Mental Health UK

Research Report

Affording protection: mental health and insurance

July 2020

An introduction by Brian Dow, Chief Executive, Mental Health UK

At Mental Health UK our mission is to ensure people across the UK have access to information, advice and support for their own mental health and for friends and family who are affected by mental illness.

As we provide that advice and support, in part through our specialist Mental Health & Money Advice Service, we inevitably develop a detailed insight into the challenges that people face in their lives. Among the many financial issues we hear about are the obstacles that people affected by mental illness can face in accessing the insurance they need.

We decided to explore that further, and this report is the product of that work. The findings of this research build upon issues we were previously aware of and provide further evidence that we hope will help both the insurance industry itself and the people who rely on it for protection. At its sharpest end, the lack of understanding of mental illness within the industry leads directly to discrimination. It's in everyone's interest for this to be addressed.

From those who participated in our research, it is clear that many people living with a mental illness have had negative experiences when they have sought insurance, and that many others who have not are fearful of the experiences they would encounter if they did. It's clear that there is a lack of understanding on what to expect from the process, and how their information will be used.
At the same time, it is clear that for some people the experience has been quite distressing, most notably from the types of questions they are asked and the conclusions that are drawn from the answers. Many of the people we spoke to believe that they have been discriminated against as a result of their experience.

Our aim in highlighting these concerns is simple. We do not believe that people affected by mental illness should be denied the same protections for themselves and their families as everyone else based on a misunderstanding of what their illness means for insurability. The worst manifestation of this is that people believe that they are uninsurable or that they have been discriminated against.

We also understand that insurance firms need to take commercial decisions and that, as with applicants of all types, there will at some point be disagreements between insurers and individuals. But we don't believe that those two points are as far apart as they appear, and an improved understanding is the bridge that could link them. There is clear demand for insurance among people affected by mental illness. Equally, offering insurance on reasonable terms is in the business interests of the industry and at present there is clearly untapped demand. Whilst we believe that the application of the Equality Act in the insurance industry needs to be overseen, we believe it is possible for it to be used as a last resort if practice is improved.

Our recommendations to the industry can help achieve that. As with many elements of life, we believe that the experiences described by many of the people who took park in our research are based on a misconception of what mental illness means and how to approach it. If we can tackle that, we can extend the security that insurance provides to more people living with a mental illness, and help open up a new market for the industry.

Brian Dow
CEO of Mental Health UK

The findings of our research

We found that **86% of people affected by mental illness who took part in our research do not know where to go for independent advice** in relation to declaring a mental health condition when applying for insurance.

This means right at the beginning of their journey into the world of insurance, the vast majority of people don't know where to turn for support.

86% said no

14% said yes

Do you know where to get independent advice on different types of insurance that may involve declaring a mental health condition?

Sample size 230

'I tried to get travel insurance to go on a short break and it was difficult because the cost was so expensive due to my mental ill-health. I had no idea what to do'.

Only 23% of people feel confident challenging an insurer

Sample size 231

Our research shows that this support is needed. **Only 23% of people would feel confident about challenging an insurer** if they were denied insurance all together, or offered unsatisfactory terms having applied. If a claimant took the decision to challenge a decision, and their insurer did not agree with them, **only 11% of people would know what to do next.**

Taken together, these results paint a picture of applicants living with mental illness being rejected at the first stage of the process. Due to the lack of guidance on how to object to high premiums, many people living with mental illness are therefore left excluded from cover.

We asked respondents what would help them feel more confident in challenging or querying insurer's decisions. Three key themes emerged - all of them hinging on a lack of information and guidance. **77% wanted a better understanding of their legal rights, 70% wanted a better understanding of how insurers take decisions, and 55% wanted access to example letters or templates.**

77% wanted a better understanding of their legal rights

70% wanted a better understanding of how insurers make decisions

55% wanted access to letter templates

'As for my critical health insurance, I currently have a policy that I do not know whether it truly covers me or not and I'm too nervous to find out for sure and/or try to find another policy'.

To try and understand how best to address that knowledge gap, we asked how people wanted to receive information about these issues. **The most popular mechanism by some distance was online written articles (84%), followed by printed guides (51%) and online videos (28%).**

There is a clear picture here that demonstrates people living with mental illness have little understanding of how the insurance industry works or how to operate in it, and a clear need for additional support to help them in that process.

