ITALY
Key characteristics of the insurance market

1 Introduction

1.1 General

At the end of 2017 (2017 Q4), 97 insurance companies[1] in Italy submitted their Solvency II related reporting package to the Italian National Supervisory Authority (NSA). These companies accounted for 8,160% of Total assets of insurance undertakings operating within the European Union (EU).

Table 1 depicts the number of Solvency II reporting submissions in Italy by insurance activities and the importance of the country within the EU, based on Total assets.

Table 1 - Insurance reporting submissions

Insurance reporting submissions	#
Life undertakings	30
Non-Life undertakings	48
Reinsurance undertakings	0
Composite undertakings	19
Total	**97**
Total assets IT / Total assets EU %	**8,160%**
Ranking IT based on Total assets EU	**4**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1.2 Balance sheet

At the end of 2017 (2017 Q4), Italy was the number 4 country in the EU insurance market in terms of assets held with an amount of 921 billion EUR reported under Solvency II rules.

With regards to the Assets held for index-linked and unit-linked contracts, Italy ranked number 4 in terms of absolute amount with 154 billion EUR invested in this category. However, with 16,7% of Total assets of this category, Italy was significantly below the EU average, i.e. 24,3% in terms of Total assets.

In terms of technical provisions, 58,5% of the total balance sheet relates to the life business (i.e. non index-linked and unit-linked business), while 5,8% represented non-life obligations.

Table 2 - Solvency II balance sheet (S.02.01) and EU comparison (solo)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Investments, deposits, cash and cash equivalents	720 806	4	78,2%	67,8%	67,3%	22,6%	90,1%	17,2%
Assets held for index-linked and unit-linked contracts	154 291	4	16,7%	24,2%	24,3%	2,5%	59,3%	16,2%
Other assets	46 311	6	5,0%	8,1%	8,4%	2,1%	19,5%	4,9%
Total assets	**921 408**	4	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**
Technical provisions - life	538 764	4	58,5%	46,3%	32,2%	3,0%	64,2%	17,9%
Technical provisions - non-life	53 111	4	5,8%	6,6%	12,9%	2,4%	38,5%	9,1%
Technical provisions - index-linked and unit-linked	146 139	4	15,9%	25,1%	23,4%	2,4%	58,4%	16,0%
Other liabilities	65 757	4	7,1%	8,9%	9,0%	4,0%	21,3%	3,9%
Total liabilities	**803 770**	4	**87,2%**	**86,9%**	**77,6%**	**49,1%**	**92,7%**	**11,1%**
Excess of assets over liabilities	117 638	4	12,8%	13,1%	22,4%	7,3%	50,9%	11,1%
Total liabilities + Excess of assets over liabilities	**921 408**	4	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

1 In the report, the term 'insurance companies' indicates both direct insurance and reinsurance companies. The insurance market covered in this factsheet therefore refers to insurers and reinsurers.

The balance sheet item Investments, deposits, cash and cash equivalents will be further detailed in section 2, while section 3 will focus on Assets held for index-linked and unit-linked contracts.

1.3 Solvency II ratios

At the end of 2017 (2017 Q4), the Italian insurance market as a whole had available own funds that were more than double the Solvency Capital Requirement (SCR) levels required by the European Solvency II Directive. The reported SCR ratio amounted to 240% with long-term guarantee (LTG) and transitional measures and is approximately at the same level as the one of the EU, which amounted to 237% at year-end 2017. Out of the 28 EU Member States, Italy is ranked at the 10th position in terms of the reported SCR ratios.

Table 3 - Solvency II own funds and SCR (S.23.01) and EU comparison (solo)

in Mio EUR	**IT**		**EU**				
	Amount	**Rank**	**%**	**Avg**	**Min**	**Max**	**StD**
Total available own funds to meet the SCR	132 257	4	-	-	-	-	-
SCR	54 972	4	-	-	-	-	-
Surplus available own funds	**77 285**	**3**	-	**-**	**-**	**-**	**-**
Ratio of Eligible own funds to SCR	**240%**	**10**	**237%**	**225%**	**135%**	**361%**	**52%**
Ratio of Eligible own funds to SCR (10th percentile)	131%	17	136%	138%	110%	193%	19%
Ratio of Eligible own funds to SCR (25th percentile)	154%	15	162%	164%	128%	214%	24%
Ratio of Eligible own funds to SCR (50th percentile)	190%	19	215%	208%	144%	300%	37%
Ratio of Eligible own funds to SCR (75th percentile)	253%	19	306%	280%	164%	445%	59%
Ratio of Eligible own funds to SCR (90th percentile)	293%	24	457%	396%	173%	643%	99%
Ratio of Eligible own funds to MCR	**615%**	**14**	**640%**	**613%**	**282%**	**933%**	**170%**

Source: EIOPA statistics and Deloitte-CEPS analysis

EIOPA's report on long-term guarantees measures and measures on equity risk published on 18 December 2018 mentions the average impact of the use of long-term guarantee (LTG) and transitional measures. According to that report, at year-end 2017, Italian participants reported an SCR ratio of 241% including the application of LTGs and transitionals. Removing the measures caused a decrease of the SCR ratio to 236%.[2]

2 https://eiopa.europa.eu/Publications/Reports/2018-12-18%20_LTG%20AnnualReport2018.pdf

2 Investments, deposits, cash and cash equivalents

2.1 Scope

The asset allocation of Italian insurance undertakings is mainly analysed through the reported Solvency II Exposure List (S.06.02). The classification of the Solvency II Balance Sheet (S.02.01) follows the legal nature of the assets in terms of classification, which can differ, from the exposures reporting.

Based upon the comparative view below, we note that amounts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01) differ slightly[3]. In terms of allocation in percentage, we note a shift from Holdings in related undertakings towards Collective Investments Undertakings when going from Solvency II Balance Sheet to the Exposure list. Furthermore, we also note a small shift from Deposits to Cash and cash equivalents, when going from Solvency II Balance Sheet to the Exposure List.

Table 4 - Solvency II balance sheet (S.02.01) and Solvency I exposure list (S.06.02) comparison

in number	Exposure list IT		Solvency II balance sheet IT		Difference
	#	%	#	%	#
Life undertakings	30	30,9%	30	30,9%	0
Non-Life undertakings	48	49,5%	48	49,5%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	19	19,6%	19	19,6%	0
Total	**97**	**100,0%**	**97**	**100,0%**	**0**

in Mio EUR	Exposure list IT		Solvency II balance sheet IT		Difference
	Amount	%	Amount	%	%
Holdings in related undertakings, incl. participations and equities	92 879	12,9%	96 339	13,4%	-0,5%
Holdings in related undertakings, including participations	n/a	n/a	84 890	11,8%	n/a
Equities	n/a	n/a	11 449	1,6%	n/a
Equities - listed	n/a	n/a	8 844	1,2%	n/a
Equities - unlisted	n/a	n/a	2 604	0,4%	n/a
Collective Investments Undertakings	76 945	10,7%	73 409	10,2%	0,5%
Bonds	520 346	72,2%	520 346	72,2%	0,0%
Loans and mortgages	5 329	0,7%	5 329	0,7%	0,0%
Property	7 368	1,0%	7 430	1,0%	0,0%
Deposits	7 851	1,1%	8 580	1,2%	-0,1%
Cash and cash equivalents	10 086	1,4%	9 357	1,3%	0,1%
Other investments	5	0,0%	17	0,0%	0,0%
Total	**720 882**	**100,0%**	**720 806**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.1.1 Listed and unlisted equity

The distinction between listed and unlisted equity is made based upon the reported Solvency II Balance Sheet (S.02.01). Table 5 compares the listed and unlisted equity, whereby Holdings in related undertakings (including participations) are excluded.

Table 5 - Listed and unlisted equity exposure based upon Solvency II balance sheet (S.02.01)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equities - listed	8 844	7	77,3%	83,7%	75,0%	12,8%	99,6%	21,1%
Equities - unlisted	2 604	5	22,7%	16,3%	25,0%	0,4%	87,0%	21,1%
Total equities	**11 449**	**6**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

[3] Some companies reporting under Solvency II are exempted from reporting the Solvency II Exposure List. The decision to exempt certain companies from particular reporting obligations lies with individual National Competent Authorities.

Based upon the quarterly reporting as of Q4 2017, Italian insurers invested 77,3% of their directly-held equity positions in listed equity in comparison to an average of 75,0% in the EU. With an amount of 8 884 million EUR, Italy ranked number 7 in the EU.
With an invested amount of 2 604 million EUR, unlisted equity constituted a significant portion of the equity investment category of the directly-held equity investments, i.e. 22,7%. This placed Italy as the number 5 in the EU.

2.2 Asset exposure

From an asset exposure perspective, the insurance market in Italy was mainly invested in Government bonds and Corporate bonds (in total 69,8% of Total Investments, deposits, cash and cash equivalents), Collective Investment Undertakings (10,7%), and Equity (12,9%).

Within the bond categories, the insurance market was not equally exposed to government securities (50,3%) and corporate debt (19,5%), categories for which Italy ranked number 2 and number 4 respectively, in the EU. Comparing the different assets classes, we note that the government bonds asset class shows the highest standard deviation of 18,9%.
The category of Collective Investment Undertakings was the fourth most important for the Italian Insurance market in terms of asset exposures. Within this category, the industry was mainly exposed to Debt funds, Asset allocation funds, and Real estate funds for which Italy ranked respectively number 5, number 4, and number 4 in the EU.

Equity was the third category to which the Italian insurers had the most exposure. Equity of real estate related corporation constitutes 0,5% within the 12,9% of the total equity exposure.

