

# Obligations for annual notices - a follow-up inquiry

Report on an own motion inquiry into Life subscribers' compliance with section 6.3 of the Life Insurance Code of Practice

**December 2023**

# Contents

<b>Chair's message</b>	<b>3</b>
<b>Background</b>	<b>4</b>
<b>Overview</b>	<b>7</b>
<b>Enhancing practices and customer protection</b>	<b>8</b>
<b>Key observations</b>	<b>9</b>
Reviewing systems and processes	9
Customer impact and further monitoring	10
Announcement leads to increase in reported breaches	10
Systems issues hinder compliance	11
<b>Data collection</b>	<b>12</b>
<b>Compliance with annual notice obligations (section 6.3)</b>	<b>13</b>
Breaches	13
Customer impact	14
Significant breaches	17
Causes of breaches	18
Timeframe and Information elements	19
Breaches from manual and automated processes	22
<b>Responses to the 2021 Inquiry</b>	<b>24</b>



# Chair's message

Our 2023 Follow-Up Inquiry into compliance with obligations for annual notices shows that life insurers could do more to reduce breaches and improve outcomes for customers.

We saw some subscribers reduce breaches of obligations to send annual notices, many having embraced the opportunity to review systems and processes following our 2021 Inquiry. However, we also saw some increases in breaches.

Encouragingly, the content of annual notices improved for many subscribers, which is a step in the right direction. But we would like to see improvements extend to all aspects of all annual notices, including for off-sale products as well as on-sale products.

Our Initial Inquiry of 2021 made several recommendations, and we expected, at a minimum, that all insurers would consider them seriously. Ideally, they would implement the recommendations in full. While it was clear that many subscribers did seriously consider the recommendations, it appears that some elected not to.

Over the next 12 months we will examine the significant non-compliance of several subscribers and monitor their progress in rectifying their systems, processes and procedures to ensure compliance with the annual notice obligations under the Code. Where we identify on-going non-compliance, we will seriously consider imposing appropriate sanctions.

Addressing issues of non-compliance begins with reviews of systems, processes and procedures; and it can only succeed with a genuine desire to improve and a continued commitment to better outcomes for customers.

The insurers that reported an increase in breaches of obligations for annual notices must seize the opportunity to review their systems and processes and make improvements that ensure their breaches go down.

I thank all subscribers for their time and efforts providing the data for this Follow-Up Inquiry.

I trust this report will help focus our energies on addressing the remaining issues that hinder the achievement of the best industry practices and best outcomes for customers.

A handwritten signature in black ink that reads "Jan McClelland". The signature is fluid and cursive.

Jan McClelland AM  
**Independent Chair**  
**Code Compliance Committee**

# Background

## The 2021 Inquiry

In 2021, we conducted an inquiry that examined compliance with obligations to send written notices to customers every year before the anniversary of their life insurance policy.

The obligations, set out in section 6.3 of the 2016 Life Insurance Code of Practice, require insurers that subscribe to the Code to include certain information in their annual notices.

We initiated the 2021 Inquiry because we identified issues of non-compliance with the obligations and saw that the non-compliance was affecting significant numbers of customers.

The [report from the 2021 Inquiry](#) made six recommendations (as set out in full on page 5) which aimed to improve customer outcomes by promoting better practices by subscribers to ensure compliance with their obligations under the Code.



We initiated the 2021 Inquiry because we identified issues of non-compliance with the obligations and saw that the non-compliance was affecting significant numbers of customers.

## The 2023 Follow-Up Inquiry

We wanted to examine subscribers' responses to the recommendations and findings of the 2021 Inquiry and see what improvements had taken place.

In the annual reporting periods after publication of the 2021 Inquiry report, we noticed that breaches of the obligations to send written notices with the right information had not subsided, and this warranted scrutiny.

This report sets out the findings of our 2023 Follow-Up Inquiry.

## The recommendations from the 2021 inquiry



### RECOMMENDATION 1

Review processes for managing compliance with section 6.3 to ensure they remain current, accurate, robust and effective in meeting obligations for both the timeframe element and information element, and to enable early detection of breaches to minimise the impact on customers.



### RECOMMENDATION 2

Consider adopting automated processes for all products to enable compliance with section 6.3 of the Code for both the timeframe and information elements.



### RECOMMENDATION 3

Ensure planning and implementation of system changes and upgrades and related change management processes encompass checks, tests and assurances that the automated generation and issuing of annual notices complies with both the timeframe and information elements of section 6.3 of the Code.



### RECOMMENDATION 4

Monitor automated systems and processes used to ensure compliance with section 6.3 and review the content of templates and communications used for issuing annual notices to customers to ensure all the information required under section 6.3 is accurately provided to customers.



### RECOMMENDATION 5

Whether sending notices by post or digitally, have processes in place to maintain the currency and accuracy of all customers' postal and digital addresses to ensure that annual notices are issued to customers in accordance with the timeline and Information elements of section 6.3 and to minimise the risk of inadvertent disclosure of personal information to third parties.



### RECOMMENDATION 6

Ensure there are robust and effective processes to monitor compliance with section 6.3 of the Code, identify breaches and report significant breaches to us where appropriate and take immediate action to notify affected customers and rectify identified breaches as quickly as possible.

