

Chapter 7: Zurich and Cover-More

7.1 Summary

1. Cover-More produced a specific, detailed report regarding the viability of offering coverage to people with a mental health condition in its travel insurance products. The report considered some coverage was viable.
2. Upon its purchase of Cover-More, Zurich undertook to remove blanket exclusion terms in relation to people who have a mental health condition from its CoverMore products in June 2017.
3. Zurich also use a 'screening tool', designed by Cover-More, to help it assess and provide coverage to people with a pre-existing condition, including a mental health condition. The screening tool asks a series of questions to a consumer to determine level of risk and indemnity to extend coverage for a condition.
4. While the Commission identified some inconsistencies in the application of the screening tool, which may warrant further review, the screening tool provides a useful and important example of the practical steps insurers can take to provide cover to people with a mental health condition.

7.2 About Zurich and Cover-More

Zurich Australia Insurance Limited (Zurich) offers travel insurance through third-party arrangements and across a range of well-known Australian brands, including Australia Post, Medibank and Flight Centre.

Zurich and its related entities¹ account for roughly 30 per cent of the overall Australian travel insurance market,² following its purchase of Cover-More Insurance Service Pty Ltd and Travel Insurance Partners Pty Ltd (collectively, Cover-More) in mid-2017.

Zurich underwrites Cover-More travel insurance policies.³ Through this arrangement,

Zurich authorises Cover-More to provide it with a range of services, such as issuing policies, product design and claims management. Zurich, as the insurer, retains responsibility "for underwriting the product and ensuring the product is sustainable and that the product design meets its appetite risk".⁴

A detailed summary of Zurich and the role its subsidiary Cover-More performs is included in Chapter 2.

7.3 Zurich and Cover-More's role in the Investigation

The Commission identified that, following its purchase of Cover-More, Zurich had removed terms that excluded all mental health conditions from coverage (exclusion terms) from many of its travel insurance policies. On this basis, the Commission asked Zurich and Cover-More to provide assistance to the Investigation as 'non-party insurers'.

As non-party insurers, the Commission requested information from both Zurich and Cover-More including:

- why and on what evidentiary basis they removed the exclusion terms from their policies
- information about any subsequent claims related to mental health conditions
- what steps they had taken to comply with the positive duty to eliminate discrimination against people with a mental health condition in the provision of travel insurance.

The Commission commends Zurich's comprehensive response to the Investigation as a non-party insurer. Further, it is clear from

the Investigation that Zurich, through Cover-More, has demonstrated its commitment to providing more inclusive travel insurance products to people with a mental health condition since at least May 2017. Cover-More noted it "long recognised the importance of providing protection for travellers with existing mental illness conditions and to do more on this important social issue".⁵ In this regard, the Commission considers that Zurich and Cover-More currently represent positive practice in travel insurance coverage for people with a mental health condition.

As a non-party insurer, the Commission did not make findings about Zurich's compliance with the *Equal Opportunity Act 2010* (Vic). However, the Commission made recommendations to enhance Zurich and Cover-More's approach to inclusive travel insurance products, thereby further promoting their corporate goal for customers to "keep travelling". Zurich and Cover-More have acknowledged these recommendations (see part 7.8 below).

7.4 Zurich and Cover-More's response to the Investigation

In response to the Commission's request for information, Zurich and Cover-More provided:

- initial letters to the Commission (Zurich May letter and Cover-More May letter)⁶
- further letters⁷ (Cover-More July letter and Zurich July letter) (together, Zurich and Cover-More's response)
- the 2017 report *Mental Health Coverage: First Onset Pricing* ('*Mental Health Coverage Report*').⁸

Zurich endorsed Cover-More's responses to the Investigation and provided additional information to the Commission about its conduct as an underwriter.

