ASIC
Australian Securities & Investments Commission

Taking ownership of death benefits: How trustees can deliver outcomes Australians deserve

Report 806 | March 2025

About this report

This report provides detailed observations from our review of the death benefit claims handling practices of 10 superannuation trustees. It identifies better practices, as well as systemic failures by some trustees that exposed grieving Australians to added emotional and financial distress.

Contents

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Executive summary

This report outlines ASIC's observations from the first phase of our member services project, examining a range of industry practices and compliance with laws relating to trustee administration and contact centres. It provides detailed observations of both good and poor practices from our review of death benefit claims of 10 trustees (reviewed trustees) over the 2-year period ending 31 March 2024 (review period). The reviewed trustees are responsible for 38% of all member benefits in superannuation funds regulated by the Australian Prudential Regulation Authority (APRA).

Our review identified that none of the reviewed trustees monitored or reported on their end-to-end claims handling processes or performance. Systemic failures by some trustees also exposed grieving Australians to additional emotional and financial distress through:

- excessive delays and poor service
- gaps in trustee data, reporting and metrics
- unclear and inconsistent processes and procedures
- ineffective and insensitive communication and engagement, and
- inadequate support for First Nations claimants.

Some reviewed trustees had good claims handling practices and this report contains many specific examples of better practices we observed. The case studies in this report, which came from the complaints and claim files we reviewed, demonstrate the impact on claimants of both good and poor practices. While all trustees had room for improvement, it is clear that trustees who take ownership of their member services can deliver good outcomes to members and claimants despite complexities in the law.

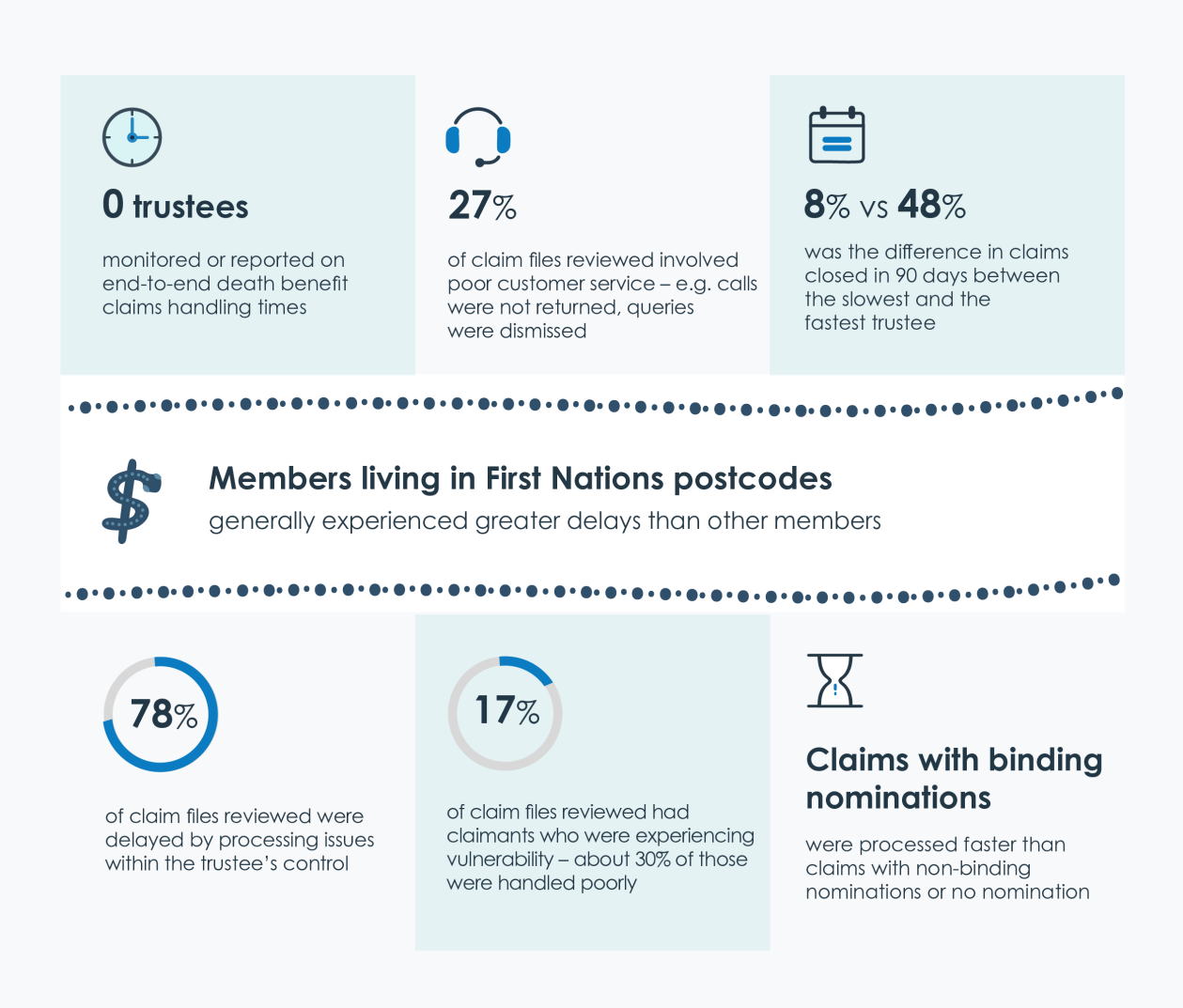
Australians entrust their retirement savings to superannuation trustees with the reasonable expectation that trustees will provide their services in a timely, efficient and compassionate manner, particularly following a life-changing event like the death of a loved one.

When a beneficiary suffers delays in the processing of a death benefit, not only do they suffer the stress of having to engage with a complicated process while grieving, they are also denied access to money they are entitled to. Claimants suffering financial hardship may not be able to afford the funeral, burial or cremation arrangements that are personally or culturally important for their grieving, leading to ongoing distress.

For this reason, improving member services for superannuation fund members is a strategic priority for ASIC as detailed in our *Corporate Plan 2024–25*.

A **death benefit** is the amount of superannuation remaining in a member's account after they pass away. It may also include insurance proceeds if the member had insurance through their superannuation (insured benefit). The deceased member's beneficiaries generally must lodge a claim to the member's superannuation fund to access these benefits. Trustees have certain obligations when processing claims, including paying the benefit as soon as practicable. Appendix C contains a summary of trustees' legal obligations.

Figure 1: What ASIC's review into death benefit claims handling revealed about trustees



Some trustees delayed claims and provided poor service

There was significant variation in end-to-end claims handling times across the reviewed trustees. The fastest trustee closed approximately 48% of death benefit claims in 90 days whereas the slowest trustee closed only about 8% of claims in 90 days.

Claims that had a valid binding nomination were processed faster than those that did not. Uninsured claims were slightly faster than insured claims.

Trustees that processed claims internally or with a related-party service provider (insourced trustees) closed 36% of claims in 90 days in comparison to trustees who processed claims with a third-party service provider (outsourced trustees), who closed 15% in 90 days.

Trustee data and reporting exposed gaps in oversight

Trustees can only comply with their obligations if they have robust processes in place to oversee how claims are being handled.

None of the reviewed trustees had performance objectives for end-to-end claims handling times during the review period, and they did not monitor or report on end-to-end performance. Monitoring of claims often involved insufficient or inappropriate metrics. Performance objectives and reporting for service providers were not robust.

We saw no robust reporting to trustee boards about death benefit claims handling times during the review period – in particular about aged claims.

Some boards received quarterly reporting on insured claims but not uninsured claims. Because most claims are uninsured, boards that did not receive reporting on uninsured claims did not receive reporting on **most** of their death benefit claims during the review period.

All reviewed trustees experienced challenges providing data to ASIC about their end-to-end claims handling times. Many trustees reported challenges combining datasets from multiple sources, particularly when trustees had undertaken mergers or successor fund transfers.

Trustee risk appetite was a significant contributor to claims handling times. Some reviewed trustees had procedures that were so risk averse, they may not be in the best financial interests of members.

Claims processes and procedures were often unclear and inconsistent

While all reviewed trustees documented their death benefit claims processes and procedures, for some trustees, these documents lacked detail, contained gaps or inconsistencies, were inflexible or were not supported by appropriate guidance for staff members on how to handle complex claims.

Many claim forms and packs did not request all necessary information and were not tailored to the circumstances of the claim, resulting in claimants being asked to provide irrelevant information.

Claims staff make or break a claimant's experience of making a claim. While we saw examples of good claims experiences, most of the claim files we reviewed evidenced instances of poor claims handling, indicating insufficient staff training, guidance, record-keeping or quality assurance. We also saw examples of poor coordination with service providers resulting in delays.

Communication and engagement was often ineffective and insensitive

Many of the communication materials we reviewed were insensitive, difficult to understand, and not tailored to the claimant's circumstances.

Few reviewed trustees had a death benefit claim form available online. Many of their claim communications lacked clear and complete explanations about important aspects of the claims handling process, including how long the process might take and what documents were required.

Several trustees failed to provide us with evidence that they sent claimants status updates.

We observed significant differences across funds about what assistance they were prepared to provide to claimants experiencing financial hardship. Some reviewed trustees provided interim payments to beneficiaries. Others referred claimants to Centrelink or the Australian Taxation Office (ATO) to make a claim for compassionate early release from their own fund. One trustee's guidance suggested members could transfer their own superannuation to another fund that permits severe financial hardship claims.

Only a few reviewed trustees regularly 'nudged' or prompted members to make binding nominations or periodically ran proactive nomination campaigns. Most trustees contacted members before a binding nomination was about to lapse to encourage the member to renew the nomination. Across the review, a median of 23% of binding nominations were invalid, but only 4% were invalid for one trustee that had robust vetting processes for nominations.

Support for First Nations claimants was inadequate

Trustees took longer to process claims for benefits of members living in remote or very remote postcodes with high proportions of First Nations peoples (First Nations postcodes) than for other members.

Some of the reviewed trustees were surprised to discover they had a relatively high proportion of members who were more likely to be First Nations.

Across the review, policies and procedures to support First Nations claimants were lacking, including alternative identification options and support for people living in remote areas of Australia.

Communication with First Nations claimants was often not culturally sensitive. More appropriate resources and training were needed to support staff to better serve First Nations members and claimants.

Actions for industry

Throughout this report, we identify actions for industry to improve their death benefit claims handling practices based on our observations of poor and better practices across the 10 reviewed trustees. The actions are listed in Table 1. Many of these actions may also be relevant to other member services trustees provide.

All trustees and their service providers should consider their operations in light of the observations and actions in this report and address any deficiencies identified to ensure they are delivering the services Australians reasonably expect from a superannuation fund.

Table 1: List of actions for industry to improve claims handling practices

Focus area	Actions for industry
Complaints about death benefit claims	1 Trustee executives should periodically read verbatim complaints to understand claimants' and beneficiaries' experiences when engaging with their funds.
Setting and monitoring performance objectives	2 Trustees should: › track end-to-end claims handling times › track both insured and uninsured claims, and › use meaningful metrics with sufficient granularity to quickly identify and address issues with processing claims.
Oversight of service providers	3 Trustees should review agreements with service providers to identify if more meaningful performance objectives, metrics or reporting is necessary. Trustees should engage with their providers to address any deficiencies.
Reporting to trustee boards	4 Trustee boards should have access to regular claims handling data measured against meaningful performance metrics. 5 Trustees should provide their boards with performance reporting regularly and at appropriate intervals. More frequent reporting may be required if significant issues are identified.
Balancing trustee risk appetite with service efficiency	6 Trustees should review their procedures against their risk appetite and best financial interests duty to identify opportunities to improve claims handling times. For example, trustees can reduce administrative burdens imposed on claimants where appropriate and consider when to waive certain steps in the claims handling process. 7 Trustees should ensure claims procedures include a clear process for escalating decisions about acceptable alternative information and documentation, particularly for aged claims and claimants experiencing vulnerability.
Successor fund transfers and mergers	8 If their fund is undergoing a significant business transaction (e.g. a merger or successor fund transfer), trustees should ensure that all staff and service providers are well equipped for the change through appropriate planning and resourcing to minimise the impact on members and claimants.
Documenting processes and procedures	9 Trustees should clearly document their processes and procedures for death benefit claims handling to ensure consistency and manage key person risk. At a minimum, trustees should clearly set out in guidance for staff which documents should accompany a claim, and what waivers, exceptions or alternatives may be appropriate in certain cases. Appropriate guidance should be provided to staff on how to escalate issues with complex claims.
Fit for purpose forms and claim packs	10 Trustees should: › review claim forms and packs to ensure they use plain language › give clear instructions, and › collect all and only relevant information.

Focus area	Actions for industry
Prioritising staffing and training	11 Trustees should urgently prioritise adequate staff resourcing and training. 12 Trustees should ensure that record-keeping systems can efficiently inform claims staff of: › the status of the claim › the communications that have been sent and received › what information or documents have been received, and › what is outstanding.
Coordination with service providers	13 Trustees should ensure that guidance and business rules provided to administrators: › cover all parts of the claims handling process the administrator is responsible for › reflect the trustee's risk appetite, and › align with communications provided to members and claimants. 14 Trustees should have a process for ensuring the quality of the services they provide, whether performed in house or by external service providers (e.g. periodically reviewing a sample of files). 15 Trustees should ensure there is regular and effective communication between the trustee and relevant service providers. Enhanced communication may be required for complex or aged claims.
Showing compassion	16 Trustees should ensure communication with claimants, whether written or verbal, is thoughtful and acknowledges the loss that the person has just experienced. 17 While communications should provide important information in plain language, this should be done with sensitivity, appropriate context and explanation. 18 Trustees should tailor communications to the circumstances of the claim and the claimant.
Clear expectations	19 Trustees should provide clear and complete information to claimants about the claims handling process and explain what the claimant should provide and how long the process is likely to take. 20 All written communication to claimants should be in plain language. Trustees could also consider consumer testing of key documents to assess the effectiveness of their communications. 21 Trustees should provide claimants with regular updates about the status of their claims.
Support for claimants experiencing vulnerability	22 Trustees should treat every death benefit claimant as someone who may be experiencing vulnerability from the loss of a family member. 23 Trustees should review their vulnerable consumer policies to ensure they provide appropriate guidance to staff to assist them in identifying vulnerability and providing meaningful support to claimants. 24 Trustees should review their policies and procedures relating to financial hardship to ensure they: › align with the degree of actual risk presented by the claim › provide for the efficient escalation of claims where appropriate, and › do not impose any unjustified administrative burdens on claimants.

Focus area	Actions for industry
Effectively addressing complaints	25 In complaint responses, trustees should: › acknowledge the issues that are being complained about › provide a response to those issues, including a plain language explanation › acknowledge the person's distress or frustration, and › include a real apology where the trustee has failed to deliver the reasonably expected level of service. **Note:** Regulatory Guide 271 *Internal dispute resolution* (RG 271) sets out what an IDR response to a complaint must contain: see RG 271.53–RG 271.55.
Assisting members to make valid nominations	26 Trustees should have processes in place to check that nominations have been correctly completed when they are first received and follow up with members if a nomination is invalid. 27 Trustees who offer binding nominations should consider nudges at different life stages, or periodically, to support members to make or maintain a nomination that meets their needs. 28 Trustees who offer nominations or renewals online should ensure that appropriate controls are in place to prevent fraud or unauthorised access to the nomination form.
Data for First Nations members	29 To better understand the needs of their First Nations members and inform better service delivery, trustees should use available data (e.g. from the Australian Bureau of Statistics (ABS) and other public sources) to estimate First Nations membership in their funds. 30 Trustees should also consider their ability to collect identifying data directly from First Nations members with their consent.
Supporting First Nations members and claimants	31 Trustees should review their policies and procedures to identify barriers for First Nations members and claimants and make changes to remove those barriers where possible. 32 Trustees should provide contact centre staff with appropriate resources and training to support First Nations members in a culturally appropriate manner and be empowered to escalate issues facing First Nations claimants where processes and procedures do not meet their needs.
AUSTRAC alternative identification guidance	33 At a minimum, trustees should provide staff responsible for anti-money laundering and counterterrorism financing obligations with cultural competency training to assist them in applying the guidance by the Australian Transaction Reports and Analysis Centre (AUSTRAC) to meet the needs of First Nations claimants. 34 Trustees should empower contact centres to quickly escalate issues with alternative identification to the team responsible for making decisions about alternative identification.

SECTION 1

ASIC's impact on driving better member services

Our project has had a positive impact on the quality of death benefit claims handling services provided by the reviewed trustees. This will ultimately result in better outcomes for people who make death benefit claims. We have also observed that trustees outside the review are reassessing their claims handling communications and practices and considering what changes need to be made to improve claimant outcomes.

We required each reviewed trustee to provide us with information about improvements to their death benefit claims handling practices that they had completed or planned to make in response to our observations. On the whole, we made the following observations:

- All reviewed trustees are making efforts to improve the quality of end-to-end claims data and performance monitoring, but many trustees have not set outcomes-based performance objectives.
- Most trustees have reviewed their policies and procedures to identify opportunities to simplify, harmonise or better align procedures with the level of risk presented by each claim. Many reviewed trustees have increased the monetary threshold for their simple claims process or claim staking procedure.
- All reviewed trustees are considering how to better support First Nations consumers and consumers experiencing vulnerability.
- Many trustees reviewed their communications and websites following observations we made in May 2024 and have already implemented changes to assist members to make nominations

and assist claimants to understand the claims process. Some trustees are also reviewing their claim forms and packs, and letter templates.

Note: See *Improving superannuation member services – Dealing with death benefit claims* (1 May 2024) (May 2024 news item).

- Most reviewed trustees identified simple fixes or upgrades that they implemented during the review while continuing work on more complicated improvements.
- Many reviewed trustees considered how our observations could be applied across their services (e.g. to other types of claims) or businesses (e.g. to related trustees or their other funds).

Table 2 summarises the areas ASIC identified as a priority for each trustee to improve. It also shows the progress each trustee has made (as of 31 January 2025) against its own plans to improve in the four areas covered by this report – namely:

- governance and oversight
- policies and procedures
- communication and engagement, and
- support for First Nations claimants.

Trustees may have made improvements after this date that are not reflected in Table 2.

Given the variation in performance across the review, some reviewed trustees had more work to do than others and not all trustees needed to improve in the same areas. Likewise, some reviewed trustees committed to more ambitious improvements, which will naturally take more time to complete. The progress indicators in Table 2 are not a reflection of the impact of the completed or planned improvements, as we did not collect data after the review period.

Table 2: Summary of progress on committed improvements by reviewed trustees as of 31 January 2025

Trustee	Priority areas for improvement	Progress on committed improvements	
Australian Retirement Trust (ART)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Streamlining claims processes and procedures • Improving support for First Nations members and claimants	Governance and oversight	2
		Policies and procedures	2
		Communication and engagement	2
		Support for First Nations claimants	2
Avanteos Investments Limited (Avanteos)	• Improving performance monitoring and reporting • Providing clearer communications	Governance and oversight	3
		Policies and procedures	2
		Communication and engagement	1
		Support for First Nations claimants	1
Brighter Super Trustee (Brighter Super)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Streamlining claims processes and procedures • Providing clearer communications and better engagement • Improving support for First Nations members and claimants	Governance and oversight	1
		Policies and procedures	2
		Communication and engagement	3
		Support for First Nations claimants	2

0: No significant improvements completed or planned
1: Some improvements completed, many planned
2: Many improvements completed, some planned
3: Improvements substantially completed

Trustee	Priority areas for improvement	Progress on committed improvements	
Commonwealth Superannuation Corporation (CSC)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Streamlining claims processes and procedures • Providing clearer communications	Governance and oversight	2
		Policies and procedures	3
		Communication and engagement	2
		Support for First Nations claimants	1
H.E.S.T. Australia Ltd (HESTA)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Streamlining claims processes	Governance and oversight	3
		Policies and procedures	2
		Communication and engagement	2
		Support for First Nations claimants	3
Host-Plus Pty Limited (Hostplus)	• Improving performance monitoring and reporting • Streamlining claims processes and procedures • Staffing and training • Providing clearer communications and better engagement • Improving support for claimants experiencing vulnerability	Governance and oversight	2
		Policies and procedures	1
		Communication and engagement	1
		Support for First Nations claimants	1
N.M. Superannuation Proprietary Limited (NM Super)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Streamlining processes and procedures • Providing clearer communications and better engagement • Improving support for First Nations members and claimants	Governance and oversight	2
		Policies and procedures	2
		Communication and engagement	1
		Support for First Nations claimants	3
Nulis Nominees (Australia) Limited (Nulis)	• Improving performance monitoring and reporting • Updating systems, technology and data governance • Providing clearer communications and better engagement • Improving support for claimants experiencing vulnerability	Governance and oversight	2
		Policies and procedures	1
		Communication and engagement	1
		Support for First Nations claimants	1
Retail Employees Superannuation Pty. Limited (Rest)	• Improving performance monitoring and reporting • Streamlining processes and procedures • Staffing and training • Providing clearer communications and better engagement • Improving support for claimants experiencing vulnerability	Governance and oversight	2
		Policies and procedures	1
		Communication and engagement	1
		Support for First Nations claimants	1
UniSuper Limited (UniSuper)	• Improving performance monitoring and reporting • Streamlining processes and procedures • Providing clearer communications • Improving support for claimants experiencing vulnerability	Governance and oversight	3
		Policies and procedures	3
		Communication and engagement	2
		Support for First Nations claimants	2

0: No significant improvements completed or planned
1: Some improvements completed, many planned
2: Many improvements completed, some planned
3: Improvements substantially completed

Through our regular stakeholder engagement, we have spoken to trustees who were not included in the review about the work they have undertaken in response to our public communications:

- Some trustees have specifically identified member services as a strategic priority and have closely considered our observations from the May 2024 news item.
- Five trustees we spoke to were implementing or had plans to implement digital initiatives to better service their members and data projects to improve internal monitoring, and track service delivery.
- Three trustees told us they had undertaken a complaints analysis with a view to understanding the types of complaints received by members and claimants and the reasons for complaints handling delays.

The observations in this report show that trustees can control several factors that affect death benefit claims handling times. The reviewed trustees have already taken meaningful steps to improve the claims handling experience for future claimants, and planned future measures should continue to drive better claims experiences. Other trustees should take similar steps to identify issues and improve their practices to deliver the services that members and their beneficiaries expect from superannuation funds.

SECTION 2

ASIC's death benefit claims handling review

ASIC prioritised a review of death benefit claims handling practices in our multi-year member services project. Over the past 18 months, reports of service failures relating to death benefit claims have become worryingly common. The Australian Financial Complaints Authority (AFCA) has also observed a significant increase in complaints about superannuation, in particular about delays in claims handling.

In addition to driving improvements and taking action against any non-compliance or misconduct we identified, we sought to better understand:

- the extent to which delays were caused by factors that trustees had control or influence over
- the experience of people who have made death benefit claims, and
- the extent to which trustees are addressing the unique challenges that First Nations members and their families experience when making a death benefit nomination or claim.

In the first stage of the review, we analysed internal dispute resolution (IDR), external dispute resolution (EDR), and APRA data to identify key trends and issues with claims handling practices. We used this data to help inform which trustees to include in later stages of our review.

We also reviewed 22 superannuation fund websites, focusing on consumer-facing content about making death benefit nominations and the death benefit claims process.

We published an article setting out our observations from the complaints data and website review and called on trustees to consider whether their current arrangements were fit for purpose: see

Improving superannuation member services – Dealing with death benefit claims (1 May 2024) (May 2024 news item)

The final stage involved a deep dive review of 10 trustees, representing a total of 38% of member benefits in APRA-regulated superannuation funds: see APRA's Quarterly superannuation fund level statistics for June 2024. As part of this review, we issued four rounds of compulsory information gathering notices to obtain documents, information and data about the reviewed trustees' claims handling practices and progress on improvements:

- We reviewed policies and procedures, board governance documents and reporting, and communications to members and claimants for the review period. We also collected individual claim files – including call recordings – and claim-related complaints. More information about how we used information and data can be found in Appendix A.
- We met with each reviewed trustee at the beginning of the review to further understand their processes and highlight priority areas for improvement.
- In November 2024, we wrote to the CEOs of all APRA-regulated superannuation trustees highlighting the need for trustees to assess their death benefit claims handling practices and address deficiencies as a priority: see *ASIC writes to superannuation trustees to drive improvement to death benefit claims handling* (20 November 2024).
- We also met with trustees at the end of the review to discuss progress on their plans for improving their death benefit claims handling practices.

