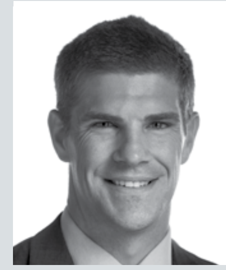
GOOD TIMES, BAD TIMES

COVID-19 is testing Australians' mental resilience but the financial services industry is stepping up. **Kanika Sood** writes.



01:
Liam Donohue
portfolio manager and principal
Lennox Capital Partner

02:
Chris Richardson
economist and partner
Deloitte Access Economics

As a portfolio manager, Liam Donohue[01], is familiar with the pressures of working in finance.

"The share markets are open every business day [and] there's almost a chance of perpetual stress because every minute or every hour, you can see how investments are performing on a live basis," Donohue says.

"If markets are good or markets are bad, it can have a real impact on your mood or levels of stress."

The Australian small caps index, to which Lennox's fund is benchmarked, lost 26.72% in the March quarter. The fund itself, like many others in its category, performed worse than the index.

When markets tumble so hard, it's a difficult time for both end investors and professionals like Donohue.

"From a personal perspective, [to manage stress] I try to decipher short term noise into what is important and what's not and just focus on the outcome that will be achieved on the medium term horizon of over three years, which is how we invest," he says, adding that leaning on teammates is another way of dealing with short-term volatility.

"I make sure that every day I go out and do some exercise, even if it's just going for a walk for 20 minutes. Getting away from the desk is a great way of ensuring that you don't get too caught up in the minute by minute of the markets."

Donohue and his co-founder left Macquarie to start Lennox about three years and a half years ago.

At their new firm, in which Challenger has a minority stake, the founders opted for no strict dress codes, ad hoc annual health and wellbeing spending for things like flu shots and cancer checks, and a quarterly personal health day off – no questions asked.

However, Lennox hasn't gone as far as to provide private health insurance for its three-people team.

Donohue's brother battled mental health illness when young, and the experience prompted Donohue to start the Black Puppy Foundation over 10 years ago which has so far spent about $1 million to fund 10 post doctorate research candidates working in youth mental health, with tailwind from Macquarie's staff giving matching program.

Despite his foundation's commitment to mental health, Donohue hits a roadblock when asked to name an Aussie funds management firm with a great mental health program for its employees.

"Off the top my head, I don't [know]. It would be a great initiative, particularly with larger companies where they can get scale for their employees – but I am not aware of any that do that at this point," he says.

The financial services industry employs about 800,000 people or 6% of the total population, and these are far from peaceful jobs with the market cycle changing every seven years, barring the last bull run.

Financial industry professionals have battled initial threats from technology to their jobs, consolidation, arrivals and departures of international firms, and recently a wave of regulation sweeping from how superannuation funds service clients to which advisers are qualified to continue in their jobs.

The latest challenge, COVID-19, will shave off $60 billion from lost wages and profits from Australians between April 1 and July 30, according to Deloitte Access Economics economist Chris Richardson[02].

"And that's even after allowing for the extraordinary support to families and businesses that has been rolled out by the federal government," Richardson said in recently published research.

The number for banking and financial services will be over $3.5 billion.

Richardson's own firm is an example of the situation as it – like many other financial services companies – reportedly asked partners to take a 20% pay cut.

While the government has already rolled out its $213 billion stimulus packages, and the ASX perked up in April rising the most since June 2000, the consensus zeitgeist is that the world is in a deep recession with a long way to recovery.

And so mental health needs more tending to than ever before.

"It's hard to ascribe cause-effect but claims go up during recessions, when people are unemployed and mental health claims are to some extent a part of that.
Sean McGing

In times of crisis

The COVID-19 crisis follows bushfires which devastated parts of Australia from September last year to this February. While the 2009 bushfires remain the deadliest on record in Australian history with 173 deaths, the recent incidents also had discernible toll on humans and wildlife.

In February, Prime Minister Scott Morrison said the bushfires in January had resulted in the loss of 33 lives, nine of which were firefighters. At that month's end, 3094 houses had been lost to the fires across NSW, Victoria, Queensland, ACT, Western Australia and South Australia.

January estimates put the loss of mammals, birds and reptiles in NSW and Victor from bushfires at over one billion.

While the 2019-2020 bushfires were a significant event, drought remains an ongoing reality for many parts of Australia. The ABC in early March reported water stores were down in every state and territory.

Initial concerns around the economy saw experts predict a 0.25% dip in the GDP for the third and fourth quarters and a slimmer budget surplus, as a result of fires and drought..

