This project is funded by the European Union under
the 7th Research Framework programme (theme SSH)
Grant Agreement nr 266800

FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Studies in Financial Systems

No 12

The Italian Financial System

Costanza Consolandi, Giampaolo Gabbi,
Massimo Matthias, Pietro Vozzella

ISSN 2052-8027

The Italian Financial System

Costanza Consolandi, Giampaolo Gabbi, Massimo Matthias, Pietro Vozzella

Affiliations of authors: Università degli Studi di Siena (www.unisi.it)

Key words: Italy, financial sector, banking, insurance, inequality, financial and economic crisis, competition, efficiency, financial markets, exchange rates, real estate, regulation of banking and finance

Journal of Economic Literature classification: E44, E50, E58, E60, G01, G21, G22, G23, G28, N24

Contact details: Giampaolo Gabbi, Department of Business and Law, Università degli Studi di Siena, P.zza S. Francesco 7, 53100 Siena, Italy
e-mail: giampaolo.gabbi@unisi.it

Acknowledgments:
The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800. We thank all the colleagues of Fessud projects for their comments during our presentations at University of Siena and in Berlin, October 2012.

Website: www.fessud.eu

Preface

This report on the Italian financial system is one of 15 studies of national financial systems undertaken as part of the research project Financialisation, Economy, Society and Sustainable Development (FESSUD) financed by the European Commission under the Seventh Framework Programme. The report main goal is to review the existing research and organize the most recent available data on the Italian financial system within in a framework that is broadly compatible with the studies undertaken in the other participating countries. The results of the study were first presented at the annual conference of the FESSUD project held in Berlin in October 2012, and were revised in August 2013.

Table of contents

Preface..3

List of figures..8

List of tables..17

Summary..20

I. The Italian Financial System since 1980

1. Historical and political economic background..37

1.1 The origin and the history of the political economy and the origin of the banking system in Italy..37

1.2 Inflation and the demand for money in Italy...48

1.3 The currency rate..57

2. Growth of finance and its role in the decades of financialization....................64

2.1 Indicators of financialization...64

2.2 Banking activity...67

2.3 Stock market capitalization..69

2.4 Private and public debt...70

3. The structure of the Italian financial system...72

3.1. The structure of the financial system...72

3.2. Corporate governance...76

3.3. Intensity of intermediation...79

4. International markets and currency..85

4.1 The currency policy. From the European Monetary System to the Euro...85

4.2. Current account balance and Financial Account.......................................87

4.3 International Investment Position and External Debt.................................94

5. Impact of financial globalisation on national financial systems.......................99

6. Impact of European integration on financial systems....................................103
6.1 Integration of financial markets..103
6.2 The money and bond market..105
6.3 Stock markets..112
7. Regulatory Framework: Financial Market Regulation in Italy........................118
7.1 Financial Regulation Organization..118
7.2 The key changes in banking regulation...121
7.3 Market regulation..123
7.4 Insurance regulation..125
7.5 The compliance function within intermediaries..130
8. The nature and degree of competition...138
8.1 The concentration process..138
8.2 Cooperation among banks and other financial institutions......................144
8.3 Area of competitiveness..148
9. Profitability of the Financial Sector and Sub-Sectors.....................................150
9.1 Banking profitability..150
9.2 The profitability on insurance companies..157
10. Financial sector and insurance..162
10.1 The insurance structure in Italy...162
10.2 The interconnection between the financial and the insurance systems..168
10.3 The evolution of the insurance market and its perspectives................173
11. Availability and sources of funds...175
11.1 Introduction...175
11.2 The availability of funds in the money and bond markets.....................176
11.3 The availability of funds in the capital markets......................................182

II. Finance and the non-financial sector

12. Macroeconomic policy context...187

12.1 The pre-euro economic period....187
12.2 The euro period....191
13. Sources of funds for business investment....194
13.1 The specificity of small and medium enterprises in Italy....194
13.2 The criticalities of SMEs: the relationships with the banking system....198
14. Involvement of financial sector in restructuring NFCs....214
15. Privatisations in Italy and the financial system....219
15.1 Privatisations in Italy....219
15.2 The effects on public finance....220
15.3 Impact of Financial Markets....224
16. Culture and norms....228
16.1 Introduction....228
16.2 The use of banking payment system....229
16.3 Microfinance and access to education....237
16.4 Finance and education....240
17. Housing finance....242
17.1 Evolution of house prices in Italy (1975 -2011)....242
17.2 Credit development to housing market....247
17.3 Real Estate Investment Funds in Italy....248

III. Distribution, Inequality and crisis
18. Inequality in Italy....253
18.1 Income inequality and the Geographical Gap....253
18.2 The composition of Household Income Inequality....260
18.3 The Italian Households Wealth....263
18.4 Inequality through time....265
18.5 The composition of Wealth....269
18.6 Poverty in Italy....271

19. Preliminary Outlook of the crisis..275
19.1 The crisis and the financial system...275
19.2 The crisis and the real system..281
19.3 Financial markets after the crisis...294
19.4 Changes in regulation in response to crisis...296
References...304

10. Financial sector and insurance

Giampaolo Gabbi and Costanza Consolandi

10.1 The insurance structure in Italy

The Italian insurance market has been characterized by dramatic changes that have occurred in the market during the Eighties (Turchetti, 1994). The Italian life insurance market experienced rapid premium growth during this period (more than 26 percent per year from 1983-1993), spurred by a crisis in the Italian social security pension system and innovations in life insurance savings products. Insurers also experimented with new distribution channels, which have taken market share from the traditionally dominant exclusive agents. The government authorization in 1990 for banks to own majority shareholdings in insurance companies represented a major structural change that also is expected to have an impact on productivity and efficiency. The bank marketing channel ("bancassurance") has been especially successful in life insurance, capturing 32 percent of new life insurance sales (premium volume) in 1993. The Italian nonlife insurance industry remains somewhat problematical, experiencing high loss ratios and low profits.

