



ASIC
Australian Securities &
Investments Commission

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and Investments Commission**

Office address (inc courier deliveries):
Level 5, 100 Market Street,
Sydney NSW 2000

Mail address for Sydney office:
GPO Box 9827,
Melbourne VIC 3001

Tel: +61 1300 935 075

www.asic.gov.au/

To: CEOs of superannuation trustees

19 November 2024

Dear CEOs

How well is your fund dealing with death benefit claims?

We are writing to highlight the importance of assessing your fund's practices for handling death benefit claims and addressing any deficiencies you identify.

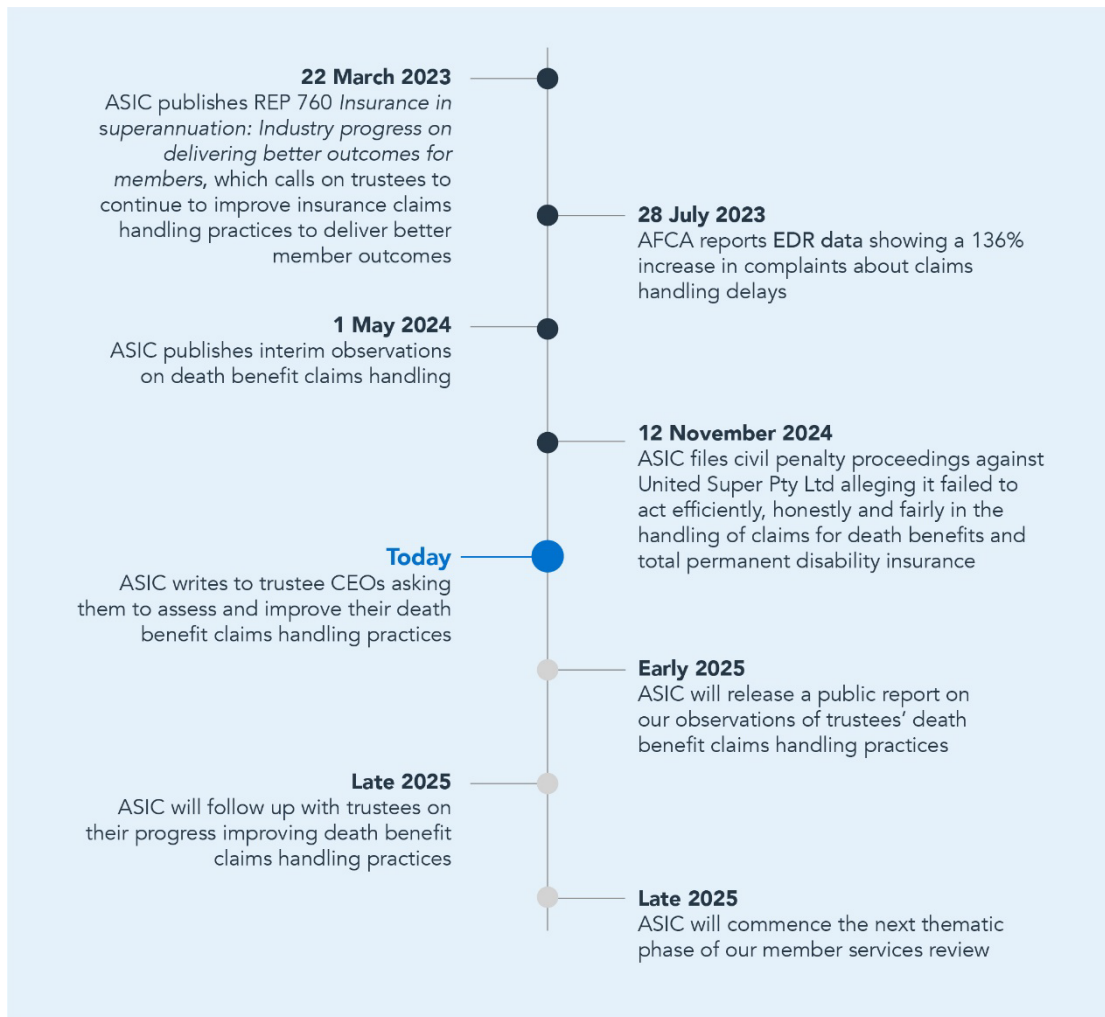
The way superannuation trustees approach their interactions with people can have a significant impact on their lives. For this reason, ASIC commenced a multi-year project in 2024, looking at industry practices and compliance with laws relating to trustee administration and contact centres. We will be issuing a public report in early 2025 with detailed insights from our current review focused on death benefit claims, which your fund should consider.