The COVID-19 crisis has had a much bigger impact, with experts comparing it to the Global Financial Crisis in 2008, the 1988 recession and in some cases even the 1930s great depression.

This time around, Australians will need much more mental resilience because the road to recovery is long and possibly with shutdowns.

Economic recovery aside, many outdoor-loving Australians have had to weekend outings since the start of the year, first as bushfires closed off national parks and now the COVID-19 pandemic forces social distancing.

One industry that could bear the brunt of a pandemic-related decline in Australians' mental health is life insurance.

Sean McGing[03], who is an actuary at Melbourne's McGing Advisory & Actuarial, says historically, life insurance claims have gone up in times of recession.

"There's a very clear link between recessions and claims. It's hard to ascribe cause-effect but claims go up during recessions, when people are unemployed and mental health claims are to some extent a part of that," he says.

03:
Sean McGing
actuary and managing director
McGing Advisory and Actuarial

04:
William Johns
financial planner and founder
Health & Finance Integrated

05:
Margo Lydon
chief executive
SuperFriend

Specific to COVID-19, McGing thinks there are two areas that factor into how much a mental health impact it could have.

"First is around the stress directly affecting people and the second is the financial uncertainty around losing jobs. Influencing both of these is the intensity and duration of COVID-19 and when we can get back to normal," he says.

Mental health claims account for roughly 25% of total life insurance claims, McGing says.

And this has grown (in both number and dollar amount) as a proportion of total life insurance claims, due to a combination of factors: society's increasing acceptance of mental health conditions, increasing competition and work pressures, and the fact that recovering from a mental health condition can stretch for longer periods than recovering from something physical, like a broken limb or torn ACL.

"Something like COVID -19 is going to exacerbate that but how much waits to be seen," he says.

The pandemic may result in new claims from people whose mental health has been affected since the crisis, while potentially also prolonging the recovery of existing claimants, as support and rehabilitation services are disrupted by lockdowns.

But will it unleash upon Australians another wave of increases to premiums, which have already gone up more than once for many members since the start of 2019 on back of recent regulation like the Protecting Your Super Package?

"From a pricing perspective, APRA and the industry have been concerned about the lack of profitability and hence sustainability in disability income insurance. Is that going to get worse after COVID-19? It's very hard to know what you are expecting is mental health claims to rise but it's hard to be more specific at this point," McGing says.

The adviser experience

William Johns[04] is a financial planner and founder of Health & Finance Integrated, which handles about $20 million to $30 million in claims each year.

About 20% of this is mental health claims, which arise either as a result of another illness (like a neurological disorder or chronic pain) or from purely mental health conditions (like schizophernia, manic depression, anxiety or paranoia).

"In structuring a claim, the latter (for well managed patients) is usually easier to prove because there is usually a body of evidence from a GP [general practitioner] or psychologist…if there is no history of management, it might be tougher," Johns says, in his personal capacity.

And if the claim is because of a subset of a pre-existing condition, it can get caught in the clauses, he adds.

"For example, if somebody with back pain takes out a policy, they may be excluded from any future claims arising directly or indirectly because of that," Johns explains.

"If they try to lodge a claim for depression, [the insurer] may argue the depression was a co-morbidity of a pre-existing condition such as spine deformation causing lower back pain."

Johns says he is expecting mental health claims at his firm to increase 5% to 10% this year because of COVID-19. It's not a huge uptick because his practice focuses on servicing clients with ongoing illnesses and disorders, he says.

"I suspect that people will start looking into their insurance a bit more to see if it's time to claim. I certainly see that litigation or injury based law forms are advertising a bit more," he says.

And his experience has been that as more hospitals deploy staff to front-lines of COVID response, it has been a longer wait in getting reports from doctors and consequently, claims approvals to people.

In addition, are the growing instances of some superannuation trustees asking for copies of the claimants' clinical notes (private conversations between a doctor and a patient) after an insurer or two qualified professionals have already signed off on the file, he says.

Johns says: "It's quite important to respect confidentiality of the file and not ask the patient or doctor to provide private clinical notes that go to the causation of the illness details because it will lead to some people withdrawing their claims to protect their privacy."

Training pays off

Even if life insurers and superannuation funds are able to stave off a price hike for customers and advisers are able to get claims to those in need, financial professionals still have the concurrent issue of securing their own wellbeing during COVID-19 isolation.

SuperFriend helps industry superannuation funds and life insurers implement mental health training programs for their employees in the prevention space. It also works with employers and external clients.

The organisation is funded by a 15 basis point contribution from premiums paid to the life insurers with whom it has five-year agreements. It stays away from policy issues such as the industry's code of practice.

