



MONEY AND  
MENTAL HEALTH  
POLICY INSTITUTE



# WRITTEN OFF?

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Making insurance work better for people  
with mental health problems

Chris Lees

# Contents

<b>Executive summary</b>	<b>5</b>
<b>Introduction</b>	<b>8</b>
<b>Section one: How disclosing a mental health problem affects the price and quality of insurance offered</b>	<b>13</b>
1.1 Higher premiums	13
1.2 Exclusions	14
1.3 Declines	15
1.4 A lack of progress	15
1.5 Similar experiences beyond travel insurance	16
<b>Section two: The impact of insurers' decisions</b>	<b>19</b>
2.1 The impact on finances	20
2.2 The impact on mental health	20
2.3 The impact on disclosure rates	21
<b>Section three: what do we know about how insurers' decisions are made?</b>	<b>24</b>
3.1 What the available data tells us	24
3.2 Insurers can use internal information like claims data	25
3.3 What do the questions asked by insurers tell us?	27
3.4 What do people with mental health problems think?	29
<b>Section four: broader issues with insurance</b>	<b>32</b>
4.1 Understanding the product and payments	32
4.2 Disclosing a mental health problem	33
4.3 Making a claim and challenging a decision	34
4.4 Keeping up with payments	36
<b>Section five: making insurance work for people with mental health problems</b>	<b>39</b>
5.1 The role of the insurance industry	39
5.2 The role of regulators and government	44
<b>Conclusion</b>	<b>48</b>

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## Executive summary

Insurance can provide peace of mind across a range of situations. But for those of us with mental health problems, issues with how insurance products are priced, explained and managed by firms can leave people worried about getting a fair deal, unclear on what exactly they are covered for and struggling to make a claim. In some cases, people with mental health problems are unable to access insurance at all.

### **People with mental health problems are missing out on vital cover**

- When it comes to buying products like travel insurance, life insurance and income protection insurance, people who disclose that they have a mental health problem often experience poorer outcomes than other customers. This can include paying higher premiums for the same cover, having more situations excluded from the insurance or being declined altogether.
- In an online mystery shopping exercise of 15 travel insurers, a 'customer' who has experienced severe bipolar disorder was turned down by 9 of the providers. When cover was offered, the price quoted was 6 to 27 times higher than that quoted to a customer without a mental health problem.

### **Being unable to get the insurance you need at an affordable price can have a significant negative impact**

- Members of our Research Community – a group of nearly 5,000 people with lived experience of mental health problems – told us how paying more for insurance can put pressure on already-stretched finances and leave people feeling dejected and discriminated against.
- Having an exclusion on a policy for a mental health problem can expose people to financial risks if they go through a period of illness. It can also be hard to process and understand information when unwell, meaning some people only find out they are not covered when they come to claim.
- Being forced to go without cover can, at best, leave people worried about what they would do if something goes wrong and, at worst, facing terrible medical bills if they become unwell while abroad, or unable to provide security for their children if they could not get life insurance.

### **Unclear information and complicated claims processes can make it hard for people to choose and use their insurance**

- Beyond the level and price of cover, those of us with mental health problems can also face challenges navigating the market, including for home and motor insurance, to find the right product. Difficulty understanding what is and isn't covered can mean people purchase products that don't provide what they need, putting them at financial risk if the worst does happen.
- Making a claim on an insurance policy can be a long and difficult process, and people can feel unsupported. This can worsen people's mental health and lead to significant costs if they are unable to complete the process.

- Mental health problems can affect our ability to keep up with monthly payments for insurance. This can have a substantial impact in the short term, like having your insurance cancelled, as well as in the long term, such as not being accepted for cover in the future.

### **Ensuring people with mental health problems can access insurance and are treated fairly**

- Insurance companies are allowed to treat people with health conditions differently when it comes to pricing decisions and what cover is offered. But under the Equality Act, that different treatment needs to be backed up by reliable and relevant information. The opaque nature of decision-making in the industry, however, means there is little transparency about what data is used and whether firms are following the rules.
- Action is needed from a range of actors so that people with mental health problems are able to get insurance at a fair price and make the most of their cover.

### **The Financial Conduct Authority (FCA) should:**

- Launch an investigation to examine the data and models being used by firms in relation to mental health problems to guarantee they are complying with key regulations and laws.
- Set out clear expectations for insurance firms on how to deliver fair value for customers with mental health problems, a key element of the Consumer Duty.
- Urgently evaluate whether efforts like the introduction of mandatory signposting to specialist providers has proved effective in the travel insurance market. If it has not delivered meaningful positive change, the FCA should act swiftly to address the lack of access in this market.

### **The insurance industry should:**

- Use up-to-date and accurate data on the risk that those of us with mental health problems face by funding publicly-available research, updating the questions asked of customers and taking management of conditions and recovery into account.
- Be more transparent about how decisions are made so that customers know what data is being used and how to challenge decisions.
- Increase customer understanding of what is and isn't covered in insurance policies (including mental health conditions) and what to do if the premium increases, exclusions are added or they are declined.
- Embed accessibility throughout the customer journey, make it easier to claim and help people struggling with payments.

### **The government should:**

- Explore the potential for a social policy intervention to ensure people with mental health problems can access insurance in key markets.



## Introduction

Having to get medical treatment while on holiday or not being able to work due to ill-health can have significant impacts on our finances and mental health. In those circumstances, being insured can provide people with vital support, as well as the reassurance that knowing you are covered can bring.

For people with mental health problems, however, getting that peace of mind can be far from straightforward. Past Money and Mental Health publications have shown how, across a range of financial services, those of us with mental health problems frequently experience worse outcomes.<sup>1</sup> The major challenges that research has highlighted – customer journeys, products and support that all lack an understanding of how symptoms of mental health problems can affect us practically – appear unfortunately common across many key markets, including insurance. These are crucial issues. Being unable to make a claim because it is too much of a burden can cause distress and put pressure on people's finances. Not being able to ask for help from your insurance provider if you're struggling with your money and mental health can push people out of the market.

But one issue that is more specific to insurance is that of the prices charged to consumers with health conditions. Across the vast majority of financial products, the Equality Act protects people with specific “protected” characteristics – for instance, having a disability, which can include mental health problems – from discrimination. There is, however, an exemption for insurance companies which allows for differential treatment of such customers if insurers are making reasonable decisions based on reliable and relevant information.<sup>2</sup>

The impact of that differential treatment can be significant. Previous Money and Mental Health research into travel insurance found that those of us with mental health problems can often face increased premiums, exclusions and be refused insurance altogether.<sup>3</sup> Not being able to access a financial market and get the right cover can expose us to financial and psychological harms. Paying higher premiums can stretch tight budgets, while not having cover can lead to constant worry and a significant financial expense if something goes wrong.

As Figure 1 highlights, similar issues have been raised by consumer organisations and politicians about the fairness of decisions within the insurance industry and whether groups of consumers are being unfairly treated.<sup>4</sup> A 2019 report from the Treasury Select Committee raised questions over adherence to rules as insurance firms were unable to adequately set out to the FCA how they were complying.<sup>5</sup>

1 Holkar M, Evans K and Langston K. Access essentials. Money and Mental Health Policy Institute. 2018; Holkar M. Time to act. Money and Mental Health Policy Institute. 2022.

2 Equality and Human Rights Commission. Equality Act 2010 Code of Practice: Services, public functions and associations. 2011.

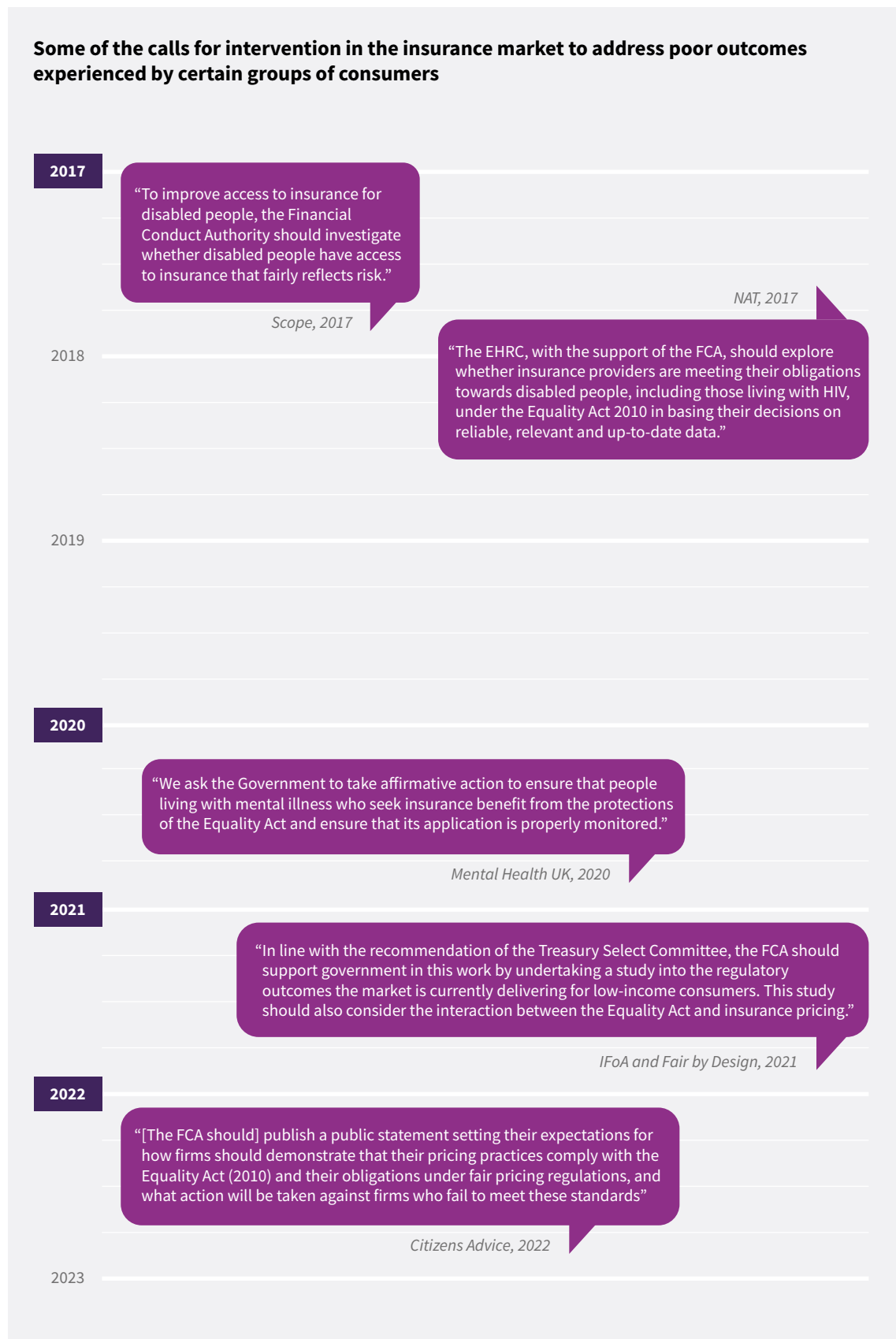
3 Holkar M. Travel insurance and mental health policy note. Money and Mental Health Policy Institute. 2018.

4 Treasury Select Committee. Consumers' access to financial services. 2019; Macmillan Cancer Support. No small change. 2017; National AIDS Trust. HIV and Finance. 2017; Patel M. Improving access to insurance for disabled people. Scope. 2017; Murphy S. Affording protection: mental health and insurance. Mental Health UK. 2020; Institute and Faculty of Actuaries and Fair by Design. The hidden risks of being poor: the poverty premium in insurance. 2021; Cook T, Greenall A and Sheehy E. Discriminatory pricing. Citizens Advice. 2022.

5 Treasury Select Committee. Consumers' access to financial services. 2019.



Figure 1: A timeline of calls from consumers organisations and charities



In the last few years, the Financial Conduct Authority (FCA), the regulator for the insurance industry, has recognised the lack of access. It acted to stop the practice of existing customers being charged more than new customers in general insurance.<sup>6</sup> Of particular relevance for people with health conditions was the introduction of new signposting requirements for travel insurance providers, to help those being declined for insurance.<sup>7</sup> The impact this has made, however, remains uncertain as the FCA has delayed its review of the signposting intervention. Even acknowledging it as a welcome step, signposting to specialist providers is unlikely to be an effective solution for such a widespread market issue, given that one in four of us will experience a mental health problem each year,<sup>8</sup> with millions more affected by other health conditions. Given that, a policy that relies on individual consumers to find cover through specialist providers, which is not guaranteed, is unlikely to address systemic issues.