## Section 6.3 of the Code of Practice

Section 6.3 of the Code outlines expectations for Annual notices including policy details, premium changes, cancellation risk, contact details, and claims information.

### COMMUNICATION DURING THE TERM OF YOUR POLICY

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.

\* Section 6.3 does not apply to Consumer Credit Insurance (CCI), as the requirements for the annual notice for CCI are contained in section 4.7.



### THE IMPORTANCE OF SENDING ANNUAL NOTICES

The annual notice is often the main source of information for a customer on their life insurance policy. Because it provides an update on the details and cost of their cover, as well as upcoming changes, it offers a customer an opportunity to consider whether the policy is still appropriate for their circumstances.

Sending annual notices on time and complete with all the required information is an integral part of helping customers make informed decisions about their policies.

The annual notice can provide policyholders with peace of mind, as it shows that the life insurer is transparent and committed to keeping them informed about their coverage.

# Overview

Follow-Up Inquiry period:  
1 July 2022 – 28 February 2023 (8 months)

## Breaches



**43** breaches of annual notice obligations  
(Section 6.3 of the Code)

**17** of the 43 were significant breaches  
(10 of which were not reported to us because the subscribers had already reported them to a regulator)



### A SIGNIFICANT BREACH

A subscriber determines whether a breach is significant by considering the following factors:

- The amount and frequency of similar previous breaches.
- The impact of the breach on the subscriber's ability to provide services.
- The extent to which the breach indicates that the subscriber's compliance frameworks are inadequate.
- The actual or potential financial loss caused by the breach.

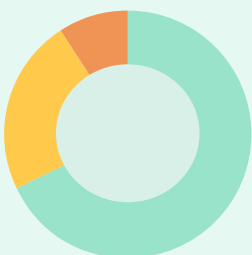


**49,403**  
customers impacted  
by all 43 breaches



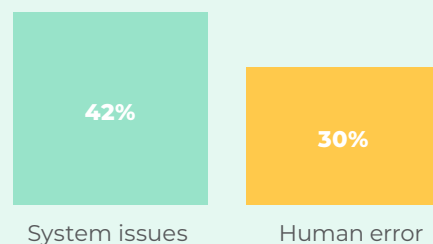
**12 of 15**  
subscribers reported breaches

### Types of breaches:



- **68%** timeframe obligation (29 breaches)
- **23%** information obligation (10 breaches)
- **9%** both timeframe and information obligations (4 breaches)

### Two Major Reasons for the breaches:



# Enhancing practices and customer protection

Our role monitoring compliance with the Life Insurance Code of Practice is crucial in helping improve standards in the industry, protecting customers, and fostering trust in the sector.

Breaches of the obligations for annual notices in the Code have, unfortunately, persisted for several years. These breaches have been the source of the greatest impact to customers across the industry. In the 2021-22 reporting period, they accounted for half of the customers impacted by all Code breaches.

With mixed results across the industry, our 2023 Follow-Up Inquiry revealed that breaches of obligations for annual notices remain an issue and subscribers could do more to improve their compliance.

We were concerned that seven subscribers appeared to not consider the recommendations in the initial 2021 Inquiry. One of these subscribers was responsible for 62% of the customers impacted by the breaches identified in the 2023 Follow-Up Inquiry, and we have commenced a formal investigation into its practices.

We expect that the subscribers that failed to examine their practices in line with the recommendations in our initial 2021 Inquiry, as well as the subscribers that continue to report breaches, will review their systems, processes and compliance frameworks to improve compliance.

For persistent inaction and continued non-compliance, we will consider taking further action such as formal investigations and sanctions.

Key to improving is using information about breaches to understand root causes and prevent issues from arising, and to establish monitoring mechanisms to detect and correct issues early.



**of the customers impacted by the breaches identified in the 2023 Follow-Up Inquiry was due to one subscriber**



# Key observations

Subscribers continue to breach the obligations for annual notices set out in section 6.3 of the 2016 Code of Practice, despite the findings and recommendations of our 2021 Inquiry and report.

While the majority of breaches can be attributed to three subscribers, most subscribers reported breaches.

Our 2023 Follow-Up Inquiry found that too many subscribers failed to:

- adequately review their processes
- embed comprehensive regular checks as routine
- meet both the information and timeframe elements of the obligations.

These failings can lead to poor outcomes for customers, and it is important that subscribers address the issues with their compliance frameworks and controls to improve their services.

## Reviewing systems and processes

Most subscribers that undertook reviews reported no increase in breaches in the period of the 2023 Follow-Up Inquiry.

Reviews are integral to improving processes and, ultimately, outcomes for customers. They can identify issues, highlight gaps, and reveal strengths and weaknesses in a subscriber's compliance framework.

Undertaking regular reviews provides a subscriber with a clearer view of how its processes may have contributed to breaches and poor outcomes for customers and encourages the improvements it needs to deliver better outcomes.



Reviews are integral to improving processes and, ultimately, outcomes for customers. They can identify issues, highlight gaps, and reveal strengths and weaknesses in a subscriber's compliance framework.

