

# Defending your snowball 2

Insuring your property

Insuring your vehicle

Insuring your health in Australia

Insuring you while travelling

# You need to be able to ...

- 1. Identify the key issues to consider when insuring a property**
- 2. Identify the key issues to consider when insuring a vehicle**
- 3. Explain how private health insurance works in Australia**
- 4. Explain why it is important to take out travel insurance when travelling overseas**

# Insuring your property

# Think and discuss

Imagine that you live in the country  
and a fire has just gone through the area

You are now looking at the smouldering ruins  
of a house that you bought 5 years ago  
for \$700,000.

What are some of the costs  
that you will face over the next 12 months  
as you try to rebuild?

# Home Insurance

## **Insures your home against calamities**

**Floods and wildfire are sometimes not covered**

## **Does not cover the value of your land**

## **For units – paid through strata manage fees**

## **Most people underinsured by 30% plus**

## **Amount should cover:**

**Demolition of damaged structure**

**Architects and council fees**

**Rebuild similar home (new)**

**Costs of temporary accommodation elsewhere**

**Generally, add 20% to cost of rebuilding.**

# Contents Insurance

**Protects the contents of your house (furniture) against calamities and theft**

**You should keep receipts, photographs of items and an asset register to provide evidence in case of a claim**

**Watch out for under-insuring CDs and clothes**

**Insuring jewellery is difficult**

**Focus on inward beauty instead!**

**Public liability included with contents**

**Other people suing you for negligence.**

# Mortgage Insurance

## **Lender's Mortgage Insurance (LMI)**

**Protects the lender if you are borrowing more than 80% of the value of a property in case you can't make the payments.**

**Does not protect you! Bank will still foreclose.**

**Paid as lump-sum when you take out the loan**

## **Mortgage Protection Insurance**

**Pays your mortgage if you have an accident or illness that prevents you from working.**

**Protects you.**

**Better to have proper income protection insurance!**

# Some tips ...

**Don't underinsure!**

**Go home and ask your parents how much they are covered for home and contents insurance ...**

**When did they last update those amounts?**

**Have they got an asset register with evidence of contents?**

**Premiums not proportional to the amount being insured**

**Sometimes double the cover only adds 10% to the premium**

**Choose higher excesses if possible and save the excess into a special savings account**



# Insuring your vehicle

# Think and discuss

What would you say to someone who argues that they don't need to take out motor vehicle insurance because they are a "good driver"?

# Third Party Personal Injury Insurance

**Covers you against personal injury of anyone you hit/hurt while driving your car.**

**Compulsory Third Party (CTP) Insurance or Green Slip in Australia**

**Usually required when you renew registration each year**

**Purchase from insurance companies**

**Provides “peace-of-mind” that at least your medical expenses will be covered if you are hit by another driver**

# Third Party Property Insurance

**Protects you if you damage someone else's property**

**\$100,000 BMW or \$20,000 fence**

**\$500,000 in lost earnings for a shop façade**

**Watch out for “driver substitution”**

**Take out insurance under parent's name as primary driver**

**But you are the one involved in the accident!**

**This is a necessary cost of running a car**

**if you can't afford it then don't buy the car in the first place**

**they ask about accidents, speeding fines and other driving history  
information in your application**

**they check it when you make a claim**

# Comprehensive Insurance

**Covers property damage to your car as well**

**Covered for “agreed value” or “market value”**

**Excess designed to deter small claims**

**Car required to be “free of damage”**

**No claims bonus (discount) of up to 60%.**

**Premiums are often priced to be unaffordable if you don't have maximum no-claims bonus (esp. young)**

**Premiums vary significantly by suburb and how garaged**

**Some insurers will offer you full no-claim bonus status if your parents are good customers (until you have accident!)**

# Some tips ...

**Consider buying very inexpensive, second-hand car after graduation and only take out 3rd party property insurance**

**Don't ever speed. Don't drive aggressively. Leave plenty of room before the car in front. Be patient!**

**Can sometimes save if you have home and contents insurance with insurance company**

**Never lie to an insurance company**

# Insuring your health in Australia

# Public health is good ... but

## How long will universal healthcare remain sustainable?

New and expensive medical technology \$\$\$

Aging population that demands expensive treatment \$\$\$

Decreasing proportion of population paying taxes!

**Medicare levy surcharge (extra 1% tax on income) if you earn over \$50,000 makes it cheaper to have insurance.**

**Federal Government's 30% rebate makes it cheaper**

After 1 July 2012 this is now reduced if your income exceeds \$84,000 (single) or \$168,000 (couple)

**Lifetime Health Cover makes joining more expensive after age 30**



# Private Health Insurance covers

## Hospital cover

**Medicare Gap - difference between what Medicare will cover and scheduled fees**

**Medical Gap - difference between scheduled fees and what the doctor charges (in selected hospitals only)**

## General extras

**Dental, optical, physio ... expenses**

**Fund covers maximum of \$X per visit and \$Y per year**

## Ambulance costs

**The costs of emergency transport by ambulance (expensive!)**

# **Deductables, excesses and co-payments**

**The part of any medical costs that you have to pay**

**Designed to discourage hypochondriac behaviour**

**Sometimes based on “days” in hospital**

**Example: HCF is \$50 per day spent in hospital**

**Sometimes based on “total per year”**

**Example: MBF is \$500 per year per person insured**

**The higher the deductible, excess or co-payment**

**... the lower the premiums!**

**Best to have “savings buffer” and choose higher excess**

**But lower the excess 12 months before having a baby!**

# Health Insurance Tips

**Remember that insurance is designed to protect you against worst-case scenarios**

**Most people lose on extras cover over the long term**

**Cheaper to have hospital cover only and save the difference**

**Research and consider each fund carefully**

**iselect.com.au provides some okay guidance (not great though)**

**Consider “hospital only cover” with high excess**

**self-insure for general extras unless it is definitely worth it!**

**Always get ambulance cover**

# Insuring you while travelling

# Travel Insurance

**Covers medical expenses and theft when you are travelling overseas**

**Health-care overseas can be VERY expensive**

**Plus ... the experience can be a nightmare!**

**An absolute “must-have” when travelling**

**Read all the terms and conditions carefully before leaving**

**Write down a procedure for what to do if you get very sick and keep it with your passport**

# Recap of key ideas

- 1. Most people are under-insured and therefore are not protected against worst-case-scenarios**
- 2. This can cause significant hardship to your family**
- 3. Insurance is not a waste of money ...  
it is part of your responsibility to plan for the future**
- 4. Don't get ripped off with high monthly premiums ...  
choose a higher excess if appropriate.**
- 5. If you are not adequately insured then your 5 minutes  
of fame may be a sob-story on a Current Affairs  
program!**
- 6. Never lie or omit relevant info on application forms**

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