



# Australia's Mental Health Check Up

**Council of  
Australian Life  
Insurers  
and KPMG Life  
Insurance.  
Industry Data  
Collection  
2013-2022**

November 2024





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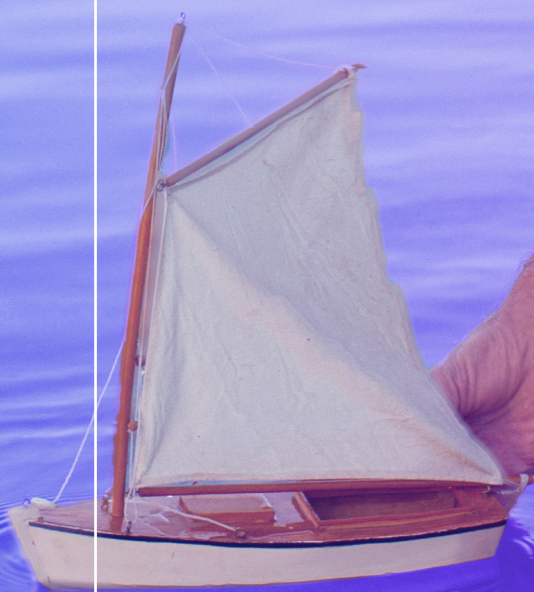
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# Executive summary



# Executive summary

Mental health issues may influence people's emotional and physical health, and therefore impact productivity and financial stability, whilst being a factor in wellbeing.

Insurance data presents a unique, real-world perspective on all mental health conditions. The underlying data allows us to better understand community impacts with far greater clarity. It is clear that mental health continues to be critical for Australians' ability to work.

## Mental health looks completely different from 2014

Life insurance data allows us to get a visualisation of the average profile of an Australian unable to work.

Over the last **10yrs** the average profile of an Australian **unable to work**

either **permanently** or **temporarily**



due to **mental health conditions**

**has changed significantly.**

### On average

the proportion of insured Australians who are

**permanently disabled**

due to a **mental health condition**

**has more than doubled**



which means Australians **are leaving the workforce permanently**

due to **mental ill health** more than ever before.



**80%** of the increase in the permanent **disability claims rate**

over the past **10yrs** is due to **mental health**



## Of concern to the community:

Permanent disability due to mental health conditions is occurring earlier in life.

**2022**

**46.5** years old

**VS**

**2013**

**48.8** years old

White collar workers are **more likely** to be unable to work due to **mental health conditions** than blue collar workers. This may reflect the nature of white vs. blue collar work.

White collar workers are

**7% more likely**

to be permanently disabled and

**14% more likely**

to be **temporarily disabled** due to **mental health conditions** than blue collar workers.

The increase in permanent disability rate over the past decade is higher for white collar workers.

**158%**

2013

**VS**

**196%**

2022



The increase in temporary disability rate over the past decade is higher for blue collar workers

**30%**

2013

**VS**

**49%**

2022



## Biggest increase in mental health claims is in the 30-40 age group

**15.3%** of their temporary disability claims are due to

**mental health conditions**

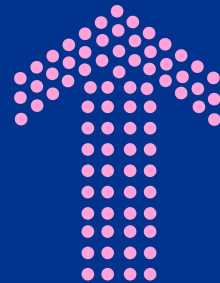
compared to **9.6%** in 2014



**31.4%**

increase in **temporary disability claims rate**

**made by 30-40 year olds**



**36%** of the permanent disability claims rate is due to

**mental health conditions**

compared to **10.1%** in 2013



**>730%**

increase in the permanent disability claims rate

**for 30-40 year olds**



**Men and women**

are equally likely to be **temporarily disabled** but men are

**59%**

**more likely to be permanently disabled due to mental health conditions.**

## Mental health claims payments have increased over time and reflect the impacts on the community

**9% annual increase**

in permanent mental health disability claim rate over the past

**10yrs**



Temporary disability claimants had been on claim for an average of



**6yrs**

**1 year longer than 10 years ago**

**33%** of the increase in permanent **disability payments**

over the past **10yrs** is due to

payments made to people with mental health conditions



**39%**



of the increase in **temporary disability payments** in the past 9 years is due to payments made to people with **mental health conditions**

### Some benefit of changes in community behaviour can also be observed.

In 2021, people with mental health conditions returned to work after an average of 2.6 years, which included a greater number of people who were long-term impacted, than the previous year. It is generally thought that flexible working conditions introduced during the COVID pandemic contributed to this.

# Introduction: Increasing impact in the community

## Increasing prevalence in the community

Reported mental health conditions increased across the Australian community over the past decade. Given raised community awareness and understanding of mental health, it is unclear to what extent, reported mental health conditions reflect an increase in the level of mental health conditions versus an increase in the reporting of mental health conditions.

The 2020-2022 National Study of Mental Health and Wellbeing in Australia by the Australian Bureau of Statistics<sup>1</sup> revealed 42.9% of people 16-85 years old had experienced a mental health condition in their life. Furthermore, 21.5% of people had experienced a mental health condition in the last 12 months.

In their 2023 analysis<sup>2</sup> Safe Work Australia identified the median time off work due to work-related mental health conditions was 4 times longer than for physical conditions.

## How is life insurance providing support?

Most working Australians over 25 years, have life insurance cover through their superannuation (often referred to as Group Insurance products). Others purchase this insurance through a financial adviser or directly from a life insurer. These are generally referred to as Retail Insurance products.

The vast majority of mental health insurance claims are made in one of two ways.

### 1. Permanent disability claims via Total and Permanent Disablement Insurance (“TPD”)

TPD provides a lump sum benefit to individuals considered totally and permanently disabled. The assessment of TPD claim considers the person’s ability to work again – either in their current occupation or in any other occupation to which they are suited by education, training or experience<sup>3</sup>.

### 2. Temporary disability claims via Individual Disability Income Insurance (“IDII”) or Group Salary Continuance Insurance (“GSC”).

IDII in Retail Insurance and GSC in Group Insurance provide an income replacement benefit to individuals who are considered temporarily disabled. The assessment of this disability is made against their current occupation or another occupation they can move to with education, training or experience. For a full description of TPD and IDII benefits plus demographics of who holds these types of insurance.

### Other mental health claims

Some claims made via life or mortality insurance could be associated with mental health conditions.

## Understanding this report

The detail and insights in this report directly relate to TPD and IDII data through Retail Insurance collected by KPMG in partnership with the Council of Australian Life Insurers (“CALI”) (see Appendix A for methodology).

KPMG has collected this data on behalf of the life insurance industry since 2008, with data on lump sums from 2004 and data on income replacement benefits dating back to 2007. All this data is collected with the aim of improving the accuracy of pricing and reserving within life insurance. The data can also help the community’s understanding of health issues.

CALI sponsors the industry data collection and requested KPMG to compile this analysis to share with the Australian community.

Importantly, Life (Mortality) Insurance data has not been included as it is difficult to separate suicide related deaths due to mental health conditions. Group Insurance data has also been excluded as it is not sufficiently granular.

1. <https://www.abs.gov.au/statistics/health/mental-health/national-study-mental-health-and-wellbeing/2020-2022#prevalence-of-mental-disorders>

2. <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>

3. Some insurance cover will assess against own occupation and others against any occupation to which the claimant is suited by education, training and experience.



