

# 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>	CX6600	<b>Date:</b>	23 July 2021
<b>Code sections:</b>	6.3 <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) self-reported a breach of section 6.3 of the Code.

Under section 6.3 of the Code, subscribers are required to provide consumers with an annual notice in writing prior to the anniversary of the Life Insurance Policy. Section 6.3 also lists the specific information that the written annual notice should include.

On 13 December 2019, the Subscriber self-reported a breach of section 6.3 of the Code after it identified system related issues had occurred between the Subscriber and a third-party provider which resulted in the Subscriber's non-compliance of the section on three separate occasions.

Subsequently, the Subscriber identified two additional instances of non-compliance with section 6.3 of the Code. The first instance was caused by a technical issue with a data file which prevented the third-party provider from generating annual notices. The second instance was caused by ad hoc requests for annual notices from consumers' advisers. The Subscriber notified the Life CCC of these events on 4 March 2020 and 14 May 2020 respectively.

As a result, the Life CCC notes and the Subscriber confirmed that 2,526 consumers were impacted in this matter.

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

The Life CCC assessed the matter and confirmed that the self-reported breach of section 6.3 of the Code was significant, as assessed by the Subscriber.

<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.

## The Life CCC findings and conclusion:

### Section 6.3

On 13 December 2019, the Subscriber reported that it had breached section 6.3 of the Code on three separate occasions due to system related issues which occurred between the Subscriber and a third-party provider who was responsible for processing the data files and generating annual notices. The Subscriber noted the following cause of the breach on each occasion:

- In relation to the breach which occurred on 15 August 2019, the third-party provider was unable to process the annual notice file issued by the Subscriber. Whilst the issue was escalated to the Subscriber, the Subscriber failed to issue a replacement file. As a result, the third-party provider did not issue any annual notices in relation to the file.
- In relation to the breach which occurred on 12 September 2019, the third-party provider had an issue decrypting the annual notice file. As a result, the third-party provider processed an 'empty' file and no annual notices were issued for the file.
- In relation to the breach which occurred on 20 September 2019, due to a failed notification process, the Subscriber's policy administration system sent more than one annual notice file to the third-party provider in error. As the third-party provider was only configured to process one annual notice data file per day from the Subscriber's policy administration system and as the first data file did not contain any details, the third-party provider did not recognise the second data file. As a result, no annual notices were generated on that day.

### Subsequent breaches

The Subscriber reported that it identified two further instances of non-compliance with section 6.3 of the Code:

- In March 2020, the Subscriber confirmed that on 3 December 2019, due to a technical issue with a data file which was scheduled to be processed by the third-party provider, no annual notices were generated on that day. This breach impacted 425 consumers.
- In May 2020, the Subscriber confirmed that it failed to issue 30 annual notices to 30 consumers prior to the anniversary date of their policies. This was because the ad hoc requests for annual notices made by consumers' advisers prior to the automated system generation date disrupted the automated generation of annual notices process as the Subscriber was required to manually generate the annual notices for advisers. The manual process caused the source system to 'reset' the generation of the annual notices meant for these consumers to the following year. As a result, only the advisers of the 30 impacted consumers received the annual notices.

As a result, given that the breach impacted 2,526 consumers over an extended period, the Life CCC confirmed the self-reported breach of section 6.3 as a significant breach of the Code.

### **Remediation**

The Subscriber confirmed that it implemented the following remediation actions to address the breach of section 6.3:

- The Subscriber enhanced the third-party provider's programming to accept any number of files per day or week and implemented an IT fix to ensure that only one file per day is issued from the policy administration system. The Subscriber also provides the third-party provider with an annual production calendar.
- The Subscriber zips files to enable the third-party provider to process large files. The Subscriber also changed the third-party provider's programming to cater for policies with an adviser service fee.
- The Subscriber enhanced its 'Exception and Escalation' processes such that all third-party provider escalations are registered in the system and investigated to ensure that the Subscriber does not overlook any manual escalations.
- If the Subscriber supplies the third-party provider with a replacement file due to a production error, the third-party provider will delete the original file to ensure that the replacement file can be processed.
- The third-party provider generates a daily reconciliation report to reconcile the number of annual notices received from the Subscriber and issued. If the numbers do not reconcile, the issue will be escalated under the Subscriber's enhanced 'Exception and Escalation' process.
- In relation to the breach caused by ad hoc advisers' request for annual notices prior to the automated system generation date, the Subscriber issued a replacement annual notice and an apology letter to all 30 impacted consumers. The Subscriber also implemented an IT fix to prevent any manual generation of annual notices from resetting the dates on the source system.

As a result, given the various remediation actions implemented by the Subscriber as outlined above and the Subscriber's confirmation that no further system related breaches were identified since 11 September 2020, the Life CCC was satisfied that the Subscriber has remediated the breach of section 6.3 of the Code.

### Key learnings

The matter highlights the importance of subscribers monitoring the implementation of systems and processes which automate the generation of annual notices and communications with consumers to ensure such communications meet Code requirements.

The Life CCC recognises the significant effort and sustained remediation implemented by the Subscriber to its systems and processes to ensure that it has adequate processes to prevent the recurrence of the breach of section 6.3 of the Code.

### Relevant Code Section

#### Section 6.3:

**We** will provide **you** with an annual notice **in writing** each year prior to the anniversary of **your Life Insurance Policy**. The annual notice will include:

- a) the types of cover **you** are insured for and how much **you** are insured for;

- b) an explanation for any increase in **your premiums** in accordance with the terms of **your Life Insurance Policy**;
- c) information about the risks of cancelling and replacing an existing **Life Insurance Policy**;
- d) information about how to contact **us** to discuss options if **you** want to change the terms of **your Life Insurance Policy** or are having difficulty meeting **your** payments; and
- e) what to do in the event of a 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.