

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:	CX6574	Date:	22 March 2021
Code sections:	8.15, 8.17 and 8.19 ¹		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer is a member of a superannuation fund. As part of their membership, the Consumer obtained life insurance including a Total and Permanent Disability (TPD) benefit. The life insurance was issued by a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code), and the policy was owned by a Group Policy-owner (the Trustee).

The Consumer lodged a TPD claim on 22 May 2019. As a result, the Subscriber had to provide its decision on the claim within six months from that date, by 22 November 2019.

The Consumer lodged a Code breach allegation against the Subscriber on 10 December 2019 alleging that the Subscriber was in breach of sections 8.15, 8.17 and 8.19 of the Code as the Subscriber had not provided a decision on the TPD claim within six months.

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

The Life CCC determined that the Subscriber:

- was not in breach of section 8.17 of the Code and that the allegation was unfounded,
- was not in breach of section 8.19 of the Code and that the allegation was unfounded, and
- was in breach of section 8.15 of the Code and that the allegation was proven in whole.

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.

The Life CCC findings and conclusion:

Section 8.17

Section 8.17 of the Code requires a subscriber to communicate its decision on a TPD claim within six months, unless Unexpected Circumstances applies. As the Consumer lodged a TPD claim on 22 May 2019, the Subscriber had to provide its decision on the claim by 22 November 2019.

Based on the information available, the Subscriber communicated its decision to decline the Consumer's TPD claim to the Trustee on 21 November 2019. The Trustee, as the owner of the policy, would then review and communicate the decision to the Consumer.

As noted in section 8.1 of the Code, a claim which is made under a Group policy may require the subscriber to communicate with the Group Policy-owner, who will then communicate with the consumer.

The six month timeframe in section 8.17 measures the time that the Subscriber has to provide its decision to either the Life Insured, Policy-owner or Third Party Beneficiary. As the Subscriber provided the Trustee (the Policy-owner) with the decision on the claim within the six month timeframe as required under section 8.17, the Life CCC determined that the Subscriber was not in breach of section 8.17 of the Code and that the allegation was unfounded.

Section 8.19

Section 8.19 requires a subscriber to inform a consumer of a claim decline in writing, and to include the information listed in section 8.19(a) to (c):

- the reasons for the claim decline,
- that the consumer has the right to copies of the documents and information relied on and that if requested the subscriber will provide copies within ten business days, and
- that the consumer has the right to request a review of the decision and include details of the subscriber's complaints process.

The Subscriber provided its decision on the claim to the Trustee on 21 November 2019. The Subscriber's correspondence included the reason for the claim decline, the Consumer's right to request a review of the decision, copies of the documents that the Subscriber relied on and the details of the Subscriber's complaints process.

As noted above, in some circumstances the Subscriber may have to communicate with the Trustee instead of the Consumer, and the Trustee would then communicate with the Consumer. As the claim decline was communicated to the Trustee according to the Subscriber's obligations under section 8.19 of the Code, the Life CCC determined that the Subscriber was not in breach of section 8.19 of the Code and that the allegation was unfounded.

Section 8.15

Section 8.15 requires a subscriber to communicate a claim decision within 10 business days of receiving all the information that the subscriber reasonably needs to assess a claim.

The Subscriber acknowledged a breach of section 8.15 of the Code as it noted that it had received all the information that it reasonably needed to assess the claim on 20 September

2019. This meant that the Subscriber should have provided its decision on the claim by 7 October 2019, 10 business days from when it received all the information that it required.

The Subscriber only communicated its decision to the Trustee on 21 November 2019. As a result, the Life CCC determined that the Subscriber was in breach of section 8.15 of the Code and that the allegation was proven in whole.

The Subscriber noted that the breach occurred as the claims assessor had requested the Consumer's Income Protection (IP) claim file from another insurer, which included information relevant to determining the Consumer's eligibility for cover under the Consumer's TPD claim.

However, the information that the Subscriber required was provided by the Consumer in a phone call on 20 September 2019, but the claims assessor failed to note that the Consumer's IP file was no longer required. The Life CCC noted that the breach was isolated to this Matter and was caused by the claims assessor's human error.

Key learnings

The Subscriber was not in breach of sections 8.17 and 8.19 of the Code in this instance as it provided its decision to decline the claim to the Trustee within the timeframe specified by the Code. While the Trustee had received the decision on the claim, the Trustee had not provided the decision to the Consumer, who was unaware at the time of allegation that the Subscriber had made its decision on the claim.

The Life CCC notes that in many instances Subscribers may be required to only communicate with the Trustee and cannot communicate directly to the Consumer. However, where possible the Life CCC encourages Subscribers to keep the Consumer updated about the status of their claim. For example, in this instance the Subscriber could have informed the Consumer that the decision on the claim had been made and was with the Trustee for review.

In the view of the Life CCC, this would be in line with the spirit of the Code and would be consistent with the principles of clarity and transparency under section 1.5 of the Code.

Relevant Code Sections

Section 8.15:

Once **we** have all the information **we** reasonably need and have completed all reasonable enquiries to assess **your** claim, including **your** response to the evidence **we** are basing **our** decision on if **we** have presented this to **you**, **we** will let **you** know **our** decision on **your** claim within ten **business days**.

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.

Section 8.19:

If **we** decline **your** claim **we** will let **you** know **in writing**:

- a) the reasons for **our** decision;
- b) that **you** have the right to copies of the documents and information **we** have relied on, and if **you** request **we** will provide **you** (or **your** doctor, where appropriate) with copies within ten **business days**, in accordance with the Access to Information section of the **Code**; and

- c) that **you** have the right to request a review if **you** disagree with **our** decision, and **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.