

# LARRY'S

## AUTO BODY INC.

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## All About Deductibles

A deductible is defined as: ***the amount of a claim that is paid by the insured before insurance payment begins.*** We occasionally receive requests to hide the deductible in the insurance estimate, especially when clients choose high deductibles such as \$500.00 or \$1,000.00. There are two issues here: **burying the deductible** and **having a deductible larger than you can comfortably afford to pay.**



Conspiring to "bury the deductible" is committing a fraud upon an insurance company and is against the law. Insurance company appraisers know the cost of repairs, as well as body shops and can't be fooled by inflated estimates. Any reduction in costs should rightfully go back to the insurance company as a refund. If a shop agrees to "bury the deductible", it has to take shortcuts in making the repairs and the owner could get a lesser repair, which may lower the value of the vehicle when it is sold.

Also keep in mind that any shop willing to cheat an insurance company may be willing to cheat the vehicle owner as well. Shops that claim that they absorb the deductible rarely do. Usually the value is taken right out of the job by repairing rather than replacing a part or omitting some labor operations. If the repairs are unacceptable, the customer has no one to complain to because the shop feels it was OK to cut corners to cover the deductible and the customer is not likely to involve the insurer because he/she is afraid

that the insurer will find that the deductible was buried in the estimate. Certainly an unhappy situation for the customer.



The best advice is to carry a lower deductible. The phrase "Pay me now or pay me later" has never been more accurate than in the case of insurance deductibles. The reason insurance companies can offer you a lower rate on a larger deductible policy is because you are agreeing to pay a larger amount of the repair costs. The lower rate is tempting, but try to figure how many years you will have to drive claim-free to offset that big deductible.

We suggest a \$250.00 collision deductible because most of our clients are comfortable paying that amount. Larger deductibles can cause a financial hardship and for that reason the vehicle may not be repaired. The un-repaired vehicle will have less value at trade-in time and at that point you suffer a loss. Not good for you.

Meanwhile, the insurance company didn't pay its portion of the repair and had no claims handling costs. This is good for them.

For comprehensive coverage a \$100.00 deductible is acceptable. Comprehensive covers everything that collision doesn't. A deductible of \$250.00 or higher may mean that you will pay for most if not all of a windshield replacement, theft loss, or vandalism claim. Higher deductibles only make sense for fleets and people who can actually afford them.

The smart thing for vehicle owners to do is to protect their investments by insuring with a good insurance company, choosing a good repair shop, and carrying deductibles that they can afford to pay at claim time.