

# The Complexity Premium

The cross-scheme pressures impacting claims in super



## Mental health is reshaping insurance in super

Mental health has moved from an emerging issue to a defining one for insurance in superannuation. It now sits at the centre of fairness, affordability, member experience and long-term sustainability. For trustees and insurers, the challenge is not limited to rising claims alone. It includes longer claim durations, growing complexity, more pressure on claims operations, and higher expectations from regulators, members and the wider community.

EML's white paper argues that these pressures cannot be understood by looking only inside the fund. Insurance in super sits within a broader income-support ecosystem that includes workers' compensation,

social security, and other injury and illness pathways. Members move between those systems, but support and information often do not move with them. That is where delays accumulate, administrative burden rises, and recovery can deteriorate.

## The pressure is broader than any one scheme

Australia's income-support arrangements were designed separately. Each scheme has its own legislation, administrators, benefit durations, evidentiary tests, claim processes and rules about who funds treatment or rehabilitation. In practice, that means the same person with the same underlying condition can have a very different experience depending on which scheme they enter, when they enter it, and what happens when support ends.

For mental health, those boundaries matter. Functional capacity is harder to assess, disputes are more common, and time away from work can quickly become self-reinforcing. Once one scheme tightens eligibility, delays a decision, or reaches a benefit limit, the person does not simply recover or disappear from the system. They move somewhere else.

That is why the paper emphasises the importance of "handover gaps". These are the periods when one form of support has ended, but the next has not yet begun. In those gaps, people often face financial stress,

repeated evidence requests, new forms, and the need to retell their story. For mental health claims, that is not a neutral administrative inconvenience. It can directly worsen outcomes.

## The pressure is intensifying

The broader burden of mental ill-health is already well established. Around one in five Australians experience a mental illness in any given year. The national economic cost is estimated at up to \$220 billion annually,<sup>(20)</sup> and health system expenditure on mental health and substance use was estimated at around \$11.9 billion in 2022–23.<sup>(4)</sup>

Those broader pressures are now showing up in insurance and superannuation. Mental illness is now the single largest cause of Total and Permanent Disability (TPD) claims and represents roughly one in three TPD payouts.<sup>(13)</sup> It also accounts for about 20% of income protection claims. Insurers paid more than \$2.2 billion in mental health-related claims in 2024, almost double the amount five years earlier.<sup>(13)</sup> The issue is especially pronounced among younger adults, with TPD mental health claims for people in their 30s rising sharply over the past decade.<sup>(13)</sup>



TPD claims for mental health among Australians in their 30s **have surged** over the past decade.<sup>(13)</sup>



Insurers paid more than **\$2.2 billion** for mental health life insurance claims in 2024—nearly **double the amount** of five years earlier.<sup>(13)</sup>

**One in five Australians experience a mental illness each year—this is now an insurance affordability issue, not just a health issue.**<sup>(4)</sup>

The paper also highlights the way workplace pressures are compounding the challenge. Psychological injury claims are rising, time lost from work due to mental injury has increased materially, and median time lost per claim is much longer than for physical injuries.<sup>(23, 24)</sup> That matters because the longer someone is away from work, the lower their chance of return.

## What this means for super funds and insurers

For superannuation, the implications are both immediate and structural. First, more members may arrive at the point of claim after difficult pathways through other schemes—after disputes, denials, ineligibility decisions, or time-limit exits. That means higher psychosocial, clinical and administrative complexity from the outset.

Second, if transitions are poorly managed, deterioration during handover periods can increase time away from work, weaken recovery, interrupt superannuation contributions, and push people toward longer-term or permanent exit pathways. In that sense, this is not only a claims issue, but also a retirement-outcomes and fund-sustainability issue.

The paper also raises an important operational point. The sustained pressure to reduce administration costs across the sector has compressed the resources available for claims management.



Mental health claims require specialist capability, sustained engagement, trauma-informed communication, and coordination across multiple providers and systems.

When claims functions are under-resourced, the result is slower decisions, more disputes, and a claims experience that compounds rather than alleviates distress.

## The spillover is real—and measurable

One of the paper's strongest findings is that cross-scheme pressure is not theoretical. University of Melbourne modelling commissioned by EML shows that tightening eligibility in workers' compensation can materially increase pressure elsewhere—particularly in life insurance income protection.

Under an illustrative tightening scenario, the modelling indicates around a 19% increase in income protection claim lodgements over a 10-year period, and approximately 10 fewer people per week reaching the 130-week workers' compensation cut-off by the end of the 10th year.<sup>(18)</sup> Even where precise magnitudes are uncertain, the direction of effect is clear: reforms in one scheme can redistribute demand and complexity into others.

***Restricting access in one scheme reduces entries—but the need doesn't disappear. The result is spillover, not resolution.***

## A phased response

The response set out in the paper is deliberately phased, but its logic is consistent throughout.

In the short term, funds and insurers should improve claims handling, make it more recovery-oriented and trauma-informed, and provide clearer navigation for members. They should also establish warmer handovers between schemes, support earlier intervention, and begin measuring transitions rather than inferring them.

In the medium term, the paper calls for more formal cross-scheme case management, better alignment

of evidence requirements and work-capacity assessments, product settings that encourage recovery rather than permanent exit, and where reform permits, earlier funding of evidence-based mental health treatment and support.

In the longer term, it argues for deeper system integration, a shared data ecosystem linking claims data with health and employment outcomes across schemes, and a stronger cultural shift in which mental health is treated as a core business priority.

## The strategic implication for super

The paper's strategic message is straightforward: mental health is no longer a peripheral claims issue for insurance in superannuation. It is a cross-scheme pressure point that shapes claim volumes, durations, member outcomes, costs and the sustainability of default cover.

Incremental improvement within individual scheme silos will not be enough. The practical task now is to reduce fragmentation, improve handovers, support members earlier, strengthen claims capability, and measure success through recovery and return to work outcomes—not simply through claim closure or cost containment.

For trustees and insurers, the implication is clear: a more sustainable response requires a cross-scheme view, earlier action at the points where harm concentrates, and a stronger focus on member outcomes from first contact through to recovery and return to work. The challenge now is not whether to respond, but how deliberately.



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