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## il bollettino

Generali Group Magazine since 1893

Number 1 - Series 12 - April 2014

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# *il bollettino*

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# An international and strategic magazine

The twelfth series of *il bollettino* starts with this edition that as Group Communications and External Relations Director I am pleased to launch. This publication, started in the nineteenth century, is believed to be the oldest Italian company magazine still in print today; a longevity that has been achieved thanks to its ability to evolve, whilst at the same time keeping pace with the historic and strategic changes that have distinguished Generali over time. As at present we are experiencing such a radical transformation, our in-house magazine – renewed from an editorial and graphic standpoint – will also contribute to the spreading of our new culture.

In line with the philosophy of a large Group such as ours, aiming to be a leader in the world's insurance market, *il bollettino* is more and more positioned as an international and strategic magazine,



both in terms of content and distribution. In fact, the first part of the publication will be dedicated to developing strategic issues and wide-ranging economic and financial themes.

We will also feature articles explaining Generali's role in the community in which it operates, highlighting CSR initiatives and other cultural, artistic and sport activities, without neglecting to recall the company history that is in itself a valuable heritage. We have also decided to issue a special dossier *We, Generali* to be included in all the 2014 editions: special pages in which to explore the Group's vision,

mission and values, the fundamental elements of our culture.

Lastly, a note on distribution that, as stated above, is also changing: we will further promote the English paper edition as well as the Italian version; furthermore, thanks to our Group intranet - *We, Generali Portal*, the new platform allowing us to communicate with all our countries – we will also distribute the electronic version in French, Spanish and German in order to be closer to Group employees all over the world.

Enjoy!

A handwritten signature in black ink, appearing to read 'Stefano H. ...'.



# Generali's strategic journey towards 2015

The overall goal of the strategy is to restore Generali's leadership as a global insurance group, able to compete in the international markets by delivering best-in-class products and services for all customers worldwide

*by Giovanni Giuliani*

Presented to the financial community for the first time in early 2013, the Group's strategy to 2015 aims to enhance profitability and improve the strength of its capital base. In this context, the initial targets of a Solvency I ratio above 160% and a cross-cycle operating Return on Equity (ROE) of 13% by 2015 were confirmed during the second Investor Day of 2013, at the end of November.

With discipline, simplicity and focus in mind, we shaped our strategy into seven building blocks, key pillars covering all of our business areas, that together constitute our strategy framework.

Starting from the very bottom, the first block refers to what ancient Greeks would have called the "crepidoma", i.e. the foundation on which our strategy is built. This is the balance sheet: we want to strengthen our capital base and optimize ALM and asset allocation. Moving upwards, the second step is about enhancing our geographical footprint by focusing more on growth markets and, at the same time, optimizing our operations in mature markets, such as Italy. The third step of our strategy, or the "stylobate", is the block that aims to achieve a superior operating model, and by that we mean both the way we operate our business in a lean and efficient way, and our overall "one-Group" governance with appropriate emphasis on our people. A fundamental part of our strategy is represented by the two supporting "columns" of our approach: they represent the two pillars of the Group's activity, the Life and P&C businesses. We intend to strengthen both their technical results and growth, the latter significantly to

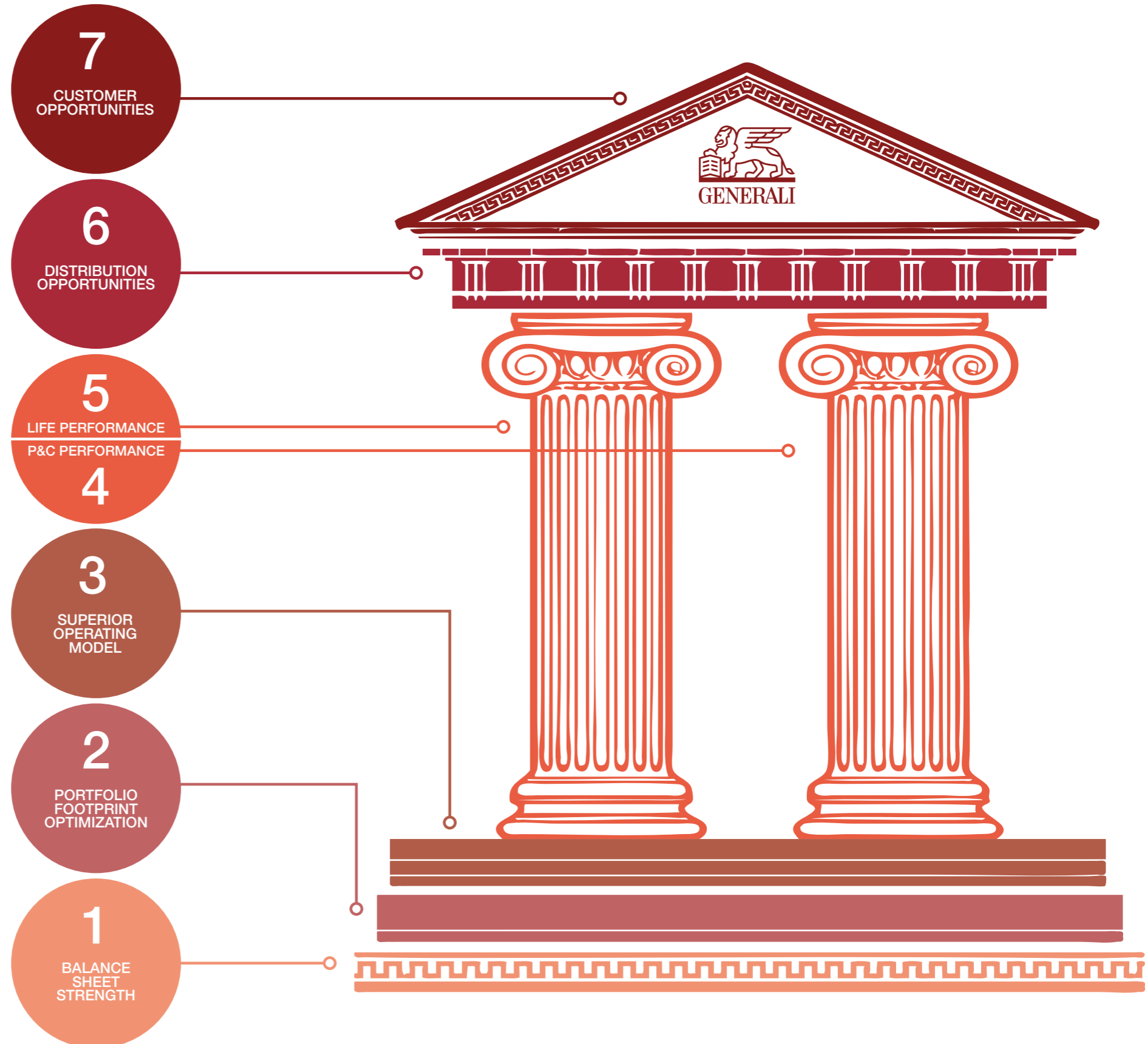


rebalance our portfolio and reduce our exposure to market volatility, while increasing our cash flow position. Coming to the roof then, the last two blocks, the architrave and the top tympanum, are respectively about capturing distribution and customer opportunities.

Starting from the base, we have seen all geographies quickly aligning with this framework, embedding and tailoring it to their local strategies and plans, thus creating tremendous momentum within the Group, as outlined below.

We are working on a combination of levers to strengthen our balance sheet and bring us to the target of a Solvency I ratio above 160% we aim for; those levers will both reduce our required capital in all lines of business while further improving our operating performance, and increase our available capital, e.g. by de-risking our asset portfolio and divesting non-core businesses.

Regarding the latter, we have already taken significant measures to reinforce our capital position. For example, 2013 was an intense year of M&A deals through which our Group divested € 2.4 billion of non-core activities (€ 2.6 billion including Fata). Our disposals target for 2015 is € 4 billion, and after





only one year we have achieved more than half of this. At the same time, we were able to commit capital of almost € 2.9 billion to achieve full control of our core business in core geographies, which included the full amount committed for the GPH deal and the full buy-out of minorities in both Generali Deutschland and Generali Asia.

In terms of geography, we aim to continue being one of the European leaders, and to invest in profitable growth in emerging markets. A dedicated strategy is currently being shaped to fully capture potential business in selected geographical areas, such as Asia, CEE, Latin America, and selected areas of EMEA, the latter two being new geographical regions set up last year to reinforce our presence and management focus on those territories.

Moreover, to enhance the Group's profitability, Generali has launched several strategic initiatives to achieve a superior operating model, focused both on operational excellence and a new clear way of working together as one Group.

Starting with operational excellence, we worked hard with all business units last year to identify realistic cost

savings of € 1 billion by 2016, which will allow Generali to keep its cost base essentially flat over the next three years while continuing to fund profitable business investments. Our focus in operations therefore is on efficiency and commercial effectiveness, the leveraging of which will help us to build a strong platform for the Generali of the future.

Working together is essential for our three-year transformational journey. It is an important step towards a consistent and coordinated model, by complementing local strengths with full Group support and by developing new skills, leveraging existing Group competencies and sharing knowledge. This is the essence of "The Generali Approach", which is to operate as "one-Group" to provide each of our larger or smaller local operations with a true "parenting advantage" for being part of the Group. A new common decision-making process, a new governance structure and the launch of Group processes and committees are all key factors we initiated in 2013 and are currently rolling out to the entire Group. This has been supported by extensive work to create a common brand architecture, with a single Generali logo being the first tangible result - which going forward

will allow us to be more efficient with our brand investments throughout the globe - as well as by the recent launch of the new Group Vision, Mission and Values (see page 32, 34 and 38 respectively).