Compared to insurance markets in other industrialized countries, the Italian insurance market is relatively underdeveloped. Italy ranks seventh among developed countries in insurance premium volume but ranks twenty-second in premiums as a percentage of gross domestic product (GDP) and twentieth in premiums per capita. The underdeveloped condition of the Italian insurance market on the one hand may imply inefficiency and low competition but on the other offers significant opportunities for development and growth.

Automobile insurance is the most important line of business in the Italian market, accounting for about 40 percent of premiums in 1993 (table 10.1.). However, the relative importance of life insurance has increased dramatically during the past ten years. Life insurance premiums have grown at an annual percentage rate of 26.3 percent, and life insurance now accounts for 30 percent of Italian premium volume. The combined growth rate for all other lines of business was 12.9 percent over the same period (table 10.1).

Table 10.1. Distribution of premiums by line of business (1984 – 1993; values in million Italian lire ITL)

YEAR	Aviation Perils	Auto Property	Bond	Credit	Theft	Hail	Fire	Personal Accident	Health
	ABSOLUTE VALUES (Million ITL)								
1984	82,835	1,260,848	269,099	128,987	469,872	209,802	1,219,641	1,202,319	237,724
1985	95,953	1,451,962	289,984	164,099	531,453	240,417	1,387,804	1,384,737	293,476
1986	114,710	1,667,755	305,918	198,444	601,414	282,496	1,549,326	1,602,087	361,632
1987	124,852	1,926,725	339,997	195,028	710,596	380,448	1,773,105	1,846,428	461,687
1988	127,775	2,236,434	354,869	219,126	781,578	396,603	1,910,128	2,123,781	582,651
1989	141,781	2,650,573	370,586	241,263	880,736	417,962	2,126,091	2,404,431	731,651
1990	155,029	3,068,892	392,895	273,529	988,964	501,778	2,328,776	2,714,481	918,782
1991	154,178	3,564,011	423,405	300,415	1,069,815	443,799	2,631,706	3,049,339	1,106,130
1992	150,284	4,116,281	434,723	330,092	1,160,067	488,287	2,890,757	3,305,318	1,314,876
1993	202,797	4,230,980	424,883	334,011	1,191,204	347,753	3,123,414	3,483,702	1,512,964

YEAR	Pecuniary Loss	General Liability	Compulsory Auto Liability	Marine	Legal Defence	Other Lines	Total Non-Life	Life and Capitalization	TOTALS
1984	13,958	672,134	5,806,901	623,399	14,962	122,271	12,334,752	1,933,293	14,268,045
1985	25,520	799,852	6,702,477	556,051	17,058	140,564	14,081,407	2,598,063	16,679,470
1986	33,119	940,205	7,624,839	556,486	20,505	155,353	16,014,289	3,583,616	19,597,905
1987	44,110	1,132,736	8,299,198	634,749	25,598	189,251	18,084,508	4,993,578	23,078,086
1988	55,086	1,255,866	8,837,501	691,014	30,336	202,989	19,805,737	6,303,721	26,109,458
1989	76,294	1,455,289	9,845,002	754,693	34,119	241,566	22,372,037	7,332,458	29,704,495
1990	69,110	1,655,274	11,272,785	854,692	38,406	275,899	25,509,292	8,677,087	34,186,379
1991	68,878	1,874,248	13,052,346	1,018,415	48,439	352,721	29,157,845	10,597,575	39,755,420
1992	66,021	2,121,188	14,689,500	1,267,743	79,119	430,971	32,845,227	12,508,264	45,353,491
1993	60,740	2,329,263	15,840,987	1,447,058	99,709	480,721	35,110,186	15,143,042	50,253,228

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

The increasing importance of life insurance is attributable in part to the crisis in the Italian social security pension system, which has led consumers to rely more heavily on personal savings for their retirement income. Italy has always had a relatively high rate of personal savings, but high interest rates on Italian government bonds have historically attracted savings away from private savings vehicles such as life insurance. However, due to the increasing financial sophistication of consumers, the entry of new firms in the life market, and the use of innovative channels of distribution, life insurance has begun to attract a higher proportion of consumer savings. The growth of the life insurance market has focused more attention on the need to reduce costs, especially marketing costs, and to achieve higher levels of efficiency in the industry.

Return on equity in the industry has been relatively low, averaging 6.1 percent from 1983-1992 and 4.4 percent from 1988-1992. This poor performance can be traced in part to high loss ratios in non-life insurance, primarily due to compulsory automobile liability insurance and marine insurance. Improvements in the profitability are expected following price deregulation in July 1994. In 1993 there were 274 insurers in the Italian market, an increase of 63 during the ten-year period ending in 1993 (table 10.2.). The vast majority of companies are domestic stock companies. By 1993 there were 12 mutual insurances, one cooperative insurer, and 50 foreign insurers in the market. In 1993, 191 companies participated in the non-life insurance market, an increase of 10 companies since 1984. The number of companies in the life insurance market grew from 54 in 1984 to 99 in 1993.

