The European Commission's Interim Report on Business Insurance

Comments of ANIA to the Commission

ANIA wishes to thank the Commission for the opportunity to comment on the findings of the Interim Report on Business Insurance. In our view the study, designed to promote understanding of the industry's functioning, should strengthen the Single Market and competition, benefiting both insurance companies, whose potential market will be extended, and the entire business sector, which will more easily find adequate insurance conditions.

ANIA is a member of CEA and agrees with all the comments set out in the latter's response to the EC consultation. Nevertheless, we address the present paper directly to you, as – especially in the press release accompanying the Report – there are references to Italy that need further discussion, also in the light among other things of the actual findings of the Interim Report.

In particular, we refer to the following passage in the press release:

> *"In some Member States, long-term insurance contracts as well as certain distribution structures may reduce the scope for competition. This could be the case notably in Austria, Italy, the Netherlands and Slovenia, as regards long term contracts, and in particular in Italy, as far as the distribution structure is concerned. These issues are particularly important as insurers consider access to clients and to distribution infrastructures as one of the most important factors influencing their decision to enter a new market."*

This conclusion implies that these two specific features (duration of contracts and distribution structure) make the Italian market insufficiently open to the entry of new insurers, above all, one presumes, foreign ones. But the evidence set forth in the Report itself, taken from OECD data, shows the opposite: **the degree of openness of the Italian non-life market is high by international standards**.

In Italy, the non-life market share held by branches and agencies of foreign companies totalled 7.3% in 2003 (last figures available), and has been rising for over a decade. Only the United Kingdom and Ireland show higher shares, 9.9% and 8.6% respectively. In the other leading countries the share was far lower: 0.5% in Germany, 0.24% in France, 0.1% in Spain (Table V.1, page 46. Source: *OECD World Insurance Report*).

The Italian market share held by companies belonging to foreign groups is larger still, coming to 32% of the non-life market in 2003, compared with 12% in Germany, 21% in Spain and 42% in the UK (Table V.2, page 47. Source: *OECD World Insurance Report*).

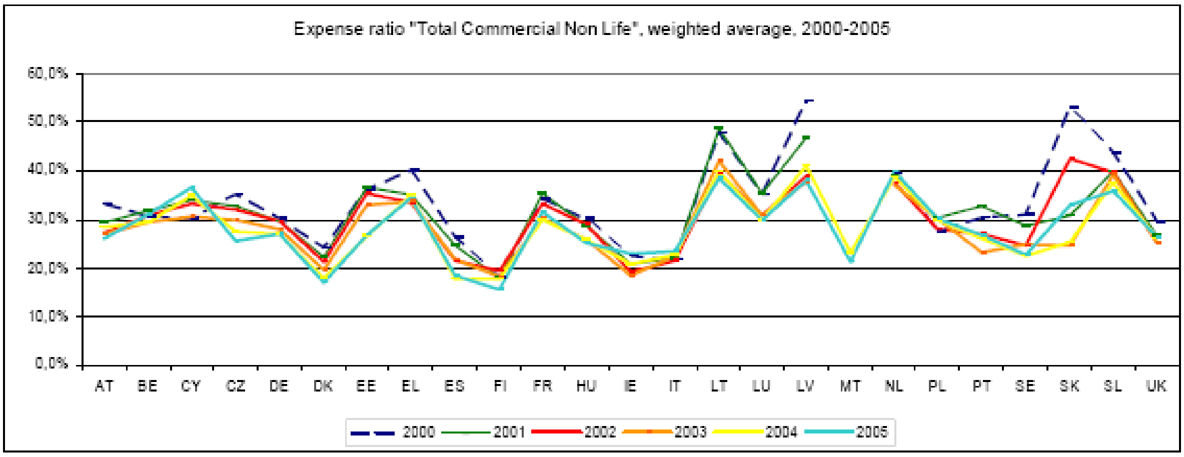
Although we have no data on the business done in Italy under freedom of services, it can be presumed that as in the other member States the percentage was lower. Nonetheless, no fewer than 514 non-life insurance companies were authorized to operate on this basis in Italy as of 31 December 2003, (and the figure reached 678 as of 31 December 2006).

Finally, the Italian insurance supervisory authority ISVAP reports that as of 31 March 2007, over 5,200 foreign intermediaries from other EU countries were authorized to do business in Italy under freedom of services or freedom of establishment. And the number of intermediaries authorized but lacking a mandate from any insurance company is even greater.

So there is no direct correlation, at least for Italy, between the measures of actual entry in the market and the variables the Report uses to proxy for market competition. More generally, the data cited in the Report do not support a statistically significant causal relation between degree of openness and either average duration of contracts or prevalence of tied agents. For regression analyses, see the Annex 1 to this document.

