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ITALY

FINANCAL SECTOR ASSESSMENT PROGRAM

September 2026

TECHNICAL NOTE ON SELECTED ISSUES IN INSURANCE SUPERVISION AND REGULATION

This Technical Note on Insurance Supervision and Regulation for the Italy FSAP was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on July 2026.

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TECHNICAL NOTE

SELECTED ISSUES IN INSURANCE SUPERVISION AND REGULATION

Prepared By
Monetary and Capital Markets Department

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program in Italy. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at http://www.imf.org/external/np/fsap/fssa.aspx

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Glossary

AGCM	Italian Competition Authority
BdI	Banca d'Italia
CAP	Code of Private Insurance - Legislative Decree No. 209/2005
CONSOB	National Commission for Companies and the Stock Exchange
COVIP	Pension Fund Supervisory Commission
DIVPG	EIOPA Study on Diversification in Internal Models
DORA	Digital Operational Resilience Act
EC	European Commission
EEA	European Economic Area
EFPITP	Expected Future Profits in Technical Provisions
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Environmental, Social and Governance
EU	European Union
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSR	Financial Stability Report
GAAP	Generally Applicable Accounting Principles
GdF	Fiscal Police (Guardia di Finanza)
GSP	Group Specific Parameter
IAIS	International Association of Insurance Supervisors
IBIPs	Insurance-Based Investment Products
ICP	Insurance Core Principles
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IGS	Insurance Guarantee Scheme
IVASS	Institute for Insurance Supervision (Istituto per la Vigilanza sulle Assicurazioni)
IMF	International Monetary Fund
IRRD	Insurance Recovery and Resolution Directive
LURCS	Life Underwriting Risk Comparative Study
MCRCS	Market and Credit Risk Comparative Study
MEF	Ministry of Economy and Finance
MIMIT	Ministry of Enterprises and Made in Italy
NCA	National Competent Authority
NLCS	Non-Life Comparative Study
ORSA	Own Risk and Solvency Assessment
POG	Product Oversight and Governance
PRIIPs	Packaged retail and insurance-based investment products
RAF	Risk Assessment Framework
RTS	Regulatory Technical Standards
SCR	Solvency Capital Requirement
SMS	Mutual assistance associations (società di mutuo soccorso).

SPV	Special Purpose Vehicle
TN	Technical Note
UIF	Financial Intelligence Unit
USP	Undertaking Specific Parameter
VA	Volatility Adjustment

EXECUTIVE SUMMARY

The Institute for Insurance Supervision (IVASS) is the cornerstone of insurance supervision and regulation. The Code of Private Insurance (CAP) defines IVASS's objectives and powers and ensures alignment with the EU regulatory framework for prudential, market conduct and macroprudential supervision. IVASS collaborates with other financial authorities, such as Banca d'Italia (BdI), Italian Financial Market Supervisory Authority (CONSOB), and the Italian Pension Fund Supervisory Authority (COVIP) through memoranda of understanding and coordination committees. Its governance has strong links to the BdI.

At the end of 2024, Italy's insurance market remained large but highly concentrated, with IVASS supervising 89 domestic insurance companies. In addition, 293 foreign insurance companies operate in the Italian market through Freedom of Establishment (FOE)—branches—and Freedom of Services (FOS) regimes, representing 13 percent of total gross written premiums. The intermediary sector included 201,231 natural persons and 29,684 companies comprising 25,326 agents, 5,764 brokers, and 389 banks/financial institutions and additionally 194,737 collaborators operating under the responsibility of primary intermediaries.

Penetration for non-life insurance in Italy is persistently low, at just 1.9 percent at the end of 2024, while life insurance penetration exceeds the European average. Italian insurers maintain very healthy solvency ratios when compared to Euro Area peers and have high quality capital. Sector profitability is sound, although the life segment experienced a significant decline in its return on equity in 2022 due to rapidly rising interest rates. The combined ratio for the non-life insurance rose to 98 percent in 2023, driven by inflation and a greater frequency of climatic events. However, it improved to 94 percent in 2024, a positive trend that continued into the first half of 2025.

All Italian insurance companies complete general purpose financial reports under Italian GAAP, while groups report under International Financial Reporting Standards (IFRS). All insurance companies must also maintain Solvency II balance sheets, resulting in three sets of accounts for the largest insurers. It is recommended that IFRS is extended to all insurers to reduce duplication, avoid the need for temporary and arbitrary orders to suspend accounting requirements and better align general purpose financial reporting with Solvency II balance sheets.

Italian insurers have faced pressures in recent years, with life insurance challenged by interest rate volatility and non-life affected by inflation. In 2020, historically low interest rates increased the present value of life liabilities and weighed on profitability. From 2022 onward, rapidly rising rates improved long-term profitability of life insurance companies and reduced liabilities' present value, but surrender ratios surged to historically high levels, peaking near 90 percent of gross written premiums. IVASS closely monitored these trends and intervened where necessary. Life premium income recovered significantly in 2024 and the first half of 2025, easing liquidity risk. For non-life insurers, inflation in 2022 and 2023 drove up claims costs, and while companies adjusted pricing, these measures lagged inflation.

Sovereign exposures remain elevated despite a marked shift in insurers' investment strategies. Italian insurers have significantly reduced their direct exposure to government bonds—particularly Italian sovereign debt—between 2020 and 2025, with allocations to government securities declining from 52 percent to 44 percent of total portfolios. Investments have increasingly flowed into collective investment undertakings and corporate bonds, where limited granularity in Solvency II reporting makes it difficult to fully assess the underlying sovereign exposures. Although the shift in the investment strategy seems to reflect a deliberate move toward diversification and lower concentration of sovereign risk, the sector continues to hold around 10 percent of all outstanding Italian government bonds, underscoring a persistent systemic nexus.

Cyber and climate risks are increasing in importance in the Italian insurance sector, creating new supervisory priorities for IVASS. Cybersecurity has become a major concern, with 13 significant incidents reported since 2018 under IVASS's framework. Demand for cyber insurance is rising, and IVASS is monitoring policy offerings, particularly for SMEs and individuals. The Digital Operational Resilience Act (DORA), effective January 2025, introduces an EU-wide framework for ICT risk management, and IVASS—designated as a competent authority—is preparing regulatory adjustments. Preparations, including surveys of insurers' readiness, appear thorough and effective. At the same time, climate risks such as hail, flood, and windstorm are increasingly significant, while earthquake remains Italy's highest natural catastrophe (NatCat) exposure. Recent increases in flood and hail events, combined with strong government intervention through the Civil Protection Service, contribute to low property insurance take-up, especially for NatCat coverage. As a result, Italy has the second-largest protection gap in Europe, according to EIOPA. In this context, IVASS is examining the underinsurance drivers, and the government has introduced a law mandating NatCat coverage for firms of all sizes.

Several regulatory initiatives are underway at the European and Italian levels, with the most material being the Solvency II review and the implementation of the Insurance Recovery and Resolution Directive. However, two domestic reforms remain incomplete. Ministry of Economy and Finance (MEF) should work with Ministry of Enterprises and Made in Italy (MIMIT) and IVASS to develop regulations in relation to Article 77 of CAP on fit and proper requirements for qualified shareholders. MIMIT should develop regulations for the authorization and exercise of activities of Special Purpose Vehicle (SPVs) to be ready for potential Italian SPVs to be established.

IVASS faces significant resource constraints and uncertainty over its integration within the BdI, which has stalled at the political level. Operational collaboration has deepened, including staff secondments and governance arrangements involving senior BdI officials, but the lack of clarity on full integration creates uncertainty for IVASS personnel. IVASS has the headcount capped at a legal limit of 400 (but 45 must be allocated to the newly created insurance arbitrator), faces rigid recruitment processes, and anticipates a 20 percent turnover of senior staff over five years. Despite these constraints, IVASS maintains high-quality staff and a culture of excellence, though concerns persist about sustaining performance. While the IMF does not prescribe specific supervisory architectures, the circumstances facing IVASS require decisive institutional action. The Italian government should proceed with the full integration of IVASS with the BdI to address resourcing constraints. Alternatively, while structurally separate from the BdI, IVASS should increase staffing to the headcount limit of 400 allowed by law. In addition, the legal framework should be amended to ensure IVASS, its current and former staff, and professional service providers engaged in supervisory tasks are adequately protected against the costs of defending their actions or omissions undertaken in good faith while performing official duties.

IVASS delivers high-quality supervision, but targeted improvements are essential to strengthen effectiveness. Prudential and market conduct supervision is robust and aligned with best practices, effectively prioritizing limited resources and applying a comprehensive set of sanctioning powers. Macroprudential supervision is equally strong, with robust risk-monitoring frameworks and methodologies for identifying systemically important insurers. However, internal model supervision, while comprehensive within the regulatory framework, does require some further consideration including ensuring sovereign risk is addressed in the same way for all entities with internal models. Consistent with the Euro Area FSAP recommendations, IVASS and EIOPA should consider implementing a floor to internal model Solvency Capital Requirement (SCR) calculations consistent with the Basel III reforms in banking. At the same time, on-site inspections are thorough but hampered by resource constraints and inefficiencies. The TN recommends increasing the resources of the Inspectorate and streamlining on-site inspections processes to increase the breadth of coverage of the market.

Italy has taken steps to protect policyholders, but key gaps remain in its insurance resolution framework. Although the failure of one insurer in 2023, Eurovita, was managed effectively and a Life Guarantee Scheme has been established, Italy still lacks a dedicated resolution regime. The new Insurance Recovery and Resolution Directive (IRRD), which entered into force in January 2025, and is expected to be implemented by January 2027, will help address this gap. The Life Guarantee Scheme operates as a prefunded policyholder protection mechanism, with compulsory membership for life insurers and intermediaries with annual premiums of EUR 50 million or more. Voluntary membership is available for EU insurers operating in Italy through branches or under FOS. In the absence of EU-wide harmonization of guarantee schemes, membership should be mandatory for all insurers and intermediaries selling life business in Italy.

Table 1. Italy: Recommendations on Insurance Supervision and Regulation		
Recommendations	Timing[1]	Authorities
IVASS, Supervisory independence and legal protection for supervisors		
Proceed with the full integration of IVASS with the BdI to address resourcing constraints.	ST	MIMIT, MEF, IVASS, BdI
Increase staffing to the headcount limit of 400 allowed by law, while IVASS remains structurally independent of the BdI.	I	IVASS
Amend the CAP to confer IVASS with authority on the removal of authorization, winding-up of insurers and placing insurers under extraordinary administration.	ST	MIMIT, MEF
Amend primary legislation to ensure that IVASS, its current and former staff, and professional service providers engaged in supervisory tasks are adequately protected from legal proceedings, including full coverage of legal costs from the onset.	I	MIMIT, MEF
Implementation of IFRS for insurers		
Implement IFRS for all insurers to reduce duplicative sets of accounts, avoid the need for temporary and arbitrary orders to suspend accounting requirements and better align general purpose financial reporting with Solvency II balance sheets.	MT	MIMIT, MEF, IVASS
Completing regulatory reforms		
Develop regulations in relation to Article 77 of CAP on fit and proper requirements for qualified shareholders.	MT	MIMIT, MEF, IVASS
Develop regulations in relation to the authorization and exercise of activities of SPVs to be ready for potential Italian SPVs to be established.	MT	MIMIT
Protect consumers from insurance-like products		
Establish a level playing field for health insurance/protection products and all insurance and insurance-like products to ensure consumers are protected from prudential and market conduct risks at least to the level of insurance policy holders.	MT	MIMIT, Ministry of Health and IVASS
Internal Models		
Apply the same approach to sovereign risk across all internal model users.	ST	IVASS
Implement a floor to internal-model SCR calculations consistent with the Basel III reforms in banking.	MT	IVASS and EIOPA
On-site Supervision		
Increase the focus of on-site inspections and reduce the time on-site by making the sanctioning/enforcement process separate and determining which on-site inspection will need to gather evidence to a level to support a sanctioning process.	I	IVASS
Increase the resources of the Inspectorate by increasing its headcount.	I	IVASS
Involve the Prudential Supervision Directorate and Market Conduct Supervision Directorate staff routinely in on-site inspections.	I	IVASS
Make the goal of on-site inspections for top tier companies every 3 years a hard goal to be monitored.	ST	IVASS
Determine an appropriate cycle for on-site inspections of all insurers and monitor the goal of achieving that cycle.	ST	IVASS
Determine an appropriate cycle for internal model on-site inspections for all insurers with internal models and monitor the goal of achieving that cycle.	ST	IVASS

Table 1. Italy: Recommendations on Insurance Supervision and Regulation (concluded)		
If on-site supervision cycles are not met, engage in remedial action on resource availability.	ST	IVASS
Recovery and resolution		
Fully implement IRRD to address the lack of a resolution framework.	I	MEF
Require all life insurers selling insurance business in Italy to become members of the Life Insurance Guarantee Scheme.	MT	MEF, MIMIT, IVASS
Conduct an independent review of the Eurovita case to identify lessons for supervisory actions.	ST	IVASS
[1]I Immediate (within 1 year); ST Short Term (within 1-2 years); MT Medium Term (within 3–5 years).		

INTRODUCTION[1]

A. Scope and Approach of this Note

1. This TN is the outcome of a focused review of the regulation and supervision of the insurance sector in Italy. The TN is part of the Italy 2026 FSAP and draws on discussions in Rome from October 31 to November 19, 2025. The analysis is specifically informed by a comprehensive review of regulations, market analyses, and discussions with national authorities. Furthermore, the FSAP team met with representatives from insurance companies, industry associations and other stakeholders.

2. The targeted review conducted references a subset of the Insurance Core Principles (ICPs) issued by the International Association of Insurance Supervisors (IAIS) but does not include any assessment of their observance. The ICPs that were referenced were the ICPs that were published by the IAIS in December 2024. The ICPs referenced in this focused review were: ICP 1 Objectives, powers and responsibilities of the supervisor; ICP 2 Supervisor; ICP 3 Information sharing and confidentiality requirements; ICP 9 Supervisory review and reporting; ICP 10 Preventive measures, corrective measures and sanctions; ICP 12 Exit from the market and resolution; ICP 14 Valuation; ICP 17 Capital Adequacy; ICP 24 Macroprudential Supervision; and ICP 25 Supervisory Cooperation and Coordination.

3. While the TN addresses matters concerning both regulation and supervision of the insurance sector in Italy, the emphasis is on supervision with the TN considering regulation only in the context of Italian adoption of EU regulation and some local regulatory initiatives. Most of the regulatory framework that applies to insurers is an implementation of EU-level regulations issued through directives that need to be transposed into Italian law. There are other technical notes that touch on issues related to insurance including the note on Systemic Risk Analysis and Stress Testing and Climate Risk Analysis.

4. The mission expresses its appreciation to the authorities, particularly IVASS, for their openness and cooperation before and during the mission, and for the fruitful discussions. In addition to meeting with IVASS, the mission also met with staff of the Italian Financial Market Supervisory Authority (CONSOB), Italian Competition Authority (AGCM), the Italian Pension Fund Supervisory Authority (COVIP), Ministry of Enterprises and Made in Italy (MIMIT), Ministry of Economy and Finance (MEF) and SACE[2]. The mission also wishes to thank private sector entities that provided their time to discuss the insurance sector with the mission, including insurers, associations, rating agencies, auditors and an academic.

[1] This Technical Note has been prepared by Peter Windsor (IMF, Monetary and Capital Markets Department). The mission wishes to thank the authorities for their openness and cooperation, especially IVASS.

[2] SACE S.p.A is Italy's Export Credit Agency and insurance & finance group controlled directly by MEF, specialized in supporting businesses and the national economic system (including providing a reinsurance facility for insurers offering the new mandatory insurance for Italian enterprises covering the natural catastrophic risks)

B. Institutional and Market Setting

Regulatory and Supervisory Arrangements

5. IVASS is the central authority for insurance supervision and regulation, operating within a complex institutional and legal framework. A brief outline of the institutions involved with respect to insurance supervision and regulation is set out in Table 2. The role of the two ministries and the many other institutions create a complex local legal framework in which IVASS must operate and coordinate. This Technical Note focuses significantly on the role of IVASS given its importance and discussions with other institutions were minimal during the mission.

6. IVASS operates under the Code of Private Insurance - Legislative Decree No. 209/2005 (CAP), which defines its objectives and powers. IVASS' primary goals[3] are to ensure the protection of policyholders and beneficiaries, transparency and fairness to customers and the stability of the system and of financial markets.

7. IVASS collaborates with other financial authorities (such as BdI, CONSOB, and COVIP) through memoranda of understanding and coordination committees. In areas of overlapping supervision, such as insurance investment products, IVASS and CONSOB signed three MoUs in December 2024 to enhance cooperation.

8. IVASS conducts both micro-prudential supervision (focused on individual entities) and macroprudential supervision (focused on systemic and external risks). IVASS is also responsible for market conduct supervision. Its consumer protection mission includes oversight of product transparency, claims handling, complaint resolution, and insurance literacy. IVASS's role will be explained in more detail in sections 4 and 5.

9. The Italian regulatory framework for insurance is aligned with the EU regulatory framework for prudential supervision, market conduct supervision and macroprudential supervision. Macroprudential supervision is integrated with the BdI's macroprudential supervision of the financial sector. The EU regulatory framework was addressed in detail in the Euro Area FSAP and as such only key aspects will be addressed in this technical note along with Italian plans for implementing currently under development reforms into Italian law.

10. As set out in Section 5, IVASS has considerably developed its role in monitoring systemic risks in the insurance sectors since the 2020 FSAP. In the most recent developments, new analytical tools have been introduced to assess the impact of macroeconomic shocks on the insurance sector. In addition, collaboration with the BdI and other European authorities has been strengthened, promoting the sharing of data and methodologies. This macroprudential supervision is closely integrated with microprudential supervision, particularly with regard to asset quality and solvency, the supervision of insurance groups, and interconnectedness with other financial sectors.

[3] Article 3 of CAP

Table 2. Italy: Role of Italian Institutions in Insurance Supervision and Regulation

Name of organization	Role in the insurance sector
IVASS (the Institute for Supervision of Insurance)	Prudential supervisor and market conduct supervisor, macroprudential supervisor, with a role in consumer protection as well. Advisor to ministries on regulatory matters in insurance
CONSOB (the Italian Financial Market Supervisory Authority)	Supervises fairness and transparency issues in the distribution of insurance products with financial content (specifically IBIPS) carried out by Banks, stock brokerage companies, asset management companies and non-insurance channels
AGCM (Italian Competition Authority)	Supervise issues regarding the free market in the insurance sector focusing on anti-competitive agreements, abuse of dominant position, unfair commercial practices, misleading advertising and unfair terms in insurance contracts
COVIP (Pension Fund Supervisor)	Supervisor of the assessment of the conduct and procedures adopted by insurers and intermediaries involved in the management of pension funds or PIPs (Individual Pension Products)
Ministry of Enterprises and Made In Italy (MIMIT)	Delegated by CAP or other primary legislation to issue implementing rules (in consultation with IVASS) Responsible for transposing some EU directives into Italian Law
Ministry of Economy and Finance (MEF)	Responsible for transposing some EU directives into Italian Law
Financial Intelligence Unit (UIF)	Prevention of money laundering and terrorist financing including in the insurance sector (shares role with IVASS)
Guardia di Finanza (GdF)	A police force under the Ministry of Economy and Finance. CAP provides for a cooperative relationship between IVASS and Guardia di Finanza and specifies that IVASS may be assisted by Guardia di Finanza

11. IVASS is a member of the Italian Macroprudential Policy Committee, an independent authority established in 2024[4] and responsible for conducting macroprudential policies in Italy. Its functions include analyzing systemic risks, formulating recommendations, and communicating with the Government and Parliament. IVASS contributes to the BdI Financial Stability Report (FSR) and Risk Dashboard. IVASS is a member of the Sustainable Finance Coordination Table chaired by MEF and coordinates one of its working groups.

12. IVASS is a very active participant at the European and wider international level. At EIOPA, IVASS is involved in about 30 working groups as well as with the governance of EIOPA through the Board of Supervisors. IVASS also actively participates in the work of the IAIS, notably chairing the Macroprudential Supervision Working Group. IVASS also contributes to the work of the FSB on insurance-related matters.

Market Structure

13. At the end of 2024, there were 89 insurance companies operating in Italy directly under IVASS supervision. Of these, 85 are Italian insurance companies (i.e., companies incorporated in Italy but some have ownership structures outside Italy) and there are four ‘third-country’ branches—these are branches of insurance companies outside the EU. Among the 89 insurance companies, 28 are pure life insurers, 47 are non-life insurers, 12 are composite insurers (offering both life insurance and non-life insurance) and two are captive insurers. The number of insurers has been decreasing over time, down from 99 in 2020, reflecting consolidation trends.

14. As of year-end 2024, there were 986 foreign insurance companies that were able to sell business in the Italian market but only 293 were active. Foreign insurance companies operate under Freedom of Establishment (FOE)—branches— and Freedom of Services (FOS) regimes—purely cross-border basis within EU. These foreign insurance companies represent 13 percent of total gross written premiums (GWP) in Italy—split as 12.1 percent for life and 18.3 percent for non-life. The main lines of business include unit-linked, motor third-party liability (MTPL), general third-party liability (GTPL), and suretyship.

15. The intermediary sector included 201,231 natural persons and 29,684 companies. These comprise 25,326 agents, 5,764 brokers, and 389 banks/financial institutions, and additionally 194,737 collaborators operating under the responsibility of primary intermediaries. There were also 4,140 foreign intermediaries working under the FOE/FOS regimes. In terms of products, there are 606 IBIP (insurance-based investment products) available in Italy in 2024, with 557 as of May 2025. The market also includes approximately 3,000 insurance internal funds with underlying unit-linked policies and 277 segregated funds supporting with-profit life policies ("gestioni separate).

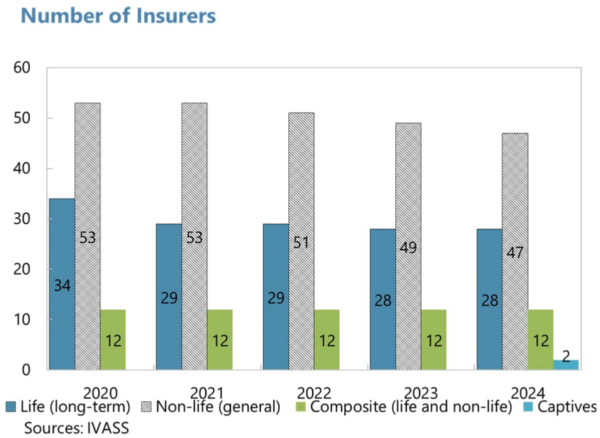
16. The insurance market in Italy is highly concentrated. The concentration is remarkably consistent across the life and non-life sectors as shown in Figure 1 below. These concentration

[4] Legislative Decree no.207/2023 which implemented the ESRB Recommendation of 22 December 2011 on the macroprudential mandate of national authorities

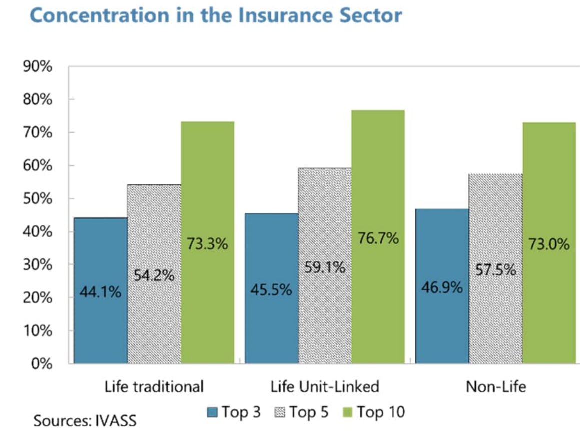
figures are by individual insurance company. If concentration is considered from a group perspective, in the life insurance sector the top 10 groups which control multiple insurance companies represent just over 70 percent of the life insurance technical provisions, and the top 5 have over 50 percent of life technical provisions.

Figure 1. Market Structure and Concentration

The number of insurers has been decreasing...



