

# Stating the facts

We talk pensions with Claudio Raimondi, Marketing Director of Poste Vita, Poste Italiane's insurance company, a top leading Italian provider of life insurance

» *Nowadays a low birth rate and an increasing life expectancy cast doubts on the possibility of the state supporting future pensions. Italy is experiencing progressive growth in the numbers of retired people, compared to the number of active workers. The consequence is an unequal distribution of resources: the state will have to pay pensions to an ever growing number of people and for a longer period of time, but the contributions made by active workers will not grow accordingly. They will struggle to keep the pace. This situation led to the necessity of reforming the Italian pension system in order to develop a real private pension market in 2007. Poste Vita is actually sitting in the top position in the ranking of the Italian life insurance companies, totalling, in 2007, a gross premium income of €5.535bn.*

## Mr Raimondi, explain to us the most important aspects of this pension reform.

Everybody knows that nowadays public pensions will not be able to guarantee an effective standard of living to those who retire from working life. Today, important and reliable institutes estimate that in 20 to 25 years the average pension will amount to half of the actual income. Last year government reform to boost private pensions became the only possible solution to strengthen our future income without weakening the present one. Through a private pension plan, the initial capital – plus the interests matured over the years – will form the base to calculate a monthly endowment that from day one of retirement will be added to everybody's public pension for the rest of their life. This sum will be paid as life time endowment or joint endowment for another person's benefit. For example, a person may have the choice of receiving payments over his lifetime but he could also request to receive reduced payments, in exchange for having the payments cover both his lifetime and the lifetime of his spouse, whoever lives longer. Fifty percent of the capital could also be a one-time payment, sometimes even 100 percent if the person meets the necessary requirements.

Moreover, the reform applies relevant fiscal reductions on contributions for those who sign private pension plans. The reason is simple: fiscal reduction should convince more and more people to sign for private pensions. This would of course enhance private pension policy throughout Italy. As a matter of fact all premium payments benefit from fiscal deductions up to a sum of €5,164.57 per year. It is possible to save from 23 percent to 43 percent of the premium paid according to your income. The year return is always taxed by 11 percent and at the end of your working life taxes are applied only on deductible premiums and they amount to 15

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percent there is also an extra reduction of 0.3 percent after the 15th year, thus reaching a minimum taxation of nine percent for pension plans who exceed the thirty-fifth year.

## With the public pension system in Italy under pressure as in other European countries, is there an opportunity for Poste Vita to grow its business?

Yes, definitely. As a matter of fact we have focused a lot on the individual pension plan, and this policy has rewarded the company's commitment to the project. Since the beginning of the year, we reckon that Poste Vita gained 25.6 percent of the Italian pension plan marketplace. This result is even more important if we consider that in Italy investments in pension plans have a long way to go. Last year, reform did not boost this sector as the government had planned. Nevertheless, even if it might seem complicated to talk about pension, welfare and fiscal aspects concerning this subject, Poste Vita managed to come forward with a complete, competitive, and very successful pension plan: Postaprevidenza Valore. This product success lies on its selling proposition which is very simple and easy to understand. By underwriting this product, everyone, no matter what his income is, can start building his pension scheme thanks to a minimum investment of €50 per month. This opportunity was fully appreciated by both our customers and our sales people. At present our product is one of the best in the market concerning cost warranties and return on investment (in three years' time our individual pension plan has yielded an average of 4.9 percent annual gain).

### Posteprevidenza Valore – benefits

- No fixed cost on monthly premium payments
- No fixed cost on money coming from leaving indemnity
- No cost or penalties in case of anticipation surrender (for those cases foreseen by the law) or transfer to other pension plans
- Minimum yield on customer's premium payments guaranteed by Poste Vita
- Lowest variable cost (2.5 percent) in the market on customer's premium payments
- Maximum flexibility: the amount of the premium payments can be lowered or increased, suspended and started again after a period of time
- Possibility of making additional premium payments during the contract lifetime.

## To what extent will growth in Italy's private pension market depend on the political climate and the course set by government policy?

Politics can be crucial in developing a real private pension market. Last year's pension reform was a first step but much has to be done. I personally feel that our government must promote an educational campaign especially among youths to make them understand that the generous pension system is long gone and that the only way to insure you don't have to struggle in your retirement days is to think about it now undersigning a pension plan. There is no other solution and people must come to terms with this. Last year there was massive governmental publicity on the importance of undersigning a pension plan but it cannot be just a three month campaign. People awareness of private pension benefits coupled with other governmental efforts is the only way we can insure this country to develop a real private pension market. ■

