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# The value of trauma insurance

It's the lesser-known cover type that often has the biggest impact of all.

On 3 November 1927, Marius Barnard was born in South Africa and would go on to change the lives of countless people the world over – most without ever knowing his name.

You see, Barnard would grow up to be a renowned cardiac surgeon, even being one of the surgeons to perform the world's first ever heart transplant in 1967. However, this man was more than a doctor or surgeon.

In 1983, motivated by the financial suffering he witnessed his patients go through while trying to overcome grave illness, Barnard was moved to help in another way.

He argued that as a doctor, he could repair a person physically, but only insurers can repair their finances. As such, Barnard pitched the idea of critical illness insurance, also known as trauma insurance, which would provide a lump sum payment to a person in the devastating event they were diagnosed with cancer or struck down by a heart attack or stroke.

Following several years of discussion with insurers and draft policy designs, the first ever critical illness insurance policy was issued in South Africa in August 1986.

In the ensuing decades, several pieces of legislative reform aimed at improving the insurance sector's sustainability have impacted the availability or proliferation of trauma insurance in Australia. These include changes to the Superannuation Industry Supervision Act in July 2014 that prevented superannuation trustees owning any new trauma insurance policies, as well as reforms to income protection in October 2021 that meant trauma cover could no longer be an ancillary benefit for newly issued income protection policies.

Trauma insurance can now be accessed in one of two ways: as a standalone policy, or it can be linked to death or total and permanent disability cover.

MetLife Australia head of advice strategy Dr Jeffrey Scott explains, the need for trauma insurance is growing as the prevalence of critical illnesses is increasing in Australia. Still, it's often the last type of insurance a client will think about – if they even know about it.

"According to the Australian Institute of Health and Welfare (AIHW), more than 150,000 Australians are diagnosed with some form of cancer each year," he says.

"We also know that more than 1.2 million are diagnosed with cardiovascular disease, which often leads to heart attack."

A further 350,000-plus Aussies have suffered a stroke, with about one third left living with at least one impairment as a result, the AIHW says.

This is where the value of trauma insurance comes in, Scott says, explaining that the costs

associated with a critical illness can often be far greater than anticipated, particularly when you factor in out-of-pocket expenses incurred such as paying off debt, modifying the family home, or medical expenses gaps.

Cancer Council estimates the out-of-pocket medical expenses for a cancer patient can be as much as \$10,000, while data from the North East Melbourne Stroke Incidence Study shows the lifetime costs of a stroke can total more than \$70,000. Meantime, the average lifetime cost of a heart attack to the sufferer and their family is estimated by the Heart Foundation to be about \$68,000.

When compared to the enormous, often financially crippling bills we so often see patients lumped with in other parts of the world, these numbers might seem small. However, with the average 30-49-year-old Australian having just \$28,000 saved in a rainy-day fund, critical illnesses can still have a severe financial impact, Scott notes.

The expenses are further compounded when you consider the fact that comorbidity is a significant factor when it comes to trauma conditions, particularly heart disease, cancer, and stroke. Between 70% and 95% of all trauma claims are related to these three conditions.

"When someone suffers one of these conditions, it increases the incidence and likelihood of the other two conditions," Scott explains.

It's for this reason, he says, that financial advisers should consider policies that allow for multiple claims from these three major health issues.

MetLife's Trauma Cover includes a unique feature in its Reinstatement Option that provides continued coverage, so a client's cover can be reinstated up to five times, even after they've received 100% of the benefit amount; the client can actually claim up to a total of six times. Anyone with a policy can receive a benefit payout across five trauma categories, being cancer conditions, heat conditions, neurological conditions, vital organ and digestive system disorders, and disability conditions and accidental incidents.

"This policy was put in place in 2018 after we looked at medical research and what other companies offer. We noticed trauma insurance hadn't changed in about 20 years, but medical technology, advancements and research had, so we changed too," Scott explains.

The benefit amount paid is based on the severity of the client's condition. For example, if a client is diagnosed with cancer, depending on the severity MetLife may pay 10%, 50% or 100% of their benefit amount. This, together with the reinstatements, helps make it possible for them to claim again if or when they need to down the line.

In addition, all MetLife customers have access to MetLife 360Health at no extra cost.

"We believe in not only supporting our customers financially but also providing them with the support they need so they can return to health, wellness, and work," Scott says.

MetLife 360Health is designed to help people have fewer unhealthy days, and more healthy ones which, in turn, allows them to live healthier for longer. It covers each stage of a health journey from prevention and early detection, to return to health and ongoing care.

It also includes 360Health Virtual Care which connects customers and their partner and children to personalised medical support and guidance from an expert panel of medical specialists covering all areas of their health journey, from expert medical opinion through to mental health, nutrition, and fitness and recovery, Scott explains.

"Best of all, customers don't need to make a claim to take advantage of these services, and they can access them anytime and as often as they like," he says.

Unfortunately, however, when clients have budget constraints, trauma insurance usually gets pushed to the side.

"But it's worth explaining this type of insurance gives them more options to reduce the financial impact of suffering a trauma condition," Scott explains.

"Trauma insurance can help them focus on recovering by giving them money to pay down their debts, fund ongoing living expenses, access medical care in Australia or overseas and other out-of-pocket expenses."

"People tend to think, 'I've got health insurance, and I've got Medicare. What more do I need?' But if someone is going through chemotherapy, for example, a trauma payment means they can afford to pay for a cleaner, someone to walk the dog, and order dinner when they're not feeling well."

In economically challenging times such as these, it can be difficult to convince a client that they need to spend more on insurance. However, the cost of not doing so could be even greater. **FS**



## The quote

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