## What's included and, importantly, what's not

This report outlines findings from KPMG's research into mental health claims experience, conducted using Retail Insurance TPD claim and policy data for the period 2013-2022 and Retail Insurance IDII claim and policy data for the period 2014-2022. 2013 data was not included for IDII as this data did not include the key field of "claim reported date".

This research was commissioned by CALI to leverage life insurance industry data to assist with the national conversation regarding mental health conditions.

The purpose of the research was to analyse and consider trends in mental health claims over time compared to other (physical) causes of claim. In particular the research considered:

- Gender
- Age
- Occupation
- Length of claim (for IDII)



## Understanding the approach

This industry data used for the research was assembled from multiple datasets, collected by KPMG over the 2013 (or 2014) to 2022 period. There were 10,218 mental health claims identified in the industry data.

As part of our research, we also considered population incidence of mental health and mental health claims paid through worker's compensation insurance as compiled by Safe Work Australia. The data we used was obtained from the following public sources:

- Australian Bureau of Statistics
- Australian Institute of Health and Welfare
- Safe Work Australia

In analysing the life insurance data, claims could be allocated to years in the following ways:

- **Incurred year:** This is the calendar year when the person is considered to have become disabled. There is typically a span of time between when a person becomes disabled and when they notify the insurance company and a processing period to when the claim is paid.

This view of the data was typically used when an aggregate view of trends over time was sought. It provides the best assessment of trends, however it requires estimation to be made regarding the extent of late reported claims. Late reported claims are claims which were incurred during the relevant calendar year but were not reported to the insurance company as at 30 June 2023.

When an estimation of late reported claims is required, we made a separate estimate for mental health claims and other (physical) causes of claim.

- **Reported year:** This is the calendar year when the person formally informed the insurer of a claim. Some of these claims may still be going through the claims management assessment process. Where this is the case an estimation of the likely decline rate on these claims is made. The estimation of the decline rate is not differentiated between mental health claims and other (physical) claim causes.

This view of the data was typically used when considering trends over time by age or occupation. Late reported claims are typically biased towards younger ages and blue collar professions. There is not enough data to form estimates on late reported claims by all these dimensions and so a Reported Year view is used instead.

- **Paid year:** This is used for the analysis of the duration of claims for IDII. It refers to the year(s) in which the insurer made payments for a particular claim (including for closed claims the final claim payment).

In some cases an insurer may make a large back payment or may make future payments and these payments may relate to different calendar years. For example, a claimant may become eligible for insurance payments on 1 September 2021, but the decision to pay the claim is not made until 1 March 2022 due to a combination of the span of time taken by the individual to report the claim and the processing period. On 1 March 2022 the insurer makes a payment to the claimant for the period 1 September 2021 to 31 March 2022. In this instance the claim would appear on the 2022 claims paid listing, but not the 2021 claims paid listing.

# Analysing how the profile of people with mental health conditions has changed over time

01



Mental health issues may influence people's emotional and physical health, and therefore impact productivity and financial stability, whilst being a factor in wellbeing.

Insurance data, collected over the last decade, presents a unique, real-world perspective on all mental health conditions. The underlying data allows us to better understand community impacts with far greater clarity.

Analysis of data collected from Australian life insurers over the past decade reveals that Australians are increasingly likely to have their ability to work impacted temporarily or permanently due to a mental health condition and this may increase as they get older. (Observation 1)

Over the 9-10 year period to 2022, the rate of mental health claims increased across all age groups for both permanent and temporary disability.

A substantial increase in the rate of mental health condition claims by 30-40 year olds, lowered the average age of people permanently disabled due to mental health by 2.3 years. Mental health condition claims by 30-40 year olds increased by 731.7%, from 37.9 per million in 2013 to 314.9 per million in 2022. In 2013 mental health claims by 30-40 year olds made up 10.3% of total claims. This increased to 36.0% of all claims by 2022.

Men and women are equally likely to be temporarily unable to work due to mental health conditions. However men are 58.8% more likely than women to be considered permanently unable to work due to mental health conditions. (Observation 2)

White collar workers are more likely to be temporarily unable to work due to a mental health condition than blue collar workers, however the gap has reduced over time. This contrasts with other (physical) conditions where blue collar workers are significantly more likely to be disabled than white collar workers. (Observation 3)

It is important to note that this data reflects an individual making an insurance claim due to being unable to work whilst suffering from a mental health condition. It does not necessarily reflect a

difference in the prevalence of mental health conditions between men and women or between white and blue collar workers. Differences may arise due to a wide variety of reasons including: differing awareness of and attitudes towards mental health, differing levels of assertiveness in pursuing insurance benefits as well as the differing mental vs. physical demands of white and blue collar jobs.

### **Observation 1: People are younger when claiming for permanent disability from mental health conditions. Temporary disability claims are occurring when slightly older.**

The use of mental health services in the community increased in the last decade, across all age groups over the age of 5 years old. Across the ages of 18-65, the increase was greatest for 18-24 year olds (60%) and 25-34 year olds (45%), whilst other working age groups increased their use of mental health services by between 10% and 16%<sup>4</sup>.

Data from Safe Work Australia shows over the 10-year period to 2021-22 there was a significant rise in serious work-related mental health claims. The largest increase was 92% for people aged 55 and older, followed by a 57% increase for those aged 25 to 34. For other age groups, the increase ranged from 15% to 33%<sup>5</sup>.

The average age of people insured with permanent disability cover increased by 4 years over the 10-year period. The average age of people insured with temporary disability cover increased by 2 years over the 9-year period.

People became permanently unable to work due to a mental health condition at an earlier age of 46.5 years compared with 48.8 years old, 10 years prior. The average age for other (physical) causes of claim remained stable at 49.3 years old.