Trustees and fund arrangements

In our selection of the 10 reviewed trustees, we included industry, public sector and retail funds. We also included trustees of different sizes and with different insurers and administration models. We also included trustees with a low, medium and high level of complaints, and considered other intelligence available to us, to ensure our review considered both better and poorer practices.

Table 3 lists the reviewed trustees and funds, and their primary insurers and administration arrangements (i.e. whether they were insourced or outsourced trustees). Not all outsourced trustees outsource the same functions. See Appendix A for more information on how we selected the reviewed trustees.

While ASIC has no view about how a trustee should structure its business, we have included observations throughout this report where we have identified deficiencies in trustee arrangements. Regardless of their arrangements, the trustee is ultimately accountable for delivering services to members. Throughout this report, any reference to trustees performing duties they are legally accountable for includes duties that are outsourced to a service provider. We specifically refer to service providers when calling out actions that service providers are responsible for.

Table 3: Trustees, funds and their service providers included in the review

Trustee	Fund	Insurer	Administration arrangement
ART	Australian Retirement Trust	AIA Australia Limited (public offer) ART Life Insurance Limited, previously QInsure Limited (government)	Insourced: Precision Administration Services Pty Ltd (public offer) Insourced (government)
Avanteos	Colonial First State FirstChoice Superannuation Trust	AIA Australia Limited	Insourced
Brighter Super	Brighter Super Fund	TAL Life Limited	Outsourced: Tech Mahindra Limited
CSC	Public Sector Superannuation Accumulation Plan	AIA Australia Limited	Outsourced: Mercer Administration Services (Australia) Pty Ltd
HESTA	HESTA	AIA Australia Limited	Outsourced: Australian Administration Services Pty Limited (owned by MUFG Pension & Market Services formerly named Link Group)
Hostplus	HOSTPLUS Superannuation Fund	MetLife Insurance Limited	Outsourced (call centre, complaints and payments only): Australian Administration Services Pty Limited (owned by MUFG Pension & Market Services formerly named Link Group)
NM Super	AMP Super Fund	MLC Limited, OnePath Life Limited, TAL Life Limited from 1 April 2024 (and others)	Insourced: AWM Services Pty Limited
Nulis	MLC Super Fund	MLC Limited (and four others)	Insourced: MLC Wealth Limited
Rest	Retail Employees Superannuation Trust	TAL Life Limited	Outsourced: Australian Administration Services Pty Limited (owned by MUFG Pension & Market Services formerly named Link Group)
UniSuper	UniSuper	MetLife Insurance Limited from 1 June 2024	Insourced: UniSuper Management Pty Ltd

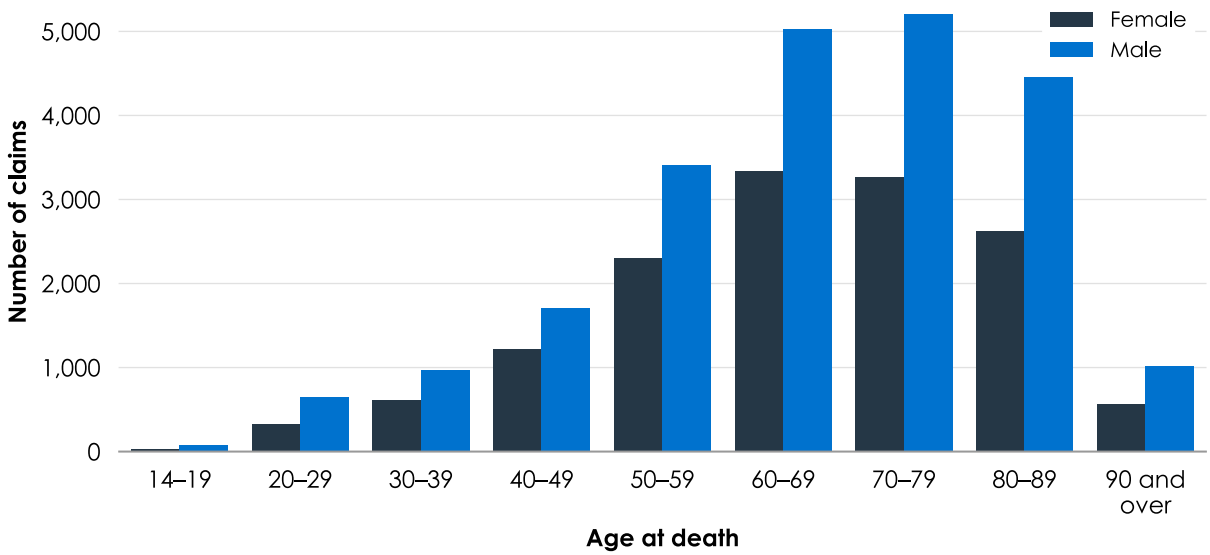
Member and claim demographics

As part of our data collection, we obtained limited data on the types of beneficiary nominations made by living members of each fund as of 31 March 2024. We also obtained demographic and claims handling data about claims made for death benefits during the review period. These two datasets gave us some key insights into the funds' members.

Based on the claims data we reviewed, most members were more than 60 years of age when they died (see Figure 2), but funds with substantial cohorts of members employed in industries involving manual labour, skilled trades, service related or healthcare roles had more members die at a younger age. More claims in our review related to male members than female members.

Across all funds, the average age of death was younger than the average age of death in the general population. This reflects the relatively recent introduction of compulsory superannuation in 1992, and the fact that the longer people live, the more likely they are to withdraw their entire account balance and cease their superannuation fund membership before they die.

Figure 2: Number of claims by age and gender of member at time of death

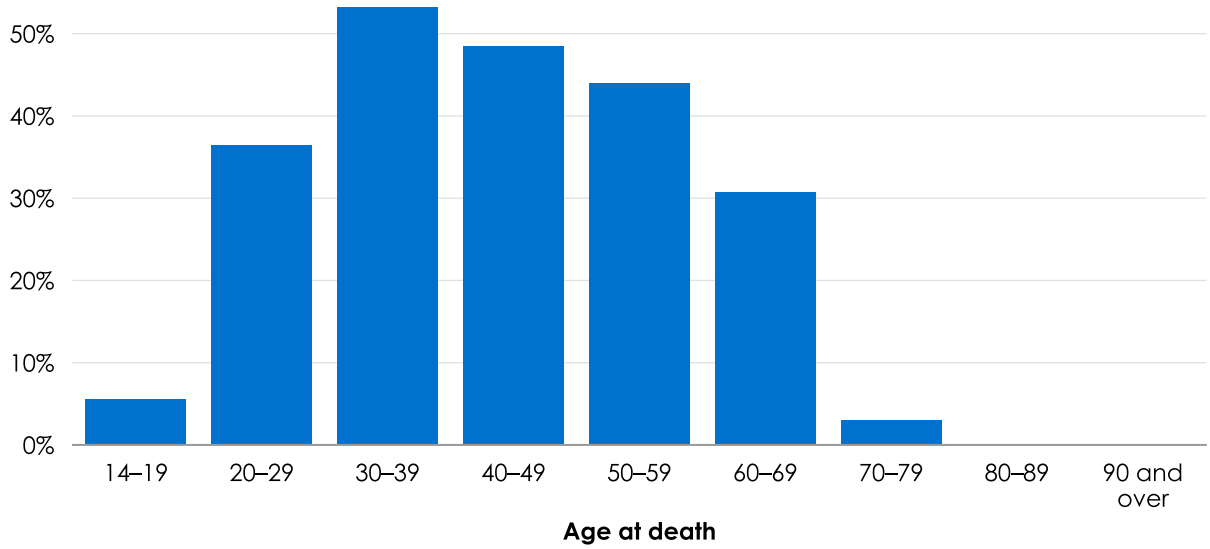


Note: See Table 5 for the data shown in this figure (accessible version).

Most members did not have insurance through their superannuation at the time of death: see Figure 3. This is not surprising. Insurance, which is designed to cover the risk of unexpected death, generally becomes more expensive (or less valuable, or both) as members age. Given that members tended to be older when they died, lower rates of insurance cover were expected.

Members aged 30 to 39 were most likely to have insurance (53%), followed by members aged 40 to 49 (48%) and members aged 50 to 59 (44%). Funds with younger members were more likely to have higher insurance cover, but no fund had more than 43% of claims with insurance at time of death. Account balances (including insurance) were lower for funds with high proportions of members in manual labour, skilled trades, service or healthcare related roles.

Figure 3: Percentage of members with insurance at time of death by age of member



Note: See Table 6 for the data shown in this figure (accessible version).

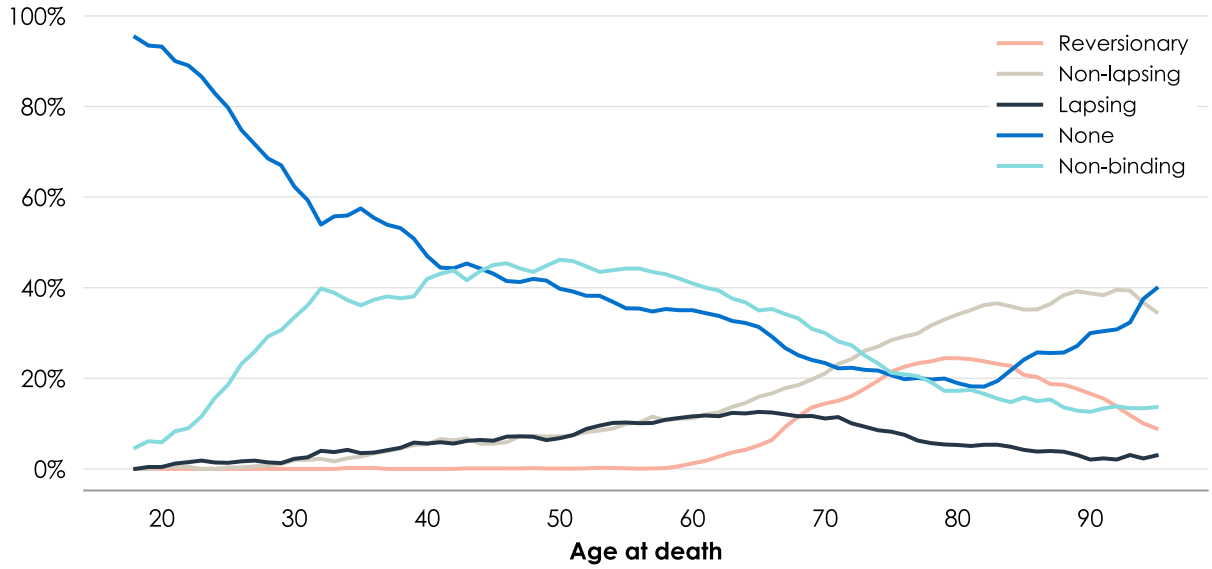
Beneficiary nominations

A beneficiary nomination tells a trustee who a member would like to receive their benefits after they die. A binding nomination gives the member certainty that their chosen beneficiary will receive the benefit. The payment process should also be faster, because the trustee does not have to decide who is entitled to receive the benefit. See 'Nominations' in Appendix C for more information.

Most living members of the reviewed funds did not have binding nominations. Most claims we reviewed did not involve binding nominations either. However, we noticed that older members were more likely to have binding nominations than younger members – although, this trend reversed after age 80: see Figure 4. Members were more likely to have a binding nomination (particularly non-lapsing) as they got older. The percentage of members with non-binding nominations increased between ages 20 and 50 and then steadily declined.

Deceased members were also more likely to have nominations than living members. This suggests that members become more engaged with making a nomination as they get older.

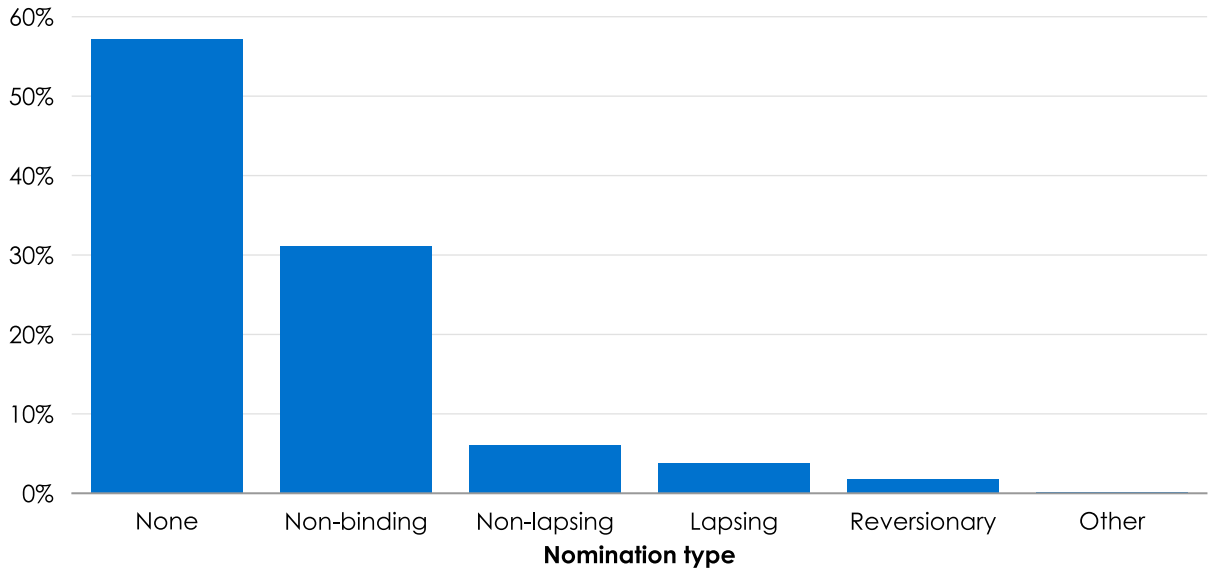
Figure 4: Percentage of deceased members with each nomination type by age at death



Note 1: See Table 7 for the data shown in this figure (accessible version).
Note 2: See Key terms for definitions of the different types of nominations.

As of 31 March 2024, 57% of living members of the reviewed funds did not have a nomination. The most popular type of nomination was non-binding (31%), followed by non-lapsing (6%) and lapsing (4%): see Figure 5.

Figure 5: Percentage of living members by type of nomination (as of 31 March 2024)



Note 1: See Table 8 for the data shown in this figure (accessible version).
Note 2: 'Other' is a beneficiary nomination made by a member that is not captured by another nomination type.

We also observed that, across the sample, the most popular type of nomination was a non-binding nomination. Most trustees permit members to make a non-binding nomination online, without the need for two witnesses. The relative ease in making a nomination may explain the popularity.

SECTION 3

Delays and poor service

End-to-end claims handling times

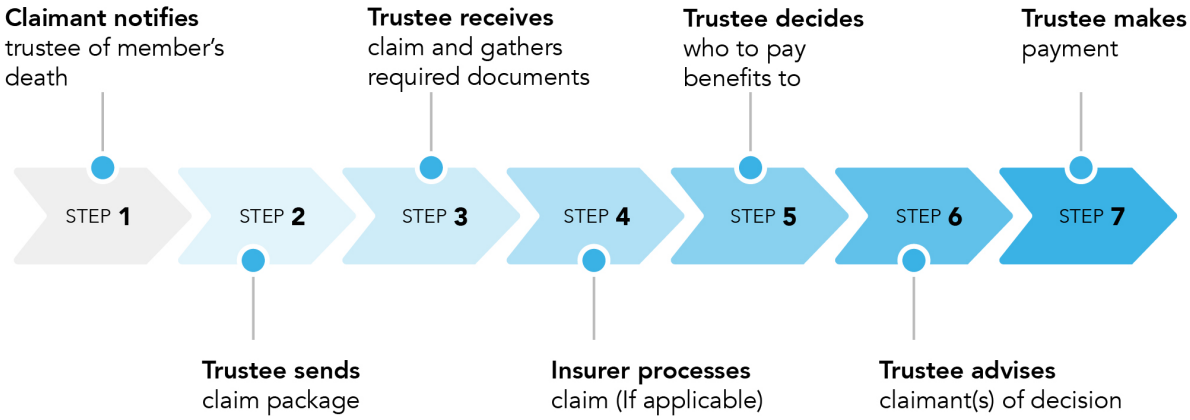
From a claimant's perspective, the time taken for a claim to be processed starts when they first contact the trustee about the death and ends once they receive payment. To understand claims from the claimant's perspective, we collected four key pieces of data about every claim included in our review – namely, the date the trustee:

- was first notified of the death
- started processing the claim
- made a decision, and
- first made payment of the claim.

A claim was included in our review if the trustee was notified of the death during the review period. We used the dates to determine end-to-end claims handling times for each trustee and identify parts of the process where particular issues arose or that required improvement.

Figure 6 illustrates that end-to-end claims handling times are measured as the time taken from step 1 to step 7.

Figure 6: Measuring end-to-end claims handling time for a typical claim

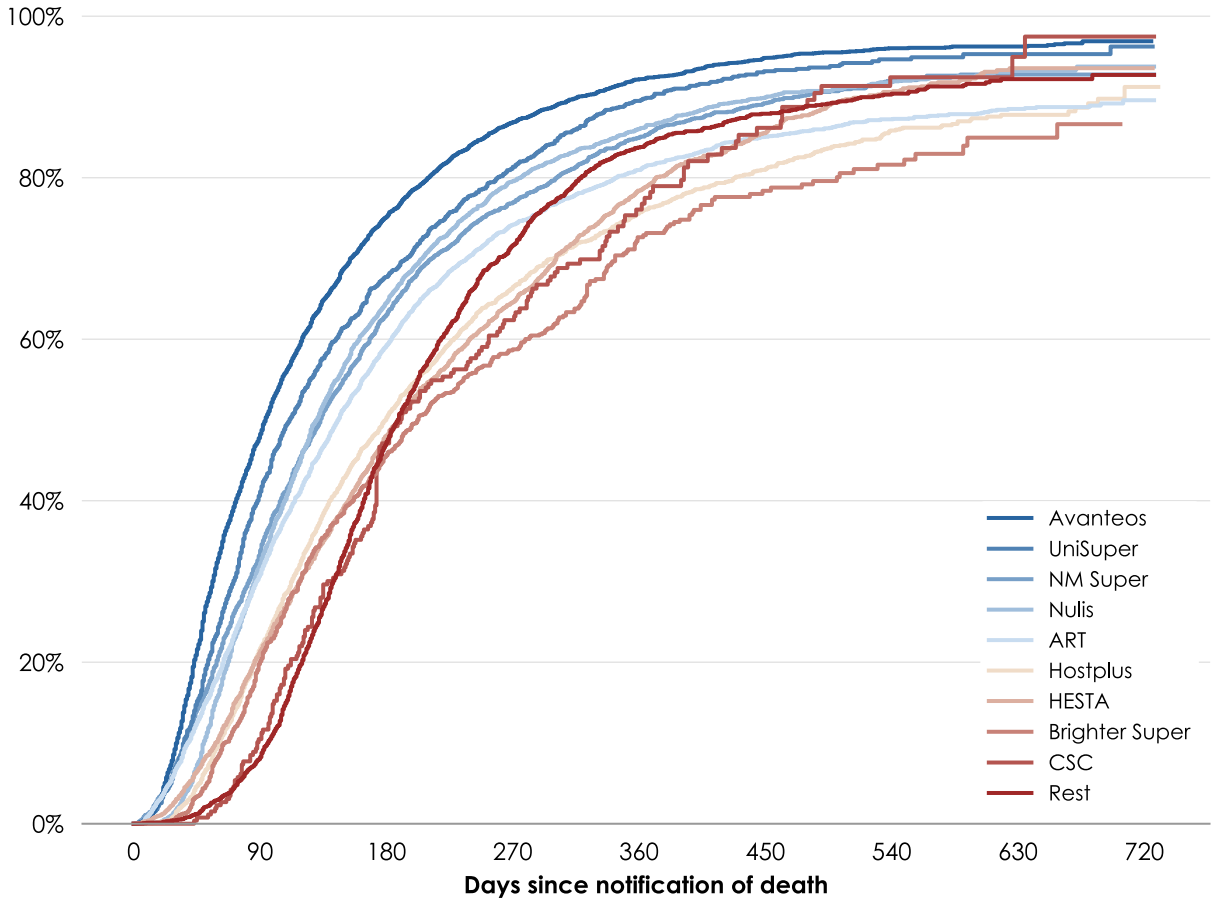


Overall, there was significant variation in claims handling times across the reviewed trustees. The fastest trustee closed approximately 48% of death benefit claims within 90 days whereas the slowest trustee closed only about 8% in that time. The fastest trustee had closed approximately 75% of its death benefit claims at 180 days, whereas the slowest trustee had only closed approximately 47% of its claims.

Note: See Appendix A for more information about how claims handling times were calculated, as well as a discussion of time period bias.

Figure 7 shows how long it took for the reviewed trustees to close their claims during the review period. The trustees indicated by the lines at the top of the graph processed claims more quickly than those at the bottom of the graph. All trustees had some claims open at the end of the review period, so no trustee reached 100% during the review period.

Figure 7: Percentage of claims closed by each reviewed trustee during the review period

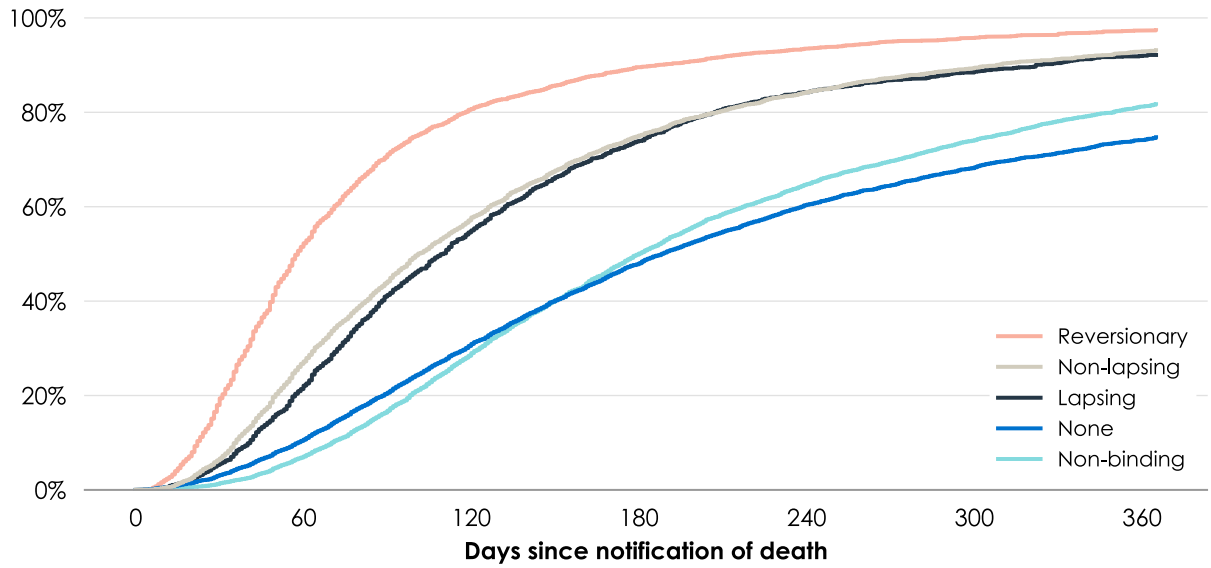


Note 1: See Table 9 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.
Note 3: The smoothness of the lines in this figure is an indication of sample size – trustees with more claims have smoother lines than those with smaller sample sizes. All sample sizes were large enough to support observations about trustees' claims handling practices.

When comparing relative performance across trustees, it is important to know that a trustee's business structure, member demographics, trust deed requirements and other factors may affect claims handling times. For example, it is faster to require a trustee to pay a benefit to the deceased member's estate. However, for insolvent estates or claimants who cannot afford probate, trustee discretion may result in a better overall outcome for beneficiaries. Claims handling times are only one metric of success. It is the trustee's responsibility to structure its business to best meet members' needs. For more information about how demographics may affect claims handling times, see Appendix A.

