

CONSUMER PROTECTION DIRECTORATE  
PRODUCTS AND SELLING PRACTICES

*THEMATIC REVIEW ON  
DORMANT LIFE ASSURANCE POLICIES  
RESULTS*



(August 2017)

**1. *The phenomenon of dormant assurance policies***

**2. *IVASS Thematic review***

**2.1. *Scope and contents of the thematic review***

**2.2. *Results of the thematic review and indicators on the phenomenon***

2.2.1. *Term life insurance*

2.2.2. *Other policies with expiration: mixed, endowment, deferred annuities and capital redemption operations*

2.2.3. *Whole Life insurance policies*

**2.3. *Analysis of the procedures adopted by the undertakings***

2.3.1. *Procedures in place at the time of the thematic review*

2.3.2. *Specific procedures activated on the occasion of the thematic review*

2.3.3. *Indication of the beneficiaries*

**3. *Conclusions and next steps***

**TIPS FOR CONSUMERS**

## **1. The phenomenon of dormant assurance policies**

"Dormant" life policies are policies which, although having matured entitlement to payment of the insured capital, have not been paid by the insurance undertakings and are awaiting expiration of the limitation period. These may be policies on the death of the insured of which the beneficiaries were not aware or the so-called "savings" policies<sup>1</sup> that, having reached maturity, have not been collected by the concerned parties for various reasons.

The rights deriving from the life policies shall have their limitation period at ten years from the date of the event:

- death of the insured;
- expiration of the contract.

Beyond this term the undertakings shall allocate the amounts to the Dormant Accounts Fund established at CONSAP.

Different types of policies are subject to different risk levels of "dormancy".

The life policies most exposed to this risk are those that recognise to the beneficiaries a benefit in the event of the death of the insured during the life of the policy (the so-called **term life insurance** or "TCM"); after the expiration of the contract nothing is due if the insured is still alive.

For these policies, it may happen that the policyholder (which is often also the insured) has not informed the beneficiaries of the existence of a policy in their favour and that therefore, in the event of his/her death, these persons do not contact the insurance undertaking. If, in turn, the insurance undertaking does not carry out autonomous periodic checks on the possible death of the insured, these policies are easily destined to become "dormant".

The risk that a term life insurance policy becomes "dormant" is particularly high in the case of the payment of a single premium at the time of the underwriting of the policy

---

<sup>1</sup> Mixed policies, endowment, deferred annuities and capital redemption operations

(**single premium**), because the insurer-policyholder/insured relationship often ends at that moment. But even in the case of contracts with annual premiums, in which there is a periodic contact between the insured and the undertaking, it may happen that the suspension of the payment of the premiums is interpreted by the undertaking as a willingness of the policyholder/insured not to continue the insurance relationship, while in reality it could be due to his/her death. If the real reason for the suspension of the payment of premiums is not verified by the undertaking and, again, the beneficiaries were not aware of the policy, the risk of "dormancy" is high.

Similarly, exposed to a high risk of "dormancy" are also the so-called **whole life** policies and the policies with the so-called "**automatic deferment of expiry**"<sup>2</sup>, for which there is no contractual expiry and that give entitlement to payment of the amount insured at the occurrence of the death of the insured or in case of surrender. This report refers to both types with the wording "whole life".

The risk is smaller, but it still exists, for the **so-called "savings"** life policies (mixed policies, endowments, deferred annuities and capital redemption operations), i.e. "**other policies with expiry**" that recognise the beneficiaries benefits both in the case of survival of the insured at the agreed expiry and in the case of his/her death during the life of the contract. For these policies the undertaking is always obliged to pay an insurance benefit, with the only uncertainty as to when it needs to pay the settlement (during the term of the policy or at its expiry). The legislation, in fact, provides - for these forms - both periodic information to the policyholder (e.g. annual communications of revaluation of the benefits, etc.) and a verification, at contract maturity, that the insured is alive, aimed at the payment of the capital in case of survival.

In addition to these aspects, that relate to the **verification of the deaths** of the insured by the undertakings, the phenomenon of dormant life assurance policies has another aspect: once the death of an insured person has been verified, the

---

<sup>2</sup> Contracts for which, as a result of the exercise of the option by the policyholder, the original expiry of the contract is automatically extended from year to year with the interruption of the contract only upon specific request by the policyholder.

undertaking should proceed to the **identification and search of the beneficiaries**. This activity can be hindered if at the time of the stipulation of the policy, the designation of the beneficiaries by the policyholder has been done in a generic form (e.g. testamentary heirs or legitimate heirs...) and not with an indication of names, and if the undertaking has not recorded all the information useful for contacting them.

## 2. *IVASS Thematic review*

### 2.1. *Scope and contents of the thematic review*

In order to more closely investigate the phenomenon of dormant policies, on 8 February 2017 IVASS launched an investigation<sup>3</sup>, directed to the 52 Italian undertakings pursuing life business, aimed at:

- a) detecting the first data on the extent of the phenomenon, in terms of number of "dormant" policies and insured amounts, evaluated on a portion of the portfolio;
- b) acquiring information on the processes adopted by the undertakings to verify the death of the insured, identifying and tracing the beneficiaries.

The thematic review covered life assurance policies<sup>4</sup> stipulated in an individual form and those which, although formally stipulated in collective form, consist in fact of an individual adherence to a framework agreement<sup>5</sup>.

In particular, the following data have been requested:

- concerning "term life insurance - TCM" policies and "mixed, endowment, deferred annuities and capital redemption" policies:
  - a) the number of policies - regardless of when they were entered into - which reached maturity between 2012 and 2016;

<sup>3</sup> <https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/index.html>

<sup>4</sup> The thematic review covered only the policies of class I (assurance on the length of human life), III (*unit- and index-linked* products) and V (capital redemption operations).

<sup>5</sup> For example "collective" PPI policies - (Payment Protection Insurance). Excluded from the thematic review were the collective policies stipulated by the policyholder (e.g. employer) to protect the interests of a predefined 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.