7.4.1 COVER-MORE'S MENTAL HEALTH REVIEWS

Cover-More advised the Commission that in 2014 it commenced a review of its product design, which included "updating the historical understanding and rating of mental health risk".⁹ Cover-More noted it has "taken the approach of treating existing mental health conditions in the same manner as any other existing health condition a customer may have".¹⁰

Cover-More noted that its corporate goal for customers to "keep travelling" has driven the development of a solution to provide mental health coverage in travel insurance. According to Cover-More, initial analysis of its data indicated that mental health issues continued to "present unacceptable risk from a premium pricing point of view" and outlined that the challenge was how to supply an insurance product that "included coverage for mental

health risk without that cost having to be passed on ... to the consumer".¹¹

From approximately 2016, Cover-More advised that it undertook:

a comprehensive statistical and actuarial review of the underlying risk characteristics of Australian travellers that might suffer from mental health conditions, which included analysis of both pre-trip cancellation and post-departure medical and repatriation expenses.¹²

Cover-More provided the Commission with the 2017 *Mental Health Coverage Report*, which included analysis that led to the introduction of coverage for people with a first-presentation mental health condition during the period of coverage the consumer purchased the policy for. Relevantly, the *Mental Health Coverage Report* included the following information sources as relevant factors Cover-More considered before changing its travel policies:

- data from internal mental health claims arising in the previous year, and further complementing this with external sources
- data on claims frequency, severity, and prevalence for both pre-departure and post-departure claims
- information about the travelling population in Australia as a group – which concluded it was generally healthier than the overall population average
- data on the overall expected cost of claims for including coverage, per policy, and the estimated related underwriting premium increase
- data on the different treatments provided to people with varying mental health conditions, including what percentage required significant assistance through treatments such as those provided in hospitals, or lower cost treatments such as general practitioner consultations.

Significantly, the *Mental Health Coverage Report* considered that more than three quarters of mental health condition claims would fall into the low–medium severity estimate range. Further, Cover-More identified that of the mental health assessments it had considered, many were categorised as “low risk”.¹³

Zurich advised the Commission that it used the *Mental Health Coverage Report* to determine the terms on which it would agree to underwrite travel insurance by Cover-More, and the additional risk premium payable to extend coverage to first onset mental health conditions during the period of coverage.¹⁴

7.4.2 COVER-MORE'S SCREENING TOOL

Cover-More used a screening tool – a platform to set risk relativities for existing health conditions (including mental health conditions) through a risk score.¹⁵

The purpose of a screening tool is to allow an insurer to better understand the risk of a particular event occurring, and to set cover, or price cover, accordingly. Many insurers already provide for cover for a consumer's pre-existing condition, if it falls within a defined category. Conditions such as asthma or high blood pressure, for example, are often covered. For some conditions, further information will be requested by an insurer to understand the type of condition, its severity, and how long a person has been affected by it.

Cover-More employed the use of a third-party external platform that incorporated claims data to create 'risk bands' that would inform its insurance pricing for coverage of health conditions (not just mental health conditions). Cover-More also sought out and relied on publicly available data sources, including the Australian Bureau of Statistics, for its risk assessment, as well as internal data and expertise drawn from Cover-More's medical assistance and employee assistance businesses.¹⁶

Cover-More explained that the medical score calculated from the screening tool is condition 'agnostic', meaning that it considers all health conditions according to risk. In this way, a heart condition with the same medical score as an anxiety condition would be given the same risk relativity. The medical score is then translated into a “premium based on claims cost”. This cost can vary according to which insurance product or brand is offered, as well as individual characteristics such as destination and trip length, which also affect the risk of a claim being made.¹⁷

From a consumer's perspective, a person purchasing a travel insurance product from Zurich or Cover-More is prompted to enter details about any pre-existing health condition that they wish to 'add' coverage for in their insurance policy.

After identifying the specific health condition, a consumer is asked a series of questions to further inform the insurer about the condition, such as whether:

- the health condition has active symptoms or was recently diagnosed
- the consumer has been hospitalised due to the health condition
- the consumer is travelling against medical advice.

Depending on the answers provided regarding the nature and severity of their health condition, a consumer may be offered an additional premium to ensure this specific health condition is 'added' to their policy coverage. The Commission was also advised that if a consumer considers their health condition is not captured in the options provided in the screening process, they may speak to a Cover-More nurse to have their circumstances individually assessed.¹⁸

7.4.3 ZURICH'S USE OF THE SCREENING TOOL

As outlined in Chapter 2, Zurich offers travel insurance through a range of its brands. Following the Zurich Insurance Group's purchase of Cover-More in 2017, Zurich began employing Cover-More's use of the external screening tool across all of its Cover-More products. Zurich noted that it took into account the way Cover-More historically covered pre-existing health conditions when determining its own risk assessment for its products.¹⁹

In its response to the Commission, Zurich advised that it "expected the new mental health conditions to present the same financial risks as the existing medical conditions that were covered and therefore the same risk premiums would apply".²⁰ Zurich advised that all medical conditions can receive a range of scores within the tool. The scores and risk rating reflect the condition's "risk profile" and are "based on the individual circumstances of the customer".²¹

However, the Commission notes the data held by Zurich does not separate or identify types of conditions.²² Zurich was unable to provide the Commission with information about the scoring for different mental health conditions. As a result, the Commission cannot make any conclusions about how a consumer's specific mental health condition is assessed by Zurich. This is discussed further below.