In addition, several programs have been launched to promote and sustain the Group's technical profitability. Technical excellence in Life, P&C and Distribution is meant to strengthen the core business practices by leveraging

initiatives, ranging from P&C pricing techniques to Life in-force book management, and new business steering, claims management, distribution efficiency, retention and cross-selling techniques. The expected total gross bottom-line benefits from all technical initiatives are € 750 million by 2015 and € 1 billion by 2016, an impressive target for our Group.

As already mentioned, P&C and Life are our key pillar business lines. Life generates a bigger contribution, but

its technical performance is normally more volatile than P&C. As such, Generali aims to focus on growing the P&C activity, with a profitability-based mindset, aiming at a higher P&C contribution to the operating result. Growing our Accident & Health and our Corporate & Commercial businesses are concrete and clear strategic levers that will help in this direction. Both lines of business launched concrete action and global projects in 2013 to mobilize our resources in that direction and attract new talents where needed to reinforce us in selected geographies.

Distribution is another dimension we are actively working on. Generali's distribution mix predominantly involves channels such as agents and brokers. We want to consolidate our strength in agents while seizing growth opportunities. Through a more efficient and innovative approach, Generali will move towards a true multichannel distribution model, in line with clients' needs and expectations. For instance, we will capture distribution opportunities by increasing the role of bancassurance. For this reason, we recently set up a dedicated team to support local business units in pursuing new local and cross-border deals with banking partners, akin to our recent agreement

with Sberbank in CEE countries. Direct channels are also playing a key role in our distribution strategy. We already have a strong direct footprint in mature markets where we operate market-leading companies like Genertel in Italy, CosmosDirekt in Germany, and e cie vie in France. This already makes us one of the biggest direct carriers in the world, not to mention other operations, such as those in Poland. We plan to further extend this strength across the Group and to build successful direct businesses in other geographical areas, where the market conditions and our specific positioning make it an attractive option for us. We have already started: less than two months ago, Generali Turkey was the first operator to successfully launch multi-access and direct operations in the market.

Finally, building a customer-centric company is one of the most important goals of our strategy. Customers are enjoying increased capacity to influence the market: they can choose from a wide range of product offerings and they move quickly between different distribution channels. We need to follow the customer's experience, working with technology rather than paper, thinking about needs and solutions rather than policies, and be prepared

to meet their expectations.

Indeed, adopting a customer-centric approach means developing the ability to customize our value proposition for different client segments, serving their specific needs and offering them relevant products and services exactly when they need them. Customizing our value proposition will enable us to tap into the high-growth and profitable Affluent and Corporate & Commercial customer segments.

How do we respond to this? This is a big theme for the Group as we want the client to become more and more central to our strategy. The challenge ahead is a big one and consolidating Generali's fundamentals requires execution capabilities, focus and time, but

as mentioned by the Group CEO Mario Greco, we are moving in the right direction. The positive results that Generali is delivering reflect this.

Generali has been a leading player since its foundation in 1831: we are currently among the world's 50 largest companies and among the top ones in our industry. Continuing this success as well as delivering on our strategic journey through value creation and strong results that will allow the Group to meet or exceed its targets are our goals, and we are confident we can achieve them through high strategic focus, strong execution discipline and substantial simplicity. ■



# A significant improvement in 2013 profitability

Results confirm that the Group is on track to reach targets set in the three year strategic plan

## GROUP HIGHLIGHTS

OPERATING WITH  
480 COMPANIES  
AND PRESENT IN  
OVER 60 COUNTRIES

TOTAL PREMIUMS

€ 66 billion



32%  
P&C  
PREMIUMS



68%  
LIFE  
PREMIUMS

2013 was the first year of the Group's three-year turnaround plan during which Generali took steps towards rebuilding profitability and capital solidity. Group CEO Mario Greco said: *"During the year we made deep changes to the Group. In particular, we disposed of €2.4 billion in non-core assets and acquired minorities in strategic areas for €1.5 billion. We strengthened the management structure and simplified the Group's governance, which is now in line with international best practice. Over 2013, we generated a total shareholder return of 26%."*

The net result grew to more than €1.9 billion (from €94 million the year before) and the operating result was up by 5.3% to €4.2 billion. In light of the solid results, a per-share dividend of €0.45 will be proposed at the next shareholders' meeting.

In the space of just one year, Generali made strong progress towards its three-year plan targets. The net free surplus target – a measure of the Group's ability to generate cash – has already been exceeded. The Group CEO, Mario Greco, said: *"2013 has been a fundamental year for the turnaround of Generali and the results confirm that we are on track, or ahead, of*

*the targets in our strategic plan"*.

The progress achieved over the year in turning the business around boosted profitability despite an uncertain economic recovery, low interest rates and high natural catastrophe losses. Generali closed the year with an operating result of €4,207 million, an increase of 5.3%, reflecting growth in all business lines. The net result derived entirely from operating performance and, at €1,915 million, is the highest in six years (€94 million in 2012). A dividend per share of €0.45, more than double last year's dividend of €0.20, will be proposed by the Board of Directors at the AGM.

In the Life business, premium income was stable at €45,115 million, or +0.2% compared to last year, with an improved business mix oriented towards products with a higher margin leading to a significant 4.3% improvement in the operating result to €2,645 million. In the P&C business, premiums were broadly stable at €20,940 million (-0.6% compared to 2012), despite a challenging economic environment in some of the Group's core markets. The Combined Ratio improved further to 95.6% (-0.2

percentage points), despite natural catastrophes accounting for 2.3 percentage points (1.5 percentage points in 2012), leading to growth of 3.5% in the operating result to €1,616 million. In the financial segment, third-party assets expanded by +3.8% to €104,346 million, underpinning the 5.4% increase in the Group's total Assets Under Management to €508 billion. The segment's operating result was up by 18.4% to €483 million. These results were supported by a solid capital position with a 4% increase in Generali's shareholders' equity to €19,778 million over the year.

The results show significant progress towards the 2015 targets with operating ROE up by 80 basis points to 12.1%, in line with the 2015 operating ROE target in excess of 13%, while the net free surplus target has already been exceeded.

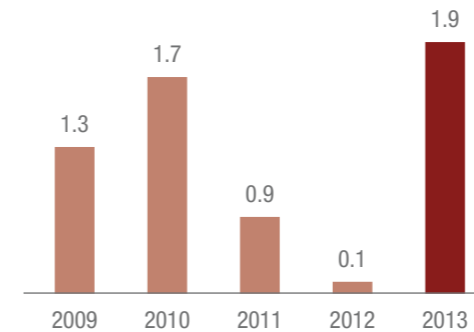
*“These results and the more than doubling of our dividend confirm we are on the right track”, the Group CEO concluded. “We are aware that a lot still needs to be done to reach the targets we set ourselves. In 2014 debt will be reduced further and significant cost savings will be achieved. We expect to further improve the operating result and net profit, in line with the plan to gradually increase profitability for our shareholders.”*

For the rest of 2014, the Group's business strategy will continue to be based on customer retention and value, also through developments focused on the agency network, and on strengthening the Group in multi-channel integrated distribution. In the Life segment, a selective underwriting policy will be oriented toward products with a higher margin. In particular, protection coverage and unit-linked products will be developed to maintain stable production in the Life business and good profitability. In the P&C segment, initiatives to favour technical excellence – including sophisticated pricing techniques, technological product innovation and systems for optimizing claims management – will result in an improvement in profitability. ■

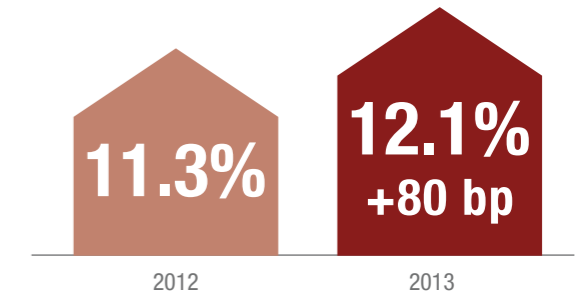
## THE POWER OF DISCIPLINE, SIMPLICITY AND FOCUS



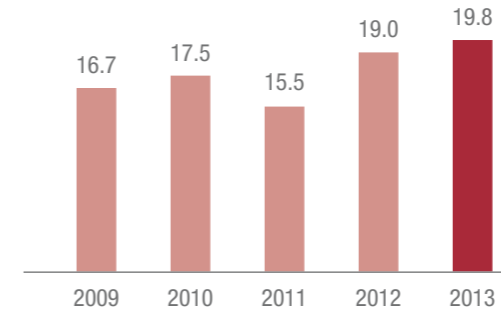
Net Profit (€bn)



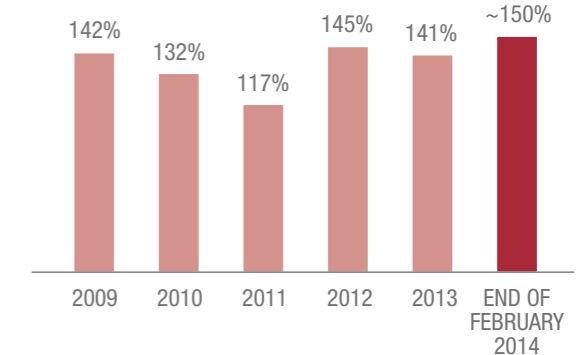
Operating ROE



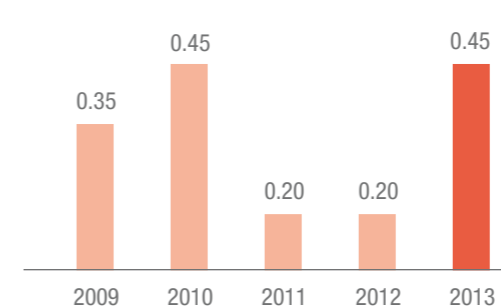
Shareholders' equity (€bn)



Solvency I ratio



Dividend per share (€)



**2013 DIVIDEND MORE THAN DOUBLE COMPARED TO 2012**

**OPERATING ROE** = Operating Return on Equity indicates the return on shareholder's equity in terms of the Group's Operating Result.

