

*THEMATIC REVIEW ON DORMANT LIFE POLICIES*  
*“AWAKENING” OF DORMANT POLICIES*



(September 2018)

***1. Foreword***

***2. Update on potentially dormant policies identified by the thematic review***

***2.1. Policies expired in the 2012-2016 period***

***2.2. Whole life and similar contracts in force at 31 December 2016***

***2.3. Other***

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

## 1. Foreword

The thematic review launched by IVASS on 8 February 2017<sup>1</sup> has brought to light many instances of potentially “dormant” life policies. These are policies for which insurance undertakings have not been able to determine whether policyholders have died during the policy term and therefore whether, even without a claim by the beneficiaries, the conditions for the payment of the insurance benefits have been met.

As a follow-up to the investigation, IVASS launched several initiatives aimed at “waking up” the dormant policies and ensuring that insurance undertakings adopt procedures to reduce their number.

In particular, in its letter dated 29 December 2017<sup>2</sup>, IVASS asked Italian insurance undertakings for a more in-depth assessment of the potentially dormant policies identified during the investigation and for an update on the progress made in reducing their number, by 31 May 2018.

For this purpose, insurance undertakings were able to rely not only on their own independent checks, but also on the service provided by IVASS in collaboration with the Revenue Agency: approximately seven million tax codes of policyholders, provided by insurance undertakings, were cross-checked against the death records in the Tax Register<sup>3</sup>. IVASS then returned the information to the individual insurance undertakings<sup>4</sup>, asking them to verify the right to the insurance benefits<sup>5</sup> and to track down the beneficiaries.

---

<sup>1</sup> [https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2017/Report\\_investigation\\_dormant\\_life.pdf?language\\_id=3](https://www.ivass.it/consumatori/azioni-tutela/indagini-tematiche/documenti/2017/Report_investigation_dormant_life.pdf?language_id=3)

<sup>2</sup> [https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2017/lm-29-12-2/index.html?com\\_dotmarketing.htmlpage.language=3](https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2017/lm-29-12-2/index.html?com_dotmarketing.htmlpage.language=3)

<sup>3</sup> As announced in its 9 August 2017 thematic review report, IVASS examined the availability of information sources to help insurance undertakings determine whether the insureds of potentially dormant policies have died. After a first test in September 2017, in the IVASS letter dated 14 December 2017, all Italian insurance undertakings were asked to provide lists of the tax codes for the insureds of potentially dormant policies identified by the thematic review, known as residual policies, in those cases where it had not yet been possible to establish with certainty, through independent initiatives, whether the insured was still alive. At this time, IVASS also widened the horizon of the expired policies under investigation, which was extended by another five years (from 2007 to 2016).

<sup>4</sup> [https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-06-04/index.html?com\\_dotmarketing.htmlpage.language=3](https://www.ivass.it/normativa/nazionale/secondaria-ivass/lettere/2018/lm-06-04/index.html?com_dotmarketing.htmlpage.language=3)

## 2. Update on potentially dormant policies identified by the thematic review

Data on the portfolio object of the investigation, updated to the end of May 2018, show that, as a result of the independent initiatives launched by the individual insurance undertakings and of the cross-check by IVASS against the Revenue Agency records, **187,493 policies, for a total of 3.5 billion euro**, have been “awakened”, that is, have already been paid or are about to be paid to the legitimate beneficiaries.

Of these, **116,056 (62%)**, for a total of **1.5 billion euro**, are **expired** savings policies, which the policyholders have failed to collect and the insurance undertakings have, improperly, left in a dormant state. The remaining **71,437 policies (38%)** refer instead to **deceased** policyholders, for a total of **2 billion euro** never claimed by their legitimate beneficiaries. Among the latter, 30,857 policies, for a total of 1.7 billion euro, are whole life policies, that is, policies without a pre-defined maturity date, which expire with the surrender or with the payment of the benefit on the death of the policyholder.

