

# 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>	CX6775	<b>Date:</b>	19 October 2021
<b>Code sections:</b>	8.3 and 8.15 <sup>1</sup>		
<b>Investigation:</b>	Self-reported non-compliance by a Code subscriber		

## The alleged Code breaches:

A Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) self-reported breaches of sections 8.3 and 8.15 of the Code.

Under section 8.3 of the Code, subscribers are required, within 10 business days of being notified about a claim, to provide consumers with information about the cover, the claim process and contact details that consumers can use to get further information about their claim.

Under section 8.15 of the Code, subscribers are required to communicate a claim decision within 10-business days of making all reasonable enquiries and receiving all the information reasonably required to assess a claim.

On 26 February 2020, the Subscriber reported breaches of sections 8.3 and 8.15 of the Code. The breaches were identified as a result of the Subscriber's retrospective review of its sections 8.3 and 8.15 processes following an investigation of a separate matter. The Subscriber noted that the duration of the breaches of both sections was between 1 July 2018 and 31 July 2019. The Subscriber identified the following root causes of the breaches:

- Section 8.3: The information requirements of section 8.3 were not consistently communicated to all consumers and the relevant Trustees as inconsistent modes of communication were used across all channels of the business and the letter templates used did not include all the information required under the section.
- Section 8.15: The Subscriber's third-party administrator experienced a backlog of work and there was also a breakdown of the Subscriber's internal processes.

The Subscriber has since confirmed that in June 2020 it fully remediated the self-reported breaches of sections 8.3 and 8.15 of the Code.

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<sup>1</sup> The Code sections are provided in full in the last section of the Determination.

## **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 breaches of sections 8.3 and 8.15 of the Code were significant, as assessed by the Subscriber.

### **The Life CCC findings and conclusion:**

#### **Section 8.3**

Section 8.3 of the Code requires a subscriber to explain to consumers, within 10-business days of being notified of their claim, details of their cover, the claim process, waiting period before payments are made and provide contact details for them to obtain information about their claim.

The Subscriber self-reported a breach of section 8.3 of the Code following an extensive review of all claims-related letter templates relating to section 8.3 as a result of a Life CCC's investigation into a separate matter.

The retrospective review identified that the requirements of section 8.3 were not consistently communicated to all consumers and the relevant Trustees as inconsistent modes of communication were used across all channels of the business and not all the letter templates used across different channels included all the information required under section 8.3.

As a result, the Subscriber confirmed that various individual breaches of section 8.3 occurred between 1 July 2018 and 31 July 2019. Due to the extent and duration of the Subscriber's non-compliance with section 8.3 of the Code, the Life CCC confirmed the self-reported breach of section 8.3 of the Code was significant, as assessed by the Subscriber.

#### **Section 8.15**

Section 8.15 requires a subscriber to communicate a claim decision within 10 business days of receiving all the information that the subscriber reasonably needs to assess a claim.

The Subscriber self-reported a breach of section 8.15 of the Code following its retrospective review of its section 8.15 processes as a result of Life CCC's investigation into a separate matter. As noted above, the Subscriber listed two main causes of the breach:

- the backlog of work experienced by its third-party administrator (which has also been reported to the Life CCC previously as part of an investigation of a separate matter); and
- a breakdown of the Subscriber's internal processes (In some cases, the case managers were unable to communicate the decision on the claim to the consumer or the relevant Trustee within 10 business days of receiving the last piece of information required to assess the claim as they awaited the final decision to be signed off by the Subscriber's Claims Decision Committee).

As a result, the Subscriber confirmed that various individual breaches of section 8.15 occurred between 1 July 2018 and 31 July 2019. Due to the extent and duration of the Subscriber's non-compliance with section 8.15 of the Code, the Life CCC confirmed the self-reported breach of section 8.15 of the Code was significant, as assessed by the Subscriber.

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<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.

## Remediation

The Subscriber confirmed that in June 2020 it implemented the following remediation actions to address the breaches of sections 8.3 and 8.15 of the Code:

- In relation to section 8.3, the Subscriber created a section 8.3 process guide and updated its letter templates to include all the information required under section 8.3 of the Code. Both the process guide and the updated letter templates have been consistently used across all channels of the business since June 2020. The Life CCC reviewed the updated letter templates and can confirm that they are compliant with the information requirements of section 8.3 of the Code.
- In relation to section 8.15, the Subscriber implemented staff training on a new Claims Control and Breach report between 27 February 2020 and 13 March 2020. The training was in relation to the provisions of the Code covered by the Claims Control and Breach Report including wording, process, system usage and live demonstrations across the Claims business. Specifically in relation to section 8.15 of the Code, the training sessions covered new processes and reinforced existing processes to ensure understanding of the processes and the impacts on reporting.

As a result, the Life CCC was satisfied that the Subscriber's remediation actions implemented were sufficient to address the breach of sections 8.3 and 8.15 of the Code.

## Key Learnings

In this matter, the breaches were only identified by the Subscriber as a result of an investigation into a separate matter. The review identified that the Subscriber did not have appropriate processes in place for more than a year to ensure that it consistently provided all the information required under section 8.3 of the Code to consumers/relevant Trustees and in some instances to communicate the claim decisions to consumers/relevant Trustees within 10 business days of receiving all the information required to assess the claim in accordance with the Code requirement.

To ensure that consumer harm of this nature is avoided in the future, the Life CCC reiterates the importance of and encourages all subscribers to regularly review their systems and processes and provide ongoing training for staff to ensure full and demonstrable compliance with all obligations of 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 8.15

Once **we** have all the information **we** reasonably need and have completed all reasonable enquiries<sup>3</sup> to assess **your** claim, including **your** response to the evidence **we** are basing our decision on if **we**

<sup>3</sup> Including referral to one or more **Reinsurers** where necessary.

have presented this to **you, we** will let **you** know **our** decision on **your** claim within ten **business days**.

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.