**NET FREE SURPLUS** = a measure of the Group's ability to generate cash.

**COMBINED RATIO** = The ratio of acquisition and administration costs to premiums for the year; corresponds to the sum of the loss ratio and the expense ratio, with acquisition costs and administration costs as numerator.

**SOLVENCY I RATIO** = the ratio of the available solvency margin to the margin required by the supervisory authorities.





## One Logo

A contemporary, dynamic graphic design for the new lion,  
a worldwide symbol for a global insurance group

*by Alberto Paletta*

In one of his most striking books, *The Empire of Signs*, dedicated to the Japanese iconographic system, the great critic and semiotician Roland Barthes wrote: “(..). The exchange of signs remains of a fascinating richness, mobility and subtlety, despite the opacity of the language, sometimes as a consequence of that opacity.” This ability of signs, symbols and images of conveying information in a manner that is at the same time precise and powerful is obviously not a modern discovery. Yet the modern era may rightly claim the use of symbols in business and trade in recent decades that has resulted in the creation of an iconographic system aimed not only at representing each company’s identity, but also at communicating its values and conveying its promise to meet consumers’ needs.

A company’s brand is thus indispensable not only to fostering its recognition, but also

to positioning it in a competitive scenario in which a customer’s ability to choose is thoroughly influenced by the visual identification of a logo, especially in a global scenario in which images inevitably outweigh words. All of this is even more so for a multinational corporation such as Generali, present throughout the world, steeped in various cultures and languages.

As many already know, in 2014 the Generali logo, the winged lion of St. Mark, is changing to feature a more contemporary and dynamic graphic design, able to be adapted to the constantly shifting formats of electronic devices, while at the same time preserving the strength of a symbol that has arrived in the contemporary era through three centuries fraught with history (a brief overview of changes to the company logo, starting with the

**STRIPES**

They are conceptually derived from the shape of the lion's wings. They symbolize dynamism and an aptitude for business, as well as a capacity for vision.

**MUZZLE**

The lion's muzzle has been redesigned to improve and sharpen the profile.

**PHRASE FROM THE GOSPEL**

"May Peace be with you, Mark, my evangelist!" The greeting used to salute Venice's Patron Saint; a fundamental feature of the symbol and must always be legible, except for very small versions of the logo.

**WINGS**

The wing area has been redefined in order to allow a better reproduction in small sizes.

**PAWS AND TAIL**

The paws and tail have been simplified compared to previous versions, to enable easy reproduction on portable devices.

symbol

logotype

**THE DEFINITION OF THE LOGO**

The Generali logo consists of two elements that cannot be represented separately: the symbol (the Lion of St. Mark) and the logotype (the word "Generali" in the same font used for the incisions on Trajan's Column in Rome)

Hapsburg eagle, is presented on the next page – *editor's note*). Not only is the lion new, but it will be the same for the entire Group, throughout the world, for all Generali companies and brands, after 24 years in which the "half lion," which was used for all insurers and entities other than the parent company, co-existed with the "full lion," inscribed in a rectangle that Italians playfully and affectionately referred to as "the brick."

This decision is consistent with the strategy that has characterized the company's life over the past year and in line with the identity of the large global players; it is indispensable, inasmuch as a shared visual identity allows the exploitation of synergies and enhancement of the typical intangible assets associated with a fascinating, evocative and powerful symbol such as the lion of St. Mark. The new logo is suitable to be displayed on tablets and smartphones, as well as the facia of a new agency located on an old Roman square or a refined Parisian street, or to represent the new Generali office in Hong Kong or the interior of the financial offices in Frankfurt or Milan.

In addition, the visual system of the Generali universe has been expanded to include a completely new feature. An elegant series of sloping stripes against a red background discreetly appeared, both at the Investor Day held in London to update the financial community regarding the Group's strategic objectives and during Generali's presence at the World Economic Forum in Davos, one of the most important places in the world for political and economic networking. Known in technical jargon as the "look and feel" it is a visual system that will feature prominently in all of Generali's main communications tools and will resonate dynamically with the power of a colour that clearly sets our Group apart from its main competitors.

Finally, a brief post-script about the company philosophy: it is all the more true that a small symbol can, as we have seen, open up "universes of rich, subtle mobile meanings," as Barthes writes, to the extent that it is able to represent the life of a company, built on the contribution of intelligence and creativity of each person who works there. ■





**1833.** The first emblem associated with the Company is the double-headed Hapsburg eagle, granted by the sovereign resolution of 25 January 1833, which also authorized “Assicurazioni Generali Austro-Italiche” to bear the title “Preferred by the Imperial Government.”



**1837.** The double-headed eagle surmounted by imperial crown, holding sword, sceptre and *globus cruciger*. The eagle’s chest bears an escutcheon presenting the Visconti serpent and lion of St. Mark, coat-of-arms of Lombardy-Venetia, along with the emblem of the Hapsburg-Lorena or the halberd of St. Sergius, symbol of Trieste.



**1839.** The escutcheon features the Visconti serpent and the lion of St. Mark, three eagles in flight and a smaller escutcheon with two red stripes and one white, parts of the coat-of-arms of the Hapsburg-Lorena. In documents for the Italian territories, it is also surmounted by the Iron Crown and the collar of the order of the same name.



**1860.** Following the events of 1848, the Company eliminates the adjective “Austro-Italiche” (Austro-Italian) from its name. In the oldest known version, dating back to 1860, the lion of St. Mark, logo of the Veneto Office, appears facing the left, with a halo of majesty, double-volute tail and a paw on the Gospel.



**1862.** In subsequent years, the lion symbol/logo, still not well defined from an iconographic standpoint, presents more or less evident variations on the initial version, such as a greater, more statuesque grandeur and tail without double volute.



**1864.** The Trieste Central Office, located in imperial territory, continues to use the double-headed eagle until the end of World War One. However, the Iron Crown and collar of the order of the same name do not appear in documents not directly tied to Italy.



**1868.** The use of the lion of St. Mark by the Company spreads hand-in-hand with the name “Assicurazioni Generali in Venezia” or “di Trieste and Venezia”. A new type of lion, with drawn sword in defence of the book, appears in 1868, probably for the first time.



**1880.** A single lion figure replaces the many previous versions. The new lion faces to the right, in majesty with its paw defending the book, and often presents the Company’s date of foundation on the base; the halo, sworn and double-volute tail disappear.



**1910.** The lion, who in 1903 once more resumes its classic pose facing the left with its face in profile, appears powerful and statuesque in the new version dating to approximately 1910. The lion definitively assumes the role of the Company’s logo following the cession of Trieste to Italy in 1918.



**1971.** The restyling of the Company’s image in keeping with the slogan “Starting today, call us Generali” is accompanied by a more modern graphical representation of the symbol: in 1971 the lion is presented in its new, more stylized form.



**1978.** The first insurer to present itself on multiple markets with a single, strong image identity, the Company creates a brand common to all units present in the various markets: the lion of St. Mark is inscribed in an oval containing the words “Generali Group”.



**1990.** The Group’s logo is restyled: the image of the lion, with rear section truncated, is once more inscribed in a square field. The original international advertising campaign “Generali, the insurer without frontiers” also contributes to its dissemination.



# More value for the future

In order to guarantee adequate future pension cover for all citizens, nowadays governments and insurance companies have a key role in promoting supplementary pension benefits, as highlighted by a Group internal survey conducted in Italy, Germany and China, three very different markets

*by Lorenzo Savorelli*

Nowadays it is common knowledge that the entire world population, especially in developed countries, is expected to live longer. This phenomenon will be particularly apparent in Europe, the USA and Japan in the near future, as well as in some large emerging countries such as China. It is estimated that in 2050 the elderly (over 65) will be two billion, more than a fifth of the world's population, and 4% will be over eighty years of age. This phenomenon is accompanied by a tumbling birth rate that also results in an imbalance between generations with fewer young people and therefore fewer resources.

Living longer and aging healthily is a positive for humanity. However, it is also a burden on the economy, growth, public finances and above all on a welfare systems based on a positive equilibrium between generations, the active population and pensioners. To confront this problem successfully it will be necessary to aim at two fundamental elements. The first is to re-launch growth, since without sufficient resources no system will be sustainable. The second, given that State resources for welfare cover are shrinking, will inevitably mean that the private sector must help individuals to prepare for old age. The world's welfare systems have progressively reduced public services and



diversified pension schemes with different pillars, some of which are relying on the private sector.

Has this been a successful transition? Has a great opportunity for the insurance industry already opened up?

We will summarise the main evidence arising from a specific analysis referring to some important countries where the Group operates produced with the contribution of local managers: Andrea Mencattini for Italy, Michael Stille for Germany and Sergio Di Caro for China. Three markets that represent significant examples of how the ageing population has pushed governments, in different ways according to the country's stage of development, to promote supplementary pension schemes and encourage the private sector, specifically insurance, to offer new products to supplement the public welfare system. In doing so, success was varied. Germany achieved excellent results, even though the financial crisis seems to have derailed part of the progress achieved. Italy made enormous reform efforts, but the success of supplementary pension schemes remains limited. China still has a long way to go. Throughout the analysed organisations, tax incentives are an important factor of this transition, but not the only one.

The evidence concerning the development of supplementary pension schemes in these countries (also presented at the 49th annual seminar of the International Insurance Society, as referred to in the box on page 18, *editor's note*) therefore shows the upside and the potential, but also points to many obstacles and difficulties.

