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Young Drivers on the Radar

Insurers Offer Discounts And Monitoring Services To Capture New Business

By M.P. McQUEEN

INSURERS ARE PURSUING a group of drivers that they've traditionally tried to avoid: teenagers and young adults.

Safeco Corp., Nationwide Mutual Insurance Co., American Family Mutual Insurance Co. and Allianz SE unit Fireman's Fund Insurance Co. are among those rolling out significant new discounts for young drivers and their parents—often with new requirements designed to minimize risk. Some require drivers to take an online safety course or keep a log of their driving. Others are tied to the use of special monitoring technology that allows parents to keep an eye on young drivers behind the wheel.

The moves come amid greater competition among auto insurers as rates drop or hold steady for customers across the board. The programs primarily appeal to parents, since they soften the blow of adding a young driver to a family policy, which can boost premiums 50% to 100%. Insurers also hope that selling auto policies to young drivers will help nurture future customers.

In addition, many states in recent years have placed restrictions on teen drivers, such as not allowing them to drive at night or to transport carloads of friends. All this has had the effect of making the group slightly less risky to insure than in the past.

Nationwide is expected to unveil its "SmartRide" program in Ohio, West Virginia, Maryland, Virginia, Delaware and Washington, D.C., by March 31 for drivers age 16 to 24, offering a discount of up to 5% for customers who participate in an online safety tutorial. Last June, Safeco rolled out its "Teensurance" program for drivers typically up to age 25, which offers as much as a 15% discount for participants who pay \$15 a month for a satellite-tracking service that traces young drivers. (Safeco pays for the tracking equipment.) It's available in 44 states.

Fireman's Fund is letting young adult drivers up to age 27 who have their own policies piggyback on their parents' discounts, lowering their premiums 35% to 50%. State Farm, the country's largest auto insurer, was early to the trend: It has offered discounts up to 15% for drivers under 25 in most states who complete its "Steer Clear" safety program, which requires drivers to keep a log of their driving habits, since 2002.

Guy Thompson added his then-16-year-old daughter, Maggie, and her car to his family's auto-insurance policy shortly shortly after she received her driver's license in 2006. That caused his premium to shoot up to more than \$400 a month from the \$155 a month he'd been paying. He then signed up for Safeco's Teensurance program in February 2007. The Lake Oswego, Ore., family was one of the first participants.

Mr. Thompson's agent arranged for the installation of an under-the-dash-board "SafetyBeacon" GPS device from Seaguard Electronics LLC of Irvine, Calif., in his daughter's Toyota Prius. He can now track his daughter's whereabouts on a computer and, if he chooses, disable the car remotely if she drives outside set boundaries, exceeds a preset speed limit or drives past a curfew. He's also getting the full 15% discount on his premium, though he says that's not his primary motive.

"It's a security thing, and as the parent of an only child and a daughter, that is important to me," says Mr. Thompson, 39.

American Family Mutual launched its "Teen Safe Driver" program with Drive-Cam Inc. of San Diego, which supplies an in-vehicle video and audio surveillance camera that monitors both the driver and the road. The program was rolled out in

Kid-Friendly Auto Insurance

A sampling of youth-driver programs some insurers are offering.

Insurer	Comment
Safeco Corp.	Up to a 15% discount for "Teensurance" program participants who pay \$14.99 per month for a Safety Beacon GPS tracking service, roadside assistance, Web tutorial and tools. Available in 44 states.
Nationwide Mutual Insurance Co.	"SmartRide" program in Ohio, West Virginia, Maryland, Virginia, Delaware and Washington, D.C., available by March 31 for drivers ages 16 to 24, offers a discount of up to 5% for customers who complete an online safety tutorial and receive a certificate.
American Family Mutual Insurance Co.	"Teen Safe Driver Program" supplies an in-vehicle video and audio surveillance camera for no fee. Available in 18 mostly Midwestern and Western states. In February, the company added 10% discount on liability insurance and some other coverages for customers in Colorado and Minnesota.
Fireman's Fund Insurance Co.	In its "Youthful Driver" program, independent young adult drivers up to age 27 can qualify for their parents' multiline, multicar and long-time customer discounts, reducing premiums from 35% to 50%. Available in most states by the end of the year.
State Farm Mutual Automobile Insurance Co.	Up to a 15% discount in most states for drivers under 25 who complete the "Steer Clear" driver safety program, which requires completing a driver's log.

Sources: the companies

18 mostly Midwestern and Western states last year.

In February, the company also added a 10% discount on liability insurance and certain other coverage for customers in Colorado and Minnesota, which may be expanded to other states. There are no equipment or service fees attached to the program.

Fireman's Fund takes a different approach. The high-end insurer is offering a "Youthful Driver" program for young adult drivers who are buying their own policy, which saves them 35% to 50%. It's currently available in Colorado, Connecticut, Georgia, Illinois, Indiana, Kentucky, Michigan, Missouri, Oregon, Texas and Washington, and should be available in most states by the end of the year.

Don Soss, the company's chief underwriting officer, said the president was inspired to create the program when his own son graduated from college and went to get car insurance and his premium doubled. He says grown children typically pay the highest premiums when they move out of their parents' homes, be-

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cause they don't qualify for credits for having multiple cars, multiple lines or a long history with the company.

The Fireman's Fund program allows young adults to qualify for their parents' discounts and credits until they reach their 27th birthday. By that time, with an unblemished record, their premiums should fall.

Behind the trend is a changing market. Auto-insurance premiums have been flat or even down in much of the U.S. because of safer cars, reduced theft rates, better fraud prevention and greater competition. U.S. auto-insurance premium rates rose just 0.4% in 2007, according to the U.S. Bureau of Labor Statistics. In many states, such as New York, car-insurance rates have actually dropped in the past year, says Mike Barry, a spokesman for the Insurance Information Institute.

At the same time, insurers who sell policies directly to consumers, such as Progressive Insurance Co. and Geico, a unit of Berkshire Hathaway Inc., have been swiping bargain hunters from bigger companies. Younger drivers, who pay the highest premiums, are especially likely to scour the Internet looking for the cheapest deal.

The intense competition has provided a new incentive for insurance companies to chase young drivers, even though they're riskier than other groups: Drivers under age 20 are only 6.4% of drivers in 2006 but 13.2% of fatal crashes, for example, and auto accidents are the leading cause of death in that age group, according to the National Highway Traffic Safety Administration.

Nonetheless, their track record has been improving a bit: The number of drivers ages 15 to 20 involved in fatal crashes declined 8% in 2006 compared with 1996, although total fatalities in that age group increased 3%.

Traffic officials credit graduated driver-license laws that place restrictions on where and when teens can drive. The improving statistics give insurers yet another reason to try to win over a group of potential long-term customers, especially since purchasers of auto insurance often go on to buy home insurance and other types of policies.

"You want to get the parents and keep them as customers but also build relationships with their kids," says Paul Ballew, a senior vice president at Nationwide.



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