

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:	CX6613	Date: 23 February 2021
Code sections:	8.3, 8.4, 8.16, 8.17 ¹	
Investigation:	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 obligations 8.3, 8.4, 8.16 and 8.17.

The Subscriber noted that the cause of the breaches was due to multiple factors, including:

- an unexpected increase in the volume of new claims,
- the loss of one of the Subscriber's major Group insurance partners leading to high claims staff turnover,
- the challenging recruitment market for experienced claims assessors, and
- the time required to recruit, on-board, induct and train new claims assessors.

The Subscriber noted that these factors had resulted in an increase in the number of breaches and a deterioration in claim decision times. As a result, the issue was referred to the Subscriber's breach assessment panel on 16 December 2019 which assessed the matter and determined the matter to amount to a reportable significant breach under section 13.4 of the Code.

The Subscriber advised that it had implemented a Task Force to roll out and monitor the progress of actions and reduce the number of breaches. Since implementing its task force, the Subscriber has also introduced a new recruitment model which factored in predicted turnover, segmented the backlog of work, prioritised areas of assessment and focused on undetermined claims.

The Subscriber also noted that it deployed a number of new assessors to enhance its compliance capability and that new claim volumes have reduced, allowing for additional capacity to be redeployed.

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

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

The Life CCC assessed the matter and confirmed the reported breach of sections 8.3, 8.4, 8.16 and 8.17 as a significant breaches of the Code, which were proven in whole.

The Life CCC findings and conclusion:

Section 8.3

Section 8.3 of the Code requires a subscriber to explain their claims process to a consumer within 10 business days of the subscriber being notified of a claim.

The Subscriber recorded 269 instances of non-compliance with section 8.3 in December 2019 where it failed to explain the claims process to the consumer within 10 business days. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.3 of the Code.

The cause of the breach was deemed to be the lack of resourcing and an increase in claims volumes during November/December 2019. This meant that the Subscriber did not have sufficient resources to meet the timeframe requirement in section 8.3 of the Code.

Since January 2020, the Subscriber has improved its resourcing capabilities, leading to a reduction in the number of breaches of section 8.3, with the Subscriber recording zero breaches of section 8.3 between June and September 2020.

Section 8.4

Section 8.4 of the Code requires a subscriber to provide a consumer with updates on their claim at least every 20 business days unless otherwise agreed and to respond to requests for information about a claim within 10 business days.

The Subscriber recorded 767 instances of non-compliance with section 8.4 in December 2019. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.4 of the Code.

As with section 8.3, the cause of the breach of section 8.4 was deemed to be the lack of resourcing and the increase in claims volumes in November/December 2019. Since the Subscriber's improvement of its resourcing capabilities, the number of breaches of section 8.4 have gradually decreased, however remediation remains incomplete for some legacy matters caused by previous capacity constraints.

Section 8.16

Section 8.16 of the Code requires a subscriber to communicate its decision on an income-related claim within 2 months, unless Unexpected Circumstances apply.

The Subscriber recorded 93 instances of non-compliance with section 8.16 in December 2019. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.16 of the Code.

As with sections 8.3 and 8.4, the breach of section 8.16 was deemed to be caused by the lack of resourcing and the increase in claims volumes in November/December 2019. The Subscriber has since significantly reduced the number of ongoing section 8.16 breaches. However, remediation remains incomplete for some legacy matters caused by previous capacity constraints.

Section 8.17

Section 8.17 of the Code requires a subscriber to communicate its decision on a claim within 6 months, unless Unexpected Circumstances apply.

The Subscriber recorded 46 instances of non-compliance with section 8.17 in December 2019. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.17 of the Code.

As with the breaches listed above, the breach of section 8.17 was deemed to be caused by the lack of resourcing and the increase in claims volumes in November/December 2019. The Subscriber has since significantly reduced the number of ongoing breaches of section 8.17. However, remediation remains incomplete for some legacy matters caused by previous capacity constraints.

Key learnings

Breaches relating to resourcing issues are difficult to remediate quickly. The Subscriber in this instance required 6 months before it was able to substantially reduce the number of breaches, and requires further time to fully complete its remediation activities.

The Life CCC encourages Subscribers to proactively ensure that they have sufficient ongoing resources to enable the efficient handling of claims, as resourcing issues often require multiple months to remediate.

In this case, the Life CCC will continue to monitor progress of the Subscriber's compliance remediation activities to ensure they are effective and sufficient to ensure ongoing compliance with its Code claims handling obligations.

Relevant Code Sections

Section 8.3

Within ten **business days** of being notified about **your** claim, **we** will explain to **you** **your** cover and the claim process, including why **we** request certain information from **you** and any waiting period before payments will be made. **We** will give **you** contact details that **you** can use to get information about **your** claim.

Section 8.4:

Prior to making a decision on **your** claim, **we** will keep **you** informed about the progress of **your** claim at least every 20 **business days** unless otherwise agreed with **you** or the **Group Policy-owner**. **We** will respond to **your** requests for information about **your** claim within ten **business days**.

Section 8.16:

For all claims other than income-related claims, **we** will let **you** know **our** decision no later than six months after **we** are notified of **your** claim or six months after the end of any waiting period, unless **Unexpected Circumstances** apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree we will review this. If **we** cannot make a decision within 12 months, **we** will give **you** details of **our Complaints** process.

Section 8.17:

For all claims other than income-related claims, **we** will let **you** know **our** decision no later than six months after **we** are notified of **your** claim or six months after the end of any waiting period, unless

Unexpected Circumstances apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give you details of **our Complaints** process.

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.