



Keeping Pace with Auto Risks: Overlooked Risks May Lead To Large Losses

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Business Descriptor

Making safety on the road a top priority for all employees, implementing a formal safety program, and working with the right insurer can help to make auto exposures a more manageable risk.

Companies with large vehicle fleets understand that they have a lot riding on their auto safety programs, but those with smaller vehicle operations may underestimate the risks. For example, even a company with just a few vehicles on the road, or with sales staff that travel frequently, can experience a very big loss. A single accident that involves injuries or death can lead to liability claims that reach into the tens of millions of dollars. Claims over recent years include \$157 million for a tractor-trailer collision that resulted in multiple fatalities, and \$21 million for a bus that hit and seriously injured a pedestrian.¹

To keep employees and others safe on the road, while lessening the potential for a very significant loss, every company that uses its own vehicles, or hires others to use their personal vehicles, needs to make auto safety a top priority. Because claims involving company owned or hired vehicles can be so expensive, companies should make sure that their insurance includes umbrella and/or excess coverage sufficient for liabilities of this size. Working with an insurer that has experience in auto-related exposures and in handling such claims can help mitigate the potential for loss. To address their auto exposures, companies should recognize both long-standing and new areas of risks and the actions they can take to help reduce their exposures.

Texting and Phones

It's an everyday sight on roads and highways: drivers holding phones, texting or talking. Cell phone use, including hands-free calling and texting, accounts for approximately a quarter of all car accidents nationwide, according to the National Safety Council.²

Drivers who are texting take their eyes off the road for an average of five seconds,³ enough time to travel the length of a football field including the end zones at 55 mph.

The above notwithstanding, too often companies do not stress the dangers of cell phone use to their drivers or do not adequately enforce no-calling and no-texting policies. To reduce the risks, companies should prohibit the use of cell phones while driving. This is particularly important for long-haul truck drivers because of the potential for severe and costly accidents. Where it's absolutely necessary that a driver be in contact, companies should provide hands-free phone equipment. Even hands-free calling, however, can be a significant distraction. Employees, such as service personnel who need to be in frequent contact as they complete and head off to new jobs, should make those calls while the vehicle is still parked.

Alcohol and Drugs

Alcohol remains a leading factor in traffic accidents and deaths. Nearly one-third of traffic-related deaths involve alcohol impairment. Drugs, such as marijuana and cocaine, also play a significant role in traffic-related deaths, often in combination with alcohol.⁴ To address the risks associated with impaired driving, companies should perform background and motor vehicle checks on drivers to find any records of drug or alcohol use in the past. While this is an important safeguard, it does not address continuing risks. For instance, drivers with early morning shifts who have stayed up late may still have alcohol in their system and may be impaired when they start work. Random alcohol and drug testing can be an effective means of reducing the risks with their full-time drivers.

The risks are not limited to professional drivers. Sales representatives and consultants may have drinks over lunch or dinner during client visits and then drive afterwards. Companies should make sure that all employees and contractors who are on the road understand and follow the corporate safety procedures for driving.

Aggressive Driving

It's easy enough for people who spend a lot of time behind the wheel to allow frustration with traffic and other drivers to influence their own driving. Employees who are behind schedule may try to make up lost time on the road, leading them to speed or take other actions that diminish safety. Actions characterized as aggressive driving were reported in more than half of fatal crashes between 2003 and 2007, according to a study by the AAA Foundation for Traffic Safety. Speeding was by far the most frequent action, but other major factors included failure to yield, reckless or erratic driving and the failure to obey traffic signs and signals.⁵

Companies should reinforce proper driving habits in their safety manuals and with their staff who drive company vehicles. Commercial companies may want to consider tactics to get feedback on driver behavior, such as the "How is my driving?" signs often seen on the backs of trucks and vans. Because many accidents happen on local trips, companies should reinforce the need for drivers to be especially alert on frequently traveled routes where they may tend to be overly comfortable.

Driver-tracking devices incorporate software that can help provide feedback on poor driving habits, such as excessively hard braking or speeding, and encourage improvement. Drive dash cams can provide crucial documentation

Distraction, Alcohol: Leading Factors in Fatal Accidents

The advent of smart phones has made distracted driving a top safety concern, even as driving while impaired remains a major problem. At any time during daylight hours, about 660,000 Americans are driving while using cellphones or electronic devices. Every day, nearly 30 people die in accidents involving an alcohol-impaired driver. More than 10,000 people died in crashes involving alcohol in 2013. That same year, more than 3,000 people died in crashes involving distracted drivers, and about 424,000 people were injured.

