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1st Runner-Up Paper
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Toward better Engagement with the Community in Mental Health

In October 2017, the Institute of Actuaries of Australia issued its “Mental Health and Insurance Green Paper”. Announcing the release of the paper, Jenny Lyon, President of the Actuaries Institute, said that:

“Difficulties can arise in many areas of the insurance process and there are many potential opportunities for improvement”.

Mental health issues have been recognised as impacting significantly on the community over recent years. Please look at the potential opportunities for improvement that exist for the industry in its engagement with mental health and how it can work with government and the wider community to improve outcomes from either a claims or an underwriting perspective.

If your paper addresses the question from the underwriting perspective, please include an analysis of how the industry ought to go about the task of supporting its underwriting decisions with relevant and meaningful data.
Contents

Introduction ........................................................................................................................................... 4
Workplace Mental Health Initiatives ...................................................................................................... 4
Explore the Key Challenges and Opportunities ..................................................................................... 5
Conclusion ............................................................................................................................................ 11
References ............................................................................................................................................ 12
‘How will the insurance industry adapt to a future where periods of mental ill-health and inability to work may become the norm for its customers’ – Institute of Actuaries of Australia 2017
Introduction

The World Health Organization ranked depression as the leading cause of disability globally\(^1\). In Australia, about 45.5% (8.6 million) people experience a mental disorder in their lifetime and 20% (4 million) of the population had experienced a common mental disorder in any 12 months period\(^2\)\(^-\)\(^4\). 90% of them (3.6 million) have co-existing physical health conditions\(^5\).\(^6\).

There are compelling statistics that indicate the heavily burden of healthcare and economic cost with the increasing prevalence of mental disorders. Mental disorders do not only cause a significant personal consequence to the individual, there are trends in developed countries suggesting that it may have the greatest negative impact on healthcare cost and productivity loss.

Mental disorder is now the leading cause of absence due to sickness and long-term work incapacity costing Australian businesses about $11 billion annually through absenteeism, reduced work performance, increased turnover rates and compensation claim\(^5\)\(^-\)\(^6\).

Given the significant negative impact of mental disorder has in the workplace, in recent years, there have been a shift of focus of national initiatives in preventative measures to promote mental wellness.

The question is what role will the life insurance industry play in addressing this issue?

This paper aims to answer the question by achieving these objectives:

a) Identify governmental and non-governmental workplace mental health initiatives
b) Explore the key challenges and opportunities for the life insurance industry.
c) Provide a recommendation of somewhat different approach on how to improve the outcome for customers with mental disorder/s.

Workplace Mental Health Initiatives

The National Mental Health Commission (NMHC) stated that ‘mental health is a significant problem for the Australian economy. When the people do not receive the support they need, governments get poor returns on their substantial investment on mental health’\(^7\).

NMHC considers the approach of ‘invest to save’ by promoting mental health and wellbeing in the workplace to demonstrate the potential economic benefits. In 2013, the NMHC helped establish the Healthy Workplace Alliance with business, industry, government and non-government organizations to achieve mental health and wellbeing in the workplace. The Alliance has a set of workplace strategies to help employers create a mentally healthy workplace.

The NMHC’s target for 2017-2018 is to promote mentally healthy workplaces through the Alliance and continue to work in partnership to highlight the need for change in the insurance industry to offer products that better meet the needs of people with mental illness\(^8\).

Organizations such as SuperFriend promotes mental wellness in workplaces. SuperFriend has a unique integrated approach bringing the partnership of superannuation funds, group insurers, mental health community providers and non-governmental organizations helping employers achieve a mentally healthy workplace.
The Australasian Faculty of Occupational and Environmental Medicine (AFOEM) initiated the Health Benefits of Good Work (HBGW) promoting health benefits of good work and engaged with over 100 employers through their consensus statement to create a safe and healthy workplace for their employees\(^\text{11}\).

Explore the Key Challenges and Opportunities

The author highlights the key challenges faced by the life insurance industry associated with the increasing prevalence of mental disorders in working age population.

Prevalence by Age at Workplace Mental Disorder

The estimated community prevalence of mental and substance use disorders in Australia in 2011-2012 was 19.9% as illustrated below. The proportions by severity in the overall population are 3.5% (severe), 5.5% (moderate) and 10.9% (mild)\(^\text{10}\). Majority of those fall under the mild severity, which potentially are treatable and possibly preventable.

