



Society of  
Underwriting  
Professionals  
Standards, Professionalism, Trust.

# Good Practice Guide

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## Mental health for Underwriting Professionals

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This paper is in response to members' requests to provide a summary of good practice within one source document and is based upon the Society of Underwriting Professionals' understanding of the regulator's rules and current stance. Whilst a summary, it is not intended to be exhaustive and should not be relied upon at the exclusion of other sources of information.

## Foreword



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Despite the welcome mental health awareness that has already been built over recent years, it's in 2020 where we have seen a fundamental shift in how we come to terms with our own mental health needs. The impact of a global pandemic, and the social and economic restrictions it has brought us have been felt by us all collectively, if not to different degrees.

As we consider what is professional behaviour and the standards that are both set for us and those we wish to set ourselves, it's important we consider the role mental ill-health plays both in our own lives and those of our customers. The interaction they have with the profession, right through the value chain of decision making can both effect customers in terms of the trust they have in our services, but also on their individual mental health. Therefore, it is a welcome sight to behold so much collective action being taken by professionals and the market more widely, in recent weeks and months, in order to be more conscientious about mental health and how it affects our customers.

As Chair of the Professionalism Workstream of the Cabinet Office sponsored Access to Insurance Working Group, I find myself constantly learning new ways as to how inextricably linked mental health is with both physical health and financial resilience. From disability and pre-existing medical conditions, to problem debt and unemployment, we can consistently see how intertwined these all are with a person's mental health, and we have a responsibility to ensure we do all we can to mitigate how our actions, and those of our peers, may impact a person.

This Good Practice Guide sets out the latest thinking on ways insurance professionals can change procedures and how we engage with our customers, and for those who already implemented similar policies, to encourage them to champion this best practice across the profession.

Insurance plays a vital role in the lives of billions around the world and has the power to transform lives, businesses, and economies. So with proposals such as "tell us once", preparing customers for the questions they will be asked and being clear about the data that is used to assess risk, there is clear guidance on how professionals can respect the dignity of individuals and their consumer experience, whilst providing the high class service they are expected to deliver, especially for those who need it most.

I urge anyone reading this guidance to put yourselves in your customers shoes and consider how you would wish to be treated if you had mental ill-health, or reflect on your own circumstances if you have lived experience of it.

The Chartered Insurance Institute is committed to doing all we can to support a fair and equal society, one where the benefits of insurance are experienced by many and that the customer journey is one which consistently engenders trust and confidence in our fantastic profession. I genuinely believe that the recommendations set out in this guide and those which we signpost to within, can help to achieve that mission and better support our members in to continuing to provide a kind, compassionate service to the public that has been vital during these difficult times.

## Introduction

According to the Association of British Insurers (ABI), mental health is the most common cause of claim on income protection policies in the UK. Mental Health UK also state that one in four people in the UK are likely to be affected by a mental health issue in any given year, with this number likely to be significantly affected by the impact of the coronavirus pandemic in 2020. They also found that 86% of respondents did not know where to go to find independent advice in relation to declaring their mental health condition when applying for insurance. With a strong correlation between mental health and financial health, living with a mental health condition can make it challenging to manage money.

Mental health conditions are generally excluded or rated and priced up by insurers. But with mental health being recognised as something that many people live with or are affected by, insurers are finally acknowledging this risk as well as making steps towards covering it fairly.

Personal lines products that require the customer to disclose their medical history include:

- Private medical
- Income protection
- Travel
- Life

The reason for disclosing this information is explained by the ABI<sup>1</sup>:

*“Insurers need to know about existing conditions as it allows them to understand the type of mental health condition, and the associated risk based on scientific evidence. Mental health conditions can have a direct impact on a sufferer’s risk of premature death or disability and there are also links to greater risk of abuse of medication, drugs or alcohol, which increases the risk of a serious accident.”*

While this information is gathered to help create a better profile of the customer, it is often easier to decline the risk, apply exclusions or charge a high premium. With outcomes such as these, this will create further distress to the customer and potentially leave them with no protection.

## Understanding mental health conditions

'Mental health' is often used as an umbrella term to describe the wide range of symptoms and conditions that affect millions of people each year. For some these conditions are temporary, for others they are permanent. Therefore it is important to understand the context of the health condition rather than treating all customers the same.

