

24 March 2026

Mr Peter Kell
Independent Reviewer
Life Code Review

By email: reviewer@lifecodereview.org.au

Dear Mr Kell (Peter)

Life Code independent review – CALI supplementary submission on mental health

The Council of Australian Life Insurers (**CALI**) has been actively engaging with our members, expert clinicians and researchers, as well as other stakeholders alongside your independent review (**the Review**) of the Life Insurance Code of Practice (**Life Code**). These discussions have further developed our industry's views on the commitments of the Life Code that relate to mental health.

We acknowledge the significant expectations that customers, stakeholders and broader community have in relation to mental health conditions and the way our industry responds to them. The recommendations in this submission have been made after careful deliberation and are intended to support the long-term accessibility, affordability and sustainability of life insurance cover for all Australians.

The attachment to this letter sets out a supplementary submission, providing further detail beyond CALI's prior submission, dated 15 December 2025. It provides information about the impact our nation's mental health crisis is having on life insurance claims and premium prices, particularly in relation to Total and Permanent Disability insurance (**TPD**). It is critical to note that mental health claims are now the biggest driver of insurance premiums, and it's becoming unsustainable.

It's CALI's view that we've reached a tipping point, and without change, life insurance will get further out of reach for everyday Australians.

Our supplementary submission makes recommendations on potential changes to the Life Code's current commitments on mental health, the practical operation of the prohibition on blanket mental health exclusions at clause 2.1(b), and the industry's arrangements for complying with the *Disability Discrimination Act 1992* (Cth) (**DDA**).

As you undertake your Review, I encourage you to consider the industry's need to make changes to this critical financial safety net to ensure that it remains strong enough to catch Australians when they most need it.

Kind regards

A handwritten signature in black ink, appearing to read 'Cupitt', followed by a long horizontal line extending to the right.

Christine Cupitt
Chief Executive Officer
Council of Australian Life Insurers

CALI supplementary submission to the Life Code Review

Recommendations

1. The Life Code should be amended to reinstate the explicit commitment for life insurers to comply with the DDA, and any other State or Territory anti-discrimination legislation.
2. The Life Code should be amended, consistent with the DDA, to:
 - a. permit sustainable product design features¹ that limit cover for mental health conditions in standard form contracts without individual underwriting, and
 - b. recognise that standard form contracts can offer different cover between mental health conditions and other causes of claim without individual underwriting.
3. The Life Code should be reviewed and strengthened to ensure transparency and support customer understanding about how sustainable product design features in the standard terms apply to them.
4. Specific commitments within the Life Code should be reviewed and strengthened to ensure customer understanding and transparency about outcomes on their applications for mental health cover.

While our recommendations identify the outcomes sought, we are not proposing specific drafting at this stage of the Review.

Industry position on mental health

Our industry is committed to helping Australians live in a healthy, confident and secure way over their lifetime. Life insurers play an important role in strengthening the financial safety net for Australians who cannot fully participate in the workforce, including those affected by mental ill-health.

Life insurers are committed to sustainably meeting the wide range of needs in the community by offering products and services that provide customers with choice and affordable access to meaningful cover, while ensuring that those Australians who are most deeply affected by mental ill-health are supported.

¹ For example, higher premiums, financial limits or caps, benefit and/or assessment instalment designs, or waiting periods.

Individual life insurers will continue to take steps to ensure the sustainability of the life insurance cover they offer. Life insurers will act transparently and fairly when taking these steps, including through commitments in the Life Code.

Australia's mental health crisis

Rising mental health claims

Over the past decade, there has been an unprecedented shift in Australia when it comes to mental health. This is now the number one reason why Australians are turning to life insurers to claim when they're permanently unable to work.²

In 2024, almost one in three TPD claims and one in four income protection claims were for mental ill-health.³

Life insurers paid \$2.42 billion for mental ill-health claims in 2024, accounting for more than a third (34 percent) of the total claim payments in Australia.⁴

Today life insurers are paying out \$1.2 billion more in mental health claims than they were just five years ago. This is occurring across both group and retail channels, indicating that this is a system-wide issue. Group insurance made up the majority, \$1.68 billion and 21,425 claims.⁵ However, retail shows the same pattern, with \$737 million and 6,802 claims.⁶ The consistency of figures across all areas of life insurance conveys that the pressure is not isolated to one part of the market.