<table>
<thead>
<tr>
<th>Table 1. Estimated prevalence of mental and substance use disorders in Australia</th>
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</thead>
<tbody>
<tr>
<td>Mild</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>8.8%</td>
</tr>
<tr>
<td>4.4%</td>
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<tr>
<td>2.2%</td>
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<tr>
<td>Total</td>
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</tbody>
</table>

Notes:
1. Estimates are drawn from the New South Wales Mental Health Clinical Care and Prevention model (NH-CCP) 2010, with revised estimates of the prevalence of heroin and stimulant use disorders from the National Drug and Alcohol Research Centre and 2007 National Survey of Mental Health and Wellbeing.

The graph below shows the age specific proportion of those receiving medicare-subsidized mental health specific services. This shows the high prevalence of mental illness in the working age population\(^\text{19}\).

Figure MBS.2. Proportion of people receiving Medicare-subsidised mental health-specific services, by demographic group, 2016-17

Source: Medicare Benefits Schedule data; Table MBS.2.
**Question:** The high prevalence of mental health in working age population is a concern for Life Insurers because Life Insurers sell their disability products to customers who are working. With this evidence, what opportunities do the life insurers have to meet the mental health needs of the working age population?

**Risk Variables for Workplace Mental Disorder**

In NSW, it was reported that 1 in 5 workers have poor mental health in industries such as accommodation/food services, manufacturing, retail and administrative services. There is a correlation between high job demands, low job control and low job security and the risk of mental disorder.

The study reported that in industries associated with high demands, there was a relatively low prevalence of mental disorders. This could be because it is compensated by the higher levels of job control and security.

Interestingly, SuperFriend worker’s survey results showed the top 3 industries with a higher prevalence of ‘ongoing stress’ as listed below. It is noted that there are some variables that increase the mental health risk exposures by industry, occupation and type of employment. Some of these factors may be associated with new technologies such as artificial intelligence advancing into some industries; tighter regulatory control demanding better governance and accountability; declining industries struggling to meet profitability; lack of capacity to deliver.

SuperFriend 2017 Indicators of a Thriving Workplace Survey Results

<table>
<thead>
<tr>
<th>Industry</th>
<th>Proportion of ‘ongoing stress’ in their job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and Insurance Services</td>
<td>47%</td>
</tr>
<tr>
<td>Healthcare and Social Assistance</td>
<td>46%</td>
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<tr>
<td>Manufacturing</td>
<td>40%</td>
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<tr>
<td>Education and Training</td>
<td>39%</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing</td>
<td>36%</td>
</tr>
<tr>
<td>Retail</td>
<td>33%</td>
</tr>
<tr>
<td>Construction</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Question:** Underwriters assess mental health risks based on the Applicant’s medical history (i.e. onset of disease, duration, recurrence, time off work, type of treatment and its effectiveness, symptoms and any suicidal attempts etc.). What other risk methodologies can underwriters use to adopt a holistic risk assessment approach and improve the underwriting outcome for those with mental health condition?

**Mental Disorder Cost to Insurers**

The insurance industry (including workers compensation) continues to report an increasing trend of mental health claims. Most recently, AIA reported in 2017 that they received an increase of mental health claims from 25% to 30% (accounting for 13% of their total claims worth $150 million). In 2016, TAL reported paying more than $210 million for mental health claims.

According to Safe Work Australia, every year, workers compensation insurance pays approximately $543 million for work related mental health conditions accounting for 6% of all workers compensation claims. 60% of mental disorder claims are paid to workers aged 40 and over.

Evidence show that those with mental health conditions have a worse outcome in recovery and returning to work compared to those without a mental health condition. This outcome is worsened significantly when a mental health condition presents as a comorbidity condition.
This ongoing burden of cost puts a pressure on the sustainability of its product and pricing. When pricing increases, it could potentially backfire in poor sales, lower risk appetite, increasing unaffordability and lack of accessibility. When there is significant underinsured population, inevitably the cost will shift towards the public sector to fund, this may result in a catastrophic national financial crisis of our economy and health care cost.

**Question:** With increasing prevalence of mental disorders in the population, the insurance industry will continue to have a similar experience in their insured population. What innovations will the insurance industry implement to promote sustainability for its customers?