## Customer impact and further monitoring

The significant customer impact from the breaches of annual notice obligations was largely due to one subscriber that did not review its processes. This subscriber accounted for 62% (30,557) of the total 49,403 impacted customers.

Given the significance of this impact, we will investigate the subscriber's compliance monitoring practices.

Two other subscribers were jointly responsible for 25% (12,620) of the total impacted customers. These two subscribers are currently working on agreed remediation plans, and we expect them to adhere to the plans and improve compliance with obligations in the Code.

We will consider looking into the compliance frameworks of subscribers that reported breaches despite claiming their processes were sufficient and did not require a review. This may involve the subscribers demonstrating how they considered the recommendations of our initial 2021 Inquiry.



The significant customer impact from the breaches of annual notice obligations was largely due to one subscriber that did not review its processes.

## Announcement leads to increase in reported breaches

The announcement of our 2023 Follow-Up Inquiry on 21 March 2023 led to a notable increase in self-reported breaches of the obligations for annual notices. There was a similar increase after we announced the initial 2021 Inquiry.

Within three months of the announcement, we received 6 self-reported significant breaches from subscribers, which impacted 8,000 customers. In the same period, we confirmed a further 12 significant breaches through our monitoring work. (Not all of these breaches fell within the period that our 2023 Follow-Up Inquiry examined.)

These increases suggest that subscribers made efforts to examine compliance with annual notice obligations more closely when made aware that we were focusing on them.

And this closer examination from subscribers may have revealed previously undetected non-compliance.

While close examination of performance is positive, it should be standard practice for all subscribers all the time. It should not require the announcement of an inquiry to prompt the work that identifies breaches and other poor practices.

As the aim of the Code is to ensure practices that deliver good outcomes for customers, subscribers should make reviews, checks and examinations a routine part of compliance operations.

## Systems issues hinder compliance

Our 2023 Follow-Up Inquiry found that system issues continue to be the most common cause of breaches, followed by human error and procedural issues.

A small increase in the proportion of breaches attributed to system issues suggests that subscribers could do more to ensure their systems are working as intended.

A comprehensive compliance framework considers the systems that underpin the work and identify areas for improvement. The efficiencies that come from automated systems are important, but they must work to preserve and promote good customer outcomes.

A 13% reduction in the proportion of breaches for on-sale products indicates improvements to processes and systems for new products. The proportion of breaches dropped from 24 of 76 (32%) in the 2021 Inquiry to 8 of 43 (19%) in the 2023 Follow-Up.

However, a 17% increase in breaches for off-sale products, with 51% more in customer impact, suggests the improvements did not extend to all off-sale products. The proportion of these breaches rose from 38 of 76 (50%) in the 2021 Inquiry to 29 of 43 (67%) in the 2023 Follow-Up.

It is vital that processes continue to support good outcomes for customers that hold policies no longer available to new customers.

## Improvement in information, but timeliness a problem

Annual notice obligations comprise two elements	
Information element	Timeframe element
Subscribers must include the information prescribed by section 6.3(a) to (e) in the annual notice. The exact wording used to do so is not prescribed and is up to the individual subscriber.	Subscribers must provide customers with an annual notice in writing each year prior to the anniversary of the Life Insurance Policy.

Our 2023 Follow-Up Inquiry indicates that subscribers are getting better at providing the right information in the annual notices.

We saw an 18% reduction in the proportion of breaches related to the information element of annual notice obligations. The proportion dropped from 31 of 76 (41%) in the 2021 Inquiry to 10 of 43 (23%) in the 2023 Follow-Up. This improvement comes following the recommendations in our 2021 Inquiry report that subscribers review the content of their template letters and notices.

Fewer breaches of the information element means that more customers are receiving the information they need in an

annual notice and are in better positions to make fully informed decisions on their life insurance policies.

However, we found a 22% increase in the proportion of breaches of the timeframe element of annual notice obligations, with a 45% increase in the proportion of customers impacted. The proportion rose from 35 of 76 (46%) in the 2021 Inquiry to 29 of 43 (68%) in the 2023 Follow-Up

This is concerning as it undermines the efforts to improve the content of the notices.

If a subscriber fails to send a notice within the required timeframe, it is detrimental to the customer because they may not have sufficient time to make an informed decision on their life insurance policy.

For subscribers to ensure good outcomes for their customers, it is essential that they comply with both the timeframe and information elements of annual notice obligations. Meeting one without the other fails customers in important ways.

# Data collection

For our 2023 Follow-Up Inquiry, we collected quantitative and qualitative data from 15 subscribers via a seven-part questionnaire.

## Quantitative Data

We asked the subscribers to provide data on breaches of the annual notice obligations in section 6.3 of the Code between 1 July 2022 and 28 February 2023.

Subscribers had to provide:

- the date they identified the breach
- the reporting period in which the breach occurred
- whether the breach was assessed as significant
- whether the breach related to the information element or timeframe element of section 6.3, or both
- the cause of the breach
- the number of customers actually or potentially impacted by the breach.

## Qualitative Data

We asked subscribers to provide responses to our recommendations in the 2021 Inquiry report.

