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Trauma Insurance

What is insurance?

Insurance is an agreement with an insurance company to pay you a sum of money for a specified loss, damage, illness or death. It is form of protection, a way to protect yourself, your family and the things you own if something goes wrong. Insurance allows you to replace or repair the assets that you have accumulated, whether those assets are your belongings or your capacity to earn income.

What is personal insurance?

The term ‘personal insurance’ refers to insurance policies you take out on yourself. It provides protection against events like sickness, injury and death that prevent you and your family from meeting your financial commitments and lifestyle requirements. This fact sheet outlines the most common forms of personal insurance:

- Life insurance;
- Total and permanent disability insurance;
- Trauma insurance, and
- Income protection.

It is important to understand that insurance does not remove the risk of something going wrong. It provides you and your family with protection, compensation and financial security if something does happen. Put simply, insurance helps you manage those unexpected events that may otherwise mean you have to:

- use your savings or investments;
- borrow money;
- ask family or friends or others for financial assistance;
- sell assets to pay outstanding debts and day-to-day living expenses; or
- find other ways to make ends meet.

Everybody’s circumstances are different – however, insurance is important for everybody. Your need for insurance will change as you move through different stages of your life. The amount of insurance you require will be influenced by your how much you earn, the change in cost of living, your assets, your liabilities, if you are married or in a de facto relationship, and the number of dependants you have - all of which may change depending on your life stage.

While having insurance can give you peace of mind, it's not like a savings account. Insurance involves the payment of a premium in exchange for cover. You will only receive a benefit if you have a legitimate claim against the policy you have bought.

There are many types of insurance. The purpose of this fact sheet is to outline the most common forms of personal insurance. Unlike car and home contents insurance, which allow you to insure your belongings; personal insurance policies enable you to insure yourself, and your ongoing wellbeing.

Trauma insurance

Trauma (or critical illness) insurance provides a cash lump sum if you suffer a specified illness or injury (e.g. serious heart attack, stroke, cancer, kidney failure etc).

Advances in medical treatment have increased the need for trauma insurance because of the improved chance of survival; although you are more likely to survive, you are also more likely to have big medical bills to pay. Trauma insurance is a way to ensure you have funds available to seek medical treatment and take time off work to recuperate.

Trauma insurance	
Provides a cash lump sum that can be used to:	• Pay for immediate care. • Provide an income stream should you stop working. • Repay any debt, or fund the ongoing repayments. • Meet the costs of ongoing therapy, transportation and any adjustments to housing and lifestyle changes.
Choosing a policy	The number of conditions covered under a trauma policy can vary, and it is important to consider the definition of each illness and injury when selecting which product to purchase.
Stand-alone policy or additional options	Trauma insurance is usually purchased as a stand-alone policy, but can be purchased with additional options, such as a TPD benefit. Trauma insurance is generally not available through superannuation.
Cost	Trauma cover is relatively more expensive compared to other forms of life insurance because of the greater probability of a trauma event occurring. Care should be taken in choosing the product to ensure it includes the illness and injury cover that you feel meets your needs and circumstances.
Tax treatment	Trauma benefits are free of tax and there are no restrictions on how you can use the payments.

Child Cover

Child Cover insurance provides your children with a cash lump sum if they suffer a specified illness or injury (e.g. death, terminal illness, stroke, cancer, major head trauma etc). It is only available when linked to an insured parent's non-super policy, such as trauma. Child cover is typically available to be applied for when your child is aged between 2 and 15 years old. It can usually be converted to a an adult trauma policy when your child turns 18 or 21, depending on who the insurance provider is.

Child Cover	
Provides a cash lump sum that can be used to:	• Pay for immediate care. • Provide an income stream should you take time off work to support your child. • Repay any debt, or fund the ongoing repayments. • Meet the costs of ongoing therapy, transportation and any adjustments to housing and lifestyle changes.
What can child cover policies cover? (If you choose to cover your child/ren with child cover, please refer to the insurance provider's PDS for specific definitions, it is important to consider the definition of each illness and injury when selecting which product to purchase.	• Cancer and tumours • Heart conditions • Brain disorders • Sensory conditions • Nervous System disorders • Body organ conditions • Mobility conditions • Blood disorders • Severe burns • Terminal Illness • Death

How much trauma or child cover should I have?

This will depend on:

- Your financial commitments, and how long will they last.
- Whether you want to repay your debts in full, or provide funds to cover the repayments for a period of time.
- The estimated cost of specialist medical care.
- Whether any assets will be sold to help pay for expenses.
- The amount of time you may need to take off work, and whether you will need additional money during this period.

We can help you work out an appropriate level of cover to suit your needs.

Cost of insurance

The cost of insurance is called the premium. The premium is based on a number of factors relating to the potential risks to the insurer, such as your age, occupation and existing medical history. The premium covers other costs including administration fees, taxes and government charges.

You can choose either a stepped premium or a level premium.

Stepped premiums increase exponentially each year as you get older.

Level premiums remain the same, with possible small increases for CPI and policy fee increases, for the life of the policy.

Level premiums can therefore be more expensive initially, but if you keep the policy for a long time, they offer a saving on the total cumulative amount paid for the insurance.

The alternative to insurance

The alternative to taking out insurance is called self-insurance. Self-insurance means that rather than buying a specific policy, you rely on your existing assets to fund your expenses and lifestyle if something were to happen. This can be a realistic option for people who have accumulated sufficient level of wealth to cover themselves, such as those close to retirement.

Unfortunately, people often choose to self-insure because they believe the cost of insurance is too high. And while paying for something that you hope to never use can make the premium seem like an avoidable expense, the cost of not having insurance can be a lot higher. What is the real cost of your family not being unable to lead the lifestyle that you had planned? What would happen if you couldn't meet your repayments for your mortgage or personal debt?

Provide full and accurate information

It is important that you are completely honest with your insurer about your circumstances when applying for a policy. You must answer all of the questions, and answer them correctly. If you mislead the insurer in any way, they can refuse your claim. This could render your policy worthless and result in financial distress for you and your family.

Keeping your insurance up-to-date

It is important that you review your insurances on a regular basis. Insurance is not static, and your need for cover will change as you move through different stages in your life. We can help you to review your circumstances to ensure that your level of insurance cover remains adequate.

Special conditions

If the insurer determines that you pose a higher risk to them than the average client, they may offer you an adjusted policy. This can be trickier with child cover policies due to the nature of the policy compared to a full adult trauma policy.

If this sounds like something you need to explore, or review what you already have, please feel free to fill in the form here: https://www.fasttrackwealth.com.au/contact-us/

Or contact Adam on 07 3263 4123.