Given these developments, the lack of clarity on both practice and progress, and the risk of harm people with mental health problems can be exposed to when insurance doesn't work, we wanted to look again at the insurance market. We wanted to assess whether there were similar issues in other products, whether the decisions being made by firms are fair and whether anything had changed. The FCA has indicated that across financial services, its expectations for customers are not being met by firms. The Consumer Duty aims to drive up standards across industries so that firms, like insurers, act in good faith towards customers, avoid causing foreseeable harm, provide fair value and enable consumers to pursue their financial objectives.<sup>9</sup> This report therefore aims to highlight the difficulties people with mental health problems are facing with insurance at this crucial moment of change in the industry, and set out what the regulator and firms need to do to ensure people with mental health problems can access insurance and be treated fairly.

To do that, this paper draws on:

- Two surveys with members of the Money and Mental Health Research Community, a group of nearly 5,000 people with lived experience of mental health problems, who are at the heart of everything we do. We carried out our first survey of 157 people between 6 and 20 March 2022 on people's experiences of buying and using insurance. A second survey of 211 respondents was conducted between 12 and 24 August 2022, digging into some key issues in more detail.
- An online focus group with eight of those respondents, which took place in September 2022.
- Mystery shopping of 15 travel insurance providers websites, testing eight different 'personas' across all the providers and more in-depth options with three. This allowed us to keep other characteristics like age and destination constant, while only varying people's health conditions.
- Analysis of national datasets, including the FCA's *Financial Lives* survey from 2020.
- A roundtable attended by experts from across the insurance industry, including individual firms and consumer organisations, as well as wider discussions with stakeholders from the sector.

More detail on our approach is provided in a methodological annex. The insurance sector is large and complicated with lots of different products and types of cover (see Box 1 for some key terms and roles in the industry). The report mainly focuses on travel insurance given the issues we found

6 Financial Conduct Authority. PS21/5 General insurance pricing practices market study. 2021.

7 Financial Conduct Authority. PS20/3 Signposting to travel insurance for consumers with medical conditions. 2020.

8 McManus S et al. Adult psychiatric morbidity in England, 2007: results of a household survey. The NHS Information Centre for health and social care. 2009.

9 Financial Conduct Authority. FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty. 2022.

previously, but we also explore people with mental health problems' experiences of life and income protection insurance, as well as home and motor insurance. This covers some of the most common insurance products,<sup>10</sup> as well as key products where mental health is considered a risk factor by insurers.

#### **Box 1: How insurance works, some key terms and roles**

- Insurers work out whether to offer cover and at what price based on a range of 'risk' factors. For example, having a health condition could be a relevant consideration for an insurer offering income protection insurance, which pays out when people are unable to work.
- Working out the risk of each factor is the role of actuaries, who look at data like the number of claims or medical literature.
- Underwriters then bring this evidence together to look at the mix of factors for an individual customer in order to say whether they could be covered and if the premium should increase relative to a base price.
- The base price takes into account common risks and the cost of delivering the product, including the level of potential claims.
- Each insurer will have a different risk appetite, meaning some will add more risk into the base price but others will only quote this price to the least risky customers.

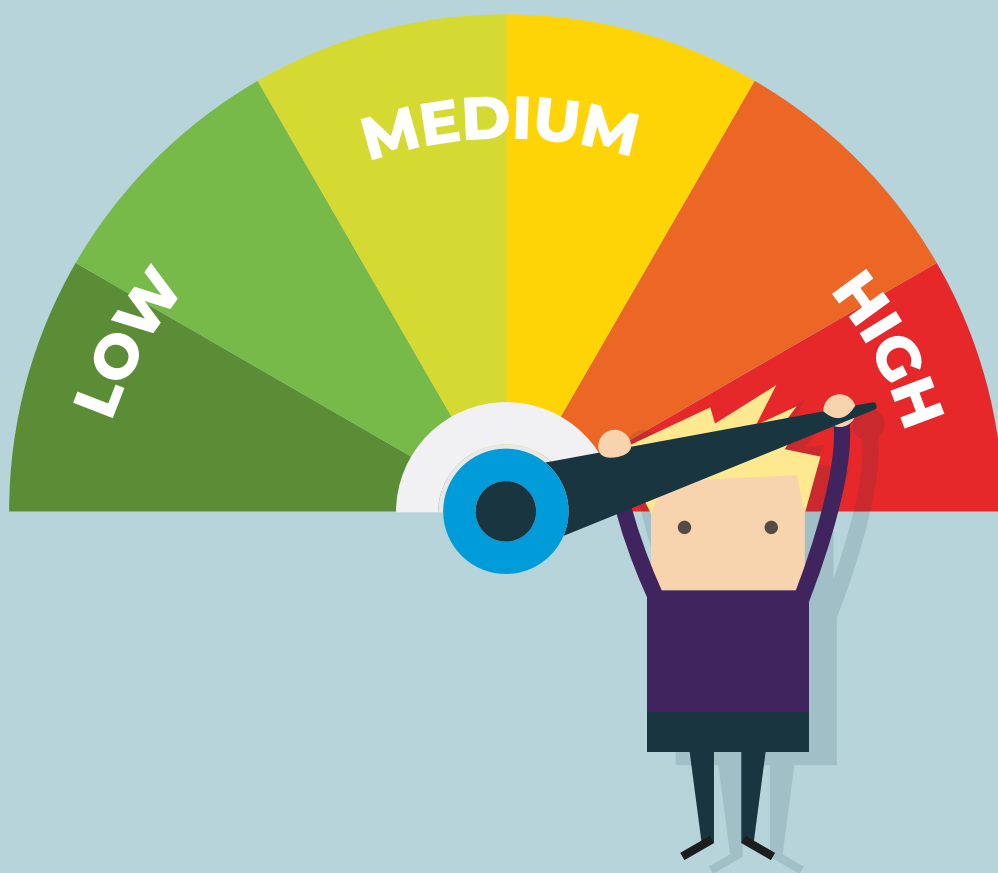
#### **This report**

The rest of this report is structured as follows:

- Section one considers how disclosing a mental health problem can affect the price and the quality of the insurance you are offered.
- Section two examines how differential treatment in insurance affects people with mental health problems financially and psychologically, and in the decisions they ultimately make on insurance products.
- Section three explores why insurers treat people with mental health problems differently, and what evidence backs that up.
- Section four looks at broader challenges people with mental health problems face with insurance, focusing on difficulties understanding and engaging with firms, including when making a claim.
- Section five sets out recommendations that a range of actors can take to help those of us with mental health problems access insurance and be treated fairly.

<sup>10</sup> Association of British Insurers. UK Insurance and Long-Term Savings Key facts. 2021.

**COST**



## Section one: How disclosing a mental health problem affects the price and quality of insurance offered

Like all of Money and Mental Health's research, this report draws heavily on the experiences of people with mental health problems. But to first establish a more direct insight into how disclosing a mental health problem affects the price and quality of the insurance people are offered, we conducted a mystery shopping exercise of 15 travel insurance providers. Keeping all other personal details like age and gender the same, we varied what health conditions the person declared, and how recent and severe their condition was. This allowed us to focus on the impact mental health problems have on whether or not the person was offered insurance, whether certain kinds of claims were excluded and how the price varied.

We chose travel insurance because of the issues our previous paper on the sector had highlighted and the similar questions asked by providers in this market. As the rest of this report illustrates, we do not believe that people with mental health problems only face challenges when buying travel insurance – similar variation in treatment and difficulties appear present across a number of insurance products. But closely exploring one of these products – travel insurance – lets us examine this question in more depth, establishing what people with mental health problems are encountering in this market before considering what it means for the industry more widely.

To understand how outcomes varied for people with different conditions, we tested results for six mental health 'personas'. Each persona had either depression or bipolar disorder. We also varied how recently the persona had experienced symptoms and how severely the condition affected them. Through this we reached three categories:

- a 'historic' persona, who had experienced a mental health problem in the past (compulsory admission to hospital under the Mental Health Act over five years ago).
- a 'stable' persona, who was actively managing their condition but whose day-to-day life was not adversely affected by it (for example, being prescribed medication or treatment, but not requiring hospital admission).
- a 'more severe' persona, who had more recently faced difficult experiences like hospitalisation (more than one voluntary admission to hospital in the last two years and a compulsory admission in the last five years).

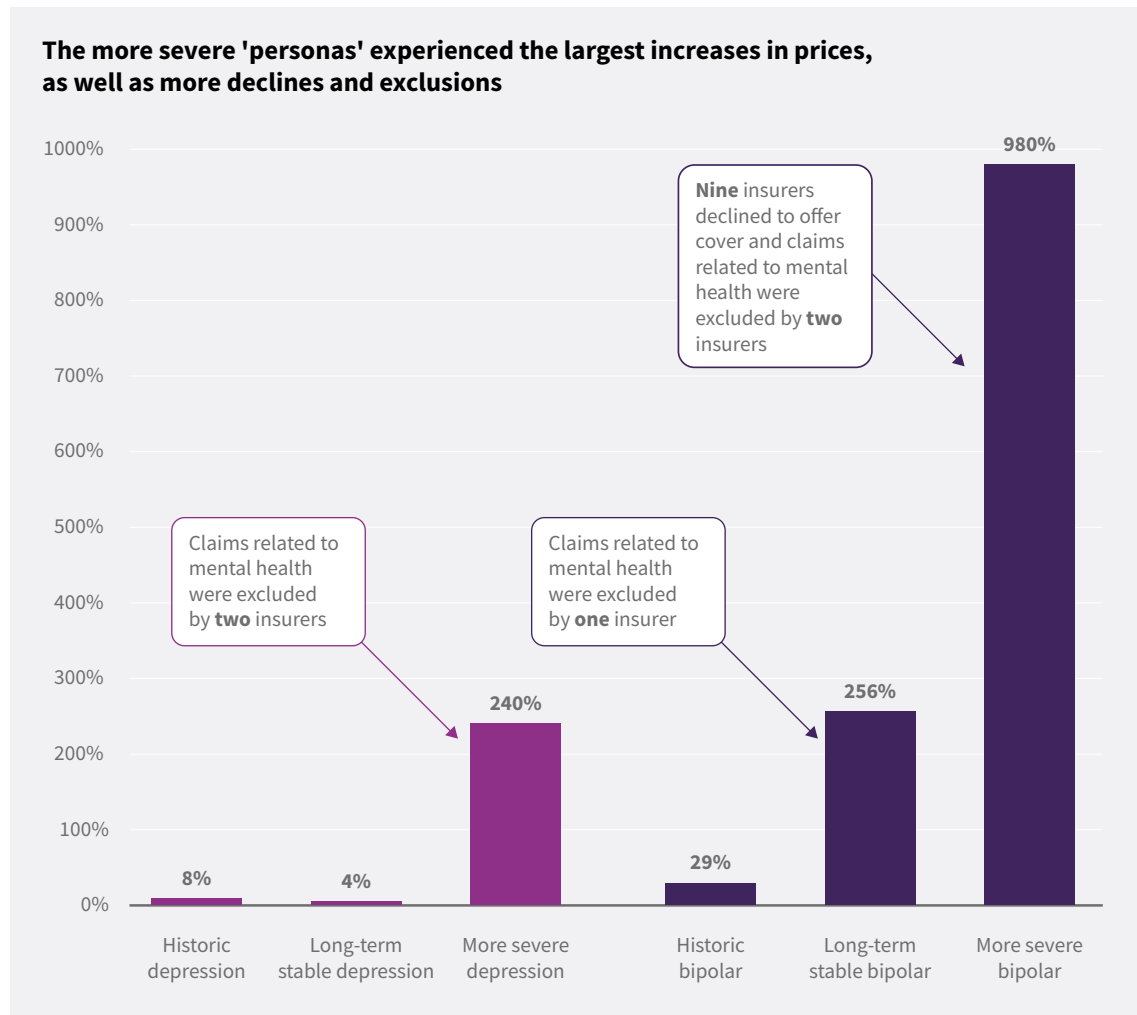
We compared outcomes for these six personas with a no medical condition persona (the baseline). We wanted to understand the scale of the issue so looked at five larger providers, another five who specialised in pre-existing medical conditions and, finally, five smaller providers. More detail can be found in the methodological annex.

### 1.1 Higher premiums

The amount a premium increases depends on the severity of the condition. When we carried out our mystery shopping exercise – see Figure 2 – we found that on average the price quoted to a persona with 'stable depression' increased by 4% (53p) relative to someone with no medical conditions (from £13.71 to £14.24). For someone with 'more severe bipolar', the average premium jumped by £134, over 10 times higher than the baseline figure. The 'more severe depression' and

'stable bipolar' personas both saw average increases of over 200% (£33 and £35 respectively).<sup>11</sup> While it is welcome that customers with milder conditions are able to get more affordable cover, the steep increases faced by people with more severe conditions is likely to make the product harder to afford, as the next section explores.

**Figure 2: Average price increase by mental health problem, relative to a customer with no medical condition in percentage terms**



Source: Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methodological annex.

