
trauma or critical illness insurance

what is trauma insurance?

Trauma insurance is designed to bridge the benefit gap between income protection, health insurance, total and permanent disablement (TPD) and death insurance. It came into being as people were surviving previously life-threatening illnesses (such as cancer, heart attack and stroke), but as a result were being financially disadvantaged through being off work due to poor health or because of essential lifestyle changes.

how do you work out how much insurance you need?

At a minimum, it is suggested that you consider insuring for a lump sum sufficient to at least meet the costs for possible lifestyle changes including modifications to your house or motor vehicle, and long-term treatment that may not be covered by your private health insurance. Ideally you might like to consider providing your family with a lump sum for any debt repayment and any financial planning shortfalls for both pre and post-retirement goals.

what are the characteristics of a quality trauma policy?

- ~ unambiguous wording and definitions
- ~ appropriate event triggers and events
- ~ benefits and wording that are medically accurate.

what options might be available?

- ~ you can increase your sum insured each year in line with the increase in the Consumer Price Index (CPI)
- ~ you can decrease your sum insured at any time
- ~ trauma can be linked to term life insurance with the amount of a trauma claim reducing the term life cover by the same amount
- ~ a buy-back clause, where after a period of time you can top up your term life insurance to the amount you had before the trauma, and
- ~ accelerated buy-back, which reduces the waiting period for full reinstatement at an additional cost.

how are premiums calculated?

Premiums are calculated on the level of risk the insurer is prepared to accept. Factors used in assessment vary from insurer to insurer with the insurer offering a premium after taking into consideration the following factors; smoker or non-smoker, sex, age, occupation, medication being taken, historical and current health

how are premiums paid?

Premiums can be paid as an annual lump sum, six monthly or monthly via direct debit, cheque or credit card. Cash is not accepted as payment for premiums.

what is the tax position of premium and benefit payments?

Premiums are not tax deductible and the lump sum benefit is not assessed for income tax. You should confirm this position with your tax adviser.

is GST payable on premiums?

Unlike general insurance premiums, GST is not payable on trauma and critical illness insurance premiums.

when does cover start?

Your cover for trauma does not commence until the insurer has issued the policy. Under no circumstances should you cancel any existing cover until you have received your new policy documents.

when are you not covered?

- ~ if premiums are not paid in full and on time
- ~ cancellation of the benefit for any reason
- ~ the death of the life insured
- ~ the expiry date of the benefit
- ~ if at the time of claim there has been non-disclosure of a pre-existing condition you could put your benefit payment in jeopardy
- ~ when the diagnosis of the sickness or illness does not meet the policy definition, or
- ~ a request in writing that you want the cover to cease.

warning – The value of trauma cover is in the breadth of definitions, not in the number of nominated benefits or conditions. The more qualifications, limitations, restrictions or exclusions per condition usually lessens the value of the policy to the individual.

Do not cancel any existing trauma insurance until you have received written confirmation of your new in-force cover. Premature cancellation of a previous policy could leave you uninsured, should your request for new cover be rejected or delayed.

what should you do next?

Call your financial adviser immediately to discuss your needs to ensure suitable insurance coverage is in place for your situation.