Insurance risks

Risks arising from the non-life underwriting are classified as pricing risk (or subscription) and reserve risk. The

Pricing risk

The pricing risk derives from the possibility that premiums are not sufficient to cover future claims, contracts ex

In order to quantify this risk, the Group assesses its exposure to attritional claims, large claims and catastrophe

Regarding this risk, the Group:

- has developed stochastic or deterministic bottom-up simulation models, which are validated by sensiti
- determines for frequency risks, large risks and catastrophe risks (such as earthquake, flood, windstorm
- adopts, also for evaluating reinsurance cessions, models that are consistent with Value Based Manag

Reinsurance structures are based on a detailed risk analysis that allows identifying, for each class of business,

Treaty reinsurance provides a risk transfer mechanism for the greatest portion of each portfolio, while facultativ

Regarding treaty reinsurance, the most important lines of business are best covered by excess of loss contract

In this field, the Group has significantly changed its strategy and business model for the purchase of the contra

As a result, the new model expects that the Parent Company subscribes ? at market conditions ? all the major

The placement of facultative reinsurance is instead managed by the individual companies, as it is a type of pro

Reinsurance counterparties are chosen in accordance to the criteria defined by the Corporate Centre (as descr

With specific reference to the Parent Company, these principles have been confirmed by the Board of Directors

Reserving risk

Reserving risk relates to the uncertainty in reserves run-off and considers the possibility that insurance provisio

The assessment is closely related to the valuation of technical provisions, in particular to the uncertainty of the

The following table shows the cumulative claim payments and the ultimate cost of claims by accident year and

The difference between the ultimate cost of claims and the cumulative paid losses for calendar year 2012 cons

The observed trend in the ultimate cost for generations 2003-2012 indicates the adequate level of prudence ad

Claims development

Cumulative claim payments

at the end of accident year

Estimate of ultimate cumulative claims costs:

at the end of accident year

Estimate of ultimate cumulative claims costs at reporting date

Cumulative payments to date

Provisions recognised in the balance sheet

Provisions not included in the claims development table

Total provisions included in the balance sheet

The differences with the amounts published in previous reporting periods are mainly due to changes in exchan

The underwriting policy

In the non-life branches, the Group underwriting embraces all lines of business, while targeting the developme

The focus is mainly on products characterized by low or medium volatility, with only a minor and selective pres

The underwriting guidelines are particularly prudent with reference to emerging risks (electromagnetic fields, ge

The underwriting activity is geographically diversified, although mainly concentrated in continental Europe, whi