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Quality Service For Your Insurance Needs

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Avoiding Driver Ineligibility and Controlling Your Auto Insurance Premiums

This material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, confer with a qualified professional who can provide guidance that considers your unique circumstances, including state-specific employment laws.

It's a scenario we seem to be seeing more and more of each year. A company seeking auto insurance for its fleet of vehicles and its drivers submits an application to an insurance carrier, listing the vehicles and the employees who will be driving on behalf of the company. To the company's dismay, the carrier refuses to insure one or more of the listed employees due to their poor driving records. The insurer offers an attractive policy and premium that covers the bulk of submitted employees, but steadfastly refuses to include those few drivers with checkered driving histories that include multiple accidents and traffic violations.

What's a company to do? Begin by asking: Do the "ineligible" employees who were rejected by the insurer necessarily have to drive in order to perform their primary duties? Companies sometimes list all of their employees on the insurance application, feeling it's better to be prudent and get everyone in the company insured. But if these ineligible employees do not have to drive to perform their primary functions, then they can be safely removed from the policy. The company just needs to make sure the employee is forbidden from driving a company vehicle or using their own automobile or a rental car on company business.

But what if an ineligible employee does drive to perform his or her primary job duties? Some firms have found a work-around by having another employee serve as the designated driver for the ineligible worker. If work

schedules can be coordinated so that, for example, two designers work in tandem on the same projects, the eligible driver can handle all driving duties.

Another option is to work with your insurance agency to see if the insurer will accept the ineligible driver on a probationary basis. A driver with a spotty record would be accepted on the policy with the stipulation that one additional driving infraction will result in immediate termination of insurance coverage.

You could also, of course, seek out a different insurance carrier. Most insurers use similar rating systems to determine whether a driver is ineligible. Typically, a driver with two or more accidents, one or more major violations (such as reckless driving, driving while intoxicated, speeding/racing, negligent homicide or assault while driving, or hit and run), or multiple minor moving violations (failure to obey signs, failure to yield, illegal turns, etc.) or non-moving violations (parking tickets, etc.) will be deemed ineligible. There are some insurers, however, who are more willing to take on additional risk. This will likely mean higher premiums.

A final approach is to place the ineligible driver separately with an insurer with a higher appetite for risk. Again, this policy will likely be expensive, and the insurer may require you to purchase an umbrella policy as well to increase your overall limits. But this high-risk policy only applies to the ineligible driver and his or her vehicle, not the entire company fleet and all drivers.

Prevention is the Best Policy

There's never a great insurance solution once you have ineligible drivers on your work force who must drive to perform their primary job functions. That is true whether you have your own fleet of company vehicles or employees drive their own cars or rental cars on company business.

Your best option is to avoid having ineligible drivers on your payroll in the first place. And preventive measures should begin with the hiring process. Ask all candidates for jobs that include driving vehicles on the company's behalf to provide a copy of their motor vehicle records from the appropriate state driver's licensing agency. Or, at a minimum, have candidates give their written approval for you to request and obtain copies of their driving records. If a candidate fails to do so, you're probably best to move on. A less than stellar driving record should also give you pause if the position requires that the employee drive on company business.

As far as current employees, it's management's duty to make safe driving a high priority for everyone. Explain to employees that speeding, distracted driving, impaired driving and other forms of reckless behavior that can lead to infractions and accidents can have a direct negative impact on their jobs, limiting their career opportunities with the company. And we're not just talking about the need for safe driving while conducting company business. *In is imperative to make employees understand that infractions incurred during their personal driving (including evenings, weekends and all other off-the-job hours) will show up on their driving records and can make them uninsurable while driving on the company's behalf.* In most cases, employee driving records will be examined every year by the company's auto insurer and an employee's eligibility can end with that next speeding ticket or fender bender caused by the worker.

A Vehicle Safety Program

Companies can go a long way toward eliminating ineligible drivers, improving the company's overall driver safety record and controlling automobile insurance premiums by developing and implementing a vehicle safety program. Typically the company's head of human resources and/or legal representative is tasked with this responsibility. Fortunately, many automobile insurers can provide a comprehensive sample program that can be adapted to meet the company's specific situation. Elements of a vehicle safety program include:

- Annually collecting and reviewing motor vehicle records and valid driver's licenses for all employees (and potential new hires) who will drive on company business.

- Providing regular driver training programs that promote safe and courteous driving in accordance with state and local laws and regulations.
- Monitoring employee driving habits and addressing any unsafe practices, such as talking or texting on their cell phones. (Distracted driving is has become an epidemic with today's young professionals.)
- Developing and enforcing automobile operation policies that identify who can drive which company, personal or rented vehicles under what circumstances. Often, the use of motorcycles or scooters are prohibited.
- Creating procedures for reporting and investigating traffic accidents that occur while driving on company business. This includes complying with all state and local laws governing accidents, immediately calling 911 to report serious accidents, seeking medical assistance for any injured party, documenting the event on a company-approved accident report, and investigating each accident.
- Developing rules and procedures for revoking an employee's driving privileges if involved in a serious at-fault accident, deemed ineligible by the company's insurer, or otherwise in violation of company driving policies.
- In the case of employees driving their personal vehicles for company business, develop requirements regarding safe driving, personal insurance policy limits and automobile maintenance.

You Have Options

Faced with an ineligible driver, you have options. For example, you can prohibit the employee from driving on company business, find alternate high-risk insurance via a standalone auto policy or an endorsement on your general liability policy, or plead your case with your insurer that the employee be added to your policy on probationary status. Terminating employees because of poor driving records can be dicey and would likely require a companywide policy drafted by competent legal counsel that would be applied consistently to all employees, including management. Tread carefully here.

A vehicle safety program can help rehabilitate a poor driver and prevent other employees from developing bad habits. Fortunately, your insurer likely has a number of tools to help you avoid ineligible drivers and keep your automobile insurance premiums under control.

We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventives, including the development and application of sound human resources management policies and procedures. Please call on us for assistance. We're a member of the Professional Liability Agents Network (PLAN). We're here to help.