Types of mental health condition that insurers may be asked to cover include:

- **Addiction**
- **Anorexia Nervosa**
- **Anxiety**
- **Bipolar disorder**
- **Bulimia Nervosa**
- **Depression**
- **Obsessive Compulsive Disorder**
- **Panic attacks**
- **Paranoia**
- **Personality disorder**
- **Postnatal depression**
- **Psychosis**
- **Schizophrenia**

However, disclosing the history of a mental health condition to an insurer can severely impact the way the insurance policy is written, regardless of how recent the condition or episode. Rather than attempting to understand the medical history or context of the mental health condition, insurers have classified them as high risk and treated them all the same. With a reliance on the customer self-reporting, a subjective diagnosis and lack of relevant data, insuring mental health conditions have been seen as complex and easy to mark as a red flag.

Charities, such as Mind, have highlighted some of the issues that people living with mental health conditions face when trying to purchase insurance<sup>2</sup>:

- **Those with mental health conditions are assessed as a 'high risk' customer.** If the provider believes they are more likely to have to pay out money on a claim they may refuse the cover or charge a higher premium.
- **Customers may be charged more if they are unable to work because of their mental health condition.** Insurance providers may only provide the option of selecting 'in work' or 'unemployed' in an application, with a higher premium if selecting unemployed.
- **The questions the provider asks may not be helpful.** Insurers may ask a single question, such as 'have you ever had a mental health problem?', and then refused cover or charged a higher premium if the answer is 'yes'.
- **It might be difficult to get the cover required.** Many insurance providers do not cover pre-existing medical conditions, including mental health problems, or have restrictions about what they will or will not cover in terms of mental health.
- **The process of applying can be difficult.** A mental health condition can make it hard for the customer to concentrate on small print or fill out forms.
- **The insurance provider might not clearly explain its decision-making processes.** If the customer is refused insurance cover, or charged a high premium, the insurance provider does not always properly explain why.

Despite the ongoing consultation by the Financial Conduct Authority (FCA) on 'vulnerable customers'<sup>3</sup>, it is felt that insurers are still not being inclusive despite their being a growing need to cover this particular type of need.

<sup>2</sup> <https://www.mind.org.uk/information-support/guides-to-support-and-services/insurance-cover-and-mental-health/challenges-to-getting-insurance-cover/>

<sup>3</sup> <https://www.fca.org.uk/publications/guidance-consultations/gc20-3-guidance-firms-fair-treatment-vulnerable-customers>

The Association of British Insurers (ABI) recently published a set of standards<sup>4</sup> to encourage the insurance sector to improve how it serves consumers with mental health conditions. The standards are:

- 1. Improving accessibility**
- 2. Application process: asking appropriate questions**
- 3. Communicating decisions and cover; clarity and empathy**
- 4. Transparency**

With an ever-increasing number of people recognising the importance of good mental health and seeking appropriate support and treatment when necessary, traditional views on mental health need to change, including with insurance.

## Creating inclusive policies

Mental health is now at the centre of many conversations. With more people opening up about their experiences, and workplaces becoming more inclusive, this is something that needs to be equally recognised by insurance products and services.

Customers purchasing personal lines insurance, such as life and travel, find that disclosing their condition makes obtaining cover difficult. Despite positive conversations happening socially and professionally, these significant changes are not always found when it comes to applying for insurance.

Rather than facing high premiums or undergoing a stressful application, some customers may choose to either not disclose their medical history or not purchase cover at all. This will create issues if a claim needs to be made. If a customer does not have insurance then they have no protection. If they do not disclose their full medical history then this could void the entire insurance policy, regardless if it is not related to the incident. Customers should not be made to fear insurance and the application process. By taking steps to become better informed about mental health conditions, insurers should be able to make better judgements and fairer decisions about how to apply cover.