It is alsoworth noting, in this connection, that the data given in the Report (Figure VI.7) on “Total commercial non-life” sector show that **the expense ratio is relatively low in Italy by comparison with the other countries**. From 2001 to 2005 it was just over 20%, one of the lowest recorded and lower than in all of the three largest insurance markets in the EU.

Figure VI.7 – Expense ratio, country-level, 2005



Source: European Commission, Business Insurance Survey 2005-2006

Finally, according to the Report the structure of the distribution network plays a relatively unimportant role in explaining insurers' decisions to enter or leave a market (it ranks fourth in importance after growth potential, size and profitability of the market)[1], while the structure of contracts is **considered as absolutely irrelevant**.

On these general premises, we can now deal separately with the issues of distribution and contract duration.

[1] According to Table V.2 of the Report (page 49) – showing the factors influencing a foreign company's choice to enter another market – ease of access to distribution structure is only fourth (6.82%) closely followed by the political stability of the host country (6.34%), by the stability and predictability of the legal system (6.23%), the perceived degree of competition (6.11%) and the cost of the claims settlement structure, which includes the legal expenses (the two items together account for 10.17%).

1) THE DISTRIBUTION SYSTEM

1.1 Statistical problems

As for the distribution structure in the business insurance market in Italy, characterised by the absolute prevalence of tied agents (according to the Report they account for over 70% in almost all classes), we must bear in mind that this figure depends in part on statistical practices whereby business placed or originated by brokers is reported for accounting purposes by agents.

There are two main reasons for this situation.

The first is that in discharging their customer mandate a number of brokers, often small in size, contract directly with local agents of the insurance company. Once the contract is signed, these brokers may find it advantageous to let the agent report the contract so as to avoid the management costs.

The second relates to brokers who operate essentially, but not exclusively, as consultants of clients who for different risks prefer to maintain a direct relationship also with the agent operating in the area where he does business.

Significantly, a recent survey of ours has found that the so-called bilateral exclusivity clauses – quoted by the Report in note 102, citing a Sigma report[2] – no longer have any substantial practical importance. In particular, only 3.8% of the agencies are governed by a bilateral exclusivity clause.

In all these three cases, insurance companies do not have information on who actually originated the contract, so that the official statistics compiled by ISVAP and the data compiled by ANIA show a considerable share of the business done by brokers as originating from tied agent networks.

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[2] Note 102 of the Report reads: "It appears that the importance of the tied-agent channel is reinforced in Italy by the fact that brokers themselves place insurance through tied agents. Cf. Swiss Re, Sigma No 2/2004, p. 33: 'The small broker share in the Italian market is apparently understated: 7% of business goes directly to insurance companies, whereas a considerably larger share is channelled through tied agents. The tied-agent system in Italy is often based on bilateral exclusivity rules – according to which all business within defined geographical areas must go through the agent.' The importance of the brokerage channel is also more significant in respect of the Energy, Marine and Aviation product lines."

To estimate the real share of business that is done by agents, the relevant data source is the Italian Association of Insurance and Reinsurance Brokers (AIBA)[3]. The Association makes a yearly estimate of the premium volume managed by the Italian brokers[4], even though the estimate does not distinguish between "retail" and "business" contracts.

According to AIBA estimates, in 2005 the brokers operating in non-life classes in Italy managed premiums amounting to €12.7 billion out of a total of €36.3 billion, with an impact of 35.1%, a much higher incidence than that registered by ANIA (€2.8 billion or 7.7% of the total).

AIBA data indicate that the market share of brokers in non-life insurance rose from 24.5% in 1999 to 35.1% in 2005.

Table 1 – Premium volume managed by brokers – Italian direct business (millions of euros)

Non-life classes	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Total premiums (Source ANIA)	*26,256*	*27,875*	*29,920*	*32,417*	*34,212*	*35,411*	*36,308*
Premiums managed by brokers (ANIA)	1,882	1,792	2,201	2,446	2,550	2,674	2,786
% premium share of brokers (ANIA)	7.2%	6.4%	7.4%	7.5%	7.5%	7.6%	7.7%
Premiums managed by brokers (AIBA)	***6,437***	***7,095***	***8,304***	***9,694***	***11,142***	***11,720***	***12,730***
% premium share of brokers (AIBA)	***24.5%***	***25.5%***	***27.8%***	***29.9%***	***32.6%***	***33.1%***	***35.1%***
Ratio of AIBA to ANIA premium measure	***3.4***	***4.0***	***3.8***	***4.0***	***4.4***	***4.4***	***4.6***

[3] AIBA: Report by President Enrico Boglione – General Meeting held in Milan on 21 June 2006.

