

Webinar recap

Mental health in protection insurance

To mark Mental Health Awareness Week, Hannover Re's UK Life Branch recently hosted a webinar to explore touchpoints between mental health and protection insurance. Guests Paul Farmer CBE (Chief Executive of mental health charity Mind) and Kathryn Knowles (financial adviser and Managing Director at Cura Financial Services) joined Hannover Re colleagues Tim Smith (Head of Protection), Lisa Balboa (Business Development Actuary and deputy chair of the IFoA's Mental Health Working Party), and Kate Baldry (Underwriting Research & Systems Developer and member of the ABI's Mental Health Working Group).

The mental health landscape – presented by guest speaker Paul Farmer

Mental Health Awareness Week is an opportunity to reflect on the things we all need to do to look after our mental health and wellbeing. Thankfully, attitudes to mental health have progressed a lot in recent years. There is now a greater awareness of mental health problems and we have made good progress in recent years in tackling the stigma associated with having such conditions.

Population research shows that at any given time, 1 in 6 people in the UK experience a mental health problem¹, and 1 in 4 experience a mental health problem at some point in their lifetimes². Broadly speaking, these figures have not changed significantly in recent years, except for a concerning trend in young people. In the last three years, the prevalence of mental health problems experienced by children and young people has gone from 1 in 9 to 1 in 6³.

Paul Farmer highlighted that the pandemic has brought additional pressures from financial uncertainty and worry for the health of loved ones. It also increased our focus on mental health

“Mind’s support services have never been busier than during the pandemic, with increased awareness of the importance of looking after our mental health.”

Paul Farmer CBE

¹ See ONS. (2016)

² See WHO.

³ See NHS.

He also stressed that it is important that we continue focussing on our mental health as we move to the world of hybrid working and a 'new normal'. Employers play a vital role in this, and mental health must continue to be a significant government priority.

What impact has the pandemic had on mental health, and how has the insurance industry responded?

Within the protection insurance industry, mental health disclosure is common. Broadly speaking, around 1 in 5 direct-to-consumer application forms will reference a mental health condition (slightly lower for business sold through intermediaries), and this is fairly in line with UK health statistics. It is important to highlight that, despite high disclosure rates, the majority of mild to moderate conditions receive standard rates. At Hannover Re, we did not harden our underwriting philosophy for mental health in response to the pandemic either, ensuring coverage continued to be available on the same terms as pre-pandemic.

Interestingly, the levels of disclosure for mental health did not increase during the pandemic, despite ONS reports that half of the adults said their well-being was negatively affected⁴. This may be because the effects of the pandemic exacerbated existing mental health conditions in many cases, and also because the diagnosis of new mental health conditions takes time.

There were examples of cross-industry collaboration to support customers during the pandemic. Those in frontline NHS positions were given exemptions for exposure to COVID-19 positive patients for example. A lot of insurers also offered those suffering financially as a result of the pandemic more flexibility when it comes to paying premiums. At a time when people had a real need for protection, customers were not forced into lapsing their policy because of their inability to pay while facing economic pressure during the pandemic.

The connection between financial, physical, and mental health is prominent in recent research. The payment premium holidays offered by insurers provided financial relief to those customers who needed it the most, thus helping reduce stress and protect the mental health of customers.

⁴ See ONS. (2020)

These initiatives were supported across the industry, with reinsurers such as Hannover Re playing their part by supporting insurers in offering this safety net to their customers.

What improvements has the industry made to its treatment of customers with mental health conditions in recent years?

Cover has been extended to those experiencing a much wider range of mental health conditions over the last ten years. The ABI (Association of British Insurers) have taken a leading role in driving improvements, and established a mental health working group in 2019. From this project, four ABI standards were created to improve accessibility, ask appropriate questions in the application journey, communicate decisions clearly and ensure transparency⁵.

At Hannover Re, we work with medical professionals to provide evidence-based guidelines to underwriters on how to underwrite physical and mental health conditions. Our underwriting manual [hr | Ascent](#) is grouped into 13 main mental health conditions, and we regularly review our underwriting philosophy. For example, there have been recent updates to bipolar disorder, schizophrenia and anxiety.

What more can be done to improve the insurance industry's approach to mental health?

Kathryn Knowles highlighted that there is a need for even greater transparency in decision letters to ensure customers understand the reasons they are not given standard terms. This gives customers confidence that their individual circumstances have been taken into account, and ensures advisers are able to explore alternative avenues in seeking cover.

There is also scope in the industry to use techniques from behavioural science to improve the way we ask questions. For example, normalising mental health with data and asking questions such as "1 in 4 people will experience a mental health problem of some kind each year in the UK – have any of the following conditions affected you ...". These actions might help to make the insurance process a better experience for customers.

⁵ See ABI.

The Institute and Faculty of Actuaries (IFoA) Mental Health Working Group is also looking at how additional data might support more nuanced modelling of mental health conditions.

The adoption of electronic records in population-based research can provide further insights into the morbidity and mortality risk across different mental health conditions. This could be of particular value for further insights into lower frequency, high severity mental health conditions. Newer data sources and modelling techniques can also lead to product innovation perhaps for underwriting, but also for enabling support services for insurance customers experiencing mental health conditions.

Hannover Re has a strong history of supporting insurers with product design innovations in the protection insurance space. We also hold workshops on the topic of mental health with insurers. As part of our sustainability strategy, we welcome the opportunity to collaborate with insurers on product developments that broaden insurance coverage and to support developments that focus on supporting customer's health.

Watch the webinar and get in touch to discuss

Our webinar explores these ideas in more detail and is available to watch [here](#).

If you would like to discuss any of these points in more detail, please get in touch with us.

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