Table 6 - Asset exposures based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	**92 879**	**4**	**12,9%**	**12,0%**	**9,5%**	**1,1%**	**28,1%**	**6,5%**
Common equity	86 964	4	12,1%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	3 762	7	0,5%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	2 153	7	0,3%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings	**76 945**	**5**	**10,7%**	**19,2%**	**12,8%**	**1,5%**	**41,6%**	**9,3%**
Equity funds	6 443	6	0,9%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	1 908	7	0,3%	0,5%	0,5%	0,0%	6,9%	1,3%
Debt funds	29 463	5	4,1%	7,8%	5,6%	0,8%	18,0%	4,9%
Money market funds	4 775	4	0,7%	2,3%	1,1%	0,0%	6,3%	1,6%
Asset allocation funds	13 007	4	1,8%	1,1%	0,8%	0,0%	3,9%	1,0%
Real estate funds	10 033	4	1,4%	1,6%	0,8%	0,0%	3,3%	0,9%
Alternative funds	2 789	6	0,4%	0,4%	0,3%	0,0%	3,1%	0,6%
Infrastructure funds	1 222	4	0,2%	0,2%	0,1%	0,0%	0,9%	0,2%
Other	7 305	4	1,0%	2,0%	0,9%	0,0%	7,2%	1,7%
Government bonds	**362 282**	**2**	**50,3%**	**28,7%**	**39,7%**	**10,0%**	**77,0%**	**18,9%**
Corporate bonds	**140 445**	**4**	**19,5%**	**26,9%**	**21,6%**	**1,8%**	**47,3%**	**11,2%**
Structured notes	**15 204**	**3**	**2,1%**	**1,3%**	**0,5%**	**0,0%**	**2,5%**	**0,6%**
Collateralised securities	**2 415**	**5**	**0,3%**	**0,6%**	**0,6%**	**0,0%**	**9,3%**	**1,8%**
Mortgages and loans	**5 329**	**8**	**0,7%**	**4,8%**	**3,8%**	**0,3%**	**26,3%**	**5,2%**
Property	**7 368**	**7**	**1,0%**	**2,0%**	**3,5%**	**0,8%**	**11,6%**	**2,6%**
Deposits	**7 851**	**6**	**1,1%**	**2,8%**	**3,6%**	**0,2%**	**16,6%**	**3,6%**
Cash and cash equivalents	**10 086**	**6**	**1,4%**	**1,4%**	**4,3%**	**0,5%**	**16,6%**	**3,5%**
Other investments	**5**	**10**	**0,0%**	**0,1%**	**0,1%**	**0,0%**	**0,9%**	**0,3%**
Not reported	**74**	**7**	**0,0%**	**0,0%**	**0,0%**	**0,0%**	**0,3%**	**0,1%**
Total Investments, deposits, cash and cash equivalents	**720 882**	**4**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

2.2.1 Asset exposures between Life, Non-Life and Composite insurance undertakings, and reinsurers

Table 7, based upon the Asset Exposure reporting (S.06.02) of Q4 2017, gives further insight into the investment behaviour of Life, Non-Life and Composite insurance companies, and reinsurers in Italy.

Table 7 - Asset exposure based upon Solvency II exposure list (S.06.02) for Life, Non-Life and Composite insurance undertakings, and reinsurers

in %	IT			EU		
	Life	Non-life	Composite and reinsurance	Life	Non-life	Composite and reinsurance
Equity	**2,3%**	**7,1%**	**16,5%**	**6,6%**	**18,3%**	**16,5%**
Common equity	2,0%	4,2%	15,6%	5,0%	16,2%	14,9%
Equity of real estate related corporation	0,1%	0,1%	0,7%	1,0%	0,8%	1,2%
Other equity	0,2%	2,8%	0,3%	0,6%	1,3%	0,4%
Collective Investment Undertakings	**9,8%**	**12,0%**	**10,9%**	**22,4%**	**22,3%**	**13,8%**
Equity funds	1,6%	1,2%	0,7%	3,7%	2,9%	2,7%
Private equity funds	0,2%	0,2%	0,3%	0,5%	0,5%	0,5%
Debt funds	4,1%	4,8%	4,1%	9,7%	9,7%	4,7%
Money market funds	0,7%	0,7%	0,6%	2,8%	1,4%	2,0%
Asset allocation funds	0,9%	0,3%	2,1%	1,3%	1,2%	0,9%
Real estate funds	1,5%	2,7%	1,3%	1,6%	1,8%	1,4%
Alternative funds	0,5%	1,7%	0,3%	0,3%	0,3%	0,5%
Infrastructure funds	0,1%	0,1%	0,2%	0,2%	0,2%	0,3%
Other	0,3%	0,3%	1,3%	2,3%	4,3%	0,8%
Government bonds	**59,5%**	**46,2%**	**47,4%**	**28,1%**	**19,1%**	**33,4%**
Corporate bonds	**23,2%**	**22,2%**	**18,2%**	**29,2%**	**29,3%**	**22,9%**
Structured notes	**2,5%**	**2,0%**	**2,0%**	**1,4%**	**0,6%**	**1,5%**
Collateralised securities	**0,5%**	**0,5%**	**0,3%**	**0,8%**	**0,6%**	**0,5%**
Mortgages and loans	**0,1%**	**0,3%**	**1,0%**	**7,4%**	**3,2%**	**2,3%**
Property	**0,2%**	**4,1%**	**1,2%**	**2,0%**	**2,5%**	**1,7%**
Deposits	**0,3%**	**0,3%**	**1,5%**	**0,8%**	**1,6%**	**5,8%**
Cash and cash equivalents	**1,7%**	**5,2%**	**1,1%**	**1,0%**	**2,5%**	**1,4%**
Other investments	**0,0%**	**0,0%**	**0,0%**	**0,2%**	**0,0%**	**0,1%**
Not reported	**0,0%**	**0,1%**	**0,0%**	**0,0%**	**0,0%**	**0,0%**
Total Investments, deposits, cash and cash equivalents	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

At EU level Non-Life insurers invested a significantly higher portion of their Investments in Equity (18,3% equity investments) in comparison to pure Life insurers (6,6% equity investments). In Italy, we observe that the Composite insurers and reinsurers invested in equity, as a percentage of their assets, more than their Life and Non-Life insurer counterparts.

On the other hand, at EU level, pure Life insurers and also Composite insurers allocated a larger share of their investments to government bonds as compared to Non-Life insurers. An interesting observation was the contrast in behaviour between Italian insurers and their counterpart at EU level with regard to the Collective Investment Undertakings: for every undertaking type, the share of investments through funds were lower than the EU levels.

2.3 Equity exposure

Based upon the information included in the Solvency II Exposure List (S.06.02) and Balance Sheet (S.02.01), equity exposures can be calculated and presented in different ways:

- Equity exposure as the sum of Equity (Common equity, Equity of real estate related corporation and Other equity), Equity and Private equity funds, and Equity risk included in structured notes;
- Equity of real estate related corporation could be seen as a property exposure. Therefore equity exposures are presented including and excluding Equity of real estate related corporation;
- The equity amounts of the Solvency II Exposure List does not provide further details whether the equity exposures relate to listed or unlisted equity positions. In addition, the Solvency II Exposure List does not mention whether the equity relates to Holdings in related undertakings, including participations;
- Therefore, the listed and unlisted share amounts reported in the Solvency II Balance Sheet are considered and integrated as an equity exposure indicator. A rescaling is performed in case a difference is noted between the two Solvency II information sets (Exposure List versus Balance Sheet). The adjusted equity exposure stemming from this analysis excludes the Equity exposure coming from Holdings in related undertakings, including participations. These holdings can potentially be important within insurance groups.

Table 8 - Equity exposure based upon Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	**92 879**	**4**	**12,9%**	**12,0%**	**9,5%**	**1,1%**	**28,1%**	**6,5%**
Common equity	86 964	4	12,1%	10,4%	7,8%	1,0%	22,5%	6,0%
Equity of real estate related corporation	3 762	7	0,5%	1,0%	1,1%	0,0%	4,0%	1,2%
Other equity	2 153	7	0,3%	0,6%	0,6%	0,0%	2,0%	0,7%
Collective Investment Undertakings - Equity funds	**8 351**	**5**	**1,2%**	**3,8%**	**3,2%**	**0,4%**	**14,7%**	**3,5%**
Equity funds	6 443	6	0,9%	3,2%	2,7%	0,4%	10,9%	2,4%
Private equity funds	1 908	7	0,3%	0,5%	0,5%	0,0%	6,9%	1,3%
Structured notes - Equity risk	**85**	**8**	**0,0%**	**0,2%**	**0,1%**	**0,0%**	**0,6%**	**0,1%**
Total Equity exposure	**101 315**	**4**	**14,1%**	**16,0%**	**12,7%**	**2,5%**	**37,4%**	**8,4%**
Equity without Equity of real estate related corporation	**89 117**	**4**	**12,4%**	**11,0%**	**8,4%**	**1,1%**	**24,1%**	**6,1%**
Equity exposure without Equity of real estate related corporation	**97 553**	**4**	**13,5%**	**15,0%**	**11,7%**	**2,4%**	**33,3%**	**7,9%**
Equities market value balance sheet (rescaled to CIC scope)	**11 454**	**6**	**1,6%**	**3,6%**	**3,2%**	**0,1%**	**20,6%**	**4,0%**
Equities - listed (rescaled to CIC scope)	8 848	7	1,2%	3,0%	2,6%	0,0%	15,4%	3,2%
Equities - unlisted (rescaled to CIC scope)	2 606	5	0,4%	0,6%	0,6%	0,0%	5,2%	1,0%
Equity exposure based upon (Un)Listed equities (rescaled)	**19 890**	**6**	**2,8%**	**7,6%**	**6,5%**	**1,2%**	**29,8%**	**6,7%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The observed standard deviations at EU level are relatively high given the asset allocation in percentage between the different asset classes at EU level.

In Italy, we note that equity exposures coming from Collective Investment Undertakings amount to 1,2% and are lower than the listed and unlisted equity exposures which in total amount to 1,6%. Hereby the listed and unlisted equities in Italy are not similar to the asset allocation at EU level.

2.3.1 Direct and indirect equity exposure

Table 9 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	**92 879**	**4**	**91,7%**	**75,2%**	**73,4%**	**39,2%**	**94,5%**	**15,9%**
Common equity	86 964	4	85,8%	64,8%	59,4%	28,6%	93,3%	19,0%
Equity of real estate related corporation	3 762	7	3,7%	6,4%	8,4%	0,0%	39,1%	9,6%
Other equity	2 153	7	2,1%	3,9%	5,7%	0,0%	35,3%	8,8%
Indirect equity	**8 436**	**6**	**8,3%**	**24,8%**	**26,6%**	**5,5%**	**60,8%**	**15,9%**
Collective Investment Undertakings - Equity funds	8 351	6	8,2%	23,6%	25,9%	4,6%	60,6%	15,7%
Equity funds	6 443	6	6,4%	20,2%	22,8%	4,6%	52,9%	13,4%
Private equity funds	1 908	7	1,9%	3,3%	3,1%	0,0%	28,4%	5,7%
Structured notes - Equity risk	85	8	0,1%	1,3%	0,7%	0,0%	4,0%	1,0%
Total Equity exposure	**101 315**	**4**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, the insurance market in Italy was invested twice as much in Direct equity (91,7% of Total equity) than in Indirect equity (8,3% of Total equity).

In terms of direct equity exposure, Italy ranked number 4 and number 7 in the EU, with regards respectively to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments with 6,4% of Total equity, more than 3 times the amount invested in Private equity funds.

