

MEDIA RELEASE
Monday 13 October 2008

FOR IMMEDIATE RELEASE



Mental health community and life insurance industry sign MOU
Improved access to life and risk products continues

Today's signing of the Memorandum of Understanding between the Life Insurance Industry and Mental Health Sector at Old Parliament House in Canberra is a historic event. The parties began working together in 2001 to improve life insurance outcomes for Australians suffering from, or with a history of mental illness. This unique collaboration was formalised in 2003 and was again signed in 2004 and 2006 - and remains a world first.

The 2008 signing of the MOU will take place in the presence of Minister for Superannuation and Corporate Law, Senator the Hon Nick Sherry and will include new signatory, the Financial Planning Association.

The Mental Health Council of Australia (MHCA) welcomes the development of a new two year work plan to further increase accessibility to insurance for people with a mental illness and is delighted to be a signatory to today's Memorandum of Understanding between IFSA, the Mental Health Sector Stakeholders* and new signatory the Financial Planning Association", said MHCA CEO, David Crosbie.

"IFSA have done well working collaboratively with concerned health groups at actually reducing discrimination. At the same time, we still have a way to go if people with a mental illness are to be treated fairly by all sectors of the insurance industry and the broader finance sector", Mr Crosbie concluded.

Minister for Superannuation and Corporate Law, Senator the Hon Nick Sherry said: "I am pleased to formally witness the re-signing of this Memorandum of Understanding between the mental health stakeholders and Australia's life insurers. The original MOU was a world first, and in 2008, Australia continues to lead the world in terms of co-operation and greater understanding by these parties.

"It is important to broaden access to insurance products for people who have had, or have a mental health condition ", Senator Sherry concluded.

IFSA Deputy CEO, John O'Shaughnessy, said "The MoU has already delivered significant improvements in terms of accessibility of life insurance for those living with mental illness, or who may have had a history of mental illness, and we look forward to building on this success".

"The number of people applying for insurance who were declined by insurers due to the existence of a mental health condition has halved since 2003 and a majority of applicants have been able to obtain life insurance cover at standard rates, or with an exclusion applying to the mental health condition.

"By continuing to work collaboratively with the mental health stakeholders, Australian life insurers now have a much greater level of understanding as to the nature of mental health conditions and

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IFSA represents the retail and wholesale superannuation, funds management and life insurance industries. IFSA has over 140 members who are responsible for investing over \$1.3 trillion, on behalf of more than ten million Australians. Adherence by Members to IFSA Standards and Guidance Notes ensures the promotion of industry best practice.

underwriters are now treating mental health conditions in a similar way to other chronic conditions which has significantly improved access to affordable cover”, Mr O’Shaughnessy concluded.

Chairman of *beyondblue: the national depression initiative*, The Hon Jeff Kennett, said he is pleased about the re-signing of the MOU and is committed to supporting this important IFSA/mental health sector partnership.

“Much has been achieved over the past five years in this important field, however there is still room for improvement. We look forward to working with our colleagues on the Action Plan to take the reforms further with a shared goal of reducing and preventing discrimination in the insurance sector for people with depression and related mental illness.

“I particularly congratulate Senator Sherry for his commitment to the MOU and ongoing reforms. His support will be beneficial to many people across Australia”, Mr Kennett concluded.

Julie Berry, Chair of the Financial Planning Association of Australia Limited said: “The financial planning profession plays a key role in advising Australians when it comes to life insurance. The Financial Planning Association, as the professional body for financial planning practitioners, sees the opportunity to be a part of this important initiative as an essential element of ensuring that financial planners can provide the most appropriate advice for all clients”

“The FPA welcomes the opportunity to sign this Memorandum of Understanding and in so doing, commits to working collaboratively with the other signatories to improve outcomes in this area for the benefit of all consumers”, Ms Berry concluded.

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*The Mental Health Council of Australia includes *beyondblue*, the Australian General Practice Network, the Australian Medical Association, the Australian Psychological Society, the Royal Australian College of General Practitioners and the Royal Australian and New Zealand College of Psychiatrists.

