

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac/BT

- WBT01QW:** (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 (e.g. the length of time a person has been insured)?
 - (ii) How did 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) Westpac primarily uses mental health exclusions instead of increased premiums for mental health conditions. The exclusions were introduced to improve the accessibility of insurance to more customers who have a mental illness - that is, they may help enable a customer with a mental illness to obtain cover for other risks that perhaps would not otherwise be available.
- (i) Westpac predominantly uses underwriting manuals (provided by our reinsurer) which are based on relevant actuarial and statistical data (including the latest trends and claims experience) to provide detailed information about the nature and degree of additional risk associated with insuring customers based on their risk profile. This is informed by epidemiological research data - epidemiology is the part of medicine that deals with the study and analysis of the patterns, causes, and effects of health and disease conditions in defined populations.

(b) Yes

(i) For death cover, generally we will not pay a death benefit if the insured person commits suicide within 13 months of the commencement of cover, or the date the Policy was last reinstated. This exclusion does not apply, subject to certain criteria, if the policy replaces another similar policy issued by another insurer, or another policy issued by us.

For disability and trauma cover, generally we will not pay a benefit if the sickness or injury giving rise to the claim was caused by an intentional self-inflicted injury or attempted suicide.

(ii) The above considerations are common industry terms. As a matter of principle, it is in the public interest that life insurers do not financially incentivise persons vulnerable to or contemplating suicide. Without a reasonable waiting period on death cover for suicide, such an incentive could exist. The period of 13 months is informed by longstanding industry practice and is a common exclusion period across insurers, limiting anti-selection between offers

(c) Westpac Group has in place a framework to guide our conversation and response to customers who present in a state of mental distress and/or disclose thoughts of suicide, self-harm. The framework is reviewed on an annual basis and our claims team are required to undergo revision training facilitated by our internal consultant psychologist. This training also forms part of our induction process for all new staff.

The framework includes an approach to identify, communicate with, support, refer, debrief and follow-up customers in this category. Importantly, as part of this framework, our claims team will assess a customer's individual circumstances – depending on these circumstances, we may undertake a number of actions. These include offering to contact their support person or emergency contact, providing contact details of an external support service, or initiating a police check if we have an immediate concern for their welfare. Our claims team is encouraged to seek support, if needed, in the early stages of their conversation with the customer. For example, this may involve having a health support consultant participate in a conversation with a customer.

(i) All adverse decisions are considered and communicated in accordance with our Adverse Decisions Standard. Our claims consultants, in consultation with our health support team and internal medical officers, determine the most appropriate way to communicate these decisions to our customers and/or listed beneficiary. Our communication approach will vary depending on the individual circumstances of each case. This may include engaging the customer's general practitioner or health provider to assist us in the communication of our decision.

(d) In addition to being a subscriber to the Financial Services Council's (FSC) Life Insurance Code of Practice, Westpac also complies with FSC Standard 21 – Mental Health Education Program and Training (introduced in 2013) which provides our staff with the knowledge and skills to engage with customers who may have experienced mental illness.

Westpac is actively working with the FSC to examine how the next iteration of the Life Insurance Code of Practice could improve mental health outcomes for Australians.

From an underwriting perspective, Westpac's approach to managing mental health conditions has evolved over the last two decades. This has been driven by greater awareness and understanding of mental health conditions both from a clinical and customer perspective as well as working with the industry and mental health advocacy groups. For example, from about 2010, during the underwriting process, we have decreased our reliance on medical reports and relied more on customer disclosure, particularly for less severe and isolated mental health conditions. Westpac will only decline cover as a last resort. In addition, Westpac has engaged a specialist to conduct a review of statistical evidence relating to mental health conditions to strengthen our compliance with the Life Insurance Code of Practice, and to help ensure our approach is up to date and aligns with community expectations.