## 1.2 Exclusions

Another way insurers can vary their offer is to add exclusions to their cover, meaning a person cannot make a claim related to those specified issues. For people with mental health problems, these exclusions are often for their specific condition e.g. someone is not covered if the reason they need to claim is due to receiving mental health treatment while abroad.

<sup>11</sup> Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methods note.

In our testing of travel insurance quotes, five providers included exclusions for the relevant condition – two for the personas with ‘more severe depression’, one for ‘stable bipolar’ and two for ‘more severe bipolar’.<sup>12</sup> When analysing the average prices for the testing, the impact of exclusions can be masked as the premium does not increase but someone’s cover is significantly limited compared to someone without that condition. This should raise concerns for the FCA over whether consumers with mental health problems are getting ‘fair value’ – that the price matches the benefits – as required by the new Consumer Duty.

People with mental health problems can sometimes struggle to process information when unwell, making it hard to understand what is and isn’t covered by a policy. This can be especially true if the information is badly presented, leaving people unaware that they actually have exclusions and therefore at financial risk if something goes wrong.

### 1.3 Declines

Beyond seeing a premium increase or facing exclusions, people with mental health problems can also be declined for cover by providers as they are deemed to be too high of a risk. In our mystery shopping exercise, there were nine declines and these were all for the ‘more severe bipolar’ persona.<sup>13</sup> This meant that this persona was turned down 60% of the time, presented with exclusions 13%, and given quotes between 6 and 27 times higher than for a customer without a mental health problem. Additionally, insurers often do not offer cover to anyone who says that they are waiting for a diagnosis or, in some cases, treatment for a medical condition.<sup>14</sup> While this can reflect the uncertainty of someone’s risk if they don’t yet have a diagnosis, it could affect lots of people who are facing long-waiting times to speak to their GP or for treatment. For example, in England in 2021/22, the average waiting time for a first treatment for talking therapy is 21 days, and then a further 43 days until the second treatment.<sup>15</sup>

### 1.4 A lack of progress

Taken together, the results of our testing were not dissimilar from when we did a similar exercise in 2018,<sup>16</sup> suggesting a lack of progress in the sector. In addition, as Figure 3 and Table 1 highlight, while specialist providers were less likely to decline or add an exclusion, there was not much variation in price between the different types of providers in our testing. This raises concerns over the benefits of the signposting requirement introduced by the FCA – there’s no guarantee of finding affordable cover through specialist directories.

12 Ibid.

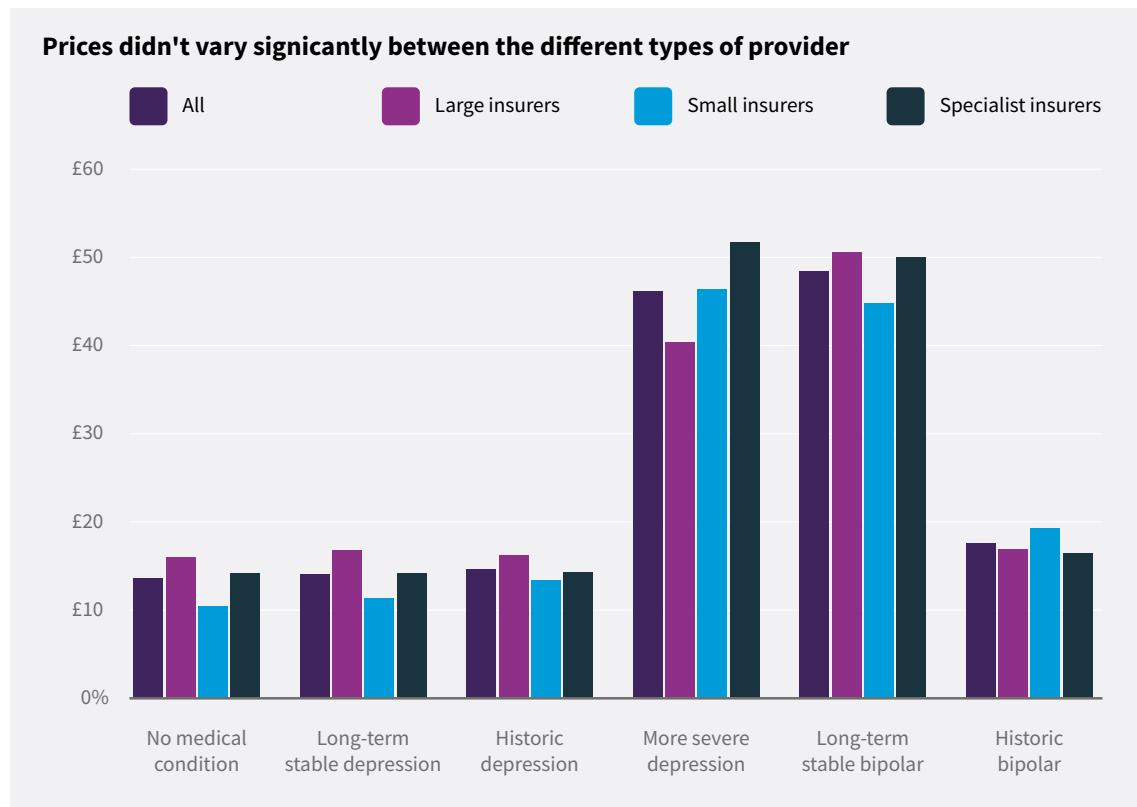
13 Ibid.

14 Most of the travel insurers we tested with said they would not offer cover to anyone waiting for a diagnosis (some as initial statements to confirm and others as a specific question), while some said the customer would have to ring up to speak to the customer service team. Five insurers specifically mentioned waiting for treatment as a reason they could not offer cover. Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methods note.

15 NHS Digital. Improving access to psychological therapies (IAPT) dataset 2021/22. 2022.

16 Holkar M. Travel insurance and mental health policy note. Money and Mental Health Policy Institute. 2018.

Figure 3: The average price quoted for the different personas by type of provider



Source: Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methodological annex.

Notes: The 'more severe' bipolar persona has not been included as only six providers offered cover, and two of those were with exclusions making it harder to compare between the different types of provider.

Table 1: Number of exclusions and declines by type of provider

Provider type	Exclusions <sup>17</sup>	Declines
Large	5	3
Small	0	5
Specialist	0	1

## 1.5 Similar experiences beyond travel insurance

Although our testing was limited to travel insurance, our findings also chime with work by Mental Health UK on protection insurance.<sup>18</sup> Research Community respondents told us they had also experienced price increases, exclusions and declines after declaring their condition for life and income protection insurance.

<sup>17</sup> The number of exclusions was based on whether it was clear during the customer journey that the condition was excluded. We were unable to go through all of the corresponding documentation to check in cases where there wasn't a clear exclusion.

<sup>18</sup> Murphy S. Affording protection: mental health and insurance. Mental Health UK. 2020.



"I had to declare [my mental health problem] as part of getting income protection and life insurance, in a medical interview. It was really nerve wracking and I was turned down by a number of providers due to it, even though it is well managed and has been for a number of years and does not stop me from working."

*Expert by experience*

While medical conditions are not directly asked about for motor insurance, customers have to declare if they had told the Driver and Vehicle Licensing Agency (DVLA) about their condition and the type of licence they have. It was not possible to directly test the impact of this. However, some Research Community respondents felt their motor insurance had increased after they had told the DVLA about their condition. Additionally, MoneySuperMarket found that people with mental health problems can pay up to 20% more for motor insurance than those without.<sup>19</sup>

### Section one summary

- People with a variety of mental health problems can experience worse outcomes compared to people without mental health problems when applying for insurance cover – paying much higher prices, receiving less cover or being turned down outright.
- People with more severe conditions are particularly likely to struggle. The 'more severe bipolar' persona was turned down 9 times out of 15 (60%), presented with exclusions 2 times (13%), and when cover was offered, the premium quoted varied from 6 to 27 times higher than for a customer without a mental health problem.

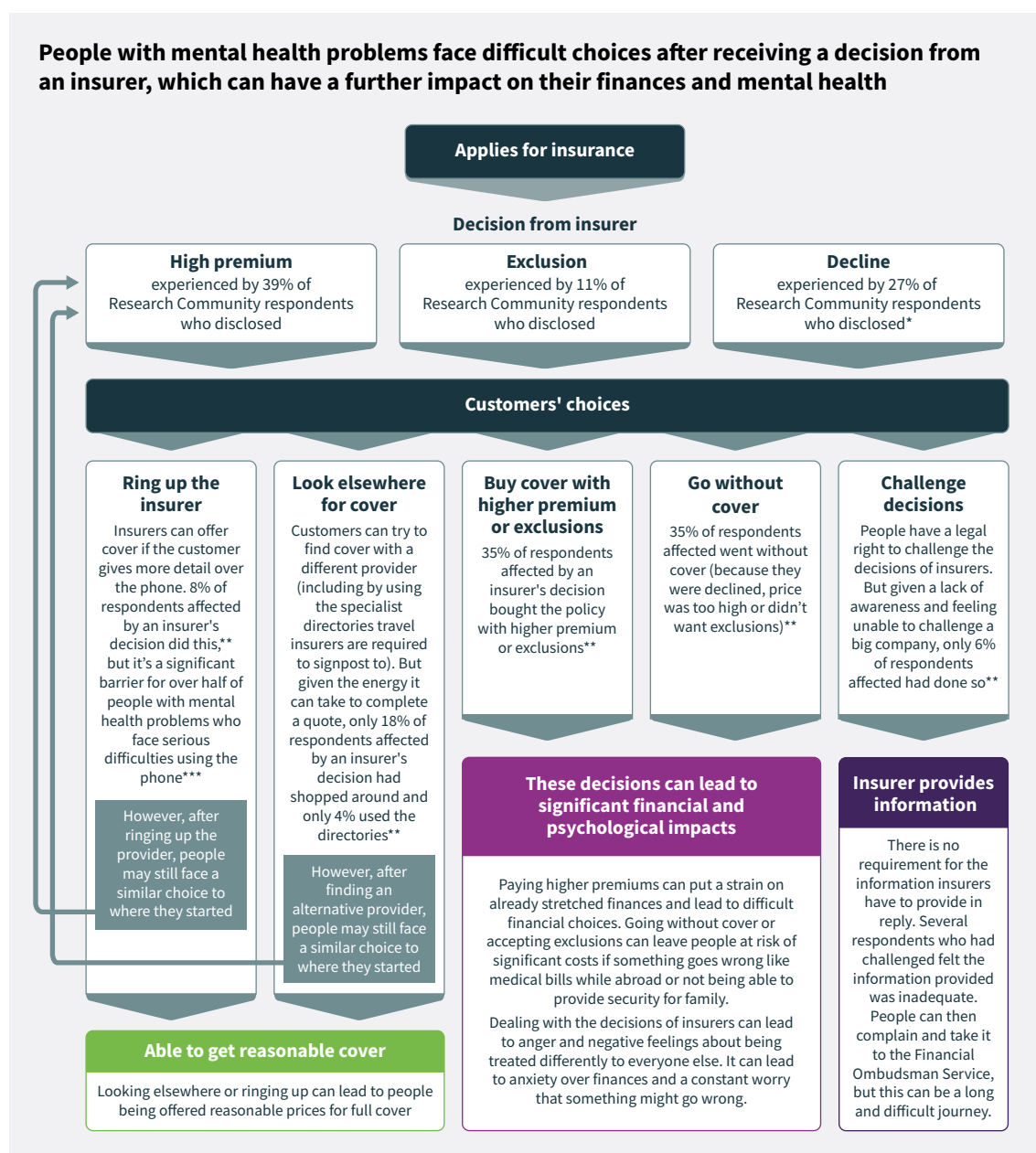
19 Christie S. Costly Cover: Declaring mental health issues to your insurer can raise premiums by 200% – here's how to cut costs. The Sun. 2017. Accessed 19/05/22 – <https://www.thesun.co.uk/money/3517732/declaring-mental-health-issues-to-your-insurer-can-raise-premiums-by-200-heres-how-to-cut-costs/>.



## Section two: The impact of insurers' decisions

When faced with the higher premiums, exclusions or a decline outlined in the last section, those of us with mental health problems are left with difficult choices, as Figure 4 illustrates. This section focuses on the impact that the differential treatment outlined in the previous section can have on someone's finances and mental health. We here draw on members of the Research Community's experience with a range of insurance products.

Figure 4: Flow chart of customer decisions when accessing insurance



\* Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 96 people who disclosed to an insurer.

\*\* Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 72 people who were affected after disclosing to an insurer.

\*\*\* Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

## 2.1 The impact on finances

For someone whose mental health problem has affected the insurance cover they have been offered, there can often be a direct financial impact. Firstly, paying a higher premium can have a knock-on effect on someone's finances. For instance, a holiday can be a major expense that people save up for. For some Research Community respondents, the extra cost of their insurance affected what they could do and spend on holiday. However, for others, the price they paid for insurance was more than the rest of the holiday.