- b) for the policies under a), the number of policies paid broken down according to the reason: death of the insured, surrender, maturity;
  - c) for the policies under a), the number of those still outstanding for different reasons. In particular for the "term life insurance" policies, undertakings were requested to extrapolate data relating to policies for which, in the absence of any report of death, the undertakings have verified in another way<sup>6</sup> that the insured person was alive after the contractual expiry and therefore have excluded the hypothesis of "dormancy". Both for the "term life insurance" policies and for other forms, it was asked to indicate the policies for which the undertaking has verified the actual intention of the policyholder to suspend the payment of premiums and those not paid for expiration of the limitation period, contested to the beneficiaries;
  - d) for difference between the policies under a) and those under b) and under c), the number of **residual policies, therefore identifiable as potentially "dormant"**;
  - e) the initial amounts insured for term life insurance policies; for other forms of insurance, with reference only to the potentially "dormant" policies, the insured amounts valued at contract maturity;
- concerning the "whole life" contracts, the following data have been requested:
    - a) the number of policies in force at 31 December 2016 and the relevant amounts insured;
    - b) for the policies under a), the detail of the contracts stipulated by at least 10 years and of those, among them, for which in the last 3 years there have been operations by the insured or information has been received that attests to the insured being alive;
    - c) the detail of the contracts relating to the insureds with ages belonging to the three ranges: 85-90 years; 90-100 years; more than 100 years;

---

<sup>6</sup> The undertakings have been requested to carry out the verification on documentary evidence, such as, for instance, cross-checks with the undertaking's *database* or those of other undertakings of the group or intermediaries, from which to obtain any changes of the master records, conclusion of new contracts or movements of positions registered to the insured that were made after the expiration of the contract.

- concerning the procedures adopted in order to ensure the payment of the insured amounts to the beneficiaries:
  - a) the actions to verify the death of the insured during the life of the contract or his/her being alive at the expiration and to trace the beneficiaries, always grouped according to the three aggregates: "term life insurance", "mixed, endowment, deferred annuities and capital redemption operations" policies and "whole life and assurance policies with automatic extension of maturities";
  - b) the wording used when underwriting the policies for the designation of the beneficiaries in case of death (e.g.: designation by name, generic designation: "legitimate heirs", "testamentary heirs", "children born and unborn", ...) reporting, for contracts stipulated in 2016, the percentage of policies with designation of the beneficiaries by name.

## ***2.2. Results of the thematic review and indicators on the phenomenon***

From the data reported by the **52** Italian undertakings subject to the thematic review, it emerged that approximately **4 million life assurance policies** which have expired in the last 5 years are **potentially exposed to the risk of dormancy**, in that the undertakings do not know whether or not the insured is deceased before the expiration of the policy.

These policies, identified as **residual policies** according to the procedure illustrated in paragraph 2.1., are summarised in Table 1:

**Table 1 – residual policies/potentially dormant - contracts reaching maturity in 2012 – 2016**

	Policies issued	Residual policies/potentially dormant		incidence residual/ issued policies
		number of policies	amounts insured (€ million)	
<b>Term life insurance</b>	6,720,980	3,912,632	145,086	<b>58.2%</b>
<b>Mixed policies, endowment, deferred annuities and capital redemption operations</b>	7,787,954	198,828	45,177	<b>2.6%</b>
<b>Total</b>	<b>14,508,934</b>	<b>4,111,460</b>	<b>190,264</b>	<b>28.3%</b>
<b>Incidence of Term life insurance over total</b>	<b>46.3%</b>	<b>95.2%</b>	<b>76.3%</b>	

There also emerged, in relation to the **whole life** insurance policies that do not have a predefined expiration:

- **117 thousand policies with the age of the insured exceeding 90 years** (probable 12 billion Euro of amounts insured), of which **2,636 relating to those over 100** (518 million Euro);
- approximately **540 thousand insurance policies stipulated for at least 10 years** and for which the undertakings have no news of the insured in the last 3 years (24 billion Euro).

The photograph of the portfolio in force at 31 December 2016 is shown in the following Table 2:

**Table 2 – Whole Life Policies in force on 31 December 2016**

	Data		Incidence over total	
	number of policies	amounts insured (€ million)	number of policies	amounts insured
<b>Total Whole Life Policies</b>	9,311,427	341,770		
<b>Insured person aged between 85 and 90 years</b>	312,868	23,619	<b>3.4%</b>	<b>6.9%</b>
<b>Insured person aged between 90 and 100 years</b>	114,095	11,324	<b>1.2%</b>	<b>3.3%</b>
<b>Insured person aged over 100 years</b>	2,636	518	<b>0.03%</b>	<b>0.2%</b>
<b>concluded at least 10 years ago</b>	1,288,352	45,115	<b>13.8%</b>	<b>13.2%</b>
<b>- of which with no news over the last 3 years</b>	539,672	24,340	<b>5.8%</b>	<b>7.1%</b>



Below are some additional details of the results of the thematic review broken down according to type of contracts as well as the distributions of the values of the indicators adopted by the individual undertakings.

### 2.2.1. Term life insurance

As can be seen from Table 1, the majority of the residual policies with a predefined expiration refers to TCM policies - 95.2% by numbers of policies and 76.3% by capital insured. Table 3 illustrates the detailed data recorded for the five-year period 2012 - 2016 for the entire market.

**Table 3 - Term life insurance - policies with expiration in the years 2012-2016**

Term life insurance		Contracts with maturity in the years 2012-2016			
		number of policies	initial amounts insured (€ million)	Incidence over total policies issued	
				number of policies	initial amounts insured
a	total policies	6,720,980	241,396		
b	- of which policies paid on the death of the insured	40,785	1,159	0.6%	0.5%
	- of which unpaid policies	6,680,195	240,237	99.4%	99.5%
c	- policies for which, even in the absence of a notice of death, the undertaking has verified the existence in life of the insured person after the expiration of the contract	1,959,052	69,056	29.1%	28.6%
	- policies terminated for which the undertaking has evidence that the policyholder has voluntarily decided to suspend the payment of the premiums	808,429	26,093	12.0%	10.8%
	- policies not paid to the beneficiaries on the grounds that the limitation period had expired	82	2	0.0%	0.0%
d	<b>residual policies (a-b-c)</b>	<b>3,912,632</b>	<b>145,086</b>	<b>58.2%</b>	<b>60.1%</b>

This is a total of **3,912,632** policies with expiration in the years 2012-2016 for which the undertakings are not certain whether the insured was alive at the expiry date.

