

Financial Services Council

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Outline of Today

- Life Insurance – landscape?
- What is underwriting?
- Information collection process
- Risk profiling
- Pricing risk
- Beyondblue, Mental Health Council and FSC journey
- Mental Health Discrimination and Insurance - observations

Life Insurance

- core principles of life insurance
- benefit types
- distribution channels

Core Principles of Life Insurance

- voluntary – individual chooses type benefit and level of cover
- guaranteed yearly renewable long-term contracts – insurer cannot cancel cover as long as premiums are paid
- industry needs to ensure that we have appropriate funds to cover potential claims
- no cross subsidisation/underwrite at time of underwriting not at claim time
- evidence based underwriting

Benefit Types

- term (death cover)
 - ✓ payable only on death
 - ✓ suicide exclusion for first 13 months of the policy being force

- critical illness/trauma
 - ✓ up to 50 defined insured events; heart attack, stroke, cancer, paraplegia, etc.
 - ✓ must meet defined event to be eligible for payment
 - ✓ mental illness not a defined event – except for significant cognitive impairment

Benefit Types

- total & permanent disablement
 - ✓ need to be employed (occupationally rated)
 - ✓ lump sum paid if deemed unlikely to ever return to 'own' occupation
 - ✓ benefit level up to \$5.0m
 - ✓ no in built mental health exclusion

Benefit Types

- income protection (IP)
 - ✓ need to be employed (occupationally rated)
 - ✓ pays up to 75% of individual's income on a monthly basis in event of a claim
 - ✓ waiting period before a claim is considered option – 30, 90 or 180 days
 - ✓ claim can be paid for 2 or 5 years or up to age 65 or 70
 - ✓ benefit amount up to \$30,000 per month to age 65

Group Insurance

- Over 80% of working Australians have group insurance through employer schemes with no underwriting (up to the automatic acceptance levels (AAL))
- group insurance members are covered for all conditions – no exclusions for mental health
- members will generally have Term/TPD and Group Salary Continuance (equivalent of IP)
- if they seek additional cover exceeding the AAL they will need to be underwritten
- cross subsidisation occurs in group insurance

Distribution Channel

- retail products
 - ✓ comprehensive insurance benefits which are fully underwritten
 - ✓ sold by insurance advisors or financial planners
 - ✓ some products are marketed by ‘aggregators – Lifebroker/i-Select, etc.

- direct products
 - ✓ simpler products
 - ✓ simplified/reduced underwriting – tick ‘n’ flick (all medical conditions)
 - ✓ less premium to absorb administration costs
 - ✓ online, call centre, mail campaigns

What is Underwriting?

- process of assessing the risk
- objective is to ensure those with a similar risk profile pay the same premium
- insurers ask details about an individuals risk with regards to the following:
 - ✓ medical
 - ✓ occupational
 - ✓ financial
 - ✓ avocation/pursuit
 - ✓ family history

Pricing risk – can we price each and every risk?

- need to factor in:
 - ✓ incidence
 - ✓ duration (IP)
 - ✓ public data v insured lives experience
 - ✓ actuarial statistics
- actuaries calculate mortality and morbidity ratings from publicly available data/information; medical studies published in reputable journals, Australian Institute of Health and Welfare, claims data, etc.
 - ✓ language is expressed in extra mortality or extra morbidity (i.e. +100% extra morbidity or +50% extra mortality)

Pricing risk – can we price each and every risk?

- what is standard?
- each individual is rated for the following; age, sex, smoker status, occupation (IP) as a basic risk profiling process

Pricing risk

- mortality
 - ✓ simpler
 - ✓ expressing the increased risk of dying (extra morality (EM))
 - ✓ offer cover up to +400%EM or higher if required
 - ✓ Can offer someone cover with stage IV terminal cancer – sum insured plus administration expenses
- morbidity
 - ✓ complex
 - ✓ expressing the risk of disability occurring and the establishing the duration of the disability
 - ✓ offer cover up to +150%EM or 3 exclusion clauses
 - ✓ if the risk is too high – need to exclude or decline

Information Tools

- collection of risk profiling information is achieved through the following:
 - ✓ application form
 - ✓ medical questionnaire
 - ✓ report for attending health professionals
 - ✓ financial statement
 - ✓ tele-underwriting

Information collection

- questions asked about the following medical conditions(sample):
 - ✓ chest pain, heart attack, high cholesterol, high blood pressure
 - ✓ stroke
 - ✓ genetic tests (where results are known)
 - ✓ diabetes
 - ✓ mental illness
 - ✓ musculo-skeletal
- number of question in a application can range from 4 – 30

Q13 At any time in your life have you ever had, received advice for or experienced symptoms of the following (even if you have not seen a doctor)?