"Because of the extra £100 it caused me to have less finances to go on holiday."

*Expert by experience*

People with mental health problems are three and a half times more likely to be in problem debt and can face an annual income gap of around £8,400 compared to people without mental health problems.<sup>20</sup> Therefore, paying a high premium, whether as a one-off for travel insurance or monthly for protection insurance, can have a particularly detrimental impact on the finances of people with mental health problems.

"The increased price is making it hard for me to manage to cover everything I have to pay out a month ... [the premium] makes a significant dent in my finances."

*Expert by experience*

Not being able to afford or find insurance cover can lead to people lacking financial control and facing significant costs if something goes wrong. Given the economically precarious position of many people with mental health problems, the financial shield insurance can provide is vital.

"I cannot afford insurance of any type or sort, so if large items break I struggle to replace them."

*Expert by experience*

For example, some Research Community respondents discussed how not having life insurance cover impacted their ability to manage their mortgages. There is no requirement to have life insurance as part of a mortgage, but if it is recommended by a mortgage provider, not being able to get cover can feel like a financial barrier.

"When we moved house and took out a bigger mortgage, we could not increase the mortgage life cover due to my history of mental illness. We are therefore only covered for a percentage of the mortgage cost if we pass away during the mortgage term."

*Expert by experience*

## 2.2 The impact on mental health

The decisions of insurance providers can also negatively affect people's mental health. If you're struggling with your mental health, going on holiday can offer respite and a vital boost to wellbeing. But being unable to go due to the decision of a travel insurer can instead make someone feel isolated and worsen their mental health.

<sup>20</sup> Holkar M. Debt and mental health: A statistical update. Money and Mental Health Policy Institute. 2019; Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

"It makes mental health issues worse due to the increased financial burden and also makes going on holidays unaffordable due to the cost of insurance and therefore impacts wellbeing and health even more."

*Expert by experience*

Paying a higher premium, having exclusions or not being able to get cover at all can lead to people becoming frustrated and can also drive negative thoughts about themselves. Answering sensitive questions about mental health can be emotionally draining and this can be exacerbated if you then find out you've been declined. Research Community members told us how it can feel like it is their fault because they are different from everyone else and not worthy of getting insurance cover.

"[Being quoted a higher price] made me feel stressed and victimised as I spoke to a few neighbours, one who had made multiple claims and her premiums were less than half the figures quoted to me. I feel that the insurance companies are deliberately overcharging people with mental health [problems] and makes me less likely to go out, withdrawing from everyday life."

*Expert by experience*

Finally, just as having exclusions or not being covered can come with financial risk, it can also lead to people constantly worrying about something going wrong and not being covered.

"I went through a period of not being able to afford insurance and I could not sleep as I started to get paranoid that I would be broken into or would have accident and then lose everything."

*Expert by experience*

### 2.3 The impact on disclosure rates

For some people with mental health problems, negative past experiences led them to not disclose to an insurer in the future. Three in ten (29%) of Research Community respondents had decided not to disclose their condition even though it was asked about by an insurer. In our previous research we found that people with mental health problems were much more likely to not disclose to an insurer compared to people with physical conditions.<sup>21</sup>

However, this comes with significant risk. The Disclosure and Representations Act 2012 says that if the lack of disclosure of key information was deliberate then the insurer could increase the premium to where they felt it should have been, turn down or pay less in claims, or cancel the insurance cover.<sup>22</sup> In effect, this means that nearly a third of survey respondents had bought cover which could turn out to be useless in a situation where they need to make a claim, an even worse outcome than deciding not to take out insurance at all. While some respondents seemed to be aware that they might not be able to claim for their mental health condition, most Research Community respondents were unaware of these risks. The FCA should be concerned if a significant minority of consumers are taking out insurance products that may have little real value to them due a lack of understanding of the impact of a failure to disclose.<sup>23</sup>

21 Holkar M. Travel insurance and mental health policy note. Money and Mental Health Policy Institute. 2018.

22 Consumer Insurance (Disclosure and Representations) Act 2012. Accessed 08/08/2022 – <https://www.legislation.gov.uk/ukpga/2012/6/contents/enacted>

23 In previous nationally representative polling we found 45% of people with mental health problems never disclose to their insurer. See Holkar M. Travel insurance and mental health policy note. Money and Mental Health Policy Institute. 2018.

"There seems little point in telling them. If you disclose conditions they increase the price AND say anything resulting from the condition or needed to manage the condition is exempt. I feel it's better to have the insurance and not claim for existing conditions. I've NEVER had to claim on insurance for an existing medical condition, but if I should forget to pack enough medication, or it goes missing, it would be nice to be covered!"

*Expert by experience*

### **Section two summary**

- Once someone has received a decision from an insurer they often face difficult choices. This can include paying a higher premium, taking a risk without insurance or taking time to try and find cover elsewhere.
- Whatever someone does, it can have a significant impact on their finances, for instance stretching tight budgets by paying a higher premium, and on their mental health, like constantly worrying about the consequences of not being covered.
- This can lead to people with mental health problems not disclosing in the future. Three in ten (29%) Research Community respondents had decided not to tell an insurer about their condition even though it was asked about. This can leave people at risk of losing cover if the insurer found out they had not disclosed this information.



## Section three: what do we know about how insurers' decisions are made?

Given the impact that disclosing a mental health problem can have on a person's access to insurance, their finances and their wellbeing, understanding how and on what basis insurers make their decisions is vital. If insurers are using transparent and accurate data that shows people with mental health problems are at a higher risk and firms are at a higher risk and, are therefore following legal and regulatory requirements, the lack of access requires social policy intervention from the government. Alternatively, if it is unclear whether firms are complying with existing rules, then the regulator needs to step in to improve practices.

### 3.1 What the available data tells us

While the different treatment and its consequences may feel unfair, the Equality Act permits insurers to vary their offers to customers with disabilities. However, as Box 2 shows, that permission comes with an important caveat and insurers are under other crucial regulatory requirements.

#### Box 2: Relevant requirements for insurers

- To follow the Equality Act and FCA rules for travel insurance, insurers must make “reasonable” decisions based on “relevant”, “current” and “reliable” information (Equality Act 2010 Code of Practice: Services, public functions and associations; ICOBS 6A.4 Travel insurance and medical conditions).
- Under the Consumer Duty, insurers must provide ‘fair value’, ensuring the price of a product matches the corresponding benefits. Insurers should also make sure products are designed to meet the needs, characteristics and objectives of their customers (FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty).
- Insurers are also required to act in accordance with FCA guidance on treating customers in vulnerable circumstances fairly (FG21/1 Guidance for firms on the fair treatment of vulnerable customers).

Judging whether those criteria are being met by insurers, however, is not straightforward. The data that insurers use is treated as ‘commercially sensitive’ making it difficult for individual consumers, or researchers like us, to ascertain what risk insurers believe people with mental health problems pose and what evidence they are using to reach that conclusion. However, there is a range of medical literature that looks at the impact of mental health conditions on people's morbidity and wider health. This shows that people with mental health problems – especially those classed as severe mental illnesses – have a shorter average life expectancy than the wider population, higher premature mortality rates and are at higher risk of having comorbid physical health conditions such as cardiovascular disease.<sup>24</sup>

24 NHS RightCare Toolkit. NHS RightCare and Public Health England. 2018; Naylor C et al. Long-term conditions and mental health. The Kings Fund and Centre for Mental Health. 2012; Davies S et al. Annual Report of the Chief Medical Officer 2013 Public Mental Health Priorities: Investing in the Evidence. Department of Health. 2014; McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.



One key driver of these differences on life expectancy and mortality is increased rates of suicide, for example among people with bipolar disorder.<sup>25</sup> Mental health conditions accounted for 10% of working days lost through sickness absence in the UK in 2021.<sup>26</sup>

Regardless of the fairness of these decisions, taken together these factors may help explain why people with mental health problems face higher premiums, exclusions or declines in life and income protection insurance. However, not everyone with a mental health problem will experience these factors. For instance, the majority of people with a mood disorder will never experience suicidal behaviour.<sup>27</sup>

It is much harder to find any available information when it comes to people with mental health problems' risk of claiming on their insurance. In travel insurance, a few insurers cite a World Health Organisation statistic that "mental health is one of the leading causes of ill health in travellers".<sup>28</sup> However, we were unable to find an accompanying data source to corroborate this statement.<sup>29</sup> There is some academic research on mental health while travelling which finds that it can be common for people to experience stress and anxiety when abroad and some travellers can experience acute psychotic episodes.<sup>30</sup> However, the episodes that require medical treatment are relatively uncommon and can be experienced by people with no pre-existing history of mental health problems.<sup>31</sup> From our review of publicly available evidence, it is difficult to make an informed decision that people with mental health problems pose a higher risk to travel insurance providers compared to people without.

### 3.2 Insurers can use internal information like claims data

Beyond the limited publicly-available information we have found, insurance companies have a wealth of internal claims data from previous customers they can use to assess the risk of new customers. If one group of people has been more likely to have claimed in the past, this could suggest other members of that group pose a greater risk and so should pay higher premiums, have exclusions or be declined. It is possible that firms are using this internal data as the basis to underpin risk-based pricing decisions. However, as firms do not make their claims data publicly available there is no way for researchers or consumers to check this or to understand whether pricing decisions are in line with the Equality Act.

To get a similar insight into people with mental health problems' likelihood of making a claim, we analysed a question in the Financial Lives survey which asked whether someone had claimed in the past on different insurance products.

25 Hoang U, Goldacre M and Stewart R. Avoidable mortality in people with schizophrenia or bipolar disorder in England. *Acta Psychiatrica Scandinavica* 127. 2013; Novick D, Swartz H and Frank E. Suicide attempts in bipolar I and bipolar II disorder: a review and meta-analysis of the evidence. *Bipolar Disord* 12. 2010.

26 ONS. Sickness absence in the UK labour market. 2022.

27 Dome P, Rihmer Z and Gonda X. Suicide Risk in Bipolar Disorder: A Brief Review. *Medicina (Kaunas)* 55. 2019.

28 Oates L. Travelling with a mental illness. Admiral. 2021. Accessed 19/07/2022. <https://www.admiral.com/magazine/guides/travel/travel-and-mental-health-guide>.

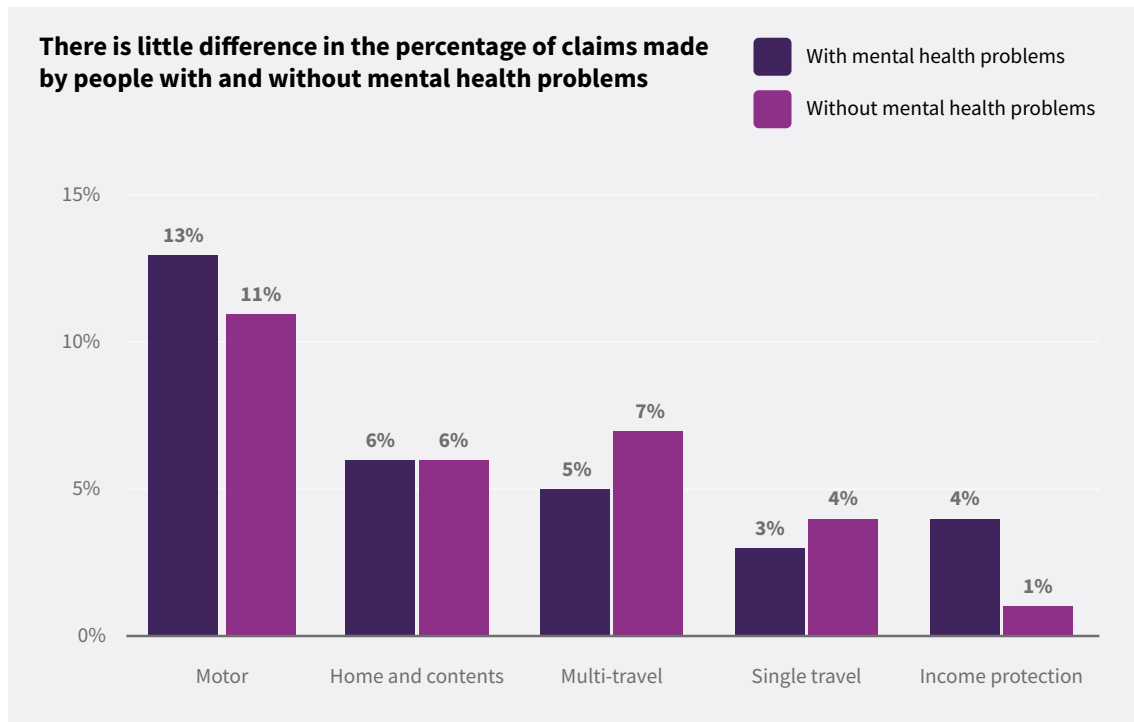
29 World Health Organisation. Health risks when travelling. 2020. Accessed 19/07/2022. <https://www.who.int/philippines/news/q-a-detail/health-risks-when-traveling>.

