



Actuaries Institute

Mental Health - a case study with lessons for travel and life insurance

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Cover•More

A  Zurich company





Cover-More

Not an Insurer

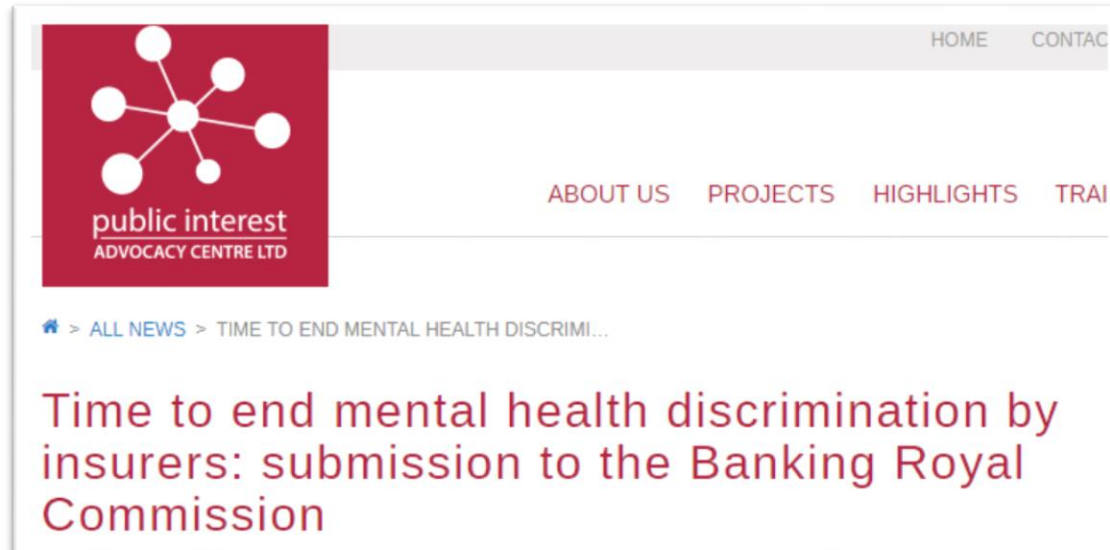
One of the world's leading travel insurance and medical assistance providers.



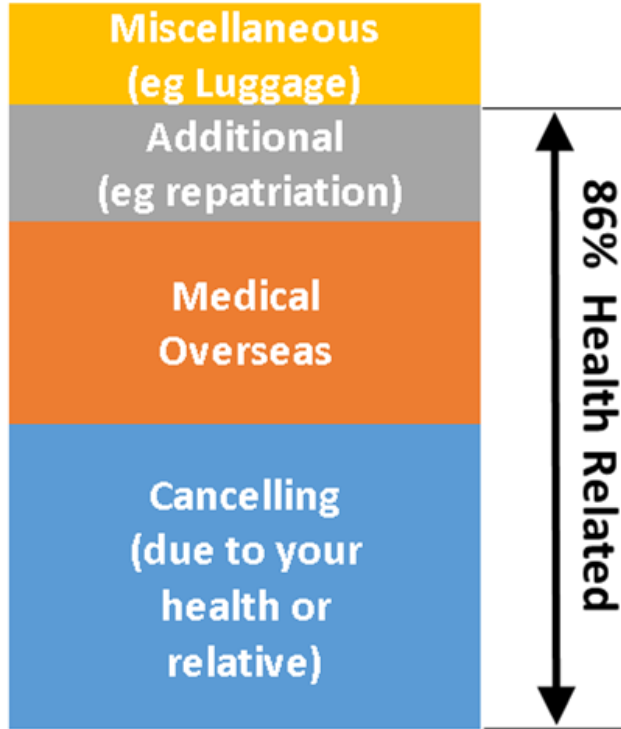
Mental Health was not covered by most travel insurance policies up to June 2017

Through sharing Cover-More's journey, we will cover

1. Issues posed by Mental Health for the actuarial profession
2. An understanding of the drivers
3. Possible considerations to balance the commercial and public interest



Travel Insurance is not just flight delays and luggage



86% of claim costs relate to health of the traveller or relative.

