

How Your Car Insurance Deductible Works

Car insurance is required for every person who owns and operates a vehicle in the United States. However, not every person who has car insurance is required to have the type of insurance that requires deductibles. The most commonly asked questions regarding car insurance deductibles are the following:

- What is a good car insurance deductible definition?
- When does a car insurance deductible apply?
- How does car insurance deductible work?
- What is a deductible for car insurance?
- What is the average car insurance deductible?
- Is car insurance tax deductible?

Car Insurance Deductible Definition

The definition of a car insurance deductible is pretty simple; it's the amount the insured is required to pay before the insurance company will pay for the remainder of the claim. The insured is always the person on the car insurance policy who is making the claim.

An example may best illustrate this. I have a car insurance policy with company XYZ. I have a deductible of \$500. If I cause an accident which results in \$5,000 of damage to my car, I (as the insured) have to pay the first \$500, and the insurance company will pay the remaining \$4,500.

When does a car insurance deductible apply?

Now that we know the car insurance deductible definition, we need to understand when it applies. In most states, auto liability only insurance is the only type of insurance that is required by law. Liability only insurance does not protect the insured's vehicle (remember, the insured is the owner of the insurance policy), but

only protects the property of others if the insured causes damage. With liability only, there is no deductible.

The deductible only applies if you have some sort of full coverage on your vehicle. Full coverage comes as a combination of comprehensive coverage, collision coverage, or both. If you have a lien or lease on your car, then you are probably required to have full coverage and thus you have a car insurance deductible. Many drivers elect to have full coverage even if they don't have a car loan or the lien holder doesn't requiring it.

How does car insurance deductible work?

So how does car insurance deductible work? Simply put, it works when and only when you purchase one of two types of insurance: collision or comprehensive.

Collision insurance insures your vehicle when it is damaged due to a collision. Collision insurance applies when you hit a car, tree, building, or any other structure. When you file a claim to get your car repaired, you pay your deductible and then your car insurance company will cover the rest of the cost.

Comprehensive insurance insures your vehicle when it is damaged due to a non-collision related event. Hail, vandalism, and theft are all examples of when comprehensive insurance would apply. When you file a comprehensive claim, it works the same way collision insurance does; you pay your deductible and the car insurance company covers the rest.

What is a deductible for car insurance?

Choosing a car insurance deductible is easy if you own your car outright. What is a deductible for car insurance? These days, you can pretty much choose any deductible you'd like. When you're picking your insurance deductible, the average car insurance deductible is irrelevant because you typically don't have to conform. However, the most common deductibles are \$0, \$250, \$500, and \$1,000. Many

companies will allow you to pick from a myriad of different deductible amounts.

If you don't own the car, but instead lease or have a lien holder, your options might be a little more limited. First, you will probably be required to purchase full coverage, because most lien holders require it. Second, many lien holders will not allow your deductible to exceed a certain amount. Most leased cars are required to have a deductible no higher than \$500.

Average car insurance deductible

The range of deductibles is large, but most people pick deductibles of \$250, \$500, or \$1,000. The average car insurance deductible is \$500. I know ever since I've had car insurance, I've always had \$500 deductibles. Raising or lowering your deductibles will change your car insurance premium, and many people will play with the deductible to try to save money on their car insurance.

Car insurance tax deductible

Unfortunately for most people, the answer to the question "is car insurance tax deductible" is no. A majority of the people who purchase car insurance will not be able to write it off as an expense to lower their taxes. Did you know that when you purchase car insurance, you don't pay taxes on it in the first place? Although this isn't the main reason why most of us can't write it off, it at least makes us feel better about not being able to write it off.

The people who may be able to get away with tax deductible car insurance are those who own small businesses where they use vehicles primarily for work-related events. Most of these people will probably not have a personal auto insurance policy, but rather a business auto insurance policy. If you own your own business and use your car for the business, you may be able to write off your insurance.

We hope we've answered all the tough questions about deductibles, like what is a good car insurance deductible definition, what is a deductible for car insurance, and is car insurance tax deductible. With this information, you can go forward and purchase auto insurance with the exact type of protection that fits your risk profile.