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Bulletin of Italian Finance

1. Data's risks and opportunities

“The data revolution is changing the nature of our business,” said Dario Focarelli, director-general of ANIA (the insurers' association). He was speaking to the audience of a webinar organised by FeBAF on 19 April.The subject was the use of data for monitoring risks and firms to exclude sections of society (or individuals) from services they offer. Indeed, that transparency and safeguards for privacy are central to the debate on data sharing to maximise data's valuewas noted by Eurostat's Emanuele Baldacci and Alessandra Righi of Istat (the Italian national statistics service). Both Mr Baldacci and Luigi Cannari of the Bank of Italy underlined the need for timeliness in collection and for good quality data in decision-making. “We need to know about bubbles well for statistical and economic analysis. Mr Focarelli pointed to how insurance is an industry based on the evaluation of risk and hence the use of data. Italy is a leader in the installation of black boxes in cars, which are now installed in around 30 per cent of those on the country's roads, and the data that these generate allows what Mr Focarelli described as “fairness in the exchange of information”. Motorists who install black boxes that provide data on driving habits are rewarded with the possibility of paying lower premiums. Recognising the risks of privacy infringements, ANIA's director-general also pointed to ethical issues and the risks that the possession of data may lead before they burst,” said Mr Cannari, who also pointed to how data on payments has been valuable during the pandemic. Pierfrancesco Gaggi, president of ABILab, reminded attendees that banks have been in forefront of the “data economy” and how risk analysis is crucial for banks. In addition to the huge amounts of data in smartphones and their network providers, and across the internet, vast quantities of data are produced by the financial sector. “Not only have sources of usable data multiplied but so have techniques of blending data and getting the best from them,” noted Paolo Garonna, FeBAF's secretary-general, when opening the webinar.

2. Private capital's role in Italy's recovery

There's light on the economic horizon. Supported by GDP growth forecasts from international bodies of over 4 per cent this year, Innocenzo Cipolletta, chairman of AIFI (the private equity, venture capital and private debt association), expects the upturn in Italy's economy to be just two months away. However, finance and firms must work together in order to ensure that recovery is resilient. “Finance needs to be more patient and firms need to be less patient,” he told the association's annual meeting on 19 April, referring to the short-termism that often drives investors and to conservatism that (three to nine employees) are at risk and a further quarter are rated fragile, with less than a quarter considered resistant or solid. Larger firms are better placed but more than 40 per cent of those employing between ten and 49 are categorised at risk or fragile. Mr Cipolletta noted that Italy's private capital market held up last year, and he drew attention to how infrastructure investment must now contribute to recovery efforts, a theme taken up by Bianca Maria Farina, ANIA's president who attended AIFI's annual meeting in her role as FeBAF's vice-president. Public money will not be tends to hold back businessmen. The figures that Mr Cipolletta showed AIFI's members underline both the investment opportunities that the emergency offers private capital and the work needed to build the base for a strong and durable recovery. In terms of structural solidity, more than one half of very small firms

enough on its own to close the infrastructure gap with other European countries, she said, and private capital, particularly from institutional investors, is needed. "There's a good match with insurance, whose portfolios have medium/long-term horizons," noted Ms Farina. Coinciding with its annual meeting, AIFI has published online a detailed 100-page report on the Italian market for private equity, venture capital and private debt in 2020.

3. Italian banks reflect on the road to recovery

"We support Italy's growth by using the country's savings responsibly." Such is the objective of Cassa Depositi e Prestiti (CDP), the large Treasury-controlled financial institution that manages postal savings. CDP is overseen by a parliamentary commission to which Giovanni Sabatini, director-general of ABI (the banking association), gave evidence on 15 April. Mr Sabatini drew the commission's attention to a recent study by the Association for

Financial Markets in Europe (EFMA) which estimated that the pandemic has caused losses that have eroded EU corporate equity by between €700 billion and €1,200 billion, with Italian firms taking a €175 billion hit. Pointing to the enormous wealth held in private savings, Mr Sabatini underlined the importance of public/private

He noted that market operations dictate that business restructuring is appropriate only in situations where crises are "reversible" and there are sufficient prospects of profitability. Earlier this month Mr Sabatini had given evidence to a parliamentary commission examining the financial structure of Italian firms and the challenges posed by the pandemic. A major issue is fragmentation and the preponderance of micro and small firms with weak or non-existent financial management. But, in parallel with raising financial awareness in business, Italy must increase investment in the real economy. "Measures and instruments to boost firms' capital and to diversify their debt sources are needed," urged Mr Sabatini, suggesting larger roles for insurers and for high net worth collaboration in recovery strategy. (The latest figures from the Bank of Italy show total private savings of €4,421 billion, of which €1,083 billion held in current accounts.)

individuals. Meanwhile, ABI continues to ask the government to deal with ABI's ongoing concerns about the new definition of default and calendar provisioning, and the evergreen handicap of slow civil justice.

In Brief

Insures look on the bright side. With Italy fully engaged in tackling the pandemic, ANIA and Fondazione ANIA (the insurers' charitable foundation) turned to television this month to offer true-life stories about tackling adversity. A series of four programmes dedicated to four different subjects (health, sustainability, education and recovery), Il Lato Positivo (the positive side) described a dozen personal experiences of people who have successfully managed difficult situations, and the role that insurance played in helping them to do so.

Valuing human capital. The strategic management of human resources in private capital operations was the subject of an AIFI webinar earlier this month. Attendees heard that management in most Italian SMEs subject to private capital operations is vested in just one or two people who work with no formal structure, and that buy-out teams need to give greater attention to the question of human resources. And human capital in financial advisory services topped the agenda at ConsulenTia2021. With the official roll's average age of registered and active financial advisers exceeding 50 and those under 40 accounting for only 12 per cent of the total, the industry faces a generational crisis. Marco Tofanelli, the secretary-general of Assoreti (the association of investment advisory firms with networks of tied agents) noted how a third of those under 30 who qualify drop out immediately. According to Mr Tofanelli, part of the solution would be to put juniors alongside seniors to encourage professional growth

New insurance products. Despite (or perhaps because of) the Covid-19 pandemic, Italy's insurers continue to conjure up new products. A recent report from IVASS (the insurance regulator), based on research of open sources and key information documents, records 106 new individual life products launched in the second half of 2020, bringing the total for the year to 250. IVASS notes that among the business areas where non-life insurers have been busiest in exploring new solutions are health, home, animals and cyber risk. Unsurprisingly, Italy's large number of SMEs catches insurers' eyes, the regulator noting new multi-guarantee policies and innovative services for risk coverage. And some insurers are targeting the hospitality sector and the food industry with personalised products.

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