Table 10.2. Distribution of insurers by organization form (1984 – 1993)

YEARS	ITALIAN COMPANIES					ITALIAN COMPANIES TOTALS	FOREIGN COMPANIES	ITALIAN AND FOREIGN COMPANIES TOTALS
	PUBLIC BODIES	PRIVATE COMPANIES						
		Stocks	Cooperatives	Mutuals	TOTALS			
1984	2	145	1	15	161	163	50	213
1985	2	143	1	15	159	161	51	212
1986	2	146	1	13	160	162	54	216
1987	2	152	1	13	166	168	56	224
1988	2	170	1	12	183	185	57	242
1989	2	177	1	12	190	192	56	248
1990	2	185	1	12	198	200	52	252
1991	2	195	1	12	208	210	54	264
1992	-	205	1	12	218	218	50	268
1993	-	211	1	12	224	224	50	274

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

During the last decade the dynamics of the insurance market recorded a slightly reduction of the number of operators. At 2001 (table 10.3.), 253 insurance companies were operating, of which 203 were insurance companies with registered Offices in Italy and 50 were branch offices of foreign insurance companies, mainly from European Union member countries (47). 94 insurance companies write only Life insurance business, (of which 12 are foreign branch offices) and 129 companies only write Non-Life business (of which 32 are foreign branch offices); 21 companies write both Life and Non-Life business; 9 companies write only reinsurance business (of which 5 are foreign branch offices).

Having regard to the legal status of the 203 companies that have Legal Offices in Italy, 196 are joint stock companies, 6 are mutual companies and one is a co-operative company. Companies with the registered Offices in Italy controlled by foreign entities represent more than 25% of the total premium income for direct domestic business.

Table 10.3. Number of insurance companies by juridical nature and business (2000)

	Life	Non-Life	Multi branches	Professional Reinsurers	Total companies
Situation at April 30, 2000					
Limited companies	76	93	18	4	191
Cooperatives	-	-	1	-	1
Mutuals	-	6	1	-	7
Domestic companies	76	99	20	4	199
Foreign branches	12	33	-	5	50
in U.E. countries	*11*	*30*	-	*4*	*45*
Total companies	**88**	**132**	**20**	**9**	**249**

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

The number of staff employed by insurance companies as at 31 December 2000 was 42,264 (-358 persons). The number of administrative staff, including management, was 38,280 (-201 persons) while the number of sales staff was 3,984 (-157 persons).

The distribution system confirms itself as being highly competitive due to the incisive presence of other operators alongside the traditional channels, which are found attractive to customers, particularly with reference to standardised and readily understandable products. The consolidation of a structured distribution system for the Life classes, which has led to a reduction in acquisition and premium collection costs, is also followed by a continuous growth in business for Non-Life classes through the so-called innovative channels. It is therefore increasingly easier for the consumer not only to select the most appropriate product to meet the customer's needs, but also the channel through which to purchase that given product.

At the end of 2010, 242 insurance companies were operating, of which 151 were insurance companies with registered office in Italy (156 at 31 December 2009) and 91 were branch offices of foreign insurance companies (85 at 31 December 2009), mainly from European Union member States (89). During the year there have been cases of companies operating in Italy who decided to modify their presence on the territory operating as branch offices of European companies and not as Italian and non EU companies; this explains the increase of foreign companies with registered offices in the EU and the decrease of Italian companies and branch offices of non EU companies. Moreover, as at 31 December 2009, 959 insurance companies with registered offices in the EU (or in other States belonging to the EEA) were operating in freedom of services. 81 insurance companies write only life insurance business (of which 20 are foreign branch offices) and 131 companies write only non-life business (of which 55 are foreign branch offices); 23 companies (of which 9 are foreign branch offices) write both life and non-life business, accounting for 35% of the total premium collection in terms of market share; 7 companies write only reinsurance business (table 10.4.).

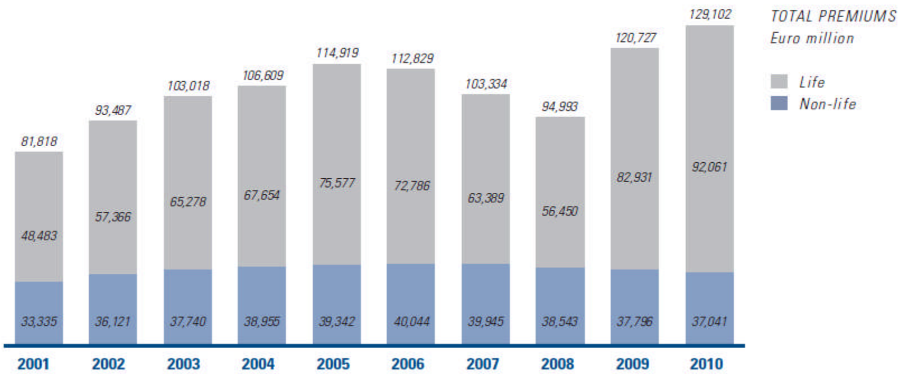
Table 10.4. Number of companies by legal status and business sector (1999 and 2000)

BUSINESS SECTOR	(situation as at 31 December)	DOMESTIC COMPANIES				FOREIGN BRANCHES		TOTAL
		Limited companies	Cooperatives	Mutuals	Total	with head office in EXTRA-EU countries	with head office in EU countries	
Non-life	2009	76	-	2	78	3	49	**130**
	2010	74	-	2	76	2	53	**131**
Life	2009	64	-	-	64	-	16	**80**
	2010	61	-	-	61	-	20	**81**
Professional reinsurers	2009	-	-	-	-	-	7	**7**
	2010	-	-	-	-	-	7	**7**
Multi branches	2009	12	1	1	14	-	10	**24**
	2010	12	1	1	14	-	9	**23**
Total	**2009**	**152**	**1**	**3**	**156**	**3**	**82**	**241**
	2010	**147**	**1**	**3**	**151**	**2**	**89**	**242**

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

Following corporate operations, all 7 reinsurance companies are foreign branch offices. Considering the legal status of the 151 companies that have legal offices in Italy, 147 are joint stock companies, 3 are mutual companies and one is a cooperative company.

