Managing Extreme Events

(In an Uncertain World)

28 April 2016 • Amora Jamison Sydney

Actuaries Institute

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Mental illness – Heading for the Perfect Storm ?

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A Perfect Storm ?

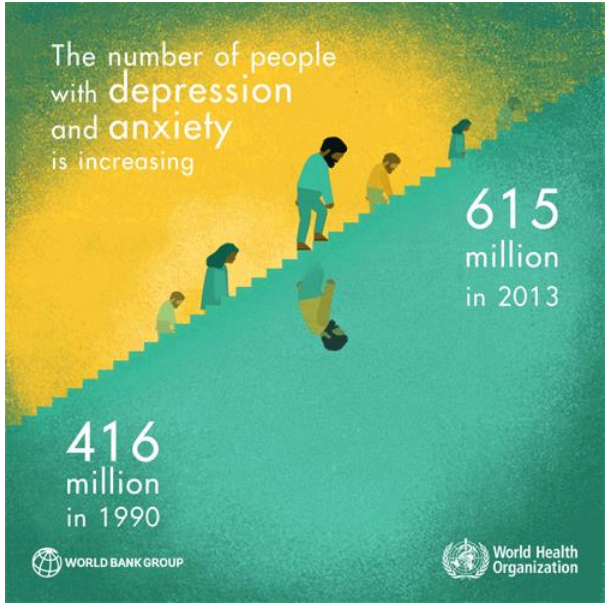
A large and complex low pressure cell is heading towards the insurance industry……. combined with increasing levels of politicisation, media coverage and court challenges could lead to widespread devastation and destruction……

The Facts

One in five people have a mental disorder

45% of Australians will suffer from a mental illness in their lifetime

WHO Prediction: By 2030 Depression will be the number one health concern



Economic Costs of Mental Illness

- Anxiety and Depression is costing the world economy USD1 trillion (1)
- Australia spends $28.6bn per year (2.2% of GDP) on supporting people with mental illness(2)
- Serious mental illness cost the United States USD 193.2bn in lost earnings in 2012

1. WHO Mental Health Study (April 2016)
2. Medibank, 2013

Media Spotlight

"Despite hundreds of millions of people around the world living with mental disorders, mental health has remained in the shadows" said Jim Yong Kim, President of the World Bank Group

– WHO Report April 2016

Australia's mental health crisis: 7.3 million Australians expected to suffer from mental illness during their lifetime.

– Fairfax Media-*Four Corners* investigation

An increasingly common reason for making a claim is mental illness, which is often linked to work-related stress

– Australian Financial Review

Australia's suicide rate is at its highest level in 13 years…..

…..Young women and Australians aged 55-64 recorded the largest jumps in suicide…….Suicide accounts for more than one-third of deaths among Australians aged 15-24….

– Sydney Morning Herald 9 March 2016

Travel insurers need more data to cover mental illness

– Insurance News Australia

…..there are some gaps in the understanding of the issue and in the data required to broaden mental illness coverage.

– Jim Chalmers MP 10 March 2016

Prevalence of mental health conditions is highest in the financial services and insurance sector

– PWC Report March 2014

The life insurance industry faces **worst conditions in decades as claims soar for stress and depression** due to the weaker economy and cost-conscious customers ditch policies because of pressures on household budgets

– Australian Financial Review

Depression will be the **number one health concern** in both the developed and developing nations **by 2030.**

– The World Health Organisation(2008)

The regulator noted the following factors which have contributed to poor profitability in recent years:

- "Changing community attitudes to mental health, leading to **a higher prevalence for stress-related illness"**

– Riskinfo

The Global OECD Program

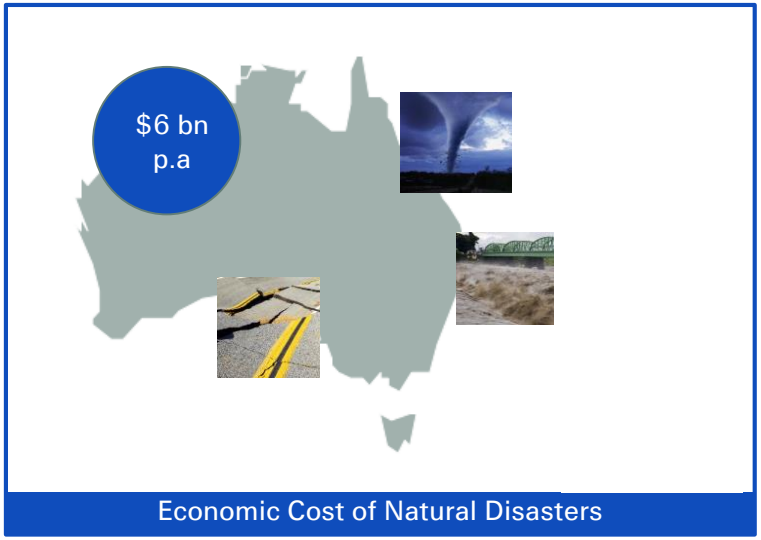
Measure mental health

Increase evidence-based services for mild and moderate disorders

Better outcomes for severe mental illness

Make the link between work and mental health

Our Australian Challenge



Economic Cost of Natural Disasters

VS

Economic Cost of Mental Illness

We can predict and model natural catastrophes with ever increasing levels of granularity yet lack comprehensive data sets on mental illness and have a fragmented approach to policies