Mental Health must be a consideration for travel insurance

The Mental Health Problem

Travel Insurance Customers encountered frustrations with Mental Health Exclusions

First Onset

General exclusion for the case where a mental health incident occurs for the first time either before travel or while on travel.



Existing Condition

Lack of Coverage for existing known mental health conditions

Examples of Mental Health Claims



Overseas Medical Incident

Context

- 24 year old, five-week holiday to Croatia in 2015

Incident

- Experienced an episode of **psychosis** and was **admitted to hospital**
- "He believed he had special powers. As it got worse, he was hospitalised ... For psychosis to present completely out of the blue like this is a rare event."
- Three-week stay in a Croatian hospital, with **medical expenses of more than \$17,000**

Most people would expect this to be covered.

Most policies didn't.

Policy Response

- Standard Exclusion applied
- Claims "directly or indirectly arising from anxiety, depression, mental or nervous disorders" **would not be covered**.

Cancellation due to health of relative

Context

- Couple in 50s – Booked cruise holiday in Europe

Incident

- Shortly prior to travel, youngest **16 year old son** diagnosed with **depression and suicidal thoughts** due to relationship breakdown
- They **need to stay** with him due to **advice from child psychiatrist**
- Cruises generally have bad refund conditions – most of their **\$30k prepaid expenses were non-refundable**

50% of people who develop a psychotic disorder will do so by their early 20s

This affects their parents', grandparents', relatives' travel plans

Policy Response

- Claims typically covered for illness or sickness of non travelling relatives – but **mental health exclusion applies**

Cancellation due to own illness (QBE Ingram Case)

Context

- Ella Ingram – 21 year old student
- Planned a Year 12 school trip to New York City

Incident

- **After booking,** diagnosed with **severe depression**
- Prescribed medication but her condition worsened
- was admitted to **hospital for two weeks in a suicidal state**
- **Cancelled her trip** after she received **advice from her psychiatrist** that travel would be detrimental to her condition.

Appeal at VCAT found in favour of Ms Ingram, with \$4,300 for her cancelled air ticket, plus \$15,000 for hurt and humiliation.

Policy Response

- Claim **denied** for the \$4,300 non-refundable airfare tickets

Considerations for mental health



Why excluded in Travel Insurance

Lack of relevant,
classified and
analysed data

A myopic focus on
Australian only
experience

Assessing mental health vs
mere disinclination to
travel

Long periods of
high level care
hospitalisation

Focus on the
extremes cases

Industry practice



Travel increases risk of mental health episodes

Environmental



Phobias (Crowds)



Over excitement



Navigating the unfamiliar



Physical discomfort



Circadian rhythm disruption

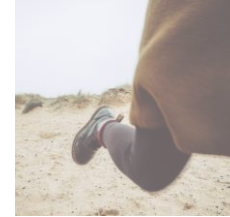


**Spiritual / Artistic
Triggers**



Trusted support network

Motive

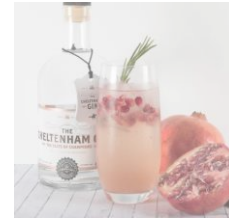


Suspect Motives



Missed Expectations

Drugs



Alcohol and drugs



**Adverse effects
of medication**



False sense of security

Jolting the Industry



QBE Ingram Case

Herald Sun

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Ella Ingram's trip was cancelled due to treatment for depression. Picture: Steve Tanner

VIC NEWS

Ella Ingram fighting QBE Insurance mental illness policy in VCAT

Ashley Argoon, Herald Sun
October 26, 2015 9:39pm



A YOUNG woman whose travel insurance claim was rejected because she had depression is taking the insurance giant to court in an Australian first test case.