In terms of number of policies, they represent **58.2%** of the contracts issued.

Benefits in the case of death have been paid only in **0.6%** of the cases; in **12%** of the cases, the benefit is not due because the undertaking has evidence that the customer has voluntarily decided to discontinue the payment of the premiums,

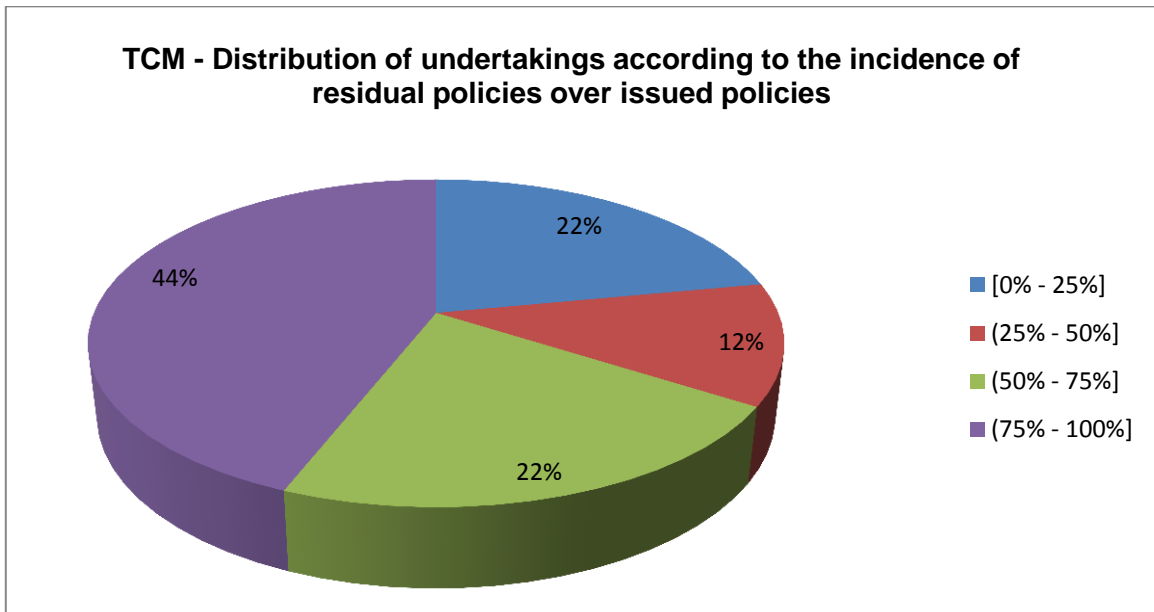
terminating the contract; in 29% of the cases, the benefit is not due because the undertaking has ascertained that the insured person is alive after the expiration of the contract, through the cross-checking of information found in the archives of the undertaking or of undertakings of the group or of intermediaries.

In relation to the amounts, it must be considered that the amounts indicated as potentially dormant for the TCM, equal to € **145.1 billion** (60.1% of the relevant amounts insured) could be significantly higher compared to the amounts actually dormant, since they include the cases of those who are alive at the expiration of the contract.

Furthermore, the amounts indicated as residual refer to initially insured capital (i.e. the capital value fixed at the time of stipulation of the contract) and therefore do not consider the cases of decrease in value, typical of insurance guarantees covering the residual debt, such as PPI policies - Payment Protection Insurance, in which the insured capital decreases during the life of the contract as the underlying debt decreases.

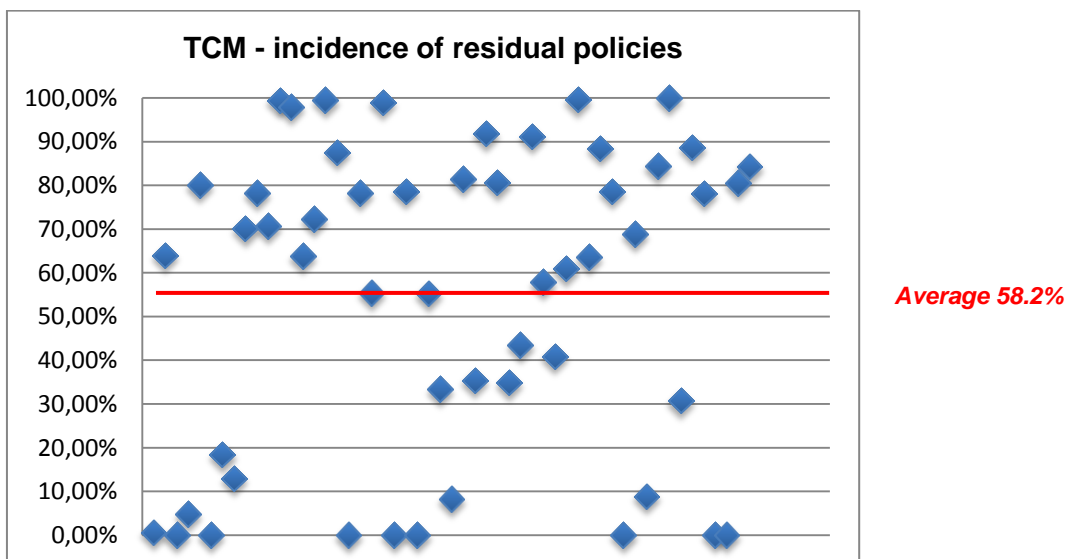
Compared to the average market figure of **58.2%**, the individual undertakings record values of incidence of residual policies over the total policies issued that are very different from one another, as shown in the following chart that shows the percentage distribution of the undertakings under investigation compared to the value assumed by this indicator. Only for 22% of the undertakings the indicator of residual policies over policies issued is small (less than 25% of the policies issued) while the majority (44% of the undertakings) shows a figure greater than 75%.

Chart 1



The next chart shows the high variability of the value assumed by the indicator of residual policies over policies issued among the various undertakings.

