

# 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>	CX4457	<b>Date:</b>	11 May 2020
<b>Code sections:</b>	8.7, 8.15, 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 their membership, the Consumer obtained life insurance including a Total and Permanent Disability (TPD) benefit. The life insurance 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).

The Consumer lodged a TPD claim on 19 December 2017, after the Subscriber's adoption of the Code on 30 June 2017. The Subscriber issued Procedural Fairness to the Consumer on 26 June 2018 and subsequently declined the claim on 8 August 2018.

In May 2018, the Consumer made a referral to the Life CCC alleging a breach of sections 8.15 and 8.17 of the Code. Due to concurrent External Dispute Resolution (EDR) proceedings, the Life CCC's investigation was placed on hold in July 2018. The Life CCC recommenced its investigation in August 2019 once the Consumer confirmed that the EDR proceedings were no longer ongoing. In addition to sections 8.15 and 8.17 raised by the Consumer, the Life CCC also reviewed the Subscriber's compliance with section 8.7 of the Code.

## Findings in accordance with Charter clause 7.4(b)(iii)<sup>2</sup>:

The Life CCC determined that the Subscriber:

- was in breach of section 8.7 of the Code and that the allegation was proven in whole,
- was in breach of section 8.17 of the Code and that the allegation was proven in whole, and
- was not in breach of section 8.15 of the Code and that the allegation was unfounded.

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

<sup>2</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.

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

### **Section 8.7**

Section 8.7 requires that subscribers request the information needed as early as possible and to avoid multiple information requests where possible.

In this instance, the Subscriber acknowledged that it was in breach of section 8.7 of the Code as there was a delay in requesting information from a third party. The Life CCC noted that the delay was caused by the human error of the claims assessor, which resulted from the complexity of the file.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.7 of the Code and that the allegation was proven in whole

### **Section 8.17**

Section 8.17 of the Code requires a subscriber to communicate its decision on the claim within six months, unless Unexpected Circumstances applies.

The Subscriber also acknowledged a breach of section 8.17 of the Code as it did not provide its decision on the claim within the six month timeframe in section 8.17 of the Code. The Subscriber provided its decision on the claim on 8 August 2018, approximately six weeks after the expiry of the initial six month timeframe in section 8.17 of the Code.

The Subscriber confirmed that the breach was due to the delay in requesting information that the Subscriber needed to assess the claim, which also resulted in the breach of section 8.7 discussed above.

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.

While the cause of the breach in this instance was due to the isolated human error of the claims assessor, the Life CCC previously reviewed the Subscriber's section 8.17 overall processes and determined that the Subscriber's section 8.17 processes were inadequate to enable compliance with section 8.17 of the Code, resulting in systemic non-compliance with the Code.

This was because the Subscriber's process for informing Consumers of Unexpected Circumstances did not include the obligation for the Subscriber to inform the Consumer that the Consumer has the right to disagree with the reasons provided for the Unexpected Circumstances.

In addition, the Life CCC's review identified that the Subscriber did not provide adequate training to its staff in relation to notifying Consumers about Unexpected Circumstances.

To remediate this, the Subscriber introduced a new Unexpected Circumstances template letter in September 2019 and rolled out Unexpected Circumstances training to all its claims assessors in early 2020.

As this breach was prior to the Subscriber's corrective action, the Subscriber's section 8.17 processes at the time of the breach were non-compliant with the Code. As a result, the Life CCC determined that the Subscriber's breach of section 8.17 of the Code reflected, at that time, its ongoing systemic non-compliance with the Code.

## Section 8.15

Section 8.15 requires Subscribers to communicate a claim decision within ten business days of receiving all the information that a Subscriber reasonably needs to assess a claim.

Based on the information available, the Subscriber issued Procedural Fairness on 26 June 2018. On 26 July 2018, the Consumer informed the Subscriber that he did not have any further information or documentation to provide. This meant that the Subscriber had to provide its decision on the claim within 10 business days, on 9 August 2018.

As the Subscriber provided its decision on the claim on 8 August 2018, the Life CCC determined that the Subscriber was not in breach of section 8.15 of the Code and that the allegation was unfounded.

## Key learnings

Subscribers should request the information that they require to assess the claim as early as possible. Any delays in relation to requesting information can have significant flow on effects on the timeframe required to assess a claim and cause substantial financial and non-financial loss to Consumers.

### Relevant Code Sections

#### 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.

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.