

11

2011





*A photo of SIAT's registered office,  
taken from Via V Dicembre.  
(SIAT Photo Archive)*

*"I thought, it's nice that where my  
fingers end, somehow a guitar starts."*

It's also nice to think that the words  
of Fabrizio De Andrè relate to both  
his and our Genoa. How can one  
not see that where the port ends,  
the city commences?

Ocean-going liners as tall as buildings,  
cranes as high as television aerials,  
funnels that rise above a sea of slate  
roofs, portholes looking onto the historic  
centre, ships docked alongside streets  
with fleeting cars.

Genoa's life plays on this symbiotic  
relationship: the city-port, or port-city,  
depending on your perspective.

This Annual Report contains  
the very personal perspectives  
of Stefano Goldberg.

These are not just photographs.

They are stories of life. About the city,  
about us and our daily work as  
maritime insurers, a safe haven for our  
clients. The point of arrival and  
departure of every sea story.

The fingers and the guitar of those who,  
day after day, protect this precious  
alliance between men and ships.

Cover:

*The Lantern, cranes, ships, buildings,  
factories. Where does the city end?  
Where does the port start?*

# ANNUAL REPORT 2011

SIAT - SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI PER AZIONI

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COMPANY BELONGING TO THE FONDIARIA-SAI GROUP



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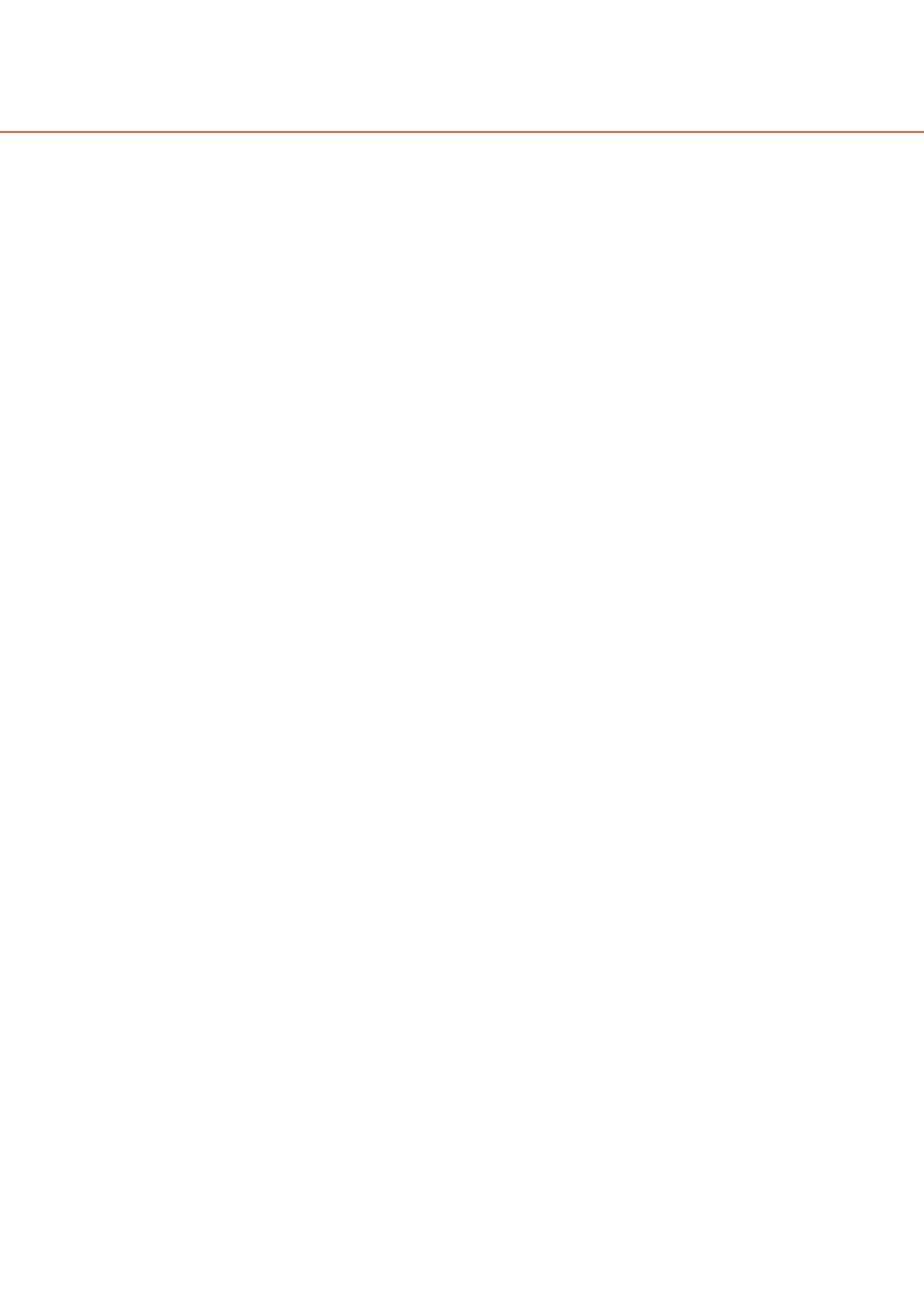
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### **EXECUTIVE MANAGEMENT**

Fabio Marchionni .....	General Manager
Bartolomeo Barberis .....	Deputy General Manager

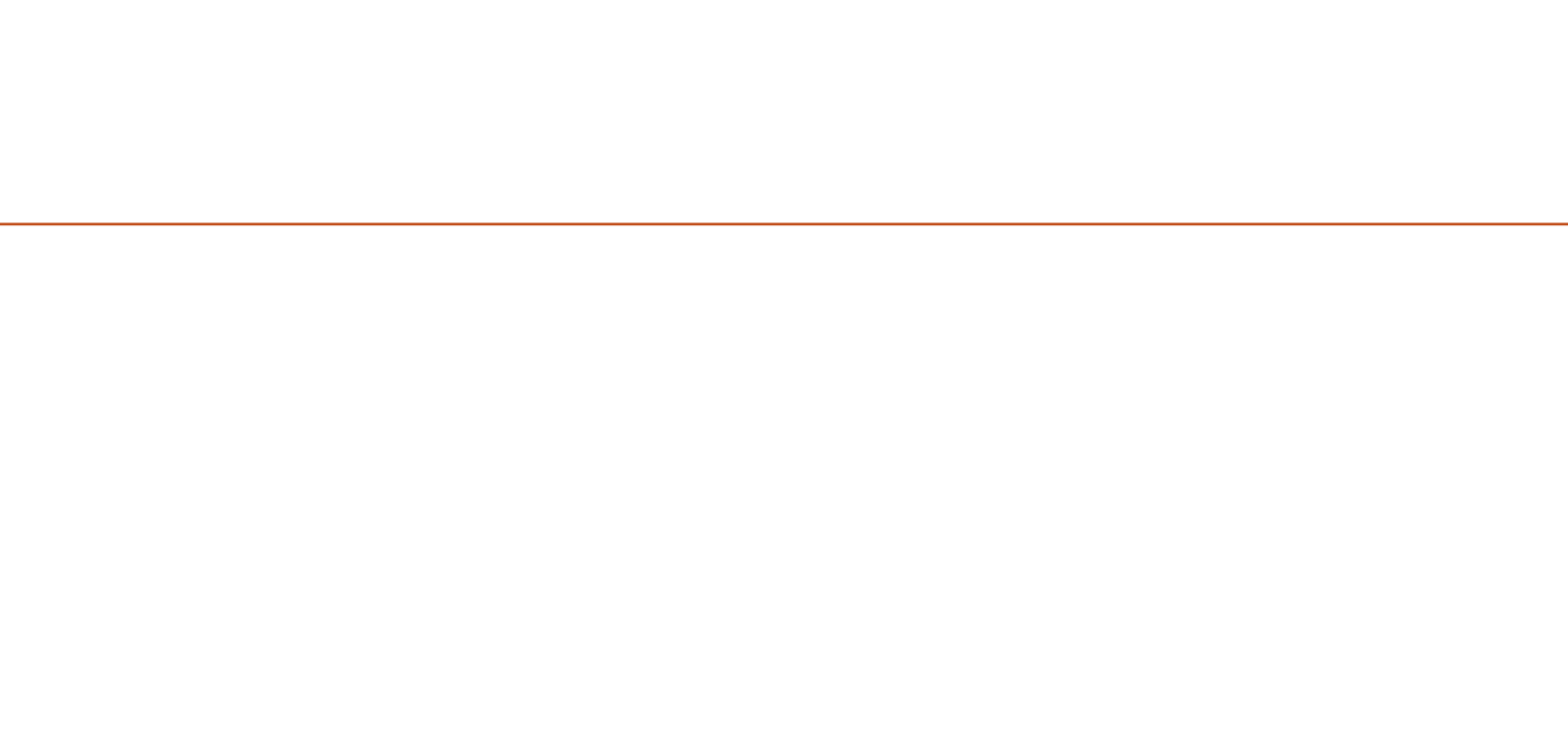
### **AUDITOR**

Reconta Ernst & Young



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REPORT OF THE BOARD  
OF DIRECTORS ON OPERATIONS





Shareholders,

## THE STATE OF THE ECONOMY

The world economy had an extremely difficult year in 2012. The global recession, severe losses incurred by financial markets and slower growth on the part of the BRICs were accompanied by a further weakening in the real economies of certain Member States of the Euro zone, triggered off by their huge budget deficits, which has resulted in a very worrying situation.

This has caused a general trend towards greater caution in spending, with a consequent reduction in consumption and, inevitably, excess production capacity in many sectors.

Emerging nations have continued to be favoured by having various sources of external growth, but they have not been entirely immune to the slowdown in advanced economies. However, in light of the downward revision of growth estimates, leading banks in newly industrialized countries have also begun to reduce official rates or interrupted the cycle of constant rises.

In the United States, growth has remained weak, with unemployment still high, a low rate of resource utilization and continuing fragility in the real estate sector. Furthermore, the considerable tensions in financial markets continue to pose serious risks for the outlook of the economy.

By contrast, inflation remains low and interest rates show no sign of rising, thanks to the loose monetary policy implemented by the Central Bank. To stimulate economic recovery, the ECB decided to extend its previous forecast of exceptionally low interbank interest rates until the end of 2014. However, the Fed has not converted just to inflation targeting, as fighting inflation goes hand in hand with the goal of economic recovery and stable employment.

But the United States also has pay attention to another knot which, if neglected, threatens to strangle the country in the future: the one created by the budget deficit and public debt.

In Japan, after three decades of uninterrupted surplus, in 2011 the trade balance closed in the red, confirming the crisis of a model geared to manufacturing and exports.

This deficit does not depend only on the appreciation of the yen (to historical highs against the dollar), but also on the triple disaster (earthquake, tsunami and nuclear crisis), which reduced manufacturing and caused an increase in the energy bill (with higher fuel imports because of the

closure of most of Japan's nuclear power plants).

While the shift in the balance of trade is undoubtedly due to an accumulation of these negative factors, some of them non-recurring, the figures also suggest a trend that seems likely to be confirmed on the current account, giving advance notice of a deficit that looks even more worrying. A trend that makes it even more urgent to reform the public finances (burdened with a debt equal to more than 200% of GDP), with the possibility, no longer unthinkable, that one of the world's largest creditors may be forced to borrow abroad.

In China, economic growth has slowed compared with that of 2010, mainly because of the fall in demand from the USA and Europe.

In fact, domestic demand in the second largest economy in the world is not yet strong enough to sustain current production rates, which means that it has to continue exporting. Exports still have the support of an artificially low exchange ratio for the yuan against other major currencies.

The stimulus measures previously implemented by the government have created an enormous risk of financial bubbles.

In this situation, the need is now to control inflation and stabilize growth at sustainable levels, reducing credit to prevent overheating in investment and real estate markets.

In Europe, 2011 will be remembered for the sovereign debt crisis and its impact on the global economy. The crisis began in three countries (Ireland, Greece and Portugal), but soon the contagion spread to Spain and Italy as well, undermining prospects for growth in the Euro area and leading to a deterioration in the cycle for most sectors of the economy.

The economic data coming from the various countries of the Eurozone unite them in a negative context, except for Germany (still growing thanks to robust exports) and France (which benefited from higher capital investment).

The strong pressure exerted by financial markets and the urgent recommendations from the European Commission, also to contain the risks of a systemic crisis of the euro, have led certain governments to adopt austerity measures aimed at controlling public finances. These measures have several common traits, such as cuts in spending and social services, the introduction of new taxes and an increase in VAT.

These austerity policies have already begun to bite. In almost all countries public consumption began to decline in the third quarter of 2011 and in some countries, like Spain and Ireland, even before that. The impact of these austerity measures has been particularly acute in Greece, in view of the heavy sacrifices being asked of the population to stem the country's dramatic economic and financial instability.

In any case, on the one hand, there has been no real integration of fiscal policies, and on the other, the process of drafting and approving restrictive financial manoeuvres by certain countries, Italy above all, has been slow and not always smooth.

At this stage, only monetary policy can act counter-cyclically. However, there is a lack of

information, and forecasts are extremely difficult and uncertain, on the effects of liquidity injections by the European Central Bank through credit channels, which are still struggling.

Within Europe, Italy has seen an overall deterioration in key economic indicators, principally GDP. The gradual fall in GDP has been caused mainly by a general decline in all components of domestic demand, particularly capital investment.

In this regard, the fall in households' disposable income and the deterioration in business confidence have had a significant impact.

The rate of unemployment has remained high and inflation has begun to rear its head again, also because of the strong and widespread rise in energy prices. This rise was driven by higher raw material costs and stiffer excise duties imposed to help restore battered public finances.

The credit crunch is putting companies in difficulty, and they, in turn, have significantly reduced their demand for investment-related financing, making requests above all for debt restructuring and consolidation. Moreover, the difficulties that companies find themselves in have a feedback effect on bank's balance sheets in terms of higher non-performing loans.

However, the worsening economic situation has been mitigated by a rising trend in the flow of exports, helped by the weakening of the common currency.

## MARITIME ACTIVITY

With respect to global maritime activity, freight rates continue to be depressed by over-capacity. This is the result of the massive orders of new vessels which ship-owners commissioned during the boom years before the global crisis (especially from shipyards in the Far East, which are extremely competitive in terms of costs). This excess bulk capacity also affects the Mediterranean, although it is most relevant on the busy East-West routes.

In fact, the percentage growth in world trade is still lower than the increase in orders for container ships, despite agreements between shipowners and shipyards, as far as we know, to postpone some deliveries. On the other hand, the number of ships demolished was not significant.

Inevitably, this situation has further depressed the Baltic Exchange Dry Index (BDI), which is the sector's index of reference, compiled daily by specialised brokers. In recent weeks, it has touched the lowest level since January 2009, having reached peaks in 2007 and 2008 that are now unthinkable.

The driving factor behind this drop in prices has been the impact on world trade of lower steel production in China and the decline in imports to the Euro area.

Lastly, the falling trend in the value of ships has slowed down, while the positive trend in fleet renewal has continued.

## SHIPBUILDING

The serious repercussions of the economic crisis on international shipping have had a strong impact on shipbuilding world-wide. These repercussions have also been aggravated by reckless expansion of production capacity in China and Korea during the period 1998-2010 which, according to some, would still have generated problems of oversupply even if the economic crisis had not been so violent.

The strong competitiveness of shipyards in the Far East has reduced the European shipbuilding industry's share to its current 10% of world production, limiting it effectively to passenger ships and off-shore vessels. In fact, even liquid gas and chemical tankers are now constructed in the Far East, with excellent results in terms of quality, lower labour costs than in Europe, and impeccable planning and organization.

This loss of competitiveness has also affected the shipbuilding industry in Italy, which has seen its last - in certain cases historical - protagonists gradually disappear.

Having filled their orderbooks with container ships, ro-ro and cargo ships of various types, the Koreans and Japanese have long been ready to attack the cruise market.

To gain market share and get their hands on the huge cruise business, the shipbuilding giants of the Far East, above all South Korea, are willing to work below cost.

The recent acquisition of Aker shipyard by a Korean giant also means acquiring know-how on the construction of passenger ships, then possibly transferring it to Korea.

## THE INSURANCE MARKET

In 2011, the insurance industry, in the broader international context, could not remain unhurt by the deep economic and financial crisis mentioned above.

After a generally positive decade, characterized by steady growth in almost all branches and a satisfactory return, the global insurance industry now finds itself having to manage the effects of the recession: limited growth in GDP, low interest rates and fiercer competition among operators.

The challenges that insurance companies will face in the near future include the following:

- more rules and regulations;
- the consequences of climate change, particularly as regards natural disasters;
- the phenomenon of global ageing, with its repercussions in terms of an ageing workforce and welfare in general;

- a sharp decline in customer loyalty, inversely proportional to the use of technology for access to insurance services;
- the potential growth of insurance markets in emerging countries.

In this context, the insurance market in Europe has turned its attention to the implications of the turbulence on Euro-zone financial markets and the progressive approach of the new supervisory regulations. In the meantime, the major international rating agencies have lowered their ratings on most insurance companies, also considering the difficult economic situation in the Euro zone and their high exposure to the government securities of certain EU countries.

As regards Solvency II, which introduces a risk-based prudential supervisory approach, postponing approval of a final text again and again could jeopardise its launch by the planned deadline (January 2014). In fact, the complexity of the project, which was begun in 2003, has increased enormously during its preparation, especially when the new supervisory proposals had to cope with the serious problems arising from the crisis in financial markets.

The Italian insurance market has been affected by the weakness of the macroeconomic scenario, its impact on households and businesses, and the effects of the strains on financial markets.

Growth trends, which were generally positive, slowed down between the second and third quarter, with the escalation of the sovereign debt crisis in countries of the Euro-zone, especially with Italy's recent involvement, and the deterioration in the economic scenario.

On the technical front, the life insurance business has seen a major contraction in premium income, penalized mainly by traditional policies, accompanied by higher requests for benefits. Indeed, the expectations of low economic growth and less disposable income have prevailed, as has a preference for direct funding products on the part of the banking channel.

The non-life segment has been positively affected by the review of commercial, pricing and underwriting policies carried out in the recent past. These have, on the one hand, led to higher premium income (driven primarily by motor insurance) while, on the other, they have produced significant improvements in claims and overall technical efficiency.

Within the Italian insurance market, the "Hull" sector has not shown significant changes compared with the recent past.

The trend in rates has remained broadly stable, though the high underwriting capacity of the international market (especially that of London) has occasionally caused them to fall.

However, the recent, exceptional event involving the Costa Concordia, on 13 January 2012, is causing a significant tightening of the terms and conditions being requested by reinsurers for renewals in this first part of the year.

Even the improvements required of renewals have been minimized and only regarded fleets with good performance statistics. Moreover, the application of penalties on risks with negative results continued (in terms of premiums and exclusions).

Production related to war risks has shown a rising trend, mainly due to a tightening of the

additional premiums required by the market for ships wanting to transit in particularly risky areas, such as the Gulf of Aden.

In this regard, the problem of piracy (which impacts directly on the insurance companies) does not look like diminishing (especially off the coast of Somalia), with numerous ships seized and high ransoms being requested.

A positive sign was the green light given by the Italian Government in July 2011 for armed escorts by military personnel or private contractors on Italian ships that travel the pirate routes.

Lastly, the revolts in North Africa and the devastating earthquake that struck Japan in early 2011 have had a negative impact on trade.

Moreover, the stoppage of Japan's nuclear power plants and the subsequent review of atomic programmes by various other countries (with an expected increase in demand for other sources of energy such as oil, gas and coal) should bring about at least a temporary increase in commercial traffic.

As regards the "Cargo" sector, the insurers of the Italian market, which continues to maintain typically domestic features (although it is beginning to show certain aspects of globalization), have mainly had to cope with a sharp decline in industrial activity, especially manufacturing, because of consumption that is still weak and ongoing stagnation in international trade.

To summarize, the most important aspects that affected the area under review during 2011 were:

- movements of goods continued to show an uneven pattern, with regard to both volumes and values transported;
- the continuing economic downturn has severely reduced industrial turnover, necessarily implying a general decrease in premium income;
- companies' ongoing policy of reducing costs has also involved insurance premiums, which tend to among the first items to be examined for possible savings. So the containment of insurance costs has inevitably led to a decline in premium rates;
- the whole of national road transport sector recorded a negative balance between new registrations and deletions of companies, because of the increase in operating costs and the reduction in demand for shipping services;
- an almost total lack of new businesses being set up in the domestic market;
- ongoing ferocious competition which is expressed, above all, through an unscrupulous underwriting policy, due to the lack of new risks. In this regard, please note the presence on the domestic market of insurance companies with no tradition in this field, new underwriting agencies and a number of foreign companies that are trying to develop their portfolio also in the Marine business.

Lastly, again in 2011, there is no real news from the market with regard to facultative reinsurance, for which the London market continues to be the main point of reference for most of this type of coverage. In fact, continental reinsurers continue to focus almost entirely on contract guarantees and stop-loss cover. Moreover, the high underwriting capacity of this market also benefits from the presence of new players, who have recently shown interest in the Marine sector.



Based on the latest available official data for Italy published by Ania concerning the premiums for direct business written in 2010, the Company remains firmly in second place in both the "Hull" sector (with a market share near 30%) and in "Cargo" (with about 10% of total premiums), which confirms our leading role in the provision of Marine insurance.

In 2011, as in the past, the Company continued in its intent to provide the best possible service to policyholders, while adopting a technical underwriting policy for new business designed to achieve satisfactory margins.

Lastly, we are proud to announce that, given the recognition of our expertise in this field of activity, our company has been chosen by the University of Genova as the seat of the first "Master's Degree in Marine Insurance".

In addition to our head office, which hosts the professors and students, the Company also makes an important contribution to teaching and training by providing highly qualified professional staff.

## RESULTS OF OPERATIONS

Given all of the above, the Company closed 2011 with a profit before tax of € 2,094 thousand, which is down on the € 4,091 thousand reported in 2010.

Net profit for 2011 was € 904 thousand, compared with € 2,344 thousand in the prior year.

In brief, this result reflects a reduction in the underwriting result, in part due to the lack of the portion of profit from investments transferred from the non-technical account.

The latter is attributable to a further worsening of the net results from financial management, mainly due to a higher level of adjustments made to financial investments in 2011, compared with the prior year.

