

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:	CX11134	Date:	18 April 2023
Code sections:	8.15 ¹		
Investigation:	Significant Breach reported by a Code subscriber		

The Code breach:

A Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) reported a significant breach of section 8.15 of the Code on 24 November 2021.

The Subscriber noted that it had observed an increase in the number of claims which, very early in the claims assessment process, purportedly met the requirement under section 8.15 of the Code to provide a decision on a claim within 10 business days after a subscriber has received all the information that it reasonably needs and has completed all reasonable enquiries.

In investigating the trend, the Subscriber identified errors in the Code reporting tool that recorded some claims as having met the timeframe when they had not. This inflated the number of claims considered compliant with section 8.15 of the Code.

The Subscriber noted that the incident occurred from 1 March 2020 to 31 October 2021 and impacted approximately 5,681 consumers.

In December 2022, the Subscriber confirmed that it had completed most of the proposed remediation actions, with the remaining two actions to be completed in mid-2023.

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

The Life CCC assessed the matter and confirmed the reported breach of section 8.15 of the Code was significant, as assessed by the Subscriber.

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 8.15

Section 8.15 requires a subscriber to provide a decision on a claim within 10-business days after a subscriber has received all the information that it reasonably needs and has completed all reasonable enquiries.

The Subscriber noted that its Code reporting tool relied on the date when case managers entered the final relevant information into the system, rather than the date when it was physically received. This led to an incorrect starting point for the 10 business day countdown and inflated the number of claims considered compliant with section 8.15 of the Code.

The Subscriber advised that it was unable to backdate the final relevant information receive date due to system constraints. The Subscriber reviewed a sample of 324 claims, recorded by the Code reporting tool as being compliant with section 8.15 of the Code. It determined that 61 of the 324 claims were potentially in breach of the section.

Accordingly, the Subscriber estimated that the breach impacted approximately 5,681 consumers from 1 March 2020 to 31 October 2021.

Given the above, the Life CCC confirmed the Subscriber's reported significant breach of section 8.15 of the Code.

Remediation

In December 2022, the Subscriber confirmed that it has implemented various remediation actions which included:

- Code-related and claims-wide staff refresher training
- a series of process improvements within the administration teams responsible for the indexation of claims documents
- automation of claims document indexing.

The Subscriber further confirmed that it would implement further automation (Artificial Intelligence) and Case Management System enhancement by mid-2023. These enhancements would automatically mark off documents that were requested and received and allow the relevant dates to be adjusted where necessary.

The Subscriber also noted that it continues to facilitate and monitor internal compliance with section 8.15 through operational reporting and its claims quality assurance program.

Given the above, the Life CCC is satisfied that the remediation actions implemented and proposed would address the root cause of this matter. The Life CCC will continue to monitor the Subscriber's compliance with section 8.15 of the Code.

Key learnings

A key learning from the significant breach of section 8.15 by the Subscriber is that potential system errors and limitations must be anticipated and addressed from the outset and continually monitored to ensure they are meeting compliance obligations.

Section 8.15 of the Code, which requires subscribers to make a decision on a claim within 10 business days of receiving all necessary information and completing reasonable inquiries. Accurate tracking and reporting of information, such as key dates documents are received, inquiries are made and decisions are made, are essential to measure compliance with this section of the Code.

It is concerning that the Subscriber only identified system issues impacting its compliance with section 8.15 of the Code after more than four years since the Code's inception. This highlights the need for improvements to monitor the efficacy and reliability of systems and to detect breaches promptly. To prevent such incidents, it is crucial to have robust initial planning and risk mitigation strategies that anticipate potential errors, as well as conducting regular audits of compliance data, especially for Code sections with both high and low compliance levels.

Sufficient testing of systems is also essential to ensure that subscribers can correct any errors identified and prevent further non-compliance. Having a good process for capturing and reviewing data is critical to ensuring that processes and monitoring are adequate. By implementing these measures, subscribers can reduce the risk of breaches and ensure that they comply with the Code's requirements.

Relevant Code Section

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**.

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.