

Insurance

Factsheet

What is insurance?

Insurance covers the cost to replace things if something goes wrong. For example:

- ▶ your mobile phone falls out of your pocket and breaks while you are travelling and you need to buy a new one
- ▶ you have a car accident and need to pay for medical help and to get your car fixed.



What is an insurance policy?

An insurance policy is a legal agreement where you pay money to your insurer to cover the cost of replacing or repairing the things you own if something goes wrong. To do this you pay what is called a premium.

What is an insurer?

An insurer is a company selling the insurance. There are many different insurers in Australia.

Types of insurance

- ▶ **Car insurance** covers the costs for your car if you damage it or if it is stolen.
- ▶ **Home insurance (building insurance)** covers the cost to replace things if something happens to your home (for example, damage from a fire or a storm).
- ▶ **Contents insurance** covers the cost to replace or fix the things you have in your home, like furniture, clothes, appliances and jewellery.
- ▶ **Life insurance** pays a set amount of money when you die. The money goes to the people you choose to receive the money (this is written in your policy).
- ▶ **Travel insurance** covers the cost for certain things if you get in trouble when away from home. For example: if you get sick or injured and need medical attention; if you lose something and have to replace it; if something of yours is stolen and you need to replace it; or if your travel plans are changed (for example, your flight is cancelled).
- ▶ **Health insurance** covers some of the amount of medical costs if you are sick or injured.
- ▶ **Mobile phone insurance** covers the cost for some things that can happen to your phone (for example, if it stops working or you damage it).

Euly and Apol move into their new home

Euly and Apol were excited to buy a new house. To get ready to move into their new house, they bought a lot of new furniture and appliances such as a television and fridge. They also had valuable personal things like jewellery and a computer.

A friend of Apol's told him to get insurance because it covers the cost to replace or repair things that are important to you, if something goes wrong. Apol thought about the things that he and Euly owned and how important they were to them.

Apol contacted two insurance companies to see how much it would cost for an insurance policy. He knew that an insurance policy was when he and an insurer agreed on what would be insured.

Each insurance company told Apol about something called an excess. This is the amount Apol pays if he makes a claim. Apol knew that a claim is when he asks his insurer to pay for something covered by his insurance policy.

Apol and Euly decide to get home insurance (building insurance) to cover the cost if they need to replace or fix their home. They also buy another kind of insurance – contents insurance – to cover the cost if the things inside their home get stolen or damaged. These are things like their clothes, furniture, appliances and computer.

Euly and Apol think about other types of insurance. Euly told Apol about his friend's mum who has health insurance which is helping her pay for some of her medical costs while she is sick.

Euly and Apol are happy they have insurance for their home and contents if something goes wrong. They are thinking about getting medical insurance in the future.

Remember

- ▶ Insurance is money you pay in case things go wrong.
- ▶ Insurance covers the cost to replace things if something happens.
- ▶ In Australia, there are some things you must have insurance for, such as your car.

Where to get more information

For more information about insurance, visit ASIC's MoneySmart website, moneysmart.gov.au, or call 1300 300 630.