Figure 10.1. Total premiums of life and non-life insurers (2001 – 2010; million euros)



Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

The dynamics of premiums during the last decade shows a mixed nature. On non-life side, it appears relatively stable, while life premiums are more correlated to the financial market volatility (figure 10.1.).

10.2 The interconnection between the financial and the insurance systems

The interconnection among insurance firms and other financial companies can be appreciated looking both at the corporate governance and at the distribution channels used to supply both insurance products and structured contracts, with mixed insurance and financial components.

In addition to the interests of savers in alternative forms of investments that has led to commercial agreements and production and distribution joint ventures between the banking and insurance sectors, in Italy the interest of banks in the insurance market has been encouraged by the law on the kinds of investment that can be held. Prudential rules have in fact allowed banks to control insurance companies and vice versa.

In 2002, the absolute value of the share capital held by Italian insurance companies in banks amounted to about 5 billion euro while Italian banks or bank groups held about 4 billion euro in the share capital of insurance companies.

By the end of 2003 Italian banks held participations in 68 Italian insurance companies, 33 of which operating in life insurance. The participation in 18 of the foregoing 68 constituted a controlling interest. It also emerged that Italian banks hold participations in 19 foreign insurance companies or brokers. Similarly, at the same date, national and foreign insurance groups had holdings in 34 Italian banks; five such groups – of which two Community groups – had holdings in the first six national bank groups. Furthermore, insurance companies held a controlling interest in 9 small sized banks.

Only in a few cases do reciprocal holdings between the banking and insurance sectors refer to financial groups whose activities mainly occur in the banking and insurance sectors. A recent Community directive requires that such groups (the so-called financial conglomerates) should be subject to a special supervisory regime (the so-called supplementary supervision) aimed at ensuring that the overall risks are managed correctly and that there are sufficient assets at the group-wide level.

Out of the 20 Italian bank groups that at the end of 2002 held participations (from a minimum of 20% to a controlling interest) in insurance companies and out of the 6 insurance groups that in the same period held participations in banks and/or stock brokerage companies, 3 exceeded the 10% threshold and 5 exceeded the cross-sectorial threshold of 6 billion euro. In the light of community law it will, therefore, be necessary to consider the risks of the banking and insurance components in an integrated manner with regard to the groups subject to this law. For example, from the standpoint of the subject matter of this report, the use and the exchange of CRT instruments between insurance and banking entities belonging to the same group would not satisfy the requirements of risk protection insofar as – although there is an actual transfer between sectors – the credit risk still remains within the same conglomerate. Moreover, community regulations require that, as concerns the single entities of each of the two sectors, whenever reciprocal capital ties exist account must be taken of the need to avoid any double gearing

The definition of "financial conglomerate" introduced by Directive 2002/87 is based on two concepts relating to the activities of the group: their essential financial and cross-sectorial nature. These features must be verified on the basis of the thresholds fixed by the directive, which, as their principal reference parameters, consider the balance sheet total of the single entities of the group and the relative minimum solvency requirements. In detail:

The threshold envisaged for determining whether the activities of the group mainly occur in the financial sector is 40%. This is calculated as the ratio between the summation of the balance sheet total of the companies operating in the financial sector and the summation of the balance sheet total of all the companies of the group. If this ratio is over 40%, the group is deemed to have a principally financial character.

The parameter used to determine whether cross-sectorial activities are significant is 10%. This is calculated as the ratio between the summation of the balance sheet total of the companies operating in one of the two financial sectors (insurance/banking) and the summation of balance sheet total of the financial sector entities in the group, and the ratio of the summation of all the solvency requirements of the same financial sector to the summation of the solvency requirements of the financial sector entities in the group. If the average of these two ratios exceeds 10%, the group is deemed to be a financial conglomerate.

In addition to these criteria, it is envisaged that financial groups with systemic importance be included in the scope of the directive. This means groups whose activities, while focused on only one financial sector (e.g. banking), reach high quantitative levels in the other sector as well. In practice, for purposes of the directive, groups whose activities in the smallest financial sector in the group exceeds EUR 6 billion in terms of the sum of the balance sheet total in the relevant financial statements are also to be regarded as financial conglomerates.

Insurance is distributed through a variety of distribution channels in the Italian market. The "traditional" channels are exclusive agents, independent agents, direct sales through company employees, and brokers. Among the "innovative" forms are banks, SIM, financial consultants, direct marketing (mail and telemarketing), and automated distribution. Table 10.5 shows the market shares of the principal distribution channels in 1992. Agents account for 75.6 percent of the non-life insurance market and 55.5 percent of the life insurance market. Banks and direct sales represent 40 percent of the life insurance market but only about 9 percent of the non-life insurance market. The market share of banks has increased dramatically since 1990, when banks were permitted to own majority shareholdings of insurers.