Claims that had a reversionary beneficiary at the time of the member's death were closed the fastest. Claims that had a non-lapsing or lapsing nomination were closed faster than claims with no nomination: see Figure 8. Claims with no nomination or a non-binding nomination took the longest to process. This demonstrates the value to both trustees and beneficiaries of having a binding nomination in place.

Figure 8: Percentage of claims in the review closed over time by nomination type

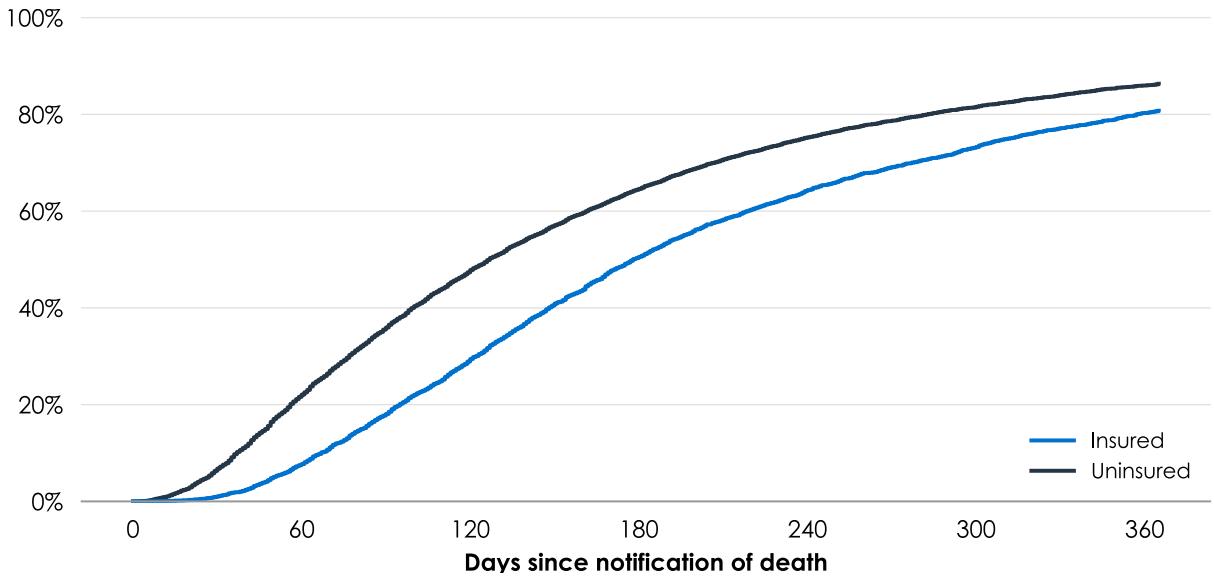


Note 1: See Table 10 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

We observed that death benefit claims with insurance took slightly longer to process than claims without: see Figure 9. This reflects the fact that insured claims involve a decision by the insurer. While this is not usually a difficult decision, the insurer needs to confirm the death has occurred and there are no circumstances that would invalidate the cover.

Unpublished APRA data for 2023 indicates the average time taken by an insurer to process a death benefit claim under an insurance in superannuation policy was 24 days (data current as of March 2025). Our review of a limited number of claim files indicated that processing times can be much shorter. Therefore, we do not view insurer processing times as a significant contributor to claim delays.

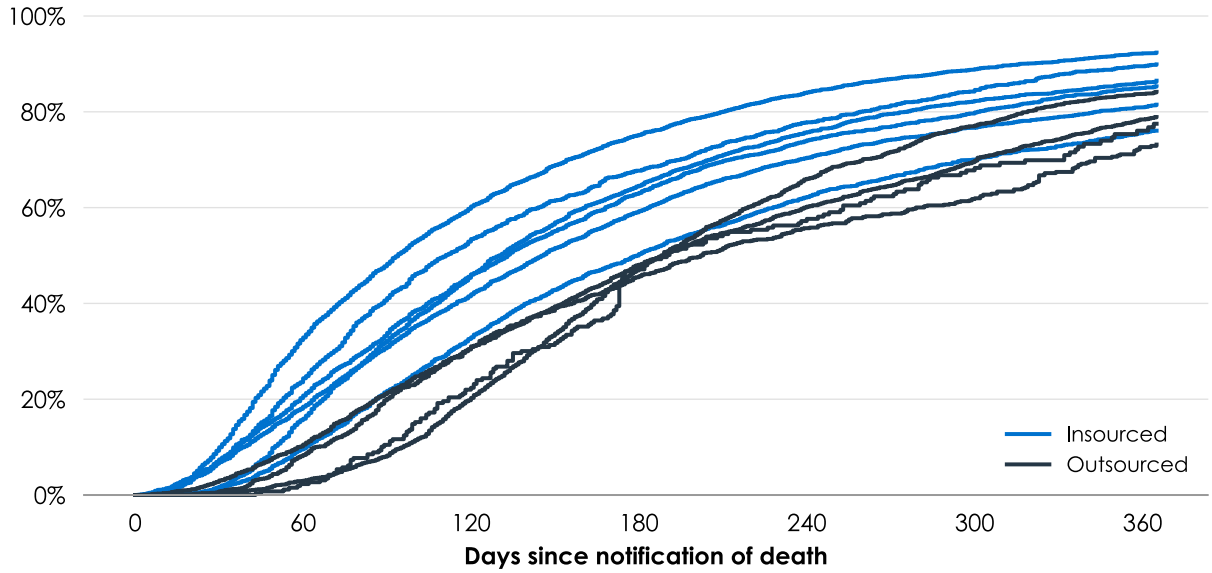
Figure 9: Percentage of claims in the review closed by insurance status since notification of death



Note 1: See Table 11 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Without accounting for other factors, the reviewed trustees that insourced more of the functions for death benefit claims handling had faster handling times regardless of the type of trustee (i.e. industry, public sector or retail): see Figure 10. While it is ultimately up to trustees to determine how to resource the performance of their obligations, it may be easier for trustees to oversee and support their own staff than a service provider's.

Figure 10: Percentage of claims in the review closed since notification of death for insourced and outsourced trustees



Note 1: See Table 12 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Complaints about death benefit claims

We analysed the reviewed trustees' IDR and EDR data to understand how they compared to each other and the industry more broadly. See Appendix A for details of this analysis.

We also required each trustee to provide us with data about complaints received during the review period, copies of those complaints and their responses. This gave us more granular insights into the nature of the complaints.

An overwhelming number of IDR complaints we reviewed related to service. The most common topics were about claimants:

- not getting a response or updates about the progress of a claim
- feeling that a request by the trustee was unreasonable, and
- excessive delays.

Across the reviewed trustees, fewer than 1% of IDR complaints were objections to the trustee's payment decisions. This suggests that most of the time trustees are making decisions that claimants believe are fair. It also suggests that the majority of the issues complained about are within the control of the trustee to address.

Many of the complaints we reviewed were distressing and evidenced deep grief, vulnerability, frustration and genuine suffering. These complaints contained important insights into the root causes of the problems claimants had when engaging with the funds that were not always evident from reviewing complaint summaries or data analyses. Many of the trustee executives we spoke with had not read verbatim complaints. While it is not reasonable or possible for executives to read every complaint their funds receive, periodically reviewing a sample of verbatim complaints ensures that summaries have appropriate context.

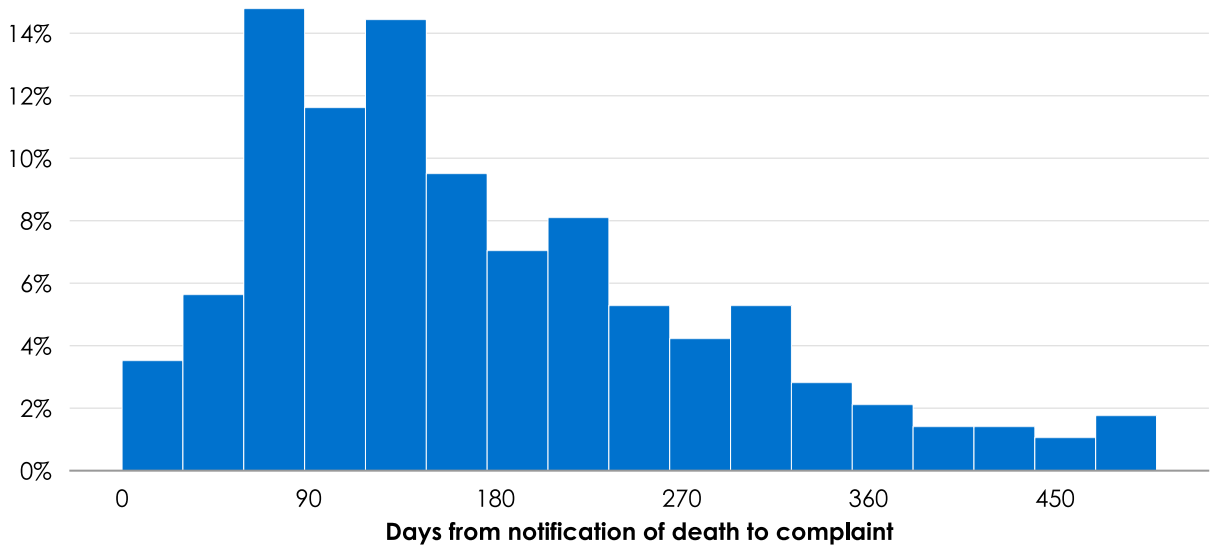
> **Actions for industry**
>
> Trustee executives should periodically read verbatim complaints to understand claimants' and beneficiaries' experiences when engaging with their funds.

Consumer expectations of claims handling times

We also considered how long it took a claimant to complain after the date on which the reviewed trustee had been notified of the death of the member. We did this to understand the point at which claimants became frustrated enough with the process to start escalating their concerns. This may be an indication of how long a claimant expects the process to take, given delays are a common complaint topic.

We observed from our review that there were periods of increased complaints at about 3 months and 5 months after the date the trustee was notified of the death: see Figure 11. Many claims had more than one complaint. In some cases, multiple people complained about the same claim and in others, one claimant made multiple complaints.

Figure 11: Percentage of complaints received over time after notification of death



Note 1: See Table 13 for the data shown in this figure (accessible version).
Note 2: One trustee was excluded from this analysis due to concerns about the accuracy of its data.

One trustee received a significant number of complaints before, or at the same time as, notification of death during the 2022–23 financial year. This was likely due to a failure to properly record and action the notification of death or an indication that claimants had difficulty successfully contacting the trustee to start the claims process, or both. That trustee has since investigated the issue.

Harms resulting from delayed payment

The primary purpose of a death benefit is to provide for a member's dependants following the member's death. When processing of a death benefit is delayed, not only does the beneficiary suffer the stress of engaging with a complicated process while grieving, they are also denied access to money they are entitled to.

Claimants suffering financial hardship may not be able to afford the funeral, burial or cremation arrangements that are personally or culturally important for their grieving, leading to ongoing distress. If a claimant relied on the member for financial support, the claimant may not be able to afford rent or mortgage payments, risking eviction or foreclosure and the associated fees and penalties. They may not be able to afford childcare, education expenses or other basic costs of raising their family. Claimants may incur debt at high interest rates. They may forgo medical treatments or even meals. Financial hardship is also a strong predictor of poor mental health.

Note: See, for example, *Money and mental health social research report* (August 2022) commissioned by ASIC.

We observed that many of the reviewed trustees had a practice of moving the member's account balance and any insurance proceeds (when paid by the insurer) into the fund's cash investment option. While this reduces the risk of investment losses, it also reduces returns. Delays exacerbate lost investment earnings.

We did not collect data about fees charged as part of our review. We understand that it is common for trustees to continue to charge administration fees and investment fees, but one reviewed trustee is reconsidering this policy. Trustees should not continue to deduct insurance premiums or financial advice fees while processing a death benefit claim.

Case study 1: Excessive delays and poor service

A man died after a long battle with cancer, leaving behind his wife of over 20 years. The man had a death benefit of over $600,000 and had made a valid binding nomination in favour of his wife. There were no other dependants.

The wife notified the trustee of her husband's death and asked to be sent the claim form. The wife then told the trustee that she needed some time to deal with her late husband's financial affairs and make a plan about what to do with the benefit.

The wife asked the trustee some simple questions about options for payment to help her plan. The trustee's initial response was brief, and the wife requested further details. Despite further contact with the fund over several months, the wife never received a response to all of her queries.

When the wife provided documents for the claim, she was initially told that the death certificate was a 'bit hard to read' (despite it being legible) and that she needed to resend it. Over the next few months, the trustee asked for certified copies of the death and marriage certificates several times without explaining what was wrong with the documents the wife had already provided. She was also asked to provide other documents she had already provided.

When she first contacted the trustee, the wife told the trustee there was a binding nomination, which was confirmed by the trustee in various communications. Later, the trustee told her there was no binding nomination. After the wife pointed out the error to the trustee, the trustee denied ever telling her there was a binding nomination.

After several months of frustrating interactions with the trustee, the wife asked her financial adviser to assist her with providing documents to the trustee.

The trustee finally approved payment to the wife in accordance with the binding nomination. However, payment was delayed by 3 weeks, because the trustee asked the wife for a document it needed to make the payment – even though she had already provided the document a few weeks earlier.

After the benefit was paid, the wife queried the calculation of the benefit amount. It took 2 months and 2 follow-ups before the trustee provided a response.

The trustee took almost a year from when the wife first contacted the trustee until the benefit was paid and 5 months from when she submitted her claim, even though there was a binding nomination and there were no other claimants. While the wife did ask for extra time to gather documents and make financial decisions, the trustee could have better responded to her queries and concerns, which may have assisted her to submit her claim sooner.

SECTION 4

Gaps in trustee data and reporting

Data collection

All reviewed trustees experienced challenges providing data to ASIC about their end-to-end claims handling times. While each trustee collected a range of data about claims handling, only one collected data on end-to-end claims handling times during the review period. As a result, some trustees had to use proxies to approximate some of the data. See Appendix A for further discussion of the use of proxies in our review. In some cases, trustees had the requested data, but it could not be extracted easily, requiring significant manual work.

Another challenge many trustees reported was combining datasets from multiple sources. This was particularly the case for trustees who had undertaken mergers or successor fund transfers.

We observed poor quality assurance of data by many reviewed trustees – obvious data errors were not corrected before submission to ASIC. All trustees needed to resubmit corrected data and some had to resubmit more than once.

Poor quality assurance of data is an indication of immature data governance. Sound data governance is essential for informing good governance overall. A trustee's ability to collect, extract, analyse and use data to make decisions is central to its ability to meet the standard of care owed to members and beneficiaries. Trustees must ensure they are collecting the right data and can rely on the quality of that data to make good decisions for their members.

Setting and monitoring performance objectives

Performance objectives

All reviewed outsourced trustees had negotiated service level agreements for a range of tasks performed by the provider (whether the insurer or the administrator). These agreements were commonly framed in terms of the number of days to perform a certain task, such as responding to a claimant's inquiry.

However, only some outsourced trustees had service level agreements or performance indicators for tasks they were responsible for, such as deciding who to pay the death benefit to. Some insourced trustees had task-based performance indicators.

We observed that few trustees had outcomes-based performance objectives. None of the trustees had performance objectives for end-to-end claims handling times. Some trustees did have performance objectives for customer satisfaction. While there are many ways to measure success in terms of claimant experiences and outcomes, trustees will not know if they have been successful in delivering good outcomes if they have no goals.

Monitoring end-to-end performance

We observed that most reviewed trustees focused on monitoring the performance of insurers, but less so on the performance of their administrators (whether insourced or outsourced). While appropriate oversight of insurers is necessary, we observed that the focus on insured claims resulted in insufficient attention on uninsured claims or tasks not performed by the insurer, which made up the majority of all death benefit claims in our review. Several trustees did not formally monitor or report on uninsured claims.

No reviewed trustee monitored or reported on end-to-end claims handling times during the review period. However, one trustee was in the process of developing a series of consumer-focused metrics for key interactions (including death benefit claims) as part of a broader project unrelated to our review. This approach is likely to place that trustee well to assess whether it is meeting the needs of members and beneficiaries and will support strong governance of the fund's member services. We learned from our discussions with trustees that some may not currently have the technological capability to track end-to-end claims times.

Some reviewed trustees focused on how long it took them to make decisions from the date they considered the claim to be ready for a decision, or from the date the insurer processed any insured claim. However, most trustees did not monitor how long it took claims to be processed and ready for a decision or the time from the decision to payment. All reviewed trustees received reporting on how long it took insurers to process insured claims.

Identifying a problem is the first step to resolving it. Tracking each step of the claims handling process allows trustees to understand where there are issues and make targeted improvements. For example, long periods between notification of the death and submission of a complete claim pack could indicate that claimants are struggling to provide the necessary documents or that they are being asked for unnecessary documents.

Metrics

The reviewed trustees tended to rely on insurer reporting to monitor performance, which often included volume and average duration of insured claims. We also saw reporting on aged claims, but some trustees had less granular reporting on claims over 365 days.

Average durations are not a meaningful metric for trustees to monitor performance and could lead them to believe they are improving due to time period bias. Average durations exclude claims that are not closed. This tends to exclude the most aged claims, resulting in claims handling times appearing shorter as they approach the reporting date. See Appendix A for more detailed discussion of time period bias.

Average durations also tend to hide important insights. For example, the average duration can be inflated when there are only a few very aged claims (e.g. due to ongoing estate litigation). Likewise, a large number of claims with short durations could hide a group of long duration claims that indicate an issue that needs to be investigated, such as a backlog in one part of the business.

> **Actions for industry**
>
> Trustees should:
>
> - track end-to-end claims handling times
> - track both insured and uninsured claims, and
> - use meaningful metrics with sufficient granularity to quickly identify and address issues with processing claims.

Oversight of service providers

Trustees are ultimately responsible and accountable to their members and beneficiaries for the services delivered, even if they outsource all or part of their claims handling duties. All of the reviewed trustees engaged with insurers to provide group insurance death cover to their members. Half of the reviewed trustees outsourced administration of one or more key duties related to death benefit claims handling.

We observed different administrative approaches by trustees to service providers. We also saw trustees engage differently with the same service providers. Many service providers in the review provided services to more than one reviewed trustee.

From the documents we reviewed, most trustees had service level agreements with their outsourced administrators and insurers. However:

- service level agreements were not always specific to death benefit claims
- service level agreements were task based and not outcomes based, and
- it was often unclear who received administrator reports.

For administrators, service level agreements covered topics like paying benefits, contacting claimants and issuing documentation. Some required the administrator to report to the trustee, but none required reporting of end-to-end claims handling times (although one administrator did report average decision time).

For insurers, service level agreements covered topics like the volume of claims or the performance of individual tasks rather than end-to-end claims handling times, especially for aged claims. We observed that trustees were particularly focused on the performance of insurers. This may have been in response to the recommendations in Report 760 *Insurance in superannuation: Industry progress on delivering better outcomes for members* (REP 760). Most insurers reported monthly to trustees on topics like age of open claims, decision times on claims and number of claims received. Two insurers included claims handling times.

> **Actions for industry**
>
> Trustees should review agreements with service providers to identify if more meaningful performance objectives, metrics or reporting is necessary. Trustees should engage with their providers to address any deficiencies.

Reporting to trustee boards

Directors are ultimately responsible for the actions of their businesses. The purpose of board reporting is to make boards aware of problems that they are responsible for solving. If trustee boards are given incorrect, incomplete or inappropriate data and metrics, they will fail to identify, address and remediate serious issues. This could result in delays, distress and financial loss to claimants. This is especially important as the new Financial Accountability Regime (FAR) commenced for superannuation trustees on 15 March 2025. Senior executives must be satisfied that they are complying with FAR on an ongoing basis, as they are accountable for failures within their respective remits.

We saw no robust reporting to trustee boards about death benefit claims handling times – in particular on aged claims. Each trustee reported insights about claims volumes and complaints, but usually only once or twice a year. Some boards received quarterly reporting on insured claims but not uninsured claims. Because most claims are uninsured, boards that did not receive reporting on uninsured claims did not receive reporting on **most** of their death benefit claims during the review period.

In general, we observed that more granular reporting was only presented to trustee boards after major issues with claims handling had already been identified. Any issues identified by trustees during the review period were identified by analysing the trustee's complaints data.

One reviewed trustee was in the process of overhauling its reporting framework to provide end-to-end reporting to executives when we first met with them. Another trustee was already collecting the data required to report on end-to-end claims handling times, but was not reporting that data to the board during the review period.

> **Actions for industry**
>
> Trustee boards should have access to regular claims handling data measured against meaningful performance metrics.
>
> Trustees should provide their boards with performance reporting regularly and at appropriate intervals. More frequent reporting may be required if significant issues are identified.

Balancing trustee risk appetite with service efficiency

When processing death benefit claims, trustees must balance the need to make a robust decision with the need to make the process simple for claimants and pay the benefit as soon as practicable. This means that appropriate due diligence will depend on the circumstances and the complexity of each claim.

Trustees who pay a death benefit to the wrong person may be liable to pay out the benefit again (with interest) and may incur other costs (e.g. legal fees). Unless the original recipient of the death benefit is willing to return the money, trustees will likely pay the correct beneficiary from the fund's operational risk financial reserve, which may be funded by members' money, depending on the trustee's business structure. However, costs associated with processing a claim are recovered through administration fees, which are paid from members' money. Therefore, trustees must decide how much due diligence is appropriate within the context of their duty to act in the best financial interests of members. For example, the effort put into processing a claim should generally not exceed the value of the claim itself.

We observed that many of the reviewed trustees tended to prioritise a robust decision over a quick one in their policies and procedures. Often, this approach was not tailored to the risk of the claim – trustees tended to require the same degree of due diligence regardless of the risk associated with the claim. We are concerned that some of the trustees were not making decisions about appropriate processes and procedures in the context of their best financial interests duty.

We observed that the trustee's risk appetite was a significant contributor to claims handling times. Trustees that had highly risk averse approaches to claim staking, identifying potential beneficiaries, claims, identification, evidence and other claim requirements had longer end-to-end claims handling times than those with less conservative policies.

It is particularly important for processes to be simple and straightforward, and not create additional burdens, for claimants experiencing vulnerability. Vulnerability affects a person's capacity to navigate complex processes and magnifies the scope for harm.

Case study 2: Expediting the payment of a low balance account

A man passed away with an account balance of less than $60. He had no insurance and no nomination. He had no will, assets, spouse or children. The man was living with and financially dependent on his brother when he died.

His brother emailed to notify the trustee about the member's passing and attached a copy of the death certificate. Because of the low balance of the account, the trustee contacted the brother by phone to discuss the claim and undertake a risk assessment. During the risk assessment, the trustee collected some personal information and payment instructions from the brother, but waived all other requirements. The trustee paid the benefit to the brother 5 days after the call and 18 days after the email notification.

In this case, the trustee significantly reduced the effort for the brother – and for itself – to match the level of risk associated with a very small benefit. Contrast this case study with the approach to a low balance account in Case study 4.

Claim staking

Claim staking is a discretionary process where a trustee can provide potential beneficiaries with information and an opportunity to object to the trustee's proposed decision about who to pay the member's benefit to (and in what amounts). We observed that claim staking added around 95 days to the median claims handling time across the reviewed trustees.

Figure 21 in Appendix C shows the typical death benefit claims handling process. Figure 22 demonstrates the additional steps that trustees take when claim staking and the significant amount of time it adds to the process.