In a David versus Goliath battle, Ella Ingram will allege QBE Insurance discriminated against her by refusing her claim after she was hospitalised with major depression.

David vs
Goliath battle

Taking insurance
giant to court

Landmark
Case

Key Learnings

1. QBE **failed to prove** that the statistical data it attempted to rely on at the hearing **existed when the policy was created**
2. Reports relied on by QBE **post-dated the acts of discrimination**, so could not be relied upon
3. No evidence that QBE had relied upon any actuarial or statistical data, but on **perception**

Public Interest Response



**Victorian Equal Opportunity
& Human Rights Commission**

“The Victorian Equal Opportunity and Human Rights Commission has launched an investigation into potential **unlawful systemic discrimination** against people with **mental health** issues by the travel insurance industry in Victoria.”



Development of an **industry code**
Called for insurers to contribute to a database



Essay on “The Insurer’s right to choose risk”

- Actuarial or statistical data or **other relevant factors**
- Need to find a balance between the interests of insurers and the insured

Cover-More Journey and Response



Cover-More and mental health in Australia

First major player to make a move

Mental health was a general **exclusion** in most Australian travel insurance policies.



Cover-More

Mental Health was something "the travel insurance industry, including us, has neglected for too long"

Mike Emmett, Cover-More Group CEO



The Outcome

The Outcome

First Onset

1. No General Exclusion
2. Cancellation claims verified by psychiatrist for fitness to travel
3. Overseas medical claims covered for first onset conditions