## FOCUS ON ITALY

Despite numerous innovative reforms implemented between 1992 and 2012, which consolidated a multi-pillar system, today little more than a fifth of workers have joined a supplementary pension scheme, less than 18% in the case of workers under 35 years of age.

According to the managers interviewed there are many issues to confront. In the first instance, tax incentives have been and are still insufficient; secondly, the population is still fully convinced that the public system cover is sufficient. This is partly due to a very ineffective communication during the reform stages, which made an accurate assessment of the substitution rate, or rather the ratio between the expected pension and a proportion of the employment income, difficult for the individual. The famous

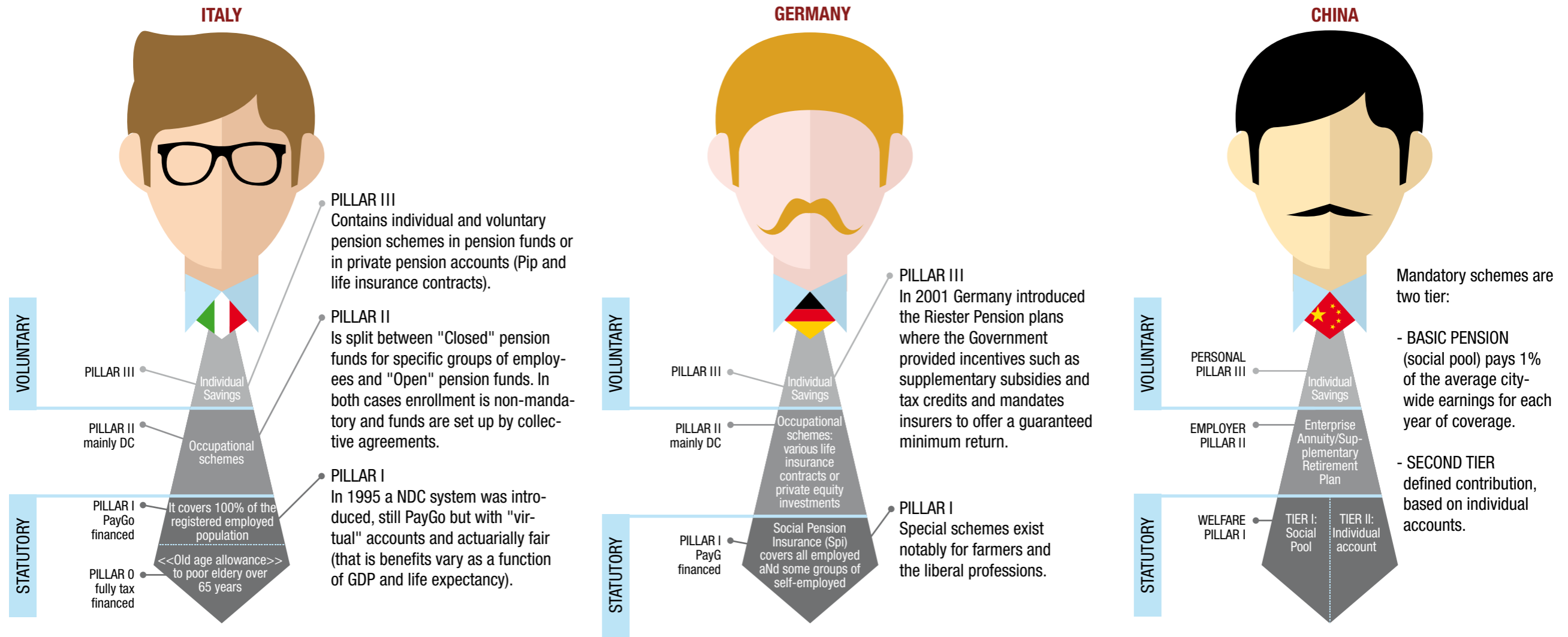
“orange envelopes” (the indicative estimate of a future pension based on the current contribution parameters, sent by the designated public bodies to the individual worker, *editor's note*) that ensured the success of the Swedish reform were never distributed to Italians. Third point, connected to the previous ones: in Italy there is a very low level of financial education and literacy. Fourthly, the economic and financial crisis has had a profound negative effect on households disposable income and savings, which made private solutions less desirable, at times perceived as too expensive against an increasingly skimpy household income. Fifthly, the changes in economic policy (laws and regulations) and of pension choices as a consequence, were too frequent and erratic, thereby increasing people's confusion. Sixthly, in the important reform relating to the transfer of retirement benefits to pension funds, having the original objective of promoting the tax payers' choice relating to the second pillar pension solutions, the irreversibility of this option was introduced by the legislator thus discouraging choice.

Today people are overwhelmed by the new risks they must face on their own, their incapacity to manage them, the little clarity of the context in which they have to decide and often by the variety of

products on offer. The marketing strategy carried out by private intermediaries in the past was very aggressive, based on messages having the following content: 1) the welfare cover offered by the State will not be worth much; 2) you have an enormous pension gap and are doomed to be poor with the amounts you will receive; 3) you are investing your savings very badly; 4) our product is the solution; 5) and you can pay for it with the taxes you save. Unfortunately, the reality is that, with household income dramatically shrinking, people do not understand these messages, postpone decisions, play for time and often opt for the wrong choice also because of a minimal or completely absent financial culture. The decision to part with an additional amount of ones' income today, however small, for the purpose of ensuring pension cover tomorrow, is increasingly hard to take. Financial planning also becomes crucial for the elderly and the less well off, not only for the rich who are financially savvy. The rule of the insurance companies and their sales force is therefore to become true partners and financial consultants rather than trying to sell products at any cost, and therefore start to be “socially” responsible. The community will have to invest heavily to increase people's financial literacy, particularly in schools using dedicated educational campaigns, and



**PENSION SYSTEM:**



**RECOMMENDATIONS**

Some recommendations for governments and the insurance sector on how to further promote supplementary pension schemes emerged from the dialogue with the managers of the three countries where the study was undertaken. This is what the parties should do:

**GOVERNMENTS**

- promote financial education and literacy
- ensure fair competition amongst players
- provide clear rules and remove regulatory disincentives
- protect the transparency of products and commissions
- introduce appropriate tax incentives
- provide a stable and credible legislative policy framework
- offer long-term indexed financial instruments

**INSURANCE COMPANIES**

- offer transparent and comprehensible products and services
- provide advice to clients, become a "partner" facilitating choice and suggest new solutions for the longevity risk
- offer reasonably priced products to the increasingly poorer investors
- emphasise the comparative advantages of risk management

insurers will have to help individuals with their financial planning by offering a useful and transparent service.

Finally, the priorities indicated by the interviewees in relation to a possible government support action for supplementary pension schemes can be summarised in three points: better financial education and better communication (“orange envelopes”) on the real rates of pension substitution; reversibility of choices (allocation of retirement benefits) and guarantees of transferability of employer’s contributions from one investment to another; better and higher incentives for supplementary pension schemes.

The Generali Group, the market leader in life and supplementary pension schemes in Italy, offers – through its brands – a wide range of individual welfare products and group schemes, such as open and closed pension funds. The offer also includes accident and health policies as well as, in some cases, long term care cover.

## FOCUS ON GERMANY

The German public pension system is still very generous. Despite this, various

reforms in the last fifteen years have encouraged the development of successful supplementary pension schemes, mainly due to adequate tax incentives. Ten years after their introduction, the private additional pension schemes have reached 37% of the total pension cover, with 15 million contracts in Riester policies.

Germany is a success story in the government’s promotion of private supplementary pension schemes and the offer of numerous cover products by the insurance industry at a reasonable cost with low commissions and many attractive features (such as, guaranteed rates). Nevertheless, the crisis seems to have pushed the authorities to reduce tax incentives and fuelled a lot of political, legislative and regulatory uncertainty, to the detriment of industry and tax payers. Insurance pension products have lower tax incentives, are damaged by persistent low interest rates, strong competition from bank saving products and lastly by regulatory developments that negatively influence long-term solutions and have reduced or eliminated the penalties for cancellation of additional pension planning contracts. The government’s taxation policy seems increasingly erratic. Low interest rates, new regulatory requirements (the EU

Directive on gender and solvency II), together with consumers’ uncertainty caused by the financial crisis and the lobbying action by political parties in favour of a return to a generalised system of public social security as a result of the crisis, have had a negative impact on private supplementary pension schemes. This is also shown by the trend of gross insurance premiums in these segments that, having reached a peak in the first few years of the 21st century, have flattened and started falling during the crisis. The insurance industry’s dialogue with policy makers has worsened and, up to September 2013, the uncertainty of the pre-electoral period resulted in no decision making. Nevertheless, the growing welfare costs and reduced welfare cover are long-term and lasting characteristics. The renewal of the dialogue between the state and the insurance industry is therefore desirable, as well as an active long-term cooperation in the private supplementary pension schemes sector, which will continue to grow.

In Germany, where Generali is the second market player, the insurance offer includes a vast range of pension products, with individual and group policies, in addition to healthcare and long-term care cover.

## FOCUS ON CHINA

China has also launched numerous pension reforms and since the early nineties a new system with several pillars has been created to complement the public welfare system that only covers 20% of the urban work force. The success of the reforms was however modest and cover is the main problem because it is still very limited: only a small part of the population, prevalently urban, has a public or private pension scheme, and this in spite of a growing aging population and resulting economic and social pressures. The reforms – including the most recent that created *Enterprise Annuities* (EAs), a collective pension instrument similar to the US 401K company schemes – have had a varying degree of success, requiring greater funding for the schemes (often badly managed and in debt) and better governance. According to the managers interviewed, the principal obstacles to the development of the second and third pillars for the supplementary pension schemes in China are the following:

- the absence of sufficient tax incentives for second pillar products;
- very limited financial culture and literacy;
- a market distorted by competition (for example, EAs licenses for sales are allocated ad hoc, almost exclusively to local insurance companies, whilst the

more sophisticated products and expertise mainly are managed to foreign companies that have been operating in China over the last decade);

- EAs are not mandatory for workers or employers, and different trust companies offer saving products in direct competition;
- third pillar products do not enjoy tax benefits;
- there are very few indexed long-term financial assets in China, that adequately match insurance long-term liabilities, such as fixed income securities with a high financial rating.

