

THEMATIC REVIEW ON DORMANT LIFE POLICIES

“AWAKENING” OF DORMANT POLICIES

UPDATE OF 31 JANUARY 2019



(26 March 2019)

1. Update of the thematic review on potentially dormant policies

2. Policies to be paid to the Dormant Accounts Fund

3. Conclusions and next steps

1. Update of the thematic review on potentially dormant policies

Reference is made to the results of the thematic review on dormant life policies disclosed on 3 September 2018¹, to provide an update on the status of the **900,000** policies which, on 31 May 2018, still remained to be checked by insurance companies.

These were mainly policies for which companies had indicated wrong tax codes of the insureds, and this had not allowed IVASS to cross-check data against the death records in the Tax Register, or policies for which undertakings were still carrying out technical checks.

On 31 January 2019, as per IVASS' request², companies notified the results of the further checks made on these 900,000 potentially dormant policies.

The checks have made it possible to “wake up” other 21,370 policies, for a total of 335 million euro, already paid or about to be paid to the legitimate beneficiaries. These policies add up to the 187,493 policies already awakened over the past months for a total of 3.5 billion euro.

For almost all the other 900,000 policies (873,000, equal to 96%), undertakings have ascertained that the conditions for the payment to the beneficiaries have not been met: in fact, either the insureds have been found to be alive at the expiry of the policy or the policyholders have confirmed their intention to suspend the payment of the premiums, which has resulted in the termination of the contract.

The detail, by type of contract, of the results of the further cross-checks performed is shown in Table 1.

The policies paid or in the course of payment relating to saving plans that have reached **maturity** are **10,972** (51%) for a total amount of **110 million** euro. These

¹ https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2018/Report_dormienti_follow-up_2def.pdf

² <https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-26-09/index.html>

are policies which the policyholders themselves have failed to collect at maturity and the undertakings have, improperly, left in a dormant state.

Other 10,398 policies (41%) refer instead to policyholders who **died** during the term of the policy, for a total of **225 million euro**; insurance undertakings were not aware of the death and the relevant amounts had never been claimed by their legitimate beneficiaries. Among the latter, 4,269 policies, for a total of 117 million euro, are whole life policies, that is, policies without a pre-defined maturity date, which expire either with the surrender or with the death of the policyholder.

Table 1 – update of 31 January 2019. Situation of the 900,000 policies still to be checked at 31 May 2018.

	"Awakened" dormant policies at 31/01/2019			number of policies still to be checked at 31/01/2019
	number of policies	amounts paid/ to be paid (in million €)	Incidence of policies still to be checked at 31/05/2018	
Term life insurance	5,737	102	1.0%	3,594
Mixed policies, endowment, deferred annuities and capital redemption operations	11,364	116	57.5%	3,911
- of which benefits in the event of death	392	6		
- of which benefits at contract maturity	10,972	110		
Total contracts expired	17,101	218	58.5%	7,505
Whole life and similar policies (without a predefined expiration) with death of the insured occurring before 31/12/2017	4,269	117	1.4%	5,666
TOTAL	21,370	335	59.9%	13,171

As shown in the table, out of the 900,000 policies, around 13,000 require additional analysis, as some undertakings have not been able to find the insureds' tax codes or to ascertain if the insured person has died or is still alive. These are generally contracts dating back many years, for which at that time there was no obligation to indicate the insured's tax code and the beneficiaries are not mentioned with their own name. IVASS suggests, as best practice in these cases, to make use of independent firms specialised in the recovery of the personal details.

2. Policies to be paid to the Dormant Accounts Fund

Apart from the 21,370 “awakened” policies, there are other 436 policies - with an estimated total value of 7 million euro - for which the death of the insured occurred between 28 October 2007 and 19 October 2010.

For these policies companies are required to pay the relevant amounts to the Fund referred to in Article 1, Paragraph 343, of Law no. 266/2005 (Dormant Accounts Fund), except when undertakings are still checking if the insured benefit is contractually due (e.g.: absence of causes of exclusion in some policies) and calculating the exact amounts of the capital to be settled.

IVASS shall forward these data to the Ministry of Economy and Finance for the relevant inquiries.

3. Next steps

Since the beginning of IVASS’ investigation into dormant life policies, started in 2017, **208,863 policies have been awakened, for a total of 3.9 billion euro, which have been paid or are about to be paid to their beneficiaries.**

At present a **second “wave” of potentially dormant life policies** are being checked: in fact, over the past months, the investigation has been extended to life policies dating back many years (policies expired between 2001 and 2006) and to the most recent ones (expired in 2017). By the end of May undertakings shall provide an update on these policies for which IVASS, in the recent months, had carried out a new cross-check between the tax codes and the data in the Tax Register, informing companies of new deaths of insured parties of which they were not aware.

A third “wave” concerns life policies taken out with **foreign insurance companies** as the investigation, carried out in the first instance on Italian companies, has now been extended to foreign companies as well: a number of data have been requested

on the policies expired between 2001 and 2017 and on the whole life policies outstanding at 31 December 2018, in order to get a “picture” of the portfolio of potentially dormant policies³. In this case too the request included the tax codes of the holders of policies for which undertakings have not been able to ascertain whether the latter is still alive, so that they can be cross-checked against the data in the Tax Register.

Foreign undertakings (around 70) notified the data by the deadline of 28 February 2019. Analyses are currently underway

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Checking whether the insured is still alive through cross-checks of the tax codes against the data in the Tax Register managed by the Revenue Authority, has proved to be a useful tool to mitigate the phenomenon of dormant policies.

Based on this experience the Italian legislation, accepting a legislative proposal by IVASS, introduced an important change in December 2018⁴, requiring all life assurance undertakings operating in Italy, be they Italian or foreign, to check by 31 December of each year – through the IT cooperation service with the Revenue Agency - whether their insureds are still alive.

If the death is ascertained, undertakings shall start the settlement process, including the search of the beneficiary not expressly indicated in the policy, and by 31 March of the following year, they shall report to IVASS on the payments made to the beneficiaries.

Undertakings are required to carry out the first cross-check in the Tax Register by 31 December 2019.

³ <https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-25-09/index.html>

⁴ Paragraph 1-bis of Article 3 of the Decree of the President of the Republic no. 116 of 22 June 2007, introduced by Article 20-quinquies of legislative decree no. 119 of 23 October 2018, converted into law no. 136 of 17 December 2018