LIFE CODE COMPLIANCE COMMITTEE

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:	CX12409	**Date:**	30 June 2023
Code sections:	8.16, 9.12[1]		
Investigation:	A consumer reported alleged Code breach.		

The alleged Code breaches:

The Consumer was insured under a life insurance policy held outside of superannuation. The policy includes an Income Protection (IP) benefit issued by the Subscriber and owned by the Consumer.

On 12 November 2021, the Consumer lodged an IP claim with the Subscriber.

On 10 March 2022, the Consumer's Representative (CR) lodged a complaint with the Subscriber regarding the claim. The CR alleged that there were unjustified delays in assessing the IP claim and that the claims assessor mishandled some aspects of the claim.

On 21 April 2022, the CR raised various concerns about the Subscriber's claim management in their referral to the Life CCC.

The primary concerns raised by the CR, which were within the scope of Code provisions, revolved around allegations that the Subscriber had excessively delayed the claim assessment process and failed to provide the Consumer with a response to a complaint lodged on 10 March 2022. These concerns were most appropriately examined in accordance with sections 8.16 and 9.12 of the Code. Consequently, the Life CCC commenced an investigation to assess the Subscriber's compliance with these specific sections of the Code.

The Subscriber acknowledged that it had breached section 9.12 of the Code but that it had complied with section 8.16 of the Code as Unexpected Circumstances applied to the claim.

[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 not in breach of section 8.16 of the Code and that the allegation was unfounded
- was in breach of section 9.12 of the Code and that the allegation was proven in whole.

The Life CCC findings and conclusion:

Section 8.16 of the Code

Section 8.16 of the Code requires a subscriber to communicate its initial decision on income-related claims within two months after the claim is received, unless Unexpected Circumstances (UC) applies. If UC applies, the subscriber has 12 months to provide its decision on the claim. If UC applies the consumer is required to be notified. 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.

Claim notification

The Subscriber received the claim documents from the Consumer in three separate parts:

(a) the initial claim form was received on 12 November 2021
(b) the medical authority was received on 15 November 2021
(c) the certified ID documents were received on 17 November 2021.

As the claim form was received on 12 November 2021 the Subscriber had all the necessary information to commence the assessment of the claim. For this reason, the 12 November 2021 should be considered as the date the claim was 'notified' and the commencement of the two timeframes of section 8.16.

However, the Subscriber advised that the claim form was received in its claim's mailbox on 12 November 2021 at 4:39pm. It should be noted that documents received in the insurer's claim's mailbox are not automatically uploaded to the claim. Instead, an information management service is employed to scan and subsequently upload the documents. Considering the timing of when the claim documents were received, it was reasonable in this case to regard the following day, 13 November 2021, as the date of claim notification. Consequently, the Subscriber was required to provide the initial decision on the claim no later than 13 January 2022.

Unexpected Circumstances

On 13 January 2022, the Subscriber placed the claim in UC as it had yet to receive all the medical and financial information it requested as part of its assessment of the claim.

The Subscriber phoned the CR and advised them of the UC on 13 January 2022. In addition, the Subscriber noted that it also sent a UC letter to the CR on 14 January 2022. It can be noted that the UC letter met all the requirements of section 8.16 of the Code.

As UC applied to the claim, the Subscriber had until 15 November 2022 to provide its claim decision. The Subscriber accepted the claim on 9 November 2022 and notified the

[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.

Consumer and CR. As a result, the Life CCC determine that the Subscriber was not in breach of section 8.16 of the Code and that the allegation was unfounded.

Section 9.12 of the Code

Section 9.12 of the Code creates an obligation for a subscriber to provide a final response to a complaint in writing within 45 calendar days, where possible. This section also specifies the information that must be provided to the consumer within the complaint response.

Complaint lodgement

The CR lodged the complaint with the Subscriber on 10 March 2022. Under section 9.12, the Subscriber needed to provide a final written response to the complaint by 24 April 2022.

Breach of section 9.12 of the Code

The Subscriber acknowledged that it did not register the Consumer's complaint in its complaint management system until 4 April 2022.

The final written response to the complaint was provided to the CR on 29 April 2022. This was 51 calendar days after the complaint was lodged and outside the 45 days response timeframe set out in section 9.12, thus resulting in a breach of section 9.12 of the Code.

The Subscriber acknowledged that it failed to comply with section 9.12 of the Code in relation to this matter.

Cause of the breach

The Subscriber reviewed its non-compliance with section 9.12 of the Code. The Subscriber considered this breach to be an isolated incident that impacted one consumer and was limited to the one policy. The breach was caused by unplanned staff leave which resulted in the late registration of the complaint in the Subscriber's complaints management system.

Remediation action

The breach was reviewed and assessed internally by the Subscriber's compliance team. The breach has been addressed by the responsible staff member. A reminder has also been issued to the claims team in relation to the complaint response timeframe of section 9.12 of the Code.

In addition, the Subscriber has adequate complaint handling processes and guidelines in place with training has been provided to case managers to ensure adherence to section 9.12 and other sections of the Code.

Key learnings

The Matter emphasises the critical importance of timely claims decisions and effective complaint handling within the life insurance industry. Delays in assessing claims and responding to complaints only serve to exacerbate the challenges faced by claimants. Conversely, issuing prompt claim decisions alleviates stress, enhances customer satisfaction, fosters transparency, builds trust, provides a competitive advantage, and improves cost efficiency.

Furthermore, efficient complaint handling, adhering to the specified timeframe, demonstrates a genuine commitment to addressing consumer concerns, thus maintaining trust and satisfaction. Timely claims decisions and effective complaint handling are fundamental pillars for delivering exceptional service in the life insurance industry.

Moreover, this case highlights the significance of proper planning, particularly regarding staff leave. The Life CCC encourages all subscribers to proactively manage staff leave to ensure uninterrupted and timely handling of claims and complaints. By implementing appropriate measures, subscribers can maintain operational continuity and uphold their commitments to consumers.

Relevant Code Sections

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 9.12:

Where possible, **we** will provide a final response to **your Complaint in writing** within 45 calendar days. **We** will tell **you**:

a) **our** final decision in relation to **your Complaint** and the reasons for that decision;
b) that **you** have the right to copies of the documents and information we relied on in assessing **your Complaint**, and if **you** request **we** will provide **you** (or **your** doctor, where appropriate) with copies within ten **business days**, in accordance with the Access to Information section of the **Code**;
c) **your** right to take **your** Complaint to the Financial Ombudsman Service (**FOS**)[3] if **you** are not satisfied with **our** decision, and the timeframe within which **you** must take **your** Complaint to **FOS**; and
d) contact details for **FOS**.

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.

[3] FOS was replaced by the Australian Financial Complaints Authority (AFCA), effective 1 November 2018.