**Mental Health is treated
just like any other Health Condition**



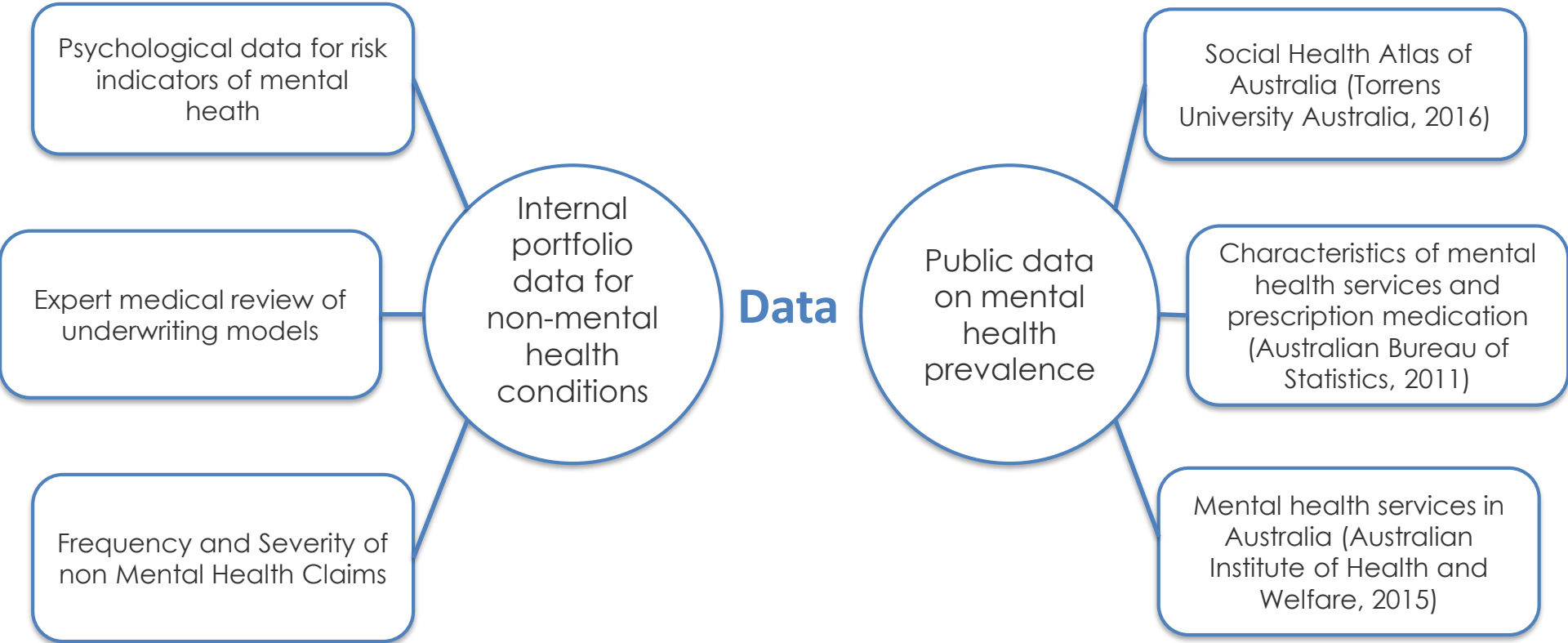
Existing Conditions

1. Exact same process for a traveller with schizophrenia, bipolar disorder and PTSD can apply for cover just like someone with a physical medical condition.
2. Straightforward assessment of the severity of their condition
 - a) cover offered with the payment of an additional premium
 - b) in some more serious cases, no cover will be able to be provided.

