

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:	CX4533	Date:	25 March 2020
Code sections:	8.17 ¹		
Investigation:	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,² and the Trustee would then provide its decision to the Consumer.

The Subscriber was notified of the claim on 9 January 2017. As the Subscriber adopted the Code on 30 June 2017, the six-month timeframe under section 8.17 of the Code commenced on 30 June 2017 and the Subscriber was required to provide a decision on the claim by 31 December 2017 unless Unexpected Circumstances (UC) applied.

The Subscriber provided its decision to the Trustee on 21 June 2018, well outside the six-month timeframe as required under section 8.17 of the Code.

Due to the delay in communicating the decision on the claim to the Consumer, the Consumer's Legal Representative (CLR) alleged that the Subscriber was in breach of section 8.17 of the Code.

Findings in accordance with Charter clause 7.4(b)(iii)³:

The Life CCC determined that the Subscriber was in breach of section 8.17 of the Code and that the allegation was proven in whole.

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

² Ibid.

³ 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:

Section 8.17

As noted above, the Subscriber received the claim on 9 January 2017, and the six-month timeframe commenced on 30 June 2017. Therefore, the Subscriber was required to provide a claim decision by 31 December 2017 unless UC applied.

The Life CCC noted that the final decision was communicated to the Trustee on 21 June 2018. The Subscriber alleged that UC applied as there were delays in receiving the required medical information which prevented the claims assessor from finalising the claim.

However, the Subscriber acknowledged that it failed to notify the CLR of the same. Therefore, the Life CCC determined that the 12-month UC timeframe would not apply to the claim and that the Subscriber was required to provide a decision on the claim to the Trustee within the six-month timeframe, by 31 December 2017.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.17 of the Code.

Serious and Systemic non-compliance

The Subscriber attributed the cause of the breach to be ineffective UC staff training and lack of awareness by case managers within its Group channel. This resulted in an inconsistent or incomplete application of the Subscriber's UC process across the channel. The Subscriber conceded that as a result, a number of consumers were not notified of UC between 1 November 2018 and 30 July 2019 when UC may reasonably have applied to a claim.

Due to the extent of the breach and issue being widespread, the Life CCC determined in accordance with Charter clause 7.4(b)(iv)⁴ that the Subscriber's breach of section 8.17 amounted to serious and systemic non-compliance with the Code.

In addition, the Life CCC noted that the Subscriber has since self-reported a significant breach of section 8.17 of the Code.

Remedial Actions

The Subscriber advised that it has now implemented extensive UC training to all Claims staff, established a dedicated Claims Code Compliance (CCC) project team and updated its system reporting and dashboards to provide claims manager and team managers with greater visibility of Code compliance requirements.

The Subscriber is due to provide the Life CCC with a further update on the progress of the remedial actions by 1 May 2020.

Key Learnings

The Life CCC observes that compliance with section 8.17 of the Code remains a key area of concern for Subscribers. In particular, the Life CCC notes that a number of Subscribers were in breach of section 8.17 of the Code as they failed to have adequate UC processes and/ or

⁴ 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

robust monitoring in place to enable compliance with its obligations under section 8.17 of the Code.⁵

The Subscriber in this Matter did not appropriately or consistently apply its UC process, and did not have robust monitoring in place to effectively monitor all the requirements of section 8.17 of the Code. As a result, this impacted on the Subscriber's ability to accurately record, remediate or prevent any potential and unintended Consumer harm across its Group channel.

The Life CCC recommends that Subscribers constantly review their processes and make sure they remain adequate to support compliance with the Code.

Relevant Code Sections

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.

⁵ <https://lifeccc.org.au/resources/claims-and-complaints-handling-obligations/>