

# Compagnia Assicuratrice Unipol

Stock Company

*Registered Offices in Bologna - Via Stalingrado 45 – Share capital €451,250,332 fully paid up  
Tax code and Company Register in Bologna No. 00284160371 - R.E.A. No. 160304 - Authorized to provide  
insurance services by M.D. 28.12.62 (O.J. 18.1.63 No. 15) and M.D. of 29.4.81 (O.J. 19.5.81 No. 135)*

## Consolidated Quarterly Report as at 30 September 2001

*(in conformity with CONSOB Ruling No. 11971 of 14 May 1999)*

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Bologna, 12 November 2001



# Company Boards and Principal Officials

HONORARY CHAIRMAN

Enea Mazzoli

## BOARD OF DIRECTORS

CHAIRMAN AND  
MANAGING DIRECTOR

Giovanni Consorte

VICE-CHAIRMAN AND  
MANAGING DIRECTOR

Ivano Sacchetti

DIRECTORS

Antonio Silvano Andriani / Roger Belot / Francesco Bocchetti  
Rocco Carannante / Claudio Casini / Piero Collina  
Pier Luigi Fabrizi / Giulia Franciosi / Vanes Galanti  
Fabrizio Gillone / Emilio Gnutti / Claudio Levorato  
Ermanno Lorenzani / Enrico Migliavacca / Gian Carlo Sangalli  
Leone Sibani / Jean Simonnet / Aldo Soldi  
Giuseppe Solinas / Pierluigi Stefanini / Graziano Trere'  
Marco Giuseppe Venturi / Mario Zucchelli

## BOARD OF AUDITORS

Umberto Melloni, Chairman  
Omer Caffagni / Lorenzo Roffinella  
Diego Bassini (alternate) / Giorgio Raggi (alternate)

## PRINCIPAL OFFICIALS

GENERAL AREA MANAGERS

Maria Bettazzoni, *Administration, Accounts and Auditing*  
Valter Cacciari, *Information Technology*  
Franco Migliorini, *Personnel, Organization and External Relations*

JOINT GENERAL MANAGERS

Giancarlo Berti, *Associated and Directly-Managed Agencies*  
Carmelo De Marco, *Insurance Business*

CENTRAL MANAGERS

Giancarlo Brunello / Riccardo Laurora  
Salvatore Petrillo

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## INTRODUCTION

The third quarter of 2001 was affected by events that deeply shook the whole world: the terrorist attacks of 11 September, which took thousands of lives in New York and also had profound effects on the international economic and financial environment.

There was also a marked slowing in the economy of the United States and in that of Europe, with repeated cuts in interest rates, profound uncertainty about the future trend of the economy and a great deal of volatility in financial markets.

## THE UNIPOL GROUP

During the third quarter no significant changes were made to the Group's structure compared with the situation as at 30 June 2001.

Lavoro e Previdenza Service spa was sold on 20 July and left the Group, whilst Pioquartosei srl, a property company, was incorporated into Unipol Assicurazioni on 2 July.

In addition, on 25 July Unipol subscribed to 38.04% of the share capital of Finec Investimenti spa.

Comparing the current structure of the Group with that of 30 September 2000, BNL Vita, acquired on 28 December 2000, entered the Group.

## GENERAL DRAFTING CRITERIA AND BASIS OF CONSOLIDATION

Unipol Group's quarterly report as at 30/09/2001 was drawn up in accordance with Consob Ruling No. 11971 of 14 May 1999 (Article 82 and Annex 3D).

The general valuation criteria adopted when drawing up the consolidated figures for the period in question are consistent with those used for drawing up the annual and consolidated accounts as at 31 December 2000.

However, given that these are interim figures, drawn up immediately after the period to which they refer, certain items have been estimated (using available management figures and company statistics), substantially in keeping, nevertheless, with the principles adopted for the end-of-year accounts and reports. In addition, as a consequence

of 11 September, it was thought that the market value of stocks and shares would be better represented by the average quotations for the July – September quarter than by the September average alone, as was in fact confirmed by the trend in market prices during the period that followed.

The report provides information concerning the economic and financial position of the Group, which consists of eleven insurance companies, two property companies and a service company, all consolidated on a line-by-line basis. In addition twenty-two companies were evaluated using the net equity method.

The table below lists those subsidiary companies that fall within the basis of consolidation.

Company - Head Office	Business - Share capital	% holding		Group share
		direct	indirect	
<b>COMPANIES INCLUDED ON A LINE-BY-LINE BASIS</b>				
<b>Compagnia Assicuratrice Unipol spa</b> Bologna	Insurance and reinsurance Euro 451,247,512			
<b>Agricoltura Assicurazioni s.m.</b> Milan	Insurance and reinsurance ITL 1,500,000,000		100.00 (MeieAurora)	82.90
<b>Bnl Vita spa</b> Milan	Insurance and reinsurance ITL 220,000,000,000	50.00		50.00
<b>Compagnia Assicuratrice Linear spa</b> Bologna	Insurance and reinsurance Euro 12,000,000	80.00		80.00
<b>MeieAurora spa</b> Milan	Insurance and reinsurance ITL 68,688,852,400	82.90		82.90

Company - Head Office	Business - Share capital	% holding		Group share
		direct	indirect	
<b>Meie Assistenza spa</b> Milan	Insurance and reinsurance ITL 1,500,000,000		87.14 (MeieAurora)	72.24
<b>MeieVita spa</b> Milan	Insurance and reinsurance ITL 24,500,000,000	51.02	48.98 (MeieAurora)	91.62
<b>Navale Assicurazioni spa</b> Ferrara	Insurance and reinsurance Euro 10,500,000	98.17		98.17
<b>Noricum Vita spa</b> Bologna	Insurance and reinsurance Euro 16,000,000	51.00		51.00
<b>Quadrifoglio Vita spa</b> Bologna	Insurance and reinsurance Euro 22,500,000	50.00		50.00
<b>Unisalute spa</b> Bologna	Insurance and reinsurance Euro 17,500,000	87.44		87.44
<b>Midi srl</b> Bologna	Property company Euro 72,000,000	100.00		100.00
<b>Unifimm srl</b> Bologna	Property company ITL 85,000,000,000	99.00		99.00
<b>Uniservice spa</b> Bologna	Data transmission services ITL 200,000,000	99.00		99.00

