



The Basics

The \$5,000 car insurance bill

If you're considered high-risk by the insurance industry -- as young, urban drivers are -- your premiums may exceed the value of the car you own. But it's possible to cut your rates.

By [Lucy Lazarony](#)

Nothing worries an auto insurance company like young, urban hipsters driving congested city streets.

In some places, \$5,000 yearly premiums aren't shocking -- they're the norm. Take Matt Ney of Arlington, Va., whose ticket-infested driving record resulted in a yearly bill of \$4,000 until he turned 25.

His ride: An Audi? A 350Z? A shiny new BMW? Nope. It's a 2000 Honda Civic, bought used. His monthly payments were just \$100.

"It's been very frustrating," said Ney.

In Detroit, Los Angeles and Philadelphia, the numbers are even scarier. An 18-year-old man living in southwest Detroit could be charged as much as \$13,138 a year to insure a 1999 Ford Ranger pickup. And that's with no tickets or accidents on his record.

And then there's this headline-grabbing example from Canada, where an Alberta teen with 10 tickets, two fender benders and a totaled car got a renewal notice for \$104,566.33.

Even though auto insurance rates have stabilized in the past couple of years, drivers that insurance companies consider to be higher-risk -- such as young, urban drivers with imperfect driving records -- can expect to pay thousands and thousands of dollars for even basic coverage.

"You easily pay more than the value of the car for coverage required by the state," says Robert Hunter, the director of insurance for the Consumer Federation of America.

It's no mystery

Drivers under age 25 are involved in more accidents than any other age group, and car crashes remain the leading killer of people ages 15 to 20.

"They're risk takers by nature," says Loretta Worters, a vice president of the Insurance Information Institute. "They don't have the experience on the road. They don't have the maturity level."

And amid these accident-prone younger drivers, it's the male drivers who tend to cause more of the accidents. Insurance companies know this.

That's what happened to Ney. "I had an inordinate number of tickets. I probably logged in about eight over 10 years," Ney said. "It's held me back in terms of other expenses. You know that payment is coming, so you are not apt to go on a vacation or out for a weekend of some sort."

Now 26, Ney's insurance has dropped to \$2,300 a year, still nearly double what his yearly car payments had been. He's driving much more slowly these days and hasn't gotten a ticket in three years. That's the length of time it takes for his record to be wiped clean and his insurance to drop from a "high-risk driver."

He plans to buy a new car when his insurance costs drop and his new fitness company for children, called Fit4Fun, begins to make money.

Why city dwellers pay more

Auto insurance rates tend to be higher in cities than in rural areas because of the higher density of traffic, increased likelihood of theft and vandalism, and greater incidence of fraud. These risk factors vary from city to city and even from neighborhood to neighborhood.

The average cost for yearly auto insurance premiums for American drivers is \$829, according to the Insurance Information Institute. But many urban drivers are likely to pay much more than that, especially drivers living in Detroit, Philadelphia and Los Angeles.

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If you get a speeding ticket, think twice before paying it off immediately. Here's why.

In Detroit, the average yearly auto insurance premium is \$5,072, according to Runzheimer International. Drivers in Philadelphia pay an average of \$3,779; in Newark, N.J., \$3,381. And drivers in Los Angeles pay an average of \$3,027.

Younger, inexperienced drivers living in these cities pay hundreds if not thousands of dollars more for insurance coverage. Throw in some speeding tickets or an accident or two, and premiums climb even higher.

Even opting for bare-bones insurance coverage -- the minimum coverage required by state law -- can be incredibly expensive for a young urban driver with a violation or two on his record.

Consider an example from the California Department of Insurance: A male driver with less than five years' driving experience, one ticket and one at-fault accident, living in central Los Angeles, would find premiums as much as \$8,200 for mandated liability coverage. For full coverage, the same driver could pay more than \$15,000.

Even with a perfect driving record, this same driver could be charged as much as \$3,776 for the minimum auto insurance required by the state.

[Continued: Tips for cheaper coverage](#)

Tips for cheaper coverage

Here's how to cut your auto insurance costs:

Check out your state's buyer guide for auto insurance. Because auto insurance requirements vary from state to state, the first step is visiting your state's insurance department Web site. You'll learn the minimum coverage that's required for drivers in your state. And the buyer's guide may help you track down insurers with more-affordable policies.

The National Association of Insurance Commissioners [Web site](#) has links to the insurance department in each of the 50 states.

Shop around. Just an hour or two of your time comparing insurance policies from company to company could save you hundreds, even thousands of dollars. This isn't just an advertising come-on; it's by far your best shot at cutting your premiums.

