

WHY ARE PEOPLE STRUGGLING WITH MENTAL HEALTH CONDITIONS BEING DENIED COVER?

BY **ESKO KIVISAARI** **Mental health conditions make insurance cover inaccessible, at least in some countries. Is there a good actuarial motivation for this?**

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Mental health conditions make insurance cover inaccessible, at least in some countries. Is there a good actuarial motivation for this?

Traditional thinking has been that struggling with mental health can lead to a higher risk of suicide, together with a higher risk of accidents and physical health problems. This has led

to the underwriting practice of denying cover for medical expense insurance and for individual life contracts with a larger than average sum assured.

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The concept of mental health has gone through fundamental changes. In the mid-twentieth century, problems were considered rare. A Finnish source states that around one percent of people suffered from mental health problems at that time. In today’s world, mental health diagnosis is more commonplace.

¹ Wittchen, Hans-Ulrich & Jakobi, Frank 2005: *Size and Burden of Mental Disorders in Europe. A Critical Review and Appraisal of 27 Studies.* – European Neuro-psychopharmacology 15(4): 357 – 376 (pages 357, 368 – 369).

Some sources tell that at least one in five among us experience a mental health problem in a typical year. A study in 2005 arrived at a result saying that 27 per cent of EU citizens had suffered from mental health problems of different severity during the year preceding the study¹. The reason for the increase is not clear; it could be improved diagnosis, an increase in risk caused by our modern lifestyle or that, as the stigma associated with being a sufferer has diminished, mental health problems are more likely to be disclosed.

The good news is that as mental health problems are better understood, the options for managing and treating have also improved. Therapy and counselling can help with understanding the root causes and plan coping strategies. Medicines have improved leading to a dramatic decrease in suicide rates in many countries. There is a clear understanding that while some serious forms of suffering still increase the risks, in a majority of diagnoses this is not the case. One can also speculate that individuals taking good care of their mental health might actually be less risky than those who avoid therapy.

Insurers should therefore upgrade their understanding of mental health. Actuaries are well-positioned in taking this forward. Pooling of risks always needs good underwriting practices, and in some extreme cases this can mean exclusion.

Actuaries certainly should not be working alone on this topic. The full understanding of different factors, symptoms and treatments is not included in the expertise of actuaries. Insurers would also need the expertise of psychiatrists and medical doctors who are specialised in mental health problems.

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Yet with today’s knowledge problems in mental health do not generally belong into the category where risks are overly high. There needs to be a better understanding of the different diagnoses and what they mean for the individual forecasts. You may be lucky enough not to be a sufferer today, but if one in



five people experience a mental health problem in a typical year there are many sufferers around you under threat of being underinsured. And the pandemic means that this year is not a typical year.

While current research shows that suicide rates are going down, longitudinal statistics also show that people with mental health problems have in the long run higher mortality. The causes of death for these persons are not related directly to mental health but rather to the traditional causes, e.g., cardiovascular problems.

This higher mortality may actually be more likely to be driven by the lower socioeconomic status of sufferers. It is well documented that mortality differences between socioeconomic groups are large, with well-off people living much longer than the less fortunate ones.

Individuals with mental health issues are vulnerable when it comes to the risk of ending up in the lower socioeconomic category.

There are many risk factors creating the stress that drives persons with mental health problems into a lower socioeconomic category.

Esko shares the experience of being denied cover due to his panic disorder, luckily well treated with therapy and pills.

One very important factor comes from the difficulty of getting good employment. Another factor results from the difficulty of getting affordable therapy before too long a delay after a diagnosis. These together with other factors create the so-called intersectional stress that hurts vulnerable individuals, among them those with mental issues. The risk can be exacerbated by issues like ethnicity, age and lack of support from the immediate family due to stigma, for example.

Getting insurance cover is certainly not the most important stress factor driving vulnerable individuals into a lower socioeconomic status. But it may be a contributing factor to intersectional stress.

Actuaries should actively look for better solutions when it comes to insuring individuals with mental issues. Without a better understanding a substantial share of the population will be left without cover without any actuarially sound reason. This exclusion may also drive people into a lower socioeconomic status, with many adverse consequences together with lower longevity. Actuaries should be part of the solution and not part of the problem when it comes to fostering social inclusion.

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