### COMPANIES INCLUDED BY THE EQUITY METHOD

SUBSIDIARIES (not transacting insurance-related business)				
<b>Unipol Banca spa</b> Bologna	Bank ITL 550,275,000,000	81.03		81.03
<b>Unipol Fondi Ltd</b> Dublin	Investment fund management ITL 250,000,000	100.00		100.00
<b>Unipol Sgr spa</b> Bologna	Financial intermediary Euro 2,000,000	100.00		100.00
<b>Unieuropa srl</b> Bologna	Market analysis and research ITL 1,000,000,000	98.00		98.00
<b>Immobiliare Pietramellara srl</b> Bologna	Property company ITL 1,000,000,000		100.00 (Unipol Banca)	81.03
<b>Meie Servizi srl</b> Milan	Pension fund administration ITL 100,000,000		100.00 (Meie Vita)	91.62
<b>Promoass srl</b> Milan	Insurance agency ITL 20,000,000		100.00 (MeieAurora)	82.90

The other companies, both subsidiaries and affiliated, valued using the net equity method, are as follows: Hotel Villaggio Città del Mare spa, Finec Merchant spa, Finec Investimenti spa, A.P.A. spa, Ar.Co. Assicurazioni spa, Assicoop Ferrara spa, Assicoop Imola spa, Assicoop Modena spa, Assicoop Ravenna spa, Assicoop Romagna spa, Assicoop Sicura srl, Assicoop Siena spa, Assicura spa, Consorzio ZIS Fiera 2, Euresa Holding sa.

The figures for the period show the operating result from ordinary business, including value adjustments and re-adjustments on investments, deduced from trends in the regulated markets.

Profit and loss and balance sheet figures for the third quarter and as at 30 September 2001 are compared with figures for the same period of the previous financial year and with the results as at 31 December 2000.

### INFORMATION ON THE ECONOMIC AND FINANCIAL POSITION OF THE GROUP

During the third quarter of 2001 the companies within the Group carried out business as normal, with a rise in premium income, a further improvement in technical results in Non-life business and a significant improvement in bottom-line results.

In addition, the trend in the financial markets, which were gravely affected by the tragedy in September, involved significant potential adjustments to the value of investments in stocks and shares and restrained the positive overall results achieved during the period.

The important features of business to 30 September include the following:

- The Group's premium income, gross of reinsurance cessions, amounted to ITL6,857bn (+53.9% compared with 30 September 2000 and +7.7% using the same basis of consolidation) and to ITL6,571bn net of reinsurance cessions and of the balance on provisions for unearned premiums for the period (ITL4,224bn as at 30/9/2000);
- the result of technical insurance business was positive to the amount of ITL43bn (-ITL17bn as at 30 September 2000 and +ITL51bn as at 30 September 2001 on the same basis of consolidation);
- the total amount of net technical provisions was ITL25,337bn (ITL24,576bn as at 30/6/2001);
- investments and liquid assets amounted to ITL27,232bn, an increase of ITL741bn compared with 30 June 2001 (+2.8%);
- net investment income and capital gains for the period amounted to ITL741bn (ITL608bn as at 30 September 2000), whereas investments relating to benefits linked to investment funds and market indices and pension funds (class D) resulted in a reduction in value of ITL470bn (-ITL28bn as at 30/9/2000);

- net operating expenses, a total of ITL701bn, represented 10.7% of premium income (compared with 14.1% as at 30 September 2000);
- the operating result for the period (before value adjustments to investments) amounted to ITL359bn (+49%);
- net value adjustments recorded as at 30/9/2001 relating to trends in regulated markets amounted to ITL259bn (ITL191bn as at 30/6/2001 and ITL131bn as at 30/9/2000);
- the consolidated result of ordinary business, after account is taken of the relevant potential value adjustments to investments and the depreciation relating to the consolidation differences (ITL41bn), was ITL100.4bn (ITL76bn as at 30/6/2001).

Using the same basis of consolidation as in the previous financial year, the result of ordinary activity as at 30 September 2001 would amount to ITL112bn compared with ITL110bn as at 30 September 2000.

To sum up, the most significant economic figures as at the end of the third quarter of 2001, compared with those for the corresponding period of the previous financial year and with those as at 31/12/2000 are as follows:

### SUMMARY OF OPERATING RESULT AS AT 30 SEPTEMBER

(amounts in ITLbn)