2.3.2 Equity by location

Table 10 - Equity exposure by location based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			
	EU home	EU other	outside EU (1)	Total
Equity	**43 317**	**45 208**	**4 354**	**92 879**
Common equity	38 859	43 752	4 352	86 964
Equity of real estate related corporation	3 196	566	0	3 762
Other	1 262	890	2	2 153
Collective Investment Undertakings - Equity funds	**1 841**	**6 222**	**287**	**8 351**
Equity funds	857	5 341	245	6 443
Private equity funds	984	881	42	1 908
Structured notes - Equity risk	**0**	**66**	**19**	**85**
Total Equity exposure	**45 158**	**51 496**	**4 660**	**101 315**

in %	IT			
	EU home	EU other	outside EU (1)	Total
Equity	**46,6%**	**48,7%**	**4,7%**	**100,0%**
Common equity	44,7%	50,3%	5,0%	100,0%
Equity of real estate related corporation	85,0%	15,0%	0,0%	100,0%
Other	58,6%	41,3%	0,1%	100,0%
Collective Investment Undertakings - Equity funds	**22,0%**	**74,5%**	**3,4%**	**100,0%**
Equity funds	13,3%	82,9%	3,8%	100,0%
Private equity funds	51,6%	46,2%	2,2%	100,0%
Structured notes - Equity risk	**0,0%**	**77,7%**	**22,3%**	**100,0%**
Total Equity exposure	**44,6%**	**50,8%**	**4,6%**	**100,0%**

(1) The following countries are included in the class 'outside EU': IS, LI, NO, AU, CA, JP, US, CH and countries grouped under the caption 'Rest of World'. In addition some investments are not assigned to an individual country and are also included in this class.

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

Based upon the Q4 2017 reporting with regards to the location of equity investments, insurers established in Italy favoured domestic investments to a large extent, dedicating to these 46,6% of their direct equity investments, and 22,0% of their indirect investments. Table 10 also showed that besides the home market, Italy insurers invested significantly more in equity of other EU Member States than that of non-EU Member States. The Netherlands, Germany and France were the preferred destinations.

Table 11 - Direct equity exposure by location based upon Solvency II exposure list (S.06.02)

in Mio EUR	**IT**	
	Amount	**%**
Home country	**43 317**	**46,6%**
IT	43 317	46,6%
Top 5 countries (outside home country)	**42 370**	**45,6%**
NL	15 589	16,8%
DE	13 431	14,5%
FR	8 362	9,0%
ES	2 820	3,0%
IE	2 168	2,3%
Home + Top 5 countries (outside home country)	**85 687**	**92,3%**
Total Direct equity exposure (with real estate corporation)	**92 879**	**100,0%**

in Mio EUR	**IT**	
	Amount	**%**
Home country	**40 121**	**45,0%**
IT	40 121	45,0%
Top 5 countries (outside home country)	**41 891**	**47,0%**
NL	15 398	17,3%
DE	13 349	15,0%
FR	8 224	9,2%
ES	2 752	3,1%
IE	2 168	2,4%
Home + Top 5 countries (outside home country)	**82 012**	**92,0%**
Total Direct equity exposure (without real estate corporation)	**89 117**	**100,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3 Index-linked and unit-linked investments

3.1 Scope

Based upon the comparative view below, we note a minor difference with respect to the Assets held for index-linked and unit-linked contracts reported in the Solvency II Exposure List (S.06.02) and Solvency II Balance Sheet (S.02.01).

Table 12 - Solvency II balance sheet (S.02.01) and Solvency II exposure list (S.06.02) comparison

in number	Exposure list IT		Solvency II balance sheet IT		Difference
	#	%	#	%	#
Life undertakings	30	30,9%	30	30,9%	0
Non-Life undertakings	48	49,5%	48	49,5%	0
Reinsurance undertakings	0	0,0%	0	0,0%	0
Undertakings pursuing both life and non-life insurance activity	19	19,6%	19	19,6%	0
Total	**97**	**100,0%**	**97**	**100,0%**	**0**

in Mio EUR	Exposure list IT		Solvency II balance sheet IT		Difference
	Amount	%	Amount	%	%
Assets held for index-linked and unit-linked contracts	154 180	100,0%	154 291	100,0%	-0,1%

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

3.2 Asset exposure

Table 13 depicts a more detailed view of the Assets held for index-linked and unit-linked contracts, based upon the Solvency II exposure list (S.06.02).

Table 13 - Asset exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	**3 899**	**7**	**2,5%**	**19,3%**	**4,5%**	**0,0%**	**30,1%**	**7,1%**
Common equity	3 769	7	2,4%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	85	7	0,1%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	44	7	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings	**130 055**	**4**	**84,4%**	**63,2%**	**73,1%**	**30,1%**	**97,5%**	**16,3%**
Equity funds	45 978	5	29,8%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	10	10	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Debt funds	40 880	2	26,5%	12,1%	19,0%	4,8%	47,5%	11,4%
Money market funds	3 235	4	2,1%	2,2%	1,7%	0,0%	7,5%	1,8%
Asset allocation funds	13 879	8	9,0%	14,8%	13,1%	0,4%	30,5%	7,7%
Real estate funds	15	15	0,0%	1,4%	0,6%	0,0%	6,2%	1,2%
Alternative funds	1 864	7	1,2%	1,6%	2,4%	0,0%	16,3%	3,8%
Infrastructure funds	7	4	0,0%	0,0%	0,1%	0,0%	2,4%	0,5%
Other	24 187	1	15,7%	4,6%	6,9%	0,0%	44,3%	10,0%
Government bonds	**12 952**	**2**	**8,4%**	**6,4%**	**6,9%**	**0,0%**	**31,4%**	**8,4%**
Corporate bonds	**1 510**	**8**	**1,0%**	**3,9%**	**6,0%**	**0,0%**	**22,7%**	**6,9%**
Structured notes	**136**	**14**	**0,1%**	**1,6%**	**4,1%**	**0,0%**	**18,9%**	**4,9%**
Collateralised securities	**30**	**5**	**0,0%**	**0,1%**	**0,1%**	**0,0%**	**0,9%**	**0,2%**
Mortgages and loans	**0**	**-**	**0,0%**	**0,2%**	**0,2%**	**-3,7%**	**2,5%**	**1,0%**
Property	**0**	**-**	**0,0%**	**1,3%**	**0,6%**	**0,0%**	**7,6%**	**1,5%**
Deposits	**3 104**	**5**	**2,0%**	**1,2%**	**2,0%**	**-0,3%**	**14,5%**	**3,3%**
Cash and cash equivalents	**2 095**	**5**	**1,4%**	**1,2%**	**2,2%**	**0,0%**	**8,5%**	**2,5%**
Other investments	**399**	**3**	**0,3%**	**0,4%**	**0,3%**	**0,0%**	**8,1%**	**1,5%**
Not reported	**0**	**-**	**0,0%**	**1,2%**	**0,1%**	**0,0%**	**2,3%**	**0,4%**
Total Investments, deposits, cash and cash equivalents	**154 180**	**4**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The Collective Investment Undertakings (84,4%) and the Government bonds (8,4%) represent the most important asset classes of the index-linked and unit-linked investments. Overall, we note a significantly different asset exposure allocation in comparison to the asset exposure for non index-linked and unit-linked investments. Hereby we refer to section 2 for further details.

Relatively to the EU average, we observe a large difference between the portion of index-linked and unit-linked related assets that were invested in Corporate bonds, 1,0% in Italy compared to 6,0% in the EU.

3.3 Equity exposure

The Solvency II balance sheet (S.02.01) does not include a further split in different asset classes for the Assets held for index-linked and unit-linked contracts. Hence the rescaling exercise as presented in section 2 cannot be performed here.

Table 14 - Equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Equity	**3 899**	**7**	**2,5%**	**19,3%**	**4,5%**	**0,0%**	**30,1%**	**7,1%**
Common equity	3 769	7	2,4%	18,0%	3,9%	0,0%	28,8%	6,3%
Equity of real estate related corporation	85	7	0,1%	0,8%	0,3%	0,0%	1,5%	0,5%
Other equity	44	7	0,0%	0,4%	0,3%	0,0%	4,1%	0,9%
Collective Investment Undertakings - Equity funds	**45 988**	**5**	**29,8%**	**26,5%**	**29,3%**	**11,2%**	**57,5%**	**10,4%**
Equity funds	45 978	5	29,8%	26,5%	29,2%	11,2%	57,5%	10,5%
Private equity funds	10	10	0,0%	0,1%	0,2%	0,0%	2,9%	0,6%
Structured notes - Equity risk	**0**	**-**	**0,0%**	**1,2%**	**2,7%**	**0,0%**	**15,0%**	**3,5%**
Total Equity exposure	**49 887**	**7**	**32,4%**	**47,1%**	**36,5%**	**11,7%**	**58,6%**	**10,9%**
Equity without Equity of real estate related corporation	**3 814**	**4**	**2,5%**	**16,0%**	**4,2%**	**0,0%**	**29,2%**	**6,8%**
Equity exposure without Equity of real estate related corporation	**49 802**	**7**	**32,3%**	**40,0%**	**36,2%**	**11,7%**	**58,6%**	**10,8%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In Italy, we note that total equity exposures related to index-linked and unit-linked contracts (32,4%) are significantly higher in comparison to non index-linked and unit-linked contracts (14,1%). Equity funds are the main contributors to the total equity exposures.

3.3.1 Direct and indirect equity exposure

Table 15 - Direct and indirect equity exposure based upon Solvency II exposure list (S.06.02)

in Mio EUR	IT			EU				
	Amount	Rank	%	%	Avg	Min	Max	StD
Direct equity	**3 899**	**7**	**7,8%**	**38,3%**	**11,1%**	**0,0%**	**54,2%**	**15,2%**
Common equity	3 769	7	7,6%	35,4%	9,6%	0,0%	51,8%	13,2%
Equity of real estate related corporation	85	7	0,2%	1,7%	0,7%	0,0%	4,0%	1,1%
Other equity	44	7	0,1%	1,3%	0,8%	0,0%	9,7%	2,2%
Indirect equity	**45 988**	**6**	**92,2%**	**61,7%**	**88,9%**	**45,8%**	**100,0%**	**15,2%**
Collective Investment Undertakings - Equity funds	45 988	5	92,2%	59,1%	81,5%	45,7%	100,0%	15,5%
Equity funds	45 978	5	92,2%	58,6%	81,0%	44,9%	100,0%	16,0%
Private equity funds	10	10	0,0%	0,5%	0,5%	0,0%	6,9%	1,4%
Structured notes - Equity risk	0		0,0%	2,6%	7,4%	0,0%	35,8%	9,6%
Total Equity exposure	**49 887**	**7**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**

Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

In 2017 Q4, Italian Insurers invested almost all of their Assets held for index and unit-linked contracts in Indirect equity (92,7% of Total equity). Direct equity constituting 92,2% of Total equity.

