

# 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>	CX4844	<b>Date:</b>	22 March 2021
<b>Code sections:</b>	3.2 <sup>1</sup>		
<b>Investigation:</b>	A consumer-reported alleged Code breach		

## The alleged Code breach:

The Consumer purchased two insurance policies from a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code). The policies were purchased by the Consumer in or around 1997, prior to the Subscriber's adoption of the Code.

The first policy was owned by the Consumer's husband, and the second policy was owned by the Consumer and included critical illness cover for the Consumer's husband.

The Consumer's husband passed away in June 2018 due to cardiac arrest and the Consumer lodged a death claim under her husband's policy. As part of that claim, the Consumer asked the Subscriber if her husband's condition qualified under the critical illness benefit in her policy.

The Subscriber responded to the Consumer and advised that the Consumer's husband's cardiac arrest did not meet the relevant medical definition in the critical illness benefit of her policy as her husband did not survive for 14 days after first suffering the critical condition. However, the Subscriber advised that the Consumer qualified for a life cover benefit in lieu of the critical illness benefit.

The Subscriber subsequently sent the Consumer a letter on 23 July 2018 noting that the Consumer's death claim under her husband's policy was accepted and that the Consumer also qualified for a life cover benefit under her policy.

The Consumer lodged a Code breach allegation against the Subscriber on 27 November 2018 and noted that the Subscriber's cardiac arrest medical definition was not up to date, resulting in her being unable to claim under the critical illness benefit of her policy. As a result, the Life CCC reviewed the Subscriber's compliance with section 3.2 of the Code.

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<sup>1</sup> The Code sections are provided in full in the last section of the Determination.

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

The Life CCC determined that the Subscriber was not in breach of section 3.2 of the Code and that the allegation was unfounded.

### The Life CCC findings and conclusion:

#### Section 3.2

Section 3.2 requires a subscriber to update the medical definitions in their on-sale policies at least every three years.

The Subscriber has confirmed that the Consumer's policy ceased to be on-sale to new customers in November 2011. As a result, the Consumer's policy does not fall within the scope of section 3.2 of the Code as the policy ceased to be on-sale prior to the Subscriber's adoption of the Code.

This meant that the Subscriber was not required to review the medical definitions in the policy every three years as section 3.2 is limited to on-sale policies. As a result, the Life CCC determined that the Subscriber was not in breach of section 3.2 of the Code and that the allegation was unfounded.

#### Key learnings

The Code currently does not require subscribers to review medical definitions in off-sale policies. The Life CCC notes that there are a substantial number of consumers who own off-sale policies which have medical definitions that are outdated.

This may result in unfair outcomes for consumers who may be entitled to claim if an updated medical definition is used. The Life CCC encourages subscribers to review and update the medical definitions in their off-sale policies as well to ensure that consumers are provided with a level of cover that is appropriate and fit for purpose.

### Relevant Code Section

#### Section 3.2

The medical definitions in **our** on-sale policies for benefits that are payable after a defined medical event will be reviewed at least every three years and updated where necessary to ensure the definitions remain current. This will be done in consultation with relevant medical specialists. When medical definitions in **your Life Insurance Policy** are updated by **us** as a result of this, **we** will let you know.

<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.

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.