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A remedy when superannuation funds behave like insurance companies

Sloppy record keeping

An employee became a member of the fund in 1995. A later employer sent in incorrect information with the wrong date of birth and gender, and a different address. The superannuation fund then opened a second account. In July 2011 the member supplied information matching the accounts. Because of the separate accounts the member's insurance lapsed in December 2011. The member died 3 months later. The fund denied payment of death insurance worth $230,000.00.

The Tribunal decided that the fund had information that meant the accounts should be merged, and that if they had been merged there would have been sufficient money to provide the life insurance premiums to the member's death. The Tribunal decided that the trustee's decision to decline payment of the insurance benefit was not fair and reasonable in relation to the member's spouse in the circumstances. It ordered the fund to pay the insured benefit less certain deductions.

Harsh interpretation

A member joined a superannuation fund in October 2011. Upon joining the fund the member received death and TPD insurance. He died 6 weeks later. The claim for the insured death benefit of

$318,000.00 was declined by the fund on the basis that the member was not in active employment when he joined the fund. There were 3 requirements to constitute active employment.

The second requirement was that the member had to be actually performing identifiable duties on the day he commenced employment. The fund argued that the member wasn't doing so by attending an induction day but the Superannuation Complaints Tribunal disagreed. The third requirement was that the member must not be restricted by sickness or injury from carrying out the duties of his occupation on a full time basis. Whilst he was at a later stage, the Tribunal considered that the member wasn't restricted at the relevant date being when he joined the fund.

Accordingly the decision to not pay the insured benefit was not fair and reasonable. The Tribunal ordered the fund to also pay interest.

Misleading information

A member lodged a TPD claim. It was approved and the fund wrote to the deceased member sending a cheque representing his full entitlement from the superannuation fund. The letter stated that the death benefit entitlement had ceased. Thereafter the member received ongoing payments and erroneously was advised that that triggered death insurance cover. The error was not identified until after the member's death when his spouse lodged a claim for the death benefit.

The Tribunal decided that the fund pay the death benefit plus interest because it was satisfied that that was fair and reasonable in the circumstances. The Tribunal said that the absence of a legally enforceable entitlement to the death benefit under the terms of the insurance policy did not relieve the fund of its obligation to consider all aspects of the claim. Upon doing so the Tribunal found that the fund had an obligation to compromise the claim in an amount equivalent to the benefit.

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Leura "Ballygowan"
Tel 02 4784 2177 Fax 02 4784 2145
21 Grose Street Leura 2780
Email info@browne-link.com.au
www.brownelinkenbagh.wordpress.com