	as at 30 September 2001			as at 30 September 2000			as at 31 December 2000		
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
<b>TECHNICAL ACCOUNT</b>									
<b>Net of reinsurance cessions</b>									
Life written premiums and Non-Life earned premiums	3,894.7	2,676.2	6,570.9	1,608.0	2,616.3	4,224.3	2,261.9	3,518.6	5,780.5
Charges for claims and benefits, and variations in Life technical provisions and Non-Life provisions for outstanding claims	(3,595.7)	(2,100.0)	(5,695.7)	(1,754.6)	(2,146.9)	(3,901.5)	(2,391.1)	(2,926.7)	(5,317.9)
Operating expenses	(161.9)	(539.0)	(700.9)	(77.6)	(518.0)	(595.6)	(113.8)	(726.0)	(839.9)
Sundry technical income and charges	1.0	(19.8)	(18.8)	(5.0)	(27.9)	(32.9)	(1.7)	(40.0)	(41.7)
Net investment income allocated to the technical account and capital losses/gains of Class D	(112.1)		(112.1)	288.6		288.6	326.8		326.8
<b>Balance on the technical account</b>	<b>26.0</b>	<b>17.4</b> <sup>(1)</sup>	<b>43.4</b>	<b>59.4</b>	<b>(76.5)</b> <sup>(1)</sup>	<b>(17.1)</b>	<b>82.1</b>	<b>(174.2)</b> <sup>(1)</sup>	<b>(92.1)</b>
<b>NON-TECHNICAL ACCOUNT</b>									
Net investment income (2)			364.3			275.3			376.4
Balance on sundry income/charges			(48.3)			(16.8)			(35.1)
<b>Operating result</b>			<b>359.4</b>			<b>241.4</b>			<b>249.2</b>
Net value adjustments on investments			(259.1)			(131.5)			(147.8)
<b>Balance on ordinary activities</b>			<b>100.4</b>			<b>109.9</b>			<b>101.4</b>

(1) the layout of the consolidated accounts does not anticipate the transfer of income from the non-technical account for Non-Life business

(2) Net of the share transferred to the technical account of Life business

The results of ordinary activity achieved during the period July - September 2001, compared with the

same period of the financial year 2000, are set out in the following table.

<b>SUMMARY OF QUARTERLY RESULT</b>						
(amounts in ITLbn)						
	3rd Quarter 2001			3rd Quarter 2000		
	Life	Non-Life	Total	Life	Non-Life	Total
<b>TECHNICAL ACCOUNT</b>						
<b>Net of reinsurance cessions</b>						
Life written premiums and Non-Life earned premiums	1,410.0	851.6	2,261.6	356.9	839.3	1,196.2
Charges for claims and benefits, and variations in Life technical provisions and Non-Life provisions for claims outstanding	(1,128.6)	(660.8)	(1,789.4)	(393.9)	(696.1)	(1,090.0)
Operating expenses	(50.0)	(160.0)	(210.0)	(21.3)	(155.4)	(176.7)
Sundry technical income and charges	(1.6)	(2.5)	(4.1)	(0.1)	(3.2)	(3.3)
Net investment income allocated to the technical account and capital losses/ gains of Class D	(230.7)		(230.7)	75.0		75.0
<b>Balance on the technical account</b>	<b>(0.9)</b>	<b>28.3<sup>(1)</sup></b>	<b>27.4</b>	<b>16.6</b>	<b>(15.4)<sup>(1)</sup></b>	<b>1.2</b>
<b>NON-TECHNICAL ACCOUNT</b>						
Net investment income (2)			97.9			71.9
Balance on sundry income/charges			(33.1)			(13.8)
<b>Operating result</b>			<b>92.2</b>			<b>59.3</b>
Net value adjustments on investments			(67.8)			(53.0)
<b>Balance on ordinary activities</b>			<b>24.5</b>			<b>6.3</b>

(1) the layout of the consolidated accounts does not anticipate the transfer of income from the non-technical account for Non-Life business

(2) Net of the share transferred to the technical account of Life business

It should be emphasised that interim results represent a trend, which must be seen in relation to seasonal phenomena within the insurance business, underwriting policy and tariff adjustments.

In particular, for the third quarter of 2001, allowance must be made for trends in the financial markets and the overall economic picture, which suffered as a result of 11 September and the uncertain situation to which it gave rise. Value adjustments on securities portfolio penalized both

the technical results for Life business and the overall results for the period. If realized, these capital losses would have some effect on policyholders too, since they relate to assets belonging to segregated Life accounts.

As at 30 September 2001 extraordinary income, which is not included in the above tables, amounted to approximately ITL60bn, mainly from capital gains realized on long-term investments.

## PREMIUM INCOME

Premiums written as at 30 September 2001 amounted to ITL6,857bn, an increase of 53.9% compared with the position as at 30 September 2000 (+7.7% on the same basis of consolidation).

Premium income in the third quarter of 2001

amounted to ITL2,252bn, an increase of 96% over the third quarter of 2000 (+26% on the same basis of consolidation).

The premium breakdown, the composition indices and variations compared with the same period last year are set out in the following table:

### BREAKDOWN OF WRITTEN PREMIUMS PER CLASS OF BUSINESS

(Net of tax on premiums – amounts in ITLbn)

	30 September comp.		30 September comp.		Var. %	31 December comp.	
	2001	%	2000	%	2001/2000	2000	%
<b>BUSINESS</b>							
<b>Non-Life insurance business</b>							
Accident and Health (business 1 and 2)	379	5.6	349	8.0	8.8	527	8.5
Land vehicles - Motor T.P.L. (class 10)	1,538	22.7	1,499	34.3	2.6	2,045	33.2
Motor vehicles , other business (class 3)	276	4.1	271	6.2	1.8	382	6.2
Marine, aircraft and goods in transit (business 4,5,6,7,11,and 12)	42	0.6	30	0.7	36.8	50	0.8
Fire and other damage to property (business 8 and 9)	253	3.7	259	5.9	-2.5	369	6.0
General T.P.L. (class 13)	238	3.5	221	5.1	7.8	338	5.5
Credit and Bonds (business 14 and 15)	52	0.8	45	1.0	13.7	59	1.0
Sundry pecuniary losses (class 16)	27	0.4	25	0.6	6.2	40	0.6
Legal protection (class 17)	12	0.2	11	0.3	13.2	18	0.3
Assistance (class 18)	23	0.3	18	0.4	24.2	25	0.4
<b>Total Non-Life insurance business</b>	<b>2,839</b>	<b>41.9</b>	<b>2,729</b>	<b>62.5</b>	<b>4.0</b>	<b>3,853</b>	<b>62.5</b>
<b>Life assurance business</b>							
I - Life assurance	1,180	17.4	591	13.5	99.7	912	14.8
III - Assurance linked to investment funds / market indices	2,516	37.1	933	21.3	169.8	1,217	19.7
V - Capital redemption operations	227	3.4	112	2.6	102.3	160	2.6
VI - Pension funds	12	0.2	4	0.1	198.8	23	0.4
<b>Total Life assurance business</b>	<b>3,935</b>	<b>58.1</b>	<b>1,640</b>	<b>37.5</b>	<b>140.0</b>	<b>2,312</b>	<b>37.5</b>
<b>Total direct insurance business</b>	<b>6,775</b>	<b>100.0</b>	<b>4,369</b>	<b>100.0</b>	<b>55.1</b>	<b>6,165</b>	<b>100.0</b>
<b>INWARD REINSURANCE</b>							
Non-Life business	72	87.8	78	89.9	-7.7	91	91.0
Life business	10	12.2	9	10.1	14.5	9	9.0
<b>Total inward reinsurance</b>	<b>82</b>	<b>100.0</b>	<b>87</b>	<b>100.0</b>	<b>-5.4</b>	<b>100</b>	<b>100.0</b>
<b>TOTAL PREMIUM INCOME</b>	<b>6,857</b>		<b>4,456</b>		<b>53.9</b>	<b>6,265</b>	

