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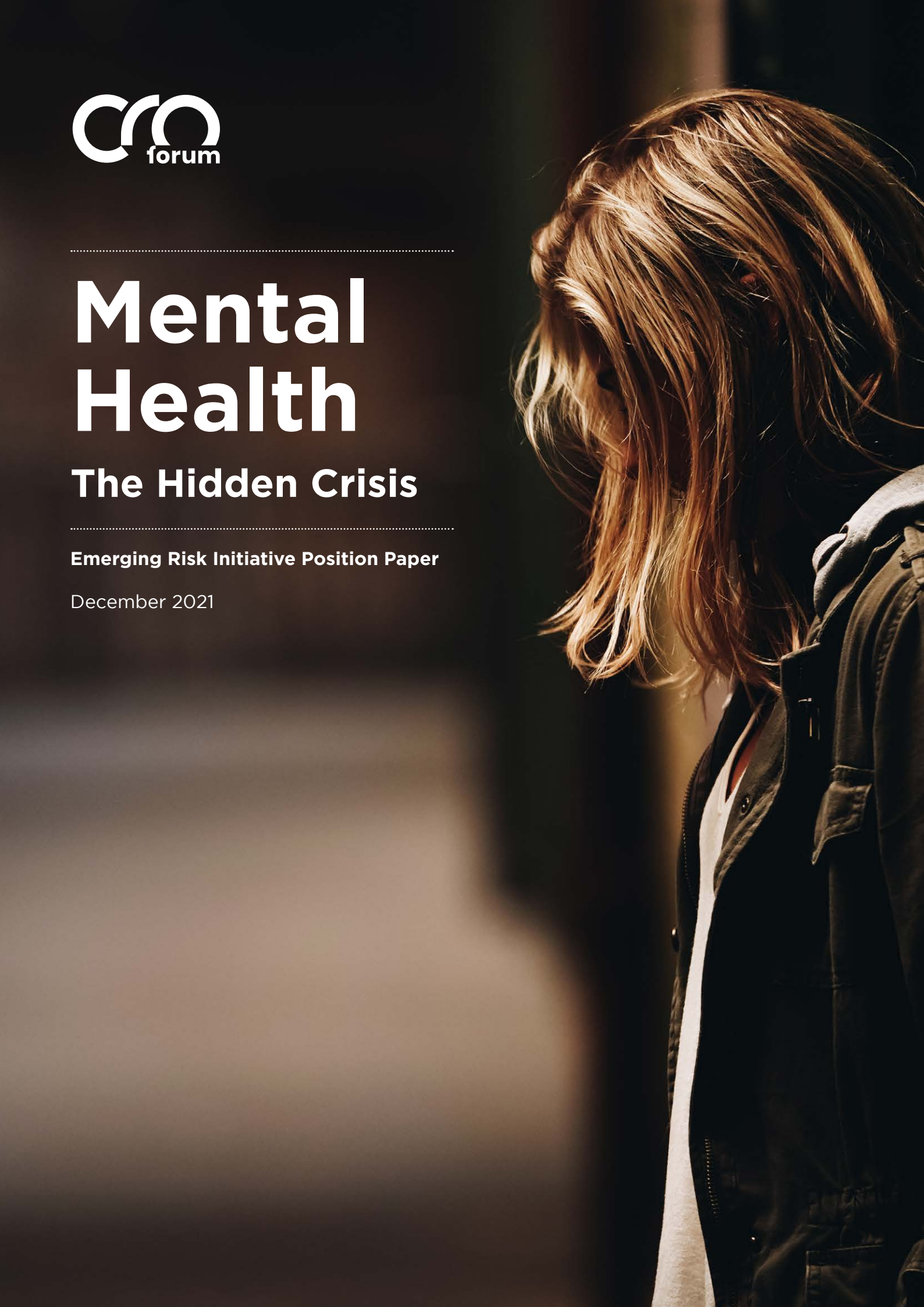
Mental Health

The Hidden Crisis

Emerging Risk Initiative Position Paper

December 2021



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Foreword

Back in 2019, mental health conditions affected one in ten people worldwide. This was in pre-COVID times: before the global health crisis, the successive lockdowns, the isolation, the economic hardship, the uncertainty and anxiety about the future, all of which have worsened the situation - yet mental health is not considered as a top healthcare priority in most places.

Mental health conditions are the main cause of disability and early retirement in many countries and a major burden to economies – costing trillions every year. Disability insurance claims experience shows that these conditions have been on the rise for more than a decade. The pandemic has been a catalyst and made it even more so visible that we face an upward trend, both in terms of the number of people affected and the related costs. Mental health awareness has grown as well, yet there is still much to be done to improve risk knowledge, assessment, and mitigation.

With this paper, we aim to shed light on the rampant, multi-faceted and often overlooked crisis that is impacting mental health globally – with a focus on the potential implications on the insurance industry. Our goal is to provide a clear and up-to-date view of the challenges related to mental health, focused on the impacts on life and non-life insurance underwriting, claims, risk management, as well as on investments and operations.

More widely, mental health is increasingly recognized as a major societal issue. As such, it can be expected to garner more and more attention from the public and private sectors alike. Insurers will have to rise to the challenge and play their part in serving society's evolving protection needs, while dealing with limited resources, shortages of trained professionals, lack of structured programs... To deal with mental health-related risks, and as it is often the case for emerging risks, collaboration among stakeholders and prevention will be key and may even lead to new opportunities for the insurance industry.

The development of this paper would not have been possible without the dedication and active involvement of several contributors from the CRO Forum member companies. We would also like to thank Dr Si Thu Win and Ms. Joanna Scott from the Association of British Insurers for their insights.

Executive summary

The world may be on the brink of a mental health crisis. As the coronavirus pandemic wanes, the aftermath of nearly two years of isolation and uncertainty is ever-present in people's lives, affecting both their physical and mental wellbeing. There is a rising wave of mental health conditions globally, carrying with it burdens that will likely weigh on all stakeholders in the insurance industry.

An Overview of Mental Health

According to the World Health Organization, mental health is a *state of wellbeing in which individuals can realise their own abilities, can cope with the normal stresses of life, can work productively and are able to contribute to their community*. Therefore, anyone whose state of mind prevents them from functioning as such would, by definition, lack good mental health.

The "Mental Health Continuum" is a spectrum encompassing a variety of conditions that range from mental wellbeing and short-term distress at one end to severe long-term mental illnesses at the other. People's mental health is influenced by a broad range of risk factors and determinants, an often-complex mix of biological, psychological, and social factors. Given the intricate and intertwined risk factors, it is difficult to quantify to what extent each factor contributes to the incidence of mental health conditions. However, research shows that people with certain characteristics are more prone to mental health conditions:

- Higher rates of anxiety and depression prevail among women, sexual minorities, and children.
- Those addicted to drugs - whether legal or illegal - can also be diagnosed with other mental health conditions, known as co-occurring disorders.
- Automation and the excessive use of digital technologies may also erode people's mental health in both their professional and private lives.

The ongoing COVID-19 pandemic, triggering anxiety and depression in the general population, is a catalyst for potentially greater mental health issues. Risk drivers include phases of prolonged isolation, the unknown end of the pandemic, the question of if or when a return to normal life will be possible, and harsher economic conditions with their social repercussions.

Mental Health Implications for Insurers

Over the past decade, there has been a shift in claims from physical health to mental health with burnout, anxiety, and depression overtaking musculoskeletal impairments and neurological diseases. This has been especially visible in Disability insurance. The magnitude of this shift should be closely monitored to assess the economic impact on all insurance lines of business as well as areas with inherent risks (e.g., operations, investment, and asset management).

Mental health-related uncertainties pose transversal challenges to the insurance industry such as potentially quick and far-reaching regulatory changes on insurance coverage of mental health conditions, difficulties in medical classifications for claims management, and concerns related to discrimination, anti-selection, and complexity of diagnosis in the underwriting and risk assessment phases.

With rising mental health conditions worldwide, insurers are likely to be facing these challenges sooner and more frequently than they may expect. For instance, in October 2021, the Australian regulator implemented a set of prescriptive regulations that significantly impact insurers' product design, underwriting and claims management whenever mental health coverage is integrated in Income Protection products.

Life and Health: the rise in mental health risks worldwide is expected to lead to an increase in the number and complexity of claims in Protection insurance (incl. Disability insurance and Life insurance) and Health insurance. Mental health conditions are already among the leading causes of incapacity to work and suicide, leading respectively to rises in Occupational Disability and Life claims.

Both the increased demand for mental health services and the ongoing need to cover psychological disorders have implications for Health insurance claims. Many factors add to the complexity of mental health claims, such as:

- the difficulties in diagnosing mental health conditions,
- the chronic aspect of mental health disorders,
- the interconnectedness of physical and mental health,
- the presence of co-morbidities - causing or resulting from mental health conditions,
- the lack of data,
- and the reliance on self-reporting.

Property and Casualty: while the potential implications might be indirect and to a lesser degree than in Life and Health, mental health conditions can nonetheless be expected to increase the severity and frequency of claims in Casualty insurance. Among these are:

- Employers' Liability – if workplace lawsuits claim that employers failed to protect employees from mental health risks.
- Workers' Compensation – if employees claim they must stop working due to detrimental mental health and related co-morbidities.
- Professional Liability and Medical Malpractice – if healthcare professionals are held liable for negligence, medical error, and omissions due to mental injury, fatigue, and burnout.

Investments and Asset Management: mental health risks may also negatively impact investment decisions at an individual level, while ESG-oriented investment strategies could target new opportunities in mental healthcare ventures and innovations.

Operational risks (incl. litigation and reputation): insurers may face mental health-related operational risks and losses such as reduced performance, errors and absenteeism, loss of key staff and an inability to attract talent, as well as litigation and reputational risks in case of poor working conditions affecting their employees' mental wellbeing.

The Societal Role of Insurers in Mental Health

With the incidence of mental health conditions increasing at an alarming rate in both emerging and developed countries, costs related to mental health are expected to increase in the years to come. In addition, a wide range of stakeholders (e.g., policy makers, regulators, NGOs, shareholders, corporate clients, etc.) will have diverging priorities and expectations from the insurance industry.

In response to increasing awareness and demand for mental healthcare treatments and services, some public health systems have sought to close the gap in coverage of mental health conditions. However, this coverage faces limitations and differs from one country to another. In many countries mental healthcare costs are still largely out-of-pocket.

Insurers will have an important role to play in sharing their expertise and using different levers to improve the prevention and mitigation of mental health conditions and risks, with the aim of better serving the evolving needs of society. Even when public health systems play an essential role in mental healthcare, private insurers' expertise in assessing and pricing risks and responding to market needs can serve to mitigate the impact of poor mental health on the healthcare system.

Moving from Protection to Prevention
To best mitigate the impacts of deteriorating mental health on healthcare systems, mitigation must take the form of both protection *and* prevention. The earlier mental health conditions are detected, the better they can be prevented, resulting in lower associated costs for insurers and healthcare systems. By offering intervention services in the early stages of mental health conditions, the risk of more disruptive health conditions for the patient and higher-cost interventions can be alleviated.

Addressing rising mental healthcare demand
With an increase in the number of mental health conditions, a rise in the demand for coverage is to be expected. Meeting these heightened customer needs will be a challenge for all parties involved, and will require exploring new avenues, sometimes in a collaborative manner.

In conclusion, mental health is at the centre of an interconnected web of emerging risks and major trends. Like other emerging risks, mental health-related risks present not only challenges, but also opportunities. For the insurance industry, the opportunities exist to develop sustainable products that contribute to its purpose of serving the vulnerable and building more resilient societies to help navigate our way out of this hidden crisis.

Introduction

Global mental wellbeing has been impacted over the past year by an unprecedented health crisis and its resulting lockdowns, economic downturns, social isolation, and remote working, along with geopolitical conflicts and social unrest, technological advances and automation, increased poverty and inequalities, environmental degradation and global warming. This is the backdrop of the surge in mental health conditions.

Both private and public health organisations are directing more of their focus towards this unfolding risk. However, even in countries where mental health conditions are covered by public social security, this coverage is often limited – notably in relation to long-term disabilities where costs tend to accumulate.

For insurers, the shift from physical to mental health disorders in Occupational Disability claims highlights an imperative to better understand the potential impacts of these mental health disorders on insurance coverages and other areas of inherent risks.

Mental health-related claims present specific challenges such as longer durations, complexity of diagnosis, non-visible symptoms, increased incidence for white collar professions, unreliable data, and reporting complexity due to social stigma. In addition, the assessment of mental health-related claims is less standardised, thus prone to arbitrary and unexpected outcomes.

This paper seeks to both address the implications of emerging mental health risks for the insurance and reinsurance industry[1], as well as identify the role of insurers in mitigating this hidden crisis. With these goals in mind, the paper includes:

(1) An overview of mental health
What conditions exist and how are they treated? What are the facts, figures, and associated trends?

(2) Implications for the insurance industry
What is the current situation? How could mental health challenges affect different insurance lines of business, and certain areas with inherent risks such as operations and investment?

(3) The societal role of insurers going forward
What could be insurers' wider role? What do stakeholders expect from the industry? How can the industry tackle these mental health challenges?

[1] For the sake of simplicity, in subsequent references to insurers/the insurance industry/companies/firms, this should be taken to include reinsurers and the reinsurance industry/companies/firms to facilitate the reading process.

1. An Overview of Mental Health

This chapter will provide the mental health definitions used in the mental health continuum. It will also cover socio-demographic, socio-cultural, political, and economic facts and figures along with recent developments and their interconnectedness with other emerging risks and trends.

