end and for beginning of Y2018.</p> <p>International construction market crisis - with few local exceptions - is still exacerbating competition with negative impacts on both scope of coverage and terms, and is reflecting also on Italian domestic market. The renewable covers portfolio will continue to reshape according to current trends.</p>