

# 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>	CX6364	<b>Date:</b>	25 June 2021
<b>Code sections:</b>	8.3 <sup>1</sup>		
<b>Investigation:</b>	Self-reported non-compliance by a Code subscriber		

## The alleged Code breach:

A Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) reported a significant breach of section 8.3 of the Code. Section 8.3 of the Code requires a subscriber to explain the cover and the claims process to a consumer within 10 business days of the consumer lodging a claim.

The Subscriber noted that it failed to provide 110 consumers with the information required within the 10 business day timeframe in section 8.3 of the Code. This resulted in the 110 impacted consumers experiencing delays ranging from 10 to 32 days. This occurred between March and July 2019, and the Subscriber has confirmed that no other instances occurred outside this period.

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

The Life CCC assessed the matter and confirmed the reported breach of section 8.3 as a significant breach of the Code, which was proven in whole.

## The Life CCC findings and conclusion:

### Section 8.3

When receiving a new claim, the Subscriber's system sends out an alert to its claims assessors. The alert is the trigger for the 10 business day timeframe in section 8.3 for the claims assessor to explain the cover and claims process to the consumer.

The system processes these alerts in 'batches'. Due to changes to the system made by the Subscriber, the system was interrupted while it was in the middle of processing a batch, resulting in subsequent batches of alerts not being processed properly.

<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.

While monitoring was in place to alert staff of such a scenario, a prior IT project had migrated the storage for the batches to a newer platform and the monitoring was not reconfigured to monitor this new location. This resulted in the Subscriber only becoming aware of this issue in July 2019.

As noted above, this resulted in the Subscriber failing to explain the cover and claims process to 110 consumers within the timeframe required in section 8.3 of the Code, and the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.3 of the Code.

To prevent this issue from reoccurring, the Subscriber has repaired its system and re-configured the monitoring to the new file server location. This enables the Subscriber to monitor the release of the batches and track its compliance with section 8.3 of the Code. The Subscriber has confirmed that no other breaches of section 8.3 have been identified.

The Subscriber has also confirmed that it has notified the impacted consumers and will remediate all consumers for the appropriate amount of interest according to the delay of any admitted claim.

### **Key learnings**

The breach in this instance was caused by the Subscriber's failure to ensure that the changes that it was making to its system did not have any unintended adverse effects on its Code compliance obligations in the processing of claims.

While subscribers should continually upgrade and improve their systems, subscribers should be careful to ensure that any changes or improvements made do not cause breaches of the Code. The Life CCC encourages subscribers to conduct a risk assessment and additional monitoring and reviews of its compliance whenever substantial changes are made to its processes or systems.

### **Relevant Code Section**

#### **Section 8.3**

Within ten **business days** of being notified about **your** claim, **we** will explain to **you your** cover and the claim process, including why **we** request certain information from **you** and any waiting period before payments will be made. **We** will give **you** contact details that **you** can use to get information about **your** claim.

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.