- (a) No Yes **Back or neck disorder** including slipped disc, sciatica or whiplash
- (b) No Yes **Disorder or injury of the joints** including arthritis or gout (eg a disorder or injury of the ankle, elbow, hip, knee, wrist or shoulder)
- (c) No Yes **Disorder or injury of the muscles, bones or limbs** (eg fracture, tendonitis or tenosynovitis)
- (d) No Yes **Nervous disorder or mental illness** (eg depression, anxiety, stress, insomnia, post-natal depression or post traumatic stress disorder)

Mental conditions

Do you have, have you ever had or have you consulted any doctor or received medication or No Yes
counselling for any mental health condition, e.g.:

- Anxiety or stress (including generalised anxiety, agoraphobia, panic attack, obsessive compulsive
disorder (OCD) or any other phobic disorder
- Depression, including major depression, post-natal depression or dysthymia
- Addiction, including alcohol or any other substance abuse or addiction
- Any eating disorder, including anorexia nervosa or bulimia
- Schizophrenia
- Bipolar disorder
- Psychosis or post-traumatic stress (PTSD)
- Any other psychological complaint

Risk Profiling

- diabetes risk profiling involves obtaining the following information:
 - ✓ date of diagnosis
 - ✓ treatment – type, dosage, frequency
 - ✓ compliance history, number of hypoglycaemic attacks
 - ✓ history and trend of HbA1c and micro-urinalysis results over a period of 2 years
 - ✓ associated complications – retinopathy, peripheral vascular disease, coronary artery disease, kidney disease
 - ✓ ability to perform occupational requirements

Risk Profiling

- musculo-skeletal (spine) profiling involves obtaining the following information:
 - ✓ area of spine affected
 - ✓ nature of injury/disorder – muscular, disc bulge/protrusion, sciatica
 - ✓ severity of pain/discomfort, impact on work/time off work
 - ✓ details of treatment advised or sought and from whom (GP, physiotherapist, chiropractor, neurologist, orthopaedic surgeon)
 - ✓ investigations undertaken – x-ray, CT scan, MRI
 - ✓ length of time since last episode
 - ✓ number of recurrences, or number of previous musculo-spinal issues

Beyondblue/MHCA & FSC Journey

- Key objectives of the MOU include:
 - ✓ improving communication and education
 - ✓ assessment of complaints resolution
 - ✓ improving underwriting and claims and practices.

- Signatories of the current MoU have identified four priority areas:
 - ✓ simplification
 - ✓ information, education and awareness
 - ✓ complaints processing and monitoring
 - ✓ data collection and measuring success.

Beyondblue/MHCA & FSC Journey

- Since the MoU was first signed in 2003, there have been a number of achievements under the ongoing MoU:
 - ✓ Development of industry-wide guidelines for both **underwriting** and **claims** management.
 - ✓ Development and implementation of new processes that provide the means for more people with a mental illness to receive an appropriately modified insurance policy, rather than being denied access to cover. The majority of FSC members surveyed reported that they now able to offer cover to more people with a history of common mental illnesses.
 - ✓ Data collection and **reporting** from FSC members on current practices in insurance applications and determinations in Australia.

Beyondblue/MHCA & FSC Journey

- ✓ Changes in industry attitudes and practices to incorporate current scientific knowledge about effective medical and psychological treatments, and progress towards recovery.
- ✓ Completion of a study by an eminent researcher, Professor Gavin Andrews, to review Australian population health and insurance industry data to determine degrees of risk and benefits of treatment in the Australian environment.
- ✓ Preparation by the Information, Awareness and Education Working Party of new guides ([brief or detailed](#)) to assist the community to understand the implications of applying for insurance products and the importance of making accurate statements about their health.

Beyondblue/MHCA & FSC Journey

- ✓ Enhanced communication between the MoU partners on major national mental health initiatives, as well as frank and productive engagement on critical issues.
- ✓ A clearer complaints monitoring process with consumers encouraged to lodge any complaints or disputes that they may be having with the MHCA. This enables one central organisation to be able to track the volume and nature of problems.