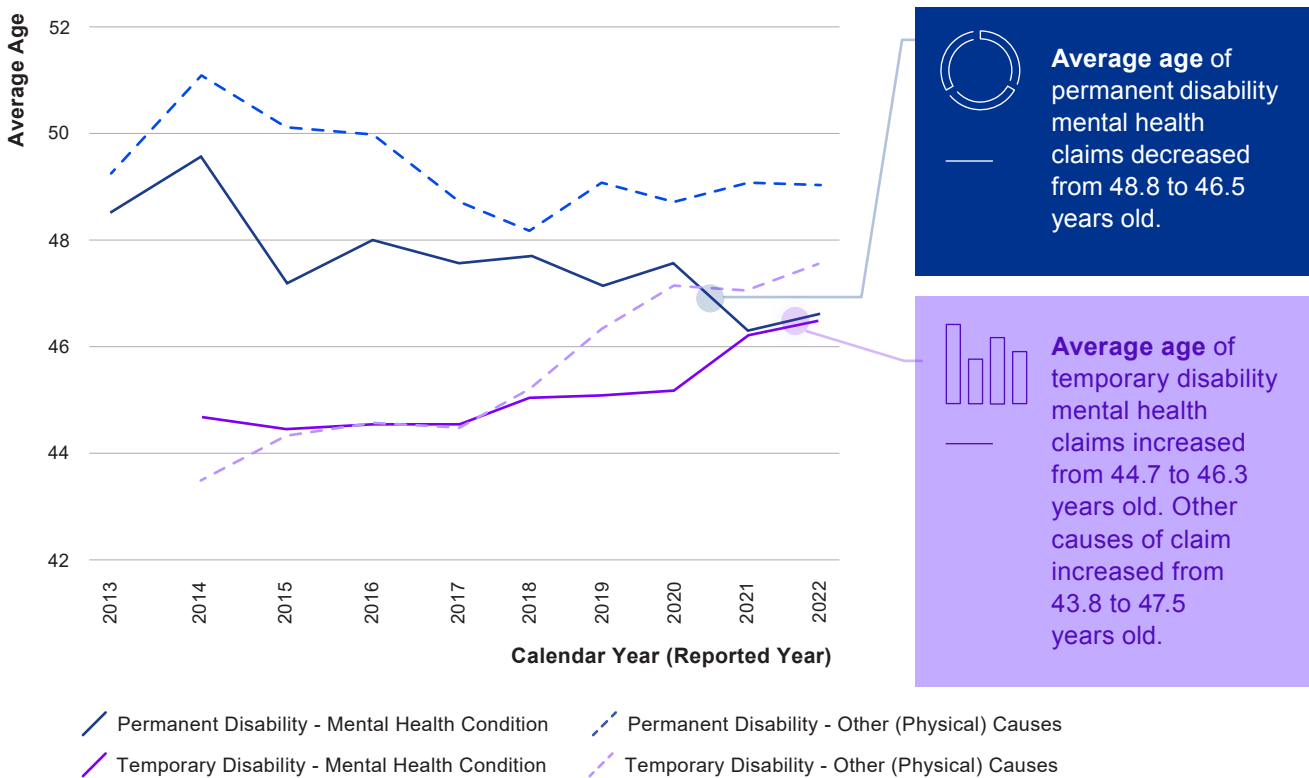
4. <https://www.aihw.gov.au/mental-health/topic-areas/medicare-subsidised-services>, measured from 2013-14 to 2022-23

5. <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>

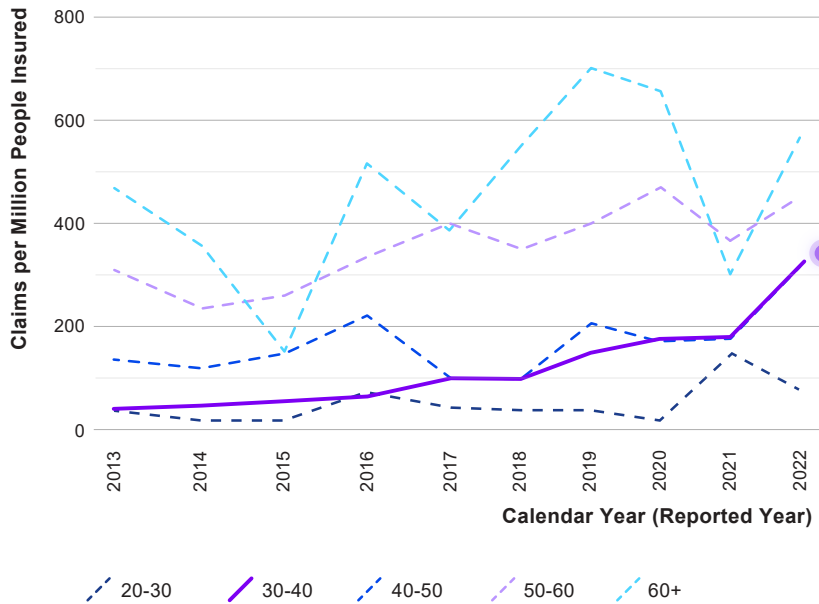
The average age of people who became temporarily unable to work due to a mental health condition increased by 1.6 years (to 46.3 years old). The average age for other (physical) causes of claim increased by 3.7 years (to 47.5 years old).

People are experiencing mental health conditions severe enough to permanently impact their ability to work at younger ages than a decade ago. This is reflected in the significant increase in claims rate of 731.7% for 30-40 year olds between 2013 to 2022. For other age groups, this ranged from 20% to 134%.

**Chart 1: Average Age at Claim Event**



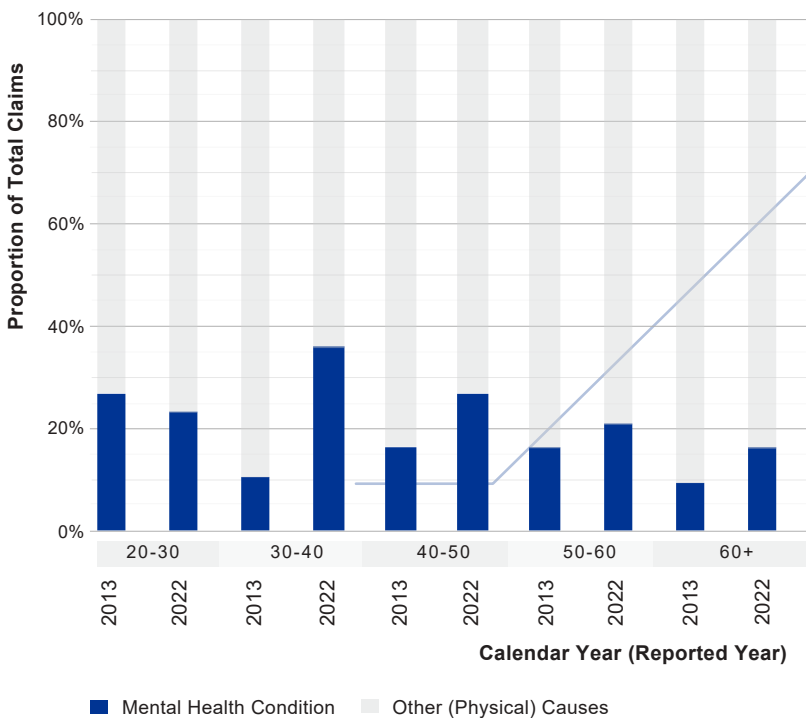
**Chart 2: Mental Illness Claims Rate by Age (Permanent Disability)**



Claims for 30-40 year olds increased by 731.7% from 37.9 per million in 2013 to 314.9 per million in 2022.

Source Data: KPMG-CALI Data Collection.

