PROMOTING PEACE OF MIND:
Mental health and insurance

Research summary
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Close to a billion people around the world live with poor mental health.[1] A study by the Institute for Health Metrics and Evaluation (IHME) conducted during the height of the pandemic estimated an additional 53 million cases of depressive and 76 million cases of anxiety disorders, with young and women disproportionately affected.[2] As the world emerges from the COVID-19 pandemic, health systems are reeling from unprecedented and widespread disruption and contending with a substantial escalation in demand for mental health services.

Research on the risks of poor mental health from an insurance perspective is relatively scarce. Yet, health and life insurers are at the forefront of absorbing the resulting shocks, with close to USD 15 billion in claims for mental health-related disability insurance paid out each year.[3] By combining the results of a literature review with accounts from 16 senior key informants from the insurance industry, this research aims to define mental health and the scale of the burden posed by poor mental health; examine the current role of life and health insurance in addressing mental health; and recommend steps to boost insurers' contributions to promoting mental well-being at scale, from prevention to active case management.

Defining mental health and the burden of poor mental health

Traditionally, mental health and mental illness were considered polarities on a single continuum, implying that good mental health was defined as the absence of psycho-pathology. Keyes and Westerhof's dual-continua model (Figure 1)[4] changed this binary concept by suggesting that mental health comprises multiple dimensions of subjective well-being that fall on a pair of axes ranging from 'languishing' to 'flourishing'. As such, good mental health should not be defined as the mere absence of mental illness or mental distress, but as a holistic state of well-being.

Poor mental health has a significant toll on the economy, individuals, health systems and insurers. A study published by The Lancet estimates that mental health problems will cost the world USD 6 trillion in poor health and productivity in 2030, up from USD 2.5 trillion in 2010.[5] For context, this represents 6% of global GDP in 2021.[6] For individuals living with poor mental health, this translates to wage and employment gaps and curtailed life chances. Poor mental health also has a symbiotic relationship with increased mortality, driven in part by heightened physical morbidity. All of this leads to significant insurance claims. In the U.K., for instance, 27% of income protection claims were attributable to mental health in 2020.[7] In Canada, too, insurers (life and health combined) experienced a 75% rise in claims related to poor mental health in 2021 compared to 2019.[8]

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1   World Health Organization (WHO), United for Global Mental Health and the World Federation for Mental Health 2020.
2   Institute for Health Metrics and Evaluation (IHME) 2021.
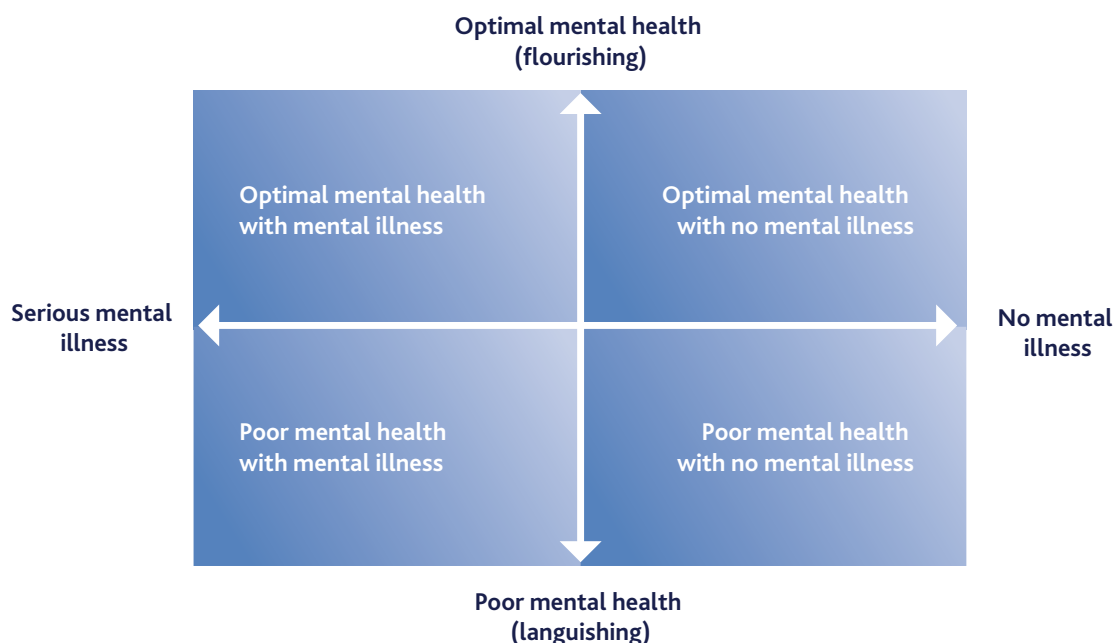3   Swiss Re 2021.
4   Keyes and Westerhof 2010.
5   The Lancet 2020.
6   World Bank 2021.
7   Zurich 2021.
8   Canadian Life & Health Insurance Association 2022.

FIGURE 1: MENTAL ILLNESS VS. MENTAL HEALTH

**Optimal mental health
(flourishing)**

Optimal mental health
with mental illness

Optimal mental health
with no mental illness

**Serious mental
illness**

**No mental
illness**

Poor mental health
with mental illness

Poor mental health
with no mental illness

**Poor mental health
(languishing)**

Source: Keyes and Westerhof [9]

Mental health and insurance

Insurers face difficulties owing to the external environment and insurance-specific challenges. The former includes stigma and concomitant effects on demand, financing, workforce and clinical practices, all of which may influence the prioritisation of mental health in public policy, fuelling further barriers to access. This is exemplified by the fact that in 2020, two thirds of people in Organisation for Economic Co-operation and Development (OECD) countries seeking mental health services reported difficulties with access.[10] Insurance-specific challenges may manifest as non-disclosure of mental problems (deliberate or unwitting), problems with designing holistic propositions as well as added complexity in underwriting techniques and claims validation arising from the often subjective nature of diagnoses.