7.5 Observations regarding Zurich and Cover-More

7.5.1 POSSIBLE IMPROVEMENT TO THE SCREENING TOOL

Cover-More's screening tool is based on data analysis and evidence

The Commission observes that Cover-More's screening tool has involved thorough testing and analysis. The use of a screening tool provides some transparency and options for consumers to test and understand, to some extent, the basis for the cost of providing cover for their mental health condition. It demonstrates a method for an insurer to offer coverage for certain mental health conditions based on relevant inputs such as the severity, history and treatment of their mental health condition.

The Commission considers that Cover-More's effort and systematic process to investigate what kind of travel insurance cover may be provided to people with mental health conditions is indicative of the kind of approach we would expect to see insurers undertake. In particular, the Commission notes that the *Mental Health Coverage Report* produced by Cover-More (which contributed to the development of its screening tool) shows rigour and analysis.

Cover-More sought and considered data from public and government bodies, as well as internal data sources. Notably, the *Mental Health Coverage Report's* testing questions and assumptions are targeted and specific. The report references current data, applies actuarial techniques and, importantly, records the processes undertaken to reach conclusions about coverage. The Commission

commends Cover-More on this documented internal evidence and process.

However, the Commission draws attention to Zurich and Cover-More's reliance on external data and screening tool platforms and notes that it is important that these tools also adopt a rigorous approach and ensure that any additional excess or indemnity offered to people with a mental health condition complies with the Equal Opportunity Act. In particular, if different and unfavourable premiums, excesses and indemnities are offered to people with a mental health condition, an insurer must ensure that it can lawfully rely on the exception to discrimination under the Equal Opportunity Act.

Promoting best practice compliance in screening tools for Zurich and Cover-More

The Commission notes that the screening platform enables Zurich and Cover-More to set prices for coverage for existing medical conditions. Cover-More states that "the price is set according to the risk the condition reflects; which is a combination of likelihood of incidences and the cost of those incidences".²³

The Commission tested the screening tool by using a dummy consumer profile. We observed that, from a consumer perspective, the pricing results did not appear to be directly responsive to certain questions posed by the screening tool process. In particular we observed that, in some tests, the consumer would not receive a differently priced policy, despite entering what appeared to be notable differences in the severity of a mental health condition. This is explored further below.

CASE STUDY: TESTING THE SCREENING TOOL FOR ONLINE TRAVEL INSURANCE

The Commission 'dummy tested' online travel insurance products, including a product insured by Zurich: 'Cover-More Travel Insurance'.²⁴

The Commission tested the platforms using a consumer profile of a single, 31-year-old traveller heading to the United Kingdom between 1 and 8 December 2018. Using this profile, the Commission sought to 'add' cover for a pre-existing condition, and responded to the questions in the screening tool by confirming the consumer:

- was not travelling against medical advice
- was seeking cover for a condition of 'anxiety'
- was currently taking medication
- had not been treated for depression in the last three years.

The Cover-More Travel Insurance platform offered:

- without the pre-existing condition, a quote of \$74.00 to purchase a policy.
- an additional cost of \$80.00 to add to the insurance quote to provide cover for anxiety as a pre-existing condition, which would bring the total to \$154.00.

The Commission observes that the price to this policy was more than doubled in order to extend coverage to the consumer in the event they made a claim arising from a pre-existing mental health condition.

Further testing showed that the premium payable to the alias consumer did not change according to different responses to questions asked regarding a particular condition. For instance, in the tests conducted, the \$80.00 premium quoted by Cover-More Travel Insurance did not change if the option of 'not currently taking medication' was selected.

The Commission accepts that there may be an explanation for this difference and acknowledges Zurich and Cover-More's approach to offering coverage for pre-existing conditions was not the subject of this Investigation.

