



FINANCIAL
SERVICES
COUNCIL

The Social and Economic Benefits of Improving Mental Health

Submission to the Productivity Commission

23 January 2020



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1. About the Financial Services Council

The FSC is a leading peak body which sets mandatory Standards and develops policy for more than 100 member companies in Australia's largest industry sector, financial services.

Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses.

The financial services industry is responsible for investing almost \$3 trillion on behalf of more than 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange, and is the fourth largest pool of managed funds in the world.

2. Background

In January 2019, the Productivity Commission (**PC**) released its Issues Paper on *The Social and Economic Benefits of Improving Mental Health*. The FSC provided a submission on this Issues Paper in recognition of this critically important national issue.

On 31 October 2019, the PC released its Draft Report on *The Social and Economic Benefits of Improving Mental Health (Draft Report)*. The PC is seeking commentary and submissions to the Draft Report to assist it with its inquiry. The final report is expected to be handed to the Australian Government by May 2020.

3. Overall comments

The FSC welcomes the opportunity to submit a response to the Draft Report, which has been written to supplement the submission titled '*Life Insurance Industry - Productivity Commission MENTAL HEALTH - January 2020*' (**Industry Submission**). Our response provides specific attention to key items relevant to the FSC.

The FSC recognises the significant role the life insurance industry plays to support Government initiatives and public policy in enabling improved mental health and wellbeing outcomes for Australians. After Government, the life insurance industry is the largest financial (and other support) contributor for people with a mental illness, paying over \$809 million in the 12 months ending June 2018 to approximately 8,500 people experiencing mental ill-health.¹

To this end, the FSC has contributed to and supports the collective views expressed by the organisations represented within the Industry Submission. It includes contextual information, suggestions and recommendations as well as identifying additional and new

¹ FSC's Life Insurance Data Collection, managed by KPMG

opportunities for the Productivity Commission to consider in its deliberations for the final Government recommendations.

4. FSC response to specific items within the Draft Report

4.1. PC recommendation on Life Insurance Industry Standard 21

The FSC has noted the draft recommendation made by the PC relating to Life Insurance Industry Standard 21 which sets out the mental health awareness training requirements for insurers.

As outlined in the industry submission, under the coordination of the FSC, there is an industry working group currently reviewing Standard 21. At the time of preparing this submission, the review of Standard 21 is well progressed. There is broad support for the intent of the PC's draft recommendation. As part of finalising its review, the industry working group will consider in further detail the specific recommendations raised by the Productivity Commission in the final report.

4.2. PC recommendation on protocols for insurer access to clinical records

The FSC has noted the draft recommendation made by the PC relating to the protocols for insurer access to clinical records.

These protocols have been established by the FSC, in collaboration with the RACGP and the mental health roundtable. These are set out in FSC Standard 26 *Consent for accessing health information*. The purpose of Standard 26 is to ensure that, when obtaining information from health practitioners about customers, all FSC members use clear, informative and transparent consent wording, that is consistent across the life insurance industry.

As outlined in the industry submission, the FSC agrees with the draft recommendation made by the PC for the Office of the Australian Information Commissioner review whether the protocols for insurers to access clinical records have resulted in more targeted requests for clinical information and whether these protocols given sufficient protections to consumers after FSC Standard 26 has been in operation for two years.

4.3. Life Insurance Industry Data Project

A key pillar of the FSC's focus on mental health in life insurance has been the KPMG/FSC data collection initiative, which has been in-force now for two years. This world class initiative has greatly improved insurers' access to up-to-date and accurate data, which in turn has been used to improve industry understanding of the nature and extent of claims related to mental ill-health. We now know mental ill-health related claims rank second out of the top 10 sources of all life insurance claims overall.²

² FSC's Life Insurance Data Collection, managed by KPMG

However, we acknowledge there is more work to do. The industry remains committed to this initiative and is actively working to enhance the quality (and granularity) of data that is collected every six months. As an example, the data collection initiative now includes age, gender and postcode information. For example, this will allow analysis of claims that are related to bush fires.

Another area for further improvement is on improving the breadth of industry data collected. Currently, detailed data at an individual record level is only collected for policies that are individually sold. Widening this scope to group life insurance in superannuation would provide significant additional insights. Having access to group data would mean we can gain an understanding of the trends and drivers of life insurance claims for a representative sample of the Australian working age population. This would enable better policy outcomes for both the consumer and industry.

The implementation of detailed data collections for group insurance however is not straightforward. The FSC is fully cognisant of the fiduciary responsibility superannuation trustees hold to protect the confidentiality of the members they represent. Ultimately, the FSC is supportive of exploring ways in which greater access to detailed group data may be enabled in a manner that maintains the responsibility trustees hold to protect the confidentiality of their members.

Appendix A: Mental health statistics from the FSC-KPMG Claims Data Initiative

Key Statistics relating to Mental Health

- Life insurance companies paid out \$809 million in the 12 months ending June 2018 for all life insurance claims relating to mental illness as the primary cause of claim.
- Life insurance companies paid out \$707 million in calendar year 2018 for Income Protection (IP) and Total Permanent Disability (TPD) claims relating to mental illness as the primary cause of claim.
- Mental illness in the second most common cause of claim overall – the most common for TPD, and third for IP.
- Trends in the data to date show that the incidence of mental health claims is relatively stable but the duration of the claims are getting longer.
- Of all the IP and TPD claims for mental health in 2018, the top 10 were:
 1. 15.9% - Depressive episode
 2. 12.6% - Reaction to severe stress/adjustment disorders
 3. 11.7% - Anxiety disorders
 4. 7.3% - Recurrent depressive disorder
 5. 3.3% - Bipolar
 6. 2.7% - Schizophrenia
 7. 2.6% - Other Dementia
 8. 2.5% - Dementia (Alzheimer's disease)
 9. 1.6% - Disorders due to brain damage/injury
 10. 0.8% - Mental disorders related to alcohol abuse