

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:	CX4891	Date:	27 April 2021
Code sections:	6.5 ¹		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer held a life insurance policy that was issued by a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code).

The Consumer was hospitalised in April 2018. The Consumer's husband was physically making payments each month for the Consumer's life insurance policy with cash. Due to the Consumer's hospitalisation, her husband was not able to make the April 2018 payment on the Consumer's life insurance policy.

The Subscriber sent three letters to the Consumer noting that if payment was not received the policy would be cancelled. When no payments were received, the Subscriber subsequently cancelled the Consumer's policy in June 2018.

The Consumer called the Subscriber on 25 June 2018 to query the cancellation of the policy. As a result, the Subscriber provided the Consumer with the options available to her required under Section 6.5, and offered the Consumer a reinstatement of the policy, provided all outstanding premiums were paid before 19 November 2018.

On 18 December 2018, the Consumer's representative lodged a Code breach allegation alleging that the Subscriber was in breach of section 6.5 of the Code.

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

The Life CCC determined that the Subscriber was not in breach of section 6.5 of the Code and that the allegation was unfounded.

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 findings and conclusion:

Section 6.5

Section 6.5 of the Code applies when a consumer wishes to change the terms of a policy or if a consumer has trouble meeting their premium payments. If either of these two scenarios occur, a subscriber has to tell the consumer of the options that may be available, including but not limited to the options listed in section 6.5(a) to (c).

In this instance, the Matter revolved around whether a consumer missing one or more premium payments constituted a subscriber becoming aware that the consumer was having trouble meeting their premium payments. Based on the facts of the matter, and the interpretation of section 6.5 at that time, the Life CCC determined that the Subscriber was not in breach of the Code in this instance.

The Life CCC considered this issue further and released Guidance Note 4 on section 6.5 in November 2020.³ The Life CCC formed the view that, in the spirit of the Code, when a consumer misses one or more of their premium payments, subscribers should put in place procedures to proactively inform the consumer that they may have options available to them if they are in financial hardship and requested subscribers to do so by 1 January 2021.

The Life CCC noted that the events in this Matter occurred prior to the issuance of the Guidance Note 4 in November 2020.

The Life CCC notes that the Subscriber provided the Consumer with the options available to her on 25 June 2018 after the Consumer called the Subscriber to query the cancellation of her policy, and that the Subscriber also subsequently reinstated the Consumer's cover.

Key learnings

The Life CCC expects that all subscribers have now amended their section 6.5 processes and procedures to enable compliance with the Life CCC's interpretation of section 6.5 as noted in Guidance Note 4 issued in November 2020.

The Guidance Note clarifies that the obligation in section 6.5 of the Code should be triggered when a consumer misses one or more premium payments as this may mean that the consumer is in financial hardship. The Life CCC notes that good practice would amount to the inclusion of a standard wording in the template payment reminder letters informing consumers that options may be available to them and informing consumers of how to contact the subscriber if they are in financial hardship.

The Life CCC will continue to monitor and work with subscribers to ensure that consumers experiencing financial hardship are treated fairly and respectfully and provided with the options available to them.

Relevant Code Section

Section 6.5

If **you** wish to change the terms of **your Life Insurance Policy**, or if **you** are having trouble meeting **your premium** payments, **we** will tell **you** about the options that may be available to **you**, such as:

³ Guidance Note 4 can be found on the Life CCC's website lifeccc.org.au

- a) changing **your** benefit structure or how much **you** are insured for;
- b) reducing **your** benefits and/or removing or altering benefit options in order to reduce **your premium**; or
- c) stopping **your** payments for a short period. **You** would not be able to make a claim for any event that occurs or condition that is diagnosed or first becomes apparent during this period, but **your Life Insurance Policy** would not be cancelled, in accordance with **our** hardship procedures.

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.