

# Notice of Determination

by the Life Code Compliance Committee (Life CCC) on alleged non-compliance with the Life Insurance Code of Practice by a subscriber

<b>Reference:</b>	CX4824	<b>Date:</b>	14 October 2019
<b>Code sections:</b>	6.7, 13.3(a) <sup>1</sup>		
<b>Investigation:</b>	Self-reported non-compliance by a Code subscriber		

## The Code breach:

A Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) self-reported a significant breach of Code obligations 6.7 and 13.3(a).<sup>2</sup>

The Subscriber reported that in the period 1 July 2017 to 15 October 2018, it received 56,613 policy cancellation requests from customers of which in 450 of those requests, it failed to process the cancellation and refund within 15 Business Days as required by section 6.7 of the Code.

Subsequent to the self-reported breach, the Subscriber identified a further 651 instances where it failed to comply with section 6.7 of the Code, bringing the total number of impacted policies by the breach to 1,101.

The Subscriber confirmed that compliance with section 6.7 was not precisely addressed when the Code was implemented into the business prior to 1 July 2017. As the Subscriber did not have controls to enable and monitor compliance with section 6.7, it also reported it had failed to comply with section 13.3(a) of the Code.

## Findings in accordance with Charter clause 7.4(b)(iii)<sup>3</sup>:

The Life CCC assessed the matter and determined that there was a breach of section 6.7 and 13.3(a) of the Code which was significant, as assessed by the subscriber, and which was proven in whole.

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<sup>1</sup> The Code sections are provided in full in the last section of the Determination.

<sup>2</sup> The Code sections are provided in full in the last section of the Determination.

<sup>3</sup> The Life CCC is bound by its Charter to use the terminology 'the reported allegation was proven in whole or in part or was unfounded.' This, in essence, requires the Life CCC to state if it determined there was a breach or not. The Life CCC will explain its determination in plain language in the body of the Determination.

## **The Life CCC findings and conclusion:**

The cause of the breach was the Subscriber's failure to implement specific controls, following its transition to the Code on 1 July 2017, to prevent breaches and monitor compliance with section 6.7 of the Code. As a consequence, the Subscriber was also non-compliant with section 13.3(a) of the Code.

As the Subscriber did not have processes in place to monitor compliance with section 6.7 and failed to prevent further breaches occurring after it had identified this, the Life CCC further determined in accordance with Charter clause 7.4(b)(iv)<sup>4</sup> that the Subscriber's breaches of sections 6.7 and 13.3(a) of the Code amounted to serious and systemic non-compliance with the Code.

### Process changes

To prevent further breaches, the Subscriber implemented a new process in March 2019, which included:

- the entering of cancellation requests on a daily basis into a workflow system
- daily data extracts to obtain an overview of all outstanding cancellations
- the prioritisation of requests older than nine business days for actioning, and
- regular reporting to identify any breaches and to ensure these are acted upon in a timely manner.

In addition, in April 2019 the Subscriber introduced several changes to improve its Code compliance monitoring and reporting processes, which included:

- fortnightly reporting to identify any breaches
- recording of potential breaches in an event management system
- testing of key controls to ensure the reporting and review processes are operating effectively,
- implementation of staff training, and
- regular meetings of the Subscriber's breach committee to consider possible breaches and determine next steps.

The Life CCC determined that these changes were sufficient to ensure compliance with, and identify breaches of, section 6.7 of the Code and meet the requirements of section 13.3(a).

### Consumer impact and remediation

Of the total 1,101 breaches, the Subscriber compensated a total of 143 policies<sup>5</sup> totalling \$344 in interest. For the remaining 958 breaches, the interest payable for each policy ranged from \$0.99 to \$25.40. Based on the high number of low value interest amounts payable, the Subscriber made an anonymous charity donation totalling \$886.

Given the limited financial impact to consumers, the Life CCC was satisfied with the Subscriber's approach to consumer remediation.

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<sup>4</sup> The Life CCC is bound by its Charter to state, where applicable, whether it finds that a subscriber is responsible for serious and/or systemic non-compliance with the Code.

<sup>5</sup> These policies were a historical product subset where any refunds due to cancellations that were processed outside of the agreed timeframe had a 'goodwill' interest component added for every additional day.

## **Relevant Code Sections**

### **Section 6.7:**

You may be entitled to a refund when you cancel your Life Insurance Policy, in accordance with the terms of your Life Insurance Policy. If you cancel your Life Insurance Policy, any money we owe you will be reimbursed to you within 15 business days.

### **Section 13.3(a):**

We will:

a) have appropriate systems and processes in place to enable compliance with the Code.

The Life CCC is the independent body responsible for the administration and enforcement of the Life Insurance Code of Practice (the Code). It acts in accordance with the Life CCC Charter, which sets out the powers, duties, functions and responsibilities of the Committee, subject to any provisions in the Code. This Determination is issued in accordance with clause 7.4 of the Life CCC's Charter in order to facilitate agreement between the Life CCC and the Subscriber on corrective measures and the relevant timeframes for their implementation.