Leading to a highly concentrated market

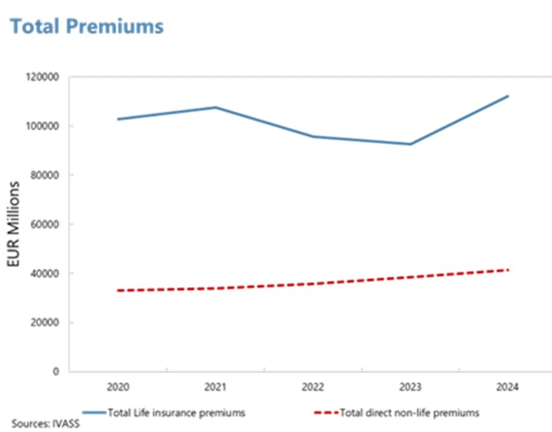


Note: Concentration is calculated by technical provisions for life insurance and by premium for non-life insurance.

17. Insurance penetration for non-life insurance in Italy is persistently low with penetration at just 1.9 percent at the end of 2024 (see Figure 2). Non-life premiums have been growing but largely in line with GDP, there has been no structural increase in insurance penetration. Compulsory motor third-party liability insurance is the most significant line of business.

Figure 2. Premiums, Penetration and Business Mix

Non-life premiums have been steadily growing, but life premiums experienced a decline when interest rates increased rapidly...



The life penetration ratio declined significantly as interest rates increased but the non-life penetration ratio remained relatively constant.

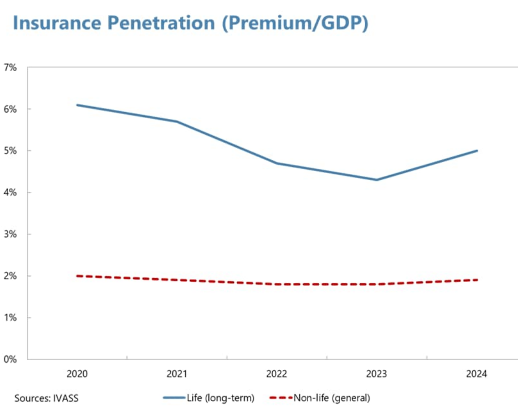
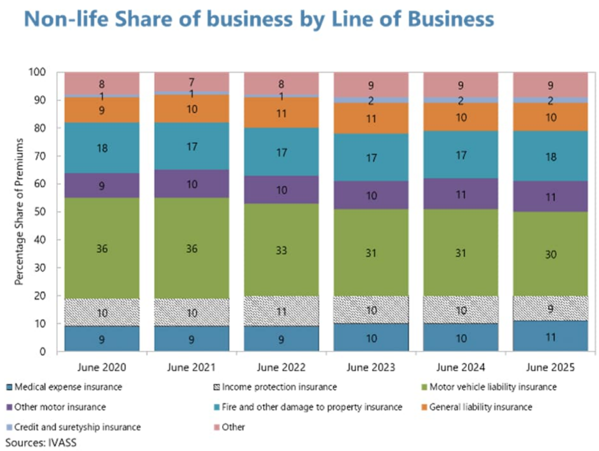
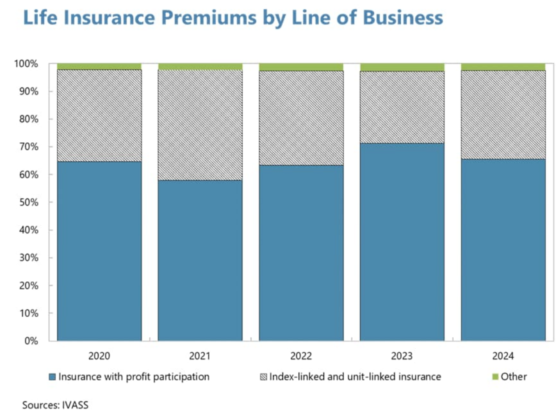


Figure 2. Premiums, Penetration and Business Mix (concluded)

Motor Vehicle Liability insurance has been declining in importance as other lines such as health, fire and other motor insurance have shown increases



Premiums for life insurance with profit participation are more sensitive to interest rate increases hence IL and UL business increased relatively in 2022 and 2023.

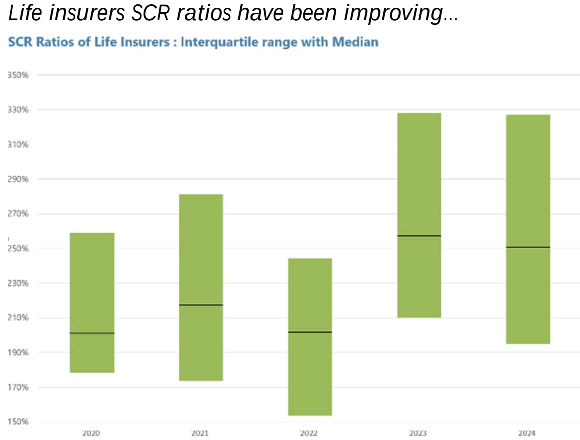


18. The life insurance penetration ratio for Italy is higher than the European average as reported in the Euro Area FSAP but has varied considerably with prevailing monetary policy settings. There were significant declines in 2022 and 2023 in life insurance premiums as alternative investment products became more attractive with increasing interest rates. With declining rates, life insurance premiums are increasing again and reached record highs in June 2025. It appears that traditional with profits products are more sensitive to interest rate changes than index-linked or unit-linked products (IL and UL).

19. Italian insurers maintain very healthy solvency ratios when compared to EEA peers (see Figure 3). Life insurers and composite insurers SCR ratios have generally strengthened over 2023 and 2024 and non-life insurers SCR ratios have held steady.

Figure 3. SCR Ratios

Life insurers SCR ratios have been improving…



Non-life insurers SCR ratios have been more stable

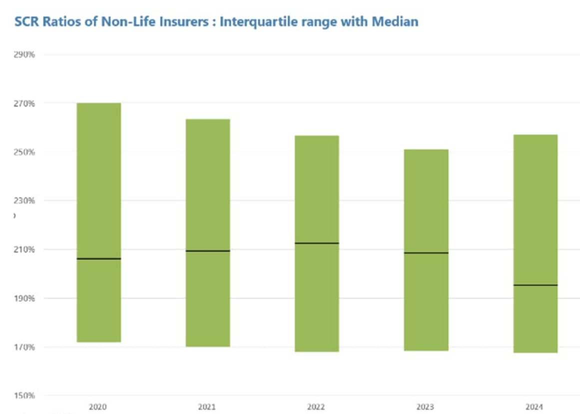
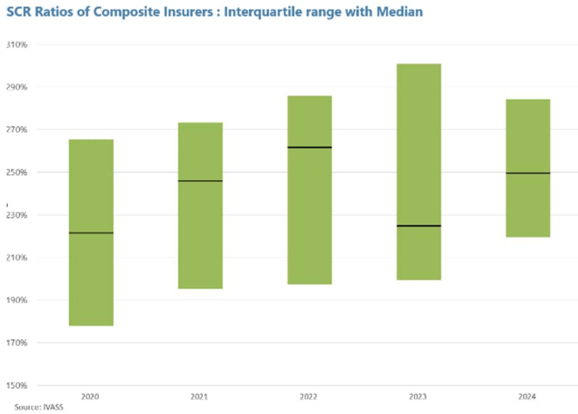
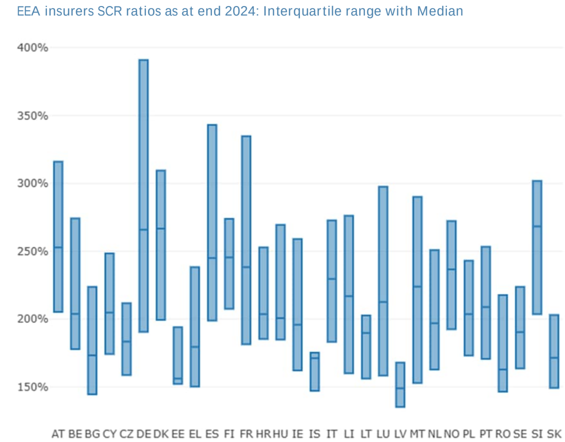


Figure 3. SCR Ratios (concluded)

Composite insurers SCR ratios have been steadily increasing but with some volatility in the median…



Italian insurance company's SCR ratios compare well the EEA peers



20. Italian insurers quality of capital is also very sound. Tier 1 capital represents 90 percent of the eligible own funds of Italian insurers to meet their SCR. In addition, expected profits included in future premiums (EPIFP) represent 12 percent of eligible own funds to meet the SCR which is a bit higher than EEA peers (median for life insurers in EEA is 7 percent, median for non-life insurers is 1 percent). IVASS monitors EPIFP closely and has conducted in-depth examinations of companies with high levels of EPIFP and/or which record significant changes in EPIFP which is very sensitive to assumptions in the valuation of technical provisions. In addition, Italian insurers do not use the transitional measures on technical provision valuation that are allowed under Solvency II until 2032 – such transitional provisions, when used, result in higher own funds reported. Italian insurers do take advantage of the long-term guarantee package (mainly VA).

21. Insurance sector profitability remains sound, despite a sharp decline in life insurers' returns in 2022 due to rising interest rates. The median return on equity in the life insurance sector has been in the 6.4 percent to 7.6 percent range over the years 2020 to 2024 except for 2022 when it was only 0.2 percent. Many life insurance companies actually made losses in 2022 with the weighted average ROE declining to -6.7 percent. This is despite the profitability figures being based on local GAAP where there is an option under IVASS Regulation no. 52/2022, which allows for the temporary suspension of the effects of unrealized capital losses on securities in the short-term portfolio when interest rate increases cause a rapid loss of value of securities. In their 2024 financial statements, 12 Italian insurance companies made use of this provision. This measure affected 38 percent of the industry's assets in 2024 (compared to over 60 percent in 2023). Under this exception, insurers that do not apply international accounting standards can record available-for-sale securities at their book value from the most recent annual financial statements—except in cases of impairment losses. The portion of unrealized losses not recognized in profit or loss is instead allocated to a 'non-distributable reserve'. Under normal Italian GAAP rules without the temporary suspension, these

losses when the market value declines below book value would be recognized in the profit and loss account, reducing reported earnings or increasing losses and reducing reported capital.

22. All Italian insurance companies must complete general purpose financial reports using Italian GAAP at solo level. Insurance groups must complete general purpose financial reports using International Financial Reporting Standards (IFRS). All insurance companies must also maintain Solvency II balance sheets meaning that there are three sets of accounts for the largest insurers to maintain. The need to maintain three sets of accounts and address the different profitability signals and other key performance indicators from these different sets of accounts is undoubtedly an issue for insurers in Italy, particularly those large insurers that have implemented IFRS. IFRS balance sheets, while not precisely like Solvency II balance sheets, are closer conceptually in terms of asset valuation and liability valuation (except for the contractual service margin in IFRS 17). There are less likely conflicting signals from IFRS-based balance sheets and Solvency II balance sheets. IFRS has less inherent accounting mismatch if consistent accounting policy choices are made with regard to financial security valuation under IFRS 9 and insurance contract accounting under IFRS 17. There would be no need for IVASS Regulation no.52/2022 if all insurers applied IFRS rather than Italian GAAP.

23. General purpose financial reporting figures are extensively used by IVASS in assessing the profitability of insurers and in public reporting on the Italian insurance sector both in IVASS publications and in the BdI's Financial Stability Report. It would be appropriate if this reporting was made on the basis of a more modern accounting framework that is more aligned to Solvency II's valuation basis.

Recommendation

- Implement IFRS for all insurers to reduce duplicative sets of accounts, avoid the need for temporary and arbitrary orders to suspend accounting requirements and better align general purpose financial reporting with Solvency II balance sheets.

24. The combined ratio[5] for the non-life insurance sector experienced an increase in 2023 with the net combined ratio increasing to 98 percent. This rise was primarily driven by higher claims costs resulting from inflation and a greater frequency of climatic events. However, the ratio showed notable improvement in 2024, declining to 94 percent. This positive trend continued into the first half of 2025, with preliminary data indicating a further reduction to 92 percent.

KEY RISKS AND VULNERABILITIES

A. Liquidity Risks and Lapse Rates

25. Historically low interest rates in 2020 created major challenges for Italian insurers, particularly in the life sector. Products with guaranteed returns, common in Italy, became less

[5] The proportion of claims and operating expenses relative to premium income

economically sustainable. During this period, IVASS noted rising liquidity risks as many policyholders redeemed their policies, either seeking alternative investments or needing cash, which strained business models that did not penalize early surrenders.

26. From 2022 onward, the environment shifted as inflation led the ECB to raise interest rates. This brought mixed effects: higher rates improved long-term profitability and reduced liabilities' present value, strengthening insurers' balance sheets and raising the average solvency ratio as shown above. However, inflation also increased claims costs, especially in non-life lines. A less visible impact was the emergence of unrealized losses on fixed-income securities, prompting insurers to use regulatory options to temporarily suspend these losses (see discussion above). As monetary policy eased and Italy's sovereign spread contracted, unrealized losses declined, premium income in the life sector rose, and surrender rates fell. To remain competitive amid market volatility, insurers introduced new segregated funds to invest at current rates, enabling them to offer better returns on new policies while protecting the financial stability of existing portfolios.

27. In 2022 and 2023, the ratio of surrenders to life insurance premiums reached historically high levels, peaking at around 90 percent of gross written premiums. This trend was driven by increased surrenders, particularly in companies distributing through banking channels or financial advisors. However, by June 2025, the ratio had decreased to 70 percent, reflecting both a rise in life premiums and a decline in surrenders. The reduction was observed across both unit-linked and traditional life insurance products, though surrenders remain elevated and are under close monitoring by IVASS. However, in 2025 IVASS was able to relax its weekly reporting requirement to a monthly reporting requirement due to the decreased liquidity risks. IVASS' monitoring and its interventions where needed through closer scrutiny of higher risk companies were effective and resulted in helpful changes in practices by company management.

28. While distribution channels initially influenced surrender trends, this effect diminished in 2025. Surrenders are also affected by policy size; policies with reserves exceeding €500,000 accounted for 29 percent of total surrender value in 2023, despite representing only 1 percent of surrendered contracts. These high-value policies tend to have higher lapse ratios and are more sensitive to alternative financial returns.

29. The significant recovery in life premium income in 2024 (+20 percent YoY) and the first half of 2025 (+11 percent YoY) helped reduce liquidity risk. Insurers' cash flows improved, with net cash flow balances for traditional life products turning positive due to higher inflows and lower outflows (Figure 4).

30. IVASS' 2023 thematic review on lapses identified vulnerabilities and triggered preventive measures. In March 2023, a thematic review identified the most exposed Italian life companies using two quantitative indicators—net unrealized gains/losses to book value on investments and the ratio of surrenders to premiums—supplemented by qualitative factors like distribution network and ownership structure. Eighteen vulnerable companies were selected and asked to perform sensitivity analyses on own funds and capital requirements under various scenarios: interest rate increases (+50, +100, +150 bps), higher lapse rates (15 percent, 20 percent),

and combined shocks. This approach aimed to quantify the resilience of insurers to adverse market and policyholder behavior conditions. IVASS required capital reinforcements and risk appetite revisions for 10 insurers and one group to prevent potential SCR breaches. Capital reinforcements and revisions of their Risk Appetite Framework thresholds were therefore required. This was accomplished by requiring companies to convene their governing bodies to take the actions required by IVASS. These preventive measures were adopted in order to avoid a future breach of the SCR coverage. The undertakings complied with IVASS' requests.

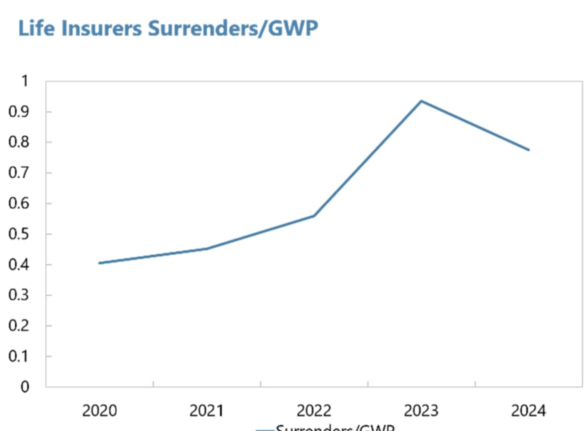
31. Insurers and IVASS have reinforced measures to curb surrenders and strengthen liquidity risk management. Insurers have taken steps to limit surrenders, including redefining contract clauses (e.g., surrender penalties, performance guarantees), revising distribution strategies to enhance customer loyalty, and adjusting investment policies to improve liquidity. IVASS has strengthened liquidity risk monitoring at both micro and macro levels, requiring enhanced contingency plans from major insurance groups and conducting regular surveys on early contract termination.

32. The liquid asset ratio of Italian insurers continues to be high with a median value of 60 percent in June 2025. This is higher than the median liquid assets ratio of European counterparts which was 45 percent at the same time. This liquid asset ratio has remained around 60 percent since December 2024.

33. The Solvency II review to be implemented from January 2027 onwards will require insurance companies to maintain Liquidity Risk Management Plans (LRMP). The LRMP must include an analysis of short-term cash flows in relation to assets and liabilities and at the request of the supervisory authority, it must also cover the medium and longer term. The LRMP must also contain liquidity risk indicators to monitor and manage stress situations.

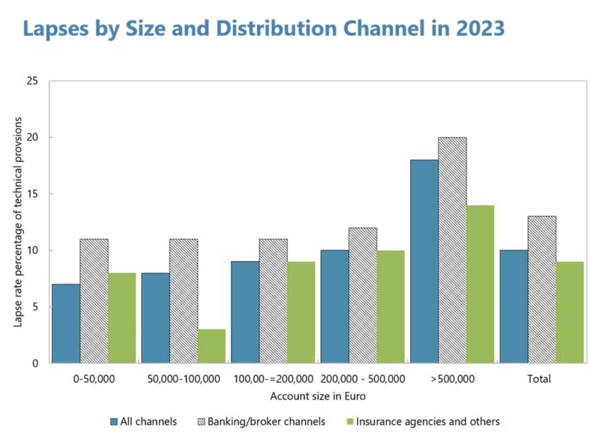
Figure 4. Liquidity Pressures in the Life Insurance Sector

Life insurers surrenders to GWP spiked in 2023...



Sources: IVASS

Surrenders were much higher for high account values and through the banking and broker channels.



Source: IVASS

B. Market Risks – Interest Rate and Inflation Vulnerability

34. The risks of interest rate increase for life insurers have already been explained above in relation to liquidity risks. Low interest rates undermine long-term profitability, especially for products with guaranteed returns, while rapid increases can trigger liquidity pressures. In addition, rapidly increasing interest rates lead to rapidly declining values of financial instruments which under Italian GAAP has led to unrealized losses. From a solvency point of view, both asset values and technical provision values decline with rapidly rising interest rates but there can be some differences due to duration mismatch. It can be seen in Section 1 that Italian life insurers solvency actually strengthened as interest rates increased indicating the decline in technical provision value exceeded the decline in asset value.

35. For non-life insurance companies, the inflation that led to the monetary policy response to rapidly increase interest rates has a significant impact. This can be explained in the context of motor third-party liability insurance which is the largest line of business for Italian non-life insurance companies. Ongoing inflation has put sustained upward pressure on claims costs, challenging the profitability of insurers.

36. Italian insurers have responded to these rising costs, but their adjustments have lagged behind the pace of inflation. Traditionally, insurance pricing in Italy is based on historical claims data, which introduces a delay of several months to a year before premium rates reflect current cost realities. As a result, when inflation surged in 2022, premiums did not immediately adjust. The average motor insurance premium increased by 6.1 percent in 2023 and by another 7.2 percent in 2024, but these increases did not fully offset higher claims costs. Consequently, the sector's combined ratio—a key profitability metric—remained above 100 percent for three consecutive years.

37. Several factors have contributed to the slow adaptation of pricing models, including regulatory constraints, consumer sensitivity to price increases, outdated pricing systems, and an initial underestimation of inflation's persistence. However, insurers are beginning to adopt more granular and dynamic pricing strategies, such as adjusting premiums based on vehicle type, region, and repair cost forecasts, and introducing more flexible coverage options. These efforts are starting to yield results: by the end of 2024, the sector saw improvements in profitability, with the gross combined ratio dropping to 91.5 percent (from 105.4 percent at the end of 2023) and the net combined ratio falling to 94 percent (from 98 percent at the end of 2023.

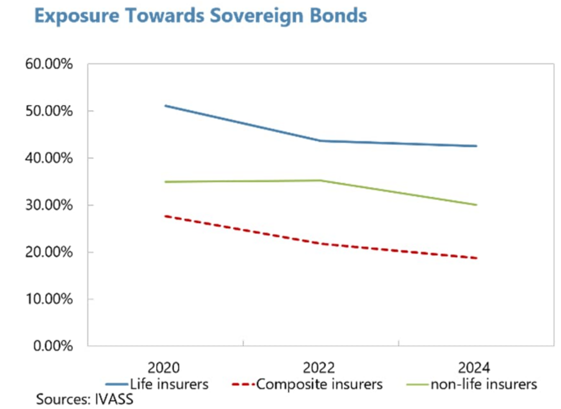
C. Exposure to Sovereign Debt

38. Between 2020 and 2025, the proportion of direct investments in government bonds within Italian insurers' portfolios declined from 52 percent to 44 percent. Notably, the share of Italian government bonds saw an even steeper reduction, dropping from 40 percent to 29 percent over the same period. These shifts indicate a deliberate move towards greater diversification in investment strategies and a decreased concentration of sovereign risk within the sector. Italian insurers directly hold around 10 percent of all outstanding Italian government bonds.

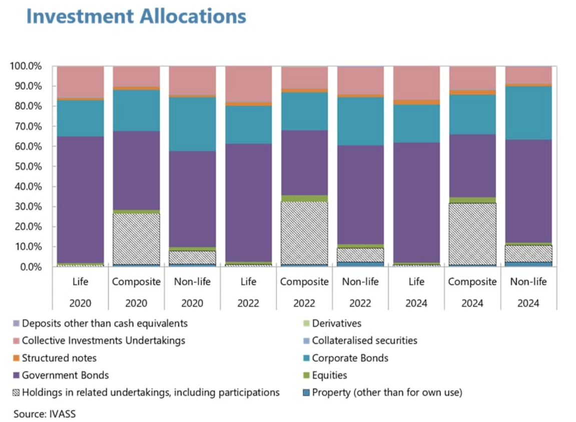
39. Investments in collective investment undertakings and corporate bonds have increased in line with the decrease in direct investments in government bonds. Solvency II reporting does not have the necessary granularity to understand the underlying investments of collective investment undertakings so it is difficult to definitively determine to what extent exposure to government bonds has actually reduced.

Figure 5. Declining Sovereign Exposures

Exposures to sovereign bonds have been trending down across all types of insurers…



Transforming investment allocations mainly towards collective investment undertakings and corporate bonds



D. Cyber Risk

40. With the ongoing digital transformation of the insurance sector, cybersecurity has become a significant area of concern. Italian insurers are now more dependent on digital systems and external service providers, which heightens their exposure to cyberattacks and operational disruptions.

41. IVASS participates in CERTFin, a public-private cooperative initiative with the goal of increasing the cyber risk management capacity and cyber resilience of the Italian financial sector. CERTFin acts as a central hub for sharing cyber threat intelligence among banks, insurers, financial market infrastructures, and supervisors. CERTFin publishes a semiannual Threat Landscape Report identifying key threats: geopolitical risks, third-party/supply-chain compromise, insider threats, advanced persistent threats (APTs), ransomware, DDoS, hacktivism, social engineering, and malware. Recent years have seen a rise in attacks linked to geopolitical scenarios and third-party vulnerabilities, with ransomware remaining a concern but generally well-managed by financial organizations.

42. Since 2018, the Italian insurance sector has reported 13 major incidents under a reporting framework established by IVASS prior to the implementation of DORA. Six of these 13 major incidents have involved attacks on third-party service providers with these attacks more prevalent in the last 2 years. This is in line with CERTFin's Cyber Threat Landscape.