SuperFriend chief executive Margo Lydon[05] says it provides skill-based training to staff at superannuation funds and insurers to support their self-care and the wellbeing of people who call their contact centres.

"You don't usually call your super fund when you are having the best day ever," she says, to emphasise the role of staff in supporting people and recognising signs of distress.

"In my 10 years, I am yet to have a conversation with a superannuation fund or an insurer who is not genuinely willing to improve the wellbeing of employees and members."

> *Mental health training is a little bit like learning anything new, you master the basics before moving to more advanced levels.*
> **Margo Lydon**

Lydon says recent years have seen many crises; after the Royal Commission the organisation's first job was to tell the staff to look after themselves and not judge what happened at the hearings, and then to support them through changes in the industry.

During the bushfires and COVID-19, SuperFriend released extra resources to its existing program.

"The biggest learning is that to deliver a once off training [on mental health] to your staff and expecting it to have long-term effects does not work. It's almost like expecting panacea," she says.

"Mental health training is a little bit like learning anything new, you master the basics before moving to more advanced levels."

Insurer initiatives

Simonie Fox[06] is national manager, wellbeing at AIA Australia. Her job involves developing programs that improve the wellbeing of AIA's claimants and help prevent such claims happening in the first place.

A usual day for Fox may involve working with AIA's claims or occupational team to roll out initiatives, liaising with external vendors to working with the business team to look at the offering's value proposition.

She expects mental health claims arising from the crisis to outweigh directly COVID-related claims, as Australia had largely flattened the curve of new infections as of April end.

The pandemic comes soon after bushfires and AIA's wellbeing response to the two has some commonalities.

"The thought process is quite similar to the process to what are we are going through COVID where people are experiencing a crisis that can be life threatening," Fox says.

In its bushfire response, AIA provided social services support (such as how to get financial support) to its existing Mind Coach program which it introduced in 2018.

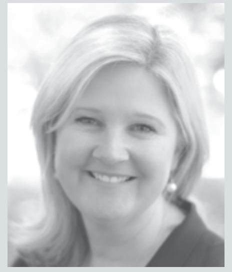
For its COVID-19 response, it added a COVID-19 slant to the existing Mind Coach program and introduced two additional programs, Breathe Well for customers with chronic lung conditions and a COVID-19 module for customers suffering from cancer, which is offered with expertise from CancerAid.

"We know that our customers with cancer, which is one of our three highest [causes of] claims, are at a higher risk if they are exposed to COVID-19 and that in itself has produced a lot of anxiety for those customers," she says.

Mind Coach, which forms the backbone of AIA's health coaching, is a seven-session program that they offer their claimants for depression or anxiety issues over phone.

AIA's claims teams can also refer anyone they speak to over the phone for the program if they feel the caller is showing signs of stress.

"Basically, the coach (in Mind Coach pro-



06:
Simonie Fox
national manager, wellbeing
AIA Australia

07:
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Pinnacle Investment Management

08:
Alva Devoy
managing director
Fidelity International Australia

gram) uses cognitive behavioral therapy principles in discussing what's going on, helping them to cope better with the circumstances in their life and tapping them into the health care system if they need to access evidence-based talking therapy," Fox explains.

Fox points out that Mind Coach is not a replacement for therapy but a coaching program.

"It is similar to executive coaching or health coaching where you set your goals and then are given strategies to achieve those goal. It also identifies when someone is not accessing the medical treatment they need and helping those customers to access treatment through the Medicare system," she says.

If at the end of the seven sessions, the coach feels the customer needs extra help, they can refer them to Medicare or to occupational or rehabilitation programs at AIA Australia.

Fox says, in the last quarter, AIA Australia had a referral rate of 53% into the program.

Mind Coach is a successor to AIA Australia's old comprehensive wellness program called RESTORE (which still runs) and was released around the same time that life insurance giants were grilled by the Royal Commission into misconduct in banking, superannuation and financial services industry. As this story went to print, insurers are again facing grilling from a Senate Committee.

Fox says Mind Coach was not a response to the Royal Commission, but a means of solving a problem.

"We have had our RESTORE program in place for many, many years and the challenge when you are trying to support someone with depression or anxiety is that the nature of the condition is often to withdraw," she says.

"[In a rehabilitation program] they have to meet a mental health consultant and perhaps do an exercise program – and that can be really daunting.

"We thought if we had a health coaching program which is available to everybody and it is over the phone, maybe that would be not be so daunting and that's exactly what we found."

