

# 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>	CX4501	<b>Date:</b>	7 January 2020
<b>Code sections:</b>	8.17 <sup>1</sup>		
<b>Investigation:</b>	A consumer-reported alleged Code breach		

## The alleged Code breach:

The Consumer is a member of a superannuation fund. As part of that membership, the Consumer obtained life insurance with Total and Permanent Disability (TPD) benefit. The Life Insurance policy was issued by a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code), and the policy was owned by a Group policy-owner (the Trustee).

We note that in this Matter, the Subscriber communicated its decision to the Trustee, as described under section 8.1 of the Code,<sup>2</sup> and the Trustee would then provide its decision to the Consumer.

On 9 June 2017, the Consumer's legal representative lodged a claim with the Trustee. The Subscriber was notified of the claim by the Trustee on 13 July 2017. As the Subscriber adopted the Code on 30 June 2017, the six-month timeframe under section 8.17 of the Code commenced on 13 July 2017 and the Subscriber was required to provide a claim decision by 13 January 2018.

On 19 September 2017, the Subscriber provided its first claim decision to the Trustee. This was within the six-month timeframe under section 8.17 of the Code.

However, the Trustee requested the Subscriber to amend its decline letter on 5 April 2018 as the letter contained an incorrect reference to the Consumer's employer. This was six months after the Subscriber provided its decision. The Subscriber provided the Trustee with an amended decline letter on 10 July 2018.

On 30 July 2018, the Trustee made further enquiries and requested additional information from Consumer's employer. The additional information was received by the Subscriber on 25 September 2018 and resulted in a claim being re-opened. The Subscriber issued Procedural

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

<sup>2</sup> Ibid.

Fairness (PF)<sup>3</sup> on 4 October 2018 and the second decision to decline the claim was provided to the Trustee by the Subscriber on 14 November 2018.

Due to the delay in communicating the decision on the claim to the Consumer, the Consumer's legal representative alleged that the Subscriber was in breach of section 8.17 of the Code.

### **Findings in accordance with Charter clause 7.4(b)(iii)<sup>4</sup>:**

The Life CCC determined that the Subscriber was not in breach of section 8.17 of the Code and that the allegation was unfounded.

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

#### **Section 8.17**

As the Subscriber received the claim on 13 July 2017, the Subscriber had to provide its claim decision by 13 January 2018. We note that the Subscriber communicated its first claim decision to the Trustee on 19 September 2017, within the six month timeframe in section 8.17 of the Code.

Due to the Trustee's information request, the Subscriber re-opened the claim on 4 October 2018. The Subscriber provided its second claim decision to the Trustee on 14 November 2018, within six months of the claim being reopened.

As a result, the Life CCC determined that the Subscriber was not in breach of section 8.17 of the Code.

#### **Key Learnings**

If a policy is owned by a Group Policy-owner (the Trustee) and a claim is lodged, Subscribers would have discharged their obligations under the Code once they have communicated their decision to the Trustee.

In this instance, the Subscriber's obligation under section 8.17 of the Code was met once it provided the first claim decision to the Trustee on 19 September 2017. The Subscriber provided an amended claim decline letter on 10 July 2018 and a second claim decline decision letter on 14 November 2018, over a year after the first decision.

This delay was primarily caused by the Trustee and its delayed review of the Subscriber's decision. While the delay did not amount to a breach of the Code, the delay in this instance would have had an adverse impact on the Consumer.

The lack of communication and coordination between the Subscriber and the Trustee in this instance is reflective of poor industry practice which produced a delayed outcome for the Consumer.

While not required by the Code, the Life CCC encourages subscribers to have time bound agreements with the Trustee and to periodically follow up declined claims which are under Trustee review.

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<sup>3</sup> Procedural Fairness is a legal principle that ensures fair decision making. In relation to life insurance claims, it involves the insurer providing the insured with the reasoning for its planned decision on the claim, including all the information that the insurer relied on in making its decision.

<sup>4</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.

## Relevant Code Section

### Section 8.1:

If **your** claim is covered by a **Group Policy**, **we** may be required to provide the communications referred to below to the **Group Policy-owner** (for example, the superannuation fund trustee which owns **your Life Insurance Policy**) in accordance with section 2.13. The **Group Policy-owner** will then communicate with **you** and assist with **your** claim. When **you** make a claim, **we** and/or the **Group Policy-owner** will let **you** know who will be in contact with **you**.

### 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.

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.