

What types of insurance do I really need and which can I live without?



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Mon., Oct. 4, 2021 2 min. Read



You can get insurance for just about anything: your car, your home, your pet — even specific body parts.

But insurance costs can quickly add up, and consume a huge chunk of your monthly income. So which types of insurance do you really need, and which ones are a waste of your hard-earned money?

Janet Gray, an Ottawa-based certified financial planner with national firm Money Coaches Canada, notes that some insurance really is mandatory: if you drive a car, for example, you need car insurance. Then there are types of insurance that aren't technically mandatory, such as home insurance, though you usually need it to get a mortgage.

Of course, there's insurance for life, and for disability — Gray says these are only necessary if someone such as your spouse or child will be financially disadvantaged by your death, or if you would be significantly financially disadvantaged by becoming disabled.

For example, a single person might skip life insurance but get disability insurance; a parent might do the opposite. There's also critical illness insurance, which could be a good safeguard for if you have a heart attack, a stroke or cancer and suddenly can't work.

You can also insure your mortgage for life or disability, for similar reasons.

And what about your beloved furry household members? Pet insurance can be helpful if you really can't afford surprise vet bills, which can be shockingly high, says Gray. If that's the case, she recommends creating a savings account for vet bills and putting aside a little each month. That way, if your pet never has an emergency, you still have the money.

Pandemic pets: Insurance a must-have?

56%

Share of Canadians who say they have at least one pet.

900,000

The number of Canadians who got a pet since the start of the pandemic who didn't have one before.

32%

Share of Canadians who own a dog.

31%

Share of Canadians who own a cat.

Source: Abacus Data survey

Tenant insurance is another must if you don't have the funds to cover the loss of belongings to something like fire or theft, says Gray, and many leases include an option for landlords to require it.

Generally speaking, insurance is to protect you against big financial surprises that have the potential to do real financial damage, she says.

Sometimes it can be worth it to get extended warranties — a form of insurance — on expensive electronics. But you need to track all those automatic bill payments and make sure you know how much you're paying each month, Gray cautions.