Mental illness does not discriminate

TPD

IP

WC

CTP

Portfolio View: NZ EQ Claims

- Exposure to the Canterbury earthquakes was associated with a small to moderate increase in the risk for common mental health problems.(1)
- Predictors of distress were higher levels of exposure to earthquake-related stressors, neuroticism and prior mental health disorders.(2)
- People with unresolved insurance issues and those living in the more damaged parts of the city are experiencing greater challenges, as are people with pre-existing vulnerabilities.(3)

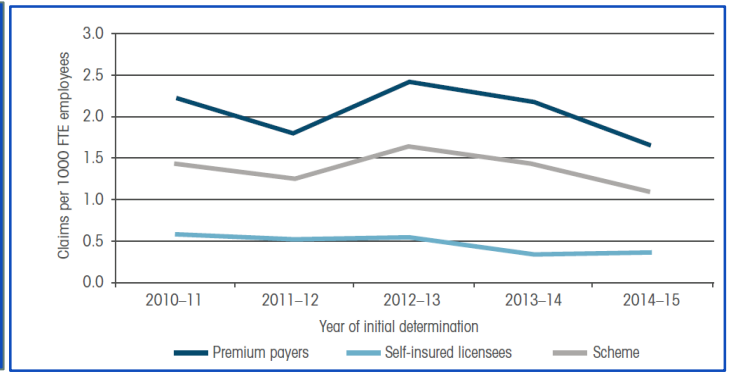
In general people bounce back after disasters, except where there are pre existing mental health issues/disorders where there seems to be a persistent level of distress.

(1) David M. Fergusson, PhD1) et al
(2) Caroline Bell, Article published in the NZ Medical Journal, February 2016
(3) The Canterbury Wellbeing Index : August 2015

Portfolio View: Workers Compensation

Slight downwards trend since 2013

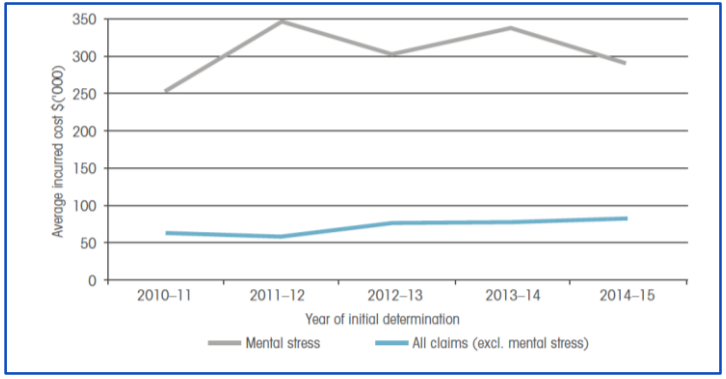
Frequency of mental stress claims



Source: Comcare Compendium of WHS and Workers Compensation Statistics, October 2015

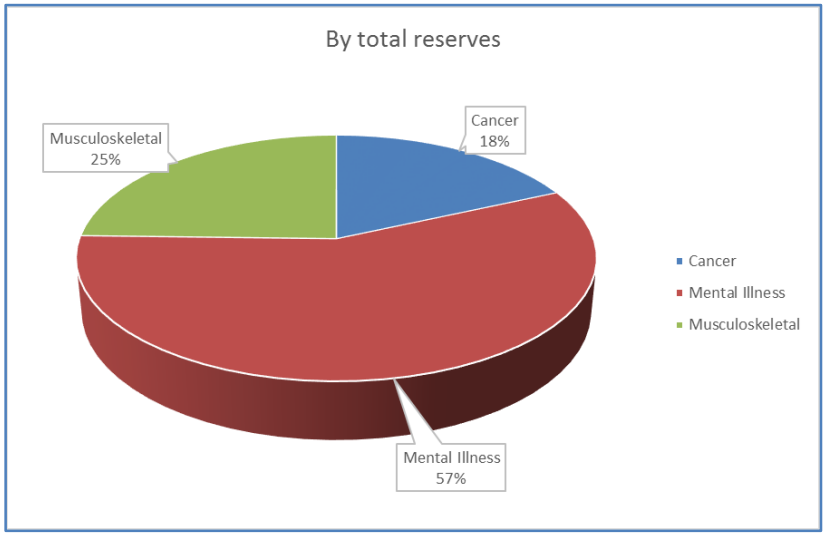
4 times the cost of non mental stress claims