1.1. Defining "Mental Health"

The mental health continuum

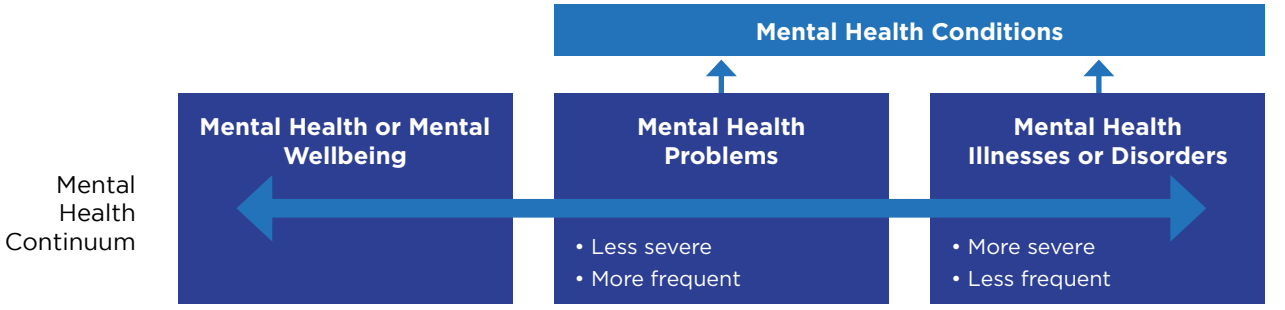
> "Mental Health is a state of wellbeing in which an individual realises his or her own abilities, can cope with the normal stresses of life, can work productively, and is able to make a contribution to his or her community"
>
> **World Health Organisation, 2018**

According to the World Health Organization's definition, unless a person is experiencing this state, they are not in good mental health. This state of wellbeing encompasses a wide range of emotional, physiological, and physical conditions that lie on the continuum of mental health from short-term distresses to long-term mental diseases and disorders (see figure 1).

A **mental illness** or a **mental disorder** is a health problem that significantly affects how a person feels, thinks, behaves, and interacts with other people. It is diagnosed according to standardised criteria.

The two primary sources used in this paper to define mental illnesses and mental disorders are the 10th edition of International Statistical Classification of Diseases and Related Health Problems (ICD-10)[2]

Figure 1 The mental health continuum



[2] Though detailed country-specific ICD codes exist, this paper uses the main ICD-10 code structure.

and the 5th edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM-5). Both ICD-10 and DSM-5 provide ways to classify mental conditions. The two systems do however differ. Table 1 details the differences between the two standards.

Appendix 1 presents a list of the mental illnesses and disorders categorized and developed in Chapter V of ICD-10[3], "Mental and Behavioural Disorders".

Mental health problems can then be defined as any condition **other than** (i)the state of mental health defined by the WHO and (ii) the mental illnesses defined by the ICD-10 classification. Some short-term mental health problems such as anxiety and phobias are usually recurring conditions that can be considered as part of everyday life.

Currently, there is no widely acknowledged clinical definition of mental health problems. Sometimes the distinction between mental health problems and mental illnesses or mental disorders can be blurred. To avoid arbitrary categorization, this paper uses the term **'mental health conditions'** to refer to both short-term mental health problems and long-term mental illnesses or disorders.

Risk factors and determinants of mental health

Mental health is influenced by a broad range of risk factors and determinants and for many there may be a complex mixture of these. The Biopsychosocial (BPS) model, first conceptualized in 1977, breaks down the biological, psychological, and social factors that may significantly impact people's mental health (Physiopedia, 2017).

Figure 2 BPS factors for insurers to consider

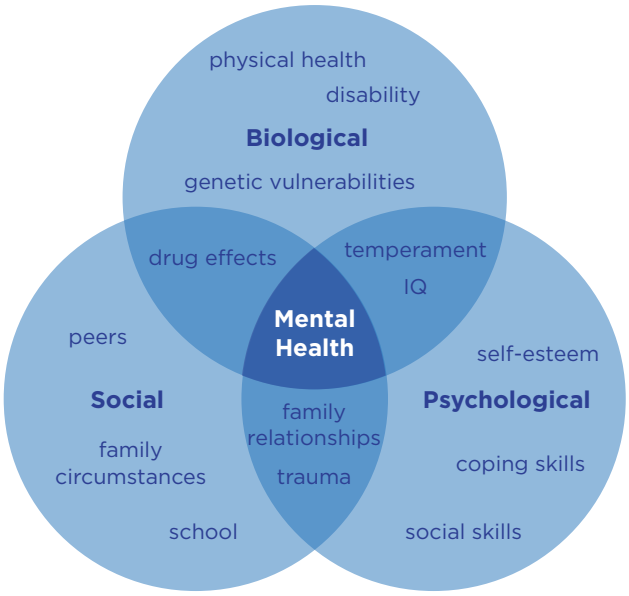


Table 1 Key Differences between ICD-10 and DSM-5 Systems

Key Differences	ICD-10	DSM-5
Creators	World Health Organisation (WHO)	American Psychiatric Association (APA)
Approving Body	The World Health Assembly, composed of health ministers of all 193 WHO member countries	The Assembly of APA
Primary focus	Serves as a global standard for health data collection, clinical documentation, and statistical aggregation. When it comes to mental health, ICD-10 undertakes to help countries reduce the burden of mental disorders	Serves as a standard for US psychiatrists to define and classify mental disorders and to improve diagnosis, treatment, and research
Geographical Distribution	Global Usage	Mainly used in the United States

[3] Four types of mental illnesses sub-categories defined by ICD-10 have been excluded from this list. The detailed ICD-10 category reference list and the rationale for excluding the four categories are found in Appendix 1.

Examples for each category of factors are listed below:

- **Biological determinants:** Physiological/ medical pathology (chronic illnesses, substance abuse, brain injury), genetic predisposition and vulnerabilities, disability, vitamin deficiencies, etc.
- **Psychological determinants:** Personality traits, childhood traumas, neglect, thoughts, emotions, behaviours such as psychological distress, fear/ avoidance beliefs, current coping methods and attribution.
- **Social determinants:** Socio-economic (unemployment, lack of financial stability, poverty, etc.), socio-environmental (homelessness, family circumstances, domestic violence, toxic work environment, cultural expectations, etc.), socio-demographic (age, gender, race, etc.), and lifestyle factors (work, diet, lack of sleep, etc.)

Given that risk factors are often intertwined, it is difficult to quantify every factor's contribution to the incidence of mental health conditions. However, with the COVID-19 pandemic in 2020, an overall increase of all these risk factors is observed.

Mental healthcare and treatments

Mental healthcare encompasses services devoted to treating mental health conditions and improving the mental health state of populations. Mental healthcare is composed of four stages: prevention, diagnosis, treatment, and recovery.

1. **Mental health prevention**, or 'public mental health', usually refers to efforts to stop mental health problems before they arise. It can also refer to support initiatives to help people stay well (Mental Health UK, 2020).
2. **Mental health diagnosis** names the illness among the possible mental illnesses and its degree of severity. Some of the major illnesses are depression, anxiety, schizophrenia, bipolar mood disorder, personality disorders, and eating disorders. The most common mental conditions are anxiety and depressive disorders. Some mental illnesses can be related to or mimic a physical medical condition. Depressive symptoms can, for example, emanate from a thyroid condition. Therefore, a mental health diagnosis typically involves a full evaluation with a physical exam. This may include blood and/or neurological tests.
3. **Mental health treatments** provide care adapted to the type of mental health condition and the individual's situation. Common treatment methods include psychotherapy, medication, case management, support groups, hospitalisation or institutionalisation, self-help plans, and peer support (MHA, 2021). Individuals can be prescribed one or a combination of treatments.
4. **Recovery** means gaining and retaining hope, understanding one's abilities and disabilities, engaging in an active life, and experiencing personal autonomy, social identity, purpose, and a positive sense of self.

No single treatment works for everyone – individuals can choose the treatment or combination of treatments that works the best for them. The recovery time from a mental health condition also varies depending on the individual and type of treatment chosen. Some may have recurring recovery and relapse phases.

1.2. Facts, figures, and recent developments

Mental health conditions affect one in ten people worldwide

Around 970 million people (13% of the world population) suffered from mental disorders in 2019 (The Lancet, 2020). The most common mental health condition is depression (WHO, 2019; WHO, 2020). In the year before the outbreak of the COVID-19 pandemic, 280 million people (3.8% of the global population) were affected by depression (The Lancet, 2020). Depressive disorders figured among the top worldwide disabilities and the top 20 causes of the Global Burden of Disease (GBD)[4]. In the past few years, depressive disorders have become increasingly prevalent (WHO, 2020) (see figure 3).

Mental health conditions take a heavy toll on human lives and cause burdens on the economy

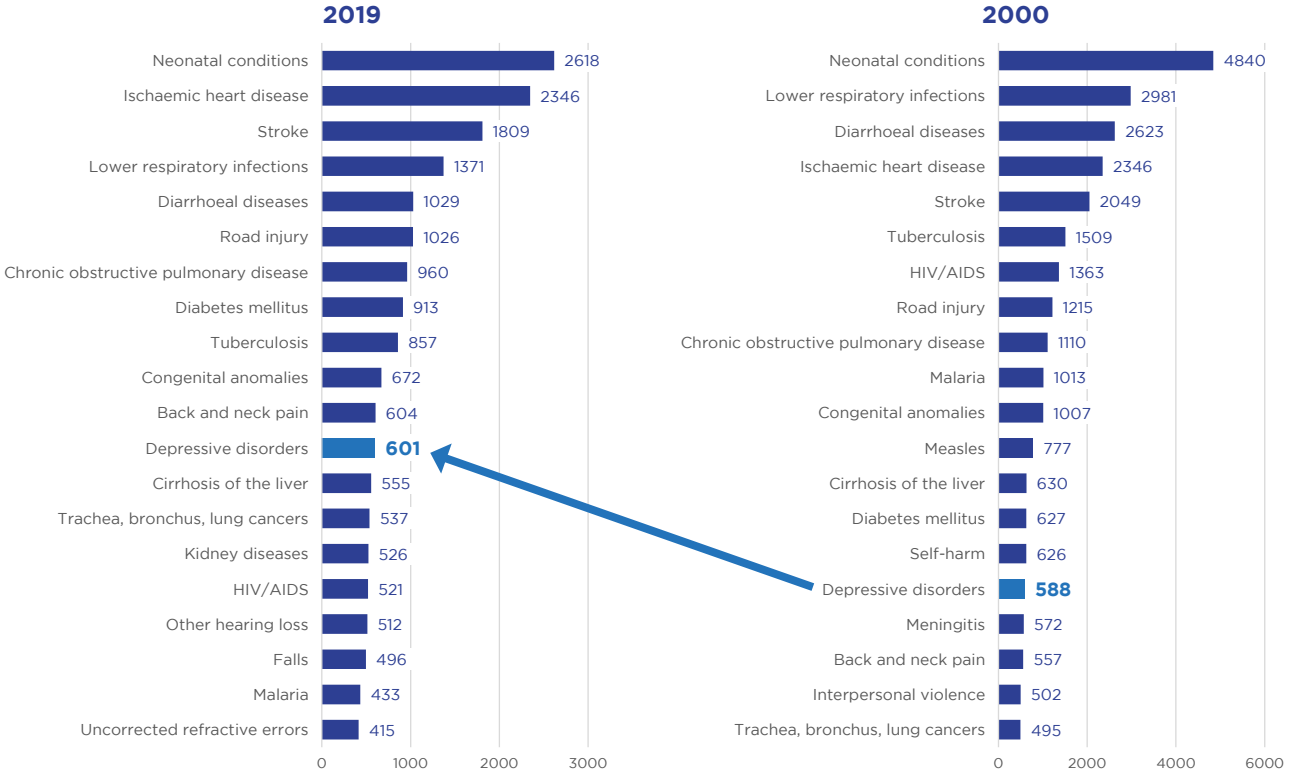
Mental health conditions are one of the most prevalent risk factors behind suicide. Studies suggest that people with a diagnosed mental health condition account for 97% of suicides worldwide (RGA, 2014). In several countries, suicide is a leading cause of death in certain age groups. According to the WHO (2019), it is among the top twenty leading causes of death globally, with more deaths due to suicide than due to breast cancer, malaria, homicide, or war. Some of the risk factors related to suicide are economic stress, social isolation, barriers to mental health treatments, illness, and medical problems, decreased access to community and religious support, outcomes of national anxieties, proliferation of firearms, etc. (Reger, Stanley, & Joiner, 2020).

The economic losses due to mental health conditions are colossal. Poor mental health was estimated to cost the world economy approximately US $2.5 trillion per year in 2010. This cost is projected to rise to US $6 trillion by 2030 (The Lancet Global Health, 2020).

People from certain socio-demographic groups are more prone to mental health conditions

Determinants for certain mental health conditions are manifold, one of them being gender. For example, women are more likely to be diagnosed with depression, anxiety, and related somatic complaints than men. In 2019, around 170 million

Figure 3 Leading causes of Disability-adjusted life years (DALYs) globally, in 2019 and 2000 (per 100,000 population)- WHO, 2020



[4] GBD estimates incidence, prevalence, mortality, years of life lost (YLLs), years lived with disability (YLDs), and disability-adjusted life-years (DALYs)

women (4.4% of the worldwide female population) suffered from depression, while the average prevalence among males was only 2.8%, with around 109 million affected (The Lancet, 2020; WHO, 2020). However, there remains considerable stigma around mental health and this could be why it goes underreported and under diagnosed. It could in part explain the difference between genders. In the UK there has been a lot of discussion around the fact that men of a certain age and ethnicity are more prone to mental health conditions. Women are generally more likely to seek medical attention and psychological therapies than men. According to UK's National Health Service (NHS), only 36% of referrals to talk to a therapist are men. In comparison, three times as many men die from suicide and men aged 40-49 have the highest suicide rates in the UK (Mental Health Foundation, 2021).

The prevalence of mental health conditions also differs according to age. While the average prevalence of depressive disorders globally averaged below 4% between 15 and 49 years of age, it was 6% and above in the age group 50 and over up until 2017 (Our World in Data, 2017) (see figure 4).

Recent studies have shed a light on the increase of mental health disorders among children and adolescents. According to the United Nations Children's Fund (2021), it is estimated that more than 13% of adolescents aged 10-19 live with a diagnosed mental condition (as defined by ICD-10). Anxiety and depression make up about 40% of these diagnosed mental conditions (UNICEF, 2021).

