Bulletin of Italian Finance n. 13/2017

19 July 2017

Banche Assicurazioni Finanza
Italian Banking Insurance and Finance Federation

Spotlight

## Insurance - ANIA's annual review

Italy's insurance industry is in good shape and ready to take on the challenges posed by innovation and the need for radical change, said Maria Bianca Farina, president of ANIA (the insurers' association), when she addressed the association's annual meeting in Rome on 5 July. Among the numerous challenges is that of channelling requirements of a changing society into insurance business. Describing the fact that only 16 per cent of young people have made provisions for retirement as “under-insurance”, Ms Farina noted that, in order to achieve an integrated public-private pension system, “directing household expenditure towards mutualistic forms is indispensable”. At present, however, the contacts that young Italians have with the insurance industry are mostly through the annual premiums they pay for insuring their cars and motorbikes, and any claims they make. ANIA's figures show that they have been benefiting from lower premiums, 2016 being the fifth year in which they have fallen. Ms Farina noted that at €13.5 billion, direct premium income last year was 5.6 per cent down on 2015. With the number of vehicles almost unchanged, this has translated into lower premiums for motorists and bikers, the difference between the average of what Italians pay and the average in France, Germany, Britain and Spain now standing at about €100. In her address, Ms Farina touched on the question of uninsured vehicles, estimated at 2.9 million last year (about one in sixteen of the total), against 3.4 million in 2015. There is a significant difference between the north of Italy (4.3 per cent last year) and the south (10.7 per cent). ANIA's president attributed the improvement to the impact of digitalisation which has eliminated insurance discs and created a centralised data base to which police forces have immediate access. On the occasion of its annual meeting, ANIA published 20-page summary of Italian insurance in 2016. Among the figures: 215 insurers operating of which 108 headquartered in Italy and 107 foreign firms; premium income of €134 billion last year, equivalent to 8.2 per cent of GDP; €741 billion investment by the insurance industry of which 42.5 per cent in state bonds; Solvency II ratio of 2.21 in 2016 against 2.32 in 2015; internet sales of non-life premiums just 3 per cent in 2016 and lower than in the previous year.

## Abi Assembly: A Complete Banking Union will be a world financial center

On July 12th, the Italian Banking Association held its annual General Assembly in Rome and the President of ABI, Mr. Antonio Patuelli, presented a 360-degree overview of the Italian banking sector. In his speech, Mr. Patuelli touched upon all the most important aspects of the Banking Union which, in his view, "must be completed by making it one of the world's financial center capable of attracting capital in complete legality". Also, he examined the role of the ECB which, in his opinion, needs to expand its powers in order to become a fully-fledged “monetary authority which promotes economic growth” and “does not limit itself to controlling inflation". At the same time, and in relation to Brexit too, he called for a simplification of the system of authorities, lamenting that there are "too many authorities, primarily in the banking and financial sectors". Moreover, for the banking, financial and insurance sector, the President of ABI pointed out that in 2016 approximately 1,247 regulatory norms and standards were issued (about five for each working day), thereby affecting the entire production sector. Thus, the opportunity provided by the recent consultation of the European Commission on the role of the European Supervisory Authorities (ESAs) should be addressed. As far as NPLs are concerned, the Head of ABI stressed that non-performing loans have now fallen below 77 billion Euros. He also underlined that there is a more constructive climate in the banking sector in Europe: there are

fewer dogmas and more pragmatic guidelines on impaired loans, and even the possibility of the creation of a "bad bank" at European level is being discussed. "The President of the European Parliament, Mr. Antonio Tajani, and the President of the Economic and Monetary Affairs Committee, Mr. Roberto Gualtieri, are among the key players who worked on important institutional documents well-geared towards a more balanced Union, beginning with exemplary issues such as lower capital requirements for loans to SMEs (SME Supporting Factor)". As customary, both the Minister of Economy and Finance and the Governor of the Bank of Italy attended ABI's General Assembly. For Minister Padoan, growth remains the main route for reducing public debt, and banks will continue to be a key component to accelerating growth, while the Governor of the Bank of Italy stressed how the recovery has been strengthened, but still needs more support in order to become a full and systemic recovery. Good news came from the data given on the consistency and incidence of NPLs on the total amount of loans: as further sales and securitization operations of Npls proceed, an additional marked decline of Npls in Italy will hopefully be registered in the near future.

