

**From:** Katinka Day  
**To:** [Community Affairs, Committee \(SEN\)](#)  
**Cc:**  
**Subject:** Re: Community Affairs Legislation Committee - Private Health Legislation Amendment Bill - Questions on Notice  
**Date:** Monday, 13 August 2018 10:24:38 AM

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Dear Michael,

In regards to the question we took on notice, please see our notes below.

### **Excesses in car and home insurance**

- Car and home insurance allows customers much greater flexibility than health insurance with regards to excess options
- Insurers tend to have a default "standard" or "basic" excess, which customers can choose to vary at sign up. (Generally we find that online quote forms are designed to nudge users to select these midpoint, pre-selected values - seemingly not too low, not too high.)
- Standard excesses for car and home insurance tend to be around \$600.
- In car insurance you can vary this to typically between \$0 to \$2000. Excess options in home insurance range from \$100 to \$5000 (\$0 and \$10,000 options exist, but are rare).

### **Decision-making in excess choice**

- Decision making around excess levels is different between car/home insurance and health insurance.
- The choice to have a higher excess in car/home may often be influenced by individual risk rating factors - for example, in cyclone prone areas of northern Australia, the only way to get affordable home insurance is to select a \$10,000 excess policy.
- In health insurance the decision is typically whether or not to choose an excess at all. Most health funds will offer at most two or three excess options per policy (nil excess, \$500 excess and sometimes a mid-point eg \$250). Assuming an informed consumer, the decision is based on the likelihood of making a future claim - for example, a woman planning to have children will choose the nil excess, healthy people are likely to choose a higher amount. People never plan to make a claim on their car/home insurance in the way they do health insurance.

I hope that helps, and please feel free to get in touch if you have any further questions.

Thank you again for the opportunity to input into this inquiry.

Warm regards  
Katinka