43. Digital transformation is accelerating with 60 percent of Italian policyholders now using digital channels (apps, web portals), especially in non-life insurance. Insurers are also investing more in insurtech startups (38 percent in 2024, up from 31 percent in 2023), with 26 percent of these startups adopting generative AI. The insurance ecosystem now includes 600 fintech/Insurtech startups. However, there is an emerging trend for insurers to develop projects internally rather than engage in partnership activity. 74 percent of insurers have launched digital initiatives, focusing on automation, data analytics, and Application Programming Interface (API) integration. IVASS conducted a survey in 2023 on the use of AI and machine learning. It found that 27 percent of insurance companies use at least one machine learning algorithm in customer-facing processes representing 75 percent of the non-life market and 25 percent of the life market. ML is mainly used for internal process optimization, fraud prevention, claims management, and identifying customer churn patterns, especially for pricing at renewal. These developments indicate greater reliance on digitalization and therefore potential for cyber risks.

44. Amid rising cyber threats, companies have increasingly sought insurance coverage to protect against cyber-attacks, data breaches, and operational disruptions. Cyber insurance offerings increased by 22 percent year-on-year in 2024. Cyber insurance products have evolved beyond traditional damage coverage to also include consulting services for incident management and recovery costs, offering organizations more comprehensive support in the face of complex cyber risks.

45. IVASS conducted a survey[6] on policies covering cyber risk in 2023, focusing on SMEs and individual policyholders. Cyber policies are increasingly offered to SMEs and, to a lesser extent, individuals/families. SME coverage is comprehensive, including damages from cyber-attacks, third-party damages, and legal costs, with additional pre- and post-event services. Individual policies cover card theft/cloning, digital identity theft, and online fraud, with added services like remote assistance and psychological counseling.

46. SME cyber risk coverage is often standardized, with limited customization; exclusions and deductibles restrict applicability. Exclusions and deductibles can reduce the scope and applicability of cyber risk policies leaving them open to ambiguity of interpretation. For example, there are exclusions in the case of war but this does not specify whether the term war includes ‘cyber war’. Given war between nations states has evolved to include cyber-attacks the interpretation of these exclusions is likely to be crucial to determine the coverage provided.

47. The Digital Operational Resilience Act[7] became operational in January 2025. DORA establishes a framework for managing ICT risk in the EU financial sector. In Italy, DORA has been implemented via Legislative Decree no. 23/2025 which adapts national legislation to DORA, including changes to the Italian Insurance Code regarding governance and sanctions. IVASS is identified as one of the competent authorities responsible for supervising compliance with the

[6] https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2023/Indagine_cyber_risk_10_2023_EN.pdf?language_id=3

[7] Regulation (EU) no. 2022/2554

regulation, and adjustments to the existing IVASS regulations are planned. IVASS has a dedicated web page on its role in DORA, which contains communications to insurance undertakings, large intermediaries and ICT service providers, the relevant European and national legislation, and operational documentation for the transmission of mandatory reports for DORA purposes. Under the auspices of DORA, IVASS has initiated targeted data collection efforts to closely monitor and manage emerging cyber risks. IVASS has, to date, issued two letters to the market on: i) DORA reporting - transmission of the information register; ii) reporting of serious IT incidents and cyber threats; iii) incident reporting template; iv) cyber threat reporting template.

48. It is too early to draw any conclusions on the impact of the implementation of DORA in the Italian insurance market or the quality of IVASS ongoing supervision. Plans for DORA implementation by IVASS, including surveys of the readiness of insurance companies for DORA implementation, appear thorough and effective. This was helped by the former regulation on ICT governance.[8] IVASS has already been active in off-site and on-site supervision focusing on ICT risks before DORA implementation.[9]

E. Natural Catastrophes and the Insurance Protection Gap

49. Climate risks such as hail, flood, and windstorm are considered material for the Italian insurance sector. Since 2022 IVASS has monitored these risks through an annual qualitative and quantitative survey that covers both natural catastrophe risks and transition risks associated with the shift to a low-carbon economy. This survey is conducted regularly to ensure ongoing assessment and to keep pace with the evolving risk landscape. IVASS also holds bilateral meetings with insurers most exposed to climate risks to evaluate how these risks are integrated into their governance, risk management, and business strategies, reflecting the growing impact of climate change on the sector. IVASS consults with major consulting firms and risk modeling experts to gather insights on the implications of climate risks for insurers' investment policies and underwriting activities over the short, medium, and long term.

50. Italy's highest exposure to natural catastrophe risk is associated with earthquakes, but recent years have seen an increase in flood and hail events. Software for quantifying insurance risks related to floods and hail has only recently become available, with some models adapted from those used in central Europe. Historically, rate-setting and risk mitigation—especially through reinsurance—relied on empirical methods and expert judgment. However, the frequency of severe weather events has prompted Italian insurers to seek more precise quantification models, and some are currently updating their internal models to better capture these risks. In discussions with industry representatives during the mission, considerable variation in the output of vendor risk models was raised as an issue. This was an issue also raised by IVASS.

[8] IVASS Regulation no 38/2018

[9] The Technical Note on Cybersecurity Supervision addresses the cybersecurity issues and implementation of DORA more broadly in the financial sector.

51. The 2023 floods in the Emilia-Romagna region was the most recent major natural disaster in Italy, resulting in 17 deaths and causing an estimated €10 billion in damages. In response, the Italian Council of Ministers implemented a broad set of emergency support measures, including tax and energy-bill relief, as well as special access to wage supplementation for affected workers. A special Commissioner was appointed to oversee the reconstruction process. However, reliable data on insurance claims related to this event are not available.

52. Italy's approach to natural disasters involves immediate intervention by the Civil Protection Service (Protezione Civile), which provides early funding for urgent needs and, over time, manages reconstruction through a specially appointed government official. The recently enacted Law No. 40/2025 has significantly reformed the framework for public and private involvement in post-disaster reconstruction, introducing a strict maximum deadline of 10 years for completing all reconstruction.

53. This government intervention after natural disasters is likely to be a factor in the low take-up of property insurance, particularly covering natural catastrophe risk. The IAIS[10] has noted that governments acting as the insurer of last resort can contribute to protection gaps for natural catastrophe risks. Governments which provide financial backstops through grants or payments, lead consumers and businesses to expect relief reducing their incentive to purchase insurance and creating moral hazard.

54. IVASS is exploring the causes of underinsurance for NatCat risks in Italy. IVASS is using the Technical Support System (TSI) offered by the DG Reform of the European Commission to understand the causes and the possible solutions for underinsurance of physical risks. A University Consortium together with the Joint Research Center of the European Commission will undertake the study. Three deliverables will be produced by 2026: overview of the causes of the low insurance take-up by Italian households for NatCat risks; macro-economic modelling of the underwriting activity for NatCat contracts in Italy, focused on a selected number of environmentally stressed scenarios; and recommendations and policy options to improve the current situation of low insurance protection.

55. Italy has the second highest natural catastrophe insurance protection gap in Europe according to EIOPA.[11] Premiums written for NatCat risks account for a low percentage of total non-life GWP (7.1 percent in 2023, 6.6 percent in 2022). NatCat insurance coverage is largely concentrated in 6 large insurers (62.6 percent of total non-life GWP). EIOPA reports that in terms of historical natural catastrophe losses, Italy Earthquake (representing 24 percent of all EEA natural

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[10] IAIS, Global Insurance Market Report, Special Topic Edition: Potential financial stability implications of natural catastrophe insurance protection gaps, November 2025. https://www.iais.org/uploads/2025/11/GIMAR-2025-special-topic-edition-on-NatCat-insurance-protection-gaps.pdf

[11] EIOPA, 'The Dashboard on Insurance Protection Gap for Natural Catastrophes in a Nutshell', November 2024. https://www.eiopa.europa.eu/document/download/bbdc653b-e335-41f0-8293-0d8280a09855_en?filename=EIOPA-BoS-24-473_Dashboard%20on%20insurance%20protection%20gap%20for%20natural%20catastrophes%20in%20a%20nutshell%20-%202024%20version.pdf

catastrophe losses with 97 percent uninsured) and Italy Flood (representing 11 percent of all EEA natural catastrophe losses with 97 percent uninsured) are two of the top natural catastrophe perils in the EEA.

56. Given the low take-up of natural catastrophe insurance, it is not the insurance industry's exposure to natural catastrophes that is most concerning, it is quite contained compared to many countries. The concern is the exposure of Italian society, government and the financial sector to these risks, the lack of insurance and the resultant natural catastrophe protection gap.

57. The Italian Government has responded to this issue through the introduction of a law mandating natural catastrophe coverage for firms of all sizes. 2024 Budget Law (Article 1, paragraphs 101 to 111) introduced a mandatory insurance coverage against natural disasters for all Italian firms (including foreign firms with a permanent establishment in Italy, with the exception of agricultural firms). This insurance must cover damages to tangible fixed assets such as land, buildings, machinery, and equipment resulting from the specified perils of earthquakes, floods, and landslides. Firms that fail to comply face penalties, including exclusion from public grants and contributions. Unauthorized properties are excluded from coverage. Insurers can only offer coverage for properties built on the basis of a valid building permit or for buildings that predate building permit requirements. For such uninsurable properties, it was clarified that no compensation, contribution, subsidy or financial benefit funded by public resources will be available either.

58. The obligation to insure does not only apply to assets owned by a firm but also applies to other assets used by the firm, for example leased premises.[12] The obligation to insure such assets can only be avoided if the asset owner already has a compliant insurance policy. Where the firm's insurance policy provides coverage for an asset not owned by the firm, compensation has to be paid to the property owner who is then obligated to use those funds to restore the damaged or lost property to its full functionality. If the property owner does not meet that obligation, the firm can be compensated for loss of profit.

59. Not all natural catastrophe perils are mandated to be covered in the new law. For example, perils such as tsunamis and damage from severe convective storms such as hail damage or damage from strong winds are not covered in the mandatory coverage. This may cause confusion among consumers if they believe or understand they have coverage against natural catastrophes without understanding that the coverage only applies to the specified perils. To maintain the trust of policyholders, this will need to be clearly communicated by insurers and emphasized in government information about the new requirements. It should be made clear that policyholders can purchase cover against these additional perils on a voluntary basis.

60. Insurance companies can provide this coverage individually or through a consortium, which must be registered and approved by IVASS. Natural catastrophe insurance must be offered by insurance companies that sell the relevant classes of property insurance (class 8 fire and natural

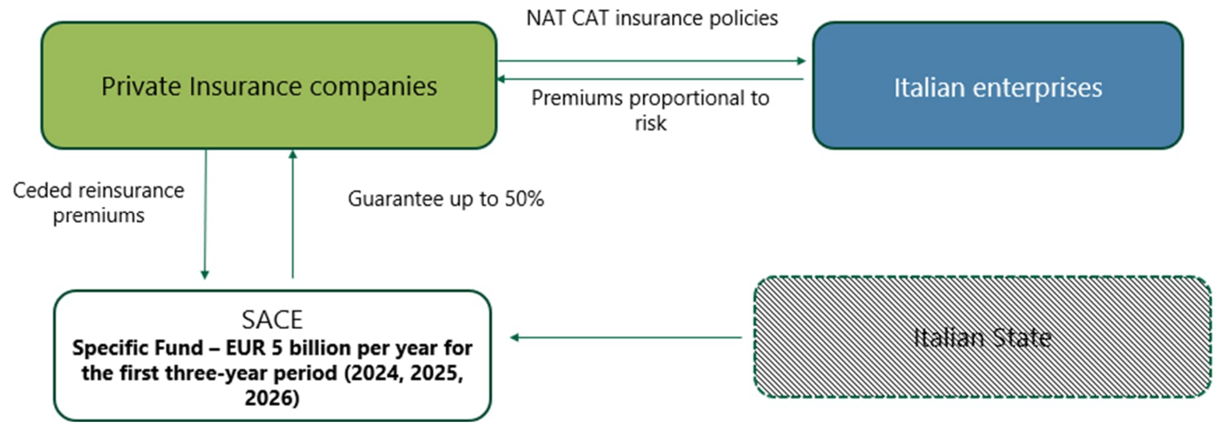
[12] Decree Law No 155/2024.

forces). If an insurance company fails to comply with the requirements, IVASS can impose fines ranging from EUR 100,000 to EUR 500,000.

61. Within their risk management frameworks, insurance companies must define their risk appetite in line with overall solvency requirements, with respect to the risks to be assumed from the mandatory natural catastrophe insurance contracts. Where an insurance company exceeds the risk tolerance limit it must cease taking additional risks. Where an insurance company ceases taking additional risks due to reaching its risk appetite limit, it must immediately notify IVASS and notify third parties through a notice on its website. When an insurance group designates a specific entity to provide this coverage, risk tolerance limits should reflect the combined underwriting capacity of all group companies licensed for Class 8 insurance.

62. Additionally, SACE is required to provide insurers and reinsurers with reinsurance coverage for up to 50 percent of indemnities paid out in the event of a disaster. SACE S.p.A is Italy's Export Credit Agency and an insurance and finance group controlled directly by MEF. SACE is backed by a guarantee of the Italian State through a specific fund. Figure 6 below sets out the way in which this arrangement works.

Figure 6. Arrangement for SACE Reinsurance



63. In January 2024, leading up to the implementation of the requirement for firms to insure natural catastrophes, IVASS carried out a survey[13] of insurers' natural catastrophe policies to help inform the policy making process. 46 insurance policies offered by 14 companies in January 2024 were analyzed, comprising 34 policies for small and medium-sized enterprises (SMEs) and 12 for individuals and households. The review focused on catastrophe risks subject to the mandatory coverage, including earthquakes, floods, landslides, and overflowing rivers. The survey found that the supply of catastrophe insurance is mainly offered as an add-on to "Fire and Damage to Property" policies, with very few standalone options and only three parametric products available. Coverage is broader for SMEs than for retail customers and varies significantly in scope

[13] Survey on policies covering natural catastrophes
IVASS_Report_analisi_polizze_con_rischi_catastrofali_giugno_2024_en.pdf

and content, typically including earthquakes, floods, and landslides, though no policy covers overflowing rivers as will be mandatory in the new law. Policies generally insure direct material damage and sometimes indirect losses, with some offering advance payments, but exclusions are common and definitions inconsistent. Contract clarity is often lacking, with complex questionnaires and insurability requirements that do not always align with catastrophe risks. Damage assessment relies on policyholder declarations, and compensation may be based on current or replacement value, though the latter is recognized only after reconstruction.

64. The implementation of the law has been delayed to allow for clarifications and time for implementation. The original deadline for firms to fulfil the obligation was December 31, 2024. Implementation details and operational methods for these insurance schemes were established by the joint MEF and MIMIT Decree no. 18/2025 in February 2025, which clarified the types of covered events, premium adjustments, deductibles, and limits on insurers' risk exposure. These details were developed with the assistance of IVASS. The deadlines for firms to comply with the insurance obligation were staggered by size: March 31, 2025 for large firms, October 1, 2025 for medium firms, and December 31, 2025 for small and micro firms, including fisheries and aquaculture enterprises (subsequent to the mission this deadline was further extended to March 31, 2026 for fishing and aquaculture enterprises, food and beverage service establishments and for tourist accommodation businesses which can be classified as small and micro firms)[14].

65. Details are set out in the law providing for the level of indemnity, deductibles to be borne by the insured and how premiums are to be determined. These details are set out in Table 3 below.

Table 3. Italy: Details of Mandatory Insurance for Firms Against Natural Catastrophes

Indemnity limits	Deductibles	Premiums
Insured asset value up to EUR 1 million – the indemnity limit to be the full value Insured asset value between EUR 1 and 30 million – the indemnity limit is not lower than 70 percent of the asset value Insured asset value beyond EUR 30 million or for large companies – the indemnity limit is to be negotiated by the insured and insurance company	For sum insured up to EUR 30 million, deductible to be not more than 15 percent of the loss For sum insured over EUR 30 million, deductible is to be negotiated by the insured and insurance company	The premium should be determined based on the risks assumed, taking into account location, asset vulnerability and prevention measures adopted. Premiums will be updated periodically to reflect the economic conditions and the specific risk of the companies.

[14] Decree-Law No. 200/2025

66. There are obligations[15] on insurance companies to make immediate initial payments on the occurrence of a natural catastrophe. Insurance companies must pay 30 percent of the total damage to the property insured if the insured firm is located in an area for which a state of reconstruction has been declared.[16]

67. To enhance transparency and oversight, a further amendment to the law[17] requires IVASS to manage an IT portal for comparing natural disaster insurance policies. The Price Surveillance Authority, in collaboration with IVASS, is also tasked with monitoring and preventing speculative practices in insurance premiums. Furthermore, IVASS has requested that, starting September 2025, insurance companies submit quarterly data on contracts underwritten to ensure compliance with the new legal requirement.[18]

PRUDENTIAL REGULATORY FRAMEWORK

68. There are a number of regulatory initiatives underway at the European and Italian levels. Given that this Technical Note is primarily about supervision in Italy, this section will focus on the most material regulatory change underway, the Solvency II Review. The Insurance Recovery and Resolution Directive (IRRD) is also a significant development and that is addressed in the section on prudential supervision of recovery and resolution below.

69. There are two pieces of regulatory reform which are currently incomplete in Italy. The first relates to the implementation of the Shareholders II Directive. Article 77 of CAP provides for fit and proper requirements to be applied to qualified shareholders. Article 77 1-bis requires the Minister for Economic Development (now Minister of Enterprises and Made in Italy) to issue regulations about the fit and proper requirements to be applied to qualified shareholders. These have not yet been issued. Article 57 bis of CAP regulates the authorization and exercise of the activities of SPVs. Article 57 bis requires an implementing Regulation which has not yet been issued. No SPVs have been authorized in Italy so it is not a burning issue. However, two Italian insurers have issued catastrophe bonds through Irish SPVs and IVASS was involved in approving those transactions. In those cases, the missing regulation was not an issue because the SPVs were established in Ireland. Completing the regulatory framework with the implementing regulation would pave the way for SPVs to be established in Italy.

Recommendations

- MEF should work with MIMIT and IVASS to develop regulations in relation to Article 77 of CAP on fit and proper requirements for qualified shareholders.

[15] Article 23, Law No 40/2025

[16] A declaration to be made pursuant to Article 2 of Law No 40/2025

[17] Law No. 193/2024

[18] Aggregated survey data on the number of policies and premiums paid have been published in March 2026.

- MIMIT should develop regulations in relation to the authorization and exercise of activities of SPVs to be ready for potential Italian SPVs to be established.

A. Solvency II Review

Legislative Process and Objectives

70. The Solvency II review introduces significant amendments to the insurance regulatory framework in the EU. The revised Directive (UE 2025/2) entered into force on January 28, 2025, with application from January 30, 2027. The process involved public consultation and the adoption of a Delegated Regulation, with IVASS actively contributing technical proposals. The review aims to enhance proportionality, supervision quality, transparency, reporting, long-term guarantee measures, macroprudential tools, sustainability risks, and group supervision. Key objectives include incentivizing insurers to support long-term economic financing, improving risk sensitivity, mitigating short-term volatility, enhancing supervisory consistency, and better addressing systemic risk. In the Euro Area FSAP, the point was made that prudential objectives should have primacy over any other objectives and concerns were raised about the way proposed changes were negotiated without full consideration of the consequences for the calibration of Solvency II.

National Transposition and Regulatory Changes

71. IVASS, in coordination with the Ministry of Economy and Finance (MEF), is supporting the transposition of the Directive into national law. The process must be completed by January 29, 2027, with legislative decrees amending CAP. IVASS may adopt secondary legislation within 180 days of the decree or EC delegated acts and is planning to revise current regulatory provisions to align with the new framework.

Quantitative Impacts and Macroprudential Aspects

72. The review's quantitative changes, assessed by IVASS, show materially increased surplus and SCR ratios. The European Commission's expectation is that insurers will direct this excess capital to productive investments that contribute to the funding of companies and the economy of the European Union. Although recital 5 of the SII Delegated Regulation considers important that national supervisory authorities and EIOPA monitor the use of the newly available capital, the legal framework does not grant NSAs any concrete power to enforce this expectation. Macroprudential aspects include enhanced requirements for liquidity management, climate scenario analysis, and supervisory powers to address vulnerabilities, including temporary freezes on policy redemptions during market stress which is a power that IVASS already has.

Proportionality and Reporting

73. The principle of proportionality is strengthened, with less stringent requirements for small and non-complex undertakings (SNCUs). Criteria for SNCU classification are detailed, and proportionality measures are outlined for both SNCUs and other insurers. Reporting requirements are harmonized at the EEA level, with recent revisions aiming to reduce administrative burden by 25-

36 percent. However, liquidity issues and alternative investments may require data outside the harmonized framework.

Group Supervision and Cross-Border Activity

74. Amendments clarify the scope and powers of group supervision, calculation of solvency positions, and governance expectations. New instruments under development include RTS and guidelines for group identification and solvency. For cross-border activity, the review strengthens cooperation between authorities, introduces criteria for significant activity, and enables joint inspections and publication of findings to enhance transparency and policyholder protection.

SUPERVISORY FRAMEWORK

A. Institutional Mandate, Resources and Powers

IVASS

75. IVASS was established in July 2012.[19] The objectives of IVASS's supervision are set out in Article 3 of the Code of Private Insurance[20] (CAP). These objectives include policyholder protection through ensuring the sound and prudent management of insurance and reinsurance undertakings; consumer protection through transparency and fairness; and insurance market stability and financial stability.

76. IVASS governance is closely integrated with the BdI through shared leadership and strategic oversight. The President of IVASS is the Senior Deputy Governor of the BdI. He is the legal representative of IVASS in all acts, contracts and legal proceedings involving IVASS. The president coordinates the Board of Directors activities and Chairs its meetings. The Board of Directors consists of the President and two Directors. The Board of Directors is responsible for the general administration of IVASS and implements the guidelines and strategic directives of the Joint Directorate. The Board of Directors appoints a Secretary General to oversee the administrative operations of IVASS. The Joint Directorate is a collegial body consisting of the Governor of the BdI who is the Chair, the President of IVASS, the three Deputy Governors of the BdI and the two IVASS Directors. The Joint Directorate sets guidelines and strategy for IVASS and makes decisions on matters of insurance supervision that have high importance externally.

77. In 2024, IVASS and the BdI strengthened coordination to boost supervisory effectiveness and to increase synergy. To enhance macroprudential insurance supervision and in recognition of the close relationship between banking and insurance in both distribution of insurance products and ownership of insurers, there will be closer coordination with the BdI, which now plays a key role in the Macroprudential Policy Committee.

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[19] Article 13 of Decree-Law No. 95 of July 6, 2012, converted by Law No. 135 of August 7, 2012

[20] Legislative decree 7 September 2005, n.209, Article 3

78. Collaboration between the BdI and IVASS has deepened in a number of practical ways. There are 45 BdI staff seconded to IVASS and there has been the establishment of joint working groups and committees and in some cases drafting of joint documents. There are Memoranda of Understanding covering a number of collaborative efforts: for economic and financial research and analysis on the banking and insurance sector; the use by IVASS of the technological infrastructure and ICT services of the BdI; staff education including participation of IVASS staff in the BdI's education initiatives.

79. There have been discussions about a full integration between IVASS and the BdI. However, those discussions have stalled at the political level. Operationally, IVASS and the BdI work closely together, with IVASS governance arrangements involving senior officials from the BdI facilitating that closer integration. There is no clarity on when or if the full integration will go ahead. This is having a negative impact on IVASS staff as they are facing uncertainty about their future employment relationship.

80. The staffing of IVASS is capped at 355 staff, given a total cap of 400 staff but an allocation by decree of 45 to the insurance arbitrator (Arbitro Assicurativo – AAS). As at the time of the mission in November 2025, the number of IVASS employees is 357 with 21 dedicated to the insurance arbitrator. In addition, 45 staff are seconded from the BdI.

81. Discussions with staff revealed that there are significant resources constraints and staff are stretched in meeting statutory responsibilities. This is due to the additional roles that have been assigned to National Competent Authorities in European Directives in the last 5 years as well as a heavy workload to implement the significant EU-level agenda of regulatory reform affecting the insurance sector.

