



<http://understandinsurance.com.au/excess-and-how-it-applies-to-you>

## **Excess and how it applies to you**

Many policies include an excess. This is the amount you have to pay if you decide to make a claim on your policy. It's a way of you accepting a small portion of the risk yourself.

The amount of the excess is specified in your policy.

How does it work? If your home is damaged in a storm, the cost of repairing the damage might be \$4000. If you had a \$600 excess, you'd pay the first \$600 and the insurer would pay the remainder.

Not every type of policy has the same kind and level of excess, and excesses don't all apply in the same situations. Your insurer may have different types of excesses, and some policies may have more than one applicable excess.

### **Types of excesses**

Most insurance policies have a standard excess or a voluntary excess. The standard excess applies to every claim, while voluntary excess is chosen by you and can reduce your premium. If selected, this nominated higher excess will replace your standard excess.

Choosing a higher voluntary excess may help to bring down the cost of your insurance premiums because the insurer won't have to pay out so much in the event of a claim.

The total excess you are required to pay is determined by the circumstances of your claim and by your insurer.

## **Multiple excesses**

Some excesses will apply whenever you make a claim. Others will depend on the circumstances of your claim.

For example, if you are a young driver and you have an accident, an age excess or inexperienced driver excess may apply as well as the standard excess.

Your Certificate of Insurance will show the types of excess that you might have to pay if you make a claim.

## **Paying your excess**

When you make a claim your insurer will either deduct the applicable excesses from the amount it pays you, or direct you to pay the excesses to it, or to the appointed repairer or supplier.

Your insurer may require you to pay the excess in full before it pays your claim or provides any benefits under your policy.

### **When do you not have to pay an excess?**

In some situations your insurer may waive any excess that applies, and under some policies there may be no excess at all.

For instance, if you are involved in a car accident your insurer may waive the excess if you were not at fault and you can provide the name and address of the person who was. This is because your insurer will be able to claim their costs back from the person who was at fault, or that person's insurer.