

## 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>	CX6078	<b>Date:</b>	7 April 2021
<b>Code sections:</b>	Section 8.15 <sup>1</sup>		
<b>Investigation:</b>	Monitoring conducted by the Life CCC		

### The alleged Code breach:

As part of a Life CCC investigation into another matter, the Life CCC identified that a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) may have breached section 8.15 of the Code, specifically in relation to death claims involving claims staking.

Claims staking occurs when a subscriber (or trustee) determines to accept a claim but requires further information to determine the potential beneficiaries of the benefit payment.

The Life CCC subsequently determined to investigate and monitor the Subscriber's compliance with section 8.15 in relation to death claims which involved claim staking and requested that the Subscriber provide additional information in relation to its section 8.15 breach data and claims staking process.

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

The Life CCC assessed the matter and confirmed that the Subscriber was in breach of section 8.15 of the Code, and that the breach amounted to systemic non-compliance with the Code.

In addition, the Life CCC determined that the Subscriber's enhancements to its section 8.15 process in June 2018 and additional remedial staff training activities were adequate to enable compliance with section 8.15 of the Code.

### The Life CCC findings and conclusion:

The Life CCC initially raised the issue of the Subscriber's non-compliant claims staking process for death claims as part of its investigation into another matter. In response, the

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

<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.

Subscriber amended its section 8.15 process in June 2018. The Subscriber implemented additional procedures including:

- utilising template letters to ensure that the claim acceptance decision was communicated to consumers even though the Subscriber required additional information to facilitate payment; and
- communicating the claim acceptance within the 10 business day timeframe required by section 8.15 prior to conducting claims staking.

At the Life CCC's request, the Subscriber provided breach data for the periods 1 July 2018 and 30 June 2019 and 1 July 2019 and 30 June 2020. Whilst acknowledging that there remained some low levels of breaches, albeit reducing year-on-year, the Subscriber advised that these were mainly caused by its staff failing to follow its section 8.15 process. Remedial staff training was implemented as the corrective action for the breaches. The Life CCC noted that the Subscriber reported a compliance rate of approximately 98% for section 8.15 in December 2020.

The Life CCC is now satisfied that the Subscriber's ongoing remediation training programme and process amendments are adequate to enable compliance with section 8.15 of the Code. Prior to the June 2018 enhancements and subsequent staff training, the Life CCC noted that the majority of the Subscriber's death claims with claims staking would have amounted to breaches of section 8.15 of the Code.

The Life CCC will continue to monitor and work with the Subscriber to ensure that the Subscriber's actual compliance with section 8.15 continues to trend upwards.

### **Key learnings**

The Life CCC notes that while the use of automated processes and standard templates is best practice and the most effective way for subscribers to maintain a high level of compliance with the Code, the importance of providing staff with ongoing training and building reminders and 'checkpoints' into processes is equally important and helps in reducing the likelihood of human error.

The Life CCC encourages subscribers to automate their processes and provide appropriate and ongoing training to staff where possible to minimise the risk of non-compliance.

### **Relevant Code Section**

#### **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**.

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.