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Vast majority of Australians reconsidering health insurance ahead of April 1

Two million Aussies to downgrade or dump their cover before April 1

Research by health insurance experts iSelect revealed that **77 per cent of Australians** with private health insurance intend to reconsider their policy ahead of April 1, when premiums will rise by an average of **4.84 per cent**.

Following the Federal Government's premium rise announcement, a national Galaxy Research study commissioned by iSelect¹ found that **50 per cent** of Australians with private health insurance intend to compare or switch health insurers to make sure they are still getting the best deal, **while the survey suggests that two million Australians (24%) plan to downgrade or cancel their policy**.

Depending on their provider and the type of policy they hold, **many Australians are expected to be hit with increases above** the average 4.84 per cent figure. Currently around **half of the population** (more than **13 million Australians**) are covered by some form of private health insurance.

The average 4.84 cent rise will increase the premium of an average family policy **by almost \$200 a year to \$4277** annually. Younger Australians will be paying on average of **almost a \$100 a year more or \$1992** annually, while older couples are facing an average **increase of \$185** and pushing their **annual premium to just over \$4000²**.

Laura Crowden, iSelect Spokesperson, said although this year's premium increase was lower than previous years, the further reduction to the Private Health Insurance Rebate means that in reality most customers are actually facing a higher cost hike.

As a result of the rebate reduction, the average net cost increase for those under 65 years of age on the base income tier (singles earning under \$90,000 or \$180,000 for a family) is an estimated **6.07 per cent**, whereas older Australians aged over 70 face an estimated average net cost increase of **6.70 per cent³**.

"The combination of higher premiums and lower rebates for most Australians has resulted in a 'double whammy' for customers that means most will see the real cost of their private health insurance increase by more than 4.84 per cent," Laura explained.

Laura said that although the survey found most Australians still feel their private health is important, more and more households appear to be struggling with the cost in light of rising premiums.

"Our research found that the main reason for having private health insurance is 'peace of mind' **and 39 per cent of policy holders describe it as 'expensive but well worth it'**," Laura said.

¹ In February 2017, iSelect commissioned a nationally representative consumer research study with Galaxy Research Australia to assess the attitudes of over 1,000 Australian adults towards private health insurance following the Federal Government's premium rise announcement on Friday 10 February 2017.

² Based on iSelect average gross annual premiums from July 2016 – February 2017. Average single policy for younger customers was \$1900, average family policy was \$4080, while a couples' policy for older customers was on average \$3817. The average 4.84% premium increase has been applied to these average annual policy costs.

³ Based on iSelect internal calculations.

“What is concerning is that the survey suggests that **more than three million (38%) Australians are ‘struggling to justify the cost’** of their policy.”

The survey found that **one million policy holders (12%) may downgrade to a cheaper policy** with fewer benefits. A further **400,000 (5%) intend to move from a combined policy to hospital or extras only**.

Laura said it was particularly worrying that **600,000 Australians (7%)** may cancel their policy altogether but cautioned those struggling with the cost of private health against making a decision based purely on price.

“If your premium is set to rise on April 1, don’t just automatically cancel your cover or downgrade to the cheapest option,” Laura said.

“View it as an opportunity to re-examine your options by speaking to a private health insurance expert to see if you can find a better deal without comprising the benefits that are most important to you both now and in the future.”

Laura noted that with private health insurance cost rising year on year, 2017’s increase could be a ‘tipping point’ for many Australians with private cover, as they look for ways to reduce the impact of on their household budget.

“**Since 2010 private health insurance premiums have risen on average by more than 54 per cent**, more than three times the cost of inflation. It’s hardly surprising that more and more Australians are looking for ways to reduce the cost of their cover.”

Laura said Australians are becoming more and more accustomed to regularly reviewing their cover, with **47 per cent** saying they compared or switched their policy in the last 12 months.

iSelect saw private health insurance **enquiries increase by almost 30 per cent in the days** following the 2017 Federal Government's premium rise announcement.⁴

iSelect's top tips for getting the best value private health insurance
1. Make sure your policy still suits your lifestyle – when your circumstances or life stage changes, it's important to review your cover and make sure it suits your current needs. Not checking your policy could result in not being covered for things you need or paying for things you don't need.
2. Pre-pay and save – if you are in a position to do so, pre-paying your annual premium upfront before April 1 will lock in current rates and help you avoid the premium increase for 12 months.
3. Waiting periods are protected – many people think that by changing policy or provider they'll lose their hospital benefit waiting periods but this simply isn't true. Any hospital benefit waiting periods you've already served will be protected by law if you switch to an equivalent or lower level of hospital cover.
4. Split your cover – you may be able to save money and find more tailored coverage by splitting your cover. For example, a couple could save by splitting into two singles policies if they have different health needs such as the woman needing pregnancy/obstetrics cover.
5. Review the extras – if you don't think you'll use them, why pay for them? Also consider flexible extras products that combine your separate extras limits into a single annual limit for you to use across different services.

⁴ Based on iSelect customer enquiries following the 2017 price rise announcement on 10 February 2017 (enquires from 10-17 February 2017, compared to 2-9 February 2017).

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For further information, please contact:

Laura Crowden

Corporate Affairs Manager | iSelect Limited

Ph: +61 3 9276 8178 | Mob: +61 421 784 254 | Email: lcrowden@iselect.com.au

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Last year, more than 9 million Australians visited our website and we provided recommendations to over 6 million customers. But we are much more than just another online comparison website. Our highly-trained experts at iSelect HQ help customers to choose and buy from thousands of available policies, products and plans. And we provide our advice at no cost to the customer.

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