[4] These estimates are based on payments made by brokers who must enrol in the compulsory Guarantee Fund, which indemnifies insured parties and insurance companies for damages not covered by a broker's professional liability policy. See the regulatory text in Annex 2. This contribution is calculated as a fixed percentage of the commissions earned by the brokers; thus, on the basis of the overall commission volume and an average commission rate (estimated at 9% and proportional to the premiums), AIBA calculates the embedded premium volume. In addition, there are premiums deriving from brokerage fees which are not subject to compulsory contribution. This means that if a broker engages in risk management and risk advisor activity for clients (and is remunerated via fees and consultancy), the insurance premiums linked to this activity are not subject to compulsory contribution but do contribute to the overall business volume managed by this mediation channel. This share of insurance premiums is estimated by AIBA as well.

In our view, however, the AIBA data are overestimated by around 40%, as the methodological note explains[5]; we put the non-life premium volume managed by brokers at €7.5 billion (instead of the €12.7 billion estimated by AIBA). Despite this overestimation, the amount of premiums that should be attributed to the brokers is still about 3 times higher than the amount calculated by the insurance companies in 2005 (€2.7 billion). The difference (€4.8 billion) has been divided between the different classes according to percentage impacts assessed on the basis of ANIA data and of an IRSA[6] survey carried out in cooperation with AIBA (Figure 1). This estimate highlights the variable share of brokers' business between different lines of business.

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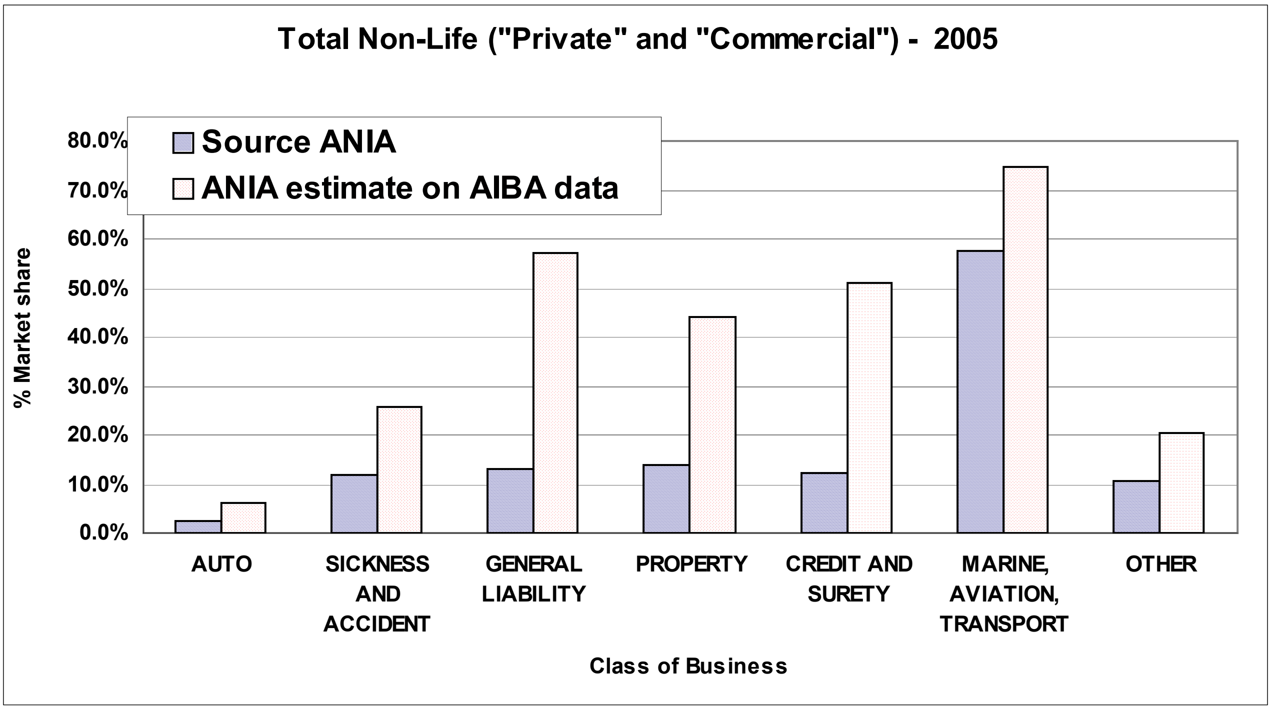
[5] ANIA has calculated the premium volume managed by brokers with the same method as AIBA but using external sources for some of the assumptions on which the estimate is based (see Annex 3). In particular:

- For the premium volume linked to the commission system, ANIA used the known, accurate data on commissions earned by brokers in 2005, amounting to €890 million. An average commission rate set at 11.5% (based on ANIA data, rather than the 9% estimated by AIBA) was then applied to this amount (Annex 4). The ANIA estimates give premiums deriving from direct writing as €7.7 billion (not the €9.9 billion estimated by AIBA).
- Concerning the premium volume generated by the fee system, ANIA considered that the AIBA assessment of the ratio of fees to commissions was satisfactorily accurate (that is 10.7%, equal to an amount of fees of €95.2 million). By means of a survey of the main international brokers operating in Italy, ANIA also calculated the ratio of fees to the premium volume they generated, finding an average of 5% (and not 2% as stated by AIBA). This implies that the premium volume for this business sector would be €1.9 billion (much lower than the AIBA figure of €4.8 billion).
- Therefore, according to ANIA, the total premiums generated by brokers in 2005 came to €9.6 billion, 22.2% of it in the life sector (for a premium volume of €2.1 billion) and the remaining 77.8% in non-life (€7.6 billion).

[6] "Il broker in Italia" – AIBA survey in cooperation with IRSA.

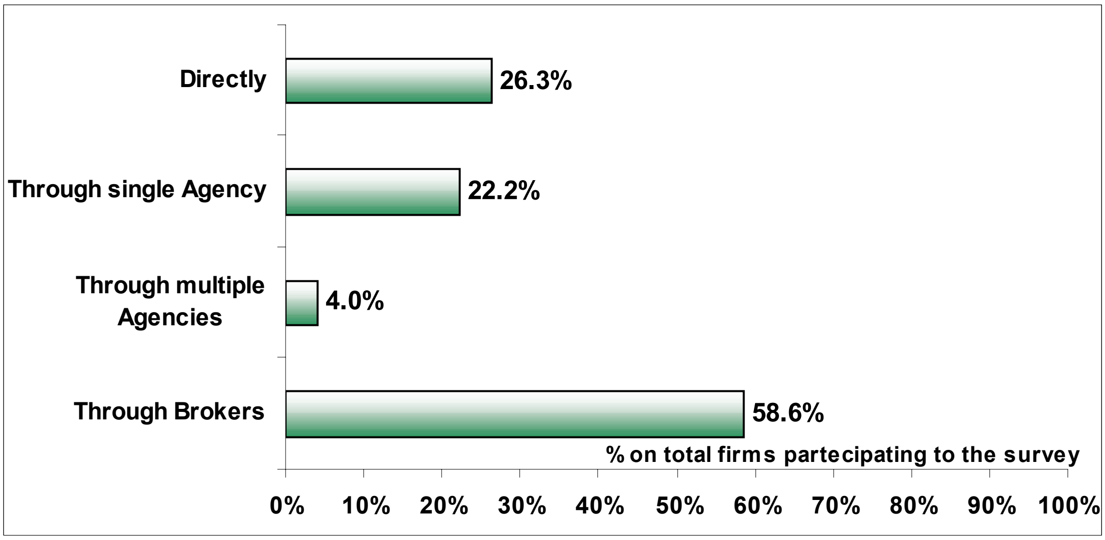
Figure 1 – Market share of brokers in Italy



Except for the Motor and Health and Accident classes, broker mediation in Italy counts for between 40% and 60% in General Liability, Property and Credit-Suretyship insurance and for over 70% in Marine-Aviation-Transport. Let us note that the estimate of the impacts is for the "private" and "commercial" sectors together. In fact, it is common knowledge that in "commercial" business (the specific subject of the Interim Report inquiry), the presence of brokers is even more extensive. Accordingly, while we do not have specific information on this, it is reasonable to conclude that in this sector the situation of insurance mediation in Italy is roughly in line with the other EU countries.

Further evidence consistent with the estimates given in Figure 2 comes from a survey of a sample of firms in Lombardy carried out by the Lombardy industrialists' association Assolombarda in 2006. Almost 60% of the respondents answered that the firm operates directly with a broker in choosing the type of contracts and the insurance company.

