

Generali lays claim to more of the market

BUSINESS PROFILES

The Italian insurer, the third largest in the world, is set on a course of expansion

GENERALI, the insurance group and Italy's largest quoted company and the third largest insurance company in the world, has been increasing its global presence, especially in Europe.

At the company's headquarters in Trieste, chairman Eugenio Coppola di Canzano said: "In Spain our market share has grown from one per cent to nine per cent since 1992."

Premiums in Spain are up to L2,200 billion (\$1.4bn) last year, while Generali has boosted its presence in Switzerland by acquiring the insurance group Fortuna.

There has also been rapid growth in Hungary - where Generali has built up an 18 per cent market share in the last four years - as well as in Romania. Coppola di Canzano said: "We did not expect such results in eastern Europe because until recently the region had a totally different approach to banking and insurance."

This rapid growth in the past few years, in areas where Generali has been present for half a century or more, can also be accounted for by a strong period of expansion. Coupled with this is a change of organisational strategy that has meant decentralising specific areas such as Germany, France and Austria, so there is more direct control for Generali's companies at local level.

"Our aim is not to grow for growth's sake but to improve on efficiency and quality of service rather than reducing premiums," said Coppola di Canzano.

The genial 74-year-old chairman believes that these are the key factors to winning the battle between the big players in the sector.

Generali is present in 50 countries worldwide, with 90 companies. For the first nine months of last year Generali's aggregate group premiums increased by ten per cent to L22,832bn, with 73 per cent coming from outside Italy. Foreign operations have increased because of the devaluation



Traditional: chairman Eugenio Coppola di Canzano has been with Generali for 56 years

of the lire. The parent company's pre-tax profit for the first six months of last year registered L422bn against L800bn in the same period of the previous year.

At the Trieste headquarters, which front the Adriatic, one is aware of a sense of tradition and continuity. The city's architecture reflects the fact that it was formerly a prosperous port of the Austro-Hungarian empire. Senior executives of the company, which was set up in 1831, stay for an average of 25 years. Its chairman has worked with Generali for 56 years. No

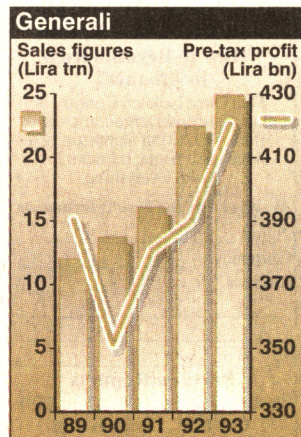
longer owned by the Trieste merchant families who founded the company, Generali's main shareholders today include the powerful Milan merchant bank Mediobanca; Euralux, a financial company which is controlled by French bank Lazard and makes up part of a syndicate with Mediobanca; and the Bank of Italy.

Horizons can change for insurance companies as economic circumstances alter. Coppola di Canzano said: "In Latin America, reduction of social benefits has led to an increase in private pensions, so that the prospects

for that sector are becoming enormous."

Generali's presence in countries such as Brazil, Argentina, Peru, Mexico, Panama and Colombia for the past 50 years has not brought speedy results, but in the past two years the company has tripled its market share in Colombia.

In Italy too, the government's attempts to reform the Italian pensions sector is expected to lead to more private schemes. Coppola di Canzano said: "When Italy modifies its state pensions, we can expect a 30 per cent volume increase in this



sector next year." Liberalisation in the Italian motor insurance market is also expected to make a difference to the 1994 end-of-year results. Although this is Generali's second-strongest sector in terms of volume, it had been a depressed business in Italy.

The strongest growth for Generali was in its Italy life premiums, which showed a 14 per cent increase for the first nine months of last year, while non-life premiums grew by 2.4 per cent.

As far as claims are concerned, recent disasters in Italy were catastrophic flood damage in the north and the loss of the Italian cruise ship *Achille Lauro*.

However Generali's chairman stated: "They do not have a perceptible influence on our results." He added: "We have also lost \$3 million to \$4m because of claims following the Japanese earthquake, but we have an overall premium income of \$20bn for 1994."

On the acquisition front Generali, as part of a consortium, is making a bid for the state-owned Austrian bank Creditanstalt, against another consortium headed by its German rival Allianz. Generali already controls five per cent of Creditanstalt and is a leader in the Austrian market with a 20 per cent share.

"We are increasing our co-operation with banks worldwide through joint ventures," said the chairman. The strategy is aimed at increasing the sale of insurance over bank counters.

Looking ahead, Coppola di Canzano sees that the abolition of protective barriers will increase competition and also create more mature demands from clients.

In order to meet these changes, "we must demystify the way of doing business, including writing simpler policies".

Ruth Sullivan