However, there is an active and positive dialogue between the government and the insurance industry and this was the basis of the EAs launch with potential future tax incentives for life insurance products and supplementary pension schemes. Recently the government seems to have partially accommodated the insurers' requests: the insurance regulatory authority, the China Insurance Regulatory Commission, is in fact preparing new annuity products with deferred taxation through a pilot project that has already been launched in Shanghai.

Generali is one of the leaders among foreign-owned life insurance companies in China and offers welfare products for individuals and group lines. Savings schemes with a guaranteed return and financial profit-sharing are offered for individual lines, as well as universal life and unit-linked covers. The same offers are also available for the group lines, although the penetration is very limited. The Group offers individual and group health insurance products, with an increasing interest in serious disease cover. There is still little interest in long term care schemes. ■

## The next International Insurance Society seminar will take place in London in June

Over 400 insurance industry managers took part in the latest edition of the International Insurance Society (IIS) annual seminar held in Seoul in 2013. Generali took part in the debate on pension schemes and the role of insurers, and following the success of this initiative, decided to become a member of this prestigious international association.

Founded in 1965, the International Insurance Society ([www.iisonline.org](http://www.iisonline.org)) is the largest and most prestigious world association of insurance companies and its members are global market leaders, international watchdogs and the best known scholars in the industry from over 90 countries. The IIS mission is to facilitate the international exchange of ideas, the development of global industry networks and launch innovative applied research projects focusing on critical themes for the insurance industry, through the Shin Research Excellence Awards Programme.

During seminars organised each year in different locations all over the world, the most prestigious industry prize – the Insurance Hall of Fame Award – is awarded to the best insurance leaders in the world. IIS also manages the Mentorship Programme, in which 25 mentors (“experts”, senior persons with great experience and fame) and 25 mentees (talents under 50), are involved

in networking and international conference call programmes, so that young people can benefit from their mentors' advice.

In general, IIS members share resources and knowledge on an individual basis and therefore contribute to promoting the insurance industry overall, through a network of contacts. The annual seminars are fundamental for these exchanges, and Generali was present for the first time in 2013 with the R&D Manager, Lorenzo Savorelli, who took part in the *Executive panel: changing demographics and the opportunities for the industry*. The study undertaken in this case, based on an internal Group survey and relating to Italy, Germany and China focused on the challenge posed by the ageing population and called upon governments and insurers to cooperate to ensure an adequate pension cover for their citizens with a mixture of public and private instruments.

This year Generali will take part in a seminar to be held in London from 22 to 25 June, dedicated to the theme “*The impact of science and technology on the industry*”. Furthermore, the Generali Group has selected five candidates amongst mentors and mentees for the Mentorship Programme.



# Pirates of the third millennium

Traditional marine insurance policies cover ship and cargo but in order to counter modern piracy it is also important to adopt special prevention measures to ensure safety at sea

by Riccardo Morgante

*The risk of piracy has always been feared by ship-owners and shippers alike, however, it is covered by the traditional marine insurance policies. Aside from the incidence in terms of number of events, the phenomenon as observed in recent years, especially for the maritime journeys across the Gulf of Aden (and now even across the Gulf of Guinea), has also highlighted a significant financial exposure to ransom demands for the release of ships and cargo.*

Traditional insurance policies cover the interests at stake, albeit with a few exceptions and limits. In fact, the sensitivity of the issue of crew on board merchant ships attacked by pirates is common knowledge. The endorsement of specific physical and organisational preventive measures for protecting the vessels appears to be the most effective remedy for treating the attacks.

On several occasions it has been reiterated that piracy goes back a long way. Likewise, the insurance coverage of the interests subject to the risk of pirate attacks, namely the ships and their cargo, dates back to remote times.

In the more modern contractual forms (since the late 18th century), the risk of piracy has been included in the category of socio-political risks. Since 1983, following a massive review of the international marine insurance terms of contract, piracy has been included among a set of so-called “ordinary” clauses, thus outside the scope encompassing warfare and socio-political risks. Within the ordinary insurance policies comprising marine hull insurance, covering the hull of the ship, and marine cargo insurance, covering the cargo loaded on the vessel, an insurance policy purports to protect against

material and direct damage suffered by ship-owners and shippers, and against damage caused by pirates during their violent action on the high seas aimed at seizing the goods for profit.

To date, piracy as elucidated above, has been considered as a “classic” case, and therefore expected and duly assessed by marine insurers and reinsurers.

## PIRACY NOWADAYS

The resurgence of this phenomenon in this day and age (since 2009) is connected to the extortive traits characterising “modern” piracy, clearly aimed at obtaining ransom payments in exchange for the release of the ship and cargo. Such acts, taking place in a specific geographical area (Gulf of Aden) externalise their modern approach in the widespread network of the criminal organisation behind them, via ramifications and logistic and financial support in a variety of countries situated in the area under scrutiny.

Another area that today seems particularly subject to piracy as endowed with “classic” characteristics, namely taking possession of goods for profit,

is the Gulf of Guinea where *tankers* and their cargos (refined products) are mostly targeted. The International Maritime Bureau (IMB), updating the observatory for international maritime trade, recently pointed out a fresh outbreak of the phenomenon also in the Strait of Malacca, off the Indonesian coast.

The focus in this article is on the specific nature of the acts and objectives of modern piracy observed in recent years, aimed at obtaining a ransom after kidnapping the ship for the release of the interests involved, namely craft and cargo and, incidentally, crew.

## THE SOMALI CASE

In order to analyse the cases and consequences, also in legal terms, of the attacks perpetrated in the Gulf of Aden, it is worth to briefly dwell on the socio-political situation in a geographical area such as Somalia, where modern pirates appear to have found

greater solidity and support in their aggressive actions. This country has known a deep internal political dismemberment entailing the progressive loss of the rule of law and of control over the territory exerted by the official governments. Naturally, this has fostered the development of organised movements and groups in the practice of modern piracy also.

In terms of ransom payments within the economic and insurance framework, it is important to note the average estimated ransom demanded by pirates per ship seized is approximately five million dollars (over five years total ransom paid amounted to 215 million dollars in the Gulf of Aden alone). Claims require complex management.

As mentioned, in most of the cases taking place in the Gulf of Aden, the ship and cargo in themselves do not represent the core target of the demanded profit but merely the instrumental



element for attaining it. In this sense, insurance coverage may contribute to compensation for the amounts demanded for preventing or reducing all likely damage (for instance, after the intentional sinking of the vessel on behalf of the pirates); otherwise they should be viewed as a joint venture for the common safeguard of all interests and batches insured – hull insurance, insurance coverage for freight and liability risks incurred by the ship-owner during navigation – after the reporting of general failure (GF) by the captain (for example, due to the protracted detention of the ship attacked and seized by pirates, with the impossibility of continuing navigation under the terms provided for in the shipping contract).

Our in-depth inquiry conducted at international level into the operational practice followed by the various insurance markets shows that in most cases ransom payment has been admitted in relation to GF, albeit with an abundance of doubts and exceptions raised in regard to the involvement of the insurance in the liability of the ship-owner towards his crew, whereby the ship-owner is a victim, not a member of crew, subjected to third-party violence.

Anyhow, by admitting full compensation for general failure (each interest contributes proportionally to its own insured value), a great many additional costs, at the ship-owner's expense are in any case excluded, such as costs relating to the ransom delivery, major fuel expenses, wages for the crew during the detention of the ship and any potential expenses for towing the ship from the port of refuge after the release.

The greatest criticality, especially in legal terms, in the ransom payment demand is made when one of the objectives targeted by the pirates, including with the use of weapons, is the ship's crew. As mentioned previously, almost always the crew is cynically viewed by pirates as "ancillary" compared to the greater interest in terms of value (the ship and its cargo) and threatened risk (for instance, the sinking of an oil tanker fully loaded with refined products).

Regrettably, there have been cases in which the crew itself has been kidnapped (even for over 30 months) and held hostage as a means for attaining the ransom payment. In this case, unsolvable problems arise on the issue of legality, as in many legal systems, including the Italian one, ransom payments for the release of human lives are not permitted as is also the case for the related stipulation of insurance policies in the territory in which the ban is applied. In actual fact, it is thus illegal, and here specific reference is made to Italy, for an Italian ship-owner and his domestic insurance company to take part in the direct activity of providing and supplying funds intended for ransom payment in order to obtain the release of crews. Within this complicated situation, the current trend in the international marine insurance market is divided into two different approaches: the first adopted by insurers and reinsurers of ship hulls that

are the first to be involved in claim management, is aimed at placing the coverage for piracy risks under the separate socio-political and warfare guarantees. The estimates and quotations on piracy within the context of such guarantees for material and direct damages are currently determined from time to time according to the shipping services offered by the ship-owner in relation to the cargo shipped, trade routes and preventive measures applied for protecting the ship, as will be illustrated later in this article. The second approach is typical of insurers and reinsurers of shipped cargo, who for the time being have retained the coverage for the risk of piracy within the ordinary guarantees for all risks: in fact, the volume of freight in transit on one ship or another and shipped worldwide via a variety of oceanic routes and potentially more exposed to attacks is harder to identify and quantify for their owners on an annual basis.



