

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:	CX5978	Date:	30 June 2020
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 significant breach of Code obligation 6.3.² Section 6.3 requires the Subscriber to provide consumers with an annual notice in writing each year prior to the anniversary of the Life Insurance policy.

The Subscriber reported that 805 anniversary notices were printed on 27 and 28 December 2018, for policies with anniversary dates of 16 to 19 January 2019. However, due to human error, the anniversary letters were not sent out until 14 January 2019. As a result, some consumers may not have received their anniversary notices prior to the anniversary of the policy, as required by the Code.

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

The Life CCC assessed the matter and confirmed that there was a breach of section 6.3 of the Code which was significant, as assessed by the subscriber.

The Life CCC findings and conclusion:

Section 6.3

The Subscriber reported that annual notices for some of its products are automatically printed several weeks prior to the policy anniversary date. These notices are then collected from the relevant printer by a dedicated administrator and dispatched to consumers.

The administrator who was usually responsible for collecting and dispatching these annual notices was on leave over the holiday period when this incident occurred. A second

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

² The Code sections are provided in full in the last section of the Determination.

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.

administrator was designated the task to collect and dispatch the notices but did not attend work due to illness.

A staff member from another team with access to the same printer collected the notices and placed them in a secure cupboard for confidentiality and in accordance with the Subscriber's clean desk policy. That staff member who placed the annual notices in the cupboard went on leave for two weeks and upon return from leave on 14 January 2019, provided the notices to the dedicated administrator for posting.

While there were unavoidable disruptions to the Subscriber's process that were outside of its control, the Life CCC noted that the Subscriber did not have any form of monitoring or control process in place to ensure that it was compliant with section 6.3 of the Code.

As the Subscriber did not have adequate arrangements to monitor its compliance with the Code and did not have proper control processes in place to prevent the single point of dependency, the Life CCC determined in accordance with the Life CCC Charter clause 7.4(b)(iv)⁴ that the Subscriber's breach of section 6.3 of the Code amounted to systemic non-compliance with the Code.

Process changes

The Subscriber has now trained two additional staff to perform this task, thus removing the single point of dependency and has also implemented greater management oversight of the process. The Life CCC was satisfied that the additional resourcing and the new processes introduced will ensure compliance with the Code and prevent a recurrence of a breach in the future.

Consumer impact and remediation

The Subscriber has written to impacted consumers to advise them of the breach and to contact it should they have any concerns. Given the length of the delay in consumers receiving their anniversary notices was likely to be minimal, the Life CCC was satisfied that the Subscriber's remedial actions were sufficient.

Key Learnings

The Life CCC notes that in this matter whilst the breach of section 6.3 was compounded by human error, its root cause was the single point of dependency. It is therefore important that subscribers ensure they have sufficient processes in place to mitigate against the risk of such an event occurring, for example by implementing wider management oversight or through the allocation of additional resourcing to the task.

Relevant Code Sections

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;

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.

- 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.

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.