Nonetheless, the Commission wishes to highlight that if an insurance policy is offered on terms and conditions that are unfavourable to a person with a mental health condition, an insurance provider needs to be able to demonstrate that any discrimination is lawful under the Equal Opportunity Act.²⁵ This is true of any attribute group protected from discrimination at law, including disability (as in this investigation), age, sex, physical features, or pregnancy.²⁶

More particularly, insurers need to be able to demonstrate that there is a lawful basis for charging premiums for different mental health conditions or based on the severity or currency of a mental health condition. Questions or tools that enable an insurer to assess the relative risk of covering a person's health condition should also ensure that an

appropriate and specific price is passed on to the consumer.

To avoid the risk of discrimination, insurers must be able to demonstrate that the use of screening tools (such as those used by Zurich and Cover-More) complies with anti-discrimination laws. This includes having a basis, in accordance with section 47 of the Equal Opportunity Act, for any terms or conditions that treat people with a mental health condition unfavourably – such as an increased indemnity.

Zurich and Cover-More both advised the Commission that they have a culture of continual improvement, and that they undertake periodic reviews of their products and services. The Commission notes that this culture was demonstrated through Zurich and Cover-More's acknowledgement of all the Commission's recommendations (see part 7.8).

7.6 Zurich and Cover-More's efforts to comply with the positive duty to eliminate discrimination

7.6.1 ZURICH AND COVER-MORE'S RESPONSE

Insurers also have a positive duty under section 15(2) of the Equal Opportunity Act to take reasonable and proportionate measures to eliminate discrimination, sexual harassment and victimisation as far as possible.

In response to the Commission's request for information about Zurich and Cover-More's compliance with the positive duty, Cover-More advised the Commission of a range of actions it had taken or was undertaking, including:

- changing policy wording to remove the general exclusion of mental health conditions
- developing a solution to provide insurance cover for mental health conditions through the internal *Mental Health Coverage Report*, and subsequently providing coverage with the assistance of its screening tool
- conducting periodic reviews of its products and services, which has led to further review and adjustment of its application of the screening tools
- providing trauma counselling free-of-charge to customers involved in "horrific events overseas"
- committing to engaging with the Insurance Council of Australia in relation to a proposed data sharing initiative
- assisting delivery of Beyond Blue's national workplace program to employees across Australia.

7.6.2 THE COMMISSION'S OBSERVATIONS

The Commission commends Zurich and Cover-More's actions to comply with the positive duty. The Commission also commends the efforts taken, particularly by Cover-More, to develop coverage for people with first-presentation mental health conditions and the creation of a tool that has the capacity to provide a flexible and individual approach to offering coverage for pre-existing conditions.

Zurich and Cover-More's reviews should incorporate the positive duty

To ensure compliance with the Equal Opportunity Act and the positive duty, the Commission considers that insurers should regularly review their products and services for potential unlawful discrimination, and to take steps to eliminate discrimination. This is particularly important in an area such as insurance coverage for a mental health condition, given the continual improvements in information and data about mental health relevant to insurance pricing.

Cover-More advised the Commission that it conducts periodic product reviews to ensure it is meeting customer expectations.²⁷ The Commission encourages Zurich and Cover-More to ensure that its discrimination obligations, and particularly its positive duty obligations, are built into and prioritised within its review processes.

Zurich and Cover-More should investigate feasibility of automatic coverage in some cases

The Commission notes that Cover-More is able to offer automatic cover to certain physical medical conditions (such as asthma and glaucoma) under its current Product Disclosure Statement. Given the broad spectrum of possible mental health conditions and that Cover-More has stated that it takes "the approach of treating existing mental health conditions in the same manner as any other health condition",²⁸ the Commission recommends that Zurich and Cover-More investigate the feasibility of providing automatic coverage to certain pre-existing mental health conditions as more data becomes available. This would support Zurich and Cover-More's continued practice to eliminate discrimination, as far as possible.

Zurich and Cover-More should provide staff training and education

The Commission would also expect organisations the size of Zurich and Cover-More to have a program of staff training

and education to ensure that employees understand their obligations under the Equal Opportunity Act. Such education should include the information about how to comply with the positive duty to eliminate discrimination and to not discriminate against people with a mental health condition.