32.2% of premiums refer to the Parent company and were underwritten almost exclusively in Italy. Direct business premiums for Unipol Assicurazioni

and subsidiaries, with relative variations compared with 30/9/2000, (including figures for 2000 for BNL Vita), are as follows (in billions of lire):

Direct premiums	Non-Life	var. % 2001/2000	Life	var. % 2001/2000	Total	var. % 2001/2000
Unipol Assicurazioni	1,443	6.1	691	18.1	2,134	9.7
Subsidiaries	1,396	2.0	3,245	20.9	4,641	14.5
<b>TOTAL DIRECT PREMIUMS</b>	<b>2,839</b>	<b>4.0</b>	<b>3,935</b>	<b>20.4</b>	<b>6,775</b>	<b>13.0</b>



## The sales network and commercial activity

As at 30 September 2001 the sales network consisted of 1,159 agencies, of which 563 were **Unipol Assicurazioni** agencies and 596 were **MeieAurora** agencies, which are now undergoing a process of rationalization through closures and mergers and relating to geographical distribution and size of points of sale. The purpose of this is to create a stable network able to guarantee clients a high quality of service and, at the same time, produce a high return.

In the bancassurance sector **Quadrifoglio Vita** sells its own products through the 290 outlets of the Banca Agricola Mantovana, **Noricum Vita** operates via the 171 outlets of the Cassa di Risparmio in Bologna and the 129 outlets of the Banca Popolare dell'Adriatico, whilst **BNL Vita** markets its own products through 684 branches of the BNL Group, together with BNL Investimenti's financial advisers. In the third quarter, too, premium income from new business was predominantly for guaranteed products in Class III.

As regards banking business, in the third quarter **Unipol Banca's** distribution network was considerably strengthened by the acquisition of 51 outlets of the IntesaBci Group. As at 30 September Unipol Banca had 94 branches (29 of which were also insurance agencies for Unipol Assicurazioni), 57 finance shops and 348 financial advisers.

The parent company **Unipol Assicurazioni** launched no new Non-Life products in the period in question in view of the commitment to denominate new products and prices in Euros. As regards Life business, on 1 October the new products in the range of Unit-Linked Uninvest policies came onto the market. These allow additional payments as well as the activation of one or more regular premium accumulation schemes (known as PACs).

This new series of policies, marketed under the name of "Forte Piano", may be linked to the 9 Uninvest insurance investment funds.

In order to activate the PAC accumulation scheme the investor selects:

- the Uninvest fund or funds, with a varying mix of equities and bonds, to which the insurance investment can be linked;
- the amount and the frequency of the payments (from monthly to annually); payments are subdivided amongst the funds in accordance with the percentages chosen by the investor;

- the duration of the investment (10, 15 or 20 years).

Finally, in the area of supplementary pension schemes, Unipol has begun placing "Unipol Insieme", a new open Pension Fund which is distinguished by having two guaranteed lines and a balanced ethical line among its investment areas.

In direct motor insurance business, partly as a result of media attention to the question of the cost of Motor T.P.L. insurance, **Linear** continued to record a considerable increase in the number of quotes for new business, both by telephone and over the Internet. At the end of September 54% of quotes were issued via the Internet, although most policies were actually sold by telephone.

During the quarter under review **Unisalute**, which specializes in Health and Assistance, continued its campaign of promoting individual policies and began to market LTC (Long Term Care) policies via the Internet ([www.Unisalute.it](http://www.Unisalute.it)) offering cover for non self-sufficiency.

During the third quarter **MeieAurora** completed implementation of its data-processing system for underwriting activities, based on the Parent Company system, and started the on-line link-up of MeieAurora's agencies to the single system. There was also a substantial increase in new Life business, both for MeieAurora and for **Meie Vita**, centred on the "Index-Linked 2001", "No Limits" and "Zero Risk Coupon" products, the latter having been launched at the beginning of July.

## Life business and pension funds

Premiums written in the quarter under review amounted to a total of ITL1,425bn, totalling ITL3,945bn as at 30 September 2001, an increase of 139.3% over 30 September 2000 (+14.4% on the same basis of consolidation, excluding the ITL2,060bn of premiums written by BNL Vita).

With total premium income of ITL701bn as at the end of September the Parent Company showed a significant increase in productivity compared with the same period of the previous financial year (+18.1%).

For individual policies the third quarter showed a rise in income from policies with regular premiums (+37% compared with the third quarter of 2000); for single-premium policies the 338 tariff was introduced at the end of June 2001. This offers clients the possibility of investing their savings to obtain a fixed rate of return.