Chart 2



### **2.2.2. Other policies with expiration: mixed, endowment, deferred annuities and capital redemption operations**

The **contracts with expiration** (mixed, endowment, deferred annuities and capital redemption operations) different from the TCMs are related to insurance contracts in which the benefit is certain<sup>7</sup> because the undertaking is always required to pay a benefit (in the case of death or in case of survival of the insured at the expiration date, the only uncertainty being about "when" the undertaking shall provide the benefit).

The benefits awarded, as can be seen from the following Table 4, represent **96.6%** of the contracts issued and are paid mainly at the maturity or in the event of surrender (93.1%), with residual policies equal to **2.6%** of the policies issued, much smaller than the 58.2% of the TCMs.

**Table 4 - Other policies with expiration during the 2012-2016 period**

Mixed policies, endowment, deferred annuities and capital redemption operations		2012-2016		
		number of policies	amounts insured at maturity (€ million)	Incidence over policies issued
a	total policies	7,787,954		
b	- of which policies paid on the death of the insured	267,409		3.4%
	- of which policies paid after total surrender	3,092,137		39.7%
	- of which policies paid at maturity	4,159,062		53.4%
	- of which unpaid policies	269,346		3.5%
c	- of which policies terminated for which the company has ascertained the will of the policyholder to suspend the payment of the premiums	68,754		0.9%
	- policies not paid to the beneficiaries on the grounds that the limitation period had expired	1,764		0.02%
d	<b>residual policies (a-b-c)</b>	<b>198,828</b>	<b>45,177</b>	<b>2.6%</b>

<sup>7</sup> The only exceptions are endowment or deferred annuities without with return of premiums, in which the benefit is not due in the event of death. However, these forms are to be considered as marginal.

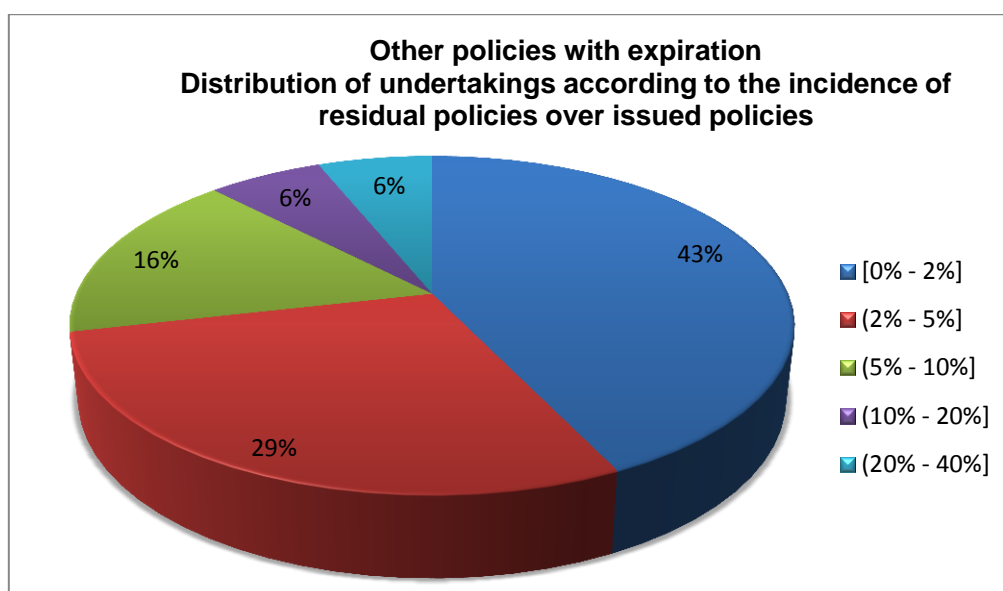
The overall amounts connected to possible dormancy are equivalent to **€ 45 billion**.

It is to be considered however that the amounts referring to policies that are actually dormant, are much smaller than those potentially dormant highlighted here: approximately half of this amount refers to contracts which expired in 2016 for which it is likely that, at least a part, were settled in 2017<sup>8</sup>.

In addition to these types of contracts, the legislation provides for communications - annual and/or at the expiration<sup>9</sup> - that facilitate the periodic contact with the policyholder/insured and therefore the knowledge of his/her possible death (through, for example, communications returned for failed delivery with the reason of "recipient deceased"). For this reason, the phenomenon of potentially dormant policies is smaller than for the TCMs.

The distribution of the Italian undertakings in terms of the ratio between residual policies and issued policies is more concentrated than that of the TCMs. For 88% of undertakings the indicator does not exceed 10%.

**Chart 3**

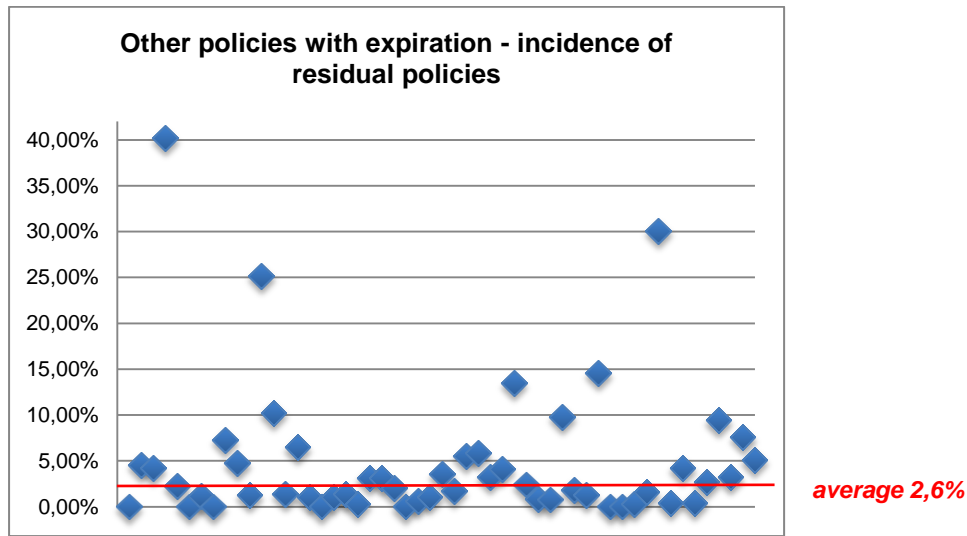


<sup>8</sup> The incidence of residual policies in 2016 is 5.6% against percentages ranging between 1.6% and 2.7% during the 2012-2015 period.