## PREVENTION MEASURES

In line with insurance policies, ship-owners have been encouraged to equip themselves with organisational means and measures for safeguarding the ships during the crossing of the Gulf of Aden. These measures are considered as a loss prevention warranty also for insurance purposes. Here reference is made to the so-called self-protection measures and best management practices, that is to say defined rules of conduct providing for the full respect of certain basic recommendations to be endorsed by ship-owners in conjunction with the trade associations of the shipping companies, the Seafarers International Union, the insurance companies, the chambers of commerce and the international military authorities engaged in patrolling services, in compliance with a few United Nations (UN) resolutions emanated on the subject and in line with the other resolutions issued by the International Maritime Organization (IMO), a UN agency responsible for promulgating shipping safety regulations.

The most crucial recommendations and prescriptions for ship-owners are listed hereafter: provide for the hermetic sealing of doors and windows

granting access to the bridge deck and engine room, keep a constant radio or satellite connection, remain as far as possible in close proximity to other ships, implement an internal safety plan, keep the ship aligned with the safety route providing regular military escort or patrolling services and at most, employ additional armed safety personnel (military or private security) on board the ship.

These measures, if complied with and properly managed, may be the best defensive strategy. It is a known fact that many countries have adhered to the plan for protecting the convoys by supplying their military naval forces for the constant patrolling of the Gulf of Aden. The preventive forces and regulations implemented entail considerable organisational and monetary costs and have significantly contributed towards the de-escalation of successful attacks. These significant costs, coupled with the current economic crisis and with the scant availability of military personnel to be removed from other crisis zones, have resulted in the issuing of legal provisions aiming at acknowledging non-military personnel, in the event of unavailability of military personnel, on board the merchant ships crossing the Gulf of Aden.

## NEW INVESTIGATIVE AND LEGAL SCENARIOS

The employment of armed personnel and the risks associated with the use of force have been the object of much debate, also during the *International Union of Marine Insurance Conference (IUMI)* held in London between 15 and 18 September 2013, in which our Company actively took part via its representatives in the hull, cargo and loss prevention committees. Specifically, the discussions focused on the well-known incident and diplomatic case

involving the Italian merchant ship, the *Enrica Lexie*, and the personnel of our armed forces on board the ship referred to as the “marò” (seamen). At the time of writing, the case has not yet been solved and is the object of much controversy in relation to the use of force viewed as the best deterrent, even though in a strictly logical sense and in other extreme cases it has proved crucial and decisive. The *Enrica Lexie* case has led to the unfolding of convoluted investigative and legal scenarios in terms of jurisdiction and authority in the final judgement by a Court of law. ■



# We, GENERALI

Reinforcing the culture as part of the Group's identity is vital as Generali is going through a turnaround phase at high speed.

In order to best carry out our daily work, we have to communicate and fully understand that we have to share the same language, both internally and with the outside world. We must be identified as Generali, and the culture of all our employees is the cornerstone of our success. It is therefore important that our vision, mission and values that represent our new cultural framework are clear and consistent. They must be shared by all Group employees worldwide, they should also be clear to our customers,



our stakeholders, and those wishing to work with us. The corporate culture is fundamental because today more than ever it contributes to differentiating us from our peers.

For a Group like ours that places the insurance core business at the centre of its operations, vision must express

in a simple and essential manner what we have always undertaken to do: protect and improve people's lives. These are our roots and we must constantly go back to them. We must be ready to meet people's requirements and their wishes, offering the best combination of protection, service and advice, and show them the best path.

And it is here, talking about the "best path", that we move from vision to mission, the concrete objective we intend to achieve. Our mission is to be the customers' first choice when seeking insurance solutions. People must clearly perceive that the service offered by Generali represents the best offer on the market since we guarantee commitment, loyalty and proactivity, as well as material and indisputable benefits, so that it is natural for them to turn to our Group.

The four values represent the ideal link between the past and our future aspirations, in accordance with our approach. *Deliver on the promise* means that we focus on reliability, a

key point to build a lasting relationship with all our stakeholders to strengthen our reputation and meet their expectations. We associate *Value our people* to the importance of human factor in our business. To this end, we commit to ensure opportunities and equal terms for all. Furthermore, our responsibility is to operate for the wellbeing and improvement of the community in which we live and work, resulting in *Live the community*. Lastly, *Be open* is certainly a challenging objective since it means to be innovative, curious and ready to accept criticism, also by questioning our most profound beliefs.

If we fully embrace our vision, mission and values we can say we have a true Group culture, to be lived and shared daily, the best "business card" to show to those who count on us. Generali started making history almost two centuries ago and I am sure that, thanks to this new culture, it will continue to do so at length in the future.

Mario Greco

# We, GENERALI

Values are the essence of corporate culture and in order to identify the Generali Group values we have involved more than eight hundred colleagues all over the world.

This was a very complex and challenging process, because discussing and comparing values in an organisation means reflecting on the possible meaning of these values, the behavioural implications, cultural nuances, the impact that they will have on people working for the Group and on all the stakeholders, and most of all our present and future customers all over the world.

From a strictly organisational point of view, the values indicate whether a certain behaviour is preferable to an opposite negative stance. They are the supporting structure that identify the way we behave, our relationships



and how we live in our job. Every organisation places a profound and material meaning on its values: some companies consider them as the beacons that guide the organisational development process and growth. Others describe them as elements of their corporate philosophy. Without doubt, values refer to the manner in which the organisations relate to people's beliefs and business. Lastly, they are defined as non-negotiable behaviours.

In Generali's case, the values are the bridge that ideally connects our past to our strategic ambitions and objectives. They reflect on the Group's history and tradition, but are timeless and sustainable in the long-term, adaptable to an evolving context and consistent with the strategic and organisational challenges. In addition to distinguishing us from our competitors, they represent a guide

to organizational behaviours and to the relationships with our colleagues and customers. The values entail emotional involvement, inspiration and enthusiasm and are the drive for taking us all towards the objectives, motivate us to change, improve our daily effectiveness and the same time act as an imaginary counterweight in the context of the current difficult business conditions that we are experiencing.

I would like to briefly describe the process that has led us to identify Generali's four values: *Deliver on the promise*, *Value our people*, *Live the community* and *Be open*. We started with an in-depth analysis of the values in over 33 Group companies, which – aggregated into the five main semantic areas (trust and ethics, community, focus on customers, professionalism and people) – were assessed on the basis of a survey on the Group's culture and, then, compared to an external benchmark of 50 global leading companies. Interviews with the Group CEO, the management committee and some key internal and external contacts followed; furthermore the consistency of the values was benchmarked against the Group's leadership model. Subsequently, the Group's 200 top managers belonging to the Global Leadership Group (GLG)

were invited to discuss the values associated with Generali in an online community. The relevant concepts arising from their discussions were then enshrined in the value statements or in their explanations, which becomes clear when reading the quotes associated to each value reproduced in the pages that follow. The overall result was combined in a matrix for which five main concepts (long-lasting relationship, the impact of excellence, transparency and team spirit, community to which people belong and innovation) were associated to three types of stakeholders who are key for us: customers, people and society.

Our values define what is desirable, and what is not, therefore identifying the "dos", and the "don'ts" of the organisation, its people and their behaviour. In the words of Mario Greco, values are the basis of "what" we are and "who" we are today. It is fundamental to live them fully. And this is what we set out to do, investing to involve all our people in the world, not simply in knowledge and value sharing, but above all in their being aware of the importance of living these values every day and incorporating them in our behaviour.

Monica Possa



# We, GENERALI

A clear and unique Group identity, both internally and externally.



Underpinning sound strategies, culture is the fundamental, unique and single element that represents the distinctive mark of any organization and the reason of its success in the long term. *We, Generali* expresses a key element of our new corporate culture that will enable the result of the work performed

by all employees to be greater than the mere addition thereof, and that will result in a clear and unique perception of the company, both internally and externally.

In the past months, after defining its vision, mission and values, the DNA of

an organization, the Group launched an extraordinarily far-reaching campaign - started by the Group CEO Mario Greco - aimed at making them known among all employees worldwide. The campaign saw the organization of more than 600 *ad hoc* meetings, involving more than 14,000 people in the 60 countries where Generali is present. Moreover, an internal communication and engagement campaign was started in every company of the Group and will be developed throughout 2014. To improve the knowledge and sharing of Generali's strategy, brand and values, new tools were developed and the first English-language intranet, *We, Generali Portal*, was launched for the benefit of all Group employees.

Generali's identity has been strengthened with a new brand, the most representative and iconic element of the Group's image in the world. The Lion was recently redesigned and will substitute the over 100 different logos worldwide, with the intent of unifying and fostering brand awareness.

To conclude, a series of actions that contribute to overcoming fragmentation and favour common working methods. These actions involve all those working in Generali, from the representatives of Generali Employee Benefits in San Francisco to the agents in Indonesia. All part of a Group with a strong and renewed identity.

*Lucia Sciacca*



# We, GENERALI

A simple message for all, the world over. An internal communication campaign aimed at Group employees kicked-off in February.

“Today is a special day”, thus Mario Greco officially launched the internal communication campaign focused on the Group’s new cultural framework. An important step that aims at supporting an overall turnaround strategy directed at informing and making everyone feel part of one Group, with a clear and unique identity.

The creative development of the campaign, the first at an internal level aimed at the whole Group, started with some fixed elements: the necessity of effectively spreading the message to an international public, easily understood and adaptable

to different linguistic, cultural and business backgrounds that characterise the Group’s employees.

The chosen approach first favoured electronic tools development, the Group portal *We, Generali* and local company intranet, with the use of animated banners, splash screens and desktop backgrounds, sharing a single creative thread anticipating the flavour of the poster campaign.