Premiums for the Unit-Linked tariffs show a rise of 38% and also have a higher average premium (around ITL 20 million) than in the 2000 financial year; the most popular funds are “GrandeVita” and “Mach 7”. In both cases the investment is guaranteed.

The total premium income of ITL2,949bn of the three bancassurance Companies showed an increase of 23.4% compared with the situation as at 30/9/2000, considerably up on the trend recorded on 30/6/2001 (-3.1%).

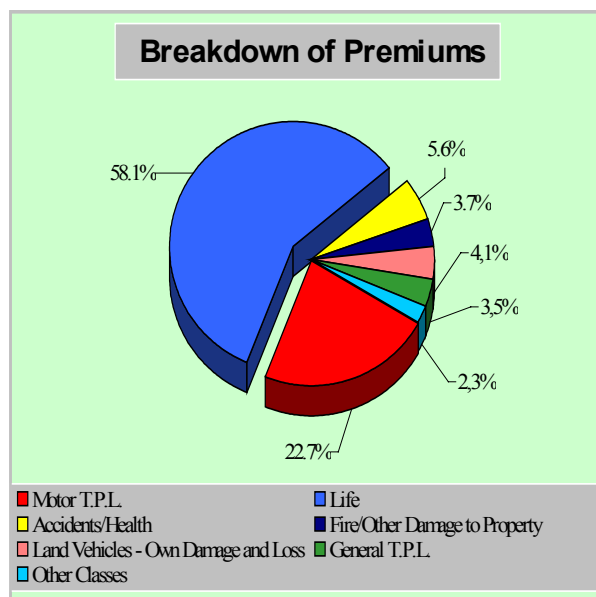
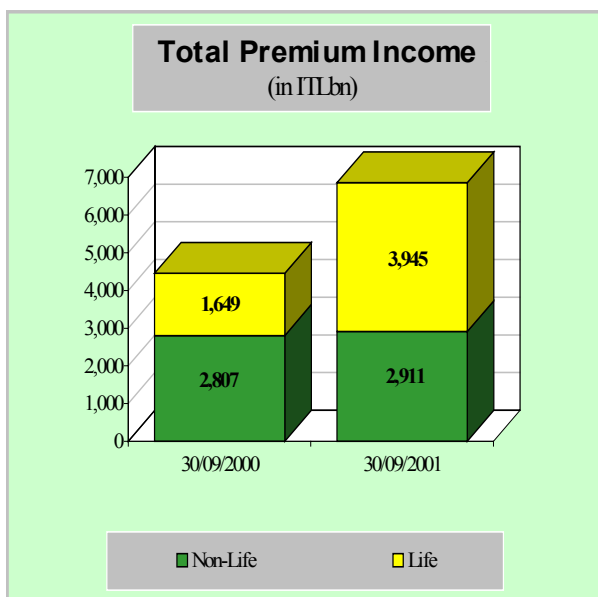
As regards occupational pension funds (closed funds), during the third quarter of 2001 there was only one call for bids for financial management, from Previmoda (the pension fund of the textile and clothing sector). The negative trend of the markets further slowed down the publication of calls for bids, and this trend became even more pronounced after 11 September with the uncertainty over future scenarios. As regards contracts already awarded, on 30 August the management agreement with Cooperlavoro (members and employees of the production cooperatives) was signed and agreements with the Fondo Solidarietà Veneto (the intercategory

pension fund for the employees of industrial companies in the Veneto) and with Previcoper (distribution cooperatives) are expected to be signed soon.

As regards open-end pension funds, at the end of September “Unipol Futuro” and “Unipol Previdenza” had total assets of ITL27.8bn and more than 4,700 members.

As a result of market trends and of the uncertainties in the picture as a whole there was a shift towards less aggressive types of business, in particular towards those also offering the guarantee of a minimum return. As in 2000 there may be a recovery towards the end of the year, both because of the seasonal nature of retail membership and because group membership is expected to be channelled to a newly-established fund, “Unipol Insieme”.

Turning to benefits, as at 30 September 2001 payments for matured policies, surrenders and claims for all the companies in the Group for direct business reached a total of ITL1,199bn (ITL501bn as at 30/9/2000), a rate of growth of 27.8% on the same basis of consolidation.



### Non-life business

Premium income during the third quarter amounted to ITL826bn (+6.2% compared with the third quarter of 2000).

The volume of premiums recorded at the end of September was ITL2,911bn, an increase of 3.7%

compared with the same period of 2000.

In particular, as regards the Parent Company, the overall trend in technical operation confirms the improvement in results.

Premium income for Motor T.P.L. policies was up 6.3%, in line with the trend that followed the end of the tariff freeze.

The tariff used from April 2001 (subsequently modified as from 1 October 2001), which meant only slight increases in rates in order to make up for the inflation of 2000 and 2001, was well received by clients and the portfolio retention index increased. This pricing policy also resulted in an increase in the number of applications for cover from new clients.

The selection of risks operated by the pricing system adopted contributed to the acquisition and retention of the risks located in the medium-low frequency bands. Claims reported showed a drop of 8% compared with the same period last year, but the incidence of bodily injury, which is particularly marked in some areas, continued to rise.

Initiatives for analyzing and discouraging fraudulent activities continued.

As regards Fire and Allied Perils, there was a substantial rise in income, with an increase in premiums of 5.8%. Reorganization of the General Third-Party Liability class continues, and has led to the cancellation of several policies and to continual revision of rates and conditions of the portfolio retained.

## TECHNICAL PROVISIONS

Net technical provisions, including those in Class D (where the investment risk is borne by the policyholder or arises out of the management of pension funds), were ITL25,337bn at the end of September, an increase of ITL761bn compared with the position as at 30 June and of ITL2,700bn compared with the position as at 31 December.

