

CAR INSURANCE FOR YOUR TEEN DRIVER

Some basic information

Insurance rates for different groups of people are determined by their rate of claims---their potential risk. When you think about risk, it probably doesn't surprise you that fire retardant bomber pilots and helicopter logging pilots pay more for health and life insurance. We all know that auto insurance rates for teens are higher. Does that surprise you? Their rate of claims is higher---their potential risk is higher! We can blame that on teens' enthusiasm for life and the inability to understand their own mortality. Besides, risk is a fairly abstract concept. However, if teens can see risk in terms of money out of their wallets, it might help illustrate the concept better, and perhaps they will be inspired to do things to reduce their risks.

When it's time for your teen to get that driver's license, it's also time for him or her to have to make a visit to your auto insurance agent. Your child may see you as painting an overly-grim, unrealistic picture of what happens to car insurance rates with a traffic ticket, a crash, or a Minor in Possession of Alcohol (MIP) citation. However, your agent is an objective and informed source of information with just the cold, hard facts. Make sure your agent discusses what "deductible" means, too.

This is also a good time to illustrate how your teen's "job" of being a student can save him money. A student who works hard not only earns good grades, but can earn a good student discount. Having your teen pay his or her own insurance can be a valuable learning experience.

Did you know that:

- Citations stay on your driving record and affect insurance rates for 3 years.
- A DUI affects your insurance rates for 5 years.
- One citation = 6-20% increase in insurance cost.
- One crash = 15-30% increase in insurance cost.
- An MIP or DUI = about a 60% increase in your insurance cost, with reduced coverage.
- A high performance car = 50-75% increase in your insurance costs.
- **Good Student Discount = 20-30% decrease in cost = more money in your pocket.**

If you can afford it, and it's associated insurance premiums, you may consider buying your teen driver his heart's desire, a high performance car. Before you do, remember why the insurance rates for those types of cars are so high---because the risk is so high. An awesome car may just increase the chances that your child will be involved in a truly awesome crash.

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