

AUTO & HOME INSURANCE DEDUCTIBLES: A SIMPLE WAY TO LOWER YOUR PREMIUMS

By Basil Housewright, Jr.

Did you know that increasing the amount of your auto and home insurance deductible can lower the premium you pay? If not, you're not alone.

What is a deductible? A deductible is the amount that the policyholder pays toward a loss before the insurance company assumes responsibility for the claim. If the amount of the loss is equal to or less than the deductible then the insurance company will not pay any portion of the claim. As you raise your deductible the cost of the insurance premium goes down. Deductibles for home insurance now are stated in a percentage (%) by many insurance carriers now. The % is of the dwelling limit as in – dwelling insured limit = \$450,000 a 1% deductible = \$4,500 and a 2% deductible = \$9,000.

How much can you lower your insurance premium by increasing your deductible? This varies for each insured individual's particular situation. Some examples are given below:

Client A – Raised home insurance deductible from \$2,500 to 1% or \$4,200 and lowered their home insurance premium by \$337 per year. Every 5 years the homeowner saves the difference in their new deductible of \$1,700.

Client A – Raised their auto insurance deductibles from \$250/\$250 to \$500/\$500 for 2 vehicles with no youthful drivers lowered their auto insurance premium by \$420 per year. Every year the insured saves more than the difference in their new deductibles of \$250.

Client B – Raised home insurance deductible from 1% or \$2,300 to 2% or \$4,600 and lowered their home insurance premium by \$416 per year. Every 5-½ years the homeowner saves the difference in their new deductible of \$2,300.

Client B - Raised their auto insurance deductibles from \$500/\$500 to \$1,000/\$1,000 for 4 vehicles with 2 youthful drivers lowered their auto insurance premium by \$1,620 per year. Every year the insured saves more than the difference in their new deductible of \$500.

Another issue to consider when evaluating raising your auto or home insurance deductibles is the fact that your auto and home insurance carrier may offer “loss free” discounts or loss free pricing if you do not file a claim on you insurance policy in the prior usually 3 to 5 years which may be substantial for some carriers. If you file a small claim you will lose this loss free discount for 3 to 5 years, which may cost you more than the amount the insurance company paid you for the small claim. Moral of the story raise your deductibles, save the premium cost and take care of small damages to your auto and home yourself. Talking to a local independent insurance agent about adjusting your deductible is often one of the simplest ways to lower your auto and home insurance premiums.

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