**Table 1 – 8/2/2017 investigation update - policies paid/to be paid to beneficiaries**

	number of policies	amounts paid/to be paid (€ billion)
Term life insurance	35,046	0.2
Mixed policies, endowment, deferred annuities and capital redemption operations	121,590	1.6
- of which benefits in the event of death	5,534	0.7
- of which benefits at contract maturity	116,056	1.5
<b>Total contracts expired</b>	<b>156,636</b>	<b>1.8</b>
<b>Whole life and similar contracts (without a predefined expiration) with death of the insured occurring before 31/12/2016</b>	<b>30,857</b>	<b>1.7</b>
<b>TOTAL</b>	<b>187,493</b>	<b>3.5</b>

<sup>5</sup> Insured event occurred during the coverage period specified by the policy and absence of exclusion clauses as specified in some policies, for example death as a result of suicide or incorrect statements preventing the payment of the insured capital.

## 2.1. Policies expired in the 2012-2016 period

For the four million potentially “dormant” policies expired in the 2012-2016 period, the situation updated to May 2018 is the following:

**Table 2 – 8/2/2017 investigation update - policies expired in the 2012-2016 period**

	Potentially dormant policies 8/2/2017 investigation*		“Awakened” dormant policies				Policies not yet checked at 31/5/18			
			Absolute values		% incidence on potentially dormant policies		Absolute values		% incidence on potentially dormant policies	
	number of policies	amounts insured (€ million)	number of policies	amounts paid/ to be paid (€ million)	number of policies	amounts	number of policies	amounts insured (€ million)	number of policies	amounts
Term life insurance	3,916,530	145,549	35,046	226	0.9%	0.2%	577,024	14,849	14.7%	10.2%
Mixed policies, endowment, deferred annuities and capital redemption operations	190,721	2,819	121,590	1,639	63.8%	58.1%	19,537	320	10.2%	11.4%
<i>of which mixed policies to be paid as a result of the death</i>			5,534	73	2.9%	2.6%				
<i>of which mixed policies to be paid at maturity</i>			116,056	1,566	60.9%	55.6%				

\* discrepancies with data published in the 9 August 2017 report for adjustments subsequently notified by insurance undertakings.

For the majority of the potentially dormant term life insurance policies - 3.3 million policies, 84% of the total - the conditions for the payment of the benefits have not been met: in fact, either the insureds have been found to be alive at the expiration of the policy or they have confirmed their intention to suspend the payment of the premiums, which has resulted in the termination of the contract.

For other policies with a pre-defined expiration date, instead, the incidence of the cases where a loss of the right to the benefit has been established was lower (49 thousand policies, 26% of the potentially dormant policies identified in the investigation). In these cases, the loss of the right to the benefit derives mostly from the decision of the policyholder to suspend the payment of the premiums before paying the minimum number required for the policy to remain in force.

For policies other than term life insurance policies, there is a high number of policies that have expired and remain unclaimed by policyholders, who are still alive. This

shows that there is a high risk that policyholders and beneficiaries may, for different reasons, fail to collect the amounts due to them. In these cases, since the expiration date of the policy and the starting date of the payment obligation are certain, the insurance undertakings must act quickly if the beneficiaries fail to claim benefits and try to contact them directly.

**This leaves approximately 900,000 policies**, of which insurance undertakings had not yet been able to establish the status at May 2018. This was mainly because they had not sent IVASS the tax codes of insureds for some policy categories and/or a portion of the portfolio to be checked against the death records in the Tax Register.

## ***2.2. Whole life and similar contracts in force at 31 December 2016***

For this portfolio, the age of the policies (at least 10 years) and the age of the insured (more than 80 years) were used as indicators of dormancy risk.

This portfolio too was found to include a substantial number of policies in force at 31 December 2016 for which insurance undertakings had not been able to establish whether the insured had died, including policies with insureds who were more than 100 years old.

Through the verification activities, it was possible to “awaken” 30,857 policies (with death occurring no later than 31 December 2016) for a total of 1.7 billion euro, equal to 0.3% of the portfolio in force at 31 December 2016 (0.5% in amount terms).

The following table shows the updated portfolio of whole life policies in force at 31 December 2016, with the highlight of the policy categories identified as potentially dormant (underwritten at least 10 years earlier or with insureds at an advanced age).

