

# 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>	CX7627	<b>Date:</b>	27 January 2022
<b>Code sections:</b>	6.3 <sup>1</sup>		
<b>Investigation:</b>	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 6.3 of the Code on 13 April 2021.

Under section 6.3, subscribers are required to provide consumers with an annual notice in writing prior to the anniversary of their Life Insurance Policy. Section 6.3 also lists the specific information to be included in the written annual notice.

The Subscriber became aware of the breach of section 6.3 on 26 March 2021. The breach was in relation to 10,016 policyholders whose policy anniversary notices did not include the information required under section 6.3(b) to (e). The breach occurred between 31 July 2020 and 30 October 2020.

The Subscriber notified the Life CCC of an extension to this breach on 23 June 2021, where it identified an additional 7,940 policyholders who did not receive the information required under section 6.3(b) to (e) as part of their anniversary notice sent by the Subscriber during the period from 29 November 2020 to 12 May 2021.

The Subscriber attributed the cause of the breach to its failure to include in the anniversary letters to the policyholders a one-page factsheet that the Subscriber normally uses to provide the information required under section 6(b) to (e).

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

The Life CCC assessed the matter and confirmed the self-reported breach of section 6.3 of the Code as a significant breach of the Code, which was proven in whole.

<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:**

To meet the obligations under section 6.3 of the Code the Subscriber uses a one-page factsheet that contains the information required under section 6.3(b) to (e). This is included, together with the anniversary notice, in the annual letters send to policyholders. The information required under section 6.3(a) is provided in the anniversary notice.

Prior to the breach the Subscriber was acquired by another organisation. As a result, the Subscriber conducted a review of its processes in relation to compliance with the Code. In transitioning the Subscriber's processes to the acquiring organisation's compliance processes, there was a failure in the change management of the transition, where the need to include the Subscriber's one-page factsheet in the anniversary letters was not captured as part of the change. This resulted in the factsheet not been include in the anniversary letters issued to a total of 17,956 policyholders over the two periods from 31 July 2020 to 30 October 2020 and from 29 November 2020 to 12 May 2021.

As the Subscriber did not provide consumers with all the information required under section 6.3 of the Code, impacting 17,956 policyholders, the Life CCC confirmed the self-reported breach of section 6.3 as a significant breach of the Code.

To remediate the breach, the Subscriber sent the factsheet together with a letter of apology to the impacted policyholders by 30 April 2021 for the initial breach and by 7 June 2021 for the extended breach. To mitigate any potential future breaches of section 6.3, by omission of the factsheet, the Subscriber has reviewed its processes for compliance with section 6.3 and implemented operational controls for customer correspondence including an audit process to monitor the effectiveness of these controls.

The Life CCC determined that the remedial action taken by the Subscriber was sufficient to address its breach of section 6.3 of the Code.

### **Key learnings**

The Subscriber was unable to meet the information element of section 6.3 of the Code because it did not adequately follow its own internal change management processes resulting in key information not been included in customer correspondence.

The Committee recommends that subscribers ensure that their systems and processes for managing compliance with section 6.3 remain current, accurate and effective in meeting the timeframe and information elements of section 6.3. This should also include a regular review of the content of templates and communications used in relation to the issue of the annual notice to consumers. Subscribers implementing changes to these systems or processes should do so with appropriate testing and evaluation to ensure compliance with 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.