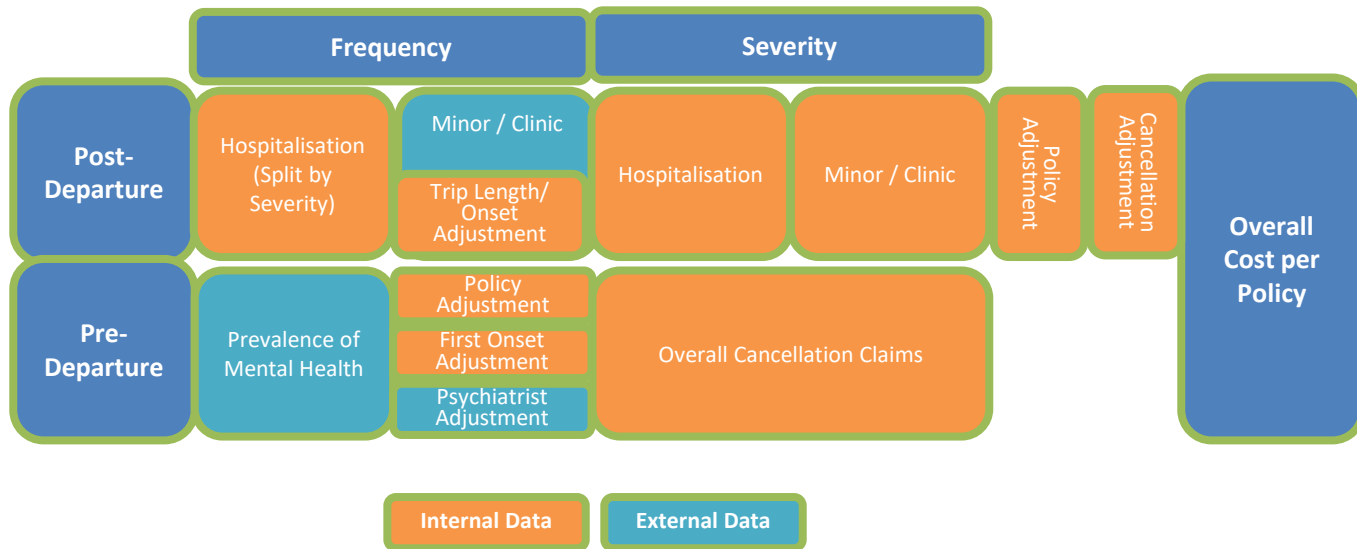
First Onset of Mental Health



An actuarial Model for First onset



Model Details

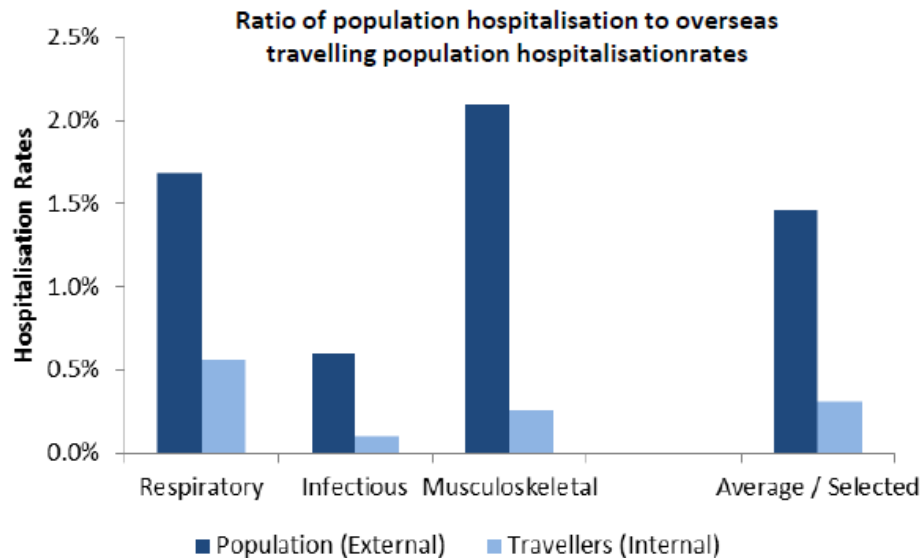
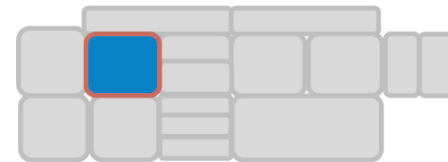


Hospitalisation Frequency – Post Departure

Hospitalisation rates were compared to internal travellers hospitalisation rates of known conditions to understand healthiness of travellers

Overall, internal hospitalisation rates were much lower (0.3%) compared to the population (1.5%)

But why so different to expectations?



One Year On

The level of claims from First Onset were well below expectation

Expectation was **160 claims**
per month

Vs

Actual emerging claim rate
was **32 per month**

We had over estimated the claim rate **by a factor of 5!!**

But why so different
to expectations?



High Level Metrics

- A claim rate of **0.3%** per policy
- With an average claim cost of around **\$1900**
- Implying a claims cost per policy of **\$0.53**

Existing Mental Conditions



Taking a Risk on Health Rater

Cover-More relied on an international health rating tool for risk classification of Non-Mental Health medical conditions

But is it appropriate for Mental Health conditions?

Risk Classification highly correlated with claims experience

Key considerations

Tool provided suitable **separation of risk**



Expert **validation by medical** professionals



used internationally by other travel insurers



took a risk of piloting the rater on one of our portfolios.