82. Staff mostly join IVASS upon graduation from university and then either leave in a relatively short period of time or remain an IVASS staff member for most of, or all of, their careers. Therefore, there is a situation where about 75 percent of employees have in excess of 10 years' experience and this has persisted for the last 5 years. New staff join through a public competition based on the graduate profile needed. This competition involves a written examination and an oral examination and there is a threshold level of university score in order to be considered. The hiring process takes 6 to 8 months. IVASS offers less competitive remuneration and primarily attracts candidates from the Rome area. In contrast the BdI does attract applicants from all over Italy, particularly from the Northern Regions where there are a number of prestigious universities. IVASS also has structurally lower remuneration than the BdI (and some other independent authorities) with the gap being more significant for non-executive positions. The most pronounced disparities occur at entry-level salaries, which contribute to the high turnover among newly recruited staff. An initial step to address the issue was taken with the collective agreement mentioned below; further steps towards alignment—and the timing thereof—are being evaluated. This process would also be impacted by the possible integration with the BdI. The most recent collective agreement signed on May 2, 2025 granted benefit improvements to staff members (including specific measures for younger employees) which will help address the pay gap.

83. There is no available process to hire new staff at the mid-career level other than through secondment of staff from the BdI. This process for hiring new staff is unusually rigid due to IVASS's legal requirements. All positions, other than graduate positions, must be filled through internal transfer or advancement of staff. The usual balance between retaining staff to maintain institutional memory and hiring of new experienced staff with fresh, innovative approaches to issues gained from other experience is not part of the IVASS staffing approach other than bringing in staff of the BdI. An easy recommendation for this mission to make is to reduce the rigidity of the hiring process. However, this appears to be embedded in the Italian civil service and therefore would be difficult to practically change without reconstituting IVASS with greater independence[21] from civil service requirements. The challenges with hiring staff must be considered in the context of the proposed integration with the BdI and if that process was to move forward access to high quality staff both through the hiring process and through internal transfers would improve.

84. Over the next 5 years, IVASS will face a significant generational turnover with 67 expected staff departures due to retirement. These very experienced staff will be replaced in the overall headcount by graduates identified through the competitive process set out above. A number of key managers in the organization will be retiring in 2029. Many of these staff began with the establishment of an institution that was a predecessor to IVASS in 1982. Therefore, this cohort of staff is now reaching retirement age.

85. Despite the restrictions on hiring staff, IVASS does have high quality staff across the necessary range of disciplines such as law, actuarial science, statistics, economics, information technology and other disciplines. The mission met with many staff members across all of the IVASS departments and they were all knowledgeable and dedicated to their role. This is likely partly a reflection of the internal training program of IVASS which is quite extensive, and the high-quality graduates which are recruited. However, with the generational change coming where approximately 20 percent of staff are expected to depart, all senior and/or experienced staff, the resources of IVASS will face a significant test.

86. There is a culture of excellence evident within IVASS that means a high volume of high-quality work continues to be delivered but staff are concerned about their ongoing ability to work at such a level. That culture of excellence does feed the concern because staff have clear pride in their work and do not want to be forced to miss statutory deadlines or lower the quality or breadth of their work. The ever-expanding mandate of IVASS (e.g., becoming the resolution authority under the IRRD) along with limits on staffing are having a detrimental effect on staff morale. Added to this is the uncertainty about the full integration of IVASS into the BdI. Staff appear to be supportive of the integration but are concerned about decisions that are delayed, particularly with respect to resourcing, pending the integration.

87. The 45 staff seconded from the BdI are a welcome way to address resource gaps on a temporary basis but cannot be a permanent solution. A secondment, by its nature, is temporary

[21] For example, an independent statutory authority with the ability to determine its own hiring and remuneration practices, closer to private sector practices.

and those staff seconded will want to continue to develop their careers in the BdI at some point. Operating under the constrained 400 staffing limit is not sustainable if the organization is to remain a separate entity. Even if ultimately, the integration with the BdI goes ahead, the process will take time. In the interim, staffing at IVASS should be increased to the maximum allowable and supplemented by some BdI secondees.

88. Previous FSAP recommendations to grant IVASS full authority over license withdrawal, winding-up, and extraordinary administration remain unimplemented. It is noted that through the Eurovita case, there was clear evidence of delays in ministerial approvals at MIMIT. Delays exceeded a month in some cases – for example, the delay from IVASS request for an extraordinary administration procedure for Eurovita and Eurovita holdings took 43 days before the decree was issued. In different circumstances such a long delay in a step in the resolution of an insurance company could have been detrimental to policyholders. It is unclear whether this process will be any better with the implementation of IRRD and IVASS' proposed role as the resolution authority as the legislation implementing IRRD is yet to be passed.

89. Supervisory Staff of IVASS are not subject to appropriate legal protections for actions taken in good faith while discharging their duties. Article 24 paragraph 6-bis of Law No 262/2005 provides that IVASS, the members of its governing bodies and its employees are only liable for damages caused by acts or conduct carried out with intent or gross negligence. IVASS staff and former staff can incur costs for defense in legal proceedings related to their duties but according to IVASS internal regulations they are only entitled to reimbursement of legal defense expenses if no liability is established by the Court ruling. It is possible for staff to obtain an advance payment for the costs of legal defense. These provisions in internal rules leave employees vulnerable and do not provide timely financial support during lengthy legal processes. Legal defense costs should be fully covered from the outset, ensuring complete indemnification for affected individuals and eliminating any requirement for upfront payments or personal expenses. To ensure the legal certainty, permanence, and enforceability of these safeguards, it is important to enshrine all these provisions in primary legislation to ensure adequate protection from legal proceedings. This includes full protection against the costs of defending actions or omissions undertaken in good faith while performing official duties, starting from the onset of such proceedings. Conditions and procedures for legal protection could be specified in secondary legislation. Legal protection for supervisors became even more important following the introduction of new provisions in Law 21/2024.[22]

[22] More recently, Law No. 21/2024 (see Article 20, paragraph 1) amended Article 24 (of Law 262/2005), adding there a new paragraph (6-ter), which states that: "*Without prejudice to what provided under paragraph 6-bis, anyone who has suffered damage as a result of an act or behavior by an entity supervised by one of the Authorities referred to in that paragraph may take action against the latter to obtain compensation, but only for damage that is the immediate and direct consequence of the violation of laws and regulations over which the relevant authority has failed to exercise its supervision*". This rule refers to a different situation, in which the damaged is caused by the supervised entities, and introduces an additional requirement that the damage is connected with the laws and regulations over which IVASS failed to exercise its supervision. However, since this protection does not explicitly extend to actions or omissions by IVASS board members or staff, there is still a clear need to clarify the legal protection for IVASS and

(continued)

90. The IMF does not usually make recommendations about the structure of the roles of various supervisory authorities in a jurisdiction. The IMF stresses the need to meet international standards of independence, resourcing and legal protections no matter the structure and division of responsibilities among supervisory authorities. If IVASS is to remain an independent insurance supervisory authority then there is a need to remove constraints on IVASS both in terms of headcount and the ability to hire a range of staff at different stages of their careers. Additional resources could easily be funded through increasing the fees paid by insurance companies and intermediaries, subject to appropriate accountability. However, given this would require legislative amendment and a change to Italian civil service hiring procedures, it does not seem likely or practical to implement. In that light, with the unique circumstances faced by IVASS, full integration with the BdI would likely be the appropriate solution to better address resourcing needs. Pending that full integration, IVASS must use its existing staffing envelope to the fullest extent.

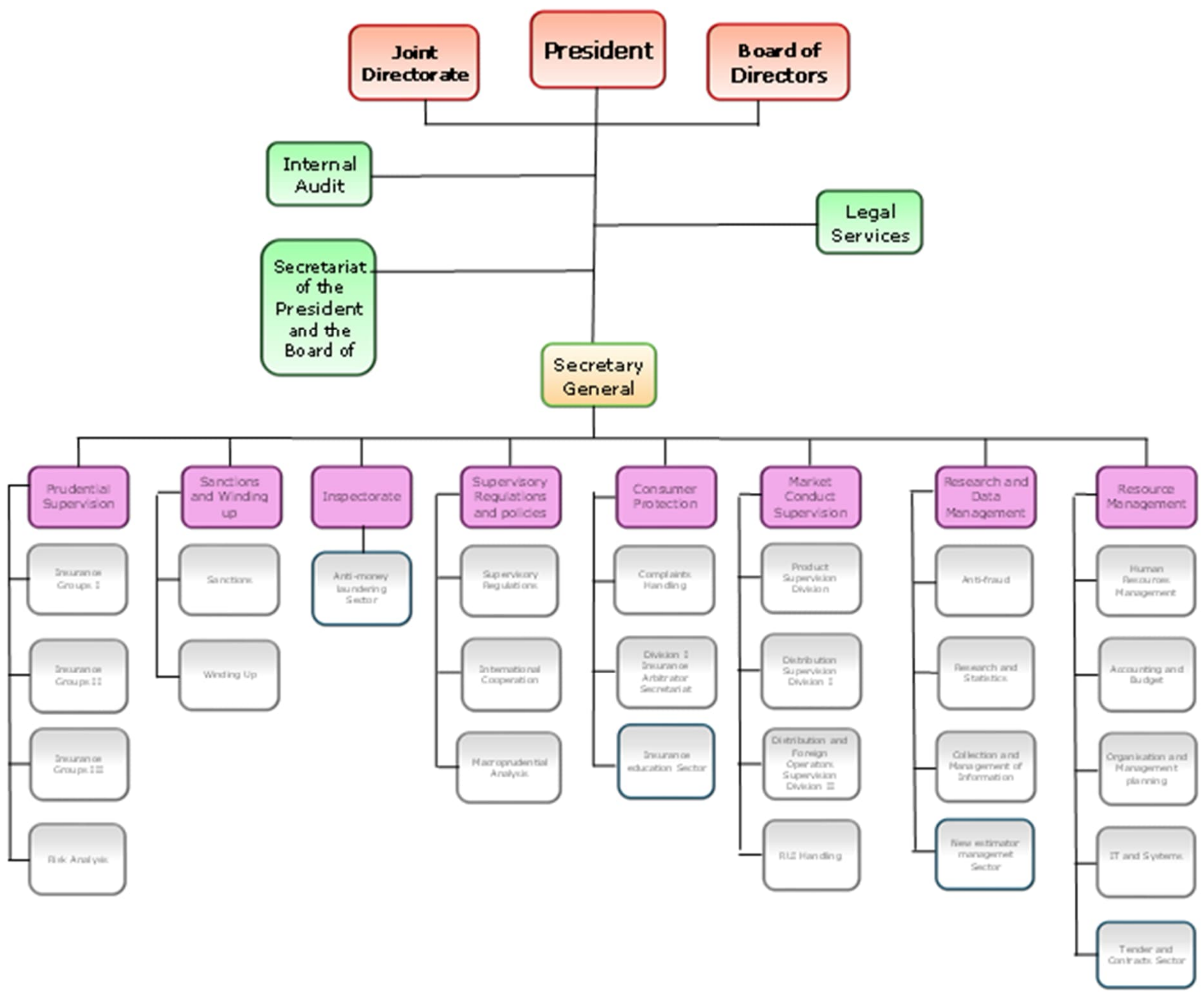
Recommendations

- The Italian government should proceed with the full integration of IVASS with the BdI to address resourcing constraints.
- While IVASS remains structurally independent of the BdI, IVASS must increase staffing to the headcount limit of 400 allowed by law.
- The CAP should be amended to confer IVASS with authority on the removal of authorization, winding-up of insurers and placing insurers under extraordinary administration.
- The legal framework should be amended, preferably through primary legislation, to ensure IVASS, its current and former staff, and professional service providers engaged in supervisory tasks are adequately protected against the costs of defending their actions or omissions undertaken in good faith while performing official duties. These costs should be fully borne by IVASS from the outset of legal proceedings.

supervisors, as prescribed in Basel standards. BdI submitted the Memorandum to the Senate (June 27, 2023) by pointing out the importance of introducing in primary law restrictions on the possibility for third parties to bring actions for damages directly against members of the BdI Governing Board and staff of BdI. ECB also issued opinion (December 2023) on this matter.

IVASS Internal Organization and Cooperation With Other Authorities

Figure 7. IVASS Organizational Chart



91. IVASS carries out its mandate through eight directorates (see Figure 7). There was a significant reorganization of IVASS in 2019. In 2022, significant supporting services of institutional communication and media relations as well as document management was transferred to the BdI.

92. The Prudential Supervision Directorate is responsible for overseeing the operational management of insurance and reinsurance groups and companies. It conducts the prudential review and evaluation process, performs risk analysis, assesses management systems, and validates internal risk models used for calculating capital requirements. Additionally, the Directorate collaborates with other authorities and the European Central Bank in the supplementary supervision of financial conglomerates and actively participates in cross-border group supervisory colleges.

93. The Market Conduct Supervision Directorate monitors the market conduct of insurance companies and distributors, including foreign entities operating in Italy under the right of establishment or the freedom to provide services. It oversees the governance and oversight of insurance products (POG), ensuring their transparency and the effectiveness of claims settlement processes. The Directorate is also responsible for supervising the transparency and advertising of insurance products distributed in the Italian market, conducting technical analyses for consumer protection. Additionally, it prepares opinions for proceedings initiated by the AGCM regarding misleading and comparative advertising and unfair commercial practices, and manages activities related to foreign companies operating in Italy as well as the Single Register of Intermediaries (RUI).

94. The Inspection Directorate conducts inspections of insurance and reinsurance groups, companies, and other entities under IVASS supervision, sometimes in collaboration with other public authorities or EU insurance supervisory authorities. It plans inspections together with the Prudential Supervision Directorate and Market Conduct Supervision Directorate (which are responsible for off-site supervision), manages administrative tasks related to inspection reports, and shares findings with relevant directorates. In relation to money laundering and terrorist financing, the Directorate performs inspections, conducts analyses, collaborates with other authorities, and manages the associated regulations.

95. The Supervisory Regulations and Policies Directorate is responsible for preparing and updating supervisory regulations, as well as developing, updating, and issuing guides, manuals, and procedures for supervisory and regulatory activities. It maintains relations with EU and international institutions and supervisory authorities, coordinating IVASS's participation in international cooperation forums. Additionally, the Directorate analyzes macroeconomic trends and external factors impacting insurance companies and markets and conducts scenario analyses and system-wide stress tests.

96. The Consumer Protection Directorate handles complaints, analyzes emerging risks, and drives interventions to restore consumer protection. It acts as the technical secretariat for the Insurance Arbitrator, managing appeals and preparing the annual report. Additionally, the Directorate promotes the Institute's initiatives in insurance education and maintains relations with consumer associations.

97. The Sanctions and Winding-Up Directorate oversees sanctioning processes and manages winding-up procedures for insurers and intermediaries. For sanctions against insurance and reinsurance companies, it manages post-violation procedures, reviews defenses, conducts hearings, and proposes sanctions or dismissals. For sanctions against intermediaries, it manages the Guarantee Committee Secretariat. Additionally, the Directorate handles appointments, removals, and replacements of liquidation bodies and supervises winding-up procedures.

98. The Research and Data Management Directorate leads insurance research and data governance, while the Resource Management Directorate handles HR, finance, and IT systems. The Resource Management Directorate is responsible for managing and developing

personnel, drafting employment regulations, promoting organizational development strategies, overseeing administrative, accounting, and financial management, conducting procurement procedures, and, in coordination with the BdI's IT Department, designing and evolving IT systems and overseeing IT service delivery.

99. In addition, there are three units that operate across the organization – Internal Audit, Legal Services and the Secretariat of the President and Board. The Internal Audit Office conducts audits of organizational units, processes, and IT systems to assess and improve internal controls and risk management. The Legal Services Office provides legal advice and support to IVASS, represents the IVASS in court, and maintains contact with external legal experts. The Secretariat Office of the President and the Board of Directors offer assistance and coordination to the governing bodies, manages institutional communication, and promotes the Institute's image.

100. Structures have been created for coordination across the directorates. The Supervisory Activity Hub, which has been in place since the 2019 reorganization, coordinates work among directorates. The Financial & Technology Innovation Steering Committee brings deputy heads together to support the national FinTech agenda. With respect to sanctions, a cross-directorate workflow channels inputs from Consumer Protection, Market Conduct, Anti-fraud, Prudential Supervision, and the Inspectorate into preliminary committee (group for the preliminary examination of irregularities – GEPI) and (examination committees CEI) working with the Sanctions and Winding-Up Directorate. Sanctions are approved according to delegations of authority.[23]

101. While it appears that IVASS structure may end up with it operating in silos, that is not what the mission observed. There is documented evidence of good cooperation across the different directorates. One area where some more integration would be helpful is with regard to on-site inspections but that is expanded below.

102. IVASS must also work closely with the two ministries. With MEF, IVASS proposes annual supervisory fees, contributes to drafting regulations (e.g., IRRD transposition, compulsory NatCat insurance), and participates in macroprudential oversight and the Financial Security Committee. With MIMIT, IVASS collaborates on measures for extraordinary administration, authorization withdrawal, and winding-up; it also supported rules for the Insurance Arbitrator's procedures and panel composition.

103. IVASS is also actively involved in collaboration with national Italian bodies that include membership from ministries and other supervisory authorities. IVASS sits on the Macroprudential Policy Committee (with MEF, BdI, CONSOB, COVIP) and the Sustainable Finance Committee and is a member of the FinTech Committee; it cooperates with Guardia di Finanza and UIF on AML/CFT and engages in national financial education initiatives.

104. IVASS must also work with other national authorities. It maintains cross-sector agreements with the BdI, CONSOB, AGCM and ANAC covering supervision of financial

[23] https://www.ivass.it/chi-siamo/organizzazione/Struttura-organizzativa/System_of_delegations.pdf?language_id=3

conglomerates, enforcement of interlocking ban rules, coordination on IAS/IFRS application, and joint procurement frameworks. The close collaboration with the BdI has been explained above. With CONSOB, a 2021 framework agreement set up strategic/technical committees. In 2024, protocols standardized cooperation on issuers, Insurance-Based Investment Products (IBIPs) distribution, Packaged retail and insurance-based investment products (PRIIPs) compliance, and coordinated inspection operations. With AGCM, a 2024 agreement aligns market-competition and consumer-protection actions, including coordinated fact-finding, mutual reporting of violations, shared opinions, and joint staff training; IVASS issues formal opinions on antitrust and unfair practices cases.

B. Scope of Insurance Supervision

105. The scope of insurance supervision in Italy extends to all undertakings that exercise insurance or reinsurance activity within Italy.[24] With respect to prudential supervision, all (re)insurers are subject to Solvency II except for one small entity that can operate locally only. For undertakings excluded from Solvency II, the applicable regime[25] largely mirrors Solvency I provisions but introduces enhancements in internal governance and fit and proper requirements.[26] Upcoming changes following the Solvency II review will introduce new limits and, notably, the application of proportionality principles will create a new category of small and non-complex insurance undertakings. These entities will benefit from simplified requirements in areas such as reporting, disclosure, governance, policy revision, technical provisions, ORSA, and liquidity risk management plans.

106. The national regulatory frameworks governing Insurance-Based Investment Products (IBIPs) clearly divide responsibilities between IVASS and CONSOB, guided by cooperation, coordination, and institutional autonomy. IVASS regulates IBIPs from a prudential perspective as life insurance products under Classes I, III, or V of the Solvency II Directive. IVASS is responsible for ensuring the soundness and financial stability of insurance undertakings offering these products. In terms of market conduct, Article 25-ter of the Consolidated Law on Finance (TUF) grants CONSOB supervisory powers over the distribution of IBIPs by entities authorized to provide investment services, such as banks, investment firms, and securities brokers. Article 121-quater of the Private Insurance Code (CAP) assigns IVASS supervisory authority over the distribution of IBIPs by insurance undertakings and intermediaries registered in Sections A, B, and C of the Single Register of Intermediaries, including their collaborators.

107. In the previous FSAP, it was noted that the overlap of responsibilities between IVASS and CONSOB with respect to supervision of IBIPs needed to be clarified and such clarification has been put in place. The coordination between IVASS and CONSOB has been formalized through

[24] CAP Article 6

[25] CAP Articles 51-bis, 51-ter, 51-quarter and 52) and IVASS Regulation n. 29/2016

[26] Ministerial decree 2 May 2022, n. 88

memoranda of understanding, most notably the Protocols signed on 20 December 2024. These agreements outline operational procedures for cooperation, including information sharing, joint supervisory criteria, and mutual notification of inspections and regulatory actions.

108. In addition to this split of responsibilities on IBIPs, pension products offered by insurance undertakings fall under the supervision of Commissione di vigilanza sui fondi pensione (COVIP - the Italian Pension Fund Supervisory Authority).[27] COVIP oversees compliance with pension-specific regulations, while IVASS retains responsibility for ensuring the sound and prudent management of the insurance undertakings involved.

109. There are some entities that provide services similar to insurers but are not covered by insurance regulation: pension funds, supplementary health funds and the mutual assistance associations (società di mutuo soccorso - SMS). Health funds and mutual assistance associations provide supplementary health cover. In some cases, these entities operate through group insurance policies issued and managed by licensed insurance undertakings.

110. Supplementary health funds are non-profit entities[28] which supplement the basic services of the National Health System through forms of collective assistance. The Ministry of Enterprises and Made in Italy (MIMIT) supervises cooperative societies.[29] As at the time of the mission, there are 80,066 cooperative societies registered, of which 301 are mutual assistance associations.[30]

111. The Ministerial Decree of 31 March 2008 created a register of supplementary health funds at the Ministry of Health; registration is optional but required for fiscal benefits. Two distinct types of health funds: Type A supplementary health funds[31] and bodies, funds and mutual assistance associations (Type B).[32] There are 12 Type A funds and the value of the related benefits is only estimated to be 2.8 million EUR in 2021. However, there were 309 Type B supplementary funds with benefits estimated at 3 billion EUR. Supplementary health funds underwrite nearly 52 percent of health insurance premiums.[33] In 2023, health insurance premiums were collected mainly through group policies, with a prevalence of those underwritten through health funds[34] - 51.8 percent of the total consistent with previous years.

[27] Legislative Decree No. 252 of 5 December 2005

[28] Established by Legislative Decree no. 502/1992, amended by Legislative Decree no. 517/1993 and regulated by the Decrees of the Minister of Health of 31 March 2008 and 27 October 2009

[29] Article 1 of Legislative Decree No. 220 of August 2, 2002

[30] https://portaledati.mimit.gov.it/banca-dati/albo_coop

[31] Article 9 of Legislative Decree no. 502/1992

[32] Article 51(2)(a) of Consolidation Act no. 917/1986

[33] Based on 2023 figures – IVASS Statistical Bulletin Year XII – n.2 – February 2025

[34] Supplementary funds pursuant to Article 9 of Legislative Decree 502/1992 and mutual assistance associations

112. Complaints received by IVASS indicate that consumers are not aware of the different types of entities operating in supplementary healthcare or that funds, health societies and mutual assistance associations are not subject to IVASS' supervision. IVASS has seen a rise in reports of surety policies issued by mutual assistance associations. From 2024 to 2025, it opened 24 cases related to 10 such associations, following requests from public bodies, lawyers, and contractors. In some instances, IVASS referred fake policy cases to MIMIT. This is evidence of mutual assistance associations operating outside their solidarity-based purpose and, for example, engaging in insurance activities in areas unrelated to healthcare (e.g. suretyship).

113. Only health policies issued by insurance companies and by health funds that subscribe to insurance contracts are protected by the prudential regulatory and supervisory framework of IVASS. The absence of a similar prudential regulatory and supervisory framework for health funds and mutual assistance associations may undermine the credibility of the supplementary healthcare system if a failure or series of failures result in losses to consumers.

