

28 March 2016

## Over seventy percent of Australians with private health insurance will take action before premiums rise on April 1

***More than 50 per cent of private health insurance policy holders are unaware waiting periods are protected when switching funds***

Research by health insurance experts iSelect revealed the **majority (71 per cent) of Australians** with private health insurance will take some sort of action following the Federal Government's announcement that private health insurance premiums will rise by an average **5.59 per cent** on 1 April 2016.

A national Galaxy Research study commissioned by iSelect<sup>1</sup> following the announcement found that **46 per cent of Australians** intend to shop around with other health insurers to make sure they are still getting the best deal, while **7 per cent** plan to switch to a different health insurance provider.

Around half the Australian population has some form of private health insurance and will be affected by the premium rise, regardless of what kind of policy they have. The average 5.59 per cent rise will increase the annual premium of an average family policy by around an **extra \$200** per year<sup>2</sup>.

Laura Crowden, iSelect Spokesperson, said it's important to remember that the 5.59 per cent increase is an average only. "Some insurers are increasing their average premiums by more than 8 per cent, while others will only be passing on average increases of around 4 per cent," said Laura

Alarming the survey suggests that approximately **530,000** Australians may be planning to drop their policy altogether in the lead up to April 1 and **over 2 million Australians with private health insurance will do nothing at all.**

"What is particularly concerning is that couples and families who already have hospital only or extras only policies indicate they are more likely to cancel their cover together."

"It's possible these households have already pared back their cover as premiums have risen in recent years but this latest increase may be the tipping point that means they can simply no longer afford it," Laura said.

Laura noted that inaction or making a knee-jerk reaction to the premium rise is not the best course of action.

"Rather than dropping or downgrading cover instinctively, it's vital that policy holders use the premium rise announcement as an impetus to review their policy and compare it with what's out there."

"It's worth finding out if an alternative policy with a different insurer could still meet your individual health needs but at a price better suited to your household budget," Laura said.

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<sup>1</sup> In March 2016, 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 Wednesday 2 March 2016.

<sup>2</sup> Based on iSelect sales data November 2015 – February 2016 which shows average annual premium for a family policy is \$3,700 which will increase by an average of \$207 on 1 April 2016.

Laura said the survey also revealed a high level of confusion around hospital benefit waiting periods, with most Australians unaware that any waiting periods already served will be protected by law if switching to an equivalent or lower level of hospital cover.

"**A quarter of Australians** think that they will have to re-serve waiting periods if they change insurers, while a further **29 per cent** aren't sure. It's worrying that only **46 per cent** of policy holders correctly understand that waiting periods are protected."

"This could mean that many Australians are simply putting up with ongoing price increases instead of switching to a better deal with a different insurer because they wrongly believe they will have to re-serve waiting periods."

Laura said that understanding the different options available can be daunting if undertaken alone and can cause 'analysis paralysis.'

"When you receive your increase letter in the mail or via email, don't panic or file it away. Rather, speak to a health insurance expert who can let you know quickly if you are on the best available plan to suit your needs or if there is a better offer out there."

More than 250,000 Australians turned to iSelect in March last year to review their cover. The company also saw **private health insurance enquiries double in the days** following the 2016 Federal Government's premium rise announcement.

<b>iSelect's top tips for getting the best value private health insurance</b>	
<b>1. Make sure your policy still suits your lifestyle</b>	– 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.
<b>2. Pre-pay and save</b>	– 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.
<b>3. Look for payment discounts</b>	– some providers offer a discount for paying by direct-debit.
<b>4. Split your cover</b>	– 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 obstetrics/pregnancy cover.
<b>5. Review the extras</b>	– 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.

**ENDS**

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