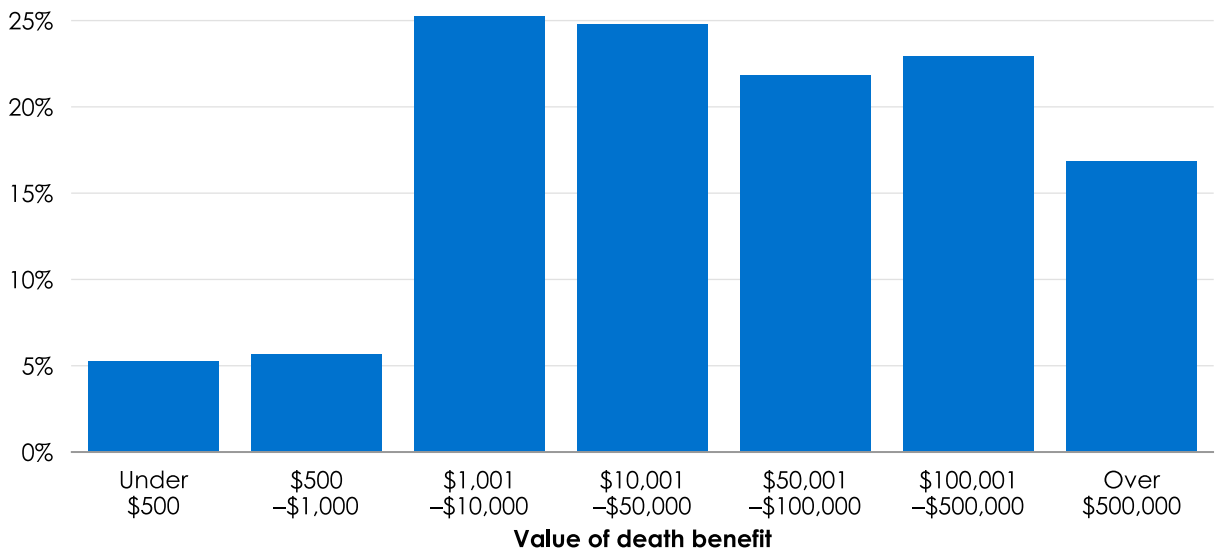
The fastest trustees claim staked about 1% of all claims. One of the slowest trustees claim staked 92%. On average, reviewed trustees claim staked about 23% of claims. We also observed that:

- some trustees' rules required claim staking for all or a significant number of claims
- other trustees would only claim stake if there was no valid binding nomination or there was a non-binding nomination or reversionary nomination, but there was more than one potential beneficiary, and
- other claim staking rules depended on the total death benefit amount – for example, if the claim was over $1,000.

Trustees with faster claims handling times regularly waived the claim staking process (either through their processes or by using discretion based on individual circumstances) where they considered the claim to be low risk.

Figure 12 shows that trustees were more likely to claim stake medium and high-value claims, but they still claim staked 33 claims for benefit values of less than $500. This is equivalent to about one in 20 claims under $500. The death benefit payment in those claims was likely to be lower than the cost incurred by the trustee from claim staking.

Figure 12: Percentage of death benefit claims staked by value of benefit



Note 1: See Table 14 for the data shown in this figure (accessible version).
Note 2: The bars in this figure are grouped by claim value, rather than the number of claims, which differs for each bar. This is to emphasise the lower value claims.

Across the reviewed trustees, fewer than 1% of trustees' decisions were objected to. Trustees with higher risk appetites for potential disputes about benefit payments did not have more objections to their decisions and had fewer complaints overall.

This very low rate of objections is an indication that most claims may not require claim staking.

Claim staking low risk claims is problematic for two reasons, namely:

- unnecessary delay causes real distress to beneficiaries and, in some cases, financial harm, and
- claim staking requires work by staff whose salary is paid from members' money.

We saw examples where we estimated the effort by staff to process the claim exceeded the value of the claim itself based on an average total annual salary for a claims processor of $70,000 (or $36 per hour for a 37.5 hour work week): see Glassdoor claims processor salaries. Two trustees claim staked account balances less than $200 in the review period. In these cases, it would have been both cheaper and faster for the trustee to pay the benefit twice, taking into account the amount of due diligence conducted and associated staff costs.

Case study 3: Claim staking and financial hardship

An older man lost his wife to cancer. His wife had about $25,000 in her superannuation when she passed away. The couple had no children.

The husband made a death benefit claim to his wife's superannuation fund. There were no competing beneficiaries. The man had some difficulty understanding and responding to claim requirements, and the fund was not responsive to his initial inquiries. He was frustrated when the person handling his claim went on long-term leave and no one else was assigned to handle his claim. The husband eventually lodged a complaint with AFCA about the delays, stating that he was concerned his bank was going to sell his house to cover the outstanding mortgage.

Following the AFCA complaint, the trustee was quite responsive to the husband. The trustee accepted alternative documents as proof of spousal relationship and expedited a decision on the claim to help the man pay his mortgage before court proceedings commenced. Despite being on track to meet the man's deadline, the trustee chose to claim stake before payment, sending out a single claim staking notice to the husband, and then waiting 28 days for the claim staking period to end before paying the benefit.

Since the husband was desperate for the money and the proposed decision was to pay the husband the entire benefit, there was no reason to believe he would object to the decision – it would have been entirely appropriate in the circumstances to waive claim staking. The additional month waiting for money that the trustee knew he urgently needed likely caused the husband significant further emotional and financial distress with no benefit to the trustee.

Identifying potential beneficiaries

Trustees have an obligation to make reasonable inquiries to locate potential beneficiaries: see reg 6.22(2) of the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). Where there are multiple potential beneficiaries, trustees may consider it prudent to collect information about the entitlements of each potential beneficiary and claim stake. However, we saw examples of trustees making significant inquiries about potential beneficiaries where there was a valid binding nomination. While a court order about payment of a superannuation benefit can override a binding nomination (or discretionary decision by a trustee), risk and cost should be factored into inquiries about potential beneficiaries.

Suspicious circumstances surrounding a death

It is extremely rare, but occasionally, a beneficiary is legally responsible for a member's death. In such circumstances, it would be unjust for the beneficiary to receive the member's death benefit, if the beneficiary would be benefiting from their own wrongdoing. This principle of forfeiture has long been recognised by the courts.

In Australia, the forfeiture principle can be overridden by legislation and some states have laws that either codify or modify the principle: see for example the *Forfeiture Act 1995* (NSW) and the *Forfeiture Act 1991* (ACT). In all states and territories, a trustee can rely on a finding of criminal liability to not pay the benefit to a person found guilty of a member's murder without a further court order: see, for example, *Westpac Life Insurance Limited v Mahony* (No 3) [2020] FCA 285 or *Helton v Allen* (1940) 63 CLR 691, 709. Whether or not a civil finding of liability, or a finding of criminal responsibility short of murder, is sufficient for a trustee to avoid payment depends on the jurisdiction.

A trustee may reasonably make further inquiries if there are suspicious circumstances surrounding the death of a member. If there is an investigation or court proceeding related to a member's death, it may also be reasonable for the trustee to delay a decision until the investigation or proceedings are resolved or to apply to the court for directions.

We did not review any claim files that involved suspicious circumstances. However, we observed that most trustees' processes and procedures required claimants to provide information about the cause of death for every claim. Most, but not all, states and territories include this information on death certificates. However, where it is not included, claimants may find it confronting and burdensome to provide evidence that they did not cause the death of their loved one – particularly if there is no medical investigation into the death (e.g. an autopsy).

It is patently unreasonable to ask for additional information about the cause of death in every case given the low rate of murder in Australia (0.87 per 100,000 deaths in 2022–23): see *Homicide in Australia 2022–23* report by the Australian Institute of Criminology. Trustees should review their policies and procedures to ensure that they are risk-based and appropriate to the circumstances of the claim, and that all such requests are both reasonable and sensitive. We were pleased to see one reviewed trustee undertook a risk assessment of their policy on proof of cause of death to reduce avoidable distress and claims times.

There may be other circumstances where medical information is needed to process a claim – for example, if the cause of death is excluded from insurance or the insurer is proposing to pay a total permanent disability claim after the member dies. It is reasonable for trustees to request proof of cause of death in these circumstances.

Actions for industry

Trustees should review their procedures against their risk appetite and best financial interests duty to identify opportunities to improve claims handling times. For example, trustees can reduce administrative burdens imposed on claimants where appropriate and consider when to waive certain steps in the claims handling process.

Trustees should ensure claims procedures include a clear process for escalating decisions about acceptable alternative information and documentation, particularly for aged claims and claimants experiencing vulnerability.

Successor fund transfers and mergers

Several of the reviewed trustees undertook a significant business transaction (e.g. a merger or successor fund transfer) during or just before the review period. Many of these transactions involved changes to material service providers, such as insurers or administrators. In many cases, the transaction had a significant impact on the services provided to both transferring and existing members, resulting in an increase in member complaints – largely about delays.

Trustees that resourced these transactions more effectively appeared to have fewer complaints about delays. We were pleased to see that one trustee that undertook more than one such transaction applied learnings from the first transaction to business planning for subsequent transactions. This meant that members and claimants were less affected by subsequent transactions, which was a good outcome.

However, we observed that all reviewed trustees that had recently undertaken a transaction still had considerable work to do to align processes and procedures across different cohorts of members, merge and train staff, and consolidate or manage disparate sets of data.

In several cases, we observed that trustees treated different cohorts of members differently in terms of:

- service level agreements for processing claims
- the rules for what documents claimants had to provide
- the rules for when probate was required, and
- end-to-end claims handling times.

For one trustee, the treatment of two member cohorts following a transaction was so significantly different that the trustee would be both the fastest and one of the slowest in our review if we had calculated the claims handling times for the two member cohorts separately.

Our observation is that trustees generally underestimate how much time and how many resources a significant business transaction requires and therefore underestimate the impact on service delivery to members and claimants. While disruption during a transaction is unavoidable, it can be managed and mitigated with appropriate planning and resourcing. Trustees should familiarise themselves with the new transfer planning obligations set out in APRA's Prudential Standard SPS 515 *Strategic Planning and Member Outcomes*.

Actions for industry

If their fund is undergoing a significant business transaction (e.g. a merger or successor fund transfer), trustees should ensure that all staff and service providers are well equipped for the change through appropriate planning and resourcing to minimise the impact on members and claimants.

Improving processes after reviews

Most trustees had reviewed some of their services – either about specific issues they identified during the review period or in response to increased media attention.

A common topic of review was complaints and the drivers for those complaints. While we were pleased to see trustees using their IDR data to identify issues, we noted some reviews could have included deeper analysis to identify root causes. We saw minor claims process improvements and more frequent engagement with service providers (e.g. meetings) because of these reviews.

We also saw reviews by trustees to simplify the nomination form or the processes around nominations to increase member uptake. Such reviews often represent quick wins by delivering meaningful improvements in a short period.

We also observed that several trustees had reviewed their processes and procedures to ensure they were effective. Sometimes this was done when the trustee was negotiating new service level agreements with a service provider.

When we first met with the reviewed trustees, we asked them to start developing improvement plans and to be prepared to discuss progress against those plans before the release of this report. Most trustees identified items they could improve. See Table 2 for each reviewed trustee's progress with planned improvements.

Driving better oversight and governance

Examples of planned or implemented improvements to trustees' oversight and governance of death benefit claims handling include:

- monitoring and board reporting of end-to-end claims handling times and granular data about claims performance
- setting end-to-end claims handling time performance objectives
- surveying claimants about their experiences to measure service outcomes
- establishing a framework for remediating claimants where performance has not met objectives
- negotiating outcomes-based service level agreements with the administrator
- increasing the monetary threshold for their simple claims process, which requires fewer documents to be provided by claimants
- reducing the circumstances in which the trustee claim stakes – for example, where there is no valid binding death nomination or where the benefit is more than $25,000
- significantly upgrading administration systems
- undertaking a 'closure campaign' with dedicated resources to expedite the processing of aged claims
- introducing a regular aged claim review process to identify and address barriers to closing claims and
- negotiating shorter insurer processing times for death claims (e.g. one day).

SECTION 5

Unclear and inconsistent processes and procedures

The legislative regime governing death benefit claims is complex, and the claims process varies from fund to fund. Before paying a death benefit, a trustee must consider a broad range of laws beyond superannuation – such as estate, family, criminal and forfeiture law – as well as the obligations in each fund's governing rules and trust deeds.

Trustees must ensure they have processes to handle the broad range of complexities that can arise, but also ensure those processes do not prevent the prompt handling of straightforward claims. Complexity can make it more difficult for a trustee to make a decision because there are more factors the trustee needs to consider, more people who may need to be considered and more information to be gathered.

Despite this, trustees can minimise the impacts of complexity through clear processes and procedures, comprehensive staff training and effective coordination.

Documenting processes and procedures

A good process and procedures document contains all relevant steps – from notification of the member's death to payment of the benefit – and includes the role of each party (e.g. trustee, claims manager) in the claims process. All of the reviewed trustees had documented claims processes and procedures, but they varied greatly in detail and content. We saw delays in 78 of the 100 complete claim files we reviewed that were caused by processing issues within the trustee's control.

Most trustees had gaps in their documentation about the claims process or inconsistencies across different procedure documents. Some procedures were clearer than others. Some insourced trustees did not document key steps in the claims process and instead relied on the memory and knowledge of a few key staff members.

Most trustees had process documents in place that set out what documents the trustee needed to consider a claim. However, most trustees failed to clearly document how to escalate complex or difficult claims – this lack of clarity can contribute to delays.

Interestingly, we observed that claims handling times were not necessarily shorter for trustees with better documented processes and procedures. For example, one trustee had well documented policies and procedures with clearly identified responsibilities for different tasks. However, that trustee's end-to-end claims handling times were average compared with other reviewed trustees, and there were many complaints, indicating that staff may not have adequate training on those policies.

Equally, some of the reviewed trustees with the fastest claims handling times had gaps in their documented processes and procedures. However, we observed that these trustees tended to have highly experienced key people who had primary oversight over claims handling and provided direct guidance or escalated issues as appropriate. While these key people ensured effective service delivery, a failure to manage key person risk exposes the trustee to claims handling failures if those people leave the business.

It is therefore critical that trustees properly document their processes and procedures and also ensure that staff are complying with those processes and procedures.

> **Actions for industry**
>
> Trustees should clearly document their processes and procedures for death benefit claims handling to ensure consistency and manage key person risk. At a minimum, trustees should clearly set out in guidance for staff which documents should accompany a claim, and what waivers, exceptions or alternatives may be appropriate in certain cases. Appropriate guidance should be provided to staff on how to escalate issues with complex claims.

Fit for purpose forms and claim packs

Trustees can avoid delays by collecting the right information up front so they do not need to continually go back to the claimant for more or different information and documents. Yet, we saw claimants being asked for documents in an inefficient way in 41 of the 100 complete claim files we reviewed. We also observed that some claim forms failed to ask for key pieces of information, such as:

- the name of the legal personal representative for the deceased's estate
- who the deceased member lived with at time of death, and
- whether probate or letters of administration had been applied for.

These were often requested at later stages of the claims process, such as when preparing a recommendation for decision or after claim staking. This information could have been requested much earlier to save time, or to avoid claim staking or any objections.

Some trustees did not collect payment information as part of the claim form, which caused delays after the trustee had made a decision and needed to arrange payment. Trustees that did ask for payment information at earlier stages of the claim did not always specify the exact details or supporting documents the claimant had to provide, causing new requests to be issued to claimants at time of payment.

We also saw some claim forms were not sufficiently tailored to the claim, causing unnecessary burdens on claimants. For example, a standard claim form for one trustee had a section asking for intrusive medical details of the deceased member that were only needed to claim insurance. The form was not clear about when this information was needed. As most members of the reviewed trustees died without any insurance, most claimants would not need to complete this section of the form.

Actions for industry

Trustees should:

- review claim forms and packs to ensure they use plain language
- give clear instructions, and
- collect all and only relevant information.

Prioritising staffing and training

Claims staff make or break a claimant's experience of making a claim. Claims staff are critical to delivering a high-quality claims handling service. Training and support for staff should be prioritised by the trustee to ensure staff are well equipped to deal with death benefit claims. This includes the staff of service providers.

We saw instances of poor claims handling by staff who:

- asked claimants to provide documents that the trustee had already received (e.g. death certificates)
- did not proactively follow up with claimants of aged claims
- took months to identify that documentation received was insufficient and request replacement documentation be submitted by the claimant
- unreasonably requested that claimants contact other potential beneficiaries
- required certified documents be sent by post for some claims, but by email for others
- only dealt with one claimant in the process despite there being multiple claimants
- did not call claimants after they requested a call back
- gave incorrect information about where the death benefit payment could be transferred
- incorrectly issued outdated forms and then requested the claimant complete a new form, and
- sent correspondence that the death benefit payment had been transferred when it had not.

We also saw examples of claimants who had a good claims experience despite trustees' risk averse procedures and slow processing times. For example, one risk averse trustee was generally responsive, provided clear requests for information and was proactive about following up with claimants. While efficient processing of claims is important, speed is not the only measure of claimant outcomes.

Poor record-keeping practices also contributed to delays. We saw delays in the trustee commencing the claims process after a claimant first contacted the trustee about the member's death due to a failure to properly record the notification of the member's death. We also observed claim file records that were not promptly updated with file notes, correspondence from claimants or assessments and approvals by the trustee. A few trustees did not have a centralised system where claim information could be accessed by both trustee and administrator staff. This meant that when claimants called the trustee to follow up on their claim, the contact centre could not provide a status update or confirm receipt of documents or correspondence.

Actions for industry

Trustees should urgently prioritise adequate staff resourcing and training.

Trustees should ensure that record-keeping systems can efficiently inform claims staff of:

- the status of the claim
- the communications that have been sent and received
- what information or documents have been received, and
- what is outstanding.

Coordination with service providers

Most reviewed trustees (whether outsourced or insourced) delegated the responsibility for most, if not all, of the death benefit claims process to their administrator. This included information gathering, communication with claimants, claim staking and payments. Some trustees were responsible for deciding how to pay the benefits and whether to claim stake.

Trustees that delegate the claims handling process to an administrator should provide the administrator with clear guidance about how to process claims and have procedures in place to ensure that the services provided by the administrator are to the expected standards.

We observed that some trustees had checklists that they required be submitted by the service provider to support the trustee to make a decision. Some administrators had their own quality assurance processes as well, such as peer review of claim files when submitting claims to the trustee for a decision, or at the time of payment. However, we observed that, in general, trustees had consistent deficiencies in how claims were handled, indicating that sufficient quality assurance had not been undertaken throughout the life of the claim to ensure claims progressed efficiently.

Trustees and service providers should have consistent expectations. We observed one trustee and its service provider provided claimants with conflicting information on when a grant of probate or letters of administration were needed for a claim. This could lead to unnecessary delays and costs to the claimant (probate generally costs thousands of dollars).

We observed that trustees delegated different levels of decision-making authority to their administrators. Some trustees had very low thresholds for decision-making by the administrator (e.g. claims over $1,000 needed to be signed off by more senior staff or the trustee). We also observed that delegations were similar for trustees that used the same outsourced administrator.

We observed that outsourced trustees generally had reporting frameworks and regular meetings with their service providers. One trustee was considering establishing a shared administration system with their administrator to provide real-time oversight of tasks and the status of claims. One trustee had staff from its service providers work in the same office to facilitate effective communication about claims.

Some trustees had five or more insurers with different service level agreements, reporting, processes and procedures for one fund. This can make it difficult for trustees to apply a consistent claims handling approach or coordinate effectively with insurers.

Actions for industry

Trustees should ensure that guidance and business rules provided to administrators:

- cover all parts of the claims handling process the administrator is responsible for
- reflect the trustee's risk appetite, and
- align with communications provided to members and claimants.

Trustees should have a process for ensuring the quality of the services they provide, whether performed in house or by external service providers (e.g. periodically reviewing a sample of files).

Trustees should ensure there is regular and effective communication between the trustee and relevant service providers. Enhanced communication may be required for complex or aged claims.

Driving clear claims handling processes and procedures

Examples of planned or implemented improvements by trustees to their death benefit claims handling processes and procedures include:

- introducing an online death benefit claim form or portal
- amending the trust deed to clarify how the trustee will use its discretion when there are multiple beneficiaries (i.e. a payment hierarchy)
- amending the delegations of decision-making authority to permit more claims to be decided by less senior team members
- reviewing and updating processes and procedures to fill gaps, ensure consistency across documents and reflect actual practice
- recruiting additional resources for claims handling or creating additional specialist or coaching roles for claims handling, and
- restructuring claims handling teams to create a dedicated death benefit claims team or dedicated teams for different types of claims (e.g. simple, complex and aged claims).

SECTION 6

Ineffective and insensitive communication and engagement

Every claimant of a death benefit is likely to be experiencing vulnerability, because they have recently experienced the loss of a family member. Some claimants may be experiencing additional vulnerability (e.g. poor health, financial hardship, family and domestic violence, living in a remote community) and may need extra assistance to progress a death benefit claim. Trustees can make a real difference to whether a claimant has a positive and efficient experience at each stage of the claims process through effective communication and engagement. The importance of communication starts when the member first joins the fund and is offered the opportunity to make a nomination and continues through until the final payment is made to the member's beneficiaries.

Showing compassion

Providing an efficient claims handling service includes treating claimants with compassion. As discussed in Report 782 *Hardship, hard to get help: Findings and actions to support customers in financial hardship* (REP 782), being understanding and empathetic may allow claimants to be more open about their circumstances: see paragraph 167 to REP 782.

When claims staff listen carefully and have a good understanding of a claimant's circumstances, the trustee is better placed to efficiently obtain the documents it needs to make a payment decision – which is a benefit to both the trustee and the claimant. Unfortunately, many of the written communications we reviewed lacked the level of compassion appropriate for the situation or an appreciation of the potential vulnerability a claimant might be experiencing. We also observed that a common IDR complaint was that staff members lacked compassion, or were defensive or unprofessional.

We saw that one trustee's initial letter to claimants included an abrupt statement that money would not be released for funeral expenses. While this may be important information for a claimant, it could be communicated more sensitively with an explanation of why the trustee is unable to make the payment (e.g. the time taken to process the claim).

We also saw emails to claimants using template wording that had not been amended to reflect the current status of the claim. For example, emails stated there had been no contact from the claimant when in fact there had been numerous interactions.

In the limited sample of call recordings we listened to, we observed a broad range of approaches by contact centre and claims staff to assisting claimants – some more helpful than others.

> **Actions for industry**
>
> Trustees should ensure communication with claimants, whether written or verbal, is thoughtful and acknowledges the loss that the person has just experienced.
>
> While communications should provide important information in plain language, this should be done with sensitivity, appropriate context and explanation.
>
> Trustees should tailor communications to the circumstances of the claim and the claimant.

Dedicated contacts

Another common complaint throughout our review was the inability of claimants to speak to someone at the fund who could provide information about their claim. Examples included:

- the contact centre did not have access to information about the claim status
- the claimant left messages and never got a call back
- the claimant was transferred from one person to another
- the phone number the claimant called was no longer in service as the staff member assigned to process the claim had resigned and no one advised the claimant, and
- the person assigned to process the claim was on leave and no one was assigned to manage the claim in the person's absence.

We also observed some better practices. Some trustees had a dedicated point of contact for the claimant to engage with. Some trustees gave claimants a separate phone number to call in relation to their claims (either a specific person or the claims team), reducing the time and effort required to contact the fund.

Clear expectations

Trustees can avoid delays by clearly communicating to claimants what information and documents are required. Managing claimant expectations about the claims process can also reduce frustration and complaints. Effective communication and engagement is particularly important for people who are grieving and may find engaging with the claims process especially difficult because of the distress they are experiencing.

Following through on promises

A common experience we observed during our review of claims calls was staff overpromising and not following through. For example, staff would tell claimants that they would respond (e.g. by a return call, email or letter) within a certain timeframe and then fail to do so or respond later than promised. One claimant repeatedly called her fund and each time was told someone would call back, but they never did. One time she called the fund and was again told someone would call her back – she remarked:

> 'I'm not a psychic, but I know no one is going to call me back.'

Forms and communications

As part of our review, we required trustees to provide us with copies of communications sent to claimants so we could understand how they explained the death benefit claims process and kept claimants up to date throughout the process.

Few trustees had a claim form available online, requiring claimants to call the contact centre to obtain the relevant documents. Phone calls may be inaccessible for some claimants or not ideal for others (e.g. people with hearing impairments or people who find speaking to a person about the death of a loved one distressing).

One trustee included a factsheet with their online claim form. This was a good resource on the claims handling process and the information required by the trustee. We also saw an example of a booklet sent to members that explained the claims process in plain language.