Table 10.5. Market shares by distribution channel (1992)

CHANNELS OF DISTRIBUTION 1992	Life and Non-Life Premiums (in ITL Billions)	Market Share	Life Business Premiums (in ITL Billions)	Market Share	Non-Life Business Premiums (in ITL Billions)	Market Share
Agents	31,772	70.1%	6,942	55.5%	24,830	75.6%
Brokers	5,398	11.9%	438	3.5%	4,960	15.1%
Direct Sales Force	5,004	11.0%	2,639	21.1%	2,365	7.2%
Banks and Financial Consultants	3,179	7.0%	2,489	19.9%	690	2.1%

Source: Cummins, Turchetti, Weiss, 1996

A further increase in the premiums directly written by insurance companies was recorded in 2000 (+4.8% compared to 1999) or via bank counters (+21.3%) and agents (+11%) although the rate of growth for the Life insurance business was slower compared to the rates experienced in preceding years. Whereas, both the distribution through financial advisers (16.5% compared to 1999), due to a decrease in the collection of all forms of individual insurance, and the distribution through brokers (-14.3%), caused by a significant decrease in the sales of capital redemption policies, reflected a downturn. The collection of contracts for the management of pension funds is mainly achieved through agencies (43.7% of the total for this class) and at bank counters (33.3%): the overall volumes for this class remain however unsatisfactory, amounting to 80 million Euros.

Table 10.6. Premiums by distribution channel (1999 and 2000; billion ITL)

	1999 Premiums (Itl. billion)	%	2000 Premiums (Itl. billion)	%
Bank counters	34,325	49.8	41,624	54.1
Agents	18,748	27.2	20,805	27.0
Financial advisors	8,684	12.6	7,248	9.4
Direct sales	6,341	9.2	6,647	8.6
Broker	827	1.2	709	0.9
Total	**68,925**	**100.0**	**77,033**	**100.0**

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

The sustained growth in the life insurance market in 2009 continued in 2010, although at a lesser pace, mainly owing to the business intermediated by bank branches; the performance of financial advisers and agents was positive too, but there was a contraction of premium volume collected through the direct channel (table 10.7). Premiums written through bank branches increased by 15%, causing an increase of this channel's market share (60.3%, 58.1% in 2009) and impacting positively on the five-year annual average change in premiums collected (+4.1%). Premiums written last year through financial advisers kept growing, but at a much lesser rate (+9.3%, from +143.3% in 2009), consolidating this type of intermediary as the second-leading distribution channel. In the last five years advisers have recorded average annual growth of 20.8% (table 10.7).

Table 10.7. Life Insurance business by distribution channel (2006 – 2010)

CHANNEL	Gross written premiums (euro million)					Market share (%)					Average
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	(2006-2010)
Bank branches (*)	40,957	35,496	28,688	47,210	54,303	59.0	57.8	52.5	58.1	60.3	*57.5*
Financial advisers	5,907	5,237	5,409	13,141	14,365	8.5	8.5	9.9	16.2	15.9	*11.8*
Agents	13,830	12,969	12,852	12,897	13,809	19.9	21.1	23.6	15.9	15.3	*19.2*
Direct sales	8,086	6,862	6,811	7,057	6,688	11.7	11.2	12.5	8.7	7.4	*10.3*
Brokers	598	875	805	811	936	0.9	1.4	1.5	1.0	1.0	*1.2*
Total	**69,377**	**61,439**	**54,565**	**81,116**	**90,102**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***100.0***

(*) Includes premiums collected by post office branches

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

Despite the growth of premiums intermediated by agents, their market share continued shrinking in 2010 to slightly above 15%. Direct sales decreased by 5.2%, after the increase registered during the previous year. and which inverted the 2006-2008 negative trend. Policies distributed by brokers recorded a limited premium collection (less than 1 billion in 2010), but nevertheless recorded a substantial expansion of 15.4%.

Table 10.8. Non-Life Insurance business by distribution channel (2006 – 2010)

CHANNEL	Gross written premiums (Euro million) 2006	2007	2008	2009	2010	Market share (%) 2006	2007	2008	2009	2010	Average (2006-2010)
Agents	31,315	31,751	31,381	30,516	29,532	84.1	84.3	83.8	83.0	82.4	*83.5*
Brokers (**)	2,779	2,771	2,854	2,921	2,749	7.5	7.4	7.6	7.9	7.7	*7.6*
Direct sales	2,438	2,427	2,359	2,187	2,273	6.6	6.4	6.3	6.0	6.3	*6.3*
of which: phone and Internet	994	1,054	1,042	1,081	1,282	2.7	2.8	2.8	2.9	3.6	*3.0*
Bank branches (***)	624	677	804	1,070	1,251	1.7	1.8	2.1	2.9	3.5	*2.4*
Financial advisers	28	29	54	51	48	0.1	0.1	0.1	0.1	0.1	*0.1*
Total	**37,184**	**37,655**	**37,451**	**36,746**	**35,852**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	***100.0***

(**) The share attributed to brokers does not take account of a portion of premium volume (estimated at almost 20 percentage points in 2010) originated through this channel but presented to agencies and not directly to insurers
(***) Includes premiums collected by post office branches

Source: Associazione Nazionale fra le Imprese Assicurazioni (ANIA)

From the breakdown of life insurance business by type of policy (table 10.8) it emerges that in Class I agents' market share increased from 16.1% in 2009 to 16.6% in 2010 as a result of the 8.2% growth in premiums collected by this type of intermediaries. Banks and financial advisers' shares remained steady (60.7% and 15.3%, respectively), recording a growth in line with the average class I market average.

