

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:	CX18625	Date:	7 June 2024
Code section and Clause:	Clause 3.10(a) of the 2023 Code and section 6.3(a) of the 2016 Code ¹		
Investigation:	Significant Breach reported by a Code subscriber		

The alleged Code breaches:

On 1 September 2023, a Life Insurance Company that is a subscriber (the Subscriber) to the Life Insurance Code of Practice (the Code) reported a breach of section 6.3(a) of the 2016 Code and clause 3.10(a) of the 2023 Code. The breach occurred because the Subscriber failed to include the sum insured amount that certain customers were insured for in its annual notices.

The cause of the breach was an inherited issue that was present prior to the Subscriber's acquisition of an existing business.

The breach related to a specific policy within the Subscriber's retail channel and dated back to 1 July 2017, when the Subscriber became bound by the 2016 Code. The breach persisted until the 2023 Code came into effect and was therefore a breach of section 6.3(a) of the 2016 Code and clause 3.10(a) of the 2023 Code. Approximately 3,679 customers were impacted by the breach.

Findings in accordance with 2019 Charter clause 7.4(b)(iii) and 2022 and 2023 Charter clause 7.5(b)(iii)²:

The Life CCC assessed the matter and confirmed the reported breach of section 6.3(a) of the 2016 Code and clause 3.10(a) of the 2023 Code, 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:

Clause 3.10(a) of the 2023 Code is the 2023 Code's equivalent of section 6.3(a) of the 2016 Code.

Under both section 6.3 of the 2016 Code and clause 3.10 of the 2023 Code, subscribers are required to provide customers with an annual notice in writing each year before the policy anniversary. Both Codes list the specific information that is required to be included in the written annual notices. This includes the type of cover provided and the sum insured amount that customers are insured for (section 6.3(a) and clause 3.10(a)).

The Subscriber failed to include the sum insured amount for specific customers in its annual notices as required under the Code.

In January 2023, the Subscriber started reviewing its customer correspondence templates as part of its preparation for the 2023 Code. The annual notice templates were part of the review, including a template for a specific policy. The template reviewed was compliant with clause 3.10(a).

The Subscriber noted that at the time it thought the compliant template was also used for the other seven product codes. However, the Subscriber subsequently determined that this was not the case. A subsequent internal investigation in June 2023 found that the templates for the other seven product codes were non-compliant. This was because the template featured a reference to the policy and schedule of benefits, including the sum insured, instead of specifically referring to the sum insured amount.

In this Matter, the breach specifically related to a particular policy where the sum insured amount varied based on the cover event.

To manage the variability in the sum insured, the annual notice did not include the sum insured figure. Instead, it directed customers to the policy and schedule of benefits for specific details regarding their covered sum insured amount. In the non-compliant templates, this guidance was provided using a reference within the annual notice. The reference was introduced prior to the Subscriber's adoption of the 2016 Code on 1 July 2017. The Subscriber inherited the issue when it acquired the business.

When the Subscriber acquired the product, no documentation was shared about the rules within each of the templates. The letter templates are managed by a third-party administrator.

- Under section 6.3(a) of the 2016 Code, the breach impacted 3,679 customers, from 1 July 2017 to 30 June 2023.
- Under clause 3.10(a) of the 2023 Code, the breach impacted 252 customers, from 1 July 2023.

The Subscriber noted that the breaches under section 6.3(a) of the 2016 Code and clause 3.10(a) of the 2023 Code amounted to a Significant Breach of the Code. This was because a significant number of customers were impacted, and previous breaches related to annual

notices were also noted. Consequently, the Life CCC confirmed the Subscriber's Significant Breach of section 6.3(a) and clause 3.10(a) of the Code.

Remediation

On 17 November 2023, the Subscriber confirmed that it had implemented various remediation actions to address the Significant Breach of section 6.3(a) and clause 3.10(a).

The Subscriber confirmed that it implemented the system fix to the affected templates on 12 October 2023. The Life CCC requested and reviewed the amended annual notice letters. Based on our review, the amended annual notice letter templates comply with requirements under clause 3.10 of the 2023 Code.

Furthermore, the Subscriber noted that it is proactively working with the third-party administrator to develop and review documents outlining the product rules for each letter template. Work has also commenced to bring the annual notices in-house so that the Subscriber will have full control of all wording and product/system rules. The Subscriber anticipates that this work will be completed by the end of 2024.

Key learnings

The Committee is disappointed with the repeated breaches related to annual notices, despite ample [guidance on annual notice obligations](#) previously published by the Life CCC.

This matter underpins the necessity for post implementation review processes and importance of due diligence when subscribers acquire existing businesses.

Key learnings from this matter:

1. Ensure all documentation, including templates and compliance records, is thoroughly reviewed during the acquisition process.
2. Investigate and understand any legacy practices and compliance measures in place before the acquisition.
3. Actively engage with the any third-party administrators to gain insights into their operational and compliance procedures.
4. Conduct regular compliance audit and thorough compliance audits of all product templates and customer communication documents to ensure ongoing compliance with the Code.
5. Robust post implementation review process that encompasses all product variations to detect and rectify any discrepancies or non-compliance issues.

As noted in the [Life CCC's Own Motion Inquiry](#) into subscribers' compliance with section 6.3, the Committee will continue to examine the significant non-compliance of several subscribers and monitor their progress in rectifying their systems, processes and procedures to ensure compliance with the annual notice obligations under the Code. Where we identify ongoing non-compliance, we will seriously consider imposing appropriate sanctions.

Relevant Code Section and Clause

Section 6.3 of the 2016 Code

We will provide **you** with an annual notice **in writing** each year prior to the anniversary of **your Life Insurance Policy**. The annual notice will include:

- a) the types of cover **you** are insured for and how much **you** are insured for;
- b) an explanation for any increase in **your premiums** in accordance with the terms of **your Life Insurance Policy**;
- c) information about the risks of cancelling and replacing an existing **Life Insurance Policy**;
- d) information about how to contact **us** to discuss options if **you** want to change the terms of **your Life Insurance Policy** or are having difficulty meeting **your** payments; and
- e) what to do in the event of a claim.

Clause 3.10 of the 2023 Code

Before each policy anniversary, we will send the Policy Owner a notice in writing outlining:

- a) what and how much we insure you for
- b) an explanation for any increase in your Premiums
- c) information about how Premiums could change in future depending on the Premium structure
- d) how to claim
- e) the risks of cancelling and replacing your policy
- f) how to contact us if you want to change the policy or are having trouble paying your Premiums.

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 or clause 7.5 (if the 2022 or 2023 Codes apply) 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.