In terms of direct equity exposure, Italy ranked number 7 in the EU, with regards to the exposure amount to Common equity and Equity of real estate related corporation.

Within the Indirect equity category, Equity funds constituted the bulk of investments, amounting to 92,2% of Total equity whereas allocation to Private equity funds were negligible.

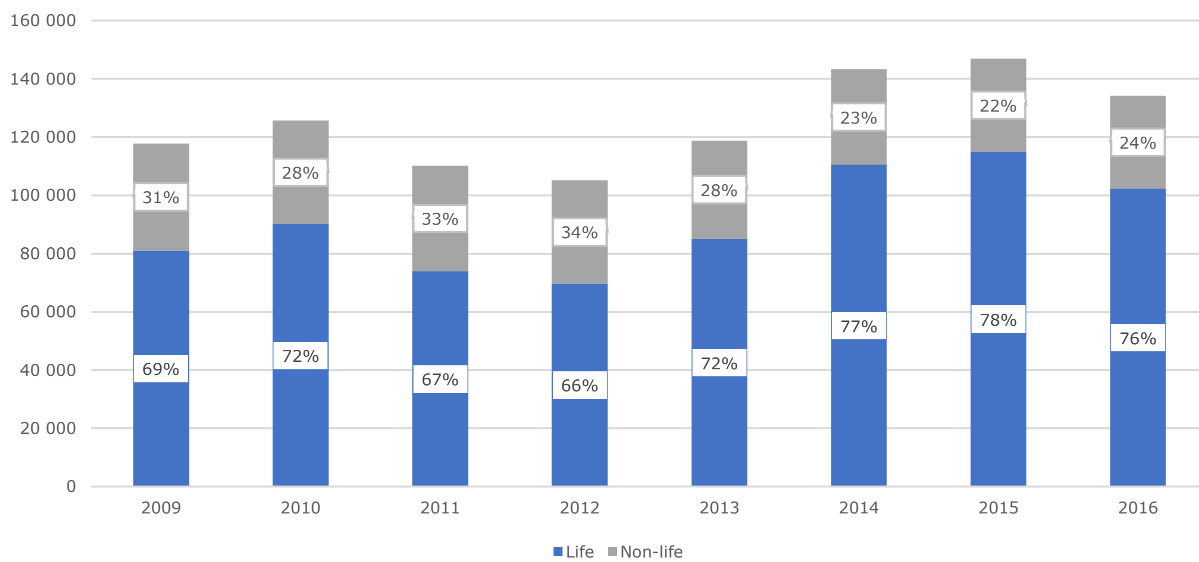
4 Insurance products

4.1 Overview

This section covers the most important insurance products offered in Italy and the volume of the market. Data reported in this section obtained from the Italian Association of Insurance Companies (ANIA).[4]

Premiums from direct domestic business totalled 134 billion EUR in 2016, of which 76,2% (or 102 billion EUR) from life polices and 23,8% from non-life policies. The overall drop of 8.7% was the first registered after three years of steady growth in which premiums had increased from 105 billion EUR in 2012 to 147 billion EUR in 2015. The 2016 drop was mainly caused by the life sector in which premiums contacted by 11% (after a 4% increase a year later). On the other hand, non-life premiums are on a recovery path, after four years of steady decrease.

Graph 1 - Gross written premiums (in Mio EUR)



Note: Numbers are based on written gross premiums.

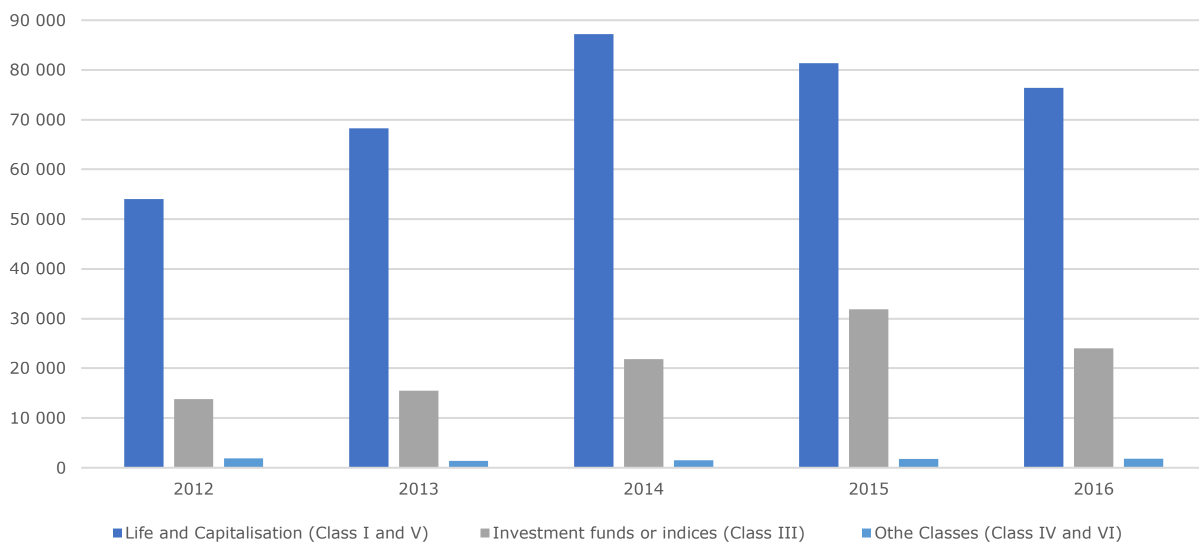
Source: ANIA

4 Available at http://www.ania.it/it/index.html.

4.2 Life insurance products

In 2016 premiums from direct domestic business of Italian insurance companies operating in the life insurance segment came to 102 billion EUR, down by 11,0% from 2015 (when they had reached the peak of 115 billion EUR). Class I and V policies, traditional and capitalization respectively, represent the largest segment of the market (75%), while linked policies account for the approximately 24%. In particular, the decrease in written premiums concerned both Class I (-5,4% for a volume equal to 73 600 million EUR) and, largely, Class III (-24,5% for a volume of 23 031 million EUR). Class V policies (capitalization) decreased by 21,8%, collecting premiums for 2 700 million EUR. While the market still shows a strong predominance of traditional products, the low interest rate environment and the introduction of Solvency II could potentially shift the focus towards unit-linked products in the future.

Graph 2 - Gross written premiums for life insurance products (in Mio EUR)



Note: Other classes include Class IV (LTC and permanent health insurance) and Class VI (pension funds).

Source: ANIA

By the end of 2016, incurred claims cost were equal to 62 931 million, down by over 11,6% compared to 2015. According to ANIA, this decline was the result of a drop in policy surrenders, which accounted for 64% of total disbursements.

4.3 Non-Life insurance products

In 2016, non-life insurance premiums declined by 1,1% to 31 395 million EUR, compared to 2015. The non-life share of the industry's total premiums (non-life plus life) rose to 23,8% from 21,8% in 2015 as a consequence of the contraction in life premiums. Incurred claims cost, representing cost for settlements, was equal to 20 000 million EUR, as in 2015.

4.3.1 Motor insurance

The motor insurance segment accounted for 50,6% of overall non-life income, at the end of 2016. Despite that, motor premiums dropped by 5,6% to 13 525 million EUR Moreover, the number of insured vehicles decreased by 0,2%, contrary to the growth in the last two years (+0,5% and +1,0% in 2015 and 2014 respectively).

4.3.2 Accident and health insurance

Premiums from direct domestic business related to accident and health totalled 5 357 million EUR and represented 16,7% of the non-life insurance premiums. From this, 56,1% was due to accident, which was moderately increased by 1% compared to 2015. The remaining, 42,8% or 2 349 million EUR, was due to sickness which rose by 9,6% within a year.

4.3.3 Property insurance

The property insurance segment includes fire and natural forces, as well as other damage to property. The combined written premiums represented 16% or 5 136 million EUR of the total non-life premiums, at the end of 2016.

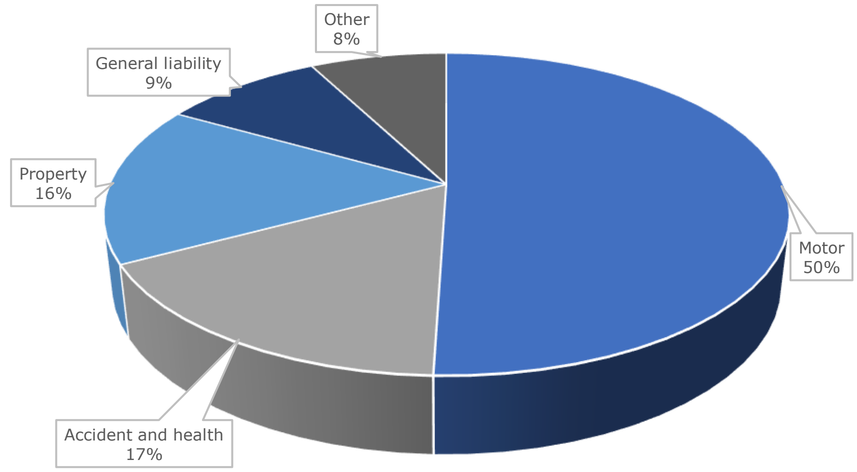
4.3.4 General liability insurance

General liability segment represented 9,1% or 2 899 million EUR of the non-life insurance products market, an increase by 4,95% compared to 2015.

4.3.5 Other insurance

Written premium income for other non-life insurance products reached 2 399 million EUR and represented approximately 7,7% of the non-life premiums. This insurance class includes transport, other than motor (such as railway rolling stock classes, aircraft, ships and goods in transit), credit and suretyship, as well as other non-life classes (i.e. financial loss, legal expenses and assistance). In particular, assistance had the highest growth rate in 2016 (56,3%), followed by financial loss (12,3%) and legal expenses (10,1%).

Graph 3 - Allocation of gross written premiums for non-life insurance products (in %)



Note: Property includes fire and other property damage. Other includes transport (railway rolling stock classes, aircraft, ships and goods in transit), credit and suretyship, as well as other non-life classes (financial loss, legal expenses and assistance).

Source: ANIA

4.4 Average duration

In 2016, EIOPA published their Insurance Stress Test Report[5], which resulted in the following conclusions for Italy:

- The approximate effective duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 4,46;
- The Macaulay duration for the TP life for all lines of business reported by the EIOPA 2016 stress test participants is 9,49.