<sup>9</sup> Articles 12, 14, 17 and 25 of the ISVAP Regulation no. 35 of 26 May 2010.

The following chart shows the presence of three *outlier* undertakings with values of the ratio of residual policies over issued policies greater than 15%.

**Chart 4**



### **2.2.3. Whole Life insurance policies**

Whole life insurance policies do not have a specified expiration and they are terminated with the surrender or with the payment of the benefit in case of death of the insured person. For this portfolio, the age of the contracts and that of the insured were considered as possible risk indicators of dormancy.

In the following Table 5 the main data are shown.

**Table 5 – Whole Life - policies in force as at 31 December 2016**

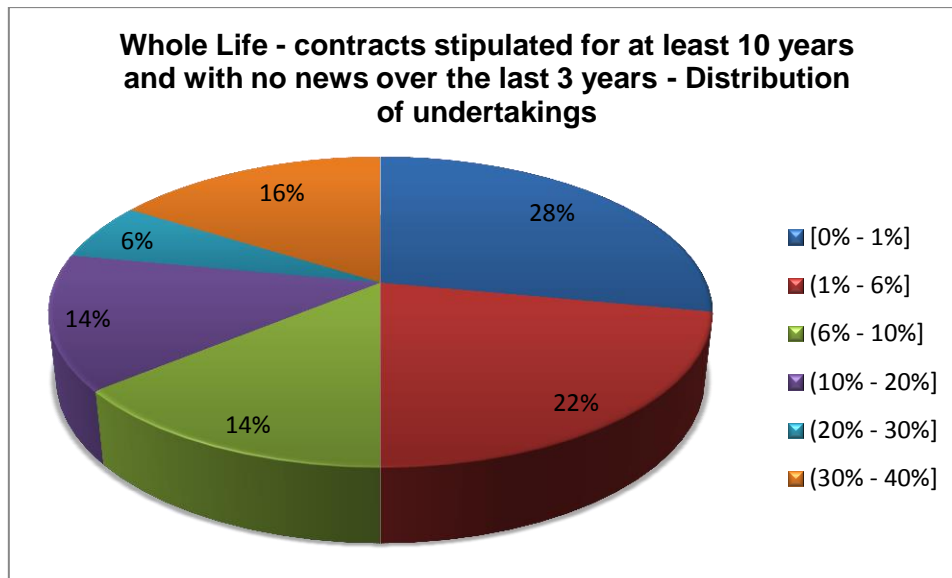
Whole Life as at 31 December 2016	number of policies	amounts insured (€ million)	Incidence over total portfolio	
			number of policies	amounts insured
policies in force	9,311,427	341,770		
- of which policies with a duration of no less than 10 years	1,288,352	45,115	13.8%	13.2%
- policies for which in the last three years there is evidence of the existence in life of the insured person	748,680	20,775	8.0%	6.1%
- of which policies where the insured person is aged between 85 and 90 years	312,868	23,619	3.4%	6.9%
- of which policies where the insured person is aged between 90 and 100 years	114,095	11,324	1.2%	3.3%
- of which policies where the insured person is over 100 years	2,636	518	0.03%	0.15%
<b>where the insured person is aged less than 85 years</b>	<b>429,599</b>	<b>35,460</b>	<b>4.6%</b>	<b>10.4%</b>
<b>stipulated for at least 10 years and with no news from the policyholder in the last 3 years</b>	<b>539,672</b>	<b>24,340</b>	<b>5.8%</b>	<b>7.1%</b>

**13.8%** of the portfolio in force on 31 December 2016 consists of contracts that had been stipulated for at least 10 years, of which in **41.9%** of the cases, in the last 3 years, the undertakings had not received any news from the policyholder (€ 24 billion of amounts insured) from which one is able to assume whether or not the insured is still alive.

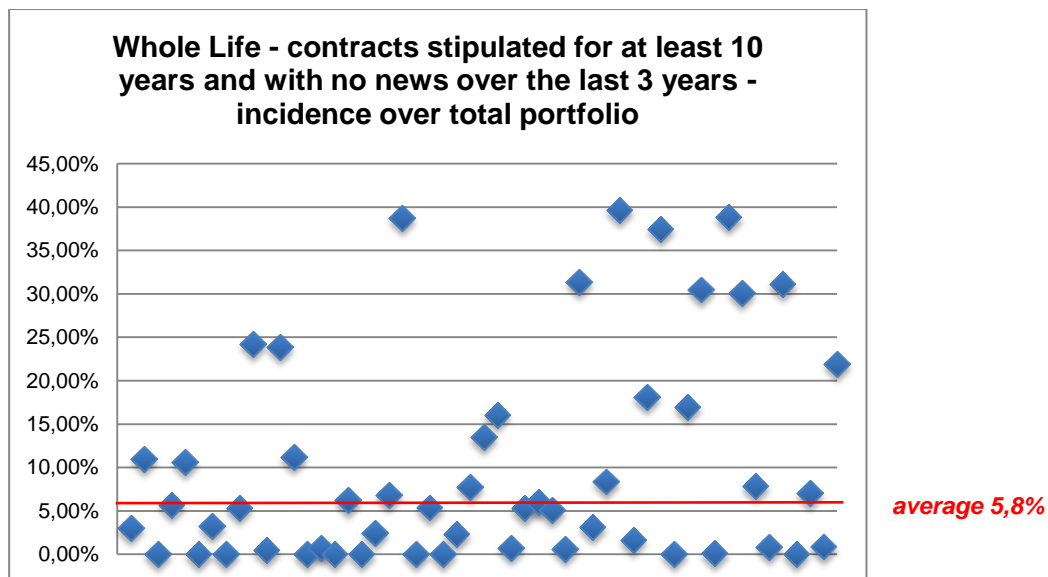
At the level of the total market the insurance policies stipulated for at least 10 years and without news of the insured in the past 3 years represent **5.8%** of the portfolio in force on 31 December 2016.

