

# 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>	CX6511	<b>Date:</b>	1 September 2020
<b>Code sections:</b>	6.3 <sup>1</sup>		
<b>Investigation:</b>	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 6.3 of the Code.

Under section 6.3 of the Code, subscribers are required to provide consumers with an annual notice in writing prior to the anniversary of the Life Insurance Policy. Section 6.3 also lists the specific information that the written annual notice should include.

On 30 October 2019, the Subscriber self-reported a breach of section 6.3 as it identified that the anniversary letters for four of its legacy products were non-compliant between 1 July 2017 and September 2019. Specifically, the Subscriber noted that the anniversary letters did not contain the information under section 6.3(c), (d) and (e) of the Code.

As a result, the Subscriber noted that the breach impacted approximately 550 customers. The Subscriber attributed the cause of the breach to be its failure to update the annual notices prior to Code commencement, and the additional failure to review its system and related processes for Code compliance until September 2019.

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

The Life CCC assessed the matter and confirmed that the self-reported breach of section 6.3 of the Code was significant, as assessed by the Subscriber.

## The Life CCC findings and conclusion:

The Subscriber uses a printing system (main printing system) to generate its annual notice letters. The Subscriber noted that it failed to identify prior to 1 July 2017 that a secondary printing system generated the impacted legacy products. As a result, only the anniversary letter templates which were printed from the main printing system were updated on 1 July

<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.

2017, when the Subscriber adopted the Code. This meant that the letters generated by the secondary printing system were non-compliant with section 6.3 of the Code.

The Life CCC notes that as the Subscriber adopted the Code on 1 July 2017, therefore the Subscriber was non-compliant with section 6.3 of the Code from 1 July 2017 until it identified the breach on 17 September 2019.

To remediate the breach, the Subscriber confirmed that it had issued a letter of apology to the impacted customers on 20 January 2020, which also included the omitted information under section 6.3(c), (d) and (e) of the Code.

The Subscriber also confirmed that all anniversary template letters are now reviewed on an annual basis. In relation to the four impacted legacy products in this matter, the Subscriber further confirmed that from April 2020, the insert has been issued with the existing anniversary letters to ensure that impacted consumers receive all the information required under section 6.3 of the Code.

The Subscriber provided the Life CCC with a copy of the insert which included the omitted information under section 6.3(c), (d) and (e) of the Code along with the existing anniversary letter. The Life CCC reviewed the correspondence and confirmed that the letter contained the information required under section 6.3 of the Code.

As a result, the Life CCC was satisfied that the Subscriber's remedial actions were sufficient.

### **Key learnings**

In this matter, the Subscriber failed to identify all the printing systems which generated annual notices prior to Code commencement. As a result, the Subscriber did not review its secondary system and update the non-compliant letter templates. This error was further compounded by the Subscriber's failure to have adequate internal monitoring processes which would have identified the non-compliant anniversary letter templates within the first year of Code commencement.

Subscribers should ensure that they have sufficient processes in place to mitigate against the errors which occurred in this matter, particularly in relation to legacy products or systems. Section 13.3(a) of the Code requires the subscriber to have appropriate systems and process in place to enable compliance with the Code. When reporting a Significant breach to the Life CCC, subscribers should actively consider the obligations in section 13.3(a), especially when reporting a Significant breach that is caused due to a systemic failure or problem.

## Relevant Code Section

### Section 6.3:

We will provide **you** with an annual notice **in writing** each year prior to the anniversary of **your Life Insurance Policy**.<sup>3</sup> The annual notice will include:

- a) the types of cover **you** are insured for and how much **you** are insured for;
- 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.

### Section 13.3(a)

We will:

- a) have appropriate systems and processes in place to enable compliance with the Code.

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.

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<sup>3</sup> This section 6.3 does not apply to **CCI**, as the requirements for the annual notice for **CCI** are contained in section 4.7.