In both cases, younger drivers are the most likely to be involved. Drivers between 21 and 24 account for a third of those involved in fatal crashes with blood alcohol levels 0.08 percent or higher, and drivers from 25 to 34 account for 29 percent. Drivers in their 20s make up more than a quarter of distracted drivers involved in fatal crashes, and 10 percent of all drivers younger than 20 involved in fatal crashes were distracted at the time. While distractions include activities such as talking on a mobile phone, whether hand-held or hands-free, eating and drinking, texting is the most alarming because it takes visual, manual and cognitive attention away from driving.

Sources:

Centers for Disease Control

http://www.cdc.gov/motorvehiclesafety/impaired_driving/impaireddrv_factsheet.html

U.S. Department of Transportation, Distraction.

<http://www.distraction.gov/stats-research-laws/facts-andstatistics.html>

in the event of an accident, including the road conditions and the actions of all the drivers involved. This could show that a company driver was at fault, or that a false claim has been submitted. In either case, it can help to reduce the time to settle a claim and the associated legal costs.

While employees may be resistant to technological monitoring, companies can help engage them in a safety campaign by making it part of an incentive program. While there is a cost associated with such technology, avoiding just one accident can save far more money than the outlay for the equipment and monitoring capabilities.

Driver Health

Driver health is a risk that is often overlooked as a contributor to an accident. Safety concerns can arise from drivers who are sick or overtired, but are reluctant to miss a shift because they won't get paid; overall poor health can also increase the risks of heart attacks or stroke while an employee is driving. The Federal Motor Carrier Safety Administration has previously cited driver use of over-the-counter drugs as a factor in roughly 25,000 large truck crashes involving injuries and fatalities, and driver illness in roughly 4,000 crashes over a 33-month period.⁶

Check the Tires

Underinflated and worn tires are often overlooked contributors to accidents. Vehicles driving on tires underinflated by more than 25 percent are three times more likely to be involved in a crash related to tire problems, according to a study by the National Highway Traffic Safety Administration. Tires that are underinflated up to 25 percent risk overheating that leads to tire failure. Vehicles with tire problems are also more prone to rollover in a crash, particularly SUVs. Tire problems are more likely to emerge in adverse weather conditions. In addition, underinflated tires impair vehicle handling and tire life.

According to a separate NHTSA report, an estimated 414 fatalities and 10,275 no-fatal injuries occurred annually due to flat tires or blowouts before tire pressure monitoring systems were installed in vehicles. Sources:

National Highway Traffic Safety Administration, "Tire-related factors in the pre crash phase," April 2012.

Consumer Reports, NHTSA study finds underinflated and worn tires increase likelihood of crash, May 15, 2012.

Health-related risks are difficult to deal with, but companies should consider how they can better communicate the risks of driving while sick or fatigued to encourage employees to be proactive on health issues, and to inform the company of any relevant health issues.

Compromised Vehicle Parts

Drivers aren't the only risk; The vehicles should also be kept in good working order. Delayed maintenance can increase the chance of accidents, and companies that pay attention to maintenance procedures have better results than those that don't. Common issues include worn brake pads and underinflated tires that could rupture and cause a driver to lose control.

Vehicles should be brought to a reliable vendor for regular servicing, whether on a set mileage or elapsed time basis, or to an in-house garage where mechanics can service the vehicles. Employees should be encouraged to report any problems with their vehicles. Vehicles that reach a certain mileage limit should be taken out of service and replaced. This helps to renew the fleet with newer vehicles that include enhanced technology and safety features, such as systems that maintain a safe distance when cruise control is engaged and provide warnings when a vehicle is drifting out of its lane.

Weather

While the weather is outside of corporate control, companies can still take actions to lessen the risks. For example, this should include making sure vehicle tires are properly rotated and not overly worn. In inclement weather, companies should consider winter tires; it may be advisable to make sure that drivers have heated side mirrors and defrosting windows so they can see properly. It is important for companies to be aware that weather can impact the business and should communicate to their employees that safety comes first.

