LIFE CODE COMPLIANCE COMMITTEE

Notice of Determination

Ref: CX18785

Failing to meet claim timeframes

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

- tell customers about the claim process within 10 business days of it being notified of the claim (2016 Code: Section 8.3; 2023 Code: Clause 5.5)
- tell customers about the progress of their claims at least every 20 business days and to respond to requests within ten business days (2016 Code: Section 8.4; 2023 Code: Clause 5.6)
- tell customers about the claims decision within 10 business days (2023 Code) or 15 business days (2016 Code) of receiving all necessary information (2016 Code: Section 8.15; 2023 Code: Clause 5.50)
- make a decision on customers' claims within two months for income protection claims and six months for lump sum claims (2016 Code: Sections 8.16 & 8.17; 2023 Code: Clauses 5.48 & 5.49)
- tell customers in advance that their income protection claim payments were coming to an end (2016 Code: Section 8.23; 2023 Code: Clause 5.8).

What happened

A life insurer provided income protection policies and total permanent disability policies to members of a superannuation fund.

Initially, a third party was engaged to handle the claims on these policies. However, in November 2022, the insurer and the superannuation fund agreed to transition the claims-handling from the third party to the insurer.

During the transition period, the third party lost a significant number of staff which strained its resources and compromised its capacity to handle claims within the Code's required timeframes. This resulted in multiple instances of failing to meet claims timeframe obligations.

The insurer reported 3,580 breaches of the 2016 or 2023 Code between 1 November 2022 and 31 August 2023. The timing of the breaches determined whether they fell under the 2016 Code or the 2023 Code.

Action taken

The insurer took over the claims-handling on 1 July 2023. In doing so, it established new teams responsible for claims and provided training on Code obligations and system use. It also implemented clear key performance indicators.

The insurer enhanced its oversight of claims-handling with increased case conferencing, weekly performance tracking and monthly governance forums.

As a result, rates of compliance with timeframe obligations improved and stabilised from December 2023. The insurer will provide financial compensation to 942 claimants by 31 October 2024.

The insurer will provide us with evidence of the completed remediation.

Our assessment

Our assessment and investigation confirmed that the insurer's failing to meet timeframe obligations regarding claims-handling represented significant breaches of the 2016 Code (Sections 8.3, 8.4, 8.15, 8.16, 8.17, 8.23) and 2023 Code (Clauses 5.5, 5.6, 5.8, 5.48, 5.49 and 5.50).

Lessons learned

Insurers must ensure their change management plans support sufficient resources to meet service standards and timeframes. Effective risk mitigation strategies will also help address potential issues and safeguard against transition related disruptions and customer detriment.

In this case, major changes to operations had an impact on staffing levels which led to claims-handling delays. This affected many customers, including vulnerable customers with major medical conditions and injuries who were relying on insurance claims for day-to-day expenses.

Careful planning and thorough risk assessments are essential to ensure continued compliance with Code obligations and continued services for customers.

Code clauses

2016 Code of Practice

Section 8.3
Within ten business days of being notified about your claim, we will explain to you your cover and the claim process, including why we request certain information from you and any waiting period before payments will be made. We will give you contact details that you can use to get information about your claim.

Section 8.4
Prior to making a decision on your claim, we will keep you informed about the progress of your claim at least every 20 business days unless otherwise agreed with you or the Group Policy-owner. We will respond to your requests for information about your claim within ten business days.

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.

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 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.

Section 8.23
If we identify that your income-related claim payments are coming to an end, we will contact you to confirm when the last payment is to be made, either:

1. at least 30 days in advance of the last payment if your benefit period is expiring; or
2. as soon as possible if we have received information that has caused us to cease all future payments.

Code clauses

2023 Code of Practice

Clause 5.5
Within 10 Business Days of the Claim Received Date, we will tell you:

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

Clause 5.6
We will update you on your claim's progress at least every 20 Business Days, unless you, the Group Policy or your Representative agrees to a different timeframe. We will do this until:

- we have made a decision, or
- issued a Show Cause or Procedural Fairness letter.

Clause 5.8
If your benefit period for income-related payments is expiring, we will tell you at least 3 months before your last payment is due to be made.

Clause 5.48
If your claim is for income-related benefits, we will obtain all the information we reasonably need, complete all reasonable enquiries, and make a decision on your claim within 2 months of:

- the Claim Received Date, or
- if later, the end of the waiting period your policy specifies.

Clause 5.49
If your claim is for a lump sum benefit, we will obtain all the information we reasonably need, complete all reasonable enquiries, and make a decision on your claim within 6 months of:

- the Claim Received Date, or
- if later, the end of any waiting period your policy specifies.

Clause 5.50
Once we have received all the information we reasonably need, including any response to a Show Cause or Procedural Fairness letter, and completed all reasonable enquiries, we will tell you our decision in writing within 15 Business Days.

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).