"Different companies have different exposures," says Worters, of the Insurance Information Institute. "Shop around and see what the best price can be."

Here's a graphic illustration of the need to shop around: With a ticket and accident on his record, that young male Los Angeles driver could pay as little as \$1,800 a year for basic coverage, rather than the \$8,200 mentioned above. With a perfect driving record, he could pay anywhere from \$700 to \$3,700 for basic coverage.

"It's important to shop around -- very important," says Mark Savage, a senior attorney at Consumers Union. "Even if you've had an accident, different companies will charge you different premiums for that."

Drop the comprehensive and collision coverage. If you drive an older car that's worth \$500 to \$1,000, you may want to drop comprehensive and collision coverage from your policy. (See "[Dump the insurance on your clunker.](#)")

"The cost of the coverage may actually exceed the value of the car," Savage says.

Collision coverage pays for damage done to your car from a collision with another car. Comprehensive coverage pays for the loss of your car due to theft and damage caused by something other than a collision with another car such as fire, flood, windstorm, vandalism and falling objects.

When your premiums are greater than the value of your car, it's a good idea to drop the collision coverage and comprehensive coverage. Neither is required under state laws.

"Buy the bare minimum coverage that doesn't cover any damage at all to your car," says Stephen D'Amato, a consultant to the Center for Insurance Research.

Drive a car that's less likely to be stolen. Cars that are popular with consumers as well as thieves, such as the Honda Civic or Toyota Camry, are more expensive to insure. Driving a less popular sedan could save you some money on your insurance.

"I happen to drive a Honda Civic, and I know it costs me more," says Carmen Balber, a consumer advocate at the Foundation for Taxpayer & Consumer Rights. (You can compare the relative risk ratings of different cars [here.](#))

[Video on MSN Money](#)



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Be a good driver. Obey the speed limits and be a squeaky-clean driver. If you haven't had an accident, ticket or other violation in the past three to five years, you may be eligible for a good-driver discount on your policy. (See "[It pays to avoid a speeding ticket -- or fight one.](#)")

Take a driver education course. If your driving record is less than pristine, consider taking a driving class.

"Take a driver education course, a refresher course," Worters says. "Keep a clean driving record that includes no speeding tickets, no violations -- all that will help."

Average auto insurance premiums by state, 2005*

State	Liability	Collision	Comprehensive	Avg. expenditure**	Rank
Alabama	\$367	\$316	\$134	\$678	37
Alaska	596	390	165	962	11
Arizona	511	310	242	926	14
Arkansas	391	297	165	693	34
California	487	365	117	845	18
Colorado	471	304	198	827	21
Connecticut	626	343	127	991	9
Delaware	713	294	113	1,028	8
D.C.	627	446	270	1,182	2
Florida	757	280	111	1,063	6
Georgia	420	372	168	784	24
Hawaii	547	298	114	843	19
Idaho	339	236	133	583	48
Illinois	410	300	121	743	28
Indiana	372	266	120	657	41
Iowa	290	205	169	555	50
Kansas	301	244	205	590	47
Kentucky	489	272	137	750	26
Louisiana	665	358	208	1,076	5
Maine	368	273	111	644	42
Maryland	556	331	149	945	12
Massachusetts	724	339	139	1,113	4
Michigan	487	436	166	931	13
Minnesota	460	237	190	791	23
Mississippi	419	304	171	745	27
Missouri	381	271	152	685	35
Montana	409	250	207	685	36
Nebraska	337	226	208	621	44
Nevada	636	336	146	983	10
New Hampshire	431	305	114	792	22
New Jersey	751	403	183	1,184	1
New Mexico	449	293	167	727	30
New York	765	338	159	1,122	3
North Carolina	336	269	125	602	46
North Dakota	259	209	254	554	51
Ohio	390	255	110	669	39
Oklahoma	395	277	174	678	38
Oregon	484	235	110	737	29
Pennsylvania	508	316	131	849	16
Rhode Island	714	380	130	1,059	7
South Carolina	471	253	151	753	25
South Dakota	298	211	214	565	49
Tennessee	363	298	126	659	40
Texas***	476	315	155	845	17
Utah	427	270	122	706	31
Vermont	368	306	134	699	32

Virginia	398	271	127	698	33
Washington	541	265	132	840	20
West Virginia	532	303	193	857	15
Wisconsin	339	215	133	615	45
Wyoming	336	263	224	639	43
U.S.	\$496	\$309	\$143	\$829	

**Most-recent data available.*

***Not all drivers carried all forms of coverage.*

****Texas results not directly comparable.*

Source: National Association of Insurance Commissioners

Published March 13, 2008