The following table summarises the statement of income for 2011, with comparative figures for 2010:

	(in thousands of €)	
	<b>2011</b>	<b>2010</b>
<b>Underwriting result</b>	<b>3,156</b>	<b>5,449</b>
Net investment income	3,736	4,281
Capital and financial charges	(4,785)	(3,767)
Investment return transferred to the technical account	-	(284)
Other income (expenses), net	(11)	(1,586)
Net extraordinary income (expenses)	(2)	(2)
<b>Profit (loss) before tax</b>	<b>2,094</b>	<b>4,091</b>
Income taxes for the year	(1,190)	(1,747)
<b>Net profit for the year</b>	<b>904</b>	<b>2,344</b>

As regards 2011, based on the above figures, the key factors, which will be discussed more fully in the rest of this report, are as follows:

- given the lack of contribution from financial management, the underwriting result was also affected by the increase in prior-years' claims payable reserves for elementary sectors, essentially under third-party mandate. Underwriting activity for these sectors has steadily declined, especially since the Group Marine Hub was established at the Company in 2006. In addition, administration expenses, which are a component of the underwriting result, have remained substantially stable;
- net investment income shows a moderate setback, mainly related to lower trading profits, especially on bonds, which we were able to realize in 2010 thanks to particular market conditions. Moreover, against these lower profits there was the higher interest earned on them, as a consequence of the rising trend in interest rates, which increased during the latter part of the year for Italian government securities (a substantial part of the portfolio). Further information on this is provided below in the section on "Property and financial management";
- capital and financial charges have become a good deal heavier, mainly due to further significant impairment adjustments made during the year, particularly with respect to bonds (as a result of financial markets' lack of confidence in Italian public debt securities). Again, further information on this is provided below in the section on "Property and financial management";
- the investment return transferred to the technical account was determined using the criteria established in the ISVAP Regulations. This year it is showing a zero balance due to the significant deterioration in net income from property and financial management, as briefly indicated above;
- Other income (expenses), net shows a negative balance which is significantly lower than in the previous year, given that in 2010 it included considerable non-recurring provisions (€ 1,000 thousand in relation to an insolvency concerning the policyholder Festival Crociere S.p.A. and € 100 thousand for the inspection by ISVAP in 2010). Among other things, the following items contributed to the formation of this balance:
  - for debtor balances which could prove difficult to recover (other than amounts due from policyholders) a provision for doubtful accounts (excluding that relating to policyholders, which are covered by provisions charged to the technical account) for € 283 thousand (€ 339 thousand in 2010);

- for the expected cost of employee liability, mainly in connection with the national labour contract for middle managers and office staff, which expired on 31 December 2009 and which has not yet been renewed, provisions for € 150 thousand (€ 250 thousand in 2010); In addition, this caption includes the effect of exchange-rate fluctuations, resulting in a net gain of € 19 thousand (net loss of € 57 thousand in 2010).

For further disclosure regarding “Other income” and “Other expenses” reference should be made to Section 21, points III.7 and III.8, of the notes to the financial statements.

- net extraordinary items are not significant;
- the effective tax rate (56.8%) has significantly increased with respect to the prior year (42.7%). Income taxes mainly consist of IRAP with charges of € 550 thousand (€ 530 thousand in 2010), together with € 22 thousand (€ 25 thousand in 2010) in taxes paid (but not recoverable in Italy) in certain countries where foreign branches are located.

Income taxes also include the effect of increasing deferred tax assets of € 619 thousand (€ 417 thousand in 2010) and decreasing deferred tax liabilities of € 1 thousand (€ 11 thousand in 2010).

The substantial amount of deferred tax assets is primarily motivated by the use in 2011 of much of the provision for doubtful accounts due from reinsurance companies. The related provision, made in previous years, had been the subject of an add-back in the tax declaration, given that the conditions for tax deductibility did not exist (as they do in 2011).

The fact that the effective tax rate is still high as a percentage of pre-tax profit is mainly attributable to IRAP, which is not directly related to taxable income. In addition, please note that IRAP went up by 2% from 2011.

The above amounts of deferred tax assets and liabilities include the effects related to the increase in the rate of IRAP on the valuation of deferred tax assets and liabilities made in previous years. These effects result in the recognition of € 39 thousand of income in the "Income taxes" caption.

Further details are provided in point III.14 of Section 21 within the explanatory notes.

The good results for 2011 were achieved not least due to the professionalism and skill displayed once again by all our employees, who deserve our thanks and on whom we count as we strive for further improvement in the future.







## INSURANCE BUSINESS

### GROSS PREMIUMS WRITTEN

The following table gives details of premiums earned in 2011, with comparative figures for the previous year:

	(in thousands of €)	
	2011	2010
<b>Italian direct business</b>		
Hull	96,771	100,755
Cargo	36,256	33,061
	<b>133,027</b>	<b>133,816</b>
Motor third-party liability	4,754	5,385
General third-party liability	2,737	2,224
Other property damage	1,904	1,777
Pecuniary losses	713	467
Other minor business	97	81
	<b>10,205</b>	<b>9,934</b>
<b>Total direct business</b>	<b>143,232</b>	<b>143,750</b>
<b>Indirect business - Italy</b>		
Cargo	11,091	11,104
Hull	7,409	9,920
Motor third-party liability	4,574	4,939
Other minor business	232	216
	<b>23,306</b>	<b>26,179</b>
<b>Indirect business - Abroad</b>	<b>132</b>	<b>37</b>
<b>Total indirect business</b>	<b>23,439</b>	<b>26,216</b>
<b>Grand total</b>	<b>166,670</b>	<b>169,966</b>

In compliance with art. 1 of Legislative Decree 209 of 7 September 2005, direct business is entirely Italian and also includes all policies issued by permanent establishments located in EU member countries being, in our case, Belgium, France, Germany, Malta and the Netherlands.

Note that in France, it was decided to terminate the assumption of insurance risks by right of establishment from 1 January 2011 and to continue this activity under the freedom to provide services regime.

The key points regarding the above data are summarized below:

- 2012 production is essentially attributable to the "Marine Insurance" sector, as Elementary and Motor premiums of "non-marine" provenance have been reduced to a minimum, in line with the

objectives defined a few years ago when it was decided to set up the Group's "Marine Hub". However, as required by the regulations governing financial statements and having regard for the insurance cover provided under contract, part of this production has been allocated to non-Marine sectors.

In particular, carrier third-party liability coverage generates premiums in the "Cargo" sector that are classified as Motor Third-Party Liability, representing almost all of the premiums reported for that sector;

- in general terms, considering the difficult conditions experienced in 2011, production for the year reflects a significant reduction in premiums written that was mainly attributable to indirect business, particularly for the Hull segment (for the reasons explained below).

Moreover, taking into account the difficult economic context in which this production was achieved, the constant efforts made by the Company and the dense network of trade relations established over time made it possible to limit the contraction in premiums written.

These figures have been positively affected, even if only marginally, by the recovery of the US dollar (exchange rate against the euro of 1.2939 at 31 December 2011, compared with 1.3362 at 31 December 2010), which appreciated by around 3% against the euro during 2011. In fact, much of our business is written in US dollars, especially in the Hull sector;

- direct premiums in the Hull sector showed a slight decrease, due to the choice not to renew our participation for certain foreign fleets with particularly negative performances. Furthermore, this penalization of fleets with unsatisfactory statistics positively influenced the production of this sector, limiting the reduction.

As usual, production was generated by applying unchanged, strict underwriting policies and by focusing on the retention of business that is likely to be remunerative;

- direct premiums in the Cargo sector show a satisfactory improvement compared with 2010, although the overall economic context is still unfavourable (particularly as regards the domestic component). The main positions falling due were substantially renewed, albeit with economic contractions in some cases due to the decline in revenues, which are a basic parameter for the quantification of premiums.

This production was achieved in accordance with a long-standing acquisition policy based on technical criteria, applied with even greater attention than before and mainly characterised by:

- the intense relationship with the sales network, for the maintenance of existing clients and the development of new business prospects;
- an orientation towards better technical margins, rather than the reckless underwriting policy that increasingly characterises the market as a whole;
- periodic review of the portfolio, where possible, with corrective action with a view to technical improvement;

- systematic monitoring of the portfolio, where applicable, with the introduction of corrective action with a view to technical improvement;
  - the adoption of loss prevention policies, with the aim of constantly improving the loss ratio; The proportion of premiums allocated to war and strike risks remained more or less the same compared with the total production of that sector;
- overall, direct premiums of the Elementary and Motor third-party liability sectors have remained substantially stable and, as mentioned previously, they relate almost entirely to business coming from the "Marine" sector (the "Cargo" segment in particular);
- as regards indirect business, the decline in production in the Hull sector is linked to the measures taken to be more selective in the business accepted, essentially in the pleasure boat segment. In addition, the indirect business in the Motor third-party liability sector relates entirely to carrier liability business coming from the Cargo sector;
- indirect premiums from the unrestricted provision of services in the EU were not significant, while the related direct premiums totalled € 41,332 thousand (€ 47,775 thousand in 2010). These premiums relate solely to the Hull and Cargo sectors for € 31,721 thousand and € 9,611 thousand respectively (€ 35,375 thousand and € 12,400 thousand in 2010);
- a geographical analysis of gross direct and indirect premiums is provided below:

	(in thousands of €)	
	<b>2011</b>	<b>2010</b>
- in Italy	143,740	148,034
- abroad, via permanent establishments located in:		
	<b>2011</b>	<b>2010</b>
Belgium	5,771	5,822
France	-	1,736
Germany	15,997	13,441
Malta	50	61
Netherlands	1,112	872
	<b>166,670</b>	<b>169,966</b>

Foreign premiums show a marginal increase compared to the previous year, notwithstanding the termination, with effect from 2011, of the activities carried on in France by right of establishment (which continued under the freedom to provide services regime).

The overall production for this country amounted to € 2,491 thousand (€ 1,736 thousand in 2010).

Lastly, no new insurance products worthy of mention were launched during the year.



**REINSURANCE**

There were no significant changes in the Company's policy regarding reinsurance in 2011.

In general terms, the entire Marine business, especially with reference to the Hull sector, continues to be placed on a significant proportional basis with reinsurers, in view of the substantial exposures and often large sums insured.

Moreover, the residual exposure is usually reduced by stop-loss cover in the event of serious disasters.

**CHARGES RELATED TO CLAIMS**

The following table analyses the main components of 2011 payouts, before recoveries from reinsurers:

	(in thousands of €)		
	Direct business	Indirect business	Total
Claims paid	118,588	11,101	129,689
Settlement costs	9,733	631	10,364
Direct costs	3,689	-	3,689
	<b>132,010</b>	<b>11,732</b>	<b>143,742</b>

With regard to direct business, the following breakdown by sector of claims settled in 2011 is compared with similar data for the previous year:

	(in thousands of €)	
	2011	2010
Hull	80,077	95,948
Cargo	23,594	26,400
	<b>103,671</b>	<b>122,348</b>
General third-party liability	6,586	3,347
Motor third-party liability	6,123	8,287
Other property damage	1,689	941
Other minor business	519	473
	<b>14,917</b>	<b>13,048</b>
<b>Total direct business</b>	<b>118,588</b>	<b>135,396</b>

Analysis of the above data indicates a major decrease in direct business claims settled in 2011 compared with the previous year.

This decrease is mainly attributable to the settlement of a number of significant claims in the Hull sector during the first half of 2010, which was not repeated in 2011.

Payments in the periods considered were marginally affected by the appreciation of the dollar against the euro, with a closing rate at 31 December 2011 of 1.2939, compared with 1.3362 at 31 December 2010.

An analysis of claims settled for direct business is presented below:

- as mentioned previously, no significant claims were settled in the Hull sector during 2011, unlike the previous year;
- payments in the Cargo sector during 2011 were substantially in line with the previous year;
- for the other sectors, the information given above for the Cargo sector applies.

Claims relating to carrier third-party cover (from the Cargo sector) represent a significant part of the payments made in relation to the Motor third-party liability sector.

In addition, with regard to direct Italian business, it is not considered necessary to report the speed of claims settlement in the elementary and motor sectors (excluding the business deriving from the "Marine" sectors), since the steady reduction in the related portfolio and the sharp contraction in the numbers concerned mean that this indicator is no longer relevant.

On the other hand, for the Hull and Cargo sectors, the rate of settlement is not given since it is not considered representative of the phenomena concerned.

## SALES ORGANISATION

The sales organisation did not undergo any major changes during the year, either in Italy or abroad.

In Italy, the distribution network at 31 December 2011 consisted of 15 general agents and 245 brokers (14 and 268 respectively at 31 December 2010).

Geographically, 82% are located in the North (213 intermediaries, compared with 220 at 31 December 2010) and 18% in the Centre – South (47 intermediaries, compared with 62 at 31 December 2010).

Operations abroad were conducted, as in previous years, by permanent establishments located in Belgium, Germany, Malta and the Netherlands.

As already indicated above, the permanent establishment in France ceased to operate at the end of 2010; from 1 January 2011, its activities have continued from Italy under the freedom to provide services regime.

As in the past, intermediaries (in both Italy and abroad) are coordinated solely from the offices in Genoa.

Acquisition expenses totalled € 28,607 thousand (€ 28,776 thousand in 2010). Of these costs, € 22,265 thousand related to direct business (€ 22,105 thousand in 2010) and € 6,342 thousand to indirect business (€ 6,671 thousand in 2010).

The ratio of commissions paid to third parties for new direct business to the related premium income was 15.6% (15.4% in 2010).

### PERSONNEL AND ADMINISTRATIVE EXPENSES

At 31 December 2011, the Company had 97 employees (99 at 31 December 2010), including 3 executives, 17 middle managers and 77 office staff.

The average number of employees during the year was 98 (102 in 2010).

Administrative expenses totalled € 12,765 thousand in 2011 (before allocation to the technical account), including € 99 thousand relating to the depreciation of tangible assets.

These costs were 1.5% higher than in 2010 (€ 12,569 thousand, of which € 96 thousand for the depreciation of tangible assets).

After allocating a proportion of personnel expenses and the depreciation of tangible assets to policy acquisition and claims settlement, administrative expenses amounted to € 7,740 thousand (€ 7,494 thousand in 2010).

Personnel costs accounted for 75.4% of administrative expenses (73.9% in 2010).

Administrative expenses represented 7.7% of premium income for the year (7.4% in 2010). Deducting from this figure the amounts charged to the indirect parent company, Fondiaria – SAI S.p.A., and to Milano Assicurazioni S.p.A., a related company, for expenses essentially relating to management of the “Marine Hub” on their behalf, this proportion decreases to 6.2% (6.0% in 2010).

## PROPERTY AND FINANCIAL MANAGEMENT

At 31 December 2011, total investments amounted to € 110,087 thousand (€ 110,239 thousand at 31 December 2010), in line with the previous year.

Details are provided below:

	(in thousands of €)	
	<b>31.12.2011</b>	<b>31.12.2010</b>
Buildings	17,327	17,610
Investments in group and related companies	37	53
Shares and quotas	682	2,982
Mutual fund units	1,930	473
Bonds and other fixed-income securities	87,372	85,238
Loans	80	64
Restricted deposits with banks	1,300	2,345
Deposits with ceding undertakings	1,359	1,474
<b>Total investments</b>	<b>110,087</b>	<b>110,239</b>

Bonds and other fixed-income securities and buildings continue to represent the bulk of total investments (95.1%, compared with 93.3% at 31 December 2010).

With regard solely to financial investments (excluding those in Group companies), shares and mutual funds invested in equities represent 2.9% of the total (3.9% at 31 December 2010) due to continuing caution in this area.

The main comments on each type of investment are as follows:

- buildings remain stable in terms of amount and the minor decrease is solely due to depreciation during the year (only of those used directly in the business).  
This caption solely comprises the commercial property that houses the Company's offices. Part of this property is rented to third parties;
- shares and quotas held in Group companies are insignificant and have decreased because of adjustments made during the year to the value of the related company Gruppo Fondiaria – SAI Servizi S.c.r.l.;
- investments in shares, quotas and mutual fund units (mainly equity-based), as a whole, have fallen compared with the values at the end of the previous year, as they have been written down in total by € 826 thousand.  
Moreover, significant sales of shares and quotas were carried out during the year to increase

the units held in equity-based mutual funds by almost the same amount.

These are held for trading purposes, with a view to making a gain on disposal by taking advantage of increases in the market prices of the investments acquired;

- bonds and other fixed-income securities amount to much the same figure as last year;
- the restricted deposits with banks have decreased, mainly because of the insignificance of their return in comparison to ordinary accounts.  
Restricted deposits, with notice periods of at least fifteen days, are made in order to maximize the return on liquidity available for investment in the very short term.  
All amounts mature by no later than January 2012;
- deposits with ceding undertakings and loans are essentially unchanged.

Management of the securities portfolio was marked by the customary prudent approach, which seeks to maximize margins and exploit financial market opportunities that arise in the course of our trading activities.

No use was made of derivatives during the year and there were no derivative contracts outstanding at 31 December 2011.

The following subordinated bonds are held at year end:

*Issuer: Banca Intermobiliare*

*ISIN code: IT003853014*

*Par value: € 28,350*

*Book value: € 22,029*

*Issue: 29 July 2005*

*Maturity: 29 July 2015*

*Structure: convertible bonds*

*Issuer: Anheuser - Busch*

*ISIN code: BE6000782712*

*Par value: € 250,000*

*Book value: 252,337 €*

*Issue: 26 April 2010*

*Maturity: 26 April 2018*

*Structure: callable from 27 February 2010 to maturity, at par value*

At year-end, the book value of the securities portfolio was € 108 thousand lower than its market value at the same date (€ 45 thousand at 31 December 2010).

This unrealised capital gain is related to bonds and other fixed-income securities for € 101 thousand (€ 38 thousand at 31 December 2010) and to mutual funds for € 7 thousand (€ 7 thousand at 31 December 2010). On the other hand, there is no unrealised capital gain attributable to shares (no unrealised capital gain at 31 December 2010).

Additional information can be found in the notes to the financial statements.

Summary data regarding income from property and financial management is shown below for each type of investment, with comparative figures for the previous year:

	(in thousands of €)	
	<b>2011</b>	<b>2010</b>
<b>Net profit from:</b>		
- shares		
-- dividends paid	21	124
-- net gains (losses) on disposals	137	42
-- net write-backs (write-downs)	(271)	(291)
	<b>(113)</b>	<b>(125)</b>
- bonds and other fixed-income securities		
-- interest income	2,204	1,693
-- net gains (losses) on disposals	225	1,112
-- net write-backs (write-downs)	(3,246)	(2,437)
	<b>(817)</b>	<b>368</b>
- Other financial investments	<b>(538)</b>	<b>(29)</b>
- Buildings		
-- rental income	1,088	976
-- depreciation	(329)	(328)
	<b>759</b>	<b>648</b>
<b>Total income, net</b>	<b>(709)</b>	<b>862</b>
<b>Expenses</b>		
- operating expenses	331	323
- interest expense	8	25
<b>Total expenses</b>	<b>339</b>	<b>348</b>

Overall, the results from property and financial management have declined further with respect to 2010, when the situation was already unfavourable, even if moderately positive.

In fact, as shown above, net income has decreased substantially while costs have basically remained stable.

The decrease in income is mainly attributable to bonds and other fixed-income securities which were also subject to significant impairment adjustments, even though they benefited from rising interest rates.

These impairment adjustments derived from the strong turbulence that hit certain EU countries' government securities, Italy in particular, causing a sharp drop in their prices, particularly those with medium-long term maturities.

Further information on the individual types of investment is provided below:

- shares show good returns from trading and the reduction in dividends received, resulting from the switch from shares to equity-based open-end mutual funds during the first half of the year;
- in addition to what was mentioned previously, bonds and other fixed-interest securities show an increase in accrued interest partly due to the greater appetite for fixed income investments and partly to the upward trend in interest rates.

Moreover, the difficult financial market conditions have resulted in a drastic reduction in net trading income;

- for other financial investments, the variance is due to the writedowns made to the value of the units held in equity-based mutual funds.

This balance includes € 8 thousand (€ 7 thousand in 2010) of interest income earned from the short-term investment of available liquidity in repurchase agreements and restricted deposits (in any case for periods of not less than 15 days), in order to maximize their yield. The sharp decrease in market rates (especially for US Dollars) has made this type of investment much less attractive, resulting in a significant reduction in the amounts earned;

- the depreciation of buildings is stable, while rental income has risen due to the rent increases obtained on the renewal of contracts.

Operating expenses relate to the property sector for € 221 thousand (€ 257 thousand in 2010) and to the securities sector for € 110 thousand (€ 66 thousand in 2010).

The operating expenses of the property sector decreased slightly compared with the prior year and include municipal property taxes (ICI) totalling € 102 thousand (€ 102 thousand in 2010).

Interest expense related exclusively to the remuneration of reinsurance deposit accounts.

### **OWN SHARES, SHARES IN THE PARENT COMPANY AND ITS SUBSIDIARIES**

The Company does not hold any own shares or shares in the parent company and/or its subsidiaries and did not trade in them during 2011.







## INTERCOMPANY TRANSACTIONS

With regard to transactions with related companies, the principal intragroup activities relate to insurance business in the broadest sense (mainly reinsurance and coinsurance), the management of property and securities, IT services and the settlement of claims.

These transactions, commented on below by Group company, were carried out at normal market terms prevailing at the time.

Fondiaria - SAI S.p.A., the indirect parent company, has been granted mandates to provide internal audit, compliance and risk management services.

In addition, reinsurance transactions are entered into with this company, in relation to the Marine sector.

Furthermore, the Company is a member of the domestic tax group established by Fondiaria – SAI S.p.A. The related agreement involves the transfer to the indirect parent company of the taxation and advances payable in relation to the Ires taxable income of the Company. Conversely, the indirect parent company pays over to the Company the amount of any taxes not paid as a result of using the tax losses, if any, transferred to it by the Company.

The following main services are received from another company within the Fondiaria - SAI Group (Gruppo Fondiaria – SAI Servizi S.c.r.l.):

- technical and administrative matters, together with services relating to the management of claims in the "non-Marine" sectors";
- information technology;
- management of personnel and systems;
- purchase of goods;
- purchase of non-insurance services;
- management of financial investments.

Reinsurance transactions are also carried out with The Lawrence Re., Milano Assicurazioni S.p.A. and Liguria Assicurazioni S.p.A., which are all related companies.

More specifically, transactions with the first two involved passive reinsurance regarding the elementary and motor sectors (in particular, with The Lawrence Re. for events prior to 2006 and with Milano Assicurazioni S.p.A. for events that took place after 2006).

By contrast, reinsurance transactions with Liguria Assicurazioni S.p.A. and Milano Assicurazioni S.p.A. (similar to the relations with Fondiaria-SAI S.p.A.) related to the Marine sectors.

Conversely, the Company provides Fondiaria - SAI S.p.A., Milano Assicurazioni S.p.A. and Liguria Assicurazioni S.p.A. with technical, operational and administrative services in the Marine sector.

Other companies belonging to the Fondiaria-SAI Group (respectively Pronto Assistance Servizi S.p.A. and Immobiliare Lombarda S.p.A.) provide support services through an operational hub and manage the Company's property.

The Company receives services from Banca SAI relating to the bank account maintained with it, as well safekeeping of the securities deposited with it.

The amounts relating to transactions and balances with companies belonging to the Fondiaria-SAI Group are disclosed in the notes.

The management and coordination activities carried out by the indirect parent company, Fondiaria-SAI S.p.A., did not have any significant impact on the Company's operations or results.

