

# 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>	CX6749	<b>Date:</b>	19 July 2021
<b>Code sections:</b>	8.3, 8.7, 8.16 & 8.17		
<b>Investigation:</b>	A consumer-reported alleged Code breach		

## The alleged Code breach:

The Consumer is a member of a superannuation fund. As part of that membership, the Consumer obtained life insurance which included a Total and Permanent Disability (TPD) and Income Protection (IP) benefit. The life insurance policy was issued by a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code), and the policy was a Group policy which was owned by the superannuation fund trustee (the Trustee).

The Consumer lodged an IP claim on 30 November 2017 and lodged a TPD claim on 8 July 2019. The Subscriber provided its decision to accept the IP claim on 8 December 2017 and the TPD claim on 10 August 2020.

Due to delays in the assessment of the claims, the Consumer's legal representatives (CLR) lodged a Code breach allegation with the Life CCC and alleged that the Subscriber was in breach of sections 8.7, 8.16 and 8.17 of the Code. In addition to these sections, the Life CCC also reviewed the Subscriber's compliance with section 8.3 of the Code.

## Findings in accordance with Charter clause 7.4(b)(iii)<sup>1</sup>:

The Life CCC determined that the Subscriber:

- was in breach of sections 8.3, 8.7 and 8.17 of the Code and that the allegations were proven in whole, and
- was not in breach of section 8.16 of the Code and that the allegation was unfounded.

## The Life CCC findings and conclusion:

### Section 8.3

Section 8.3 states that within ten business days of being notified about the claim, the subscriber will explain to the consumer their cover and the claim process, including why the

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<sup>1</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 will request certain information from the consumer and any waiting period before payments will be made. The subscriber will give the consumer the contact details that the consumer can use to get information about their claim

The Subscriber confirmed that it did not include the details of the claims process in the communication which was provided to the Consumer on 10 August 2019. As a result, the Subscriber acknowledged that it had not complied with section 8.3 of the Code in this matter.

Accordingly, the Life CCC determined that the Subscriber was in breach of section 8.3 of the Code and the allegation was proven in whole for the purposes of clause 7.4 (iii) of the Charter.

The Life CCC further determined that the breach of section 8.3 amounted to serious and systemic non-compliance with the Code.

This was because the Life CCC's other monitoring activities had identified that the Subscriber was also in breach of section 8.3 of the Code across multiple instances in a different matter during the same period.

The breach was due to the case assessors' inconsistency when providing information to consumers as required under section 8.3 of the Code. In some instances, the case assessors assessed the consumer's pre-existing knowledge of the product and processes and felt that it was sufficient to not provide the information as part of their obligation under section 8.3 of the Code.

The Life CCC continues to provide guidance and monitor the progress of the Subscriber's remediation actions in relation to section 8.3 of the Code under a different matter.

### **Section 8.7**

Section 8.7 requires a subscriber to request the information that it needs as early as possible and to avoid multiple information requests where possible.

The Subscriber acknowledged that it had breached section 8.7 of the Code as the Consumer's documents were not requested as early as possible. The Subscriber also noted that the Consumer's medical reports were requested on 8 November 2019 and received by 12 December 2019 but were only reviewed by the case assessor on 27 March 2020. The Subscriber has confirmed that breach of section 8.7 could have been avoided if the Consumer's medical information was requested and reviewed earlier.

The Subscriber further confirmed that the breach was due to an oversight of an individual assessor and did not find any other similar breach after conducting a sample review of a subset of claims across all channels.

As such, the Life CCC determined that the Subscriber was in breach of section 8.7 of the Code and that the allegation was proven in whole.

### **Section 8.17**

Section 8.17 of the Code requires a subscriber to communicate its decision on a claim within six months, unless Unexpected Circumstances (UC) applied.

As the TPD claim was lodged on 8 July 2019, the six-month timeframe for the Subscriber to provide a claims decision commenced on 8 July 2019 and expired on 8 January 2020 unless UC applied.

The claim was accepted on 10 August 2020 and the Subscriber confirmed that UC did not apply to the TPD claim. This meant that the Subscriber did not provide its decision on the TPD claim within the six-month timeframe as required by section 8.17 of the Code.

Accordingly, the Life CCC determined that the Subscriber was in breach of section 8.17 of the Code and that the allegation was proven in whole.

The Life CCC further determined that the breach of section 8.17 amounted to serious and systemic non-compliance with the Code.

This was because the Life CCC's other monitoring activities had identified that the Subscriber was also in breach of section 8.17 of the Code across multiple instances in a separate matter during the same period.

The main cause of the breach of section 8.17 in this instance was ineffective UC training and a lack of an awareness of the Subscriber's UC process by its staff. As a result, case assessors applied UC inconsistently to claims and, in some instances, failed to notify the Consumer of UC altogether.

The Life CCC continues to provide guidance and monitor the progress of the Subscriber's remediation actions in relation to section 8.17 of the Code under a different matter.

### **Section 8.16**

Section 8.16 of the Code requires a subscriber to communicate its decision on a claim within two months, unless Unexpected Circumstances (UC) applied.

The IP claim was lodged on 30 November 2017. The Subscriber provided its decision to accept the claim on 8 December 2017, which was within the two-month timeframe stipulated under section 8.16 of the Code.

As such the Life CCC determined that the Subscriber was not in breach of section 8.16 of the Code and that the allegation was unfounded.

### **Key Learnings**

Whilst claims processing can often be complex and lengthy, subscribers must strive to consistently meet the high standards of the Code to demonstrate a responsible and committed customer-focussed industry.

The Life CCC encourages all subscribers to embed effective Code breach identification, assessment and internal and external reporting mechanisms within their organisational compliance cultures.

The Life CCC also encourages all subscribers to provide their staff with ongoing training in policies, processes and systems to ensure compliance with the Code.

## **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 8.7:**

**We** will request the information **we** need as early as possible and will avoid multiple information requests where possible.

### **Section 8.16:**

For income-related claims, **we** will let **you** know **our** decision no later than two months after **we** are notified of **your** claim or two months after the end of any waiting period, unless **Unexpected Circumstances** apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. Where **Unexpected Circumstances** apply, **our**

decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give you details of **our Complaints** process.

**Section 8.17:**

For all claims other than income-related claims, **we** will let **you** know **our** decision no later than six months after **we** are notified of **your** claim or six months after the end of any waiting period, unless **Unexpected Circumstances** apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give you details of **our Complaints** process.

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.