**Chart 3: Cause of Claim by Age (Permanent Disability)**



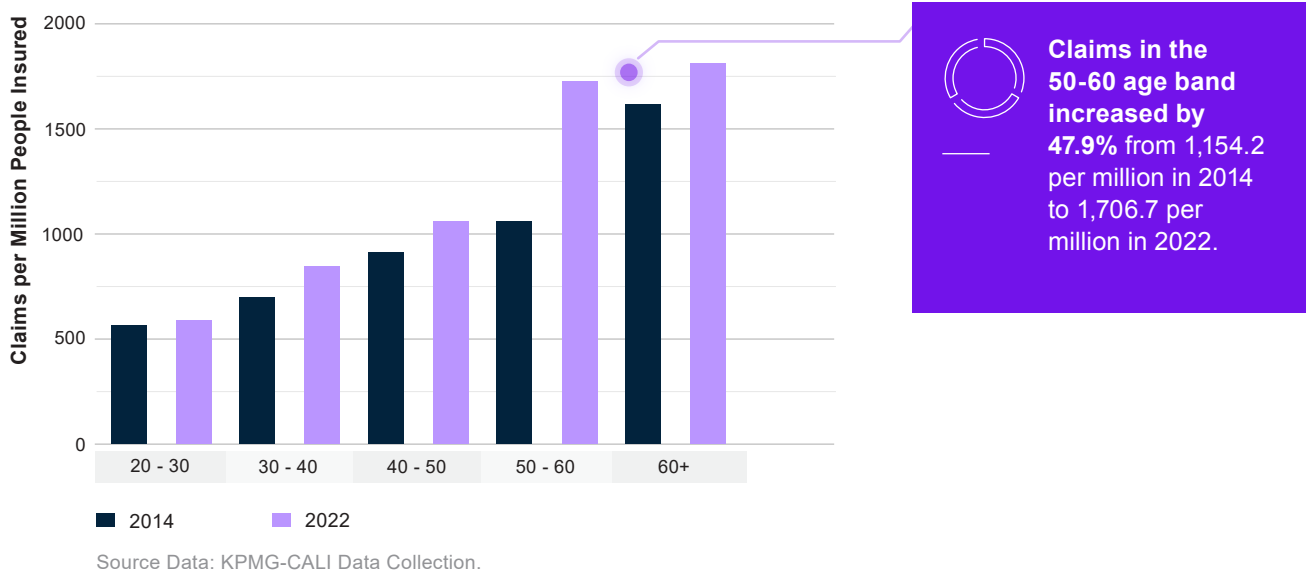
Mental Health Claims increased as a proportion of the total claims reported across all age groups other than 20-30 year olds. Claims volumes for 20-30 year olds are low, so the results can be highly volatile.

30-40 year olds mental health claims in 2013 were 10.3% of total claims, and increased to 36.0% by 2022.

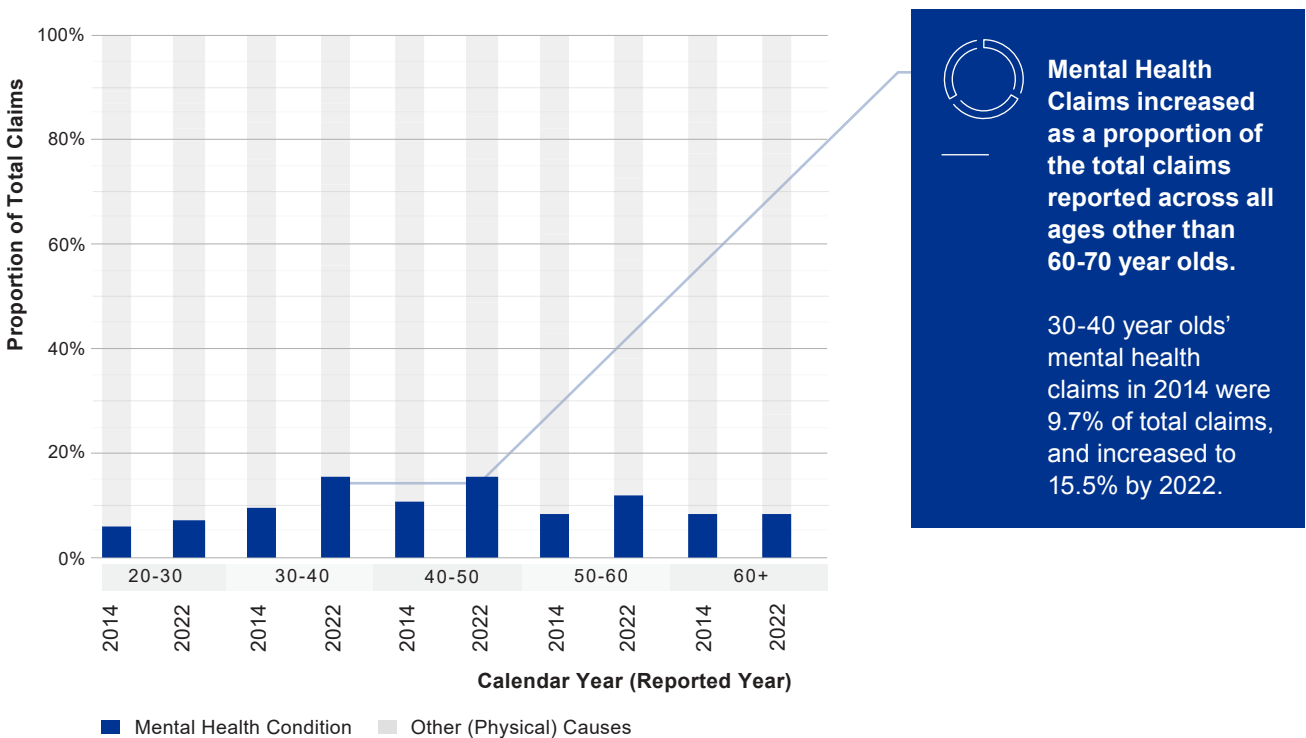
Source Data: KPMG-CALI Data Collection.

The average age of individuals who are temporarily disabled rose in the 8 years to 2022. This was a result of a 47.9% increase in the claims rate of 50-60 year olds in this period (Chart 4). Similarly the highest increase in the Safe Work Australia claims data was in over 55 year olds. Claims rates in other age groups changed by between 2.9% and 31.4%. This contrasts with other (physical) causes of claim where the increase in the average age was mainly driven by a decrease in the claims rate by people aged under 50.

**Chart 4: Mental Illness Claims Rate by Age (Temporary Disability)**



**Chart 5: Cause of Claim by Age (Temporary Disability)**







## Observation 2: Men are more likely than women to be permanently disabled due to mental health.

Women access mental health services in the community more than men, with this gap widening during COVID<sup>6</sup>. However, the need for more severe mental health services such as hospitalisation<sup>7</sup> tends to impact men and women more evenly.

Data from Safe Work Australia shows that women on average (compared to men) made 38.6% more work-related injury and illness mental health serious claims over the 10-year period to 2021-22<sup>8</sup>. This difference is consistent over the 10-year period, although it decreased to 32.8% in 2020-21 and 2021-22.

In life insurance, men and women make similar claims for temporary disablement due to mental ill health. We see this trend over the past decade (Chart 6).

However, women are less likely to be permanently disabled due to mental ill health, with the claim rate for women 25.4% lower over the 10-year period than men. This difference has increased in recent years with women 37.0% less likely (or men 58.8% more likely) to become permanently disabled in 2022. The decrease in permanent disability claim rates in 2020 is generally attributed to the COVID related government support that was available.

The underlying reasons for the differences in claims trends between men and women and insured rates of mental health are not fully understood. One hypothesis is a difference in behaviour: women may use mental health services in the community more frequently than men, due to ongoing societal attitudes that make seeking such support more acceptable for women. Conversely, the higher insurance claim rates among men might indicate a greater assertiveness in pursuing insurance benefits.

**Chart 6: Mental Health Condition Claims Rate by Gender**



Source Data: KPMG-CALI Data Collection, the data includes an estimate for late reported claims relating to 2022.

