

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:	CX4684	Date:	25 June 2021
Code sections:	8.15, 13.3(a) ¹		
Investigation:	Self-reported non-compliance by a Code subscriber		

The alleged Code breaches:

A Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) self-reported a breach of sections 8.15 and 13.3(a) of the Code.

Under section 8.15 of the Code, subscribers are required to communicate a claim decision within 10 business days of making all reasonable enquiries and receiving all the information that they reasonably need to assess a claim. Under section 13.3(a) of the Code, subscribers are required to have appropriate systems and processes in place to enable compliance with the Code.

On 21 September 2018, the Subscriber self-reported a breach of sections 8.15 and 13.3(a) of the Code (first breach event). The Subscriber identified that it did not have appropriate systems and processes in place as it had incorrectly measured the 10-business day timeframe to commence from the date a claim decision was made to the date the claim decision was communicated to consumers between 1 July 2017 to 14 September 2018.

On 13 August 2019, the Subscriber self-reported a subsequent breach of the same sections of the Code (second breach event). The Subscriber identified that it did not have appropriate systems and processes in place as, due to a procedural anomaly, the 'Communicate Decision' task did not automatically generate for claims where a 'Decision date' was manually entered into the system between 1 July 2017 and 10 July 2019. Therefore, the system was unable to track the dates in which the Subscriber was required to communicate the decision on those claims to consumers or policyholders.

As a result, the Subscriber noted that:

- In relation to the first breach event, there were 22 instances within the Subscriber's first reporting period where it had not complied with the timeframe requirement.

¹ The Code sections are provided in full in the last section of the Determination.

- In relation to the second breach event, the Subscriber had breached the timeframe requirement in approximately 4,000 to 5,500 claims and instances.

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

The Life CCC assessed the matter and confirmed that the self-reported breach of sections 8.15 and 13.3(a) of the Code were significant, as assessed by the Subscriber.

The Life CCC findings and conclusion:

First breach event

On 21 September 2018, the Subscriber self-reported a breach of sections 8.15 and 13.3(a) of the Code as the Subscriber had misinterpreted the Code obligations and therefore incorrectly measured when the 10-business day timeframe commenced and concluded between 1 July 2017 and 14 September 2018.

Under section 8.15, the 10-business day timeframe commences when a subscriber receives the final piece of information and completes all reasonable enquiries which are required to make a decision on the claim. However, in this matter, the Subscriber measured the 10-business day timeframe to commence from the date a claim decision was made to the date the claim decision was communicated to consumers.

As a result, the Subscriber reported that it did not have appropriate systems and processes in place during the above-mentioned period as it had not complied with the timeframe requirement in 22 instances within its first reporting period.

Second breach event

On 13 August 2019, the Subscriber self-reported a breach of sections 8.15 and 13.3(a) of the Code again as it identified a procedural anomaly after a routine testing whereby the 'Communicate Decision' task did not automatically generate if a 'Decision date' was manually entered into the system between 1 July 2017 and 10 July 2019.

As a result, the Subscriber reported that it did not have appropriate systems and processes in place as the system was unable to and therefore did not track the dates in which the Subscriber was required to communicate the decision in approximately 4,000 to 5,500 claims to consumers or policyholders during the above-mentioned period.

Given the impact of the two breach events due to inadequate systems and processes outlined above, the Life CCC confirmed the self-reported breaches of sections 8.15 and 13.3(a) as significant breaches of the Code.

Remediation

The Subscriber confirmed that it has since implemented the following remediation actions in relation to each breach event:

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.

First breach event

- The Subscriber developed an information list within the system in September 2018 which records the dates when the information was requested and received, and automatically commences a 10-business day countdown when all the information has been received.
- Where the Subscriber continues to uphold a decision issued previously to a consumer or policyholder, the Subscriber records the claim status which automatically generates a 'Communicate Claim Decision' task within the system and the date where a decision must be communicated to the consumer.
- Implemented systems and section 8.15 Code specific refresher training to claims staff between March 2019 to May 2019.

Second breach event

- Implemented a system fix to prevent manual alteration of the field within the system in July 2019.
- Implemented additional preventative and detective controls in place to enhance its processes – which included staff training, case conferencing, second signoffs, monthly quality assurance audits and exception reporting.
- Reviewed the system fix implemented from 11 July 2019 to 31 August 2019 and confirmed that the 'Communicate Claim Decision' task was generated in all claims during that period.

As a result, the Life CCC was satisfied that the Subscriber's remedial actions were sufficient to remediate both breach events.

Key learnings

The Life CCC is encouraged by the Subscriber's compliance culture, demonstrated in this instance, through the Subscriber's comprehensive self-reporting of sections 8.15 and 13.3(a) of the Code.

Given that the Code is in its fourth year of operation, the Life CCC expects all subscribers to conduct periodic reviews and run regular reporting of their systems, processes and procedures to detect and remediate breaches promptly, thereby minimising consumer detriment.

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 13.3(a):

We will:

- a) have appropriate systems and processes in place to enable compliance with the **Code**;

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.