

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:	CX7343	Date:	29 September 2021
Code sections:	8.16 and 8.17 ¹		
Investigation:	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 significant breach of sections 8.16 and 8.17 of the Code.

Section 8.16 of the Code requires the subscriber to communicate its decision on an income-related claim within 2 months, unless Unexpected Circumstances (UC) applies, and section 8.17 of the Code requires the subscriber to communicate its decision on a non-income related claim within 6 months, unless UC applies.

The Subscriber identified the breaches of sections 8.16 and 8.17 in May 2020 following a review of another claim when a UC letter was sent to the Consumer outside the Code timeframe and did not include details of its complaints process.

The Subscriber confirmed that non-compliance of section 8.16 and 8.17 in this instance related to the provision of UC letters, where the Subscriber:

- failed to advise consumers within the timeframes set out in sections 8.16 and 8.17 that UC applied and that the decision will be made within 12 months of notification of the claim;
- failed to provide consumers with a decision in respect of their claim within 12 months of notification; and
- failed to advise consumers the details of complaints process when unable to provide a decision within 12 months.

Following identification of the breach, the Subscriber:

- advised its claims assessors in a team meeting of the non-compliance and of the timeframe for issuing UC letters to comply with sections 8.16 and 8.17; and
- reviewed and updated the UC templates, and requested claims teams to use only the templates letters and to delete any letters they had in their personal directories.

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

As part of the Subscriber's reporting for the Life CCC's annual data collection, the Subscriber undertook a review in August 2020 and identified 19 instances where UC letters were issued outside the timeframes required in sections 8.16 and 8.17 of the Code.

On 13 October 2020, the Subscriber subsequently determined that this amounted to a significant breach of sections 8.16 and 8.17 of the Code and the Subscriber reported this to the Life CCC on 29 October 2020.

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

The Life CCC assessed the matter and confirmed the reported breaches of section 8.16 and 8.17 as significant breaches of the Code, which were proven in whole.

The Life CCC findings and conclusion:

The Subscriber noted that breaches of sections 8.16 and 8.17 were due to the Subscriber's insufficient processes and systems, specifically relating to:

- the claims assessors' poor understanding of the requirements of these sections; and
- a lack of an automated system to monitor compliance with sections 8.16 and 8.17 to ensure that the relevant timeframes are met.

Since identifying the breach, the Subscriber has updated its UC template letters to ensure that the UC process is clearly explained and that the appropriate information required under the Code is included in the letters. The Subscriber has conducted training for all claims assessors to ensure all Code requirements are understood. The Subscriber has confirmed that consumers who have had their claims delayed will be financially compensated.

The Subscriber has also implemented an open claims portfolio review process where each claims assessor reviews their open claims each month and completes a spreadsheet to identify dates relevant for decisions under the Code. The spreadsheet is also reviewed by the claims assessor's team leader and prompts claims assessors to action deadlines required under the Code. The Subscriber is also in the process of developing a new claims system with automated reminders for the 2, 6 and 12-month time limits.

In addition, the Subscriber's claims manual is being revised and updated, including clearly setting out the requirements of sections 8.16 and 8.17, with a dedicated resource appointed to ensure that the claims philosophy and practices are reflected in a clear and consistent manner.

Key Learnings:

The Life CCC expects subscribers to conduct periodic reviews of open claims and regular reporting on ongoing claims to ensure that claims are managed in accordance with the processes and timeframes required under the Code. The Life CCC also expects subscribers to provide ongoing training for staff in Code requirements, supported by manuals, templates and systems to assist staff in meeting Code obligations.

Subscribers should inform consumers of Unexpected Circumstances as soon as the Unexpected Circumstances are identified. The Unexpected Circumstances notification should clearly inform the Consumer that there is a delay and provide the reasons for the delay and

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.

note that if the Consumer disagrees, the Subscriber will review this. The notification should also inform the Consumer that a decision will be made no later than 12 months after the Subscriber is notified of the Consumer's claim, and that if the Subscriber cannot make a decision within 12 months, the Subscriber will give the Consumer details of the Subscriber's complaints process.

The Life CCC considers that Subscribers should view the timeframes in section 8.16 and 8.17 as a maximum allowed timeframe and always seek to make decisions on claims as quickly as possible in the circumstances.

Relevant Code Section

Section 8.16:

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.

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.