6. Source Data: <https://www.aihw.gov.au/mental-health/topic-areas/medicare-subsidised-services>

7. Source Data: <https://www.aihw.gov.au/mental-health/topic-areas/admitted-patients>

8. Source Data: <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>

### Observation 3: White Collar workers experience temporary disability due to mental health conditions at higher rates than blue collar workers

The temporary impact of mental health conditions on the ability to work is higher for white collar workers compared to blue collar workers, with white collar workers 32.8% more likely to be temporarily disabled between 2015 and 2020. This difference narrowed to 14.4% in 2022. Conversely, the impact of other (physical) causes on the ability to work was 213.0% higher for blue collar workers compared to white collar workers in 2022, with the gap otherwise being relatively stable over time.

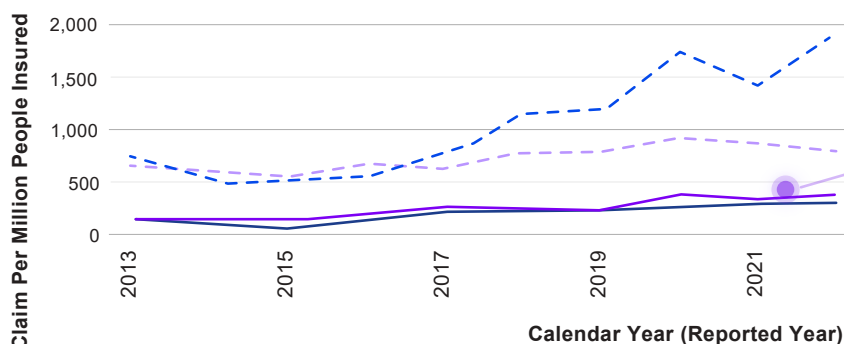
Safe Work Australia data shows that over the 10 years to 2021-22, serious mental health claims increased by 17.6% for white collar workers and by 67.3% for blue collar workers<sup>9</sup>. This compares to a decrease of 6.2% in

other (physical) claims for white collar workers and an increase of 0.9% in other (physical) claims for blue collar workers.

The higher increase in mental health claims in blue collar vs white collar workers in the Safe Work Australia data is not seen in Retail Insurance data.

The permanent impact of mental health conditions on the ability to work over the 10-year period was 62.8% higher for white collar workers than for blue collar workers. The impact each year is volatile moving from 6.5% higher claim rates for blue collar workers to 168.3% higher claim rates for white collar workers however the claim rates in 2022 are similar (white collar 7.4% higher). The claims rate for white collar and blue collar workers increased by 195.9% and 157.6% respectively over the 10 year period. By contrast, over the same period, other (physical) causes of claim increased by 19.2% for white collar workers and 170.7% for blue collar workers.

Chart 7: Occupation and Claim Rate (Permanent Disability)



White collar workers are 7.4% more likely to be permanently disabled due to mental health conditions compared to blue collar workers in 2022 (or 42.0% more likely over the entire period).

- Mental Health Condition - White Collar
- Other (Physical) Causes - White Collar
- Mental Health Condition - Blue Collar
- Other (Physical) Causes - Blue Collar

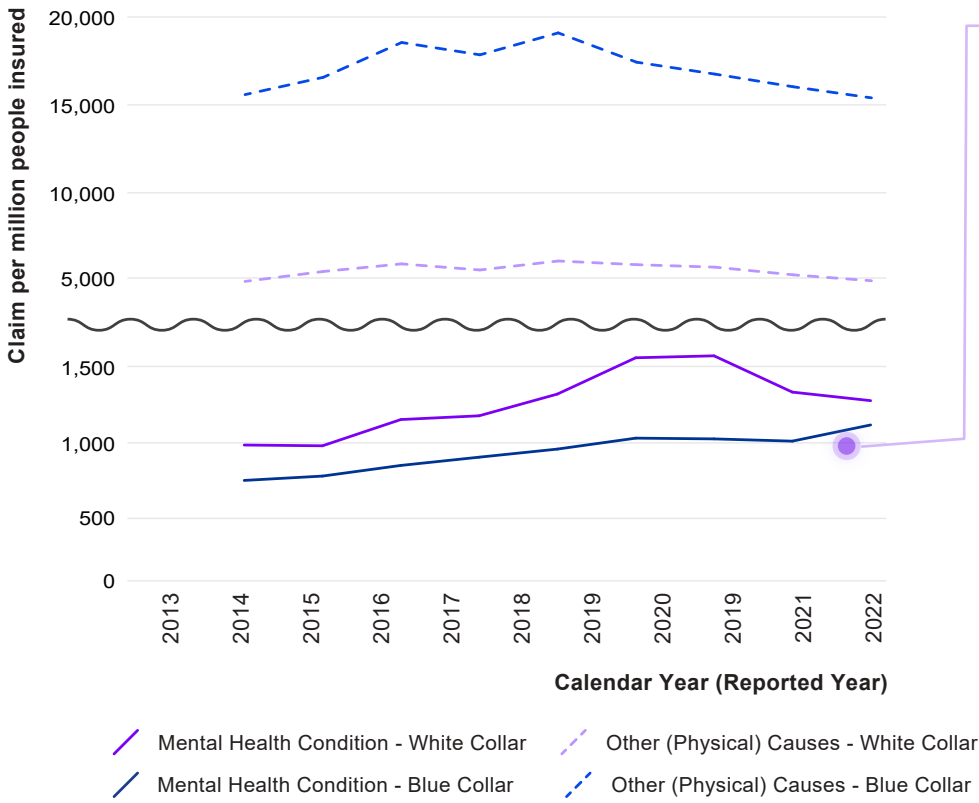
Source Data: KPMG-CALI Data Collection.

The impact of mental health conditions on the temporary ability to work is higher for white collar workers compared to blue collar workers, with white collar workers 32.8% more likely to be temporarily disabled between 2015 and 2020 but narrowing to 14.4% in 2022. The impact of other (physical) causes on the ability to work is 213.0% higher for blue collar workers compared to white collar workers in 2022 with the difference being consistent over time.

Why the higher increase in mental health claims in blue collar workers within the Safe Work Australia data is not reflected in the Retail Insurance data is not clear, and it is potentially a result of how claims are made. Mental health claims in the Safe Work Australia data must have a causal effect to the person's job. The life insurance data covers mental health conditions regardless of the cause.

9. <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>; White collar workers considered to be in the following categories: professional, manager, clerical and administration workers. All other categories considered to be blue collar.

**Chart 8: Occupation and Claim Rate (Temporary Disablement)**



White collar workers are 14.4% more likely to be temporarily disabled due to mental health conditions compared to blue collar workers in 2022 (or 35.1% more likely over the entire period).

Note: The scale of the vertical axis changes between 2,000 claims per million and 5,000 claims per million.



Source Data: KPMG-CALI Data Collection.





# Examining the impact of mental health on a person's ability to work



# 02

Insurance claim payments are designed to cover essential expenses, such as out-of-pocket medical costs, while also supporting ongoing financial needs. Permanent disability claims are disbursed as lump sum payments<sup>10</sup>. Temporary disability claims provide regular income replacement<sup>11</sup>. As such, these payments provide valuable insights into the impact of mental health on an individual's ability to work, which in turn has significant implications for their families and the broader community. Over the past decade, payments for mental health claims have increased more than those for physical health claims.

This report finds that 79.6% of the increase in the permanent disability claims rate over the past 10 years is due to an increase in mental health claims.

Although incidence decreased for temporary disability claims this was more than offset by the 1.3 year increase in the duration of the average open claim (Observation 5). 39% of the increase in the cost of temporary disability claims over the past 9 years is due to the increase in the cost of mental health claims.



