

Did you know?



Jeffrey Scott
Executive Manager
Business Growth Services

1 October 2010

Suicide – the need for exclusion

Over 2,000 Australians commit suicide each year and more than 75 per cent are males. Most people do not purchase a life insurance policy with the intention of making a claim, though life insurance can provide financial security to the families that are left behind.

Suicides account for approximately 1.5 per cent of the 143,946 deaths that occurred in Australia in 2008. Many life insurance policies in Australia have an exclusion period of 13 months (12 months for CommInsure) from the date of policy commencement. Life insurance policies sold elsewhere in the world have varying exclusion periods. Taiwan, Hong Kong and the United Kingdom all have 12 month exclusion periods for suicide, while USA has a 24 month exclusion period. During this period, if the life insured commits suicide the insurance company will not pay a death benefit.

Suicides are ranked 10th for the cause of male death for all ages. For males aged 25-44 suicides are the number one cause of death.

Suicides occur when individuals suffer stress and/or depression and do not find an appropriate coping strategy. The depression is likened to a computer virus in the brain that affects rational thinking. Coping strategies recommended by Suicide Prevention Australia include: sleep, talking with friends or family, talking to a psychologist or counsellor, or ringing a crisis line (such as LifeLine on 13 11 14).

Suicides are a significant social loss. Our economy loses a productive member of society. Insurance companies often have not factored suicides into premium calculations, and must pass along any loss via increased premiums to remaining policy holders. Recent research has indicated that there is a strong correlation between higher sums insured and suicides. There is also a strong correlation between the end of the suicide exclusion period of 12 months and increased suicide rates. The research concluded that suicide exclusion periods should be increased to 36 months (three years). This would eliminate any adverse anti-selection from individuals who intend to commit suicide when they purchase a policy. More importantly, this may force the individual to seek appropriate treatment to deal with the problem that is causing their stress or depression.

Summary

If you think that a client is stressed or depressed, and may be considering suicide, as their trusted adviser, you may want to ensure they obtain appropriate help.

Also, be mindful that if the prevailing research is adopted by reinsurers and life insurance companies, in the future we may see longer exclusion periods being adopted for life insurance policies being issued in Australia. Existing retail policies will not be affected, but group insurance policies and new retail policies may adopt the longer exclusion period.

Sources:

1. 3303.0 - Causes of Death, Australia, 2008 – Australian Bureau of Statistics,
2. Suicide Prevention Australia suicideprevention.com.au
3. Impact of Suicide Exclusion Periods (2010) - Australian Institute of Health & Welfare – Australia's Health 2010

Important information

This information was prepared by The Colonial Mutual Life Assurance Society Limited ABN 12 004 021 809 AFSL 235035 (CMLA) a wholly owned but nonguaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. It is for the use of advisers and Commonwealth Bank staff only and is not to be issued, reproduced in whole or in part, or made available to members of the public. Advisers should refer to the relevant policy documents for further clarification. CommInsure is a registered business name of CMLA.