Figure 2 - The firm's decision in choosing the type of contracts and the insurance company



Source: LA GESTIONE DEL RISCHIO E ASSICURATIVA IN AZIENDA ESPERIENZE EMPIRICHE, MILAN 22 MARCH 2006, **LUIGI CALVI,** ASSOLOMBARDA VICE PRESIDENT FOR SMALL ENTERPRISE ASSOLOMBARDA

1.2 *A few general observations*

The literature

The efficiency of distribution systems based on tied agent networks as compared to independent agents (brokers or multi-mandate agents) were at the core of a heated economic debate centring on the evolution of the distribution models adopted by the American insurance industry. A number of economists (starting with Joskow, 1973, followed by Cummins and Van Derhei, 1979, and many others) have analysed the impact of the distribution model chosen on costs. The conclusion is unequivocal: **tied agent networks reduce average distribution costs** and produce lower prices for the insured. On this see Reagan and Tennyson, (2000)[7]. "*The one unquestioned conclusion arising*

[7] Reagan and Tennyson, (2000), "Insurance Distribution System", in *Handbook of Insurance*, ed. by G. Dionne.

from this literature is that in property-liability insurance direct writers [which include tied agents] *have lower underwriting costs on average than independent agency insurers"*[which include brokers and multi-mandate agents].

The question raised by the academic literature, for the United States, **is why there are both insurance companies that operate with tied agents and companies that operate by means of independent distributors.**

The situation is quite similar to that described in the Interim Report, where both systems are used in all the European insurance markets, albeit in differing proportions (see Figures IX.1-XI.8, pages 91-97 of the Report); however, the less expensive system (tied agents) does not prevail over the costlier one.

The literature envisages two hypotheses[8]. In one "market imperfections" allow the more expensive method, the independent agent network, to survive. The imperfections postulated generally include price regulation and search costs. In the "product quality" hypothesis, by contrast, the independent agent network is said to offer a different service, designed for the management of more complex risks, while tied agents specialize in more standardized services where price is paramount (as in the small business segment).

The findings of Berger, Cummins and Weiss are consistent with the product quality hypothesis, although the evidence is only indirect. The study

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[8] Allen N. Berger, J. David Cummins, Mary A. Weiss, **"**The Coexistence of Multiple Distribution Systems for Financial Services: The Case of Property-Liability Insurance**"**, *The Journal of Business*, Vol. 70, No. 4. (Oct., 1997), p. 516:

"According to the market imperfections hypothesis, firms that use independent agents survive while providing essentially the same services as firms using exclusive agents because of market imperfections such as price regulation (Joskow, 1973, Cummins and VanDerhei, 1979, Weiss, 1990), slow diffusion of information in insurance markets (Berger, Kleindorfer, and Kunreuther, 1989), or search costs that permit inefficient firms to survive alongside efficient firms (Dahlby and West, 1986). …

"In contrast, according to the product quality hypothesis, the higher costs of independent agents represent unobserved differences in product quality or service intensity, such as providing additional customer assistance with claims settlement, offering a greater variety of product choices, and reducing policyholder search costs (Kim, Mayers, and Smith, 1994; Pauly, Kleindorfer, and Kunreuther 1986)."

shows that the cost efficiency of the companies that use tied agents is greater than that of those using independent agents, while the profit efficiency of the two groups is not significantly different.

The most important policy consideration is **that the prevalence of one distribution system over the other should be seen as reflecting the composition of demand** , which in turn depends on consumers' preferences. It follows that **the "regulatory" suppression of one of the two systems will reduce the welfare of both consumers and business customers**. Let us cite Berger, Cummins and Weiss's conclusion.

> "Our findings imply that marketing cost differentials among insurers are mostly attributable to service differentials rather than to inefficiency and therefore do not represent social costs."

We feel that it would be appropriate for the Commission, in its remarks, to take account of the general consideration that distribution via tied agents is less expensive for companies and consumers than via independent agents. We realize that for the time being there are no reliable statistical bases in Europe comparable to those for the United States, but certainly the Interim Report should be supplemented with an estimate of the cost efficiency of the two distribution systems.

Community legislation

After a statistical overview of the role of the different distribution channels in various countries, the Interim Report analyses the potential risks for competition implicit in the distribution channel structure and the potential conflict of interest inherent in intermediaries' remuneration, especially brokers. The conclusions are:

"Certain distribution structures can, under specific circumstances, act as market entry barriers. Conversely, the existence of a broker channel can facilitate market entry for foreign insurers that do not have their own or a sufficiently developed distribution network.

"Brokers can generally place insurance with a large number of insurers. However, it appears that in many cases their business is concentrated on a small number of insurers.

"Brokers act both as an advisor to their clients and as a distribution channel for the insurer, often with underwriting powers and binding authorities. This dual role can be a source of conflicts of interest between the objectivity of the advice they provide to their clients and their own commercial incentives."