114. IVASS has raised with the relevant competent Ministries the risks of possible negative effects on consumers and distortion of competition due to non-prudentially regulated entities offering insurance-like products. There are uncertainties, as demonstrated by the complaints received by IVASS, with regard to both the identification of the institutional body competent to exercise supervision over the prudential and market conduct requirements of these health funds and mutual assistance associations. Furthermore, although these entities are not likely to pose a direct financial stability risk, it is not clear how a crisis in the sector would be addressed and indeed if there would be a potential reputational risk for the insurance sector given the public's view that these entities are insurers supervised by IVASS. IVASS has pointed out that there needs to be an across government approach to addressing the regulatory and supervisory frameworks for these institutions. The IMF supports that view. The IMF will not recommend a particular way to achieve this outcome. One way would be to deem the business of health funds to be insurance business requiring a license from IVASS and ban mutual aid funds from offering insurance-like products. However, if that proves administratively difficult across all the relevant ministries and IVASS, other ways of achieving the same outcome through new regulatory and supervisory structures may be possible.

Recommendation

- Establish a level playing field for health insurance/protection products and all insurance and insurance-like products to ensure consumers are protected from prudential and market conduct risks at least to the level of insurance policy holders (MIMIT, IVASS and Ministry of Health).

C. Supervisory Processes

Prudential Supervision

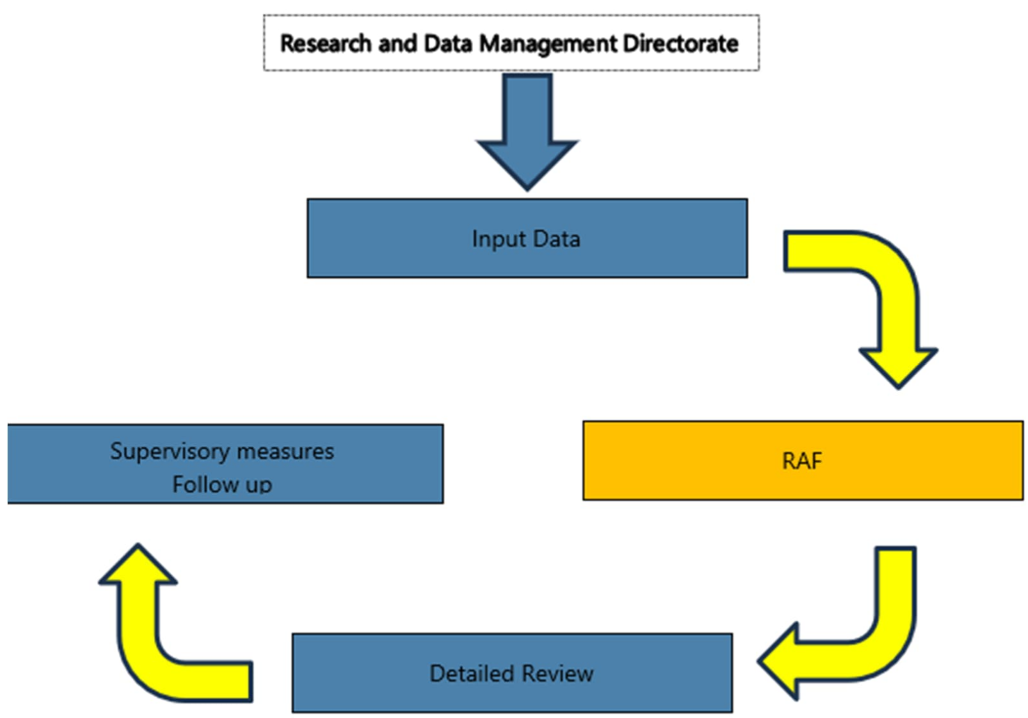
115. The Prudential Supervision Directorate is in charge of off-site supervision for 88 insurance companies and 24 insurance groups. There are three divisions with specific insurers and insurance groups allocated to them. These divisions are responsible for the Supervisory Review

Process (SRP) and for licensing, mergers and acquisitions, portfolio transfers, shareholder authorization and analysis of outsourcing. The directorate is also responsible for overseeing Italian insurers providing insurance products via Freedom of Services or Freedom of Establishment.

116. There is the Insurance Risk division which is in charge of internal model supervision, undertaking specific parameters under Solvency II and consideration of ICT risks and implementation of DORA. The Division works with other divisions within the directorate responsible for the off-site supervision of insurance companies. See below for further details re internal model supervision.

117. There is a Supervisory Handbook that outlines the SRP. The SRP is based on 3 related phases: the Risk Assessment Framework phase, Detailed review phase and Supervisory Measures/Follow-up phase. The Risk Assessment Framework (RAF) is currently undergoing a change with a new methodology of risk assessment that is being rolled out in 2025. The mission was able to see the previous methodology through file reviews and the 2025 methodology was explained in detail during the mission. The RAF provides both for a minimum number of checks on all companies and for planning further analysis for those companies that need greater attention due to their risk profile or impact of failure. This process of risk assessment is carried out at least once per year for planning purposes and is updated for any analysis of the insurance company that is conducted within a year.

Figure 8. Supervisory Review Process



118. This RAF process encompasses both quantitative, automated scoring and judgement based scoring The RAF plus the detailed review enable identification of insurance companies that need to be investigated further and what subjects require a deep dive through an on-site inspection. The Risk Assessment Framework (RAF) is used to determine the Supervisory Rating for each supervised insurance company. This rating is a key input for preparing the Annual Supervision Plan, which is proposed by the Head of the Prudential Supervision Directorate after consulting other IVASS departments. The process involves three main steps: First, companies are classified into four categories based on their size (impact) and assigned one of four risk profiles using Key Risk Indicators (KRIs) in areas such as profitability, governance, investment and technical risks, and capital adequacy. The final score for each company is a weighted average of these areas of risk. Second, the size and risk dimensions are aggregated to produce a final rating that represents the overall risk profile. For 2024 26 entities were given a Rating 1 score, 31 were given a Rating 2 score, 26 were given a Rating 3 score and there were no Rating 4 insurers. Third, the Supervision Plan is prepared, outlining priorities, the intensity of supervisory activities, areas for investigation, and the supervisory tools to be used, based on RAF results and other available information. For insurers in Rating 1, there is no need to implement specific supervisory actions, For Rating 2, the same applies as for Rating 1 but monitoring of identified risks and weaknesses is activated. Rating 3 requires specific supervisory actions to restore the company's operational/financial situation. Rating 4 requires incisive supervisory actions to ensure compliance with operating conditions of the insurance company.

119. The RAF that is being implemented in 2025 has been revised in a number of ways. The Key Risk Indicators have increased in number from 18 to 23, with 6 of the existing KRIs revised. Scores are threshold rather than percentile-based (only 5 KRIs). There is now a continuous risk score alongside the discrete one to improve aggregation and overall representation.

120. The RAF rating is the main input for drafting the Supervisory Plan but other aspects are taken into account. Other issues can include actuarial analysis of claims reserves, supervisory information provided by companies, solvency and liquidity monitoring, internal model comparative studies and backtesting, EIOPA stress tests, follow-ups from previous on-site inspections. The Prudential Supervision Directorate, after risk assessment and consultation with divisions and other departments, as well as consideration of EIOPA priorities, sets supervisory priorities, intensity, investigation areas, and tools for each company in the Supervisory Plan.

121. The supervisory plan for 2025 had specific supervisory plans for 29 insurance companies including on-site inspection activities as well as additional off-site analysis work. Of the 29 companies specifically mentioned in the supervisory plan, 26 had a RAF Rating of 3 and the remaining 3 companies had a RAF rating of 2 but within that calculation a risk score of 3. However, this does not mean a lack of supervisory attention for other insurers outside the 29 specifically mentioned in the plan. All insurance companies are subject to a multiple set of recurring tasks by analysts. Those tasks include monitoring of solvency and liquidity, analysis of statutory financial statements, analysis of ORSA reports and key corporate policies, actuarial analyses of the local claims reserve, monitoring of investments and unrealized capital losses, review of fit and

proper requirements of corporate officers and on-going supervisory activity carried out within the Colleges of Supervisors.

122. This process of risk rating and supervisory planning demonstrates an advanced application of risk-based supervision and prioritization within a very resource constrained environment. There are issues with the breadth of on-site supervision coverage over time but those issues are addressed below. Overall, the prudential supervisory process is highly advanced and comprehensive.

Internal Model Supervision

123. As of June 30, 2025, there were nine solo insurance companies and three insurance groups with approved full internal models as well as nine solo insurance companies and two insurance groups with approved partial internal models. For two of the groups with full internal models, IVASS acts as host supervisor. In addition, there are 11 solo insurance companies and 2 insurance groups with approved undertaking specific parameters for use in the Solvency II standard formula. In terms of total assets, insurance companies with approved full internal models represent 31.5 percent of the total assets of the Italian insurance sector and those with approved partial internal models represent 9.5 percent of the total assets of the Italian insurance sector. In terms of premiums, insurance companies with partial or full internal models represent about 50 percent of market share. This is in line with the wider EEA market.

124. While Insurance Group Divisions within the Prudential Supervision Directorate are responsible for the supervision of the insurance companies and insurance groups, the Risk Analysis Division provides support on the approval and ongoing supervision of internal models. The Insurance Group Divisions manage qualitative aspects of internal model supervision including governance, change policies and usage testing. The Risk Analysis Division focuses on technical and quantitative analysis.

125. The first-time approvals and major changes to internal models process begins with a pre-application phase, where IVASS conducts preliminary evaluations of the proposed methodologies, calibrations, and results, including on-site visits and feedback sessions. The relevant Insurance Group Division works with the Risk Analysis Division to identify issues and classifies them by theme and severity. These issues or blocking points must be resolved before moving to the formal application phase. The pre-application assessment covers a wide range of subjects, such as governance, risk coverage, data quality, model validation, and documentation completeness. Detailed feedback is provided to the applicant, highlighting blocking points that must be addressed. This is an iterative process until blocking points are successfully addressed. The pre-application phase typically takes about 2 years for new model approvals.

126. Following the pre-application phase the internal model approval process moves to a formal application phase where the insurance company or group submits all mandatory documents according to formal administrative procedures. This documentation is reviewed by both the relevant Insurance Group Division and the Risk Analysis Division and any required

corrective actions are identified and followed up before the final decision. Approval of new internal models or the modelling of new risks (partial internal model) requires the Joint Directorate to make the decision to approve the internal model. Where there are model changes to already approved models these decisions can be made by the President and Board of Directors. Minor models changes are monitored quarterly to ensure ongoing oversight without formal approvals.

127. IVASS collaborates with other EU or EEA supervisors in either a home supervisor or host supervisor role when approving new internal models or changes to internal models. As the home supervisors, IVASS coordinates authorization processes and joint decisions needed during both the pre-application phase and formal application phase. As a host supervisor, IVASS participates in technical evaluations and is involved in decision making within the college of supervisors.

128. Ongoing supervision of internal models involves a structured process to monitor models' ability to accurately assess risks. Two major activities are: calibration analysis through back-testing exercises covering market risks, non-life underwriting risks and lapse risks; assessment of model performance including comparisons with the Standard Formula to identify potential model drift. IVASS is to be commended for requiring reporting of the Standard Formula SCR and conducting the model drift analysis. This is best practice and should be replicated by other European supervisors. IVASS analysis only involved insurance groups where IVASS is the Group Supervisor. The aim of the model drift analysis is to verify that SCR movements over the years are attributable to movements in the risks to which the group or insurance company is exposed

129. The model drift analysis does demonstrate that there are significant advantages in the SCR calculation for insurance companies and groups using internal models. The reduction in SCR compared to the Standard Formula is so significant that it is worth referencing the recommendation made in the Euro Area FSAP to consider a floor on internal model calculated SCR with reference to the Standard Formula SCR. If an output floor was implemented similar to the one that will become fully operational by 2030 under Basel III requirements for banks (i.e. an output floor of 72.5 percent), this would be a binding requirement for a number of Italian insurance companies and insurance groups.

130. IVASS undertakes an internal backtesting process of interest rate and credit spread models in order to perform independent analysis of models' performance. Insurance companies and groups provide IVASS with updated model parameters and time series used in the calibration process and then IVASS runs a calculation engine to simulate model distributions and perform backtesting. There is then a comparison between historical market observations and model projections. Where unsatisfactory results are found, a discussion is initiated with the relevant group or insurance company and this may lead to model changes or calibration changes.

131. Non-life and Life underwriting is mostly calibrated using the insurance company or insurance group's proprietary internal data which are shaped by market conditions and specific portfolio characteristics. This requires out-of-sample backtesting comparing the distribution projected by the model with the actual data observed in the following year. Backtesting

has identified breaches in the 99.5 percent VAR over 1 year requirement, in some instances. That backtesting has led to required major model changes in at least one case.

132. Methodologies for determining diversification among risks and sub-risks is an issue that IVASS pays close attention to in the pre-application phase and periodic analysis performed on approved internal models. Risks are usually determined in a more granular manner in an internal model adding to the complexity of aggregating risk sub-modules and risk modules. Given that determination of an aggregation methodology and the calibration of that methodology require significant judgment, IVASS considers the process undertaken by insurance companies and groups to determine the methodology and requires sensitivity analysis to assess the impact of variations in correlation coefficients considering the uncertainty in their definition. Requests for comparisons and analysis using historical data are made with the objective of attempting to quantify prudence margins embedded in correlation coefficients and checking on how tail dependence across multiple risks are represented in the model. Another aspect is to determine whether the number of scenarios defined in the model are sufficient.

133. Understanding the complexity of the models is key for IVASS supervisors. Evaluations of internal models can be conducted at various levels, including total group, individual undertakings, and specific risks. To maintain mathematical consistency, methodologies for regularizing the correlation structure are carefully examined, though their implementation may cause divergent results in complex models. Additionally, it is essential to verify capital requirement reallocation methods, which determine how each risk's contribution to the overall aggregated capital requirement is identified. IVASS is also actively contributing to EIOPA work in analyzing the impact of different approaches and calibrations of diversification methodologies for internal models.

134. IVASS undertakes supervisory assessments of data quality with respect to internal models. IVASS emphasizes the importance of a robust and automated IT infrastructure to ensure reliable and repeatable data quality processes, focusing on the accuracy, completeness, and appropriateness of data as required by Solvency II. Data quality controls are analyzed, often with third-party assessments to certify results. For internal model or undertaking-specific parameter (USP/GSP) authorization, IVASS conducts thorough checks on policy and claims datasets spanning the last 12 financial years (where available), testing for consistency and plausibility, investigating anomalies, and excluding problematic data when necessary. These checks are performed separately on policies and claims, and merged datasets are analyzed for mismatches to further ensure data integrity.

135. One key issue of concern is that IVASS allows different approaches to sovereign risk in internal models depending on the type of insurance group. At both domestic and international levels, sovereign bonds may be treated as risk-free under the standard formula, but internal models can differentiate based on the group's operations—domestic groups are allowed to use a constant volatility adjustment (VA) and are not required to model spread risk on sovereign bonds, while groups operating internationally must model spread risk and apply a dynamic VA. For those domestic groups that do not model spread risk of sovereign bonds, there is a Pillar II liquidity analysis to assess the capacity of the insurance groups to meet their obligations without forced

sovereign bond sales under stressed conditions. If the analysis shows that sovereign bonds would need to be sold, an additional capital charge is determined based on the spread risk of the sovereign bonds that would need to be sold. Following the Solvency II review, IVASS launched an impact study to assess the effects of new volatility adjustment rules and full modeling of sovereign bond spread risk for groups using internal models, with results due by June 30, 2026.

136. The argument for the differentiated approach applied currently is to have a level playing field among similar insurance groups. Other EU-based insurance groups operating internationally and cross-border within Europe are required to model spread risk on sovereign bonds and domestic groups that do not use an internal model do not recognize spread risk on sovereign bonds. The level playing field argument is weakened by the fact that internal model users derive a very significant benefit from approved internal models compared to the standard formula. It would be preferable for all internal model users to be subject to the same requirements with respect to sovereign risk.

137. IVASS may require a Capital Add-On (CAO) in exceptional circumstances, such as significant deviations in an insurance company's risk profile, deficiencies in internal models, governance failures, or temporary deviations related to adjustments or transitional measures. The CAO must be proportionate, justified, and regularly reviewed, with legal limits defined in EU regulations.[35] The process involves notifying the insurance company, allowing for a response, reviewing information, and calculating the CAO if needed. However, IVASS typically seeks a self-imposed capital margin from the insurance company to address anomalies. But if issues are material and cannot be resolved promptly, a formal CAO is imposed, with ongoing monitoring and potential removal once deficiencies are corrected. IVASS has only imposed 2 CAOs as of 2024 but there are 15 self-imposed capital margins.

138. IVASS draws strength from its deep involvement in the EIOPA Internal Models Forum and other EIOPA working groups dedicated to internal model supervision. IVASS has been involved in the Market and Credit Risk Comparative Study (MCRCS), Non-Life Comparative Study (NLCS), Life Underwriting Risk Comparative Study (LURCS), the EIOPA Study on Diversification in Internal Models (DIV PG) and the Operational Risk Initiative. The mission was able to see the results of the MCRCS. This is interesting because market risks usually have common definitions across internal models and the standard formula. Participants are able to run internal models on synthetic financial instruments and benchmark portfolios creating a common portfolio to assess modelling differences. This study is an annual study performed by EIOPA and National Competent Authorities such as IVASS (for 2025 there are 15 NCAs participating). Out of 21 participating insurance groups, 4 are from Italy.

139. The latest results published by EIOPA for the MCRCS are for the exercise based on 2022 data.[36] Results for the exercise based on 2023 data are not available on EIOPA's website as

[35] Delegated Regulation (EU) 2015/35, Articles 276 to 278

[36] YE2022 Comparative Study on Market and Credit Risk Modelling

EIOPA has decided that there will be reduced scope studies every second year. Data is still being analyzed for the exercise based on 2024 data. The 2022 results show considerable dispersion of results but the results were not systematically lower than results using the Standard Formula. The results of the MCRCS study, together with other supervisory activities, are used by IVASS to monitor the on-going adequacy of internal models. When the MCRCS study highlights the need to strengthen or review certain aspects of an internal model, IVASS issues supervisory notes requesting specific actions. This process has led to major model changes for some groups.

Recommendations

- The same approach to sovereign risk should apply across all internal model users.
- Consistent with the Euro Area FSAP recommendations – IVASS and EIOPA should consider implementing a floor to internal model SCR calculations consistent with the Basel III reforms in banking.

Market Conduct Supervision

140. IVASS has developed a range of tools to collect and analyze quantitative data from both supervisory reporting and external databases. These tools support market monitoring and help prioritize supervisory actions. For insurance-based investment products (IBIPs), product features and performance data are gathered and analyzed using methodologies aligned with EIOPA standards. Retail Risk Indicators (RRIs) are derived from Solvency II (SII) reporting and national data, though fewer indicators are available for cross-border business. For intermediaries, national reporting by insurers provides insights into gross written premiums (GWP) and policy volumes by intermediary and line of business. Additionally, qualitative approaches such as monitoring non-life products through analysis of standardized Insurance Product Information Documents (IPIDs) are utilized.

141. Supervisory priorities are set annually, considering themes identified at both EIOPA and national levels, and leveraging web and news monitoring. Once a theme is selected, internal analysis uses quantitative indicators to identify market outliers, which are then subject to deeper quantitative and qualitative assessment involving requests for updated data and documentation from insurers, and a review of publicly available information. Supervisory actions may include meetings to challenge insurers, requests for process modifications, on-site inspections, and, if necessary, sanctioning proceedings for breaches of national requirements. This layered approach ensures that supervisory resources are focused on areas of greatest risk or concern, with themes for 2024 and 2025 including payment protection insurance (PPI) and annual reporting requirements for life contracts.

142. Examples of supervisory practices include interventions in the PPI sector, where EIOPA's 2022 warning led to follow-up actions by IVASS involving 12 insurance companies and 3 banks. These actions resulted in product revisions, improved claims procedures, and enhanced underwriting processes. A 2024 EIOPA survey assessed the effectiveness of these

measures, with Italy showing notable improvements. For life contracts, insurers must annually report to policyholders on policy value, withdrawal value, costs, and yields. IVASS has optimized this process by involving insurers' compliance functions, leading to improvements in report clarity and consumer protection culture.

143. Supervision of the market conduct of insurance companies is conducted both off-site and on-site, with on-site inspections triggered by significant concerns or urgent situations. Inspections focus on compliance with regulatory requirements and best practices, particularly regarding target markets, conflicts of interest, and transparency. Findings from on-site inspections are shared with relevant authorities, such as CONSOB, when distribution through banking channels is involved.

144. Given the high number of intermediaries, supervision combines indirect and direct approaches. Indirect supervision is mainly through insurers, who monitor their distribution networks and report to IVASS. Dashboards based on Key Risk Indicators (KRIs) have evolved to include compliance with Product Oversight and Governance (POG) requirements. Direct supervision involves market analysis, prioritization of intermediaries for assessment, and implementation of specific measures, including on-site inspections and remedial plans. The approach is also reactive to market conduct irregularities reported from external sources, with sanctioning proceedings initiated for documented breaches. In 2024, IVASS imposed 80 sanctions on intermediaries, primarily for failures in managing premium cash flows.

On-site Inspections

145. IVASS's Inspectorate has undergone significant changes since its establishment, evolving from a model with separate departments for different insurance sectors to a centralized structure implemented in 2019 and inspired by the BdI model. The Inspectorate is now the sole provider of on-site inspections for all IVASS supervisory units, planning and executing inspections in collaboration with off-site units (Prudential Supervision Directorate and Market Conduct Directorate). The Directorate also manages administrative duties, sanctions, and anti-money laundering (AML) activities, with a dedicated AML unit handling both on-site and ongoing regulatory functions.

146. The Inspectorate is the second smallest directorate within IVASS. It has 37 staff, only the Sanctions and Winding-up directorate is smaller. In comparison, the Prudential Supervision Directorate has 68 staff and the Market Conduct Directorate has 47 staff. There is a high-ratio of on-site days to available staff days within the Inspectorate, this has been pushed above 70 percent. For some individual staff members this ratio is even higher. Given that many of the on-site inspections involve travels away from Rome this means there is significant strain on individual staff members. The workload is pushing the limits of what individual staff members can do. They can only be involved in 3 on-site inspections per year given the depth of the work and the length of time each on-site inspection takes. Resources in the Inspectorate need to be reconsidered as it appears that a strategic choice has been made to put greater emphasis on resourcing off-site supervision.

147. On-site inspections are guided by key principles: risk-focused investigations, effectiveness (comprehensive assessments and prompt communication of findings), methodological and operational integration with off-site supervision, and objectivity. One aspect of operational integration that has not occurred enough is the participation of the Prudential Supervision Directorate and Market Conduct Supervision Directorate staff in on-site inspections. This has occurred rarely and as a result these two supervision divisions do not have the opportunity to fully understand the operations of the insurance companies they supervise. Transparency with inspected entities and responsibility/confidentiality are emphasized, ensuring critical dialogue and careful handling of sensitive information. The inspection process is structured into phases: annual planning, pre-inspection (defining scope and objectives), on-site inspection (data collection and interviews), reporting, and post-inspection review, with clear roles for each phase.

148. Inspections take a long time and are in depth, particularly in terms of evidence gathering. The average time for a prudential on-site inspection in 2024 was 50 days. The average time for a market conduct on-site inspection in 2024 was 35 days. It takes 3 months to issue a report due to review and revision processes. There is no internal deadline for issuing inspection reports and significant delays occur. Internal Model on-site reviews are not undertaken by the Inspectorate but are now undertaken by the Risk Analysis Division of the Prudential Supervision Directorate and these on-site inspections are completed in 2 to 3 weeks. The approach taken for internal model on-site inspections could have lessons for the approach to on-site inspections more generally. The point is that the internal model on-site inspections focus on a specific aspect of an insurer's operations and this could be used in other instances instead of the full-scale inspection. However, it is notable that there is no defined cycle of on-site inspections with regard to internal models and this would be desirable to ensure internal model users receive appropriate on-site supervision.