10.3 The evolution of the insurance market and its perspectives

The insurance market in Italy shows some interesting features to remark. Low premium rate per capita compared to other top European Countries. Persistent domestic financial crisis affecting securities prices and value of assets. Insurance companies highly dependent on Italian sovereign debt. Non-life market is improving; combined ratio equal to 97.9%, still high but representing the best performance since 2008. Technical results appear to suffer for the financial crisis, particularly for the increase of technical reserves, due to the increase of expected losses (table 10.9).

Table 10.9. Technical results of the insurance industry (2006 – 2011; million euros)

€ million	FY06	FY07	FY08	FY09	FY10	FY11
GWP	106,561	99,094	92,018	117,801	125,719	110,233
Claims	(83,665)	(100,395)	(93,085)	(86,171)	(93,401)	(100,412)
Changes in technical reserves	(18,925)	9,675	22,285	(41,148)	(32,707)	(3,137)
Other technical items	(84)	(185)	(643)	(697)	(813)	(884)
Administrative expenses	(13,249)	(13,872)	(13,214)	(13,143)	(12,996)	(12,554)
Net profit from investments	13,980	10,100	(10,256)	26,364	13,656	3,631
Reinsurance	(190)	(223)	178	98	(211)	(240)
Technical result	**4,428**	**4,194**	**(2,717)**	**3,104**	**(755)**	**(3,364)**

Source: PwC, 2012

Compared to other European insurance markets, the Italian shows a strong liquidity position of Italian insurers and a good increase on life premiums (+11% in FY10, relative to an overall +4.3% of European Insurance market). Non-life industry is imbalanced on Motor contracts, which are constantly showing negative profitability. Excluding Motor contracts, Italian non-life insurance market penetration falls under 1.0% relative to 2.7% of Germany, 2.3% of France and 2.6% of United Kingdom. The Eurozone crisis and Italian debt position are depressing Italian industry recovery and the impact on the solvency ratio appear to be significantly high.

References

Agenzia del Territorio (2012), Rapporto residenziale Rome, 2012

Banca d'Italia, I bilanci delle banche - schemi e regole di compilazione, circular n. 166 of July 1992.

Banca d'Italia, Istruzioni di vigilanza per le banche, circular n. 229 of 21 April 1999.

Bank of Italy (2012), Sondaggio congiunturale sul mercato delle abitazioni in Italia. Ottobre 2012, Supplementi al Bollettino Statistico, n. 59

Bank of Italy – ISVAP, 2004, Credit risk transfer between the banking and insurance industries. The Italian experience, Rome.

Bank of Italy. "Surveys on Household Income and Wealth"

Bank of Italy."Household Wealth in Italy - 2010". Supplements to the Statistical Bulletin, No 64, December 2011.

Berg, A.G. and J.D. Ostry (2011). "Inequality and Unsustainable Growth: Two Side of the Same Coin?" IMF Staff Discussion Note, (11/08).

Bergh, A. and T. Nilsson (2010). "Do Liberalization and Globalization Increase World Inequality?" European Journal of Political Economy, 26 (4).

Bianchi M.L. and Chiabrera A. (2012), Italian real estate investment funds: market structure and risk measurement. Bank of Italy, Questioni di Economia e Finanza, n. 120

Bianchi, B. (2004), La direttiva conglomerati finanziari e gli effetti sugli intermediari italiani, S.A.Di.Ba.

Bodnar G., Consolandi C., Gabbi, G., Jaiswal-Dale A. (2012), Risk management for italian non-financial firms: currency and interest rate exposure. Economia & Management, n.5

Bollè, P. (2008). "Inequality and Financial Globalization: a Timely Report." International Labour Review, 147 (4).

Bryan, K.A. and L. Martinez (2008). "On the Evolution of Income Inequality of United States." Economic Quaterly, 94 (2).

Cappiello L., Lo Duca M., Maddaloni A.(2008), Country and Industry Equity Risk Premia in the Euro Area. An Intertemporal Approach, European Central Bank Working Paper, n.913

Cardilli, D., Minnetti, F., Trequattrini, G.L., Vincenzini, M. (1998), Profili di innovazione istituzionale nell'intermediazione finanziaria – il rapporto banca/assicurazione, CEDAM, Padova.

Chen S. and Yan C. (2011), Home Bias and the International Cost of Equity: Global Evidence from CAPM Perspective, International Research Journal of Finance and Economy, Issue 74

Coltorti F.(2011), "Borsa, territorio e sviluppo economico (1861-2011)", in Dall'Unità ai giorni nostri: 150 anni di borsa in Italia, Consob

