
CONSUMER PROTECTION DIRECTORATE
PRODUCTS AND SELLING PRACTICES

<i>Rifer. a nota n.</i>		<i>del</i>	To the insurance undertakings pursuing life business whose head offices are located in Italy
<i>Classificazione</i>	III	2	1
<i>All.ti n.</i>	2		TO THEIR PREMISES

To the Italian branches of insurance undertakings pursuing life business in Italy whose head offices are in a non EEA country
TO THEIR PREMISES

RE: Investigation into “dormant” life assurance policies.

IVASS intends to launch an investigation into “dormant” life assurance policies, namely those life policies that have not been paid to the beneficiaries and that lie dormant at insurance undertakings, already time-barred or waiting to become time-barred. These may be either policies on the death of the insured, of which beneficiaries are not aware, or savings policies which have reached maturity but have not been collected for various reasons.

Under the present regulatory framework, the rights arising from life policies are barred after 10 years from the date of the event. After that deadline insurance undertakings must assign the relative amounts to the Dormant Accounts Fund¹.

It is important to ensure that the sums arising from savings and pension choices of citizens fall into the hands of the rightful beneficiaries.

The investigation is aimed to:

¹ Fund set up within CONSAP pursuant to law no. 266 of 23 December 2005.

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- a) collect the first data on the size of the phenomenon in terms of number of “dormant” policies and relevant amounts insured, over the last five years;
 - b) acquire information on the processes adopted by undertakings to check the deaths of insured persons, identify and trace the beneficiaries, guarantee the payment of the amounts to the beneficiaries.

The investigation concerns the life policies of classes I, III and V, stipulated on an individual basis and those that, although stipulated on a collective basis from a formal point of view, in fact consist in the subscription of a framework agreement (for example “collective” PPI policies - *Payment Protection Insurance*) on an individual basis. The scope of the investigation does not include collective policies underwritten by a policyholder (for ex. employer) for the protection of the interests of a given community, on the assumption that the social context in which the pension plan was underwritten further mitigate the possibility that the employer and/or the other members of the community remain inactive and do not try to facilitate the payment of the amounts in case of death of one of the members.

For the purpose of the investigation we request the above undertakings to fill in the Excel tables in annex 1, following the instructions reported.

In particular, for the “term life insurance” (table 1) and for “mixed policies, endowment, deferred annuities and capital redemption operations” (table 2), data shall be provided on the number of policies - regardless of when they were entered into - which reached maturity from 2012 to 2016, on the policies paid and on the policies still outstanding for different reasons. Initial insured sums must be indicated for term life insurance, while for the other types of insurance data on the insured amounts valued at contract maturity must be provided only in relation to potentially “dormant” policies.

With regard to “term life insurance”, considering that the absence of a notice of death is not sufficient to exclude that the insured has died (the beneficiaries may

simply not be aware of the existence of the policy), we ask to extrapolate data on outstanding policies for which, in the absence of a notice of death, it has been otherwise ascertained that the insured person is alive after the contract maturity, and therefore it cannot be a case of a “dormant” policy.

The check, either made in the past or on the occasion of this investigation, shall be based on documentary evidence, such as, for example, changes in anagraphic or contractual data made by the insured after contract maturity, or on news directly acquired from insurance intermediaries or other companies of the Group. For this purpose cross-checks between different databases available at the undertakings (for example portfolios relating to other classes, complaints, etc.) and those of intermediaries may facilitate the controls.

Again as regards “term life insurance”, given that the suspension of premium payment might depend on the will of the policyholder, but also on his/her death (not reported), a distinction shall be made among the policies terminated with respect to those for which the company has ascertained the will of the policyholder to suspend the payment of the premiums. This type of check is also requested in case of “mixed policies, endowment, deferred annuities and capital redemption operations” (table 2).

For “whole life” contracts and policies with automatic extension of maturities, which do not have a defined maturity date (table 3), undertakings are required to provide data on the number of policies – regardless of when they were entered into – in force as at 31 December 2016 and on the relevant amounts insured. Going into details:

- policies with a minimum duration of 10 years, specifying for how many of them the insured person has performed operations in the last three years (for example payment of periodic premiums, communications of change of residence, domicile or beneficiaries, inquires, complaints,...) or the undertaking has acquired information directly from insurance intermediaries or other companies of the Group;

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- policies on insured persons belonging to some specified age groups (85-90 years; 90-100 years; more than 100 years).

Information must obviously include policies involved in extraordinary operations (portfolio transfers and mergers).

We also ask undertakings to submit a summary report, to be drafted according to the standard form envisaged in annex 2, on the procedures adopted by the undertaking to:

- a) check, for term life insurance, that the insured person is still alive and specify, if the insured person has died, the actions taken to identify beneficiaries, specifying the frequency with which the undertaking generally performs these checks;
- b) trace the beneficiaries of “savings” life policies including “mixed policies, endowment assurance, deferred annuities and capital redemption operations” which have reached maturity, and, when it comes out from the checks that the insured is no longer alive, describe the actions taken to trace the beneficiaries in case of death or the heirs. In this case too the undertaking shall specify the frequency with which it generally performs these checks;
- c) as regards whole life and similar contracts, verify that the death has not occurred during the life of the contract, describing the procedures and frequency of the checks made;
- d) specify the wordings used when underwriting the policy for the designation of beneficiaries in case of death (for ex: the exact name or a general indication of: “legitimate heirs”, “testamentary heirs”, “children and the unborn”, ...), stating for the contracts stipulated in 2016 the percentages of the policies with the indication of a specific name and those with a general indication.

The information requested, after the examination of the undertaking's administrative and control body, shall be communicated to IVASS by 31 May 2017 to the e-mail address: dormienti2017@ivass.it.

Best regards

By delegation of the Joint Directorate

Digitally signed by
Riccardo Cesari