

Insurance and investment contracts

13 Insurance provisions

Insurance provisions

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life insurance provisions	31,676	31,687	1,673	1,691	33,349	33,377
Provisions for unearned premiums	5,132	5,147	228	216	5,360	5,363
Provisions for outstanding claims	26,074	26,068	1,437	1,469	27,511	27,537
Other insurance provisions	471	471	8	7	478	478
of which provisions for liability adequacy test	0	12	0	0	0	12
Life insurance provisions	386,202	369,457	1,926	1,853	388,128	371,310
Provisions for outstanding claims	5,740	5,364	1,139	1,046	6,879	6,410
Mathematical provisions	274,077	263,099	636	663	274,713	263,762
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	60,790	57,783	9	11	60,799	57,793
Other insurance provisions	45,595	43,211	142	133	45,737	43,344
of which provisions for liability adequacy test	1,289	1,036	0	0	1,289	1,036
of which deferred policyholder liabilities	23,882	22,642	0	0	23,882	22,642
Total	417,878	401,143	3,599	3,544	421,477	404,687

In the Non-life segment insurance provisions remain stable (-0.1% compared to 31 December 2015).

In the Life segment insurance provisions increase by 4.5%, mainly attributable to the development of net inflow and the financial revaluation of technical reserves.

The overall total of the other life insurance provisions included both the provision for profit sharing and premium

refunds, which amounts to € 6,799 million (€ 6,725 million in 2015) and the ageing provisions for life segment, which amount to € 12,960 million (€ 12,242 million in 2015).

As part of the technical provisions of the life segment, subject to liability adequacy test, are also included the reservations made in accordance with applicable locally regulations related to the risk of interest rates change.

14 Amounts ceded to reinsurers from insurance provisions

Insurance provisions ceded to reinsurers

(€ million)	Direct insurance		Accepted reinsurance		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life amounts ceded to reinsurers from insurance provisions	1,897	2,086	808	809	2,704	2,895
Life amounts ceded to reinsurers from insurance provisions	484	635	745	563	1,229	1,199
"Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds"	4	156	138	0	142	156
Mathematical provisions and other insurance provisions	480	480	607	563	1,087	1,043
Total	2,381	2,722	1,552	1,372	3,933	4,094

15 Deferred acquisition costs

Deferred acquisition costs

(€ million)	Segment Life		Segment Non Life		Total	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Carrying amount as at 31 December previous year	1,722	1,674	278	283	2,000	1,958
Acquisition costs deferred	388	366	53	69	441	435
Changes in consolidation scope	0	0	0	0	0	0
Amortization of the period	-304	-318	-54	-75	-358	-393
Other movements	0	0	0	1	0	1
Carrying amount as at 31 December current year	1,806	1,722	277	278	2,083	2,000

The deferred acquisition costs amounted to € 2,083 million, substantially stable compared to the previous year.

Insurance and investment contracts

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The deferred acquisition costs amounted to € 2,083 million, substantially stable compared to the previous year.

Details on insurance and investment contracts

Insurance provisions and financial liabilities related to policies of the life segment

Insurance provisions and financial liabilities related to the life segment

(€ million)	Net	
	31/12/2016	31/12/2015
Insurance contracts	213,646	207,964
Investment contracts with discretionary participation feature	134,312	125,311
Total insurance provisions	347,958	333,275
Investments contracts fair valued	17,491	16,921
Investments contracts at amortised cost	5,443	5,070
Total financial liabilities	22,934	21,991
Total	370,892	355,266

Total insurance provisions include the mathematical provisions and provisions for policies where the investment risk is borne by policyholders and for pension funds net of reinsurance (which amounted to € 274,357 million and € 60,657 million respectively), and net ageing provisions for life segment, which amounted to € 12,943 million (accounted for in other insurance provisions of the life segment). In the Life portfolio the policies with significant insurance risk amounted to 57.6% (58.5% at 31 December

2015), whereas investment contracts with discretionary participation feature amounted to 36.2% (35.3% at 31 December 2015).

The investment contracts within the scope of IAS 39 remained stable at 6.2% of Life portfolio. They are mainly unit/index linked policies without significant insurance risk.

Mathematical provisions and ageing for life segment

(€ million)	Gross direct amount	
	31/12/2016	31/12/2015
Carrying amount as at 31 December previous year	275,338	260,722
Foreign currency translation effects	-258	755
Premiums and payments	2,916	4,132
Interests and bonuses credited to policyholders	9,843	9,912
Transfer to Non-current assets or disposal group classified as held for sale	-102	0
Acquisitions, disinvestments and other movements	-702	-183
Carrying amount as at the ed of the period	287,034	275,338

The increase in mathematical provisions and ageing for life segment shows both the development of net inflow and the financial revaluation of the period.