Accident Protocols

Even at the most safety-conscious companies, accidents can still happen. In the case of an accident, every driver should know what protocols to follow, as well as whom to report it to at the company. These protocols should be formally stated in the employee manual. The company should have specifically designated personnel to notify the insurance carrier or third-party administrator as well as any other parties that are required to be notified under the insurance policy. From a risk management standpoint, early notification helps make sure that all the correct information is provided to the right parties and that the proper steps can be taken as soon as possible to respond to the claim.

Background Checks

It's crucial to make sure that only drivers with good safety and traffic records are hired. Motor vehicle record checks are a vital tool to ascertain if a potential employee has any violations or accidents. Because drivers may be reluctant to report violations after they're hired, companies may want to reorder motor vehicle record checks on an annual or other regular basis.

Reward Systems

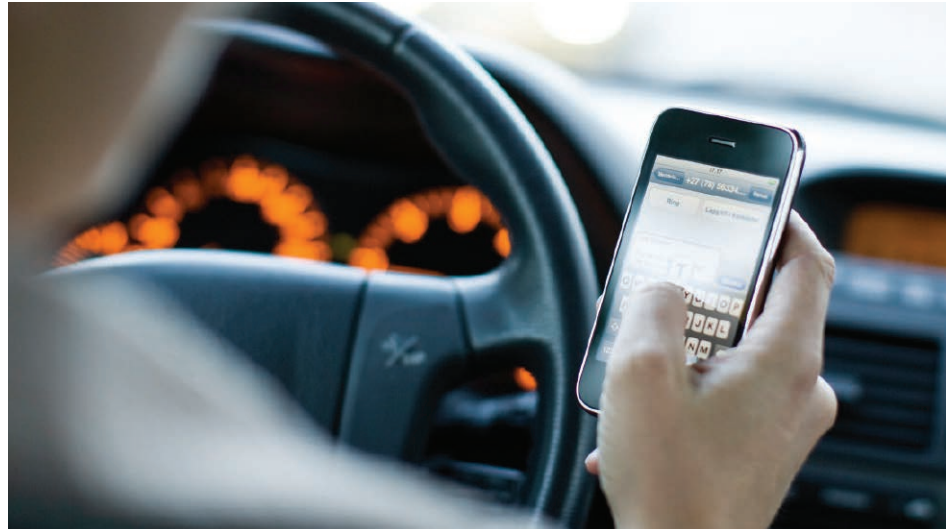
While it's important to identify and take action on bad driving habits, companies should also consider rewarding safe driving. This could involve gifts or prizes for meeting certain targets, such as no speeding or traffic violations, no accidents in a certain amount of time or number of miles, and no hard breaking violations per company policy. Such

strategies can create friendly competition between divisions or regions, provide incentives for safer driving and may help in retaining good drivers. While there is a cost involved in such programs, they can serve to both reduce accidents and to improve employee morale.

Keeping Up with Auto Risks

Auto exposures are not just a concern for companies that have large fleets. A wide range of businesses may have unrecognized auto exposures or may underestimate their severity. A proactive approach to auto safety can help protect employees and others and to reduce the chance of accidents. Some critical steps include hiring safe drivers, monitoring their performance, and making sure they are healthy enough to drive. It's not just full-time drivers who should be the focus; companies with sales or professional staff on the road often need to promote safe-driving habits for those employees, as well. Those steps can lessen, but not always eliminate, the risk of accidents. Because of the potential for claims reaching into the millions of dollars, companies should make sure they have adequate umbrella or excess insurance coverage for accidents involving an employee or a contractor. It's also important for companies to assess their ability to cover the self-insured retentions that they're assuming with those policies.

As they assess their coverage needs, companies should work with an insurer that has experience helping to mitigate vehicle risks, providing umbrella or excess coverage for auto exposures, and handling auto-related claims. Making safety on the road a top priority for all employees, implementing a formal safety program, and working with the right insurer can help to make auto exposures a more manageable risk.



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Endnotes:

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6. The large truck crash causation study - Analysis brief, Federal Motor Carrier Safety Administration, July 2007. See: <http://www.fmcsa.dot.gov/safety/research-and-analysis/large-truck-crash-causation-study-analysis-brief>



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