

WHAT IS Trauma insurance?

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Trauma insurance (also called Critical Illness cover) pays a one-off lump sum amount if you suffer one of the specified critical illnesses or a serious injury covered by your policy.

What does it cover?

If you suffer a sudden health event, in addition to the time spent recovering in hospital you may also need to take extra time off work or cut back on your hours. In case of severely debilitating conditions, your partner may also need to give up work to help look after you.

Trauma insurance is designed to provide financial help while you take time out to recover. This is in addition to your health fund claim, sick leave, or income protection insurance to replace your income.

It can help cover costs that you may not be able to afford otherwise, such as:

- Medical treatment, pharmaceuticals, specialist therapies and rehabilitation costs not covered by your health fund or Medicare
- Paying down debts such as a mortgage and living expenses while you are unable to work
- Modifications to your home or car if the effects are likely to be more permanent, but still short of being totally disabled
- paying for extended time off work (so you can fully recover before you return to work).

Having access to a lump sum can also go towards the cost of travelling interstate, or overseas, to access the best medical care.

These descriptions are general as what's covered under a trauma insurance policy can differ between insurers. To understand what's covered under an insurance policy, read the product disclosure statement (PDS) or speak to a financial adviser.

Do you need trauma insurance?

Would your family be able to maintain their lifestyle if you suffered a serious illness and, while unable to work, faced substantial medical and rehabilitation costs?

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To determine whether you need Trauma insurance, you should consider:

- How much income you and your family would need if you couldn't work for some time
- If you have other types of insurance to assist with lost income
- If you have private health insurance that could help with some medical expenses
- Whether support from friends and family may be available
- Available savings and investments.

How much Trauma cover you'll need depends on personal circumstances. Most people choose an amount that will reduce their debts, medical and household expenses. If you already have Income Protection insurance, your Trauma cover may be reduced. You might decide to allow for the waiting period on your Income Protection policy, medical, recuperation and care costs, and loss of income for your partner (if they stop working to look after you).

Did you know...

- **Someone is hospitalised for heart disease every 80 seconds, equating to a total of 1,112 people per day, on average[1].**
- **One stroke occurs in Australia every 19 minutes[2].**
- **One in two Australian men and women will be diagnosed with cancer by the age of 85[3].**

How to buy trauma insurance

The two most common ways to purchase insurance are outlined below.

1. You can arrange insurance directly in your own capacity. You are responsible for contacting insurers, comparing policy features and premiums etc. You should familiarise yourself with the pros and cons of purchasing insurance inside or outside of superannuation and structure your insurance accordingly, or
2. You can work with a financial adviser who compares all the policies on offer and recommends one best suited to your circumstances.

They will enquire about your finances, living situation, details about your family and more to determine cover appropriate to your needs.

They can also assist with the application and claims process, review your insurance needs each year and keep you up to date with the latest insurance news and regulatory change that may impact your future insurance needs.

Whether you choose to arrange your insurance directly in your own capacity or work with a financial adviser, the following factors are a consideration.

For more information, refer to 'What is personal insurance' fact sheet.

[1]Heart Foundation. Key statistics: heart disease. Available from: https://www.heartfoundation.org.au/activities-finding-or-opinion/australia- heart-disease-statistics [Accessed June 2021].

[2]Deloitte Access Economics. The Economic Impact of Stroke in Australia, 2020. Available from: https://www2.deloitte.com/au/en/pages/economics/articles/economic-impact-stroke-australia.html [Accessed June 2021]

[3]Australian Institute of Health and Welfare 2019. Cancer in Australia: In brief 2019. Cancer series no. 122. Cat no. CAN 126. Canberra: AIHW

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Inside or outside superannuation

Superannuation funds no longer offer new trauma insurance policies. If you were in a superannuation fund that offered trauma insurance before July 2014, you might still have a policy through your superannuation fund as premiums are automatically paid from your accumulated superannuation. Check your member statement or contact your superannuation fund to find out.

If you are purchasing Trauma insurance in the future, it is only available outside superannuation. Meaning, you pay the premiums personally from your income and savings.

Taxation of premiums and benefits

The premiums for trauma insurance are generally not tax-deductible when paid personally and benefits paid out are generally tax-free. Trauma insurance is subject to CGT if the proceeds are paid to someone other than the life insured or a defined relative.

For more information, please also refer other fact sheets available on the Client education website.

Case study 1

Melissa recently contacted her financial adviser for their annual review. In conversations with her adviser, Melissa mentioned that in the previous 12 months she had started to feel lethargic and worn out. Upon a visit to her GP and series of tests, she was diagnosed with breast cancer.

After reviewing her trauma insurance policy wording, her financial adviser assisted her with making a claim. As a result of comprehensive trauma insurance previously established on the advice of her financial adviser, Melissa was able receive a $500,000 lump sum from the insurer.

Case study 2

Raj was referred to a financial adviser because he had previously had trouble obtaining any cover from insurers directly because of poor health and high blood pressure.

His financial adviser was able to help Raj obtain cover after carefully comparing the terms and conditions of various policies in the market.

Raj was later diagnosed with lymphoma cancer and was able to claim $350,000 on his trauma policy. As he was in his early 40s and the breadwinner for his young family, having sufficient trauma insurance provided a safety net ensuring ongoing expenses and medical costs would be covered.

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