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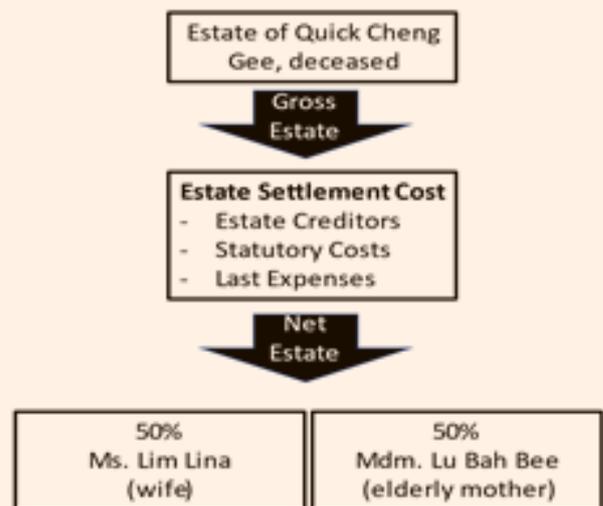
A CRITICAL ANALYSIS OF LIM LINA V ESTATE OF QUICK CHENG GEE, DECEASED [2011] SGHC 267

WRITTEN BY ALLEN LIM

Insurance nomination is an immensely powerful tool to direct capital created by an insurance policy to a targeted beneficiary. The purpose of this article is to highlight the seriousness of a trust nomination, by analysing the judgment delivered by Justice Lee Seiu Kin, on the case of Lina Lim vs the Estate of Quick Cheng Gee.

Background

Mr. Quick and Ms. Lina Lim were a loving couple. Their marriage, in 1991, did not produce any children. Mr. Quick was also son, to his elderly mother, Mdm. Lu Bah Bee. The relationship between the three were cordial until 30 March 2005, when Mr. Quick died prematurely, shortly after an illness. Mr. Quick was also found to have died intestate, as there was no valid will to be found in his estate. Hence, based on the Intestate Succession Act, Mr. Quick's estate was to be distributed as follows:



Both Ms. Lim and Mdm. Lu applied, and was approved to be joint administrators of Mr. Quick's estate. The letter of administration was granted on 9 Feb 2007. Accordingly, an estate account was opened under joint signatories. The principal issue essentially comprised of 3 AIA policies, which formed most of Mr. Quick's estate value. These policies were bought during the marriage and the information are as follows:

S/No.	Policy	Death Benefits	Remarks
1.	AIA - L531438918	\$255,990.05	Basic sum assured plus reversionary bonuses
2.	AIA - L519010251	\$29,325.86	
3.	AIA - L110433554	\$53,809.46	
	Total	\$339,125.37	

For some unknown reasons, AIA released the payment into the estate account. As a result, Mdm. Lu (the elderly mother) held the view that she was entitled to 50% of the insurance proceeds. Ms. Lim, through her solicitors, informed Mdm. Lu that the entire insurance proceeds should be given to her absolutely, because she had evidence that the policies were purchased, and the beneficiary was written in her name with the relationship, as spouse. Mdm. Lu obviously did not agree to the request, and the case was brought to the court.

The legal reasoning and decision

In the course of the legal proceedings, Justice Lee made reference to Section 73 of the Conveyancing and Law of Property Act (CLPA), which sets out that monies payable under certain policies of assurance do not form part of the estate of the insured in the following terms:

a. Section 73(1) of CLPA - A policy of assurance effected by any man on his own life and expressed, before the date of commencement of section 10 of the Insurance (Amendment) Act 2009, to be for the benefit of his wife or his children or of his wife and children or any of them, shall create a trust in favour of the objects therein named, and the moneys payable under any such policy shall not, so long as any object of the trust remains unperformed, form part of the estate of the insured or be subjected to his or her debts.

So, based on the above definition, the next course of action was to determine whether the policies were written for the benefit of Ms. Lim. The facts were indeed so. It was found in the 3 policy application forms, the beneficiary columns wrote Ms. Lim's name, with the relationship clearly stated, as "spouse". Hence, on this basis, Justice Lee ordered that the 3 AIA policies were not to be included in Mr. Quick's estate, and that the rightful owner of the entire sum of \$339,125.37 was Ms. Lim.



Afterthought

Three after-thoughts can be learnt from this case.

1. **Trust nomination is legally tight and powerful** – In today's situation, the relevant law is Section 49L of the Insurance Act. Financial Adviser Representatives (FARs) must be mindful that this law is immensely powerful. The right use of it can ensure the financial security for the beneficiary. The wrong use of it, however, could result in the unintentional exclusion of insurance proceeds to other family stakeholders. For example, in the case of the aforementioned Estate, did Mr. Quick intentionally exclude his elderly mother out of his insurance proceeds? We will never know the answer in the aftermath of his demise, but we could infer in Asia's culture, a man is unlikely to exclude his elderly mother from his estate if he has been presented with the facts holistically. It would be tragic if indeed, it was never Mr. Quick's intention to exclude his elderly mother. But regrettably, that situation, could never be reversed.

2. **Scenario-based review** – This is one area which FARs can add serious tangible value to their clients after the onboarding process. Run through a scenario assuming the client passes on tonight and map out the asset flow based on the client's family structure, ownership of assets and liabilities, and current estate planning arrangements (if any). Then, present that map to the client and ask: "Mr. Client, is this current situation acceptable to you?" In Mr. Quick's situation, it would have been like that: "Mr. Quick, based on your situation, the entire insurance death benefits will go to your wife, and your mother gets nothing. Is this current situation acceptable to you?"

3. **Reading court judgments** – Court judgments are a great source of information to learn and deepen our understanding of our trade. It is advisable for FARs to include reading of relevant court judgments, as a constant agenda in one's professional reading regime.

Conclusion

One of the hallmarks of a good estate and financial plan is when a risk happens, the family is kept together, and not split apart. In the Estate of Mr. Quick's case, the reverse took place, the relationship between his widow and his elderly mother, was torn asunder. This is tragic, and it should never happen that way, to any of our clients.



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