In comparison, the approximate effective duration and Macaulay duration for the TP life for all lines of business for the EU/EEA are 8,23 and 13,97, respectively.

5 EIOPA, 2016, 2016 EIOPA Insurance Stress Test Report. https://eiopa.europa.eu/publications/surveys/eiopa-bos-16-302%20insurance%20stress%20test%202016%20report.pdf

5 Accounting & Tax framework

5.1 Accounting framework

The EU has introduced rules, as laid down in Directive 2013/34/EU, to promote the convergence of accounting standards at global level and to ensure consistent and comparable financial reporting across the EU. Regulation 1606/2002/EC requires all listed companies to prepare their consolidated financial statements in accordance with a single set of international standards, the so-called IFRS.[6]

1. Applicable GAAP at consolidated level: IFRS required for all listed companies[7] and non-listed companies.
2. Applicable GAAP at statutory level: IFRS required for listed insurance companies with no subsidiaries[7]. IFRS is not permitted for non-listed companies.
3. Prudential regulatory framework: Solvency II for the calculation of the Solvency Capital Requirement.

5.2 Tax framework

5.2.1 Capital gains on shares

Gains on qualifying shares are 95% exempt subject to the following conditions (both resident companies and permanent establishments of non-resident companies):

1. A holding period requirement: full ownership for an uninterrupted period of 12-13 months;
2. An accounting requirement: the participation is classified as a financial fixed asset in the first financial statement closed after the participation was acquired;
3. A tax haven requirement: the entity is not situated in a "black list"-country for Italian CFC-purposes;
4. An activity requirement: the entity carries out a business activity.

If one or more of the above conditions is not complied with, this will result in taxation whereby capital gains are fully taxable at the standard corporate income tax rate: 24%

5.2.2 Capital losses on shares

Capital losses on shares that qualify for the participation exemption are not deductible;

Capital losses realised on the disposal of shares and securities that are not eligible for the participation exemption cannot be deducted up to 95% of the dividends received on these shares and securities in the 36-month period preceding the disposal. The limitation only applies if (i) the shares and similar securities have been acquired (and held) by the seller in the 36 months before the sale and (ii) the issuer meets both the subject to tax and the active business tests.

5.2.3 Taxation of dividends

A 95% exemption applies on dividends received by resident companies and permanent establishments of non-resident parent companies if the following condition is met:

6 https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en
7 https://www.ifrs.org/-/media/feature/around-the-world/jurisdiction-profiles/italy-ifrs-profile.pdf

- A CFC-requirement: the foreign subsidiary is not situated in a “black list”-country for Italian CFC-purposes.

If the above condition is not met, the dividend is only 50% exempt.

Dividends paid to a non-resident corporation are generally subject to a 26% final withholding tax (with a potential refund of the foreign tax paid on the dividend by the recipient, up to 11/26ths of the Italian WHT), unless the rate is reduced under a tax treaty or the dividends qualify for an exemption under the EU parent-subsidiary directive. A domestic final withholding tax of 1,20% applies to dividends distributed to shareholders resident in an EU/EEA country.

A tax credit is allowed against Italian net tax for final foreign taxes paid on foreign-source earnings in the year in which the taxes were paid. The amount of the foreign tax credit may not exceed the amount of Italian tax due.

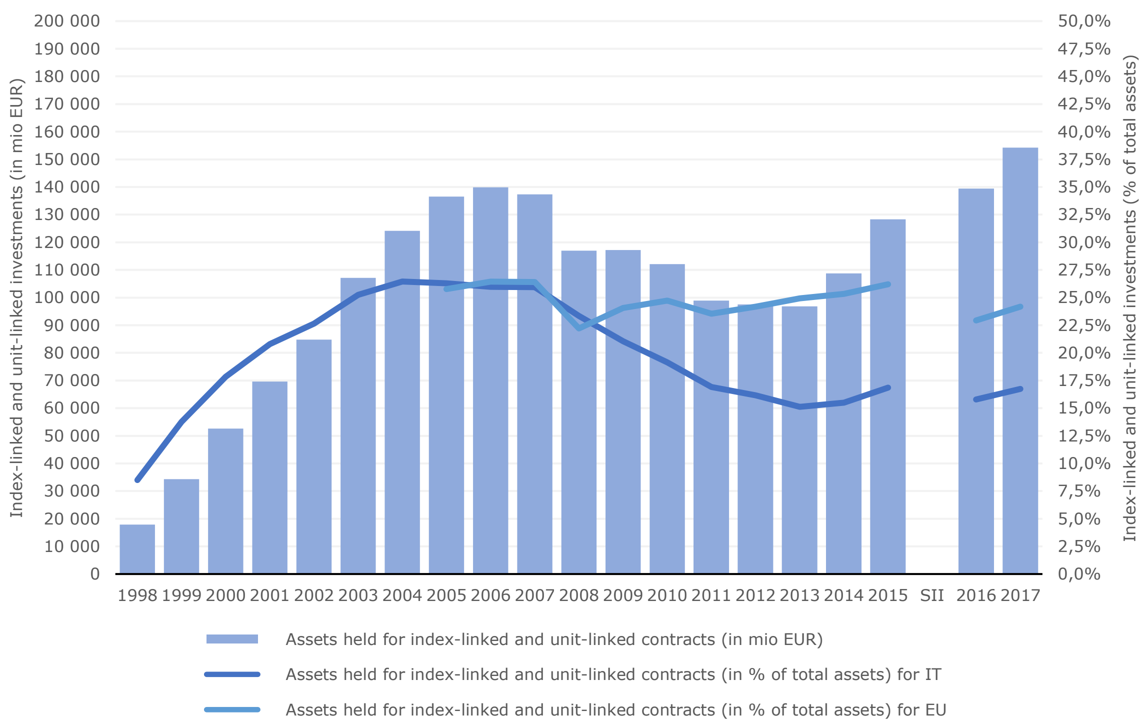
6 Historical data

The following section contains historical overviews of Solvency I, Solvency II and ECB data in order to provide insights on possible short and long-term trends.

6.1 Index-linked and unit-linked investments in comparison to total assets

Based upon the Solvency I and Solvency II (S.02.01) historical information, the evolution of the index-linked and unit-linked investments in comparison to total assets of Italy is compared to the EU. The break in Graph 4 shows the transition from the Solvency I to the Solvency II regulatory framework. Under Solvency II assets are presented based upon their market value.

Graph 4 - Evolution index-linked and unit-linked investments based upon Solvency I and Solvency II



Note: The data from the EIOPA Solvency I and Solvency II statistics is complemented with the data received from the Italian NSA.

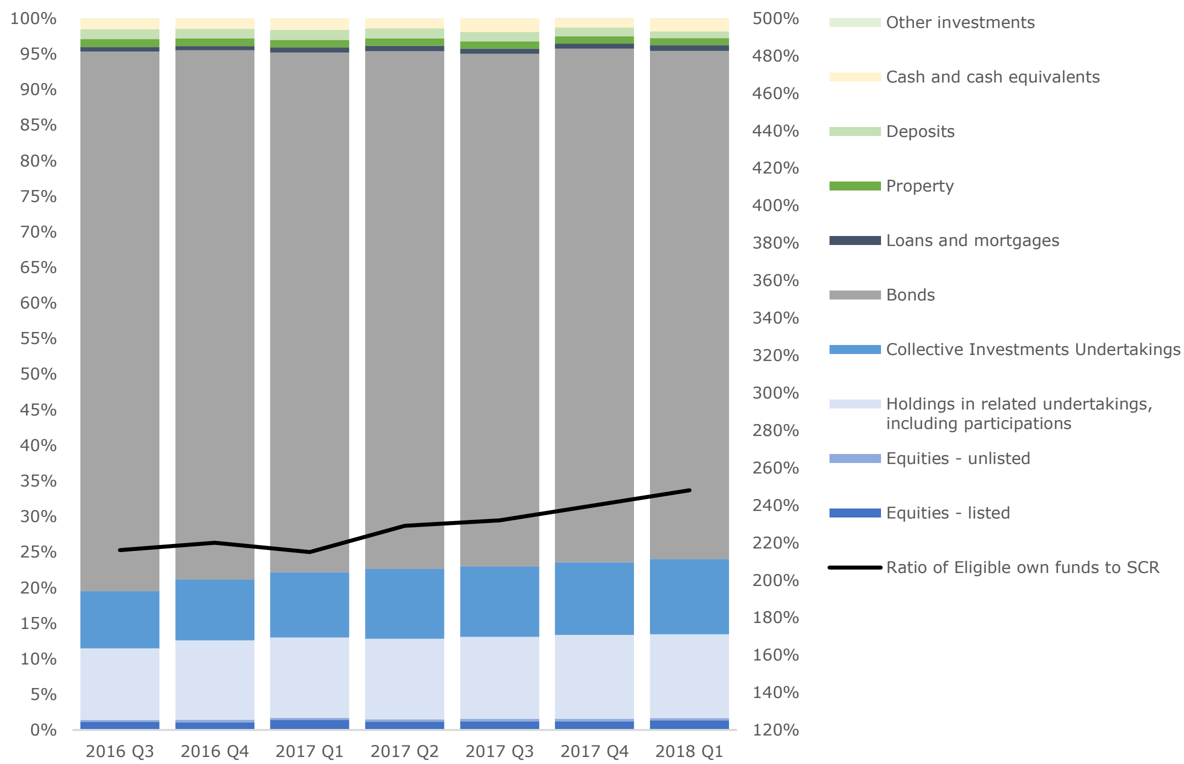
Source: EIOPA Solvency II and Solvency I statistics and Deloitte-CEPS analysis

As shown in Graph 4, the share of index-linked and unit-linked investments in comparison to total assets depict a decreasing trend until 2013, from where they picked up and started to increase. Note that the graph for the EU shows a relatively stable behaviour over the observation period, with a slightly increasing trend as from 2011. Furthermore, it is clear that in Italy, starting from mid-2008 investments in index-linked and unit-linked contracts are lower compared to the EU.

6.2 Solvency II – excluding index-linked and unit-linked investments

Based upon the Solvency II (S.02.01) quarterly data from 2016 Q3 until 2018 Q1, the evolution of the different asset categories is depicted in Graph 5. Furthermore, the evolution of the SCR ratio is shown over the seven quarters.

