

Notice of Determination

Ref: CX18494

Failing to tell customers about premium increases and accessing the Code

The Life Insurance Code of Practice (the Code) requires life insurers to tell customers:

- how their premiums can change in the future (clause 3.10(c))
- how to access the Code if they make a claim (clause 1.3 and clause 5.5(a)).

What happened

A life insurer updated its letter templates in preparation for the 2023 Code coming into effect on 1 July 2023.

However, a system problem prevented the insurer from adding the new letter templates to its claims administration system.

This meant that from 1 July 2023 the insurer did not tell some customers:

- how their premiums can change in the future
- how to access the Code if they make a claim.

Consequently, the insurer reported breaches of the Code, specifically clauses 1.3, 5.5(a) and 3.10(c).

In reporting the breaches to us, the insurer stated that 17 customers were impacted. The breaches related to multiple insurance products that are no longer available.

When the insurer reported the breaches, it did not have an interim process in place to prevent additional breaches, and it was unclear when it could fix the system issue.

Action taken

The insurer provided its proposed remediation plan to us.

We assessed the plan and worked with the insurer on an interim fix that would prevent further breaches. The interim fix required claims assessors to manually send updated claims acknowledgment notices.

The breaches continued for four months until the interim fix was put in place.

The insurer wrote to the impacted customers who had made a claim and explained how they can access the Code. The insurer also sent an apology letter to impacted customers with an updated annual notice.

The system for generating and sending these notices was fixed on 19 February 2024.

Our assessment

Our assessment and investigation confirmed that the insurer had breached clauses 1.3, 5.5(a) and 3.10(c) of the Code.

In confirming the breaches, we found that the breaches of clauses 1.3 and 5.5(a) were systemic because they impacted multiple products and customers.

Lessons learned

To reduce customer detriment or harm, an insurer should act to stop breaches as soon as it identifies them.

If permanent solutions are not immediately available, an insurer should explore short-term solutions that address the breaches and the impact on customers.

In this case, manually intervening in the process to send compliant notices to impacted customers offered a short-term solution until the system could be fixed.

This matter reiterates that identifying breaches early and acting quickly to address them is crucial in minimising and preventing customer detriment or harm.

Code clauses

Clause 1.3

We will make sure you know about the Life Code by including details on our website, and tell you how you can access the Life Code if we receive a claim or Complaint from you.

Clause 3.10

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.

Clause 5.5

Within 10 Business Days of the Claim Received Date, we will tell you:

- a) how you can access the Life Code, in line with clause 1.3
- b) about your cover and any waiting periods that may apply
- c) about all the relevant benefits under the Life Insurance Policy you are claiming on about the claims process and how to contact us for more information.

The Life CCC

The Life CCC is the independent body responsible for monitoring compliance with the Life Insurance Code of Practice (the Code). It acts in accordance with the Life CCC Charter, which sets out its powers, duties, functions and responsibilities. This Determination is issued to facilitate agreement between the Life CCC and the life insurer on implementing corrective measures (as per clause 7.5 of the Life CCC's Charter).