

Excesses

What is an excess?

An excess is the part of an insurance claim (in dollars) which you are responsible for paying if you make a claim.

An excess is sometimes referred to as a 'deductible' as it is deducted from the amount your insurer will pay for your claim.

Standard excess

Your insurer will set the minimum excess you'll have to pay. It will be listed in your policy documents. There might be different excesses for different types of claims.

Voluntary excess

Paying a higher excess than the minimum can reduce your premiums. This is known as a voluntary excess, and it's added on to your standard excess.

Paying a voluntary excess might help make your regular insurance payments more affordable, but it will also mean you pay more when you make a claim. You'll need to decide if this is something you can afford.

If you want to pay a higher excess, you'll need to arrange this with your insurer before you need to make a claim.

Example

Matt backs his car into his letterbox, which damages his car's bumper. It will cost \$1,000 to repair his car.

- If Matt's excess is \$300 – He will have to pay \$300 towards the claim and his insurer will pay the remaining \$700.
- If Matt's excess is \$800 – He will have to pay \$800 towards the claim and his insurer will pay the remaining \$200.
- If Matt's excess is \$1,000 – He will have to pay \$1,000 to fix his car and his insurer won't have to pay anything as the claim is not higher than his excess.

Imposed excess

Your insurer might choose to make your excess higher than the standard minimum. This will usually only be done if your insurer feels there is a higher-than-normal risk associated with your policy.

Reasons for this might include

- what you're insuring – for example, if your car has a very expensive, after-market accessory
- if you have a bad claims history.

Graduated excess

A graduated excess is an excess that changes depending on the circumstances of the claim.

Example

Terri is 17. She uses the family car to get to and from work. Her family has a graduated excess in their insurance policy because young drivers are higher risk than drivers over the age of 25.

- If Terri has a car accident that's her fault, the excess on the claim will be \$1,500 because she's a younger driver.
- If Terri's mum or dad has a car accident that's their fault, the excess on the claim will only be \$400 because they're over 25.

Tip: Pretending someone else was driving a vehicle during an accident to reduce the excess you need to pay is insurance fraud. Always be honest with your insurer about the circumstances surrounding a claim.

What if it's not my fault?

An excess isn't related to whose fault it was that a claim needed to be made. In most cases, your insurer will still charge your excess because they've had to pay a claim.

In some circumstances, your insurer might choose to waive your excess for your claim. This is uncommon, and your insurer will tell you if they're going to do this.

Multiple policies

Where a claim needs to be made against more than one policy – such as, if your house catches fire and both your house and your contents are damaged – you'll need to pay an excess under each policy.

Example

There's a fire in Matiu's kitchen that damages his stove, his fridge, his kitchen cupboards, his pots and pans and one wall of his house. He needs to claim under his house policy for some of the damage and his contents policy for the rest of it. He has a \$500 excess on his house insurance and a \$300 excess on his contents insurance.

Matiu will need to pay \$800 himself for the whole claim – \$500 as the excess for his house insurance and \$300 as the excess for his contents insurance.

One event, one excess

Some insurers may only charge one excess if a single event (such as a fire or a flood) causes damage that's covered by multiple policies – as long as you have those policies with the same insurer. The excess charged is usually the largest one applicable to the claim.

Example

Matiu has both his house insurance and his contents insurance with the same insurer. His insurer only charges one excess if he makes a claim under both policies for something caused by a single event.

Because the fire in his kitchen was just one event, Matiu only has to pay \$500 because that's the largest excess of the two policies he's making a claim under.

Talk to your insurer to find out if this is something they offer.