84% online articles

51% printed guides

28% online videos

'I have bipolar disorder but was refused life insurance even though I had it previously with a clause in it saying they wouldn't pay out for suicide. I didn't understand & was given no explanation'

There is a clear need to support people's understanding of the insurance industry

Experiences of protection insurance

The barriers to applying

We asked our respondents whether they had ever applied for protection insurance and **over 37% said that they hadn't**. For some people, this is because there wasn't a perceived need.

However, for many others there is clear evidence that people did not apply because of how they felt they would be perceived by the insurance industry or the impact the process of applying would have on them. **Many hadn't applied because they thought insurance would be too expensive (38%) and a similar number (31%) didn't think they would get cover because of their mental health problem.**

'The process seemed over-complicated and seemed to imply that I might be uninsurable. I was too anxious to question this'.

'I wasn't able to fill in the insurance forms for when I was signed off my work. It was too distressing and I lost out on a lot of money'.

There was clear anxiety about revealing details of their condition as **31% believed that it would be too distressing to discuss their mental health problem with an insurer**. Many (27%) felt they were likely to be deemed 'uninsurable' as a result. **10% said they had bad experiences with insurers in the past** that had put them off applying again.

For some of those who have not applied for protection insurance, lack of cover caused serious concerns. **26% said they were worried about the financial security of their family and loved ones**. **20% were worried about losing their job, home or getting into financial difficulties.** For a similar proportion (21%) these concerns had already been realised, and they had already experienced financial difficulties as a result of having a lack of insurance.

Despite a number of people we spoke to having never applied for protection insurance, there is clearly both a demand and a market among those living with mental illness. These people could be persuaded to apply if the appropriate steps were taken to provide clarity on the process and if the industry makes clear that they are open for business.

What, if anything, would encourage you to apply for life insurance, or other protection insurance in the future?

Greater clarity about how my mental health experience will affect my application	56%
Positive messages from insurers that it is possible to get life insurance, or other forms of protection insurance, with a diagnosis of mental illness	56%
Better understanding about the benefits of protection insurance	51%
Information about insurers or brokers who have experience in mental health conditions	50%
None of the above	17%
Other	5%

Those that haven't applied for protection insurance. Sample size 78.

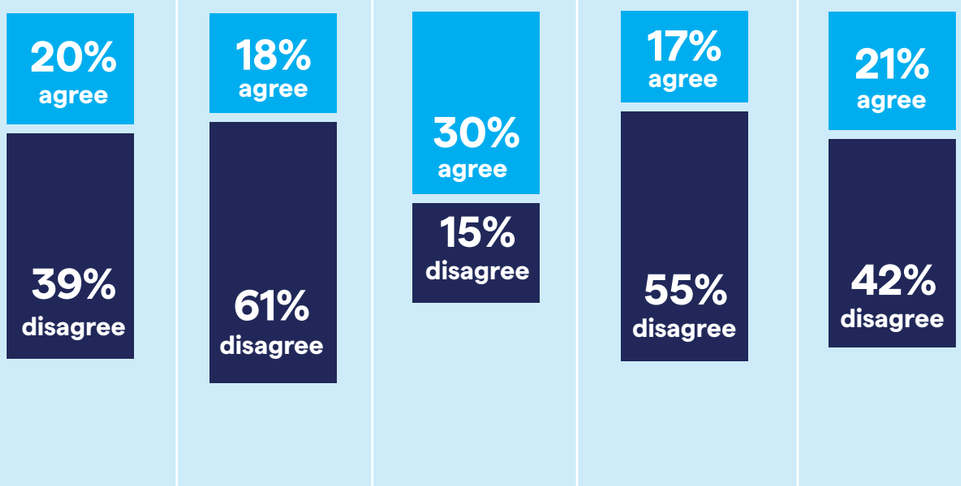
56% of our survey respondents said that they want insurers to be clear about how an applicant's mental health will impact their application. The same proportion wanted to see positive messages from insurance providers that life insurance, as well as other forms of protection insurance, are possible for people living with a mental health condition.

Our respondents also wanted more information about what protection insurance would mean for them, with **51% saying that they want a better understanding about the benefits of protection insurance.** The importance of the industry having an understanding of what mental illness means also stood out **- 50% said they would be encouraged to apply if they believed that insurers and workers have a stronger understanding of different mental health conditions.**

The experience of those who have applied

The information we received from respondents who had applied for life insurance, critical cover, or income protection showed that in many cases, the concerns that had led people to not to apply for insurance were well founded. Issues were flagged at the start of the process, during it, and when the final decision was taken.

