

What is insurance and why do I need it?

Insurance has many forms and functions but really just one purpose—to provide peace-of-mind.

Four good reasons to insure

In some cases insurance is mandatory—to obtain a mortgage for example or to drive a car. Otherwise, the choice is yours, but it's a wise choice for four main reasons:

- 1.Reduces worry. With the right type and amount of insurance, you can be protected from the risks to property and person that are inherent in everyday life.
- 2.Makes it easier to obtain credit. Lenders may be more willing to extend personal or commercial credit if they know that proper insurance is in place.
- 3.Helps to prevent loss. Brokers and insurers work to help prevent loss with information and advice on road safety, anti-theft, fire prevention and fraud reduction.
- 4.Frees up capital. Because insurance protects your assets, you do not have to put money aside in case of future losses. This security applies to individuals and businesses.

Three main types of insurance

In addition to life and health insurance, there are three main types of property and casualty insurance in Canada:

1. Automobile insurance in which vehicles and their equipment are covered in cases of accidents and theft
2. Property insurance in which home and business assets and property are protected from perils such as fire, theft and accidental damage
3. Liability insurance which protects people who are responsible for injuries or damages to third parties

Two key players: your insurer and your broker

Insurance is sold in a number of ways, some of which make it easier for customers to get objective advice and rapid service. Some insurance companies will sell directly to customers through their sales forces or agencies. Brokers, on the other hand, are not tied to any one

company, but are independent advisors whose best interest is long term customer satisfaction. Brokers can comparison shop across insurance companies to find good rates or special insurance products.

A definition:

Insurance is a contract in which the insurer agrees to compensate the insured for specific losses and specific perils.