Subscribers had to provide details of changes they made to compliance frameworks and processes since the 2021 Inquiry in line with the report's six recommendations:

1. Did the subscriber review its compliance processes for annual notice obligations in section 6.3 to ensure they remained current, accurate, robust, and effective?
2. Did the subscriber adopt automated processes or enhance controls over manual processes?
3. For any system changes and upgrades, did the subscriber include checks, tests and assurances within the system to ensure compliance with annual notice obligations in section 6.3?
4. Did the subscriber review the content of its template letters for annual notice obligations in section 6.3?
5. Did the subscriber introduce processes to maintain the right postal and digital addresses of its customers?
6. How did the subscriber ensure that it effectively monitored compliance with annual notice obligations in section 6.3 to be able to identify, report and remediate breaches?

# Compliance with annual notice obligations (section 6.3)

## Breaches

### Breaches reported for both Inquiries

Inquiry	Period	Breaches	Subscribers that reported breaches
2023 Follow-Up Inquiry	July 2022 – February 2023 (8 months)	43	12 out of 15
2021 Inquiry	January 2019 – December 2020 (2 years)	76	14 out of 18

(Note: Due to consolidation in the industry, subscribers that submitted data decreased from 18 in the 2021 Inquiry to 15 in the 2023 Follow-Up Inquiry)

### Breaches reported in the 2023 Follow-Up Inquiry by reporting period

Reporting period	Breaches	%	Customers impacted
1 July 2022 – 28 February 2023	24	56%	33,160
1 July 2021 – 30 June 2022	12	28%	12,985
1 July 2020 – 30 June 2021	6	14%	1,389
1 July 2019 – 30 June 2020	1	2%	1,869
<b>Total</b>	<b>43</b>		<b>49,403</b>

Of the 43 breaches identified in our 2023 Follow-Up Inquiry, 44% occurred in previous years.

This indicates that the systems and processes to identify, record and report breaches are not as effective as they should be. It appears that, once they were aware of our inquiry, subscribers may have looked back into previous periods and found breaches that were undetected or unreported at the time.

The significant proportion of breaches that occurred in previous periods highlights that ineffective reporting may be widespread and this is cause for concern.

We expect subscribers to have effective systems and processes in place to be able to report on all breaches as they occur. This leads to a capacity to learn from breaches and implement changes sooner, resulting in better outcomes for customers.

**FIGURE 1.**

**Breaches in both inquiries by subscriber**



Our 2023 Follow-Up Inquiry showed that five subscribers accounted for 79% of all 43 breaches of the obligations to send annual written notices.

Low numbers of breaches in the 2023 Follow-Up were concentrated among subscribers that had reviewed systems, processes and templates.

Minimising breaches helped ensure a reduction of potential poor outcomes for customers who rely on the annual notice to make informed decisions.

**Customer impact**

The number of customers impacted by breaches of annual notice obligations has fluctuated since the Code came into effect.

While the customers impacted in recent reporting periods are fewer than in the 2017-2018 reporting period, it remains high.

Breaches of annual notice obligations continue to account for a significant percentage of customers impacted by all breaches.

Given the large impact that these breaches have on customers, addressing the issues that cause the breaches will have a substantial effect on the general aggregated customer experience.

It is imperative that subscribers review their systems and processes to ensure they are reliably providing an annual notice to a customer in a timely manner with all the relevant information included.

## Breaches since Code commencement

Reporting period	Customers impacted		
	All breaches	Section 6.3 breaches	Section 6.3 as percentage of all breaches
2021-2022	199,720	99,203	50%
2020-2021	429,347	373,342	87%
2019-2020	144,423	95,404	66%
2018-2019	73,695	14,410	20%
2017-2018	1,766,803	1,160,789	66%

## Impacted customers for both inquiries

Inquiry	Period	Customers impacted	Average customer impact per breach
2023 Follow-Up Inquiry	July 2022 – February 2023 (8 months)	49,403	1,149
2021 Inquiry	Jan 2019 – December 2020 (2 years)	198,355	1,113*

(\* Note: This average does not take into account the impact of a single outlier breach from one subscriber which impacted 113,775 customers. With this single outlier breach included, the average is 2,610 per breach.)

FIGURE 2.

