



Corporate Exposure: Controlling Accidents

Harry P. Mirijanian

Controlling vehicle accidents and their resulting direct (insurance premium) and indirect (uninsured) costs are not happenstance. Fleet accident controls are a function of management. In the interest of keeping things simple, I have divided this management function into three primary components: involvement, driver selection, and preventive maintenance.

Management Involvement

Commitment on the part of management to controlling exposure to loss is not enough; management's *involvement* is necessary to begin providing real control. Interestingly, many risk management personnel have been programmed to first seek management's commitment to controlling losses. This, in my opinion, solves only part of the problem.

All management personnel believe in eliminating accidents. I have never, in fact, met anyone from within the ranks of management who is not committed to accident elimination. Often, however, their *involvement* with this issue is severely limited. Management must establish policies and procedures that will complement safe vehicle operations. For example, compensating an employee for promptness or early delivery may encourage some drivers to compromise safe speeds and ignore weather conditions. The recognition system developed should reward the employee not only for results but for the methods used to attain those results.

Conversely, it is critical that management be willing to punish or penalize all operations that violate risk control management guidelines. Regrettably, we often hear management making excuses or otherwise justifying employees' violations of policy. An example: "I know he's had three speeding violations in the last ten

days—but his sales are way up." Other excuses include: "But he only had *one* drink," "Everyone deserves a second chance, and he feels so bad," and even "He's the boss's son."

The messages that these excuses really convey to the workforce are, "We really don't care about safety rules. We only care if the violation involves *you* (and then we'll use it to get you)," or "The rules were developed to keep the insurance company happy, but we're not really serious." The point is simple: Consistent, uniform enforcement of all rules by management is necessary. This is why management involvement is essential.

Allowing defective vehicles to operate sends mixed messages to employees about management's true commitment to risk control.

In the past, it was difficult to evaluate someone's driving ability—but no more. The computerization of driver license records has made it possible for employers to obtain motor vehicle record checks on any employee, usually within 24 hours. Although the information varies in form somewhat from state to state, it is useful as a means of providing background information. A word of caution when using motor vehicle checks: If you plan to use such checks, make sure you use them consistently on *all* employees; otherwise, the practice may be deemed discriminatory.

In addition to motor vehicle record

checks, a number of personal profiling tools exist that have produced extraordinary results in identifying individual personality characteristics that may contribute to accident predisposition. These tools, when used properly, satisfy the regulatory requirements of such agencies as DOT, EEOC, ADA, and others.

Preventive Maintenance

Without proper equipment maintenance, all the management involvement and driver screening in the world will not prevent losses. Tires, brakes, lights, horns, and all other parts must operate at peak performance. Even a vehicle with a minor defect, such as a cracked lens, should not be permitted on the road; allowing defective vehicles to operate sends mixed messages to employees about management's true commitment to safety and risk control.

Additional Help

As with all aspects of business and profitability, management control of, and involvement in, the processes by which results are measured is essential for prolonged positive results. If your organization is subject to DOT regulations, review them carefully, especially Title 49-Federal Motor Carrier Safety Regulations-US DOT Part 391. There are some highly specific requirements—and fines for non-compliance.

In addition, Applied Risk has developed a one-page, eight-question driver profile, which, though certainly not a profiling questionnaire, can aid in management's review process. To obtain a free copy of the Driver Profile, phone Applied Risk at 914-365-2444 (FAX 914-365-2494).

Harry P. Mirijanian is president of Applied Risk, an independent risk management services firm established to assist the business community in reducing exposure to loss and insurance costs. He is a frequent speaker at AMA seminars.



American Management Association

A Management Review supplement for members of AMA's Finance, and Insurance and Risk Management Divisions.