



Actuaries Institute issues Mental Health and Insurance Green Paper

- **Significant work needed to improve insurance outcomes for those with mental health conditions**

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The Actuaries Institute today released a Green Paper reviewing how Australia's insurance industry deals with people with mental health conditions. It found significant work needs to be done to improve public and commercial policy around insurance for those who suffer a mental health condition.

The Institute's "[Mental Health and Insurance Green Paper](#)" finds:

- **The insurance sector faces 'systemic difficulties' dealing with mental health coverage.**
- **Many insurers are improving claims processing.**
- **Progress is hampered by insufficient data and subjective criteria for diagnosis.**
- **The claims process can be adversarial and in itself lead to 'secondary mental harm'.**
- **There's a bias against early intervention that can hinder a claimant's recovery and return to work.**
- **Insurers face real challenges to sustainability.**

"Difficulties can arise in many areas of the insurance process and there are many potential opportunities for improvement," said Jenny Lyon, President of the Actuaries Institute.

"The Green Paper aims to stimulate discussion about a pressing problem," said Ms Lyon, who noted that mental health conditions limit the participation of people in the workforce, which is directly relevant to insurance products.

"Nearly half the adult population experience a mental health issue during their lifetime, most commonly anxiety and depression, and one in five Australians aged over 15 will be affected by a mental health condition, in any 12-month period. Less than half will seek treatment," she said.

Ms Lyon added: "The report finds some improvements could be readily achievable and others require a longer-term commitment."

Launching the Green Paper, Lucy Brogden, co-chair of the government's National Mental Health Commission, said: "This paper provides a timely and comprehensive analysis of current issues for people with lived experience of mental ill health."

"It will be a valuable resource for future work conducted by the Commission, particularly in response to planned reforms of private health insurance to improve access to mental health services, announced by the federal Minister for Health, Greg Hunt, last week," Mrs Brogden said.

While many insurance products acknowledge and provide coverage for mental health conditions, consumers continue to express dissatisfaction with the way the insurance industry deals with them.

The Green Paper states the insurance sector "faces systemic difficulties in dealing with mental health coverage."



It said the industry needs better data to more effectively deal with diagnosis and claims, and the claims process, which can be long and adversarial, can sometimes hinder recovery. The Green Paper also questioned whether lump sum payments help recovery or encourage a return to work, which can be in the best interests of the claimant.

"Insurance products need to strike a balance between meeting the needs of people who suffer the loss covered, and being affordable to those who are at risk of such losses," said Geoff Atkins, principal at Finity Consulting, and co-author of the report with Sue Freeman, also from Finity Consulting.

"Insurers must be financially stable and solvent. This has to be balanced against society's confidence in the system that legitimate claims are paid," Mr Atkins said.

The Green Paper found that problems with insurance can arise at three different touch points between consumers and the insurance product, namely: product design and definitions, buying or entering an insurance product, making a claim and receiving benefits or payments.

Ms Lyon said while there have been some recent substantial changes in insurance cover for people with mental illness, specifically the removal of blanket exclusions from some travel insurance policies, all parties would benefit from a focus on recovery and wellness, rather than claims eligibility.

"There's an opportunity for doctors, life insurers and employers to work together for better outcomes," she said.

"Insurers and doctors want the same outcome: a return to health for the patient or the consumer. Change needs the support of the industry, medical professionals, policy makers, consumers and their advocates," Ms Lyon added.

The Green Paper states the sector should support early intervention to deal with mental health conditions, focus on providing the best treatment to reduce recovery times, and increase the likelihood that consumers can return to work.

More research needs to be done to determine why some workplaces have higher claim rates than others. "The prevalence of mental injuries in workers compensation is greater in public employees than in the private sector," the Green Paper said.

One insurer reported:

- mental health claims tend to be larger than other claim types;
- the number of claims is rising; and
- there is little difference in the rate of decline between mental health claims and those that arise from injuries or musculoskeletal disease.

"The problems raised by mental health conditions in the insurance sector are complex and multi-pronged," Ms Lyon said.

"There are no simple solutions. But the Institute hopes that by raising some of these issues, and applying a high level of technical financial expertise and integrity to the problem, we can stimulate worthwhile discussion and change," she said.



Key Recommendations:

1	Product definitions	The definitions and claim criteria in products should be continually updated to deal specifically with mental health conditions (long term products like life insurance might need regulatory change to permit this). Product descriptions that focus on wellness and recovery, and describe an active role for insurers in supporting recovery, could result in better claim outcomes.
2	Product design	Large lump sums are arguably not appropriate. Time-limited income streams may be better, especially if integrated with mechanisms to support recovery.
3	Underwriting guides	Increased investment in guidelines specifically for mental health conditions would be useful, similar to those that are used for medical conditions. For some insurance products, in setting premiums, should insurers take into account an employer's record on mental health claims and the extent to which their culture reflects mentally healthy workplace standards?
4	Early treatment focused on recovery	Increased focus on insurance structures to help with early treatment and recovery, rather than getting in the way of recovery. There are opportunities for changes to the design of the system in this area, whether it involves superannuation funds, employers, treating practitioners, social supports or other pathways. How can we construct a person-centred approach?
5	Review of laws relating to mental health and insurance	While a daunting task, a review of the many laws and regulations and anomalies between jurisdictions to give a more consistent approach to particular mental health issues may help.
6	Data - collection, analysis and access	Further investment in the skills and technology needed to collect, analyse and disseminate useful data. Recent progress seems to have been slow.
7	Specialised skills in dealing with claims	Investment in more sophisticated claims management approaches, such as triaging techniques to improve claim outcomes for both the person on claim and insurer. SuperFriend 33 has developed a comprehensive framework for best practice management of psychological claims that can form the basis for improvements, and PIEF (the Personal Injuries Education Foundation) could also be well placed to provide programs and support across industry segments.
8	Expert neutral evaluation	An adversarial system of resolving disputes ('dueling doctors') seems to be especially problematic for mental health conditions. Many different insurance applications may benefit from a system of 'expert neutral evaluation', with reporting standards relating to impartiality and evidence-based opinion, early in the process.
9	Continue to educate and collaborate	Support continuing efforts to educate stakeholders and encourage active promotion of strategies that will help prevent people with mental health conditions from falling out of the workforce, improve outcomes for consumers and maintain a sustainable insurance sector.



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