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

Reference:	CX6028	**Date:**	4 October 2019
Code sections:	3.2[1]		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer purchased life insurance from a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code). The policy included a Trauma benefit and was purchased by the Consumer prior to December 2012.

On 7 March 2019, the Consumer wrote to the Life CCC and stated that she had submitted a claim for multiple sclerosis (MS) and was concerned that the Subscriber would use an outdated medical definition to assess her claim.

The Consumer noted that her life insurance policy contained an old medical definition for diagnosing MS which had not been updated since 2009.

Findings in accordance with Charter clause 7.4(b)(iii)[2]:

The Life CCC determined that the Subscriber was not in breach of section 3.2 of the Code and that the allegation was unfounded.

The Life CCC findings and conclusion:

Section 3.2 of the Code requires Subscribers to review the medical definitions in on-sale policies for benefits that are payable after a defined medical event at least every three years. The Subscriber ceased sale of the Consumer's life insurance policy product in 2012. This means that the Consumer's policy is an off-sale product which is not currently offered to new customers.

As section 3.2 of the Code only applies to on-sale policies, the Consumer's policy is not covered under section 3.2 of the Code.

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[1] The Code sections are provided in full in the last section of the Determination.
[2] 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 notes that while the Subscriber reviewed the Consumer's claim under the old definition of MS, the Consumer's claim was accepted on 28 March 2019.

While it did not occur in this instance, the limitation of section 3.2 to on-sale policies results in a gap in the Code that could potentially result in unfair outcomes for Consumers with off-sale policies.

In the Life CCC's view, it is within the spirit of the Code for all life insurance policies to receive regular updates to their medical definitions to ensure that the definitions are kept up to date with the latest medical advances and practices.

As noted above, section 3.2 of the Code requires subscribers to review the medical definition in their on-sale policies at least once every three years. While not specifically required by the Code, the Life CCC encourages subscribers to update the medical definitions in their off-sale policies as part of this review.

Relevant Code Section

Section 3.2:

The medical definitions in **our** on-sale policies for benefits that are payable after a defined medical event will be reviewed at least every three years and updated where necessary to ensure the definitions remain current. This will be done in consultation with relevant medical specialists. When medical definitions in **your Life Insurance Policy** are updated by **us** as a result of this, **we** will let **you** know.

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.