Due to discrimination and stigma, ethnic minority groups and sexual minority groups are more exposed to mental health conditions. People who self-identify as nonbinary, gender queer or transgender show an increased risk for depression, anxiety, and posttraumatic stress disorders (Borgogna, Ryon, Aita, & Kridel, 2019). According to a 2014 survey in England, the prevalence of mental disorders was significantly higher among Asian and Black women compared to white women (Gov.UK, 2017). In the US, people who identify as being two or more races (24.9%) are most likely to report a mental health condition than any other race group, followed by American Indians/Alaska Natives (22.7%), white (19%), and black (16.8%) (see figure 5 on the next page) (American Psychiatric Association, 2017).

People from cultures that consider mental health conditions or expressions of emotions as shameful are more vulnerable to mental disorders, as they are reluctant to seek help. Culture shapes the social perception of mental health conditions, influences patients and practitioners' attitude, and even the design of the mental healthcare system (Gopalkrishnan, 2018).

Figure 4 Prevalence of depressive disorders, by age group (in percent) - Our World in Data, 2017

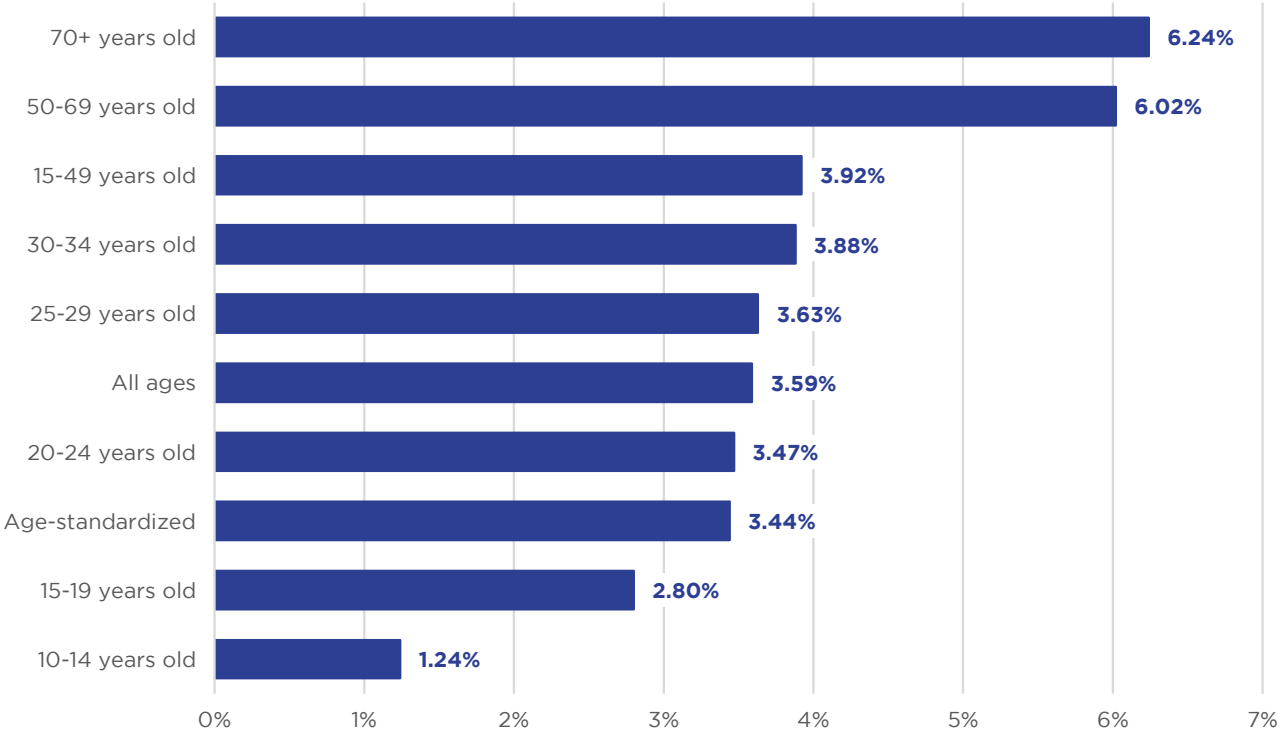
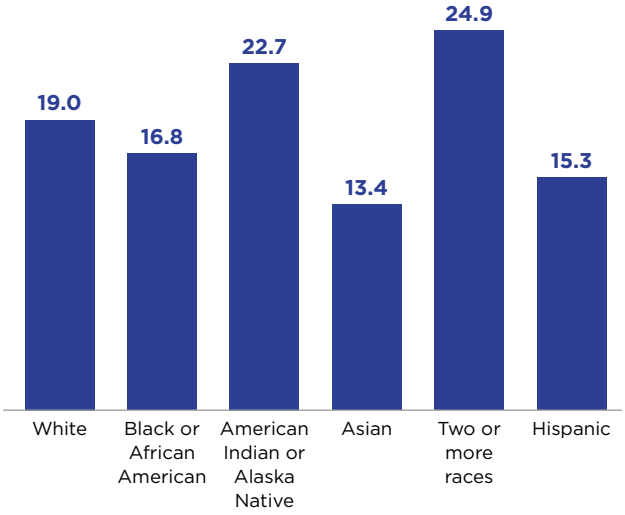


Figure 5 Mental Illness among adults in the US, segregated by race/ethnicity (2008-2012)
APA, 2017



Substance abuse may lead to mental health conditions

Many people who suffer from substance addictions - whether legal or illegal depending on different geographical locations - such as cocaine, inhalants, ketamine, marijuana, prescription drugs, steroids, alcohol, etc. are also diagnosed with other mental disorders and vice versa (NIDA, 2020). There is a relatively high prevalence of comorbidity in substance users, with about 50% having both a substance abuse and a mental health disorder (EMCDDA, 2016). Compared with the general population, people addicted to drugs are roughly twice as likely to suffer from mood and anxiety disorders (NIDA, 2020).

Automation and the excessive use of digital technologies in workplaces and daily life may negatively impact people's mental health

The continuing automation of processes in workplaces as well as the ongoing pressure to adapt to new changes and to be available at all times are factors influencing workers' mental health. According to a recent survey done by Canada Life Group Insurance, 32% of the questioned employees were concerned that their job would be fundamentally changed by automation, while the same proportion (32%) were anxious or worried about losing their job. A quarter (26%) said they were anxious because they might be unable to work with or understand the new systems (Canada Life, 2019).

In addition, there is increasing attention on how excessive digital media use impacts mental health. A study conducted in 2019 shows that phone calls and texting were positively correlated with mental wellbeing, whereas online gaming was negatively associated with mental wellbeing. The way the technology was used may also influence the relationship between digital media use and mental wellbeing: interaction, self-presentation and entertainment on social media were associated with better wellbeing, but passively consuming social media content was associated with poorer wellbeing (Liu, Baumeister, Yang, & Hu, 2019). Some teens - girls in particular - on social networking platforms such as Instagram struggle with the never-ending focus on appearance, relentless fear of missing out, promotion of influencer culture, and pressure to collect likes and approvals. Moreover, suicide rates in this demographic group have coincided with rising rates of social media use. Girls who used social media for at least two to three hours per day at the beginning of the study - when they were about 13 years old - and then greatly increased their use over time, were at a higher clinical risk for suicide as emerging adults (Brigham Young University, 2021).

Deep Dive: COVID-19 implications and mental health

The ongoing COVID-19 pandemic is a significant catalyst for mental health issues. The causes are manifold. These include phases of prolonged isolation, the unknown end of the pandemic, the question of when a return to normal life will be possible, but also increasing financial and social problems generated by the ongoing economic crisis. These specific pandemic effects occur at a time that is already marked by a global increase in mental health problems. Researchers have conducted several mental health studies on two groups, those who had contracted and survived COVID-19 and those who had not suffered from the virus.

Initially, there was hope that patients would fully recover after overcoming COVID-19. The data now presented in several studies raise concerns that morbidity nonetheless remains elevated after recovery. In a review of nearly a quarter of a million medical records in Lancet Psychiatry, one third (33%) of all US adults who were infected by the virus in 2020 were treated for neurological or psychiatric disorders in the first 6 months after infection (Taquet, Geddes, Husain, Luciana, & Harrison, 2021). Anxiety disorders and depression were the most common, but substance abuse and sleep disorders also occurred. All these symptoms are part of the "Long-Covid" or "Post-Covid" syndrome, which occurs not only in patients who have been hospitalized for severe COVID-19 but also in those who have been treated as outpatients. Compared with influenza, psychiatric or neurologic illness was 44% more likely to occur after COVID-19. Compared with all respiratory infections, the risk was increased by 16% (Taquet, Geddes, Husain, Luciana, & Harrison, 2021). This suggests that COVID-19 is indeed responsible for some disorders. However, there are still many uncertainties about the "Long-Covid" problem. For example, it is still unclear what percentage of COVID-19 patients will develop "Long-Covid" and how long the symptoms will last.

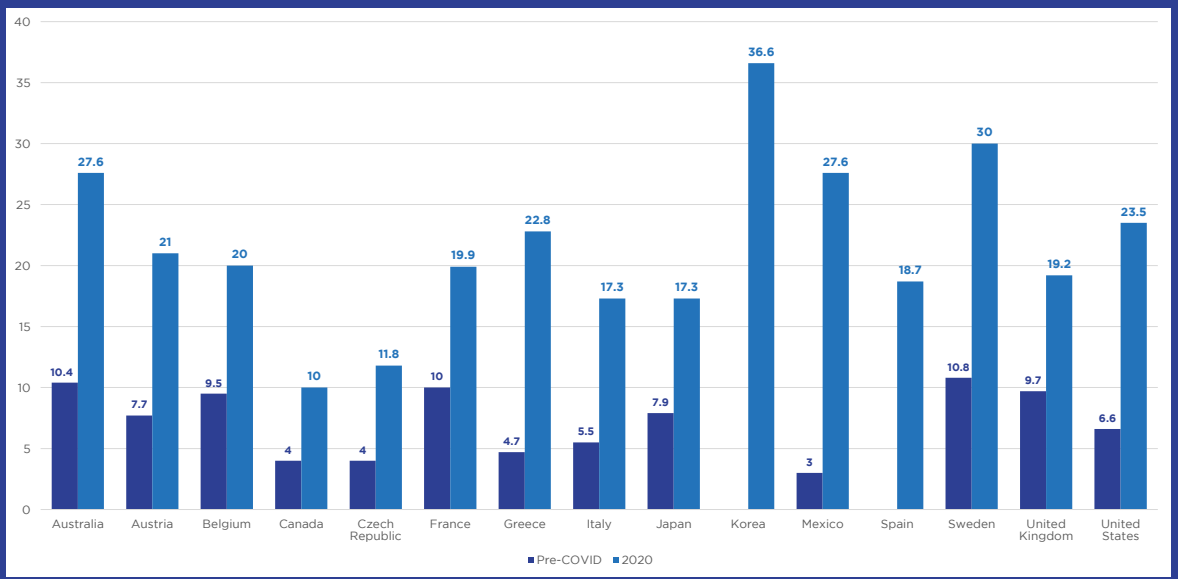
Even people who have remained physically healthy during the pandemic have suffered psychologically from its consequences. According to a meta-analysis (Kunzler, et al., 2021), the pandemic mainly triggered anxiety and depression in the general population. There were factors that made coping with the pandemic easier for older age groups, higher incomes, and better education levels. The reverse is true for lower socio-economic groups (which may have a greater representation of ethnic minorities). Education apparently makes it easier to obtain reliable information and avoid uncertainty in a crisis. Men, according to the results of the meta-analysis, can cope with the crisis more easily than women, although they are more likely to suffer from COVID-19. People with pre-existing mental illnesses, as well as anxious people who are worried about their health, have an increased risk of mental disorders in the pandemic (Kunzler, et al., 2021).

Children and adolescents have suffered particularly from lockdown consequences, as a study from Switzerland (Mohler-Kuo, Dzemaili, Foster, Werlen, & Walitza, 2021) shows. According to this study, children and adolescents have a particularly hard time, as they were restricted in their urge to move and in their social contacts even though they had the least to fear from the pandemic.
The analysis shows that during the first lockdown from mid-March to the end of April 2020, the frequency of mental health symptoms increased, with female teenagers being more affected than males: 54% of female and 38% of male young adults reported mild to severe depressive symptoms. Almost half of young women (47%) and one-third (33%) of young men experienced mild to severe anxiety. In addition, attention-deficit hyperactivity disorder (ADHD), was observed to have increased in that population (Mohler-Kuo, Dzemaili, Foster, Werlen, & Walitza, 2021). Due to increased online time during lockdown, several children and young adults met the criteria for problematic internet use, which has its own mental health implications. Even though the number of people suffering from depression increased from 211 million in 2000, to 280 million in 2019 (The Lancet, 2020), its global prevalence rate has been rather stable over the past decades (United Nations, 2020). However, COVID-19 has

dramatically changed the status-quo. Recent studies indicate that the global prevalence of depressive disorders has witnessed an increase of 28% in 2020, while the prevalence of anxiety increased by 26% (Nochaiwong, et al., 2021). It is also estimated that COVID-19 led to a 1% increase in global suicide rates (John, Pirkis, Gunnell, Appleby, & Morrissey, 2020). At EU level, the prevalence of depression increased significantly in 2020 (see figure 6 below) (OECD, 2021). These developments reflect the general and economic uncertainty, disruptions in social life, and increased stress levels caused by COVID-19.