The following table provides a summary of the more important transactions with Fondiaria-SAI S.p.A., the indirect parent company, and with the other companies subject to its management and coordination, as required by para. 5 of art. 2497-bis of the Italian Civil Code:

(in thousands of €)

INSURANCE AND REINSURANCE TRANSACTIONS	Debtors		Reserve		Creditors		
	Debtors	Creditors	Premiums	Claims	Premiums	Claims	Commissions
• <i>Fondiaria – SAI S.p.A. (indirect parent company)</i>							
- coinsurance transactions	-	(752)	-	-	-	-	-
- reinsurance transactions							
active	1,457	-	(2,348)	(20,363)	13,365	(5,291)	(2,786)
• <i>Milano Assicurazioni S.p.A. (related company)</i>							
- coinsurance transactions	-	(370)	-	-	-	-	-
- reinsurance transactions							
passive	5,284	-	-	1,415	(16)	616	-
active	1,642	-	(1,848)	(16,481)	9,010	(3,972)	(1,828)
• <i>The Lawrence Re. (related company)</i>							
- reinsurance transactions							
passive	15	-	-	66	-	30	-
• <i>Liguria Assicurazioni S.p.A. (related company)</i>							
- coinsurance transactions	-	(1)	-	-	-	-	-
- reinsurance transactions							
active	41	-	(174)	(341)	494	(241)	(110)

(in thousands of €)				
<b>COMMERCIAL TRANSACTIONS</b>	<b>Debtors</b>	<b>Creditors</b>	<b>Costs</b>	<b>Revenues</b>
<b>• Gruppo Fondiaria-SAI Servizi S.c.r.l. (related company)</b>				
- services	-	(229)	(490)	-
- personnel on secondment	62	-	-	62
<b>• Fondiaria – SAI S.p.A. (indirect parent company)</b>				
- services	792	(334)	(89)	2,622
- personnel on secondment	-	(4,001)	(4,001)	-
<b>• Milano Assicurazioni S.p.A. (related company)</b>				
- services	362	(43)	(12)	1,196
- personnel on secondment	64	(133)	(133)	64

(in thousands of €)				
<b>FISCAL RELATIONS</b>	<b>Debtors</b>	<b>Creditors</b>	<b>Costs</b>	<b>Revenues</b>
<b>• Fondiaria – SAI S.p.A. (indirect parent company)</b>				
- tax group arrangements	392	(3,896)	-	-

Key: (...) Creditors / Costs

## PRIVACY REGULATIONS (DECREE 196/2003)

We have prepared the Data Security Plan for 2011 in accordance with art. 26 of the "Technical Regulations for Security Measures", Attachment B) of Decree 196 of 30 June 2003, as required by art. 34 of the said Decree and the Technical Regulations mentioned above.

## INFORMATION ON BUSINESS RISKS

With regard to the identification, assessment and control of business risks, the Company makes use of the work performed by the risk management function within Fondiaria - SAI S.p.A.. Based on regulatory input and strategic requirements, over the years this function has developed a risk management model that takes an Enterprise Risk Management approach:

- designed to spread a risk culture at all hierarchical levels within the Group;
- based on an integrated view of risk management at Group level. The Group is understood to be a single entity and sector specifics are considered within the broader system;
- based on consideration of all current and future risks faced by the Group on an integrated basis, evaluating the impact of these risks on solvency and the achievement of objectives.

As part of the path of convergence with Solvency II, in July 2011 Fondiaria - SAI Group updated its "Solvency II Project" in line with what was stated in the resolution of July 2010 for the formal application for admission to the process of pre-application for its own internal model.

As part of this update, designed to ensure constant alignment of the programme to the process of finalizing the Solvency II regulation, the Fondiaria - SAI Group has also redefined the scope of

application of its internal model, taking as the reference point the evidence that it developed during participation in the Quantitative Impact Study 5 (QIS5).

Moreover, in the request for admission of its internal model to the pre-application process, the precise definition of the scope of application of the model was subject to the experience that would be gained in the compilation of QIS5 by all Group companies.

Comparative analysis of risk estimates obtained by the standard formula and the internal model revealed the importance of not considering the use of the internal model for certain specific business segments. As a result, certain companies, whose business is concentrated on specific sectors for which the internal model requires adjustments and customizations, were excluded from the scope of application.

The approach taken to risk assessment (using VaR methodology) is designed to estimate the risk capital required to guarantee the solvency of the Company following an unexpected loss (estimated for a time horizon of one year with 99.5% confidence). This model is evolving and is being constantly updated for consistency with the future rules on solvency envisaged in the Solvency II Directive.

In general terms, given the nature of its activities, the Company is mainly exposed to insurance, financial and operational risks, each of risk are assessed using various models.

Insurance risks associated with the pricing of premiums, the settlement of claims and the provisions for accidents, are quantified on the basis of the premium rates applied and historical claims statistics.

Given the nature of activities, especially those in the Hull sector, potential volatility in the technical results is mitigated by adequate reinsurance cover (as mentioned in the previous section on "Reinsurance").

The exposures to financial risks include the following factors:

- market: price fluctuations (including those in the property market), against which, for securities, specific limits have been set by type of asset and individual issuer;
- exchange rates: fluctuations in currencies other than the euro, especially the US dollar (the currency in which a considerable proportion of the business is denominated, above all in the Hull sector).

Careful monitoring of mismatches between assets and liabilities denominated in the principal foreign currencies is carried out to limit this risk;

- credit, both in terms of a widening of the credit spread on the market and in terms of the probability of default of the counterparties (particularly with reference to the credit position for reinsurance).

To prevent this risk, the annual reinsurance plan is reviewed in detail and approved by the

Board of Directors, which takes into account the ratings assigned by the leading international rating agencies when establishing the maximum exposure to each reinsurer.

Based on past experience and taking into account the volumes that are involved, overall losses on such debtors have not been significant to date;

- liquidity: considering the size and importance of the Group to which the Company belongs, so far there have not been any problems obtaining lines of credit, both inside and outside the Group.

In any case, based on the Company's past experience, liquidity risk can be considered fairly remote.

An evaluation of the exposure to operational risks is currently under development, by means of assessment cycles involving a number of common processes at Group level and a qualitative, high level assessment aimed at the evaluation of operational risks pertaining to other specific Company activities.

At present, given a lack of available data, the assessments of overall exposure are made using the QIS 5 standard formula.

Again with regard to risk management, the Board of Directors of Fondiaria – SAI S.p.A. approved a risk policy for the entire Group with the following principal objectives:

- to define the principles and concepts underlying the Group's ERM model, with a view to guaranteeing a consistent approach to risk by the entire Group;
- to lay down guidelines and the structure of the Group's operating limits consistent with the risk appetite and capital allocations strategies of the parent company;
- to formalise the decision-making process for new investments in light of the introduction of criteria based on an economic capital approach and measurements of risk adjusted profitability;
- more generally, to support the process of defining strategic decisions in matters of risk.

With particular reference to financial risks, the policy adopted is designed to guarantee:

- adequate diversification, avoiding excessive concentrations of risk;
- a portion of easily negotiable investments;
- attention to consistency with the structure of liabilities by using Asset & Liability Management policies;
- prudent management, oriented principally towards investing in plain vanilla instruments and, for the rest, in more complex assets that can be monitored by means of an internal pricing model.

In line with these objectives, operating limits have been defined in relation to all types of financial risks:

- market risk:
  - shares
  - interest rate
  - property
  - exchange rates
  
- credit risk:
  - counterparty default risk
  - spread risk
  
- liquidity risk.

Within each of these risk categories, attention has also be paid to any exposures to the risk of concentration, considered transversely across all of these types of risks.

The system of limits is extended to the main asset classes that make up investments.

In particular, the limits are defined in terms of:

- maximum percentage of all assets under management (total investments) by asset class;
- limits of concentration by issuer/counterparty;
- limits in terms of rating;
- limits in terms of VaR;
- limits in terms of duration gap;
- limits in terms of liquidity, i.e. the maximum percentage of illiquid instruments.

With this in mind, the Company has been asked to implement the Group's guidelines and to establish a consistent system of operating limits, taking into account its particular characteristics and any specific restrictions in terms of risk tolerance.

### **SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END**

No events worthy of mentioning in this report have taken place since the end of the year.

### **OUTLOOK FOR OPERATIONS**

Having regard for the information available to date and subject to any particularly adverse events that cannot be foreseen at this time, it is reasonable to expect that 2012 will be another profitable year.

**PROPOSED RESOLUTIONS TO THE ORDINARY SHAREHOLDERS' MEETING****RESOLUTION CONCERNING THE FINANCIAL STATEMENTS AND THE RESULTS FOR THE YEAR**

Shareholders,

You are invited to approve, in addition to this report on operations, the financial statements for the year ended 31 December 2011, together with the following proposed allocation of the net profit of € 903,745:

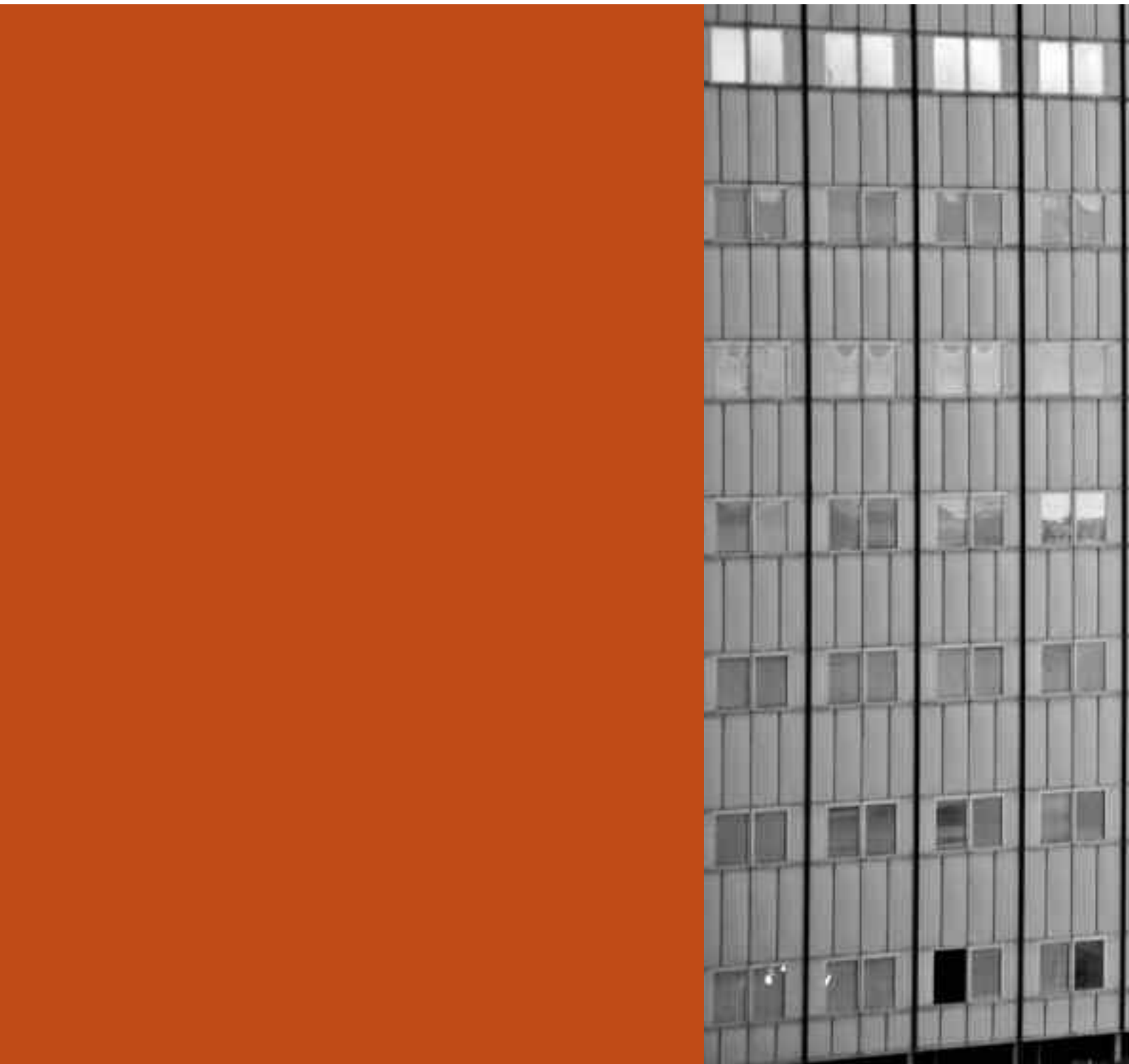
Net profit for the year ended 31 December 2011	903,745 €
- to the legal reserve, 5%	(45,187) €
- to Other reserves: Reserve for exchange gains (art. 2426-bis Civil Code)	(85,275) €
- the balance to the Other reserves: Extraordinary reserve	(773,283) €
	-

Genoa, 24 February 2012

For the Board of Directors  
The Chairman  
(Fausto Marchionni)



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# ANNUAL ACCOUNTS



BALANCE SHEETS AS OF 31 DECEMBER 2011 AND 2010 (in thousands of €)

	31.12.2011		31.12.2010	
<b>ASSETS</b>				
B. INTANGIBLE ASSETS				
5. Other deferred costs		100		153
C. INVESTMENTS				
C.I Property				
1. Property used for business purposes	7,478		7,765	
2. Property used by third parties	9,849	17,327	9,845	17,610
C.II Investments in group and related companies		37		53
C.III Other financial investments				
1. Shares and quotas	682		2,982	
2. Mutual fund units	1,930		473	
3. Bonds and other fixed-interest securities	87,372		85,238	
4. Loans	80		64	
6. Restricted deposits with banks	1,300	91,364	2,345	91,102
C.IV Deposits with ceding undertakings		1,359		1,474
Total		110,087		110,239
D.bis TECHNICAL RESERVES CARRIED BY REINSURERS				
1. Unearned premiums reserve	41,988		43,281	
2. Claims payable reserve	182,013	224,001	209,836	253,117
E. DEBTORS				
E.I Receivables arising out of direct insurance				
1.a Due from policyholders for current premiums	50,612		54,601	
1.b Due from policyholders for premiums relating to prior years	2,168		3,245	
2. Due from agents and others intermediaries	7,998		10,048	
3. Due from insurance companies	6,198	66,976	6,040	73,934
E.II Reinsurance debtors				
1. Insurance and reinsurance companies	10,318		7,677	
2. Reinsurance intermediaries	1,669	11,987	2,277	9,954
E.III Other debtors		5,147		5,842
Total		84,110		89,730
F. OTHER ASSETS				
F.I Tangible assets				
1. Furniture and office machine	231		310	
3. Plant and equipment	0	231	2	312
F.II Cash and cash equivalents				
1. Bank accounts	4,459		4,147	
2. Cheques and cash	4	4,463	5	4,152
F.IV Other assets				
1. Temporary reinsurance accounts	0		0	
2. Other	4,707	4,707	5,944	5,944
Total		9,401		10,408
G. PREPAYMENTS AND ACCRUED INCOME				
1. Interest	675		579	
2. Other	163	838	207	786
<b>Total assets</b>		<b>428,536</b>		<b>464,433</b>

	31.12.2011		31.12.2010	
<b>LIABILITIES AND EQUITY</b>				
<b>A. CAPITAL AND EQUITY RESERVES</b>				
A.I Share capital		38,000		38,000
A.IV Legal reserve		911		794
A.VII Other reserves		8,014		7,763
A. IX Net profit (loss) for the year		904		2,344
	Total	47,829		48,901
<b>B. SUBORDINATED LIABILITIES</b>				
		0		0
<b>C. TECHNICAL RESERVES</b>				
1. Unearned premiums reserve	51,041		52,708	
2. Claims payable reserve	254,227		283,618	
5. Other technical reserves	1,573	306,841	1,486	337,812
<b>E. PROVISIONS FOR RISKS AND CHARGES</b>				
2. Provision for taxation	1,358		1,320	
3. Other provisions	450	1,808	1,350	2,670
<b>F. DEPOSITS FROM REINSURERS</b>				
		137		173
<b>G.CREDITORS AND OTHERS LIABILITIES</b>				
<b>G.I Payables arising out of direct insurance</b>				
1. Due to agents and other intermediaries	21,016		13,465	
2. Due to insurance companies	3,048	24,064	3,362	16,827
<b>G.II Reinsurance creditors</b>				
1. Insurance and reinsurance companies	6,230		8,131	
2. Reinsurance intermediaries	21,343	27,573	27,311	35,442
G.VII Termination indemnities		1,603		1,731
<b>G.VIII Other creditors</b>				
1. Taxes paid by policyholders	579		546	
2. Miscellaneous taxes payable	311		496	
3. Due to social security and welfare institutions	377		228	
4. Sundry creditors	4,649	5,916	6,242	7,512
<b>G.IX Other liabilities</b>				
1. Temporary reinsurance accounts	0		0	
2. Commission on premiums to be collected	6,479		7,091	
3. Sundry liabilities	6,286	12,765	6,274	13,365
	Total	71,921		74,877
<b>H. DEFERRED INCOME AND ACCRUED LIABILITIES</b>				
1. Interest		0		0
	<b>Total liabilities and equity</b>	428,536		464,433

STATEMENT OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010 (in thousands of €)

	31.12.2011		31.12.2010	
<b>I. TECHNICAL ACCOUNT</b>				
1. EARNED PREMIUMS, NET OF REINSURANCE				
a. Gross premiums written	166,670		169,967	
b. Outward reinsurance premiums	(126,392)		(126,731)	
c. Change in unearned premium reserve	2,426		1,571	
d. Change in unearned premium reserve carried by reinsurers	(1,943)	40,761	(1,759)	43,048
2. INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT		0		284
3. OTHER TECHNICAL INCOME, NET OF RECOVERIES AND REINSURANCE		6,413		6,671
4. CLAIMS INCURRED, NET OF RECOVERIES AND REINSURANCE				
a. Claims paid				
aa. Gross amount	(143,742)		(162,897)	
bb. (less) ceded to reinsurers	108,751	(34,991)	127,079	(35,818)
b. Change in recoveries, net of reinsurance				
aa. Gross amount	2,208		1,991	
bb. (less) ceded to reinsurers	(1,280)	928	(1,252)	739
c. Changes in claims payable reserve				
aa. Gross amount	31,394		6,664	
bb. (less) ceded to reinsurers	(27,971)	3,423	(3,334)	3,330
Total		(30,640)		(31,749)
6. PROFIT COMMISSIONS, NET OF REINSURANCE		(186)		(207)
7. OPERATING EXPENSES				
a. Acquisition commissions	(25,768)		(25,827)	
b. Other acquisition costs	(2,839)		(2,949)	
d. Collection commissions	(62)		(69)	
e. Other administrative expenses	(7,740)		(7,494)	
f. Commission and other income from reinsurers	24,903	(11,506)	24,847	(11,492)
8. OTHER TECHNICAL EXPENSES, NET OF REINSURANCE		(1,600)		(1,011)
9. CHANGE IN OTHER TECHNICAL RESERVES		(87)		(95)
<b>Underwriting result</b>		3,155		5,449

	31.12.2011		31.12.2010	
<b>III. NON-TECHNICAL ACCOUNT</b>				
1. NET INVESTMENT INCOME				
a. Income from shares	21		124	
b. Income from other investments				
aa. Income on properties	1,087		976	
bb. Income from financial investments	2,217		1,712	
c. Writebacks	8		91	
d. Gains on sale of investment	403	3,736	1,378	4,281
5. CAPITAL AND FINANCIAL CHARGES				
a. Investment management charges and interest expense	(339)		(348)	
b. Writedowns	(4,430)		(3,166)	
c. Losses on sale of investment	(16)	(4,785)	(253)	(3,767)
6. INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT		0		(284)
7. OTHER INCOME		4,637		1,936
8. OTHER EXPENSES		(4,648)		(3,522)
10. EXTRAORDINARY INCOME		5		7
11. EXTRAORDINARY EXPENSES		(7)		(9)
		<b>Non-technical result</b>		<b>(1,358)</b>
		<b>Profit (loss) before taxes</b>		<b>2,093</b>
14. INCOME TAXES FOR THE YEAR		(1,190)		(1,747)
		<b>Net profit (loss) for the year</b>		<b>2,344</b>

## NOTES TO THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 comprise the balance sheet and statement of income, prepared in accordance with ISVAP Regulation 22 of 4 April 2008, and these explanatory notes, prepared in compliance with Attachment 2 of the same Regulation.

They have been prepared in accordance with Decree 209 of 7 September 2005, Decree 173 of 26 May 1997 and the provisions of ISVAP Regulation 22 of 4 April 2008, as well as current laws.

The financial statements, accompanied by the directors' report on operations, have been audited by Reconta Ernst & Young S.p.A., who were appointed as auditors for the period 2006 - 2011, pursuant to current legislation and the shareholders' resolution of 19 April 2006.

These notes are organised into the following parts:

Part A: Accounting policies

Part B: Balance sheet and statement of income

Part C: Other information

In addition, they are accompanied by the Attachments, which form an integral part of the Notes.

Comparative figures are provided, as required by ISVAP Regulation 22 of 4 April 2008, in order to enhance the clarity of presentation.

The presentation of these notes follows the division into parts and sections indicated in Attachment 2 of ISVAP Regulation 22 of 4 April 2008, supplying the information required therein.

For simplicity, the comments on the balance sheet and statement of income captions are coded in the same way as the schedules.

The financial statements have been translated into English from the original version in Italian solely for the convenience of international readers.

They have been prepared in accordance with the Italian law related to financial statements of insurance companies, interpreted and integrated by the accounting principles established by the Italian Accounting Profession.

Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy may not conform with generally accepted principles in other countries.



## PART A - ACCOUNTING POLICIES

### SECTION 1 - DESCRIPTION OF ACCOUNTING POLICIES

The various items in the financial statements have been valued on a prudent, going-concern basis. Moreover, we have borne in mind the economic function of each asset or liability; in other words, substance has been preferred over form.

The more important accounting policies adopted for the preparation of these financial statements are discussed below:

#### **START-UP AND EXPANSION COSTS AND OTHER DEFERRED COSTS**

These are booked at historical cost and systematically reduced by direct amortisation calculated in relation to their estimated useful lives, which does not exceed five years.

#### **PROPERTY**

Property is stated at historical purchase cost, including related charges, as restated where applicable by specific revaluation laws.

The amounts recorded in the financial statements include improvements and conversion costs incurred to increase the income-earning capacity of property, or prolong its useful life.

Premises used by the Company for business purposes are systematically depreciated using rates that reflect their residual useful lives. They are stated net of accumulated depreciation.

Property leased to third parties, being of recent construction and in a good state of repair, represents another form of investment and is not depreciated. This is because the constant maintenance carried out means that no reasonable limit can be placed on its useful life.

#### **SHARES, QUOTAS, BONDS AND OTHER FIXED-INCOME SECURITIES**

##### **Long-term investments**

Investments in unlisted companies held as long-term investments are booked at purchase cost, determined on a weighted moving-average basis, as written down to reflect any permanent losses of value. Original cost is reinstated in future accounting periods if the reasons for any writedowns cease to apply.

##### **Short-term investments**

These are stated at the lower of carrying or market value.

Carrying value, determined on a weighted moving-average cost basis, is represented by their purchase or subscription cost, as adjusted in the case of bonds and other fixed-income securities by the accrued net issue discount.

Original cost is reinstated in future accounting periods if the reasons for any writedowns cease to apply. For securities listed on organised markets, market value is determined on the basis of the year-end price.

For securities not listed on organised markets, market value is determined with reference to their estimated realisable value considering the market value of listed securities with similar characteristics or, otherwise, using objective criteria applied on a consistent basis.

**REPURCHASE AGREEMENTS**

Transactions involving the purchase or sale of securities with an obligation to return them after a certain period of time (so-called "repurchase agreements" or "reverse repurchase agreements" - "repos" for short) are booked by disclosing the spot value of the securities bought under "Other financial investments" and maintaining the assets involved in the transactions in the balance sheet of the seller. The proceeds of such transactions are booked on an accruals basis.

**DEBTORS**

These are stated at their estimated realisable value.

**TANGIBLE ASSETS**

Tangible assets are recorded at purchase cost, including related charges, and depreciated on a systematic basis using rates that reflect their residual useful lives.

They are stated net of accumulated depreciation.

**TEMPORARY REINSURANCE ACCOUNTS**

Considering the delay with which reinsurers make their accounts available, the technical costs and revenues relating to reinsurance business arranged with non-group companies are recorded in the subsequent year.

Accordingly, debtors and creditors relating to technical accounts for the year notified prior to year-end are reported in the financial statements, while the corresponding costs and revenues are deferred to the following year by using the transit accounts.

