



Auto Dealer Claim of the Month – April 2024

Federated Insurance's Claim of the Month – Vehicle Testing During Hours

An insured auto dealer regularly let their technicians take inventory vehicles home after repairs were made before placing them on the lot to ensure they were in good working order. It was generally understood that they should not be using these vehicles for personal use after the technicians got home. However, one technician didn't have another vehicle and took an inventory vehicle out to dinner with friends. They had a few drinks, and on the way home collided with a parked ambulance, killing the driver. It was discovered that the technician may not have been a legal US citizen and did not have a valid driver's license for that state.

CLAIM AMOUNT: \$5 million, \$42,000 for the ambulance and \$27,500 for the inventory vehicle.

Risk management advice:

- Establish a policy that strictly prohibits technicians from using inventory vehicles for personal use, noting that testing should be completed during working hours.
- Implement a vehicle monitoring system, in-cab technology, or telematics solution.
- Conduct thorough background checks on all employees, where applicable by law.
- Regularly run Motor Vehicle Record (MVR) checks on employees.
- Enforce consequences for policy violations to establish accountability.
- Conduct regular training sessions on responsible vehicle use.
- Set clear expectations with employees regarding their responsibilities and obligations when operating company vehicles.
- Ensure adequate insurance coverage that protects against potential liabilities resulting from accidents or incidents involving company vehicles.
- Regularly review and update risk management policies and procedures to address emerging risks and potential hazards.

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