Commission Européenne, 2007, A European initiative for the development of micro-credit in support of growth and employment, Communication from

the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM (2007) 708.
Committee on Global Financial Stability – CGFS (2003), Credit Risk Transfer, Basle, January.
Community Development Finance Association, Microfinance Centre & Réseau Européen de la Microfinance, 2007, Report 1: Social and financial exclusion map, From exclusion to inclusion through microfinance.
Conforti A. & Kraemer-Eis H., 2009, Microfinance in Europe : A market overview, European Investment Fund Research & Market Analysis Working paper 2009/001.
Consob (2012), Bollettino statistico, n.1, September
Cornia, A. G. (2003). "The impact of Liberalization and Globalization on Income Inequality in Developing and Transitional Economies". CEsifo, Working Paper.
Cotula F. e T. Raganelli. 1996. "Introduzione". In I bilanci delle aziende di credito 1890-1936, a cura di F. Cotula, T. Raganelli, V. Sannucci, S. Alieri e E. Cerrito. Roma-Bari: Laterza.
Cotula F., a cura di. 1999. Stabilità e sviluppo negli anni cinquanta: politica bancaria e struttura del sistema finanziario. Roma-Bari: Laterza.
D'Acunto, E. 2006. L'evoluzione delle statistiche ufficiali sugli indici dei prezzi al consumo. Roma. (Documenti Istat, n. 7).
De Bonis R. 2008. La banca. Roma: Carocci.
De Brandt J. & Nowak M., 2006, Le microcrédit en Europe, Revue d'économie industrielle, n°116, 4ème trimestre, pp 9-29.
De Cecco M. 1997. "Splendore e crisi del sistema Beneduce: note sulla struttura finanziaria e industriale dell'Italia dagli anni venti agli anni sessanta". In Storia del capitalismo italiano dal dopoguerra a oggi, a cura di F. Barca. Roma: Donzelli.
De Cecco M. e G. Toniolo, a cura di. 2000. Storia della Cassa depositi e prestiti. Roma-Bari: Laterza.
Della Torre G. 2000. "Impieghi e provvista della Cassa depositi e prestiti". In Storia della Cassa depositi e prestiti, a cura di De Cecco e Toniolo. Roma-Bari: Laterza.
Dorodnykh E. (2012), What is the Degree of Convergence among Developed Equity Markets?, International Journal of Financial Research, Vo.3, n.2
Dreher, A. and N. Gaston (2008). "Has Globalization Increase Inequality?" Review of International Economics, 16 (3).
Duca J.V. (2010), Credit, Housing, Collateral and Consuption: Evidence form the U.K., Japan and the U.S., Working paper Federal Reserve Bank of Dallas
Eurostat, 2009, European business- facts and figures, Statistical books, 2009 Edition.
Eurostat, 2009, L'Europe en chiffres, L'annuaire Eurostat 2009.

Eurostat, données statistiques sur la population, les conditions sociales et les enterprises, http://ec.europa.eu/eurostat.
Evers J., Jung M., Lahn S., 2007, Status of microfinance in Western Europe, European Microfinance Network Issue Paper.
Financial Times (1999) : Financial Times, Italy : Banking, finance and industry, Financial Times Surveys, December 13
FitchRatings (2003), Global Credit Derivatives: Risk Management or Risk?, Special Report, September.
Garofalo P. e D. Colonna. 1999. "Statistiche creditizie: nota". In Stabilità e sviluppo negli anni cinquanta: politica bancaria e struttura del sistema finanziario, a cura di F. Cotula. Roma-Bari: Laterza.
Gazzetta Ufficiale. 1928. "Prezzi al minuto al 1 Ottobre 1927 e numeri indici base 1913=100". Supplemento ordinario alla G.U., n. 21 del 26 gennaio 1928.
Gazzetta Ufficiale. 1931. "Numero indice nazionale del costo della vita e del capitolo Alimentazione".Supplemento ordinario alla G.U., n. 233 del 8 ottobre 1931.
Gazzetta Ufficiale. 1931. "Numero indice nazionale del costo della vita con base prebellica". Supplemento straordinario alla G.U., n. 252 del 12 ottobre 1933.
Gazzetta Ufficiale. 1947. "Norme tecniche della rilevazione dei prezzi al consumo". Supplemento straordinario alla G.U., n. 220 del 25 settembre 1947.
Gigliobianco A. 2006. Via Nazionale: Banca d'Italia e classe dirigente: cento anni di storia. Roma: Donzelli.
Goldberg, P.K. and N. Pavcnik (2007). "Distributional Effects of Globalization in Developing Countries." Journal of Economic Literature, 45 (3).
Guérin I., 2002, La microfinance et la création d'entreprise par les chômeurs : La situation dans quelques pays européens et en Amérique du Nord, BIT et Secrétariat Français d'Etat à l'Economie Solidaire.
Guichandut P., 2006, Europe occidentale et reste du monde parle-t-on des mêmes pratiques ?, Finance and the Common Good, n°25, Europe la microfinance se fait une place.
Guichandut P., Hayen D., Lahn S., Lämmermann S., Underwood T., Unterberg M., 2007, Fostering gender equality: meeting the entrepreneurship and microfinance challenge, Evers & Jung, Réseau Européen de la Microfinance, European Report.
International Association of Insurance Supervisors - IAIS (2003), Paper on Credit Risk Transfer between Insurance, Banking And Other Financial Sectors, Financial Stability Forum, Basle, March.
International Monetary Fund (2002), Global Financial Stability Report - Market Development and Issues, Washington, March.
International, L.O. (2008). "World of Work Report 2008. Geneva: International Labour Organitation.

IRS (1999) : Istituto per la Ricerca Sociale, Rapporto IRS sul mercato azionario, IlSole 24 ore, Milano

Istat, National Institute of Statistics. " Household Budget Surveys".

Istat. (Annali di statistica, serie VIII, vol. 7).

Istat. "Prezzi al consumo: dati". www.istat.it

Istat. 1957. I numeri indici dei prezzi: base 1953=100. (Metodi e norme, serie A, n. 2).

Istat. 1958. Le rilevazioni statistiche in Italia dal 1861 al 1956. Roma:

Istat. 1967. I numeri indici dei prezzi: indici del costo della vita – Base 1961=100.Roma: Istat. (Metodi e norme, serie A, n. 6).