**ACCRUALS AND DEFERRALS**

Accruals and deferrals are calculated in order to match costs and revenues that refer to more than one year in the accounting periods to which they relate.

**UNEARNED PREMIUMS RESERVE**

This includes the apportioned premiums reserve and the provision for unexpired risks.

These are calculated together, in accordance with ISVAP Regulation 16 dated 4 March 2008, to cover the cost of accidents and the related expenses that will occur after year-end, to the extent of the cover provided by the premiums paid by policyholders.

**Direct business**

The apportioned premiums reserve is calculated on a detailed, accruals basis considering the gross premiums recorded net of acquisition commissions and other costs directly attributable to the acquisition. This reserve includes specific provisions required by law to cover risks of a particular nature (such as bond insurance, hail and other natural disasters, and those relating to nuclear energy).

In limited cases, with reference to certain premiums accepted by the foreign branches, the accruals basis is applied using inductive systems that are considered to produce essentially the same result.

The reserve for unexpired risks is determined, sector by sector, to cover the risks outstanding after year-end in cases where estimated indemnities and expenses deriving from contracts written before the year-end exceed any related unearned premiums and premiums to be collected. As required by ISVAP Regulation 16 of 4 March 2008, the related calculation is based on the ratio of claims to recent premiums (net of acquisition commission and claims of an exceptional nature), while also taking into account the estimated claims for the Hull and Cargo businesses.

The share of the apportioned premiums reserve and the reserve for unexpired risks borne by reinsurers in relation to the Hull, Cargo and Motor third-party liability sectors is determined on a detailed accruals basis. With regard to the other sectors, this share is determined by applying to the related reserves the ratio of premiums transferred to reinsurers (net of excess-of-loss transfers) to the gross premiums written on direct business.

**Indirect business**

The apportioned premiums reserve is calculated on an accruals basis with reference to related communications received from reinsurers. If reinsurers do not provide sufficient information for this method to be applied, an overall approach is taken. The general principle of sufficiency required by ISVAP Regulation 16 dated 4 March 2008 is applied in every case.

The reserve for outstanding risks is determined using criteria similar to those employed for direct business. The share of the unearned premiums reserve carried by reinsurers is determined by applying to this reserve the ratio of premiums transferred to reinsurers to the premiums written on indirect business.

**CLAIMS PAYABLE RESERVE**

This comprises the reserve for accidents already reported and the reserve for accidents that have occurred, but which have not yet been reported.

These are calculated together, in accordance with ISVAP Regulation 16 dated 4 March 2008, to cover the cost of accidents that took place in the current or prior years (regardless of the date of the claim) but which have not yet been settled, together with the related direct and indirect settlement costs.







**Direct business**

The claims payable reserve is determined on a prudent basis considering all claims not yet settled at year-end, applying objective criteria and taking into account for each sector all foreseeable future charges (using available historical data and considering the specific characteristics of each company), in order to cover a reasonable estimate of all outstanding commitments. For this reason, the reserve also includes an estimate of accidents that have occurred, but which have not yet been reported at year-end. The share of the claims payable reserve carried by reinsurers is determined on the basis of the estimated amount recoverable, taking into account the related contractual agreements.

**Indirect business**

This is determined on the basis of communications from reinsurers or, if unavailable or insufficient, using an inductive approach that takes historical experience into account.

The share of the claims payable reserve carried by reinsurers is determined using the criteria described for direct business.

**OTHER TECHNICAL RESERVES**

The reserve for natural disasters, which has been set up to offset the trend in claims over time, and the compensation reserve of the credit insurance business, designed to cover any negative technical balance retained at the end of each year, have been determined on the basis of the criteria laid down in arts. 40 et seq. of ISVAP Regulation 16 of 4 March 2008.

**PROVISIONS FOR RISKS AND CHARGES**

These provisions cover known or likely charges, whose timing and extent cannot be determined at year-end. Provisions reflect the best possible estimates, based on the information available.

**CREDITORS**

These are stated at their nominal value.

**TERMINATION INDEMNITIES**

This reserve reflects the Company's liability to all employees, pursuant to Art. 2120 of the Italian Civil Code and current labour contracts, taking into account their length of service at year-end and their remuneration.

**GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS**

Guarantees given or received are booked at the contractual value of the related commitment.

Commitments for lease instalments not yet due are recorded on the basis of their contractual value.

Commitments in relation to unsettled security transactions are stated at the contract value of the related transaction.

Commitments under open domestic currency swap contracts are stated with reference to the related differentials, determined with reference to the conditions existing at year-end.

Securities deposited with third parties are stated at book value.

#### **PREMIUMS**

Gross premiums include all amounts earned during the year on insurance contracts, whatever their collection date, and are booked net of related taxes and duties collected from policyholders and technical cancellations of securities issued during the year.

Direct business premiums include apportioned premiums for the Hull and related third-party liability businesses.

The accruals basis is applied by provisions to the reserve for unearned premiums.

#### **CLAIMS**

The gross value of claims includes sums paid for direct and indirect business in settlement and as claim settlement expenses. The latter, in particular, include personnel costs and the depreciation and amortisation of the tangible and intangible assets used in the management of claims.

#### **INTEREST AND OTHER COSTS AND REVENUES**

These are booked on an accruals basis.

#### **DIVIDENDS**

Dividends are recorded when collected.

#### **INCOME TAXES**

Income taxes are provided on the basis of an estimate of taxable income made in accordance with current tax laws, taking account of any tax losses carried forward and costs disallowed for fiscal purposes.

When timing differences arise (deductible or taxed) between the results for the year and taxable income for corporate income tax purposes, the related taxation is allocated to other liabilities or assets using the tax rate expected at the time the differences reverse.

Deferred tax assets are only recorded if it is reasonably certain that they will be recovered in the future.

Deferred tax liabilities are recorded if it is considered probable that the amount will actually have to be paid.

**TRANSLATION OF FOREIGN CURRENCY BALANCES**

Foreign currency balances are recorded by means of a multicurrency accounting system.

Foreign currency balances (excluding non-current assets) are shown in the financial statements after they have been translated into the functional currency (euro) using year-end exchange rates.

The effects of translation are recorded in the statement of income as either "Other income" or "Other expense", depending on whether they give rise to a gain or a loss.

When the financial statements are approved and the results allocated, any net profits deriving from this translation represent an unrealised gain and are transferred to a non-distributable reserve until they are realised.

The exchange rates applied for the translation to euro of the principal currencies used by the company are reported below (determined with reference to the official rates at 31 December each year), together with the percentage changes with respect to the prior year:

<b>EXCHANGE RATE AGAINST THE EURO</b>	<b>2011</b>	<b>2010</b>	<b>Change (%)</b>
US Dollar	1.2939	1.3362	7.2
Swiss Franc	1.2156	1.2504	2.8
British Pound	0.8353	0.8607	3.1

**FUNCTIONAL CURRENCY**

All amounts shown in the financial statements are expressed in Euro (€), without decimals.

The only exception to this are the figures shown in the Notes to the financial statements and in the Attachments, which are expressed in thousands of euro, with the roundings envisaged in art. 4 of ISVAP Regulation 22 of 4 April 2008.

The above accounting policies are the same as those applied in the previous year.

**SECTION 2 - TAX ADJUSTMENTS AND PROVISIONS**

As envisaged under current regulations, no adjustments and/or provisions have been recorded solely for tax purposes.



## PART B - BALANCE SHEET AND STATEMENT OF INCOME

### BALANCE SHEET - ASSETS

#### SECTION 1 – INTANGIBLE ASSETS (CAPTION B)

B. "**Intangible assets**", which will all benefit future years, amount to € 100 thousand (€ 153 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
5. Other deferred costs	100	153	(53)
	100	153	(53)

Attachment 4 shows the changes during the year in the above caption, being additions of € 10 thousand and amortisation for the year of € 63 thousand.

B.5 "**Other deferred costs**" refer solely to software, which have a useful life of several years, for the residual portion yet to be amortised.

They are stated net of the direct amortisation charge accumulated at year-end.

#### SECTION 2 - INVESTMENTS (CAPTION C)

C. "**Investments**" total € 110,087 thousand (€ 110,239 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Property	17,327	17,610	(283)
II. Investments in group and related companies	37	53	(16)
III. Other financial investments	91,364	91,102	262
IV. Deposits with ceding undertakings	1,359	1,474	(115)
	110,087	110,239	(152)

C.I "**Property**" amounts to € 17,327 thousand (€ 17,610 thousand at 31 December 2010) and comprises:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Property used for business purposes	7,478	7,765	(287)
2. Property used by third parties	9,849	9,845	4
	17,327	17,610	(283)

Property is stated net of accumulated depreciation totalling € 3,510 thousand at 31 December 2011 (€ 3,181 thousand at 31 December 2010), all of which refers to property used for business purposes.

Depreciation is charged at 3% per year and starts when the property is available and ready for use.

The buildings concerned are considered to be long-term assets as the Company intends to hold them over time as a stable investment.

Attachment 4 shows the changes during the year in the above caption.

At 31 December 2011, the market value of the above property was estimated to be € 25,982 thousand (€ 25,982 thousand at 31 December 2010).

Market value was determined in accordance with the rules laid down by ISVAP in Regulation 22, articles from 16 to 20.

This represents the price at which each property could be sold, at the time of the valuation, by private contract between a seller and a purchaser, assuming that the sale takes place on normal terms and, for property leased to third parties, taking into account the lease instalments and the expiry date of the contract.

The above market value has been determined on the basis of a separate valuation for each building, as shown in the appraisal prepared by an independent expert, bearing in mind the characteristics and income-earning capacity of each property.

The value of property still owned by the Company was not restated under revaluation laws in previous years.

Property is not mortgaged.

C.I.1 "**Property used for business purposes**" relates entirely to part of the building situated at Via V Dicembre 3, Genoa, where the Company's headquarters are located.

C.I.2 "**Properties used by third parties**" are only for business purposes and include a portion of the building situated in Via V Dicembre 3, Genoa.

These buildings are rented out to third parties.

No property is subject to finance leasing contracts.

C.II "**Investments in Group and related companies**" total € 37 thousand (€ 53 thousand at 31 December 2010).

They consist solely of quotas.

## C.II.1 "Shares and quotas" comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
b) subsidiary companies	-	-	-
c) related companies	36	52	(16)
e) other	1	1	-
	<b>37</b>	<b>53</b>	<b>(16)</b>

The decrease during the year is primarily related, for € 21 thousand, to the adjustment made to the investment in Gruppo Fondiaria – SAI Servizi S.c.r.l., as a result of valuing it under the equity method, and for € 7 thousand to payments made to this company.

Moreover, € 2 thousand of this decrease relates to the sale of the 0.20% interest in Sistemi Sanitari S.c.r.l. in December 2011 at a value close to its carrying amount.

These will be held indefinitely and are considered to be long-term investments.

The definition of related companies makes reference to Art. 5.1.c) of Decree 173 of 26 May 1997. The definition of subsidiary and associated companies is based on art. 2359 of the Italian Civil Code. "Other" companies mean equity investments as defined in Art. 4.2 of Decree 173 of 26 May 1997.

Attachments 5 and 7 summarise and analyse the changes in this caption during the year.

General information on equity investments is provided in Attachment 6.

C.III "Other financial investments" amount to € 91,364 thousand (€ 91,102 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Shares and quotas	682	2,982	(2,300)
2. Mutual fund units	1,930	473	1,457
3. Bonds and other fixed-income securities	87,372	85,238	2,134
4. Loans	80	64	16
6. Restricted deposits with banks	1,300	2,345	(1,045)
	<b>91,364</b>	<b>91,102</b>	<b>262</b>

As shown in Attachment 8, the above financial investments are all considered to be short term.

Attachment 8 also compares the book value of each type of investment with its current value (i.e. market value) at year-end. The latter was determined on the basis described in Part A, Section 1, to which reference is made.

As shown in Attachment 8, the book value at 31 December 2011 of "Other financial investments" is € 108 thousand (€ 45 thousand at 31 December 2010) lower than their market value at that date.

The changes in "Shares and quotas", "Mutual fund units" and "Bonds and other fixed-income securities" during the year are analysed below:

	(in thousands of €)		
	<b>Shares and quotas</b>	<b>Mutual fund units</b>	<b>Bonds and other fixed-income securities</b>
Opening balance	2,982	473	85,238
Purchases	418	2,500	30,321
Writebacks	-	-	8
Issue discounts	-	-	115
Losses on redemption	-	-	(34)
Sales and redemptions	(2,468)	(467)	(25,239)
Value adjustments	(250)	(576)	(3,254)
Exchange differences	-	-	217
<b>Closing balance</b>	<b>682</b>	<b>1,930</b>	<b>87,372</b>

C.III.1 "**Shares and quotas**" included in "Other financial investments" consist of:

	(in thousands of €)		
	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>Change</b>
a) Listed shares	682	2,982	(2,300)
	<b>682</b>	<b>2,982</b>	<b>(2,300)</b>

The reduction in this caption is due to sales made during the first part of the year and the simultaneous investment in units of equity-based, open-end mutual funds.

"Listed shares" solely comprise shares quoted on the official Italian market.

Their book value does not reflect any unrealised capital gains (zero balance at 31 December 2009) compared with their year-end market value.

C.III.2 "**Mutual fund units**" comprise open-end funds invested in shares totalling € 1,924 thousand, and € 6 thousand invested in a foreign Sicav monetary fund.

For details on the increase in this caption, please refer to paragraph C.III.1.

Their book value is € 7 thousand (€ 7 thousand at 31 December 2010) lower than their year-end market value.

C.III. 3 **"Bonds and other fixed-income securities"** consist of:

	(in thousands of €)		
	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>Change</b>
a) listed	87,235	85,074	2,161
b) unlisted	115	139	(24)
c) convertible bonds	22	25	(3)
	<b>87,372</b>	<b>85,238</b>	<b>2,134</b>

Their book value is € 101 thousand (€ 38 thousand at 31 December 2010) lower than their year-end market value.

"Bonds and other fixed-income securities" denominated in euros total € 81,644 thousand, while those in other currencies (exclusively US dollars) amount to € 5,728 thousand.

They comprise investments earning interest at fixed rates, € 69,408 thousand, and floating rates, € 17,964 thousand.

Listed "Bonds and other fixed-income securities" include government and corporate securities totalling € 79,279 thousand and € 7,956 thousand, respectively.

The issue discounts relating to this caption are positive and total € 115 thousand, while there are no trading discounts.

An analysis of significant positions by issuer is presented below:

	(in thousands of €)	
<b>Issuer</b>	<b>Listed/unlisted</b>	<b>Amount</b>
Italian Government	listed	69,318
US Treasury	listed	5,728
French Government	listed	2,736
Monte dei Paschi	listed/unlisted	1,978
German Government	listed	1,497
Intesa San Paolo	listed	1,227
Unicredit	listed	1,173
Ubi Banca	listed	1,067

Note that the bonds and other fixed-income securities that the Company does not intend to keep permanently on its balance sheet have been valued without taking advantage of the option to measure them at other than market value at 31 December 2011 (as permitted by ISVAP Regulation 28 dated 17 February 2009 and subsequent amendments).

C.III.4 "**Loans**" relate to loans granted to employees.

The changes during the year are shown in Attachment 10.

C.III.6 "**Restricted deposits with banks**" comprise deposits that are restricted for more than 15 days.

The changes during the year are shown in Attachment 10.

At year-end, the residual duration of these deposits does not exceed one month.

C.IV "**Deposits with ceding undertakings**" amount to € 1,359 thousand (€ 1,474 thousand at 31 December 2010) and have decreased by € 115 thousand.

These solely comprise cash deposits held by reinsurers on the basis of contractual terms regarding their reinsurance risks.

Deposits with ceding undertakings were not written down at any time during the year.

#### SECTION 4 - TECHNICAL RESERVES CARRIED BY REINSURERS (CAPTION D BIS)

D.bis. "**Technical reserves carried by reinsurers**" amount to € 224,001 thousand (€ 253,117 thousand at 31 December 2010) and consist of:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Unearned premiums reserve	41,988	43,281	(1,293)
2. Claims payable reserve	182,013	209,836	(27,823)
	<b>224,001</b>	<b>253,117</b>	<b>(29,116)</b>

The changes in this caption are the same as those affecting "Technical reserves". Reference should therefore be made to Section 10 for comments.

The amount of these reserves carried by related companies is € 1,484 thousand, consisting entirely of a claims reserve, while there is no reserve carried by Fondiaria – SAI S.p.A. (indirect parent company). The related companies mentioned above are Milano Assicurazioni S.p.A. (€ 1,415 thousand), The Lawrence Re. (€ 66 thousand) and Pronto Assistance S.p.A. (€ 3 thousand).

## SECTION 5 - DEBTORS (CAPTION E)

E. "Debtors" total € 84,110 thousand (€ 89,730 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Receivables arising out of direct insurance	66,976	73,933	(6,957)
II. Reinsurance debtors	11,987	9,955	2,032
III. Other debtors	5,147	5,842	(695)
	<b>84,110</b>	<b>89,730</b>	<b>(5,620)</b>

E.I "Receivables arising out of direct insurance" amount to € 66,976 thousand (€ 73,933 thousand at 31 December 2010) and are due from:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1.a Due from policyholders for current premiums	50,612	54,601	(3,989)
1.b Due from policyholders for premiums relating to prior years	2,168	3,245	(1,077)
2. Due from agents and other intermediaries	7,998	10,048	(2,050)
3. Due from insurance companies	6,198	6,039	159
	<b>66,976</b>	<b>73,933</b>	<b>(6,957)</b>

E.I.1 "Due from policyholders" for current and prior year premiums amount in total to € 52,780 thousand (€ 57,846 thousand at 31 December 2010) and are shown net of the related provision for doubtful accounts, which amounts to € 398 thousand (€ 321 thousand at 31 December 2010).

"Due from policyholders" were written down by € 90 thousand during the year, given that they were considered uncollectible after an analytical valuation; this writedown was charged to "Other technical expenses, net of reinsurance" in the statement of income.

At the same time, the provision for doubtful accounts was reduced by € 13 thousand as a result of changes in estimates; this amount was charged against "Other technical expenses, net of reinsurance" in the statement of income.

These receivables include € 32,693 thousand in premium instalments not yet due for the Hull and related third-party liability sectors (€ 34,641 thousand at 31 December 2010).

E.I.2 "Due from agents and other intermediaries" are shown net of the related provision for doubtful accounts of € 510 thousand (€ 460 thousand at 31 December 2010).

"Due from agents and other intermediaries" were written down during the year by € 50 thousand, given that they were considered uncollectible after an analytical valuation; the writedown was charged to the statement of income under "Other expenses".

These debtors were mostly settled during the early months of the following year.







E.I.3 **"Due from insurance companies"** relate to current account deposits to secure co-insurance and services performed.

These are shown net of a provision of € 506 thousand (€ 300 thousand at 31 December 2010).

"Due from insurance companies" were written down during the year by € 200 thousand, given that they were considered uncollectible after a general valuation; the writedown was charged to the statement of income under "Other expenses".

Moreover, this provision was increased by € 6 thousand to take account of exchange losses, debited to "Other expenses", in relation to amounts recorded in foreign currencies (essentially US dollars).

This caption does not include any receivables from the indirect parent company or from related companies.

E.II **"Reinsurance debtors"** amount to € 11,987 thousand (€ 9,955 thousand at 31 December 2010) and are due from:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Insurance and reinsurance companies	10,318	7,677	2,641
2. Reinsurance intermediaries	1,669	2,278	(609)
	<b>11,987</b>	<b>9,955</b>	<b>2,032</b>

E.II.1 Reinsurance receivables from **"Insurance and reinsurance companies"** are stated net of a provision of € 2,173 thousand (€ 4,735 thousand at 31 December 2010) which relates solely to reinsurance current accounts.

These receivables were written down during the year by € 33 thousand, given that they were considered uncollectible after an analytical valuation; the writedown was charged to the statement of income under "Other expenses".

At the same time, the provision for doubtful accounts was reduced by € 2,644 thousand for the amounts released from it, which were booked to "Other income" in the statement of income.

Moreover, this provision was increased by € 49 thousand to take account of exchange losses, debited to "Other expenses", in relation to amounts recorded in foreign currencies (essentially US dollars).

These receivables include an amount of € 1,457 thousand due from Fondiaria-SAI S.p.A., the indirect parent company, and of € 1,683 thousand due from related companies (Milano Assicurazioni S.p.A., € 1,642 thousand and Liguria Assicurazioni S.p.A. € 41 thousand) for active reinsurance (business taken over).

They also include amounts due from related companies (Milano Assicurazioni S.p.A., € 5,284 thousand and The Lawrence Re., € 15 thousand) of € 5,299 thousand for passive reinsurance (business ceded).

E.II.2 Receivables due from "**Reinsurance intermediaries**" are stated net of the related provision for doubtful accounts totalling € 83 thousand (€ 150 thousand at 31 December 2010).

"Due from agents and other intermediaries" were written down during the year by € 67 thousand, given that they were considered uncollectible after an analytical valuation; the writedown was charged to "Other Income" in the statement of income.

E.III "**Other debtors**" amount to € 5,147 thousand (€ 5,842 thousand at 31 December 2010). Their main components are shown below:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
Due from the tax authorities	2,941	4,154	(1,213)
Due from the indirect parent company	1,184	1,068	116
Deposits with clearing houses	428	117	311
Due from related companies	377	365	12
Due from tenants	30	24	6
Guarantee funds in favour of policyholders	14	47	(33)
Other debtors	173	67	106
	<b>5,147</b>	<b>5,842</b>	<b>(695)</b>

These receivables were not written down during the year, nor were any provisions for doubtful accounts recorded in the past, since there were no reasons for doing so.

Amounts due from the tax authorities include € 2,927 thousand receivable from the Italian tax authorities and € 14 thousand due from those in other European countries (for advance taxation and amounts withheld from dividend payments).

As regards amounts due from the Italian tax authorities, these relate to:

- the tax advance on insurance policies of € 1,724 thousand paid in November 2011 (partially used to offset the tax bill due in February 2012 for the previous year),
- € 1,189 thousand for direct taxes (including € 705 thousand due to be reimbursed and € 484 thousand of IRAP advances paid during 2011);
- € 11 thousand relating to government concession taxes (also due to be reimbursed);
- € 3 thousand of excess contributions paid to the National Health Service in 2007.

Since the Company is a member of the domestic tax group, it has transferred its tax credits to the indirect parent company to be deducted from the Group tax liability. The amount concerned, € 392 thousand, has therefore been reclassified to the caption described below.

Amounts due from the tax authorities of other European countries, concern mainly Germany (€ 9 thousand) and France (€ 2 thousand).

The amounts due from the indirect parent company, Fondiaria – SAI S.p.A., mainly include operating costs of € 792 thousand incurred on behalf of that company and therefore recharged to it.

They also include € 392 thousand in tax credits transferred to the parent company as part of the Group tax return, as mentioned above. These receivables are attributable for € 280 thousand to taxes paid abroad (in Germany, also in previous years) and recoverable in Italy, for € 57 thousand to higher taxes (IRAP) paid in prior years and for € 55 thousand to withholdings incurred.

Deposits with clearing houses refer solely to deposits made in France to Cesam – Comité d'Etudes et des Services des Assureurs Maritimes et Transports, in the ordinary course of business.

The amounts due from related companies reflect operating costs incurred on behalf of and recharged to Milano Assicurazioni S.p.A. (€ 362 thousand) and Liguria Assicurazioni S.p.A. (€ 15 thousand).