30 Felkai P and Kurimay T. Patients with mental problems – the most defenseless travellers. *Journal of Travel Medicine* 24. 2017; Felkai P, Marcolongo T and Van Aswegen M. Stranded abroad: a travel medicine approach to psychiatric repatriation. *J Travel Med* 13. 2020; Potasman I, Beny A and Seligmann H. Neuropsychiatric problems in 2,500 long-term young travelers to the tropics. *J Travel Med* 7. 2000; Wiesmann UC, Anjeyeb M and Lucas BB. Severe mental illness and airports – the scope of the problem. *Psychiatric Bull* 25. 2001; Heltberg J and Steffen R. Psychiatric and psychological problems in travellers. First Scandinavian Symposium on Travel Medicine. Sweden. 1992.

31 Ibid.

As Figure 5 shows, we found little difference in the proportions of claims between people with and without mental health problems across products like motor, home, and travel, with a slightly bigger disparity in income protection.<sup>32</sup> While each individual insurer may have a different picture, this is not a significant indication that people with mental health problems are more likely to claim.

**Figure 5: Percentage of people with and without mental health problems who have made a claim in the past two years by type of product**



Source: Money and Mental Health analysis of the Financial Conduct Authority's 2020 survey.

Notes: Base is people who have taken out relevant insurance products. We found small gaps in the share of people with and without mental health problems who had taken out insurance.

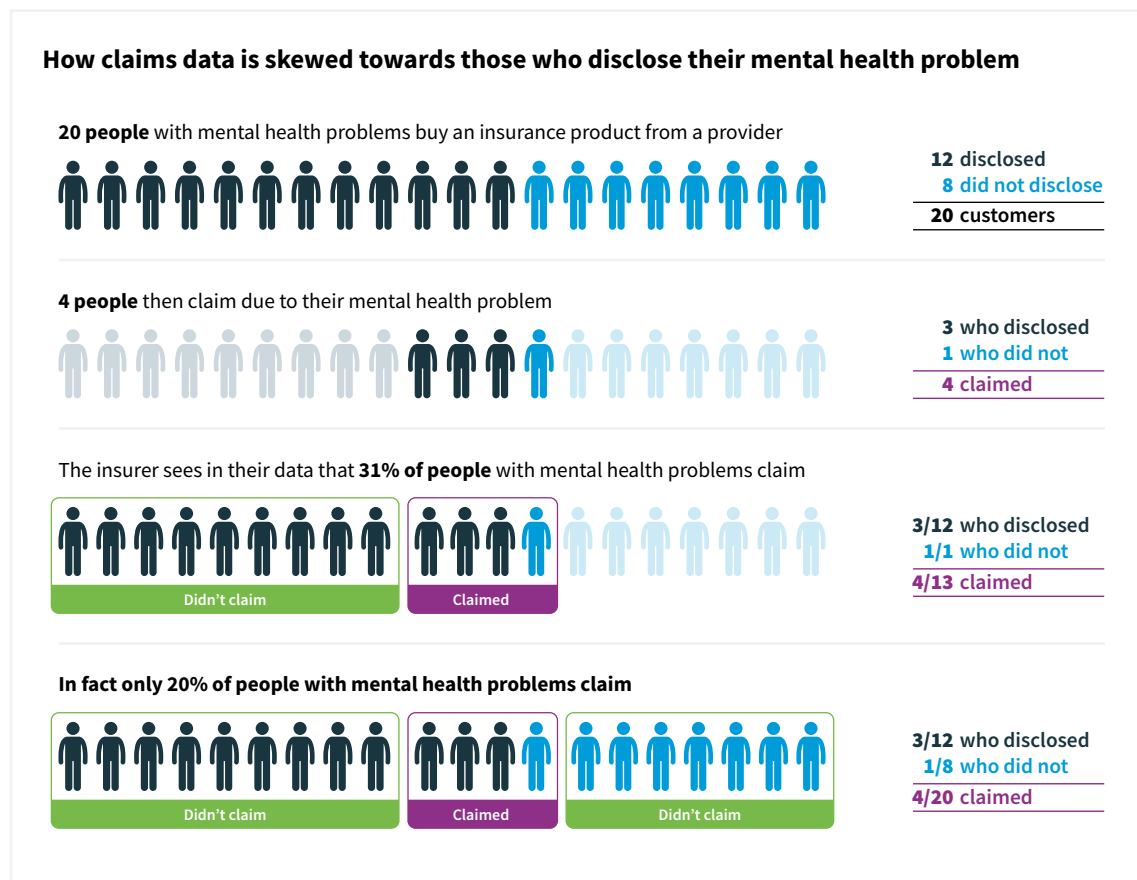
Claims data also comes with a significant caveat touched on in the previous section – the patchy disclosure rates of people with mental health problems. Insurers can only work out the percentage of claims among customers with pre-existing mental health problems who have disclosed their condition. As shown by the example in Figure 6, this means that the internal data firms have is incomplete and not picking up those who don't disclose and later claim.

Insurers may feel it is justified to only focus on those who disclose, but the gaps in the data make it difficult to apply any nationally-representative insights to their customer base. This raises questions about the reliability of such data.

On the face of it so far, it's hard to understand how insurers can reach the very significant increases in pricing, exclusions and decline rates that some people with mental health problems are experiencing, particularly in travel insurance. It is possible that firms have access to other data sources that are not publicly available, in which case looking at the data they collect from consumers during insurance application processes could be illuminating.

<sup>32</sup> Money and Mental Health analysis of the Financial Conduct Authority's Financial Lives 2020 survey.

Figure 6: Illustrative example of how claims data is skewed towards those who disclose their mental health problem



### 3.3 What do the questions asked by insurers tell us?

To get behind the curtain of the underwriting process, the questions asked by insurers during the application process can also give an indication of what is deemed to be high risk. For instance, being asked about hospitalisation suggests there is data showing that people who have received hospital treatment for their mental health are at a higher risk of claiming.

When we looked at the customer journeys for travel insurance, most personas with mental health conditions were asked about hospitalisation, including compulsory visits. Some were asked about whether they were taking medication or seeing a psychiatrist. Interestingly, several personas were asked if their condition had led to them cancelling their holiday plans in the past. This question was not asked in the customer journeys for physical health conditions we looked at such as type 1 diabetes and arthritis. This may suggest that there is less of an evidence base to rely on for mental health conditions compared to physical health conditions.

In the in-depth testing we did of three insurers' approaches, the more recent someone's experience was – for instance, compulsory hospitalisation or cancelling plans within the past five years – the higher the premium they were presented with or the higher the odds of them being declined cover.<sup>33</sup> Having a recent experience does not automatically mean that someone will have that

<sup>33</sup> Money and Mental Health in-depth testing of 3 travel insurance providers. More detail can be found in the methods note.

experience again, in the near future or ever. For example, while there are a range of figures on rates of readmission,<sup>34</sup> the NHS found that in England only one in ten (11%) of people with mental health problems are readmitted to mental health services within 30 days of being discharged.<sup>35</sup>

In our testing of travel insurers, we defined our personas with 'historic' experiences as having last had symptoms of the condition more than five years ago. The approaches taken by firms varied,<sup>36</sup> with some quoting the same premium for these personas as those with no medical condition while others saw increases of up to 66% (£6) more for depression or 117% (£13) more for bipolar.<sup>37</sup> Including older experiences could be unfairly penalising people who have since recovered from their experience of mental health problems.<sup>38</sup> For longer-term products like life or annual travel insurance, where the quote stage is just a snapshot of someone's current experiences, people could continue to pay a price that no longer matches their experiences. For example, the mortality risk associated with depression decreases over time for those who do not have a recurrent episode.<sup>39</sup> The variation in the timeframes (which also exists in other products including life insurance) indicates a lack of a shared evidence base for what could be considered relevant to inform decisions. While each firm has a different approach to risk, this impacts individual consumers who do not have a way to know what timeframe each insurer uses.

As well as questions about past experiences, insurers are also interested in whether customers are being treated in some way for their condition. However, in some cases, being on medication or receiving treatment seems to be considered a *higher* risk by insurers. For example, the average price increase relative to having no medical condition for someone with stable bipolar (taking medication as required) was very similar to someone with more severe depression (being recently in hospital).<sup>40</sup> This was despite the person's mental health being stable and well managed in the first case, but in the second the person has been in need of crisis support. In one case, when we added that one 'stable depression' persona had been referred to a psychiatrist, we saw their price increase.<sup>41</sup> This finding from the testing was also echoed by some Research Community respondents.

"I tried to get insurance which would cover me if I couldn't work – being self employed this was important to me. I asked them to exclude my mental health history as I could not get cover. Basically I was told that until I stopped meds I couldn't get cover!! I gave up in the end. I mean would you ask a diabetic to stop insulin??? Same in my view to keep me well!"

*Expert by experience*

34 For example Mind has cited NHS data that says it is one in twenty within 30 days – Leaving Hospital. Accessed 15/12/22 – <https://www.mind.org.uk/news-campaigns/campaigns/leaving-hospital/#:~:text=On%20average%20one%20in%2020,within%2030%20days%3A%20NHS%20data;while%20this%20study%20found%20it%20to%20be%2021%20in%206%20months%20–%20Osborn%20D%20et%20al.%20Readmission%20after%20discharge%20from%20acute%20mental%20healthcare%20among%20231%20988%20people%20in%20England%3A%20cohort%20study%20exploring%20predictors%20of%20readmission%20including%20availability%20of%20acute%20day%20units%20in%20local%20areas.%20BJPsych%20Open%207%20.2021.%20This%20study%20puts%20the%20general%20emergency%20readmission%20rate%20in%20England%20in%202016%20at%207%20–%20Friebel%20R%20et%20al.%20National%20trends%20in%20emergency%20readmission%20rates%3A%20a%20longitudinal%20analysis%20of%20administrative%20data%20for%20England%20between%202006%20and%202016.%20BMJ%20Open.%202018.>

35 NHS Digital. IAP00361 Unplanned readmissions to mental health Services within 30 days of a mental health inpatient discharge in people aged 17 and over. 2019.

36 Some insurers asked whether customers had ever experienced a mental health problem, others whether they had done so in the last five or two years, with some only interested in the last year. However, the subsequent questions for the different personas across the different providers still asked if an experience, like compulsory hospitalisation, was within the past given amount of years or older.

37 Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methods note.

38 For evidence of how people can recover from experiences of mental health problems see: Salzer M, Brusilovskiy E and Townley G. National Estimates of Recovery-Remission From Serious Mental Illness. Psychiatric Services 69. 2018; Bellack A. Scientific and Consumer Models of Recovery in Schizophrenia: Concordance, Contrasts, and Implications. Schizophrenia Bulletin 32. 2006.

39 Gilman S et al. Depression and mortality in a longitudinal study: 1952–2011. Canadian Medical Association Journal 189. 2017.

40 Money and Mental Health testing of 15 travel insurance providers. More detail can be found in the methods note.

41 Money and Mental Health in-depth testing of 3 travel insurance providers. More detail can be found in the methods note.

However, receiving treatment or taking medication for a mental health condition is fairly common,<sup>42</sup> and there is a plethora of medical literature and data which highlights the positive impact that medication and treatment can have on people experiencing mental health conditions.<sup>43</sup> For example, over half (51%) of those who are referred to Improving Access to Psychological Therapies (IAPT) experience a recovery.<sup>44</sup> Someone's situation can be more nuanced than the current approach taken by insurers allows. Receiving treatment for mental health conditions should be understood as a mitigation against risk, rather than an indication of increased risk.

### 3.4 What do people with mental health problems think?

It has been hard for us as a research charity to ascertain what data is being used and whether the decisions are fair. However, there was a very strong feeling from the Research Community that people with mental health problems are being unfairly treated.

"I feel judged and am being made to justify why I need to travel or have the life others take for granted. I also feel like the insurance company is using us as cash cows."

*Expert by experience*

For some this feeling was driven by seeing the difference in outcomes between not disclosing a medical condition and declaring a mental health problem. In particular, those who also had a physical health condition were confused as to why the premium increased for mental health conditions but not for physical health which they felt had a greater impact on them.

"I get really frustrated about it. Like I said earlier, I am much more likely to become severely unwell from my autoimmune conditions and asthma than I am my mental health, but get penalised for my mental health."

*Expert by experience*

Others felt they were being unfairly treated because they were doing everything required of them to manage their condition but were still seeing premiums increase or not being able to get insurance.

"I have borderline personality disorder and PTSD and have managed to stay out of hospital admissions for many years but I'm penalised still with shocking premiums."