The pandemic was also marked by remote working, one of the biggest changes it ushered. The number of remote workers peaked in the first spring 2020 lockdowns. Now several tech companies, including Twitter and Slack, have even announced permanent remote work plans for their employees (Stoller, 2021). Although working from home presents its advantages for employees, it may also expose them to greater risks of mental health conditions. Remote working may blur the boundaries between employees' professional and private life, making it more difficult for them to disconnect from work and exposing them to **digital burnout**. Additionally, the lack of face-to-face interactions with colleagues may enhance the feeling of social isolation. Poor mental health due to digital burnout does directly impair employees' job performance and productivity. It may reduce their physical capabilities, impair their engagement at work, and hinder their relationships with colleagues. High turnover rates and loss of key staff can also result from digital burnout. According to the World Economic Forum (2021), globally, 41% of workers are considering quitting their job due to digital burnout (Fleming, 2021). The U.S. Bureau of Labour and Statistics reports 4 million people leaving their jobs in April 2021 (2.7% of the U.S. labour force), the largest number ever recorded by the agency (Raymond, 2021). The reasons are high levels of burnout and dissatisfaction among those who worked remotely during the COVID-19 pandemic. Employers and governments are mobilized to root out mental health conditions caused by work. Many countries have adapted or are adapting the "right to disconnect" regulation [5] in an effort to prevent and reduce work-related mental health conditions. A current study also shows the increasing interest among employers to address workplace mental health through organisational initiatives and occupational therapist services for employees (Thompson, Fugard, & Kirsh, 2021).

Figure 6 Prevalence of depression in early 2020 and in a year prior to 2020- OECD, 2021



[5] According to Eurofound, the "right to disconnect" refers to a worker's right to be able to disconnect from work and refrain from engaging in work-related electronic communication, such as emails and other messages, during non-work hours and holidays (Eurofound, 2019).

Healthcare workers are more prone to mental health conditions – increasing the gap in the frontline

More doctors and healthcare professionals have been suffering from burnout and other mental health conditions. Many studies document elevated suicide rates and mental distress among medical professionals. This at-risk group of professionals serving in the front lines is battling both against COVID-19 and rising mental health conditions. The pandemic has triggered global concerns for healthcare workers relating to infection, their family members' exposure, shortages of necessary personal protective equipment, sick colleagues, overwhelmed facilities, and work stress (Reger, Stanley, & Joiner, 2020). However, burnout and a high prevalence of mental fatigue was a problem among doctors and nurses even before the pandemic started. A study in Korea highlights a greater prevalence of anxiety disorders, sleep disorders (related to frequent nightshifts), mood disorders, and other psychiatric disorders for workers in the healthcare industry than in other Korean workforces (Kim, et al., 2018).

Physician burnout may reduce productivity, increase turnover, and possibly decrease patient access to care. Healthcare workers leaving their jobs will create a gap in the medical field. An April 2021 study surveying the sentiments of nearly 28,000 University of Utah Health system clinical and nonclinical faculty, staff, and trainees found that 20% of its respondents are considering changing professions. Researchers said the findings suggest that *"retaining highly trained doctors, nurses, and scientists in the aftermath of the COVID-19 pandemic could be the next great healthcare challenge"* (Raymond, 2021).

Persisting stigma around mental health conditions impedes treatment and recovery

Regardless of the reasons leading to mental health disorders, mental health stigma can lead to discrimination either obvious and direct or unintentional and subtle (Mayo Clinic, 2017). According to the results of a systematic review, individuals with mental illness were usually marginalised and/or labelled as dangerous, weak, strange, incompetent, and blameworthy (Ran, et al., 2021). A substantial number of those individuals suffered from isolation, rejection, and social distancing from society, friends, families, and partners. Other harmful consequences of the stigmatization are the reluctance to seek treatment and feeling incapable of improving one's own situation.

Government-led initiatives to tackle mental health conditions

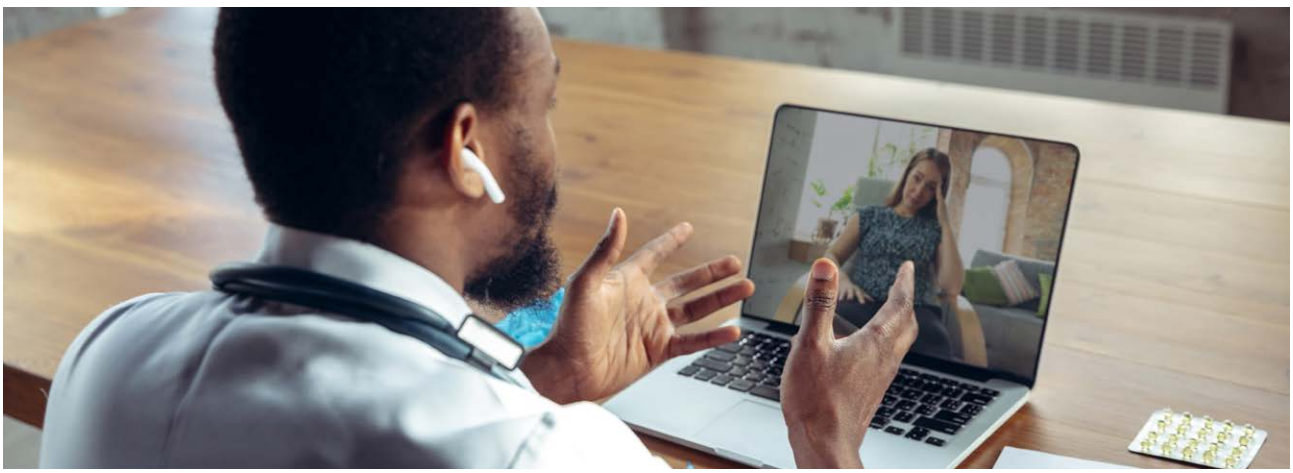
Though governments had taken actions to improve the mental health of their populations before the pandemic (e.g., EU's compass for action on mental health and wellbeing[6]), **it was the pandemic that pushed mental health to the top of the political agenda**. Taking stock of the lockdowns' negative impacts on mental health, governments have initiated several programs to address this issue (OECD/European Comission, 2020). For example, in Germany, a broad alliance of several ministries and over 50 authorities and organisations came up with an initiative to focus on mental health in response to the pandemic (Deutsches Ärzteblatt, 2020). Similarly, the government of Canada provided Canadian $7.5 million in funding to *Kids Help Phone* – a mental health helpline offering e-mental health services and counselling for children (OECD, 2020).

Recent developments in mental health treatments

A flurry of pharmaceutical and non-pharmaceutical treatments, new technologies, and mobile apps with a focus on mental health are emerging – both with positive and negative consequences.

There has been a recent rise in telemedicine treatment of mental health conditions. Compared with conventional treatment methods, telemedicine benefits from being more convenient, more accessible, and cheaper for some (i.e., hospitalized patients, patients having difficulties in travelling or living in medically underserved zones, patients who might be stigmatized for being mentally unwell). Telemedicine may decrease stigma as it protects patient privacy (Wilson, Rampa, Trout, & Stimpson, 2017). A recent study shows that therapists consider telemedicine as an effective, useful, and satisfactory way to deliver treatment. The satisfaction rate among participants who received internet-delivered interventions is relatively high (Reay, Looi, & Keightley, 2020). However, some disadvantages to tele-mental health include technological difficulties, such as poor audio or video quality; risks of data privacy breaches; lack of in-person contact interfering with the therapist/patient relationship; and greater challenges for the therapist to detect non-verbal signs and indicators.

Mental health related trends and figures are on the rise. We can, therefore, expect an increase in mental health-related risks both in the insurance industry and in society as a whole.



[6] In 2015, This initiative organized several events and workshops, published reports, as well as collected and shared best practices across the member states. From 2016 to 2018, the initiative focused on seven areas to approach mental health: preventing depression & promoting resilience; bettering access to mental health services mental health at work, mental health in schools; preventing suicide; providing community-based mental health services; and developing integrated governance approaches.

1.3. Interconnections with major trends and other emerging risks

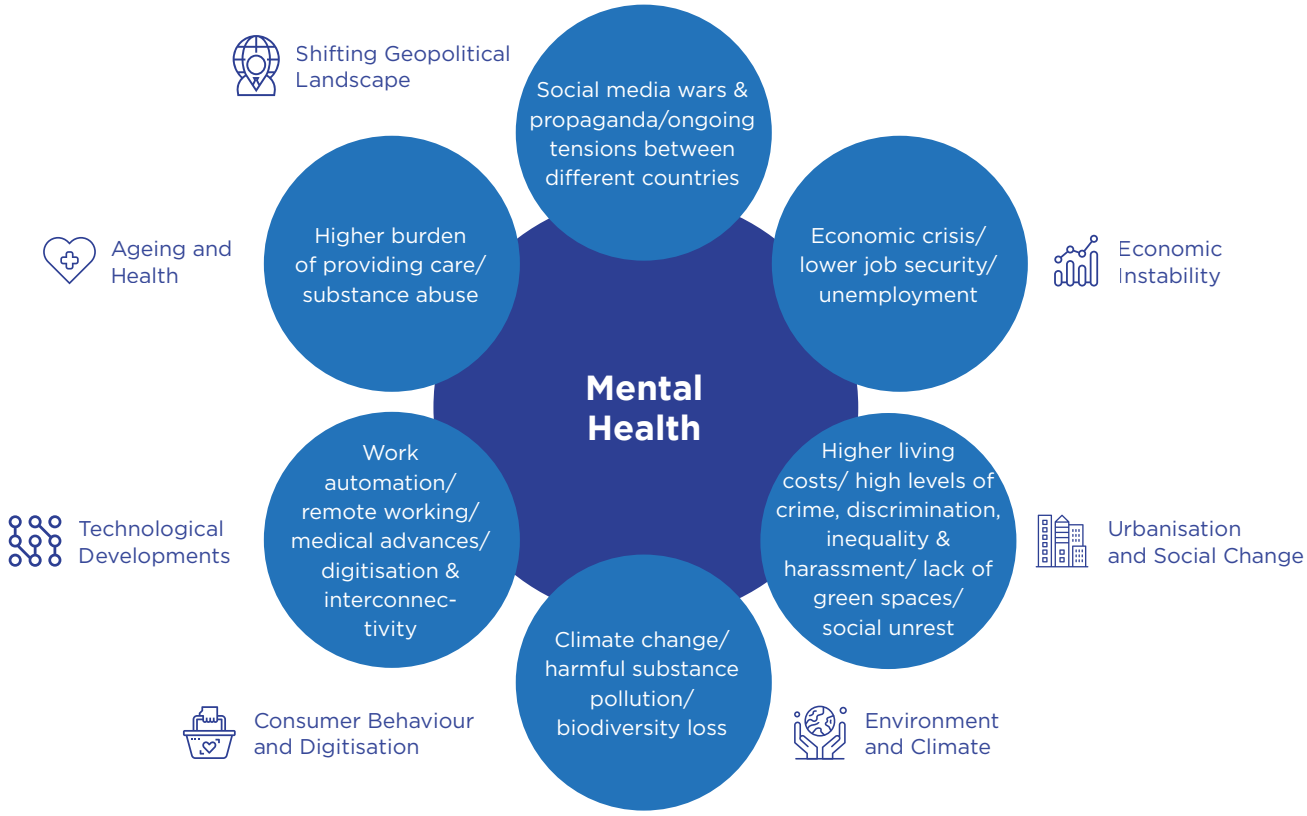
The above facts and developments, compounded with the observed impact of mental health risks on insurance claims, as well as the associated uncertainties and unknowns, have led to categorizing mental health as an emerging risk in the 2021 CRO Forum Emerging Risk Radar[7].

All of the **trends** identified by the CRO Forum in the "Major Trends and Emerging Risks Radar" have connections to mental health. Some of these connections are obvious and direct while others manifest via secondary impacts. To some extent, mental health is a cause for other risks, and in many cases the consequence of other trends (see figure 7 below). To design and manage insurance products that support people and communities in the future, it is a prerequisite to understand these links. Some illustrative examples are given in the following sections.

Ageing and Health: New challenges are resulting from ageing societies such as the higher burden of providing care, a potentially reduced workforce, and related demographic and financial issues. This can leave individuals in situations that foster poor mental health, such as being or feeling isolated, overworked or financially strained. In parallel, lifestyles are becoming increasingly sedentary, and this – in addition to other lifestyle factors, such as poor diet, lack of sleep and substance abuse – has a detrimental impact on mental health. It is proven that people who exercise regularly have better mental health and emotional wellbeing, and consequently, lower rates of mental illness (Better Health Channel, 2018). Regular exercise also improves sleep, while lack of sleep and disturbed sleep patterns bring about poor levels of mental health.

Economic instability: The instability which has characterized the global economy in recent times has resulted in a tendency towards declining mental health. On an individual level, this may lead to lower job security and higher unemployment, the impacts of which are not limited to financial stress only. Work also provides status, a social network, as well as a daily structure. The loss of one's place in the workforce can therefore have significant

Figure 7 Examples of Mental Health Interconnectedness with Major Trends and other Emerging Risks



[7] The Radar is a summary of emerging risks and associated major trends that could affect the insurance sector over the next five years and beyond. Risks are classified low, medium, or high according to their perceived materiality. Both the list of risks and the assessment of impact and timing are based on the expert opinion of the Emerging Risk Initiative (ERI) working group of the CRO Forum. The impact of mental health on different lines of business is rated as medium and the time horizon of the first significant impacts is expected within 1 to 5 years.

mental health ramifications. The World Economic Forum has summarised various studies on the link between unemployment and suicide, attributing 45,000 (equivalent to one in five) suicides per year worldwide to unemployment (World Economic Forum, 2015).

Environment and climate change: The impacts of climate change on human physical health are well-known and documented. Even in countries where environmental devastation due to climate change is not so apparent yet, there is evidence of depression, despair, and guilt associated with the climate crisis and other global environmental issues (WHO, 2018). A contributing factor to poor mental health is the helplessness an individual may experience when understanding that danger is imminent but no direct mitigation actions exist to eradicate the danger. The large-scale nature of environmental problems facing humanity (e.g., loss of biodiversity and climate change) and their prominence in the media reinforces this.

