

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: CX4527 **Date:** 8 November 2019

Code sections: 8.3, 8.4, 8.7, 8.15, 8.17 & 8.24¹

Investigation: 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) initially self-reported a significant breach of Code obligation 8.17.

The Subscriber advised that a consumer submitted a Total and Permanent Disability (TPD) claim on 30 August 2017. Section 8.17 requires Subscribers to provide its decision no later than six months after it is notified of the claim, therefore in this matter the Subscriber was required to issue its decision no later than 28 February 2018.

However, the claims assessor allocated to the claim failed to take appropriate action to gather the required information to progress the assessment of the claim and despite its eventual re-allocation to a senior claims assessor, the Subscriber was unable to provide its decision until 7 June 2018.

The Life CCC considered the self-reported significant breach and formed the view that, as the issues identified were limited to an individual assessor and were not indicative of wider non-compliance, this was a breach that was not significant as defined by the Code. However, at the request of the Life CCC, the Subscriber undertook a further review of this claim and seven other claims handled by the particular claims assessor involved in this matter. As a result of this further review, the Subscriber subsequently self-reported additional breaches of Code obligations 8.3, 8.4, 8.7, 8.15 and 8.24.

In relation to the claim which was the subject of the section 8.17 breach, the claims assessor failed to:

- provide explanatory information or contact details to the consumer within 10 days of receiving the claim notification;
- provide regular updates to the consumer on the claim progress; and
- request required information about the claim from the consumer's employer and treating doctor on a timely basis.

¹ The Code sections are provided in full in the last section of the Determination.

In relation to some of the other claims reviewed, the same assessor failed to:

- advise on a claim decision within 10 days of having all the required information; and
- provide adequate support and empathy during the claims process.

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

The Life CCC assessed the matter and determined that, in addition to the confirmed breach of section 8.17, there were breaches of sections 8.3, 8.4, 8.7, 8.15, and 8.24 of the Code and that they were proven in whole.

The Life CCC findings and conclusion:

Serious and systemic non-compliance

The Subscriber reported that contributing factors to the breaches were the assessor's lack of experience in claims handling and a period of absence from work. In response, the assessor was subject to performance counselling (including reduction in any applicable performance bonus) and the Subscriber undertook a range of measures to improve the individual assessor's performance including increased oversight by a claims technical specialist to provide guidance and a three-month training plan focused on the Code.

The Life CCC reviewed the Subscriber's staff guidance/training materials that set out the processes and standards that it expects claims staff to meet and the systems it has in place to ensure compliance with the Code.

These systems enabled the Subscriber to identify the breaches, although ultimately they were unable to prevent the breaches occurring. In response to this the Subscriber has implemented a number of enhancements to improve monitoring and prevent recurrence, including the introduction of inbuilt controls into its claims management system that proactively identify breaches of the Code and regular monthly reporting that highlights breaches by individual assessors.

The Life CCC is satisfied that the Subscriber now has sufficient processes in place to monitor compliance with and prevent breaches of the Code. The Subscriber identified that two consumers had suffered a financial detriment as a consequence of the breaches and paid interest in recognition of the resultant delays.

Given the limited financial impact and that the breaches appeared to be isolated to an individual assessor, the Life CCC determined in accordance with Charter clause 7.4(b)(iv) that the Subscriber's breaches did not amount to serious and systemic non-compliance with the Code.

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.

Relevant Code Sections

Section 8.3:

Within ten business days of being notified about your claim, we will explain to you your cover and the claim process, including why we request certain information from you and any waiting period before payments will be made. We will give you contact details that you can use to get information about your claim.

Section 8.4:

Prior to making a decision on your claim, we will keep you informed about the progress of your claim at least every 20 business days unless otherwise agreed with you or the Group Policy-owner. We will respond to your requests for information about your claim within ten business days.

Section 8.7:

We will request the information we need as early as possible and will avoid multiple information requests where possible.

Section 8.15:

Once we have all the information we reasonably need and have completed all reasonable enquiries to assess your claim, including your response to the evidence we are basing our decision on if we have presented this to you, we will let you know our decision on your claim within ten business days.

Section 8.17:

For all claims other than income-related claims, we will let you know our decision no later than six months after we are notified of your claim or six months after the end of any waiting period, unless Unexpected Circumstances apply. Depending on your policy, our decision may be a requirement that you undertake a period of rehabilitation or retraining, or it may be a final decision on your benefits. Where Unexpected Circumstances apply, our decision will be made no later than 12 months after we are notified of your claim. We will let you know the reasons for the delay, and if you disagree we will review this. If we cannot make a decision within 12 months, we will give you details of our Complaints process.

Section 8.24:

We acknowledge that claims time is difficult for our customers, and that empathy is required in our claims management. We will treat you with compassion and respect.

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.