



A VL real life claim example

Trustees Liability

Superannuation Trust Funds

The Insured was the superannuation trust fund of a small manufacturing firm. The trustees were two directors of the company, the company's lawyer and an employee representative. The company ran into financial difficulties and the two trustee directors arranged for the company to borrow funds from the super fund under a loan agreement, engaging the legal expertise of the lawyer trustee.

At the time, the employee trustee had left the company (and had been paid out his relatively small contributions to the fund) and had not been replaced. A contributing employee took voluntary redundancy from the company and was entitled to a pension from the fund which gave a 'lump sum' option. The employee opted to take a lump sum but the fund could not settle this because of its loan to the company.

The trustees received a letter of claim from the redundant employee. The trustees claimed under the Trustees Liability policy. The trustees had failed in their duty to the trust by misusing the fund. The company was still cash-strapped and was unable to raise the money to make settlement.

The claim was settled with a back to back agreement with the company for reimbursement on the 'drip-feed' over 18 months.

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