Shifting geopolitical landscape: The wars of the 21st century are increasingly being waged online, and some of the collateral damage includes harming mental wellbeing. State actors have at times used social media campaigns to increase tension within countries. One recent example is paying online influencers to discredit the COVID-19 vaccines of certain countries (Tagesschau, 2021). Such polarising political and social discourse provokes feelings of negativity and helplessness in populations that are generally oblivious to being manipulated. The fragmentation of long-standing alliances through disinformation campaigns such as the ones seen with Brexit and ongoing global geopolitical tensions also generate the impression that cooperation is no longer valued and international alliances have weakened. A feeling of "everyone has to fight for themselves" is likely to contribute to elevating stress levels in populations concerned.

Technology developments / Consumer behaviour & digitisation: Automation will put pressure on certain job profiles and job security forcing people to adapt to an ever-faster pace and causing stress for workers without the right or sufficient digital skills. In addition to job automation, technological developments can also more subtly and unexpectedly influence mental health. Algorithms and applications may for instance have a built-in bias. For example, the oximeter fingertip devices sometimes provide misleading readings for people with dark skin (NEJM, 2020). Often, algorithms are based on the status-quo of inequalities and end up reproducing or even reinforcing them, debilitating the mental health of those on the receiving end.

On the other hand, as explained in the CRO Forum's 2019 paper on Medical advances, digitisation and interconnectivity also offer opportunities to improve mental health via more innovative tools for prevention, diagnosis, and treatment.

Urbanization and social change: The relationship between urbanization and mental health is complex. Many cities provide beneficial features, such as access to key services (including help for people suffering with mental health conditions), a wide range of educational facilities, good infrastructure, public meeting points, parks, culture, and entertainment. People in rural areas, in contrast, can often feel isolated with reduced access to services. In some countries, the challenges of making a living in the agricultural sector have led to high suicide rates for farmers.

However, the cost of living in urban areas can create an economic burden that is too high for individuals with low salaries or low retirement income (Burger, Morrison, Hendriks, & Hoogerbrugge, 2020). In the large cities of developed economies, some aspects of city environments such as higher levels of pollution, traffic congestion, high levels of crime, inequality, and lack of green spaces, could have a detrimental effect on mental wellbeing. Social cohesion is furthermore challenged by migration and polarisation, and the frustration this causes could be manifested via social unrest.

2. Mental Health Implications for the Insurance Sector

As observed in the previous chapter, mental health risks are mounting worldwide. Consequently, one would expect an increase in the number of claims in Health insurance, Disability insurance and Life insurance. Claims handlers in Occupational Disability insurance in particular have observed a continuous shift from physical diseases (e.g., musculoskeletal impairments) to mental health-disease-related claims. Depending on the underlying guarantees, the economic impact could be substantial. This chapter will explore the implications and impacts of mental health on all insurance lines of business and the areas with inherent risks.

2.1. Transversal implications for insurers

Mental health risks give rise to uncertainties that challenge the insurance industry. Insurers weigh these risks in their pricing, underwriting and claims management, but the transversal characteristics particular to mental disorders set this group of diseases apart from others.

Challenges in data quality and future trends' modelling

High quality, granular data is essential for insurers to **design and price products**. The mental health categories in medical classifications (ICD-10 and DSM-5) are extremely broad and range from phobic, anxiety disorders to schizophrenia. Even when claims assessors possess the required specialised knowledge, it remains difficult for them to identify the mental health conditions in the classifications. These difficulties can result in a lack of consistency and granularity in mental health data. Both existing data on previous mental health claims and current claims experiences corroborate this inconsistency.

In addition, historic trends on the prevalence of different types of mental health conditions are often unavailable or unreliable. Due to social stigma, mental health conditions have been under-reported and underdiagnosed, making trends difficult to identify with certainty. Although social awareness and acceptance are improving, the existing differences between countries limit insurers' ability to use aggregated data.

Modelling future trends in incidence and recovery rates with significant uncertainty on how these may evolve also proves complicated. Mental health trends are typically long-term and on an unpredictable timeline rendering it hard for insurers to conduct proper and accurate pricing and reserving. This is, to a large extent, due to lack of historic data, the multi-risk drivers that can influence future trends' development, and the specificities of every generation.

Complexity in risk selection during underwriting

Issues of discrimination, anti-selection, and complexity of diagnosis are challenges in the underwriting and risk assessment phases. Insurers traditionally rely on customers' personal medical history and to some extent their family history when assessing risk. However, due to the complexity and uncertainty around what causes certain mental health conditions, this traditional approach may either under or overestimate an individual's risk of future claims. Family history may be unavailable (due to data privacy regulations), unreliable, or biased as historic social stigma around mental health conditions may have led to these conditions being undisclosed, and therefore, not included in family history. Furthermore, personal history of mental health leaves out personal resilience (the ability to successfully adapt to difficult or challenging life experiences), which can have a significant risk impact. One customer could be diagnosed with severe depression and continue working effectively while another customer in similar circumstances may be unable to function at work and claim benefits. Disclosure of family or personal history furthermore depends on the customer's interpretations of the questions and self-assessment. For example, if the person has not been medically diagnosed with depression, their answer to the question on their personal history of depression may depend on how they interpret the state of their mental health in the past. The question's wording and the level of interpretation and subjectivity will impact the level of disclosure.

Disclosure may also be impacted by fear of discrimination or non-acceptance at underwriting where customers might be reluctant to admit past difficulties with their mental health or downplay the severity of their experience, especially in circumstances where they were not formally diagnosed by a medical specialist.

Based on all the above, mental health-related risk assessment is challenging compared to physical conditions. For instance, there is a well-established quantifiable link between cardiovascular diseases and several lifestyle factors - such as smoking or obesity. For certain mental health conditions, no clear links exist. Consequently, the industry may bear economic losses for rejecting customers with low and acceptable risk levels or accepting customers with a higher risk than expected. Shifting to more data-driven decision-making in underwriting, pricing, and reserving would improve risk assessment and results.

Challenges in claims management

One main challenge for insurers looking at mental health conditions is the level of subjective judgement involved in the diagnosis and claims assessment. Unlike other illnesses, for many mental health conditions, especially stress, anxiety, or depression, there are currently few identifiable and reliable medical biomarkers or clinical and laboratory tests. As the patients' interpretation of the severity of their symptoms depends on their judgment, it makes the diagnosis and assessment of their severity less reliable. Furthermore, there is concern that diagnosis and treatment recommendations vary substantially depending on the medical background and experience of the person assessing the patient (i.e., diagnosis from general practitioner (GP) vs. diagnosis from a specialised psychiatrist) and the differing mental health diagnosis practices from one country to another (e.g., different classification systems).

The uncertainties around the causes and the level of influence of the risk factors, co-morbidities, and combinations of illnesses often lead to a very complex overall situation that needs to be assessed in light of the given objectives: product development, pricing, underwriting and claims. According to Brijnath, et al. (2014), there have been five key challenges related to mental health claims management: (1) the low perceptibility of the injury; (2) the complexity of managing mental health claims; (3) the development of mental illness as a secondary issue (i.e., developed as secondary to a primary physical condition); (4) the stigma associated with declaring a mental claim; and (5) the management of the conflicting Independent Medical Examinations (IMEs) used to cross-check mental health claims. This study concludes that insurers are uncertain about how to tackle mental health claims' growing complexities highlighting the need for clearer guidelines and further training in related domains.

There are some real-time and quantitative measures that provide objective benchmarks. Dedicated rating scales exist for depression, bipolar disorders, and schizophrenia, to name a few, but these are unfortunately not as popular as traditional treatments (i.e., clinical examinations, psychological therapy, psychiatrist consultations). The claims team's ability to navigate complex health systems, biopsychosocial factors, and real-time quantitative diagnosis measures is central to handling mental health claims.

Strengthening claims handlers' knowledge of mental health would improve how they manage these claims. Several initiatives could be undertaken to improve training, such as adding Motivational Interviewing & Health Support Plans to claims assessors' competency requirements or incorporating GPs and mental health treatment providers in workshops for claims assessors. In addition to claims management, insurance firms could provide training on mental health conditions to all customer-facing staff to ensure they understand mental health conditions and how to work with people who live with them.

The Association of British Insurers (ABI): The Origins of Mental Health Standards and Training

In 2019, the ABI formed its Mental Health Working Group to develop proposals to tackle the three areas under the most scrutiny in the insurance sector. These include the screening process, in particular the use of outdated evidence; barriers in the customer journey around disclosure of mental health conditions; and the lack of transparent communication around loadings and exclusions. This Mental Health Working Group brought together Protection, Health, and Travel insurers to exchange on the mechanisms that would improve consumer understanding of insurance and the underwriting journey involved in accessing products such as Life, Critical Illness, Income Protection, Health, and Travel insurance. The working group collaborated with employee health and wellbeing specialists to develop a training platform designed for use by anyone who interacts with insurance customers. The training, called **Rightsteps**, was developed with members, advisers, and mental health experts throughout 2020 and was launched in April this year. In three steps, the online training course helps staff understand the mental health challenges customers face, to treat them with empathy, and to help them find the right information and specialist advice on insurance.

Potential changes in regulations

Mental health and insurance coverage of mental health conditions are an area of focus for regulators in many countries. Changes in regulations and how they may develop present challenges for the industry. For example, the Australian regulator issued and is implementing highly detailed prescriptive regulations that will significantly impact insurers' product design, underwriting and claims management if they offer mental health coverage in Income Protection (see deep dive on the regional perspective: Australia on page 24). In other countries, industry bodies, like the UK Association of British Insurers (ABI), are issuing guidance to insurers on how to interact with customers suffering from mental health conditions, including underwriting and claims practices, and the need for employee training on mental health conditions (further details in ABI deep dive on the left).

Mental health-related cost-sharing between the public and private sector differs from one country to another. In certain countries, Health insurance had excluded mental health services and related expenses. There has, however, been a shift regarding coverage for psychological disorders worldwide.

In France, the Association of French Insurers (FFA)[8] announced that Health insurers will cover four psychological counselling sessions per year in 2021 and possibly beyond (FranceInfo, 2021). Recently, the French government announced that, starting 2022, Social Security will be covering psychologist sessions for all people aged three and above when prescribed by their general practitioner (FranceInfo, 2021).

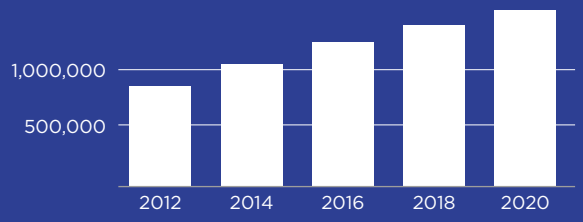
In India, mental health has become one of the major health issues. A recent report states that nearly 1 out of 20 Indians suffers from mental health issues and that with the numbers significantly increasing in 2020, the importance of Health insurance coverage has increased drastically (PolicyBazaar, 2021). The Insurance Regulatory and Development Authority of India has hence asked Health insurance providers to include mental illnesses under the umbrella of Health insurance coverage (PolicyBazaar, 2021). Regulatory changes can be quick and far-reaching and pose yet another level of uncertainty for insurers.

[8] The members of the French Insurance Federation are public limited companies, mutual insurance companies with or without intermediaries, and branches of foreign undertakings.

Deep Dive into Australian regulatory changes in Disability insurance practices – a regional perspective

Understanding mental health trends in the Australian market can be helpful to inform developments and best practices in other markets. In Australia, work-related mental stress is the second leading cause of workplace compensation claims (after manual handling) and the number of mental health treatment plans created by GPs has been steadily growing since 2012 (Brijnath, et al., 2014) (see figure 8 below).

Figure 8 Number of mental health treatment plans created by GPs 2012-2020



Australian GPs and insurance claims managers reported that there were several difficulties associated with the acceptance and assessment of a mental health claim, as there were neither visible injuries nor clear clinical guidelines and recommendations on mental health claims management and recovery timelines (Brijnath, et al., 2014). In addition, mental health injury compensation has always been controversial, with criticism on the personal characteristics and motives of claimants, or even disagreement with the whole idea of compensation. These include arguments that claimants were a) ill prior to the event – thus, the compensable injury is not relevant, b) amplifying symptoms or malingering for financial gain, and c) taking advantage of an ambiguous process where no physical proof needs to be provided and where GPs rather than specialised mental health professionals give most referrals (Centre for Posttraumatic Mental Health, 2018). Despite the industry's increased focus on engaging customers in their health and mental wellbeing giving rise to new product offers, the mental health crisis and the embedded healthcare system remain challenging for insurers. Studies assessing the Australian experience, for the 10-year period up to December 2018, show that claims' costs increased by 65% and that the market sustained these losses. (KPMG & FSC, 2020). This can be attributed to the comprehensive and liberal policy conditions – particularly for Disability insurance - awarded to the insured. While Australian insurance products were effective in managing short-term disability, they provided limited financial incentives to return to work for long-term conditions.

The Australian experience highlights how overly liberal policy conditions can be taken advantage of and threaten the very sustainability of individual disability income insurance. In the end, a solution to the problem was provided by the Australian Prudential Regulation Authority (APRA). In December 2019, APRA took the decision to intervene in the Life insurance sector by introducing a range of measures to address the flaws in income protection product design and pricing that had resulted in industry losses of around Australian $3.4 billion since 2014 (APRA, 2019). This regulatory intervention was welcomed by the Australian Life insurance market, as individual insurers had been reluctant to alter policy conditions that would have put them at a competitive disadvantage. APRA now requires insurers to implement certain measures to manage riskier product features, including: (1) ensuring benefits do not exceed the policyholder's income at the time of a claim and ceasing the sale of Agreed Value policies[9]; (2) refusing to offer Individual Disability Income Insurance (IDII) policies with fixed terms and conditions of over five years; and (3) ensuring that effective controls are in place to manage the risks associated with longer benefit periods.

All Australian insurers had to launch their new APRA compliant disability products in October 2021. These were redesigned to better align the needs of the insurer and those of their customers as disability income provides an important service to society. In short, effective insurance products are by nature sustainable for they are dedicated to serving society in the longer term.