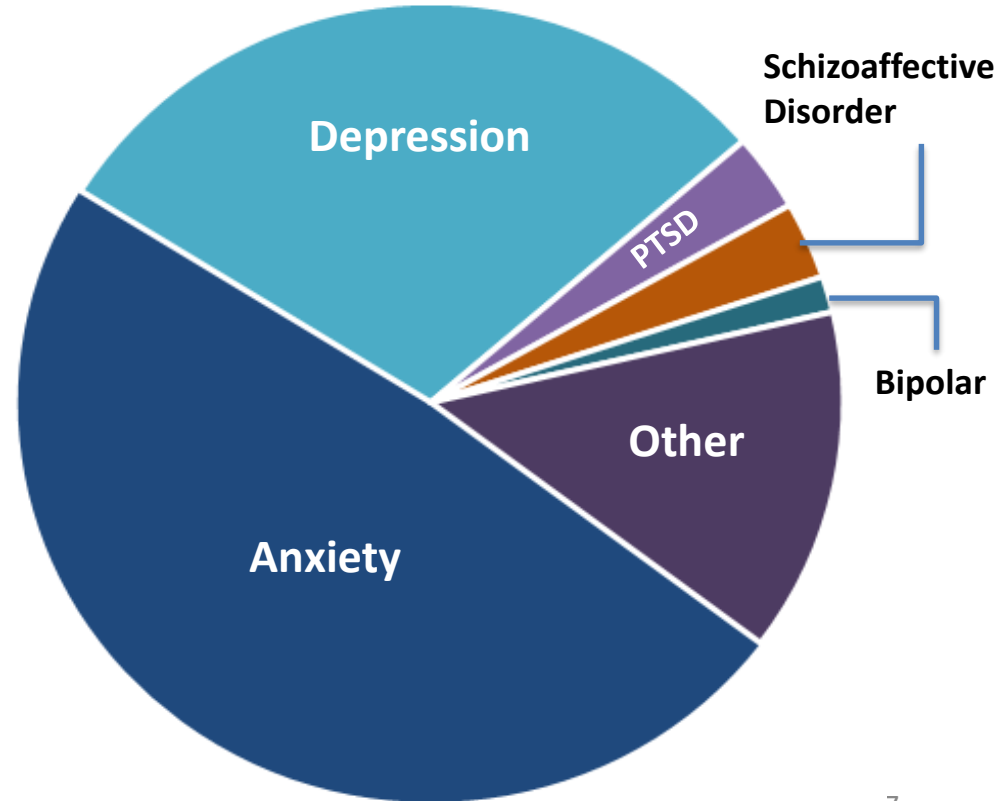
Pilot Results

Over 110 customers assessed monthly, **approving 80%** of all assessments.

Lower level mental health conditions dominated such as Anxiety and Depression.

Overall risk within appetite and provided coverage to a wide range of customers.

Breakdown of Mental Health Assessments



Why the Experience was different to Expectation



What's wrong with the publically available data?

The Problem

- Using public data suggested the cost of mental health coverage for first onset would be significant
- This didn't reconcile with what we were seeing through our Medical Assistance area. Something was wrong.

Hypothesis

- The travelling population is characteristically different from the Australian general population statistics