7.7 Recommendations

The Commission makes the following recommendations to Zurich and Cover-More to improve their compliance with the Equal Opportunity Act:

1. If Zurich and Cover-More have not done so already, develop a strategy for compliance with the Equal Opportunity Act in respect of its travel insurance products and services, which:
 - includes creating processes and policies to ensure the regular monitoring and updating of actuarial and statistical data on which insurance terms are based
 - provides for continuous improvement and regular review of policy terms to ensure it is compliant with anti-discrimination law and that it considers the continual advances in relevant medical knowledge
 - ensures any third party they use to collect data or provide assessment for cover complies with relevant anti-discrimination laws
 - incorporates a process for the strategy's regular review.
2. If Zurich and Cover-More have not done so already, undertake to provide their staff, including senior managers, underwriters, executive teams and any person involved in the drafting of policy terms and conditions, with regular education and training regarding applicable anti-discrimination laws.
3. If Zurich and Cover-More have not done so already, ensure that risk profiles and appropriate coverage are developed for differing mental health conditions (as they do with differing physical conditions).
4. If Zurich and Cover-More do not do so already, they should provide clear reasons to travel insurance consumers regarding any refusal to offer cover or denial of an indemnity based on or relating to a mental health condition.

7.8 Zurich and Cover-More's response to recommendations

7.8.1 COVER-MORE'S RESPONSE TO THE COMMISSION'S RECOMMENDATIONS

Cover-More acknowledged the Commission's recommendations and confirmed the recommendations will be incorporated into its compliance strategy, training programs, product design and customer communications.²⁹

7.8.2 ZURICH'S RESPONSE TO THE COMMISSION'S RECOMMENDATIONS

Zurich advised it currently employs an integrated compliance framework; however, following the Commission's recommendations, it is considering implementation of a specific anti-discrimination law strategy in 2019 to further strengthen compliance in this regard. Planning for this has commenced.³⁰

Zurich advised that it presently provides education to all staff on anti-discrimination law but will now separately consider other training to specific employees.³¹

Zurich also informed the Commission that, following its removal of the exclusion terms, it continues to review its products and will seek to make improvements regarding coverage for consumers experiencing mental health conditions.³²

Finally, regarding information provided to consumers, Zurich advised there were few occasions where a person seeking a Cover-More policy would be refused all cover. Any consumer who is denied an indemnity is provided with reasons by email. Zurich will further examine its communications with consumers to make improvements in this regard.³³

Notes

- 1 Zurich Travel Solutions Pty Ltd.
- 2 IBISWorld, *Travel Insurance – Australia* (Market research report, June 2018) 21.
- 3 From 1 June 2017 pursuant to a binder arrangement
- 4 Letter from Cover-More to the Victorian Equal Opportunity and Human Rights Commission, 20 July 2018 ('Cover-More July letter').
- 5 Letter from Cover-More to the Victorian Equal Opportunity and Human Rights Commission, 17 May 2018 ('Cover-More May letter').
- 6 Ibid.
- 7 Cover-More July letter (n 4).
- 8 Cover-More, *Mental Health Coverage: First Onset Pricing* (Report, 24 May 2017).
- 9 Cover-More May letter (n 5).
- 10 Ibid.
- 11 Cover-More July letter (n 4).
- 12 Ibid.
- 13 Cover-More May letter (n 5).
- 14 Letter from Zurich to the Victorian Equal Opportunity and Human Rights Commission, 20 July 2018 ('Zurich July letter').
- 15 Ibid.
- 16 Cover-More July letter (n 4).
- 17 Zurich July letter (n 14).
- 18 Cover-More May letter (n 5).
- 19 Zurich July letter (n 14).
- 20 Ibid.
- 21 Ibid.
- 22 Ibid.
- 23 Cover-More May letter (n 5).
- 24 Cover-More, *Get a travel insurance quote* (Web page, 2017) <<https://secure2.covermore.com.au/content/2/en/?quoteEMCToken=A32C0170-E344-AF5A-35BE4BC52A964C1A&HashCode=810371199>>. Effective 20 September 2017
- 25 *Equal Opportunity Act 2010* (Vic) s 44.
- 26 Ibid s 6 contains a full list of attributes.
- 27 Cover-More May letter (n 5).
- 28 Ibid.
- 29 Letter from Cover-More to the Victorian Equal Opportunity and Human Rights Commission, 1 February 2019.
- 30 Letter from Zurich to the Victorian Equal Opportunity and Human Rights Commission, 1 February 2019.
- 31 Ibid.
- 32 Ibid.
- 33 Ibid.