

# 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>	CX7093	<b>Date:</b>	17 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) reported a significant breach of Code obligation 6.3.

Under this section of the Code, Consumers should be provided with an annual notice in writing prior to the anniversary of the Life Insurance Policy. Section 6.3 also lists the specific information to be included that the written annual notice.

On 9 July 2020, the Subscriber reported a significant breach of section 6.3 of the Code as it identified 2,743 policyholders who had not received their annual notices prior to the anniversary date of their policies.

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

The Life CCC assessed the matter and confirmed the reported breach of section 6.3 as a significant breach of the Code, which was proven in whole.

## The Life CCC findings and conclusion:

The Subscriber noted that the breach was caused by four incidents which were primarily a result of a combination of human error, a failure to follow the existing manual process and inadequate testing of system changes.

The Subscriber has since sent the annual notices to all 2,743 impacted customers on various dates between April and May 2020 and has provided additional training to its staff and implemented a new procedure to better enable it to monitor compliance with section 6.3.

In addition, the Subscriber has a number of planned improvements including implementing a quality assurance and reconciliation process to track correspondence to improve the

<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.

detection of breaches, improving testing practices and implementing automation where possible.

The Life CCC will continue to work with the Subscriber to ensure that the Subscriber has robust processes in place to enable compliance with section 6.3 of the Code.

## Key Learnings:

In this instance, the number of impacted customers amounted to approximately 1.2% of the total number of annual notices issued by the Subscriber in the 2019-2020 financial year. While only a small percentage of non-compliance, the Subscriber considered that having 2,743 affected consumers constituted a significant breach.

The Life CCC considers this to amount to robust reporting and encourages Subscribers to be more open to reporting Code breaches, investigating and learning from the root causes, putting in place measures to prevent a recurrence, and ensuring that its employees are appropriately trained and actively encouraged to identify and report incidents that could be significant breaches of the Code.

### 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**. 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) 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.