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:	CX7722	**Date:**	16 May 2022
Code sections:	8.4, 8.15, 8.16[1]		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer obtained an Income Protection (IP) policy from 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 under their policy on 28 July 2020 which the Subscriber accepted on 3 June 2021. Prior to the claim being finalised, the Consumer appointed an authorised representative on 23 February 2021 to act on their behalf in relation to the claim.

The Consumer's representative lodged a Code breach allegation with the Life CCC on 24 May 2021 alleging that the Subscriber was in breach of sections 8.4, 8.15 and 8.16 of the Code as the Subscriber has not met the timeframes set out in these sections.

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

The Life CCC assessed the matter and determined that the Subscriber:

- was not in breach of section 8.4 of the Code and that the allegation was unfounded;
- was not in breach of section 8.15 of the Code and that the allegation was unfounded; and
- was not in breach of section 8.16 of the Code and that the allegation was unfounded.

The Life CCC findings and conclusion:

Section 8.4

Section 8.4 of the Code creates two obligations for subscribers. The first obligation is to provide consumers with updates on their claim at least every 20 business days. The second obligation requires a subscriber to respond to requests for information about the claim within ten business days.

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[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.

In this matter, the Consumer's representative alleged that they did not receive claim updates from the Subscriber every 20 business days as required under section 8.4 of the Code.

The Subscriber provided a timeline of communication between the Subscriber and the Consumer's representative which demonstrated that updates were made on a regular basis and within the 20 business days requirement under section 8.4.

Since the Consumer representative's appointment on 23 February 2021, the timeline noted that the Subscriber provided updates to the Consumer's representative regularly between March and May 2021, with the claim decision subsequently provided on 3 June 2021. As a result, the Life CCC determined that the Subscriber was not in breach of section 8.4 of the Code.

Section 8.15

Section 8.15 requires a subscriber to provide a decision on a claim within ten business days once a subscriber has received all the information that it reasonably needs and has completed all reasonable enquiries.

The Subscriber acknowledged that it had initially received all the information it needed from the Consumer to determine the claim by 24 March 2021. However, as part of its review of the information received the Subscriber raised additional enquires including a referral for an external legal opinion and a reinsurer sign-off. These enquires were completed by 28 May 2021.

As these enquiries qualify as 'reasonable enquiries' under section 8.15 of the Code, the Life CCC noted that the ten-business day section 8.15 timeframe started on 28 May 2021. The Subscriber subsequently provided its decision on the claim to the Consumer on 3 June 2021, three business days after receiving all the information that it required and completing all reasonable enquiries.

As a result, the Life CCC determined that the Subscriber was not in breach of section 8.15 of the Code.

Section 8.16

Section 8.16 of the Code requires a subscriber to communicate its initial decision on income-related claims within two months, unless Unexpected Circumstances (UC) applies. If UC applies, the subscriber has 12 months to provide its decision on the claim and must notify the consumer of the UC. The UC notification must contain the reasons for the delay and inform the Consumer that if they disagree with these reasons then the subscriber will review this.

In this matter the Subscriber received the IP claim on 28 July 2020 and therefore was required to make an initial decision on the claim by 28 September 2020, unless UC applied. In assessing the financial aspects of the claim, the Subscriber identified a possible non-disclosure in respect of the Consumer's pre-disability income. The possible non-disclosure required further investigation and as a result the Subscriber placed the claim in UC and the Consumer was advised of the UC in writing on 29 September 2020.

Since UC applied, the Subscriber had until 28 July 2021 to provide its claim decision. As the Subscriber provided its claim decision to the Consumer on 3 June 2021, the Life CCC determined that the Subscriber was not in breach of section 8.16 of the Code.

Key learnings

The Consumer in this matter was not satisfied with the level of service provided by the Subscriber as the Subscriber's conduct did not meet their expectations. While the Subscriber's conduct in this matter did not breach the Code, the Subscriber still took almost 11 months to finalise the Consumer's claim. In addition, from the Consumer's perspective they were not privy to the Subscriber's legal and reinsurer referrals and might not have been aware of the status of their claim for an extended period of time.

The claims period is often a stressful and difficult period for consumers. In line with the spirit of the Code, subscribers should take proactive steps to communicate clearly with consumers to keep them informed about the status of their claim. Depending on the claim, these updates could be made more regularly than the standard 20 business day timeframe within the Code.

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 8.15:

Once **we** have all the information **we** reasonably need and have completed all reasonable enquiries to assess **your** claim, including **your** response to the evidence **we** are basing **our** decision on if **we** have presented this to **you**, **we** will let **you** know **our** decision on **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.