They are made up as follows (in ITLbn):

	30.9.2001	30.6.2001	31.12.2000
Life business	19.364	18.608	16.909
Non-life business	5.973	5.968	5.728
<b>Total</b>	<b>25.337</b>	<b>24.576</b>	<b>22.637</b>

## OPERATING EXPENSES

Net operating expenses as at 30 September 2001, which include acquisition and renewal commissions and other acquisition and administrative expenses, amounted to a total of

## Technical performance in non-life business and reinsurance

The general trend over the quarter of the loss ratio confirmed the improvement already observed during the previous half-year

Non-life business produced a positive technical balance of ITL17.4bn as at 30 September 2001 against a particularly negative balance as at 30 September 2000 (-ITL76.5bn).

The average loss ratio, including settlement costs and net of outward reinsurance, was 78.5% (82.1% as at 30 September 2000 and 83.2% at the end of 2000).

Claims paid for direct business, net of sums recovered, were ITL1,732bn (ITL1,637bn as at 30 September 2000).

648,946 claims were reported; particularly noticeable was the drop (-10%) in the number of claims relating to Motor T.P.L. (239,146).

As regards reinsurance, at the moment there is nothing of importance to report for the current financial year. However the terrorist attack that took place in the United States on 11 September will have a significant effect on renewals of reinsurance cover for the next financial year.

It should be borne in mind that, unlike the technical provisions in class D, technical liabilities relating to contracts the benefits of which are linked to segregated Life accounts do not reflect the value adjustments made to the relevant assets, which are taken into account only if and when they are realized.

ITL701bn (ITL596bn as at 30/9/2000, ITL840bn at the end of 2000).

They constituted 10.7% of earned premiums (14.1% as at 30/9/2000), mainly as a result of the

increased weighting of Life business.

As at 30 September 2001 the Group had 2,673 employees, including 24 direct salespersons, an increase of 27 compared with the situation as at 30 June 2001.

During the quarter training continued, albeit with the usual summer fall-off, and was mainly carried out by the Parent Company and mainly directed towards the sales network (involving some 180 people) and included the induction of more than 30 new Sertel call-centre advisers.

## INVESTMENTS AND LIQUID ASSETS

As at 30 September 2001 the Group's investments and liquid assets, net of depreciation on property and net value adjustments on securities arising from trends in regulated markets, reached a total of ITL27,232bn, an increase of ITL741bn (+2.8%) compared with the situation as at 30 June 2001 and

an increase of ITL3,080bn compared with the situation as at 31/12/2000 (+12.8%).

Types of investment and variations compared with 30 June 2001 and with 31 December 2000 are shown in the following table.

INVESTMENTS AND LIQUID ASSETS								
<i>(Amounts in ITLbn)</i>								
	30/09/01	comp.	30/06/01	comp.	var.	31/12/00	comp.	var.
	(a)	%	(b)	%	%	(c)	%	%
					(a/b)			(a/c)
<b>Land and buildings</b>	<b>1,167</b>	<b>4.3</b>	<b>1,173</b>	<b>4.4</b>	<b>-0.5</b>	<b>1,224</b>	<b>5.1</b>	<b>-4.6</b>
<b>Investments in Group undertakings and other participating interests</b>								
-Stocks and shares	1,154	4.2	1,246	4.7	-7.4	969	4.0	19.1
-Debt securities	30	0.1	37	0.1	-18.2	1	0.0	
-Corporate financing	1	0.0	1	0.0	0.0	7	0.0	-93.1
<b>Total</b>	<b>1,184</b>	<b>4.3</b>	<b>1,283</b>	<b>4.8</b>	<b>-7.7</b>	<b>977</b>	<b>4.0</b>	<b>21.2</b>
<b>Other financial investments</b>								
-Stocks and shares	1,022	3.8	995	3.8	2.8	845	3.5	20.9
-Units and shares in investment funds	282	1.0	321	1.2	-12.0	343	1.4	-17.7
-Bonds and other fixed-income securities	14,575	53.5	14,961	56.5	-2.6	14,289	59.2	2.0
-Financing	126	0.5	127	0.5	-1.0	121	0.5	3.9
-Sundry financial investments (1)	877	3.2	711	2.7	23.4	713	3.0	23.0
<b>Total</b>	<b>16,883</b>	<b>62.0</b>	<b>17,114</b>	<b>64.6</b>	<b>-1.4</b>	<b>16,311</b>	<b>67.5</b>	<b>3.5</b>
<b>Deposits with ceding undertakings</b>	<b>52</b>	<b>0.2</b>	<b>54</b>	<b>0.2</b>	<b>-2.2</b>	<b>49</b>	<b>0.2</b>	<b>6.6</b>
<b>Investments for the benefit of policyholders who bear the risk thereof and arising out of pension fund management</b>								
-Investment funds and market indices	6,801	25.0	6,205	23.4	9.6	4,964	20.6	37.0
-Pension funds	43	0.2	39	0.1	12.2	33	0.1	32.6
<b>Total</b>	<b>6,845</b>	<b>25.1</b>	<b>6,244</b>	<b>23.6</b>	<b>9.6</b>	<b>4,996</b>	<b>20.7</b>	<b>37.0</b>
<b>Other assets</b>								
-Bank and postal deposits, cash	1,094	4.0	623	2.4	75.7	588	2.4	86.0
-Own shares	7	0.0	0	0.0	0.0	7	0.0	-3.7
<b>Total</b>	<b>1,101</b>	<b>4.0</b>	<b>623</b>	<b>2.4</b>	<b>76.8</b>	<b>595</b>	<b>2.5</b>	<b>85.0</b>
<b>TOTAL INVESTMENTS AND LIQUID ASSETS</b>	<b>27,232</b>	<b>100.0</b>	<b>26,491</b>	<b>100.0</b>	<b>2.8</b>	<b>24,152</b>	<b>100.0</b>	<b>12.8</b>

(1) Including repo securities and premiums for derivative operations.