149. Main findings of an inspection are usually identified halfway through the on-site inspection (within 5 to 6 weeks). The additional time taken is to make the findings more robust with evidence. For example, the inspection team reperforms best estimate liability calculations relying on the actuarial model outputs of the inspected company. They carry out data quality checks and reconciliation checks on the calculation focusing on policyholder behavior modelling. There is an orientation toward obtaining evidence suitable either for submitting a report to public prosecutors or for a sanction procedure which is why the additional time is taken with evidence gathering. In reality, there are only about 3 to 4 sanction procedures annually as a result of on-site inspections so the evidence gathering to a level required for a prosecution is not necessary in all cases. For comparison, there were 30 on-site inspections completed in 2024. Another indication of the level of depth of on-site inspections is that sometimes on-site inspections of intermediaries are coordinated with the GdF because the GdF have better powers to access documentation, particularly e-mails. Again, this shows an orientation towards evidence gathering for sanctioning procedures. Remediating deficiencies at insurance companies should be the focus of on-site inspections rather than sanctioning. The sanctioning process should be activated where serious deficiencies are found and remedial plans are not implemented.

150. While IVASS places strong emphasis on substantiating inspection findings, the extent of substantiation across on-site inspections should not be uniform. Given the Inspectorate is resource constrained as one of the smallest Directorates within IVASS, the depth of substantiation work could be calibrated to the seriousness of the findings. Rigorous substantiation is appropriately applied to serious findings, where the evidentiary basis is critical, and this approach is fully appropriate. By contrast, the application of similarly in-depth substantiation work where there are less serious findings—leading to a remedial plan adopted by the insurer as opposed to formal supervisory intervention—appears less well justified. In this context, there is no material differentiation observed in the length of on-site inspections based on the nature of the findings.[37]

151. Planning for on-site inspection activity occurs on an annual basis. At the end of each year, an on-site inspection plan is prepared for the following year. The number of prudential on-site inspections, market conduct on-site inspections and anti-money laundering on-site inspections are planned for a year. High-priority on-site inspections are identified in the plan. Some planned inspections do not start or are not completed within the relevant year. For instance, in 2024, 35 on-site inspections were planned but only 32 were started and 30 completed within the year. In that year, four on-site inspections were cancelled at the request of the relevant off-site supervision directorate, there were two additional extraordinary on-site checks and only one on-site inspection was postponed due to resource constraints Where on-site inspections are not carried out in a year, the general rule is they are deferred until the following year. Sometimes on-site inspections do not occur because events occur to make the on-site inspection inappropriate or premature, for example where an insurance company or group has a large acquisition or where there are changes in shareholders. In some cases, the issues identified to trigger the on-site inspection are dealt with through other off-site supervisory processes. For example, four liquidity risk focused on-site inspections in 2023 were cancelled due to the Prudential Supervision Directorates thematic review on lapses.

152. Since the previous FSAP, IVASS has broadened its market coverage and inspection scope, increasing both the number and complexity of on-site inspections. The Directorate has targeted under-explored areas such as governance, strategic risk, ICT risk, and liquidation processes, and has adopted a group-wide approach to inspections. Efforts have been made to reduce the backlog of small companies not inspected for long periods, in line with IMF recommendations, with dedicated inspection modules and industry consolidation helping to address this issue.

153. In the previous FSAP, there was a recommendation to consider setting a minimum frequency of inspection, to produce a more comprehensive coverage of insurers to minimize the possibility that the smaller insurers might not be inspected for an extended period. This recommendation is still valid given what was found in this FSAP. If 2025 inspection plans are met, there will be 14 insurance companies that have not been subject to an on-site inspection in the last

[37] Differences are primarily driven by the presence or absence of findings. Based on IVASS statistical data for the period 2022–November 2025, on-site inspections with a favorable outcome (22 cases)—excluding AML-related inspections and those concerning internal model calibration—had an average duration approximately 49 days shorter than inspections with an unfavorable outcome (27 cases).

10 years, of which only 2 do not belong to a group. This is a significant improvement from 2020 when it was observed that 26 insurers had not received an on-site inspection in 10 years. IVASS has emphasized putting its scarce on-site inspection resources toward inspecting companies that are independent of groups, which is an appropriate emphasis. Based on the 2025 inspection plan, over the years 2023-2025 42 percent of insurance companies will be inspected at least once (34 percent of companies will receive a prudential on-site inspection over 3 years). The current supervisory framework does not establish any targets regarding the maximum number of years that may elapse since the previous on-site inspection, not even for top-tier insurance undertakings.. It is important in a concentrated insurance market like the Italian one to have regular on-site inspections of the largest insurers.

154. Adding up missing internal deadlines on issuing reports, the improved yet still not complete coverage of smaller insurers and the fact that planned inspections are often not started in a year, it is clear there is an issue of resourcing versus workload. It would appear that there is room for progress on increasing resourcing of the Inspectorate by increasing the headcount. There is also scope for greater efficiency by focusing the on-site inspections more clearly and only gathering evidence to a prosecutorial level where there is a high likelihood that a sanctioning procedure will go ahead. The increased headcount should be considered in light of the overall resourcing of IVASS considering the recommendation to increase the overall headcount of IVASS up to the limit of 400 staff. In addition, staff from the off-site divisions could be more routinely drafted in to work in on-site inspection teams. This would have the dual benefits of increasing the resourcing of on-site inspections and transferring knowledge of the operational processes of supervised insurance companies to the off-site divisions. The recommendations below assume that a separate Inspectorate will be maintained rather than merging the on-site and off-site supervision resources to create supervision teams responsible for the entire supervisory cycle.

Recommendations

- Increase the focus of on-site inspections and reduce the time on-site by making the sanctioning/enforcement process separate and determining which on-site inspection will need to gather evidence to a level to support a sanctioning process.
- Increase the resources of the Inspectorate by increasing its headcount.
- Involve the Prudential Supervision Directorate and Market Conduct Supervision Directorate staff routinely in on-site inspections.
- Make the goal of on-site inspections for top-tier companies every 3 years a hard goal to be monitored.
- Determine an appropriate cycle for on-site inspections of all insurers and monitor the goal of achieving that cycle.
- Determine an appropriate cycle for internal model on-site inspections for all insurers with internal models and monitor the goal of achieving that cycle.

- If on-site supervision cycles are not met, engage in remedial action on resource availability.

155. Alternatively, if a reorganization of resources is possible, consider combining the resources for on-site supervision and off-site supervision within supervisory teams responsible for the entire supervisory process. This would involve disbanding the Inspectorate and reallocating resources to the Prudential Supervision Directorate and Market Conduct Directorate. This would involve the creation of teams dedicated to the largest insurers in the Prudential Supervision Directorate. For smaller insurers, teams could be formed in the Prudential Supervision Directorate responsible for an allocation of smaller insurers. It would be useful to have specialist teams of expertise available to prudential and market conduct teams including on-site supervision expertise, where evidence gathering for possible sanctions is needed. Supervision teams within the Prudential Supervision Directorate would then be responsible for the entire supervisory process and achieving planned supervisory activities. Similarly, the role of on-site supervision on market conduct issues could be transferred to the Market Conduct Directorate, perhaps with a dedicated on-site inspection division. Both the Market Conduct Directorate and Prudential Supervision Directorate could then be given control over all resources for both on-site and off-site supervision and they should be responsible for achieving supervision plans.

D. Supervisory Intervention and Sanctions

156. When deficiencies are found insurers are required to put a remedial plan in place and then report on progress. This often occurs at the end of an on-site inspection with the insurance company usually required to provide a remedial plan which is then monitored through regular reporting from the insurance company about how it is addressing issues found. Sometimes sanctions are also imposed. Remedial plans are also put in place as a result of off-site supervision work.

157. The sanctioning proceedings can cover both insurers and intermediaries, addressing breaches related to prudential matters, insurance distribution, anti-money laundering, and other regulatory requirements. The Sanctions and Winding-Up Directorate is in charge of sanctioning proceedings. Sanctions for insurers can range from monetary penalties based on turnover to specific fines for breaches, with different thresholds depending on the nature of the violation. For intermediaries, sanctions include reproach for minor failures, censure for serious cases, pecuniary administrative sanctions, and, in extreme cases, striking off from the register. The proceedings also extend to breaches related to anti-money laundering, with significant financial penalties.

158. Instead of imposing financial penalties, IVASS may order the elimination of breaches, specifying corrective measures and deadlines for compliance. Sanctioning proceedings can also be initiated against corporate officers and personnel of insurers and mediation companies if their actions significantly impact the organization or its risk profile. These individuals may face substantial fines and additional sanctions, such as temporary prohibition from performing administrative, management, or control functions within insurance entities.

159. The process involves several directorates, each responsible for investigating and ascertaining infringements. Proceedings begin with notification to the alleged responsible party and must be concluded within two years. The investigation phase is conducted by either a guarantee committee (composed of three independent experts), for sanctioning proceedings against intermediaries for breaches relating to the Insurance Distribution Directive or the Sanctions and Winding-Up directorate for all other cases. The person under investigation has the right to submit written defenses and request a hearing. At the end of the investigation, a proposal for sanction or dismissal is transmitted to them, and the party responsible may submit additional remarks before a final decision is made.

160. Sanctioning proceedings conclude with either the notification of the sanction order or dismissal of the case. Orders imposing sanctions are published in the official bulletin and remain available online for five years, except in special cases. These orders can be appealed to the administrative court, but the appeal does not suspend the application of the sanction, which must be paid within a specified timeframe. Statistical data on sanctions imposed over the last three years is provided in Table 3. Subsequent to the mission, additional powers were provided to IVASS in the CAP[38] but the effectiveness of these powers and the use of these powers by IVASS has not been assessed.

Table 4. Italy: Administrative Sanctions Applied by IVASS

	2022	2023	2024
SANCTIONS AGAINST UNDERTAKINGS			
Pecuniary sanctions	62	40	60
Non-pecuniary sanctions	0	0	0
SANCTIONS AGAINST CORPORATE OFFICERS AND PERSONNEL			
Pecuniary sanctions	19	8	13
SANCTIONS AGAINST INTERMEDIARIES			
Pecuniary sanctions	4	8	0
Non-pecuniary sanctions	105	50	80
Disciplinary sanctions (relating to pre 1 October 2018 violations)	14		
DISMISSALS	50	24	28

161. The powers available to IVASS appear to be comprehensive and there is evidence that IVASS uses those powers where required. IVASS also provides insurance companies with a chance to remedy breaches through a remedial plan. There are no recommendations in relation to sanctioning powers.

[38] Legislative Decree No. 209 of December 31, 2025, published in the Official Journal No. 5 of January 8, 2026, and in force from January 23, 2026 but with effect from June, 19, 2026. Additional powers include: (i) extension of the cease-and-desist power as a stand-alone supervisory tool in addition to the current sanctioning tools; (ii) introduction of the rules on accepting commitments as part of the supervisory powers and sanctioning processes.

Actions Against Unauthorized Insurance Activity

162. Where insurance products are offered without appropriate authorization, Article 305 of CAP applies. Anyone conducting insurance or reinsurance business in Italy without proper authorization faces imprisonment of two to four years and a financial penalty ranging from EUR 20,000 to EUR 200,000. Similarly, those engaging in insurance or reinsurance mediation without being registered as required by law are subject to imprisonment from six months to two years and a fine between EUR 10,000 and EUR 100,000. If there are reasonable grounds to suspect unauthorized insurance activities or mediation, IVASS is empowered to apply to the court for appropriate measures or report the matter to the public prosecutor for further action.

163. IVASS identifies instances of unauthorized insurance activities from complaints and other third-party sources and it is also taking action to reduce unauthorized insurance distribution through websites. IVASS publishes a comprehensive "white-list" of around 8,000 verified insurance intermediary websites to help consumers avoid scams. IVASS also collaborates with Google to ensure that only legitimate insurance advertisers appear in search results by cross-checking with IVASS's public databases. IVASS maintains a dedicated section on its website with practical advice for safe online purchases. In 2023, IVASS further strengthened its anti-fraud efforts by gaining the authority to shut down illegal insurance websites under new powers,[39] resulting in the closure of 263 unauthorized sites by the end of that year—a number that continues to grow as part of ongoing cooperation with other regulatory bodies and internet service providers.

164. The legal framework for sanctioning unauthorized insurance business and the activities of IVASS appear to be comprehensive. Stopping unauthorized insurance business via the web is a constant issue for supervisors and IVASS appears to be applying best practices benchmarked with other countries to prevent this activity.

E. Recovery and Resolution

165. Article 241 of CAP states that the winding-up procedures applicable to insurance and reinsurance undertakings are governed by the general provisions of the Italian Civil Code. Nonetheless, in order to safeguard policyholders' interests, the rules concerning the adequacy of technical provisions, as well as the composition and investment of the assets covering those provisions (as set out under Title III of CAP), remain in force throughout the winding-up process.

166. CAP provides mechanisms for coordination between IVASS and the Ministry of Enterprises and Made in Italy in relation to reorganization and winding-up measures for insurance companies. The extraordinary administration, and administrative compulsory winding-up, as well as the withdrawal of authorization in the event that (i) the undertaking renounces it, (ii) it has not carried out business for more than six months, or (iii) there has been a reason for the dissolution of the company are enacted by decree of the Minister of Enterprises and Made in Italy,

[39] Law No. 238/2021, which amended Article 144-bis of the Consumer Code, extending the powers set forth in European Regulation 2017/2394 to "domestic" infringements.

based on a proposal from IVASS (Articles 233, 242, and 245 of CAP). All such measures remain under the oversight of IVASS.

167. Policyholder protection is not specifically addressed in resolution but is a core objective of the regulatory framework set out in CAP. Article 223 bis of CAP states that "[…] where the solvency position of the undertaking continues to deteriorate, IVASS shall have the power to take all measures necessary to safeguard the interests of policy holders in the case of insurance contracts, or the obligations arising out of reinsurance contracts. Those measures shall be proportionate and reflect the level and duration of the deterioration of the solvency position of the insurance or reinsurance undertaking." Article 258 establishes the precedence of claims related to technical provisions over other creditors.

168. Currently, Italian legislation does not provide a dedicated framework for insurance resolution. The transposition of the new Insurance Recovery and Resolution Directive (IRRD) into the Italian legal system is still underway. The IRRD entered into force on 29 January 2025, is expected to be transposed into national legislation by January 2027. IRRD seeks to safeguard policyholders by ensuring the continuity of critical insurance functions and by establishing financing arrangements in each Member State to compensate policyholders, beneficiaries, and claimants of insurance and reinsurance undertakings in order to ensure that no creditor incurs greater losses than they would have incurred if the undertaking had been wound up under normal insolvency proceedings in accordance with the principle that no creditor should be worse off than under normal insolvency proceedings. These functions may also be performed by Insurance Guarantee Schemes (IGSs), where such schemes exist at the national level. The IRRD embodies the general principle that creditors of an insurance company under resolution bear losses after shareholders, in accordance with the priority of claims under ordinary insolvency proceedings and to preserve this hierarchy, the IRRD introduces specific provisions.

169. Resolution planning is not yet formally mandated under national law but will be included upon the transposition of the IRRD into Italian Law. Therefore, there is no formalized process for determining which insurers will be subject to resolution planning requirements. Nonetheless, such planning is already in place for one Italian insurance group, as part of sound supervisory practice and, more broadly, as a preparatory exercise. A methodology has been developed to assess the potential domestic systemic importance of individual entities (not necessarily those considered "too big to fail"), which has been incorporated into IVASS's internal Supervisory Handbook. Once the IRRD is implemented, this methodology may support the identification of entities to be included in resolution planning.

Life Guarantee Scheme

170. A Life Guarantee Scheme has been established with its legislative foundation within Chapter VI-bis[40] of CAP. This chapter regulates the "Life insurance guarantee fund," a private-law consortium among insurance undertakings and intermediaries. The fund's main purpose is to

[40] Established by Law no. 213/2023

safeguard the credit rights of policyholders or beneficiaries of life insurance policies in the event of compulsory winding-up of member undertakings, up to a maximum amount of €100,000 per individual claimant.

171. Membership in the fund is compulsory for Italian insurance companies authorized to carry on business in life insurance classes, intermediaries with annual premiums in life insurance classes of EUR 50 million or more, and branches of non-EU insurance undertakings unless they are members of an equivalent foreign guarantee scheme.[41] Voluntary membership is available for EU insurance undertakings operating in Italy through branches or under the freedom to provide services. In the absence of harmonization of guarantee schemes across the EU that protect policyholders no matter where they reside, membership of the Life Guarantee Scheme should be compulsory for all insurers selling insurance business in Italy.

172. The fund must maintain a minimum of 0.4 percent of the life insurance technical provisions held by member insurance companies as of December 31 of the previous year.[42] Contributions from member insurance companies (art. 274-quinquies CAP) are proportionate to commitments made to policyholders and risk profiles, representing at least four-fifths of annual contributions. For intermediaries, contributions are determined by the volume of mediated life products and revenues, representing no more than one-fifth of the annual contribution, with specific rates for banks and agents/brokers.[43]

173. In its first year, the fund raised €365.3 million from 91 out of 100 members, with undertakings contributing €308.8 million and intermediaries contributing the remainder. Some intermediaries have not paid because of interpretative issues that will be overcome by the Fund's by-laws. The target level of 0.4 percent of life provisions (estimated at €3.09 billion) is to be achieved over a maximum of ten years, from January 1, 2024, to December 31, 2035. This phased approach ensures the fund's adequacy to meet its obligations, with minimum annual targets set for both undertakings and intermediaries.

174. Additional financial contributions may be required from members of the Life Guarantee Scheme if its resources are insufficient to cover protected benefits. In such cases, the fund may require extraordinary contributions not exceeding 0.5 percent of the life insurance technical provisions for member undertakings and 0.5 per thousand of the same provisions for member intermediaries. The fund is also empowered to secure alternative short-term funding from other sources to meet its obligations. All financial resources must be invested in low-risk and sufficiently diversified assets to ensure stability and security.

175. The fund is mandated to pay protected benefits up to EUR 100,000 per claimant in cases of compulsory winding-up of member insurance undertakings, with payments made

[41] Art. 274-ter of CAP

[42] Art. 274-quater of CAP

[43] Art. 274-quinquies of CAP

within 90 working days. The cap on benefits does not apply to certain specified insurance products. Beyond direct payouts, the fund may intervene in asset transfers or crisis prevention measures, provided costs do not exceed those of protected benefits, and further conditions are set by the fund's regulations. Governance requirements,[44] include robust organizational structures, statutory audits, confidentiality obligations, and independence criteria for key officers. The fund is also responsible for regular stress tests, financial reporting, and maintaining transparent communication with entitled parties, ensuring that all correspondence is in the appropriate language and that IVASS is kept informed of significant activities.

176. IVASS is responsible for approving the Fund's by-laws, ensuring the Fund has adequate structures and risk assessment methodologies, and monitoring compliance with legal provisions. IVASS defines coordination procedures with other relevant authorities and sets advertising and communication obligations for members to inform customers about the guarantee applicable to insurance coverage.

177. The Life Guarantee Scheme is operating with a temporary Board at the time of the mission. By the end of 2025, the temporary Board will submit the Fund's by-laws to IVASS for approval by the end of 2025.[45] The Fund's general meeting will also submit operating regulations for governance, member admission procedures, contribution criteria, and intervention powers to IVASS. A permanent Board will be appointed once the by-laws are approved.

Other Guarantee Funds

178. CONSAP (Concessionaria Servizi Assicurativi Pubblici S.p.A.), fully owned by the MIMIT, manages several key guarantee funds in Italy. This includes the Fondo di Garanzia per le Vittime della Strada (F.G.V.S.), which compensates victims of road accidents in cases involving uninsured, unidentified, or vehicles insured by insolvent insurers, as well as certain cross-border incidents within the EU. The F.G.V.S. operates under strict regulatory oversight and can recover payments from responsible parties or equivalent foreign guarantee bodies. CONSAP also manages the Guarantee Fund for Hunting Victims and, under Law No. 24 of 2017, is designated to oversee the Guarantee Fund for Medical Professional Liability, although the latter is not yet operational pending regulatory implementation.

179. The non-life market does not have a comprehensive guarantee scheme and the one established for medical professional liability has not yet been made operational. It would be reasonable to establish a non-life guarantee scheme on a similar basis to the life guarantee scheme to assist with resolution of insolvent non-life insurance companies. The establishment of such a guarantee scheme is less urgent than for the life insurance sector given that the non-life insurance sector in Italy is not as well developed. However, now that there is mandatory natural catastrophe insurance for firms, that should be the catalyst for considering such a guarantee scheme. Since the

[44] Art. 274-novies of CAP

[45] It was confirmed post-mission that the Life Guarantee Scheme's by-laws have been approved by IVASS

government is mandating the coverage, it should put in place arrangements to guarantee payment of claims. However, there are potential developments at the European level as the European Commission has tasked EIOPA with providing technical information and advice regarding the potential establishment of minimum common standards for insurance guarantee schemes (IGS) across the European Union, as outlined in Article 98 of the Insurance Recovery and Resolution Directive (IRRD). It may be wise to await this development before proceeding with the development of a non-life guarantee scheme.

Recommendations

- Fully implement IRRD to address the lack of a resolution framework.
- Require all life insurers selling insurance business in Italy to become members of the Life Insurance Guarantee Scheme.

Eurovita Case

180. The Eurovita case involved the failure of a mid-sized life insurance company ultimately caused by the controlling shareholder's failure to fulfil its role and support the company with capital resources. The management of Eurovita failed to properly manage the investment risks and to keep the SCR ratio above agreed thresholds. It also substantially weakened the capital position of Eurovita by paying out a very significant dividend without informing IVASS as required. The crisis began evolving in 2018 and IVASS conducted 2 on-site inspections and imposed a number of requirements on Eurovita which were not met. Details are provided in Box 1 which is a useful record of the crisis as it evolved and the actions that IVASS took.

181. Ultimately, the crisis was well handled and IVASS decisions were crucial in achieving the outcome of no losses to policyholders. However, IVASS should reflect on the actions taken and the time taken to identify issues and take action. There were no losses to policyholders because other insurers and banks were in a strong enough position to take on the business of Eurovita via a bridge institution. This may not always be the case. While this mission has not had the time to fully investigate all of the decisions made by IVASS from all the merger and acquisition activity in 2017 through to finalization of the crisis in 2023, there is enough evidence to suggest that IVASS should undertake some reflection on its approach to this case. Such reflections should consider the timeliness of actions and supervisory decisions that were made prior to the crisis emerging. Some of the issues which should be considered are: should all of the merger and acquisition activities have been approved or should additional supervisory measures been applied as a condition of approvals; whether IVASS was sufficiently robust in its requirements in 2018 and 2019; whether IVASS should have used its powers to remove management and board members earlier than the removal of the CEO in 2022; whether lengthy on-site inspections were the appropriate response to concerns; whether these on-site inspections could have been more targeted and shorter in duration; and whether reports could have been issued sooner prompting supervisory intervention earlier.

Recommendation

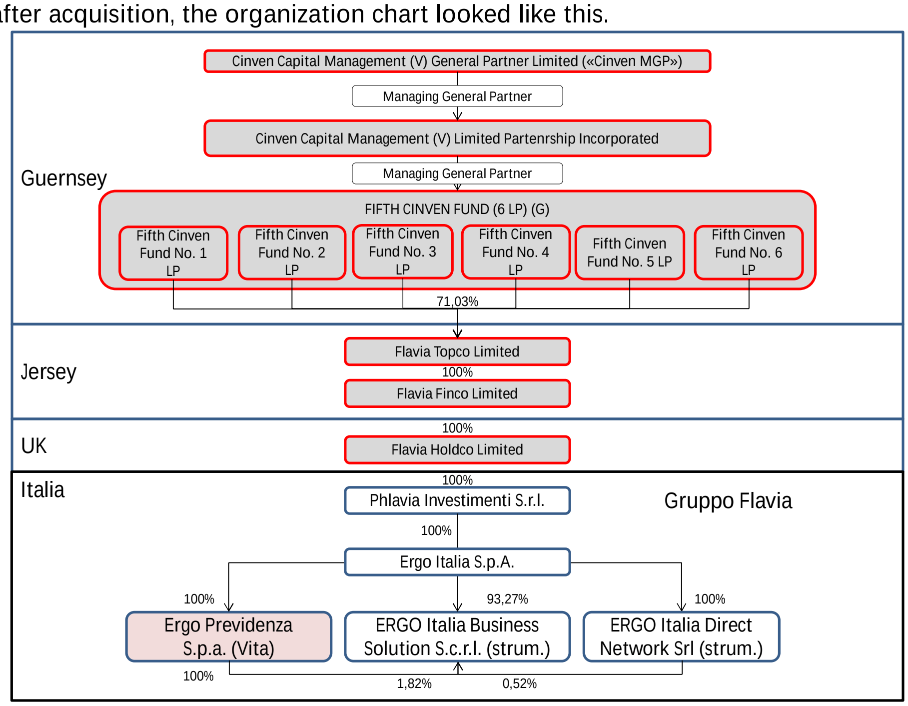
- IVASS should conduct an independent review of the Eurovita case from supervisory decisions made from 2017 onwards to see if there are any lessons to be learned, particularly with respect to timing of supervisory actions that could improve outcomes in future cases.

