



<http://understandinsurance.com.au/when-should-you-purchase-insurance>

## **When should you purchase insurance?**

Life throws different challenges at us, all the time, and the risks that concern us will change depending on where we are on life's journey.

Insurance is about managing risk – and risks may change with your circumstances.

It's important to remember you are only covered by insurance if you have bought a policy and the claim occurs within your period of cover.

## Buying something new

When to buy insurance will depend on what you want to protect and where you are in life.

Insurance is often purchased at the time of, or before buying a new asset, such as a car, home or boat. Insuring an asset before putting it at risk transfers that risk to an insurer.

For example, before you drive your new car you are required by law to purchase motor vehicle accident personal injury insurance, and you may also take out comprehensive car insurance or third-party property insurance. The type of additional insurance you take out will depend on which risks you would like to transfer to an insurer.

Most companies can arrange car insurance over the phone for you, and provide you with a policy or cover note number.

If you decided not to buy comprehensive or third-party property cover and you were involved in an accident, you would not be covered for any damage to your own vehicle or a third party's vehicle or property. This could cause significant financial hardship.

## Changes in your life

Your priorities when you're leaving home to start out as an independent adult will be very different from those you have mid-life, when you might have a partner, children and a mortgage. They are likely to change again as you approach retirement and your children have left home.

As your lifestyle changes, your financial circumstances and your insurance needs will also change. Perhaps you will buy a new home or car, start your own business, move to a new suburb, buy furniture or take out a loan.

We all face different risks and changing circumstances. Fortunately, there are plenty of options available to help you protect your lifestyle from the risks that concern you most.

Generally, if there is a risk to you or your assets and the financial **loss** would be significant, you can insure against that risk. Different insurance companies will offer different policies with different levels of cover and charge different premiums.

If you have complex requirements or you wish to speak with an expert, [insurance broker \[ http://understandinsurance.com.au/insurance-brokers \]](http://understandinsurance.com.au/insurance-brokers) are specialists in insurance and risk management and can assist you to understand the different products on the market. A financial adviser may also be able to help.

## **Buying a policy before an event**

Some types of insurance may benefit you if they are bought in advance, such as travel insurance. Travel insurance may be purchased as soon as the deposit for the trip is paid. It usually does not cost any more to purchase the cover at this time, and the cancellation cover can start straight away.

### **About embargoes**

Insurers often place embargoes on insurance policies to prevent people buying insurance when the risks are elevated or a disaster is approaching and then cancelling cover after the risk passes.

Embargoes on insurance are a normal and accepted practice, and usually apply to new policies. They take effect when events such as fires, floods and cyclones are impacting or considered likely to impact an area.

If an insured risk is imminent, the probability of that risk occurring and therefore a claim being lodged is high. Insurers would need to calculate a premium that reflects this elevated risk, rather than averaging the risk over an entire year.

However, not all insurers impose embargoes. Australia's insurance market is large and highly competitive, and at any one time there are usually insurers who have not enacted an embargo, and property owners may be able to find cover.