



Critical Illness Insurance

Critical illness insurance (also known as trauma insurance) provides a lump sum benefit in the event the life insured suffers a 'critical condition' as defined by the insurance provider. Critical illness cover is designed to help you financially recover from a trauma or crisis, such as a heart attack, stroke, cancer or other life threatening conditions.

Be aware

- You should ensure your insurance cover is adequate for your needs. Under-insurance could result in serious financial difficulty.
- Critical illness cover can no longer be purchased within superannuation since 1 July 2014. However this insurance type may be connected with other insurances that are held in superannuation, which can reduce the administration and costs of implementing the insurances via separate policies.
- Prior health issues may incur a premium loading or exclusion.

Stepped vs level insurance premiums

When taking out insurance, there are generally two ways you can pay your premium.

- stepped premium - your premium increases every year with your age.
- Level premium - your premium generally does not change and is based on your age when the policy commences.

Stepped Premiums

While stepped premiums are usually lower in the early years, level premiums can be a more cost-effective option if you retain the insurance over a longer period. If insurance cover is only required for a short timeframe, a stepped premium may be more appropriate and cost-effective.

Level Premiums

Level premiums are higher than stepped premiums at the start (see graph below). However, as stepped premiums increase, level premiums can end up cheaper - often at the stage in life when you need cover the most. The premium savings in later years can make up for the additional payments in earlier years - saving you money over the life of the policy.



Child Critical Illness Insurance

We sometimes forget that children too (like adults) can suffer from serious medical conditions. This often places an emotional and financial burden on families, therefore it is equally important to address the risks of the children, as it is to address the risks of the parents.

A family can never be prepared for such a crisis however, they can insure to lessen the financial stress. The child needs to be between the ages of 2-20 to qualify for the insurance and the maximum sum you are able to insure each child is usually \$200,000.

A child critical illness insurance policy is a similar policy to the critical illness insurance that we typically recommended for an adult. This type of insurance is taken out as an optional benefit under a policy of a parent.

The policy pays a lump sum of cash that can alleviate the financial burden that often results from a child suffering a serious illness. Today, advances in medical technology are contributing to higher survival rates, but with increased medical intervention comes increased medical costs for the family.

Benefits of Children's Critical Illness Insurance:

- Additional money may minimise the financial stress you and your family may suffer, especially if you have to cease work to be with your child.
- The lump sum can be used for medical expenses, loss of income due to time off work, child care for other dependants or possible household modifications.
- The Sum Insured will be paid if the Insured Child dies, suffers and is diagnosed with a terminal illness or suffers one of approximately 20 listed critical conditions such as severe burns, major organ transplant or deafness.

Tax deductibility of insurance premiums

Generally, when insurance is held for the purpose of family and personal protection, Life, Critical Illness and TPD insurance premiums paid are not tax deductible but when a claim is paid, the benefits are not subject to tax.

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