### Land and buildings

As at 30 September 2001 the Group's property was worth ITL1,167bn (-0.5% compared with 30 June 2001), the net reduction being mainly due to disposals of buildings by the Parent Company.

### Investments in Group undertakings and other participating interests

Investments in shareholdings rose from ITL1,246bn as at 30 June 2001 to ITL1,154bn as at 30 September 2001, a net decrease of ITL92bn (-7.4%), as a result of operations carried out during

the quarter by Unipol Assicurazioni. The most important were:

- subscription to the increase in share capital of Finec Merchant spa, for a total of ITL55.7bn;
- subscription, mentioned previously, to 18,075,991 shares in Finec Investimenti spa, equal to 38.04% of the share capital, for a total amount of ITL35bn;
- repayment of excess capital by Unipol SGR, to the amount of €8,320,000 (ITL16.1bn);
- sale of 36,500,000 Olivetti shares to Bell S.A., for €3.01, for a total countervalue of €109,865,000 (ITL213bn);
- sale of the entire holding in Italiana Assicurazioni, for €6.6m (ITL12.8bn), and of Lavoro e Previdenza Service spa for ITL4bn;
- sale of part of the holding in P&V Holding s.a. for BEF 312.7m (ITL15bn).

### Own shares and shares in the Parent Company

As at 30 June 2001 there were no shares in the Parent Company in the portfolio; during the third quarter 1,085,000 ordinary shares were bought for a total amount of ITL7bn, and they were still on the books as at 30/9/2001.

As regards shares in the holding company Finsoe spa, in accordance with a decision made by the General Shareholders' Meeting held on 27/4/2001 22,680,000 shares were purchased during the third quarter for a countervalue of ITL28.8bn. These shares, added to the 22,566,600 shares on the books as at 30/6/2001, bring to 45,246,600 the number of Finsoe shares in the portfolio as at 30/9/2001, for a total countervalue of ITL54.3bn, representing 3.99% of share capital.

### Other financial investments

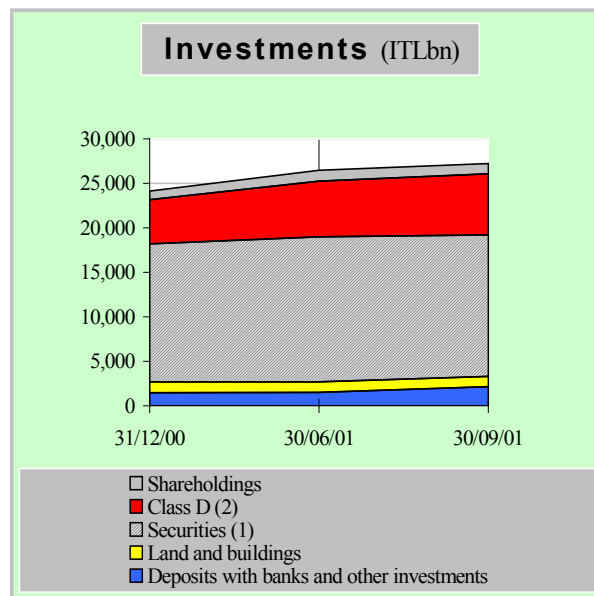
As at 30 September 2001 other financial investments amounted to ITL16,883bn, net of value adjustments, a decrease of ITL231bn compared with the position as at 30 June 2001 (-1.4%) mainly resulting from the drop recorded in bonds.

Investments in bonds and other fixed-income securities amounted to ITL14,575bn as at 30/9/2001 (-2.6% compared with 30/6/2001).

The valuation of the securities portfolio showed considerable unrealised capital losses, in particular in the equity portfolio (ITL240bn), mainly pertaining to the subsidiaries.

For this line of investment the parameter used for

the market trend was the average for the July - September quarter, deemed to be more representative than the average for September alone, which was strongly affected by the events of 11 September (the net losses on the basis of this average would have amounted to ITL333bn.) On the other hand the month of October showed an upward market trend compared with the previous month and values at the end of the month not far off the average for the three months July - September.



- (1) Bonds, shares, units and shares in investment funds.
- (2) Investments for the benefit of policyholders who bear the risk thereof and those arising out of pension fund management.

### Investments for the benefit of policyholders who bear the risk thereof and those arising out of pension fund management (Class D)

These investments totalled ITL6,845bn, as against ITL6,244bn as at 30/6/2001 (+9.6%), and reflect the growth during this period in Unit-Linked and Index-Linked Life products marketed by the Parent Company and by subsidiaries operating in Life businesses. These investments are valued at their current value, in strict correlation with the valuation of the relative liabilities (technical provisions).

### Other assets

At the end of the quarter the Group's deposits with banks amounted to ITL1,094bn, compared with ITL623bn as at 30 June 2001 (+ITL471bn), which confirmed the tendency to maintain a high degree

of liquidity, there being a particularly negative trend in the equity market and a phase of uncertainty in the money and financial markets.

### **Debenture loans**

As at 30 September 2001 debenture loans issued by the Parent Company Unipol Assicurazioni totalled ITL988.4bn. ITL407.6bn of this related to the two debenture loans issued in the previous financial year (“UNIPOL 2.25% 2000-2005” and “UNIPOL 3.75% 2000-2005”) and the remaining

ITL580.8bn (€300,000,000) was made up of the face value of the subordinated callable notes that were authorized by the Board of Directors on 26 March 2001, issued by the Company at the end of May and fully subscribed on 15 June 2001.

The subordinated loan, which is listed on the Luxembourg Stock Exchange, is due on 15/06/2021, but can be redeemed at the option of the issuer from 15/06/2011.

