

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:	CX14671	Date:	29 August 2023
Code sections:	Code 1.0, Section 8.17 ¹		
Investigation:	A consumer-reported alleged Code breach		

The alleged Code breach:

The Consumer was a member of a superannuation fund. As part of that membership, the Consumer obtained life insurance with a Total and Permanent Disability (TPD) benefit. The TPD policy was issued by the Subscriber and is a Group Policy owned by the superannuation fund trustee (the Trustee).

On 16 September 2019, the Consumer's legal representatives (CLR) lodged a TPD claim with the Trustee. This claim was declined by the Subscriber on 11 March 2020.

On 19 May 2022, the Subscriber reopened the claim for assessment following the receipt of fresh medical evidence from the Consumer.

On 5 September 2022, the CLR raised a breach allegation against the Subscriber with the Life CCC in relation to section 8.17 of the Code. The CLR alleged that the Subscriber had breach section 8.17 in managing the Consumer's claim as it had not provided the outcome of the claim within the specified timeframe of section 8.17.

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

The Life CCC determined that the Subscriber was in breach of section 8.17 of the Code and that the allegation was proven in whole.

The Life CCC findings and conclusion:

Section 8.17

Section 8.17 of the Code requires the Subscriber to communicate its decision on a lump sum claim within six months, unless Unexpected Circumstances (UC) applies. If UC applies, the Subscriber has 12 months to communicate its decision on the claim.

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.

Breach of section 8.17

The Subscriber received the TPD claim from the Trustee on 20 September 2019. The Subscriber determined the claim on 11 March 2020 and advised the Trustee. Therefore, the Subscriber complied with the six-month timeframe of section 8.17 in relation to this claim.

The Subscriber reopened the TPD claim on 19 May 2022, upon receiving new medical evidence for review. This was more than two years since the original claim decision and therefore can be considered as a new claim.

The reopened claim remained undetermined as at the end of the six-month timeframe (19 November 2022). Consequently, the Subscriber was not compliant with the first timeframe of section 8.17. Additionally, the Subscriber did not place the claim in UC and the Consumer was not advised that UC may apply.

The Subscriber declined the TPD claim on 26 July 2023 and advised the Trustee. This was 14 months after the reopening of the claim. Consequently, the Subscriber was not compliant with the second timeframe of section 8.17.

The Subscriber acknowledged that it has breached section 8.17 of the Code.

As a result, the Life CCC determined that the Subscriber was in breach of section 8.17 of the Code and that the allegation was proven in whole.

Breach cause

The Subscriber identified that the breach occurred due to human error. The error led to the improper setup of the reopened claim within the claims system. This meant that the system was unable to generate alerts of upcoming Code timeframes, preventing the claim assessor from taking the necessary steps to ensure that the timeframe is met.

Remediation

The Subscriber provided the staff member responsible for the error with feedback and guidance on the accurate process for reopening claims within the claims system. Training was also provided to other staff members responsible for setting up claims on the reopening process for claims with previous decisions on them.

The Subscriber also reviewed other reopened claims within the system to ensure their proper setup and confirmed that no other reopened claims had raised any concerns.

Key learnings

This matter underscores the critical significance of adhering to Code provisions, particularly section 8.17, for efficient management of insurance claims. The breach, stemming from human error and inadequate system setup, resulted in non-compliance with prescribed timeframes and communication standards. Implementation of remedial measures and staff training is essential to prevent future breaches.

This case serves as a compelling reminder to all industry stakeholders about the paramount importance of complying with Code obligations, notably section 8.17, when handling insurance claims. By learning from this breach, subscribers can refine their processes, mitigate errors, and sustain consumer trust through consistent adherence and transparent communication.

Relevant Code Section

Section 8.17:

For all claims other than income-related claims, **we** will let **you** know **our** decision no later than six months after **we** are notified of **your** claim or six months after the end of any waiting period, unless **Unexpected Circumstances** apply. Depending on **your** policy, **our** decision may be a requirement that **you** undertake a period of rehabilitation or retraining, or it may be a final decision on **your** benefits. 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.