Please read the following statements carefully and indicate to what extent you agree or disagree.



Those that have applied for protection insurance. Sample size 137

'It's awful, lots of questions with no understanding of how they are using the information. Then refusals or significant prices due to disability. I pay double what my husband does for less cover for life insurance'.

'They ask generic questions like have you been an inpatient within the last two years. The answer is yes but I was informal and one of the two admissions was for two days, so the answers don't accurately portray risk or seriousness of illness'.

Only 20% of people who had applied for insurance felt that questions in the application process were asked sensitively and a similar percentage (18%) said that they were told how their answers would inform the result of their claim. There was little forewarning of the nature of the questions asked, as only **17% said that they were informed that some of the questions may cause them distress**. At the point where respondents were offered cover, only **one fifth (21%) were satisfied with the terms they were offered.**

The process clearly left its mark on many people as **nearly half (45%) of our respondents said that it had left them feeling distressed**. We explored the reasons why respondents may have been dissatisfied with the terms they were offered. **Only a quarter (24%) were offered terms with no exclusions or loading.** Others were only offered terms with an additional costs due to their mental health, or with their mental health conditions excluded, or other specific exclusions for things such as suicide.

'Applying for life cover was the toughest. I applied online and was declined which I wasn't surprised about. Around 30 minutes later I was contacted by phone by one of their agents. She asked lots of prying questions without telling me why she needed to know the answers. She said she'd give the information directly to insurers on her books and get back to me. She never did'.

45% of people felt distressed after the process

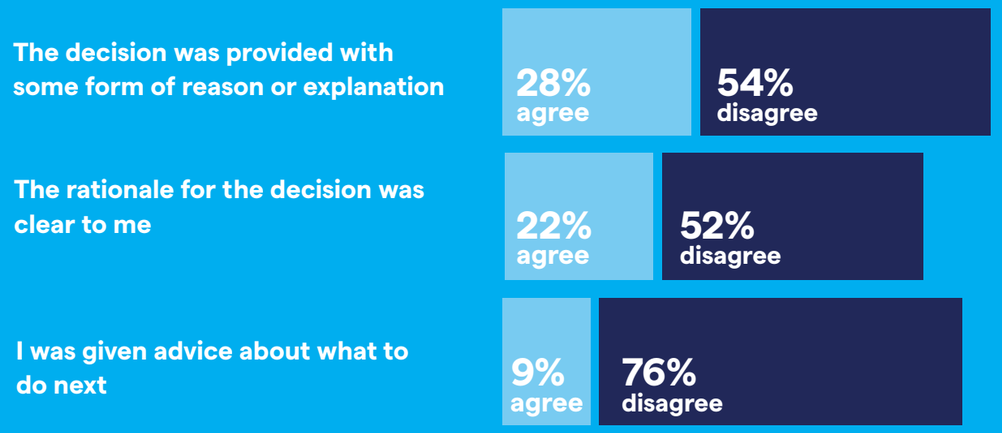
Those that have applied for protection insurance. Sample size 137

'I have not been able to afford life insurance and therefore do not have a life insurance policy, which is in breach of the terms and conditions of my mortgage provider. I have not told my mortgage provider that I do not have life insurance'.

The experience of those offered exclusions or refused

38% of those who had applied for protection insurance said that they were either turned down completely or told to apply at a later date. For the majority **(54%) no reason or explanation was provided and a similar proportion (52%) said that the rationale for the decision was not made clear to them**. Many of the people turned down were unsure of what to do next and **only 9% said that they were given advice on how to proceed.**

Please read the following statements carefully and indicate to what extent you agree or disagree.



