

What is trauma insurance and what do I need to know if I am considering getting it?

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Trauma insurance (also known as crisis cover or critical illness insurance) is not a widely understood cover. Many people [don't even know](#) it exists.

So, what is [trauma](#) insurance, when does it pay out and how is it different to [private health insurance](#)?

A lump sum for life-threatening medical conditions

Trauma insurance provides a benefit for life-threatening [medical conditions](#) that seriously compromise the insured person's current and future quality of life.

[Examples](#) of major trauma medical conditions include:

- cardiovascular conditions
- cancer
- stroke and
- kidney failure.

So the word trauma here doesn't refer to what you might usually think of as traumatizing events, such as a car accident or abuse. Rather, it refers to specific life-threatening medical conditions.

The exact conditions covered will vary from policy to policy and are always defined in the policy document—so make sure you read it carefully.

The payout received from this cover ideally should be enough to pay off the mortgage (if you have one), with money left over for [medical expenses](#), rehabilitation and any living expenses.

The amount you get will depend on your policy and your circumstances but could be in the [hundreds of thousands](#) or even [millions](#).

When can you make a trauma insurance claim?

To be able to make a trauma insurance claim, the insured person does not have to die or be permanently disabled by severe medical trauma.

Instead, the benefit amount is payable if one of the "medical events" you're insured against—a stroke, for example—occurs. However, you only get the payout if the definition of that event in your trauma insurance policy is satisfied.

It is important to understand what is covered and what is not.

Some [insurance companies](#) cover more than [30 conditions](#), but some limit themselves to just a few major ones.

So how is trauma insurance different to other types of insurance?

Trauma insurance pays a lump sum when a person becomes critically ill or injured. That's regardless of whether or not the insured person can still work or will be able to work in future.

Unlike total and permanent disability insurance, the insured person does not need to be totally and permanently disabled.

Income protection insurance usually pays a percentage of the insured person's income, so they can sustain the quality of life they had before illness or disability. Trauma insurance, on the other hand, pays out a lump sum.

And unlike trauma insurance, both total and permanent disability and income protection insurances can be purchased within a [superannuation account](#). Superannuation funds are [not permitted](#) to offer trauma insurance, so if you want trauma insurance you have to pay for this cover from your own pocket.

[Research](#) interviews I conducted with financial advisers and consumers

revealed most people who see [financial advisers](#) do not know much about trauma insurance. In fact, 25 out of 40 (63%) consumers I interviewed said they had never heard of it.

Some of the consumers I spoke to were confused about the difference between trauma insurance and private health insurance. Many thought they were very similar, if not the same.

Many people do not realize private health insurance pays only for a [hospital stay](#) (and, if you have extras cover, may reduce the cost of certain non-hospital treatments). It doesn't cover ongoing living costs.

Important things to check before you buy trauma insurance

Most trauma insurance policies have a waiting period before you can claim anything (usually about 90 days).

Importantly, most self-inflicted injuries or illnesses will not be covered by the majority of trauma policies.

Death or disability caused by attempted suicide usually has a waiting period of 13 months, after which, in most cases, the insurer will pay out. If you die by suicide then your next of kin will get the lump sum.

Any pre-existing medical conditions must be disclosed at the time of application; the insurer may choose to exclude those conditions or apply a loading (which makes premiums more expensive).

If pre-existing conditions are not disclosed at the start, you run the risk of particular claims being rejected in future.

Trauma insurance does not cover [mental health conditions](#). This is probably due to the fact people who claim for a mental health condition are [likely](#) to claim again.

If you've got or are considering getting trauma insurance, make sure you check the definitions of what it covers, as well as the specific inclusions and exclusions.

Trauma insurance is relatively expensive. That's chiefly because the possibility of a claim is higher than many other types of personal insurance.

Possible peace of mind

Overall, trauma [insurance](#) is expensive but may offer some people peace of mind they will have the money needed to pay privately for medical expenses and treatments if a serious medical event strikes.

If the cover is high enough to pay off a person's outstanding debts, this may take the financial pressure away so they can concentrate on recovering from illness.

This will also reduce the [financial burden](#) on the government, as the insured person will not need to claim any payments from Centrelink.

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