We're seeing consistent year-on-year increases in claims, and a growing number of people, particularly younger Australians, are becoming permanently unable to work due to mental health conditions.

For example, over the last ten years there has been a 732 per cent increase in the permanent disability claims rate for Australians in their 30s.⁷

CALI and our members have investigated what is driving this unprecedented increase in claims and we believe it is a combination of factors including increased community awareness of, and reduced stigma surrounding, mental health. This includes the increase in legal representatives and claims advocates supporting customers to make mental health claims.

In addition, the concept of 'mental health conditions' is extremely broad and spans a range of conditions from temporary low mood conditions to chronic psychotic schizoaffective disorders. Some mental health conditions are temporary, which resolve even without treatment and others are lifelong conditions with no cure.

² CALI/KPMG, *Lump Sum Experience Investigation: Key insight 1b, Proportion of claims by cause, 2022-24*

³ CALI / KPMG, *Mental Health Dashboard, includes Group and Retail, 2024*

⁴ CALI / KPMG, *Mental Health Dashboard, includes Group and Retail, 2024*

⁵ CALI / KPMG, *Mental Health Dashboard, includes Group and Retail, 2024*

⁶ CALI / KPMG, *Mental Health Dashboard, includes Group and Retail, 2024*

⁷ KPMG, [Australia's mental health check up](#), December 2024

The Australian Institute of Health and Welfare (AIHW) defines severity as:

Mental illness affects many Australians, either directly, for those who experience it or indirectly, such as family members, friends and carers. Mental illness can vary in severity and be episodic or persistent in nature. In most cases, the impact on the individual will be mild (7%) or moderate (9%). It is estimated that around 7% have a severe mental illness.

The AIHW in its glossary of terms defines severe mental illness (or serious mental illness or severe and persistent mental illness) to mean:

Commonly includes diagnoses of schizophrenia, major affective disorders and some personality disorders resulting in lifelong disabling conditions that severely impair personal and social functioning and require ongoing and long-term support and treatment. These terms lack consensus in definition but are commonly characterised by the combination of diagnosis, disability and duration.

The AIHW data⁸ shows that 23 per cent of Australians experience some form of mental illness each year, with 7 per cent experiencing severe mental illness.⁹ We would normally expect mental health claim rates in life insurance portfolios to be lower than community prevalence, as the insured population in general has higher workforce participation and better overall health. Mental ill-health now represents 34 per cent of the total claim payments and 26.5 per cent of all claims.¹⁰

The rate of mental health claims in 2024 was four times the rate of cancer claims and twice the rate of accident claims.¹¹

This indicates that broader social, economic and system-level factors are contributing to higher mental health claim levels, and that current experience cannot be explained by prevalence trends alone.

People are now far more aware of their mental health and the financial supports they can rely on if their mental health affects their ability to work. This, mixed with a reduced community stigma, is resulting in people being far more likely to make a life insurance claim than ever before.

This change in customer behaviour is here to stay and with mental health claims now being the biggest driver of insurance premiums, it is becoming rapidly unsustainable.

⁸ AIHW, *Prevalence and impact of mental illness*, 14 February 2024

⁹ Ibid

¹⁰ Ibid

¹¹ CALI/KPMG *Lump Sum Experience Investigation 2022-24*

Drop in the national return to work rate

In Australia, the National Return to Work Rate has fallen to 88.9 per cent in 2025, down from 91.6 per cent in 2021.¹² Workers with psychological injuries have a significantly lower return to work rate at 76.5 per cent, compared to 90.2 per cent for workers with physical injuries and they require a broader range of supports to do so.¹³

As outlined above, in the life insurance context there has been an exponential rise in mental ill-health claims, particularly for TPD over the last decade.¹⁴ However, clinical evidence shows that in most cases of mental ill-health, with the right supports, treatment and motivation, a person can recover.

The Royal Australasian College of Physicians (**RACP**) found that there is significant national and international evidence that good work is beneficial for people's health and wellbeing, and that long term work absence, work disability and unemployment generally have a negative impact on health and wellbeing.¹⁵

Motivations to claim

It is important that life insurance products continue to provide a vital safety net for those people who are unable to work due to illness or injury but that they do not unintentionally motivate people not to recover.

The last thing life insurers want to do is create a market where Australians feel like there is a strong incentive to prove they are so mentally unwell they can no longer work. This is a terrible outcome for Australians individually, for their families and for the future of our workforce and economy nationally.

