

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:	CX7471	Date:	1 October 2021
Code sections:	3.4(f) 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 section 3.4(f) of the Code.

When a consumer buys a life insurance policy, section 3.4(f) requires a subscriber to clearly explain to the consumer in plain language the 'key medical definitions in cover where a benefit is payable for a defined medical event, a general description of circumstances in which benefits would be paid, and specifically whether or not benefits are payable on diagnosis or require a certain degree of severity in order to be payable.'

As a result of an investigation by the Australian Financial Complaints Authority (AFCA), the Subscriber became aware of a possible breach of the Code on 9 October 2020. The Subscriber subsequently conducted a review, determined that the breach amounted to a significant breach of section 3.4(f) of the Code on 20 January 2021, and self-reported the significant breach to the Life CCC on 22 January 2021.

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

The Life CCC assessed the matter and confirmed the reported breach of section 3.4(f) as a significant breach of the Code, which was proven in whole.

The Life CCC findings and conclusion:

The breach of section 3.4(f) occurred in relation to the Subscriber's Trauma and Serious Illness benefit products issued via a number of 3rd party distributors.

The breach of section 3.4(f) occurred as the headings used in the Subscriber's Product Disclosure Statements (PDS) did not align with the minimum standard medical definitions of Heart Attack, Cancer and Stroke within Chapter 15, Appendix: minimum standards medical

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.

definitions, of the Code. However, the Subscriber noted that the definitions used in the PDS documents were aligned with the minimum standard medical definitions in the Code.

The Subscriber considered that the breach amounted to a significant breach of the Code as the breach would have impacted all customers who purchased a relevant Trauma or Serious Illness policy after it adopted the Code. As a result, the Life CCC confirmed the reported breach of section 3.4(f) as a significant breach of the Code, which was proven in whole.

While the Subscriber initially noted that it was planning to release supplementary PDS (SPDS) documents to correct the misaligned headings, the Subscriber subsequently decided not to issue the SPDS documents as new PDS documents were set to be released to coincide with the Unfair Contract Terms regime implementation.

The new PDS documents with updated headings for one distribution partner went live from 29 March 2021, with the other policies being closed to new business from 4 April 2021.

In addition, the Subscriber sent all relevant policyholders a letter in March 2021 to clarify the headings and to align them with the Code.

The Subscriber has also conducted a review of its distribution partners' processes which was completed on 12 February 2021. This review included changes to the welcome call scripts to highlight that benefit payments for certain conditions were based on severity.

Key learnings

The Subscriber in this instance only identified the breach as a result of an AFCA investigation, and took almost 4 months to review the breach and determine that the breach amounted to a significant breach of the Code that was reportable to the Life CCC.

While there can be instances where a breach requires extensive review by a subscriber prior to the subscriber being able to determine if the breach amounts to a significant breach of the Code, the Life CCC expects subscribers to conduct these reviews in a timely manner and to report significant breaches to the Life CCC in accordance with the subscribers' obligations under the Code.

Relevant Code Section

Section 3.4:

When **you** buy a **Life Insurance Policy**, **you** will be provided with documentation that clearly explains the following key information in plain language:

- a) the types of cover **you** are insured for;
- b) how much **you** are insured for, if there is a fixed amount assigned to **your** cover;
- c) how much **your** cover costs;
- d) the cooling-off period;
- e) specific events **you** are not covered for (exclusions);
- f) for key medical definitions in cover where a benefit is payable for a defined medical event, a general description of circumstances in which benefits would be paid, and specifically whether or not benefits are payable on diagnosis or require a certain degree of severity in order to be payable;
- g) any waiting periods that apply before **you** can access benefits;
- h) a description of how the price **you** pay is structured, for instance whether the cover has stepped or level **premiums** or a single **premium**;
- i) information about the impact a claim could have on other benefits or income if it is relevant to **your** policy; and
- j) information about **our** claims and **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.