

**28 June - 12/2022****Bulletin of Italian Finance****1. FeBAF's Trieste Investment Forum**

Unsurprisingly, the Russian attack on Ukraine, described by Ivan Vejvoda of the Institute for Human Sciences as “an unexpected, unprovoked and unwarranted invasion of a democratic country”, loomed over the annual Trieste Investment Forum organised by FeBAF and Trieste's MIB management school on 23 June.

This was the sixth edition of an event that focuses on finance and economic issues not only in South Mediterranean areas, but also in central and eastern Europe and the Balkans, the European regions closest to the war. For Zsuzsanna Kiraly of the Central European Initiative, the war shows that “democracy and peace should not be taken for granted”. “We were complacent,” admitted Mr Vejvoda, who believes that Europe's future lies in the firm espousal of European values and in on-shoring or friend-shoring business. Russian aggression in Ukraine is a wake-up call about the reliability of commercial partners. “Why should we want or seek Chinese investment?” he asked. Pointing to the huge costs of Ukrainian reconstruction -

damage currently standing at €600 billion to the economy and €100 billion to infrastructure - Matteo Patrone of EBRD listed priority areas for support that include displaced persons, food and energy security, and trade finance. Italy will participate in rebuilding Ukraine, said Innocenzo Cipolletta, FeBAF's chairman, when opening the Forum. "Italian industry can count on the support of banks, the insurance industry and funds in Ukraine's post-war reconstruction," he added. Yet how soon reconstruction can commence is hard to say. For Elina Ribakova of the Institute of International Finance, "a semi-war stage could last for years."

Indeed, rather than seeing an easy way out, Lamberto Zannier of OSCE believes more problems lie ahead. "It's not a good outlook, I'm afraid," said Mr Zannier, speaking to the Forum's opening session. Addressing the closing session Marek Belka, member of the European Parliament and former prime minister of Poland, described Russia as an enemy of European values and integration. "Europe has difficult neighbours to the east and south," he noted. For Mr Belka, Trieste, which hosts the forum, is a symbol of the complexity of European history, a point taken up by Paolo Garonna, FeBAF's secretary-general, when he closed the event. Mr Garonna listed three take-away points: (1) the war is a catalyst and opens the way for fresh thinking, (2) financial industries can drive changes, with the private sector playing an essential part, albeit more attention is needed to geo-political factors, and (3) the EU must now play a wider global and institutional role.

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## 2. ANIA examines catastrophic risk

Climate change and catastrophic risk, and how Italians, Italy's government and the country's insurers should respond, were the subject of a paper published by ANIA (the insurers'

association) on 13 June.

The picture that ANIA draws of the Italian context highlights the growing nature of climate-change risk in the Bel Paese and the constant significant level of seismic risk that the country faces. According to one meteorological monitoring body, Italy was subject to 1118 extreme weather events in the two years 2020-2021. And according to a second, the number of events in 2021 alone was 1,602, which was more than four times the figure for 2011. Whether unusually high temperatures, extreme torrential rain and hailstorms, floods and tornadoes, no region of the country is safe. Milan, Rome, Naples and Palermo are among cities hit, and extreme weather has damaged coasts in Liguria, Tuscany and southern Sicily as well as countryside in Piedmont, the Marches and eastern Sicily. As for seismic risk, ANIA notes that a recent estimate considers nearly three-quarters of the country as potentially exposed. According to the insurers' association, "Earthquakes are the main threat in Italy in terms of financial and human loss." Yet, despite the risks, the insurance gap in Italy is highest in Europe.

Only 5 per cent of homes are covered by policies against damage from earthquakes and floods, for example, while about 80 per cent of housing is in areas categorised by high or medium-high catastrophic risk. ANIA notes that in the past decade the Italian state has spent about €70 billion on the partial relief of catastrophic damage.



And although no legislation requires the state to finance reconstruction, there's a widespread belief among Italians that the state should bear the whole cost.

What should be done? ANIA proposes a national public-private insurance partnership that mutualises risks. Such a scheme would bring several benefits, including reasonable timescales for claims settlement and procedural transparency. A national mutualisation scheme would bring low premiums, an estimated average of €100, says ANIA. Urging the government to introduce a public-private partnership, the insurers' association notes that several models exist for doing so.

### 3. Pensions in 2021

When Mario Padula, the chairman of Covip (the pensions regulator) gave his annual report

earlier this month (June), he was able to point to how, by investing their savings in pensions programmes, Italian workers invest more wisely than simply allowing those savings to accumulate in mandatory leaving indemnities.

Occupational schemes, of which there are 33 in Italy with 3.4 million members, reported an average yield of 4.9 per cent last year (net of management costs and tax), against a post-tax revaluation of 3.6 per cent for leaving indemnities. Over the past decade, occupational schemes reported an average annual yield of 4.1 per cent, against average annual revaluation of 1.9 per cent for leaving indemnities.

Open pension funds, which have attracted 1.7 million Italians, did even better with a net average yield of 6.4 per cent, while new individual pensions plans, in which 3.4 million Italians are saving for their retirement, reported an average yield of 11 per cent. Their ten-year averages are 4.6 and 5 per cent respectively.



Early in his report, Mr Padula drew attention to how the number of pension funds and plans has fallen, from 739 in 1999 to 349 last year. For the regulator, this process of consolidation is positive, with economies of scale bringing higher efficiency and benefits for savers.

There were other bright points in Mr Padula's speech. With savings into pensions of €17.6 billion last year, of which €5.8 billion into occupational schemes, the sector returned to pre-pandemic levels. (Assets amounted to more than €310 billion.) The regulator is concerned, however, that about 2.4 million people (over a quarter of pensions-savers) made no contributions to their pension-pots last year and that more than 1 million have not done so for at least five years. Another worry is the low level of participation in pensions-savings by women.

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## In brief

**Consob annual report.** In a nine-point speech on 21 June, Paolo Savona, chairman of Consob (the financial markets regulator), highlighted the problems that savers face in periods of high inflation. Traditional measures of ameliorating inflation's impact are insufficient and the

channelling of savings towards productive firms is urgent, said Mr Savona, noting that article 47 of Italy's constitution encourages direct and indirect equity investment of people's savings. Mr Savona envisages balanced portfolios of securities and real estate as providing protection of savings.

**ABI (Italian Banking Association) encourages ESG.** Boosting energy efficiency lay behind a meeting on 17 June that sought to exploit synergies between ABI's technical committee on upgrading property and the European Commission's "Greenroad – Growing Energy Efficiency Through National Roundtables" initiative.

## SAVE THE DATE

ANIA organizes:

[ASSEMBLEA ANIA 2022](#)

5<sup>th</sup> of July 2022

10:30 CEST

Rome

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ABI (Italian Banking Association) organizes:

ASSEMBLEA DEGLI ASSOCIATI

8th of July 2022

10:00 CEST

Rome



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