

In my submission to the Royal Commission, firstly I will set out what I see as being fundamentally wrong with our Superannuation/Insurance system. Secondly I will give the commission details of mine and my husband's personal experience with this broken system. Finally, I will set out what I believe a large part of the solution ought to look like.

### **THE PROBLEM**

The problem is the inherent conflict of interest between the shareholders of the Superannuation/ Insurance Trustee companies and the beneficiaries of the Trust funds. Where the Trustee of a Superannuation/Insurance fund is a company, the Trustee Company's highest obligation is to its shareholders. These shareholders are shareholders of that company. Often they have bought shares in the company while not having contributed to the Superannuation/Insurance fund itself. This pits shareholder's interests against that of the Trust fund's beneficiaries.

This would explain why it is so difficult for so many Superannuation/Insurance beneficiaries to be paid their entitlements when they make claims. This ought to be a straight forward process. Beneficiaries of the fund should only require legal assistance in exceptional cases. However, company Trustees often reject TPD insurance claims in the first instance in order to benefit their shareholders rather than the paid up claimant beneficiaries of the fund.

Good faith is often found wanting and company Trustees often drag out legal proceedings for years and years in the hope that the paid up claimant beneficiary either gives up or dies.

I did my own research into how many company Trustee decisions to reject claims were overturned by the Superannuation Complaints Tribunal and the Federal Court. I found that almost 80% of rejected claims taken to the then Superannuation Complaints Tribunal were overturned either by the Tribunal or if appealed, by the Federal Court.

### **PERSONAL EXPERIENCE**

My husband worked for BHP for 18 years until he took ill and was no longer able to work.

After losing our house to the bank and moving into private rental then Housing Trust accommodation, we were dependent upon government benefits.

Approximately eight years later my husband engaged a lawyer to assist him make a "TPD" (Total Permanent Disability) Insurance claim estimated by the lawyer to be worth more than \$900,000.

After four and a half long, long years the lawyer managed to get a total offer from the Insurer and another party of \$130,000 from which the lawyer wanted to take \$50,000 for his fees.

My husband, under treatment for his mental illness, was not coping with the stress of it all. Reluctantly, he accepted the offer. After legal fees, the \$80,000 he got did not

last long and after a few necessary purchases and paying off various loans it was gone.

My husband remains disabled and I am his Carer. We survive on government benefits and we live in relative poverty.

**THE SOLUTION**

Do not allow Superannuation/Insurance Trustees be companies.

20 September 2018

Heather Mildred