Graph 5 - Evolution Solvency II balance sheet (S.02.01) items (Total Investments, deposits, cash and cash equivalents) and SCR ratio



Source: EIOPA Solvency II statistics and Deloitte-CEPS analysis

The composition of the Italian insurers' balance sheet has remained relatively stable over the quarters since the introduction of Solvency II on 1 January 2016[8]. This seems to be confirmed by the fact that the most dominant assets classes such as Bonds, Collective Investments Undertakings and Holding in related undertakings, including participations do not suggest a clear trend whether it be downwards or upwards.

Bonds have constituted the major part of the Italian insurers' balance sheet since the introduction of Solvency II.

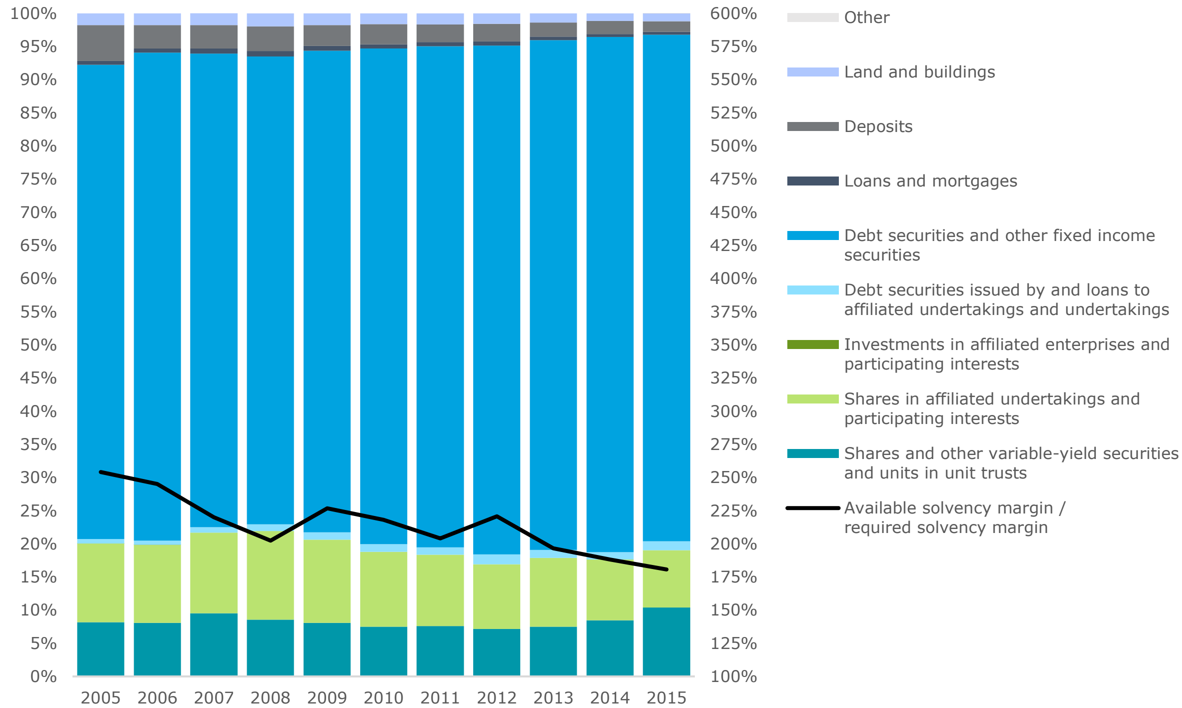
For Italy, the SCR ratio shows an increasing trend as from 2017 Q1. Overall, this trend has not resulted into significant changes in the asset allocation of the overall Italian insurance market.

8 Day one reporting, 2016 Q1 and Q2 are not publicly available

6.3 Solvency I – excluding index-linked and unit-linked assets

Based upon the Solvency I yearly data from 2005 until 2015, the evolution of the different investment asset categories is depicted in Graph 6. Furthermore, the evolution of the solvency ratio is shown over the history.

Graph 6 - Evolution Solvency I balance sheet items (Total Investments, deposits, cash and cash equivalents)

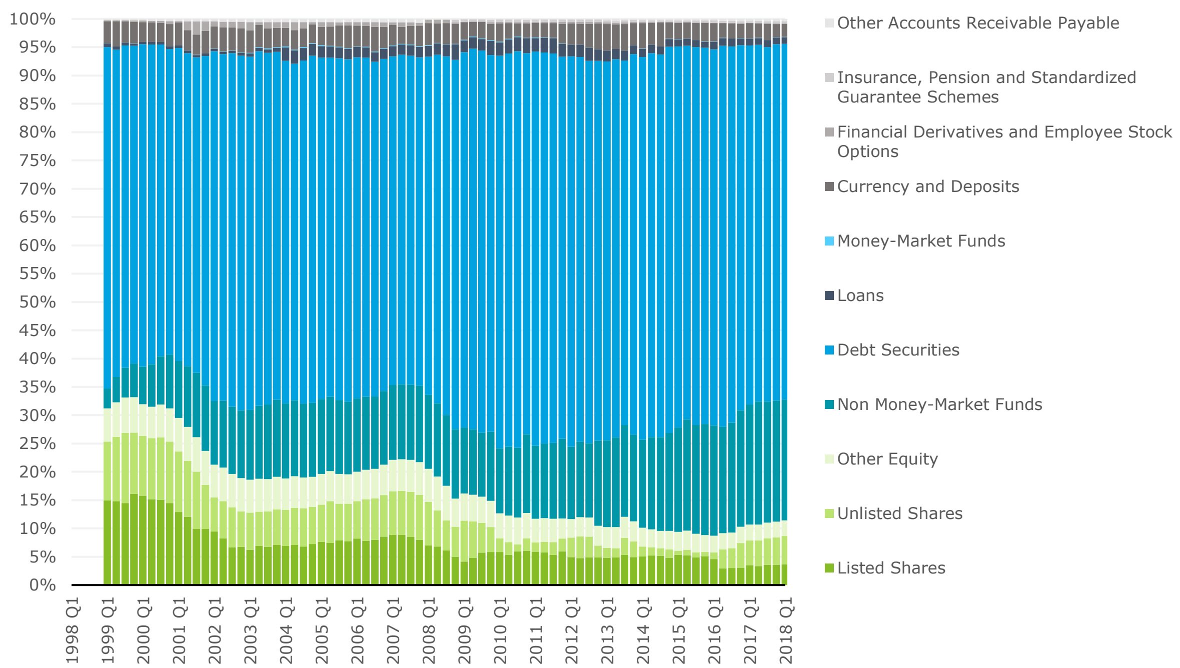


Source: EIOPA Solvency I statistics and Deloitte-CEPS analysis

Graph 6, which relates to Solvency I figures suggests the following observations. The dominance of Bonds that we observed under the rules of Solvency II has been a characteristic of the Italian insurers' balance sheet for more than a decade. Furthermore, the solvency margin shows a slight decreasing trend since 2005.

6.4 European Central Bank – including index-linked and unit-linked assets

Graph 7 - Evolution ECB balance sheet items (asset categories)



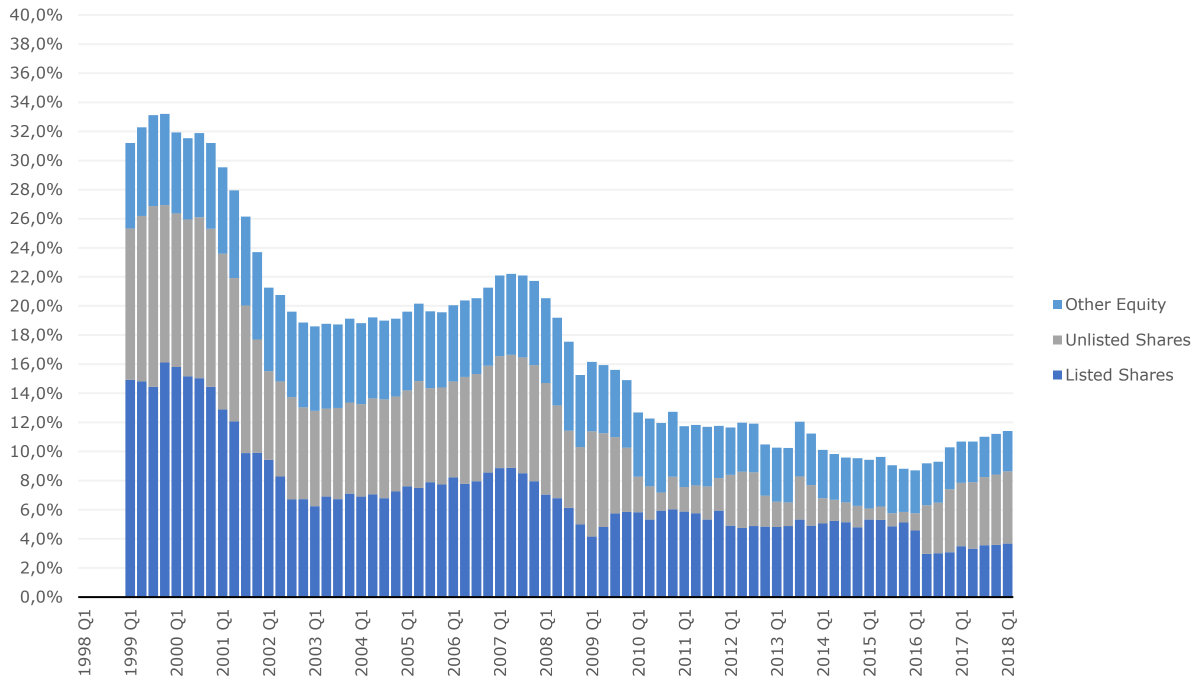
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 7 relates to figures of investments by Italian Insurers since 1999 Q1 as reported by the ECB. It can be observed that Debt securities dominate the Italian balance sheets for the entire observation period. Moreover, a decrease in the importance of Listed Shares is observable. Additionally, there is a steady increase in Non-Money-Market Funds starting from 2009 Q4. The Italian NSA notes that the increase in the Non Money-Market funds reflects companies exploiting opportunities to get better return compared with trend of Italian government bonds and government bonds in general.

On the next page, the Equity asset classes are presented in a more detailed view. Furthermore, the evolution of the listed shares (normalised to a start value of 100) of Italy is plotted against the aggregated EU data.

