

# Why premiums increase with age



In New Zealand, health insurance is generally risk-rated. This means premiums charged are based on the likelihood of claims for policyholders of the same age. Because the amount and value of claims generally increases with age, so do premiums.

Premiums can also rise due to additional costs from medical inflation (i.e. the increasing cost of providing medical care), new technology, or procedures covered. There may also be more claims when access to publicly funded healthcare is restricted or slow – this increases overall claims costs.

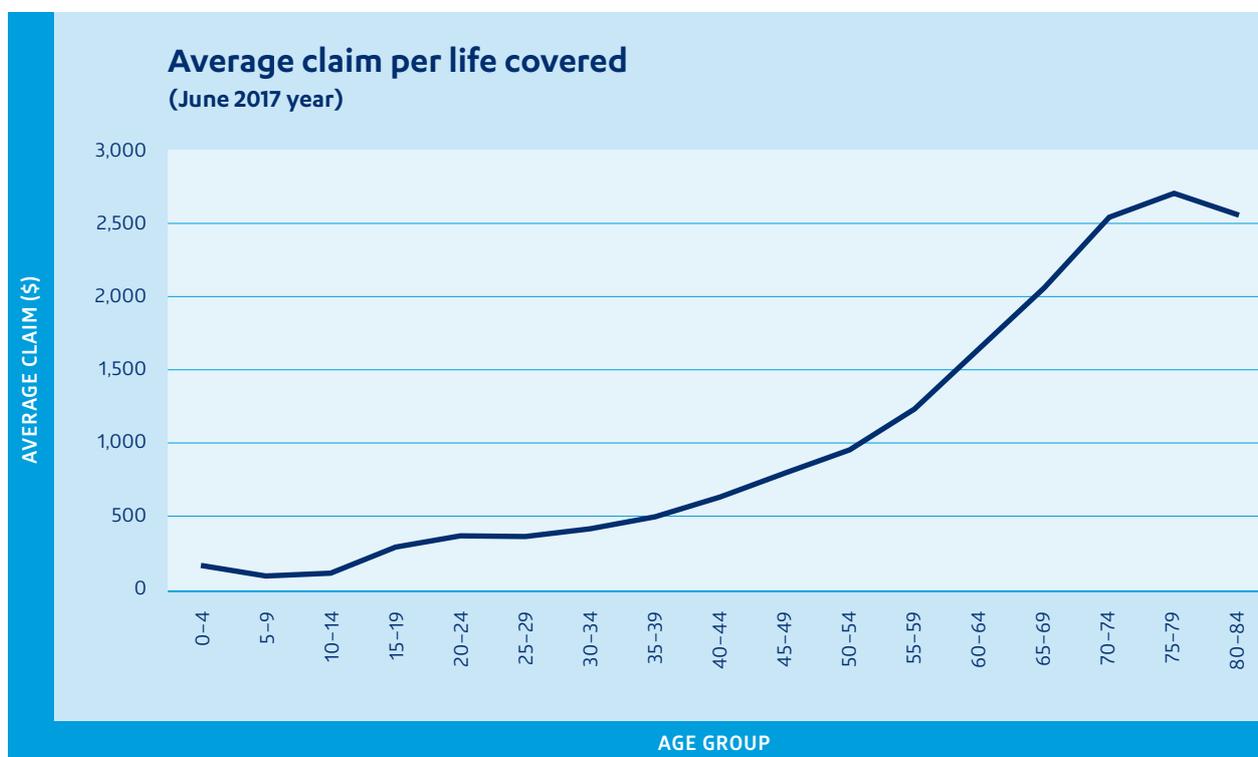
There are some exceptions to age rating such as employer-funded health schemes. In addition, some insurers apply a common or community rating to all policyholders above a certain age, such as 65.

## What can I do about premium cost increases?

As people age and premiums increase, there are some options for mitigating the impact.

Opting for a higher excess is the most common. This effectively means self-insuring a portion of potential treatment costs and covering smaller medical bills out of pocket, but having health insurance for the big things if needed. Some insurers offer excesses of \$2000–\$4000 in return for a lower monthly premium. Choosing major medical rather than comprehensive insurance will also reduce annual premiums. This is now the most common policy with around two-thirds of those insured.

It is a good idea to talk with your insurer about what options might be available if concerned about premium increases.



Source: HFANZ industry data

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