Moreover, as no cost/benefit analysis for market and consumers has been conducted, it is not easy to comprehend either the Report's overall assessment of the structure of insurance mediation in Europe or its judgment on the validity of the present regulatory system. In this respect, the Report fails to refer to the changes introduced by Directive 2002/92/EC,[9] which makes no substantial distinction between the different types of intermediary[10]; it only establishes that on their first contact with a client, intermediaries, regardless

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[9] Note 98 of the Report recalls that: "the IMD does not follow the agent/ broker distinction as these concepts vary across Member States. The IMD does, however, include a definition of 'tied insurance intermediary' (i.e. exclusive agents in the terminology of this report), and Member States (MS) are allowed to have specific requirements for tied intermediaries falling under the definition (MS may allow insurance undertakings or associations of insurers to register these tied intermediaries under the supervision of a competent authority and to cooperate with the competent authorities in the application of the requirements of the IMD. Furthermore, MS may also accept a lower level of professional knowledge for tied intermediaries). However, the definition does not prevent MS from having similar concepts of insurance intermediaries who, while acting for and on behalf of an insurer, are entitled to collect premiums".

[10] Previously, with Recommendation 92/48/EEC (December 1991) on "insurance intermediaries", the Commission pointed out some features, deemed necessary, of the different intermediaries, and established some requirements for the "independence of brokers". In particular, brokers had to be absolutely independent from any insurance company, so as to avoid the risk of potential conflicts of interest.

of type, must declare whether they work for one company only or for more than one.

As noted above, in our view – which corresponds to that espoused in the economic literature cited – the different types of intermediaries (brokers, multi-mandate and tied agents) offer different services, so all the distribution channels are needed if the industry is to provide the best service to all types of insured.

Italy has recently passed a law prohibiting the exclusivity clause between insurance companies and their sales agents for non-life policies.[11]

Apart from the legal arguments set forth in our memorandum to the Commission, we should like to use this consultation to re-emphasize that the Italian law is improper because:

- it could cause an increase in costs for consumers;
- it could reduce the value of the insurance companies, Italian and foreign, operating in Italy; and
- it represents interference in the contractual relationships between private individuals.

We believe that in its considerations, the Commission should supplement the Report with an assessment of the adequacy of the present system of law and should take the position that any "regulatory" action, direct or indirect, to

[11] Article 8 of Law 248/2006 (ratifying Decree Law 223 of 4 July 2006) on "anti-competition clauses in the field of motor liability insurance" forbids "insurance companies and their sales agents to stipulate **new** contractual clauses of exclusive distribution and establishing minimum prices or maximum discounts for the offer of compulsory motor liability policies to consumers" (paragraph 1).

Subsequently, Article 5.1. of Decree Law 7/2007 (Measures for competition and for consumer protection in insurance services) states "1. The prohibitions referred to in Article 8 of Decree Law 223/2006, as ratified by Law 248/2006, shall apply to the contractual clauses for exclusive distribution of policies relative to all non-life classes, as from the date specified by that article."

eliminate any portion of the overall offer of insurance products has the effect of shrinking the insurance market and reducing the welfare of the insured.

2) CONTRACT DURATION

The Interim Report repeatedly mentions the duration of insurance contracts over a period of years as a a factor of rigidity in competition, though it does acknowledge that if the length is "inherent" to the contract, this does not raise problems for competition.[12]

As a general proposition, it is indisputable that once an insured is contractually bound to a company, he/she may be barred from access to more advantageous offers from competitors. However, thorough cost/benefit analysis of contract duration cannot ignore the advantages of stable ties between an insurance company and its customers. In fact, the contract duration issue is not new to the economic debate. There is an abundant literature on the welfare effects of long-term contracts in banking, focusing on the trade-off between the information benefits deriving from relationship banking and those of being able to switch to take advantage of better conditions offered by competitors. Some authors, such as Petersen and Rajan (1995), contend that the existence of long-lasting contract relationships affords access to financial services that would otherwise be denied.

As regards life insurance contracts, Hendel and Lizzeri (2003) show that in the absence of long-term contracts, i.e. of a *commitment* on the part of the insured, premium payment (front loading) arrangements to discourage withdrawal from the contract facilitate risk pooling and represent a kind of cover for the insured against reclassification risk, i.e. the risk of being reassigned to a higher risk class.[13]

In health insurance, the mechanism is evident. In the absence of a *commitment* mechanism, the members of a pool who have not had serious illness could be tempted to withdraw from the contract in favour of better

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[12] "As long as length is inherent to product definition, it seems doubtful that it could be seen as a restriction of competition."