Amounts due from tenants relate to rents and expenses.

Amounts due from guarantee funds in favour of policyholders essentially relate to the "Guarantee Fund for Road Victims".

## SECTION 6 - OTHER ASSETS (CAPTION F)

F. "Other assets" total € 9,401 thousand (€ 10,408 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Tangible assets	231	312	(81)
II. Cash and cash equivalents	4,463	4,152	311
IV. Other assets	4,707	5,944	(1,237)
	<b>9,401</b>	<b>10,408</b>	<b>(1,007)</b>

F.I "Tangible assets" of € 231 thousand, are stated net of accumulated depreciation at year-end of € 1,559 thousand, as analysed below:

	(in thousands of €)		
	Gross value	Accumulated depreciation	Book value
1. Furniture and office machines	1,580	(1,349)	231
2. Publicly registered assets	15	(15)	-
3. Plant and equipment	195	(195)	-
	<b>1,790</b>	<b>(1,559)</b>	<b>231</b>

These are considered to be long-term tangible assets forming part of the Company's permanent structure. The movements in their gross book value during the year were as follows:

(in thousands of €)				
<b>Gross value</b>				
	<b>Balance at 31.12.2010</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 31.12.2011</b>
1. Furniture and office machines	2,006	19	(445)	1,580
2. Publicly registered assets	15	-	-	15
3. Plant and equipment	195	-	-	195
	<b>2,216</b>	<b>19</b>	<b>(445)</b>	<b>1,790</b>

The previously indicated accumulated depreciation of € 1,559 thousand (€ 1,904 thousand at 31 December 2010), was increased by the charge for the year of € 100 thousand and decreased by € 445 thousand following the disposal of fixed assets.

The following depreciation rates are applied taking into account the year in which the assets become available for use, as required for tax purposes:

<b>Category</b>	<b>Rate %</b>
furniture	12
fixtures	15
office machines	20
equipment	15
internal communication equipment	25
publicly registered assets	25

No accelerated or advance depreciation has been provided.

F.II "**Cash and cash equivalents**" amount to € 4,463 thousand (€ 4,152 thousand at 31 December 2010) and consist of:

(in thousands of €)			
	<b>31.12.2011</b>	<b>31.12.2010</b>	<b>Change</b>
1. Bank accounts	4,459	4,147	312
2. Cheques and cash	4	5	(1)
	<b>4,463</b>	<b>4,152</b>	<b>311</b>

F.II.1 "**Bank accounts**" include demand deposits and time deposits of less than 15 days.

These amounts include interest income accrued up to year-end.

Bank deposits at the Banca SAI (a related company) amounted to € 484 thousand.

F.IV "Other assets" amount to € 4,707 thousand (€ 5,944 thousand at 31 December 2010) and consist of:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
2. Other	4,707	5,944	(1,237)
	<b>4,707</b>	<b>5,944</b>	<b>(1,237)</b>

F.IV.2 The main items included in "Other" are detailed below:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
Deferred tax assets	2,408	3,027	(619)
Due from tax authorities for disputed tax claim	1,639	1,639	-
Disbursements for accident claims to be settled	341	996	(655)
Due from related companies	126	110	(16)
Insurance excesses and amounts to be recovered from policyholders	115	150	(35)
Due from indirect parent company	-	16	(16)
Other assets	78	6	72
	<b>4,707</b>	<b>5,944</b>	<b>(1,237)</b>

Deferred tax assets derive from timing differences (primarily due to the non-deductible writedown of receivables) between the results reported in the financial statements and IRES taxable income. The recovery of these timing differences against future taxable income is deemed to be reasonably likely. The balance was determined using the tax rates that are expected to apply in the year when the related timing differences reverse. The rates used in relation to IRES and IRAP were 27.50% and 6.82% respectively.

Deferred tax assets were fully recognised in prior years.

The receivable from the tax authorities for disputed tax claim relates to a payment made in July 2010 to settle a tax demand issued by the tax authorities, following an unfavourable sentence issued by the Liguria Regional Tax Commission concerning direct tax relating to coinsurance for the 2003 tax year. In fact, as further detailed at point E.1 of Section 12., the lawyer dealing with the case has indicated that the aforementioned sentence should be considered illegitimate and unfounded and, thus, likely to be overturned by the Supreme Court.

Disbursements for accident claims to be settled represent the temporary accounting contra-entry for fees paid to outside consultants (such as technical experts and loss adjusters) for Marine insurance claims not yet settled at the end of the year. These fees have been accounted for as part of the valuation of the claims payable reserve.

Receivables from related companies, € 64 thousand from Milano Assicurazioni S.p.A. and € 62 thousand from Gruppo Fondiaria – SAI Servizi S.c.r.l., all refer to operating costs (for personnel on secondment) incurred on their behalf and to be recharged to them.

Insurance excesses and amounts to be recovered from policyholders relate entirely to amounts to be recovered.

The portion to be transferred to reinsurers has been recorded under "Other liabilities".

Other assets mainly include the temporary accounting contra-entry for settlements recharged to us by other insurance companies under co-insurance relationships, waiting for supporting documentation or to be reversed. Balances relating to such claims are recorded as amounts due to these companies or in the claims payable reserve, as the case may be.

## SECTION 7 - PREPAYMENTS AND ACCRUED INCOME (CAPTION G)

G. "Prepayments and accrued income" amount to € 838 thousand (€ 786 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Interest	675	579	96
3. Other	163	207	(44)
	<b>838</b>	<b>786</b>	<b>52</b>

This caption is analysed as follows:

	(in thousands of €)		
	Accrued income	Prepayments	Total
1. Interest	675	-	675
3. Other	-	163	163
	<b>675</b>	<b>163</b>	<b>838</b>

Accrued interest income mainly concerns fixed-income securities and deposit account balances at year-end.

Other prepayments relate to various operating expenses referring to future periods (€ 150 thousand) and insurance premiums (€ 13 thousand).

No accrued income or prepayments have a duration of more than five years, or more than one year.









## BALANCE SHEET - LIABILITIES AND EQUITY

### SECTION 8 - CAPITAL AND EQUITY RESERVES (CAPTION A)

A. As at 31 December 2011 these amount to € 47,829 thousand (€ 48,901 thousand at 31 December 2010) and consist of:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Subscribed share capital	38,000	38,000	-
IV. Legal reserve	911	794	117
VII. Other reserves	8,014	7,763	251
IX. Net profit (loss) for the year	904	2,344	(1,440)
	<b>47,829</b>	<b>48,901</b>	<b>(1,072)</b>

The changes during the year are summarised as follows:

	(in thousands of €)				
	Subscribed share capital	Legal reserve	Other reserves	Net profit for the year	Total
Balance at 31.12.2010	38,000	794	7,763	2,344	48,901
Allocation of 2010 earnings authorised at the shareholders' meeting held on 21 April 2011:					
- to legal reserve	-	117	-	(117)	-
- to extraordinary reserve	-	-	251	(251)	-
- dividends	-	-	-	(1,976)	(1,976)
Net profit for 2011	-	-	-	904	904
<b>Balance at 31.12.2011</b>	<b>38,000</b>	<b>911</b>	<b>8,014</b>	<b>904</b>	<b>47,829</b>

As required by Art. 2427-bis of the Italian Civil Code, the following table analyses the various items included in equity at 31 December 2011, explaining their origin, possible use and availability for distribution or other purposes:

	(in thousands of €)		
Caption	Amount	Possible use	Available amount
I. Subscribed share capital	38,000	-	-
IV. Legal reserve	911	B	-
VII. Other reserves			
- reserve for losses	1,953	A, B, C	1,953
- extraordinary reserve	6,061	A, B, C	5,787

Key: A: for increase in capital

B: to cover losses

C: for distribution to shareholders

None of these reserves has been used in the last three years (including 2011).

A.I "Subscribed share capital" amounts to € 38,000,000 and has not changed during the year.

It is represented by 38,000,000 fully-paid ordinary shares, par value € 1 each.

A.IV The "Legal reserve" amounts to € 911 thousand following an increase of € 117 thousand during the year on allocation of part of the net profit for 2010, as required by art. 2430 of the Italian Civil Code.

A.VII "Other reserves" amount to € 8,014 thousand after the following changes during the year:

	(in thousands of €)			
	Balance at 31.12.2010	Increase	Decrease	Balance at 31.12.2011
Reserve for losses	1,953	-	-	1,953
Reserve for exchange gains (art. 2426.8-bis Civil Code)	23	-	(23)	-
Extraordinary reserve	5,787	274	-	6,061
	<b>7,763</b>	<b>274</b>	<b>(23)</b>	<b>8,014</b>

The increase in the extraordinary reserve refers for € 251 thousand to the share of 2010 earnings allocated to it and for € 23 thousand to the transfer of the amount previously provided in the reserve for exchange gains, given that the underlying conditions no longer apply.

## SECTION 9 - SUBORDINATED LIABILITIES (CAPTION B)

B. As in 2010, there are no subordinated liabilities at 31 December 2011.

## SECTION 10 - TECHNICAL RESERVES (CAPTION C.I)

C.I "Technical reserves" at 31 December 2011 amount to € 306,841 thousand (€ 337,812 thousand at 31 December 2010) and consist of:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Unearned premiums reserve	51,041	52,708	(1,667)
2. Claims payable reserve	254,227	283,618	(29,391)
5. Other technical reserves	1,573	1,486	87
	<b>306,841</b>	<b>337,812</b>	<b>(30,971)</b>

In compliance with ISVAP Regulation 16 of 4 March 2008, these technical provisions have been calculated based on estimates that make the best possible use of available information to ensure that they adequately cover the commitments inherent in insurance policies, to the extent that these are reasonably foreseeable.

The amount of these reserves carried by the indirect parent company, Fondiaria-SAI S.p.A., for active reinsurance transactions, includes € 2,348 thousand in unearned premiums and € 20,363 thousand for claims.

The amount carried by related companies for active reinsurance transactions comes to € 2,022 thousand (Milano Assicurazioni S.p.A., € 1,848 thousand and Liguria Assicurazioni S.p.A., € 174 thousand), while the claims payable reserve carried by them totals € 16,822 thousand (Milano Assicurazioni S.p.A., € 16,481 thousand and Liguria Assicurazioni S.p.A., € 341 thousand).

The changes in the unearned premiums reserve and in the claims payable reserve during the year are detailed in Attachment 13.

C.I.1 The “**Unearned premiums reserve**” amounts to € 51,041 thousand (€ 52,708 thousand at 31 December 2010, of which € 52,308 thousand related to apportioned premiums and € 400 thousand related to unexpired risks) and has been calculated in accordance with ISVAP Regulation 16 of 4 March 2008.

This reserve comprises € 50,581 thousand in apportioned premiums and € 460 thousand in unexpired risks.

As required, the unearned premiums reserve is analysed by sector below, considering direct business and indirect business separately:

(in thousands of €)			
<b>Unearned premiums reserve</b>			
<b>Business sector</b>	<b>Direct business</b>	<b>Indirect business</b>	<b>Total</b>
Rolling stock	9	4	13
Hull	43,697	2,599	46,296
Cargo	914	835	1,749
Fire	930	-	930
Other property damage	73	7	80
Motor third-party liability	638	755	1,393
General third-party liability	237	2	239
Bond insurance	16	-	16
Pecuniary losses	325	-	325
	<b>46,839</b>	<b>4,202</b>	<b>51,041</b>

With regard to the unearned premiums reserve for direct business, the above amounts include € 460 thousand for unexpired risks (€ 400 thousand at 31 December 2010).

It relates to Motor third-party liability (€ 370 thousand), Cargo (€ 70 thousand) and Other property damage (€ 20 thousand).

The reserve for unexpired risks has been determined for each sector of business taking into account the ISVAP Circular mentioned above.

In particular, reference was made to the ratio of claims to current generation premiums (net of acquisition commissions and claims of an exceptional nature), compared with the same ratio in previous years.

In addition, as regards the fact that an unearned premiums reserve for unexpired risks has not been set up, except for the one relating to the sectors mentioned above, the following has to be said:

- direct business: the reason is related to the technical performance of the various sectors and, therefore, to the adequacy of the apportioned premium reserve to cover the cost of claims and the related expenses that will take place after the year end;
- indirect business does not require an unexpired risks reserve.

Lastly, € 930 thousand has been added to the apportioned premium reserve against risks related to previous years for natural disasters and € 16 thousand against deposits.

C.I.2 The “**Claims payable reserve**” amounts to € 254,227 thousand (€ 283,618 thousand at 31 December 2010) and has been calculated in accordance with ISVAP Regulation 16 of 4 March 2008.

As discussed in greater detail in Section I, the valuation of the claims payable reserve was based on a claim-by-claim assessment.

The claims payable reserve has been estimated using the "latest cost method", where necessary applied on the basis of the insurance cover provided in each sector, bearing in mind how it has evolved from prior generations to the year under review.

In particular, considering the special nature of the Hull and Cargo sectors, the "latest cost method" was included as part of a broader evaluation of the generation as a whole.

In addition, the claims payable reserve also includes an estimate of accidents that have taken place, but which have not yet been reported at year-end. This estimate is based on experience in previous years, bearing in mind the frequency of late claims and the average cost of accidents reported during the year.

Lastly, taking into account the type of risks for these sectors of business, no especially onerous or exceptional accidents have been reported late.

C.I.5 "Other technical reserves" amount to € 1,573 thousand (€ 1,486 thousand at 31 December 2010) after the following changes during the year:

	(in thousands of €)			
	Balance at 31.12.2010	Increase	Decrease	Balance at 31.12.2011
Equalisation reserve for natural disasters	1,484	87	-	1,571
Compensation reserve	2	-	-	2
	<b>1,486</b>	<b>87</b>	<b>-</b>	<b>1,573</b>

The equalisation reserve for natural disasters was established pursuant to Ministerial Decree 705 dated 19 November 1996 (as referred to in art. 57 of ISVAP Regulation 16 of 4 March 2008), in order to offset over time the loss experience associated with the risks concerned.

The compensation reserve was set up pursuant to Art. 44 of ISVAP Regulation 16 of 4 March 2008 to offset potential underwriting losses on credit insurance business.

## SECTION 12 - PROVISIONS FOR RISKS AND CHARGES (CAPTION E)

E. "Provisions for risks and charges" amount to € 1,808 thousand (€ 2,670 thousand at 31 December 2010) and are made up as follows:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
2. Provision for taxation	1,358	1,320	38
3. Other provisions	450	1,350	(900)
	<b>1,808</b>	<b>2,670</b>	<b>(862)</b>

The changes in the year for this caption are detailed in Attachment 15.

E.1 The "Provision for taxation" consists of the estimated amounts due for direct taxes, including those payable by the foreign branches.

Current taxes are classified in this account, since the exact amount payable to the tax authorities and its timing can only be determined when the tax declaration is prepared and presented.

Since the Company is a member of the domestic tax group, the corporation tax payable (IRES: € 3,896 thousand) has been reclassified as a liability to the indirect parent company, Fondiaria-SAI S.p.A., under "Other creditors".

In addition with regard to taxation, the Genoa tax police completed an inspection during the first half of 2009. This was conducted to check compliance with current regulations regarding both indirect taxation (for the 2006, 2007 and 2008 tax years) and direct taxation (just the 2006 tax year).

No significant matters emerged in relation to direct taxes, while certain irregularities were notified for indirect taxes regarding co-insurance relationships and the related VAT requirements.

In particular, these irregularities related to the failure to tax the recharge made to co-insurers of the “settlement rights” due to the delegated company under co-insurance agreements.

The Liguria Regional Tax Office reached the same conclusion during its audit of the 2003 tax year in 2005. Moreover, on that occasion, the authorities also challenged the failure to subject to VAT the expenses incurred by the Company, as manager of the claim, that were recharged to co-insurers.

With regard to these co-insurance relationships, the company has always followed the tax approach adopted by the insurance industry over the past decades, which does not envisage and has never envisaged that these transactions be subjected to VAT.

Accordingly, the company believes that current legislation has been properly applied, in the absence of official interpretations to the contrary. In particular, with regard to the settlement fees, the approach adopted is supported by a circular from the trade association.

Support for this comes from the sentence handed down by the Genoa Provincial Tax Commissioners on 4 October 2007, in relation to the 2003 tax inspection, which fully accepted the Company's appeal against the indirect taxation.

However, in January 2008, the Genoa Tax Office appealed against this ruling to the Liguria Regional Tax Commissioners.

The hearing before this Commission was held in December 2008 and but the ruling was filed on 3 February 2010.

The ruling accepts the Tax Office's appeal and confirms in full the tax assessment appealed by the company.

Following the above sentence, in May 2010, the tax authorities issued a payment notice, which was duly settled for a total amount of € 1,715 thousand (of which € 1,639 thousand for tax due and € 76 thousand for handling fees).

The amount paid for tax due has been included in “Other assets”, for the reasons set out below, while the handling fees have been charged to the statement of income for the prior year under the caption “Other charges”.

In the opinion of the lawyer appointed to follow this case, the ruling contains specific weaknesses in terms of structure and reasoning and, as such, should be considered illegitimate and unfounded; accordingly, it may be completely overturned by the Court of Cassation.

Recourse was made to this Court in September 2010 and, in response to which, the Attorney General of the State, on behalf of the tax authorities, has lodged a counter appeal in November 2010.

On 22 February 2010, another ruling filed by the Liguria Regional Tax Commissioners (with a different panel), concerning a similar assessment notified to a different company, confirmed cancellation of the Tax Office's assessment for understandable reasons.

Given the above and despite the overall size of the amounts involved in the matters raised, no specific provision has been considered necessary, taking into account the decision of the Liguria Regional Tax Commissioners and the fact that the payment notice has been settled.

Lastly, in view of the defence costs and other possible liabilities in relation to the above, the provision for taxation includes an amount of € 500 thousand accrued for in prior years.

E.3 **“Other provisions”** include € 400 thousand for the expected cost of employee liability, mainly in connection with the national labour contract for middle managers and office staff, which expired on 31 December 2009 and which has not yet been renewed.

They also include € 50 thousand for disbursements expected to resolve the dispute with ISVAP about the erroneous information sent to it about the claims database of the Motor third-party liability segment.

F. **“Deposits from reinsurers”** amount to € 137 thousand (€ 173 thousand at 31 December 2010), down by € 36 thousand compared with the previous year.

This caption solely comprises the cash deposits received under the terms of reinsurance agreements.

### SECTION 13 - CREDITORS AND OTHER LIABILITIES (CAPTION G)

G. **“Creditors and other liabilities”** amount to € 71,921 thousand (€ 74,877 thousand at 31 December 2010) and comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Payables arising out of direct insurance	24,064	16,827	7,237
II. Reinsurance creditors	27,573	35,442	(7,869)
VII. Termination indemnities	1,603	1,731	(128)
VIII. Other creditors	5,916	7,512	(1,596)
IX. Other liabilities	12,765	13,365	(600)
	<b>71,921</b>	<b>74,877</b>	<b>(2,956)</b>



G.I "Payables arising out of direct insurance" amount to € 24,064 thousand (€ 16,827 thousand at 31 December 2010) and consist of:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Due to agents and other intermediaries	21,016	13,465	7,551
2. Due to insurance companies	3,048	3,362	(314)
	<b>24,064</b>	<b>16,827</b>	<b>7,237</b>

G.I.1 "Due to agents and other intermediaries" comprise amounts payable to agents, agents and other intermediaries in connection with their activities.

G.I.2 "Due to insurance companies" relate to current account deposits to secure co-insurance relationships and services received.

They also include € 752 thousand due to the indirect parent company Fondiaria - SAI S.p.A. and € 371 thousand due to related companies (Milano Assicurazioni S.p.A., € 370 thousand and Pronto Assistance S.p.A., € 1 thousand).

G.II "Reinsurance creditors" amount to € 27,573 thousand (€ 35,442 thousand at 31 December 2010) and are due to:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
1. Insurance and reinsurance companies	6,230	8,131	(1,901)
2. Reinsurance intermediaries	21,343	27,311	(5,968)
	<b>27,573</b>	<b>35,442</b>	<b>(7,869)</b>

G.II.1 Reinsurance payables deriving from transactions with "Insurance and reinsurance companies" relate solely to the balances on reinsurance current accounts.

These include € 2,250 thousand (€ 2,965 thousand at 31 December 2010) in liabilities for premium instalments not yet expired in respect of Hull and related Third-party liability insurance business.

They do not include any amount due to the indirect parent company Fondiaria-SAI S.p.A. or to related companies.

G.II.2 Reinsurance payables deriving from transactions with "Reinsurance intermediaries" include apportioned premiums only in respect of Hull and related Third-party liability insurance.

These premium instalments not yet expired (totalling € 21,101 thousand compared with € 21,798 thousand at 31 December 2010) have been partly deducted from the corresponding asset caption relating to reinsurance transactions, if residual amounts are still due to the intermediary concerned.

G.VII "Termination indemnities" amount to € 1,603 thousand (€ 1,731 thousand at 31 December 2010) and represent the indemnities accrued in compliance with current laws and labour contracts.

The changes during the year are detailed in Attachment 15.

G.VIII "**Other creditors**" amount to € 5,916 thousand (€ 7,512 thousand at 31 December 2010) and comprise:

(in thousands of €)

	31.12.2011	31.12.2010	Change
1. Taxes paid by policyholders	579	546	33
2. Miscellaneous taxes payable	311	496	(185)
3. Due to social security and welfare institutions	377	228	149
4. Sundry creditors	4,649	6,242	(1,593)
	<b>5,916</b>	<b>7,512</b>	<b>(1,596)</b>

G.VIII.1 "**Taxes paid by policyholders**" include the amount due to the tax authorities on insurance policies (€ 499 thousand), net of advances paid during the year. This amount was duly paid over in January 2012.

The total also includes € 80 thousand due to foreign tax authorities (mainly Spain, United Kingdom and Germany) for taxes withheld from policyholders, regarding the provision of unrestricted services.

G.VIII.2 "**Miscellaneous taxes payable**" include the VAT balance, € 156 thousand, and taxes for which the Company has acted as withholding agent, € 155 thousand.

These amounts were duly paid over in early 2012.

G.VIII.3 "**Due to social security and welfare institutions**" relate to social security contributions payable by the Company and amounts withheld from employees.

This amount was duly paid over in January 2012.

G.VIII.4 "**Sundry creditors**" are analysed below:

(in thousands of €)

	31.12.2011	31.12.2010	Change
Due to the indirect parent company	3,896	3,896	-
Due to shareholders for dividends	320	233	87
Due to suppliers	274	1,943	(1,669)
Due to corporate officers	99	142	(43)
Other creditors	60	28	32
	<b>4,649</b>	<b>6,242</b>	<b>(1,593)</b>

The amount due to the parent company (Fondiarria-SAI S.p.A.) reflects the amount reclassified from the provision for IRES corporation tax following the company's inclusion in the Group's domestic tax consolidation.

Amounts due to corporate officers relate to the Board of Statutory Auditors, € 62 thousand, and the Board of Directors, € 37 thousand.

G.IX "Other liabilities" amount to € 12,765 thousand (€ 13,365 thousand at 31 December 2010) and comprise:

(in thousands of €)

	31.12.2011	31.12.2010	Change
2. Commission on premiums to be collected	6,479	7,091	(612)
3. Sundry liabilities	6,286	6,274	12
	<b>12,765</b>	<b>13,365</b>	<b>(600)</b>

G.IX.2 "Commission on premiums to be collected" have decreased mainly as a result of lower premiums receivable from direct insurance policyholders.