We are finding that the more generous the cover, the higher the likelihood people will claim for mental ill-health.¹⁶ As you are aware, CALI and its members are developing a mental health action plan alongside the Review. As part of our work, the industry is developing disability insurance principles to provide clear guidance on operating sustainably.

Industry's approach to adapt the Life Code to respond to Australia's mental health crisis

Life insurers need to adapt to meet the needs of Australians in a very different world to the one we all lived in just ten years ago.

The reality is Australia's life insurance system wasn't designed for this scale of demand of mental health claims. Without action, we risk reaching a point where life insurance becomes unaffordable for many Australians, and life insurers are unable to provide accessible, sustainable cover.

¹² Safe Work Australia, [National Return to Work Survey results](#), Safe Work Australia, 2025

¹³ Ibid

¹⁴ KPMG, [Australia's mental health check up](#), December 2024

¹⁵ RACP. [Health Benefits of Good work](#)

¹⁶ CALI/KPMG *Lump Sum Experience Investigation, 2022-24*

Based on the research and numbers, these trends are not one-offs. We've reached a tipping point, and without change, life insurance will get further out of reach for everyday Australians.

CALI is progressing its work to develop new industry guidance on sustainable disability insurance with a focus on mental health.

In addition to this, we have identified important changes outlined in the recommendations in this submission that will make the Life Code fit for purpose against the backdrop of Australia's mental health crisis.

Recommendation 1

The Life Code should be amended to reinstate the explicit commitment for life insurers to comply with the DDA and any other applicable anti-discrimination legislation.

Our members comply with Commonwealth anti-discrimination legislation, chiefly the DDA, in addition to State/Territory anti-discrimination or equal opportunity legislation (together, **Anti-Discrimination Legislation**).

This obligation was explicitly reflected in the first version of the Life Code, which came into effect on 1 July 2017, at clause 5.17 which stated:

Our decisions on applications for insurance will comply with the requirements of anti-discrimination law. Our decisions will be evidence based, involving relevant sources of information where this is available, and having regard to any other relevant factors where no data is available and cannot reasonably be obtained. We will regularly review our underwriting decision-making processes to ensure we are not relying on out-of-date or irrelevant sources of information.

The subsequent version of the Life Code, effective from 1 July 2023, omitted this explicit commitment in favour of a new obligation at clause 2.1(b) in relation to blanket mental health exclusions. This evolution was informed by a recommendation of the Public Interest Advocacy Centre's (PIAC) *Mental Health Discrimination in Insurance* report in 2021 (**PIAC Report**).¹⁷

Clause 2.1(b) was subsequently amended in the current version of the Life Code to include the statement:

consistent with our obligations under the Disability Discrimination Act 1992 and equivalent State and / or Territory law

While the Life Code currently references the industry's obligation to comply with Anti-Discrimination Legislation, we recommend that the explicit commitment to comply is reinstated

¹⁷ The report defined blanket exclusion as: *a clause in the standard terms and conditions of an insurance policy that excludes or limits coverage for all policyholders for the stated event or condition.*

into the Life Code. We note that the joint consumer submission to the Review has put forward the same recommendation.¹⁸

This amendment will improve clarity, transparency and a plain language understanding of the Life Code.

Recommendation 2

The Life Code should be amended, consistent with the DDA, to:

- a) permit sustainable product design features¹⁹ that limit cover for mental health conditions in standard form contracts without individual underwriting, and**
- b) recognise that standard form contracts can offer different cover between mental health conditions and other causes of claim without individual underwriting.**

To continue to provide affordable and accessible cover for the millions of Australians we support each day, life insurers need to be able to design products that respond better to modern causes of claim.

We acknowledge that clause 2.1(b) is widely understood to prohibit product terms and conditions in standard form contracts that exclude or limit coverage for mental health conditions above and beyond the requirements of the DDA.

The prohibition on the use of blanket mental health exclusions in new standard form contracts in clause 2.1(b) was intended to improve access to affordable life insurance cover for all Australians.

From the time this clause was agreed by industry in 2022 and implemented in 2023, there has been a continuation of the significant and ongoing increases in mental health claims and related increases in premiums. As this trend continues, and without change, premiums are likely to increase for all customers which will further limit access to affordable cover.

The practical effect of some stakeholders' understanding of clause 2.1(b) is that life insurers cannot design products that limit cover for mental health conditions, even if such limitations otherwise comply with Anti-Discrimination Legislation.

