



<http://understandinsurance.com.au/what-is-general-insurance>

## What is general insurance?

Life is full of risks. That's what makes it so interesting and exciting. But some unexpected events can really set you back.

General insurance helps us protect ourselves and the things we value, such as our homes, our cars and our valuables, from the financial impact of risks, big and small – from fire, flood, storm and earthquake, to theft, car accidents, travel mishaps – and even from the costs of legal action against us. And we can choose the types of risks we wish to cover by choosing the right kind of policy with the features we need.

In general, insurance works by spreading the cost of unexpected risks among a large number of people in the same region who share similar risks.

When you take out an insurance policy, you pay a monthly or annual premium. That money joins the premiums of many thousands of other policyholders and goes into a big **pool of funds** [ <http://understandinsurance.com.au/what-do-insurers-do#anchor-0> ] . For more information on how premiums work [click here \[ premiums-explained \]](#) .

With any luck, you will never need to draw on that pool. But if you happen to be one of the unlucky ones affected by an unexpected calamity, perhaps through severe weather or accident, that pool of funds can be used to help you up to the limit you have selected in your policy.

If things go wrong, your insurer may either repair or replace the items that have been lost or damaged, depending on the terms of your policy. You may also have the choice of receiving a cash settlement for the amount of money agreed in your policy.

Click here for information on [common types of general insurance \[ http://understandinsurance.com.au/types-of-insurance \]](http://understandinsurance.com.au/types-of-insurance) .

General insurance does not include health or life insurance. For information on these visit [Private Healthcare Australia \[ http://www.privatehealthcareaustralia.org.au \]](http://www.privatehealthcareaustralia.org.au) or the [Financial Services Council's \[ http://www.fsc.org.au/ \]](http://www.fsc.org.au/) [Lifewise website \[ http://www.lifewise.org.au/ \]](http://www.lifewise.org.au/) . ASIC's [MoneySmart \[ https://www.moneysmart.gov.au/managing-your-money/insurance \]](https://www.moneysmart.gov.au/managing-your-money/insurance) site also offers guidance on these types of products.

## Buying peace of mind

Daily, the news delivers stories of Australians who have been caught up in events often beyond their control, losing their homes or their cars, being injured in accidents or caught up in disasters at home or abroad.

It's only natural to wonder what you would do if you were in the same situation. Could you recover financially without insurance?

Sure, the risk of these things happening to you may seem small. But if it did happen, the impact it could have on your finances, your lifestyle and potentially your future, could be huge.

Insurance means that, in times of damage or loss, you are less likely to be left to pay the full cost on your own, which could leave you in a financial crisis.

Whether you're a born worrier or an unflagging optimist, a plan-every-detail person or someone who is happy to go with the flow, purchasing an insurance policy (which you hopefully never have to use) buys you something priceless – peace of mind.

Taking out insurance means that you are not facing these unexpected [risks \[ understanding-risk \]](#) alone.