We observed that many of the communications:

- lacked clear and complete explanations about important aspects of the claims handling process
- were not written in plain language, or
- did not outline the various documents and information to provide with the claim.

Most communications we reviewed failed to explain how long the claims process might take. Those that did provide an estimate generally did not provide an end-to-end timeframe. For example, one trustee's guide stated that it aimed to close claims within 6 months from when the trustee received completed forms. We also observed that when estimates were given, they tended to be inconsistent with the trustee's actual claims handling timeframes we calculated from their claims data.

We observed inconsistencies in the types of documents required by trustees, how claimants needed to certify documents and the form in which they needed to provide documents (e.g. hard copy). We noted that only one trustee explained why certain documents were required. Explaining why something is needed can help claimants understand the requirement and prevent dissatisfaction with the process. Further, if the requested document cannot be obtained, explaining why it is needed can help claimants identify suitable alternatives.

Status updates

Regular contact with claimants provides them with comfort that their claim is being handled appropriately and has not been forgotten. This avoids the need for the claimant to contact the trustee, which saves both time and energy. Status updates are also an opportunity to check in with claimants about whether they need further assistance meeting information or document requirements.

While there is no legislative obligation to provide status updates, members of the Financial Services Council (FSC) must comply with FSC Standard No 28 *Claims handling for superannuation funds* (30 November 2022). This standard includes an obligation to provide status updates to all potential beneficiaries of insured claims at least every 20 business days until a decision is made. Similarly, the Life Insurance Code of Practice (28 February 2025), which applies to members of the Council of Australian Life Insurers, requires insurers to provide status updates to claimants every 20 business days until a decision is made.

One of the most common complaints we observed was a failure by trustees to provide regular status updates to claimants on the progress of a claim. Indeed, several reviewed trustees did not provide evidence that they sent claimants status updates (e.g. when documents were received or when a claim was submitted to the insurer) and none provided delay notifications. One trustee only provided updates for insured claims. One trustee who provided no updates on the status of claims unsurprisingly received complaints about a lack of communication and not calling claimants back within the suggested period.

A recurring issue we observed in the claim files was the time taken to follow up on outstanding information or documents. We also observed multiple examples of delays caused by trustees waiting for claimants to provide documents they had already provided. If the trustee had provided the claimant with a status update, the mistake would have been discovered much sooner. When we reviewed a selection of 100 claim files, we observed that 65 files had instances of trustees failing to contact a claimant or taking more than 45 days (i.e. 1.5 times the FSC and Code of Practice timeframes) to follow up with claimants (or both).

We were encouraged to see one trustee sent text messages throughout the claims process, including when initial documents were received, when the claim was submitted to the insurer, when the claim was being reviewed, when a decision was made and when payment occurred.

> **Actions for industry**
>
> Trustees should provide clear and complete information to claimants about the claims handling process and explain what the claimant should provide and how long the process is likely to take.
>
> All written communication to claimants should be in plain language. Trustees could also consider consumer testing of key documents to assess the effectiveness of their communications.
>
> Trustees should provide claimants with regular updates about the status of their claims.

Making reasonable inquiries about beneficiaries

There are circumstances in which a trustee is required to transfer death benefits to the ATO; however, payment to the ATO should only occur after the trustee has made reasonable efforts to identify potential beneficiaries and a reasonable period has passed: see s14 of the *Superannuation (Unclaimed Money and Lost Members) Act 1999* (Unclaimed Superannuation Act). For most members, the death benefit will not be considered unclaimed money for a minimum of 2 years from the date of the last contribution: see Deceased members on the ATO website.

We observed that some trustees were not making enough inquiries before deciding a death benefit was unclaimed money and transferring the benefit to the ATO. We also saw examples of claimants being told that if they did not provide requested documents or information within a specified period (e.g. 45 days), the trustee would be required to pay the death benefit to the ATO. Such statements are both misleading and callous. Trustees should not transfer a benefit to the ATO simply because a claimant fails to meet the trustee's deadline. Claimants may be grieving and may find the claims process difficult to navigate. Trustees should be patient if claimants need additional time.

Support for claimants experiencing vulnerability

Of the 100 complete claim files we reviewed, 17 had at least one claimant who, based on our observations, was likely experiencing vulnerability in addition to grief. Disappointingly, in 5 of those 17 files, the support given to the claimant was poor or non-existent.

Vulnerable consumer policies

We observed that most trustees had vulnerable consumer policies, but they varied in the level of detail and the quality of the guidance provided to staff. One trustee had a comprehensive policy that:

- took a flexible approach to defining vulnerability, focusing on the impact of a person's circumstances (e.g. the experience of grief or family and domestic violence) rather than their characteristics alone (e.g. the consumer's age or the fact they do not speak English as a first language)
- explained how to identify consumers who might be experiencing vulnerability
- provided practical guidance for supporting consumers experiencing vulnerability, and
- had appropriate and robust training materials for staff to support the policy.

Other policies we reviewed identified different characteristics that might indicate a person was experiencing vulnerability. Policies tended to focus more on a person's characteristics rather than circumstances and many failed to recognise the distress a claimant might experience when grieving a lost family member.

We observed that policies that focused on circumstances rather than characteristics provided more guidance with practical solutions. For example, we observed that policies that include family and domestic violence as a type of vulnerability, but did not cover indicators of abuse or issues people experiencing abuse may be facing, struggled to identify any meaningful support options.

Trustees with policies that focused on circumstances a person experiencing family and domestic violence may be facing – such as homelessness or restricted access to documents or information – were better able to identify possible solutions (e.g. plain language communications, greater use of support people, flexible identification requirements and alternative methods of communication).

Some trustees had guidance for staff on how to identify claimants experiencing vulnerability. However, most of the policies we reviewed provided minimal guidance on how staff could assist once vulnerability was identified. Support options varied greatly depending on the type of vulnerability.

Many policies simply guided staff to be empathetic, which is important, but not enough. We were particularly concerned to see that several policies did not include guidance about placing additional security on an account in circumstances where staff believed there may be financial abuse or family and domestic violence. Most of the trustees did not include guidance directing staff to confirm the preferred method of communication, which is important to support claimants to engage with the trustee safely.

Financial hardship

The SIS Regulations prescribe how trustees are required to pay benefits, and they permit trustees to make an interim lump sum payment and a final lump sum payment: see reg 6.21(2)(a).

We observed significant differences in what assistance funds were prepared to provide to claimants experiencing financial hardship. Most reviewed trustees had a procedure to expedite the processing of certain low risk claims where a beneficiary expressed financial hardship. Many trustees would, in certain circumstances, release up to a certain amount of the superannuation account balance as an interim payment to the beneficiary – for example, where the claimant was the nominated beneficiary and there was an urgent monetary need.

The maximum amount the trustee would release depended on the trustee's risk appetite and varied greatly from 10% of the death benefit to 25% (or $50,000, whichever amount was lower). One trustee would also make a discretionary goodwill payment of up to $250 in certain circumstances. Some reviewed trustees referred beneficiaries to Centrelink or the ATO for compassionate early release from their own fund. One trustee's guidance suggested members could transfer their superannuation to another fund to make a severe financial hardship claim.

We heard from trustees that it can be challenging to pay beneficiaries earlier (e.g. to assist with funeral expenses) because they can only make one interim payment per claimant under the law. While trustees can, within their risk tolerances, make early interim payments in certain cases once certain information has been provided – for example, in compliance with obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1)* (AML/CTF Rules) – they must carefully consider how much to release, as they will be prevented from making subsequent interim payments to the same person at a later date.

Actions for industry

Trustees should treat every death benefit claimant as someone who may be experiencing vulnerability from the loss of a family member.

Trustees should review their vulnerable consumer policies to ensure they provide appropriate guidance to staff to assist them in identifying vulnerability and providing meaningful support to claimants.

Trustees should review their policies and procedures relating to financial hardship to ensure they:

- align with the degree of actual risk presented by the claim
- provide for the efficient escalation of claims where appropriate, and
- do not impose any unjustified administrative burdens on claimants.

Effectively addressing complaints

Many trustees could be dealing with complaints more effectively. We reviewed many IDR complaints made by claimants during the review period. We also reviewed the responses provided. Given that the number of complaints to AFCA about death benefit claims handling processes far exceeded complaints about payment decisions, we were particularly interested to see if trustees were effectively addressing process complaints when they first arose. A failure to address these complaints at the IDR stage can result in complaints to AFCA, which costs trustees money.

We saw many examples of responses to complaints that did not address the issues being complained about or provide any explanation for the issue. Responses often did not acknowledge the distress of the claimant or demonstrate an understanding of the claimant's vulnerability. We also observed many examples of claims that had multiple complaints. This may indicate that engagement did not improve after the initial complaint.

For ASIC's observations about trustee's compliance with IDR obligations, see Report 751 *Disputes and deficiencies: A review of complaints handling by superannuation trustees* (REP 751) and Report 752 *Review of written responses to superannuation complaints* (REP 752).

Case study 4: Complaint about suspected fraudulent activity

A mother lost her young adult son. He had a death benefit of less than $100.

The mother complained to AFCA about 3 months after her son passed away. In her complaint, she expressed frustration that the fund had failed to contact her about her concerns of fraudulent activity on her son's account. The mother said she had contacted the fund multiple times after she discovered her son's father had changed the beneficiaries on her son's other superannuation account several weeks after the son had passed away.

The lack of response to her messages led her to believe that there was a problem with the account. In her complaint, the mother also clearly stated that her preference was to be contacted by email for all matters regarding the death benefit claim.

In the fund's response to the mother's complaint, the fund apologised for the delay in contacting the mother, but did not acknowledge the loss she had experienced, address the concerns of fraudulent activity or provide any explanation. Instead, the fund stated that they had tried to contact the mother by phone and invited her to call the fund back, despite her explicit preference to be contacted by email. Most importantly, the response failed to demonstrate any recognition of the vulnerability the woman may be experiencing due to potential financial abuse.

A decision on the claim had not been made 15 months after the fund was notified of the son's death – the trustee was waiting for the mother to submit additional paperwork for a benefit worth less than $100.

Actions for industry

In complaint responses, trustees should:

- acknowledge the issues that are being complained about
- provide a response to those issues, including a plain language explanation
- acknowledge the person's distress or frustration, and
- include a real apology where the trustee has failed to deliver the reasonably expected level of service.

Note: Regulatory Guide 271 *Internal dispute resolution* (RG 271) sets out what an IDR response to a complaint must contain: see RG 271.53–RG 271.55.

Assisting members to make valid nominations

Most trustees have some control over their trust deeds and governing rules. To the extent that trustees do have control, we have observed that there are things that they can do to reduce complexity and claims handling times for their members and claimants.

Having a valid binding nomination significantly reduces claims handling times. While a binding nomination may not be appropriate for every member, trustees can reduce claims handling times by ensuring that members for whom a nomination is appropriate make a valid nomination and keep that nomination up to date. While it is ultimately up to a member to decide whether to make a nomination, we observed that trustees have a lot of influence over whether members do make a nomination in practice.

Reducing claims handling efforts resulting from invalid or lapsed nominations also reduces administration costs, which benefits the members of the fund as a whole. As a result, proactive efforts to support members to make binding nominations are likely to be consistent with the trustee's best financial interests duty.

Note: See Key terms for definitions of each type of nomination. See 'Nominations' in Appendix C for more information about the rules governing each type of nomination.

Accepting nominations

The *Superannuation Industry (Supervision) Act 1993* (SIS Act) permits trustees to decide whether to allow members to make death benefit nominations, and if so, what types of nominations (e.g. binding or non-binding, lapsing or non-lapsing). Some fund governing rules may require the death benefit to be paid to the deceased member's legal personal representative.

A lack of consistency about what nominations trustees offer for their funds, as well as inconsistency in the forms, does not help the broader community understand the regime and makes it more difficult for consumer advocates and financial counsellors to help people make a claim.

Trustees should consider the needs of their members when determining whether to accept nominations and if so, what types. While we express no view about what types of nominations a trustee should offer to its members (if any), we did observe that trustees that offered many different types of nominations tended to have slower claims handling times. We heard from several trustees that they were in the process of or had finished reviewing their nominations with a view to consolidating and simplifying options, which they believed would make administration easier. We expect simplification will also make it easier for members to understand the implications of making a nomination.

Where there is no valid binding nomination in place at the time of the member's death, trust deeds often give trustees discretion about who to pay the death benefit to (within the parameters of the SIS Act). As shown in Figure 8, we observed where trustees had to exercise discretion (i.e. there was no valid binding nomination), claims handling times were longer.

Informed decision-making

Before accepting a lapsing nomination, trustees have an obligation to give members information the trustee reasonably believes the member reasonably needs to understand the member's right to make a nomination: see reg 6.17A(3) of the SIS Regulations. Making a nomination is often complex, particularly given the inconsistency in nomination options and forms offered across products and funds. Clear and simple information is critical. In our website review, we observed that most funds could have provided more and clearer information about nominations on their websites.

Vetting nominations

Trustees have an obligation to seek further information from a member if the details of a lapsing nomination are not clear: see reg 6.17B of the SIS Regulations. Trustees can support members by carefully reviewing nominations they receive to identify issues that might result in the nomination being invalid, such as issues with the nominated beneficiaries, the percentage allocated to each beneficiary, signatures or witnessing. Across the review, an average of 23% of binding nominations were invalid, but the rate was 4% for one trustee that had robust vetting processes for nominations.

Nudges

We observed that only a few reviewed trustees regularly 'nudged' or prompted members to make binding nominations or periodically ran proactive nomination campaigns. One trustee told us that after they ran a nomination campaign, they observed an increase of over 300% in the number of members with binding nominations.

Several trustees used one-off nudges (e.g. email, phone calls, welcome packs) as part of onboarding or during the first year of membership rather than at regular intervals to encourage members to make binding nominations.

We did not observe the reviewed trustees proactively communicating with members who had non-lapsing nominations in place about the need to regularly review their nominations. No trustee issued those members reminder emails or messages through their member portal. Because non-lapsing nominations can become inappropriate or invalid over time, it is important to communicate with members about the circumstances in which they may need to update a nomination (e.g. change in relationship status or new dependants). While trustees reported non-lapsing nominations in periodic member statements, the quality of information in the statements varied.

Renewals

We were pleased to see that most trustees contacted members before a binding nomination was about to lapse to encourage the member to renew the nomination. However, most trustees only contacted the member once before expiry. It is important that trustees consider the timing of this contact – we saw notices sent one day before the nomination lapsed. Only two trustees sent lapse letters after nominations had lapsed.

Many trustees permitted members to renew lapsing nominations online, which reduces administrative burden for the member. We also saw that many trustees permitted non-binding nominations to be made online. We observed that one trustee permitted non-lapsing nominations to be made online.

Annual statements must include information that the member can use to confirm or amend their lapsing nomination: see reg 7.9.78(2) of the *Corporations Regulations 2001*. The annual statement is an opportunity to encourage members who do not have a nomination to make one, as well as encourage members to review any nomination they have in place.

Actions for industry

Trustees should have processes in place to check that nominations have been correctly completed when they are first received and follow up with members if a nomination is invalid.

Trustees who offer binding nominations should consider nudges at different life stages, or periodically, to support members to make or maintain a nomination that meets their needs.

Trustees who offer nominations or renewals online should ensure that appropriate controls are in place to prevent fraud or unauthorised access to the nomination form.

Driving effective communication and engagement

Examples of planned or implemented improvements by trustees to their communication and engagement with members and claimants include:

- providing contact centre and claims staff with 'empathy' training, 'tone-of-voice' training or training about how to talk sensitively with claimants about death
- introducing dedicated points of contact or dedicated call lines
- introducing regular claimant progress updates
- reviewing communications in light of our observations in the May 2024 news item and updating websites and other communication materials where appropriate
- adopting technology that assists staff to identify claimants who may be experiencing vulnerability
- creating a dedicated care team for vulnerable consumers
- amending the trust deed to require the trustee to consider family and domestic violence when making discretionary payment decisions
- introducing financial hardship policies that permit interim payments to claimants in certain circumstances
- introducing non-lapsing nominations, online non-lapsing nominations and online lapsing nomination renewals
- implementing different types of nudges to prompt members to make a binding nomination, and
- prompting members to make a nomination (if they do not have one) whenever they contact the fund.

SECTION 7

Inadequate support for First Nations claimants

Our review of death benefit claims handling practices included a particular focus on the needs of First Nations members and claimants. We wanted to understand and document how First Nations peoples are affected differently by death benefit claims handling processes and to drive trustees to improve service delivery to First Nations members and claimants.

Our observations generally confirmed the stories First Nations advocacy and consumer groups have shared with us about their clients' experiences. While there has been, and continues to be, some meaningful progress, most trustees could do more to support First Nations members and claimants.

Case study 5: Barriers for First Nations peoples accessing death benefits

A First Nations man living in a remote community passed away. He had a death benefit of around $100,000 including insurance. He had a wife, an adult son and other children by cultural adoption. The man's wife made a claim for his death benefit.

The wife told the trustee on several occasions that she was suffering financial distress and, based on our review, it was clear that she was having difficulty navigating the claims process and understanding how to complete claim forms. In particular, she did not understand which children were beneficiaries at law because Indigenous customs about adoption and financial dependency are different.

She also had difficulty meeting the identification requirements because she did not have standard identification documents for her deceased husband. The trustee wanted to contact the member's children separately to understand if they were entitled to death benefits, but many of them did not have a phone and had a cultural expectation that the wife would deal with the trustee on behalf of the family.

The trustee did not respond to the wife's concerns about financial hardship or support her to understand the claims process. Despite having an alternative identification policy, the trustee took **more than a year** to offer the wife alternative identification options.

The trustee finally decided to pay the wife after more than 500 days. However, as of the date we collected the claim file, the wife still had not received payment.

Data for First Nations members

The lack of quantitative data collection by trustees about First Nations peoples' experiences is one of the greatest challenges in obtaining meaningful change in service delivery.

We required every trustee in our review to indicate what data they collected on their First Nations members. No trustee collected data in a comprehensive manner, but some trustees did record members or claimants who self-identify as First Nations with their consent to help the trustee to better engage with the member or claimant. Trustees then used that information to direct the member to a dedicated contact centre staffed by people who had received cultural competency training or to flag any specific needs for the next time the person contacted the trustee. A flag might include a note directing staff to use email (or another form of communication that suits that person's circumstances) instead of post because of difficulty accessing postal services in remote areas.

One reviewed trustee used postcode data to estimate their First Nations membership and inform service delivery. Another reviewed trustee has since committed in their Reconciliation Action Plan (RAP) to develop processes, procedures and system changes to record members who self-identify as a First Nations person.

There are opportunities for the purpose of this data collection to include analysis by trustees to gain insights into the claims handling experiences of First Nations claimants – for example, by examining end-to-end claims handling times for First Nations claimants and identifying any common causes of delays. One trustee has committed in their RAP to develop a business case to identify First Nations members through data collection from their contact centre and other mechanisms to better target services to those members.

First Nations peoples make up a greater proportion of the total population in rural, remote and regional Australia: see Aboriginal and Torres Strait Islander health performance framework report on the ABS website. To better understand the experience of First Nations claimants, we requested trustees provide us with member postcodes for each claim within the review period. We used member postcodes to determine which claims were more likely to involve a First Nations member and therefore more likely to involve First Nations claimants. This is a similar approach to that taken in Report 785 *Better banking for Indigenous consumers* (REP 785).

Note: See Appendix A for more information about how we used First Nations postcodes.

While postcodes do not provide definitive evidence of First Nations membership, they allowed us to estimate quantitatively the likelihood of different service outcomes that First Nations members and their beneficiaries might receive. Since First Nations peoples living in remote communities are likely to face additional barriers to service delivery compared with First Nations peoples living in cities, this approach allowed us to obtain insights about people most in need of tailored support.

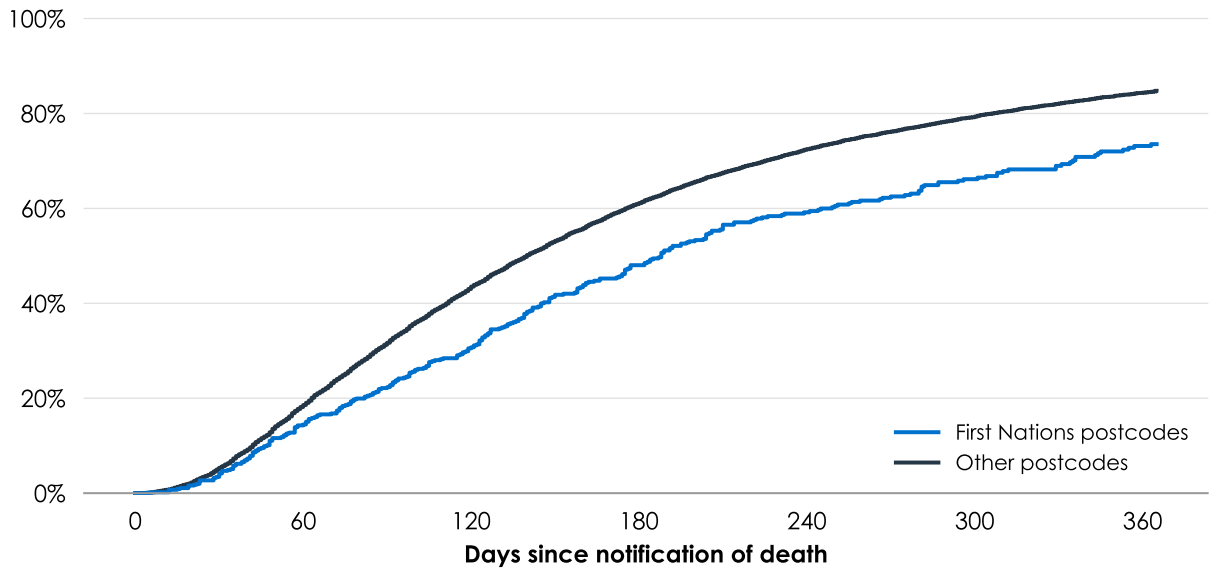
Across the review, we estimated that approximately 570 members lived in remote or very remote postcodes with high proportions of First Nations peoples (First Nations postcodes), indicating that they were significantly more likely to be First Nations themselves. We observed that the proportion of members living in First Nations postcodes varied widely across funds. The reviewed trustees with the highest number of claimants living in these postcodes (3%) were already aware they had relatively significant First Nations membership and had dedicated some resources to support those members. However, other trustees had not considered or analysed their First Nations membership. A few were surprised to learn that they had a relatively high proportion of members living in First Nations postcodes compared with other funds in the review.

Despite this, we were pleased to see that two trustees further analysed their entire membership after being presented with ASIC's postcode analysis. Those trustees have started thinking about better supporting these members, including by participating in the First Nations Foundation's Indigenous Superannuation Working Group.

Claims handling delays

We wanted to confirm whether claims for the death benefits of members living in First Nations postcodes were processed at the same pace as other members' claims. Unfortunately, our review revealed that claims for death benefits of members living in First Nations postcodes generally took longer: see Figure 13.