She says AIA saw a 35% increase in people going through to rehabilitation programs, as customers were able to build trust initially with the company. Some were ready to go back to work after it alone.

"At the beginning of the program 72% of people were classified as "severe" in regards to their mental health and at the end of the program this was halved. 40% were also classified as "well" or having "mild" symptoms at the end of the program," Fox says.

Staff programs

Self-gratitude is also something that Ian Macoun[07] is reminding his employees to practice during the virus' fall out, as the managing director of ASX-listed multi-boutique business Pinnacle Funds Management, which had a market cap of about $740 million at April end and employs 73 people.

"Most importantly, I think, those of us who are healthy and in stable roles must remind ourselves that we are better off than many others, and I believe the Pinnacle team will come through this period stronger," Macoun says.

The business currently runs an employee assistance program which provides confidential counselling services via phone, video or face-to-face meetings.

"We have been reminding staff about this program regularly throughout the pandemic… The reported rates of mental-ill heath in the financial services industry is of great concern to me. This topic wasn't something spoken about openly many years ago but thankfully it is now, and we encourage open and frank conversations about personal wellbeing," he says.

He's also telling employees to maintain a "stability rock", a principle it adapted from ReachOut which it supports through its corporate philanthropic foundation.

"A stability rock is something that helps individuals maintain a sense of normality in their lives when it seems things around them are out of control," Macoun explains.

"This could be anything from a morning jog to setting aside some time to read every day… For me, my stability rock is a daily walk with my wife."

It's also business as usual for staff social activities, just the meeting place has changed from its Margaret Street offices and nearby places to the internet.

"Our retail distribution team has been hosting regular quizzes after hours on Fridays for all staff to be involved in and they have been great fun," Macoun explains.

The company is also encouraging employees to turn on their videos during daily online meetings if they feel comfortable doing so.

"Seeing the familiar faces we're used to seeing day-in, day-out is a great tonic," Macoun says.

At Fidelity Australia, managing director Alva Devoy[08] is taking a similar approach. The US $380.9 billion manager, offers a 24-hour employee assistance program through an external vendor.

But it has added additional training sessions for its staff to support their wellbeing.

Fidelity Australia engaged an external coach to offer resilience training to some of its employees, with the aim of making this more widely available

"We recently ran a 'pause for breath' session for our senior leaders with a coach to ensure we are bringing our best selves to our teams during this unprecedented period," Devoy says.

Light at the end of the tunnel

The current work from home conditions may spark long-term changes in work patterns, in what could ultimately achieve better mental health for employees and employers.

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> **Ian Macoun**

Some leading business figures have indicated that COVID shutdowns and the consequent mass test-run of business continuity plans businesses are forcing them to reconsider their operating models.

Barclays chief executive Jes Staley recently told British reporters that the bank was rethinking its long-term "location strategy" and housing of staff in expensive city buildings, as 70,000 of its employees currently work from home.

Indian IT services giant TCS has already said it will move 75% of its roughly 350,000 employees to work from home by 2025, its global human resources head Milind Lakkad told ET Now.

Closer to home, AustralianSuper chief investment officer Mark Delaney indicated a rethink of its investments in city office buildings post COVID, at a recent round table held by QIC.

"There's a whole bunch of CBD buildings that are currently unoccupied," he said.

"Will people need that same allocation of CBD office space in five years' time if we start getting very comfortable with the idea of people sitting on Zoom meetings and working at home? I don't think we're talking enough about that."

At a cursory glance, if work-from-home was to become the new normal, businesses and their shareholders would benefit from lower expenses.

Meanwhile employees could be saved long commutes, which for Australian city workers have blown up from an average of 3.7 hours every week in 2002 to 4.5 hours in 2017, according to the Household, Income and Labour Dynamics in Australia (HILDA) survey.

This extra 4.5 hours a week is time Aussies could spend with their family and friends and undertaking personal pursuits that contribute towards their wellbeing.

It remains to be seen if the current sentiment will carry into the post-COVID world but already thinking of making changes at his firm, taking note of its wellness benefits for his employees.

"As a society, we have naturally focused on the negative sides of the things with COVID," McGing says.

"On the positive side, we have seen other people's kitchens and [home] desks and now the perspective that there needs to a separation between work and life seems a bit artificial in a sense. And the industry is generally more accepting of that.

"I hope as elements of that, we will be a little less stressed, less anxious about making the mega bucks or getting the next shiny car."

McGing's firm previously allowed its employees one day a week to work from home.

"We will probably continue to work from home two or three days a week," he says.

"But we will make sure we are in the office when its important, like when we are meeting clients face to face because that is a great thing to do." FS