Istat. 1971. I numeri indici dei prezzi: base 1970=100. Roma: Istat. (Metodi e norme, serie A, n. 12).

Istat. 1978. I numeri indici dei prezzi: base 1976=100. Roma: Istat. (Metodi e norme, serie A, n. 16).

Istat. 1981. I numeri indici dei prezzi: base 1980=100. Roma: Istat. (Metodi e norme, serie A, n. 20).

Istat. 1986. I numeri indici dei prezzi: base 1985=100. Roma: Istat. (Metodi e norme, serie A, n. 23).

Istat. 1994. Numeri indici dei prezzi al consumo per l'intera collettività (base 1990=100) e per le famiglie di operai e impiegati (basi 1989=100 e 1992=100). Roma: Istat. (Metodi e norme, serie A, n. 30).

Istat. 2009. Come si rilevano i prezzi al consumo. Roma: Istat. www.istat.it

Isvap (1999), Il margine di solvibilità delle imprese di assicurazione: confronto tra i sistemi europeo ed americano, quaderno n.6.

Jauomotte, F., S. Lall, and C. Papageorgiou (2008). "Rising Income Inequality: Technology or Trade and Financial Globalization?". IMF Working Paper, (185).

Jayo B., Lacalle M., Rico S., 2008, Overview of the microcredit sector in the EU 2006- 20007, Fundación Nantik Lum & Réseau Européen de la Microfinance Working Paper n°5.

Joint Forum on Financial Conglomerates (2001), Risk Management Practices and Regulatory Capital - Cross-sectoral comparison, Basle, November

Joint Forum on Financial Conglomerates (2003), Trends in Risk Integration and Aggregation, Basle, August.

Lawrence, R.Z. (2008). "Blue Collar Blues: Is Trade to Blame for Rising US Income Inequality?". Washinghton D.C.: Peterson of Institute for International Economics.

Locatelli, R. (1995), Rischio e intermediazione nelle banche e negli assicuratori, Il Mulino, Bologna.

Mack A. and Martinez-Garcia E.(2011), A Cross-Country Quarterly Database of Real House Prices: A Methodological Note, Federal Reserve Bank of Dallas Globalization and Monetary Policy Institute, working paper n. 99

Mishkin F., 2007, The economics of money, banking and financial markets, Pearson Edition, Eighth Edition.
Nobili A. and Zollino F. (2012), A structural model for the housing and credit markets in Italy, in Bank of Italy, Temi di Discussione, n. 887
Nomisma (2010), Cross-border Real Estate Investments in Italy: Recent History, Current Situation and Perspectives
OECD (2008). "Growing Unequal? Income Distribution and Poverty in OECD Countries. Paris: OECD
OECD (2011a). "Divided we Stand: Why Inequality Keep Rising. Paris: OECD
OECD (2011b). "Growing Income Inequality in OECD Countries: What Drives it and How Can Policy Tackle it? Paris: OECD, 14.
Onado M. 2003. "La lunga rincorsa: la costruzione del sistema finanziario". In Storia economica d'Italia: industrie, mercati, istituzioni: i vincoli e le opportunità, a cura di P. Ciocca e G. Toniolo. Roma-Bari: Laterza.
Palma, J.G. (2006). "Globalizing Inequality: 'Centrifugal' and 'Centripetal' Forces at Work." DESA Working Paper, (35).
Piluso G. 1999. "Gli istituti di credito speciale". In L'industria: i problemi dello sviluppo economico. Vol. 21 di Storia d'Italia Einaudi. Torino: Einaudi.
Qureshi, M.S. and G. Wan (2008). "Distributional Consequences of Globalization: Empirical Evidence from Panel Data." Journal of Development Studies, 44 (10).
Réseau Européen de la Microfinance, La microfinance en Europe: la microfinance par pays, www.european-microfinance.org/.
Réseau Financement Alternatif, 2008, Financial services provision and prevention of financial exclusion, upon the request of the European Commission Directorate- General for Employment, Social Affairs and Equal Opportunities.
Rule, D. (2001), Risk Transfer between Banks, Insurance Companies and Capital Markets: an Overview, in "Financial Stability Review", p. 137-159, London, Bank of England, December.
Stulz R. (2005), The Limits of Financial Globalization, The Journal of Finance, n.4
Tarantola, A.M., Parente, F., Rossi, P. (1996) La vigilanza sulle banche e sui gruppi bancari, Il Mulino, Bologna.
The Gallup Organization, 2007, Entrepreneurship survey of the EU, United States, Iceland and Norway, Flash Eurobarometer Series #192- upon the request of the European Commission Directorate- General for Enterprise and Industry.
Turchetti, Giuseppe. "Marketing Channel Innovation in Insurance: The Case of Italy." Working paper, Wharton School, 1994
Ulubasoglu, M.A. (2004). "Globalization and Inequality." The Australian Economic Review, 37 (1).

Vincenzini, M., etc. (edited by Vincenzini, M.) (2003), Manuale di gestione assicurativa, CEDAM, Padova.
Zollino f., Muzzicato s., Sabbatini R. (2008), Prices of Residential Property in Italy: Constructing a New Indicator, Bank of Italy, Questioni di Economia e Finanza, n.17

Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

FESSUD
This project is funded by the European Union under
the 7th Research Framework programme (theme SSH)
Grant Agreement nr 266800

THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain

Published in Leeds, U.K. on behalf of the FESSUD project.