

ARTICLE

Excesses and how they work

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An excess is the amount a customer needs to pay if they make a claim on their insurance policy.

For most of us, the excess amount is outlined in your Product Disclosure Statement or policy wording and represents the amount a customer has agreed to contribute towards the claim, with the insurer covering the remaining amount.

How does it work exactly?

Let's say you're involved in a car accident and you're found to be at fault, the cost of repairing your car might be \$4000 and damage to another car might be \$3000. But if your excess was \$600, you would pay the first \$600 and your insurance company pays the remainder of your costs and the costs of the other vehicle.

Similarly, if your house was affected by a severe storm, and the cost to repair the damage was \$7000 and your excess was \$900, you would pay \$900 and your insurer pays \$6100.

There are different types of excesses

Arron Mann is the General Manager of Short Tail Claims of our partner, QBE Insurance. He says it's important to understand the difference types of excesses before you purchase your insurance policy.

Many insurance policies have either a voluntary excess or a standard excess.

A standard excess means that it applies to every claim.

A voluntary excess can be chosen by customers and while it may reduce the cost of your premiums, it's a higher cost than a standard excess.

"If you choose a higher voluntary excess, it may help to bring down the cost of your insurance premiums because it means that the customer is contributing more towards the cost of the claim if they need to make one," explains Mann.

There can be situations where multiple excesses will apply when you make a claim. For example, if a young driver is involved in a car accident, an inexperienced driver or an age excess could apply on top of the standard excess.

How to pay your excess

“In most cases your insurer will ask you to pay the excess directly to the repairer or supplier who has been appointed to help with your claim, or your insurer may deduct the cost of the excess from the amount that it pays to you” Mann says.

Sometimes you will be required to pay the excess in full before you receive the payout or any other benefits that are part of your policy.

There can be situations when your excess is waived

In some cases, your insurance company may waive the excess and some policies may not have an excess at all.

“An example of a situation where excess may not apply is if you’re involved in a car accident where we agree you were not at fault and you can provide the name and address of the person who was at fault,” Mann explains.

“In this case we may waive the excess because you have provided the details of who we could recover the claim the costs from, whether that is the person who at fault or from their insurance company,” he adds.

Where to get more information

If you need to make a claim and aren’t sure about your excesses or how they work, you can discuss this with your claims officer.

The advice on this website is general in nature and has been prepared without taking into account your objectives, financial situation or needs. You must decide whether or not it is appropriate, in light of your own circumstances, to act on this advice. You should ensure you obtain and consider the policy wording or Product Disclosure Statement for the policy before you make any decision to buy it.