Also in this case the value of the indicator for different undertakings is positioned over a rather wide range, between 0% and 40%, with a greater concentration of undertakings with values that do not exceed the average of the market (50% of undertakings) and with only 8 for which the incidence of these policies on the total portfolio is greater than 30%. For 22% of the undertakings, these contracts represent from 20% to 40% of the total of the whole life insurance contracts.

**Chart 5**



**Chart 6**



Also the portfolio regarding insured persons with **advanced age**, for which there is a greater probability that death has occurred without the knowledge of the undertaking, is significant. This concerns **430 thousand** policies relating to insureds aged at least 85, for a total of **€ 35 billion** of amounts insured (10.4% of the current amounts on 31/12/2016); there are **2,636** contracts with insureds over 100.



A comparison with the distribution of the Italian population according to age categories at 1 January 2016<sup>10</sup>, even considering that more than one policy may have been stipulated on the life of a single insured, it seems to confirm the existence of a phenomenon of dormancy for this type of contract.

For example, the incidence of the Italian population with age over 85 is 3.3% (2.1% for males) compared with 4.6% in the whole life policies. This would mean, in the hypothesis of uniform age distribution among the Italian population and the population of the insureds, an actual presence of dormant policies of approximately 30% of the potential ones.

### *2.3. Analysis of the procedures adopted by the undertakings*

In general, to verify if the insured is deceased, in the absence of any notification of the event, the undertakings do not carry out periodic, autonomous inspections, relying on the information coming from the sales network, in a more or less structured way.

The effectiveness of the procedures adopted for the verifications of death, where present, is closely connected:

- a) to the mediation agreements stipulated by the undertakings with the distributors, in particular with banks, with special regard to the procedures and timing agreed for the communication of the information that the latter are aware of concerning deceased insureds and/or on the suspension of the payment of the premiums. Where there are incentives to the sales network for the recovery of the suspended premiums and for the conservation of the current portfolio, a positive effect is noted and the phenomenon of dormant policies is reduced;
- b) to the type of contract underwritten: individual policies or collective policies subscribed on an individual basis in which the policyholder is also the intermediary, the **bearer of a personal interest** (as in the case of PPI policies

---

<sup>10</sup> ISTAT - Italy's resident population on 1 January 2016 by age, sex and marital status  
<http://demo.istat.it/pop2016/index.html>

linked to loans, or policies guaranteeing salary-backed loans or pension-backed loans (CQS/CQP), in which the bank or the financial institution is the policyholder of the collective policy and insurance intermediary). In this last case the intermediary itself generally has tools that allow it to monitor the suspension of the premium payment and, in the case of death of the insured, has an interest in communicating it to the undertaking in order to obtain the benefit. Individual policies, not linked to any other type of contract, instead, do not have a direct or indirect interest for the intermediary, and therefore remain more exposed to the risk of dormancy.

Shown is also the type of contract underwritten. For savings policies, including whole life insurance policies, the sending of the annual account statement of the insurance position, as provided by the regulations, constitutes an effective instrument for monitoring the contract by the undertakings and the family members of the policyholders. And in fact the percentages of residual policies of these contracts are much lower than those of the TCMs;

- c) to the frequency of premium payments as in the policies with a single premium, in particular TCM, the obligations to maintain contact with the customer end at the time when the contract is signed or, at most, when the tax certification of the premiums paid is sent in the following year.

### ***2.3.1. Procedures in place at the time of the thematic review***

In relation to the procedures in place at the undertakings to verify that the insured is alive and to trace the beneficiaries, it emerged that:

- only **3** undertakings have more structured procedures for the ascertainment of the death of the insured and for the search of the beneficiaries; of these, 1 is an undertaking with a sales network of the "traditional" type and 2 are undertakings that use banking networks. For these undertakings the datum of the residual policies is close to zero.

The "traditional" undertaking avails itself of a widespread sales network that makes visits to the family of the insured, at least twice a year to check the interest to cover additional insurance needs, monitoring, at the same time, the

data present on the contracts in force and the positions with premiums in arrears. The other 2 undertakings have envisaged exchanges of information flows with the financial intermediaries providing timely communication of the deaths of the customers and of the policies with suspended payment of the premiums (for the verification of the actual willingness in this sense) as well as of the policies that have expired. In particular, one of the two undertakings that use banking networks has introduced information flows with intermediaries that provide for the daily communication to the undertaking of the names of the deceased insureds, together with the transmission of the death certificate and monthly transmission of summary lists of the insured customers that have died in the previous month to enable the undertaking to verify that it has already begun the activities preliminary to the settlement. In addition, three months before the expiration of the policy, it is envisaged, also for the TCMs, that a letter be sent to the policyholder to inform him/her of the impending expiration date of the contract, so as to make family members aware of the existence of the same;

- 14 undertakings have declared that they had not implemented processes or procedures to verify, before the reporting of a claim, whether or not the insured is still alive;
- for the other 35 undertakings, it has come out that they had inadequate procedures. Unstructured business processes concern in particular the portfolio of the TCM policies stipulated on an individual basis and with a single premium. For these contracts, also the sending of a notification before the expiration of the insurance policy, adopted by some undertakings, may prove to be too late and not suitable to avoid the expiration of the limitation period, especially in the presence of long-term contracts.

Some undertakings have more structured procedures only for TCM contracts with an annual premium in so far as they provide for an appropriate notification to the policyholder in case of non-payment of the premiums.

Other instruments used by the undertakings such as a check on returned correspondence and, in particular, returned letters with the words "recipient deceased" or the sending of a commercial type letter before the expiration are not effective if not accompanied by specific procedures of forwarding of the

communications to the policyholders or by specific agreements with the postal *providers*.

Lastly, only **3** undertakings rely, in the last instance, on the consultation of the Registry of the Municipality of residence to update the address of the policyholder in the case of non-delivery of the correspondence.

