

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:	CX4801	Date: 30 January 2020
Code sections:	6.7 ¹	
Investigation:	Self-reported non-compliance by a Code subscriber	

The alleged 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 section 6.7 of the Code.

Under this section of the Code, Consumers who are entitled to a refund when they cancel their Life Insurance Policy should be reimbursed any money owed within 15 business days of cancelling the policy.

On 7 November 2018, the Subscriber self-reported a breach of section 6.7 of the Code as it identified a number of Consumers who did not receive a refund within 15 business days of cancelling their policy. The breach affected 5 products issued by the Subscriber and impacted over 6,700 Consumers, with a combined financial impact on Consumers of over \$300,000.

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 6.7 of the Code, which was proven in whole.

The Life CCC findings and conclusion:

The breach was assessed as significant due to:

- the length of the delay in relation to the refund, with some instances dating back to policies cancelled as early as 2008,
- the number of Consumers who were not provided with a refund, and
- the amount that was not refunded.

The breach was caused by a lack of an in-built functionality in the Subscriber's claims management system which resulted in the Subscriber's staff failing to action the refund or

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.

process the policy cancellation appropriately. The Subscriber also identified an issue with processing refunds for policies that automatically lapsed.

To remediate the breach, the Subscriber introduced additional training for its staff in December 2018 and June 2019. The Subscriber also embedded a new weekly exception report in February 2019 to capture instances where policies were cancelled but refunds did not get processed.

The Subscriber confirmed that it has fully refunded (refund plus interest) over 95% of the affected Consumers. The remaining Consumers have been contacted by the Subscriber in order to obtain the Consumers' banking information.

Key learnings

The Subscriber provided the Life CCC with its template of the letter sent to Consumers notifying them of the refund. The letter explicitly noted that the Subscriber was in breach of section 6.7 of the Code, apologised for the breach, and confirmed that the Consumer was entitled to a refund for cancelling their policy.

The Life CCC considers this to be best practice, and notes that Subscribers should be clear and upfront with their customers when they have breached the Code.

Relevant Code Section

Section 6.7

You may be entitled to a refund when **you** cancel **your Life Insurance Policy**, in accordance with the terms of **your Life Insurance Policy**. If **you** cancel **your Life Insurance Policy**, any money **we** owe **you** will be reimbursed to **you** within 15 **business days**.

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.