

# 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>	CX7436	<b>Date:</b>	28 October 2021
<b>Code sections:</b>	8.4, 8.9, 8.16 and 8.17 <sup>1</sup>		
<b>Investigation:</b>	Self-reported non-compliance by a Code subscriber		

## The 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 8.4, 8.9(f), 8.16 and 8.17 of the Code.

In 2020, the Subscriber started to experience an unexpected increase in the volume of new claims, resulting in the case load and portfolio sizes of claims assessors growing to unsustainable levels. This caused the Subscriber's claims assessors to be unable to meet the timeframe requirements in sections 8.4, 8.9(f), 8.16 and 8.17 of the Code.

This issue applied to the Subscriber's Group distribution channel and related to the death, total and permanent disability (TPD) and income protection (IP) benefit types. The Subscriber identified this issue in May 2020 and subsequently reported a significant breach of sections 8.4, 8.9(f), 8.16 and 8.17 of the Code to the Life CCC on 17 December 2020.

To remediate this, the Subscriber increased its resourcing by employing additional claims staff. This reduced the backlog of work by over 50% and brought the caseload to sustainable levels resulting in faster turnaround times. On 29 June 2021 and 15 September 2021, the Subscriber confirmed that its remediation has successfully reduced the level of non-compliance in relation to these 4 sections of the Code.

## Findings in accordance with Charter clause 7.4(b)(iii)<sup>2</sup>:

The Life CCC assessed the matter and confirmed the reported breaches of sections 8.4, 8.9(f), 8.16 and 8.17 as significant breaches of the Code, as assessed by the Subscriber.

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

<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.

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

### **Section 8.4**

Section 8.4 of the Code requires the subscriber to provide consumers with updates on their claim at least every 20 business days unless otherwise agreed and to respond to requests for information about the claim within 10 business days.

The Subscriber recorded 4,488 instances of non-compliance with section 8.4 over the period of 1 May 2020 to 30 November 2020. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.4 of the Code.

The Subscriber's significant breach of section 8.4 was caused by an unexpected increase in claim volumes, resulting in the Subscriber having insufficient resourcing to consistently meet the timeframes in section 8.4 of the Code.

Since identifying this breach, the Subscriber has improved its resourcing capabilities by hiring more staff. In June 2021 the Subscriber also implemented an automated solution for section 8.4 to further improve its ability to meet its obligations under section 8.4 of the Code.

The Subscriber has since been able to reduce section 8.4 non-compliance to 6 breaches in August 2021. The Subscriber has confirmed that these 6 breaches of sections 8.4 were related to skill gaps or isolated errors which have been addressed via individual/team feedback.

The Life CCC continues to monitor the Subscriber's compliance with section 8.4 of the Code.

### **Section 8.9(f)**

Section 8.9(f) of the Code requires the subscriber to notify consumers on income-related claim if there will be delay in their payment and the reasons for the delay.

The Subscriber recorded 1,232 instances of non-compliance with section 8.9(f) for the period of 1 May 2020 to 30 November 2020. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.9(f) of the Code.

The Subscriber's significant breach of section 8.9(f) was caused by an unexpected increase in claim volumes, resulting in the Subscriber having insufficient resourcing to consistently meet the requirements of section 8.9(f) of the Code.

Since identifying this breach and increasing its resourcing, the Subscriber has been able to reduce section 8.9(f) non-compliance to 3 breaches in August 2021. The Subscriber has confirmed that these 3 breaches of sections 8.9(f) were related to skill gaps or isolated errors which have been addressed via individual/team feedback.

The Life CCC continues to monitor the Subscriber's compliance with section 8.9(f) of the Code.

### **Section 8.16**

Section 8.16 of the Code requires the subscriber to communicate its decision on the income-related claim within 2 months, unless Unexpected Circumstances applies.

The Subscriber recorded 72 instances of non-compliance with section 8.16 over the period of 1 May 2020 to 30 November 2020. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.16 of the Code.

The Subscriber's significant breach of section 8.16 was caused by an unexpected increase in claim volumes, resulting in the Subscriber having insufficient resourcing to consistently meet the timeframes in section 8.16 of the Code.

Since identifying this breach and increasing its resourcing, the Subscriber has been able to reduce section 8.16 non-compliance to 4 breaches in August 2021. The Subscriber has confirmed that these 4 breaches of sections 8.16 were related to skill gaps or isolated errors which have been addressed via individual/team feedback. The Subscriber has also implemented compulsory refresher training with regards to 8.16.

The Life CCC continues to monitor the Subscriber's compliance with section 8.16 of the Code.

### **Section 8.17**

Section 8.17 of the Code requires the subscriber to communicate its decision on the claim within 6 months, unless Unexpected Circumstances applies.

The Subscriber recorded 181 instances of non-compliance with section 8.17 over the period of 1 May 2020 to 30 November 2020. As a result, the Life CCC confirmed the Subscriber's self-reported significant breach of section 8.17 of the Code.

The Subscriber's significant breach of section 8.17 was caused by an unexpected increase in claim volumes, resulting in the Subscriber having insufficient resourcing to consistently meet the timeframes in section 8.17 of the Code.

Since identifying this breach and increasing its resourcing, the Subscriber has been able to reduce section 8.17 non-compliance to 0 breaches in August 2021. The Subscriber has implemented compulsory refresher training with regards to 8.17.

The Life CCC continues to monitor the Subscriber's compliance with section 8.17 of the Code.

### **Key Learnings**

The Life CCC encourages subscribers to monitor resourcing levels in relation to claims volumes and take early action to ensure that they have sufficient ongoing resources to enable the timely and efficient handling of claims, noting that resourcing issues often take many months to remediate. This matter also highlights the importance of ongoing training and supervision of claims staff to ensure they have the knowledge and skills to handle claims in accordance with Code obligations.

In this matter, the Life CCC will continue to monitor progress of the Subscriber's compliance remediation activities to ensure they are effective and sufficient to ensure ongoing compliance with its Code claims handling obligations.

## **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 8.16:**

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.

#### **Section 8.9**

For income-related claims (such as income protection or business expense cover):

- a) information may need to be provided on an ongoing basis in order to review **your** entitlement to benefits or to calculate **your** payments. This can include financial as well as medical information;
- b) **we** will not require **you** to get ongoing statements from **your** doctor more frequently than reasonably necessary to assess **your** condition, so that **we** can determine **your** ongoing entitlement to benefits. For monitoring purposes, **we** may seek information from **your** doctor every six months, even if **your** condition is stable;
- c) **we** will not request a medical statement from **your** doctor for the sole reason of processing **your** regular payment;
- d) **we** will only request financial information in circumstances where it is required to assess **your** eligibility to claim or to calculate **your** entitlement;
- e) if **you** disagree with the relevance of any requested information, **we** will review this; and
- f) if **your** payment is going to be delayed, **we** will notify **you** prior to this and let **you** know the reasons for the delay.

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.