Figure 13: Percentage of claims closed since notification of death for members living in First Nations postcodes compared with other postcodes

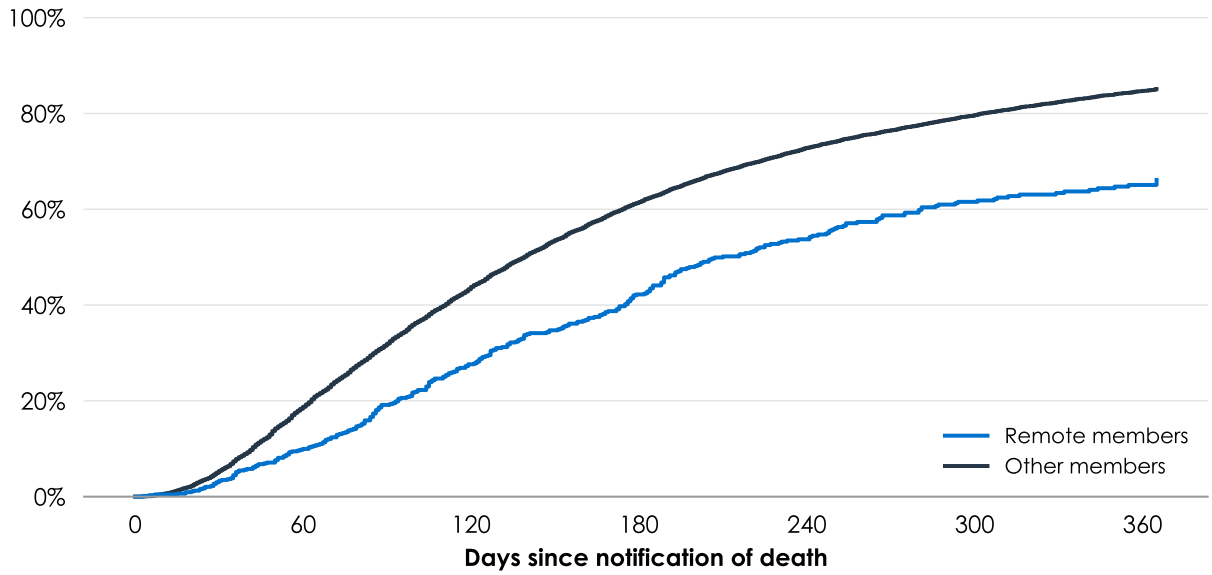


Note 1: See Table 15 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

In our review of individual claim files, we saw delays caused by trustees responding slowly to the specific needs or circumstances of First Nations claimants – for example, trustees failing to identify a need to offer alternative identification options. However, we expect that most of the differences in handling times are explained by remoteness. We also looked at claims handling times for all remote and very remote postcodes in Australia (see Remoteness areas on the ABS website) and saw a similar trend – claims associated with these postcodes took longer to process: see Figure 14. This trend mirrors the trend in Figure 13.

These delays are likely due to trustee processes and procedures not being flexible enough to account for the challenges of living remotely, which can include limited access to facilities (e.g. postal services, reliable internet, document certification services, photocopiers, printers) and language barriers. Trustees should consider how they can improve or adapt their processes to account for these challenges, which can significantly affect a person's ability to make a binding nomination or a claim.

Figure 14: Percentage of claims closed since notification of death for remote and very remote members compared with other members



Note 1: See Table 16 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.
Note 3: See Remoteness areas on the ABS website for definitions of remote and very remote.

We were unable to make more detailed observations about First Nations members from the data we collected due to the small sample size and limitations of our methodology.

Actions for industry

To better understand the needs of their First Nations members and inform better service delivery, trustees should use available data (e.g. from the ABS and other public sources) to estimate the First Nations membership in their funds.

Trustees should also consider their ability to collect identifying data directly from First Nations members with their consent.

Supporting First Nations members and claimants

We observed that, across the review, policies and procedures to support First Nations claimants were lacking. Despite a lack of documented guidance, there were some reviewed trustees who had key staff with the particular expertise and skills needed to support First Nations claimants. However, we observed that access to those key people was not always direct or consistent. We observed that trustees with a greater customer service focus on the frontline could better assist First Nations members without any formal support or resources due to greater flexibility and power to find a solution that was already built into their processes.

Nonetheless, all trustees would benefit from developing guidance and training for claims and contact centre staff about how to support First Nations members and claimants, in particular:

- how to engage with a First Nations person who, for cultural reasons, feels uncomfortable saying the name of the member who has passed away
- challenges with digital exclusion and access to internet or mobile phone coverage in remote locations
- challenges with accessing effective and reliable postal services in remote locations
- challenges obtaining certified documents in regional and remote locations, and
- the types of documentary evidence that may not exist for First Nations peoples living in regional or remote Australia (e.g. state-issued marriage certificates, utility bills, rental agreements, and joint bank account or credit statements).

Finally, we observed that some trustees had a policy of advising First Nations claimants that the trustee could not make an interim payment to assist with funeral expenses. For many First Nations peoples, funerals are important cultural ceremonies that honour the deceased and show respect for their spirit, allowing it to pass on. Funerals often take precedence over other activities in the deceased's community, including regular business activities. The inability to pay for a funeral is likely to cause significant emotional distress and prolong the grieving process for the deceased's family.

Trustees can make interim payments to a beneficiary for any reason provided there is no restriction in the trust deed or governing rules (see reg 6.21 SIS Regulations), and many regularly do make such payments to alleviate financial hardship.

We would encourage all trustees to consider the circumstances under which they can make an interim payment quickly to assist a First Nations claimant to cover funeral expenses.

Case study 6: Avoiding unnecessary delays for First Nations claimants

A First Nations man with four children passed away. He had a small balance in his account and no insurance. The children's grandmother (i.e. the man's mother) lived in a very remote area. She made a claim on behalf of the children in her care.

When the grandmother returned the claim form and supporting documents by email, she was asked to resend them by post. This created an unnecessary delay. The trustee also asked the grandmother a number of sensitive questions about the man's life and death, without first seeking to understand if the information was actually necessary. These questions may have been upsetting for the grandmother.

The grandmother was also asked to provide information about each of the children. She explained that they had different mothers – two children lived with the grandmother and two children lived with their mothers. One of the children living with the grandmother did not have the member listed as the father on their birth certificate, but the child was widely regarded as the man's child by the rest of the family. The trustee accepted this and did not require the grandmother to obtain further evidence of the relationship, which could have been difficult given her location. This prevented an unnecessary delay.

The trustee asked for contact details for the other two children and made contact with the third child's mother. The remaining child's mother was contacted and declined to make a claim or provide any information.

The trustee requested information about the grandmother's custody of two of the children, which she provided by email. However, the trustee then waited 4 months before deciding it needed more information. This created an unnecessary delay. The trustee then obtained the information it needed by phone, avoiding further delay.

The trustee took two more months to make a decision and then over a month to notify all the claimants.

The trustee paid the benefit to the grandmother on behalf of the two children in her care, and to the mother of the third child on that child's behalf, waiving the requirement to set up minor trusts, which was appropriate in the circumstances and avoided further delays. However, the trustee then insisted on both the grandmother and the mother providing bank statements, which resulted in an additional delay of almost 2 months before payment. This delay could have been avoided if the trustee requested payment information earlier in the process or waived the requirement for bank statements.

The entire process took over 16 months.

Actions for industry

Trustees should review their policies and procedures to identify barriers for First Nations members and claimants and make changes to remove those barriers where possible.

Trustees should provide contact centre staff with appropriate resources and training to support First Nations members in a culturally appropriate manner and be empowered to escalate issues facing First Nations claimants where processes and procedures do not meet their needs.

AUSTRAC alternative identification guidance

Some First Nations consumers struggle to provide financial services organisations with identity documentation that has been adequately verified:

- Many First Nations consumers do not have a birth certificate. This can be resolved by applying for a new certificate if the original copy has been lost. The process can be more difficult if the birth has never been registered.
- Some First Nations consumers have multiple names. They may have a traditional name, a birth name and an adoptive name, and different formal identification documents in each of those names.
- If someone applies for a photo identification document without their birth certificate, there may also be inconsistencies between the date of birth recorded on each identity document. In remote communities, identification documents such as driver's licences are often issued by the local police station.
- Inaccurate spelling of an individual's name or date of birth on identification documents is also not uncommon.

Note: For more information, see A Gordon & N Boyle, 'Superannuation: A more collaborative approach needed to overcome Indigenous disadvantage' *Indigenous Law Bulletin*, 2015, 8:10–15.

The AML/CTF Rules and AUSTRAC guidance on assisting customers who don't have standard forms of identification are designed to support superannuation funds and banks to use alternative forms of identification.

AUSTRAC's guidance recommends banks and superannuation funds develop and maintain risk-based procedures to help identify and verify customers who do not have standard identification so that they are not denied access to financial services. This is to support financial inclusion so that individuals from diverse backgrounds, facing challenging circumstances or experiencing vulnerability are not excluded from essential financial services.

AUSTRAC's guidance can be used to support individuals from a range of backgrounds including First Nations peoples and people whose documents have been destroyed in a natural disaster or are not available to them as a result of family and domestic violence. While the guidance provides many examples, it heavily emphasises the need for financial institutions to be flexible according to the level of risk presented by the individual and their specific circumstances.

Most trustees we reviewed had a policy and procedure for considering alternative identification requests. Most of the alternative identification policies we reviewed appeared to be copied verbatim from AUSTRAC's guidance without any further consideration or tailoring for the fund and individual's circumstances. As a result, we are concerned that the examples in the guidance have become a finite list of acceptable options rather than a starting point from which the trustee can make a flexible assessment of the claimant's specific circumstances and the alternative identification options that may be available to them.

We saw examples of trustees taking significant time to offer alternative identification options to First Nations claimants – a possible indication that claims staff were not initially aware of the policy. We also saw examples of trustees taking a rigid – rather than flexible – approach to alternative identification.

Some trustees required one or two escalations to management or other teams to obtain approval to offer an individual the alternative identification options set out in the guidance. Often final decisions about whether to offer alternative identification options were made by a dedicated AML/CTF team. While we support robust compliance with the AML/CTF Rules, we would encourage trustees to consider whether their alternative identification processes actually permit the level of flexibility emphasised by the guidance.

Actions for industry

At a minimum, trustees should provide staff responsible for anti-money laundering and counterterrorism financing obligations with cultural competency training to assist them in applying AUSTRAC's guidance to meet the needs of First Nations claimants.

Trustees should empower contact centres to quickly escalate issues with alternative identification to the team responsible for making decisions about alternative identification.

Driving better support for First Nations members and claimants

Examples of planned or implemented improvements by trustees to support First Nations members and claimants include:

- developing a RAP with specific commitments to increase the trustee's understanding of First Nations peoples' service needs and improve service delivery to First Nations members
- using the postcodes from REP 785 (or other methodologies) to estimate the fund's First Nations members who may need additional support and identify opportunities to better serve First Nations peoples
- adding 'remoteness flags' to accounts for members living in remote and very remote postcodes, which will prompt staff to consider whether additional support may be needed to serve the member or claimant
- accepting verbal third-party authorisations for financial counsellors who are assisting members or claimants to engage with the fund
- developing an alternative identification form for First Nations members and claimants, and
- joining the First Nations Foundation's Indigenous Superannuation Working Group

APPENDICES

APPENDIX A **Methodology**

Every aspect of our death benefit claims handling review was informed by data – from the initial decision to run the project, to scoping, analysis and observations. We have used data to develop a strong evidence base that supports our understanding of the issues involved and improvements needed in trustees' death benefit claims handling practices.

Concerns about data governance and the lack of data-driven reporting are a key component of the observations in the report. While we engaged with the reviewed trustees extensively to discuss data collection – both before the notices were issued and during the notice response period – all trustees experienced challenges providing data about their end-to-end claims handling times.

Despite this, after another period of intense engagement with the reviewed trustees – including (sometimes multiple) resubmissions – we are confident that the dataset used for the report is broadly reflective of trustees' claims handling performance. We also believe our observations based on the dataset are likely to apply to the broader superannuation industry.

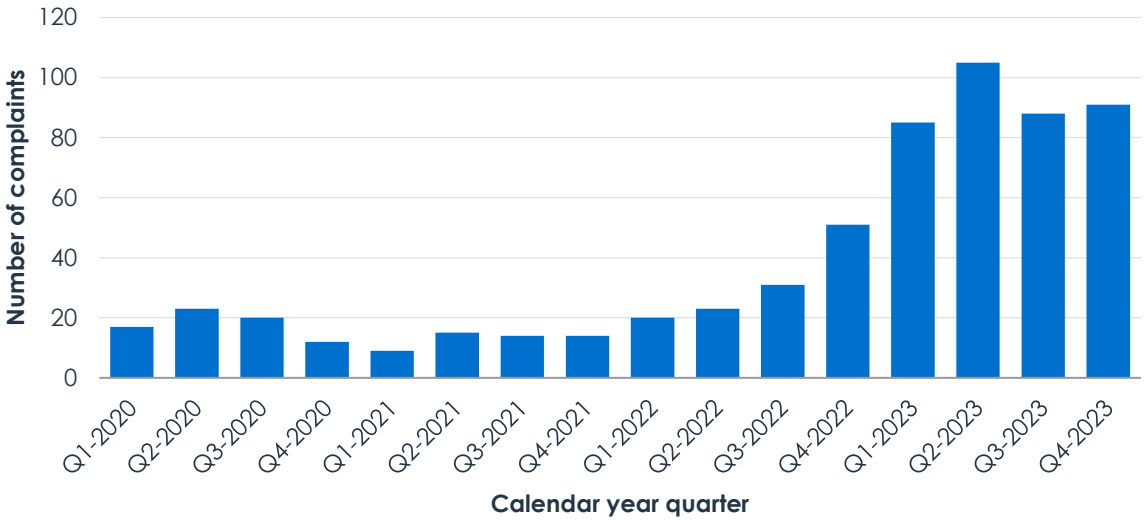
Project design and scoping

ASIC monitors superannuation fund complaints data, including complaints made:

- to the fund (i.e. IDR complaints), and
- about the fund that have been escalated to AFCA (i.e. EDR complaints).

From 2021 to 2023, EDR complaints about service-related issues relating to superannuation products roughly doubled – increasing at the start of the first quarter of 2021 and reaching a peak in the second quarter of 2023: see Figure 15. This growth occurred alongside an increase in reports of misconduct to ASIC and reports from consumer advocates about service issues. Complaints about delays in death benefit claims handling increased disproportionately, surging from 2.5% of service-related complaints to AFCA in 2021 to 8.5% in 2023. This was highly concerning.

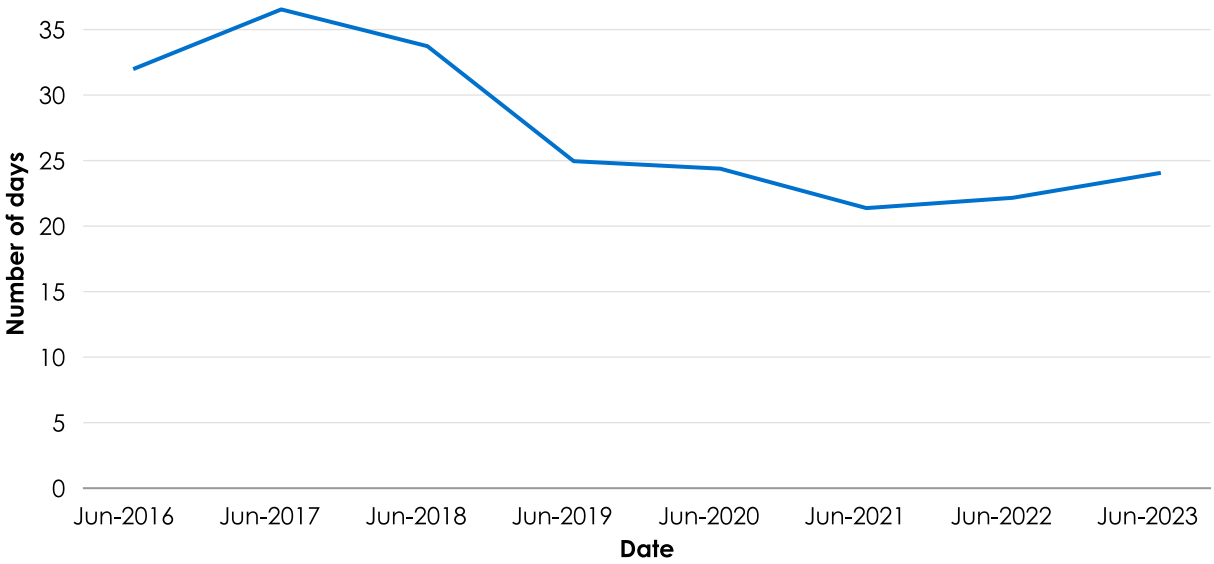
Figure 15: All EDR complaints to AFCA about delays in death benefit claims since 2020



Note: See Table 17 for the data shown in this figure (accessible version).
Source: Unpublished AFCA EDR data and ASIC calculations (accessed March 2024).

Despite this increase in complaints, there was no notable change in the reported time taken by insurers. In fact, processing times tended to reduce between 2016 and 2023: see Figure 16.

Figure 16: Average handling times by insurers for death benefit insurance claims since 2016



Note: See Table 18 for the data shown in this figure (accessible version).
Source: Unpublished APRA data for 2023 (current as at March 2025).

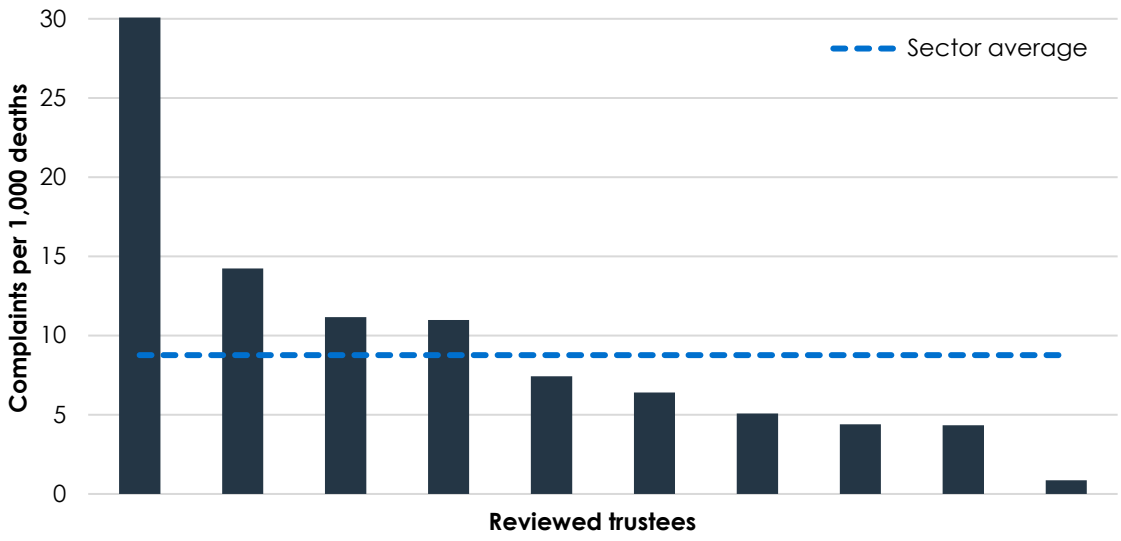
The lack of increase in insurer claims handling times or complaints about insurer delays led us to suspect that the increase in complaints about claims delays may be attributable to poor trustee claims handling processes. This hypothesis was supported by reports from consumer advocates, complaints and reports of misconduct. These observations informed the design of our review as well as the selection of trustees.

The final sample of trustees (reviewed trustees) was determined based on several factors including the following:

- **Administration model** – We wanted to understand whether there was an empirical difference in performance by trustees with different administration models (insourced administration versus outsourced administration).
- **Fund size** – We wanted to cover a significant portion of the industry while also looking at funds of different sizes. The website review included trustees that manage 68% of total member benefits regulated by APRA (as of June 2023) and the deep dive review included trustees that manage 38% of total member benefits.
- **Sector** – We wanted our sample to include industry, retail and public sector funds.
- **Complaints** – We wanted to include trustees with low, medium and high numbers of complaints, which may indicate trustees likely to have good claims handling practices as well as those likely to have poor practices.
- **Expected performance** – We wanted to include trustees who we anticipated were likely to have both good and poor practices to ensure our sample was more representative of the broader industry and to understand what good and poor practice looks like. In addition to the complaints data, we considered a range of qualitative information, such as reportable situations, reports of misconduct and media reports to inform our selection.

We excluded from the final stage of our review any trustee we were considering for enforcement investigation. ASIC generally avoids making public comment about enforcement matters.

Figure 17: EDR complaints about death benefit claims handled by reviewed trustees compared with the sector average



Note 1: See Table 19 for the data shown in this figure (accessible version).
Note 2: Due to the number of complaints in the EDR dataset, it may be inappropriate to make inter-fund comparisons and conclusions from these figures, especially for funds with significantly fewer members. We only used this data in our review for scoping.
Source: EDR complaints data was sourced from the AFCA Datacube on the AFCA website and was based on 'complaints progressed' in the death benefits product category. The number of deaths per trustee was sourced from the Annual fund-level superannuation statistics on the APRA website. This analysis was conducted at the trustee level, rather than at the fund level, meaning that complaints and deaths for funds that were not part of our review are included in these figures.

About the data

We collected qualitative and quantitative data from the reviewed trustees about their claims handling processes and timeframes for the review period. We obtained copies of the trustees' processes, guidance, rules and procedures relating to death benefit claims handling. We also obtained:

- details of their communication with members and claimants
- information about any arrangements with outsourced service providers
- information about their complaints, and
- details of any reporting to the trustee board.

We provided the reviewed trustees with a data workbook to record detailed, structured data on individual claims. The primary purpose of this data collection was to analyse end-to-end claims handling times across the trustees using a consistent metric. Trustees are not required to report this information to APRA.

Designing the data collection

The aim of the data collection was to fill gaps on end-to-end claims handling times for death benefit claims and provide quantitative insights into potential issues in claims handling processes. We asked each reviewed trustee to test the workbook using a small set of claims before issuing notices.

Following early engagement with the reviewed trustees, we chose to collect only a limited set of data for claims where the member's benefits were transferred into the fund due to a successor fund transfer during the review period (transfer accounts) due to the time and cost of manually compiling that data.

We also permitted trustees to use reasonable proxy variables if the relevant data was not available. For example, several trustees used 'date of notification' as a proxy for 'date claim commenced', because they did not separately record the date the claim commenced. Permitted proxies did not affect the measurement of end-to-end claims handling times, but limited our ability to analyse different stages of the claims handling process for some trustees. For example, trustees were not permitted to use a proxy for date of notification, because that variable was used to measure end-to-end claims times.

All reviewed trustees needed to combine ('stitch') data from different systems or manually review claim records to complete the data workbook.

Data collection and preparation

Each reviewed trustee provided us with four datasets, namely:

- a high-level overview of the nominations of current (living) members
- information on all death benefit claims where the trustee was notified of the death of the member during the review period, excluding transfer accounts (see 'Data dictionary' for data and definitions)
- information on death benefit claims related to transfer accounts, which was a subset of the questions from the second dataset, and

- a register of complaints made to the trustee during the review period that related to death benefit claims (excluding objections to death benefit payment decisions).

Despite our early engagement with trustees, the data quality was poor, and there were many basic errors. We identified a total of 343 unique issues across all reviewed trustees. For example, several trustees submitted data with date format errors that could have been easily identified by checking whether the process steps were in the correct order (e.g. the data shows a claimant was paid on '11/02/2022', which would be before the member died on 06/03/2022). Some of these errors required the data to be resubmitted. Despite resubmission, some data for a few claims was excluded from our final analysis because it did not meet the required data specifications.

Data analysis

There are many factors that determine the total handling time of a claim. Many factors that slow down claims handling are within the trustee's control and these are a key focus in the report. Claims handling times can also be influenced by factors that are outside the trustee's control. The review did not focus on these factors, but we undertook additional analysis to ensure they did not bias our observations (see sections on 'Age-related correlations' and 'High-balance members' below).

This section outlines some of our key observations about the dataset, including issues that we accounted for in our analysis. It also details examples of data anomalies that likely indicate poor trustee performance.