#### Observation 4: Mental health claims are steadily climbing.

The impact of mental health on health services and insurance has increased steadily and substantially over the last 10 years.<sup>12</sup>

The use of mental health services across the population increased on average by 2.9% each year over the last 10 years. A spike in the use of mental health services during COVID (2020-2021) can be observed, but the level in 2022-23 is 4.2% higher than pre-COVID (2018-2019).

Similarly, data from Safe Work Australia shows that work-related injury and illness, mental health serious claim numbers increased over the 10 years to 2021-2022 by 3.7% each year (or 43.3% over the period).<sup>13</sup> Over the 10 years other (physical) causes of claims remained stable.

Within life insurance the increase in the rate of mental health permanent disability claims increased by 8.8% each year over 10 years compared to 0.6% each year for other causes. 79.6% of the increase in the permanent disability claims rate was due to mental health claims. Mental health temporary disability claims decreased by 1.7% over the last 9 years, however this is a smaller decrease than other (physical causes) of claim, which decreased by 4.8% over the same period.

As a result, insurers are paying out more claims than ever before for mental health conditions. The cost of mental health permanent disability claims increased by \$169.2M (433.3%) between 2014 and 2022, compared to a \$385.4M (199.7%) increase for other (physical) causes of claim. The cost of mental health temporary disability claims increased by \$226.0M (129.0%) between 2014 and 2022, compared to \$357.2M (60.8%) increase for other (physical) causes of claim.

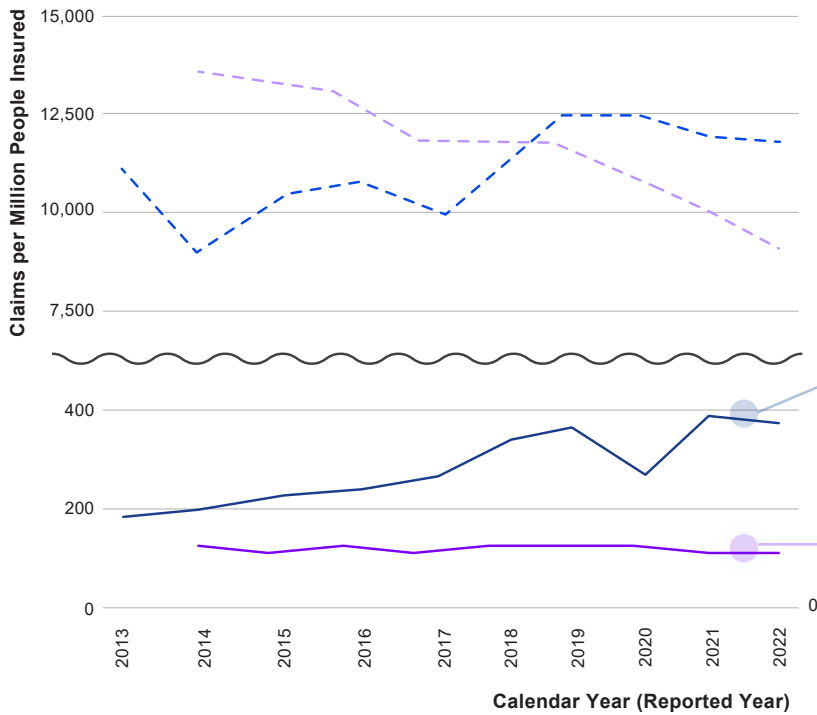
10. The magnitude of permanent disability claims is influenced by the claims rate and the level of insurance coverage

11. The amount paid is determined by the claims rate, the duration of time the individual is unable to work, and their level of insurance

12. <https://www.aihw.gov.au/mental-health/topic-areas/medicare-subsidised-services> from 2013-14 to 2022-23 (service rate)

13. <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>

**Chart 9: Claims Rate**



- Permanent Disability - Mental Health Condition
- Temporary Disability - Mental Health Condition
- - - Permanent Disability - Other (Physical) Causes
- - - Temporary Disability - Other (Physical) Causes

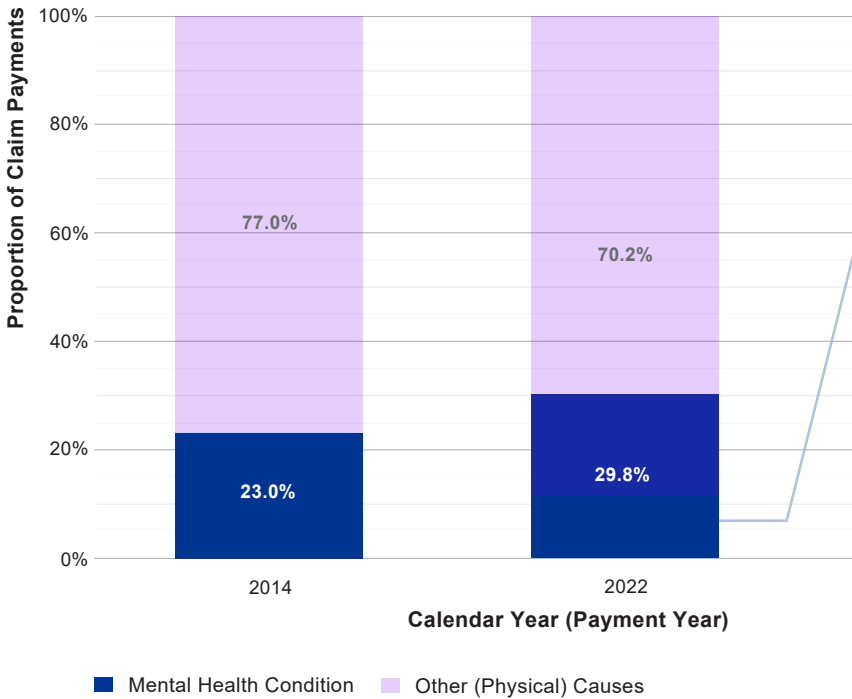
Source Data: KPMG-CALI Data Collection, the data includes an estimate for late reported claims relating to 2022.

**Permanent mental health disability claim rate increased by 8.8% per year** (from 173.0 per million people in 2013 to 368.8 per million people in 2022). Compared to a 0.6% per year increase in Other (Physical) Causes of Claim.

**Temporary mental health disability claim rate decreased by 1.7% per year** (from 1,479.1 per million people in 2014 to 1,292.1 per million people in 2022). Compared to a 4.8% per year decrease in Other (Physical) Causes of Claim.

Note: The scale of the vertical axis changes between 400 claims per million and 7,500 claims per million.

