



Private Healthcare Australia
Better Cover. Better Access. Better Care.

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Mandy Bendelstein
Director (a/g) Merger & Authorisation Review Division
Australian Competition and Consumer Commission
Level 20, 175 Pitt Street, Sydney NSW 2000
Via email: mandy.bendelstein@acc.gov.au

Dear Ms Bendelstein

A company called ExtrasJar has made claims in recent media (Channel 9, 13 Dec 2022) and in a media release (below) that may be false and misleading.

These statements and their website <https://extrasjar.com/> suggest ExtrasJar is a health insurer, but they are not a registered Health Benefits Organisation as defined by the *Private Health Insurance (Prudential Supervision) Act 2015* (Cth).

The website includes the phrase “ExtrasJar’s Health Insurance”, and makes reference to product tiers, coverage and health insurance regulation, before asking people to register to “compare plans” and elsewhere, outline features of the ExtrasJar product.

The product as described in their product disclosure statement in the fine print certainly is not health insurance. It is simply a savings account where you can only spend the money on the things the credit agency says you can. You put in money they give you a credit card to spend your own money (less monthly fees plus transaction fees).

Health insurance is regulated by the government and by APRA with strict laws – this scheme is not. As it is not health insurance, community rating does not apply – they can exclude sick people (health insurers may not). Unlike health insurance, if you need extra care, no additional funding is available. Further, as it is not a registered health benefits organisation, customers cannot complain to the Private Health Insurance Ombudsman.

It is unclear why they are advertising themselves as providing health insurance, when the product they are offering is not health insurance as understood by Australian law. It’s unclear why they are referencing matters regulated by the legislation (such as gold and silver health insurance products) when the product they are offering is not provided in accordance with that legislation.

The claims made by ExtrasJar may lead consumers to believe they are purchasing a health insurance product with all of the consumer protections enforced by legislation and regulators. Private Healthcare Australia would welcome the Australian Competition and Consumer Commission considering if the company’s statements and advertising are consistent with the *Competition and Consumer Act 2010*.

Yours sincerely

Ben Harris
Director Policy and Research

SENIOR INSURANCE ACTUARY REVEALS \$6.4B HEALTH INSURANCE 'SHAM' THAT PROVES THE INDUSTRY IS BROKEN AND DUE FOR AN OVERHAUL

Groundbreaking extras and private hospital cover will save Australians up to 40%

AUGUST 2022: A senior insurance manager with more than 20 years' experience working for the industry's biggest players has lifted the lid on Australia's health insurance sham, claiming the industry is broken and needs a complete overhaul. John Connor is adamant the 12.5 million Australians who take out 'extras cover' are being scammed because only \$5.6 billion of the \$12 billion spent on extras insurance was given back in benefits*. When you buy health insurance extras, that's exactly what's happening. You're paying extra. Furthermore, he believes private hospital cover can be reduced by up to 40% without impacting your benefits.

It's this blatant cash grab that has propelled cofounders John Connor and Reece Frazier to create ExtrasJar – a groundbreaking health insurance business model. Imagine if all that unused money (\$6.4 billion) rolled over to the next year, accumulating each year until you need to spend it on treatments such as dental, physio or optical. And you wouldn't be limited to a certain amount. If you have enough money accumulated in your kitty – you can pay for the treatments in full! In its simplest form - that's ExtrasJar. And it's easy to pay your dentist, physio or optometrist - simply tap with the ExtrasJar digital Mastercard® and pay for your treatments.

The business model, which the pair believe to be a world-first, rewards people who are healthy with a nest egg they can draw upon when their body needs it most. ExtrasJar promises customers if they don't use their extras cover this year, 100% of the money will roll over to the following year, and the year after that, until you do need it. ExtrasJar, which has been granted its own Australia Financial Services Licence, launched in July 2022 and is already proving to be very popular. To help the cofounders grow the business so more Australians can benefit from the radical health insurance, the pair are offering would be investors the opportunity to buy shares in the company via a Birchal equity crowdfunding raise.

"For the last 20 years my career has spent working as a senior actuary for Australia's biggest banks and insurance companies - so I know how much money is being taken from hardworking Australians - and it's sickening," said John Connor, Cofounder of ExtrasJar. "On average, Australians are losing more than half of their health insurance extras. That's approximately \$514 each per year and over \$10,280 over 20 years. Let me paint you a picture. I love running and so far, my body hasn't needed physio. Yet with my previous health insurance, I have been paying extras cover 'just in case' for the past 10 years. If I sustained my first knee injury this year, I could only claim up to \$200 on physio. This would cover a measly two sessions thanks to this outdated model that serves the purposes of the insurance company – not the customer. And trust me – a busted knee can't be fixed in just two sessions!" If you ever choose to leave ExtrasJar – you get all the money you have accumulated in your extras cover nest egg back – no questions asked."

The innovative extras cover is just the tip of the iceberg, because ExtrasJar is also changing the way you pay for private hospital cover. It does this via a self-deposit feature. "ExtrasJar hospital cover is just like paying a rental bond to a landlord before you move in," said ExtrasJar Cofounder, Reece Frazier. "If you damage the house, the repairs will come out of the bond money. It's the same thing with ExtrasJar, except we call the 'rental bond' a self-insurance deposit, which brings down your private hospital cover premium. If you don't go to hospital that year, you pay less! Any unused deposit is rolled over and used to lower future premiums if there are no claims."

“The average Australian is paying around \$2,176 for private hospital cover**. With ExtrasJar hospital cover, once you’ve paid your \$1,000 self-insurance deposit, you could potentially reduce your annual hospital cover by up to 40%. And every year after that, you’ll pay the same reduced rate, so long as you don’t need to go to hospital. And if you do need to go to hospital – you’re completely covered, and we will draw on your \$1,000 deposit as a form of excess payment. And just like our extras cover, if you wish to end your hospital cover with ExtrasJar – you get your original \$1,000 self-insurance deposit back – no questions asked.”

At its core, ExtrasJar is a financial services company that blends the best of banking, investment, and insurance to deliver innovative products that cut down the cost of everyday living. With ExtrasJar trimming so much fat from the traditional business model - customers may ask how it makes money? The company’s revenue comes from the commission on premiums and fees on investment products.

Earlier in 2022, ExtrasJar completed a seed round with **Sydney Angels** as the lead investor, giving it access to a network of advisors to help support the company through its build phase. The company has designed new products and built a native app using the latest technology to give its customers a seamless experience. “Over the last 2 years I have had access to over 2,000 early-stage investment opportunities, and out of all those ExtrasJar stood out as one of the best companies I’ve seen,” said Adrian Bunter, Management Committee Member Sydney Angels and Executive Director, Venture Advisory. “I was very excited to lead the Sydney Angels syndicate who led the investment into ExtrasJar this year. John and Reece are fantastic founders and we are thrilled to be part of ExtrasJar in shaking up the insurance industry. We are expecting big things!”

Since incorporation, ExtrasJar has established deep relationships with partners such as their Responsible Entity, Custodian, Mastercard®, and insurance underwriters. The company was granted its own Australia Financial Services Licence earlier this year allowing it to launch its suite of financial services products.

**Source: APRA Private Health Insurance Statistics and Operations of Private Health Insurers Annual Report 2020 to 2021.*