[13] The paper of Hendel and Lizzeri concludes, "The life insurance industry reacts to the absence of consumer commitment to long term contracts by front-loading premiums. Front-loading creates consumer lock-in, which in turn reduces reclassification risk".

conditions offered by competitors. But this behaviour would increase the aggregate ex-ante risk of the pool, forcing the insurance company to increase premiums or limit access. The same rationale can be applied to all insurance of risks subject to reclassification. These include liability contracts and some property damage policies.

Finally, one must recognize that long-term insurance contracts are not subject to limitations of coverage in the wake of particular events. For example, after the September 11 terrorist attacks coverage of terrorism risk has generally been excluded from property insurance, while the multi-year contracts signed before that date obviously were not affected.

As for contract duration, Legislative Decree 7 of 31 January 2007 introduces the principle that in long-term contracts, the insured has the right of withdrawal every year. And exercise of the right of withdrawal must be at no cost to the insured. It is possible that this wording will lead insurance companies to offer only annual contracts.

We believe that the section of the Interim Report on contract duration might well deal with the matter more thoroughly, not neglecting, as the current version does, the fact that in certain circumstances a long-term contract could prove to be an advantage for the quality of risk pooling, and hence to the insured themselves.

3) STABILITY AND PREDICTABILITY OF THE LEGAL SYSTEM

In ANIA’s view, it is helpful to group some of the factors that may diminish the interest of foreign companies in doing business in Italy under the heading of “Stability and predictability of the legal system”. Table V.2 of the Interim Report shows that this is a significant factor, comparable in importance to the structure of the distribution network , in the decision whether or not to enter a foreign market.

- First of all, let us recall the well-known case of the constraints imposed on the European companies offering motor vehicle insurance in Italy under the freedom to provide services. Under Article 132 of Legislative Decree 209/2005 (the Private Insurance Code), all insurance companies must set in advance the premium for every type of risk arising from motor vehicle circulation and must comply with the ”obligation to contract” with anyone applying for insurance. Obviously, these are constraints that have limited impact on business customers, but the size of the motor vehicle market, which accounts for over 50% of the non-life market in Italy, might discourage the entry of foreign operators, who would find themselves in a potential market of limited size.
- For the other insurance classes – more directly linked to the business sector, such as liability, pecuniary losses, credit and suretyship or accident insurance – national and regional legislation in Italy provides for more than a hundred types of compulsory insurance. In these cases, although insurers are not legally obliged to contract, the matter covered and the other key features of the insurance contract are often set by law, which limits the company’s freedom in drafting contracts and in maximizing product innovation to the benefit of the insured.
- Lastly, the uniform application of antitrust regulation within the EU is essential to the ability of insurance companies to operate in the absence of differentiated regimes. Regulation 1/2003 laid the basis for effective decentralisation in the application of the rules, but we cannot ignore that in some cases the application of antitrust rules by national supervisory authorities has not been fully coordinated and uniform. A case in point is agreements on claims settlements (which were not included in the Exemption Regulation – 358/2003 – and which the Report does not deal with adequately in evaluating all the potential entry barriers for cross-border insurers); the different evaluations of national authorities for

antitrust purposes must be borne in mind. In some countries these agreements are valid and in force, while in others (including Italy) they have been ruled to be in violation of antitrust law.

Annex 1

Correlation between market openness, contract duration, and distribution structure

The data from the Interim Report have been used to estimate a set of linear equations relating degree of market openness (measured by the market share held by foreign agencies and branches, given in Table V.1, page 46, of the Report, and the market share held by foreign companies through subsidiaries, agencies and branches, given in Table V, p. 47) with the average duration of business insurance contracts for small and medium-sized enterprises (SMEs) and large enterprises (Table VII.1, p. 67). In the same way, we have estimated linear equations between the market share of foreign agencies and branches and the percentage share of premium business intermediated by tied agents, drawn from the official statistics of the CEA.

In the estimates, all done by ordinary least squares, we have taken account of the size of the non-life insurance market, measured as the log of premium income, and its degree of maturity, measured as the percentage ratio of non-life premiums to GDP.

In none of these specifications are the coefficients of contract duration and market share of tied agents significantly different from zero, as the following tables shows.