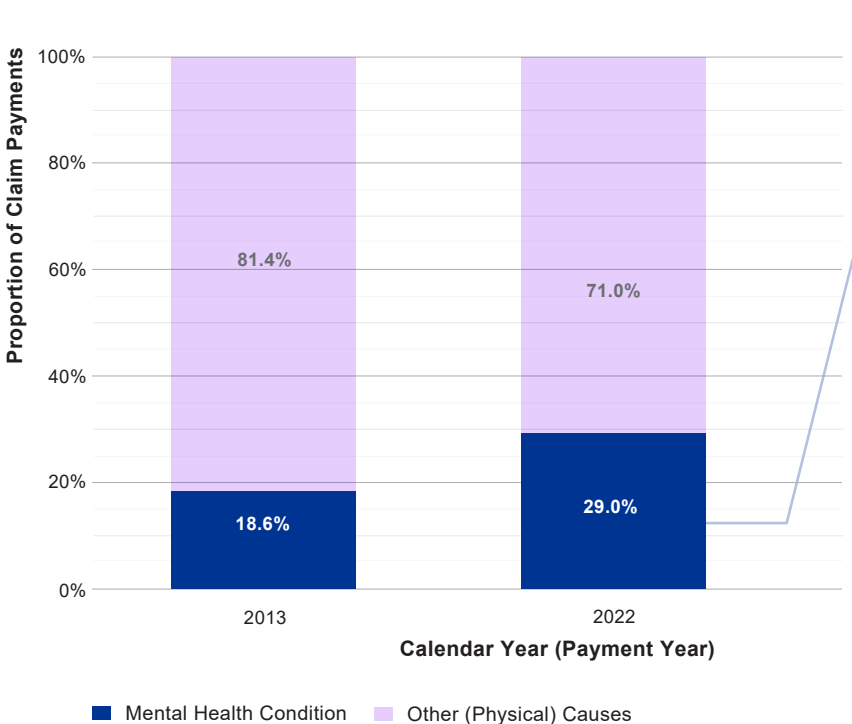
**Chart 10: Temporary Disability Claim Payments by Cause**



Temporary mental health disability claim payments increased from comprising 23.0% of all claims in 2014 to 29.8% of all claims in 2022.

Source Data: KPMG-CALI Data Collection.

**Chart 11: Permanent Disability Claim Payments by Cause**



Permanent mental health disability claim payments increased from comprising 18.6% of all claims in 2013 to 29.0% of all claims in 2022.

Source Data: KPMG-CALI Data Collection.

**Observation 5: The duration of mental health claims is substantially longer than physical causes – which results in negative community and economic impacts.**

There are two ways that claim duration can be considered:

- The duration of claims that terminated (closed) during the year. This shows the number of claims that open and close as the people on claim recover and return to work.
- The duration of claims that are open (payments currently being made). This gives a perspective of the length of time over which payments have been made for all people who are on claim at a particular point in time.

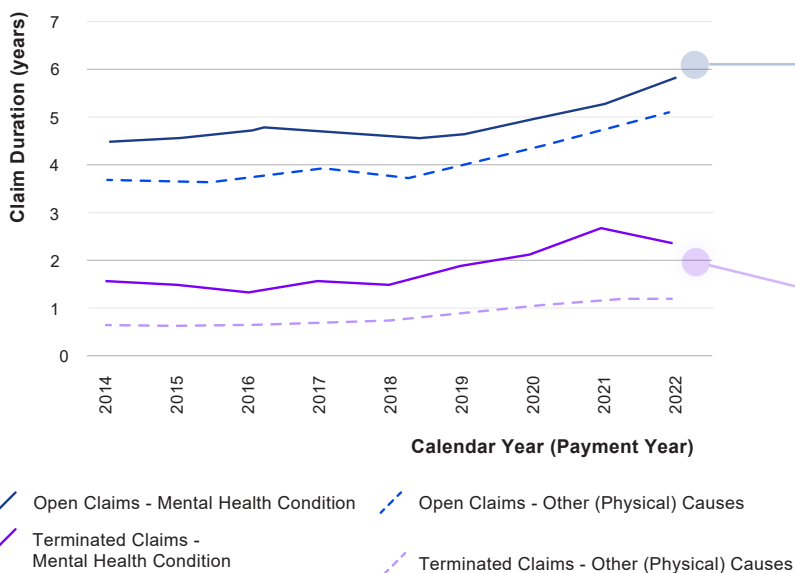
Data from Safe Work Australia shows that the median time lost from mental health condition claims in 2020-21 was 0.7 years (34.2 weeks), which was 327.5% higher than other (physical causes)<sup>14</sup>. The length of time disabled and on claim due to a mental health condition increased by 128.0% over the 10-year period. Workers Compensation income payments are typically capped at 2-5 years.

Similarly, within life insurance, the impact of mental health conditions on the temporary ability to work is longer than for other (physical) causes. The claims that closed during 2022 had been open for 2.3 years compared to 1.2 years for other (physical) causes. This compares with 1.5 years and 0.7 years respectively 9 years ago.

The claims that were open (payments currently being made) as at 31 December 2022 had been open for an average of 5.8 years for mental health condition claims and 5.1 years for other claims. This contrasts with 9 years ago when the average claim was open for 4.5 years for mental health condition claims and 3.7 years for other claims. The long average duration of mental health claims impacts life insurers more than workers compensation as payments typically extend to age 65 (or 70) for life insurance, but are typically capped at 2-5 years for Workers Compensation.

In 2021, the time taken to close claims for mental health conditions increased. One reason could be that during COVID-19 many white collar workers were able to work from home. This enabled many people, including those who had been on claim for 3 or more years, to return to work.

**Chart 12: Claim Duration**



**Claim duration for open mental health condition claims increased from 4.5 years in 2014 to 5.8 years in 2022.**

**Claim duration for closed mental health condition claims increased to 2.6 years in 2021. Potentially due to the ability for higher levels of people on long term claim to return to work in the new flexible working environment.**

Source Data: KPMG-CALI Data Collection.

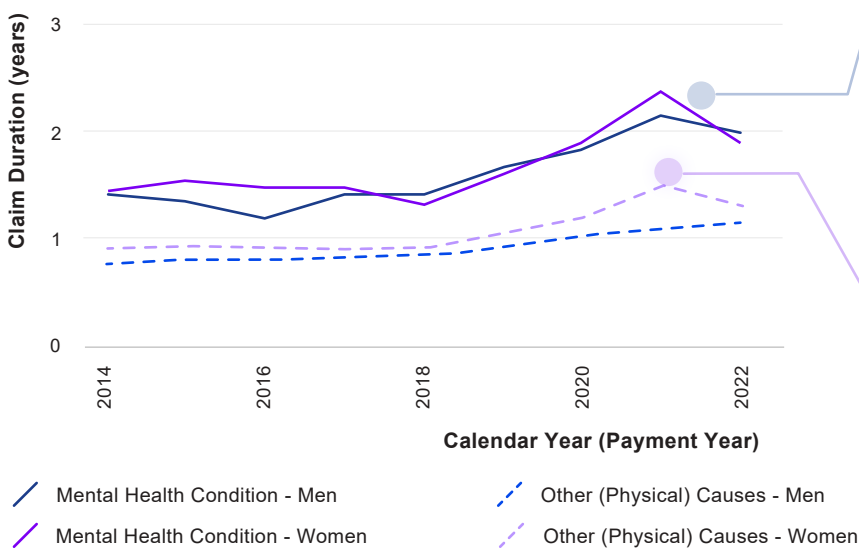
14. <https://data.safeworkaustralia.gov.au/insights/key-whs-stats-2023>



The average duration of mental health condition claims is similar for men and women. Where people closed their claims (returning to work in many cases), women closed their claims on average 1.1 month after men. This compares with 2.6 months later for other (physical) causes. For people who are still on claim (still disabled), men have on average been on claim 1.6 months longer than women.