## Customer impact from breaches per 100,000 lives insured (2023 Follow-Up Inquiry)

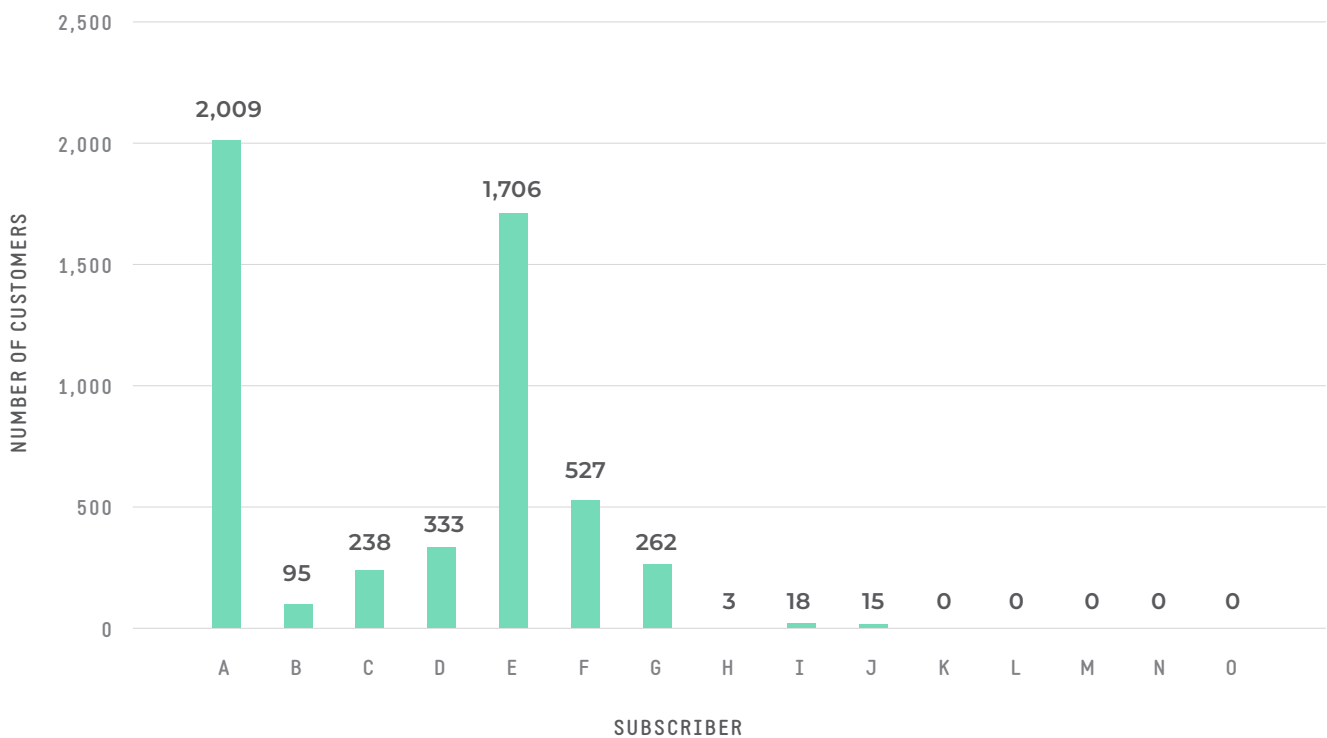
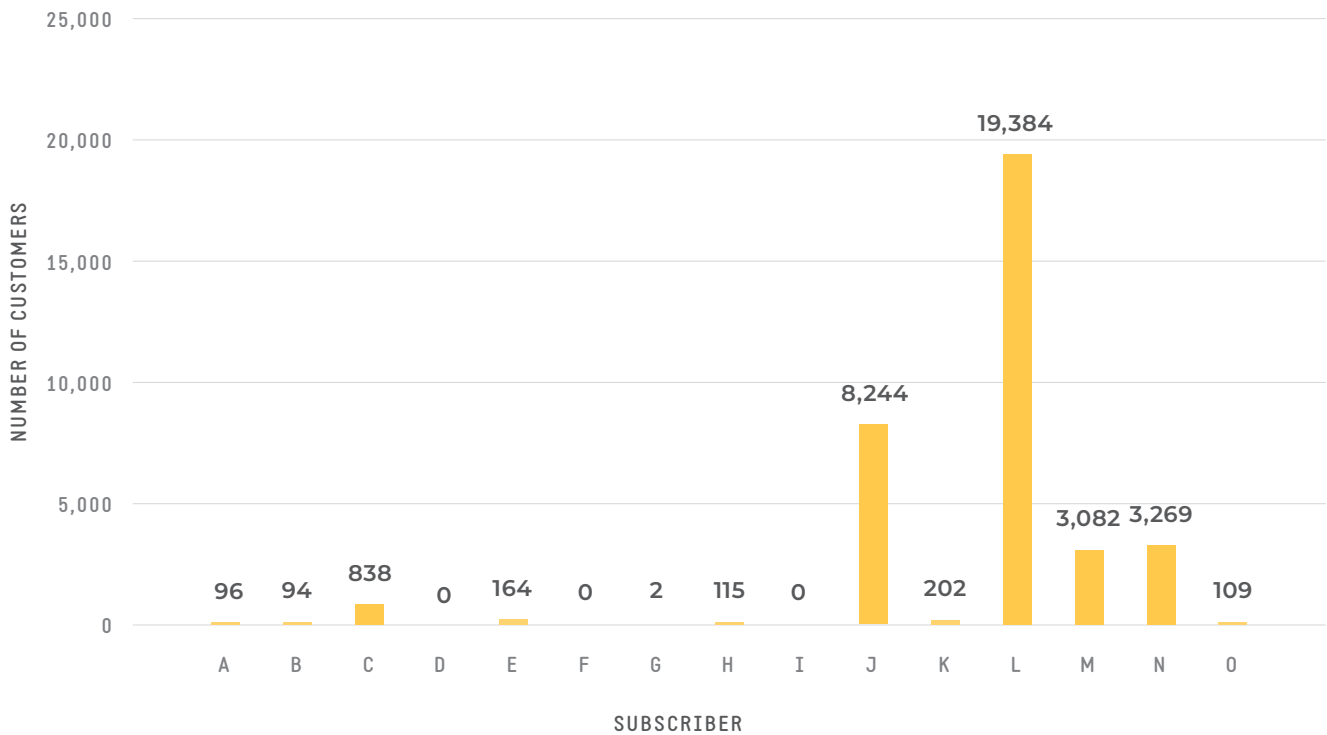


FIGURE 3.

