



Friendly Societies of Australia

MEDIA RELEASE

12 October 2018

Statement from the President of the Friendly Societies of Australia (FSA), Mr Tony Connon, following a judgment in the High Court of Australia involving Lifeplan Australia Friendly Society (Lifeplan) and Ancient Order of Foresters in Victoria Friendly Society (Foresters):

"As the industry association representing Australia's friendly societies, the Friendly Societies of Australia (FSA) notes the outcome of the judgment in the appeal involving two of our members, Lifeplan Australia Friendly Society (Lifeplan) and Ancient Order of Foresters in Victoria Friendly Society (Foresters).

"It would be inappropriate for the FSA to intervene in commercial and competitive matters between organisations which are members of the FSA.

"While the FSA is still digesting the complete judgment, the origins of the dispute lay in what the High Court described as breaches of fiduciary duty by employees and the FSA does not condone unethical behaviour.

"The FSA expects that regulators will take any appropriate action in relation to the judgment.

"The FSA Executive Committee will meet to consider what actions Foresters is taking to ensure that there is no recurrence and what actions the FSA should take in the circumstances.

"The FSA notes that the business which was the subject of the High Court action was not funeral insurance (and that funeral insurance has come in for criticism at the Financial Services Royal Commission).

"Funeral insurance involves the payment of a regular premium in return for a certain level of protection and the protection ceases if a premium is not paid for whatever reason.

"Lifeplan and Foresters are involved in the distribution of funeral bonds which are a savings product, whereby on the death of the contributor, his/her estate receives a complete refund of all the instalments paid, plus investment returns.

"Friendly societies operate under a unique 'benefit fund' structure, where profits made by friendly societies are put back into developing better products and services for members of friendly societies.

"The cost of the amount awarded and the court action will not leave investors out of pocket because under the 'benefit fund' structure, all funds invested by consumers with friendly societies are segregated.

"Friendly societies co-operate with regulators in maintaining the strong financial stability of the industry and its consumer protections.

"No money invested in a benefit fund can be used for anything else other than paying benefits to consumers who have contributed to the fund or fees to cover management of the fund if, and only to the extent permitted by the appointed actuary."

Further information:

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