[9] An "agreed value policy" allows a policyholder and an insurer to agree on the amount of income that will be paid to the policyholder, based on his/her income at the time the policy is underwritten. Therefore, regardless of how a policyholder's income might evolve years after purchasing the policy when a claim is made, the amount initially agreed – based on the claimant's income at the time the policy was purchased - would be paid.

2.2. Implications on Life and Health (L&H) insurance

This section addresses the direct and indirect impacts of mental health conditions on Occupational Disability, Life, and Health insurance claims.

Impact on Occupational Disability claims

Mental health conditions, one of the leading causes of working incapacity, strongly impact the Disability insurance line of business. Disability insurance is a type of coverage that *"provides financial support if injury or disease prevent a person from working"* (Lenkoe & Enslin, 2017). In the past few years, claims assessors have noticed an increase in volume and complexity of Occupational Disability claims. The literature shows a strong link between mental health conditions and long-term absenteeism from work that leads to an increased number of disability claims (Brijnath, et al., 2014; Centre for Posttraumatic Mental Health, 2018; Waddell, Burton, & Kendall, 2008). Data from the United Kingdom suggests that workers with mental health problems are more likely to be certified as being incapable of work compared to those with physical conditions. In 2017, mental health was the most common reason cited in income protection claims in the UK (Mental Health UK, 2020). Common mental disorders, like depression or burnout, are among the most frequent reasons for long-term absence from work. For instance, in 2017, 36% of the total number of people on invalidity[10] in Belgium were absent from work due to mental or behavioral conditions (Godderis, 2021).

While mental health conditions can make employees unable to work, poor working conditions can further exacerbate the situation. Protracted exposure to stress in the workplace—whether because of heavy workload, exposure to bullying and/or harassment, violence, trauma, or other factors—can lead to mental illnesses, such as anxiety, depression, and post-traumatic stress disorder (PTSD). Additionally, other morbidities might arise, such as migraines, increased blood pressure, and sleep disorders.

Mental health claims are hard to manage compared to physical diseases because of their inherent complexity. Difficulty to correctly measure the working capacity of individuals with mental health conditions is a real obstacle. This is compounded by potentially conflicting medical opinions and the stigma around mental health. In addition, medical professionals, despite having limited to no training on occupational functional assessment, are often called upon as experts in claims settlement. Consequently, the clinical uncertainty around mental health claims assessment and diagnosis can result in inconsistent opinions on the injury's severity, management, and Return to Work (RTW) prognosis, thus affecting the entire future claims path (see deep dive on Return to Work programs on page 25).

[10] Invalidity is defined as a period of sickness-related absence that lasts for one year or longer.

Deep Dive: What comes after Occupational Disability? – Establishing sustainable Return to Work programs

Back to work policies present the workplaces' obligations to collaborate in the work reintegration process, and in certain circumstances, a company's obligation to re-employ an injured worker. To help these workers transition, many companies offer "return-ship" or **"Return to Work (RTW)"** programs, which are like internships but are meant specifically for those who are re-joining the workforce after taking time away (Waddell, Burton, & Kendall, 2008).

Mental health conditions are nonetheless a real challenge when it comes to returning to work as scheduled.

What are the implications for insurers?

Many aspects, such as the complexity of claims, contradictory medical views, diagnostic and primary assessment difficulties because of the invisibility of the injury, and the stigma around the subject, made mental health conditions difficult to manage and hampered timely RTW. Vis-à-vis short-term Disability insurance, some claimants might try to stay on Occupational Disability benefits for longer periods. Returning to long working hours and highly competitive labour force might be disincentives for individuals to go back to work which increases risk of malingering (Waddell, Burton, & Kendall, 2008). Some predictors for non-return to work are severity of depression, short conscientiousness, advanced age, physical illness, and other mental health conditions (Swiss Re, 2020).

If RTW programs are successful, insurance companies face less costly and lengthy claims. Feeling productive positively impacts an individual's mental wellbeing and the normality of work potentially helps the insured recover from mental health conditions. Thus, encouraging to resume familiar habits can decrease the symptoms associated with mental health conditions and build up an individual's confidence. In due course, RTW programs convey messages of resilience, recovery, and the health benefits of work, all part of economic and social justice. Research shows that keeping people from returning to work and not facilitating RTW - when it is safe to do so - can be harmful to health, social, and economic status (Brijnath, et al., 2014). Additional education, research, and training (e.g., on diagnosis and management of mental health conditions) are needed to enable general practitioners, insurers, and employers to better assess and manage mental health conditions (Brijnath, et al., 2014). Insurance researchers may want to investigate what determinants play a role in enabling RTW after an absence due to a common mental health condition. The outputs of this research can (i) be applied to creating interventions supporting sustainable RTW and (ii) be shared with key stakeholders such as professionals working in mental health treatment, public authorities, professionals in Health insurance, and the Human Resources (HR) professionals who elaborate occupational wellbeing policies. Additionally, consistent guidelines for employers and insurers are required to expand current practices and enable mental health conditions' claimants to make a successful RTW.

Improving RTW services specifically for mental health conditions will thus make a meaningful contribution to social and economic reintegration (Godderis, 2021).

Impact on Life insurance claims

As previously mentioned, suicide is among the top twenty leading causes of death globally. The increase in mental health-related suicide deaths substantially impacts the insurance industry, Life insurance in particular. For example, depression-related suicides alone are estimated to cost Japan's economy US $11 billion a year, and direct medical costs represent less than 15% of this amount (Swiss Re, 2021). Especially relevant for Life insurers is the fact that though a higher socio-economic status seems to benefit mental health, it does not rule out suicide.

Before issuing a Life insurance policy, underwriters assess several factors unique to each person, their health, age, weight, personal and family medical history, and lifestyle habits. While physical health exams are only required in cases with a high face amount at risk, insurers do normally require claimants to disclose their medical history, including any mental health conditions (Kim G., 2020). As a general practice, Life insurers exclude suicide during an initial period of the policy, e.g., the first two years. However, incidence rates jump meaningfully after this period, suggesting that people may be intentionally delaying committing suicide till the Life insurance pay-out to their beneficiaries is in effect (RGA, 2014). Getting confirmation that the cause of death is suicide remains challenging for insurers as coroners are frequently reluctant to declare the cause of death during the claims assessment process particularly in societies where suicide is taboo (RGA, 2014). In many cases it is also difficult to ascertain whether death was accidental or self-inflicted. The exclusion clause thus often results in being unenforceable at claims stage.

Impact on Health insurance claims

According to a study published in Lancet Psychiatry, the Global Burden of Disease (GBD) for mental health conditions account for 32.4% of Years Lived with Disability (YLDs)[11] (Vigo, Thornicroft, & Atun, 2016). This common methodology in estimating the burden of disease suffers from significant weaknesses. For example, individuals with a psychosis have increased risks of diabetes and smoking because of neglect and their antipsychotic medication, but if a patient with psychosis has a heart attack, it will only be attributed to the cardiovascular GBD estimates (Vigo, Thornicroft, & Atun, 2016). Due to the systematic underestimation of mental health conditions and their significance, global healthcare resources designated to treat them are rather limited and ill-suited to handling these disorders. The Millennium Development Goals (MDGs) the United Nations published in 2015 (United Nations, 2015) make no mention of mental health conditions under any goal. At that time, mental health conditions only received 0.4% of health development assistance (The Lancet, 2015). In acknowledging the context of the pandemic, however, the Sustainable Development Goals (SDGs)[12] were amended to include mental health. Although mental health was not explicitly mentioned in the goals, it was included under *"Goal 3: good health and wellbeing"* in the latest SDGs report (United Nations, 2021).

The occurrence of mental health conditions correlates highly with the development of Substance Use Disorders (SUDs). When this occurs, it is known as co-occurring disorders. Among those who experience a mental illness in their life, about half will also experience an SUD (Ross & Peselow, 2012). A case in point is the United States that is currently dealing with an opioid epidemic (CDC, 2021). People addicted to opioids often have a co-existing mental health condition, such as depression or anxiety. According to US health authorities, out of the 19.3 million adults who suffered from SUD in 2018, more than 9 million also suffered from a co-occurring mental health condition (SAMHSA, 2019). According to the Centres for Disease Control and Prevention, the total economic burden of prescription opioid misuse in the United States is US $78.5 billion a year, including the costs of healthcare, lost productivity, addiction treatments, and criminal justice proceedings (NIH, 2021).

Indirect impact on Life and Health insurance

L&H insurance bear many of the indirect consequences of mental health risks.

Mental health conditions often have a poor medical prognosis resulting in low recovery rates as the patient's symptoms become chronic. Pay-outs for such conditions frequently continue until the insurance policy expires representing an extremely high burden for insurers and employers. Properly detecting mental health conditions as soon as they occur and preventing their progression is thus vital. Many employers and claims managers are often sceptical either about the validity of a long-term

[11] Years lived with disability (YLD) is a measure reflecting the impact an illness has on quality of life before it resolves or leads to death.

[12] The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.

mental health claim or about the severity of the illness. General practitioners were more circumspect when assessing such cases, but all three professional groups involved – general practitioners, employers, and claims assessors – had encounters where there were doubts about the validity of the claim and its *"chronification"*[13] (Brijnath, et al., 2014).

What is more, as individuals suffering from mental health conditions may have a lower ability to make sound financial decisions, this can be detrimental to several insurance lines of business including savings. These individuals' reduced capacity to work also limits their purchasing power and their ability to provide for themselves and their families. Financial distress can compel them to prioritize short-term needs at the expense of sustainable provisions, meaning that they might lapse existing covers or exercise options such as cash drawdowns.

Mental health conditions are impacted by co-morbidities and vice versa (Australian Institute of Health and Welfare, 2012). Having a co-morbidity can increase hospitalisation rates, increase recovery duration or even the ability of the individual to recover at all. Moreover, recurring episodes of mental conditions and subsequent incapacity to work often lead to an increased likelihood of physical conditions such as obesity, diabetes, or back pain, which can result in disability or even premature mortality. Co-morbidity risks are often higher in people with mental health illnesses (Swiss Re, 2020). The insurance industry may hence witness an increased rate of terminal illnesses or long-term disability claims indirectly caused by mental health conditions.

While the presence of co-morbidities can complicate assessing the risks of mental health conditions, it can also be useful. As alternative data sources emerge, insurers can use these new sources to better categorize risks and write guidelines. This will progressively provide a fair and informed risk assessment process. Moreover, enhanced application questions at the underwriting phase will help ensure a more accurate risk assessment and clearer claims process. These measures could serve as the foundation of more targeted and scarcer exclusions in mental health underwriting. There is a growing movement to build data analytics capabilities by investing in new data approaches and linking data sets to enhance insights (e.g., linking underwriting and claims data to create predictive modelling). Insurers could build these predictive tools from information received at initial claims submission for instance. These measures could better establish risk and predict support needs and outcomes for disability claimants, particularly for mental health claims. In addition, investigating how the Biopsychosocial Model could be integrated into underwriting and risk assessment questions could be an important step in refining the process. Furthermore, insurers can provide continuous support and reassessments of mental health conditions through a policy's life. In such a policy, clauses can be readjusted as needed to reflect the insured's mental health conditions and the very dynamic nature of such a condition.

[13] "Chronification" is a term stemming from the chronic aspect of mental health conditions

2.3. Implications on Property and Casualty (P&C) insurance

Direct consequences of mental health conditions on P&C

The rise in mental health conditions may have implications on different P&C products especially when it comes to mental health at the workplace. Workplace lawsuits filed by employees claiming that employers failed to enforce preventive measures to protect them from mental health conditions (i.e., burnout) might emerge.

While burnout has yet to be fully categorized as a mental health condition, it has been identified under "problems related to life-management difficulty" in the ICD-10 coding system. It is also defined as a state of vital exhaustion and inefficacy caused by an imbalance between key job demands and one's ability to recuperate both at and outside of work (AXA Foresight, 2020). Furthermore, research led by the WHO and the ILO found that working 55 hours or more a week was associated with 35% higher risk of stroke and 17% higher risk of dying from ischemic[14] heart disease, compared to a normal working week of 35 to 40 hours. While the study did not cover the period of the pandemic, WHO officials noted that the recent jump in remote working and the economic slowdown may heighten the risks associated with long working hours. The report estimates that working long hours is responsible for about a third of all work-related diseases, making it the largest occupational disease burden[15] (WHO & ILO, 2021). Employer's Liability, Workers' Compensation, and Accident and Health claims are likely to rise as employees stop working due to work-related mental health conditions and co-morbidities. Increased furloughs and employment litigations lead to potential economic hardships for the employer. Additionally, the potential for malingering - which refers to the intentional fabrication of symptoms for financial or other secondary gain - or employees adapting a sick-role behaviour are often discussed in the framework of compensation. This concept is particularly pertinent for claims regarding posttraumatic stress disorder (PTSD) and other mental health conditions, largely due to the lack of objective indicators that can be identified by mandated assessments (Centre for Posttraumatic Mental Health, 2018). This highlights the need for proper and meticulous investigations into the causes of work-related mental health conditions by both the employer and the insurer.

Employers might face high turnover rates and struggle to retain employees if they fail to take proactive measures to mitigate mental health risks. This could potentially result in an increase in reputational risk and Directors & Officers (D&O) liability as shareholders and other stakeholders might take legal action against businesses that do not appropriately respond to mental health concerns. Strong judgment and rational decision-making underpin D&O liability risk. Directors and officers are often held to account for alleged poor judgment or irrational decision making. Any trend that shows a decline in the quality of decision making and/or judgment is concerning and could ultimately negatively impact D&O liability risk.