*Expert by experience*

Ultimately, this feeling of unfairness is driving a lack of trust in insurers and leading to people avoiding telling them about their experiences.

42 Two in five (39%) of those with a common mental disorder (CMD) were receiving mental health treatment according to the NHS's Adult Psychiatric Morbidity Survey. McManus S et al. Mental health and wellbeing in England: Adult Psychiatric Morbidity Survey 2014. NHS Digital. 2016.

43 Cipriani et al. Comparative efficacy and acceptability of 21 antidepressant drugs for the acute treatment of adults with major depressive disorder: a systematic review and network meta-analysis. The Lancet 391. 2018; Haddad P and Correll C. The acute efficacy of antipsychotics in schizophrenia: a review of recent meta-analyses. Ther Adv Psychopharmacol 8. 2018.

44 Jennings P. Psychological Therapies: Annual report on the use of IAPT services England 2020-2021. NHS digital. 2021.

### Section three summary

- From a consumer's perspective, the insurance decision-making process is opaque. Insurers need to use reliable and relevant information. However, it is very difficult to assess whether this is the case with customers knowing little about how or why a decision has been made.
- The publicly-available data paints a mixed picture: in some cases there is a higher risk for people with mental health conditions and in other cases, it is less clear.
- Data from the FCA does not show people with mental health problems to be significantly more likely to make an insurance claim. Over-relying on internal claims data could be risky due to the low level of disclosures, meaning those who don't disclose do not appear within the data and rates of claims can be unrepresentative of the wider group of customers with mental health problems.
- At a minimum, the current lack of transparency is contributing to distrust in the insurance industry and leading to people to not disclose to their provider – resulting in consumers taking out products that they cannot use as intended.
- At its worst, it's possible that this lack of transparency is concealing insurers using patchy, out-of-date or irrelevant data to inform decisions for people with mental health problems – risking a breach of the Equality Act.



## Section four: broader issues with insurance

So far, this report has focused on the impact that having a mental health problem can have on the price and cover people are offered. But our Research Community members pointed to a range of challenges elsewhere in their relationship with the insurance industry that could pose other, no less serious issues. In this section, we explore some of these, all of which can have a huge influence on whether people are getting the right product that they can make the most of when needed.

### 4.1 Understanding the product and payments

People with mental health problems can often find the process of comparing and choosing insurance products difficult. Common symptoms of mental health problems, like short attention spans, can add to the complex nature of insurance and the wide variation across the market.

Nearly two-thirds (64%) of Research Community respondents had bought insurance during a period of poor mental health.<sup>45</sup> Respondents told us about how being unwell made it harder to compare policies, find suitable cover and ultimately make a decision. Symptoms including low motivation and energy, mixed with avoidance – a common coping mechanism – led to some putting off or speeding through the process. These hurdles can also make it harder to look for alternative cover after being quoted a high premium or being declined due to a mental health condition.

“It was harder to look at, and compare, prices and cover. When struggling with my mental health it usually makes me feel overwhelmed and struggle to make decisions, so when I needed to get insurance for my van, I know I wasn't able to make an informed choice – simply went for the easiest to get.”

*Expert by experience*

A further issue raised by Research Community members was the difficulty they face when trying to read and comprehend key documents like the terms and conditions. Insurance policy documents are often long and complex – with lots of jargon and legalese.<sup>46</sup> This can be a barrier for people with mental health problems and put them at risk of financial harm.

“I can't read terms and conditions as they're too long and complex so I have to trust the companies.”

*Expert by experience*

When it comes to renewing annual policies we found that people with mental health problems often do so automatically, as they either forgot it was due or found the process of finding alternative cover, given the above, too difficult.

Ultimately, these challenges can mean that people with mental health problems are taking out and renewing products that are unaffordable or unsuitable for their circumstances.

<sup>45</sup> Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 161.

<sup>46</sup> Hogg T. Interminable: who can read T&Cs? Oxera.2022. Accessed 01/11/22 – <https://www.oxera.com/insights/agenda/articles/interminable-who-can-read-tcs/>.



While the FCA recently acted to end the loyalty penalty, where existing customers pay more than new ones,<sup>47</sup> remaining with the same provider can still lead to ever-increasing premiums compared to switching to a cheaper alternative.

"I felt too unwell to cope with changing the policy so I just renewed even though it had increased quite a lot for the same cover."

*Expert by experience*

## 4.2 Disclosing a mental health problem

While people with mental health problems might decide to not disclose during the quote process, this is not the only touchpoint in the lifecycle of an insurance product. Around one in six (18%) Research Community respondents who had disclosed to an insurance provider about their mental health did so at another point.<sup>48</sup> For some, this was to explain the impact their condition had on their ability to access the service, such as struggling to use the phone, and that they needed extra support to do so.

"[I disclosed] after the quote was provided and the policy was taken out. I always tell companies that have accessibility/vulnerable customer settings on their websites so that they can adjust their processes or divert my call to a department designed to deal with people like me in the event that I do have to call them."

*Expert by experience*

We have previously found that disclosure rates to essential service providers are often very low – for example, only 14% have disclosed to a financial services provider, including insurers.<sup>49</sup> Reasons why people don't disclose can include embarrassment, not realising it could lead to receiving support, or concerns over not being believed.

Another common and particularly relevant reason, however, is that people are concerned about the disclosure negatively impacting their financial situation such as their ability to take out credit.<sup>50</sup> Given the way that mental health conditions are used in the underwriting process, there was some concern over whether any information provided to an insurer would lead to a higher premium, exclusions, or losing access to insurance.

"At the moment you would worry as you know [insurers] are within their rights to discriminate against you on that basis, but I would like for them to know so that they can provide appropriate support."

*Expert by experience*

Beyond some of the specific challenges related to accessing insurance raised in this report, previous Money and Mental Health research has highlighted some of the ways that people with mental health problems can struggle to access essential services and interact with their providers.

47 Financial Conduct Authority. PS21/5 General insurance pricing practices market study. 2021.

48 Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 96.

49 Bond N and D'Arcy C. The state we're in. Money and Mental Health Policy Institute. 2021.

50 Ibid and Fitch C, Holloway D and D'Arcy C. Mental Health Disclosures Guide 1: Disclosure Environments. Money and Mental Health Policy Institute. 2022.

### Box 3: Our wider work on accessibility of essential services

Beyond some of the specific challenges related to accessing insurance raised in this report, previous Money and Mental Health research has highlighted some of the ways that people with mental health problems can struggle to access essential services and interact with their providers. These challenges will also apply to insurance providers. Key issues include::

- Anxiety when dealing with essential providers. Four in ten (37%) people with mental health problems experience significant anxiety, almost three times higher than people who have never experienced mental health problems (13%).
- Difficulties using communication channels. Three quarters (75%) of customers with mental health problems have serious difficulties engaging with at least one communication channel. With more than half (54%) struggling to use the telephone.
- Knowing what to do if something goes wrong. Four in ten (38%) customers with mental health problems find it difficult or very difficult to deal with essential service problems, nearly four times the rate amongst those who haven't (11%).<sup>51</sup>

Making essential services more accessible for people with mental health problems is a major part of our work which is why we launched our [Mental Health Accessible](#) programme.

## 4.3 Making a claim and challenging a decision

A majority of the Research Community respondents (68%) had made a claim at some point,<sup>52</sup> with most doing this for motor insurance (68%), with home (32%) and travel (12%) being the next most common.<sup>53</sup> We found that some respondents had had positive experiences but we also found several common issues.

Firstly, some people with mental health problems faced barriers in taking the initial steps to make a claim. For some, this was due to the impact of their condition like low motivation and avoidance. There can also be issues with the excess that people have to pay before the cover kicks in. Higher excesses can put people off claiming if they are already struggling with their finances, while paying the excess can lead to worries about the financial impact.

"My biggest problem is procrastination and obsessively looking for the finest details so when I'm asked to get three quotes from three different builders it makes it impossible and I tend to leave the claim."

*Expert by experience*

"I had to pay the excess and that was difficult as I had to pay when my benefit went in and then didn't have enough for other bills."

*Expert by experience*

51 For more information on some of the challenges read Holkar M, Evans K and Langston K. Access Essentials. Money and Mental Health Policy Institute. 2018.

52 Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 197.

53 Money and Mental Health survey of 211 people with lived experience of mental health problems. Base for this question: 133.

Secondly, we found that the claims process can often be long and complicated, particularly when people are experiencing symptoms of mental health conditions. For example, shortened attention spans and difficulty remembering key details can make filling out forms more difficult. The length of the process and not receiving updates can then cause stress and anxiety.

"Stressful due to water damage after a fire, I lost nearly everything. Filling the reports, trying to find invoices, and not being informed on what was happening, [it] took the best part of 6 months before I got a pay out."

*Expert by experience*

"The forms appear deliberately complicated to put you off claiming."

*Expert by experience*

We also found that people can face this extra administrative burden while struggling with their mental health and trying to deal with whatever had gone wrong in the first place. Being in a car accident, being burgled, or being hospitalised while abroad can all be extremely distressing situations and cause cognitive overload.

"It was for flooding. It was a truly awful experience from day one and took over 6 months to fix a tiny 1 bed flat... Which was the start of my mental health issues and I was diagnosed with PTSD/Anxiety/Stress with a potential break-down. Which I managed to avoid – just."

*Expert by experience*

As with the decisions made by insurers at the quote stage (see Figure 3), we found people with mental health problems can struggle to challenge the insurer's decision on a claim. Research Community members highlighted the power imbalance between them as an individual consumer and their insurer, a large firm often with thousands of employees.

"It was a nightmare. The company initially refused my claim. I studied law and found a clause in the policy that applied. Eventually they accepted my claim. Without legal training and knowledge it would have been very difficult to win the claim."

*Expert by experience*

Finally, we found some difficulties with making claims related directly to mental health.

Making a claim related to mental health can be daunting and often people have to provide medical evidence. However, some Research Community respondents had gone through the difficult process, only to find out their claim had been rejected because their condition was excluded from the policy. They weren't aware of such exclusions because the detail was buried in the terms and conditions which they struggled to read while unwell.

"I read the main points that I was covered for but when I put in a claim they said it was not covered (in the additional tiny writing). I struggle to focus when reading and don't always take it in."

*Expert by experience*

Being rejected for a claim can have a significant impact on someone's finances as it means they are fully financially liable. This can be devastating for people with mental health problems who are more likely than people without to be in financial difficulty.<sup>54</sup>

"I claimed on my income protection insurance. I was denied, because of my mental health... This eventually led to me losing the home I'd bought. I'm now homeless."

*Expert by experience*

#### 4.4 Keeping up with payments

Struggling with payments is a common part of the link between mental health problems and financial difficulty.<sup>55</sup> Work by Fair by Design has highlighted how people on low incomes can face a poverty premium in insurance, where paying monthly can cost more overall than paying in one annual sum.<sup>56</sup> Some Research Community respondents told us about how they had struggled to keep up with monthly insurance payments during periods of poor mental health – both because their mental health made it harder to manage their finances and because their income was affected.

"I lost my job due to my mental health, and wasn't opening my mail. I was so poorly it hadn't occurred to me at all."

*Expert by experience*

Some respondents experienced poor debt collection practice from their insurer, being contacted in an intimidating way. Such communications can have a significant impact on someone's mental health and make it harder for them to deal with the debt.<sup>57</sup>

"I had a complete breakdown and the bills were not being paid. They stopped my car insurance which I paid monthly usually and asked for the remainder of the cost of insurance in one chunk. I received what I felt were threatening letters before I was well enough to let them know my predicament."

*Expert by experience*

Insurance paid for on a monthly rather than annual basis is treated as a credit agreement, meaning the customer is liable for the whole annual cost and the insurer can cancel the product if a customer continues to miss their payments.<sup>58</sup> This not only has the short-term impact of leaving the person without cover, it also has a longer-term impact. Every time you buy insurance, you have to declare if you have had insurance cancelled in the past. Insurers can then treat this as an indicator of high risk and either decline an application or require someone to ring up instead. Insurance can also be cancelled if someone failed to declare a key piece of information.

54 See for example Bond N and D'Arcy C. Mind the income gap. Money and Mental Health Policy Institute. 2020.

55 See for example Bond N and D'Arcy C. The State we're in. Money and Mental Health Policy Institute. 2021.

56 Institute and Faculty of Actuaries and Fair by Design. The hidden risks of being poor: the poverty premium in insurance. 2021.

57 Bond N and Holkar M. A silent killer. Money and Mental Health Policy Institute. 2018.

58 Insurers can also cancel longer-term products, like life and income protection, if customers miss monthly payments

"I was going through a poor period of mental health. I set my out of office on my personal email to say it would take me a while to reply to emails. They replied saying my insurance was cancelled (the direct debit bounced). I now don't have contents insurance. I'm scared that because my insurance has been cancelled I'll never be able to get house insurance again. I would try explaining to them about my mental health but I don't think they care."

