



# Determining your insurance needs

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From: [Financial Consumer Agency of Canada](#)

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## Decide if you need insurance

The decision to get insurance depends on your circumstances and your stage in life, such as:

- moving in with your partner
- starting a family
- buying a home or renting a home or an apartment
- starting a business
- buying a new vehicle
- taking a loan or getting a credit card

Insurance can protect you and your loved ones from financial loss or hardship.

Insurance can help cover costs if something unexpected happens to:

- you or your family
- your vehicle
- your home
- your belongings
- your job

There are many insurance products that cover different types of risks.

## Understand your insurance policy

An insurance policy is a legal contract between you (the insured) and the insurance company (the insurer).

An insurance policy specifies:

- which risks are covered by your insurance company
- under what circumstances the insurer will make a payment to you
- how much money, or what type of benefit, you'll get if you make a claim

Usually the policyholder is the person who owns the insurance policy. In some cases, the policyholder isn't the insured, but rather a family member or loved one.

The amount of money or benefit you'll get if you make a claim depends on:

- the amount of damage or loss to your car or home
- your policy for life or health insurance

Make sure you understand what your insurance policy covers and doesn't cover. Ask questions about anything you don't understand.

## **Premiums**

To get insurance you pay a fee called a premium. Usually, you pay the premium monthly, quarterly or yearly. The amount you pay as a premium may change over time for some types of insurance.

The amount you'll pay as a premium is based on the probability that you'll make a claim. Insurance companies charge higher premiums to people they think are more likely to make a claim.

Generally, the amount you pay as a premium depends on factors such as:

- the type of insurance
- your age
- your gender
- your medical history for life and health insurance
- the value of the goods insured for home insurance
- the type of car you drive for car insurance
- the amount of coverage you need
- your deductible
- your claim history
- the amount you owe for credit protection insurance

When you pay premiums, your insurance company agrees to pay a certain amount of money for any loss or damages that your policy covers.

## **Impact of your credit rating on premiums**

When you get car or home insurance, an insurance company can charge higher premiums based on your credit rating.

Some provinces have regulations that ban the use of credit reports and credit scores in determining insurance premiums for certain types of insurance.

These provinces are:

- Alberta: car insurance
- Ontario: car insurance
- Newfoundland and Labrador: home and car insurance

The Insurance Bureau of Canada (IBC (Insurance Bureau of Canada)) represents most home and car insurance companies in Canada. They provide standards to protect consumers when insurers choose to use credit information.

Insurance companies agree to:

- request your consent before collecting and using your credit information
- advise you of your right to opt out of releasing credit information
- advise you of the consequences of opting out of releasing credit information (for example, you may not qualify for the insurer's best rate or discounts if you have a good credit report)

To confirm if your insurance company is allowed to collect and use your credit information when determining your coverage and premiums, contact your provincial or territorial insurance regulator.

## **Risk**

Risk is the likelihood that an insured event will happen while your policy is in effect.

For example, if you have a history of medical issues, you may pay higher life insurance premiums than someone who has few.

For example, if you have several accidents on your driving record, you may pay higher car insurance premiums than someone who has none.

## **Deductibles**

Health, dental, home and car insurance policies may require that you pay a deductible. A deductible is the amount of your claim that you agree to pay before your insurance company pays the rest. The higher your deductible, the less you may pay in premiums.

For example, if you make a claim for \$2,000 but you have a \$500 deductible, your insurance will only cover \$1,500 of your claim.

## Exclusions

Exclusions are things that your insurance policy doesn't cover.

For example:

- some health insurance policies may exclude certain medical conditions you had before you applied
- a travel insurance policy may exclude claims made if you travel to a high risk country
- a home insurance policy may exclude claims for some types of water damage
- a credit card balance insurance policy may exclude claims for some types of illnesses

## Riders and endorsements

You may be able to buy extra insurance at an additional cost to pay for risk that your basic policy doesn't cover. This is known as a rider or an endorsement. Ask your insurance company to find out what your policy covers and doesn't cover and for what risk you might need extra coverage.

# How insurance is regulated

Insurance companies are regulated on the federal level and provincial and territorial level.

## Federal insurance regulators

Federally regulated insurance companies must have a system in place to handle consumer complaints. They must be a member of a neutral third party dispute resolution system.

If you hold a policy with a federally regulated insurance company, your insurance company must give you information on:

- how to make a complaint
- how long the process will take
- the next steps if the complaint has not been resolved

Most insurance companies are federally incorporated. The federal government ensures that all federally incorporated insurance companies are financially sound.

[Find a list of federally regulated insurance companies.](#)

[Learn how to make a complaint.](#)

## Provincial/territorial insurance regulators

Your provincial or territorial regulator can help you:

- confirm that the insurance company, agent or broker you're dealing with is licensed or registered to do business in your province or territory
- help you resolve a complaint
- protect you in case your insurance company goes bankrupt

Each province has its own insurance regulator. All insurance companies must follow the rules and regulations of the province or territory where they carry on business.

Provincial and territorial insurance regulators enforce consumer protection laws. They also oversee the licensing and conduct of insurance agents and brokers in their province or territory.

Provincial and territorial insurance regulators:

- [Alberta, Superintendent of Insurance](#)
- [British Columbia, Financial Institutions Commission](#)
- [Manitoba, Financial Institutions Regulations Branch](#)
- [New Brunswick, Financial and Consumer Services Commission](#)
- [Nova Scotia, Office of the Superintendent of Insurance](#)
- [Newfoundland, Superintendent of Insurance](#)
- [Northwest Territories, Superintendent of Insurance](#)
- [Nunavut, Office of Superintendent of Insurance](#)
- [Ontario, Financial Services Regulatory Authority \(FSRA \(Financial Services Regulatory Authority\)\)](#)
- [Prince Edward Island](#)
- [Québec, Autorité des marchés financiers](#)
- [Saskatchewan, Insurance Councils of Saskatchewan](#)
- [Yukon, Office of the Superintendent of Insurance](#)

## Related links

- [Getting an insurance policy](#)
- [Making an insurance claim](#)
- [Cancelling your insurance](#)
- [Making a complaint against your insurance company](#)
- [Travel insurance](#)

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