For this to happen, the way information is obtained and processed needs to change. Mental Health UK provided some suggestions to insurers in their 2020 research report, "Affording protection: mental health and insurance"<sup>5</sup>, on how to improve the application process:

- 1.** We ask the Government to take affirmative action to ensure that people living with mental illness who seek insurance benefit from the protections of the Equality Act and ensure that its application is properly monitored.
- 2.** We ask that firms expand the training of their staff on mental illness – at all levels - to ensure that those in customer facing roles, and those who manage them, have improved understanding of what mental health conditions mean and how to work with people who live with them.
- 3.** We ask that firms review the questions they ask people living with a mental illness to ascertain how and why they are asked and what assumptions they are based on.
- 4.** We ask that underwriters and reinsurers are clear and transparent about the data they use to assess risk, and they ensure they gather all relevant data about an individual's circumstances to be able to risk assess more accurately.
- 5.** We ask that firms adopt a 'tell us once' principle so that people living with a mental health condition do not need to repeat their story. This would help reduce the anxieties that many people feel about engaging with the insurance market.
- 6.** We ask for greater transparency from firms at the start and the end of their application process on what the implications of having a diagnosis of a mental health condition are for decision-making to improve trust among consumers living with mental illness.
- 7.** We ask that insurers proactively signpost those who need support to independent advice resources. This will help demystify the process for the significant proportion of people who are reluctant to engage with the industry.
- 8.** We ask for proactive, positive messages from insurance firms that they are open for business to people affected by mental health issues to encourage them to apply.

## The suicide provision

For life insurers, when assessing the medical history of a customer, if a previous suicide attempt is disclosed then it is likely the insurance policy will be declined or priced at 10 to 15 times the normal rate<sup>6</sup>. There are many issues with this:

- The current mental health status of the customer is not taken into account
- Premiums may be unaffordable
- Bad PR for insurers not offering a proper service, leaving customers unprotected and exposed

Some insurers might be more accommodating if there has not been a significant mental health event within that past five years, however this is also a long time to tell a customer to wait before they can try applying again.

While this may seem to be acknowledging the issue, more is needed to understand the situation beyond a superficial analysis. Underwriters should not focus solely on a diagnosis but make better steps towards understanding the context of the customer's medical history. Customers can sign a confirmation to say they are aware of a suicide exclusion on their policy, but this does not mean they will get affordable cover. Factors should be considered, such as if the customer can demonstrate they are in a stable condition, if they are well supported or if they are on a successful course of medication.

While this information will still likely result in a higher priced insurance product than a customer without a mental health condition, it should be more proportionate to the individual rather than an over-estimated high risk.

## Good Practice

### 1. Learn more about mental health conditions.

There are many different types of mental health condition with many different causes. While it is not expected for insurers to become medical experts, they should at least make proactive steps towards better understanding how to protect their customers. Consider partnering with a charity that can provide better insight and research into improving the understanding of specific types of condition, the factors behind them, causes and impacts, and ways to identify genuine risks fairly.

### 2. Put yourself in the customer's place.

Those applying for insurance are looking to protect themselves, their property or their loved ones. By putting yourself in the mindset of your customer, this should help to empathise with their requirements and individual circumstances. Identify what it is they need protection for and what the actual risks are that may affect it. Questions asked and phrasing on the application should be sensitive and demonstrate an understanding of why that information is required. If the customer can see you are trying to understand their needs, this should help towards creating an accurate and beneficial application process.

### 3. Provide more clarity with applications.

Completing an insurance application can be stressful for customers, especially if the application is declined. Try to be clear about why you are asking for specific information and how that information is being used. This will also help you identify any questioning that is unnecessary or irrelevant to the application. If the customer feels their application process is thoughtful and fair, this should help reassure them that you are putting their interests first. If the risk cannot be covered, try to be clear in a helpful way about the reasons behind the decision. This may be able to help the customer better identify an insurer who is able to take on the risks that you can't.

### 4. Review exclusions.

If you are unable to underwrite a risk, don't just 'set and forget'. Remind yourself to review why you have particular exclusions and if there is any new information now available that can help you understand more about covering this type of risk. Similarly, if there is a risk you already cover, keep striving to find out what more can be done to understand it.

### 5. Know how to signpost.

If you must decline an application for mental health reasons, it can be particularly disheartening for the customer to have to complete another application. Try to be more helpful by signposting to another provider or resource who may be more appropriate. This demonstrates to the customer that you have engaged with their application and are knowledgeable enough to recommend somewhere more suitable for their specific needs. This can also create better partnerships with you and other providers if you can recognise each other's specialties.

