

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: | CX5934 | Date: | 8 November 2019 |
| Code sections: | 6.3 ¹ | | |
| 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) self-reported a breach of Code obligation 6.3.

Under this section of the Code, Consumers will be provided with an annual notice in writing prior to the anniversary of the Life Insurance Policy. Section 6.3 also lists the specific information that the written annual notice will include.

On 15 January 2019, the Subscriber self-reported a breach of section 6.3 of the Code as it was not able to provide all of its policy-holders with a compliant annual notice in writing.

The Subscriber noted that it was currently undergoing a major system transformation and was in the process of replacing all its IT systems, resulting in the Subscriber being unable to provide an annual notice to 39% of its policy-holders.

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

The Life CCC assessed the matter and confirmed the self-reported breach of section 6.3 of the Code, which was proven in whole.

The Life CCC further determined that the Subscriber's breach of section 6.3 of the Code amounted to serious and systemic non-compliance with the Code.

The Life CCC findings and conclusion:

The Subscriber provided the Life CCC with a copy of an annual notice letter which was issued by the Subscriber. The Life CCC reviewed the letter and confirmed that the letter contained the information required under section 6.3 of the Code.

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 Subscriber noted that a compliant annual notice had been sent to 61% of its policy holders. Another 20% of the policy holders would receive an annual notice in September 2019, and the remainder of the policies were scheduled to receive an annual notice by December 2019.

The Life CCC notes that the Subscriber adopted the Code on 1 July 2018. This meant that the Subscriber was non-compliant with section 6.3 of the Code from 1 July 2018 onwards, and still remains non-compliant with section 6.3 until the annual notices are sent to the remainder of the policy-holders in December 2019.

The Subscriber had not proposed any alternative mechanisms to provide the annual notices to its customers, or to otherwise advise them of the non-compliance. The Life CCC notes that a substantial number of Consumers would only be receiving a compliant annual notice for the first time in December 2019, even though the Subscriber has been bound by the Code since July 2018.

This indicates that the Subscriber did not have adequate arrangements to ensure compliance with section 6.3 of the Code as every policy-owner should have received at least one annual notice by 1 July 2019.

As a result, the Life CCC determined in accordance with Charter clause 7.4(b)(iv)³ that the Subscriber's breach of section 6.3 of the Code amounted to serious and systemic non-compliance with the Code.

The Life CCC continues to monitor the corrective action by the Subscriber.

Key Learnings:

Where IT-related issues prevent automated and timely production or provision of key customer documents or notifications, subscribers are encouraged to be pro-active in relation to considering alternative solutions to compliance, including manual processes where feasible, or posting website Notices advising of the issue(s)/non-compliance and providing contact details for customers who require assistance or further information.

Relevant Code Section

Section 6.3:

We will provide you with an annual notice in writing each year prior to the anniversary of your Life Insurance Policy. The annual notice will include:

- a) the types of cover **you** are insured for and how much **you** are insured for;
- b) an explanation for any increase in **your premiums** in accordance with the terms of **your Life Insurance Policy**;
- c) information about the risks of cancelling and replacing an existing **Life Insurance Policy**;
- d) information about how to contact **us** to discuss options if **you** want to change the terms of **your Life Insurance Policy** or are having difficulty meeting **your** payments; and
- e) what to do in the event of a claim.

³ 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.

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.