

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:	CX7828	Date:	11 March 2022
Code sections:	8.16, 8.4 ¹		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breaches:

The Consumer obtained an Income Protection (IP) policy that was issued by a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code).

The Consumer lodged an IP claim with the Subscriber on 21 April 2020. As a result, the two-month timeframe under section 8.16 commenced on 21 April 2020 and the Subscriber was required to provide a decision on the claim by 21 June 2020, unless Unexpected Circumstances (UC) applied.

As the Consumer did not receive a decision on the claim by 21 June 2020, the Consumer's Legal Representative (CLR) lodged a Code breach allegation with the Life CCC on 12 July 2021 which alleged that the Subscriber had breached section 8.16 of the Code.

The Subscriber noted that UC applied as the claim was lodged more than 12 months after the Consumer's date of disability in February 2013 which resulted in reasonable delays in obtaining information required for the assessment of the claim. Also, the Subscriber reasonably suspected non-disclosure which required further investigation. As a result, the Subscriber was unable to issue a decision on the claim by 21 June 2020.

However, the Subscriber acknowledged that, as it did not inform the Consumer that UC applied to the claim within the two-month timeframe and also failed to provide the Consumer with its complaints process when it was unable to make a decision within 12 months, it had breached section 8.16 of the Code.

As part of the Life CCC's review of the file, a possible breach of section 8.4 of the Code was also raised. The Subscriber acknowledged that it was in breach of sections 8.16 and 8.4 of the Code.

¹ The Code sections are provided in full in the last section of the Determination.

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

The Life CCC determined that the Subscriber was in breach of sections 8.16 and 8.4 of the Code and that the allegations were proven in whole.

The Life CCC findings and conclusion:

Section 8.16

Section 8.16 of the Code requires a subscriber to communicate its decision on a claim within two months, unless UC applies. In addition, subscribers are also required to provide consumers with their complaints process if a decision cannot be made within 12 months.

The Consumer lodged the claim with the Subscriber on 21 April 2020. The Subscriber was required to provide its decision on the claim by 21 June 2020, unless UC applied.

The Subscriber advised that UC applied to the claim as the claim was lodged more than 12 months after the Consumer had ceased employment in February 2013 due to a diagnosed medical condition. As a result, the Subscriber noted that there were reasonable delays in obtaining information required for the assessment of the claim.³

The Subscriber further noted that it only received the Consumer's employer and medical information from a third-party insurer on 2 August 2021 despite the fact that it had requested the information on 19 June 2020.⁴ Also, the Subscriber reasonably suspected non-disclosure which required further investigation.⁵

While the Subscriber was entitled to apply UC to the claim, the Subscriber acknowledged that it had breached section 8.16 of the Code as, due to a human error, it failed to:

- inform the Consumer that UC applied to the claim within two months and
- provide the Consumer with its complaints process, when the decision on the claim could not be made within 12 months.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.16 of the Code and that the allegation was proven in whole.

Serious non-compliance

The Subscriber acknowledged that the breach amounted to serious non-compliance with the Code as there was consumer detriment. Throughout the one and a half year long claim assessment period, the Consumer was not informed that UC applied to the claim or provided with the Subscriber's complaints details when a decision on the claim could not be made within 12 months.

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.

³ Chapter 15, Unexpected Circumstances definition (a): your claim has been notified to us more than 12 months after the later of the date of disability or the end of your waiting period, and there are reasonable delays obtaining evidence necessary for the assessment of your claim from the intervening period;

⁴ Chapter 15, Unexpected Circumstances definition (c): we have not received reports, records or information reasonably requested from an Independent Service Provider, your doctor, a government agency or other person or entity (including a Reinsurer);

⁵ Chapter 15, Unexpected Circumstances definition (h): the claim is fraudulent or we reasonably suspect fraud or non-disclosure that requires further investigation.

As a result, the Life CCC determined in accordance with Charter clause 7.4(b)(iv)⁶ that the Subscriber's breach of section 8.16 amounted to serious non-compliance with the Code.

As a part of the remediation, the Subscriber confirmed that it implemented mandatory refresher training for all claims staff on the obligations under section 8.16 of the Code, including the UC requirements. This was completed in September 2021.

Section 8.4

Section 8.4 of the Code requires subscribers to provide consumers with updates on their claim at least every 20 business days unless otherwise agreed, and to respond to requests for information about the claim within 10 business days.

The Life CCC's review of the Subscriber's compliance with section 8.4 was in relation to the requirement to provide the Consumer with an update every 20 business days.

The Subscriber raised and acknowledged that it had breached section 8.4 of the Code as it did not provide the Consumer with an update at least every 20 business days on five occasions: 19 June 2020, 23 August 2020, 23 October 2020, 21 January 2021 and 30 August 2021. The Subscriber confirmed that these breaches were isolated and occurred due to workflow oversights of an individual claim assessor.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.4 of the Code and that the allegation was proven in whole.

As a part of the remediation, the Subscriber confirmed that it implemented mandatory refresher training for all claims staff on the obligations under section 8.4 of the Code. This was completed in November 2021.

Key learnings

Lodging a claim and being subjected to an assessment process can be a particularly difficult and stressful time for consumers. In accordance with the intent and requirements of sections 8.4 and 8.16 of the Code, subscribers should ensure that they have a seamless claims management process, including timely and efficient management of claims and regular communication with consumers about their claim, to support consumers through this difficult time. Subscribers should also consider that delays in finalising a claim could unnecessarily extend a consumer's difficult financial circumstances.

The Life CCC encourages all subscribers to review their processes, procedures and communications with consumers against the requirements of the Code and guidance provided by the Life CCC, as well as regularly conduct robust staff training in the obligations of the Code. This will help to ensure that subscribers have appropriately trained staff and robust processes and procedures that are appropriately designed to meet and monitor the obligations and requirements of the Code.

⁶ 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.

Relevant Code Sections

Section 8.4:

Prior to making a decision on **your** claim, **we** will keep **you** informed about the progress of **your** claim at least every 20 **business days** unless otherwise agreed with **you** or the **Group Policy-owner**. **We** will respond to **your** requests for information about **your** claim within ten **business days**.

Section 8.16:

For income-related claims, **we** will let **you** know **our** initial decision no later than two months after **we** are notified of **your** claim or two months after the end of **your** waiting period (whichever is later), unless **Unexpected Circumstances** apply. Where **Unexpected Circumstances** apply, **our** decision will be made no later than 12 months after **we** are notified of **your** claim. **We** will let **you** know the reasons for the delay, and if **you** disagree **we** will review this. If **we** cannot make a decision within 12 months, **we** will give **you** details of **our 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.