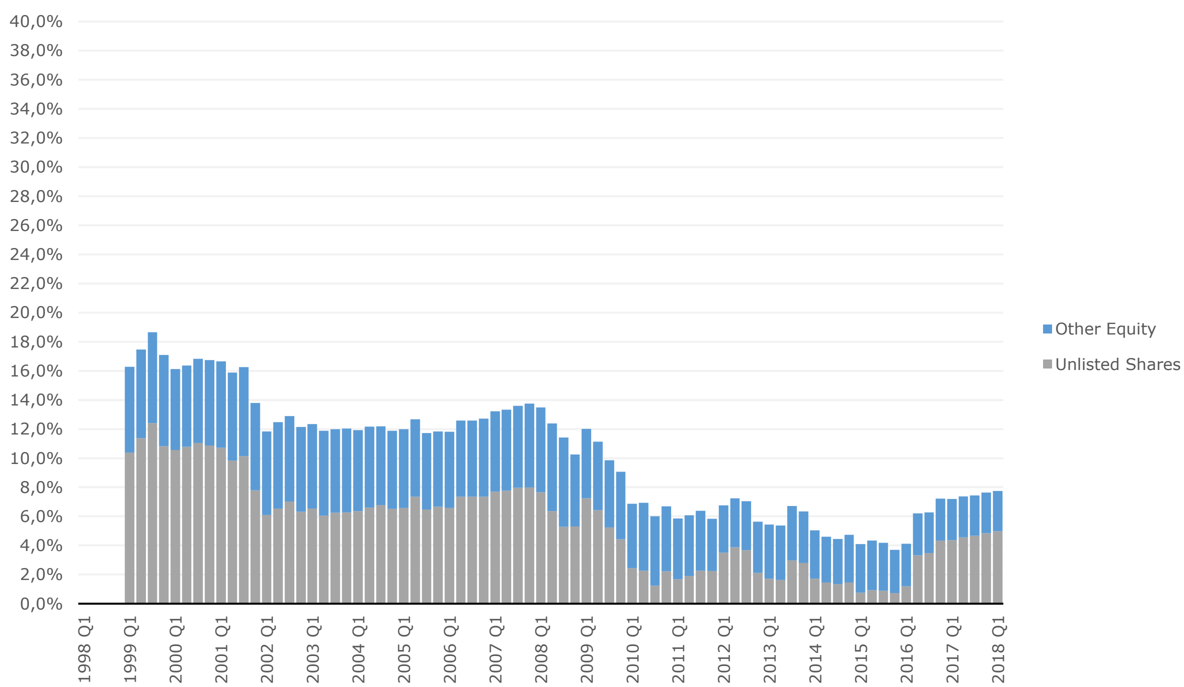
We remark that these graphs include index-linked and unit-linked assets, which cannot be individualised from the figures published by the ECB. Nevertheless, according to the Italian NSA, the unit-linked and index-linked investments do not have great impact on the observed trends in the direct equity investments since the weight of Collective Investment Undertakings is fundamental for both with profit products, and unit-linked and index-linked products.

Graph 8 - Evolution ECB balance sheet items (equity categories)



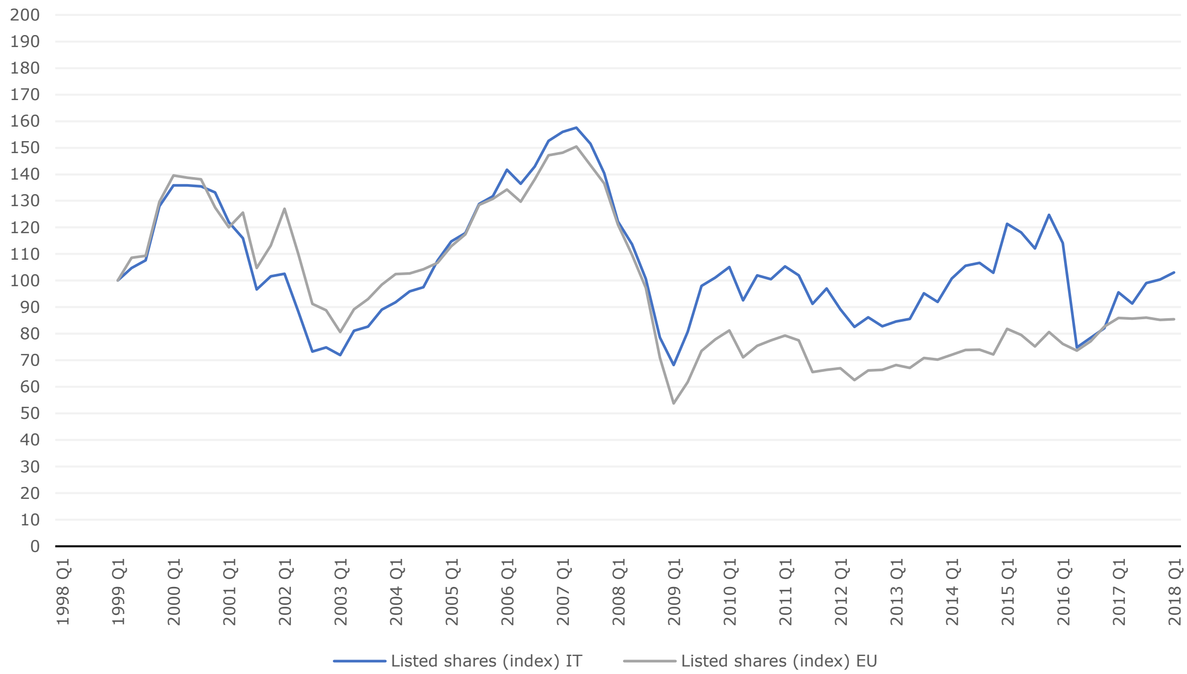
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 9 - Evolution ECB balance sheet items (Unlisted Shares and Other Equity)



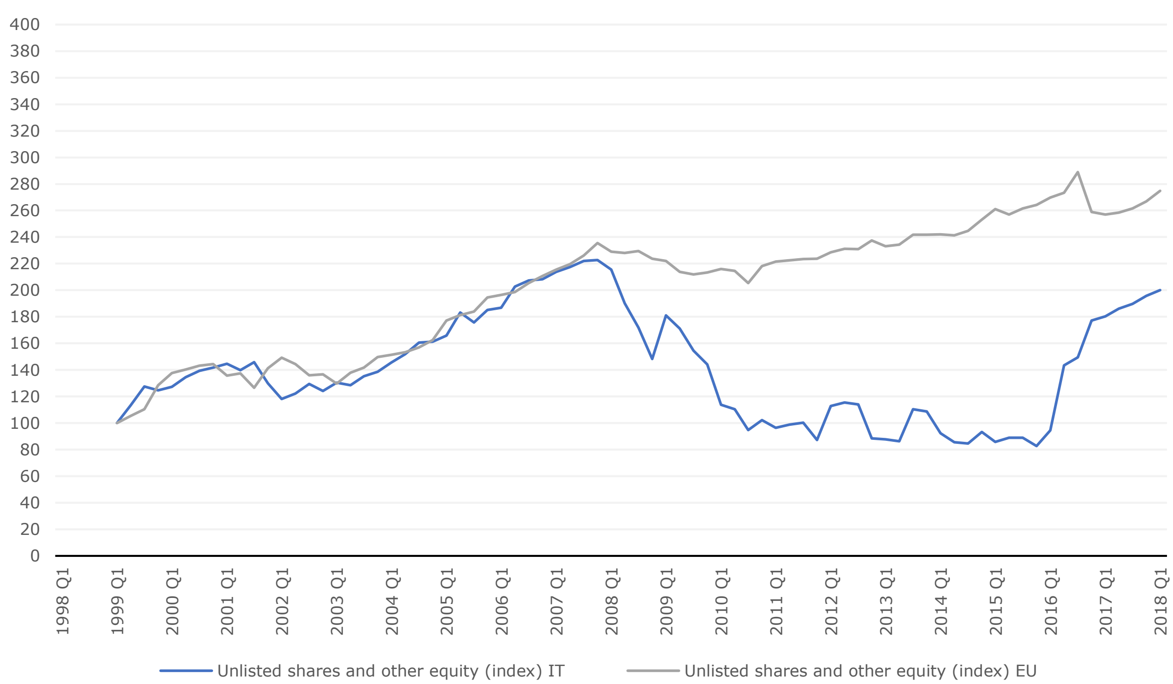
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 10 - Evolution ECB listed shares IT and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 11 - Evolution ECB unlisted shares IT and EU (as index)



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5 Trends in Equity Investments

This section provides a trend analysis of the equity investments of the Italian insurers using the balance sheet data of the insurance sector from the ECB Statistical Data Warehouse. Given the availability of the equity split in the ECB database, the analysis focuses on investments in listed shares and investments in unlisted shares and other equity.

6.5.1 Listed Shares

In the analysis below, the listed shares of insurance corporations are plotted against the total assets in the industry both in amounts and in indexed values. The aim of this comparative analysis is to understand the evolution of listed shares in the overall insurance market. Similarity of the growth patterns in the listed shares and total assets can be considered as an indication of the extent that the equity investments are driven by a good (or bad) economic environment in the industry at a certain point in time. A presentation of the variables only in amounts might dilute the magnitude of the growths for countries with large assets because in such a representation, the listed shares will be overstated. Therefore, we also plot each series as indexed to the initial point in their available history.

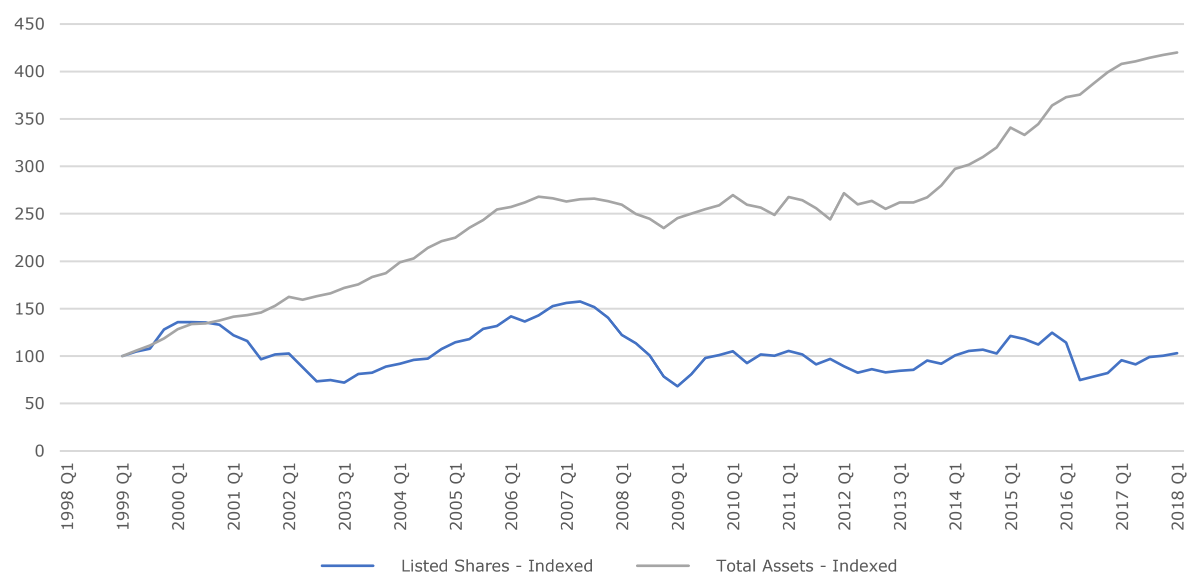
In the next step, we focus on the relationship with the listed shares and stock market indices. The ECB QSA balance sheet items are valued at market prices at the end of each quarter. Therefore, it is plausible to assume that the changes in the stock prices are reflected on the amounts held in listed shares. In order to remove this "price effect" from the observed amounts of listed shares and approximate the "real" amounts held in shares, we consider adjusting the observed amounts in listed shares. Even though we observe high correlations with listed shares and several stock indices, since the exact destinations of the portfolio invested in listed shares at each period is not observable, we build a "Weighted Equity Index" similar to the EIOPA Equity Dampener.