The following table lists the tools used by the undertakings to verify the death of the insured before the start of the thematic review and the number of undertakings that have adopted them:

**Table 6 - Actions and instruments used by the undertakings to verify the deaths of the insured**

<b>ACTIONS OF THE UNDERTAKINGS</b>	<b>NUMBER OF UNDERTAKINGS</b>
no verification (for individual policies)	14
daily information flows with intermediaries for communication of deaths/acquisition of documentation and monthly summaries	1
searches at the Municipality of residence of the insured to verify updates of the personal data	3
verification, at the expiration of the contract, of movements on the other contractual positions belonging to the insured	1
action of the intermediary (communication of death/suspension of premium payments)	15
visits to the customers (at least twice a year)	1
visits to the customers (at least once a year)	1
verification of the willingness to suspend the payment of the premiums/communication to policyholders of unpaid instalments	11
verification of returned correspondence and any reasons indicated	6
monitoring of returned payment notifications	1
sending of a "commercial" letter before the expiration of the contract/warning before its expiration	11
sending of a notification that the policy has expired	2
activation only where correspondence is returned with the words "non-delivery for death of recipient"	2
periodic sending to intermediaries of lists of the policies in expiration	1
annual sending, on the anniversary date, of the account statement with the insured capital and payment summary of the premiums paid	2
only communication to the policyholder and the intermediary at the expiration of the premium instalment	1

### ***2.3.2. Specific procedures activated on the occasion of the thematic review***

During the thematic review 21 undertakings took action by implementing specific checks, through cross-checks of the personal information positions on the corporate *databases* of other undertakings of the group and of the intermediaries or planning for the future adoption of procedures to verify the actual willingness of the policyholder to suspend the payment of the premiums or verify the death of the insured.

The cross-checks have allowed the undertakings to exclude the hypothesis of "dormancy" for a portion, in some cases a large one, of the portfolio. In particular, with reference to the TCM policies, an undertaking has brought down the number of residual policies by 65% and another has excluded death for over 40% of the insureds, in terms of number of policies and for more than 50% in terms of amount. In the context of whole life insurance policies, this latter undertaking has excluded the hypothesis of "dormancy" for over 90% of the policies, in terms of number and for more than 92% in terms of amount.

Another undertaking, for which the detection of policyholders over 100 years at 31 December 2016 showed 866 policies, of which 858 relating to contracts stipulated before 1980, has triggered further investigations to handle the situations that have come to light.

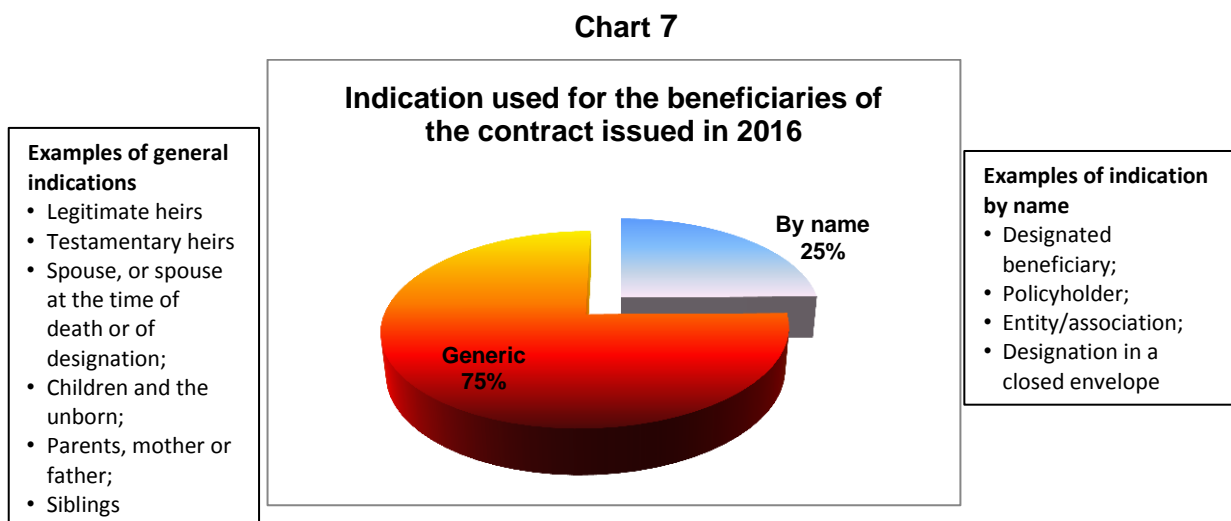
An undertaking has conducted checks on contracts in the portfolio for over ten years and with insureds in advanced age; another has carried out spot checks on the insureds with ages between 90 and over 100 years and, on indication of the Statutory Board of Auditors, has declared that it will complement the existing procedure to monitor these positions.

Among the measures planned by other undertakings we point out:

- a) IT implementations that enable the tracing of information on the willingness to terminate the contract, distinguishing it from the case of insolvency in premium payment;
- b) sending a letter before the expiration of the term life insurance policy in case of death or a letter notifying that it has expired;
- c) sending a communication even in the years following the expiration;
- d) activation with the postal *provider* of a service of digital verification of the returned correspondence with indication of the reason; the verification service will be provided for both the undertaking and for the intermediary.

### 2.3.3. Indication of the beneficiaries

There was a widespread use of generic formulations to indicate the beneficiaries. **75%** of the contracts issued in 2016 carry a generic designation of the beneficiaries and only **25%** have the indication of the names<sup>11</sup>.



In 2016, only **5** undertakings issued at least 50% of contracts bearing the names of the beneficiaries; for 19 undertakings the weight of such contracts lies between 30%

<sup>11</sup> The percentages were obtained as a weighted average of the percentages of indication by name provided by the undertakings with weights equivalent to the contracts issued in 2016 (from quarterly communications of the premiums at the fourth quarter of 2016).

and 49% and for the remaining 27 undertakings, the percentages are lower and, in one case, even less than 1%.

Some undertakings have taken action themselves or have planned actions in order to eliminate or reduce the generic designations of beneficiaries: one undertaking announced that in 2016 it had requested to the intermediaries that the policyholders indicate the beneficiaries in a precise way, another has made known that it has an ongoing project aimed at making it possible to designate the beneficiaries only by name, 2 undertakings have adopted IT devices that place generic formulations only as a second choice or that remind the intermediary, in the case of a generic designation, of the importance of indicating a specific name. One undertaking has recently made available even an "app" that allows the policyholders to share the designation of the beneficiaries with the same or with other subjects.