Customer impact from breaches per 100,000 lives insured (2021 Inquiry)



The subscribers responsible for the greatest impact to customers in the 2021 Inquiry reported low levels of customer impact in the 2023 Follow-Up.

Subscriber L had the greatest impact on customers in the 2 years of the 2021 Inquiry, but this was the result of a single breach. In the 8 months of the 2023 Follow-Up inquiry, the same subscriber reported no breaches.

Subscribers K, M and N reported reviewing processes and systems after the 2021 Inquiry, and reported no customer impact in the 2023 Follow-Up. Subscriber J, also having reported process and system reviews, reported a low customer impact in the 2023 Follow-Up.

On the other hand, having reported not reviewing processes and systems after the 2021 Inquiry, subscribers A, C, I and D reported an ongoing or increase impact on customers in the 2023 Follow-Up.



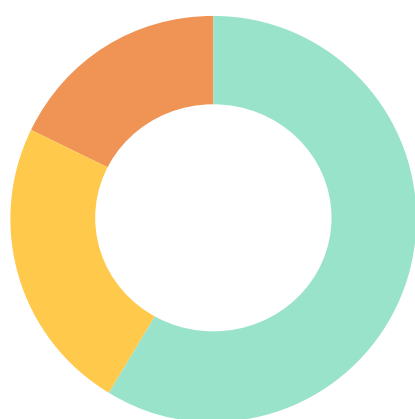
## Significant breaches

The 2023 Follow-Up Inquiry revealed the breakdown of significant breaches to be similar to the 2021 Inquiry.

### Significant breaches of section 6.3

	Breaches	% of total	Customers impacted	% of total
<b>2023 Follow-Up Inquiry</b>				
Significant breach	17	40%	43,937	89%
Breach	26	60%	5,466	11%
<b>Total</b>	<b>43</b>		<b>49,403</b>	
<b>2021 Inquiry</b>				
Significant breach	29	38%	179,569	91%
Breach	47	62%	18,786	9%
<b>Total</b>	<b>76</b>		<b>198,355</b>	

**FIGURE 4.**  
Significant breaches for off-sale and on-sale products (2023 Follow-Up Inquiry)



- 10 Off-sale
- 4 Both
- 3 On-sale

Significant breaches for off-sale products were more common than on-sale products in our 2023 Follow-Up Inquiry.

In both Inquiries, more than half of the significant breaches were for off-sale products: 62% in the 2021 Inquiry and 59% in the 2023 Follow-Up.

This indicates that subscribers may be failing to maintain critical oversight of processes for products no longer available to new customers.

While an emphasis on newer products is understandable, compliance frameworks should adequately cover all products, including the ones no longer available.

With many customers holding policies that are now off-sale products, it is critical that there is adequate oversight to ensure that they are receiving compliant annual notices.

## Causes of breaches

### Reported causes of breaches of section 6.3

Cause of breach	Number of breaches	% of total
<b>2023 Follow-Up Inquiry</b>		
System issues (including IT)	18	42%
People related	13	30%
Procedure related or compliance processes	7	16%
Other	5	12%
<b>Total</b>	<b>43</b>	
<b>2021 Inquiry</b>		
System issues (including IT)	42	55%
People related	18	24%
Procedure related or compliance processes	16	21%
Other	-	-
<b>Total</b>	<b>76</b>	

In both the 2021 Inquiry and the 2023 Follow-Up Inquiry, system issues were the most common cause of breaches of annual notice obligations, followed by people-related issues.

Making the effort to understand the root cause of a breach is an important element of a good compliance framework, and it is something that all subscribers should be doing as routine. It allows subscribers to identify the most appropriate corrective actions to prevent similar breaches in the future.

Reviews are crucial in addressing the system issues that lead to breaches. Systems play an important role in all

operations for a subscriber, so it is vital that they remain fit for purpose and work to ensure good outcomes for customers.

The relatively high presence of people-related causes suggests that subscribers could do more with staff training and education to address the issues that caused breaches. Also, more rigorous processes and closer oversight may help to mitigate risks of human error.

However, before implementing strategies to address breaches, a subscriber must understand the root causes. This requires reviewing breaches to identify causal factors.

## Timeframe and Information elements

### Breaches of the elements of section 6.3

Section 6.3 element	Breaches	% of total	Customers impacted	% of total
<b>2023 Follow-Up Inquiry</b>				
Timeframe element	29	68%	25,638	52%
Information element	10	23%	22,645	46%
Both	4	9%	1,120	2%
<b>Total</b>	<b>43</b>		<b>49,403</b>	
<b>2021 Inquiry</b>				
Timeframe element	35	46%	14,105	7%
Information element	31	41%	63,659	32%
Both	10	13%	120,591	61%
<b>Total</b>	<b>76</b>		<b>198,355</b>	

In the 2023 Follow-Up Inquiry, there was a significant drop in the proportion of customers impacted by breaches of both the timeframe and information elements of annual notice obligations in section 6.3 of the Code.

