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:	CX11228	**Date:**	11 January 2023
Code sections:	8.2, 8.3, 8.4, 8.9, 8.16, 8.28, 8.29 and 8.30[1]		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breaches:

The Consumer obtained an Income Protection (IP) policy that was issued by the Subscriber.

The Consumer lodged an IP claim with the Subscriber on 22 July 2021. As a result, the Subscriber was required to issue a decision on the claim within two months, by 22 September 2021 unless Unexpected Circumstances (UC) applied.

The Subscriber confirmed that UC did not apply due to avoidable delays in the initial stages of the claim. The Subscriber communicated the decision on the claim to the Consumer on 27 September 2021.

The Consumer lodged a Code breach referral with the Life CCC on 23 November 2021. The Life CCC commenced its investigation after the Consumer provided consent on 2 February 2022. The Consumer alleged that the Subscriber had breached its obligations under sections 8.2 and 8.9 of the Code.

As part of its review of the matter, the Life CCC reviewed the Subscriber's compliance with sections 8.2, 8.3, 8.4, 8.9, 8.16, 8.28, 8.29 and 8.30. The Subscriber acknowledged that it had breached sections 8.3, 8.4, 8.9, 8.16, 8.28, 8.29 and 8.30 of the Code but maintained that it had complied with section 8.2 of the Code.

The Subscriber noted that the breaches in this matter occurred due to human error from an inexperienced claims assessor.

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

The Life CCC determined that the Subscriber:

- was in breach of sections 8.3, 8.4, 8.9, 8.16, 8.28, 8.29 and 8.30 of the Code, the allegations were proven in whole
- was not in breach of section 8.2 of the Code and that the allegation was unfounded.

[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.

The Life CCC findings and conclusion:

Section 8.2

Section 8.2 creates the obligation for subscribers to consider all the features of the policy being claimed and not discourage consumers from making a claim.

The Consumer alleged that the Subscriber did not consider all the features of the policy as it did not apply the Premium Waiver Benefit (PWB) to the claim.

Based on the information available, there was no evidence that indicated that the Subscriber failed to consider all the features of the policy. The Subscriber confirmed and provided evidence that it did consider all the features of the policy, including the PWB. However, the PWB was not initially applied by the claims assessor due to human error.

Given the above, the Life CCC determined that the Subscriber was not in breach of section 8.2 of the Code and that the allegation was unfounded.

Section 8.3

Section 8.3 requires that subscribers notify the Consumer of the following within ten business days of being notified of a claim:

- the consumer's cover and the claim process
- the reasons that a subscriber requests certain information
- any waiting periods that apply prior to the claim payments
- the best contact details regarding the claim.

The Consumer lodged an IP claim with the Subscriber on 22 July 2021. As a result, the Subscriber was required to explain all information required under section 8.3 of the Code within ten business days, by 5 August 2021.

The Subscriber acknowledged that it breached section 8.3 of the Code as did not explain all information required within 10 business days. The Subscriber confirmed that it communicated the information required under section 8.3 on 27 September 2021.

Therefore, the Life CCC determined that the Subscriber was in breach of section 8.3 of the Code and that the allegation was proven in whole.

Section 8.4

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

The Subscriber acknowledged it breached section 8.4 on one occasion. The Consumer lodged the claim on 22 July 2021. The Subscriber was required to provide an update on the claim within 20 business days, by 19 August 2021. However, the Subscriber did not provide the Consumer an update until 26 August 2021.

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.

Section 8.9

Section 8.9(b) of the Code requires subscribers to only request ongoing statements from consumers' doctors as frequently as reasonably necessary to assess their IP claim.

Section 8.9(c) of the Code requires subscribers to not request medical statements from a consumer's doctor for the sole reason of processing the regular IP payment.

The Consumer alleged that the Subscriber had breached its obligations under section 8.9(b) and (c) of the Code.

The Subscriber acknowledged that it had breached section 8.9(b) of the Code. This was because it could have requested ongoing bi-monthly statements rather than monthly statements between November 2021 and March 2022 as it had sufficient information on the claim.

The Subscriber further acknowledged that it had breached section 8.9(c) of the Code. This was because the claims assessor's emails to the Consumer in October 2021 stated that the medical statements were required to process the IP payment.

Consequently, the Life CCC determined that the Subscriber was in breach of section 8.9 of the Code and that the allegation was proven in whole.

Section 8.16

Section 8.16 of the Code requires subscribers to provide their decision on income-related claims within two months unless UC applies. If UC applies, the subscriber has 12 months to provide its decision on the claim.

As noted above, the Consumer lodged the IP claim on 22 July 2021 and the Subscriber was required to issue the decision on the claim by 22 September 2021 unless UC applied.

The Subscriber acknowledged that it had breached section 8.16 of the Code. This was because it confirmed that UC did not apply due to delays caused by the claims assessor in the initial stages of the claim. The Subscriber confirmed that it communicated the decision on the claim to the Consumer on 27 September 2021, five days after the two-month timeframe had expired.

Given the above, 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.