In the meantime, this letter flags our observations of consistently weak trustee practices to prompt immediate action, where appropriate. We have observed operational failures by trustees to gather and analyse data that provides insights into the outcomes experienced by claimants. These failures make it impossible for trustee boards to provide appropriate oversight on their performance when handling death benefit claims.

While this letter focuses on death benefit claims handling, many of the insights are equally applicable to the governance of other member services provided by trustees.

Background

ASIC's regulatory and enforcement work has a strong focus on the interactions between members and their superannuation funds. In our member services review work, we aim to drive industry progress on improving service delivery and member outcomes. This includes identifying non-compliance with the law for further investigation and, where appropriate, enforcement action.

Figure 1: Timeline of claims handling work

We published our [interim observations](#) on death benefit claims handling in May 2024, which involved an analysis of internal dispute resolution data provided to ASIC, external dispute resolution (EDR) data collected by the Australian Financial Complaints Authority (AFCA), and the websites of 22 trustees.

We observed that while most trustees provide some information about death benefits, some of the information was incomplete, difficult to understand and not accessible to persons with disabilities or who do not speak English as a first language. Three websites did not have any content that explained the importance of making a nomination and 16 of the 22 trustees omitted crucial details from beneficiary nomination forms.

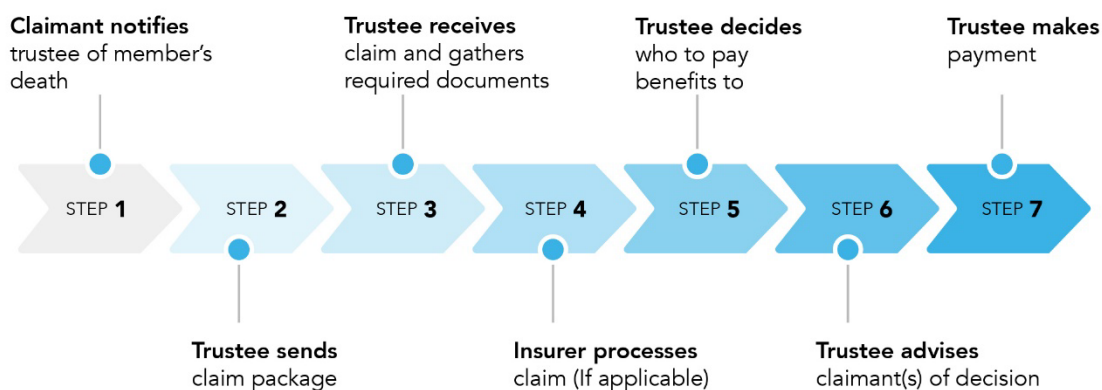
Following the website review, we issued notices on 10 trustees requesting granular claims data and documents such as policies, procedures, communications, claims files and complaints records. We also met with each trustee to discuss our initial observations and to identify priority areas for improvement.

ASIC's initial observations about death benefit claims handling based on our review

Trustees must collect claims handling data that is accurate and fit for purpose

From a claimant's perspective, the time taken for a claim to be processed starts the moment they first contact the trustee about the claim and ends once they receive payment. Trustees should set clear performance benchmarks against end-to-end claims handling times that better reflect consumer expectations.

Figure 2: Measuring end-to-end claims handling time for a typical claim



All trustees experienced challenges providing data to ASIC about their end-to-end claims handling times. Many trustees did not have systems in place to enable them to extract certain data without significant manual work. Even then, the data initially provided to us was generally of poor quality.

Some trustees were unable to track end-to-end claims handling times because they could not access this data. Indeed, some trustees appeared to be surprised at their own data on end-to-end claims handling times when we presented it to them. This was highly concerning.