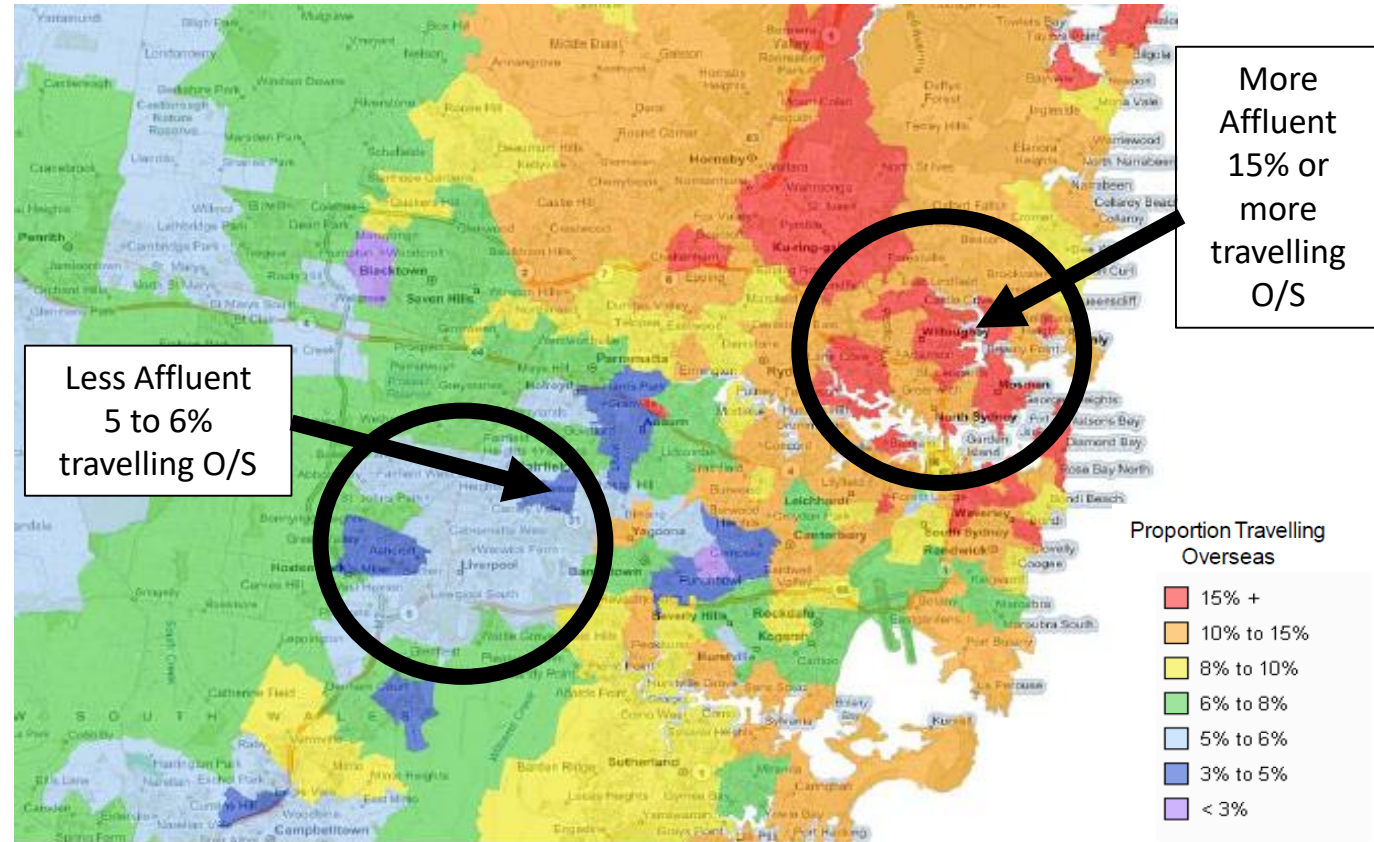
Population
behaves
differently to the
target
population

Why could this be?

- The hypothesis was that people with mental illness travel less because of:
 - People with serious mental illness have **challenges maintaining employment**
 - Thus they would generally not have **money to fund travel**

Travelling Population in Sydney

- Map of the **Travelling Population** presented by Quantum at General Insurance Seminar in 2010.
- It is clear that the **more affluent areas of Sydney** were correlated with **higher travel**.



Unemployment among the Mentally Ill

People with a mental disorder are more likely to be unemployed

- Of people with psychotic disorders **85.2% receive a government pension or allowance**.
- Compared to those working those on **income support are nearly twice as likely to have a mental disorder** in the past year

Reasons why people with mental health are less likely to be employed

- **Irregular nature of mental disorders** limits employment options
- **Side effects** of medication
- Likelihood of **limited work history** or **educational achievement**
- **Stigma** of mental illness **prevents people seeking treatment**
- **Employer reluctance** to hire someone with mental health problems

Seriously mentally ill are less likely to be working and earning an income to be able to afford to travel

Lessons for Actuaries and the Insurance Industry



Challenge to the Profession and the Industry

Issues posed by Mental Health for the actuarial profession

- Challenge ourselves as to why we continue with the status quo
- When will I have enough data ? (recall Flood Insurance)

An understanding of the drivers

- Public statistics aren't the whole answer
- Portfolios covering employed people are likely to be better than the general population

Possible considerations to balance the commercial and public interest

- Look outside the square (overseas, other portfolios, other industries)
- Test and learn



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Institute**

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