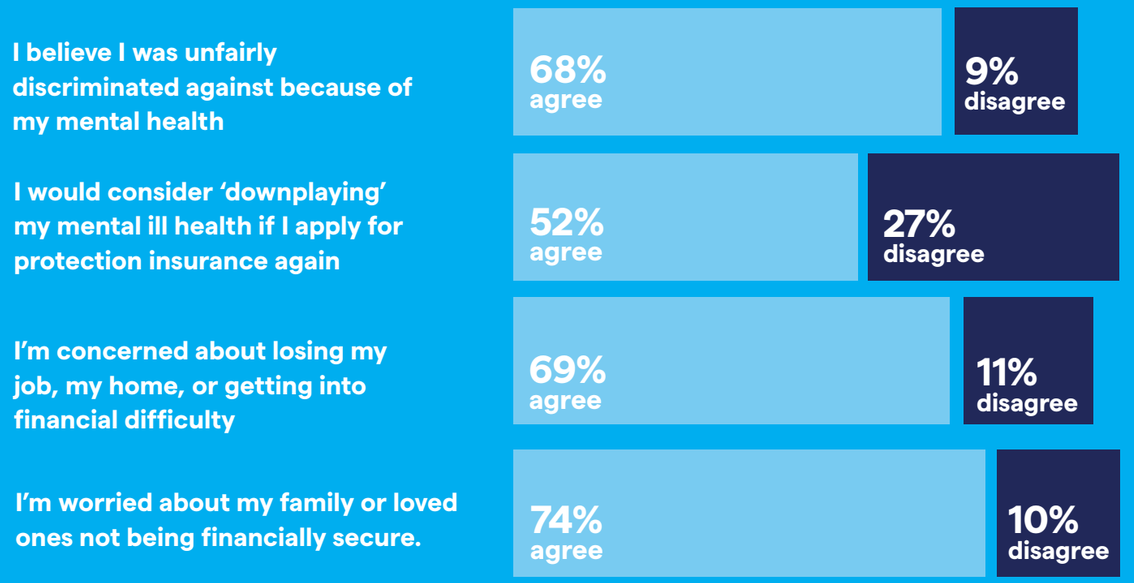
Those that have applied for protection insurance. Sample size 137

'The process does not take into account any particulars of conditions. Despite not having any hospitalisations, no medication and working consistently for the last 15 years - my whole working life - I have been refused. If I do end up seriously mentally unwell I will be leaving my family with a huge financial burden. It is clear the label is enough'.

'I am now 59, I have been declined multiple times and am again waiting. I am financially punished for my mental health and honesty. I am fearful of using NHS services which is damaging but it might negatively affect my next attempt to get a quote for life insurance.'

More than two thirds **(68%) of those turned down completely or offered terms with exclusions felt that they had been discriminated against because of their mental health.** As a result of their experience more than half **(52%) said that they would consider downplaying their mental health in future** if they applied again, with potentially damaging consequences if they decide not to access the NHS services they need. Over two thirds **(69%) of respondents said that they were concerned about losing their job, their home, and getting into financial difficulty** as a result of being offered high premiums or excluded all together.

Please read the following statements carefully and indicate to what extent you agree or disagree.



Those that have applied for protection insurance. Sample size 137

Travel insurance

The experiences of the people we spoke to who had applied for travel insurance told a similar story. **34% of the people involved in our research had applied for travel insurance in the last five years.** Of the remainder, **12% said that they assumed the price would be too high and 9% thought they would not be able to get cover at all.**

A quarter of those who had applied for travel insurance were dissatisfied with the terms they were offered. This suggests that although people living with a diagnosed mental health condition are more likely to be happy with the terms they are offered for travel insurance than protection insurance, there is still a significant cohort that are dissatisfied with the terms they are offered.

'I struggle to arrange holidays at the best of times due to my anxiety and stress. The extortionate prices for travel insurance only adds to my anxiety to the point I put off going on holiday'.

Outside of the final decision, patterns on the nature of the questions asked and the information given remain the same. Only **15% said that they were adequately warned that some of the questions they asked might cause distress** and **23% were told how their answers would affect their application.** The numbers of people who were given an explanation for the rationale behind their decision, further information, and advice on what to do next were even lower.

'It does feel like we are discriminated against and contributes to negative thoughts. Because of the high costs it puts barriers to actually going anywhere and increases anxiety that you don't have it if anything did happen'

We also heard from many people that the nature of the insurance that they were offered was affected by their mental ill health and that the terms increased as a result. **More than a third (39%) of people were offered limited cover** and **more than half (58%) feel that they paid a higher premium**. Nearly half of those people who have applied for travel insurance believe that they have been discriminated against because of their mental health.