**Insurers Indirectly Incentivize Sickness**

The Income Protection policy pays up to 75% of its customer’s income when they are unable to work as a result of sickness or injury. The regular monthly payment can create an underlying reduced incentive to return to work. The payment continues until the expiry of the benefit period which can last till age 65 subject to the customer meeting its criteria of total or partial disability. The need to return to work is not deemed to be as urgent for those with an Income Protection cover compared to those who do not have cover.

The Income Protection product aim to protect its customer’s income and without a doubt, it does provide great protection for customers who are genuinely unable to work. However, we cannot deny that by compensating its customers whilst they are sick or injured may result in a financial bias in one’s ability to return to work especially in mental health claims. This is because there is more subjectivity than objectivity when it comes to assessing for occupational impairment as a result of mental disorder.

**Question:** The complexity of mental disorder continues to present its challenges to the life insurance industry. What measures can the life insurance industry do to increase the incentive to return to work for those with a mental health condition?

**Improvement of Equitable Access**

Currently, the life insurance industry imposes a mental health exclusion when a customer who is living with mental health condition applies for disability products. Mental Health Advocates such as Beyond Blue and National Mental Health Commission want to see the improvement of equitable access to life insurance products for those living with mental health condition.

**Question:** Mental Health Advocates continue to challenge the industry to improve equitable access and offer products that will meet the needs of those living with mental health condition. What will the life insurance industry do differently to address the needs of the community?

**Recommendation of Somewhat Different Approach**

What if, the life insurance industry rethink and retool their offerings and change the way they operate? How will they disrupt the increasing trend of mental health disease burden at workplaces and break down the barriers and mitigate the risk associated with mental disorders?

<table>
<thead>
<tr>
<th>Current Perspective</th>
<th>Disruptive Perspective</th>
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</thead>
<tbody>
<tr>
<td>• The industry exists to protect its customer’s income</td>
<td>• The industry moves from protecting its customer’s income to protecting its customer’s wellbeing and wellness (this focuses on preventative instead of rehabilitation/treatment). Ultimately, the industry protects the customer’s income, freedom and quality of life.</td>
</tr>
<tr>
<td>Current Perspective</td>
<td>Disruptive Perspective</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• Product benefits start from rehabilitation / treatment to recovery</td>
<td>• Product benefits start from preventative to recovery</td>
</tr>
<tr>
<td>• Current product design compensates sickness</td>
<td>• Product design rewards wellbeing and wellness by enhancing customer’s lifestyle and choices</td>
</tr>
<tr>
<td>• There is a competition to shift cost</td>
<td>• There is a competition to improve value to ensure the customers get an excellent outcome for their wellbeing and wellness (an outcome driven by the customer’s wants with services providing for their needs). This confidence will bring a higher return of investment for its customers.</td>
</tr>
<tr>
<td>• Insurers connect with its customers during claim</td>
<td>• Insurers journey with its customers from the point of sales, throughout the life of the policy, and at the time of claim towards recovery. A connection of ‘a lifetime friend’ builds trust and confidence.</td>
</tr>
<tr>
<td>• Human touch points are required to deliver outcomes</td>
<td>• The insurance industry fully integrates advanced technology and digitalization into their processes to improve customer’s experience and deliver as expected.</td>
</tr>
</tbody>
</table>

**Vision**

The insurance industry sees a thriving working age population who desires to be mentally healthy and values wellbeing, making healthy choices and flourishing at their workplace.

**Current Status**

The illustration shows the current connections that insurers make with its customers.
The Disruptive Strategies

By incorporating a new model on ‘preventative’ that promotes active community and consumer connections and engagements in the life insurance cycle.

What Insurers Can Do Differently

- Design a product that adopts an integrated approach to support the customer’s mental wellbeing and wellness throughout the life insurance cycle
- Focus on delivering valued driven outcomes for customers to increase the customer’s return of investment on wellness and wellbeing
- Make ‘Promote Health and Wellbeing in Workplaces and Promote Good Work’ as a product strategy
- As an industry (if not yet), join the forces of the National Mental Health Commission and the Mentally Healthy Workplace Alliance to collaborate towards an integrated approach promoting mentally healthy working age population
- Conduct regular public forums to engage with consumers, customers, employers, mental health advocates i.e. government bodies, community service providers, primary health care providers to continue understand the challenges and issues so that the industry will bring value and relevance to the needs of the community