Sections 8.28, 8.29, and 8.30

Sections 8.28, 8.29 and 8.30 outline the actions that subscribers must take after being informed of the consumer's urgent financial need:

- Section 8.28: Subscribers can ask consumers for evidence to support their claim that they are in urgent financial need.
- Section 8.29: Subject to section 8.28, subscribers will prioritise the claim assessment and decision and/or make advance payments to alleviate the urgent financial need.
- Section 8.30: Subject to section 8.29, subscribers will notify consumers of their decision within five business days and will review their decision when asked.

In this matter, the Consumer informed the Subscriber that they were in urgent financial need during the claim assessment on 9 September 2021 and 21 September 2021. Additionally, the Consumer informed the Subscriber that they were experiencing financial hardship because of the ongoing claim requirements on 27 October 2021 and 17 January 2022.

The Subscriber acknowledged that it did not provide additional support in line with the requirements of sections 8.28, 8.29 and 8.30 of the Code. As a result, the Life CCC determined that the Subscriber was in breach of sections 8.28, 8.29, and 8.30 of the Code and that the allegations were proven in whole.

Serious non-compliance

The Consumer advised they were in urgent financial need on several occasions. The Subscriber acknowledged that it did not take any action in line with the obligations under sections 8.28, 8.29, and 8.30. As a result, the Subscriber acknowledged that its breaches of sections 8.28, 8.29 and 8.30 amounted to serious non-compliance with the Code.

This was because its failure to act and provide adequate support under these circumstances potentially resulted in consumer detriment and financial harm. Therefore, the Life CCC determined that the Subscriber's breach of sections 8.28, 8.29, and 8.30 of the Code amounted to serious non-compliance with the Code.

Remediation

The Subscriber attributed the breaches that occurred during the initial and ongoing assessment of the claim to be due to human error by an inexperienced claims assessor. The Subscriber confirmed that after the breaches were identified, it:

- provided direct feedback and training to the claim assessor
- reassigned the claim to a different claim assessor with active supervision from a technical claim consultant
- provided refresher training to all staff on the importance of identifying and providing additional support for consumers experiencing financial hardship.

Key learnings

The claims handling obligations under chapter eight of the Code are in place to minimise consumer detriment and ensure that consumers are well supported during a difficult period. In this matter, an inexperienced claims assessor single-handedly caused a raft of chapter 8 breaches. Disappointingly, this included the failure to provide additional support in line with sections 8.28, 8.29 and 8.30. This occurred despite being informed of the Consumer's urgent financial hardship circumstances on multiple occasions.

The claims assessor's failure to act promptly to alleviate the Consumer's financial circumstances has worsened and unnecessarily prolonged the Consumer's hardship. This is contrary to the spirit and intent of the Code and demonstrates the significant impact of human error by an assessor.

The Life CCC will be closely monitoring compliance with the hardship and vulnerability provisions in the Code. In particular, to ensure that subscribers continue to keep consumers at the forefront of their minds. The Life CCC reiterates the importance of frequent and robust training, support and monitoring of staff compliance with internal processes and procedures.

Relevant Code Sections

Section 8.2:

When **you** make a claim **we** will consider all of the features of the **Life Insurance Policy** to which **your** claim relates in order to ensure **you** are claiming for all available benefits under **your Life Insurance Policy**. **We** will not discourage **you** from making a claim.

Section 8.3:

Within ten **business days** of being notified about **your** claim, **we** will explain to **you your** cover and the claim process, including why **we** request certain information from **you** and any waiting period before payments will be made. **We** will give **you** contact details that **you** can use to get information about **your** claim.

Section 8.4:

Prior to making a decision on **your** claim, **we** will keep **you** informed about the progress o **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 8.9:

For income-related claims (such as income protection or business expense cover):

a) information may need to be provided on an ongoing basis in order to review **your** entitlement to benefits or to calculate **your** payments. This can include financial as well as medical information;

b) **we** will not require **you** to get ongoing statements from **your** doctor more frequently than reasonably necessary to assess **your** condition, so that **we** can determine **your** ongoing entitlement to benefits. For monitoring purposes, **we** may seek information from **your** doctor every six months, even if **your** condition is stable;
c) **we** will not request a medical statement from **your** doctor for the sole reason of processing **your** regular payment;
d) **we** will only request financial information in circumstances where it is required to assess **your** eligibility to claim or to calculate **your** entitlement;
e) if **you** disagree with the relevance of any requested information, **we** will review this; and
f) if **your** payment is going to be delayed, **we** will notify **you** prior to this and let **you** know the reasons for the delay.

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.

Section 8.27:

While **we** are assessing **your** claim, **you** can tell **us** if **you** are in urgent financial need of the benefits **you** are covered for under **your Life Insurance Policy**, as a result of the condition that has caused the claim.

Section 8.28

We will ask **you** to provide documentation to support this, but will only ask for information that is reasonably necessary to assess **your** request, such as:

a) for Centrelink clients, **your** Centrelink statements; or
b) financial documents including bank statements.

Section 8.29

If **you** reasonably demonstrate to **us** that **you** are in urgent financial need, **we** will:

a) prioritise the assessment and decision in relation to **your** claim; and/or
b) make an advance payment to assist in alleviating **your** immediate hardship.

Section 8.30

We will notify **you** about **our** decision within five **business days** of receipt of the documentation **we** have reasonably requested from **you**. If **you** disagree with **our** decision, **we** will review this. If **we** accept **your** request, **we** will confirm the arrangement **in writing**.

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.