G.IX.3 "Sundry liabilities" are analysed below:

(in thousands of €)

	31.12.2011	31.12.2010	Change
Due to the indirect parent company	4,335	3,777	558
Due to related companies	451	672	(221)
Due to reinsurers and co-insurers for sundry items	433	504	(71)
Due to third parties	373	318	55
Deferred tax liabilities	364	365	(1)
Due to employees	236	234	2
Due to reinsurers for the settlement of premiums and exclusions	91	138	(47)
Other	3	266	(263)
	<b>6,286</b>	<b>6,274</b>	<b>(12)</b>

The payable due to the indirect parent company relates to personnel on secondment (€ 4,001 thousand), as well as services provided (€ 334 thousand).

Amounts due to related companies are for services provided by them and relate to Gruppo Fondiaria – SAI Servizi S.c.r.l. (€ 229 thousand), Milano Assicurazioni S.p.A. (€ 43 thousand), Immobiliare Lombarda S.p.A. (€ 31 thousand), Sistemi Sanitari S.c.r.l. (€ 9 thousand) and Banca SAI (€ 6 thousand).

In addition, they also include € 133 thousand for personnel on secondment from Milano Assicurazioni S.p.A.

Amounts due to reinsurers and co-insurers for sundry items relate to relationships of a technical nature, for which no documentation exists yet in support of the payable.

Amounts due to third parties relate to invoices to be received for goods or services supplied in 2011.

Deferred tax liabilities derive from timing differences between the results for the year and the income subject to IRES corporation tax.

These liabilities were determined applying the IRES and IRAP tax rates of 27.50% and 6.82%, respectively.

The amounts due to employees relate to holidays accrued but not yet taken.

Amounts due to reinsurers for the settlement of premiums and exclusions are payable in relation to the sums due from policyholders recorded, for the same reason, under "Other assets".

## SECTION 14 - DEFERRED INCOME AND ACCRUED LIABILITIES (CAPTION H)

H.I “**Deferred income and accrued liabilities**” amount to zero (as in 2010).

## SECTION 15 - ASSETS AND LIABILITIES RELATED TO GROUP COMPANIES AND OTHER COMPANIES

Details of assets and liabilities related to Group companies and other companies are given in Attachment 16.

## SECTION 16 - DEBTORS AND CREDITORS

No creditors are secured on the assets of the Company.

Debtors and creditors booked to captions C. and E. in assets and captions F. and G. in liabilities include the following that are due beyond one year and, of these, due beyond five years:

(in thousands of €)		
Caption	Due beyond 12 months	of which: due beyond 5 years
<b>Assets</b>		
C.4 Loans		
c) other loans	80	-

In addition, as required by Art. 2427.6 of the Italian Civil Code, the following is a breakdown of debtors and creditors by geographical area:

(in thousands of €)				
	Italy	Other E.U. countries	Other non E.U. countries	Total
<b>E. Receivables</b>				
E.1 Receivables arising out of direct insurance	55,679	10,957	340	66,976
E.2 Reinsurance debtors	7,588	2,364	2,035	11,987
E.3 Other debtors	4,713	434	-	5,147
<b>Total</b>	<b>67,980</b>	<b>13,755</b>	<b>2,375</b>	<b>84,110</b>

(in thousands of €)				
	Italy	Other E.U. countries	Other non E.U. countries	Total
<b>G. Creditors</b>				
G.I Payables arising out of direct insurance	21,631	2,430	2	24,063
G.II Reinsurance creditors	13,001	14,419	153	27,573
G.VIII Other creditors	5,635	275	6	5,916
<b>Total</b>	<b>40,267</b>	<b>17,124</b>	<b>161</b>	<b>57,552</b>

## SECTION 17 - GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

"Guarantees, commitments and other memorandum accounts" comprise:

	(in thousands of €)		
	31.12.2011	31.12.2010	Change
I. Guarantees given	6	6	-
III. Guarantees given by third parties in the interest of the Company	791	843	(52)
VII. Securities with third parties	90,020	88,747	1,273

I. "**Guarantees given**" refer to securities lodged by the Company in favour of third parties for its insurance activities abroad.

III. "**Guarantees given by third parties in the interests of the Company**" relate to guarantees given by leading Italian banks in favour of third parties, mainly abroad, in connection with insurance activities.

There were no dealings in derivative contracts during the year.

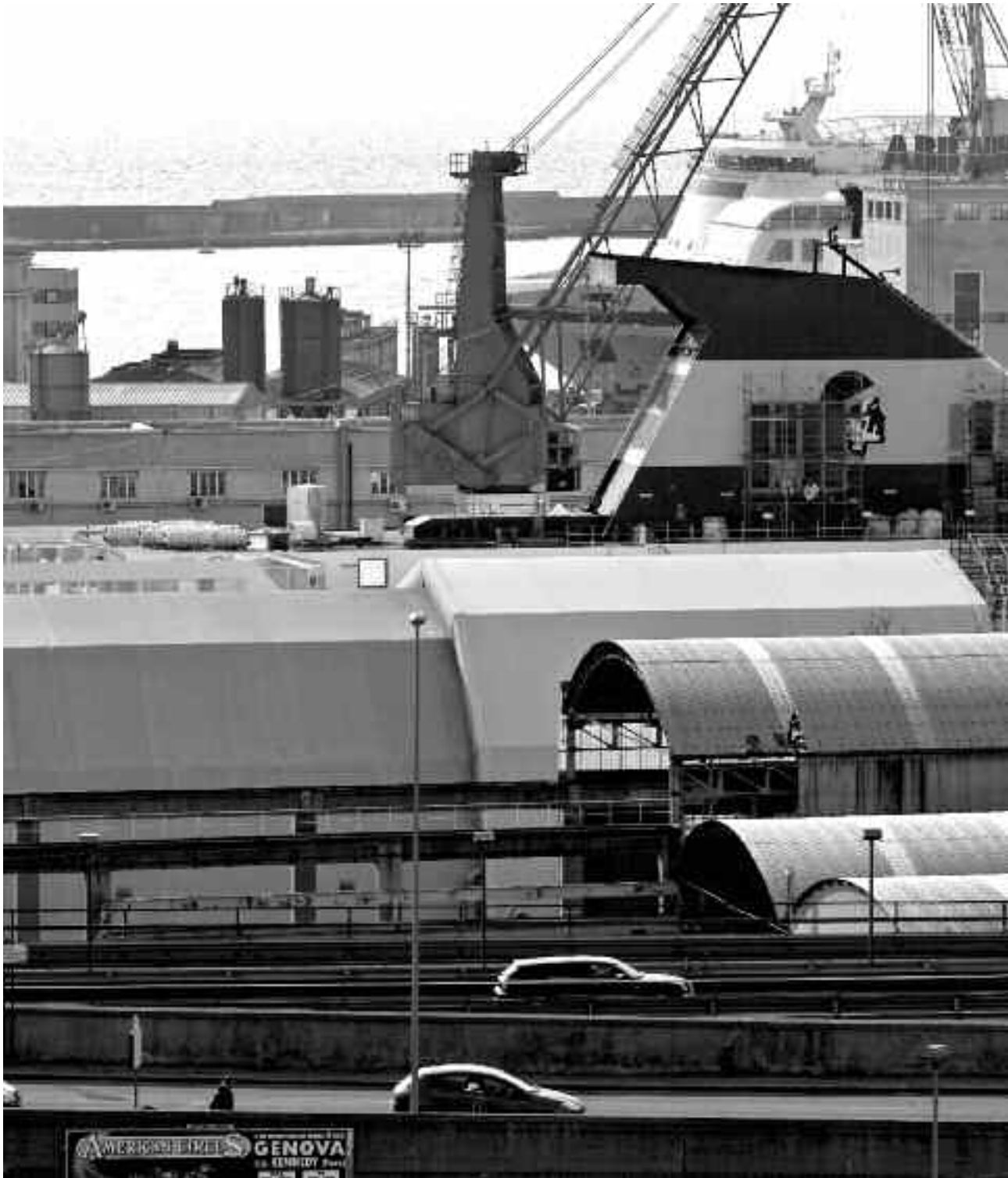
There were no derivative contracts outstanding at 31 December 2011.

The "Property and financial management" section of the report on operations provides more details concerning the subordinated bonds held at year end.

VII. "**Securities with third parties**" include own securities deposited with banks for safekeeping, reported at book value.

Of these, the securities deposited with Banca SAI S.p.A. (a related company) amounted to € 82,298 thousand.

Guarantees given" (I), "Guarantees given by third parties in favour of the Company" (III), and "Commitments" (IV) are analysed in Attachment 17.







## STATEMENT OF INCOME

### SECTION 18 - INFORMATION ON THE TECHNICAL ACCOUNT OF THE LOSS SECTORS (I)

Summary information on the technical account is given in Attachment 19, breaking down the Italian business into direct and indirect and showing it separately from foreign business.

The main captions of the technical statement of income are shown below.

I.1 "**Earned premiums net of reinsurance**" amount to € 40,761 thousand, of which € 29,783 thousand relates to direct business and € 10,978 thousand to indirect business.

I.1.a "Gross premiums written" have been commented on in the report on operations.

As required by ISVAP Regulation 22 of 4 April 2008, this balance does not include the cancellation of securities issued in prior periods (classified as "Other technical charges").

"Gross premiums written" for indirect business include € 13,365 thousand transferred in full by Fondiaria-SAI S.p.A. in relation to sectors within the "Maritime and Cargo insurance" sector, following the creation of the Group's Marine Hub.

In addition, in a similar context, premiums totalling € 9,504 thousand have been accepted from related companies, namely € 9,010 thousand from Milano Assicurazioni S.p.A. and € 494 thousand from Liguria Assicurazioni S.p.A.

I.1.b "Outward reinsurance premiums" include € 16 thousand transferred to related companies, namely Milano Assicurazioni S.p.A.

No premiums have been transferred for reinsurance to Fondiaria-SAI S.p.A.

I.1.c, I.1.d The "Change in the unearned premiums reserve", gross and net of outward reinsurance premiums, is summarised as follows:

	(in thousands of €)		
	<b>Gross</b>	<b>Reinsured</b>	<b>Net</b>
Unearned premiums reserve at 31.12.2010	(52,708)	43,281	(9,427)
Unearned premiums reserve at 31.12.2011	51,041	(41,988)	9,053
Net exchange differences	(759)	650	(109)
Portfolio movements, net	-	-	-
	<b>(2,426)</b>	<b>1,943</b>	<b>(483)</b>



I.2 The **"Investment return transferred from the non-technical account"** has a zero balance, because of the drastic decline in profits from investments, net of capital and financial charges, which show a negative balance.

This portion is calculated according to the rules laid down in art. 22 of ISVAP Regulation 22 of 4 March 2008.

The investment return, determined in order to calculate the above amount, comprises the sum of the investment income and related financial charges recorded in the non-technical account.

The portion attributable to the technical account pursuant to the above Instructions is obtained by applying the following ratio to the investment return:

- numerator: the average of the technical reserves (net of reinsurance) at the start and the end of the year;
- denominator, the same average plus the average of opening and closing shareholders' equity at the same dates.

In the 2011 financial statements, this ratio amounted to 55.5% (55.3% in the 2010 financial statements).

I.3 **"Other technical income, net of recoveries and reinsurance"** amounts to € 6,413 thousand and includes € 2,472 thousand of income deriving from technical services provided to Group companies, including € 1,730 thousand to Fondiaria - SAI S.p.A., € 692 thousand to Milano Assicurazioni S.p.A. and € 50 thousand to Liguria Assicurazioni S.p.A.

In addition, this caption also includes the technical cancellation of amounts due to reinsurers for premiums transferred in prior years (€ 196 thousand), as well as the reversal of commission expense on prior-year premiums that were cancelled (€ 64 thousand).

Lastly, it also includes amounts charged to co-insurers, regarding solely the Hull and Cargo sectors, for loss management expenses incurred in relation to the insurance policies for which the Company acts as leader.

I.4 **"Claims incurred, net of recoveries and reinsurance"** amount to € 30,639 thousand.

I.4.a Gross "Amounts paid" include those relating to the reinsurance business accepted from the indirect parent Fondiaria-SAI S.p.A. (€ 5,291 thousand) and the related companies Milano Assicurazioni S.p.A. (€ 3,972 thousand) and Liguria Assicurazioni S.p.A. (€ 241 thousand).

This account also includes expenses of € 10,364 thousand relating to the settlement of claims, of

which € 32 thousand relates to charges from Fondiaria-SAI S.p.A., for services rendered under current agreements covering the elementary and motor sectors.

These expenses include administrative costs (mainly payroll) incurred for the management of claims totalling € 2,220 thousand.

Amounts due from reinsurers for "claims paid" include those pertaining to Milano Assicurazioni S.p.A. (€ 616 thousand) and The Lawrence Re. (€ 30 thousand).

No portion of claims paid has been recharged to Fondiaria - SAI S.p.A.

I.4.c The "Change in claims payable reserve", gross and net of reinsurance, is summarised as follows:

	(in thousands of €)		
	<b>Gross</b>	<b>Reinsured</b>	<b>Net</b>
Claims payable reserve at 31.12.2010	(283,618)	209,836	(73,782)
Claims payable reserve at 31.12.2011	254,227	(182,013)	72,214
Net exchange differences	(2,003)	1,541	(462)
Portfolio movements, net	-	(1,393)	(1,393)
	<b>(31,394)</b>	<b>27,971</b>	<b>(3,423)</b>

The net difference between the opening claims payable reserve and the aggregate amount representing prior year payments made during the year, the change in recoveries relating to prior years and the related new reserve at year end, taking portfolio movements and exchange differences into account, represents an insignificant negative difference (net of reinsurance) of about 0.42% of the opening claims payable reserve.

I.6 "**Profit commissions, net of reinsurance**" amounted to € 186 thousand and include only the amounts paid to policyholders during the year for profit commissions.

I.7 "**Operating expenses**" amount to € 11,506 thousand.

I.7.a "Acquisition commissions" mainly includes payments to third parties for the acquisition and renewal, automatic or otherwise, of insurance policies.

I.7.b "Other acquisition costs" are principally attributable to the payroll costs of employees engaged in the acquisition of new policies.

These costs also include commission expense recognised in relation to the reinsurance business accepted.

In particular, this commission includes € 2,786 thousand charged by Fondiaria – SAI S.p.A., € 1,828 thousand by Milano Assicurazioni S.p.A. and € 110 thousand by Liguria Assicurazioni S.p.A.

I.7.d "Collection commissions" relate to administrative expenses connected with the collection of premiums.

I.7.e "Other administrative expenses" comprise general costs, net of those allocated to "other acquisition expenses" (€ 2,816 thousand) and "claims incurred" (€ 2,209 thousand).

In fact, before allocating € 5,025 thousand to the above captions, other administrative expenses amounted to € 12,765 thousand.

This caption also includes payroll costs (€ 10,693 thousand) and depreciation (€ 99 thousand), as well as the 2011 emoluments of directors (€ 44 thousand) and statutory auditors (€ 52 thousand).

I.7.f "Commission and other income from reinsurers" include commission income on transfers and retrocessions.

Commission income does not include any amounts from either the indirect parent company Fondiaria - SAI S.p.A. or related companies.

I.8 "**Other technical expenses, net of reinsurance**" amount to € 1,600 thousand and include technical write-offs of amounts due from policyholders for prior-year premiums (€ 411 thousand), as well as the elimination of commission income on transferred prior-year premiums that have been cancelled (€ 47 thousand).

This caption also includes a provision of € 90 thousand for uncollectible insurance premiums due from customers.

I.9 The "**Change in the equalisation reserve**" during the year amounts to € 87 thousand and is summarised by business sector as follows:

(in thousands of €)				
Sector	Opening balance	Utilisations	Provisions	Closing balance
Personal accident (1)	96	-	1	97
Motor fire, theft, etc. insurance (3)	68	-	-	68
Marine, aircraft and transport insurance (4, 5, 6, 7, 12)	1,032	-	81	1,113
Fire and other property damage (8, 9)	288	-	5	293
Credit insurance (14)	2	-	-	2
	<b>1,486</b>	<b>-</b>	<b>87</b>	<b>1,573</b>

For further information on "Other non-technical reserves" please refer to paragraph C.1.5 of Section 10.

## SECTION 20 - TECHNICAL RESULTS BY BUSINESS SECTOR

With reference to the Italian business technical account, Attachment 26 summarises all sectors, while Attachment 25 shows the results by individual sector.

Reports from the Company's management accounting system have been used, for the most part, to allocate common costs to individual business sectors.

Revenues and costs not analysed by the management accounting system are generally allocated, where appropriate, in proportion to the sector's premiums or claims with respect to the total. In particular cases, specific decisions have been reached on a logical basis.

## SECTION 21 - INFORMATION ON THE NON-TECHNICAL ACCOUNT

III.3 "**Net investment income**" amounts to € 3,736 thousand and is detailed in Attachment 21.

Please refer to the report on operations under "Property and financial management" for further information about this caption.

III.5 "**Capital and financial charges**" amount to € 4,785 thousand and are detailed in Attachment 23.

III.5.a "Investment management charges and interest expense" amounting to € 339 thousand relate to the management of property (€ 221 thousand) and financial investments (€ 110 thousand), as well as to interest expense on deposits withheld from reinsurers in relation to risks transferred (€ 8 thousand). In particular, charges for the management of property relate to local property tax (ICI) for € 102 thousand.

III.5.b "Writedowns" on investments, amounting to € 4,430 thousand, comprise adjustments to the value of shares (€ 271 thousand), bonds (€ 3,254 thousand) and other financial investments (€ 576 thousand), as well as the depreciation of commercial property used by the Company (€ 329 thousand).

Please refer to the report on operations under "Property and financial management" for further information about this caption.

III.6 For the "**Investment return transferred to the technical account**", the same comments apply as were made in point I.2 of Section 18.

III.7 "Other income" amounts to € 4,637 thousand and is detailed below:

	(in thousands of €)
Use of the allowance for doubtful accounts	2,524
Recovery of costs from indirect parent company	890
Recovery of costs from related companies	629
VAT refund	284
Exchange gains	119
Decrease in the provision for risks and charges	53
Interest income on bank current accounts	41
Interest income on tax credit	8
Other	89
	<b>4,637</b>

The decrease in the provision for doubtful accounts relates for € 2,457 to insurance and reinsurance companies, for the amounts released during the year. Against these releases, the losses on debtors were booked to "Other expenses".

The decrease also refers for € 67 thousand to reinsurance intermediaries, following the revision of estimates.

The recovery of costs from the indirect parent company essentially relates to operating costs incurred on behalf of Fondiaria-SAI S.p.A. (charges in the other direction are classified as "other expenses").

The recovery of costs from related companies (charges in the other direction are classified as "Other expenses") essentially relates to operating costs incurred on behalf of Milano Assicurazioni S.p.A. (€ 566 thousand) and Gruppo Fondiaria – SAI Servizi S.c.r.l. (€ 61 thousand).

The VAT refund relates to the VAT expensed during the year which can be reclaimed due to the pro-rata recoverability which the Company will use in 2011.

Exchange gains, like exchange losses (totalling € 100 thousand), derive from the application of multicurrency methodologies and include both realised gains (€ 32 thousand) and those arising on translation (€ 87 thousand).

Since net unrealised exchange gains total € 85 thousand, the proposed allocation of net profit for 2011 will include the creation of an equity reserve (as required by point 8-bis of art. 2426 of the Italian Civil Code).

The reduction in the provision for risks and charges relates to the fines imposed by ISVAP in 2011 after the verification conducted by the Supervisory Authority in the first half of 2010, and paid by the deadline. This amount, € 47 thousand, was € 53 thousand lower than the amount of € 100 thousand prudently allocated in the financial statements at 31 December 2010.

Interest income on bank current accounts includes interest accrued on demand deposits and on time deposits restricted for less than 15 days.

The interest income on tax credits has accrued on the amounts to be reimbursed by the Italian tax authorities, mainly for direct taxes.

III.8 **"Other expenses"** amount to € 4,648 thousand and mainly comprise:

	(in thousands of €)
Losses on debtors	2,457
Administrative costs and expenses on behalf of indirect parent company	890
Administrative costs and expenses on behalf of related companies	629
Provision for doubtful accounts	283
Provision for employee liability	150
Exchange losses	100
Sundry taxes	62
Amortisation of intangible assets	28
Operating costs of clearing houses	34
Other	15
	<b>4,648</b>

The losses on debtors refer entirely to reinsurance companies and are offset by an equivalent amount released from the allowance for doubtful accounts and classified as "Other income".

Administrative costs and expenses on behalf of the indirect parent company and related companies are matched by the balance under "Other income".

The provision for doubtful accounts relates to debtors other than those from policyholders for insurance premiums. It comprises € 200 thousand for receivables due from insurance companies, € 50 thousand for amounts due from agents and other intermediaries and € 33 thousand for insurance and reinsurance companies.

The provision for employee liability mainly relates to the national labour contract for middle managers and office staff, which expired on 31 December 2009 and which has not yet been renewed.

The exchange losses deriving from the application of a multicurrency accounting system. This balance includes both realised losses (€ 98 thousand) and those arising on translation (€ 2 thousand).

Sundry taxes mainly include those relating to advertising and the disposal of solid urban waste.

The operating costs of clearing houses relate to the insurance activities of the French branch.

III.10 **"Extraordinary income"** amounts to € 5 thousand.

III.11 **"Extraordinary expenses"** amount to € 7 thousand.

III.14 **"Income taxes"**, for a total of € 1,190 thousand, include IRAP (€ 550 thousand) and the taxes paid in certain countries where the foreign branches are located (€ 22 thousand) which are not recoverable in Italy.

These include charges for deferred tax assets (€ 629 thousand for IRES charges and € 10 thousand for IRAP income) and income for deferred tax liabilities (€ 1 thousand), booked during the year.

The size of the deferred tax assets is principally due to the release of the provision for doubtful accounts from reinsurance companies, which took place in 2011 for a substantial amount. The related provision, made in previous years, had been the subject of a tax add-back in the tax return, given that the conditions for tax deductibility did not apply at that time (whereas they do in 2011).

The above changes in deferred tax assets and liabilities include the effects of the 2% increase in the rate of IRAP from 2011 on the deferred tax assets and liabilities recorded in prior years. These effects have led to the recognition of income of € 39 thousand in this caption.

Deferred tax assets and liabilities are discussed further in points F.IV.2 of Section 6 and G.IX.3 of Section 13.