Box 1. Eurovita Case: Key Lessons and Impacts

On November 2015, Fifth Cinven Fund (Cinven) informed IVASS of its intention to acquire Ergo Italia Group, initiating early discussions with the submission of a draft application. Cinven submitted the formal application in February 2016, and IVASS granted authorization on 7 June 2016. The acquisition of Ergo Italia Group by Cinven was completed on 30 June 2016 with a purchase price of EUR 290 million.

Cinven pursued acquisitions in Italy to enter and expand within the Italian insurance market by creating a platform for acquiring and aggregating small and medium-sized companies or insurance portfolios, while also gaining access to multiple distribution channels and additional products. The strategic objective was to sell this platform within five years of acquisition.

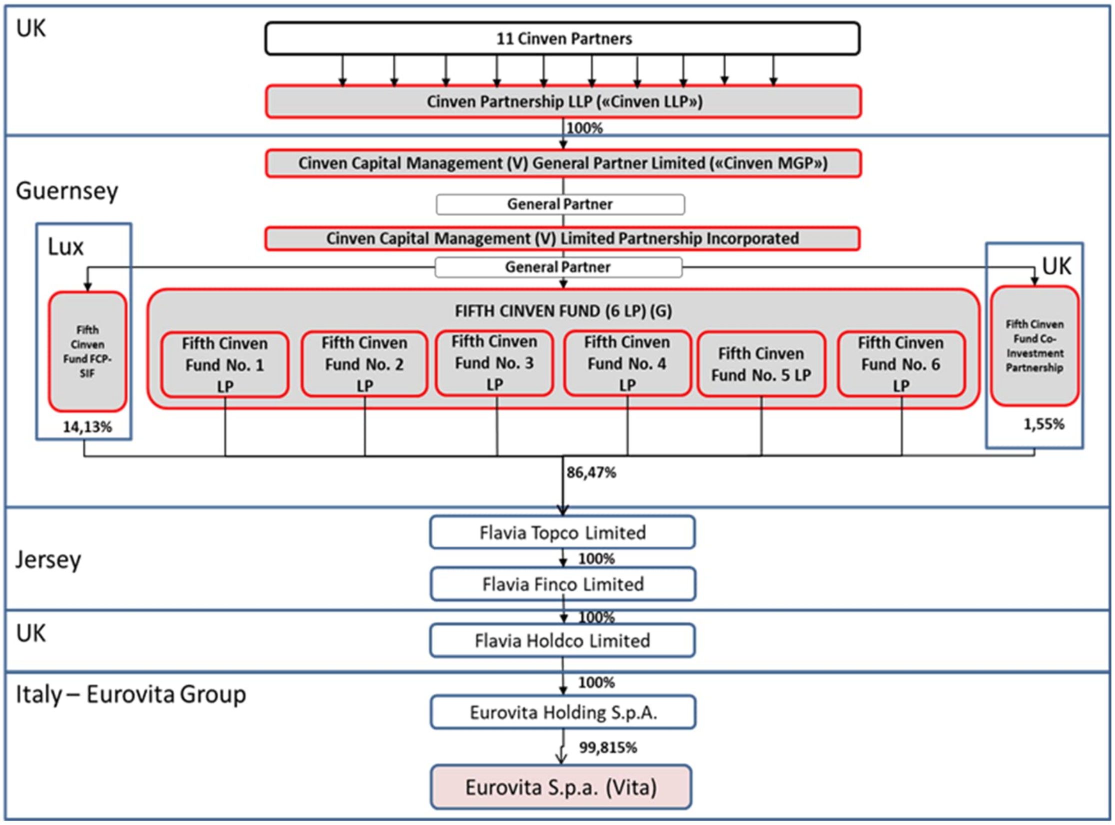
Immediately after acquisition, the organization chart looked like this.



Further merger and acquisition activity occurred post acquisition. In January 2017, Ergo Previdenza (EP) acquired Old Mutual Wealth Italy S.p.A. (OMWI) and merged Ergo Italia into Phlavia Investimenti, the head of the Flavia Group. This was followed by EP's acquisition of Eurovita Assicurazioni S.p.A. in August 2017. By December 2017, OWMI and Eurovita Assicurazioni were merged into EP, which was renamed Eurovita S.p.A.; the group's head became Eurovita Holding S.p.A., and the Flavia Group was renamed Eurovita Group. The group and individual target SCR ratios were set at 200 percent for 2017 and 150 percent for 2018 and 2019. In December 2019, Eurovita acquired Pramerica Life S.p.A., which was merged into Eurovita in December 2020. In October 2021, a change of control occurred within Cinven due to internal reorganization, with Cinven Partnership LLP (U.K.) acquiring full ownership of Cinven MGP and becoming the new ultimate owner of Eurovita Group.

Box 1. Eurovita Case: Key Lessons and Impacts (continued)

After the M&A activity described above the structure looked like this:



Cinven's business plan for Eurovita Assicurazioni involved rebalancing the investment portfolio by the end of 2017 to reduce solvency ratio volatility, primarily through decreasing exposure to Italian government bonds and reinvesting in corporate bonds and other Euro zone sovereigns. This strategy supported Cinven's broader objective of expanding distribution channels, leveraging Eurovita's agreements with numerous small and medium-sized banks, and further growing the bank-insurance channel through the acquisition of OMWI and the expansion of index-linked/unit-linked products. The merger also helped mitigate portfolio risks, and, given the change in risk profile, IVASS imposed enhanced oversight requirements on EP/Eurovita's capital management, including advance disclosure of dividend or capital reserve distributions that could lower the solvency ratio below risk appetite thresholds, and prior reporting of any reductions in solvency risk appetite

When Eurovita and Eurovita Holding approved totaling €99.4 million and €100 million, they did not notify IVASS of the decision 60 days prior to execution (June 2018 payment) as required. Eurovita Holding later reported that the solvency ratios remained above the risk appetite threshold, with Eurovita at 200 percent and Eurovita Holding at 210 percent at year-end 2017, even after the dividend payments. As a result of the lack of timely communication, IVASS decided to conduct on-site inspections at both entities.

Box 1. Eurovita Case: Key Lessons and Impacts (continued)

Between October and December 2018, IVASS conducted an on-site inspection of Eurovita and Eurovita Holding, focusing on methodologies and assumptions for Best Estimate Liability (BEL) calculations (part of Technical Provisions) and SCR calculations, as well as risk management and internal controls under Solvency II. The outcome was predominantly unfavorable, revealing methodological concerns in BEL and SCR calculations, inadequate board supervision, and flaws in the internal control and risk management systems, particularly in the context of post-merger integration and dividend decisions. As a result, IVASS required the submission of a remedial plan, imposed a dividend block until deficiencies were resolved, and mandated a capital plan if the solvency ratio fell below 150 percent. Although Eurovita implemented a remedial and capital plan, with a EUR 65 million tier 2 subordinated loan in June 2019, later increased to EUR 115 million in February 2020, solvency ratios at the end of 2019 were below the required 150 percent threshold, indicating ongoing capitalization challenges.

In 2020, Eurovita Holding and Eurovita experienced a progressive deterioration in their solvency positions, with group and solo SCR ratios falling below the 125 percent despite a €50 million increase in subordinated loans. When Eurovita failed to take corrective action, IVASS requested an immediate capital injection to restore solvency ratios to the 150 percent risk appetite threshold and ensure ongoing regulatory compliance. However, the controlling shareholder did not comply, and Eurovita instead implemented management actions that increased exposure to Italian government bonds and illiquid securities, prompting IVASS to include the company in its 2021 inspection plan for investment management and follow-up audits.

During the EIOPA 2021 stress test, IVASS expanded the exercise to include Eurovita and other large Italian insurance groups, revealing that Eurovita's after-stress solvency ratio dropped to just 9 percent, the lowest among participants, highlighting significant vulnerabilities. Despite these results, Eurovita Group did not take corrective action, citing the severity of the stress test calibration, which led IVASS to find further justification for conducting a planned on-site inspection.

As part of Cinven Partnership LLP's authorization process as the new ultimate owner of Eurovita, Cinven disclosed that the dividend block imposed by IVASS in February 2019 led to a similar restriction in the bank loan agreement in February 2020, allowing Flavia FinCo Limited to postpone principal repayments until June 30, 2022, in exchange for a temporary interest rate increase to 6 percent. By that date, a principal amount of €202 million was due, with overall debt reaching €289 million.

Between September 2021 and February 2022, IVASS conducted an on-site inspection of Eurovita focused on governance, investment management, financial risk control, and follow-up audits on BELs. The inspection outcome was unfavorable, revealing serious and widespread deficiencies in the governance and management of financial risks and regulatory capital, including breaches of the Prudent Person Principle for alternative and illiquid assets, inadequate corporate oversight, flawed risk management and control processes, and significant underestimation of risk in supervisory disclosures. Although Eurovita had declared its 2019 remedial plan completed, methodological corrections for BEL and SCR calculations were only finalized during the inspection, and the revised solvency ratio at year-end 2021 was 116 percent, notably lower than the 136 percent previously reported by the company.

Box 1. Eurovita Case: Key Lessons and Impacts (continued)

IVASS imposed several supervisory measures at the same time as delivering its Inspection report in June 2022, including a requirement for capital strengthening with high-quality core capital by September 2022 to restore the solvency target to 200 percent, confirmation of the dividend block, and an exit from the private debt fund Europrima with a prohibition on further illiquid investments that must be valued under Level 3 of the Fair Value hierarchy. Eurovita's CEO subsequently resigned at the end of October 2022 following IVASS' recommendation.

In September 2022, Eurovita determined it needed €642 million in capital to reach the 200 percent solvency ratio threshold, but Cinven did not provide the required reinforcement, leading to breaches of both the group and solo Solvency Capital Requirement (SCR) by the end of that month. In November 2022, Eurovita Holding submitted a Centralized Group Recovery Plan, but IVASS rejected it in January 2023, concluding that the plan lacked a realistic basis to restore eligible own funds or sufficiently reduce the risk profile to ensure compliance with SCR requirements.

During the crisis, Cinven's proposed solutions relied solely on capital contributions from third parties, but no external investor showed interest, and the controlling shareholder did not intervene. As Eurovita's solvency ratio continued to deteriorate, surrender rates increased, and financial forecasts worsened, IVASS determined that serious violations of regulatory requirements had occurred and appointed a provisional administrator for Eurovita S.p.A. and Eurovita Holding S.p.A. on January 31, 2023. The provisional administrator soon reported a surge in surrender requests, which threatened to force asset sales at a loss and further undermine solvency.

To prevent irreversible financial deterioration and protect policyholders, IVASS ordered a temporary suspension of the right to exercise surrenders on Eurovita insurance contracts from February 6, 2023, initially until March 31, 2023, and later extended twice until October 31, 2023. This measure was critical to avoid mass lapses and further losses, with IVASS emphasizing the importance of timely decision-making and clear market communication to prevent panic across the Italian insurance sector.

In February 2023, after IVASS ordered provisional management for Eurovita S.p.A. and Eurovita Holding S.p.A. which resulted in the appointment of a provisional commissioner, the shareholder provided a non-refundable capital contribution of €100 million, which Cinven linked to the dividend distributed in 2018. However, this capital injection was insufficient to resolve the breach of the Solvency Capital Requirement (SCR), and in March 2023, Flavia Finco Limited was released from its liabilities under the Senior Facility Agreement (€289 million). On March 29, 2023 a decree of dissolution of the administrative and control functions of Eurovita and Eurovita Holding was issued by the Minister for Enterprises and Made in Italy and this established the extraordinary administration and appointment of an extraordinary commissioner.

Box 1. Eurovita Case: Key Lessons and Impacts (concluded)

Despite efforts by the provisional and extraordinary commissioners to find a solution, no viable recovery plan emerged, and Cinven declined to strengthen Eurovita Holding's capital. While the extraordinary commissioner was seeking a solution for Eurovita's crisis, a market-wide initiative was developed involving five leading insurance companies and a pool of banks, including those distributing Eurovita's products. This collaborative effort, supported by IVASS, the BdI, and relevant ministries, led to the creation of Cronos Vita Assicurazioni S.p.A., which received Eurovita's business portfolio, technical provisions, investments, and employees, with plans for future demerger and sale to shareholder companies. The agreement also included irrevocable credit lines from banks to cover surrenders, collateralized by securities, and a servicing fee mechanism designed to incentivize banks to maintain contracts.

By late September 2023, the extraordinary commissioner confirmed that no solution could be found within extraordinary administration, prompting IVASS to propose compulsory winding-up to MIMIT. Cronos Vita Assicurazioni was authorized to operate, and Eurovita and its parent were placed in liquidation, with all business assets transferred to Cronos. The surrender freeze ended as of November 1, 2023. In April 2025, a joint application for the demerger of Cronos among the shareholder insurers was approved. The transaction was completed on October 1, 2025.

Costs imposed on Cinven were significant. It paid a sanction of €8 million and was required to repurchase three subordinated loans issued by Eurovita S.p.A amounting to €180 million and it also contributed a further €30 million in the first half of 2025 to allow the payment of Eurovita Holdings' creditors.

F. Supervision of Cross-Border Insurers

182. Italy's incoming cross-border insurance business has grown significantly, representing 13 percent of total premium collection in 2024, with €24.4 billion in premiums—up from €19.1 billion in 2023. Life insurance cross-border business reached €15.2 billion, mainly in unit-linked products from Ireland and Luxembourg. Non-life cross-border business totaled €9.2 billion, with notable segments in general liability, motor third-party liability (MTPL), fire, and credit/suretyship, often involving Luxembourg, Belgium, Germany, Spain, and France. The attractiveness of the Italian market stems from its economic weight in the EU, limited insurance coverage among Italians (especially for non-compulsory non-life products), and regulatory requirements such as the Public Procurement Code, which incentivizes suretyship policies through a competitive tendering process. In life insurance, the phenomenon is decreasing, partly due to past practices where Italian banking groups operated subsidiaries abroad to conduct business in Italy. This practice was likely driven by restrictions on investment allocations in unit-linked contracts applied in Italy but not applied in the home countries of those subsidiaries.

183. Cross-border insurance activity through Freedom of Services is governed by passporting notifications under Solvency II, with cooperation protocols before, during, and after notification. IVASS updates public registers of insurers and prioritizes early-stage cooperation with home supervisors to foster synergy and effective market conduct oversight. This includes

requesting interventions from home supervisors when necessary, engaging with national supervisory authorities (NSAs) for complex cases, and informing home supervisors about significant sanctioning proceedings. Participation in EIOPA colleges and collaboration platforms for cross-border groups, ensures market conduct issues are addressed collectively. Joint on-site inspections with home supervisors, EIOPA, and other host supervisors are also conducted to enhance supervisory effectiveness. Past experience highlights that cooperation with other national supervisory authorities and EIOPA has been fruitful, particularly in addressing market conduct issues affecting Italian policyholders, such as MTPL claims settlement and product design. However, challenges remain when home supervisors lack commitment or understanding of the Italian market, leading to insufficient supervisory engagement and consumer protection.

184. There have been three critical cases where there was harm to Italian policyholders from cross-border business. Cases are ongoing. These cases have highlighted the importance of early and coordinated intervention among European supervisory authorities. These cases often involved life insurance products with high costs, long redemption periods, poor value for money, and inadequate disclosure, as well as business models that incentivized intermediaries through prepaid commissions. Supervisory cooperation—through joint inspections, information exchange, and collaborative platforms—proved essential for addressing market conduct and prudential shortcomings, such as weak reserving processes and overreliance on future profits as a source of capital. The experiences underscored the need for improved early detection of product risks, better communication between home and host supervisors, and a holistic approach that considers both conduct and prudential issues. Additionally, the lack of a common EU enforcement framework sometimes led to inconsistent supervisory actions, emphasizing the value of swift, coordinated bans and interventions to protect policyholders and ensure regulatory compliance.

185. The Solvency II review will introduce new rules and roles for EIOPA to enhance supervisory cooperation and information exchange between home and host supervisors for significant-cross-border activities. However, it remains to be seen if these new rules and roles for EIOPA will be effective in critical cases. In the Technical Note on Insurance Micro and Macroprudential Supervision that was published as part of the Euro Area FSAP, a recommendation was made to consider endowing EIOPA with emergency powers to take binding decisions when home NCAs are unwilling or unable to act and policyholder protection is at risk in the context of cross border activities, noting this may require more fundamental reform of the relationship between EU authorities and Member States. The critical cases and the significance of cross-border business in Italy make this recommendation highly relevant in the context of the Italian market. There are no recommendations for Italian authorities, they are doing what they can within the constraints of the EU framework.

G. Supervision of Climate-Related Risks

186. The amended Solvency II Directive (EU 2025/2) requires insurers to integrate sustainability risks into their risk management, governance, and strategic planning, considering short-, medium-, and long-term horizons. Supervisory authorities must ensure insurers have strategies, policies, and systems to identify, measure, manage, and monitor these risks,

with requirements applied proportionately to the insurance company's business model. Insurers are also expected to develop sustainability transition plans with quantifiable targets and strategic actions aligned with EU climate objectives. Under existing Solvency II requirements[46], the ORSA must include climate change scenario analysis, considering potential future changes in risk profiles and appropriate time horizons, valuation methods, and alignment with internal controls.

187. IVASS expects insurers to conduct materiality assessments to identify significant climate change risks in both assets and liabilities, using quantitative analyses (e.g., carbon footprint) and scenario analyses for material risks. Insurance companies should apply at least two long-term climate scenarios and subject material risks to a wide range of stress tests. Supervisory principles emphasize flexibility and proportionality, recognizing that only material risks require scenario analysis and that data availability and quality remain challenges. EIOPA analysis shows that Italy is above average in terms of the percentage of ORSAs that include a climate change risk assessment. IVASS has set out its Sustainability Priorities and these are shown in Box 2.

Box 2. IVASS Sustainability Priorities

IVASS pursues the following sustainability priorities:

- Supporting and ensuring the ongoing alignment of insurance regulations issued by IVASS with the European and national legislation.
- Monitoring and assessing the implications of climate risks on the financial stability of the insurance industry and on consumer protection.
- Addressing the catastrophe insurance protection gap and contribute to mitigation and adaptation process, both at national and international level.
- Improving availability of ESG data and building a reliable data set over time.
- Supporting the improvement of the level of integration of climate and ESG factors into governance and risk management strategies, investment policies and underwriting practice of the insurance sector.
- Progressively integrating analysis into the ESG supervisory process (e.g. Data sources; Indicators; risk assessment/materiality/scenario analysis in ORSA).
- Improving cooperation in national, European and international fora.

188. Since 2022, IVASS has implemented annual monitoring of NatCat and sustainability risks for all insurers operating in Italy. This survey collects both quantitative data (from the previous financial year) and qualitative information (referring to the current year), with the main outcomes published in an annual report. This initiative aims to raise awareness of the NatCat protection gap and the insurance sector's role in climate adaptation. A key objective is to develop a

[46] Article 45 and Article 45a of the Solvency II Directive

robust ESG data system to support institutional priorities, including tracking protection gaps for residential and commercial properties, assessing physical and transition risks to financial stability, analyzing ESG integration in governance and risk management, and monitoring compliance with EU sustainable finance regulations. These supervisory efforts are particularly relevant in light of mandatory NatCat insurance for firms, which seeks to reduce underinsurance and strengthen the social role of the insurance industry.

189. IVASS has developed a comprehensive risk dashboard for the Italian insurance sector, featuring 58 indicators across 10 macro-risk categories, including 6 indicators covering ESG risks (see section 5). For listed companies, the insurance groups' ESG ratings and change of ESG rating are considered. For all insurers, transition risks indicators are insurance company's investments in green bonds and climate relevant assets share based on their greenhouse gas emissions. Physical risk indicators include the Italian extreme climate index and exposure to flood risk. IVASS is beginning a new data collection to monitor NatCat premiums in light of the mandatory requirement for firms to have NatCat coverage.

MACROPRUDENTIAL SUPERVISION

A. Analysis of Insurance Sector-Wide Risks

190. IVASS has established a macroprudential supervision policy covering both inward risks to the insurance sector and outward risks posed by the insurance sector. Macroprudential Analysis Division of the Supervisory Regulations and Policies Directorate is responsible for carrying out analyses of the financial and insurance markets, and for monitoring insurance products for macroprudential purposes. Analyses begin with horizontal reviews of microprudential risks. Findings are then assessed both at the level of individual firms and in aggregate to evaluate their potential systemic relevance. When macroprudential risks are identified, they are also considered relevant for microprudential supervision.

191. IVASS produces an internal risk dashboard on a quarterly basis to monitor potentially systemic risks in the insurance sector. It includes 58 indicators grouped into 10 risk categories (Macroeconomic, Credit, Market, Liquidity, Solvency and profitability; Interlinkages, Underwriting, Market perceptions, ESG and Cyber). It was designed to reflect the key inward and outward risks, incorporating interconnectedness and risks to the financial stability of the insurance sector.

192. IVASS also performs a semi-annual assessment of the most relevant trends in the insurance sector. It considers relevant insurance market developments (e.g. SCR, premiums, technical provisions, assets, return on equity etc.). This semi-annual assessment also considers outward risks posed by the insurance sector due to interconnectedness with banks and the significant of insurance company investments in Italian government debt.

193. Bottom-up stress tests are performed by IVASS in conjunction with the EIOPA European Stress test (every three years). Top-down stress tests and/or sensitivity analysis are carried out in years between European stress testing exercises.

194. Liquidity risk monitoring is conducted through 2 surveys. There is the EIOPA annual liquidity monitoring focused on current and expected individual company liquidity positions. Then there is the monthly Italian liquidity monitoring focused on tracking losses due to valuation of insurance assets and assessing the potential impact on insurance company statutory financial statements. For life insurance companies, potential liquidity stress from lapses is also monitored.

195. IVASS conducts quarterly potential vulnerabilities survey. The survey has two parts. First, an standardized part that is consistent across quarters and monitors known risks. The second part is an ad hoc survey designed to capture information on emerging risks or specific themes. Some examples of the themes explored are: Alternative Investments (Q2-2024 and Q2-2025); Inflation and interest rate rise (Q1 2023); Life insurance contracts and lapse risk (Q2-2022, Q2-2023, Q4-2023, Q2-2024 and Q4-2024); Residential and non-residential real estate investments of Italian insurance companies (Q3-2023); Private equities exposures (Q3-2022); and Effects of the war in Ukraine and the energy crisis (Q1-2022 and Q4-2022). There is also the annual NatCat and sustainability risk monitoring which has already been explained above.

196. IVASS actively contributes to cross-sectoral macroprudential supervision. IVASS is a member of the Macroprudential Policy Committee and the MEF Sustainable Finance Coordination Table. IVASS also contributes to the BdI Financial Stability Report and Risk Dashboard.

B. Analysis of Potential Systemic Importance of Individual Insurers

197. IVASS launched a structured process for the identification of nationally systemic insurers in 2023 which is annually updated. To capture the multiple dimensions of systemic risk, IVASS' framework is structured around four macro-areas of size, substitutability, interconnectedness and liquidity. Each of these four macro areas represent a distinct channel through which an insurance company can contribute to systemic vulnerability. With respect to size, larger entities may amplify market disruptions. Low substitutability implies higher systemic relevance. High interconnectedness increases contagion potential. Entities with low liquidity buffers may transmit stress to markets. Each area is constructed from a set of quantitative indicators, calculated at the highest level of national consolidation available. There are 10 indicators in total across the 4 areas. Identification of the systemic insurers involves a clustering approach to group insurance companies/groups according to their degree of systemic relevance based on their scores in the four risk areas. This data driven identification of systemic insurers is complemented by expert judgment. Italian subgroups of foreign insurance groups are excluded from the Italian national systemic perimeter as they fall under the group supervision of their respective EEA authorities.