This compares with 2.9 months shorter for other (physical) causes.

**Chart 13: Claim Duration (Closed Claims) by Gender**

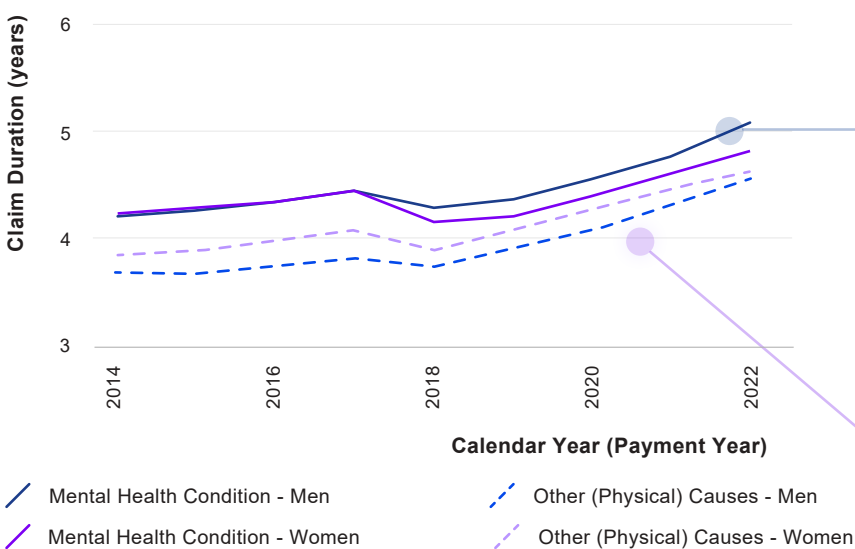


Source Data: KPMG-CALI Data Collection.

**Women's mental health condition claims were on average 1.1 month longer than men's claims** with the gap varying between men's claims being 1.6 months longer and women's claims being 4.7 months longer.

**Women's other (physical) illness claims were on average 2.6 month longer than men's claims** with the gap varying between 0.4 month and 4.3 months longer.

**Chart 14: Claim Duration (Open Claims) by Gender**



Source Data: KPMG-CALI Data Collection.

**Men's open mental health condition claims were on average 1.6 months longer than women's claims** with the gap varying between men's claims being 5.0 months longer and women's claims being 0.7 months longer.

**Men's other (physical) illness claims were on average 2.9 month shorter than women's claims** with the gap varying between men's claims being 0.4 months to 4.3 months shorter.

# Appendix

# 03



# Appendix A: Methodology

## Data

The research used de-identified TPD (permanent disablement) and IDII (temporary disablement) individual claim and policy data, over the period of 2013-2022 for TPD and 2014-2023 for IDII. The data was collected by KPMG on behalf of the life insurance industry liaison body over a number of years for the purpose of performing regular analytics on the claims and identifying emerging trends across the industry.

The data was assembled from multiple datasets collected over the 2013-2022 period under different data specifications.

The data is based on gross business written directly (i.e. it excludes inwards and outwards reinsurance). It only includes insurance written in Australia.

The following table sets out the volume of claims and policies identified in the data set across the relevant periods.

	TPD	IDII
<b>Mental health claims</b>	1,936	8,282
<b>Other (physical) claims</b>	7,224	67,109
<b>Average number of individuals insured</b>	978,928	651,399

This volume of data was sufficient to conduct the overall analysis. However, we observed that some more granular cuts of data had less data available resulting in increased uncertainty around the identified insights.

There are historical changes in the data (e.g. changes in claim and policy identifiers due to insurers' system changes), which meant that some claims and policies could not be traced between periods.

We traced policies and claims across the periods by matching policy and claim identifiers provided in the

data. Where this did not provide reasonable match rates after allowing for lapses and new business, various other methods were tested and adopted. These included: transformation and/or truncation of policy identifiers, using alternative fields for matching purposes, and in one instance we contacted an insurer for guidance on the policy mapping.

While we did not quantify the impact of not being able to trace some claims and policies between periods, it is unlikely these would have changed the key insights from our research.

## Calculations

The following formulae are used to calculate the numbers shown in this report:

### Claims rate for incurred year (Y)

$$= \frac{\text{Admitted claims incurred in year (Y)} + \text{Reported but not admitted claims incurred in year (Y)} \times (1 - \text{decline rate}) + \text{Estimate of claims not yet reported but incurred in year (Y)}}{\text{Number of policies in force in year (Y)}}$$

### Claims rate for reported year (Y)

$$= \frac{\text{Admitted claims reported in year (Y)} + \text{Admitted claims reported in year (Y)} + \text{Reported but not admitted claims reported in year (Y)} \times (1 - \text{decline rate})}{\text{Number of policies in force in year (Y)}}$$

The estimate of claims not yet reported but incurred in year (Y) is estimated using development triangles which is a standard actuarial calculation approach.

$$\text{Acceptance rate (Y)} = \frac{\text{Claim counts admitted in year (Y)}}{(\text{Claim counts admitted in year (Y)} + \text{Claim counts withdrawn in year (Y)} + \text{Claim counts declined in year (Y)})}$$

$$= \frac{\text{Claim duration (ongoing claims) for payment year (Y)} \sum (\text{all ongoing claims in payment year (Y)}) (\text{End of payment year (Y)} - \text{claim event date})}{\text{Actual ongoing claim counts in payment year (Y)}}$$

$$= \frac{\text{Claim duration (Terminated claims) for payment year (Y)} \sum (\text{all terminated claims in payment year (Y)}) (\text{Claim terminated date} - \text{claim event date})}{\text{Actual terminated claim counts in payment year (Y)}}$$

$$= \frac{\text{Claim reporting delay duration for reported year (Y)} \sum (\text{all actual claims in reported year (Y)}) (\text{Claim reported date} - \text{claim event date})}{\text{Actual claim counts in reported year (Y)}}$$

$$= \frac{\text{Claim processing delay duration for reported year (Y)} \sum (\text{all actual claims in reported year (Y)}) (\text{Claim finalised date} - \text{claims reported date})}{\text{Actual claim counts in reported year (Y)}}$$

$$= \frac{\text{Average age for reported year (Y)} \sum (\text{all actual claims in reported year (Y)}) \text{Age last birthday at last policy anniversary}}{\text{Actual claim counts in reported year (Y)}}$$

## Limitations

The key limitations of the data are as follows:

- interpretation of occupation class: The data specification includes eight occupation classes. The analysis in this report was segmented based on white and blue collar occupation groups. The users of the data should be aware that the same occupation is not necessarily consistently rated by each company. For example an agricultural scientist is rated as being within a white collar occupation group by 60% of the industry and as being within a blue collar occupation group by 40% of the industry.
- classification of a claim as due to a mental health condition: Disability is often complex and can have a combination of physical and mental causes. There are no industry guidelines to specify when a claim which is multi-dimensional should be classified as having a physical vs. a mental cause. It is therefore possible that mental claims are not coded consistently between companies and that practices regarding how they are coded have changed over time.
- changes in claims management practices over time: Companies have changed claims management practices over time which will impact new claim rates as well as claim duration rates.
- the data is provided by companies and whilst KPMG performs some high-level checks, the agreed approach with companies providing data is that each company will perform the relevant internal procedures to ensure that their data submission is accurate and complete.







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