

Trauma (Critical Illness) Insurance

A factsheet from ECUA Financial Services

What is Trauma (or Critical Illness) Insurance?

Trauma insurance pays a lump sum in event that a person has a pre-defined medical condition or procedure.

Can It Happen To Me?

Some recent statistics:

- 2 in 3 men and 1 in 3 women will suffer a traumatic event during their working life
- 1 in 3 men and 1 in 4 women are expected to be directly affected by cancer by the time they reach age 75
- 25% of stroke victims are under the age of 65
- For a 40 year old, the risk of having coronary heart disease at some time in their future life is 1 in 2 for men and 1 in 3 for women
- A person is 3 times more likely to suffer trauma than death before age 65

Common Examples

The most common claims for trauma insurance are a result of:

- Cancer
- Heart attack
- Coronary bypass surgery
- Stroke

Most trauma policies will cover dozens of medical conditions (either standard or as an added option) such as:

- Major burns
- Paralysis
- Brain injury
- Brain tumour
- Kidney failure
- Multiple sclerosis
- Severe arthritis
- Loss of independence

How Much Trauma Insurance Do You Need?

There is no magic formula to determine how much trauma cover is appropriate. It will depend upon the individual and their personal situation. Some considerations include:

- Assets currently available
- Amount of debts
- Possible out-of-pocket medical expenses
- Lost income (if held, income protection cover will not provide 100% of current income)
- Nursing care costs
- Adjustments to work and lifestyle (whilst recovering and in the future).

Applying for Trauma Insurance

Insurers will give consideration to a number of factors when assessing application for trauma insurance. Key issues they will consider include:

- Family history;
- Hereditary conditions;
- Occupation;
- Hobbies and pastimes; and
- Other relevant issues that impact upon risk (such as smoking, obesity, and so on).

Ownership and Tax Considerations

Trauma insurance is usually be held outside of superannuation. Premiums are not usually tax deductible - and benefits paid are not usually taxable.

Insurance Reviews

You should review your trauma insurance situation at least every few years to ensure that the amount and type of cover is suitable to your situation and needs. The amount of trauma insurance you need may increase or decrease depending upon changes in your circumstances - assets, liabilities, income, dependants, and so on.

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