



The Basics

Cut the cost of insuring your teen driver

Your premiums soar when your teen gets his license, but these tips from insurance pros -- who also happen to be parents -- can ease the financial pain.

By [Liz Pulliam Weston](#)

The fact that we let teenagers drive is a miracle of faith -- and denial.

It's not just that adolescents are awash in hormones. It's that their brains are still very much under construction. Recent research indicates that important mental functions, such as reasoning, self-control, judgment and emotional regulation, often don't mature until the late teens, well after many of these kids are already on the road.

"The first month, they're fine," said Joe Annotti, the father of two sons and spokesman for the Property Casualty Insurers Association of America. "Then they think they know everything about driving and safety . . . (and) pretty soon they're flying 60 mph down a back street to get to school."

Unfortunately, inexperience combined with lack of judgment helps explain why young drivers are more likely to crash and to die:

Car crashes are still the leading killer of people age 15 to 20.

Young drivers are three times as likely to die in a crash as those aged 25 to 64.

The younger the driver, the more accidents: The crash rate for 16-year-olds per million miles driven is nearly three times as high as for 19-year-olds, and nearly six times as high as drivers aged 20 to 24.

It's no wonder your car-insurance premium spikes 50% to 200% the minute you add a teen driver. Insurers aren't about to shoulder that increased risk of destruction and death without your help. A couple in San Diego, for example, would have paid an average of \$2,324 annually for auto insurance before adding their teenage son to the policy, according to the California Department of Insurance's 2003 auto-premium survey.

Adding Junior would boost the tab to \$4,562, a 96% increase. A ticket or accident could boost the tab \$1,000 or more -- sometimes much more.

Still, there are ways to bring down the costs. I interviewed several insurance-industry executives for the inside scoop on how they saved money when their own kids got driver's licenses. The insights they offer could help lessen the financial pain you're about to experience.

So here's your battle plan:

Find out how your insurer assigns drivers to cars

This differs from insurer to insurer and can make a huge difference in the premium you pay.

If there are three drivers and two cars in your household, for example, some insurers will assign the driver who's the most expensive to insure (your kid) to the *car* that's the most expensive to insure. That's the case at Allstate, according to spokesman Bob Daniels, who said the policy helps the insurer cover the extraordinary risks of young drivers.

Obviously, though, such an arrangement can cause your premium to double or even triple overnight, particularly if you have new or luxury cars. If that's the case, it might be cheaper to get your teen his own car, especially if it's an old beater that just sits in the driveway most of the time.

Another option: Switch insurers. Some companies allow you to make the choice of assigning drivers to cars. State Farm spokesman Bill Sirola said he saved money by designating his teenage daughter as the driver of the older of the couple's two cars.

In general, you're better off keeping the teen on your policy than getting her a policy of her own. But if your child will have her own car, you might want to get quotes for both approaches, just to make sure.

Keep those grades up

It's kind of an open secret in the insurance industry that straight-A students aren't really that much safer than C students. But many insurers still give a 10% to 25% discount to teenagers who maintain a B average or better because these kids are seen as better *future* risks.

"Long-term, they want the A student as a customer," Annotti said. Better students are seen as "more responsible."

Some insurance executives made their children's driving privileges contingent on maintaining good grades. One C and the keys are taken away until next semester. Talk about a motivator.

Take driver's ed

Here's another way to knock 5% to 15% off many insurers' prices, *even though these short-term courses aren't effective in reducing future accidents*, according to studies published by the American Journal of Preventive Medicine.

What really works to curb crashes is a much longer, slower teaching process. That's why many states now insist on 50 hours of supervised driving, far more than the six to eight hours offered by most high-school courses. (More on that below.)

But take the break if you can get it, since driver's ed is a good start. Also, most insurers have videos and instructional booklets on driver's safety and may give you an additional price break for using those.

Jack up your deductibles

Insurance executives know that higher deductibles make more financial sense than lower deductibles, but I was surprised how many of them waited to put that knowledge into action until the financial pain of adding a teenager to the policy forced the issue.

