

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS REVIEW OF
THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS - INSURANCE SECTOR

AMP

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- a) Do you have any life insurance coverage exclusions or increased premiums in relation to mental health conditions?
 - i. If so, what data have you used to determine the linkages between specific mental health conditions and related insurance claims?
- b) Do your life insurance policies have exemptions relating to suicide?
 - i. Are there any special considerations with regard to how these exemptions are applied (eg: the length of time a person has been insured)?
 - ii. How do you determine these considerations?
- c) Do you have any special claims handling processes in place in relation to suicide?
 - i. In the event that a claim is denied, do you offer any support to the listed beneficiary?
- d) There have been some suggestions, including recently by the Productivity Commission's draft report into mental health, that the insurance industry's voluntary code of conduct may not be sufficient and that insurance practices in relation to mental health and suicide continue to vary widely. Can you illustrate how practices are continuing to improve in light of the current code?

Answer

- a) *Do you have any life insurance coverage exclusions or increased premiums in relation to mental health conditions?*

AMP Life does not have blanket mental health condition exclusions. AMP Life is an in-force life insurance specialist and focuses on existing customers rather than acquiring new customers. Existing customers can change their cover, and new members can join existing group insurance policies. In the limited circumstances of new individual underwritten insurance applications, AMP Life can apply life insurance coverage exclusions or increased premiums in relation to mental health conditions. These exclusions or increased premiums are applied at underwriting following a thorough assessment of the customers' individual circumstances.

- i. If so, what data have you used to determine the linkages between specific mental health conditions and related insurance claims?*

Mental health conditions are assessed with the use of an AMP Life internal guideline "Mental Health Disorders guideline" and AMP Life's preferred reinsurer manual CLUE (Gen Re's reinsurer manual).

The AMP Life internal guideline is used for mood or depressive disorders (includes post-natal depression), including major depressive disorder and dysthymia, anxiety disorders including phobias, social anxiety disorder, panic disorder, agoraphobia and generalised anxiety disorder, adjustment disorder and post-traumatic stress disorder. This guideline is not used for stress, burnout, obsessive compulsive disorders, feeding or eating disorders, substance / medication induced depressive or anxiety disorders, ADHD, schizophrenia, bipolar 1 and 2 disorders, or any other mental health disorder not listed, which are assessed using the reinsurer manual. AMP Life underwriters also refer to the reinsurer manual when the underwriter reaches a guideline outcome of “High impact/impairment”.

Underwriters focus on symptoms and impairment in quantifying the risk of an application. Underwriters appreciate different sources of information, including the customer’s disclosure and medical reports, to reach an assessment.

Assessments of mental health conditions/symptoms can result in standard terms, exclusions and/or loadings or in cover not being available. Assessments tend to be different depending on the benefits being applied for as different benefits have different mortality and morbidity risks:

- Exclusions: Used mostly for disability benefits (Total and permanent disability and income protection benefits).
- Loadings: used mostly for mortality risks (life and critical illness/trauma benefits)

The internal guideline was developed following investigation of mental health claims in 2013 and from analysis of industry/medical literature. Literature reviews are undertaken yearly to ensure the guideline remains current.

The claims review in 2013 concluded that evidence showed that mental health disorders were a significant cause of Income Protection early claim incidence and longer-term claim durations. This means claims were found to be occurring earlier in an individual’s working life and for longer than expected. Mental health disorder claims represented (and still do) a large percentage of total disability (income protection and total and permanent disability) claim costs.

The analysis of literature highlighted that whilst people can make a full recovery, psychiatric disorders are characterised by relapses and remissions, leading to time off work. The risk of recurrence does not diminish over a period of time and there is a high correlation between other risks such as substance abuse. An individual’s social supports, age, concurrent physical conditions, marital status, educational and occupational variables may all further contribute to the impact that mental illness will have on that individual. These findings (amongst others) form the basis of the impact/impairment criteria used in the guideline.

- b) *Do your life insurance policies have exemptions relating to suicide?*
- Are there any special considerations with regard to how these exemptions are applied (eg: the length of time a person has been insured)?*
 - How do you determine these considerations?*

For most individual and group policies, a suicide exclusion period of 12-13 months is applicable.

The need for exclusion periods for suicide stems from two main moral hazard issues that impact on not only the individual life insured but the pool of lives that share the collective risk, should suicide instead be payable on inception of a life policy.

Insurance is a pooled business, with the members of the pool (the individuals insured in it) receiving the benefits that come with pooling. The insurer needs to take reasonable measures to ensure that the pool is not impacted by members who have knowledge of an impending claim event (eg: pre-existing medical condition, including mental illness). Those claims, if successful, would impact upon the remaining pool members in the form of higher premiums or reduced access to benefits.

Further, insurance is intended to cover unexpected events. Suicide exclusions are designed to remove any potential incentive for a member who may already have suicidal intentions.

c) Do you have any special claims handling processes in place in relation to suicide?

No.

i. In the event that a claim is denied, do you offer any support to the listed beneficiary?

No. AMP Life's claims management approach seeks to take into account the individual circumstances of every claim and support services and referrals may be provided.

d) There have been some suggestions, including recently by the Productivity Commission's draft report into mental health, that the insurance industry's voluntary code of conduct may not be sufficient and that insurance practices in relation to mental health and suicide continue to vary widely. Can you illustrate how practices are continuing to improve in light of the current code?

AMP Life employs two dedicated Mental Health Specialists to support our claims handling team in managing customers on claims for a mental health condition.

AMP Life's Mental Health Specialists have developed a process for managing calls in which a customer expresses suicidal ideation. All claims handling staff are trained in this process, to ensure customers are supported as best as possible through this challenging time and put in touch with the right professionals to support them in their time of need.

The recruitment of dedicated Mental Health Specialists by AMP Life demonstrates a focus on mental health which exceeds the standards set out in the Life Insurance Code of Practice. In addition, AMP Life's frequent engagement with customers during the management of mental health claims is consistent with the Code which encourages more frequent engagement with customers on claim.