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New Options for Home Insurance Deductibles

If you're a homeowner, choosing the right insurance is an important step in safeguarding your investment. When insuring your home, take time to review your options. Different policies can result in very different claim determinations.

More insurers are starting to offer percentage of value deductibles in lieu of agreed dollar amount deductibles. The deductible is the amount you'll pay out of pocket before your insurance pays the remainder of a claim. A percentage-based deductible is a percentage of your home's insured value. An agreed dollar amount deductible is a flat rate amount. Most policies that provide for catastrophic perils (i.e. earthquake) are already written with a percentage-based deductible. But typical homeowner's policies contain an agreed dollar amount deductible.

Typically, the tradeoff is either having a lower premium with a higher deductible or a higher premium with a lower deductible. A percentage deductible will likely have a lower premium and a higher deductible. An agreed dollar deductible commonly offers a lower deductible but a higher premium. Regardless of the type of deductible you have, you may want to avoid filing a claim whenever possible, as even small claims can make your premium increase significantly.

Comparing Deductible Types

	Homeowner 1 - Agreed Dollar Amount Deductible	Homeowner 2 - Percentage-Based Deductible
Insured Value of Home	\$300,000	\$300,000
Amount of Deductible	\$500	1% = \$3000
Est. Annual Premium	\$2,500	\$1,500

A few things to consider when determining what type of deductible is best for you and your family:

- Explore the differences between an agreed dollar amount deductible and a percentage-based deductible for your situation. Decide the amount you can afford for a deductible.
- Consider that if your home's insured value increases over time, a deductible based on a percentage of that value may also increase.
- When shopping around, compare coverages and terms carefully as companies and policies may differ in a variety of subtle, but potentially significant ways.
- Speak with your agent or insurance company to determine which type of deductible is best for you.

Aside from considering deductible options, it's important to realize that insurance policies can differ in a number of ways. Over time, insurance companies may decide to increase or reduce coverages, change limits or deductibles, or modify important provisions. Look for a summary of changes to find changes to your existing policy. Ask your agent or broker to provide you with a summary if they haven't already. Understanding the implications of your options can prevent future surprises and help you decide if you are buying the policy that is right for you and your family.