Professional Liability Insurance (PLI) - more commonly known as Errors & Omissions (E&O) in the US – may also be directly impacted by the surge of mental health conditions. PLI is a liability insurance designed to protect individuals and companies rendering professional advice and services from bearing the full cost of (i) defending themselves in a negligence claim made by a client and (ii) paying damages awarded in such a civil lawsuit. Developing mental health trends elevate the risk under healthcare-related E&O policies, that is those written for psychologists, psychiatrists, medical doctors, counsellors, and other health professionals. In these stressful pandemic times, claims for medical doctors and other over-worked personnel's wrongdoing may arise. Healthcare professionals could be exposed to an increasing risk of professional liability – coverage for third party/ personal bodily injury – for negligence, medical errors, or omissions due to mental injury, fatigue, or burnout. The psychiatrist-patient relationship is one of the most personal in the field of professional healthcare. As a result, a psychiatrist's errors or missteps in treatment can carry significant consequences for patients. And like any other doctor or healthcare provider, a psychiatrist could be liable for medical malpractice if a patient proved to be harmed. The high prevalence of mental health conditions among healthcare workers is alarming and might require prompt action to protect them from potential medical liability and malpractice claims.

[14] The National Centre for Biotechnology Information defines Ischemic as when an organ is not getting enough blood and oxygen.

[15] Occupational injuries caused 19% of deaths between 2000-2016. Deaths from heart disease and stroke associated with exposure to long working hours rose by 41% and 19% respectively. Other major causes of death were chronic obstructive pulmonary disease, stroke, and ischemic heart disease.

Indirect consequences of mental health conditions on P&C

Aside from directly impacting P&C insurance, mental health conditions may have indirect consequences on certain products. When an employee suffers from a mental health condition, the whole company could be negatively affected. Individuals with mental health conditions might experience a heightened sense of fear, anxiety, isolation, and stress and in many instances these emotions could prompt radical actions that cause property damage or bodily injury to third parties (i.e., setting a building on fire, breaking windows or furniture, shooting innocent bystanders).

Furthermore, individuals with the required skills to perform their duties might no longer manage because of mental health conditions such as stress and PTSD. Mental health-related skill shortages might engender general and employer liability claims (e.g., engineering shortages impacting product design, product recall, absenteeism) and potential property damage (e.g., firefighter shortages or being ill-equipped to fight a specific type of fire). This could also result in longer post-disaster and business interruption periods, or further losses when damaged property is not rebuilt on time or to the same standard. Additionally, failure of management to deal with retirement waves and employee up-skilling (specially to keep up with continuous digital innovation) can lead to under-skilled and over-worked employees, operational losses, and even product liability claims if product quality controls are either skipped or performed improperly (i.e., claims made related to the use of these products).

2.4. Implications on Investment and Asset Management

The lens of **Behavioural Finance** – an area of study focused on psychological factors and how biases can affect market outcomes – can be used to consider the impact of an individual's mental health on investments and asset management:

- **Risk aversion:** There has been research linking depression with taking less risks in asset management. Households where at least one person has been diagnosed with a mental health condition hold a greater percentage of their assets in bonds or cash (Phys Org, 2010). In 2017, a study found that people suffering from anxiety had similar levels of loss aversion to healthy people but showed enhanced risk aversion (Charpentier, Aylward, Roiser, & Robinson, 2017).
- **Emotional gap:** Irrational investment choices might result from mental health conditions. Mental health issues can discourage an individual from investing for future returns because of increased fear, anxiety, anger, or excitement. Oftentimes, mental health conditions bring about uncontrolled emotions that prevent people from making rational investment choices.

By refining their understanding of the human psychological behaviours involved in investment decisions, insurers can tailor communication and messages to help customers better understand the value of products.

There are also **investment opportunities** to consider in new mental healthcare ventures and innovations in the **Environment, Social and Governance (ESG) movement**. Just as employers have begun to reflect on mental health's role in employee welfare, the subject is also gaining attention in the field of ESG investment. The ongoing effects of COVID-19 highlighted the importance of mental health to institutional investors. In fact, a poll of participants on "the Principles for Responsible Investment" listed mental health as one of the top four social issue priorities in investing going forward (Impactivate, 2021). The Sustainability Accounting Standards Board has equally made mental health, wellbeing, and health-related benefits a key focus in the proposed revamp of its human capital standards. The corporate world's emphasis on mental wellness has also fuelled innovation, from smartphone apps to telehealth solutions. For example, there is growing recognition that continuous personalised mental and physical care virtually can be more effective and convenient than fragmented, reactive, in-person care. This opens new investment avenues for insurers.

2.5. Implications on Operations

This sub-section addresses mental health conditions in the workplace and its related operational risks for the industry. It also covers the role of the insurer-employer in mitigating those risks.

Mental health-related operational risks and losses

Reduced performance, errors, and absenteeism

Mental health-related operational risks are hard to capture and are often underestimated. Nevertheless, recent research has found a conclusive link between mental wellbeing and productivity. According to the University of Oxford, employees are **13% less productive when unhappy** (University of Oxford, 2019). Unemployment is a well-recognized risk factor for mental health problems. Yet, while returning to work, or getting a job is protective,

a negative working environment may lead to physical and mental health problems, harmful use of substances or alcohol, absenteeism, and a drop in productivity. Even very low levels of depression are correlated with productivity losses (WHO, 2021). An employee's sick leave may also lead to an increased workload and a risk of work-related stress for the rest of the team. In addition to absenteeism, the industry must cope with presenteeism or poor performance due to being unwell when on the job. Only engaged and mentally healthy employees bring in new ideas, create memorable experiences with the customers, and generate new business. Some studies suggest that the impact of presenteeism is far worse than the costs of absenteeism and that it is a strong predictor of forthcoming poor mental and physical health (Taloyan, et al., 2012; Leineweber, Baltzer, Magnusson Hanson, & Westerlund, 2012) where employers become responsible for paying the healthcare costs of their employees.

Breaking down the **costs**, a recent WHO-led study estimates that depression and anxiety disorders cost the global economy US$ 1 trillion a year in lost productivity, reduced performance, and errors (WHO, 2021). In the UK for example, one in four people suffer from a mental health condition yearly, costing UK companies £45 billion in lost working days (Deloitte, 2020). Roughly 20% of all employees are less productive due to addiction, burnout, and stress. Looking further, around 25% of their potential services fail to be provided due to mental conditions. This means the **indirect operational costs of mental health challenges** represent 5% of a company´s annual gross payroll (IRC, 2021).

Loss of key staff and inability to attract and retain talent

Insurance companies may lose key staff and employees through resignation, long sick leaves, and suicide if the work environment fails to take into consideration mental health risks. These include inadequate health and safety policies (especially during the current pandemic), poor communication and management policies, staff's limited participation in decision-making, low control over one's work area, low employer support, bullying and psychological harassment (also known as "mobbing"), inflexible working hours, and unclear tasks or organisational objectives and purpose. A recent study in the UK surveyed 2,000 insurance employees. Results showed that **only 15%** of employees believe their employer tries hard to understand what motivates them (Aviva, 2020). When highly skilled workers leave due to poor mental health, employers incur additional recruitment and training costs (EU, 2017). Although this pandemic period and the economic crisis has seen lower turnover rates, this might change as the pandemic comes to an end and the job market opens again.

Litigation risks

Insurers could face litigation for detrimental working conditions affecting their employees' mental health and wellbeing. When it comes to concrete claims, it is hard to determine whether there was an actual violation of the employee's legal rights. The legal assessments must therefore be carried out scrupulously to assess whether the employer's duties and responsibilities under labour law have been honoured by those involved. One possible

approach is to examine whether the employer has violated his duty of care. If the employer becomes aware of mental health hazards, appropriate remedial action can be taken. To mitigate litigation risks, insurers can focus on implementing more enduring and specific mental health-related Operational Risk Management Strategies. If employers fail to take into consideration their employees' mental health issues, the employer becomes liable to pay damages to the claimant-employee:

- Compensation for pain and suffering (non-material damages).
- Assumption of pecuniary damages (e.g., deductibles for costs of doctors and medication).

Reputational risks

An insurance company facing the above risks may see its credibility questioned, potentially face reputational issues, and negative brand impact to risks such as loss of key staff, errors and absenteeism, or litigations for mental health risks. In a highly digitalised world where social media predominates in public opinion, a bad review or negative publicity can result in increased scrutiny and negative comments on the company and may include online social movements and employee activism. There has been increased visibility given to mental health topics in the media in recent years. An article published in the Guardian in 2018 exemplifies how the media can highlight an insurance company's reputation with the headline: *"people with mental illnesses refused access to insurance coverage"*. This is nevertheless manageable when reputation risks and mitigation plans are pre-identified and communication strategies are in place.

The role of insurance companies as employers

Workplaces that foster and support mental healthcare for employees are more likely to retain staff, reduce absenteeism and presenteeism, and increase productivity and profit from associated economic gains (EU, 2017). While it is clear that psychological and physical wellbeing are connected with better workplace performance, they also serve to improve employee-employer communication and foster greater levels of innovation and creativity that are both crucial to business continuity and the reputation of the workplace. Cost-benefit strategies to address mental health risks lead beyond a doubt to net benefits. A recent WHO-led study predicted that for every US $1 put into scaled-up treatment for common mental disorders, there is a return of US $4 in better productivity and health (WHO, 2021). There are many effective actions that insurance companies can take to promote mental health in the workplace. Mental health interventions can be delivered as part of an integrated health and wellbeing strategy that covers prevention, early screening, rehabilitation, and support. Interventions can take a three-fold approach: (1) Protect mental health by decreasing work–related risk factors; (2) Promote mental health by shedding light on the positive aspects of work and employees' strengths; (3) Address mental health conditions irrespective of cause and without discrimination (WHO, 2021). Finally, the key to success is involving stakeholders and staff at all levels (i.e., when promoting, protecting, and supporting initiatives and when monitoring their effectiveness).

3. The Societal Role of Insurers in Mental Health

With the incidence of mental health conditions increasing at an alarming rate in emerging and developed countries, mental health costs are expected to increase in the years to come. The rise in awareness and demand for mental healthcare treatments and services has mobilised some governments to close the gap in public coverage of mental health conditions. However, this coverage faces limitations and differs from one country to another. In many countries, mental healthcare costs are still out-of-pocket.

The pandemic has given societies, governments, and the private sector a rare opportunity to address mental health risks more effectively. Burden-sharing between the public and private sector is essential to promote better mental health. Insurers have an important role to play providing expertise and using different levers to improve prevention and mitigation of mental health risks, to ultimately serve societies' evolving needs.

While strengthening mental health services should remain at the heart of any solution, the approach will have to be multifaceted. Insurers should take into consideration the different avenues through which mental wellbeing can be strengthened and mental health conditions managed.

3.1. Stakeholders' expectations towards the insurance industry

When assessing future mental health risks and exploring ways of mitigating them, the industry must bear in mind both the priorities and the expectations of its multiple stakeholders. Starting with these stakeholders' priorities, we have determined and summed up their potential expectations in table 2.

Table 2 Forecasting stakeholders' expectations

Stakeholders	Main Priorities	Potential Expectations
Customers and Corporate clients	Increased need for mental health services and coverage.	• Non-discrimination & transparency • Tailored insurance plans and increased coverage • Efficient claims management • Good value for the customer
Policy makers and Insurance regulators	Growing interest in mental health coverage leading to potential regulatory changes.	• Customer fairness, equitable and ethical practices • Accessibility, affordability and focus on closing the protection gap
NGOs and Patient associations	Increased scrutiny of mental health coverage limits and discriminatory practices against mental health conditions.	• Prioritization of patient care • Non-discrimination & transparency • Philanthropy
Shareholders	Rising focus on mental health risks' impact on corporate responsibility and reputation, long-term business profitability, and potential litigations.	• Management of the reputational and litigation risks tied to employees' mental health • Profitable returns & low loss ratio
Public opinion and Media	Increased awareness and scrutiny of mental health topics.	• Customer fairness, equitable and ethical practices • Corporate Social Responsibility actions
Insurance employees	Increased mental wellbeing in the workplace.	• Safe work environment • Respect of the "right to disconnect" regulations • Psychological support & mental wellbeing services

3.2. The role of insurers going forward

Difficulties in diagnosing mental health conditions, the interconnectedness of physical and mental health, presence of co-morbidities, lack of data, and reliance on self-reporting are all factors challenging the design and expansion of mental health covers. Insurers are however uniquely positioned and equipped to contribute to the long-term sustainability of the healthcare system.

This section focuses on how insurers can meet stakeholders' expectations in a challenging environment. It explores how insurers can directly and indirectly identify and address protection gaps to improve mental health outcomes in vulnerable populations. Even though public health systems play an essential role in most markets, private insurers' provision of risk awareness, risk pricing, and indications of market needs – both for populations and insurers – should be factored in and leveraged to mitigate the impact of poor mental health.

Moving from Protection to Prevention

Prevention in mental health undertakes to reduce the incidence, prevalence, and recurrence of mental health disorders and their associated disabilities. Making early intervention services available in the early stages of mental health conditions not only reduces the risk of more disruptive conditions for the patient, but also the medical cost both for the insurer and the healthcare system on a later time horizon. While insurers alone can do little to prevent the increasing number of mental health cases in society, collective efforts to put in place preventive actions can minimise the rising numbers of claims on the industry and improve customers' overall wellbeing. These benefits make a compelling case for investing in dedicated expert resources and taking action in areas where preventive measures will improve business results.

Moving from medically treating the problem to preventing it may also be a more effective strategy to reducing the unserved and underserved populations' mental health risks and to bettering their overall wellbeing. Thanks to their knowledge, insurers could envisage providing education to

vulnerable populations on how to take better care of their mental health directly or through independent parties like municipalities, social services, and, or NGOs. This could also mean insurers encouraging public and private employers to address mental wellbeing in their workplace and lending them support by establishing and providing the leading warning signs, i.e., accidents, bereavement, or critical illness episodes (Bhattacharya-Craven, 2021). Developing mental health prevention expertise and services can both demonstrate that insurers are ready to cover people affected by mental health conditions and to contribute to building more resilient societies.

Further prevention measures that could be taken are:

Identifying and supporting vulnerable population groups

Historically vulnerable communities such as the unemployed, people without access to healthcare, and low socio-economic classes are at a higher risk of suffering from mental health conditions for these have been proven to strongly correlate with societal inequities. And, as seen earlier, women, new mothers, the elderly, children, and frontline workers are also more at risk of mental health conditions. Furthermore, the growth of the gig economy[16] points to other vulnerable populations. Unless the insurance industry adapts to this new future of work - by providing flexible protection - it might contribute to placing gig workers, freelancers, entrepreneurs, and those who regularly change careers in underinsured and vulnerable positions.

