



MEDIA RELEASE

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MENTAL HEALTH CLAIMS TOP LIFE INSURERS' TPD PAYOUTS

The Financial Services Council (FSC) has compiled detailed new data that provides deep insights, for the first time, into the underlying causes of total and permanent disability (TPD) claims in Australia. A summary analysis is released today.

FSC CEO Sally Loane said the collection of new life insurance data, an initiative by the FSC with KPMG Australia, means the analysis of the causes of TPD claims can be undertaken every six months. This data collection initiative is unsurpassed anywhere else in the world, and for the first time, shows the extent of TPD claims for mental health conditions.

“The data shows throughout 2018, 88 per cent of all TPD claims are paid in the first instance. This moves even higher for TPD claims for mental health conditions, to 91 per cent,” Ms Loane said.

The new FSC/KPMG Australia data reveals that life insurers pay out more TPD claims caused by mental health conditions than for any other cause - accounting for 24.1 per cent of all TPD claims.

A proportion* of data collected also contains the types of mental health conditions. Based on this data, the top four types accounted for 63 per cent (two in three) of mental health conditions.

These newly released numbers include:

- 22.9 per cent - reaction to severe stress (for example PTSD, acute stress reaction).
- 16.8 per cent - depressive episodes (for example single episodes of depressive symptoms such as lowering of mood, reduction of energy or decrease in activity).
- 13.2 per cent - recurrent depressive disorders (repeated episodes of depressive episodes).
- 10.3 per cent - other anxiety disorders (including panic or anxiety disorder).
- 6.8 per cent - bipolar affective disorder.
- 6.6 per cent - Schizophrenia.
- 0.9 per cent - use of alcohol.

After mental health conditions, the next highest amounts paid out are for TPD claims caused by: musculoskeletal issues at 21.6 per cent; accidents at 15.6 per cent; nervous system disorders at 13.9 per cent; and cancer at 8.1 per cent.

According to APRA data, in 2018 life insurers paid out more than \$4.4 billion to 26,150 Australians who are not expected to be able to work ever again – providing an average payment of more than \$168,000. Of that total, over \$337m was mental health TPD claims.

Hoà Bui, Partner in Charge, Actuarial & Financial Risk at KPMG Australia, whose team carried out the research, said: “Mental health claims tend to take longer to be reported and assessed than other cause of claims, but the pay-out rate by insurers, at 91%, is nevertheless very high.”

“Nearly half the population will suffer some sort of mental health condition at some point in their lives. KPMG will continue to gather and analyse even more granular data – which will help inform better products and services for life insurers, and policy development, when dealing with mental health,” Ms Bui said.

“TPD claims are significantly more complex to assess than other life insurance claims because they usually require a judgment as to whether or not the person is expected to work ever again. Given this, all life insurers are committed to ensuring at peak times of vulnerability, that Australians feel safe and supported, without financial stress,” Ms Loane said.

Since the introduction of the Life Insurance Code of Practice, data from the Life Code Compliance Committee shows 92 per cent of all lump sum claims in the year to 30 June 2018 were paid out promptly within the Code timeframes.

The Hayne Royal Commission noted that since the Code’s introduction on 30 June 2017, the Code has resulted in significantly improved outcomes for consumers in a number of areas, including how claims are managed.

Work is currently underway to further improve the Code.

*28 per cent for TPD based on count of claims. The general pattern above is broadly consistent with the results for all claims, where 40 per cent of data had the further breakdown of type of health problem.

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About the Financial Services Council

The Financial Services Council (FSC) has more than 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing \$3 trillion on behalf of more than 15.6 million Australians. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency. The FSC’s mission is to protect and enhance confidence in a strong, sustainable financial services sector that serves Australians with integrity