Amounts invested in listed shares and the total amount of assets of the insurance sector are plotted in Graph 12 while the indexed values of the series are presented in Graph 13. On these graphs, we observe that there are downward trends in the amounts invested in listed shares starting from 2001 until 2004 and during the Global Financial Crisis; however, the investments bounce back to the initial levels and deviate around the initial level until the end of the observation period. On the other hand, we observe that the overall growth in the listed shares is around one fourth of the growth in the total assets.

Graph 12 – Evolution of Listed Shares and Total Assets, in Mio EUR

Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

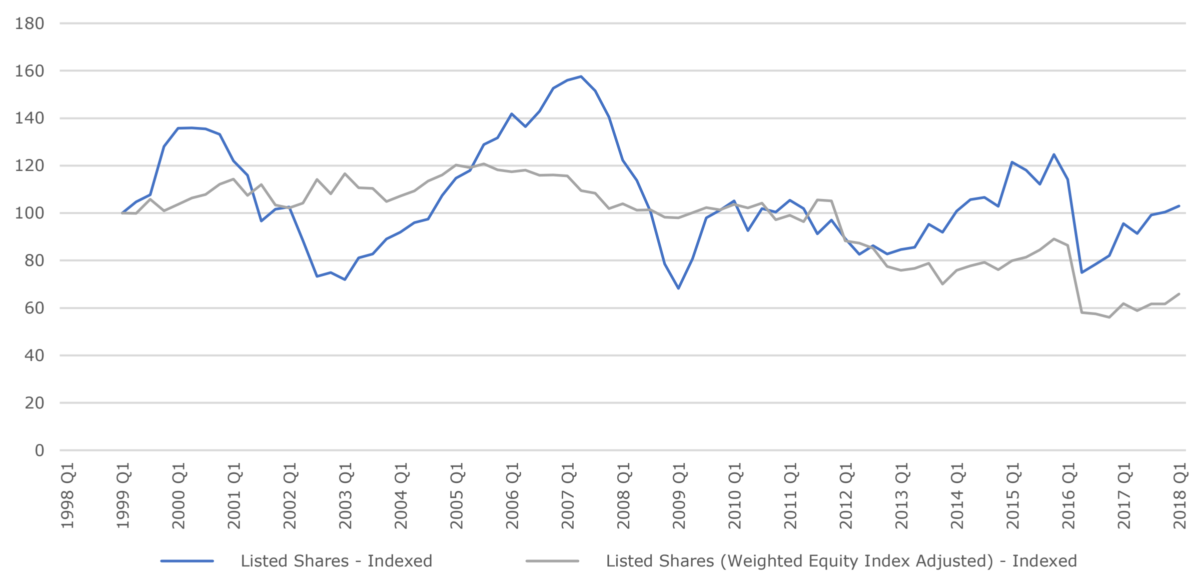
Graph 13 – Evolution of Listed Shares and Total Assets, Indexed Values



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 14 presents the indexed values of the amounts invested in listed shares against its Weighted Equity Index adjusted counterpart. In this graph, we observe that there is a long-term downward trend in the listed shares investments of Italian insurers over the observation period (i.e. 1999 Q1 – 2018 Q1), although not at a similar level of the downward trend as the German insurers. In the case of Italy, the indexed value of adjusted amounts is 65,8% at the end of the observation period. Before and during the Global Financial Crisis, we observe that the adjusted listed shares have smaller deviations than the unadjusted series which implies that the valuations in the stock markets have a high impact on the unadjusted amount during these periods. After 2011, there are three quarters in which the adjusted amounts decrease more than 10%. In 2012 Q1, the adjusted amounts decrease by 16,1%, they decrease by 10,9% in 2013 Q4, and finally, the amounts decrease by 32,7% in 2016 Q2. The decrease in 2016 Q2 is preceded by a decrease of 3,1% and is followed by drops of 1,1% and 2,4% in 2016 Q3 and Q4 respectively. The lowest value of the indexed adjusted amounts is 56% in 2016 Q4, then the indexed amounts recover to 65,8% in 2018 Q1.

Graph 14 – Evolution of Listed Shares – Indexed (Weighted Equity Index Adjusted)



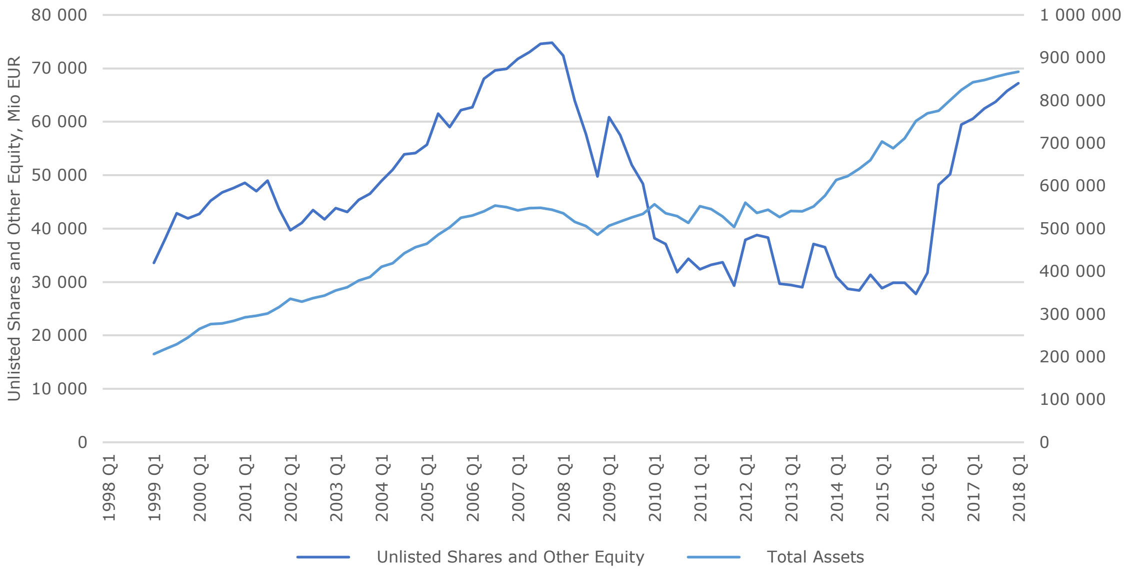
Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

6.5.2 Unlisted Shares

Graph 15 depicts the amounts invested in unlisted shares and other equity plotted against the total assets in the insurance markets of while Graph 16 presents the indexed values of the series for an easier comparison of the movements in these two series.

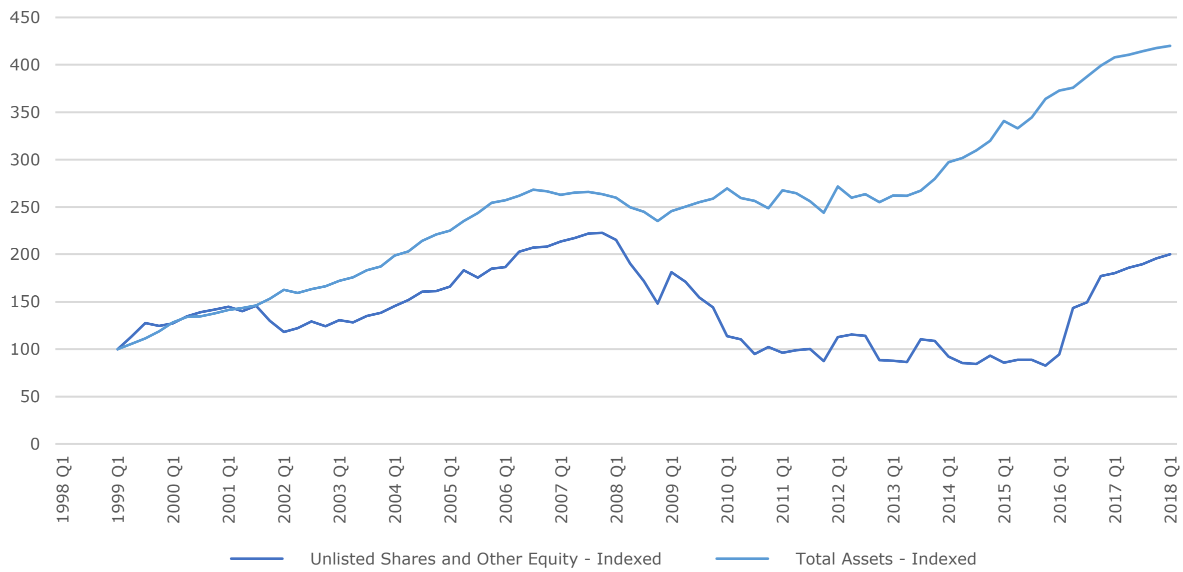
Both of the series increase steadily over the initial period 1998 – 2008, with the total assets increasing at a faster rate. The unlisted shares then decrease steadily over the period 2008 – 2011, stay relatively constant over the period 2011 – 2016 and slowly increase over the period 2016 – 2018 albeit with a sharp start. In contrast, the total assets stay relatively stable over the period 2008 – 2013 and then start to rise steadily over the period 2013 – 2018. As such, by the end of the period the indexed value of the total assets is significantly higher than the unlisted shares (420 vs 200).

Graph 15 – Evolution of Total Unlisted Shares and Other Equity and Total Assets, Mio EUR



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis

Graph 16 – Evolution of Unlisted Shares and Other Equity, Indexed Values



Source: ECB Statistical Data Warehouse and Deloitte-CEPS analysis