

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:	CX7235	Date:	15 March 2021
Code sections:	4.7(g) 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 section 4.7(g) of the Code.

Section 4.7(g) requires subscribers to provide customers of Consumer Credit Insurance (CCI) with an annual notice in writing each year prior to the anniversary of their life insurance policy. The annual notice must include the period of cover, the types of cover and the contact details if the customer has any questions or needs to make a claim.

The Subscriber offers CCI policies which are attached to the customer's credit card. The credit cards are provided by a third party that is not a subscriber to the Code. To ensure that customers receive their annual notice letters prior to the anniversary of their policy, the third party provides policy data to the Subscriber. The Subscriber then uses a monthly batch process to identify the customers which require annual notices for a specific month.

Due to an error in the data logic applied by the Subscriber, 143 customers were not sent annual notices for their CCI policies between June 2018 and September 2020.

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

The Life CCC assessed the matter and confirmed the reported breach of section 4.7(g) as a significant breach of the Code, which was proven in whole.

The Life CCC findings and conclusion:

The root cause of this breach was identified as deficiencies in the testing and validation of the policy data files, data definitions and data logic. This resulted in the Subscriber's batch process failing to identify these 143 customers as requiring an annual notice letter. As the Subscriber

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.

failed to send annual notices to 143 customers, the Life CCC confirmed the Subscriber's self-reported significant breach of section 4.7(g) of the Code.

The Subscriber has since completed modifications to the logic used by its monthly batch process to ensure that all relevant customers are flagged and sent an annual notice. This includes modifications to the policy data extracts, definitions and logic which supports the Subscriber's monthly batch process, as well as the creation of a monthly review process. In addition, the Subscriber confirmed that it had written to all 143 impacted customers to inform them of the breach and provide them with their annual notice.

The Life CCC will continue to monitor the Subscriber's compliance with section 4.7(g) of the Code to ensure that the Subscriber's remediation is sufficient and that the issue does not recur.

Key learnings

The Life CCC encourages the use of automation in subscribers' processes and procedures but notes that the processes used have to be robust and correctly aligned to the obligations in the Code. Subscribers should conduct regular reviews to 'stress test' their processes to ensure that such errors do not occur.

Relevant Code Section

Section 4.7(g):

If **you** apply for a consumer credit insurance (**CCI**) **Life Insurance Policy** as an add-on to another financial product, either with **us** directly or through our **Authorised Representative**, **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:

- i. the period of cover;
- ii. the types of cover; and
- iii. contact details if **you** have any questions or need to make 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.