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Provisions for policies where the investment risk is borne by policyholders and for pension funds

(€ million)	Gross direct amount	
	31/12/2016	31/12/2015
Carrying amount as at 31 December previous year	57,783	51,663
Foreign currency translation effects	109	684
Premiums and claims	1,741	3,270
Interests and bonuses credited to policyholders	1,688	2,301
Acquisitions, disinvestments and other	-86	-135
Transfer to Non-current assets or disposal group classified as held for sale	-443	0
Carrying amount as at the end of the period	60,790	57,783

The development of provisions for policies where the investment risk is borne by policyholders and for pension funds highlights the positive trend of net inflow, and the development in the value of assets backing unit/index linked policies, due to financial market movements.

Group's financial guarantee of life insurance provisions and financial liabilities of gross direct insurance is reported in the following table

Life insurance provisions and financial liabilities: financial guarantees

(€ million)	Gross direct insurance	
	31/12/2016	31/12/2015
Liabilities with guaranteed interest (*)	283,933	269,838
between 0% and 1%	89,592	73,958
between 1% and 3%	122,279	118,416
between 3% and 4%	45,325	46,654
between 4% and 5%	25,721	29,725
more than 5 %	1,016	1,084
Provisions without guaranteed interest	81,690	78,213
Provisions matched by specific assets	5,135	7,061
Total	370,758	355,112

(*) The upper bound of each range is excluded.

The total insurance provisions include the gross direct amount of mathematical provisions, which amount to € 274,077 million (€263,099 million at 31 December 2015), the provisions for policies where the investment risk is borne by the policyholders and for pension fund, which amount to € 60,790 million (€ 57,783 million at 31 December 2015), the ageing provision for life segment, which amount to € 12,957 million (€ 12,240 million at 31 December 2015), and financial liabilities related to investment contracts, which amount to € 22,934 million (€ 21,991 million at 31 December 2015).

The table above shows a progressive shift of the expo-

sure towards 'less than 3%' guarantee classes, also due to the new business. Lastly, the amount of provisions without guaranteed interest showed an increase amounting to € 81,690 million (€78,213 million as at 31 December 2015).

The table below shows the amount of the life gross direct insurance provisions broken down by expected contractual residual duration. For contracts without maturity (annuity or whole life contracts) the expected residual duration is calculated considering an expected date of conclusion of the contract, according to the embedded value valuation.

Life insurance provisions and financial liabilities related to investment contracts: contractual term to maturity

(€ million)	31/12/2016	31/12/2015
Up to 1 year	38,487	34,491
Between 1 and 5 years	78,233	73,650
Between 5 and 10 years	68,568	67,255
Between 11 and 20 years	86,208	86,442
More than 20 years	99,264	93,273
Total	370,758	355,112

Deferred policyholders liabilities

(€ million)	31/12/2016	31/12/2015
Carrying amount as at the beginning of the period	22,642	25,300
Foreign currency translation effects	6	59
Change of the period	1,234	-2,717
Acquisitions and disinvestments	0	0
Carrying amount as at the end of the period	23,882	22,642

Deferred policyholders liabilities recorded an increase as a consequence of the increase of the policyholders' share recognized on the fair value of the investment

available for sale, with particular reference to the bonds component.

Provisions for outstanding claims

Provisions for outstanding claims

(€ million)	Gross direct insurance	
	31/12/2016	31/12/2015
Motor	11,893	11,821
Non motor	14,180	14,247
Personal and commercial lines	11,461	11,573
Accident/Health (*)	2,720	2,674
Total	26,074	26,068

(*) Life segment includes health insurance with life features.

With reference to the gross direct claims provisions 45.6% was referred to the motor business in line with the prior year (45.3%). In the non-motor business, the personal and commercial lines weighted 80.8%.

With reference to non-life segment, the table below shows the amount of gross direct claims and unearned premiums reserves split by remaining maturity. The total

liability is broken down by remaining duration in proportion to the cash flows expected to arise during each duration band.

It should be noted that the extension of terms to the classes with the highest duration was mainly due to regulatory changes, as well as to a better and more prudent approach in the estimates of long-tail claims.

Non-life insurance provisions: maturity

(€ million)		
	31/12/2016	31/12/2015
Up to 1 year	9,289	10,733
Between 1 and 5 years	13,748	11,888
Between 5 and 10 years	3,959	4,317
Between 11 and 20 years	2,982	2,928
More than 20 years	1,228	1,349
Total	31,205	31,215

The following table shows the cumulative claim payments and the ultimate cost of claims by accident year and their development from 2007 to 2016. The ultimate cost includes paid losses, outstanding reserves on reported losses, estimated reserves for IBNR claims and ULAE.

The amount refer to direct business gross of reinsurance and recoveries.

The difference between the ultimate cost of claims and the cumulative paid losses for calendar year 2016 consti-

tutes the claim reserve for accident years 2007 to 2016. The reserve reported in the balance sheet also includes a residual claim reserve that is composed almost exclusively by the accident years not reported in the development triangle.

The observed trend in the ultimate cost for generations 2007-2016 indicates the adequate level of prudence adopted by the Generali Group in its reserving policy.