The Proposed Product Design

- **Strategy**: Reward mental wellness and wellbeing through healthy choices and collaborate with mental healthcare providers for early intervention and optimal treatment.
- **Target Customers**:
  - Offer to employers as part of the ‘Promote Health and Wellbeing in Workplaces’ strategy.
  - The employers offer this benefit as part of a ‘co-share’ concept where the employers pay 80% and employee pay 20% of the premiums.
- The product design offers throughout the life insurance cycle:
  - **Reward programs**: promoting life balance, holiday savings, lifestyle savings, no-claim bonuses, mental health off days, community gatherings and health packages benefits.
○ Preventative Programs and Early Intervention Programs
  ▪ Engage with 3rd party providers offering mental health checks through mobile technology platforms with organisations such as Medibio where self-assessments, online cognitive based treatments or mental health care plan can be delivered to help customers promote their mental wellness.
  ▪ Technologies connecting customers with their general practitioners, mental health nurses, counsellors or psychologists etc. This is available 24/7 to the customers through online chats, phone therapy or video calls when needed.
  ▪ Quarterly video calls or face to face life coaching or CBT sessions
  ▪ Access to programs such as Employee Assistance Programs
  ▪ Insurance support service available 24/7 to customers

○ Payment Benefits:
  ▪ Similar to Income Protection where monthly benefits are payable when the customer is unable to work as a result of mental health condition
  ▪ Benefit Periods ranges from 1 year, 2 years and maximum of 5 years.
  ▪ The benefits are driven by the strategy to promote wellness and wellbeing and to promote returning to work:
    ▪ 5 years benefit period (1st year: 75% replacement ratio; 2nd year 65% replacement ratio, 3rd year 55% replacement ratio, 4th year 45% replacement ratio, 5th year 35% replacement ratio)
    ▪ Similar declining benefit payments apply to benefit periods to 1 year and 2 years.
  ▪ Benefit Periods are offered based on the customer’s risk classification (as explained below)

• Early Intervention and Return to Work Intervention based on an integrated holistic service model engaging with the customer’s employer, general practitioner, mental health professionals such as mental health nurses, registered psychologists and psychiatrists, mental health service providers and partnered private health insurance providers where applicable.

Underwriting and Evidence Supporting Decision

The product aims to cover customers who

• value their mental wellness and wellbeing,
• do not have any prior mental health or have prior mental health condition or currently living with mental health condition treated and stable (severity of mild and moderate will only be accepted)
• must be working at the time of application

Risk selection based on a holistic risk assessment approach that includes the following:

• Mental wellness assessment
• Biopsychosocial assessment
• Employment history assessment
• Anxiety and depression assessment
• Physical health questions
• Treating Doctor (GP or Mental Healthcare Provider) to complete online assessment (if customers have mild to moderate mental health condition)
Risk stratification process based on the Underwriting Rules Engine

- To assess for the risk of disability resulting in the inability to work due to mental health condition
- To classify risk according to
  - No risk – benefit periods eligible 1, 2 and 5 years
  - Mild risk – benefit periods eligible 1, 2 and 5 years
  - Moderate risk – benefit period eligible 1 and 2 years
  - Severe risk – benefit period eligible 1 year
- Mental health risks associated with unfavorable factors such as non-compliance of treatment, unstable suggesting suboptimal treatment, severe symptoms such as psychosis etc. will not be accepted. Reviews are available when the customer returns to work, with evidence of stable condition and optimal treatment.
- There is no loading or restrictions to the policy when cover is accepted.

**Conclusion**

To address this huge national burden of disease, it is important to know that it requires an integrated approach involving the collaboration with government, employers, mental healthcare providers and the community.

This is the life insurance industry’s time, to create a competition to improve value to ensure its customers get an excellent outcome for their wellbeing and wellness. This confidence will bring a higher return of investment for its customers.

Here is to achieving the vision of healthy, happier and satisfying customer.
References

7. Doran C. A review of the economic impact of mental illness; Australian Health Review; 2017
9. Doran C. The evidence on the costs and impacts on the economy and productivity due to mental ill health: a rapid review; April 2013.
11. Institute of Actuaries of Australia; Mental Health and Insurance: Green Paper; October 2017
16. SuperFriend; Indicators of a Thriving Workplace: Work in Progress Survey; 2017;
18. National Mental Health Commission; Corporate Plan 2017-2021; August 2017
The 2019 ALUCA TurksLegal Scholarship will be launched and applications available in July 2019.

Further information, please refer to either the TurksLegal and ALUCA websites.