

Bulletin of Italian Finance - N. 12/2020 - 30 June



Spotlight 

1. Insurers contribute to national consultation

At the latest count, the savings Italians hold in life insurance products amounted 18.2 per cent of the country's overall financial wealth. This was one of the figures Maria Bianca Farina, president of ANIA (the insurers' association) gave the government's national consultation on 16 June. At the end of last year investments held by Italian insurance companies totalled €950 billion, equivalent to 53 per cent of GDP, and asset allocation of €335 billion last year favoured fixed interest investment, in particular government securities. The national consultation, which was looking into how a post-Covid economy should be built, was left in no doubt about the financial muscle wielded by insurers in the Bel Paese. And Ms Farina left it in no doubt that ANIA's members can make a significant contribution to that economy. Investment in digital and green infrastructure must be a primary objective, said Ms Farina, noting how ANIA and its members are already doing their part. They launched an infrastructure fund in February, then raising €320 million, and expect a second tranche of €500 million to be closed soon. According to Ms Farina, private investors could be attracted by a sovereign Italian fund aimed at financing investment in infrastructure and/or strategic businesses. Given ongoing interest in individual savings plans, it was unsurprising that Ms Farina touched on these, suggesting that some form might be structured to offer insurers the same tax breaks as those given to investments by pension funds. The health emergency has highlighted the need to tackle old problems, weaknesses in infrastructure being one, cyber-risk another, private healthcare and long-term care others. And it has highlighted a new problem. ANIA has for some time been concerned about Italian under-insurance against natural catastrophes. Now it sees another area. "ANIA has just established an expert committee to identify possible ways, through public-private partnership, of offering insurance cover against some of the effects of future pandemics," Ms Farina told the consultation.

2. ABI's forty-eight point programme

Making the banking industry's contribution to the national consultation, Giovanni Sabatini, director-general of ABI (the banking association), said action is needed in four areas: business competitiveness; digitalisation; economic sustainability; and physical, social and administrative infrastructure. And he set out a forty-eight point programme for recovery. Among the measures to help firms boost competitiveness, said Mr Sabatini, should be the temporary suspension of accounting rules on depreciation, which would help balance sheets, and the introduction of fiscal measures to encourage capital raising. ABI also believes the government should adopt measures specifically aimed at SMEs, such as support in strategic areas like the green economy and sustainable tourism. On digitalisation, Mr Sabatini suggested that action on nine points would be beneficial. These include tax incentives for investment in digital technology, cyber security and household connectivity, encouragement of STEM subjects in schools and universities, and help for innovative start-ups. Transition to a sustainable economy would be quicker and surer with incentives for the use of renewable energy and the extension of tax breaks on investment in energy efficiency, urged Mr Sabatini. Yet Italy's path back to economic health also lies through structural reforms to boost the country's competitiveness and make the Bel Paese more attractive to institutional investors. And on structural reforms, ABI presented a long list of remedial actions aimed at raising the efficiency of civil justice, tackling weaknesses in physical infrastructure, overhauling the tax system, boosting the efficiency of public services, strengthening health services and improving the employment market and social safety-nets. As Mr Sabatini noted at the start of his presentation to the national consultation, "In many cases, the proposals do not require expenditure but the modernisation of rules."

3. Insurance regulator publishes annual report

"The Italian insurance industry was in good health at the end of 2019," said Daniele Franco, chairman of IVASS, the insurance regulator. Total premiums rose by 4 per cent to €140 billion, with both life and non-life recording increases, and ROE grew strongly. But when he presented the regulator's annual report (the chairman's report and an accompanying 325-page document) on 18 June, Mr Franco also spoke of an insurance world significantly different from last year. The Covid-19 crisis brought an almost total shift to remote working by insurance staff and digitalisation has received a boost that will accelerate change in business models. In his wide-ranging report Mr Franco noted how solvency ratios have been adversely affected and how the Solvency II regime works badly under strong and sudden oscillation. As Italy and its insurance industry face a new reality, Mr Franco's closing words offered encouragement. "The pandemic has taught us that we must be quicker in tackling emergencies but, at the same time, it has reminded us that, faced with the most dramatic situations, we are able to react effectively. Sharing risks, facing them together, is the right response."

4. Assogestioni's online conference

About 1,500 participants, one in ten outside Italy, followed the online conference that Assogestioni (the fund managers' association) organised on 15 June. Looking ahead to Assogestioni's 11th annual savings and financial services convention (Salone del Risparmio), the conference focused on individual savings plans and alternative funds, and how these can contribute to post-Covid economic recovery. "Inclusion of an illiquid component in portfolios represents the big challenge of asset management in an era of interest rates at zero," said Fabio Galli, Assogestioni's director-general. He noted how tax breaks for traditional plans (launched in 2017) encourage investors to "keep cool" when conditions turn tricky. Addressing the conference, Stefano Scalera, a senior official at the economics and finance ministry, noted that rather than being considered from a tax angle, "investments should be viewed within an overall framework of asset allocation in which higher risk necessarily accompanies higher returns." Online participants heard how recent research shows that investors post-Covid are significantly more interested in investing in real-economy firms than they were before the pandemic, and that they now have a greater propensity to accept illiquid investments.

In Brief

AIFI's events. (i) AIFI (the private equity, venture capital and private debt association) and Inivitalia (a government development agency) joined forces on 18 June for their 9th Investor Day. Working online and through more than 40 one-to-one 15-minute slots, 14 innovative start-ups were able to present their projects to six investment funds and a business angel. (ii) On 22 and 23 June AIFI held an afternoon online course covering private capital as an asset allocation instrument for private portfolios. The course ends with afternoon sessions on 29 and 30 June.

Bank of Italy and the national consultation. Addressing the national consultation on 13 June, Ignazio Visco, the central bank's governor, underlined many of the points he raised in his annual report on 29 May. However, his closing remarks focused on an issue that tends to be forgotten: the Mezzogiorno, Italy's southern regions, beneficiary of just 30 per cent of public works, location of 75 per cent of those unfinished, and hurt by emigration of the young and skilled. The Mezzogiorno accounts for a third of Italy's population and a quarter of its GDP. "Development of the South is essential for that of the country," Mr Visco reminded the government.

ABI's initiatives. (i) The banking association has signed an agreement with Federalberghi (the hospitality association) to publicise and promote use of a tax break of up to €500 for households with income below €40,000 who use hotel and holiday accommodation. (ii) In a ten-point statement, ABI's executive committee has announced its position on digital money and a central bank digital currency (CBDC). Italian banks will be glad to participate in ECB projects for a digital currency.

CIPA report. The latest annual report of CIPA, the joint Bank of Italy and ABI-Lab technology observatory, was released by the Bank of Italy on 23 June and will be covered in Spotlight issue 13-2020.

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