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CLAIMS HANDLING IN ITALY

Current legal developments and developments on the Italian Insurance Market

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Before starting to point out some of the most significant and recent changes in the regulation concerning motor accidents I will just spend few minutes in order to present some -perhaps already well-known- figures related to the Italian Motor Insurance Market.

Number of registered vehicles

Italy over 50 million
Germany nearly 54 million
France over 38 million

Premiums collected during the 2005 by the 70 companies operating in the Motor Liability class amounted to Euro 18.198 million.

Incurred claims cost (total amount paid and total amount of the reserves concerning claims occurred in the 2005) amounted to Euro 14.755 million (that is a +1,3% compared to 2004).

Claims frequency (claims resulting in claims payments / policyholders)

Italy 2004 8.58% 2005 8.55%
(in the 1980 15,21% 1990 14,61% 2000 10,95%)
Spain 2004 10.10%
Germany 2004 6.75%
Francia 2004 4,85%
Italy region with the highest frequency Campania (11,9%)
" " lowest " Friuli (5,9%)

Average cost of incurred claims (cost of claims paid and provisions / number of claims)

Italy 2004 total (property damage + personal injury) 3.982 2005 4.122

(in the 1980 307 1990 967 2000 2.809)

France 2005 3.000
Germany 2005 3.500

Italy region with the highest average costs of claims Veneto, E. Romagna, Marche (over 4.000)

" " lowest " Piedmont, V.d'Aosta, Sicily (2.800)

The Direct compensation and other changes concerning claims settlement in Italy

The new Italian regulation concerning Private Insurance and in particular MTPL Insurance has come into effect starting on the first of January 2006; at the same time previous specific laws were repealed so that at this moment all the matter is basically regulated by this recent text (called "Codice delle Assicurazioni Private"), by its rules for the enforcement and obviously by the articles of the Italian civil code stating fundamental principles regarding liability.

The most remarkable news concerning settlement of MTPL damages are provided by the article 141 (Compensation of Third Party passengers) and the article 149 (Direct settlement) while for the largest part, a part from other less relevant modifications, our legislator has only put together the old scattered rules.

Referring to the compensation of passengers the a.m. art.141 states in particular that regardless of any inquiry about liability the damages to the Third Party passengers have to be settled by the Insurance Company covering the vehicle the passenger was travelling aboard at the time of the accident.

This is clearly an innovation with the purpose to make easier for guiltless victims of motor accidents to obtain their due compensation in a shorter time as in the past settlement of passenger damages was based on the contrary on a positive statement of liability with the only favourable provision of law consisting in the possibility to claim a total compensation to both drivers in case of split liability (article 2055 Italian civil code).

Certainly in the last few years the judicial interpretation of the fundamental article 2054 of the Italian civil code concerning MTPL changed and -differently from the past- the remarkable presumptions of law provided against the drivers of motor vehicles have been considered enforceable also in the case of passengers victims and certainly in the past Italian companies entered into Agreements to quicken settlements of passengers victims but these Agreements were later cancelled and for which concerns the article 2054 liability still remained the basic reference.

This new rule provides only an exception that is fortuitous event and a limitation concerning the maximum amount to be paid by the insurer company that is the compulsory top limit.

Obviously if the damages are higher than the compulsory top limit amounts and the optional top limit fixed in the policy covering the guilty vehicle is also higher the difference can be claimed from the insurer company of the liable.

Victims have as a consequence a direct right (and also an obligation) of action before the courts against the insurance company of the vehicle the passenger was even if the company of the guilty driver has the possibility to take part in the case and to relieve the other company from the proceeding admitting liability.

Furthermore new regulation confirms for the insurer who settled the case a right of recovery against the company of the liable and an Agreement

(called CTT) among insurers companies regulates specifically this particular stage of the procedure.