*Expert by experience*

With the cost of living crisis stretching finances, insurance could be an area people struggling deem an unnecessary expense and cut back on. Citizens Advice recently found that one in five people have either cut back or cancelled their insurance, with people on lower incomes being more likely to do so.<sup>59</sup> This wasn't an experience our Research Community respondents had had to date, but it was raised as a potential option in the future. Going without insurance could expose people to financial harms at a time of economic uncertainty.

"Stuck between a rock and a hard place, I can't really afford to keep the insurance but then I can't deal with the panic and stress [not having] it causes."

*Expert by experience*

#### Section four summary

- Customers often have long-lasting relationships with their insurance provider. Despite this, people with mental health problems can often struggle to interact with their provider and use key services.
- People can be wary about disclosing their mental health condition to their insurer as they are concerned about how it might be used. This means they are not getting the support they need.
- Making a claim is an important part of having insurance, but it can often be a long and stressful experience. People with mental health problems can struggle to make a claim and can find that their claims are rejected because they were unaware their condition was excluded.
- People can often find it difficult to keep up with payments when they are unwell and this can lead to them losing insurance cover and being at financial risk.

59 Mendes da Costa D. People are cancelling vital insurance due to the cost of living. If we're to learn the lessons of this crisis, insurers need to think big. Citizens Advice. Accessed 03/11/22 – <https://medium.com/@david.mendesdacosta/people-are-cancelling-vital-insurance-due-to-the-cost-of-living-6d15ce4b370c>.



## Section five: making insurance work for people with mental health problems

From the decisions made by insurers, to difficulty understanding the level of cover and using key services like making a claim, people with mental health problems are experiencing poor outcomes with insurance. But this is not inevitable. In this final section, we set out the steps that, first, the insurance industry and, second, regulators and government need to take to ensure people with mental health problems have the same levels of access to insurance as people without mental health problems and are treated fairly when buying and using insurance.

### 5.1 The role of the insurance industry

Firms in the insurance industry have already shown a willingness to deliver better outcomes for their customers with mental health problems, including voluntary standards and more acceptance of mental health conditions. But as our research shows, there is clearly more to be done. Our recommendations to firms focus on two challenges: driving fairness in how decisions are being made and communicated, and making insurance more accessible for people with mental health problems. Concerted action on both is needed. Being able to buy insurance at reasonable prices but struggling to understand or use it doesn't suggest a well-designed product and process. Likewise, accessible services are of no use to those who cannot even buy insurance. Some of our recommendations apply only to providers of products which use mental health as a risk factor, while others apply to all products which someone with mental health problems might struggle to access.

#### 1. Driving fairness

Each insurance firm will have a different risk appetite and insurers set prices in accordance with that. However, it is imperative that any difference in outcomes for people with mental health problems should be proportionate to the actual risk they pose.

It has been difficult during this project to ascertain how decisions are made, including what data is being used to assess the risk that people with mental health problems pose to insurers. Both the Equality Act and FCA rules are clear that insurers cannot rely on untested assumptions, stereotypes, or generalisations.<sup>60</sup> While firms may feel they have already achieved this, Research Community members often did not. There is a necessity, therefore, to improve both the evidence base and the transparency of existing evidence. Although most of our findings are from travel insurance, Research Community experiences and work by others, including the Institute and Faculty of Actuaries (IFoA), suggest a need for improvement across a range of insurance products that use mental health as a risk factor.

"There needs to be a real & meaningful assessment of risk instead of companies making assumptions based on mental health stereotypes."

*Expert by experience*

60 Equality and Human Rights Commission. Equality Act 2010 Code of Practice: Services, public functions and associations. 2011

## Using up-to-date and reliable information when calculating risk

To guarantee that decisions are fair and reasonable, the insurance industry needs to use up-to-date and accurate information. One way that this can be achieved is through the **funding of independent and publicly-available nationally representative studies, alongside long-term research into outcomes of people with mental health problems**. The mental health working party set up by the IFoA has acknowledged the insurance industry has been slow to adapt for mental health conditions compared to physical health conditions, where there has been an increase in understanding through newer data.<sup>61</sup> More and better data will also allow greater nuance in the decision-making process, especially for more specific experiences, which is difficult to do with current data.<sup>62</sup> **Insurers should also work closely with consumer organisations to understand the day-to-day experiences of people living with mental health (and other medical) conditions**. For example, speaking to people with lived experience to learn more about how people manage their symptoms, or the barriers to their recovery, will add nuance to the data being collected.

Equally important is the “relevant” part of the rule. One prominent example is whether experiences that happened several years previous should be considered relevant. There should be a **consistent approach to timeframes of general and specific experiences related to mental health conditions**. Industry bodies such as the Association of British Insurers (ABI) are well-placed to drive improved alignment. Beyond making sure the decisions are reasonable, more consistency in the market would make it easier for customers with mental health problems to find and understand the best cover.

More widely, the **questions asked during the application process should be reviewed and updated** so that they are appropriate to our current understanding of mental health conditions and the language used.

“[It] seemed bizarre to me that one company lumps together suicidal thoughts as the same as suicide attempts, whereas another one doesn't even ask about thoughts and only interested in attempts.”

*Expert by experience*

The insurance industry has often struggled to take into account the way that people manage their conditions through treatment and medication, and how they can recover over time.<sup>63</sup> More consistency in timeframes and improved data would help, but other steps can be taken, especially with longer-term products. Insurers should **ensure they take recovery into account over the lifetime of a product**, such as regularly reviewing the customer's risk profile.

“[Insurers should] take into account their symptoms – just because they're on medication it doesn't mean the risk is increased... if anything, it's probably lessened!”

*Expert by experience*

“[Insurers should] listen to the potential insurance customer, understand their position and current health information. Don't stigmatise someone for past illness or assume they remain a risk without justification and necessary evidence to substantiate such an assumption.”

*Expert by experience*

61 Balboa L et al. Mental health working party: data and modelling considerations for mental health in life insurance. British Actuarial Journal 27. 2022.

62 Ibid.

63 Ibid.



Insurers should also **introduce more products that cater for people with mental health problems** who have previously been deemed too 'risky'. While each firm will have its own risk appetite, there is a group of consumers who want insurance but have so far been locked out of the market. Some companies are leading the way in this regard, for example, Royal London recently introduced a life product for people with diabetes.<sup>64</sup>

In some cases, these changes apply to external underwriters and medical screening tools, rather than insurance companies and brokers who a customer is buying insurance from. In these cases, it is essential that the customer-facing company verifies that the company they work with is using reliable and up-to-date information in their models. This responsibility is in line with the FCA's expectations in the Customer Duty, that the requirement to deliver good outcomes for consumers applies across the distribution chain.

### Being more transparent

The lack of transparency in how insurance companies make decisions is contributing to low levels of trust in the industry.<sup>65</sup> Greater transparency will make it both easier for customers to understand decisions and find the right cover, but also to feel more confident that the decisions being made by insurers are fair. It will also allow regulators and the government to see whether insurers are complying with existing rules and regulations.

One of the first steps that insurers should take is to **explain why certain experiences, like mental health conditions, are being asked about**. Insurers should then state the data being used to calculate risk and be clear about what specific data points led to the decision made. For example, insurers could say that someone's premium has increased due to the disclosure of their mental health condition which, evidence from specific sources shows, brings a higher risk of claiming on this policy. Insurers should ensure this is carefully worded to minimise the distress people may experience.

"[Insurers should include] something that would let people know how mental health questions are dealt with, and the impact they could have on your insurance policy."

*Expert by experience*

There is a possibility that this could lead to lower levels of disclosure. However, people with mental health problems already suspect that they are being treated unfairly due to their condition and a significant number do not disclose.<sup>66</sup> To mitigate this risk and reduce the number of customers taking out ineffective cover, **it is essential that insurers are clear about the risks of not disclosing**. Driving up transparency, coupled with greater accuracy in decision-making, could encourage more people to share their condition.<sup>67</sup>

Even with improved transparency, there will still be customers who feel decisions made by insurers are unfair. Insurance companies need to **make it clear and prominent that someone can ask for why the decision was made and what underpinned it**. Any information that is then sent to the customer should minimise jargon and be easy to understand.

64 Royal London. Diabetes Life Cover. Accessed 25/11/2022 – <https://www.royallondon.com/insurance/life-insurance/diabetes-life-cover/>.

65 Hay C and Cullen M. The price of accuracy: consumer attitudes to data and insurance. Britain Thinks on behalf of the ABI. 2020.

66 In nationally-representative polling of 5,000 people with mental health problems in 2021 we found that only 14% had ever disclosed to a financial service provider.

67 There are lots of different reasons why someone might and might not disclose to a financial service provider. See our guides on disclosure here – <https://www.moneyandmentalhealth.org/best-practice/disclosure/>.

Beyond improving transparency for the individual consumer, insurance companies should **create a shared evidence library for the data sources used across the sector**. As some of this information would be commercially sensitive, they should **allow independent researchers to access and test their data and models to ensure they are reasonable and based on reliable and relevant information**. Trade bodies such as the ABI could also increase transparency by highlighting why certain data points, like mental health conditions, are used, including any claims data that illustrates this. This is something that currently exists on the ABI's website to explain how age is used in motor insurance.<sup>68</sup>

## 2. Accessibility

While many of the issues we have identified spring from the decisions made by insurers and how they are communicated, customers with mental health problems can also struggle to navigate the market, understand what is covered and use key services. The following recommendations apply broadly across the insurance sector, to include products like home and motor where we've not focused on pricing decisions.

### Increasing understanding

Difficulties with understanding – from comparing products, to knowing what is covered, to working out what to do after being declined – is affecting people's ability to get the right cover. We heard how it can also leave them at risk of being declined for claims where they were unaware they were not actually covered. Consumer understanding is a crucial part of the FCA's Consumer Duty.<sup>69</sup> The following recommendations complement and add to these requirements.

Firstly, insurance companies, brokers and price comparison websites should be **testing the information that they provide to customers with people with lived experience of mental health problems**. Struggling with your mental health can make it difficult to process and understand information, especially if it is complicated and badly presented. Firms should embed the key principles for simple communications we set out in guidance on the Equality Act.<sup>70</sup>

**Easy-to-follow information on what is and isn't covered by a policy, especially related to mental health conditions, is vital**. While insurance companies are required to present the key information in product information documents, this can still be complicated and more detail is often buried in the longer terms and conditions. There is a risk that the current lack of understanding could amount to mis-selling if customers are unaware they aren't actually covered for their mental health. Insurance companies should **make it clearer during the customer journey about whether mental health conditions are covered and what that means**. During our testing, we found some examples where colours were used to highlight when the mental health condition wasn't covered, but insurers could consider other interactive ways of showing and explaining this.

The information provided to customers following a decline, exclusion, or increased premium is another crucial area. It can be very difficult for someone to know what they should do next, whether they can get insurance elsewhere, and at what price. In travel insurance, firms are required to signpost to specialist directories but the information given can often be limited. Insurance companies need to **ensure that the information they provide is easy to understand, setting out next steps, such as where customers can find alternative cover**.

68 Association of British Insurers. Age and motor insurance. 2020. Accessed 05/04/22 – <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/motor-insurance/age-and-motor-insurance/>.

69 Financial Conduct Authority. FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty. 2022.

70 Holkar M. The Equality Act and mental health: A practical guide for essential services firms. Money and Mental Health Policy Institute. 2022.

Finally, there needs to be **more consistency in the information provided** by insurance companies and price comparison websites to make it easier for customers to compare products and find the right cover for them. This should be driven by trade bodies.

"It would be helpful if all companies used the same terminology and framework, so that it was easier to compare products and find the key information you need to know. Even questions asked and details required to get insurance varies wildly between different companies. Would be nice if the industry worked together to make the process of getting insurance, and making a claim, much simpler and straightforward – ultimately the end point is the same so why does there have to be a hundred different ways to get there?"

*Expert by experience*

### **Embed accessibility throughout the customer journey**

Given the difficulties people with mental health problems face interacting with insurance providers, it's essential that firms embed accessibility throughout the customer journey. Customers should be able to get in touch if they need extra support due to their mental health and be treated well when they do so. Some of the Research Community's best experiences with insurance companies were when they had received high levels of support.

"Some companies have specialist teams to speak with people who have poor mental health. This is a godsend for me as I get extremely anxious using the phone when unwell. I am happy to see that online "chat" is prevalent on many sites now and this eliminates the pressure on the telephone for me."

*Expert by experience*

As a first step, firms can **follow the ABI's mental health standards**.<sup>71</sup> We will also be producing a best practice guide for insurance providers which brings together some key actions firms should take to make their services easier to use for customers with mental health problems. This includes:

- Having several communications channels to get in touch
- Delivering appropriate training for different staff on mental health
- Implementing clear processes for disclosures.

