

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:	CX7613	Date:	10 December 2021
Code sections:	8.2 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 8.2 of the Code.

The Subscriber noted that 6 of its products offered an additional benefit when a consumer took part in an approved rehabilitation program during the claim period. The amount of the additional benefit varied depending on the product and was payable for the duration of the program or up to 12 months, whichever occurred earlier.

As part of a review of its processes in February 2021, the Subscriber identified 119 consumers between 2015 and 2021 who were not paid benefits that they were entitled to while participating in an approved rehabilitation service, amounting to approximately \$2.9 million plus interest.

The Subscriber further identified an additional 50 consumers between 2010 and 2015 who were also not paid benefits that they were entitled to while participating in an approved rehabilitation service. The Subscriber did not provide a monetary figure for these consumers and noted that the calculation of the impacted amount was still pending.

As a result, the Subscriber self-reported a significant breach of section 8.2 to the Life CCC on 9 April 2021.

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

The Life CCC assessed the matter and confirmed the self-reported significant breach of section 8.2 of the Code, which was proven in whole.

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 8.2

Section 8.2 of the Code requires a subscriber to consider all the features of the policy to which a consumer's claim relates to ensure that the consumer is claiming for all available benefits.

In this instance, the Subscriber failed to consider the additional benefit available to consumers in relation to the participation in an approved rehabilitation service.

The Subscriber noted that it used a manual tracking sheet to determine if a consumer was entitled to payment of the additional benefits, resulting in payments sometimes not being made as required under the relevant policy terms due to errors related to the filling out of this tracking sheet.

The Subscriber has since implemented new controls and updated its processes to prevent a reoccurrence of this issue. This consists of a new workflow process between claim assessors and the rehabilitation consultants to validate the eligibility of benefits payable to consumers, with the payments to be approved by an authoriser. This process will be overlaid with a retrospective reconciliation process to ensure that payments are not missed.

This new workflow process was confirmed by the Subscriber to be occurring on all new claims from April 2021 onwards, and the Subscriber has confirmed that it did not identify any breaches of section 8.2 in May and June 2021.

In addition, the Subscriber will contact all impacted consumers to remediate them with the missed payment plus interest, with a target date of completion of 30 June 2022. This takes into account the manual assessment of individual files and contacting consumers who no longer have active policies with the Subscriber. Consumers will be remediated by payment of the additional benefit owed plus interest.

As a result, the Life CCC confirmed the self-reported significant breach of sections 8.2 of the Code, which was proven in whole.

Key learnings

The breach in this instance was identified by the Subscriber as part of a review of its processes. The breach occurred as a result of poor historical processes that relied on manual data entry and manual intervention.

While not a requirement under the Code, the Life CCC encourages subscribers to automate their processes where possible, especially in relation to data entry and procedures that are prone to human error. The Life CCC considers the use of automated process where possible to be best practice and encourages subscribers to review their processes regularly.

Relevant Code Sections

Section 8.2:

When **you** make a claim **we** will consider all of the features of the **Life Insurance Policy** to which **your** claim relates in order to ensure **you** are claiming for all available benefits under **your Life Insurance Policy**. **We** will not discourage **you** from making 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.