Boards need regular and complete reporting of meaningful performance metrics

Effective service delivery depends on a trustee's ability to collect and use data about its performance, including the performance of service providers such as administrators and insurers, to address deficiencies and improve consumer outcomes.

Most trustees in our review were monitoring and reporting on claims handling times. However, many trustees did not track claims end to end. For example, some trustees only tracked the time taken to make a decision after the trustee sent out the initial claim package. Others only appeared to focus on the time taken by the trustee once they deemed applications from all claimants to be complete. Neither of these metrics reflects the experience of the person making the claim.

We observed that many trustees in our review produced frequent reporting on handling times for insured claims, but did not report on times for uninsured claims. While effective supervision of insurance claims is important, the majority of members whose deaths triggered a claim captured in our review **did not** have insurance when they passed away. As a result, some trustee boards did not receive reporting on most of their death benefit claims during the 2-year period we reviewed.

Trustee boards are required to make evidence-based decisions. Boards should have access to regular performance reporting that is meaningful, complete and at a level of granularity that allows the board to identify issues it needs to engage with. Trustee boards that rely on incorrect, incomplete or inappropriate data and metrics to monitor performance and make decisions may fail to identify and address significant issues, resulting in consumer harm.

We observed that some form of performance reporting was presented to most trustee boards at least annually, but often with inappropriate metrics, such as claims volumes or overall average handling times, which can mask issues that more appropriate metrics would reveal.

Meeting the trustee's obligations to members and beneficiaries

Even the best performing trustees have room for improvement – indeed, we found that the best performing trustees in our review have also been the most receptive to feedback.

People making death benefit claims are usually under emotional or financial stress. This makes it especially important that trustees approach these claims in a timely, clear and respectful manner. To do this well, trustees should design their processes and procedures to be consumer-centric at every level.

Trustees should have consumer-focused performance objectives for handling death benefit claims, which should:

- cover the performance of all aspects of the process undertaken by the trustee itself as well as any outsourced to service providers, and
- reflect the reasonable expectations of claimants.

Performance objectives should be tracked with metrics based on accurate, complete and meaningful data. In the context of death benefits, this means collecting data on the entire life cycle of a claim – from the date the trustee is first notified of the claim until the last payment is made to a beneficiary. This data should be used to identify areas across the process that should be improved. If any part of the process is outsourced to a service provider, trustees should ensure they have access to the provider's data and have confidence that the data being reported to the trustee is correct, as it is the trustee who is ultimately accountable.

Performance against objectives should also be reported to the board at appropriate intervals, but at the very least every 6 months. Boards of trustees with long claims handling times or a high number of complaints about claims handling need to be more engaged and may need more frequent reporting, root cause analysis or material risk reporting.

Where failures are identified in performance, it is important for boards to ensure that appropriate steps are taken to address these, and where appropriate, remediate affected claimants.

Next steps

ASIC will release a public report about our observations from the review in early 2025. Following the release of the report, we will check in with all trustees on the progress they have made on improving their death benefit claims handling processes to ensure that they are appropriately prioritising the needs of members and their beneficiaries.

As a CEO, you will be an accountable person under the Financial Accountability Regime (FAR), which commences on 15 March 2025. There are several prescribed responsibilities relevant to member services that you or your senior executive team will be accountable for, depending on your business model. To satisfy yourselves that you are complying with your FAR obligations, you must have regular access to accurate, complete and meaningful performance reporting to enable you to identify issues with services for members and beneficiaries and take swift action to address them.

We request that you:

- share this letter with the members of your board
- if you have not already done so – review your internal dispute resolution data to identify trends and themes that might help identify potential frictions or areas for improvement in your death benefit claims handling processes, including in data collection
- conduct a preliminary assessment of your business against the observations in this letter, including any outsourced services, and discuss with your board areas for improvement in the trustee's oversight of its death benefit claims handling function and steps that the trustee can take to improve
- carefully review the report when it is released and identify further areas for improvement, and
- include longer term commitments in the trustee's 2025 business plans to improve your processes.

If you have any questions about this letter, please contact Jessica Spence, Senior Specialist, Superannuation by email at jessica.spence@asic.gov.au.

Yours sincerely

Simone Constant
Commissioner
Australian Securities and Investments Commission