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Insurance risks

Life underwriting risks include biometric risks arising from events related to mortality and mortality trends, to morbidity and disability trends. The Group companies life portfolios have a prevailing component of saving contracts, but there are also pure risk contracts. The risks related to policies with a prevailing saving component and with minimum interest rate guarantee are a particular concern. In order to better manage risks and costs associated with embedded options included in the above products, the Group has redefined the structure of the product in many cases, connecting in many cases the level and the duration of the guarantee with the level of the investment. The table below shows the distribution of insurance provisions of life gross direct business by level of financial guarantee.

Life insurance provisions: financial guarantee

- contracts with guaranteed interest
- contracts without guaranteed interest
- contracts matched by specific assets

The total insurance provisions include the gross direct amount of mathematical provisions, which amount to € 2,258.9 million. Year end 2011 figures included technical provisions and investment contracts financial liabilities belonging to MIF. The insurance provisions above are grouped in three macro classes:

- contracts with a minimum guarantee level: this group considers both yearly cliquet and at event (death and disability) contracts
- contracts without interest guarantee: in this category, together with standard unit linked policies are also included contracts with a minimum guarantee level
- contracts matched by specific assets: this category includes contracts where the liabilities are totally matched by specific assets

The table above shows a progressive shift of the exposures towards "less than 3%" guarantee classes, also due to the introduction of new products. From a quantitative point of view regarding the life underwriting risk and according to the parameters indicated in the table below, the sensitivity is:

- maintenance expenses -10%: sensitivity to a 10% decrease of maintenance expenses;
- lapse rate -10%: sensitivity to a 10% decrease of lapse rates;
- mortality/morbidity for risk business -5%: sensitivity to a 5% decrease of mortality/morbidity for all products;
- mortality for annuity business -5%: sensitivity to a 5% decrease of mortality for annuity business only (including annuities with a minimum guarantee level).

Gross direct premiums by line of business and by geographical area	Unit/index linked	Total
France	1,198	1,198
Germany	2,498	2,498
Italy	2,839	2,839
Spain	334	334
United Kingdom	324	324
Rest of World	7,68	7,68
Total	15,844	15,844