The posters, the heart of the internal communication campaign, are centred on the values and identified by four different geometric shapes. They are technically known as copy-ads, that is an advertisement with a single text, no images,

illustrations or photographs. Another distinctive feature is an approach highlighting the values by contrast, whereby the simultaneous presence of a negative and a positive statement shows the real meaning of the value, and reinforces it. For “Live the community”, for example, we start from “We don’t talk about community” and arrive

at “We Generali, live the community”. Finally to enable the full understanding of the new values at the local level in all countries where the Group is present, the body-copy (i.e. the explanation text on the posters) is translated into the local language.

*Elena Cannataro*







# Regenerative medicine: the new frontiers

Generali supports the Italian non-profit organization Revert in clinical trials for the study of neurodegenerative diseases

by Paola Cabas

*The turning point in the research into amyotrophic lateral sclerosis (ALS) may be achieved in 2014, thanks to the partnership between the Generali Group and Revert, an Italian non-profit organization that performs clinical trials aimed at finding a cure for neurodegenerative diseases.*

*The three-year partnership, agreed in January of this year, will allow the team led by Professor Angelo Vescovi to complete a clinical trial of a cellular therapy for ALS by the Autumn, which will later also be extended to other neurodegenerative diseases .*

*In order to achieve a better understanding of the nature of this research and how the society in which we live might benefit from it, we met Professor Vescovi, Scientific Director for Revert and Casa Sollievo della Sofferenza a San Giovanni Rotondo (an in-patient treatment centre focused on scientific research), as well as the developer of this innovative research technique and project leader.*

### Professor Vescovi, what is the origin of Revert's commitment to research?

Revert's commitment dates back as far as 1996, to be precise, when I discovered the method that allows stem cells to be isolated in the human brain which can therefore be multiplied to a virtually unlimited extent. It then became possible to expand this technique to clinical trials on humans. This research has demonstrated that brain stem cell transplants may be among potentially effective treatment against a wide range of neurological and neurodegenerative disorders. In 2006 the Terni brain stem cell bank was created to store, cultivate and expand central nervous system stem cells. In June 2012, this technique was clinically applied for the first time to a human brain stem cell transplant in patients suffering from amyotrophic lateral sclerosis. This may be the beginning of a virtuous cycle that already today attracts leading personalities in science and research and, in future, will be capable of focusing the attention of professionals working in other sectors. We hope to see a wealth of new scientific knowledge, develop further in-depth medical expertise and create important constructive synergies to defeat these awful diseases that affect millions of people around the world. In short, the dogma that has existed for over a century according to which the brain does not contain stem cells and its tissue cannot regenerate itself, is slowly crumbling.

**“We are delighted to support a scientific project of Italian excellence in one of the major medical and social challenges. We believe that this research may significantly contribute to finding a cure for neurodegenerative diseases, improving the society we live in.”**

*Mario Greco, Group Ceo di Generali*

The organ that had always been viewed as quintessentially fixed and static is actually unimaginably pliable.

### What are the main projects your staff is focusing on and what are the results achieved thus far?

Our group was created over 20 years ago: a team structured to develop a so called “translational research,” in which basic research, conducted in the laboratory, is from the outset targeted so that results obtained might be rapidly translated into experimental clinical applications, i.e. clinical trials. Accordingly, our staff is divided into sub-groups, with a team that studies the regulatory mechanisms of human brain stem cells, another team translates these results into techniques aimed at preparing stem cells for transplant into humans and yet another group responsible for verifying cell efficacy in animal models for diseases such as cerebral ischemia, genetic disorders in children, spinal cord injuries or the dreaded amyotrophic lateral sclerosis.

### The partnership with Generali is focused on developing a specific project aimed at clinical trials for a cellular therapy against ALS based on a technique that you perfected as long ago as 1996. What has been done so far?

It has been a long, complex process that began with the development of a unique, all-Italian method that allows certain very rare cells, such as brain stem cells, to be isolated in brain tissue fragments and then, by exploiting studies on the mechanisms that regulate their behaviour, the cells will be forced to multiply in such a way that billions and billions of cells are generated from these small fragments. The technique does not give rise to ethical issues and is so powerful that it is possible to obtain cells for transplants on thousands of patients from a single donor! This marked the beginning of the adventure of building a very special laboratory in which manipulation techniques are so highly standardized and accurate to ensure maximum sterility of resulting cells. In parallel, brain stem cells were tested to prove that they do not generate tumours

### AMYOTROPHIC LATERAL SCLEROSIS (ALS)

ALS is a progressive degenerative disease affecting motor neurons, i.e. the brain nerve and spinal cord cells that enable voluntary muscle movement<sup>1</sup>. It affects 7,000 individuals in Italy and each year there are three new patients per 100,000 people, i.e. approximately 1,500 new cases<sup>2</sup>. At the global level, there are 500,000 ALS patients. Survival following the onset of the disease averages three to five years, and only 10% of patients survive ten years from the onset of the disease.

<sup>\*1</sup> Source: Associazione Italiana Sclerosi Laterale Amiotrofica (Italian ALS Association)

<sup>\*2</sup> Source: Casa Sollievo della Sofferenza, Revert



**“Revert has marked a new way of finding a possible solution for diseases considered incurable. Research, rather than a job, ought to be considered and experienced as a mission. Health, mine and that of my peers, is to me, as a man and a professional, one of the greatest values.”**

*Angelo Vescovi, Revert Scientific Director*

after transplant, and once authorization was obtained from the Italian Medicines Agency (AIFA) to produce clinical-grade cells, in accordance with the European Medicines Agency (EMA) regulations, we applied for authorization to begin transplanting them in the spinal cord of ALS patients, granted in March 2011. 15 long years of work were necessary, but it was worth it, because this technology is now used for all neurological diseases.

**At what stage is the project today and what will the next steps be?**

ALS trials began in June 2012 and whilst awaiting authorization by AIFA and Italy’s National Institute for Health (ISS) we obtained permission from various ethical committees and recruited the first patients. The world’s first transplant of human brain stem cells without ethical or moral issues was carried out on 24 June on a rather young patient, 31 years of age. The first part of the clinical trial was successfully concluded on 22 March 2013, without significant adverse events attributable to the surgical

procedure or the transplanted cells, and with significantly better clinical and surgical results than those obtained by parallel trials conducted simultaneously in the United States. ISS and AIFA have therefore authorized the launch of the second part of the trials, involving transplant into higher parts of the spinal cord, i.e. the cervical region. This transplant, which is more complex, is aimed at an area of the cord that is more relevant to the progression of the disease thus yielding more promising results from a therapeutic standpoint. The second part of the clinical trial involves a group of six ALS patients walking with aids or assistance and subjected to brain stem cell transplant. We have set ourselves the goal of completing the trial by the autumn in order to then extend it to other neurological and neurodegenerative diseases. Once the test has been concluded, all data will be sent to Italy’s National Institute for Health and, if considered safe, compassionate use on patients may be considered. To date we have already transplanted three patients in the cervical region and I am proud to be able to

say that things are going very well - including a significant improvement in the injection and surgical technique, which will now also be adopted by our US colleagues with whom we enjoy excellent cooperation both in professional and human terms - allowing a wealth of information to be exchanged in the interest of patients.

**The name “Revert” expresses hope and a specific commitment to challenge diseases previously considered irreversible. What do you think will be the immediate benefits of the project that you are developing together with Generali and what hope do you believe patients may harbour in connection with your team’s work?**

This partnership allows us to expand the scope and impact of our research, offering an honest, tangible hope for future cures for patients and their families, whilst confirming Italy’s leading role amongst countries currently conducting trials in the field of stem cells. We cannot make promises as to the results that we will obtain, because it is not possible to foresee how things will evolve. Our philosophy and code of ethics does not allow us to offer any false hope or, even worse, deceive patients, but we now have a new avenue for possible solutions for diseases that have always been regarded as incurable or even unassailable. In this regard, there is now real hope that this is