The Life Code must permit product responses tailored to the unique challenges of mental health conditions. Specifically, the Life Code should permit sustainable product design features²⁰ that

¹⁸ Financial Rights Legal Centre on behalf of the Consumer Federation of Australia, [Joint Consumer Submission](#), October 2025, recommendation 6b, page 11.

¹⁹ Including but not limited to higher premiums, financial limits or caps, benefit and/or assessment instalment designs, or waiting periods.

²⁰ Ibid

limit cover for mental health conditions in standard form contracts without individual underwriting.

It should also recognise that standard form contracts can offer different ranges of cover between mental health conditions and other causes of claim without individual underwriting.

Our members have already taken sensible and reasonable steps to mitigate these issues by offering targeted products that offer customer choice. By way of example, some offer mental health coverage up to certain and significant financial limits beyond which optional increases do not cover mental health conditions.

The Life Code Compliance Committee (**Life CCC**) has raised concerns that this type of product contains a blanket mental health exclusion under 2.1(b).

Other product design features such as staged or partial benefits, severity-based definitions, capped benefit amounts or limited benefit periods are increasingly being used, or could be used, to respond to the episodic nature of mental ill-health. These features do not prevent customers from applying for life insurance or making a claim. Instead, they seek to balance responsiveness to customers experiencing mental ill-health with the need to maintain affordability and sustainability for all Australians.

It is possible that stakeholders such as the Life CCC and the Australian Financial Complaints Authority (**AFCA**) could similarly consider these design features to be blanket exclusions. Indeed, AFCA's submission to the Review recommends that the Life Code should "*clarify that a blanket mental health exclusion is not confined to a total exclusion of all mental health conditions*".

In our view, however, these product design features, in standard form contracts, would enable life insurers to respond efficiently and at-scale to the increasing deterioration in mental health claims experience.

For example, a product design which pays benefits in instalments for mental health conditions may be substantially cheaper than a product which offers a single lump sum. Similarly, a product which provides cover for all conditions up to a certain financial limit, but excludes mental health conditions (or any other condition) beyond that limit. This approach helps ensure that all Australians have access to an affordable safety net while providing a pathway to higher levels of cover, at a greater cost, for those who require it.

These types of design features enable cost-efficient and scalable responses to mental health. While individual underwriting remains a critical aspect of each customer's journey, design features in standard form contracts mean that life insurers can manage costs and offer customer choice through scalable products which are likely to be cheaper to develop and distribute, than those which are individually underwritten.

Our industry remains committed to ensuring that all customers are able to apply for life insurance cover, and in channels where cover is individually underwritten, each application will continue to consider the customer's unique circumstances.

Recommendation 3

The Life Code should be reviewed and strengthened to ensure transparency and support customer understanding about how sustainable product design features in the standard terms apply to them.

In light of recommendation 2, the industry recognises the importance of customers understanding the type and extent of cover they can expect in their standard form contract without individual underwriting. If life insurers design products that introduce sustainable product design features such as caps or limits that result in differentiated cover between causes of claim, it is important that this is clear and transparent for customers at the outset, at the time of policy purchase.

The industry is considering what amendment could be made to the Life Code to outline how life insurers will support customer understanding of the use of sustainable product features, and provide greater transparency in relation to how those features may impact different cover types.

We will continue to develop our thinking on this based on the research outlined above as well as ongoing stakeholder engagement over the coming months.

Recommendation 4

Specific commitments within the Life Code should be reviewed and strengthened to ensure customer understanding and transparency about outcomes on their applications for mental health cover.

The DDA and broader Anti-Discrimination Legislation framework is robust and our members take their commitments seriously. Australians should feel confident that life insurers are meeting their obligations under the law.

Australia's life insurers are committed to ensuring customers understand the reasons their cover may be excluded or limited, and why alternatives may not be offered after underwriting.

There are several existing Life Code commitments that explain the industry's approach to complying with the Anti-Discrimination Legislation through individual underwriting, for example, clauses 4.25 – 4.27. CALI believes these could be further clarified so that the outcomes of underwriting processes are clearly and transparently set out.

CALI has commissioned research on customer expectations and needs in relation to mental health cover in life insurance which is currently in field, and we will share insights from this research with the Review once the research is complete.

CALI will take these research insights into account when considering what amendments could be made to these sections of the Life Code.