

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:	CX6339	Date:	21 July 2021
Code sections:	8.3, 8.4, 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 8.3, 8.4, 8.15 and 13.3(a) of the Code.

The Subscriber reported three breach events on three separate occasions after it identified transitional data migration system related defects had occurred when the Subscriber migrated its Group policies onto a new claims management system. As a result, the Subscriber was required to utilise manual processes which incurred delays to claims within the Group channel.

On 13 August 2019, the Subscriber self-reported a breach of sections 8.3 and 8.4 of the Code (First significant breach) after it identified a temporary system defect which prevented its Group claims team from registering and creating newly received claims on the claims management system. As a result, the Subscriber manually registered approximately 340 claims on the system which resulted in delays and 109 breaches of the section 8.3 and 132 breaches of the section 8.4 between 17 June 2019 to 31 July 2019.

On 24 September 2019, the Subscriber self-reported a breach of section 8.4 of the Code (Second significant breach). The Subscriber noted that the impact of the First significant breach event resulted in increased workloads and resourcing strain on Group case management teams which led to an additional 55 breaches of section 8.4 between 1 August 2019 to 31 August 2019.

On 22 October 2019, the Subscriber self-reported a breach of sections 8.15 and 13.3(a) of the Code (Third significant breach). The breach of section 8.15 on 16 occasions between 1 September 2019 to 30 September 2019 occurred due to delays incurred as a result of the manual interim processes utilised to address the system defects. As a result, the Subscriber also self-reported a breach of section 13.3(a) of the Code.

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

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 8.3, 8.4, 8.15 and 13.3(a) of the Code were significant, as assessed by the Subscriber.

The Life CCC findings and conclusion:

Sections 8.3, 8.4, 8.15 and 13.3(a)

Section 8.3 requires a subscriber to explain to consumers, within 10 business days of being notified of their claim, details of their cover, the claim process and provide contact details for them to obtain information about their claim.

Section 8.4 requires a subscriber to provide updates on a claim prior to making a decision at least every 20 business days unless otherwise agreed (in addition to responding to information requests within 10 business days).

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

Section 13.3(a) states that subscribers will have appropriate systems and processes in place to enable compliance with the Code.

First significant breach

As noted above, on 13 August 2019, the Subscriber reported that, between 17 June 2019 and 31 July 2019, it had:

- breached the timeframe requirement under section 8.3 of the Code on 109 instances
- breached the 20-business day timeframe under section 8.4 of the Code on 132 instances

The Subscriber noted that the cause of this breach event was due to a temporary system defect which prevented its Group claims team from registering and creating newly received claims on the new claims management system. As a result, the Subscriber was required to manually register approximately 340 claims on the new system which incurred delays and resulted in the breach event.

Second significant breach

On 24 September 2019, the Subscriber self-reported that it had breached section 8.4 of the Code on 55 instances between 1 August 2019 to 31 August 2019. The Subscriber incurred further delays as the case management teams experienced increased workloads and resourcing strain, as they had to catch-up on the newly received claims after the 340 claims were created manually.

Third significant breach

On 22 October 2019, the Subscriber self-reported a breach of sections 8.15 and 13.3(a) of the Code. Similar to the Second significant breach event, the breach of section 8.15 occurred due to the interim manual processes utilised to address the system defects. As a result, the Subscriber confirmed that it had breached the 10 business day timeframe under section 8.15

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.

on 16 instances between 1 September 2019 to 30 September 2019. The Subscriber noted that none of the breaches potentially resulted in any significant financial loss to the impacted claimants as 5 impacted claims were declined, and the remaining were breached by an average of 6 business days.

Given the impact of the system defects and delays incurred through interim manual processes, the Subscriber self-reported a breach of section 13.3(a) of the Code and acknowledged that it did not have appropriate systems and processes in place to enable full compliance with the Code between 17 June 2019 and 30 September 2019.

Remediation

- In relation to section 8.3 of the Code, the Subscriber confirmed that it completed the backlog of delayed claim notifications by 13 August 2019. Further, all impacted 109 consumers received the Subscriber's claim acknowledgement letter which included an apology explaining the delays incurred and Code breach.
- In relation to section 8.4 of the Code, the Subscriber confirmed that it contacted and provided claim updates to all 187 impacted consumers by 29 October 2019.
- In relation to section 8.15 of the Code, the Subscriber confirmed that prior to the system fix, as an interim measure, it utilised a weekly 'Claims Assistance Report' which was reviewed weekly by team managers and lead case consultants, to ensure that claims are progressed in compliance with section 8.15 of the Code. The Subscriber also confirmed that as an additional control exercise, it undertook a bi-monthly audit of 10% of each Group claims consultant's portfolio as part of the Claims Quality Assurance Framework.
- The Subscriber confirmed that its technology team has fully addressed all transitional issues which occurred in this matter, the claims management system is fully operational, and the Subscriber has not encountered any further issues arising from the system transition.

As a result, given the above remediation actions implemented by the Subscriber, the Life CCC is satisfied that the Subscriber has remediated the matter in full and has appropriate systems and processes in place under section 13.3(a) to enable compliance with sections 8.3, 8.4 and 8.15 of the Code.

Key learnings

The Life CCC recognises that implementation of new systems can be complex, challenging and take considerable time and resources. Detailed planning, risk management and effective project management of systems implementation can assist in mitigating system errors and delays and related risks of incurring Code breaches. Nonetheless, the Life CCC appreciates that, like human error, system related issues cannot be completely prevented and will inevitably impact many consumers when they occur. The Life CCC is encouraged by the Subscriber's openness demonstrated through comprehensive self-reporting of three significant breach events. The Life CCC also acknowledges the significant effort and sustained remediation implemented by the Subscriber through the use of interim manual processes and subsequent system fixes, to ensure that it has adequate processes in place.

Relevant Code Sections

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.

Section 8.4:

Prior to making a decision on **your** claim, **we** will keep **you** informed about the progress of **your** claim at least every 20 **business days** unless otherwise agreed with **you** or the **Group Policy-owner**. **We** will respond to **your** requests for information about **your** claim within ten **business days**.

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.