

\$28,000 DEBT TRAP: COST CONCERNS PUSH THREE IN FIVE AUSSIES TO AVOID ESSENTIAL INSURANCE

A new report by Choosi reveals more than 16 million Aussies are risking significant debt by forgoing insurance cover, with private health and life insurance most commonly cut.

SYDNEY, October 2025 – The Choosi Insurance Gap Report has revealed critical and growing financial vulnerability for Aussie households, with a staggering three in five households (60%) admitting to delaying or outright avoiding essential insurance due to cost concerns. This is leaving many Australians with significant debt caused by out-of-pocket payments to cover unexpected hefty bills and facing financial hardships with one in five (20%) having gone into debt of \$28,000 on average from being uninsured or underinsured.

The research, commissioned by Choosi, surveyed over 2,200 Aussies aged 18 years or older, shedding light on the gap between perceived and actual insurance cover, as well as the subsequent financial consequences.

A widespread knowledge gap

A key reason for underinsurance in Australia can be attributed to the significant gap in understanding insurance as unveiled by The Choosi Insurance Gap Report, which found two in five (40%) policyholders have encountered unexpected exclusions or limitations when making a claim.

Almost four in ten (39%) admitted to having purchased an insurance policy without fully understanding it. This is often due to assuming what was covered (42%), trusting the provider without reading the details (33%), or lack of time to research properly (28%). Many have found the language confusing, with 'underwriting' (33%), 'indemnity' (29%), and 'agreed value vs. market value' (25%) cited as the most confusing terms.

"So many of us sign up for insurance thinking we're covered for everything, only to discover the fine print tells a different story" says budgeting expert Breana Davidson. "Taking just 15 minutes to read and understand your policy can make all the difference."

The underinsurance domino effect

Additionally, primary drivers for avoiding essential insurance include high premiums (32%) and other competing financial priorities (25%). Alarming, private health insurance (38%) and life insurance (31%) are the most common types of cover being delayed or avoided completely, leaving individuals exposed to the financial fallout of a major health crisis and loss of income, creating a domino effect.

Varying generational attitudes

The report reveals that younger generations are at most financial risk when it comes to underinsurance. According to the report almost one in four (23%) Gen Zs perceive insurance as an 'optional extra if I can afford it', with one in two (50%) perceiving it as a 'peace of mind for everyday



risks'. This contrasts with older generations where just under two in three (61%) Baby Boomers perceive insurance as 'a safety net for major emergencies', while just over one in ten (12%) Baby Boomers see insurance as an 'optional extra'.

"Insurance can feel like an optional extra, especially when money is tight," says Breana. "But skipping it is a gamble that can cost far more in the long run. The key is finding cover that fits your budget without leaving you exposed."

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About the Choosi Insurance Gap Report

The Choosi Insurance Gap Report is a part of the Choosi Research Series. This report explores how Australians engage with insurance, the role it plays in their financial security, confidence in understanding policies, and reliance on self-insurance. A key focus is understanding cover – do Australians truly know what their insurance policies include? Many assume they are protected, only to discover exclusions and limitations when making a claim, leaving them vulnerable to unexpected expenses. What are the consequences of being underinsured? Are Australians making informed choices?

About Choosi

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