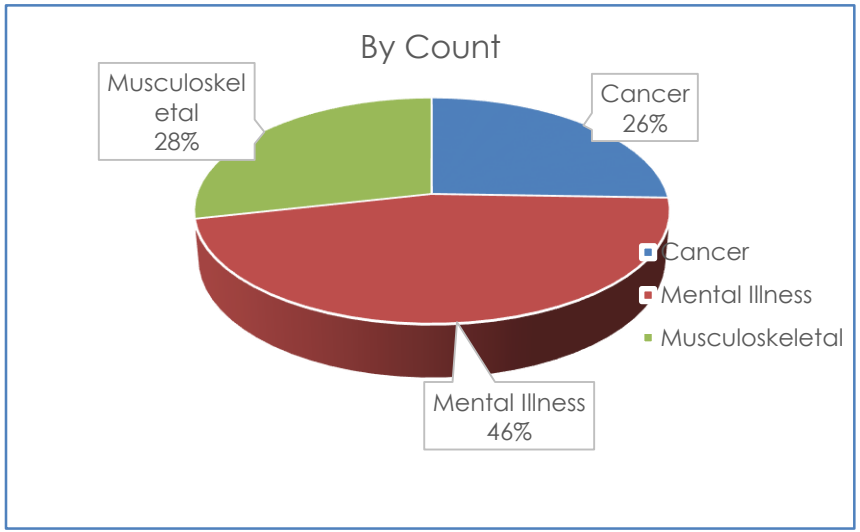
Severity of mental stress claims



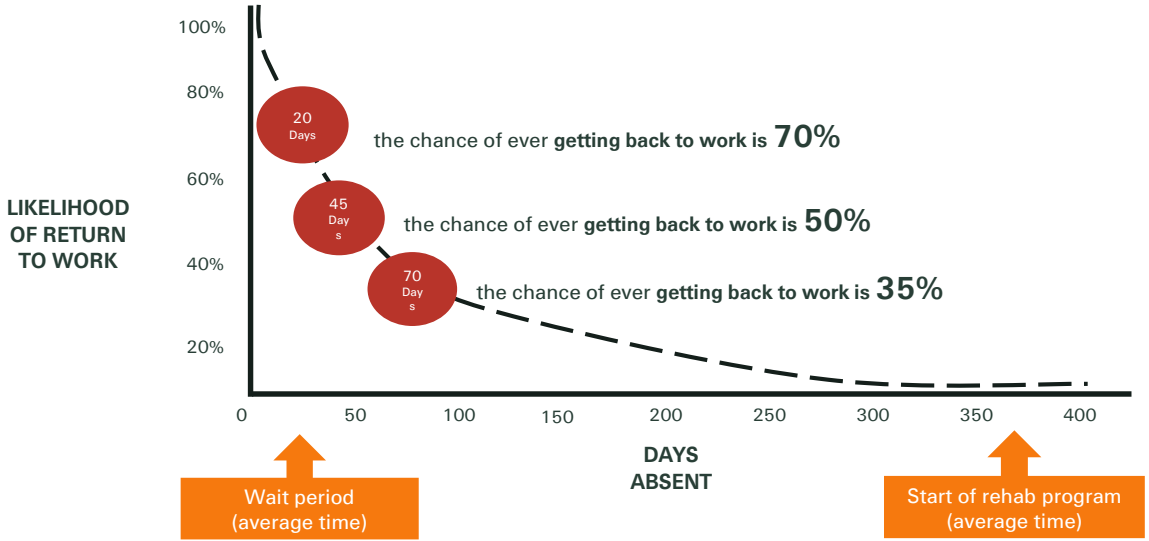
OECD Findings: People with a mental disorder are less effective at work, more likely to be absent from work and more likely to be out of work

Portfolio View: Income Protection





Challenges in Pricing and Reserving



- Each case is unique
- Accurate diagnosis is challenging
- Delayed treatment
- Detection problems
- Multiple issues
- Long term nature

Source: Realising the Health Benefits of Work, AFOEM Position statement (research by Guthrie, 2007)

A Multisector Approach is Required

- Cross sector collaboration(Life Insurers, General Insurers, Employers, Medical, Government, Super, Disability)
- Less fragmented national policies with funding continuity
- Better more holistic data sets
- Improved understanding of the health benefits of good work

beyondblue

headspace
National Youth Mental Health Foundation

THE MENTALLY HEALTHY WORK PLACE ALLIANCE

Superfriend

Australian Government
National Mental Health Commission

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