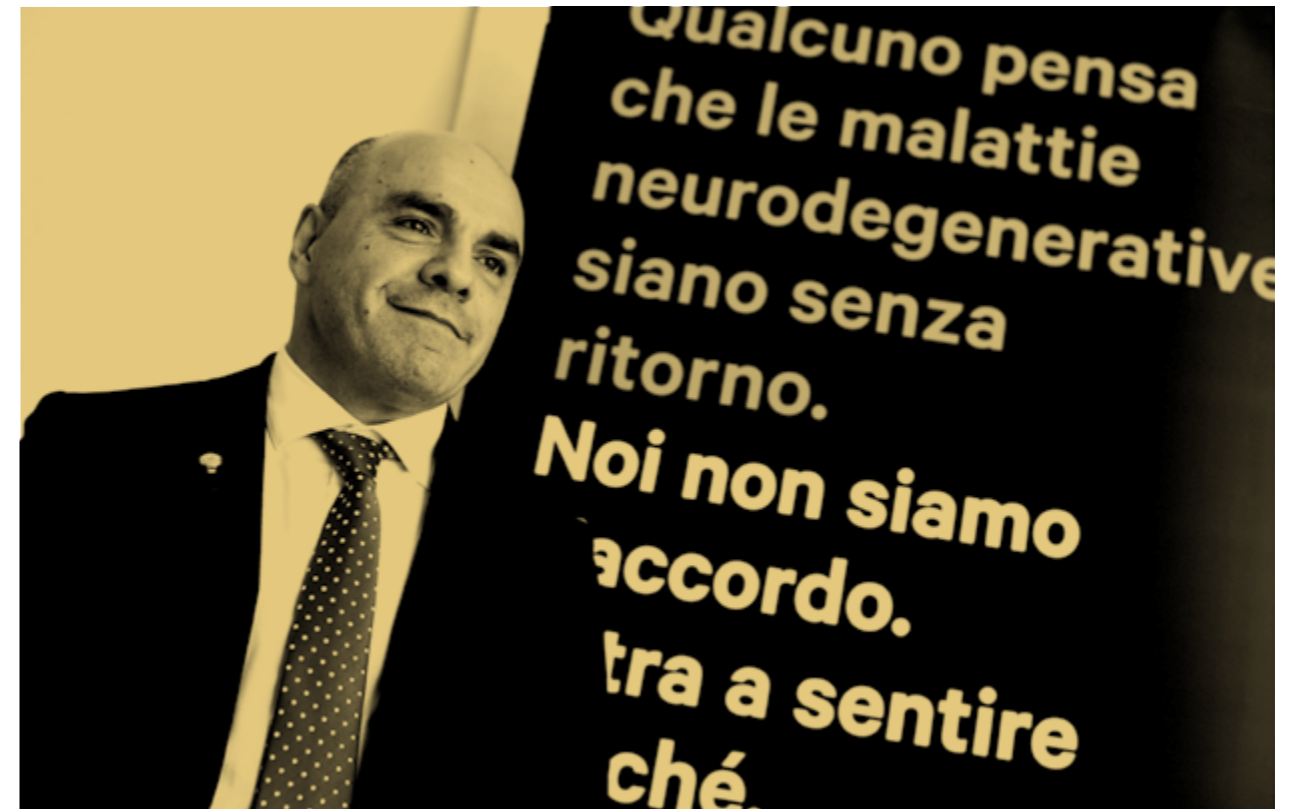
not the case. In order to build upon this, once the trial has been concluded and we have obtained the necessary information on the process and cell safety, we will provide access to all other researchers to both the method used to prepare the cells and the actual cells, in the hope that others will follow in our footsteps and benefit from the trail open by Revert. At present there are few trials in this area, all conducted by biotech companies, whereas Revert is the only non-profit organization that uses cells devoid of ethical issues. Access to these cells is extremely difficult and complex handling is required. We intend changing this situation and significantly expand the number of clinical trials in the field of neurology, as well as the number and type of diseases to be fought.

**In addition to being directly committed to clinical research, you are also a professor, and are well aware of the difficulties experienced in this field, especially in Italy where there is little investment and many young people, including those with qualifications, choose to go abroad. Fortunately, there is no lack of examples of excellence and your team's work is proof of this. What do you believe to be the winning formula for overcoming such a clearly unfavourable context?**

In my opinion, the first element of an effective approach is having an adequate

ethical, moral and philosophical framework for research, which, rather than a job, ought to be considered and experienced as a mission. Health, mine and that of my peers, is to me, as a man and a professional, one of the greatest values. Those who have met the sick and their families cannot remain indifferent to the pain and desperation, the anguish that some diseases and situations cause. In this context, our team works with the aim of seeking to provide some soothing, a bit of hope for those who suffer. We do so because, over the years, we have overcome situations that seemed impossible, often in desperate conditions.

Italy is a country with a wealth of creative, intelligent and incredibly eager young people who, if recruited for this sort of initiative, are capable of overcoming any difficulty created on a daily basis by a system such as our own, which does not provide much support for research. We need to fight the lack of interest in research, a general social phenomenon and not a mere institutional matter. We need to restore a highly meritocratic system. Another enormous problem is that of an indescribable level of bureaucratic complications that sometimes even prevents the use of hard obtained funding. Research does not demand to be nurtured, but rather to contribute proactively to the nation's cultural, social and economic development. ■



Ricerca, azione

**Revert**

Revert, a non-profit organization was founded in 2003 (namely Neurothon Non-Profit Association) to fund, promote and foster brain stem cell research and launch clinical trials in humans with the aim of finding a cure for neurodegenerative disorders. Investing in research is the only possible cure for patients and their families. Revert is the first non-profit organization in the world promoting human clinical trials using brain stem cells for the treatment of neurodegenerative diseases and is the first to have

performed brain stem cell transplants in humans, as part of a clinical trial approved by Italy's National Institute for Health. The all-Italian technique, perfected in 1996 by Professor Angelo Vescovi, a lecturer in cellular biology at the Bicocca University in Milan, combines advanced scientific research with ethics using brain stem cells derived exclusively from tissue harvested from fetuses who died of natural causes.

# Vitale Laudi and Wilhelm Lazarus

Actuarial mathematics innovators at Generali and creators of the “L-L table”

*by Roberto Rosasco*



The tale of the two Assicurazioni Generali actuaries who are remembered by life insurance scholars as the creators of the “L-L table” begins in Germany. During the decades following its foundation, the Company expanded rapidly throughout much of Europe and focused on building up the organization in the German states: in 1836 it began operating in Prussia and Saxony; the Munich agency was opened in 1844, whereas in central northern Germany, after the Hamburg agency was opened in 1837 and the Leipzig agency in 1839, operations were extended to the Kingdom of Hanover in 1847.

The man who oversaw the definitive establishment of the Hamburg agency, “conferring upon it the dynamic impulse of the crystal-clear mind of a scholar and organizer” (as Giuseppe Stefani writes in the volume *The Centenary of Assicurazioni Generali*), is Wilhelm Lazarus, born in that same city on 13 June 1825. In May 1845 Generali offered the position of manager of the local agency to his father, who was unable to accept due to other professional commitments; the post was then assigned to Wilhelm. Under the law of the time, the young man was still a minor, and the Company’s affairs were thus formally entrusted to the firm J. L. Meyer & Comp., incorporated on 15 June 1845 and registered in the name of Wilhelm’s Viennese uncle. Initially, Wilhelm served as technical secretary, later becoming co-owner in 1847 and then giving his name to the firm in 1864.



In 1851 Wilhelm Lazarus attended the Congress of Insurers held in London as the Company's representative. In the following years, his actuarial studies obtained increasing attention from experts in the field in Germany and England, with the result that in 1868 he was charged by the recently created College of Life Insurance Science to determine mortality level amongst German insurance policyholders.

The scientific structure of his work (concisely described in the article "Assicurazioni Generali Archive Mortality Tables" by Manlio Lostuzzi and Patrizia Marocco in *il bollettino* No. 7 of 1990) was so overwhelming became a landmark for many future studies on mortality.

While Lazarus was making a name for himself as an actuary in Germany, Vitale

Laudi was achieving fame for his expertise in the same field in Trieste. Laudi, born in Trieste in 1837, was hired to work at the Company's headquarters in 1861. Holding a honours university degree in mathematics from the University of Padua, Laudi also had a vocation for teaching. Thus in 1871 he accepted the position of lecturer in mathematics offered to him by the *Civica Scuola Reale Superiore*

of Trieste, a post that he filled whilst being employed by the Company. His students included the irredentist martyr Guglielmo Oberdan.

In 1877 managerial responsibility for Assicurazioni Generali was entrusted to Marco Besso, appointed secretary





general. Also an esteemed scholar in actuarial sciences (see the article devoted to him in *il bollettino* No. 5 of 2010), he ordered the revision of the technical bases used by the Company, calling upon Vitale Laudi and Wilhelm Lazarus to perform this task. Until that time, when determining life insurance rates, Generali had relied on mortality tables prepared by 18th century statisticians such as Antoine Deparcieux of France and Emmanuel-Étienne Duvillard de Durand of Switzerland. The new table prepared by Laudi and Lazarus, which took the name “L-L table” because of their initials, was the first to be studied and created within the Company, on the basis of data obtained from more than 40,000 policies that a committee of eight English actuaries had collected from 1839 to 1843.

This table (used until 1906) was one of the last that Generali could apply indistinctly to all countries in which it operated, because in later years various governments enacted specific legislative restrictions concerning technical insurance data, which from that point onwards were often based on national surveys.

If life insurance history recognizes Lazarus and Laudi as having played a significant role with their technical studies, they are nonetheless also to be remembered

for their organizational skills, as explained by Roberta Spada in his essay “The L-L Mortality Table,” published in the recent volume *Stories from the Historical Archive*.

The Generali agency in Hamburg, which Wilhelm Lazarus managed for 45 years, was the largest in Germany; it was in charge of overseeing the agencies based in northern Germany and Copenhagen. In the 1880s, Hamburg was responsible for approximately 150 sub-agents, and Lazarus thus devoted himself to extensive organizational coordination efforts, aimed at expanding the Company’s operations into new territories and lines of business, alongside his scientific activity, which for a long time saw him, with Marco Besso, amongst the foreign members of the prestigious Institute of Actuaries of London. He died in 1890, “mourned by all those who admired not only his eminent gifts as an insurer, but also his truly universal spirit, his scientific and artistic personality”, Stefani writes.

Vitale Laudi left teaching in 1878 and was appointed director of the Life Section, which had been established as an autonomous line of business in 1876. In 1895 he became assistant secretary general, and in this capacity he helped

manage the Company with Edmondo Richetti, the new secretary general in Trieste. At the same time, Laudi never lost his passion for education, and in 1899 he was called upon to be a part of the Committee for the Establishment of the People’s University of Trieste, which the municipal academic committee charged with the task “of instituting public classes suited to advancing the general culture of our population”, stating that “such classes are to be held on rest days in public halls or theatres and are to explain the fundamental notions of the various branches of science in broad and strong terms.”

Vitale Laudi died in 1901, after nearly 40 years of professional activity, leaving behind – to quote once more the words of the volume commemorating the Company’s centenary – “a memory of generous goodness equalled only by the greatness of his intellect.” To pay proper homage to his memory, the Company’s management and staff established a foundation in his name, with a capital of 50,000 crowns, the income on which funded an annual scholarship aimed at rewarding “a pupil from the *Civica Scuola Reale Superiore* of Trieste who achieves special distinction in mathematics, without taking into account his political allegiance, religion or nationality.” ■

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