Mental Health, Discrimination and Insurance

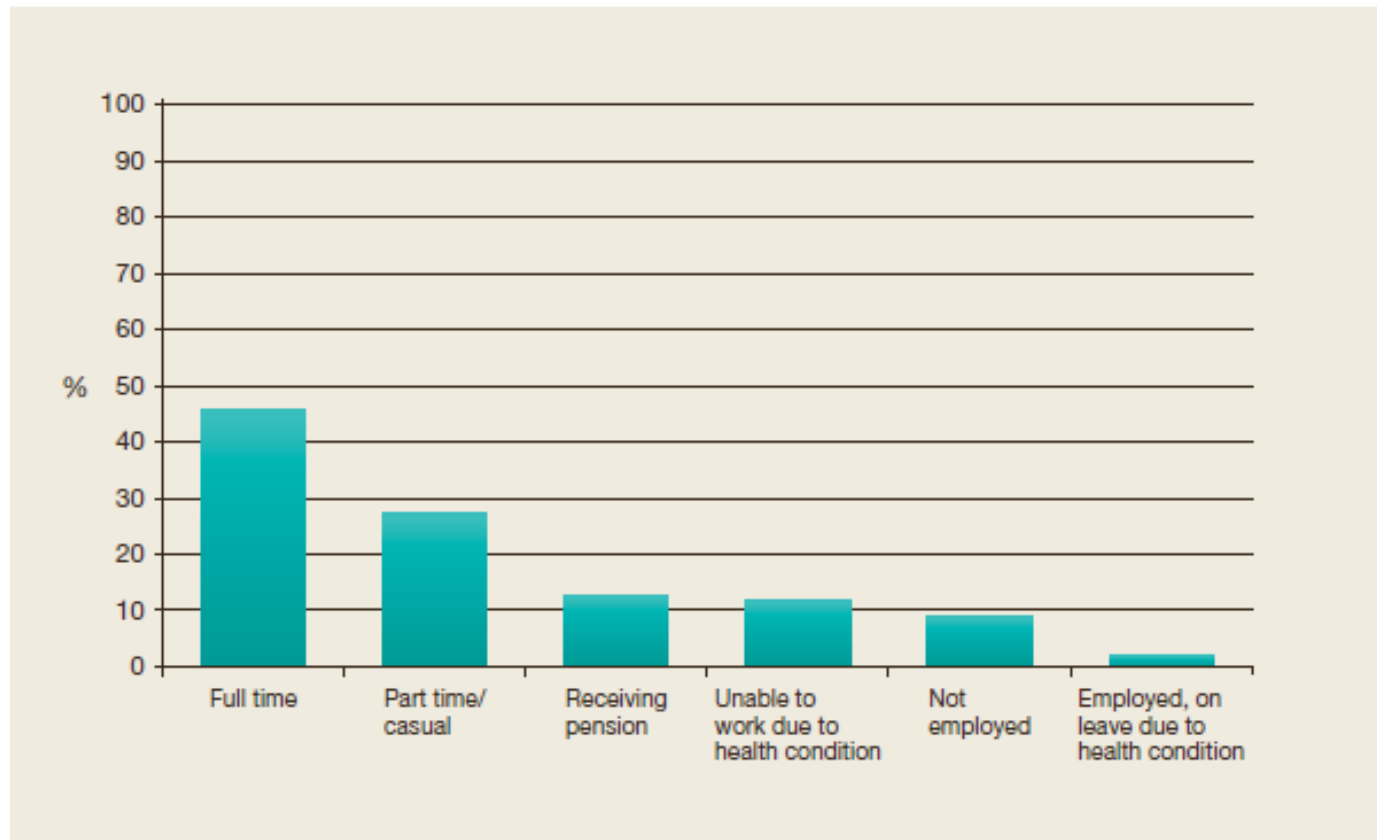
My broker said that income protection insurance would be too hard to get because of my history so don't bother applying' and 'I was advised it would be declined and thus didn't take it further...

...didn't end up submitting the application due to a previous experience and having the knowledge my agent gave me that I would need to undergo an assessment by a doctor I had never met (something that was just too traumatic to deal with at the time and probably would be if I decided to apply again).

My broker said that income protection insurance would be too hard to get because of my history so don't bother applying' and 'I was advised it would be declined and thus didn't take it further...

...I decided not to take up the product for the time being b/c I felt discriminated against and deeply affected by the stigma and shame the whole process (answering the questions etc) made me feel.

FIGURE 2: Employment status (n=424)



[Add title of presentation]

[Name and title]

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