

## **IMIA - NATIONAL REPORT 2020 – ITALY**

### **A - Premium Development**

The construction sector in Italy showed a modest recovery in Y2019. Investments in construction activities grew in 2019 by 2.3% only. The urban renewal of residential and tertiary properties is always driving the sector. After a very dynamic Q1 2019, which gave hope for a substantial improvement, the market lost pace and slowed down the last quarter of the year. 2020 started in a similar fashion as 2019, with an 8% increase in January, but the pandemic crisis slowed down most of the construction activities. The new stalemate will reflect on the Italian economy, far away from the pre-economic crisis conditions, and Italian Government will try to boost it investing on infrastructure and construction sector.

In 2019 the housing construction market grew 5.4%, the public sector by 2.9% (mostly municipality investments), and non-residential private investments by 2.3%. Investment for maintenance activities grew 1% only. Further stagnation or a slow improvement is expected for 2020, caused by uncertainties regarding the International markets. However the effect of the actions governments around the world are going to take for boosting economies after the pandemic crisis could change the scenario.

Competition in domestic construction insurance market exacerbated due to the lack of new projects. The simultaneous hardening of the International market balanced the situation, and terms and conditions have now stabilized or are showing a slight improvement. Most of the Italian construction firms and brokers are looking for stable, long-term partners for their long tail risks.

International business of Italian contractors continues to expand with new opportunities in target areas.

The Engineering GWP increased to Euro 358 million, in line with GWP of Y2016 and Y2017, +3% if compared with Y2018.

EAR premium increased a further 12.5% confirming the trend over the last 5 years. Business abroad of Italian manufacturers (heavy dutis, power cables, chemical/petrochemical plants, pipelines) being the boosting factor.

The EAR performance more than balanced the CAR premium reduction. The fifth year in a row reduction is the picture of the domestic construction market crisis and the result of the combination of few business opportunity together with a very soft insurance market.

EE premium volume increased 10% and is back to 2015 premium level while MB lost 4% premium. MB premium is linked the most to Property market dynamics. MB is covered under combined PD+MB policies most of the time.

### Premium (Euro x 1.000)

Type of Insurance	2015	2016	2017	2018	2019	Var. 19vs18 %
MB & BE	93,282	59,742	60,467	58,395	56,032	-4.05%
EAR + ALOP	43,399	43,666	50,388	52,621	59,195	12.49%
CAR + ALOP	146,908	137,227	126,057	117,020	114,029	-2.56%
EE + EELoP	78,040	70,443	69,408	70,969	78,090	10.03%
IDI	44,786	48,264	51,040	48,865	51,146	4.67%
<b>Total (Euro x 1.000)</b>	<b>406,414</b>	<b>359,342</b>	<b>357,360</b>	<b>347,870</b>	<b>358,492</b>	<b>3.05%</b>

### **B - Claims Development & Underwriting Profitability**

Y2019 was a very good year under claims perspective.

The overall amount of claims paid and reserved in Y2019 is the lesser over the last 5 years with a reduction of about 10% if compared with Y2018.

Both EAR and CAR sectors showed a claims volume reduction: CAR around 20%, EAR in excess of 25%. As a consequence the loss ratios improved dramatically for both EAR and CAR sectors; the overall Engineering portfolio L/R went down to 61%.

Natural events affected Engineering portfolios also in Y2019 (see major damages due to flood and inundation) but there were less events than previous years. However storm and flood severity is constantly increasing.

Some major faulty operation and faulty material claims are reported, some of them also severe. The EAR claims experience is improved by reduction in claim reserves (past years events) and less frequency claims.

IDI portfolio remains by far the best performer despite the slight increase in loss ratio. Considering that several IDI (Decennial Liability Policy) are now mature risks and/or are close to expiry date the portfolio performance looks very good. Unfortunately the lack of major new infrastructure projects in the past years will reflect on overall premium. The premium volume generated is steady at the moment with small fluctuations over the years however we can expect a Decennial Liability market premium contraction in the next years.

MB portfolio loss ratio did not improve in Y2019. Still over 113% but significantly better than “annus horribilis” Y2017 when L/R jumped to 179%.

EE claims increased by 18% but the simultaneous increase of premium mitigated the effect and L/R is ranging around a satisfactory 62%.

### Claims (Euro x 1.000)

Type of Insurance	2015	2016	2017	2018	2019	Var. 19vs18 %
MB & BE	57,394	67,679	108,118	66,153	63,364	-4.22%
EAR + ALOP	42,937	44,327	38,779	48,804	35,990	-26.26%
CAR + ALOP	75,784	82,651	75,196	78,526	62,634	-20.24%
EE + EELoP	40,794	51,981	54,580	41,033	48,311	17.74%
IDI	5,699	16,348	10,430	8,097	8,749	8.05%
<b>Total (Euro x 1.000)</b>	<b>222,608</b>	<b>262,986</b>	<b>287,103</b>	<b>242,612</b>	<b>219,048</b>	<b>-9.71%</b>

### Loss Ratio

Type of Insurance	2015	2016	2017	2018	2019
MB & BE	61.53%	113.29%	178.80%	113.29%	113.09%
EAR + ALOP	98.94%	101.51%	76.96%	92.75%	60.80%
CAR + ALOP	51.59%	60.23%	59.65%	67.10%	54.93%
EE + EELoP	52.27%	73.79%	78.64%	57.82%	61.87%
IDI	12.72%	33.87%	20.43%	16.57%	17.11%
<b>Total (Euro x 1.000)</b>	<b>54.77%</b>	<b>73.19%</b>	<b>80.34%</b>	<b>69.74%</b>	<b>61.10%</b>

### C - Business Outlook

As said before Y2020 started with some mild signals of improvement. However the COVID crises slowed down the construction activities for a while. Immediately after the lockdown Italian Government announced that important investment will fund maintenance of ageing infrastructures and construction of brand new infrastructures including completion of high speed railway links both in north and south Italy.

The market of small & medium enterprises is very active after the lockdown; it can also reflect on overall results of Y2020.

However the uncertainty about COVID crisis development around the world in next two/three quarters and the potential reflections of economies do not allow to figure out the scenario at Y2020 end.

Domestic insurance market is still quite soft. The hardening of international market in some specific sectors is not reflecting on Italian market and is affecting overseas business of Italian firms only. However a reduction in facultative reinsurance capacity is noticeable. International business placements follows instead the new international market trends.