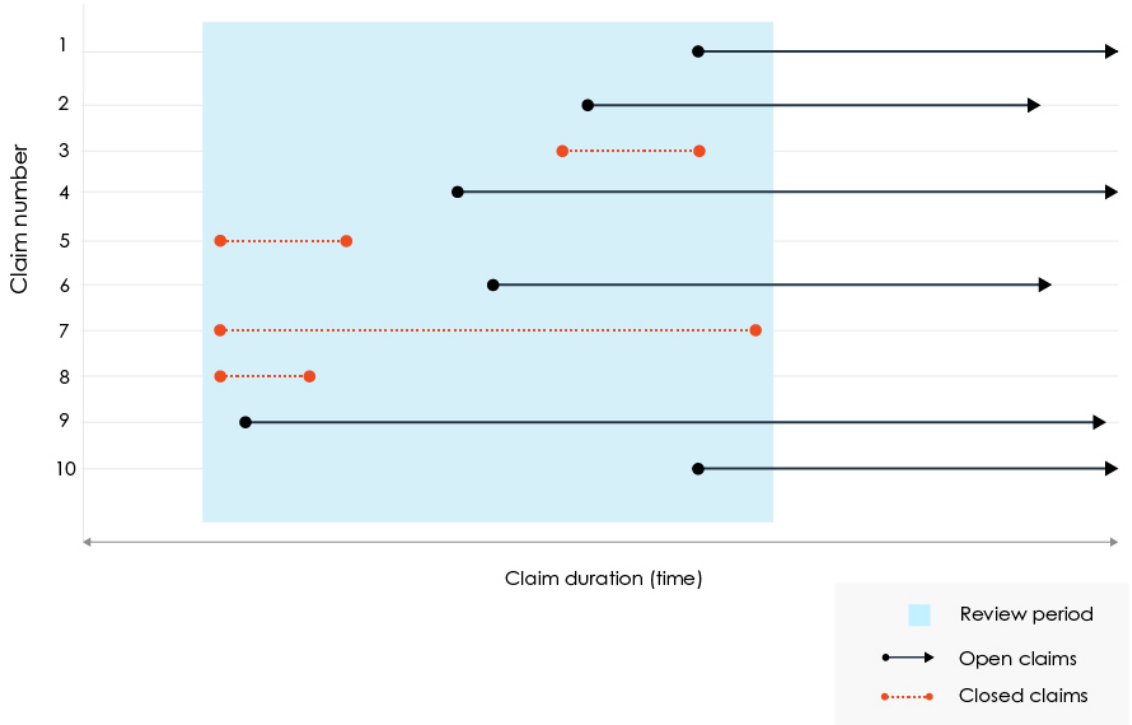
Time period bias and the Kaplan-Meier method

We only collected data on claims if the date of notification of the member's death fell within the review period. This meant that the maximum duration of closed claims included in our review was 2 years (and claims of this duration were only possible if the notification of death was on the very first day of the review period).

If we only considered the average duration of closed claims in our analysis, we could incorrectly conclude that claims handling times were faster than they were, because the average duration would exclude claims that were not closed within our review period. This effect is a type of time period bias.

Figure 18 illustrates this bias – it uses a set of example claims to show how excluding open claims when calculating the average duration can create the impression of faster claims handling times.

Figure 18: Impact of time period bias on performance monitoring



Note: See paragraph below for an explanation of this figure (accessible version).

The shaded area represents the review period and each of the 10 horizontal lines represents a claim that commenced during the review period. The four dotted lines represent claims that were closed during the review period (where both notification and payment occurred) and the six arrow lines represent claims that remain open (no payment made). In this example, only 4 of the 10 claims would be included in an analysis of closed claims. Because this analysis would exclude the six longest claims (because they are still open), the average duration would be misleadingly short.

Failing to account for time period bias also creates the impression that trustees are improving over time despite no change in behaviour – as the end of a review period approaches, the maximum period observable for closed claims decreases, so when calculating an average, all but the fastest claims are excluded from calculations.

In addition, average duration does not:

- tell us about relative performance of processing times before the end of the review period, or
- describe the performance of the six claims that remain open after the review period.

To address time period bias, we conducted survival analysis, which is a way to measure the probability of a subject's survival over a period of time (the subject, in this case, being a claim). We did this using the Kaplan-Meier method, which requires simple and minimal assumptions.

The Kaplan-Meier method allowed us to show a general trend in processing times for trustees over time and make more generalised statements about their behaviour.

A limitation of this modelling approach is that our estimates become less precise toward the end of the review period and when predicted claims handling times are exceptionally long (greater

than about 540 days). This is due to the decreasing number of observations available and the possibility of trustees suddenly changing their claims handling processes. For example, if a trustee significantly increased claims handling resources shortly before the end of the review period, then its open claims would be closed more quickly, but most claims would still close after the review period ended. In this situation, improvements in claims handling times may not be fully captured.

Age-related correlations

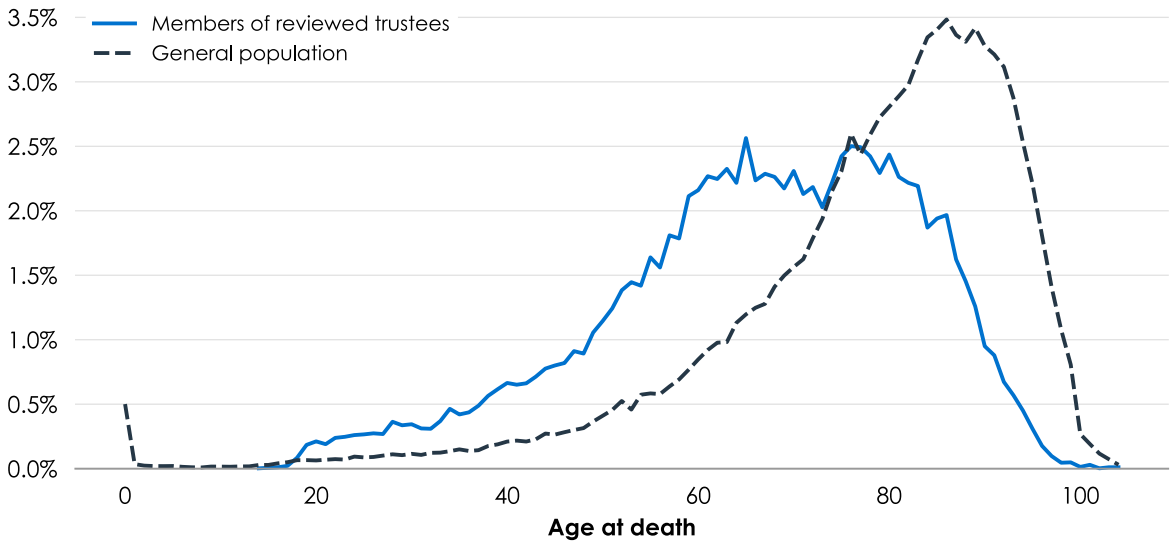
Typical claims times became shorter as the member's age at death increased. This was due to two main factors:

- **Older members were less likely to have insurance** – Insurance increased median claims handling times by about 51 days. Older members were less likely to have insurance because life insurance is typically more expensive or provides a lower benefit to older members. Group insurance is often not available to members over a certain age (e.g. 65). Older members may also have less need for insurance, as it insures against the risk of unexpected early death.
- **Older members were more likely to have binding nominations** – This may reflect a greater preparedness for death, or it may simply reflect more frequent interactions with the fund.

Member demographics

The age distribution of deceased members based on the number of claims in our review is noticeably younger than the age distribution of deaths across the Australian population: see Figure 19. This is primarily related to the timing of the introduction of compulsory superannuation. Certain subsets of members either exhaust their superannuation before they die and leave no death benefit to claim, or withdraw their full entitlement when they reach retirement. These cohorts are therefore not reflected in our data. This has the effect of shifting the age distribution of superannuation fund deaths to the left (i.e. younger). Over time, average superannuation balances will increase and it is likely that more members will have some superannuation in their account when they die.

Figure 19: Distribution of deaths by age of members in ASIC's review compared with the general population



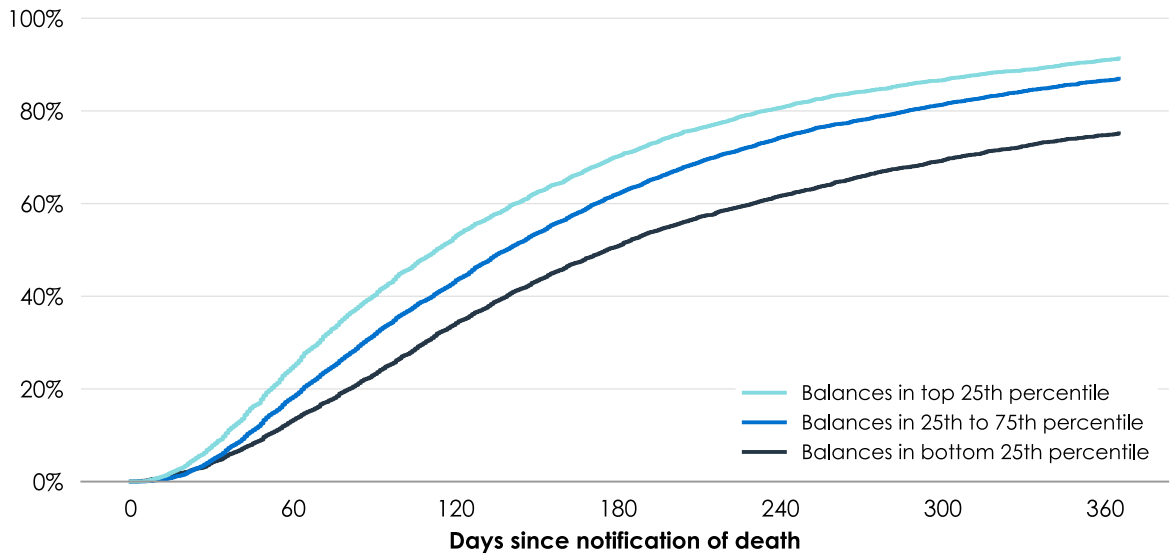
Note: See Table 20 for the data shown in this figure (accessible version).
Source: The data for distribution of deaths for the general population was sourced from the ABS Datacube,

High-balance members

Claims handling times for members with higher balances tended to be shorter than for members with lower balances: see Figure 20. This was surprising because lower value benefits are lower risk and should be quicker to process: see 'Balancing trustee risk appetite with service efficiency'. In practice, this observation is likely due to a number of correlating factors, including that the average balance tends to increase with age and claims handling times tend to be shorter for older members. Members with higher balances may also be more likely to have a financial adviser: see Investment Trends, *Financial advice report: Industry analysis*, 2024.

We observed that some claimants were assisted by the member's financial adviser during the claims process, which may explain why they tended to be processed considerably faster.

Figure 20: Percentage of claims closed since notification of death based on account balance



Note 1: See Table 21 for the data shown in this figure (accessible version).
Note 2: This figure uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.
Note 3: Account balance includes any insurance proceeds.

Data anomalies

We spoke to trustees about anomalies in their data. When a trustee was confident that the data had been reported correctly, those anomalies could be used to help identify issues. For example, we observed that, across the sample, most trustees experienced an increase in complaints about 3 months after notification of the member's death. However, in one case, a trustee appeared to have a spike in complaints at or before zero days after notification of death. The trustee confirmed that the number and dates of the complaints were correct. We hypothesised that this result might reflect deficiencies in the recording of notifications. This hypothesis was supported by observations in the qualitative review of the trustee's claim files.

We noted a few trustees paid some death benefits before the insured benefit claim was processed. This was not an error – trustees paid some or all of the account balance to entitled claimants while the insurance claim was being processed by the insurer. One trustee paid out the account balance before the insurance claim was processed in some cases and created a second account to receive and pay out the insurance proceeds when available from the insurer at a later date. This was a positive example of expediting payments to claimants where possible.

Claim file review

Trustees were required to provide a unique identifier for each member represented in the dataset. This identifier allowed us to choose a subset of claim files from each trustee to review in detail. We reviewed 10 claim files per trustee, including call recordings, that we collected under notice. The sample of claim files was chosen randomly, subject to the following criteria:

- **Claim duration** – Claims that had been open for less than 120 days, 120 to 239 days, 240 to 359 days and 360 days or more.
- **Status of the claim on 31 March 2024** – Seven closed and three open claims.
- **First Nations members** – Two closed and one open claim.
- **A complaint about the claims handling process** – One finalised claim only.

Because we only reviewed 10 claim files from each trustee (100 total) during the review period, our observations about the claim files may not reflect the average performance or claimant experience of each trustee. Nonetheless, the review provided valuable insights and flagged potentially broader issues. It was concerning how many issues were identified given the small sample size.

First Nations membership

We used a similar methodology as that in REP 785 to estimate the number of claims in the review that were more likely to relate to First Nations peoples: see Appendix 1 of REP 785. This methodology relies on the following external data sources:

- Indigenous populations statistics from the ABS, and
- regional and remote area classifications by the ABS.

Based on the above data, we compiled a list of postcodes in regional and remote areas where there was also a higher-than-average First Nations population.

First Nations peoples are located in all areas of Australia – indeed 38% live in major cities: see Statistics about Aboriginal and Torres Strait Islander People on the Australian Human Rights Commission website. The postcodes in Table 4 are not to be read as a definitive list of areas where First Nations peoples live. Alternative methodologies may be used by individual trustees to better understand their own First Nations membership. We encourage trustees to think creatively about how to best use the data available to them to meet the needs of their members.

Table 4: First Nations postcodes used to estimate First Nations membership

State or territory	Postcode – Region
Northern Territory	0850 – Katherine 0860 – Tenant Creek 0870 – Northern Alice Springs and White Gums 0872 – Yulara (Central Australia) 0873 – Southern Alice Springs 0880 – Nhulunbuy 0886 – Jabiru

State or territory	Postcode – Region
New South Wales	2653 – Tumbarumba 2824 – Warren 2825 – Nyngan 2829 – Coonamble 2830 – Dubbo 2832 – Walgett 2834 – Lightning Ridge 2835 – Cobar 2839 – Brewarrina 2840 – Bourke 2880 – Broken Hill
Queensland	4470 – Charleville 4626 – Mundubbera 4710 – Emu Park 4730 – Longreach 4816 – 40 unique locations in Far North Queensland 4820 – Charter's Towers and surrounds 4821 – Hughenden and surrounds 4825 – Mt Isa 4871 – 103 unique locations in Cape York 4873 – Mossman 4890 – Normanton
South Australia	5652 – Wudinna 5690 – Ceduna 5723 – Coober Pedy
Tasmania	7260 – Scottsdale 7306 – Sheffield 7310 – Devonport and surrounds 7315 – Ulverstone and surrounds 7330 – Smithton
Victoria	3304 – Heywood 3892 – Mallacoota
Western Australia	6317 – Kojonup/Katanning 6367 – Kulin/Kondinin 6429 – Coolgardie 6430 – Kalgoorlie 6431 – Warburton/Great Fields and surrounds 6432 – Boulder 6442 – Kambalda 6743 – Kununurra 6751 – Tom Price

Expenditure

We did not collect data on how much each fund spent on handling death benefit claims as part of our review. This was due to the difficultly in apportioning expenditure to one subset of a large range of member services and a mismatch between the dates of available datasets. APRA has published fund-level expenditure data for the 2022–23 and 2023–24 financial years, which do not align with the review period. Public data for the 2021–22 financial year is not available: see Fund-level superannuation statistics on the APRA website.

Data dictionary

This section outlines the data and terms used in the data collection. They are reproduced largely verbatim for transparency and may not align with the key terms used elsewhere in this report.

Each reviewed trustee was required to provide the following data about current (living) members and the nominations those members had made:

- How many member accounts were in the fund as at 31 March 2024?
- The number of member accounts as at 31 March 2024 where the member had made:
  - a non-binding nomination
  - a binding nomination (lapsing)
  - a binding nomination (non-lapsing)
  - a reversionary nomination
  - no nomination
  - another type of nomination not captured by those listed above.

Each reviewed trustee was also required to provide data on the following items about death benefit claims, where the trustee was notified of the member's death during the review period:

- Member account number
- Member's date of birth
- Member's sex
- Member's residential postcode
- Member's date of death
- Date of notification of death
- Date claim commenced by trustee
- Accrued lump sum benefit at last review date
- Last review date
- Type of member account
- If the member account had life insurance at date of death
- Status of life insurance claim as at 31 March 2024
- Date life insurance claim proceeds credited to member account
- Amount of life insurance claim proceeds credited
- Type of beneficiary nomination
- If a binding nomination was valid at time of death
- Date of trustee decision
- If claim staking was completed
- If any objections were received by the trustee
- If any objections were referred to AFCA
- Value of death benefit paid as lump sum(s) up to 31 March 2024
- Date of first lump sum death benefit payment
- Status of death benefit claim with trustee as at 31 March 2024
- Complaint received (other than an objection to the distribution decision)

APPENDIX B Accessible versions of figures

ASIC's death benefit claims handling review

Table 5: Number of claims by age and gender of member at time of death

Age at death	Claims by male members	Claims by female members
14–19 years	78	33
20–29 years	646	332
30–39 years	974	616
40–49 years	1,708	1,214
50–59 years	3,415	2,305
60–69 years	5,033	3,338
70–79 years	5,209	3,265
80–89 years	4,454	2,627
90 years and over	1,012	561

Note: This is the data shown in Figure 2.

Table 6: Percentage of members with insurance at time of death by age of member

Age at death	Percentage of members with insurance
14–19 years	6%
20–29 years	36%
30–39 years	53%
40–49 years	48%
50–59 years	44%
60–69 years	31%
70–79 years	3%
80–89 years	less than 1%
90 years and over	less than 1%

Note: This is the data shown in Figure 3.

Table 7: Percentage of deceased members with each nomination type by age at death

Age at death	Reversionary	Non-lapsing	Lapsing	None	Non-binding
14–19 years	0%	0%	0%	96%	4%
20–29 years	0%	1%	1%	79%	19%
30–39 years	0%	3%	4%	56%	37%
40–49 years	0%	6%	6%	43%	44%
50–59 years	0%	10%	10%	37%	44%

Age at death	Reversionary	Non-lapsing	Lapsing	None	Non-binding
60–69 years	6%	15%	12%	31%	36%
70–79 years	20%	28%	8%	21%	23%
80–89 years	22%	36%	5%	22%	16%
90 years and over	14%	38%	2%	33%	13%

Note 1: This is the data shown in Figure 4.
Note 2: See Key terms for definitions of the different types of nominations.

Table 8: Percentage of living members by type of nomination (as of 31 March 2024)

Nomination type	Number of living members	Percentage of living members
None	5,962,856	57%
Non-binding	3,239,585	31%
Non-lapsing	637,570	6%
Lapsing	395,045	4%
Reversionary	179,544	2%
Other	11,563	less than 1%

Note 1: This is the data shown in Figure 5.
Note 2: 'Other' is a beneficiary nomination made by a member that is not captured by another nomination type.

Claims handling delays and failures

Table 9: Percentage of claims closed by each reviewed trustee during the review period

Trustee	30 days	60 days	90 days	120 days	180 days	360 days	720 days
Avanteos	10%	33%	48%	60%	75%	92%	97%
UniSuper	7%	24%	41%	53%	68%	90%	96%
NM Super	7%	21%	34%	46%	63%	85%	93%
Nulis	2%	16%	32%	46%	65%	86%	94%
ART	7%	18%	31%	42%	59%	81%	90%
Hostplus	1%	10%	22%	33%	50%	76%	91%
HESTA	3%	11%	21%	31%	48%	78%	94%
Brighter Super	1%	8%	20%	31%	46%	73%	87%
CSC	0%	2%	10%	22%	47%	76%	97%
Rest	0%	3%	8%	20%	47%	84%	93%

Note 1: This is the data shown in Figure 7.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Table 10: Percentage of claims in the review closed over time by nomination type

Nomination type	60 days	120 days	180 days	240 days	300 days	360 days
Reversionary	52%	81%	90%	94%	96%	97%
Non-lapsing	27%	58%	75%	84%	89%	93%
Lapsing	22%	55%	74%	84%	89%	92%
None	11%	31%	48%	60%	68%	74%
Non-binding	7%	29%	50%	65%	74%	81%

Note 1: This is the data shown in Figure 8.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Table 11: Percentage of claims in the review closed by insurance status since notification of death

Insurance status	60 days	120 days	180 days	240 days	300 days	360 days
Insured	8%	29%	51%	64%	73%	80%
Uninsured	22%	48%	65%	75%	82%	86%

Note 1: This is the data shown in Figure 9.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Table 12: Percentage of claims in the review closed since notification of death for insourced and outsourced trustees

Trustee	60 days	120 days	180 days	240 days	300 days	360 days
Trustee A (Insourced)	33%	60%	75%	84%	89%	92%
Trustee B (Insourced)	24%	53%	68%	78%	85%	90%
Trustee C (Insourced)	21%	46%	63%	74%	80%	85%
Trustee D (Insourced)	16%	46%	65%	76%	82%	86%
Trustee E (Insourced)	18%	42%	59%	70%	77%	81%
Trustee F (Insourced)	10%	33%	50%	62%	70%	76%
Trustee G (Outsourced)	11%	31%	48%	60%	70%	78%
Trustee H (Outsourced)	8%	31%	46%	56%	62%	73%
Trustee I (Outsourced)	2%	22%	47%	58%	68%	76%
Trustee J (Outsourced)	3%	20%	47%	66%	77%	84%

Note 1: This is the data shown in Figure 10.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Table 13: Percentage of complaints received over time after notification of death

Days from notification of death to complaint	Percentage of complaints received
0–30 days	4%
31–60 days	6%
61–90 days	14%
91–120 days	14%
121–150 days	12%
151–180 days	11%
181–210 days	6%
211–240 days	8%
241–270 days	5%
271–300 days	4%
301–330 days	5%
331–360 days	3%
361 days and over	7%

Note 1: This is the data shown in Figure 11.
Note 2: One trustee was excluded from this analysis due to concerns about the accuracy of its data.

Gaps in trustee oversight and governance

Table 14: Percentage of death benefit claims staked by value of benefit

Value of death benefit	Percentage of claims staked
Under $500	5%
$500–$1,000	6%
$1,001–$10,000	25%
$10,001–$50,000	25%
$50,001–$100,000	22%
$100,001–$500,000	23%
Over $500,000	17%

Note 1: This is the data shown in Figure 12.
Note 2: The data in this table is grouped by claim value, rather than the number of claims, which differs for each value range. This is to emphasise the lower value claims.

Inadequate support for First Nations claimants

Table 15: Percentage of claims closed since notification of death for members living in First Nations postcodes compared with other postcodes

Member postcodes	60 days	120 days	180 days	240 days	300 days	360 days
First Nations postcodes	14%	31%	48%	59%	66%	73%
Other postcodes	19%	44%	61%	72%	79%	84%

Note 1: This is the data shown in Figure 13.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.

Table 16: Percentage of claims closed since notification of death for remote and very remote members compared with other members

Remote living status	60 days	120 days	180 days	240 days	300 days	360 days
Remote members	10%	28%	42%	54%	62%	65%
Other members	19%	44%	61%	73%	80%	85%

Note 1: This is the data shown in Figure 14.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.
Note 3: See Remoteness areas on the ABS website for definitions of remote and very remote.

Methodology

Table 17: All EDR complaints to AFCA about delays in death benefit claims since 2020

Calendar year quarter	Number of complaints
Q1 2020	17
Q2 2020	23
Q3 2020	20
Q4 2020	12
Q1 2021	9
Q2 2021	15
Q3 2021	14
Q4 2021	14
Q1 2022	20
Q2 2022	23
Q3 2022	31
Q4 2022	51
Q1 2023	85
Q2 2023	105
Q3 2023	88
Q4 2023	91

Note: This is the data shown in Figure 15.
Source: Unpublished AFCA EDR data and ASIC calculations (accessed March 2024).

Table 18: Average handling times by insurers for death benefit insurance claims since 2016

Date	Number of days
30 June 2016	32.0
30 June 2017	36.5
30 June 2018	33.7.
30 June 2019	25.0
30 June 2020	24.4
30 June 2021	21.4
30 June 2022	22.2
30 June 2023	24.0

Note: This is the data shown in Figure 16.
Source: Unpublished APRA data for 2023 (current as at March 2025).

Table 19: EDR complaints about death benefit claims handled by reviewed trustees compared with the sector average

Reviewed trustees	Complaints per 1,000 deaths
Trustee 1	30.1
Trustee 2	14.2
Trustee 3	11.2
Trustee 4	11.0
Trustee 5	7.4
Trustee 6	6.4
Trustee 7	5.1
Trustee 8	4.4
Trustee 9	4.3
Trustee 10	0.8
Sector average	8.8

Note 1: This is the data shown in Figure 17.
Note 2: Due to the number of complaints in the EDR dataset, it may be inappropriate to make inter-fund comparisons and conclusions from these figures, especially for funds with significantly fewer members. We only used this data in our review for scoping.
Source: EDR complaints data was sourced from the AFCA Datacube on the AFCA website and was based on 'complaints progressed' in the death benefits product category. The number of deaths per trustee was sourced from the Annual fund-level superannuation statistics on the APRA website. This analysis was conducted at the trustee level, rather than at the fund level, meaning that complaints and deaths for funds that were not part of our review are included in these figures.

