

## IMIA - NATIONAL REPORT 2018 – ITALY

### A - Premium Development

The GWP Engineering in 2017 falls short of expectations, persisting the general trend of the last 5 years (with the exception of Y2014). No change in negative trend occurs due to the shortage of premium from construction sector (-8.14%). Lack of new big infrastructure projects and the extremely soft market being the two factors influencing the most the CAR portfolio.

The bad performance of CAR sector is partially balanced by the increase in EAR premium, generated mostly by policies linked to overseas contracts of Italian manufacturers.

The overall reduction is limited to 0.55% also by the increase in IDI premium due to activation of Decennial Liability policies at completion of construction works. IDI premium increases by 5.75%.

MB premium income remains in line with Y2016 premium, much lower than previous years due to the competition in MB market and by coverages rearrangement on a combined (Property+MB) basis.

EE/EELoP premium slightly shrinks by 1.47%. EE rates reduction is in line with Property rates trend. But the reduction in premium is partially balanced by new premium income from cyber risks cover inclusion.

Premium (Euro x 1.000)

Type of Insurance	2012	2013	2014	2015	2016	2017	Var. 17vs16 %
MB & BE	94.168	94.005	102.406	93.282	59.742	60.467	1.21%
Loss of Profits	15.147	14.057					
EAR + ALOP	56.479	42.058	52.677	43.399	43.666	50.388	15.39%
CAR + ALOP	156.938	139.669	144.251	146.908	137.227	126.057	-8.14%
EE + EELoP	80.818	78.025	82.781	78.040	70.443	69.408	-1.47%
IDI	43.857	39.801	45.393	44.786	48.264	51.040	5.75%
<b>Total (Euro x 1.000)</b>	<b>451.774</b>	<b>407.613</b>	<b>427.562</b>	<b>406.414</b>	<b>359.342</b>	<b>357.360</b>	<b>-0.55%</b>

As already mentioned Y2017 overall result is the consequence of the combined effects of Italian construction market stagnation and strong insurance market competition. Cashflow problems are affecting several construction firms. Most of them are bidding for projects abroad and medium size firms are developing business strategies with special attention to international opportunities too.

## B - Claims Development & Underwriting Profitability

Y2017 is a negative year under claims perspective, with an overall increase in amount of claims (paid + reserved) of 9.17%. However some classes (type) of business are showing significant improvements.

CAR and EAR portfolios are improving their performance due to a 9% reduction (CAR) and 12.5% reduction (EAR) in paid+reserved claims. However CAR loss ratio improvement is minimal due to the decrease of both premium income and reported claims. Increase in premium income and the simultaneous reduction in reported claims allows EAR loss ratio to decrease to a decent 77% after the “red ink” result of Y2016.

IDI portfolio remains by far the best performer in Y2017 with a Euro 6 million reduction (-36% if compared with Y2016) with loss ratio improving from 34% to a terrific 20%. The actual loss ratio being even lower considering that some Italian insurance companies are accounting DP premium within CAR portfolio.

On the other hand MB portfolio is affected by a 40 million paid+reserved claims increase with a loss ratio for Y2017 close to 180%. MB portfolio being subject to a number of sizable claims (not duly reported in the Large Losses list) affecting mostly high-tech machinery in Y2017.

EE claims increase by 5% (+ Euro 2.6 million) heading to a simultaneous increase of the loss ratio to the historically high 79%.

Claims Amount (Euro x 1.000)

Type of Insurance	2012	2013	2014	2015	2016	2017	Var. 17vs16 %
MB & BE	80.718	53.432	54.836	57.394	67.679	108.118	59.75%
EAR	24.388	33.794	12.541	42.937	44.327	38.779	-12.52%
CAR	94.946	57.486	71.111	75.784	82.651	75.196	-9.02%
EE	47.561	48.656	45.048	40.794	51.981	54.580	5.00%
IDI	11.437	14.108	19.367	5.699	16.348	10.430	-36.20%
<b>Total (Euro x 1.000)</b>	<b>259.050</b>	<b>207.476</b>	<b>202.903</b>	<b>222.608</b>	<b>262.986</b>	<b>287.103</b>	9.17%

Loss Ratio (%) – indicative only (see Premium / Claims Sheet notes)

Type of Insurance	2012	2013	2014	2015	2016	2017
MB & BE	73.84%	49.45%	53.55%	61.53%	113.29%	178.80%
EAR	43.18%	80.35%	23.81%	98.94%	101.51%	76.96%
CAR	60.50%	41.16%	49.30%	51.59%	60.23%	59.65%
EE	58.85%	62.36%	54.42%	52.27%	73.79%	78.64%
IDI	26.08%	35.45%	42.67%	12.72%	33.87%	20.43%
<b>Total (All LoBs)</b>	<b>57.34%</b>	<b>50.90%</b>	<b>47.46%</b>	<b>54.77%</b>	<b>73.19%</b>	<b>80.34%</b>

### C - Business outlook

Y2018 started with some mild signals of improvement of the Italian economy, signals not reconfirmed in the second quarter. The country went through months of political uncertainty and some public investments were further delayed or are still on hold. Private sector looks more dynamic but the volume of business is quite limited compared with the past. This situation is reflecting on construction industry that is struggling.

Insurance market is very soft with premium rates reaching historical lows due to excess of capacity. International market competition is also reflecting on the domestic business with widening of scopes and lowering of deductibles.

Italian firms and most of Italian contractors are looking abroad for new opportunities in order to balance the lack of domestic business.