

Insurance and Legal Tips for Parents

- I. Teen Driving
 - a. 16 year old 6 times more likely to die in car accident than you are
 - b. 17 year old 5 times more likely
 - c. 18 year old 4 times more likely
 - d. 75% of fatalities are male
 - e. One male passenger in teen car almost doubles risk of death
 - f. Two or more teen males more than doubles risk of death

- II. Need for Experience in Driving
 - a. Law Now requires either Drivers' Ed or that Parent certify 30 hours of driving with learners permit
 - b. Must have learners permit at least 6 months before can get regular license
 - c. Need Adequate Experience
 - i. Set Up Regular Times and Trips for 15 Year Olds
 - ii. Let them drive in all conditions: rain and shine
 - iii. Let them try different types of driving: country, city and interstate
 - iv. If you organize and make this happen your anxiety will go down and help reduce likelihood of accident
 - d. Certain Driving Restrictions Apply to 16 year olds for first 6 months
 - i. No driving between Midnight and 6:00AM
 - ii. No more than 4 occupants, not including parent
 - iii. Exceptions: specific work, church or limited school activities
 - e. Waiting a Few Months Before Turning Over the Keys
 - i. Some parents wait a while to allow teens to demonstrate willingness to follow rules and ability to drive competently
 - ii. Remember most countries in Europe don't allow teens to drive until 18, so 16 is still considered very young by international standards

- III. The Right Vehicle
 - a. Discuss with Teen
 - b. Used Vehicle Wise First Choice
 - c. Good Characteristics
 - i. Good Safety Profile
 - ii. Well-Maintained
 - iii. Airbags
 - d. Remember Maintenance Cost: About \$500 to \$1,000 for a 2000 year vehicle
 - e. Great Idea (but maybe too late for now): If you have a 7th grader buy yourself a new car now if you can afford it that your 7th grader likes and would enjoy having in 3 years.
 - i. In this manner, you know the vehicle is well-maintained

- ii. And, your teen gets experience later as a 15 year old driving the same car that will be driven when 16

IV. Insurance Issues

a. Cost of Coverage

- i. If added driver on your policy then cost much less but must be fewer cars than drivers in your household and 25% limitation on teen use
 - 1. Female: \$1,000 to \$1200 annually
 - 2. Male: \$1500 to \$1800 annually
- ii. If 3 cars and 3 drivers, then cannot be added driver, will be considered principal driver of one of the vehicles, i.e. no limitation on use
- iii. If principal driver is 16 year old of 2002 vehicle like Toyota Camry, then:
 - 1. Female: \$1800 per year
 - 2. Male: \$2200 per year

b. Amount of Coverage

- i. Minimum Suggested Limits: \$300,000
- ii. Can Get Higher Coverage Cheaper (e.g. \$1,000,000) by Raising Deductible to \$500 or \$1000
 - 1. A deductible is what you have to pay before your insurance will pay anything
 - 2. If your deductible is \$250, and the damage is \$240, then you will only get \$10 in coverage from your insurance coverage
- iii. Amount of Coverage Important:
 - 1. The more you have the easier it may be to settle lawsuits without a trial and without anyone trying to get to your underlying assets
 - 2. Conventional Wisdom: get as much as you can afford

c. Umbrella Coverage

- i. Different than Car Coverage
- ii. Will Cover Liabilities that arise after underlying coverage used up
- iii. Surprisingly Affordable
 - 1. Assuming you have sufficient primary coverage, runs several hundred dollars a year for \$1,000,000 umbrella policy
 - 2. And, may also cover liabilities arising to everyone in family under the umbrella and to things other than the car like your boat, wave-runners and 4 wheelers.
 - 3. If you have a teen, one of the best deals out there

d. How to Reduce Insurance Cost for Teen with Most Carriers

- i. Driver's Education: 10% Reduction
- ii. Good Grades (As and Bs): 10% Reduction

- iii. Driving Program: 10% Reduction
 - 1. Most insurance companies have program for 16 year old drivers to log their time and what they have done and can do (demonstrating experience)
 - 2. If Teens follow program then this discount applies
 - iv. These Together Can Reduce Insurance Costs by One-Third
 - 1. Savings of \$500-\$700 per year
- e. What Makes Insurance Rates Go Up
- i. Tickets: Assume a 5% increase per ticket
 - ii. At Fault Accident: Assume a 10% increase
 - iii. Multiple Tickets or Accidents
 - 1. Risk of Astronomical Increases
 - 2. Risk of Losing Coverage Altogether
 - 3. Finding Coverage After Lost Very Difficult and Expensive

V. Liability Issues for Parents

- a. Negligent Entrustment of Vehicle
- i. Typical Situation:
 - 1. Teen has had tickets for speeding or known to be poor or reckless driver by parent
 - 2. Teen has another accident and death or serious injury to third party occurs
 - 3. Injured party wants to sue parents to get to parents' assets arguing the parent entrusted the teen with the vehicle knowing that there was a risk that this would happen
 - 4. Lesson: If your teen starts having a problem, then resolve the problem with training and commitment or take the keys until you get them
- b. House Parties: You can be liable if...
- i. You serve a minor
 - ii. You knowingly allow a minor to be served alcohol in your home
 - iii. The "typical" situation
 - 1. Parent believes teens should drink there instead of outside home
 - a. Criminal and Civil Liability Can Apply
 - 2. Parents leave for evening or are asleep in far corner of house and know nothing; police are called because of noise
 - a. Criminal and Civil Liability Could Apply
 - b. Police May be Less than Understanding if all you did was decide to leave the house or go to sleep when you knew or had reason to believe what was going to happen

3. In either scenario if teen drinks at your home and then has accident and kills someone else, then count on being named in a lawsuit and defending yourself; within a year or two you will know whether you have any liability
- iv. Bottom Line: Just Don't Do It
 1. You Avoid the Anxiety
 2. You Avoid the Possibility of Criminal Charges
 3. You Avoid the Possibility of Your Photo Being on the Front Page
 4. You Avoid the Possibility of Being Tied Up in a Lawsuit for Years
 5. You Avoid the Possibility of Someone Coming After your Personal Assets if Your Insurance Coverage was too low or didn't apply (i.e. criminal activity)

VI. Other Tips for Your Teens

- a. Registration and Insurance Card Should be in Marked Envelope in Glove Compartment
- b. If Accident or Ticket, Show Police License, Registration and Insurance Card Immediately
- c. If Pulled Over for Ticket
 - i. Move off highway or road immediately
 - ii. Present License, Registration and Insurance Card Immediately
 - iii. Be Exceedingly Polite: Yes Sir or Yes Ma'am, etc.
 - iv. Could be Difference Between Warning and Ticket