

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:	CX6759	Date:	3 November 2021
Code sections:	8.4, 8.5, 8.7 and 8.17		
Investigation:	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 Customer obtained life insurance with Total and Permanent Disability (TPD) and Income Protection (IP) benefits.

The life insurance 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 owned by a Group Policy-owner (the Trustee).

The Consumer's lawyer lodged a TPD claim with the Trustee and the Subscriber on 1 March 2019. The Subscriber provided a response to the Consumer on 8 March 2019 advising that the claim was under assessment and that further medical information was required.

The claim was placed into Unexpected Circumstances (UC) by the Subscriber on 29 August 2019 as the Subscriber had not received the information that it needed to make a decision on the claim.

Due to delays in the Subscriber's assessment of the claim, on 25 February 2020 the Consumer's lawyer lodged a Code breach allegation with the Life CCC relating to sections 8.4, 8.5, 8.7 and 8.17 of the Code.

The Consumer's TPD claim was subsequently accepted by the Subscriber on 27 April 2020 for the default sum insured.

Findings in accordance with Charter clause 7.4(b)(iii)¹:

The Life CCC determined that the Subscriber:

- was in breach of section 8.4 of the Code and that the allegation was proven in whole;
- was not in breach of section 8.5 of the Code and the allegation was unfounded;
- was in breach of section 8.7 of the Code and that the allegation was proven in whole;

¹ 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.

- was in breach of section 8.17 of the Code and that the allegation was proven in whole.

The Life CCC findings and conclusion:

Section 8.4

Section 8.4 of the Code creates two elements for subscribers. Firstly, to provide consumers with updates on their claim at least every 20 business days unless otherwise agreed with the consumer or the Group Policy-owner. The second element requires a subscriber to respond to requests for information about the claim within ten business days.

The Subscriber has confirmed that it provided regular updates to the Consumer's lawyer. However, the Subscriber has acknowledged that it did not meet the 20 business day timeframe on one occasion.

This breach occurred on 13 May 2019 as an update was provided to the Consumer on 15 April 2019 and a further update was due on 13 May 2019. Instead, the Subscriber provided the update on 15 May 2019 – two days after the required 20 business days timeframe.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.4 and that the allegation was proven in whole.

The Life CCC noted that the breach was an isolated incident that was identified by the Subscriber on 13 May 2019 by its Code exception reporting. The Consumer was then provided with the section 8.4 update on 15 May 2019, resulting in a delay of approximately 2 days.

The Life CCC notes that since the breach of section 8.4 in May 2019, the Subscriber has reported a significant breach of section 8.4 which it has since remediated via additional resourcing and training and has reduced the number of section 8.4 breaches to 6 instances in August 2021.

Section 8.5

Section 8.5 states that the subscriber only ask for and rely on information and assessments that are relevant to the claim.

There is no evidence to show that the Subscriber was in breach of section 8.5 of the Code in this matter. The Consumer's lawyer made an allegation with regards to breach of section 8.5 of the Code but did not raise any specific instances where the Subscriber requested information that was not relevant to the Consumer's claim.

The Subscriber has confirmed that any information requested from the Consumer was relevant for the assessment of the claim and the Subscriber's review of the claim did not identify any instance where a reason for a request had not been provided to the Consumer.

As a result, the Life CCC determined that the Subscriber was not in breach of section 8.5 of the Code and that the allegation was unfounded.

Section 8.7

Section 8.7 of the Code requires subscribers to request for information they need as early as possible and to avoid multiple information requests where possible.

The Subscriber acknowledged that it breached section 8.7 of the Code as there were delays in requesting the Consumer's medical information.

The Consumer's medical evidence was received by the Subscriber in November 2019, but this was not reviewed until January 2020. Upon review, further information was requested by the Subscriber in January 2020.

The Subscriber has acknowledged that, as the medical evidence was received in November 2019, the information should have been reviewed in November 2019, and that the subsequent information request was not made as early as possible.

As a result, 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.

The Life CCC further determined that the Subscriber's breach of section 8.7 amounted to serious non-compliance with the Code.

This was because the breach of section 8.7 in this instance caused a delay of approximately 2 months. This amounted to a substantial delay in the Subscriber's handling and assessment of the Consumer's TPD claim and potentially caused a financial detriment to the Consumer as the acceptance of their claim was delayed by approximately 2 months.

Section 8.17

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

The Subscriber was notified of the claim on 1 March 2019, with the claim placed into UC on 29 August 2019 and admitted on 27 April 2020. The UC letter was issued to the Customer on 29 August 2019.

However, the Subscriber did not provide a decision on the claim within 12 months and failed to provide the Consumer with the Subscriber's complaints process when a decision on the claim could not be made within 12 months.

As a result, 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 Subscriber noted that the breach of section 8.17 was a direct consequence of its breach of section 8.7. This resulted in the Subscriber being unable to provide its decision on the claim within the 12 month timeframe in section 8.17 due to its late request for the information that it required. This caused a delay of approximately 2 months.

The Life CCC noted that the Subscriber also reported a significant breach of section 8.17 in another matter. As part of that significant breach investigation, the Life CCC determined that the Subscriber did not have adequate processes and procedures to consistently meet all obligations under section 8.17.

The breach of section 8.17 in this matter occurred around March 2020, which fell within the same timeframe as the Subscriber's significant breach of section 8.17. As a result, the Life CCC further determined that the Subscriber's breach of section 8.17 amounted to serious and systemic non-compliance with the Code.

The Subscriber has since remediated its breach of section 8.17 through increased resourcing and additional training for its staff and recorded 0 breaches of section 8.17 in August 2021.

Key Learnings

The Life CCC encourages all subscribers to provide staff with ongoing refresher training and to build reminders into processes to reduce the likelihood of human error.

The Life CCC notes that 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 also reminds subscribers of the need to ensure adequate resourcing of the claims function to meet workload demands and Code requirements.

Relevant Code Sections

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 8.5

We will only ask for and rely on information and assessments that are relevant to **your** claim and policy, and **we** will explain why **we** are requesting these. This can include, for example, financial, occupational and medical information. If **you** disagree with the relevance of any information, we will review the request, and if **you** are not satisfied with **our** review **we** will tell **you** how **you** can make a Complaint.

Section 8.7:

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

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 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.