

ADDING A TEEN TO YOUR AUTO INSURANCE? BE PREPARED.

If adding a young driver to your policy is in your future, you need to be ready for the added costs.

The Centers for Disease Control and Prevention (CDC) National Center for Injury Prevention and Control reported that in 2017, 2,364 U.S. teens were killed and about 300,000 were treated in emergency rooms for injuries suffered in car crashes. This means six teens (aged 16-19) died every day from car crashes. Additionally, WalletHub ranked Oklahoma 32nd in its Best and Worst States for Teen Drivers study, which means only 18 states performed worse in the organization's analytics. So it should come as no surprise that an August 2019 report from CarInsurance.com claims adding a 16-year-old to your car insurance will likely increase your rate 135%.

While policies vary based on a multitude of factors, financial experts advise being prepared for the unavoidable expense of a teen driver addition. However, there are ways to save some money on their protection.

- 1. Shop around.** Some insurers have better rates for younger drivers than others and the company offering you the lowest rates now may not be the one with the lowest rates when you add a teenager to your policy. You may qualify for a better rate if you switch before you add your son or daughter rather than after, so be sure and shop early. And, if you find a better rate, let your current agent know. He or she may be willing to offer you the same rate.
- 2. Ask for discounts.** Most insurance companies, especially those that have been insuring your family for years, will offer safe driver, multi-car and good grade discounts. What's the good grade discount? Many insurers offer discounts—worth as much as 20% to 25%—to students under 25 who maintain a B average or better. You will likely be asked to submit report cards occasionally as evidence so that you can maintain the discount. What is the safe driver discount? Lots of insurance companies start lowering rates when you go a few years without making a claim or who have had no at-fault accidents. Additionally, some offer safe driving courses you can take online or through a mobile app. There may be other discounts, but the key is to meet with your agent to find the discounts that work best for your family.
- 3. Forgo the sports car...** All kids want to look cool to their friends, but insuring a sedan, especially one equipped with safety features like airbags, anti-lock brakes and daytime running lights, will likely cost much less than insuring a souped-up sports car. Even if your teen works and wants to pay for the cooler car, be sure he or she understands all of the costs that will come up (fuel, maintenance and, mostly, insurance) that could derail all of your teen's savings.
- 4. ...However, don't immediately buy an old beater.** Insuring a car without key safety features, even if it's older, may be more expensive. And, let's be honest, is it really worth your peace of mind knowing your kid is in a car without those features?

After narrowing down car choices, ask your agent for an insurance quote on each model. U.S. News & World Report released a report, "Best New and Used Cars for Teens" in August 2019 (<https://cars.usnews.com/cars-trucks/best-cars-for-teens>) in prices ranging from about \$15,000 to \$40,000.

- 5. Can you skip collision?** If your teen drives an older model car, it may be worth it to omit collision coverage because the cost of the coverage may be more than the value of the car. If not, can you boost your deductible and put aside money each month for an emergency fund just in case you need to pay for damages?
- 6. Increase your deductible.** Increasing a deductible generally lowers premiums but be sure the deductible is an amount you can afford to pay out of pocket should an accident occur. Compare premiums for keeping coverage with the cost to replace the car.
- 7. Let your teen borrow your car.** Insuring a teen to drive your car as an occasional operator could be cheaper than insuring your teen as a primary operator on another car.
- 8. Monitor their driving.** There are some aftermarket GPS-enabled devices available that allow parents to get daily report cards, location mapping, alerts, etc. They generally work with an app (see FamiSafe.com's "Best Car Tracking Devices for Parents.") Also, some insurance companies can install a device that monitors your teen's driving habits and reports information (e.g., instances of speeding, seat belt usage, hard braking) back to the insurer. Do your research because some of the devices are free but carry an annual or monthly service fee and some devices can run about \$100 and still have the service fee, so it depends on what you want out of your monitoring device.
- 9. Make rules.** As a parent, set a good driving example and establish a safety policy. Be sure to communicate what the rules and restrictions will be. For example, there should be absolutely no texting while driving and the phone should have restriction features enabled for that rule. Also, include a zero policy on drinking and driving and determine how far your teen is allowed to drive. Discuss consequences of breaking these rules and other agreed-upon restrictions. Make sure the teen knows if rules are violated, he or she may also be financially liable for insurance increases and traffic tickets, in addition to fees and fines.

While it will likely increase a family's premium, it's important to discuss increasing liability coverage with your agent. This will provide added protection for the additional friends that will likely be riding as passengers while your teen is driving. Also, you're increasing your household risk by having an inexperienced driver on the road. Increasing your liability, say to a \$1 million umbrella policy, can protect your assets and future earnings if your child causes an accident that injures someone or damages property.