



# What to consider when buying health insurance

+ Oranges have long been popular as a rich source of vitamin C that can help ward off colds, assist healing and bolster the immune system.

An interview with Linda Caradus, an Actuary at Melville Jessup & Weaver – Consulting Actuaries in Wellington. Linda considers herself to be an ‘educated consumer’ who has a professional interest in insurance.

## What’s important when starting to look at health insurance?

You need to work out what kind of health insurance you want to buy and also to think about the following.

**Your situation** – what’s important to you? For example, if you are self-employed or the main income earner for the family, is it crucial that you receive medical treatment faster so you can get back to work more quickly?

**Your life-stage** – do you have a young family, so regular visits to the GP and specialists can have a significant impact on the budget?

**Your health** – do you have a poor medical history in your family and see health insurance as necessary because of this? Or are you reasonably fit and healthy, and just want to cover yourself in the event of a major unforeseen medical event in your life?

**Your budget** – what can you afford to pay in premiums. Should you consider policies with co-payments or excess options (ie share the cost yourself of some medical expenses)?

*“The best thing I can recommend is talking to people you know and asking questions.”*

## What are the key things people should be looking for when considering health insurance?

Researching and investigating insurance, particularly health insurance, can get complex quite quickly. However, once you have narrowed down what kind of cover you are looking for this will help you to assess the product options that best suit you and your situation.

Understanding what the different policies and products offer can see you reading through policy documents or referring to the insurance company to better understand exactly what is covered. You may need to get some professional advice to help you fully understand these documents, which may contain a lot of technical medical and insurance terms.

Next comes the cost of these products. You will need to check the premium cost, excess options, if any, and what the cost-sharing options might be, to see if you can balance your coverage needs against what you can afford.

One final thing that many people forget to consider is assessing the insurer. How long have they been in business, do they have a history of large increases in premium rates? Do you expect them to be around in five, 10 or 20 years?

## When is a good age or time to start taking out health insurance?

The point is not how old you are, but rather how healthy you are. You are much better off getting health insurance when you are healthy than when things have started to go wrong. Once you have started to be unwell or have had an injury, many health insurers consider this a 'pre-existing condition', making you ineligible for health insurance cover relating to that condition going forward.

## What are the 'red herrings' to watch out for when comparing health insurance products and policies?

Very large claim limits on some policies is an obvious one. Some insurers say they cover amounts up to \$200,000, or even have unlimited cover for some procedures, when in actual fact the cost of most of those procedures will never reach anywhere near that level.

The Health Funds Association of New Zealand (HFANZ) has an excellent website that publishes ballpark costs for many of the main procedures carried out in New Zealand. This will give you a good indication of how realistic an insurer's cover limits are. Visit HFANZ at [www.healthfunds.org.nz](http://www.healthfunds.org.nz)

*"The point is not how old you are, but rather how healthy you are. You are much better off getting health insurance when you are healthy than when things have started to go wrong."*

## Is claiming experience something worth considering? Sometimes it seems that the true measure of an insurer is only gauged at claim time...

How easy and readily claims are made with an insurer is hard to assess. The best thing I can recommend is talking to people you know and asking questions. Ask about other people's experiences and see what appeals to you in your situation. You can also look up an insurer's claims ratios, which are usually published in their annual reports. This is a ratio of how much an insurer pays out in claims annually in relation to how much they receive in premium payments each year.

## About Southern Cross

Southern Cross Health Society is a not-for-profit organisation which operates for the benefit of its members. We are committed to ensuring members have sustainable access to value-for-money, quality healthcare.

### Cost

Southern Cross health insurance premiums are competitively priced offering value-for-money for members.

### Financial strength

Southern Cross Medical Care Society has a Standard & Poor's rating of A+ (Strong).

### Claim limits for surgical cover

Our extensive plans easily cover the cost of common elective procedures – check your policy documents for details.

### We pay back more

In the financial year ending 30 June 2010, for every dollar received in premiums 94.1 cents was paid to members in claims.

### Assessing the insurer

Southern Cross is a not-for-profit organisation which has its members or customers as shareholders and has sustainability as a driver. Balancing the cost of cover (premiums) with claims costs. This is compared to a profit-making insurer which is looking to make a return for shareholders – which means the business needs to increase income (premiums) and decrease cost of operations, of which claims is the largest in an insurance business.

**To find out more about the health insurance options available to you through Southern Cross visit [www.southerncross.co.nz](http://www.southerncross.co.nz) or call 0800 100 777**