Insurers are innovating to overcome the operational challenges they face, but scalability remains a hurdle. According to a survey by Mercer Marsh Benefits (MMB), of 226 insurers across 26 countries, the number of global insurers who did not offer any mental health cover in employment benefits schemes for health decreased from 26% in 2021 to 16% in 2022, representing a significant improvement. However, close to a fifth of global insurers are lagging behind.[11] This gap may also be reflective of the low demand for mental health coverage from employers. But even when insurers are expanding coverage, there is a tendency to focus on complex, episodic, inpatient or specialist treatments, while the evidence points to commonplace, non-critical depression and anxiety as the biggest and fastest-growing causes of burden.
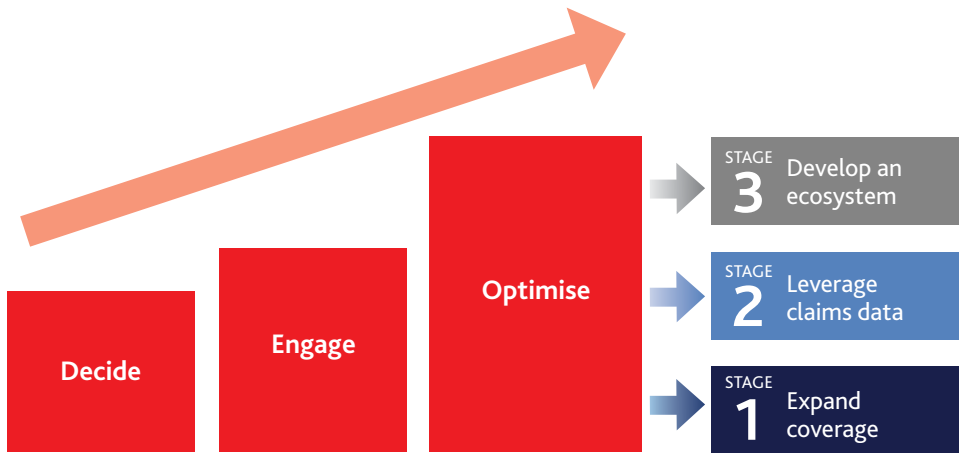
We recommend ways in which life and health insurers can build on the existing momentum of innovation to improve the insurability of mental health at scale using a three-stage incremental framework (Figure 2).

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9   Keyes and Westerhof 2010.
10   OECD 2021.
11   MMB 2022.

FIGURE 2: MENTAL HEALTH AND INSURANCE: CHARTING THE JOURNEY

Decide

Engage

Optimise

STAGE **3** Develop an ecosystem

STAGE **2** Leverage claims data

STAGE **1** Expand coverage

Source: The Geneva Association

Firstly, while progress is evident in the inclusion of mental health in existing benefits, insurers have the opportunity to go further by adopting a dedicated strategy for mental health, taking into account the fast-moving evidence emerging from global and market-specific research. We define this stage as **decide**. This will help with finessing the scope, scale and depth of the coverage insurers may already offer, and tailoring policies specifically to those affected by depression and/or anxiety, the most common manifestations of poor mental health worldwide. Adopting this strategic approach may also help with identifying how existing or new propositions can be better targeted towards prevention and holistic healthcare by embracing new technologies in combination with physical/in-person care, which can be both clinical and non-clinical in nature (e.g. social support such as befriending or volunteering initiatives, measures to improve financial well-being).

Secondly, overcoming the stigma associated with mental health and the consequent lack of uptake for timely care likely warrants a consorted effort from a wider set of players in the industry to **engage** their customer base. This can be done through group plans, digital tools and outreach to promote uptake of existing or new propositions.

Through group plans, insurers can leverage their existing propositions to improve working environments by advising employers on mental health-friendly policies, proactively managing risks and setting clear goals for improving mental health. Similarly, targeted community interventions and campaigns can help to dispel myths and prejudice. Overall, insurers have the opportunity to shape their market by translating an often unvoiced need for better mental well-being to coherent demand from their customers, either individuals or employers.

Lastly, current innovations provide a springboard to **optimise** critical insurance functions. This phase can be further broken into three stages:

● **Adopting a more nuanced approach to risk assessment:** Underwriters have the opportunity to reconsider the way they assess risk and, on that basis, expand the insurability of people living with mental health problems. This may include introducing more gradations into eligibility questionnaires (as opposed to binary questions) at the point of application and using publicly available evidence (such as population-level data) to form a holistic view of the applicant. Such innovative approaches have proven to expand insurability of people with poor mental health.

- **Leveraging claims data:** Claims assessors could be empowered with new tools and training to move beyond simply assessing the legitimacy of claims. Claims data can provide vital information about sources of risk and the point at which they trigger a claimable event (big or small). It would be also be beneficial for mental health to be seen as more than just an afterthought when dealing with a physical health claim given their strong symbiotic relationship.

- **Developing an ecosystem:** Bringing all of the above facets into one coherent and holistic ecosystem powered by data can particularly transform group plans. For example, under current practice, insurers may be providing a multitude of services to a large corporate client, such as onsite or offsite occupational health support, employee assistance programmes, income or disability insurance, and health plans. By consolidating data to create a central hub, these plans can engage in effective triaging to offer the right levels of clinical, behavioural, social or financial support. In turn, there is evidence to suggest that this can reduce the number of mental health-related claims, the average cost of claims and, most importantly, improve user outcome.

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