Table 20: Distribution of deaths by age of members in ASIC's review compared with the general population

Age at death	General population	Members of reviewed trustees
0–9 years	0.7%	N/A
10–19 years	0.3%	N/A
14–19 years	N/A	0.3%

Age at death	General population	Members of reviewed trustees
20–29 years	0.9%	2.7%
30–39 years	1.4%	4.3%
40–49 years	2.7%	7.9%
50–59 years	5.7%	15.5%
60–69 years	11.5%	22.7%
70–79 years	21.7%	23.0%
80–89 years	32.2%	19.2%
90 years and over	23.0%	4.3%

Note: This is the data shown in Figure 19.
Source: The data for distribution of deaths for the general population was sourced from the ABS Datacube,

Table 21: Percentage of claims closed since notification of death based on account balance

Account balance	60 days	120 days	180 days	240 days	300 days	360 days
Balances in top 25th percentile	25%	53%	70%	81%	87%	91%
Balances in 25th to 75th percentile	18%	43%	62%	74%	81%	87%
Balances in bottom 25th percentile	13%	34%	51%	62%	69%	75%

Note 1: This is the data shown in Figure 20.
Note 2: This table uses the Kaplan-Meier method to estimate the percentage of claims closed by days since notification of death. See Appendix A for more information about the Kaplan-Meier method.
Note 3: Account balance includes any insurance proceeds.

APPENDIX C **Legislative framework**

General obligations

While a variety of general obligations relating to death benefit claims handling apply to trustees, there are very few specific obligations, and none of these include timeframes for processing death benefit claims.

The general obligations to act honestly, exercise the same degree of care, skill and diligence as a prudent trustee and perform duties and exercise powers in the best financial interests of beneficiaries apply to all trustees: see s52(2) of the SIS Act. Similarly, trustees are required to act efficiently, honestly and fairly when providing a superannuation trustee service: see s912A of the *Corporations Act 2001* (Corporations Act).

From 15 March 2025, trustees that are bodies corporate and their accountable persons must comply with the obligations under FAR relevant to their respective responsibilities. There are several prescribed responsibilities that may be relevant to death benefit claims handling – namely, member administration operations, insurance offerings, risk controls or overall risk management arrangements, information management, member remediation programs (including hardship arrangements) and dispute resolution function: see s5 of the *Financial Accountability Regime (Minister) Rules 2024*.

The key obligations of accountable persons are to:

- act with honesty, integrity and due care, skill and diligence
- deal with ASIC and APRA in an open, constructive and cooperative way
- take reasonable steps to prevent matters from arising that would (or would be likely to) affect the prudential standing or reputation of the trustee, and
- take reasonable steps to prevent matters from arising that would (or would be likely to) result in a material contravention by the trustees of their obligations under relevant legislation, including the SIS Act and the Corporations Act: see s21 of the *Financial Accountability Regime Act 2023*.

Nominations

Trustees may permit members to make death benefit nominations, and a member may only nominate a dependant or their legal personal representative as a beneficiary. A dependant is a spouse or child of the member or a person with whom the member has an 'interdependency relationship': see s10A of the SIS Act.

There are four types of nominations currently offered by trustees:

- lapsing nominations
- non-lapsing nominations
- non-binding nominations, and
- reversionary nominations.

A fund's trust deed and governing rules set out how the trustee will deal with nominations. However, trustees are not required by law to offer any nomination, and if they do, the trustee can decide what types of nominations to accept. As a result, the types of nominations that are available to members vary across superannuation funds.

If a trustee offers members the option to make a **lapsing nomination**, the trustee is required to first provide information the trustee reasonably believes members reasonably need to understand their right to make a nomination: see reg 6.17A(3) of the SIS Regulations. Trustees also have an

obligation to seek further information from a member if the details of the nomination are not clear: see reg 6.17B of the SIS Regulations.

Lapsing nominations must meet certain requirements in the SIS Regulations to be valid and binding on the trustee:

- The persons nominated must be dependants or the legal personal representative of the member.
- The proportion of the benefit payable to each person must be clear.
- The nomination must be in writing, signed and dated by the member, in the presence of two adult witnesses (neither of whom is named in the nomination).
- The nomination must not be more than 3 years old (or a shorter period if provided under the governing rules): see reg 6.17A(7) of the SIS Regulations.

Once made, a lapsing nomination can be amended or revoked in the same manner it was made. However, it can be renewed by written notice, signed and dated by the member – the renewal does not need to be witnessed: see reg 6.17A(5) of the SIS Regulations.

A trustee is not required to pay the death benefit in accordance with a lapsing nomination if that would be inconsistent with certain court orders: see reg 6.17A(4A) of the SIS Regulations.

Many trustees offer **non-binding nominations**. A non-binding nomination is a nomination that is not binding on the trustee, but gives the trustee guidance about the member's wishes. They never lapse, but trustees may decide to pay the death benefit to someone other than the person nominated based on the circumstances at the time of the member's death. Non-binding nominations are evidence of the member's intentions, which can guide the trustee when exercising discretion about who to pay the member's death benefit to. Many trustees treat lapsed binding nominations as non-binding nominations.

Some trustees also offer **non-lapsing nominations** with the consent of the trustee under the terms of the trust deed: see s59(1)(a) of the SIS Act. A non-lapsing nomination is only binding if the trustee has consented to it. The trust deed may set out rules for the trustee's consent. The deed may also specify certain events that will cause a non-lapsing nomination to become invalid, such as the birth of a child.

A **reversionary nomination** is a type of binding nomination that can be made in relation to a reversionary pension, annuity or other income stream product that pays a regular benefit to a member in retirement. Payments from these types of products continue to be made to the member's beneficiary after the member's death under the terms and conditions of the product.

The reversionary beneficiary is automatically entitled to the income stream on the death of the member. There are greater limitations on who can be a reversionary beneficiary compared with other types of superannuation products. Some nominations cannot be changed after they have been made.

Insurance

Trustees must determine whether a member died with insurance cover. If the member had insurance, the trustee must do everything that is reasonable to pursue the insurance claim if there is a reasonable prospect of success: see s52(7)(d) of the SIS Act. In most cases where there is an insured benefit, the claim will have a reasonable prospect of success. There are some limited exclusions in some policies relating to the cause of death.

Payment of death benefits

Trustees must ensure a member's death benefits are cashed or rolled over as soon as practicable after the member dies: see reg 6.21 of the SIS Regulations. However, there is no specific timeframe that trustees must comply with under the law.

Death benefits can only be paid to the member's legal personal representative or one or more of the member's dependants. This is true even if the member has made a binding nomination in favour of someone who is not one of these people. The trustee may only pay another individual if the trustee has not found either a legal personal representative or a dependant after making reasonable inquiries: see reg 6.22 of the SIS Regulations.

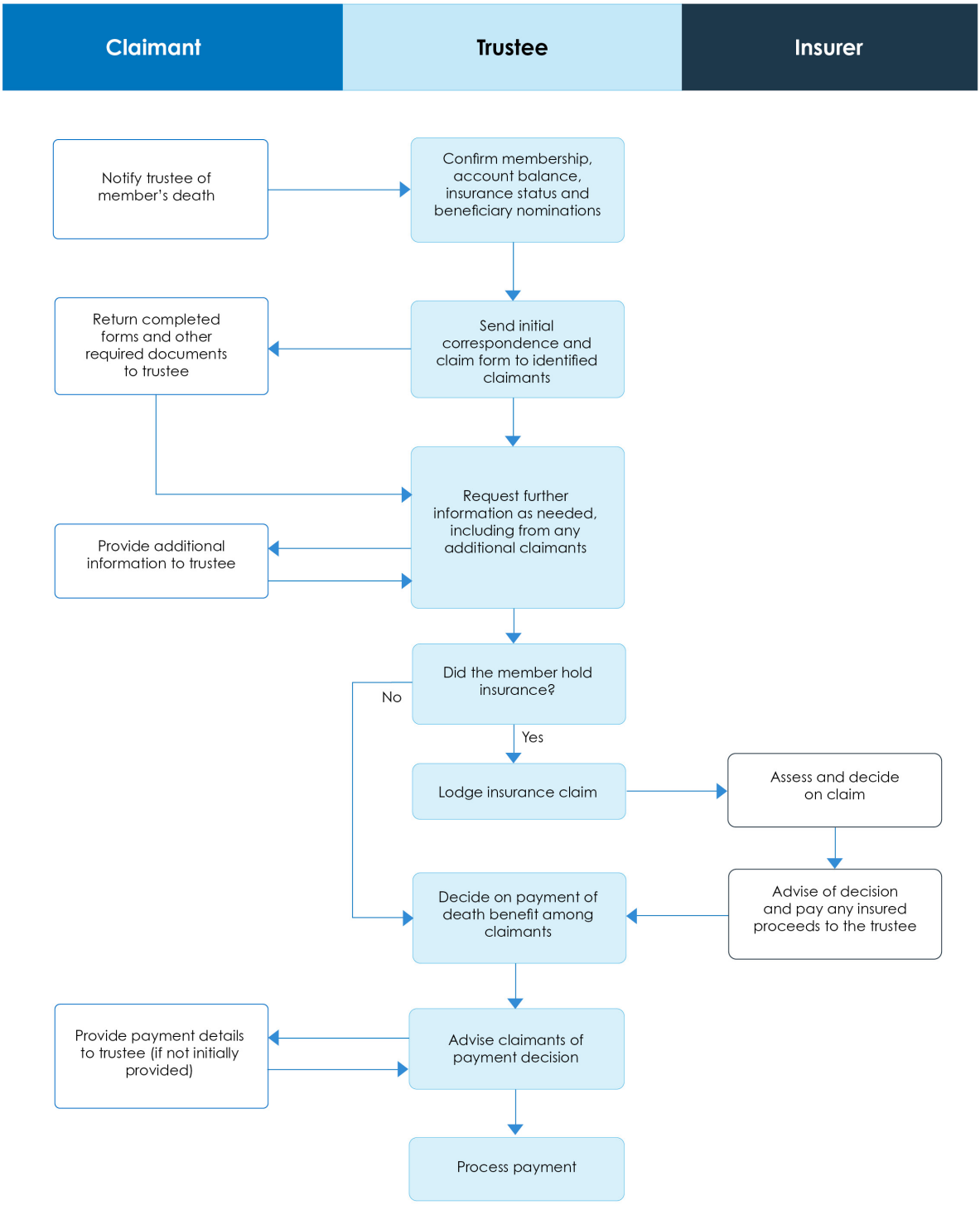
Trustees should ensure compliance with these obligations, but also take into account practical concerns, the sensitive nature of payments and processes that ensure decisions are fair and reasonable (e.g. in the context of financial hardship): see APRA's Prudential Practice Guidance SPG 280 *Payment Standards*.

Trustees must make reasonable efforts to pay death benefits to the persons entitled to receive them. It is an offence if the trustee fails to comply with this requirement: see s15 of the Unclaimed Superannuation Act. A death benefit may only be paid to the ATO as unclaimed money if all of the following apply:

- The member has died and death benefits are immediately payable.
- The fund has not received an amount (or no benefit has accrued) in the member's account within the last 2 years.
- The trustee has made reasonable efforts to pay the benefit to the person who is entitled to receive it.
- A reasonable period of time has passed: see s14 of the Unclaimed Superannuation Act.

While each trustee's process is likely to differ slightly, most claims will involve the steps in Figure 21, which illustrates the key steps in a typical death benefit claim.

Figure 21: Typical death benefit claims handling process without claim staking



Claim staking

Claim staking is a form of procedural fairness a trustee can offer to claimants before paying a death benefit. Claim staking is discretionary and protects the trustee from having to pay the benefit twice – having been given the opportunity to object to a decision, a claimant cannot later complain to AFCA after the trustee has paid the benefit.

Any objection to a death benefit payment decision is treated as a complaint and triggers the trustee's IDR process: see RG 271 at RG 271.32. Trustees must:

- provide an IDR response to the complainant, which is a written communication detailing the outcome of the complaint, and
- notify the complainant about the 28-day timeframe for lodging complaints with AFCA: see RG 271.53.

AFCA cannot consider a complaint about a death benefit payment unless the IDR process has commenced and the complainant has received a response: see RG 271.66.

A person cannot complain to AFCA about a death benefit payment decision if the trustee has given the person written notice of:

- the proposed decision and their right to object to the proposed decision, and the person did not object within 28 days, and
- the final decision and their right to complain to AFCA about the decision, and the person did not lodge a complaint within 28 days.

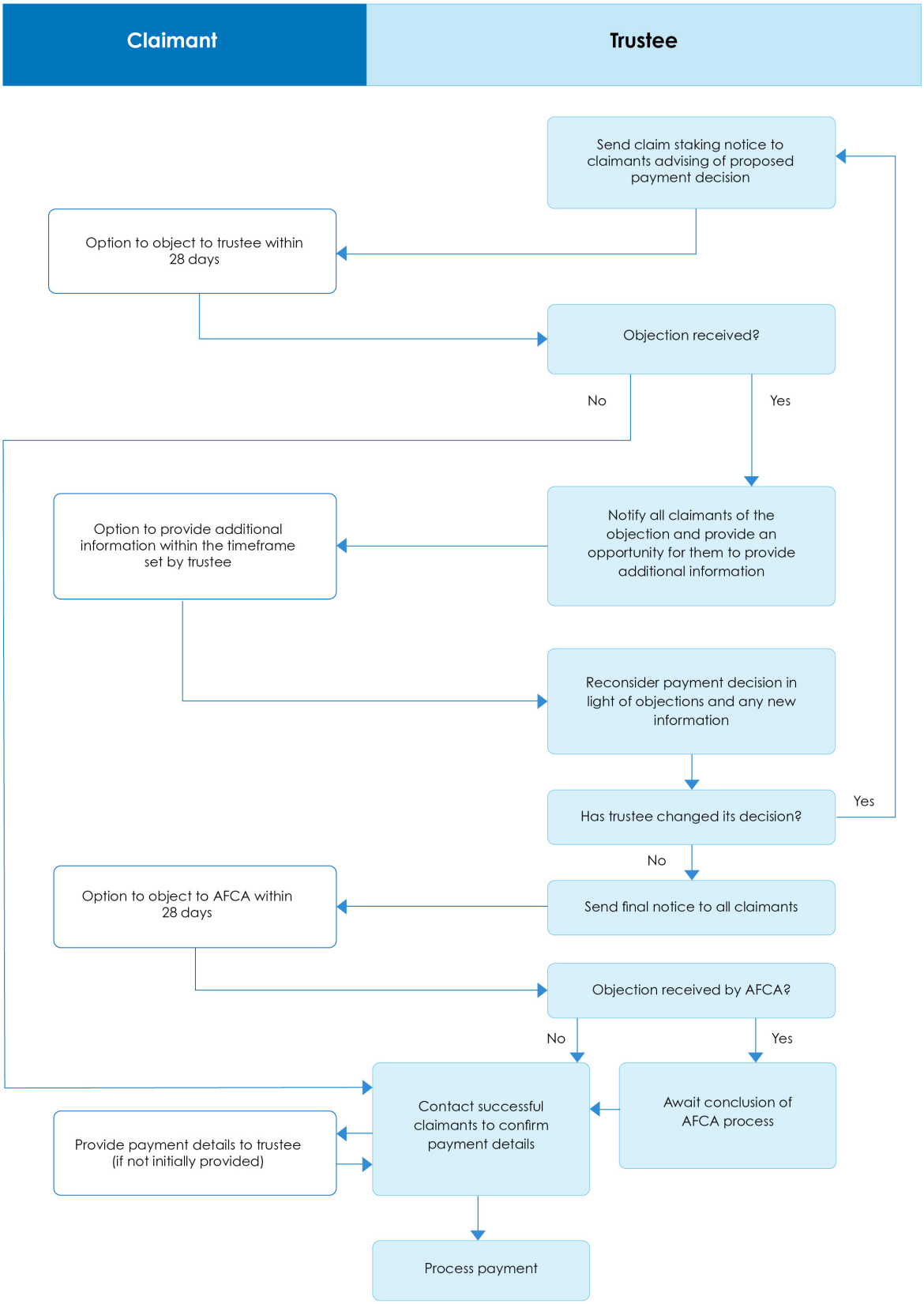
If the trustee does not claim stake (i.e. give a person either of the above notices), the person can complain to AFCA about the decision if:

- they have an interest in the death benefit, and
- it was unreasonable for the person not to have been given the notices: see s1056 of the Corporations Act.

Where claim staking is undertaken and a complaint is made to AFCA, AFCA may disagree with the trustee's payment decision and order the trustee to pay the complainant, even if the trustee has already paid the member's benefit to another person: see s1055 of the Corporations Act. AFCA can also award interest: see section D.6 of the AFCA complaint resolution scheme rules (1 July 2024).

Figure 22 illustrates the additional key steps compared with Figure 21 in a typical death benefit claim where the trustee claim stakes. While each trustee's process is likely to differ, most claims that trustees claim stake will include the steps in Figure 22. Claim staking significantly increases the time and resources required to process a claim.

Figure 22: Typical steps for claim staking within the death benefit claims handling process



Industry codes and guidance

Several industry codes, standards and guidance documents about claims handling and death benefit payments have been developed for superannuation funds. These vary in detail and topics covered. None of them is binding on all trustees. The Financial Services Council (FSC) Standards are binding on trustees who choose to become a member of the FSC: see FSC Standard No 28.

The Insurance in Superannuation Voluntary Code of Practice has largely been replaced by legislative reform and was abandoned in 2021 by its owners – the Australian Institute of Superannuation Trustees (now Super Members Council), the Association of Superannuation Funds of Australia and the FSC, each of which developed its own standards or guidance.

The Life Insurance Code of Practice is owned and published by the Council of Australian Life Insurers (CALI). Life insurance companies that are CALI members are required to comply with the Code of Practice. The Life Insurance Code Compliance Committee monitors adherence to the Code of Practice.

Of those industry codes, standards and guidance documents, only the Life Insurance Code of Practice prescribes a target timeframe for insurers to handle claims – that is, 6 months from receipt of the claim from the trustee to the date of the decision by the insurer: see clause 5.49 of the Life Insurance Code of Practice. However, this timeframe should not be seen as a benchmark for processing death benefit claims given the limited assessment insurers generally undertake. In 2023, the processing time for death benefit insurance claims was 24 days (based on unpublished APRA data, current as of March 2025).

Key terms and related information

Key terms

ABS	Australian Bureau of Statistics
administrator	A service provider who, on behalf of trustees, provides administration services to members and claimants. Services may include the contact centre, claims handling, complaints handling and payments
AFCA	Australian Financial Complaints Authority – the EDR scheme for which an authorisation under Pt 7.10A of the Corporations Act is in force
AML/CTF Rules	*Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1) 2007*
APRA	Australian Prudential Regulation Authority
ATO	Australian Taxation Office
AUSTRAC	Australian Transaction Reports and Analysis Centre
binding nomination	A type of nomination that is binding on the trustee and includes lapsing nominations, non-lapsing nominations and reversionary nominations
claim	A claim for death benefits to be paid by a superannuation trustee in relation to a deceased member's account by one or more claimants
claim staking	A discretionary process during which a trustee provides potential beneficiaries with notice and an opportunity to object to the trustee's proposed decision about who to pay the member's death benefit to (and in what amounts)
closed claim	A claim for death benefits for which the trustee has decided who to pay the benefit to and paid the benefit to the person(s) entitled to payment
Corporations Act	*Corporations Act 2001*
death benefit	The amount of money in a member's superannuation account after they pass away, including any insurance proceeds
EDR	External dispute resolution
FAR	Financial Accountability Regime – a set of governance obligations required under the *Financial Accountability Regime Act 2023*

First Nations postcodes	Postcodes identified in Table 4 as remote or very remote areas of Australia where there is also a higher-than-average First Nations population. See Appendix A for more information on First Nations membership.
FSC	Financial Services Council
fund (superannuation)	Has the same meaning as a 'registrable superannuation entity' (RSE) in s10(1) of the SIS Act
IDR	Internal dispute resolution
insourced trustee	A trustee that performs administration services internally or has entered into an agreement with a related-party service provider to provide administration services to the fund and its members and claimants
insured claim	A death benefit claim that includes a claim for an insured benefit
insured benefit	A death benefit that includes proceeds payable under an insurance policy held through the superannuation account
lapsing nomination	A type of nomination that is binding on the trustee, but lapses or expires after a maximum period of 3 years
legal personal representative	The executor of the will or administrator of the estate of a deceased person: see s10(1) of the SIS Act
nomination	A nomination by a member for a specified person to receive payment of the member's death benefits
non-binding nomination	A type of nomination that is not binding on the trustee, but gives the trustee guidance about the member's wishes. This nomination does not lapse or expire and is sometimes also called a 'preferred' nomination
non-lapsing nomination	A type of nomination that is binding with the consent of the trustee under the terms of the trust deed and does not lapse or expire after a period of time
open claim	A claim for death benefits for which the trustee has not yet decided who to pay the benefit to or paid the benefit to the person(s) entitled to payment
outsourced trustee	A trustee that has entered into an agreement with a third party service provider to provide one or more administration services to the fund and its members and claimants.
RAP	Reconciliation Action Plan – a public document that sets out an organisation's commitment to take meaningful actions to support reconciliation: see What is reconciliation? on the Reconciliation Australia website.

reversionary nomination	A type of nomination for a reversionary pension account or income stream product for which, on the death of the member, the beneficiary is automatically entitled to the periodic payments the member received before their death
review	Review by ASIC of the reviewed trustees and their death benefit claims handling practices
reviewed trustees	The 10 trustees that were included in the final stage of the review and are listed in Table 3
review period	The 2-year period ending 31 March 2024
service level agreement	An agreement between a trustee and a service provider about how much time the service provider should take to complete a certain task or service provided for the fund
SIS Act	*Superannuation Industry (Supervision) Act 1993*
SIS Regulations	*Superannuation Industry (Supervision) Regulations 1994*
trustee (superannuation)	A constitutional corporation, body corporate or group of individual trustees that holds an RSE licence granted by APRA under s29D of the SIS Act (also known as an 'RSE licensee')
Unclaimed Superannuation Act	*Superannuation (Unclaimed Money and Lost Members) Act 1999*

Related information

Headnotes

AFCA, alternative identification, Australian Financial Complaints Authority, beneficiary, claim, claimant, claims handling, claim staking, communication, compassion, complainant, complaint, data governance, death benefit, delay, EDR, empathy, engagement, external dispute resolution, Financial Accountability Regime, financial hardship, First Nations peoples, governance, IDR, internal dispute resolution, life insurance, member services, nomination, outsourcing, oversight, performance monitoring, processes, quality assurance, reporting, service providers, staffing, superannuation funds, superannuation trustees, training, vulnerable consumers

Legislation

Corporations Act 2001

Corporations Regulations 2001

Financial Accountability Regime Act 2023

Financial Accountability Regime (Minister) Rules 2024

Superannuation Industry (Supervision) Act 1993

Superannuation Industry (Supervision) Regulations 1994

Superannuation (Unclaimed Money and Lost Members) Act 1999

Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1) 2007

ASIC documents

REP 751 *Disputes and deficiencies: A review of complaints handling by superannuation trustees*

REP 752 *Review of written responses to superannuation complaints*

REP 760 *Insurance in superannuation: Industry progress on delivering better outcomes for members*

REP 782 *Hardship, hard to get help: Findings and actions to support customers in financial hardship*

REP 785 *Better banking for Indigenous consumers*

RG 271 *Internal dispute resolution*

ASIC's 2023–26 Stretch Reconciliation Action Plan

Other documents

Life Insurance Code of Practice (28 February 2025), CALI

FSC Standard No 28 *Claims Handling for Superannuation Funds* (30 November 2022), FSC

SPG 280 *Payment standards*, APRA

SPS 515 *Strategic planning and member outcomes*, APRA

Unclaimed superannuation money protocol: Deceased members, ATO guidance

Assisting customers who don't have standard forms of identification, AUSTRAC guidance