

# 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>	CX7726	<b>Date:</b>	7 March 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 26 May 2021.

Under section 6.3, subscribers are required to provide policyholders 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 12 May 2021 when it identified that between 25 February 2021 and 14 April 2021, due to a system issue, 10,212 policyholders did not receive their annual notices prior to the anniversary of their policies.

## 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.

## The Life CCC findings and conclusion:

As part of the Subscriber's annual notice mailing process, the Subscriber's policy administration system identifies daily policyholders who have an upcoming anniversary due in 30 days. Annual notices are then prepared for these policyholders and sent to the Subscriber's external mailing house service provider for dispatch.

The mailing house checks policyholder files to ensure the postal addresses are correct prior to releasing the annual notices to Australia Post. Annual notices where the policyholder

<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.

address does not match with the details in the policyholder file are flagged and withheld from dispatch to Australia Post pending further investigation.

The Subscriber identified a programming error which resulted in the system withholding all annual notices scheduled to be sent out during the period from 25 February 2021 to 14 April 2021, instead of just those identified as having incorrect mailing addresses. This resulted in 10,212 policyholders not receiving their annual notice prior to their policy anniversary.

As the Subscriber did not provide the annual notice required under section 6.3 of the Code to 10,212 policyholders prior to their policy anniversary, the Life CCC confirmed the self-reported breach of section 6.3 as a Significant breach of the Code.

The Subscriber completed the following actions to remediate the breach:

- The cause of the error was rectified on 28 April 2021.
- An apology letter was sent to all impacted policyholders together with the delayed annual notice by 31 May 2021.
- Impacted policyholders whose policies lapsed were contacted to ensure that the lapse was not the result of not receiving the annual notice. If it was, the policyholders were given the opportunity to reinstate their policies.
- A daily control report was created where any withheld annual notices are checked against the total number of annual notices sent for dispatch to reconcile the number of files sent daily.

### Key learnings

Subscribers need to ensure they have robust and effective processes to monitor compliance with section 6.3, identify breaches and take immediate action to notify affected customers and rectify identified breaches as quickly as possible.

Subscribers are encouraged to refer to the Life CCC's [own motion inquiry report](#) on section 6.3 released on 1 February 2022. In this report, the Life CCC has made a number of observations and recommendations to support subscribers in ensuring compliance with section 6.3 and implementing continuous improvement to their systems, processes and practices.

### 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.