Note: World Mental Health Day and Australian Mental Health Week:

World Mental Health Day (WMHD) takes place on 10th October 2008 and is a significant annual international event that aims to celebrate and promote mental health. Australia’s National Mental Health Week is co-ordinated by the Mental Health Council of Australia and is held in conjunction WMHD. The formal dates for the National Mental Health Week are 5th to 11th October, however a number of key events are taking place both in Canberra and Victoria on 13th October, including the fourth signing of the MoU between the life insurance industry and the mental health community.

Fast Facts: MoU achievements to date

Since 2003, the MoU has had a number of significant achievements.

1. In September 2003, IFSA published developed new industry-wide guidelines on underwriting and claims treatment in respect of mental health conditions.
2. In June 2006, IFSA published a report by Professor Gavin Andrews which analysed the recurrence, severity and duration of disability resulting from mental health conditions with a view to determining the appropriateness of current rating and underwriting practices.
3. New processes have been developed and implemented providing the means for more people with a mental illness to receive an appropriately-modified insurance policy, rather than being declined access to cover. The majority of IFSA members surveyed report that they now able to offer cover to more people with a history of common mental health problems.
4. Annual data collection and reporting from IFSA members on current practices in insurance applications and determinations in Australia has taken place.
5. A mechanism has been introduced to address complaints about underwriting in respect of mental health conditions, and industry complaints guideline and consumer fact sheets on the process have been developed.
6. The MoU stakeholders have prepared information sheets to assist the community in understanding the implications of applying for insurance products and the importance of making accurate statements about their health.
7. Formal communication with the General Practice community has started on life insurance/mental health
8. Stakeholder relationships have been broadened in order to develop education and training programs for underwriters and claims assessors about mental health and the experiences of persons with a mental health problem.

Industry data

IFSA has been collecting claims and underwriting data since 2003. The surveys ask life insurers to provide IFSA with the details of all applications that require underwriting and all claims experience for a specific period in alternate years.¹

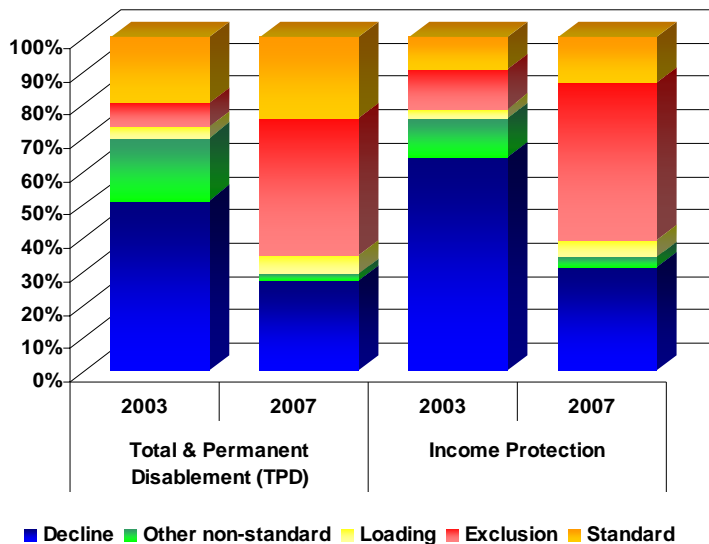
¹ Limitations of this data: It should be noted that IFSA's underwriting survey requires members to provide IFSA with the details of all applications that require underwriting in a given period. Not all applications require underwriting so it is important not to illustrate the results as a percentage of all applicants for life insurance.

Underwriting

The Underwriting survey provides an indication of how applicants with mental health conditions are being treated over time and compares their treatment with that of people with physical conditions. Through this data, the industry is able to track the success of its various activities under the MoU.

Over the past five years, there have been major changes to the underwriting decisions for applicants who have disclosed a past history of mental illness. The number of applicants declined due to the existence of a mental health condition has halved since 2003. This means that a majority of applicants have been able to obtain life insurance cover at standard rates, or with an exclusion applying to the mental health condition.

