

## Can you do anything about pricey teen car insurance?



Here's what could happen if you don't tell your insurer about any teenage drivers in your family — or try to get a separate policy for them altogether. ROBERT NEUBECKER — THE NEW YORK TIMES

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Drivers are getting a bit desperate.

In the face of auto insurance price hikes of more than 50% in the last three years, it's tempting to push boundaries when seeking lower annual premiums.

In September, a digital insurance broker named Jerry published survey results showing that 17% of respondents were more likely to give insurers false information now that insurance costs are so much higher. Seven percent had done so already in the last 12 months.

Parents of new drivers are fed up with annual bills that can top \$20,000, and some of them have written in to test two money-saving tactics.

The first suggestion was simply not to tell your insurance company about a newly licensed teenager, under the theory that in the event of an accident, the insurance company would cover the kid anyway.



The second was to put a car in the teenager's name and have the new driver get a policy, which would presumably be cheaper.

So what would happen if you tried these strategies?

### Should you list your teenage driver on your insurance policy?

Yes, you should.

Reader confusion over this matter may come from the fact that you are allowed to lend your car out, and your coverage would generally follow the car (though the insurance of the driver you lent it to, if any, might also be in play in the event of an accident).

So why not just "lend" the car to new teenage drivers, every time they need to use it, and avoid listing them on the policy?

First of all, your policy may prohibit it, via a misrepresentation clause.

"Coverage may not apply if any material facts are knowingly concealed or misrepresented during the application, policy period or claim process," Andrew Femath, a USAA spokesperson, said.

Though I could find no evidence of convictions for insurance fraud for such a thing, you probably don't want to test it.

"Why wouldn't you tell your insurance company if your child is driving?" said Loretta Worters, a spokesperson for the Insurance Information Institute.

"If you're hiding it, trying to save money, it's dishonest. Isn't it?"

### Should teenage drivers have cars in their own names with their own insurance?

It's worth getting a price quote before retitling a car in a teenager's name, just to see. But you may not like what you find, even if the new driver has lower coverage limits than what an adult would have.

"Stand-alone teen auto policies are the most expensive insurance coverage in the market," said Mark Friedlander, an Insurance Information Institute spokesperson. If a company will cover a single teenager, it can cost up to four times more than adding a new driver to a family policy, he added.

Cost aside, wealthy parents may think this is a good way to protect themselves and their assets from liability. If that is part of the rationale for deploying this strategy, talk to a lawyer first.

### What would a lawyer making the case against you say?

Insurance is protection against risk. But risk comes in many forms, and in this instance, it's worth considering what would happen if you didn't tell your insurance company about your new driver.

Let's say your teenager had an accident and someone else was badly injured. First, your insurance company might file suit against you (the parent or parents) and your teenager, saying that its policy doesn't apply because of your misrepresentation and that it won't help defend you against the injured party. You could fight, but you could lose, said Stephen Skinner, a lawyer in Charles Town, W.Va.

"Then the question becomes whether the parents are responsible for what the kid did in a car owned by them," he said.

"And in most states, they most certainly are if the car is used with their permission." Judgments laying siege to your assets could follow.

### What do insurance companies say about this?

Very little.

I had hoped that more insurance companies than USAA would discuss these questions, but Geico, State Farm and Travelers referred me to industry associations for comment. State Farm's spokesperson, Justin Tomczak, said these are "industrywide questions" and should go to the groups.

Most questions about consumer issues are industrywide. But banks don't refer me to the American Bankers Association a vast majority of the time, and mortgage lenders don't refer me to the Mortgage Bankers Association.

The insurance industry, however, does this consistently and has for many years. Why? None of them would answer the question.

But Geico customer service representatives are happy to answer questions from customers. My colleague Tara Siegel Bernard spoke to a representative who told her that when her eldest child gets his license, she would need to list him on her policy. After all, the representative told her, the company has access to each state's Department of Motor Vehicles data on new drivers, so it would eventually know if she tried to hide her son from view.

Geico confirmed that its representative was correct. Insurance companies have obtained new driver information routinely from states for decades, according to Robert Passmore, department vice president, personal lines, at the American Property Casualty Insurance Association.

It's in no one's interest for anyone to be confused about how insurance works. And it would help a lot if insurance companies themselves were more willing to talk about the rules.