**Table 3 – 8/2/2017 investigation update - whole life policies outstanding at 31/12/2016**

Whole life and similar contracts	Policies in force at 31/12/2016 *		“awakened” policies paid/to be paid as a result of death occurred by 31/12/2016		Policies still in force					
					Total in force policies		of which policies not yet checked - without information on whether the insured is alive		incidence of policies not yet checked over policies in force	
	number of policies	amounts insured (€ million)	number of policies	amounts insured (€ million)	number of policies	amounts insured (€ million)	number of policies	amounts insured (€ million)	number of policies	amounts insured
total policies	9,302,361	339,440	30,857	1,671	8,331,5189	304,622	311,391	1,381	3.7%	4.5%
- of which policies with a duration of no less than 10 years and without information on whether the insured is alive	555,222	14,392			486,661	12,187	22,904	1,363	4.7%	11.2%
- of which policies where the insured person is aged between 85 and 90 years	311,346	22,542			247,116	18,118	14,626	1,017	5.9%	5.6%
- of which policies where the insured person is aged between 90 and 100 years	113,150	9,458			79,759	6,870	1,298	86	1.6%	1.3%
- of which policies where the insured person is over 100 years	2,487	73			1,825	39	89	1	4.9%	3.0%
- of which policies where the insured person is over 85 years	426,983	32,073			328,700	25,027	16,013	1,105	4.9%	4.4%

\* discrepancies with data published in the 9 August 2017 report for adjustments subsequently notified by insurance undertakings.

In these policy categories too, there are policies requiring **additional analysis**, as some insurance undertakings did not provide IVASS with all policyholders’ tax codes to be cross-checked and did not carry out independent verifications. There are in total **311,391** of these **policies, for a total of 13.8 billion euro**, of which 16,013 policies, for 1.1 billion euro, referred to insureds who were at least 85 years old.

### 2.3. Other

By cross-checking the insureds’ tax codes against the Tax Register<sup>6</sup>, IVASS was able to obtain a first estimate of the policies that might have met the conditions for transfer to the Fund provided for in Art. 1, Par. 343, Law No. 266/2005 (“Dormant Accounts Fund”), established at CONSAP.

We remind that insurance undertakings must transfer to the Fund the policies for which the period of limitation provided for by the Italian Civil Code has ended.

<sup>6</sup> Extended to policies expired in the 2007-2011 period.

There are approximately 6,000 such policies - with an estimated total value of 54 million euro - for which the death of the insured, occurred between 28 October 2007 and 19 October 2010, has not been notified to the insurance undertakings.

This is an upper-bound estimate, as insurance undertakings must still assess whether the insurance benefits are contractually due (e.g.: absence of causes of exclusion in some policies, such as incomplete or incorrect statements of the client at the time of underwriting). Moreover, in some cases, insurance undertakings have indicated the value of the insured capital, in other cases, the value of the technical provisions.

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

The update on the portfolio of potentially dormant policies identified during the investigation has made it possible to **“awaken” 187,493 policies, for a total of 3.5 billion euro, which have been paid or are about to be paid to their beneficiaries.**

This was mainly the result of the cross-checking by IVASS of the tax codes with the Revenue Agency. Other policies might be found as a result of additional investigation of the remaining 900 thousand policies, mostly term life insurance policies. These include about 75 thousand policies with insureds for whom insurance undertakings have provided incorrect tax codes.

**By 30 October 2018**, insurance undertakings must send IVASS the correct tax codes to be cross-checked once more against the Tax Register. They must also send tax codes for the policies expired in 2017 and in the 2001-2006 period, **covering therefore 16 years of potential dormancy in total.**



The availability of a national database and the obligation for insurance undertakings to consult it on a regular basis are essential to prevent dormancy cases. A legislative initiative in this regard seems desirable<sup>7</sup>.

This does not exempt insurance undertakings from having suitable procedures in place to prevent dormancy cases. The action plans to this purpose requested by IVASS in its letter to the market dated 29 December - to be adopted by 30 September 2018 - have not always proved effective. IVASS continues to work towards the adoption of suitable process and procedure standards by all insurance undertakings.

---

<sup>7</sup> On 3 March 2017, IVASS submitted to the Italian Government a proposal to amend the law to extend the access of insurance undertakings to the proposed National Database of Residents (ANPR), the Italian register of resident population, currently limited to public administrations, and to require insurance undertakings to consult it at least once a year. Pending the creation of the ANPR, a similar obligation could be made for the direct consultation by insurance undertakings of the death records in the Tax Register.