This points to the efforts subscribers made to improve following the 2021 Inquiry. While issues remained in the 2023 Follow-Up Inquiry, subscribers were less likely to fail on both elements of the annual notice obligations in a breach.

Importantly, limiting the breaches that failed on both elements had a significant effect on the number of customers impacted.

A decrease in the proportion of breaches based on the information element in the 2023 Follow-Up Inquiry indicates that

reviews of letter templates were effective. Taking the time to review the contents and make improvements yielded better compliance and good outcomes for customers.

However, the timeframe element accounted for a greater proportion of breaches in the 2023 Follow-Up Inquiry.

This result suggests that the systems and processes responsible for the timing of annual notices – whether automated or manual – could be improved further.

While ensuring the contents of the annual notice contain all the information customer needs is important, a subscriber must meet the timeframes for sending the notices.

## Breaches of the elements of section 6.3 by product type

Section 6.3 element breached	On-sale product	Off-sale product	Both	Total
<b>2023 Follow-Up Inquiry</b>				
Timeframe element	6	18	5	29
Information element	-	10	-	10
Both	2	1	1	4
<b>Total</b>	<b>8</b>	<b>29</b>	<b>6</b>	<b>43</b>
<b>2021 Inquiry</b>				
Timeframe element	15	10	10	35
Information element	8	21	2	31
Both	1	7	2	10
<b>Total</b>	<b>24</b>	<b>38</b>	<b>14</b>	<b>76</b>

There were no breaches of the information element for on-sale products in the 2023 Follow-Up Inquiry. This suggests that the efforts from subscribers to review template letters and notices had a positive effect.

However, the efforts did not yield the same result for off-sale products, with subscribers reporting 10 breaches. This indicates that the reviews may not have covered the policies no longer available to new customers.

Subscribers will always have customers that hold policies from off-sale products, so compliance frameworks must ensure that notices for these customers receive the same quality assurance and oversight as notices for on-sale products.



There were no breaches of the information element for on-sale products in the 2023 Follow-Up Inquiry. This suggests that the efforts from subscribers to review template letters and notices had a positive effect.

## On-sale and off-sale breaches

### Customers impacted by breaches of section 6.3 for on-sale and off-sale products

Type of product	Breaches	% of total	Customers impacted	% of total
<b>2023 Follow-Up Inquiry</b>				
On-sale	8	19%	8,445	17%
Off-sale	29	67%	35,539	72%
Combination	6	14%	5,419	11%
<b>Total</b>	<b>43</b>		<b>49,403</b>	
<b>2021 Inquiry</b>				
On-sale	24	32%	33,196	17%
Off-sale	38	50%	42,629	21%
Combination	14	18%	122,530	62%
<b>Total</b>	<b>76</b>		<b>198,355</b>	

While the 2023 Follow-Up Inquiry saw a decrease in the proportion of breaches for on-sale products, the proportion increased for off-sale products.

Off-sale products accounted for 67% of breaches in the 2023 Follow-Up Inquiry, an increase from 50% in the 2021 Inquiry.

Off-sale products is an area in need of attention for compliance with annual notice obligations in the Code.

Subscribers must ensure that all off-sale products are captured in their regular quality assurance processes and reviews. This applies to the automated systems that undertake various steps in sending an annual notice as well as the manual processes for staff.

Given the limited access to information about off-sale products, the annual notice takes on great importance for a customer with a policy no longer available. The content and timing of the notice for off-sale products are crucial to good outcomes for customers.



**67%**  
of breaches in the 2023 Follow-Up Inquiry were due to off-sale products, an increase from 50% in the 2021 Inquiry.

## Breaches from manual and automated processes

### Breaches attributed to automated and manual processes

Type of process	Breaches	% of total	Customers impacted	% of total
<b>2023 Follow-Up Inquiry</b>				
Automated	37	86%	35,740	72%
Manual	6	14%	13,663	28%
<b>Total</b>	<b>43</b>		<b>49,403</b>	
<b>2021 Inquiry</b>				
Automated	65	86%	82,018	41%
Manual	11	14%	116,337	59%
<b>Total</b>	<b>76</b>		<b>198,355</b>	

Automated processes still account for the most breaches of annual notice obligations.

With system issues being the most common cause, it suggests that there is work for subscribers to evaluate the systems they use to automate parts of the annual notices process.

Combined with the issues from off-sale products and the timeframe element of the obligations, there may be system processes that have not been reviewed and updated recently enough.

Not only does automation need to be rigorously tested at the implementation stage, but it needs regular reviews and checks to ensure it continues to function as intended for all aspects of the process.



With system issues being the most common cause, it suggests that there is work for subscribers to evaluate the systems they use to automate parts of the annual notices process.