Ron Lovatt of the Automobile Club of Southern California boosted his deductibles from \$500 to \$2,000 when his daughters, now 19 and 18, reached driving age. Annotti, who has two sons aged 17 and 20, increased his potential out-of-pocket cost from \$250 to \$1,000 when the elder started to drive.

Higher deductibles can reduce your premiums as much as 35%, and it's simply smarter to use your insurance for the big disasters rather than covering the small stuff you can pay out of pocket.

Take your college student off the policy

This only makes sense if a) he won't have a car and b) you can trust your kid not to drive while he's away or home on short breaks. Otherwise, you are literally risking your family's financial health. If he causes a serious accident while not insured, you could be sued and wind up bankrupt.

It will also be less convenient for you because you'll need to shuttle him around when he's home for holidays. But for Lovatt, the managing director of the Auto Club's insurance products and services, the trade-offs are worth it.

Don't buy new cars

Some parents understandably want all the latest safety features for their kids, or they want to give a current car to their teens and replace it with something new.

But new cars cost a lot more to insure than older cars. If you really want to contain your overall insurance costs, don't buy a new car either for yourself or your kid.

The Sirolas figured their daughter didn't need a car of her own and made it a point not to buy new cars for themselves while she was a teenager.

Consider not reporting fender-benders

OK, insurers hate this idea, because they want to know about every single scratch (and adjust your premium accordingly).

But given how much a single accident can raise a teenager's premiums, it's often more cost-effective to pay for the small stuff out of pocket and keep mum. Better yet, make your *teen* pay.

5 cost-cutting, life-saving tips

OK, those are the short-term strategies for containing costs. But the best ways to save on auto insurance in the long run are also the best ways to ensure your teen-ager stays alive. Well before your kid gets her license, you should be thinking about ways to reduce future accidents. These ways include:

Insist on more supervised driving. Many states have adopted so-called "graduated license requirements" that ease teenagers into driving privileges over several months, an approach that seems to be reducing accidents and fatalities in those states. (You can see a list of states and their restrictions [here](#). At least 14 states, including California, Florida, Ohio and Washington, now require teens to have at least 50 hours of supervised instruction, and many require 10 of those hours to be at night. Even if your state doesn't require as many hours of instruction or curbs on night driving, *you* should.

Restrict nighttime driving. The Insurance Institute for Highway Safety found that 41% of fatal accidents involving teenage drivers occurred between 9 p.m. and 6 a.m. The risk of drunken-driving fatalities also soars at night. Insurance research firm Quality Planning found the drunken-driving death rate was 200 times greater at 1 a.m. Sunday morning than at 10 a.m. on the same day.

Limit passengers. The fatality risk seems to escalate with the number of people in the car, particularly if those passengers are male. A study in The Journal of the American Medical Association found the death rate for drivers, male or female, nearly doubled when one male passenger was in the car and more than doubled if two or more males were in the car. Young drivers in packed cars face the worst odds. The JAMA study said 16-year-old drivers suffered 5.61 deaths per 10 million trips when carrying three or more passengers. That compares to a death rate of 0.47 per 10 million trips when the driver of the four-person vehicle is aged 30 to 59.

Limit other distractions. You may be able to get away with yakking on a cell phone or cranking the tunes simply because you're a more experienced driver (or just lucky). But it's a good idea to ban cell phone use while the car is in motion (and since you're the role model, that ban should hold for you, as well, at least when the kids are watching.) As for the stereo, you can simply remove it from the car temporarily, as James Winfield, CEO of

driver education site DriveHomeSafe.com, did when his boys were learning to drive. Or you can make rules about not using the sound system during the first few months of driving.

Zero tolerance. Young drivers who violate the restrictions in graduated-requirement states or who have an accident or ticket often lose their driving privileges entirely and have to start over at the beginning. Some infractions, like drinking and driving, are considered so serious that a young driver may not get an unrestricted license for a year or more. Consider adopting a similar tough-love policy with your kids.

Liz Pulliam Weston's column appears every Monday and Thursday, exclusively on MSN Money. She also answers reader questions in the [Your Money message board](#).