

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:	CX6762	Date:	3 November 2021
Code sections:	6.3 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 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 25 February 2020, the Subscriber self-reported a breach of section 6.3 of the Code after it identified a system bug within the policy administration system had duplicated files that were sent to an annual notice generating system over a six-day period. As the annual notice generating system was not coded to process duplicated files, the system did not generate annual notices for those duplicated files.

The Life CCC notes and the Subscriber confirmed that the breach impacted 4,544 Direct Life Legacy policies across 23 products and resulted in 4,554 consumers not receiving an annual notice letter.

The Subscriber has since confirmed that it has implemented various remediation actions which addressed the breach of section 6.3 of the Code.

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 section 6.3 of the Code was significant, as assessed by the Subscriber.

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

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.

The Life CCC findings and conclusion:

Section 6.3

On 25 February 2020, the Subscriber self-reported a breach of section 6.3 of the Code. The Subscriber had identified that a system bug within the policy administration system had duplicated files that were sent to an annual notice generating system over a six-day period. As the annual notice generating system was not coded to process duplicated files, the system did not generate annual notices for those duplicated files.

The Life CCC notes and the Subscriber confirmed that the breach:

- had occurred on 8 January 2019, 15 January 2019, 5 February 2019, 26 March 2019, 18 April 2019 and 22 May 2019; and
- had impacted 4,544 Direct Life Legacy policies across 23 products and resulted in 4,554 consumers not receiving an annual notice letter.

As a result, given that the breach impacted 4,554 consumers, 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 has undertaken the following remediation actions to address the breach of section 6.3:

- As an interim action between 21 February 2020 (duplication issue identified) and 22 May 2020 (system bug rectified) – the Subscriber monitored the daily upload to ensure no duplicate files were created.
- The Subscriber issued a written apology to all impacted consumers by 26 May 2020, which notified them of the breach and enclosed a copy of the annual notice.
- The Subscriber implemented a system-based preventative control that manages the file sharing between the policy administration system and the annual notice generating system. This ensures that the annual notice generating system only uses the latest letter files received from the policy administration system to mitigate the risk of system errors.
- Between 26 May 2020 and 28 September 2021, the Subscriber developed and implemented three reconciliation reports within the annual notice generating system. The reports reconciled the number of letters received from the policy administration system and those printed for issuing to customers. The Subscriber also monitor letters which are generated through the Subscriber's three annual notices processes - fully automated, partially automated and manual process.

Given the various remediation actions undertaken by the Subscriber outlined above, the Life CCC was satisfied that the Subscriber has fully remediated the breach of section 6.3 of the Code in this Matter.

Key learnings

The Life CCC recognises that some subscribers may have in place complex processes built around various legacy products and systems to generate and issue annual notices to customers. However, the Life CCC expects subscribers to monitor and review the implementation of their systems and processes to ensure that they are reliable and effective in meeting the requirements of the Code. Robust monitoring, review and reporting on systems and processes facilitates early detection of errors and Code breaches and enables subscribers to take quick and effective action to notify affected customers and rectify identified breaches.

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.