



Guidance Note No. 4

Life Insurance Code of Practice – section 6.5

Overview

Section 6.5 of the Life Insurance Code of Practice (the Code) deals with subscribers¹ obligations to provide a customer with the options that may be available to them if the customer wishes to change the terms of their Life Insurance Policy or has trouble meeting their premium payments.

This Guidance Note explains how the Life Code Compliance Committee (the Committee) interprets the

obligations in section 6.5, as well as the best practice standard expected of subscribers by the Committee. The guidance is not intended to apply retrospectively to actions occurring prior to the issue date of the Guidance Note, with subscribers expected to amend their processes and procedures to enable compliance by 1 January 2021.

¹ 'Subscriber' in this Guidance Note means the entity that is bound by the Code, as described by section 2.1 of the Code.

Code section 6.5

*If **you** wish to change the terms of **your Life Insurance Policy**, or if **you** are having trouble meeting **your premium** payments, **we** will tell **you** about the options that may be available to **you**, such as:*

- a) changing **your** benefit structure or how much **you** are insured for;*
- b) reducing **your** benefits and/or removing or altering benefit options in order to reduce **your premium**; or*
- c) stopping **your** payments for a short period. **You** would not be able to make a claim for any event that occurs or condition that is diagnosed or first becomes apparent during this period, but **your Life Insurance Policy** would not be cancelled, in accordance with **our** hardship procedures.*

When the section applies

Code section 6.5 applies whenever a customer:

- wishes to change the terms of their Life Insurance Policy, or
- has trouble meeting their premium payments.

If either situation occurs, the subscriber is obliged to tell the customer about the options that may be available to them.

Section 6.5 lists three examples of the options that may be available to customers. The examples listed are not exhaustive, and subscribers should also provide customers with any relevant options that are not listed in section 6.5.²

Subscribers should tailor the options provided to suit the specific customer's individual circumstances whenever possible.

² Examples may also include but are not limited to:

- Extension of due dates for payment
- Paying in instalments
- Paying a reduced sum
- Waiving premiums for a period of time

Missing one or more premium payments

The Committee has considered the circumstances where a customer misses one or more of their premium payments and whether this constitutes the subscriber becoming aware that the customer may have trouble meeting their premium payment and trigger the operation of section 6.5 of the Code.

In a scenario where a customer has trouble meeting premium payments, the Committee considers that compliance with section 6.5 of the Code requires subscribers to inform the customer:

- that financial hardship options may be available to them, and
- how the customer can contact the subscriber if they are in financial hardship.

In considering this situation and forming its view of good practice, the Committee draws on the spirit of the Code as a whole and takes all circumstances into account when interpreting the Code. The Code was drafted with the purpose of promoting high standards of service to customers in the life insurance industry. The Committee notes that this is especially important for vulnerable customers who may be experiencing financial difficulty.

Therefore, it is critical that the industry prioritise the treatment of vulnerable customers and those experiencing financial hardship to provide them with the important protections offered under the Code.

Where a customer misses one or more of their premium payments, subscribers should proactively inform the customer that they may have options available to them if they are in financial hardship. The Committee notes that inclusion of a standard wording in the template payment reminder letters informing the customer that options may be available and on how to contact the subscriber if they are in financial hardship would amount to good practice.



GOOD PRACTICE EXAMPLES

- ✓ Informing customers that options may be available to them in any correspondence relating to missed premium payments.
- ✓ Including clear directions for customers to contact the subscriber to access financial hardship assistance.

Options available to the customer

While section 6.5 does not include any requirement that the options available to the customer be provided in writing, the Committee considers that providing this in writing is good practice. The method of communicating the options available to the customer will depend on how the customer contacts the subscriber and the customer's preferences. The subscriber should also include information on their websites regarding how customers can access support when in financial hardship.

It is important to note that customers may not use words like “financial hardship” to describe their situation and so subscribers should consider training front line staff to understand how to proactively identify and assist customers.

The Committee considers that these actions are required by the Code and are in line with the spirit and intent of the Code, and notes that the purpose of the Code is to promote high standards of service, provide a benchmark of consistency, and to establish a framework for professional behaviour and responsibilities.

About the Committee

The Committee is the independent body responsible for the administration and enforcement of the Code. It acts in accordance with its Charter, which sets out the powers, duties, functions and responsibilities of the Committee, subject to any provisions in the Code.

Guidance Notes

Guidance Notes are subject to change by the Committee and this document reflects the Committee's views as at the date of publication. The Committee considers all matters on the basis of their individual circumstances and this document does not anticipate all possible issues that might come before the Committee.