

Deciding On A Deductible

Today, most property policies contain a deductible. A deductible simply means that a portion of every insured loss will be deducted from the amount the insurance company would otherwise pay. Deductibles encourage you to prevent losses and reduce the cost of your insurance.

What deductible is right for you? This is an individual decision that only you can make. However, there are three important factors to consider when making that decision:



- **The Cost Savings**

When you accept a higher deductible, your premium goes down. Ask your agent to give you the figures for cost savings with different deductible levels.

- **Cash Flow**

Can you write out a check for \$500 at the drop of a hat? If that would be difficult right now, you do not want a \$500 deductible. Periodically review your deductibles to determine if they should be adjusted due to a change in your cash flow position.

- **Insurability**

If you have a number of claims, even if they are small, your insurance premium may increase or you may lose your coverage. Insurance is designed to cover the catastrophic loss and should never be used to pay the smaller losses that you could pay out of pocket. Discuss this issue with your insurance agent when deciding on a deductible.

Choosing an appropriate deductible is an individual decision. Although your agent will give you information and discuss the issue, only you can decide which deductible is right for your unique circumstances.