We asked those involved in our research what impact the outcome of their insurance application had and it is clear that is has altered their behaviour. Nearly half have gone on holiday without insurance, potentially putting themselves at risk. Others have chosen to not go on holiday, or limited what they do while they are away. Some may be unlikely to try again. **Nearly one third (32%) have been put off applying again and in line with our findings on protections insurance, more than one fifth (22%) have been left with the impression that they are uninsurable.**

'I took out travel insurance for a week long holiday. By declaring my diagnosis my policy was more expensive and this jumped again when I disclosed I had been hospitalised. My diagnosis does not make me any more likely to make a claim on my policy'

Conclusions and recommendations

Our research shows there is clear desire among people affected by mental illness to access insurance. Like everyone else, they want to protect their homes, their jobs, their loved ones, and to be able to get the protection they need when they go on holiday. Yet many people have not been able to access that protection on account of their mental illness.

In some cases, that is because previous attempts to access insurance have put them off trying again, or because of how they fear they will be perceived if they do. The experience of people who have applied for insurance shows that people face consistent barriers when they move through the process.

People feel that the questions they are asked are often insensitive, they lack an understanding of how the questions they are asked affect the outcome of their claim, and are unsure what to do next if they are unhappy with the decision they receive or where to go for advice.

Addressing these issues has multiple benefits for consumers and the industry. We believe that many of the issues people living with mental illness face are based on a lack of understanding of mental ill health. If that understanding is improved, more people affected by mental illness will be able to access the insurance that they need, and the industry will benefit from opening up a new market of potential customers.

We believe that these issues can be addressed through a twin track approach. Debate on the application of the Equality Act to the insurance industry is not new. The Treasury Select Committee has previously raised concerns that financial services were not complying with the Equality Act and its 2019 report[1] on consumer access to financial services said that 'the only recourse available to individual consumers is to take financial services providers to court themselves', a solution they described as 'unacceptable'.

It recommended that oversight should be split between the Financial Conduct Authority and the Equality and Human Rights Commission. In its response[2], the Government described compliance of financial firms with the Equality Act as essential and was supportive of the FCA and EHRC working together. Despite this, no progress has been made.

Whilst we believe that the principles of the Equality Act must also extend to the insurance industry, with the right measures taken by the industry to review their practices and improve their understanding of mental illness, we can move towards an environment where consumers living with mental illness only need to rely on the Equality Act as a last resort.

[1]Treasury Select Committee, Consumer Access to Financial Services, May 2019 [2]Government response to the Treasury Committee's report on Consumer Access to Financial Services, July 2019

With these objectives in mind, we make the following asks:

1. We ask
the Government to take affirmative action to ensure that people living with mental illness who seek insurance benefit from the protections of the Equality Act and ensure that its application is properly monitored.

2. We ask
that firms expand the training of their staff on mental illness - at all levels - to ensure that those in customer facing roles, and those who manage them, have improved understanding of what mental health conditions mean and how to work with people who live with them.

3. We ask
that firms review the questions they ask people living with a mental illness to ascertain how and why they are asked and what assumptions they are based on.

4. We ask
that underwriters and reinsurers are clear and transparent about the data they use to assess risk, and they ensure they gather all relevant data about an individual's circumstances to be able to risk assess more accurately.

5. We ask
that firms adopt a 'tell us once' principle so that people living with a mental health condition do not need to repeat their story. This would help reduce the anxieties that many people feel about engaging with the insurance market.

6. We ask
for greater transparency from firms at the start and the end of their application process on what the implications of having a diagnosis of a mental health condition are for decision-making to improve trust among consumers living with mental illness.

7. We ask
that insurers proactively signpost those who need support to independent advice resources. This will help demystify the process for the significant proportion of people who are reluctant to engage with the industry.

8. We ask
for proactive, positive messages from insurance firms that they are open for business to people affected by mental health issues to encourage them to apply.

An appendix on our research

Our report is based on the findings of an online survey conducted between December 2019 and March 2020 involving 240 people. The majority of research participants (87%) either had experience of mental ill-health and had applied or considered applying for insurance (87%). The remaining responses came from a family member or carer who reported the experiences of the person that they support.

For more information please contact
Sarah.Murphy@mentalhealth-uk.org

Mental Health UK

mentalhealth-uk.org

© Mental Health UK, 15th Floor, 89 Albert Embankment,
London, SE1 7TP. Registered Charity no. 1170815