As required by art. 2427.14 of the Italian Civil Code, the following information is provided on the timing differences that have given rise to deferred tax assets and liabilities (in thousands of €):

(in thousands of €)				
DEFERRED TAX ASSETS	Amount	IRES tax rate	IRAP tax rate	Deferred tax assets
Net change in claims payable reserve	3,179	27.50%	-	874
Taxed prov. doubtful accounts	2,481	27.50%	-	682
Tax losses carried forward	1,218	27.50%	-	334
Adjustments to the value of equity securities	680	27.50%	-	187
Provision for risks and charges	400	27.50%	6.82%	137
Net change in claims payable reserve	322	-	6.82%	22
Depreciation of land used by the Company	222	27.50%	-	61
Depreciation of land used by the Company	180	-	6.82%	12
Remuneration of Independent Auditors	93	27.50%	-	26
Provision for doubtful accounts exceeding the limit set in art. 106 Tax Law	67	27.50%	6.82%	24
Emoluments of Directors	35	27.50%	-	10
<b>Deferred tax assets at 31 December 2011</b>				<b>2,369</b>
<b>Income from the 2% increase in the IRAP tax rate</b>				<b>39</b>
<b>Deferred tax assets at 31 December 2010</b>				<b>(3,027)</b>
<b>Decrease in deferred tax assets (cost)</b>				<b>619</b>
DEFERRED TAXES LIABILITIES	Amount	IRES	IRAP	Deferred tax liabilities
Tax depreciation of property used by third parties	1,224	27.50%	-	337
Tax depreciation of property used by third parties	408	-	6.82%	28
<b>Deferred tax liabilities at 31 December 2011</b>				<b>365</b>
<b>Deferred tax liabilities at 31 December 2010</b>				<b>(366)</b>
<b>Decrease in deferred tax liabilities (income)</b>				<b>1</b>

Lastly, with regard to taxation for the year, the following schedule for 2010 reconciles the IRES theoretical tax rate (27.50%) with the effective rate:

	(in thousands of €)
Profit (loss) before taxes	<b>2,094</b>
<i>Theoretical IRES (27.50%)</i>	(576)
Tax effect of the change in permanent differences	(54)
Other differences	1
<i>Effective IRES</i>	<b>(629)</b>
<i>Effective IRES tax rate</i>	<b>30.1%</b>

IRAP has not been taken into consideration since the way the taxable amount is calculated means that it cannot be correlated with the reported pre-tax profit.

For further comments on non-technical statement of income captions, reference should be made to the report on operations.

## SECTION 22 - SUNDRY INFORMATION ON THE STATEMENT OF INCOME

- Transactions with Group and other companies are summarised in Attachment 30.
- Direct business premiums are summarised in Attachment 31.
- Charges for personnel, directors and statutory auditors are summarised in Attachment 32.



## PART C - OTHER INFORMATION

### C.1 Solvency margin

The solvency margin and the guarantee required for 2011 total € 19,055 thousand and € 6,019 thousand, respectively, while the elements comprising the available margin total € 46,826 thousand, calculated in accordance with ISVAP Regulation 19 of 14 March 2008.

The solvency margin is therefore 2.46 times higher than what is required by current legislation.

### C.2 Coverage of technical reserves

The amount of the technical reserves to be covered at the end of the year is € 253,727 thousand for direct business and € 53,114 for indirect business.

The assets available at 31 December 2011 are suitable and sufficient, considering the restrictions imposed by current regulations, to guarantee coverage of the above reserves. In particular, this coverage is provided by Class A. assets ("Investments"), € 109,800 thousand; Class B. assets ("Debtors"), € 192,591 thousand, and Class D. assets ("Bank deposits"), € 4,450 thousand.

### C.3 Trend in exchange rates

The exchange rates at the date the financial statements were prepared do not differ significantly from those at 31 December 2011 (especially considering the US dollar, a currency that is widely used in the Marine insurance sector).

### C.4 Transactions with related parties

As required by art. 2427-bis of the Italian Civil Code, it is confirmed that no significant transactions with related parties have been conducted on other than market terms.

Information about transactions with Group companies during 2011 is provided in the report on operations, to which reference is made.

### C.5 Off-balance sheet agreements

As required by art. 2427.22-ter of the Italian Civil Code, it is confirmed that, at 31 December 2011, there are no off-balance sheet agreements that might result in significant risks or benefits for the Company.

### C.6 Financial fixed assets

As required by para. 1.2 of art. 2427-bis of the Italian Civil Code, it is confirmed that the financial statements for the year ended 31 December 2011 do not include any financial fixed assets (excluding investments in subsidiary and associated companies, as defined in art. 2359 of the Italian Civil Code) at a value that exceeds their fair value.

**C.7 Derivative instruments**

As mentioned in the report on operations, no use of derivative instruments was made during the year. However, at 31 December 2011, the portfolio contains bonds with subordination clauses (as detailed in the section on "Property and financial management" in the Report on Operations), as the result of trading activities in previous years.

There were no derivative contracts outstanding at 31 December 2011.

**C.8 Formation of a domestic tax group**

Following the resolution adopted on 22 June 2010 by the Board of Directors of Fondiaria - SAI S.p.A., the indirect parent company notified the tax authorities in the prescribed manner about the formation of a domestic tax group pursuant to arts. 117-129 of the Consolidated Income Tax Law. The Company is currently a member of this tax group for the three-year period 2010 – 2012.

In order to govern the financial relations deriving from the above, an agreement has been signed with the indirect parent company under which the company is committed to making the necessary funds available to the former in order to settle the taxes deriving from the company's taxable income for IRES purposes. Conversely, the company receives from the indirect parent company the amount of the tax reduction obtained by the latter via use of any tax losses transferred to it by the company.

**C.9 Annual return for reporting premiums, ancillary income and the NHS contributions collected in 2007**

The annual return for reporting premiums, ancillary income and the NHS contributions collected in 2007 was filed late (on 5 June 2008 instead of on 3 June 2008, taking account of the extensions granted for public holidays).

However, the monthly payments related to these matters have always been paid regularly by the legal deadline. As a consequence of this late filing, on 27 January 2009 the Genoa Tax Office notified issuance of a fine for the amount not declared (€ 5,240 thousand), even though it had been paid promptly.

Based on a reasoned legal opinion, indicating solid reasons and valid arguments for the annulment of this measure, the fine has been challenged by filing an appeal to the Provincial Tax Commission.

With a sentence filed on 22 September 2010, the Commission, giving a well-argued and reasoned decision, annulled the fine, reducing it to a minimum of € 103.

To refute that judgment, on 12 October 2011 the tax authorities applied to the Regional Tax Commission, which therefore has to give its opinion.

**C.10 Fees for services provided by the independent auditors**

Pursuant to art. 149-duodecies of Consob's Issuers' Regulations, as amended most recently by resolutions 15915 of 3 May 2007 and 15960 of 30 May 2007, the following schedule reports the 2011 fees for services provided to the Company by the independent auditors and companies that are members of its network. Amounts are stated in thousands of euro and exclude VAT and expenses:

(in thousands of €)		
Type of service	Provider of the service	Fees
Audit	Reconta Ernst & Young S.p.A.	85
Other auditing activities	Reconta Ernst & Young S.p.A.	30
Certification services (*)	Reconta Ernst & Young S.p.A.	3

(\*) Certification services relate to the signing of tax returns

**C.11 Interim dividends (if any)**

No interim dividends were approved or paid during 2011.

**C.12 Changes in shareholders' equity after the year-end**

As required by ISVAP Regulation 22 of 4 April 2008, the statement of changes in shareholders' equity after the year-end is reported below:

(in thousands of €)					
	Subscribed share capital	Legal reserve	Other reserves	Net profit for the year	Total
Balance at 31.12.2011	38,000	911	8,014	904	47,829
Allocation of 2011 earnings, as proposed by the Board of Directors on 24 February 2012					
- to legal reserve	-	45	-	(45)	-
- to extraordinary reserve	-	-	774	(774)	-
- to reserve for exchange gains	-	-	85	(85)	-
	<b>38,000</b>	<b>956</b>	<b>8,873</b>	<b>-</b>	<b>47,829</b>

**C.13 Statement of changes in financial position**

The statement of changes in financial position for the year ended 31 December 2011 with comparative figures from the previous year is shown below:

	(in thousands of €)	
	2011	2010
<b>Sources of funds</b>		
Net profit for the year	904	2,344
Writedown of receivables	373	568
Depreciation and amortisation of property, tangible and intangible assets	492	502
Writedown of financial investments	4,080	2,838
Provision for termination indemnities	379	361
Provision for risks and charges	801	1,985
Decrease in investments in Group companies and other related companies	17	-
Net change in other receivables and payables	-	1,655
Decrease in deposits with insurance and reinsurance companies	115	88
Net change in debtors and creditors from/to insurance and reinsurance operations	3,920	7,956
Net change in other assets and liabilities	638	-
<b>Total sources of funds</b>	<b>11,719</b>	<b>18,297</b>
<b>Application of funds</b>		
Dividends paid	1,976	-
Increase in investments in Group companies and other related companies	-	52
Increase in other financial investments	4,342	13,254
Decrease in deposits received from reinsurers	36	286
Net decrease in technical reserves	1,855	1,428
Utilisation of termination indemnities	507	460
Utilisation of provisions for risks and charges	1,663	493
Net change in other receivables and payables	902	-
Net change in other assets and liabilities	-	2,029
Increase in investment in property	46	-
Increase in tangible and intangible assets	29	302
Net change in debtors and creditors from/to insurance and reinsurance operations	-	-
Net change in accruals and deferrals	52	10
<b>Total application of funds</b>	<b>11,408</b>	<b>18,314</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>311</b>	<b>(17)</b>
Cash and cash equivalents:		
- beginning of the year	4,152	4,169
- end of the year	4,463	4,152
	<b>311</b>	<b>(17)</b>

**C.14 Key figures from the statutory and consolidated financial statements of Fondiaria – SAI**

As required by Art. 2497-bis, para. 4 of the Italian Civil Code, the following tables provide a summary of the key figures from the statutory and consolidated financial statements at 31 December 2010 (the latest to be approved) of the indirect parent company, Fondiaria-SAI S.p.A., as it exercises management control and coordination over the Company:

(in thousands of €)	
<b>SUMMARY OF THE BALANCE SHEET</b>	<b>31.12.2010</b>
<b>Assets</b>	
Intangible assets	171,939
Investments	15,773,379
Debtors	1,902,119
Other assets	814,404
<b>Total assets</b>	<b>18,661,841</b>
<b>Liabilities and Equity</b>	
Capital and equity reserves	1,822,481
Subordinated liabilities	900,000
Technical reserves (*)	14,304,040
Provisions for risks and charges	324,542
Deposits received from reinsurers	151,125
Creditors and other liabilities	1,159,653
<b>Total liabilities</b>	<b>18,661,841</b>

(\*) The technical reserves are stated net of the amounts borne by reinsurers

(in thousands of €)	
<b>SUMMARY OF THE STATEMENT OF INCOME</b>	<b>2010</b>
Result of the technical account of loss sectors	(236,058)
Result of the technical account of life sectors	(174,223)
Net financial income from investments (**)	(225,870)
Investment return transferred from the technical account of life sectors	-
Balance of other income and expenses	-114,531
Result of ordinary operations	(777,682)
Extraordinary income	92,869
Extraordinary expenses	(47,092)
Profit (loss) before tax	(731,905)
Income taxes	95,497
<b>Net profit for the year</b>	<b>(636,408)</b>

(\*\*) Solely income from the Loss sectors, net of the portion transferred to the Technical account

(in thousands of €)

<b>SUMMARY OF THE CONSOLIDATED BALANCE SHEET</b>	<b>31.12.2010</b>
<b>Assets</b>	
Intangible assets	1,587,734
Tangible assets	594,334
Investments	36,013,873
Other debtors	2,314,375
Other assets	1,622,004
<b>Total assets</b>	<b>42,132,320</b>
<b>Liabilities and Equity</b>	
Capital and equity reserves	2,550,105
Provisions	340,637
Technical reserves (*)	34,004,788
Financial liabilities	3,850,106
Creditors	836,934
Other liabilities	549,750
<b>Total liabilities</b>	<b>42,132,320</b>

(\*) The technical reserves are stated net of the amounts borne by reinsurers

(in thousands of €)

<b>SUMMARY OF THE CONSOLIDATED STATEMENT OF INCOME</b>	<b>2010</b>
Net premiums	12,585,297
Commission income	57,317
Income from financial instruments and property	1,732,475
Other revenues	556,503
<b>Total revenues and income</b>	<b>14,931,592</b>
Net charges deriving from claims	(12,152,941)
Commission expense	(28,421)
Charges deriving from financial instruments and property	(870,590)
Operating expenses	(1,920,182)
Other costs	(967,183)
<b>Total costs and expenses</b>	<b>(15,939,317)</b>
Loss for the year before taxes	(1,007,725)
Income taxes	77,102
Loss for the year, net of taxes	(930,623)
Income from discontinued operations	1,762
<b>Consolidated loss</b>	<b>(928,861)</b>

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## ATTACHMENTS



Only attachments applicable to the Company have been enclosed

Distribution of the result for the year between life and non-life business

		Non life business	Life business	Total	
<b>Direct margin on insurance business.....</b>	1	3,156	21	41	3,156
Income from investments.....	+ 2	3,736		42	3,736
Financial charges.....	- 3	4,785		43	4,785
Portion of income from investments transferred to direct insurance life result.....	+ 4		24	44	
Portion of income from investments transferred to direct insurance non-life result.....	- 5			45	
<b>Intermediate result.....</b>	6	2,107	26	46	2,107
Other income .....	+ 7	4,637	27	47	4,637
Other expenses.....	- 8	4,648	28	48	4,648
Extraordinary income.....	+ 9	5	29	49	5
Extraordinary expenses.....	- 10	7	30	50	7
<b>Result before tax.....</b>	11	2,094	31	51	2,094
Income taxes.....	- 12	1,190	32	52	1,190
<b>Net result for the year.....</b>	13	904	33	53	904

Changes in intangible assets ( Item B. ) and property ( Item C.I )

		Intangible assets B.	Property C.I
Gross opening balance .....	+ 1	1,401	31 20,790
Increase.....	+ 2	10	32 46
due to : Purchases .....	3	10	33 46
Write backs.....	4		34
Revaluation .....	5		35
Other changes.....	6		36
Decrease.....	- 7	49	37 0
due to : Sales.....	8	49	38 0
Permanent writedowns.....	9		39
Other changes.....	10		40
<b>Gross closing balance.....(a)</b>	11	1,362	41 20,836
Depreciation / Amortisation.....			
Opening balance.....	+ 12	1,248	42 3,181
Increase.....	+ 13	63	43 329
due to : Depreciation / Amortisation.....	14	63	44 329
Other changes.....	15		45
Decrease.....	- 16	49	46 0
due to : Sales.....	17	49	47
Other changes.....	18		48
<b>Accumulated depreciation / amortisation.....(b)</b>	19	1,262	49 3,510
<b>Net book value .....(a - b)</b>	20	100	50 17,326
Market value.....			51 25,983
Total revaluation.....	22		52
Total writedowns.....	23		53
(*) of which depreciation / amortisation made solely for tax purposes	24		54

Changes in investments in group and related companies ( Item C.II )

		Shares and quotas	Bonds	Loans
Opening balance .....	+	1 53	21	41
Increase.....	+	2 6	22	42
due to : Purchases .....		3 23		43
Write backs.....		4 24		44
Revaluation .....		5		
Other changes.....		6 6	26	46
Decrease.....	-	7 23	27	47
due to : Sales.....		8 2	28	48
Writedowns.....		9 21	29	49
Other changes.....		10 30		50
<b>Book value.....</b>		11 36	31	51
Market value.....		12 36	32	52
Total revaluation.....		13		
Total writedowns.....		14 34		54

The item "Bonds" includes :

Listed Bonds.....	61
Unlisted Bonds.....	62
<b>Book value.....</b>	63
Of which convertible bonds.....	64

# NOTES TO THE FINANCIAL STATEMENTS - ATTACHMENT 6

## Group and related companies

	(1)	Listed or Unlisted (2)	Activity carried out (3)	Company name and registered office	Currency
1	e	NQ	7	UCI Società Consortile a r.l. Corso Sempione, 39 MILANO	EUR
2	c	NQ	7	GRUPPO FONDIARIA-SAI SERVIZI Società Consortile a R. L. Via Senigallia 18/2 MILANO	EUR

(\*) The statement includes all group and related companies, directly or indirectly owned

(1) a = Parent company  
b = Controlled company  
c = Related company  
d = Affiliated company  
e = Others

(2) L = Listed  
U = Unlisted

(3) 1 = Insurance company  
2 = Holding company  
3 = Bank  
4 = Real Estate company  
5 = Fiduciary company  
6 = Management or distribution company for unit trusts  
7 = Consortium  
8 = Industrial company  
9 = Other

(4) Original currency

(5) Global percentage owned

: general information (\*)

Share capital		Net Worth (**)	Profit / Loss for the last year closed (**)	Participating share (5)		
Amount (4)	Number of Shares			Direct %	Indirect %	Total %
510,000	1,000,000			0.09	0.09	
5,200,000	10,000,000			0.11	0.11	

(\*\*) Only for controlled and affiliated companies

Changes in group and related

(1)	(2)	(3)	Company name	Increase in the year		
				Purchases		Other Increases
				Number of shares	Amount	
1	e	D	UCI Società Consortile a r.l.			
2	c	D	GRUPPO FONDIARIA-SAI SERVIZI Società Consortile a R. L.			6,815
3	c	D	SISTEMI SANITARI Società Consortile a R. L.			260
	a		Parent company			
	b		Controlled company			
	c		Related company			6,815
	d		Affiliated company			
	e		Altre			
			<b>Totale D.I</b>			6,815
			<b>Totale D.II</b>			

(1) As per annex 6

(2) a = Parent company  
 b = Controlled company  
 c = Related company  
 d = Affiliated company  
 e = Others



Year ..... 2011 .....

companies : shares and quotas

Decrease in the year			Book value (4)		Purchase cost	Market value
Sales		Other decrease	Number of shares	Amount		
Number of shares	Amount					
2,000	2,260	21,316	948 84,000	483 36,017		
		21,316	84,948	36,500		
		21,316				
		21,316	84,948	36,500		

Distribution between long-term and short-term investments : shares and quotas, mutual fund units, bonds and other fixed securities, quotas in mutual investments and other financial investments ( Items C.III.1. 2, 3, 5, 7 )

I - Non life business

	Long-term investments		Short-term investments		Total	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Shares and quotas:						
a) listed shares	21	682	61	81	682	682
b) unlisted shares	22	682	62	82	682	682
c) quotas	33	63	63	83	603	682
2. Mutual funds units	24	64	64	84	604	682
3. Bonds and other fixed securities	35	1,930	65	85	1,930	1,937
a) listed State bonds	26	87,371	66	86	87,371	87,472
a2) other listed securities	27	79,278	67	87	79,278	79,352
b) unlisted State bonds	28	7,956	68	88	7,956	7,981
b2) other unlisted securities	29	115	69	89	115	117
c) convertible bonds	30	50	70	90	110	117
5. Quotas in mutual investments	31	22	71	91	22	22
7. Other financial investments	32	52	72	92	112	112
	33	93	73	93	113	113

II - Life business

	Long-term investments		Short-term investments		Total	
	Book value	Market value	Book value	Market value	Book value	Market value
1. Shares and quotas:						
a) listed shares	141	161	181	201	221	221
b) unlisted shares	142	162	182	202	222	222
c) quotas	143	163	183	203	223	223
2. Mutual funds units	144	164	184	204	224	224
3. Bonds and other fixed securities	145	165	185	205	225	225
a) listed State bonds	146	166	186	206	226	226
a2) Other listed securities	147	167	187	207	227	227
b) Unlisted State Bonds	148	168	188	208	228	228
b2) Other unlisted securities	149	169	189	209	229	229
c) convertible bonds	150	170	190	210	230	230
5. Quotas in mutual investments	151	171	191	211	231	231
7. Other financial investments	152	172	192	212	232	232
	153	173	193	213	233	233

Attachment 10

Year 2011

Changes in loans and restricted deposits with banks ( Items C.III.4 , 6 )

		Loans C.III.4	Restricted deposits with banks C.III.6
Opening balance .....		63	21
Increase: .....	+	46	22
due to : disbursements.....		46	
write backs.....		4	
other changes .....		5	
Decrease:.....	-	29	26
due to : reimbursements.....		29	
writedowns .....		8	
other changes .....		9	
<b>Book value .....</b>		<b>80</b>	<b>30</b>
			2,345
			2,273
			3,318
			1,300

Year ..... 2011 .....

Changes in unearned premiums reserve ( Item C.I.1 ) and claims payable reserve ( Item C.I.2 )

		Year		Prior Year		Change
<b>Unearned premiums reserve :</b>						
Reserve for apportioned premiums .....	1	50,581	11	52,308	21	-1,727
Reserve for unexpired risks .....	2	460	12	400	22	60
<b>Book value .....</b>	<b>3</b>	<b>51,041</b>	<b>13</b>	<b>52,708</b>	<b>23</b>	<b>-1,667</b>
<b>Claims payable reserve:</b>						
Reserve for claims and direct expenses .....	4	215,116	14	247,548	24	-32,432
Reserve for liquidation expenses .....	5	16,533	15	10,221	25	6,312
Reserve for IBNR .....	6	22,577	16	25,848	26	-3,271
<b>Book value .....</b>	<b>7</b>	<b>254,226</b>	<b>17</b>	<b>283,617</b>	<b>27</b>	<b>-29,391</b>

Attachment 15

Year ..... 2011 .....

Changes in provision for risks and charges ( Item E. ) and termination indemnities ( Item G . VII )

		Provision for retirement	Provision for taxation	Other provisions	Termination Indemnities
Opening balance .....	1		1,320 21	1,350 31	1,731
Provision for the year .....	2		651 22	200 32	352
Other increase .....	3		23	33	
Use in the year .....	4		613 24	1,100 34	480
Other decrease .....	5		25		
<b>Book value .....</b>	6		1,358 26	450 36	1,603

Statement of assets and liabilities for intercompany transactions

I: Assets

	Parent companies	Controlled companies	Related companies	Affiliated companies	Others	Total
Shares and quotas	1	2	3	4	5	6
Bonds	7	8	9	10	11	12
Loans	13	14	15	16	17	18
Quotas in mutual investments	19	20	21	22	23	24
Restricted deposits with banks	25	26	27	28	29	30
Other financial investments	31	32	33	34	35	36
Deposits with ceding undertakings	37	38	39	40	41	42
Investments linked with mutual funds and other index	43	44	45	46	47	48
Investments deriving from management of pension funds	49	50	51	52	53	54
Receivables arising out of direct insurance	55	56	57	58	59	60
Reinsurance debtors	61	62	63	64	65	66
Other receivables	67	68	69	70	71	72
Bank accounts	73	74	75	76	77	78
Other assets	79	80	81	82	83	84
<b>Total</b>	85	86	87	88	89	90
of which subordinated assets	91	92	93	94	95	96

Statement of assets and liabilities for intercompany transactions

II: Liabilities

	Parent companies	Controlled companies	Related companies	Affiliated companies	Others	Total
Subordinated liabilities .....	97	98	99	100	101	102
Deposits from reinsurers .....	103	104	105	106	107	108
Payables arising out of direct insurance .....	109	110	111	112	113	114
	752		371			1,123
Reinsurance creditors .....	115	116	117	118	119	120
Bank overdrafts .....	121	122	123	124	125	126
Secured payables .....	127	128	129	130	131	132
Loans .....	133	134	135	136	137	138
Other payables .....	139	140	141	142	143	144
	4,335		451			3,886
Other liabilities .....	145	146	147	148	149	150
<b>Total</b> .....	151	152	153	154	155	156
	8,983	0	822	0	0	9,805

Year ..... 2011 .....