## Cause of breaches attributed to automated and manual processes (2023 Follow-Up Inquiry)

Cause of breach	Breaches	% of total
<b>Automated</b>		
System issues (including IT)	17	46%
People related	11	30%
Procedure related or compliance processes	5	14%
Other	4	11%
<b>Total</b>	<b>37</b>	
<b>Manual</b>		
System issues (including IT)	1	17%
People related	2	33%
Procedure related or compliance processes	2	33%
Other	1	17%
<b>Total</b>	<b>6</b>	

# Responses to the 2021 Inquiry

Our aim in the 2023 Follow-Up Inquiry was to evaluate how subscribers had considered and implemented the six recommendations in our 2021 Inquiry report.

These recommendations prompted some subscribers to thoroughly examine and update their compliance frameworks to

ensure they were current, accurate and effective in meeting the obligations to send annual written notices as set out in section 6.3 of Code 1.

We asked subscribers to provide details of their responses to the six recommendations.

## Responses to the recommendations in the 2021 Inquiry Report

Action taken	Number of subscribers	
	Yes	No
Reviewed compliance processes	8	7
Reviewed templates	12	3
Reviewed and enhanced processes for maintaining accuracy and privacy of customer contact details	6	9
Increased use of automated processes	6	9
Reviewed and made enhancements to existing manual processes	3	12
Implemented system checks to ensure compliance with section 6.3	11	4



## Compliance process reviews

Eight subscribers reported assessing their processes to ensure compliance with annual notice obligations in response to our recommendations.

These subscribers reported including both the timeframe and information elements of the obligations as part of their reviews. Some of these subscribers reported identifying issues from the reviews which prompted changes to processes, including:

- Increased lead-in time to process the annual notices to allow earlier identification of potential issues.
- Improved tracking methods for annual notice due dates.
- Greater frequency of printing annual notices.
- More controls to effectively manage manual processing tasks.
- Improved exception reporting.
- Enhanced letter templates.
- Automated processes that were previously manual.
- Preventative measures to mitigate known system deficiencies or bugs.
- Enhanced reporting from external mail providers.

## System reviews

Our 2023 Follow-Up Inquiry found that most subscribers reported improving systems by way of implementing additional checks for quality assurance.

Checks mainly related to exception reporting and enhanced oversight of the number of physical letters being sent.

We also observed a trend towards using digital annual notices and other communications. This came with a focus on enhanced privacy protection.

Examples of the system changes reported by subscribers in the 2023 Follow-Up Inquiry:

- Generating annual notices 2 weeks earlier, increasing the lead time to eight weeks rather than six weeks.
- Upgrading software to automate the generation of annual notices.
- Producing annual notices for on-sale products daily to identify potential issues early.
- More details and information in the annual notice, such as exclusions and warnings of policy cancellation for customers reaching the maximum cover age in the upcoming year.



The reviews resulted in a drop in the proportion of breaches of the information element of the obligations, from **41%** in the 2021 Inquiry to **23%** in the 2023 Follow-Up.

### Improvements to template letters

Almost all subscribers reported reviewing their template letters after our 2021 Inquiry. Only three subscribers deemed their templates to be adequate and did not conduct a review.

In the 2023 Follow-Up Inquiry, some subscribers reported that they conduct regular reviews of their template letters to coincide with premium increases, product re-pricing and reviews, and system changes and upgrades.

Some subscribers reported that remediating breaches and the implementation of Code 2 were triggers for reviews of templates.

We were encouraged to see several improvements being made to templates including:

- Plain English re-writes
- The use of information flyers
- More details about the claims process
- Providing information about making complaints.

The reviews resulted in a drop in the proportion of breaches of the information element of the obligations, from 41% in the 2021 Inquiry to 23% in the 2023 Follow-Up Inquiry.

Some subscribers, despite having compliant templates, identified opportunities through their reviews to enhance the way they presented information to customers, making it clearer and easier to understand.

## Handling customer contact details

### RETURN TO SENDER PROCESS

All subscribers had processes in place to manage postal returns and email delivery failures.

Nine subscribers reported no changes or enhancements to their processes since our 2021 Inquiry. These subscribers deemed their processes to be adequate.

Our 2021 Inquiry prompted enhancements to processes from six subscribers. The enhancements increased the likelihood of re-engaging with customers and obtaining updated contact details.

Notable improvements came with subscribers implementing the options for customers to update their contact details via website, customer portal or mobile app.

Having correct details for customers is key to compliance with annual notice obligations and delivering good outcomes. Even the best annual notices sent at the optimal time are ineffective if the customer does not receive it at their preferred physical or digital address.

### ENSURING CONTACT DETAILS ARE UP TO DATE

Our 2023 Follow-Up Inquiry found that some subscribers had regular practices that worked to ensure they always had accurate contact details for customers:

- Including a reminder to update details in the annual notice.
- Sending periodic reminders to customers to check their contact details.
- Verifying customer contact details in calls with customers.
- Offering customers, the opportunity to switch to digital notices rather than physical, with a form to update their contact details.
- Providing an option on the website for customers to update their contact details online.

### PRIVACY

Protecting customer privacy was also a focus of the practices of some subscribers. They reported recognising the risk of accidental disclosure and noted that extra protections would help.

Examples of enhancements included providing annual notices through a secure customer portal requiring two-factor authentication and protecting notices sent by email attachment with a password.



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