### **Making the claims process easier**

Making an insurance claim can be one of the most stressful times in someone's life. Insurance companies need to **make sure that claims journeys are as straightforward and supportive as possible** by:

- Making information on how to claim accessible and understandable
- Keeping customers informed of the process of their claim
- Having specially-trained staff to spot signs that someone is struggling with their mental health and would benefit from extra support
- Limiting the need for evidence where possible and asking for it in a considerate way

<sup>71</sup> Association of British Insurers. Mental Health and Insurance Standards. 2020.

- Making it clear how someone could challenge a claims decision and facilitating this process.

Trade bodies should aim to improve standards and create more consistency in the market, such as the Protection Distribution Group's claims charter which outlines steps firms can take to make their claims process more accessible.<sup>72</sup> Getting this right can make such a big difference to someone and again this was something the Research Community told us about.

"They were wonderful. They let me do almost all communication by email, gave me options about how to pay the repair person, and were honestly the difference between me getting through a very stressful situation and me accepting I can't live independently."

*Expert by experience*

### Helping those struggling to pay

Given the challenges people are facing with the cost of living crisis and the worry people can have when they are not covered, insurance companies should be doing more to support customers who are struggling to pay. Companies should take the steps outlined by the FCA in its recent "Dear CEO" letter, such as allowing customers to make reduced payments or having reasonable timeframes for repaying.<sup>73</sup> Firms should **proactively inform customers of this support and ensure that the communications they send out to customers who are struggling with payments are supportive**, including signposting to organisations who can support with their mental health, and do not cause unnecessary distress.

"[Some insurers] send me letters and tell me if a payment has been missed, and give me lots of opportunity to put it right. Much better than the contents cover [company] who just abruptly sent me an angry email telling me my insurance was cancelled and gave me no chance to rectify the situation."

*Expert by experience*

## 5.2 The role of regulators and government

While there is a crucial role for the insurance industry to play, positive change can be slow to materialise and outcomes for people with mental health problems remain poor compared to people without. Other organisations have also found similarly disappointing outcomes in the insurance market for other groups of consumers, such as those diagnosed with cancer and AIDS.<sup>74</sup> Given the severity of the harms identified, the opaqueness of the decision-making process, and the potential financial risks for those who cannot get insurance, it is vital the regulator of the insurance market, the FCA, does not rely on the industry to solve the issues on their own. The FCA needs to do all that it can to ensure that people with mental health problems are being treated fairly by companies and that there is compliance with key pieces of regulation and legislation.

<sup>72</sup> Protection Distributors Group. Campaigns. Accessed 04/11/22 – <https://www.protectiondistributorsgroup.org.uk/campaigns/>.

<sup>73</sup> Mills S. Dear CEO: Our expectations on cost of living and insurance. Financial Conduct Authority. 2022. The FCA also recently announced it would be consulting on the guidance for supporting insurance customers in financial difficulty introduced during the Covid-19 pandemic: Financial Conduct Authority. Financial watchdog consults about protections for insurance customers in financial difficulty. 2023. Accessed 12/01/2023 – <https://www.fca.org.uk/news/press-releases/financial-watchdog-consults-about-protections-insurance-customers-financial-difficulty>.

<sup>74</sup> Macmillan Cancer Support. No small change. 2017; National AIDS Trust. HIV and Finance. 2017; Patel M. Improving access to insurance for disabled people. Scope. 2017; Cook T, Greenall A and Sheehy E. Discriminatory pricing. Citizens Advice. 2022; Institute and Faculty of Actuaries and Fair by Design. The hidden risks of being poor: the poverty premium in insurance. 2021; Murphy S. Affording protection: mental health and insurance. Mental Health UK. 2020.

If it becomes apparent that the industry is fulfilling its obligations but poor outcomes for customers with mental health problems continue, only an intervention from the government could improve access.

## 1. The FCA

The FCA has previously intervened in the insurance market to mitigate consumer harm, particularly around the loyalty penalty, and the Consumer Duty offers an opportunity to improve standards across the market. The FCA needs to ensure the insurance industry is delivering good and fair outcomes for customers with mental health problems.

### Set out expectations

However, the insurance industry is large and complicated, while the Consumer Duty is aimed at the entire financial services market. As a first step, the FCA should set out specific expectations for what the Consumer Duty means for insurance companies. In particular, this should include what fair value – the price a consumer pays being proportionate to the value derived – means in insurance. This is complicated by the existence of risk-based pricing, where the price can increase but the product remains unchanged. Firms are also permitted to have different tolerance for risk, adjusting their pricing accordingly. Addressing questions like whether it is fair value that someone with bipolar should pay hundreds of pounds more for a travel insurance policy but not see any improvement in what they are paying for would be valuable. The FCA undertook a similar process when deciding what level of premium increase triggers the signposting requirement.<sup>75</sup>

Equally, it does not seem fair that someone has exclusions for their mental health condition but pays the same price as someone who has no exclusions. In pre-existing rules, the FCA has said that there will be no fair value if the cover is significantly limited by exclusions and the customer is unlikely to make a successful claim or be put off making a claim.<sup>76</sup> The FCA should clarify whether this means exclusions for mental health conditions. The FCA should also set out expectations for insurers around product and service design, consumer understanding and consumer service.

There is an existing FCA rule for travel insurers (ICOB 6A.4.13) that complements the requirements under the Equality Act and sets out that firms should be assessing the risk associated with medical conditions by referencing relevant and reliable information.<sup>77</sup> It is clear that there is a need for the FCA to provide further detail on what this means, including examples.

### Monitoring outcomes and enforcing rules

Using travel insurance as a case study, our research has revealed that people with mental health problems are experiencing adverse outcomes compared to people without mental health problems. The scope of this project and our inability to access data used by firms and understand their processes means much remains unknown. The FCA can, however, do so and should therefore be closely monitoring the experiences and outcomes for people with mental health problems and other pre-existing medical conditions and protected characteristics across a wider range of insurance products.

75 Financial Conduct Authority. PS20/3 Signposting to travel insurance for consumers with medical conditions. 2020; Financial Conduct Authority. CO19/23 Signposting to travel insurance for consumers with medical conditions. 2019.

76 Financial Conduct Authority. FCA Handbook – PROD 4.2 Manufacture of insurance products (4.2.14H). 2021.

77 Financial Conduct Authority. FCA Handbook – ICOBS 6A.4 Travel insurance and medical conditions. \_6A.4.13). 2021.

The FCA should be quick to respond to any clear evidence of poor outcomes for people with mental health problems, including requiring firms to explain how such outcomes represent fair value. More generally it should be investigating compliance with existing rules. This includes the Consumer Duty but also rules such as ICOB 6A.4.13 and the Equality Act. Any firms that are falling short should be publicly admonished and fined.

The FCA needs to conduct a market-wide investigation to examine the data and underlying models used by firms, and those in the distribution chain, in pricing decisions to assess whether they are providing fair value and are reasonable, reliable and relevant.

Enforcing the Equality Act is not in the remit of the FCA but rather the Equality and Human Rights Commission (EHRC). That said, our recent research highlighted the limited extent to which the Act is followed and enforced in financial services.<sup>78</sup> The requirements in the Equality Act are so linked to the outcomes the FCA is concerned with through the Consumer Duty that this needs to be part of their approach. The FCA has previously said that any breach of the Equality Act would likely constitute a breach of the Consumer Duty.<sup>79</sup> Any clear violation of the Equality Act should be passed on to the EHRC to take action. The recently-agreed memorandum of understanding between the FCA and EHRC should also make this sharing of information easier.

### **Complete the review of the signposting intervention**

One of the key developments in travel insurance has been the introduction of the signposting requirements. The requirements can help customers with mental health problems find insurance cover but it does not fix the sector-wide issues we and others have identified. It also puts a lot of responsibility on the individual to follow the signposting and likely go through several applications to find cover, which can be very difficult if you're struggling with your mental health. Additionally, we have not seen evidence that there is reasonable pricing of products within the specialist market to address the issues raised in this report.

The FCA was meant to complete a review of the intervention by October 2022 but postponed it due to the impact of the Covid-19 pandemic on travel.<sup>80</sup> The FCA should urgently complete this review. If the FCA concludes that people with pre-existing medical conditions are still experiencing poor outcomes and the information provided by firms is inadequate, several steps should be taken. The FCA should set out in more detail the information required by companies when they signpost and push companies to take on customers deemed 'too risky'. If there are signs that the intervention has had some successes, the FCA should consider introducing the requirements in other products such as life and income protection.

### **Outline expectations for future developments**

Over the coming years and decades, it's likely that the insurance sector will see a range of new developments and transformations, including the increased use of AI and smart devices. Such innovations could be beneficial to people with mental health problems but also come with significant risks.<sup>81</sup>

78 Holkar M. Time to act. Money and Mental Health Policy Institute. 2022.

79 Financial Conduct Authority. CP21/13: A new Consumer Duty. 2021.

80 Financial Conduct Authority. PS20/3: Signposting to travel insurance for consumers with medical conditions. 2022. Accessed 17/06/22 – <https://www.fca.org.uk/publications/policy-statements/ps20-3-signposting-travel-insurance-consumers-medical-conditions>.

81 Centre for Data Ethics and Innovation. Snapshot Paper – AI and Personal Insurance. 2019.

The insurance sector is not unique in experiencing such changes,<sup>82</sup> and it's essential that the FCA stays on top of these developments and what they mean for consumers. This includes having the right knowledge and expertise. The FCA should set out its expectations for any future developments, such as how the use of new technology and approaches can be consistent with the Consumer Duty and have fairness embedded.<sup>83</sup> If there are any areas where the FCA does not think it has the power, it should set out the case for increased regulation to the Treasury.

## 2. The government

While the FCA will be able to introduce sector-wide interventions and push firms to do more, some of the issues we have identified will need to be addressed through government action.

Firstly, the government should ensure that the FCA and EHRC have the right powers, resources, and knowledge to monitor and enforce key requirements such as the Consumer Duty and Equality Act. There has been a lack of direction on the issue of compliance with the Equality Act by insurers.<sup>84</sup> The government should request that the FCA conducts a market review of how pricing decisions comply with relevant obligations, including the Equality Act and the Consumer Duty. It is not possible for consumers with mental health problems to achieve their financial objectives – a key element of the Consumer Duty – if insurance companies are not making fair decisions.

Given the problems we have identified in this report, there is a need for more intervention in the insurance sector from the government. There is precedent for the government to step in where there are clear signs the market is failing to meet the needs of consumers in certain circumstances. In 2016 the government introduced the Flood Re scheme. This enabled people living in certain homes liable to flooding to access home insurance, having previously been unable to get cover at reasonable prices or at all.<sup>85</sup> Our research has found people with mental health problems can receive higher premiums, exclusions or declines because of their conditions. Therefore, the government should start exploring the potential of introducing a similar intervention to help customers with mental health problems, and other pre-existing medical conditions or disabilities, access insurance.

This could follow the reinsurance model of Flood Re, in which insurers pay into a central pot that they can then claim from if they had to pay out to someone covered by the scheme. We have identified issues across a range of different products, but it is likely that there is more of an appetite for an intervention in protection insurance rather than travel. However, the government should explore where the intervention would work best.

If the FCA's investigation into pricing concludes that the outcomes experienced by people with mental health problems are fair under current requirements, the government should implement such an intervention as a key priority.

82 Holkar M, Lees C and D'Arcy C. Safety net. Money and Mental Health Policy Institute. 2021.

83 The Bank of England and FCA recently released a discussion paper on AI and machine learning, See DP5/22 – Artificial Intelligence and Machine Learning.

84 Treasury Select Committee. Consumers' access to financial services. 2019.

85 Department for Environment, Food and Rural Affairs. Government response to the public consultation on the Flood Reinsurance Scheme Regulations. 2014; Flood Re. What is Flood Re? Accessed 12/05/22 – <https://www.floodre.co.uk/about-us/>.

## Conclusion

We're currently going through a difficult period with the increased cost of living putting everyone's finances under pressure. Every penny counts and unexpected costs can push people to the brink. That's why this work is so important. Insurance can provide that vital financial protection and peace of mind if something goes wrong. But people with mental health problems face too many barriers to accessing and using insurance. Paying too much for a product without seeing any additional benefits or being unable to make a claim because it's too difficult are unacceptable outcomes.

The decisions insurance companies are making should be reasonable and based on relevant and reliable information. But these decisions are very opaque and it is hard to ascertain if they are fair and legal. We have set the challenge to insurance companies, the FCA and the government to make sure people with mental health problems can buy and use insurance without discrimination. The need for action to match the ambition set out by the FCA in the Consumer Duty is clear and immediate. How we speak about, understand and manage mental health problems has improved immeasurably over the last few years, it's crucial that the insurance industry keeps up with this development and facilitates good financial and mental health.









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