Change in underwriting outcomes for people with a mental health condition

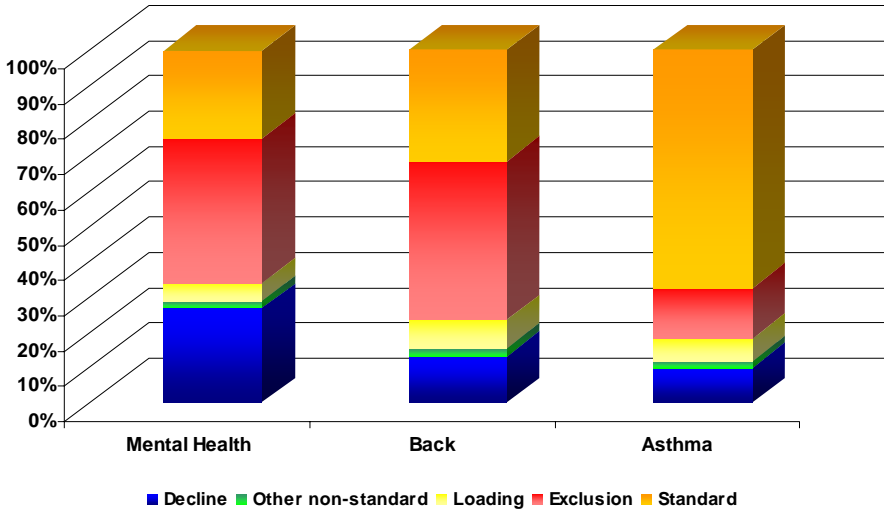


The survey also shows that, for a significant proportion of those who were declined cover or had an exclusion or loading applied, other conditions that may have contributed to the underwriting outcome were also present.

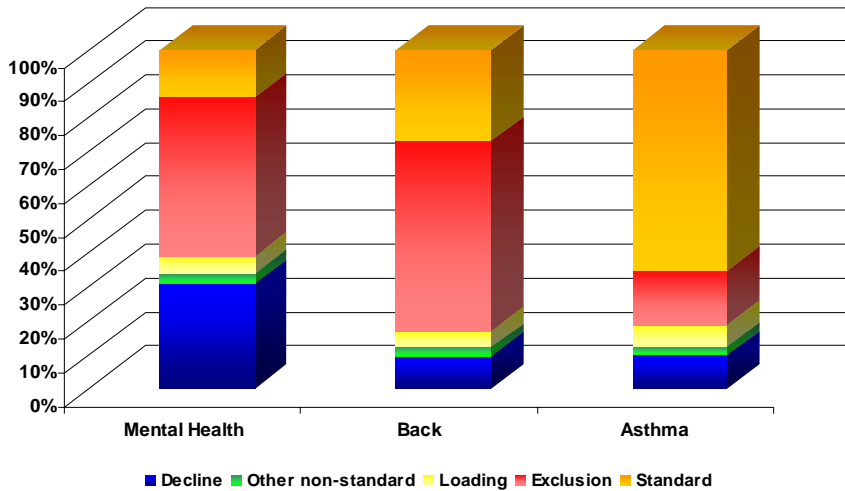
	Total & Permanent Disablement	Income Protection
% declined applicants with more than one condition	51%	33%
% excluded/loaded applicants who had more than one condition	37%	30%

The aim of the MoU has been to ensure mental health conditions are fully understood by the industry and are treated no differently from comparable physical conditions. The 2007 survey shows both TPD and Income Protection underwriters are now treating mental health conditions in a similar way to other chronic conditions.

TPD - 2007 distribution of underwriting decisions by condition type

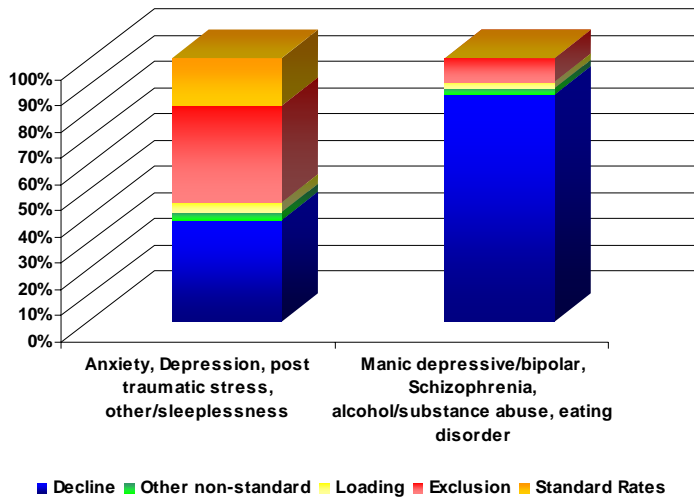


Income Protection - 2007 distribution of underwriting decisions by condition type



There are a range of mental health conditions, with varying severity. In 2007, the underwriting survey sought to assess what impact the severity of conditions had on the underwriting outcome. The results showed that applicants are most likely to obtain cover when the condition is situational or experienced for short durations.