### 6. Have a 360-degree approach to mental health.

Being more aware of mental health should not stop at your customers. It is just as important to look after your own mental health, as well those you work with, your friends and family. With the increase of remote working, many people may feel isolated or under more pressure combining work with their personal responsibilities. Find out from your employer what support and resources they offer (eg mental health first aiders, wellbeing support, counselling services). There are also a growing number of free online resources that can offer effective measures of support.

## Conclusion

With customers still unsure how their insurers will react when disclosing a mental health condition, or how their policies are being calculated, it is clear that insurers need to demonstrate greater clarity with their products. Customers should feel confident to approach their insurers and to understand who can provide fair and affordable cover.

Providing transparency, clarity and better phrasing during the application process are significant first steps that underwriters can take. By making a greater effort to approach mental health with the detail and attention it deserves, more suitable and affordable personal lines products can be created. But this is only the beginning. By seeking to have a greater understanding of mental health conditions, insurers need to then demonstrate this understanding by how they treat their customers. Greater clarity and reassurance is needed during the whole insurance process. It should not be relied on for brokers or claims handlers to deal with customers. Underwriters should be providing as much detail and insight as possible so that everyone involved can understand how and why decisions. This will also prove helpful in the event of a claim.

Understanding mental health is also not a one-time fix. As more is understood about the causes, whether medical or social, this should also be reflected in the way policies are written and calculated. This is a unique opportunity for the whole insurance sector to work together to meet the growing demand for products that truly reflect the needs of its customers.

## Appendix - Primary source material

### Association of British Insurers (ABI)

- **Mental health and insurance**, <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/health-insurance/mental-health/>
- **Mental Health & Insurance Standards**, <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/health-insurance/mental-health-standards/>
- **Wellbeing**, <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/health-insurance/wellbeing/>

### Chartered Insurance Institute (CII)

- **A guide to implementing the Thriving at Work standards**, <https://www.cii.co.uk/media/10120634/implementing-the-thriving-at-work-standards.pdf>
- **Mental health strategies for the workplace**, <https://www.cii.co.uk/learning-index/articles/mental-health-strategies-for-the-workplace/72810>

### Financial Conduct Authority (FCA)

- **GC20/3: Guidance for firms on the fair treatment of vulnerable customers**, <https://www.fca.org.uk/publications/guidance-consultations/gc20-3-guidance-firms-fair-treatment-vulnerable-customers>

### Mental Health & Money Advice

- **Insurance and mental health guide**, <https://www.mentalhealthandmoneyadvice.org/en/managing-money/insurance-and-mental-health-guide/>

### Mental Health In Business (MHIB)

- **MHIB homepage**, <https://mhib.co.uk/>

### Mental Health UK

- **Affording protection: mental health and insurance (July 2020)**, <https://mhukcdn.s3.eu-west-2.amazonaws.com/wp-content/uploads/2020/07/29173911/Affording-protection-mental-health-and-insurance.pdf>
- **Insurance industry can't afford to discriminate against people living with mental illness**, <https://mentalhealth-uk.org/blog/insurance-industry-cant-afford-to-discriminate-against-people-living-with-mental-illness/>

### Mind

- **Insurance cover and mental health**, <https://www.mind.org.uk/information-support/guides-to-support-and-services/insurance-cover-and-mental-health/challenges-to-getting-insurance-cover/>

### Society of Underwriting Professionals (SOCUP)

- **Professional Focus: Mental health in the workplace**, <https://www.socup.org.uk/learning/learning-content-hub/articles/professional-focus-mental-health-in-the-workplace/90201>
- **Professional Focus: Mental health in the workplace - Should I be worried?**, <https://www.socup.org.uk/learning/learning-content-hub/articles/professional-focus-mental-health-in-the-workplace-should-i-be-worried/91651>
- **Vulnerable customers - A Good Practice Guide for iunderwriting professionals**, <https://www.socup.org.uk/learning/learning-content-hub/articles/vulnerable-customers/87620>
- **Wellbeing in the workplace**, <https://www.socup.org.uk/news-index/articles/wellbeing-in-the-workplace/84611>