## A good year for financial information

A decade marked by a global financial crisis and numerous acts of terrorism has been accompanied by growing cooperation between financial intermediaries in Italy and the authorities. Presenting the annual report of UIF (the financial intelligence unit) on 3 July, Claudio Clemente, the unit's director, noted how last year's 101,065 notifications of suspect operations was eight times greater than in 2008, the year that UIF was established. There has been a profound change in the attitude of organisations required to report dodgy operations, he said. "Until 2007 they seemed reluctant to cooperate, often retreating behind inappropriate claims of loyalty to customers or the excessive burden of the reporting system." Moreover, only 20 per cent of reports were then made within 30 days of the suspect operation, while now the figure is 48 per cent. Quick identification and reporting of anomalies has helped the judicial authorities suspend operations and seize illicit funds, noted Mr Clemente. Combating the financing of terrorism has been a focus of attention and last year UIF received 741 reports of operations suspected of ties to terrorism, double the number received in 2015 and six times as high as in 2014, and in various cases "investigations confirmed the suspicions". Information exchange and international cooperation is key in this battle and last year UIF received 3,314 requests for and offers of information, an increase of 54 per cent on 2015. The screening of payment orders to beneficiaries in some Arab and North African countries is part of UIF's strategy. Mr Clemente's summary of the year was accompanied by 126-page report offering such details as regional differences in the use of cash, this being favoured in the South, particularly in Sicily and Calabria.

## Banks and the tax-man

"Simplification isn't simple … the unceasing production of rules causes a continuous flow of new complicating factors," said Gianfranco Torriero, deputy director-general of ABI (the banking association), on 4 July. Mr Torriero was addressing a parliamentary commission looking into tax simplification. Due to the adoption of international accounting principles, Italian banks find themselves caught up as taxpayers in a complex regulatory framework that is unique in the Italian business world. Abi drew attention to how, when tax returns are prepared, gross profit is "subject to a multitude of variations of opposite sign in order to quantify taxable income." Mr. Torriero noted that the composition and de-composition of profit causes a real loss for everyone in terms of extra costs, both human and financial. The complexity and burden of compliance associated with payment of taxes is one reason why Italy occupies 126th place in the World Bank's table of Doing Business. However, the burden isn't confined to the banks' role as taxpayers. They also act as intermediaries between the tax authorities and their customers, whether business or household. The relationship between taxpayers and the tax-man is not bilateral, but trilateral as it involves taxpayers' banks. From the beginning of relationships, banks keep the tax authorities fully informed about what is happening with their customers, even down to the details of payment orders for building restructuring. "The customer who opens a current account, invests in securities or obtains a loan may certainly appreciate the fact that the bank ensures the efficient payment of taxes when they are due, but this is certainly not the reason that he seeks such banking and financial services," said Mr Torriero. Italian banks and the tax authorities have for some time worked closely and with good results, but too often they find themselves talking about rules that have been already been set. The banking association considers that matters would be improved by prior consultation.

## Italy & Europe, a snap-shot from Washington

For the third year in a row, FeBAF organized an Economic Seminar in Washington DC to increase awareness and relations with transatlantic stakeholders and update them about what is happening in Italy and Europe concerning the main financial dossiers and their possible impact on the transatlantic dialogue. Last 29 June, the seminar on "Italian

Financial Reforms in the New European and Transatlantic Context" involved a high-level panel, with Nicolas Veron (Bruegel e Peterson Institute), Duoglas Rediker (Brookings Institution), Hung Tran (Institute of International Finance), Gian Paolo Ruggiero (Italian Finance Ministry), Luigi Ruggerone (Intesa Sanpaolo), Giovanni Dell'Ariccia (International Monetary Fund) e Paolo Garonna (FeBAF) was a significant occasion to explain the Italian financial situation. A significant degree of consensus has been observed concerning the way taken by our country in restructuring its financial sector, especially with regard to banks and NPLs. In Europe the completion of the Banking Union and the need for tools and measures to get a true capital markets union have been recalled.

## In brief

** Net inflows of just over €11 billion in May helped Italy's funds industry pass a major milestone, total assets under management topping €2,000 billion for the first time.

** Omnia fert aetas (time carries all away) noted Salvatore Rossi, president of IVASS (the insurance regulator) when referring to slow-moving liquidation procedures. In his annual summary he gave considerable attention to Solvency II. He also noted how IVASS is tackling the problem of insurers of dubious reputation, incorporated formally elsewhere in the EU but choosing Italy as their preferred market. Full details of the insurance market and IVASS's work are in the regulator's 373-page annual report.

** The economic analysis office of the banking association expects a pronounced improvement in credit risk. Recent research based on the accounts of Italy's twenty main banking groups foresees the NPL ratio at 9.3 per cent in 2020, eight percentage points lower than last year.

## LOOKING AHEAD

### 28&29 September, Rome.

Forum Bancassicurazione, wide-ranging banking and insurance conference offering networking opportunities.

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