Underwriting outcomes based on type of mental health condition



Claims

IFSA is in the process of conducting its third claims survey, however, claims experience appears to have been very stable through the years and the following figures indicate the percentage and value of claims that relate to mental health conditions.

The Institute of Actuaries Australia report into Disability Experience for the period 1992-1995 showed that mental health represented 21% of all claims by number and the 2006 claims survey showed that the number and value of mental health claims has been stable.

In 2006 the industry paid a total of \$569.6 million in Income Protection claims, a quarter of which was paid to claims for mental health conditions. In the same year, a total of \$214.6 million was paid in TPD claims, 20% of which was paid to claims for mental health conditions

Mental Health Council of Australia/*beyondblue* qualitative study

The MHCA and *beyondblue* developed a survey in an attempt to ascertain the experience and perceptions of mental health patients and their carers in respect to a range of insurance products.²

The survey was available from the MHCA and *beyondblue* websites and was also distributed to various mental health organisations and through a number of email networks. Between September 2007 and August 2008, a total of 82 people provided feedback on life insurance.

Changes within the life insurance industry have resulted in positive outcomes for many people with mental illness, and improvements are ongoing. However, the survey highlighted consumer and carer concerns in the following areas:

Respondents reported difficulty accessing life insurance, particularly income protection cover. Some consumers reported that they were unable to obtain any cover, even at a higher premium or with a mental illness exclusion. As one consumer commented, 'I didn't expect to be covered for mental illness ... However, being covered for glandular fever or a broken pelvis would have been handy'. Some consumers were offered cover only with a premium loading and/or a blanket exclusion for all mental illnesses, and were not happy with this offer because they felt that it was not proportionate to the level of risk that they presented to the company.

A number of respondents reported that they were informed that they were ineligible for insurance cover while they were receiving treatment for their mental illness, but might become eligible if they ceased treatment for a certain period of time.

An additional issue, which was raised by both consumers and clinicians, is the potential impact of the Better Access to Mental Health Care initiative³ on access to insurance. To access Medicare rebates for consultations with a psychologist or other mental health professional, consumers need to have a mental health care plan put in place by their GP, with a diagnosis of mental illness in their medical file. In some of these cases the mental illness reported in the file might not be of clinical significance or might not be the presenting problem, but because of the record of a mental illness, there is a perception that future insurance applications could be affected.

Survey responses indicate that some people with a mental illness (as well as the broader population) are not aware of their rights and responsibilities in relation to insurance, including their Duty of Disclosure or their right to appeal an insurance decision. Mental health

² Limitations of this data: This study was qualitative and aimed to identify commonalities in insurance experiences of people with a mental illness. These findings can not be projected to any larger population and are indicative only. However, the issues identified through the survey responses offer a useful basis from which to assess the areas for ongoing focus under the MoU.

³ This Federal Government initiative, which commenced in November 2006, provided benefits for new Medicare item numbers for mental health services from GPs, psychiatrists, clinical psychologists and allied mental health professionals including psychologists, occupational therapists and social workers. More information is available at www.health.gov.au.

practitioners, including general practitioners, psychiatrists and psychologists could also benefit from a greater understanding of insurance processes, the potential impact of a mental illness diagnosis on future insurance applications, and the value of the information that they provide to insurers for underwriting and claims.

Responses indicated that many people with a mental illness have considered purchasing life insurance, but after having an insurance application rejected, or being faced with a higher premium or a mental illness exclusion, many respondents stopped seeking insurance cover. This exacerbates the problem of underinsurance. In some cases consumers tried to obtain cover from several insurance companies, while in other cases the initial rejection was sufficient to discourage them from further applications.

In some cases, respondents indicated that the communication of an insurance decision created greater distress for them. The communication of underwriting decisions increased negative perceptions of the experience and the insurance industry in general for some survey respondents. In addition, several respondents reported difficulties when they made a claim on their life insurance policies, and in some cases commented that their experiences exacerbated their mental illness.

Ends.