198. Separately, a network analysis is conducted using Solvency II portfolio data which is provided on an asset-by-asset level. The nodes identified in the network are domestic and foreign governments, banks, non-financial corporates, funds and other financial institutions. The network analysis captures financial linkages and potential contagion through investment holdings. Two kinds of network analysis are carried out – community detection through modularity optimization and an assessment of the relative centrality of each insurance entity within the investment network. The findings are that the network exhibits a modular structure with clusters of insurers and counterpart

sectors. Few large groups dominate the network's connectivity. There is a high intra-cluster connectivity among domestic insurers and Italian sovereign assets. Cross-sector links with banks and other financial institutions highlight channels of contagion. Small insurers show limited interconnectedness. This analysis shows that systemic entities often act as bridges between otherwise separated clusters, amplifying potential spillovers. Highly ranked entities in terms of centrality largely coincide with systemic clusters from the quantitative model mentioned above.

199. Supervisory implications are that, in coordination with the Prudential Supervision Directorate, identified entities are required to submit the Financial Stability Solvency II data and a reinforced contingency plan.[47] The process provides analytical evidence for targeted supervisory engagement and strengthened macroprudential oversight on systemic insurers. There are opportunities for enhanced coordination with other macroprudential tools, for example liquidity monitoring or stress testing.

200. Overall, this is a conceptually sound methodology for identifying systemic risk in the insurance sector. Not many supervisors have such an advanced approach for identifying individual insurers capable of becoming a systemic risk. IVASS should be commended for its approach to identifying domestic systemically important insurers and integrating this into its micro-prudential supervision approach.

C. Analysis of Interconnectedness with Other Parts of the Financial System

201. IVASS risk analysis and identification of domestically systemic insurers (as detailed above) incorporates some basic indicators of interconnectedness. Therefore, basic identifying interconnectedness is already embedded in IVASS process.

202. However, IVASS and the BdI are in the process of developing a System Wide Stress Test Project. A working group was established in March 2025. The project aims to create a mapping of the Italian financial network identifying the significance of individual entities. Data is being considered over the timeframe from Q4 2019 to Q2 2025. The structure of the network is that entities (including insurance companies) are the nodes and investments and loans are the edges. The analysis dimension will include total assets and financial investments with plans to do work on intragroup transactions. Banks main assets are non-financial household loans and government bonds. Insurers main assets are government bonds and units in investment funds. Funds main assets are government bonds and investments in non-financial corporations. Analysis on overlapping portfolios and concentration risk is in progress.

D. Supervisory Intervention on Macroprudential Basis

203. Under Article 188 of CAP, IVASS may, on the basis of recommendations of the Macroprudential Policy Committee take preventive or corrective measures in relation to the entire insurance market or to individual insurance companies. The actions that can be taken are:

[47] Article 83 of IVASS Regulation No 38/2018

restriction on the conduct of business, prohibition to perform certain operations; limitations, restrictions or deferral of the right of surrender exercised by policyholders; prohibition on the distribution of profits or of other items; limits to the variable remuneration for an insurance company's management; requirements to strengthen systems of governance.

204. IVASS' approach to oversight of insurance products for financial stability purposes is currently under implementation. This involves 2 phases. Phase 1 is the identification of potentially risky products using automated quantitative assessments and Phase 2 is the identification of potential supervisory actions where necessary. To date, the analysis has focused on Insurance Based Investment Products, using two complementary two tools: one focusing on interest rate and counterparty risks and one focused on liquidity risks. Results aim to identify potential concentrations of risk. At the time of the mission, only with-profits products have been assessed. Risks related to interest rate and counterparty risks were not critical. The liquidity risk tool did identify products more vulnerable to liquidity risks with high average premiums that could increase insurance companies' vulnerability to liquidity risks. For those companies, further analysis was carried out on the asset-liability management policies adopted given the large-sized contracts.

E. Publication of Data About Insurance Sector

205. IVASS publishes data on the insurance sector in its annual report and the BdI's Financial Stability Report. This covers sectoral statistics on premiums, claims, profitability, asset allocation and key lines of business. It also addresses key risks in the sector such as lapse ratios in the life insurance sector.

206. IVASS does not publish data on individual insurance companies or insurance groups. If researchers or market participants wish to obtain data about individual insurers they must go to the websites of those individual insurers. In the Euro Area FSAP, a recommendation was made that individual insurance level data should be made available to the public, either as an EIOPA initiative or as part of wider initiatives such as the European Single Access Point (ESAP). As such, no similar recommendation will be made in this FSAP as this would be an initiative best handled at the European level.

Appendix I. Implementation Status of Key Recommendations in the 2020 Italy FSAP

Recommendations	Time[1]	Update from authorities
IVASS independence and resources 1. Amend the Code of Private Insurance to confer IVASS authority on: • removal of authorization, winding-up of insurers and placing insurers under extraordinary administration; and • establishment of the fit-and-proper assessment criteria for qualified shareholders, senior management and key persons in control functions of insurers. (IVASS / MISE) 2. Review the adequacy of IVASS human resources in light of its strategic plan, and propose amendment to the IVASS Statute accordingly, (IVASS / MISE)	ST	1.1 The current structure of primary legislative framework in force ensures the adequate collaboration between IVASS and Ministry of Enterprises and Made in Italy (Mimit). IVASS is the technical Authority and supports, through the proposal power, the Ministry on which the formal power of adopting such measures hinges. In fact, IVASS follows the overall prudential supervisory process of the insurance undertakings, verifies the fulfilment of the prescribed conditions for the adoption of measures and finally proposes such adoption to Mimit (i.e. removal of authorization, winding-up of insurers and placing insurers under extraordinary administration)." 1.2 Fit & proper criteria Legislative Decree 14 July 2020 no 84 aimed at implementing Shareholders II Directive, amended Articles 76 and 77 of the Italian Insurance Code, concerning fit and proper requirements of corporate officers and the persons who carry out key functions and requirements for holders of qualifying holdings On May 2, 2022, after hearing the opinion of IVASS was issued Ministry Decree No 88 setting provisions on fit and proper requirements of corporate officers and the persons who carry out key functions On March 5 2024 was issued Order No 142 by IVASS amending Regulation no 38 2018 (on governance system) with regard to fit and proper requirements of corporate officers and persons who carry out key functions IVASS Supervisory Handbook was amended in light of the aforementioned regulatory frameworks Ministry Decree No 220 2011 is currently applied only to qualifying shareholders IVASS proposed to MIMIT (August 2021 to set up a coordinated table with MEF to draft the regulation implementing the new Article 77 (requirements of qualifying shareholders) of the Italian Insurance Code and provide a coordinated regulation for the financial sector, considering also the ESA's Joint Guidelines issued in the European context and the need to ensure a level playing field. 2. See recommendations in this Technical Note regarding IVASS resources
[1] C = continuous; I = immediate (within one year); ST = short-term (within 1–2 years); MT = medium-term (within 3-5 years)		

Recommendations	Time	Update from authorities
Solvency II implementation 3. Initiate discussion at the EIOPA level on: • review of the effectiveness (usefulness and adequacy) of the reporting requirements, based on the implementation experience in the past three years. • further harmonization of Solvency II requirements for level playing field across borders. • refinements in certain areas, such as guidelines on proportionality, recognition of policy limits in catastrophic risk charge, etc. (IVASS/EIOPA)	I	3. IVASS has actively contributed to the drafting of EIOPA Opinion on the 2020 review of Solvency II, also providing technical proposals that were taken up by the European institutions in the drafting of their proposals Subsequently, IVASS has worked on the proposal for the SII review (Level 1) adopted by the providing support as well to the Ministries involved in the legislative Process. The review includes cross border supervision, proportionality e policy limits in cat risk charge). IVASS has been actively involved as well in EIOPA work for the definition of Level 2 regulation (ITS, RTS and Guidelines). Review SII Directive o DIRECTIVE (EU) 2025/2 issued on 27 November 2024 amending Directive 2009/138/EC as regards proportionality quality of supervision, reporting long term guarantee measures, macro prudential tools sustainability risks and group and cross border supervision. o Reduction simplification of quantitative reporting template: planned public consultation of the Commission Implementing Technical Standard in July -September 2025 o Amendments to the Commission Delegated Regulation still ongoing (public consultation running in Q3 2025) Reporting IVASS contributes actively to the regular review of the effectiveness of the reporting requirements as chair or member of the related working groups at both EIOPA's level (for the (re) insurance undertakings and group and ESA's level (for the financial conglomerates). Indeed, the reporting requirements for the (re)insurance undertakings and groups are harmonized at EEA level since set primarily in: - the SII directive and relates delegated acts; - 2 Implementing Technical standards on public disclosure and supervisory reporting, 3 set of EIOPA's Guidelines including the financial stability reporting. EIOPA reviews regularly the effectiveness of the harmonized reporting requirements based on the experience and on new data needs. The last review entered into force in 12/2023 (ITS 2023/894 (supervisory reporting) e 2023/895 (public disclosure)).

Recommendations	Time	Update from authorities
		EIOPA has recently revised the full reporting package with the additional specific objectives of reducing the administrative burden as requested by the Commission and including the SII review changes. The proposed changes are now subject to public consultation (July-September 2025). The finalization is expected for March 2025, with the entry into force from Jan 2027. Similarly, the ESAs have drafted jointly harmonized quantitative requirements for the reporting of intragroup transactions and risk concentration of the financial conglomerate. The ESAs are now working on a common template for the reporting of the supplementary capital adequacy. <u>Proportionality:</u> SII Directive 2009/138/EC main provisions (Art. 29 to 29e) introduce the concept of "small and non-complex undertakings SNCU)" to apply simplified rules (proportionality measures) in an automatic way (notification to National Supervisory Authority - NSA) when a list of criteria is met. Briefly: •Some of the proportionality measures could be granted to other insurers by NSAs following an approval process •medium and large insurers can also benefit from proportionality measures if the NSA agrees (but they cannot be classified as LRPU) •A similar approach is introduced also for the identification of low risk profile groups and for the application of proportionality measures at group level •NSAs keep records of the proportionality measures in use by the undertakings Taking into account the SII review, we will align our framework to the amendments. So far, IVASS Regulation no. 38 of 3 July 2018 sets provisions on the corporate governance system of undertakings and groups. Letter to the market 5 July 2018 contains IVASS guidelines on the application of the proportionality principle in the corporate governance system of insurance and reinsurance undertakings and groups. The letter to the market sets out a <u>self-assessment process</u> which IVASS expects to be followed by undertakings to identify the most suitable corporate governance structure: o "enhanced"; o "ordinary"; o "simplified". The <u>self-assessment carried out by the undertakings</u> shall be well reasoned, formalised and communicated to IVASS within the information contained in the Regular Supervisory Reporting and the Solvency and Financial Condition Report.

Recommendations	Time	Update from authorities
		Groups are requested to carry out a similar process in order to self-assess their governance system (enhanced or ordinary). IVASS expects an "enhanced" corporate governance system to be adopted in any case by the undertakings whose business is considered complex. Cross-border: The main changes introduced in SII, aimed at addressing some of the problems that have arisen in the supervision of companies operating cross-border through freedom to provide services or freedom of establishment, mainly concern three aspects: 1) strengthening of cooperation between authorities in the case of "significant" cross-border activity: for the definition of the significant activity two criteria are included in the Directive: (i) an absolute threshold, i.e. foreign premium income exceeding EUR 15 million and (ii) a qualitative criterion, based on the Host Authority's assessment of the "relevance" of the cross-border activity carried out in its territory. 2) on-site inspections: the Host Authority may request the Home Authority to initiate a joint on-site inspection in the event of non-compliance with the rules on SCR or MCR and the home authority may accept, also inviting EIOPA to participate in the inspection, or refuse, in which case it must explain its reasons in writing; in the event of disagreement with the host authority, it is possible to seek the assistance of EIOPA; 3) publication of the findings of the activity within a platform: EIOPA may publish information on findings, recommendations or other measures established within a platform where it deems this necessary in the interest of policyholders or for financial stability purposes. In such a case, the company must be informed in advance so that it can provide arguments as to why it should not be named. Level 2 Regulation: IVASS participated in the EIOPA working group for the drafting of the Draft Regulatory Technical Standard concerning the conditions and criteria to be used by supervisory authorities when determining which activities carried out by insurance and reinsurance undertakings under the right of establishment or under the freedom to provide services are of relevance with respect to the host Member State's market, approved by EIOPA BoS in June and then submitted to the EU Commission.

Recommendations	Time	Update from authorities
Supervision 4. Consider setting a minimum frequency of inspection, to produce a more comprehensive coverage of insurers to minimize the possibility that the smaller insurers might not be inspected for an extended period. 5. Expand its ability to directly detect market misconduct, rather than relying on indirect detection through complaints and collection of statistics. 6. Develop indicators for quality of business, for example: • Lapse rate measured in terms of number of policies lapsed as a proxy for suitability of policies sold. • Analysis of lapse rate by policy year may detect trend of "churning" by intermediaries	I C I	4. [2]IVASS has adopted a specific on-site inspection (OSI) approach for small insurance undertakings, which is focused on the main risk areas (BEL, SCR premium and market risk, local GAAP technical provisions). This approach has improved the OSI overall efficiency and the coverage as well. In addition, IVASS has prioritized OSI on small undertakings not belonging to large groups, which has been deemed riskier, as they cannot leverage on the competence of the holding company. As a result, should the 2025 plan be fully accomplished: - the undertakings uninspected for ten years (or more) would be 14 (26 at YE 2020), but only 2 not belonging to a large group (market share 1,3 percent) - the undertakings uninspected for five years (or more) would be 16 (17 at YE 2020) but only 4 not belonging to a large group (market share 2,7 percent) 5. IVASS has developed and implemented in these years a wide range of tools based on indicators (other than complaints) to assess undertaking market conduct. Some of these (e.g. KID IBIP tool) use a forward-looking approach that we will be happy to show and discuss. See answer to ICP 19.2 For more details. 6. Among the abovementioned newly developed tools, there is one (retail Risk Indicators - RRI tool) based on Solvency II Reporting data and national data (e.g. data on premiums, distribution channel etc.) including some data on lapses in terms of amount lapsed. Indicators are implemented separately for life and non-life lines business. Since 2025 lapse risk indicators measured in terms of number of policies lapsed are used as well. In fact, in the previous years IVASS supported EIOPA's work on Solvency II Reporting review in order to have data from a market conduct perspective and data on number of lapsed policies are added in the undertaking reporting to the Supervisors. The analysis of lapse rate by policy year is, usually, carried out during on-site inspections as this very granular kind of data (often set for each cluster of homogeneous products) are asked only in case more in depth analysis are considered necessary also to limit the burden on the undertakings. IVASS pushed insurers to adopt more advanced monitoring frameworks over their distribution networks. These include the use of integrated dashboards enriched with specific early warning indicators. Such indicators are tailored to identify risks of mis-selling and capable of detecting anomalies in intermediaries' market conduct, for instance basing on predefined thresholds for redemptions and policy switching ratios.

[2] Note recommendations about on-site supervision in this technical note

Recommendations	Time	Update from authorities
7. Clarify the division of responsibilities with CONSOB in terms of IBIPs as soon as possible and inform the market to provide clarity; harmonize the differences between the rules governing IBIPs between MiFID II and IDD (IVASS/CONSOB)	ST	7. Pursuant to Article 121-quater of the Italian Insurance Code (CAP), supervisory responsibilities over the distribution of insurance-based investment products (IBIPs) are allocated between IVASS and CONSOB based on the nature of the distributor. IVASS exercises its supervisory powers over IBIPs distributed by insurance undertakings, agents, brokers, their collaborators, and so-called “direct canvassers” (produttori diretti), while CONSOB oversees IBIPs distributed by banks, securities brokerage firms, and investment firms, including their collaborators. To implement these provisions, on 4 August 2020 IVASS issued Order No. 97/2020, which entered into force on 31 March 2021. In order to ensure regulatory consistency across distribution channels and harmonize supervisory practices, in October 2021, IVASS and CONSOB signed a Memorandum of Understanding (MoU), establishing a Strategic Committee and a Technical Committee tasked with exchanging information, adopting joint protocols, addressing market issues, and defining coordinated procedures. Further collaboration was formalized through three additional MoUs signed in December 2024, covering issuers, distribution, and PRIIPs.
8. As part of the overall staff review exercise, review the involvement in the resource-intensive complaint handling, in light of the new mandate in insurance arbitration. (IVASS)	I	Within the Consumer Protection Department, competent for the handling of complaints as well as the support of the activity of the insurance ADR system (Arbitro Assicurativo – AAS), 13 headcounts (in addition to the Head of Division) are assigned to the Division that handles complaints while 20 headcounts (in addition to the Head of Division) are assigned to the Division responsible for the preparation of the launch of the AAS. As of January 2020, 19 resources assigned to the AAS Division worked almost exclusively on the handling of complaints. As of February 2025, following the entry into force of the Ministry Decree regulating the AAS, it has been necessary to devote 16 out of the 19 headcounts assigned to complaints handling to the preparatory activities for the launch of the AAS. As of September 2025, the 3 remaining resources which still cooperate to complaints handling will be fully employed in such preparatory work. It should be noted that: o IVASS will hire 8 more people winning the competition for the hiring of resources to be employed in the activities supporting the AAS. In addition, IVASS will have the possibility to hire a few more resources which, though not winning the competition, will be found adequate to join IVASS (if they will obtain a score above the minimum required); o The number of complaints increase steadily every year, reaching the number of approximately 36.000 in 2024;

<table>
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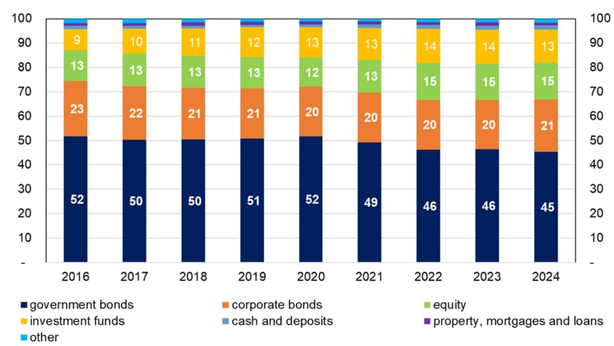
<tr><td></td><td></td><td>As a consequence of the above, once the ADR system will be launched, there will only be 13 people left to deal with consumer complaints. Some initiatives to increase efficiency in dealing with complaints have been adopted; others – including the use of AI – are being developed.</td></tr>
<tr><td>Macroprudential surveillance
9. Closely monitor insurers' exposures to the sovereign and explore policy options to encourage further diversification.</td><td>C

I</td><td>9. In 2024, Italian insurance companies are moving beyond their traditional investment patterns. While government bonds still represent a significant portion of their portfolios for which the risk is borne by insurer (45 percent at YE 2024; more than 2/3 of which are Italian) though declining, we observed a marked shift toward greater diversification, risk-adjusted returns, and more sophisticated financial instruments. Indeed, investments in corporate bonds and investment funds represent 21 and 15 percent, respectively at YE2024.

Investment of Italian insurers for which is borne by insurer (percentage value)



Since 2018, IVASS strictly monitors - monthly - the unrealized capital gains and losses, especially on sovereign bond. This initiative was introduced in response to the heightened volatility and turbulence in financial markets, which underscored the need for high-frequency investment data with a different level of granularity compared to that provided by the quarterly Solvency II reporting. Furthermore, especially during periods of pronounced market instability, this monitoring enables more effective oversight of any significant losses in the value of portfolio securities and their impact on insurers' statutory balance sheet. Over time, this tool has evolved into a key component of the ongoing supervisory activities, supporting the early detection of potential signs of financial stress.
The frequency of this monitoring has been adjusted in recent years to enhance oversight in response to market</td></tr>
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Recommendations	Time	Update from authorities
		developments. Specifically, during the market turmoil of March 2023, the monitoring was conducted on a weekly basis. From October 2023 to February 2025, the frequency was set to a fortnightly basis. As of March 2025, the original monthly frequency has been reinstated. Moreover, IVASS carries out analysis on the composition of insurers' portfolio on quarterly basis based on Solvency II reporting, especially on government bonds looking also at their main features (for example issuer country, average modified duration). IVASS also assesses the share of Italian government bonds held by domestic insurers compared to the total outstanding Italian sovereign debt. Especially in case of market turbulence, IVASS conducts sensitivity analyses on the effects of adverse changes in one or more risk factors, such as sovereign yields, in order to monitor the vulnerability of the insurance sector and to strengthen supervisory action in areas considered important for market stability. Also, the bottom-up stress test is a crucial instrument useful to assess the impact on solvency position of severe scenarios, including the movement in government bonds yields. Furthermore, through the periodic survey on potential risks and vulnerabilities of the sector, a useful IVASS' instrument to carry out macroprudential surveillance, the Institution gather information on: i) disinvestment of high yield securities on quarterly basis; ii) the qualitative assessment of credit risk related to government bonds and the risks associated to assets-liabilities mismatch on semi-annual basis; iii) the major amendments in investment policies of the major Italian players on annual basis. The investment policies are regulated pursuant to IVASS Regulation n. 24/2016, according to which the undertaking defines, according to the nature, extent and complexity of the risks inherent to the business pursued, investment policies on all their assets consistent with the prudent person principle. In the choice of the assets, the undertaking shall take into account the risk profile of the liabilities held, in order to ensure the continued availability of assets that are sufficient to cover its liabilities as well as the security, quality, liquidity and profitability of the portfolio as a whole, providing an adequate diversification and dispersion of the same. 10. IVASS has developed the Risk Dashboard (RD) for the Italian insurance sector to get a quarterly-based structured overview of risks and vulnerabilities affecting the financial market, in order to facilitate a regular assessment of these risks and the take-up of possible mitigating policy actions. The information derived from the RD is useful to get a general picture of financial stability risks but is not sufficient in itself to prompt policy actions. In other words, no automatic response or actions are planned only on the basis of the information arising from the dashboard.

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<tr><th>Recommendations</th><th>Time</th><th>Update from authorities</th></tr>
<tr><td>10. The quarterly risk dashboard can be improved by including key indicators of the quality of business sold, developed by the market conduct supervisors. (IVASS)</td><td></td><td>Since 2020 FSAP, the Risk Dashboard carried out for financial stability purposes has been enriched with two new macro categories- in addition to the eight existing ones - and with 6 new indicators in already existing areas. In details, on the new introduced macro-category:
• Environmental, Social and Governance (ESG) evaluates the insurance industry’s vulnerability to ESG risks and its exposure to physical and transition risks;
• Cyber evaluates the potential impact of those risks on financial stability caused by the fast-paced digitalisation which exposes the insurance sector to risks both from an operational resilience perspective (as insurers themselves can be targets of cyber-attacks) and from an underwriting perspective (related to the provision of cyber insurance products).

Regarding the new indicators included since the 2020 FSAP, the liquidity and funding risks area were enriched, with four new indicators (surrender to premium ratio; change year-over-year in the surrender to premium ratio; unrealized gains and losses on investment; sustainability of the cash flow position). This enhancement reflects the increasing relevance of liquidity risk in the Italian insurance sector occurred in recent years, driven by the rise in surrenders and the decline in premium as well as the increase in unrealized capital losses. Additionally, one indicator has been added concerning the share of low rated investments in the credit risk area and another concerning the expected profits in future premium in the Profitability and solvency risk category. All the amendments described so far are consistent with financial stability objectives for which this risk dashboard has been created. Although the risk dashboard does not include key indicators related to the quality of business sold for market conduct purposes, since 2020 FSAP, IVASS has developed a structured tool - the so called “retail risk indicators tool" – aimed at prioritizing market conduct supervision through a comprehensive set of quantitative indicators. For a complete description of the tool and its improvements, please see the answer to Recommendation n. 6 (where you can find the integration of indicator on quality of business).</td></tr>
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