Detail of Items I, II, III, IV, among " Guarantees, commitments and other memorandum accounts "

	Year	Prior year
I. Guarantees given		
a) secured guarantees given in the interest of parent companies, controlled and related companies .....	1	31
b) secured guarantees given in the interest of affiliated companies.....	2	
c) secured guarantees given in the interest of third parties.....	3	32
d) other guarantees given in the interest of parent companies, controlled and related companies .....	4	33
e) other guarantees given in the interest of affiliated companies.....	5	34
f) other guarantees given in the interest of third parties.....	6	
g) secured guarantees given for liabilities of parent companies, controlled and related companies .....	7	35
h) secured guarantees given for liabilities of affiliated companies .....	8	36
i) secured guarantees given for liabilities of third parties.....	9	37
l) other guarantees given for company's liabilities .....	10	6
m) assets deposited for reinsurance transactions .....	11	38
<b>Total .....</b>	12	6 39
6		
II. Guarantees received		
a) from related and affiliated companies .....	13	
b) from third parties .....	14	41
<b>Total .....</b>	15	42
III. Guarantees given by third parties in the interest of the company		
a) from related and affiliated companies .....	16	43
b) from third parties .....	17	791 44
843		
<b>Total .....</b>	18	791 45
843		
IV. Commitments		
a) commitments for resell agreements .....	19	46
b) commitments for repurchase agreements .....	20	47
c) other commitments .....	21	48
<b>Total .....</b>	22	52



Attachment 19  
Year 2011

Insurance business highlights

	Gross premiums written	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance Balance
<b>Direct insurance:</b>					
Personal accident and health insurance	14 2	14 3	8 4	185 5	
Motor third party liability	4,754	4,718	5,388	1,431	
Motor fire, theft, etc. insurance	12	13	37	15	
Marine insurance	133,103	135,430	86,097	25,927	
Fire and other property damage	1,904	1,915	1,542	517	
Generale third party liabilities	2,737	2,714	5,341	618	
Credit and bond insurance	7	22	781	74	
Pecuniary losses	713	567	426	116	
Legal defence					
Assistance					
<b>Total direct insurance</b>	143,232 52	145,380 63	99,546 54	38,868 65	
<b>Indirect insurance</b>	23,307 57	23,584 58	10,368 59	7,505 60	
<b>Total Italian business</b>	166,539 62	168,964 63	109,914 64	36,373 65	
<b>Foreign business</b>	132 67	132 68	226 69	35 70	-144
<b>Grand total</b>	166,671 72	169,096 73	110,140 74	36,408 75	-144

Investment income ( Items II.2 and III.3 )

	Non-life business	Life business	Total
<b>Income from shares and quotas:</b>			
Dividends from group companies .....	41		81
Other dividends .....	42		82
<b>Total .....</b>	21 43		83
<b>Income from property.....</b>	1,087 44		84 1,087
<b>Income from other investment:</b>			
Interest income from group companies .....	45		85
Interest income on loans granted to group companies .....	46		86
Income from mutual fund units.....	2 47		87 2
Interest income on bonds and other fixed securities .....	2,204 48		88 2,204
Interest income on loans.....	1 49		89 1
Income from mutual investments.....	50		90
Interest income on restricted deposits with banks.....	8 51		91 8
Interest income on other financial investments.....	52		92
Interest income on deposits with ceding undertakings.....	2 53		93 2
<b>Total .....</b>	2,217 54		94 2,217
<b>Writebacks from :</b>			
Property .....	55		95
Group companies' shares.....	56		96
Group companies' bonds .....			
Other shares and quotas.....	58		98
Other bonds.....	8 59		99 8
Other financial investments.....	60		100
<b>Total .....</b>	8 61		101 8
<b>Gains on disposal of :</b>			
Property .....	62		102
Group companies shares.....			
Group companies bonds.....			
Other shares and quotas .....	151 65		105 151
Other bonds .....	25 66		106 25
Other financial investments.....	227 67		107 227
<b>Total.....</b>	403 68		108 403
<b>GRAND TOTAL.....</b>	3,736 69		109 3,736

Capital and financial charges ( Item II.9 and III.5 )

	Non-life Business		Life Business		Total	
<b>Investment management charges and interest expenses for</b>						
Shares and quotas .....	1	48	31	61	48	48
Properties.....	2	221	32	62	221	221
Bonds.....	3	62	33	63	62	62
Mutual fund units .....	4		34	64		
Mutual investments.....	5		35	65		
Other financial investments.....	6		36	66		
Deposits from reinsurers.....	7	8	37	67	8	8
<b>Total.....</b>	8	339	38	68	339	339
<b>Writedowns of:</b>						
Properties.....	9	329	39	69	329	329
Group companie's shares.....	10	21	40	70	21	21
Group companie's bonds .....	11		41	71		
Other shares and quotas .....	12	250	42	72	250	250
Other bonds.....	13	3,254	43	73	3,254	3,254
Other financial investments.....	14	576	44	74	576	576
<b>Total.....</b>	15	4,430	45	75	4,430	4,430
<b>Losses on sale of :</b>						
Properties.....	16		46	76		
Shares and quotas .....	17	14	47	77	14	14
Bonds.....	18	2	48	78	2	2
Other financial investments.....	19		49	79		
<b>Total.....</b>	20	16	50	80	16	16
<b>GRAND TOTAL .....</b>	21	4,785	51	81	4,785	4,785

NOTES TO THE FINANCIAL STATEMENTS - ATTACHMENT 25

	Personal accident		Health insurance	
<b>Direct business net of reinsurance</b>				
Premiums written.....	+	1	14	1
Change in unearned premiums reserve.....	-	2		2
Claims incurred .....	-	3	23	3
Change in other technical reserves .....	-	4		4
Other technical income (expenses) net.....	+	5		5
Operating expenses .....	-	6	185	6
<b>Underwriting result of direct business (+ o -).....</b>	<b>A</b>	7	-194	7
<b>Result of outward reinsurance (+ o -) .....</b>	<b>B</b>	8	-6	8
<b>Net underwriting result of indirect business (+ o -) .....</b>	<b>C</b>	9		9
Change in equalisation reserve (+ o -) .....	<b>D</b>	10	1	10
Portion of income from inv. transferred from non technical account.....	<b>E</b>	11		11
<b>Technical result (+ o -) .....</b>		12	-201	12
				1

	Cargo insurance		Fire	
<b>Direct business net of reinsurance</b>				
Premiums written.....	+	1	36,256	1
Change in unearned premiums reserve.....	-	2	-135	2
Claims incurred .....	-	3	26,630	3
Change in other technical reserves .....	-	4		4
Other technical income (expenses) net.....	+	5	930	5
Operating expenses .....	-	6	9,732	6
<b>Underwriting result of direct business (+ o -).....</b>	<b>A</b>	7	959	7
<b>Result of outward reinsurance (+ o -) .....</b>	<b>B</b>	8	-755	8
<b>Net underwriting result of indirect business (+ o -) .....</b>	<b>C</b>	9	3,468	9
Change in equalisation reserve (+ o -) .....	<b>D</b>	10	35	10
Portion of income from inv. transferred from non technical account.....	<b>E</b>	11		11
<b>Technical result (+ o -) .....</b>		12	3,637	12
				57

	General third party liability		Credit insurance	
<b>Direct business net of reinsurance</b>				
Premiums written.....	+	1	2,737	1
Change in unearned premiums reserve.....	-	2	23	2
Claims incurred .....	-	3	5,341	3
Change in other technical reserves .....	-	4		4
Other technical income (expenses) net.....	+	5	214	5
Operating expenses .....	-	6	618	6
<b>Underwriting result of direct business (+ o -).....</b>	<b>A</b>	7	-3,031	7
<b>Result of outward reinsurance (+ o -) .....</b>	<b>B</b>	8	2,441	8
<b>Net underwriting result of indirect business (+ o -) .....</b>	<b>C</b>	9	25	9
Change in equalisation reserve (+ o -) .....	<b>D</b>	10		10
Portion of income from inv. transferred from non technical account.....	<b>E</b>	11		11
<b>Technical result (+ o -) .....</b>		12	-565	12

Year 2011

Motor fire, theft, etc. Insurance	Railway carriage insurance	Aircraft insurance	Hull insurance
1	1 56	1	1 96,771
2	2 2	2	2 -2,193
3	3 1	3	3 59,465
4	4	4	4
5	5 4	5	5 727
6	6 16	6	6 16,176
7	7 41	7	7 24,050
8	8 -24	8	8 -22,799
9	9 -3	9 -146	9 219
10	10	10 1	10 45
11	11	11	11
12	12 14	12 -147	12 1,425

Other property damage	Motor third party liability	Aircraft third party liability	Hull third party liability
1 1,904	1 4,754	1	1 20
2 18	2 36	2	2
3 1,650	3 5,388	3	3 1
4	4	4	4
5 32	5 22	5	5
6 516	6 1,430	6	6 3
7 -248	7 -2,078	7	7 16
8 224	8 1,506	8	8 -9
9 30	9 -60	9	9
10 5	10	10	10
11	11	11	11
12 1	12 -632	12	12 7

Bond insurance	Pecuniary losses	Legal defense	Assistance
1 7	1 713	1	1
2 -15	2 146	2	2
3 781	3 426	3	3
4	4	4	4
5 -59	5 -3	5	5
6 74	6 115	6	6
7 -892	7 23	7	7
8 398	8 -24	8	8
9	9	9	9
10	10	10	10
11	11	11	11
12 -494	12 -1	12	12

Attachment 26  
Year 2011

Summary of technical account for non-life business  
Italian Business

	Direct insurance		Ceded risks 2	Indirect insurance		Retained risks Total 5 = 1 + 2 + 3 + 4
	Direct risks 1	Indirect risks 3		Indirect risks 3	Retained risks 4	
Premiums written.....	143,233	113,805	113,805	2,330	12,518	40,217
Change in unearned premiums reserve.....	-2,149	-1,792	-1,792	-278	-152	-483
Claims incurred.....	99,547	74,274	74,274	10,368	5,028	30,613
Change in other technical reserves.....	-	-	-	34	-	44
Other technical income (expenses) net.....	1,868	-585	-585	2,161	-	4,626
Operating expenses.....	-28,868	-21,594	-21,594	-7,505	-3,295	-11,484
<b>Underwriting result (+ o -).....</b>	18,835	19,144	19,144	7,873	4,335	3,729
Change in equalisation reserve (+ o -).....	-	-	-	-	-	87
Portion of income from inv. transferred from non technical account.....	-	-	-	-	-	49
<b>Technical result (+ o -).....</b>	18,835	19,144	19,144	7,873	4,335	3,142

Attachment 29

Year 2011

Summary of technical account for non-life and life business - foreign business

Section I : Non-life business

		All branches	
<b>Direct business net of reinsurance</b>			
Premiums written.....	+	1	
Change in unearned premiums reserve.....	-	2	
Claims incurred .....	-	3	
Change in other technical reserves .....	-	4	
Other technical income (expenses) net.....	+	5	
Operating expenses .....	-	6	
<b>Underwriting result of direct business (+ o -).....</b>	<b>A</b>	7	
<b>Result of outward reinsurance (+ o -) .....</b>	<b>B</b>	8	
<b>Net underwriting result of indirect business (+ o -) .....</b>	<b>C</b>	9	14
Change in equalisation reserve (+ o -) .....	<b>D</b>	10	
Portion of income from inv. transferred from non technical account.....	<b>E</b>	11	
<b>Technical result (+ o -) .....</b>	<b>(A + B + C - D + E)</b>	12	14

Section II : Life business

		All branches	
<b>Direct business net of reinsurance</b>			
Premiums written.....	+	1	
Claims incurred .....	-	2	
Change in other technical reserves .....	-	3	
Other technical income (expenses) net.....	+	4	
Operating expenses .....	-	5	
Income from investment net of portion transferred to non technical account.....	+	6	
<b>Underwriting result of direct business (+ o -).....</b>	<b>A</b>	7	
<b>Result of outward reinsurance (+ o -) .....</b>	<b>B</b>	8	
<b>Net underwriting result of indirect business (+ o -) .....</b>	<b>C</b>	9	
<b>Technical result (+ o -) .....</b>	<b>(A + B + C)</b>	10	

Attachment 30  
Year 2011

Intercompany transactions

I: Revenues

	Parent companies	Controlled companies	Related companies	Affiliated companies	Others	Total
<b>Investments income</b>						
Income from property	2	3	4	5	6	
Dividends	8	9	10	11	12	
Interest income on bonds	18	17	16	17	18	
Interest on loans	20	21	22	23	24	
Interest income on other financial investments	26	27	28	29	30	
Interest income on deposits with ceding undertakings	33	34	35	36	37	
<b>Total</b>	38	39	40	41	42	
<b>Other revenues</b>						
Interest income on receivables	44	45	46	47	48	
Recovery of administrative expense	50	51	52	53	54	
Others	809	57	630	60	60	1,518
<b>Total</b>	859	63	864	65	66	1,526
<b>Gains on disposal of investments</b>	67	68	69	70	71	
<b>Extraordinary revenues</b>	74	75	76	77	78	
<b>GRAND TOTAL</b>	90	81	82	83	84	
	889	87	637	89	90	1,526



II: Charges

Intercountry transactions

	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
	Parent companies	Controlled companies	Related companies	Affiliated companies	Others	Total																																																																																																								
<b>Investment management charges and interest expenses :</b>																																																																																																														
Investment charges .....	91	92	93	94	95	96																																																																																																								
Interest expenses on subordinated liabilities .....	97	98	99	100	101	102																																																																																																								
Interest expenses on deposits from reinsurers .....	103	104	105	106	107	108																																																																																																								
Interest expenses on payables arising out of direct insurance .....	109	110	111	112	113	114																																																																																																								
Interest expenses on payables arising out of reinsurance .....	115	116	117	118	119	120																																																																																																								
Interest expenses on bank overdrafts .....	121	122	123	124	125	126																																																																																																								
Interest expenses on secured payables .....	127	128	129	130	131	132																																																																																																								
Other interests expenses .....	133	134	135	136	137	138																																																																																																								
Losses on receivable .....	139	140	141	142	143	144																																																																																																								
Administrative expenses on behalf of third parties .....	145	146	147	148	149	150																																																																																																								
Other charges .....	151	152	153	154	155	156																																																																																																								
<b>Total.....</b>	899 158	743 801	1 632																																																																																																											
<b>Loss on disposal of investments .....</b>	163	164	165	166	167	168																																																																																																								
<b>Extraordinary costs.....</b>	169	170	171	172	173	174																																																																																																								
<b>GRAND TOTAL.....</b>	175	176	177	178	179	180																																																																																																								
	181	182	183	184	185	186																																																																																																								
	187	188	189	190	191	192																																																																																																								
	193	194	195	196	197	198																																																																																																								
	199	200																																																																																																												

Attachment 31  
Year ..... 2011 .....

Direct business : summary of gross premiums written

	Non-life Business		Life Business		Total	
	Permanent establishment	Freedom of services	Permanent establishment	Freedom of services	Permanent establishment	Freedom of services
Premiums written:						
in Italy.....	78,969	11	15	78,969	21	25
in other european countries.....	22,930	12	16	22,930	26	26
in other countries.....	7	13	17	7	27	27
<b>Total.....</b>	<b>101,899</b>	<b>41,333</b>	<b>16</b>	<b>101,899</b>	<b>24</b>	<b>41,333</b>

Statement of personnel expenses and costs for directors and statutory auditors

I: Personnel expenses

	Non life business	Life business	Total
<b>Payroll costs</b>			
Italian business :			
- Salaries.....	1 4,245 31	61	4,245
- Social contributions.....	2 1,157 32	62	1,157
- Provision for termination indemnities	3		
- Other personnel expenses.....	4 4,604 34	64	4,604
<b>Total.....</b>	5 10,386 35	65	10,386
Foreing business:			
- Salaries.....	6 36	66	
- Social contributions.....	7 37	67	
- Other personnel expenses.....	8 38	68	
<b>Total.....</b>	9 39	69	
<b>Grand total .....</b>	10 10,386 40	70	10,386
<b>Fees for consultancy :</b>			
Italian Business	11 450 41	71	450
Foreing business	12 42	72	
<b>Total.....</b>	13 450 43	73	450
<b>Total personnel expenses .....</b>	14 10,837 44	74	10,837

II: Splitting of personnel expenses

	Non life business	Life business	Total
Investment management charges.....	15	75	
Claims operating expenses .....	16 1,613 46	76	1,613
Other acquisition costs.....	17 2,046 47	77	2,046
Other administrative expenses.....	18 5,664 48	78	5,664
Administrative expenses on behalf of third parties.....	19 1,514 49	79	1,514
.....	20 50	80	
<b>Total.....</b>	21 10,837 51	81	10,837

III: Average personnel workforces for the year

	Number
Managers .....	91 3
Clerks.....	92 95
Others.....	94
<b>Total.....</b>	95 98

IV: Directors and statutory auditors

	Number	Emoluments
Directors.....	96 11 98	44
Statutory auditors .....	97 3 99	52



REPORTS:  
AUDITOR  
ACTUARY







**Independent auditors' report  
pursuant to articles 14 and 16 of Legislative Decree of January 27, 2010, n. 39  
and article 102 of Legislative Decree of September 7, 2005, n. 209  
(Translation from the original Italian text)**

To the Shareholders of  
SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A.

1. We have audited the financial statements of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. as of and for the year ended December 31, 2011. The Management of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. is responsible for the preparation of these financial statements in accordance with the Italian (\*) regulations governing financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency)(\*). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In accordance with article 102 of Legislative Decree n. 209/2005 and article 24 of ISVAP (the Italian Insurance Regulator)(\*) Regulation n. 22/2008 in carrying out audit activities we were assisted by an actuary auditor, who expressed his opinion on the sufficiency of the technical reserves recognized as liabilities in the SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. balance sheet, which is herewith attached.

For our opinion on the financial statements of the prior year, which are presented for comparative purposes as required by the law, reference should be made to our report dated March 29, 2011.

3. In our opinion, the financial statements of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. comply with the Italian(\*) regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. as of December 31, 2011, and the results of its operations for the year then ended.

4. The management of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. is responsible for the preparation of the Report of the Board of Directors on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report of the Board of Directors on operations with the financial statements as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report of the Board of Directors on operations is consistent with the financial statements of SIAT - Società Italiana Assicurazioni e Riassicurazioni p.A. as of December 31, 2011.

Milan, March 29 2012

Reconta Ernst & Young S.p.A.  
Signed by: Enrico Marchi  
(Partner)

(\*) Words added in translation from original Italian text



*Gianluca Ottaviani*  
*Michele Folli*  
*Silvia Benucci*  
*Marcello La Marca*  
*Pietro Ottaviani*

ACTUARY'S REPORT

pursuant to articles 102 and 103 of Legislative Decree n. 209 of September 7, 2005:  
"Codice delle assicurazioni private".

(Translation from the original Italian text)

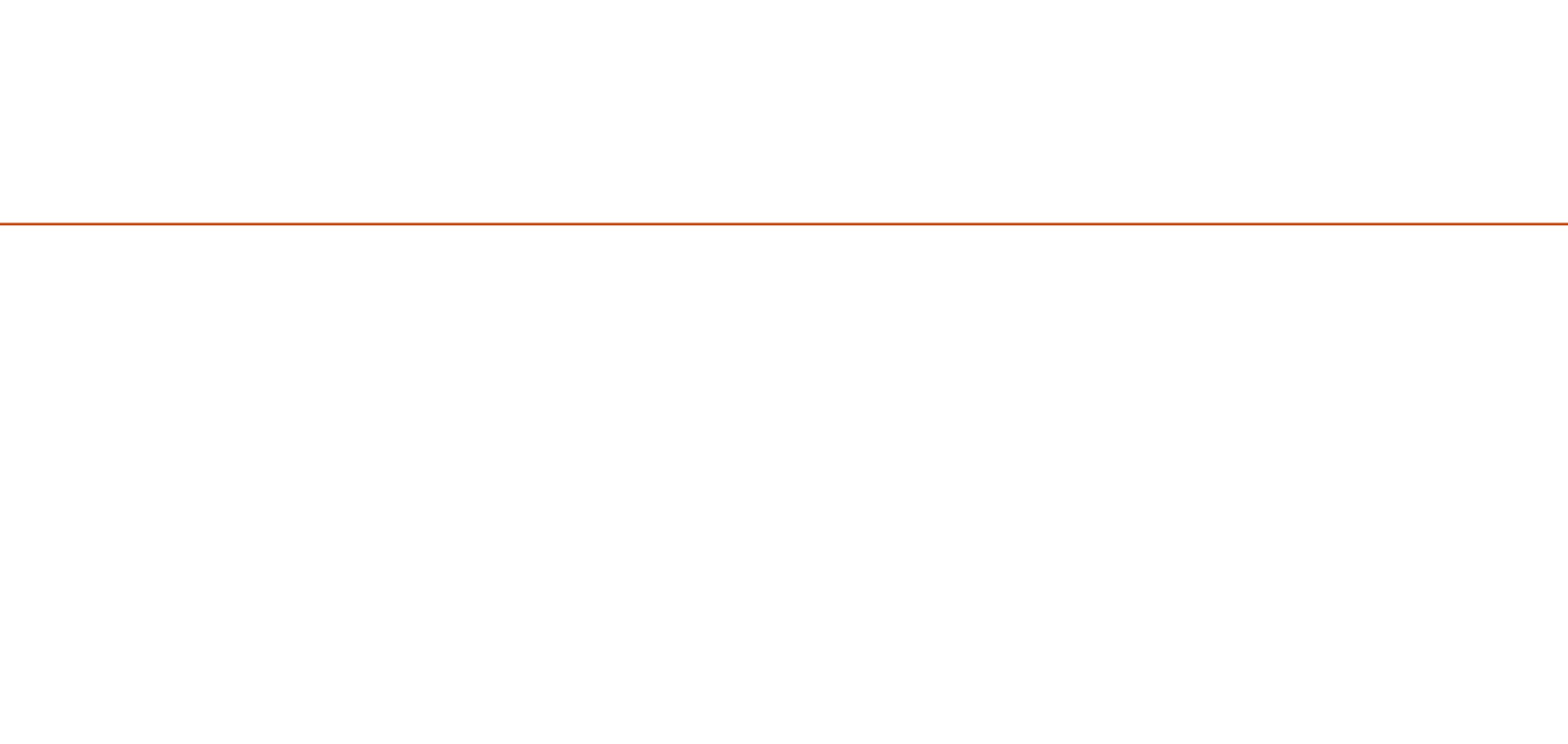
Messrs.  
RECONTA ERNST & YOUNG S.p.A.

Subject: "SIAT – SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI p.A."  
- Financial Statements for the year ended 31 December 2011 -

1. In complying with the engagement assigned to me, I have applied actuarial auditing standards to the items relating to technical reserves recorded in the liabilities of the balance sheet of the financial statements of SIAT – Società Italiana Assicurazioni e Riassicurazioni p.A. for the year ended 31 December 2011.
2. In my opinion, the technical reserves property and casualty insurance, taken as a whole, are sufficient in conformity with current legislation and regulations and with correct actuarial procedures, in accordance with the principles stated in Art. 26, paragraph 1, of the ISVAP pronouncement n.22 dated April 4, 2008.

Milan, 29 March 2012

Signed by: Michele Folli  
(Actuary)



RESOLUTION OF THE  
SHAREHOLDERS' MEETING-EXTRACT





The following resolutions were passed at the Annual General Meeting held on 20 April 2012 (in first calling):

- That the financial statements at 31 December 2011 be approved, together with the Directors' report on operations;
- That the Directors' proposal regarding the allocation of the net income be approved;
- That Deloitte & Touche S.p.A. be appointed as independent auditor of the financial statements for the years 2012 – 2020.

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Stefano Goldberg is a professional  
photographer from Genoa.

After 15 years as a free-lance  
photographer, since 2000

he is a partner and photographer  
of Publifoto.

Specialized in reportage for  
companies and shipyards, as well as  
architectural and travel photography.

His photographs are also available  
on the website [www.publifoto.net](http://www.publifoto.net)



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