Discretionary Mutual Fund - key facts to consider.

- A Discretionary Mutual Fund (DMF) is Not legally a contract of insurance therefore it avoids major insurance laws (Insurance Act 1973 and Insurance Contracts Act 1984), both provide key protection for consumers including solvency and reinsurance requirements.
- While DMFs may have in place reinsurance contracts they aren't regulated to ensure they are adequate.
- A DMF is not regulated by the Australian Prudential Regulation Authority (APRA) so there is No government scrutiny of their financial security and No government guarantees, unlike normal licensed Insurers.
- A DMF pay's claims at their discretion irrespective of the policy wording. There is No legal recourse if you don't like their decision, there is No access to the ombudsman service if you are unhappy.
- DMF's are very rare and there are no others for Churches (Baptist, Anglican, Uniting Church, Salvation Army, Lutheran etc.) don't offer them, the Catholic Church have their own fully licensed insurance company.
- Often a DMF is offered by an Agent (not Broker) so there is no independent professional advice and no legal recourse for inadequate advice against the advisor.
- Some DMF's lock members in with big cancelation fees and 3 months' notice if you don't want to renew.
- With a DMF if there is insufficient premium collected then there may be a request for additional funds, so what seems like a cheap policy at the start of the year may not be.
- DMF's are more risky than traditional insurance products, why use one when there are simple, secure, quality alternatives at a similar cost, why take the risk?

The information provided in this article is General in nature and should not be considered Personal Advice. You should seek advice before making insurance decisions

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