Limited data and research on mental health conditions among these populations prolong the protection gaps these communities face. Supporting research in this area and combining efforts to identify these communities will enable all actors involved, be they NGOs, patient associations, governments, or insurers, to make more accurate risk assessments and thus to identify, prevent, and extend coverage to those who would otherwise be without mental healthcare.

Supporting research into co-morbidities and risk factors

Numerous studies establish a bi-directional association between mental and physical conditions. Mapping these more precisely will help pinpoint risks associated with mental health conditions and provide the data to develop preventive measures and refine insurance coverage. Behavioural and

[16] In a gig economy, large numbers of people work part-time or temporary positions. Currently there's an increase in number of workers who repeatedly change employers throughout their careers.

lifestyle factors may also be early indicators of mental health risks. By identifying these indicators in populations with greater susceptibility to developing mental health conditions, insurers and stakeholders such as NGOs or patient associations will be able to determine those who will benefit most from increased mental care, support, and prevention measures.

Optimizing digital and innovative prevention methods

To promote prevention, insurers can provide an incentive to their policyholders to maintain or take up healthy lifestyle habits by offering insurance plans with financial rewards. Numerous new methods of delivering mental health services can also serve to enhance customers' experience and wellbeing (e.g., coaching, tele-mental health, AI-based platforms, and applications, etc.). These tech-based solutions enabling self-help could provide support earlier in the patient journey and even provide specialist referrals for rehabilitation services thus promoting recovery. Digital solutions may nevertheless raise concerns in cyber security and data privacy risks. They may also exacerbate an advanced stage of someone's mental health condition by increasing their feeling of loneliness and delaying their access to the right treatment and clinical interventions.

Addressing rising mental healthcare demand

The demand for mental healthcare coverage is likely to increase in the coming years. Given the specificities of mental health prevention, diagnosis, treatment and recovery, and some governments' underinvestment in these areas, healthcare systems will be challenged in meeting this demand. Structurally there may be a shortage of resources: lack of trained professionals, a higher incidence of mental health conditions among frontline workers, an increase in service prices and waiting periods.

Such an imbalance in demand and supply could lead to the development of a "provider market"[17]. When effective competition is non-existent or minimal, prices tend to rise, and quality can suffer. If the gap between the demand for services and their supply were to widen and the public sector was unable to adapt, the insurance sector would be impacted as well. Insurers might be faced with increasing public pressure and scrutiny to extend mental health coverage.

To address these issues the insurance industry could explore a number of avenues such as:

Providing affordable and wide-covering healthcare products

Providing affordable broad-coverage healthcare products might mitigate the risk of a provider market and meet the demands of multiple populations. According to Mental Health UK, 86% of people affected by mental health conditions say they do not know where to get independent advice on insurance that may involve declaring a mental health condition, and 45% say the application process itself has left them feeling distressed (Mental Health UK, 2020). To upgrade the customer journey, the industry might consider extending coverage to incorporate the range of mental health risks and claims. Flexible mental health add-ons to existing critical illness or medical insurance covers, rather than a stand-alone policy, can also be considered. However, to do that, some pre-conditions such as standardised regulations, financial resources, and expertise are needed.

Developing inclusive protection

To cover mental health conditions' treatment gaps, insurers could consider developing inclusive protection offers that cover the protection gaps of traditional insurance. These could be deployed to adapt traditional products in terms of affordability, accessibility, and understandability to meet the specific needs of the very populations targeted (IIF & CFI, 2018). Inclusive protection offers can address both structural long-term vulnerability and short-term vulnerability situations. These offers could therefore resolve both the mental health protection gap and the financial exclusion vulnerable populations face. In making insurance products and services that accompany them in their economic progression available, insurers can provide a safety net that prevents them from falling into poverty.

Establishing partnerships with different stakeholders

To individuals from communities that have had no access to insurance, coverage may seem too expensive or may appear to be a scam. To overcome this and improve the reputation of insurance, particularly for mental health coverage, insurers can establish partnerships with mental health NGOs and patient associations so long as they preclude all risk of conflict of interest. Such strategies could enable insurers to reach people of diverse socio-economic statuses and boost their credibility. It would contribute to closing the protection gap and enable public and private stakeholders to work together to meet the needs of underserved populations and societies suffering from the lack of access to mental healthcare.

[17] Hospitals, specialists, or other providers dominating their local market.

Improving quality of care

A more rational approach to mental health diagnosis and treatment is paramount. Promoting basing mental health treatment decisions on objective measurable criteria could be one step in the process to help insurers, independent medical examiners, and society standardise and upgrade treatments. Measurement-based care (MBC) in psychiatry is defined as the use of validated clinical measurement instruments to objectify patients' assessment, treatment, and clinical outcomes insofar as their efficacy, safety, tolerability, functioning, and quality of life. MBC involves routine assessments (such as measuring the severity of symptoms with rating scales) and the use of these assessments in decision-making (Aboraya, et al., 2018). MBC provides insight into treatment progress, highlights ongoing treatment targets, reduces symptom deterioration, and improves client outcomes.

Although research underlines MBC's numerous benefits over usual care, MBC has yet to be the standardised practice in psychiatric care. However, recent developments in health digitalisation and the Standard for Clinicians' Interview in Psychiatry (SCIP)[18] - an MBC tool - may accelerate the adoption of MBC in clinical practice. This could help practitioners and insurers eliminate biased decisions in the treatment and follow-up of mental health conditions. If the treatment chosen for a patient is measurement based, then the care provided would also be measurable as opposed to subjective qualitative factors. This would substantially change the quality of care an individual receives.

Using MBC will consequently enhance the mental health outcomes of those suffering from conditions and will provide insurers with verifiable elements to take better decisions particularly in long-term disability claims.

[18] The Standard for Clinicians' Interview in Psychiatry (SCIP) is a method of assessment of psychopathology for adults. Clinicians use the patient's responses to questions, observe the patient's behaviors and make the final rating of the various signs and symptoms assessed (Aboraya, et al., 2016)

Conclusion

This paper demonstrates that while the implications of mental health risks differ between lines of business and risks areas, insurers are sure to face an increasingly complex challenge in the coming years, especially given stakeholders' rising expectations of the industry. The report's conclusions underline the direct aspects of mental health risks, namely the:

1. **Constant changes in regulations and fluctuations** in the private and public sector's **burden sharing** in different countries making mental health risk management even more complex yet all the more pressing given the sizeable long-term impacts on insurers.
2. **Complexity in diagnosis** (incl. the invisibility of mental health symptoms) and resulting **difficulties in claims management**.
3. **Lack of reliable data** in underwriting and risk selection.
4. **Potentially lengthy claims**, especially in disability coverage.
5. **COVID-19 pandemic**, which has added barriers and challenges. Failure to act now will have far-reaching repercussions throughout society and particularly on the younger generations whose mental health has borne the brunt of the pandemic.

The uncertainties over the still-emerging challenge of mental health would tend to predispose us to wait and observe before covering longer-term mental health conditions. What is needed, however, is a proactive approach to alleviate or even uproot prospective threats and risks. Insurers can start acting now by catering to those most in need and concentrating their initiatives on where they have the greatest impact. This includes raising awareness and supporting prevention, identifying vulnerable populations, training staff on all mental health-related issues to increase their knowledge on these risks and co-morbidities.

The industry should consider a holistic approach (i) to handle these multi-faceted transversal risks on all lines of business and risk areas and (ii) to step up in providing protection to further societies' resilience. Poor mental health not only worsens morbidity and mortality globally; its presence destabilises productivity across different sectors. Insurers have an important role to play in helping communities and economies to navigate through this mental health crisis.

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Glossary

ADHD Attention Deficit/Hyperactivity Disorder (ADHD) is one of the most common neurodevelopmental disorders of childhood. It is usually first diagnosed in childhood and often lasts into adulthood. Children with ADHD may have trouble paying attention, controlling impulsive behaviours (may act without thinking about what the result will be), or be overly active.

Anti-selection Anti-selection is defined as an increase in the chance for a person to take out or lapse an insurance contract and to exercise certain options because they know that their risk is higher or lower than what the insurance company has allowed for in the premium amount.

Anxiety Anxiety is an emotion characterized by an unpleasant state of inner turmoil and includes subjectively unpleasant feelings of dread over anticipated events. It is often accompanied by nervous behavior, somatic complaints, and rumination.

APA The American Psychiatric Association (APA) is the main professional organisation of psychiatrists and trainee psychiatrists in the United States, and the largest psychiatric organisation in the world.

APRA The Australian Prudential Regulation Authority (APRA) is a statutory authority of the Australian Government and the prudential regulator of the Australian financial services industry.

Bipolar Disorder Bipolar disorder is a brain disorder that causes changes in a person's mood, energy, and ability to function. People with bipolar disorder experience intense emotional states that typically occur during distinct periods of days to weeks, called mood episode

Depression Depression (major depressive disorder) is a common and serious medical illness that negatively affects how a person feels, thinks, and acts. Fortunately, it is also treatable. Depression causes feelings of sadness and/or a loss of interest in activities which an individual once enjoyed. It can lead to a variety of emotional and physical problems and can decrease the ability to function at work and at home.

DSM-5 The Diagnostic and Statistical Manual of Mental Disorders 5th Revision (DSM-5) is a comprehensive classification of officially recognized psychiatric disorders, published by the American Psychiatric Association, for use by mental health professionals to ensure uniformity of diagnosis

ESG Investment Strategies ESG Investing (also known as "socially responsible investing," "impact investing," and "sustainable investing") refers to investing which prioritizes optimal environmental, social, and governance (ESG) factors or outcomes.

GBD The Global Burden of Disease Study (GBD) is a comprehensive regional and global research program of disease burden that assesses mortality and disability from major diseases, injuries, and risk factors.

GP A General Practitioner is a doctor based in the community who treats patients with minor or chronic illnesses and refers those with serious conditions to a hospital.

ICD-10 The International Classification of Diseases 10th Revision (ICD-10), was implemented by WHO for mortality coding and classification from death certificates in the U.S. in 1999.

IME An independent medical examination (IME) is a medical evaluation performed by a medical professional on a patient who was not previously involved in the treatment of that patient, to evaluate the patient's course of prior treatment and current condition.

Musculoskeletal	Disorders that are relating to or denoting the musculature and skeleton together.
Prognosis	Prognosis is the likely outcome or course of a disease; the chance of recovery or recurrence.
PTSD	Posttraumatic Stress Disorder (PTSD) is a psychiatric disorder that can occur in people who have experienced or witnessed a traumatic event such as a natural disaster, a serious accident, a terrorist act, war/combat, or rape or who have been threatened with death, sexual violence, or serious injury.
RTW	Return-to-Work programs also known as back to work policies present the workplaces 'interests and obligations to collaborate in the work reintegration process, and in certain circumstances, a company's obligation to re-employ an injured worker.
Schizophrenia	Schizophrenia is a chronic brain disorder that affects about one percent of the population. When schizophrenia is active, symptoms can include delusions, hallucinations, disorganized speech, trouble with thinking and lack of motivation.
Somatic Disorders	Disorders that are relating to the body, especially as distinct from the mind.

Appendix

Mental Illness Definitions

Table 3 List of mental illnesses and mental disorders developed in the Chapter V of ICD-10

Chapter V reference	ICD-10 Disease Category Name
F1: F10-F19	Mental and behavioural disorders due to use of psychoactive substances
F2: F20-F29	Schizophrenia, schizotypal and delusional disorders
F3: F30-F39	Mood [affective] disorders
F4: F40-F49	Neurotic, stress-related and somatoform disorders
F5: F50-F59	Behavioural syndromes associated with physiological disturbances and physical factors
F6: F60-F69	Disorders of personality and behaviour in adult persons
F9: F90-F98	Behavioural and emotional disorders with onset usually occurring in childhood and adolescence

Table 4 Mental illnesses excluded from the scope of the paper and rationale10

Chapter V sub-category	Reason for exclusion
Mental retardation (F70 – F79)	A condition of arrested or incomplete development of the mind, which is especially characterized by impairment of skills manifested during the developmental period, skills which contribute to the overall level of intelligence, i.e., cognitive, language, motor, and social abilities. Retardation can occur with or without any other mental or physical condition.
Unspecified mental disorder (F99)	This category includes many different diagnoses the majority of which would not be considered a mental health illness or disorder. For the purposes of this paper this section has been excluded but will need to be reviewed once the next revision (11) of the ICD has been adopted.
Disorders of psychological development (F80 -F89)	The disorders included in this block have in common: (a) onset invariably during infancy or childhood; (b) impairment or delay in development of functions that are strongly related to biological maturation of the central nervous system; and (c) a steady course without remissions and relapses. In most cases, the functions affected include language, visuo-spatial skills, and motor coordination. Usually, the delay or impairment has been present from as early as it could be detected reliably and will diminish progressively as the child grows older, although milder deficits often remain in adult life.
Organic, including symptomatic, mental disorders (F00-F09)	This block comprises a range of mental disorders grouped together on the basis of their having in common a demonstrable aetiology in cerebral disease, brain injury, or other insult leading to cerebral dysfunction. The dysfunction may be primary, as in diseases, injuries, and insults that affect the brain directly and selectively; or secondary, as in systemic diseases and disorders that attack the brain only as one of the multiple organs or systems of the body that are involved. Dementia (F00-F03) is a syndrome due to disease of the brain, usually of a chronic or progressive nature, in which there is disturbance of multiple higher cortical functions, including memory, thinking, orientation, comprehension, calculation, learning capacity, language, and judgement. Consciousness is not clouded. The impairments of cognitive function are commonly accompanied, and occasionally preceded, by deterioration in emotional control, social behaviour, or motivation. This syndrome occurs in Alzheimer disease, in cerebrovascular disease, and in other conditions primarily or secondarily affecting the brain.

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