Only 2 undertakings collect, as part of the personal information on the beneficiaries, also the email address, if available, and/or telephone contacts.

### ***3. Conclusions and next steps***

The thematic review has revealed an extensive phenomenon of policies and amounts that are potentially dormant, for which the undertakings do not have the necessary information or procedures designed to detect whether or not the death of the insured has occurred.

The phenomenon is attributable mainly to the forms of TCM insurance and a substantial number of whole life insurance contracts present for at least ten years in the portfolios of the undertakings, for the most part of which they have had no news of the insured in the past 3 years. There was also a high incidence of contracts with insureds over the age of 85 (of which 2,636 are over 100).

For some undertakings the thematic review has given the opportunity to take action in order to verify the contractual positions which have expired without certain

information on the insured being alive, or with insureds with whole life insurance contracts with a particularly advanced age, or for which the payment of the premiums has been suspended and the undertaking is not able to say if the interruption is due to the actual will of the policyholder or to deaths that have not been reported.

The undertakings that have taken action during the thematic review were able to significantly reduce the number of residual policies.

Some undertakings have recognised the need to implement business processes and provide for periodic checks and communications by the intermediaries. Others have also planned initiatives in this way, recognising the usefulness of acquiring more information when underwriting the contract, so as to facilitate contact with the policyholders and the precise designation of the beneficiaries, infrequently used by their sales networks.

The specific identification of the beneficiary (not in a generic form) and the detection by the undertakings of all useful information to contact him/her favour the limitation of the phenomenon of dormant policies.

Surprising, however, is the attitude of 28 undertakings which, despite the invitation of IVASS to carry out checks on an ad hoc basis, remained completely passive. The data that has been submitted highlights the seriousness of the phenomenon.

On account of the above, IVASS considers that further efforts are needed by the undertakings in order to mitigate the phenomenon of dormant life assurance policies and has planned:

- an intervention on the entire market under investigation by requesting them to:
  - proceed to the " run-off " of the residual policies identified in the thematic review through further investigations on the death of the insured and research of the beneficiaries;
  - adopt appropriate procedures to ensure the payment to the beneficiaries of the insured benefits (sending periodic communications also on the TCMs, both for annual premiums and for single premium,



cross-checks of the *database* of the undertaking/group/intermediaries, enabling periodic and structured flows with intermediaries...) by arranging a specific plan for this purpose;

- interventions aimed at the individual undertakings that have higher criticalities.

In order to facilitate the undertakings in the verification of deaths of the insureds, pending the possibility of access to a centralised Registry - such as that currently being instituted, the National Registry of the Resident Population (ANPR)<sup>12</sup>, IVASS is considering the availability of alternative sources of information and possible ways of accessing the same.

IVASS also intends to promote, together with Consumer Associations, advertising programs aimed at the spread of information on the topic of dormant policies toward consumers and users.

In the meantime it is deemed useful to provide consumers with the following advice:

---

<sup>12</sup> On 3 March 2017 IVASS formulated a proposal to the government for a legislative amendment to extend access by insurance undertakings to the new National Registry of the Resident Population (ANPR), today available only to public administrations, and to make its consultation compulsory for the undertakings themselves at least once a year, in order to check the deaths and take action for the payment of the amounts.

## **DORMANT LIFE ASSURANCE POLICIES**

### **TIPS FOR CONSUMERS**

**1. IF YOU STIPULATE A LIFE ASSURANCE POLICY TO PROTECT YOUR FUTURE OR THAT OF YOUR LOVED ONES, INFORM YOUR FAMILY MEMBERS - OR THOSE TO WHOM YOU INTEND THE AMOUNTS TO BE PAID - OF THE EXISTENCE OF THE CONTRACT AND OF THE UNDERTAKING WITH WHICH IT HAS BEEN STIPULATED.**

**2. TO BE SURE THAT THE AMOUNTS RESULTING FROM THE SAVINGS ARE ACTUALLY COLLECTED, PAY ATTENTION TO THE DESIGNATION OF THE BENEFICIARIES. IT IS IMPORTANT TO INDICATE THEM BY NAME AVOIDING USE OF GENERIC FORMULATIONS SUCH AS, FOR EXAMPLE, "LEGITIMATE OR TESTAMENTARY HEIRS, CHILDREN BORN AND/OR UNBORN, SPOUSE OR SPOUSE AT THE TIME OF DEATH".**

**3. TO ENABLE THE UNDERTAKING WITH WHICH YOU HAVE STIPULATED THE POLICY TO TAKE ACTION, PROVIDE ALL THE INFORMATION THAT IS USEFUL IN ORDER TO TRACE THE BENEFICIARIES IN THE EVENT OF DEATH (ADDRESS, TELEPHONE NUMBER, E-MAIL) REMEMBERING TO UPDATE THEM IN THE EVENT OF VARIATIONS.**

**4. IF YOU DO NOT WISH THE BENEFICIARIES TO BE AWARE OF THE EXISTENCE OF THE POLICY WHEN IT IS UNDERWRITTEN, INFORM A THIRD PARTY THAT SHALL TAKE ACTION AT THE OCCURRENCE OF THE INSURED EVENT.**

**5. IF YOU WOULD LIKE TO VERIFY IF A DECEASED FAMILY MEMBER HAD STIPULATED A LIFE ASSURANCE POLICY YOU MAY CONTACT THE "[LIFE ASSURANCE COVERAGE RESEARCH SERVICE](#)" OF ANIA (NATIONAL ASSOCIATION OF INSURANCE UNDERTAKINGS), OR THE INSURANCE INTERMEDIARY, BANK OR INSURANCE UNDERTAKING THE FAMILY MEMBER WAS A CUSTOMER OF, REQUESTING INFORMATION - BETTER IF IN WRITING - ON THE EXISTENCE OF THE POLICY ([REQUEST FACSIMILE](#)). THIS INFORMATION CAN ALSO BE REQUESTED FROM THE CONTACT POINTS AVAILABLE ON THE WEBSITES OF ITALIAN INSURANCE UNDERTAKINGS.**