

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:	CX6436	Date:	21 December 2020
Code sections:	Section 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 obligations 6.3(c) to (e) on 1 October 2019.

Since 1 July 2017, the Subscriber failed to provide annual notices that contained all the information required by the Code to 1,598 consumers. While the Subscriber had a process for issuing annual notices, the process for impacted consumers required manual intervention as indexation was not applied to their sum insured. This meant that the Subscriber had to manually adjust the sum insured before sending out the annual notices.

A review by the Subscriber identified that its annual notices for this subset of consumers did not include the information required by sections 6.3 (c) to (e) of the Code.

Findings in accordance with Charter clause 7.4(b)(iii)²:

The Life CCC confirmed the matter as a self-reported significant breach of section 6.3 of the Code.

The Life CCC findings and conclusion:

Section 6.3 (c) to (e) of the Code requires Subscribers to issue an annual notice that contains information about the risks of cancelling a policy, who to contact in the event of financial hardship or a request to change the terms of the policy, and what to do in the event of a claim.

The Subscriber's Code implementation programme reviewed annual notices in preparation for the commencement of the Code. The annual notice template used in the situations described above was missed from the review because it was a non-standard manual template which

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

² 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.

was issued for a specific cohort of customers that had requested indexation not to be applied to their policies. This was the only non-standard manual letter in use.

The Subscriber confirmed that as of September 2019, it has:

- updated the content of the non-standard annual notice template letter and issued these to impacted consumers with anniversary dates after 20 September 2019,
- automated its processes for issuing annual notices including those impacted by indexation, and
- introduced a range of measures to prevent further breaches and track compliance with the Code.

In addition, in April 2020 the Subscriber wrote to all impacted consumer apologising for the error and invited them to contact the Subscriber if they had suffered a material detriment as a result of the breach.

The Life CCC determined that the remedial action taken by the Subscriber was sufficient to address its breach of section 6.3 of the Code.

Key learnings

Although not a requirement of the Code, the Life CCC considers the automation of processes and the use of templates when issuing standard letters to amount to best practice in enabling compliance with the Code.

Nonetheless, it is important that alongside any process automation, subscribers also implement measures to monitor the effectiveness of those processes and review them on a regular basis.

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;
- 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.