The total amount of interest for the quarter was ITL12.9bn. Interest accrued from the beginning of the year amounted to ITL19.8bn.

### **INVESTMENT INCOME**

As at 30 September 2001 investment income was strongly affected by the downward trend in the financial markets and amounted to ITL741bn (ITL608bn as at 30/9/2000), ITL625bn of which related to fixed-income securities. These figures do not include the amount deriving from the disposal of long-term investments (approximately ITL57bn).

Valuation of investments relating to benefits linked to investment funds and market indices and pension funds showed a drop in value to policyholders of ITL470bn (-ITL28bn as at 30/9/2000).

Net value adjustments on investments (including depreciation) brought down the result for the period by ITL259bn (ITL131bn as at 30/9/2000), ITL240bn of which relates to the equity portfolio.

### **CAPITAL AND RESERVES**

Capital and reserves pertaining to the Group, excluding the result for the period, amounted to ITL2,053bn as at 30/9/2001, almost unchanged compared with 30 June 2001, and those pertaining to minority interests amounted to ITL269bn.

As regards the Parent Company's capital and reserves, it should be recalled that the Extraordinary General Shareholders' Meeting held on 27 April 2001 approved the redenomination of the share capital in Euros and the free increase in the face value of the shares to 1 Euro.

During the third quarter of 2001 subscription rights (which will cease on 20 June 2005) for new

ordinary and preference shares continued to be exercised by holders of warrants linked to shares and bonds issued following the capital increase carried out by Unipol Assicurazioni during the previous financial year. Following these subscriptions capital levels rose by €38,611 compared with 30 June 2001.

Up to the same date 358,575,468 ordinary share warrants and 230,644,842 preference share warrants had not been exercised.

The share capital as at 30 September 2001 therefore amounted to €451,247,512, consisting of 273,334,300 ordinary shares and 177,913,212 preference shares.

### **BANKING AND SAVINGS MANAGEMENT**

#### **Unipol Banca**

On 1 July 2001 51 outlets acquired during the first half-year from the IntesaBci Group began operating under the name of Unipol Banca. Therefore the Bank's activity during the third quarter of the current financial year was very much geared towards integrating the 51 outlets acquired, both by expanding Unipol Banca's data-processing procedures and by setting up operating processes.

From an economic point of view the quarter was characterized by a considerable rise in the interest margin which, at approximately ITL40bn, was almost double that as at 30 June. There was also a considerable rise in the margin on commissions of ITL12.5bn (ITL5.7bn as at 30 June) despite the negative trend in the securities markets. The earnings margin, including the profits from financial operations and other net operating

income, thus finished at more than ITL62bn, compared with ITL31bn on 30 June. These considerable rises recorded were helped significantly by the 51 outlets acquired, the assets of which were added to those of the Bank on 1 July.

From the assets point of view, as at 30 September 2001 funds deposited amounted to ITL2,200bn and assets administered exceeded ITL11,500bn.

Turning to the other companies operating in this sector, in the first part of the year **Unipol SGR** transferred to Unipol Banca the class of business

consisting of retail asset management. Therefore activity in the third quarter of 2001 focussed on managing the assets of investment funds set up by Unipol Fondi Ltd under Irish law and on a few retail asset management mandates still in force on behalf of companies in the group.

During the quarter deposits continued to be collected for **Unipol Funds** through Unipol Banca's distribution network (branches and financial advisers).

As at 30 September 2001 assets managed amounted to approximately ITL270bn.

## **SIGNIFICANT EVENTS AFTER 30 SEPTEMBER 2001 AND BUSINESS OUTLOOK FOR THE CURRENT FINANCIAL YEAR**

The activities of Unipol Assicurazioni and of its subsidiaries continued as normal, whilst the trend in the financial markets showed signs of recovery compared with the trend in September.

It should be noted that on 5 October Bell s.a., the major shareholder of the Olivetti-Telecom group, completed the sale of its shareholding in Olivetti, representing approximately 23.3% of the latter's capital, to a new company (Olimpia) set up for the purpose by the purchasers Pirelli and Benetton.

On 5 October Bell, where Unipol Assicurazioni held a participating interest, also subscribed a debenture loan issued by Olimpia for approximately €1,033m, for six years, repayable in full on maturity (unless the bond-holder applies to pay it back early), in Olivetti shares, at a ratio of 1 share for each bond with a face value of €3.92, at an annual rate of interest of 1.5% payable on maturity. This loan, which also involves an adjustment to the bond/share exchange ratio in the event of Olivetti spa carrying out any operations on capital, was subsequently taken onto the books pro rata by the Bell shareholders directly and therefore, in relative proportion (ITL65bn), by Unipol Assicurazioni too.

At the beginning of November Bell also approved partial repayment of capital and the distribution of an extraordinary dividend to shareholders. As a result of these operations Unipol Assicurazioni received ITL254bn, a net gain of ITL95bn.

On 6 November, as part of the operation launched by Hopa spa to increase capital and reorganize the company, Unipol Assicurazioni increased its interest in this company from 1.53% to 5% at a cost of ITL258bn and adhered to the company shareholders' agreement together with Fingruppo (the holding company controlled by entrepreneurs in Brescia), Banca Monte dei Paschi di Siena and Banca Popolare di Lodi.

Finally, on 12 October 2001, as part of a scheme to rationalize activities within the Group, the General Shareholders' Meetings of MeieAurora Assicurazioni and of Meie Vita Assicurazioni resolved to merge the two companies by incorporating Meie Vita into MeieAurora.

The Group's prospects for the current financial year are positive, since the bottom-line result will benefit from the significant improvements that have taken place in core business and from the extraordinary dividend mentioned above. However progress is conditioned by the difficult economic and financial situation consequent on recent tragic international events, the effects of which cannot yet be fully predicted.

Bologna, 12 November 2001

**The Board of Directors**