Finally I would like to mention the fact that our national Bureau that is Ufficio Centrale Italiano (U.C.I.) has confirmed that this rule has to be applied also in case of accidents happened in Italy and involving foreign victims or foreign vehicles as for example:

a) foreign passenger aboard an Italian vehicle and the vehicle of the liable party is an Italian one (in this case the Agreement among the companies will be applied concerning the recovery of the compensation paid);

b) foreign or national passenger aboard an Italian vehicle and the vehicle of the liable is a foreign one (in this case Italian companies will claim recovery against our national Bureau);

c) national passenger aboard a foreign vehicle and the vehicle of the liable party is a national one (in this case if the green card representative of the foreign company has settled the claim the same representative will be normally charged to recover the compensation paid against the Italian insurer); the same rules apply if the foreign victim passenger on a foreign vehicle claims his damages to our national Bureau and in the same way if the other vehicle of the liable driver is also a foreign one.

EU foreign passengers can obviously prefer to ask compensation following IV Directive procedure and also international private laws have to be taken in account.

In any case in these cross border cases and especially referring to the recovery actions some practical problems can rise but we assume they can be solved by an up-to-date exchange of information between the competent companies involved in the accidents and if the case their representative abroad.

Regarding on the contrary Direct Settlement, that means direct settlement of non-liable victim's material damages and bodily injuries by his own insurer company provided by the a.m. article 149 of the new Codice delle Assicurazioni, the first thing to say here I think is that this rule does not apply in the case of foreign vehicle involved in the accident so there will not be any cross border recovery problems as in the previous case of passengers.

Also within national accidents this rule does not apply to every accident and in particular it does not apply in case of:

- accident involving more than two vehicles
- accident involving no motor vehicle (a bicycle for example)
- bodily injuries consisting over a 9% of permanent disability (i.e. danno biologico)
- pedestrian victims
- passenger victims.

We have to point out that -differently from the past when an Agreement (called CID) among insurer companies providing similar settlement proceeding represented only an optional chance for the claimant- this procedure is compulsory and the claimant not only has to ask his damages

to his own company but has furthermore to file the lawsuit against his own insurer.

The insurer company of the liable driver can in any case take part in the civil proceeding and relieve the other company admitting liability.

Another important difference compared to the CID is also that the Agreement was applicable only if both drivers had undersigned the claim declaration form while in the Direct settlement procedure this is not necessary.

Concerning the terms to settle the claims they are almost the same with some small differences as those provided by the rule concerning NO-DIRECT settlement procedure ("Ordinary procedure") that is:

concerning material damages 60 days from the date the insurer receive the claim notification (30 days if a "constat amiable" has been signed by both drivers) to communicate an offer of settlement or a reasoned refusal and 15 days for the payment;

concerning bodily injuries 90 days for the offer and 15 days for the payment.

If the claim notification is not complete with all the elements required the insurer can ask the claimant for explanations and for the missing details and the a.m. terms are in this way interrupted.

Other details and above all the following steps regarding the recovery of the amounts paid by the non -liable victim insurer company against the insurer of the guilty driver have been determined on the basis of a Regulation dated july 2006, providing that the insurers have to enter into an Agreement and that a system of mutual compensation of credits and debits (clearing house based on a "forfait" amount) has to be the way to regulate recoveries among companies.

The forfait amount have been in particular set in:

3.250 Euro for bodily injuries and for bodily injuries with material damages and

from 1.800 Euro up to 2.300 Euro depending on the place of the accidents for claim with only material damages.

This Agreement (called CARD)has then been formed and signed and the new Direct settlement procedure has been working since the 1st of February for the new claims.

In order to conclude this presentation I will just report to your attention some recent figures concerning global italian market performance of Direct settlement rules (source Ania - May 2007)

Direct settlement claims declared

From the 1st of February 2007 658.877

(only in May we had 218.401 new files and an increase of 27% compared to April when we had 171.735 new files)

Direct settelement claims paid

From the 1st of February 2007 351.334

(only in May we had 168.185 files settled and an increase of 53% compared to April when we had 109.675 files paid)

Ratio of claims settled / claims declared

From the 1st of February the percentage is 53%
(in April was at 42%)

Total "forfait" amount acknowledged to the companies

From the 1st of February 2007 672.082.279 Euro

(only in May we had 315.567.769 Euro with an increase of 49% compared to April when we had 211.122.125)

Thanks very much for your kind attention!