Branches and agencies (market share %)	*Coeffficient*	*Std. Err.*	*t-stat*	*p-value*
average duration SME contracts	0.02674	0.07125	0.38	0.715
average duration large co. contracts	-0.05874	0.087734	-0.67	0.518
Premiums as % of GDP	2.630393	1.41939	1.85	0.094
Ln (non-life premiums)	-1.05477	0.915125	-1.15	0.276
Constant	5.715827	7.39088	0.77	0.457

Subsidiaries, branches and agencies (market share %)	*Coeffficient*	*Std. Err.*	*t-stat*	*p-value*
average duration contracts (SME)	-0.1716	0.689576	-0.25	0.816
average duration large co. contracts	0.443225	0.592425	0.75	0.496
Premiums as % of GDP	1.10809	12.52031	0.09	0.934
Ln (non-life premiums)	-6.43589	7.377923	-0.87	0.432
Constant	82.31676	60.04443	1.37	0.242

Branches and agencies (market share %)	*Coeffficient*	*Std. Err.*	*t-stat*	*p-value*
% of premiums intermediated by tied agents	0.055428	0.066792	0.83	0.453
Premiums as % of GDP	2.09706	2.853096	0.74	0.503
Ln (non-life premiums)	1.066979	1.578142	0.68	0.536
Constant	-16.5176	10.76359	-1.53	0.2

Subsidiaries, branches and agencies (market share %)	*Coeffficient*	*Std, Err,*	*t-stat*	*p-value*
% of premiums intermediated by tied agents	-0.15405	0.521484	-0.3	0.817
Premiums as % of GDP	-4.05204	16.56085	-0.24	0.847
Ln (non-life premiums)	2.789712	9.53504	0.29	0.819
Constant	25.7915	68.81498	0.37	0.772

Annex 2

Article 115

(*Guarantee Fund for insurance and reinsurance mediators)*

1. Intermediaries entered in the section of the register referred to in Article 109.2b) must belong to the Guarantee Fund constituted at CONSAP to indemnify insured and insurance and reinsurance companies for losses caused by the exercise of the activity of insurance or reinsurance mediator that has not been indemnified by the intermediary or indemnified by means of the policies referred to in Article 110.3 and Article 112.3 respectively.

2. The Fund shall be administered by a committee appointed by decree of the Ministry for Productive Activities, composed of a manager from the Ministry who shall serve as chairman, a manager from the Ministry of the Economy and Finance, an official of ISVAP, an official of CONSAP, two representatives of the intermediaries entered in the corresponding section of the register, and a representative of insurance and reinsurance companies.

3. The rules governing administration, members' contributions, and limits for intervention shall be established by a regulation issued by the Minister for Productive Activities after consulting ISVAP. The contribution shall be set yearly by a decree issued by the Minister for Productive Activities after consulting ISVAP and the managing committee at no more than 0.50 per cent of the commissions earned in the year and intended also to cover the costs of operation of the committee referred to in paragraph 2.

4. The Fund shall consist of assets separate from those of the person at which it is constituted and from any other funds. No legal action, confiscation or seizure of the Fund's assets by creditors of the person administering said assets or by creditors of single intermediaries or in the interest of the latter other than insured or companies shall be admissible. The Fund may not be included in bankruptcy proceedings involving the person administering the Fund or single intermediaries participating therein.

5. The Fund shall be subrogated to the rights of the insured and the insurance and reinsurance companies up to the amount of payments made to them.

Annex 3

2005 - AIBA data

Payments to Guarantee Funds	*Contribution rate*	*Commissions earned*	*Average commission rate*	*Intermediation premiums*
4,450,000	0.50%	890,000,000	9.0%	9,888,888,889
	Incidence of fees on commissions (%)	*Amount of fees*	*Average remuner. for premiums*	*Premiums from fees*
	10.7%	95,230,000	2.0%	4,761,500,000
				Total premiums
				14,650,388,889
		Incidence Life sector (%)	13.1%	**1,919,933,464**
		Incidence Non-Life sector (%)	86.9%	**12,730,455,425**

2005 - ANIA estimates on AIBA data

Payments to Guarantee Funds	*Contribution rate*	*Commissions earned*	*Average commission rate*	*Intermediation premiums*
4,450,000	0.50%	890,000,000	11.5%	7,739,130,435
	Incidence of fees on commissions (%)	*Amount of fees*	*Average remuner. for premiums*	*Premiums from fees*
	10.7%	95,230,000	5.0%	1,904,600,000
				Total premiums
				9,643,730,435
		Incidence Life sector (%)	22.2%	**2,145,144,615**
		Incidence Non-Life sector (%)	77.8%	**7,498,585,820**
		Difference of ANIA from AIBA estimate, Life (%)		**12%**
		Difference of ANIA from AIBA estimate, Non-Life (%)		**-41%**

Annex 4

Estimate of Brokers's premiums - 2005

Branch	**Incidence of fees* (%)**	**Premium Volume⁺**	**Composition premiums (%)**
Life	3.1%	797	22.2%
Non-Life	14.4%	2,786	77.8%
Total	**11.5%**	**3,583**	

(*) ANIA Statistics, "Indici Aziendali"; Edition November 2006
(+) ANIA annual data on distribution of insurance business