

# 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>	CX6089	<b>Date:</b>	8 November 2019
<b>Code sections:</b>	8.18 <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 obligation 8.18.

Under this section of the Code, Subscribers are required to advise the Consumer to seek financial advice to help manage the claim payment (the financial advice wording) if the Subscriber's acceptance of the claim includes a lump sum payment.

On 10 April 2019, the Subscriber self-reported a significant breach of section 8.18 of the Code as its claim acceptance template letters did not suggest that the Consumer seek financial advice to help manage their claim payment.

The Subscriber considered the breach to be significant due to the number of Consumers affected and because the issue has persisted since September 2018.

In total, the Subscriber identified over 1,688 Consumers who were affected by this breach. The Subscriber was still in the process of reviewing and identifying the number of Consumers affected when the Life CCC considered the matter.

The Subscriber is currently in the process of amending its claim acceptance template letters to become compliant with section 8.18 of the Code.

## Findings in accordance with Charter clause 7.4(b)(iii)<sup>2</sup>:

The Life CCC assessed the matter and confirmed that there was a breach of section 8.18 of the Code which was significant, as assessed by the Subscriber, and which was proven in whole.

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

<sup>2</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 differed depending on the template letter utilised. Some of the template letters were initially compliant but had the financial advice wording removed by mistake as part of the Subscriber's review in 2018, while other template letters never contained the financial advice wording.

The Subscriber also noted that some of the template letters were not appropriately used by its claims staff or were not uploaded to its central template repository.

This indicated that the Subscriber had poor controls in relation to managing and updating its template letters and did not have a robust framework to enable compliance with section 8.18 of the Code.

Based on the information provided by the Subscriber, the Life CCC was not satisfied that the true scope of the breach had been identified by the Subscriber and the Life CCC expects that this issue has affected a wider number of Consumers.

While the Subscriber has amended some of its claim acceptance template letters to include the financial advice wording, the Subscriber is currently in the process of amending the remainder of its claim acceptance template letters to become compliant with section 8.18 of the Code.

The Life CCC continues to monitor the corrective action by the Subscriber and expects the full implementation of the recommended corrective action to be completed shortly.

For related discussion and interpretation of compliance with section 8.18 of the Code, subscribers are encouraged to review the Life CCC's Case Study 2019-2.

### Relevant Code Section

#### Section 8.18:

If **we** accept **your** claim and it includes a lump sum payment, **we** will suggest **you** seek financial advice to help manage **your** claim payment. For an income-related claim, if **we** offer to pay **you** a lump sum instead of ongoing payments in order to finalise **your** claim, **we** will suggest that **you** seek financial and legal advice before accepting **our** offer

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.