

Loss Prevention

Please route to:

- Dealer principal
- General manager
- F&I manager
- Sales manager
- Service manager
- Office manager

Negligent entrustment

Reckless endangerment, punitive damages, criminal negligence . . .

These are terms that should concern you if you provide vehicles to your employees. The behavior and actions of your employees can have a direct impact on you and your business. You can be held legally and financially responsible for accidents and injuries caused by employees while operating your vehicles. How? Under the theory of “negligent entrustment” – giving or entrusting your vehicle to a person who is incompetent or cannot operate the vehicle safely.

Let’s look at how it could happen to you.

A great GM that the dealer has known for years leaves a competitor, is contacted immediately, a deal is cut and he’s hired that same day. The new GM is given keys to the dealership and a shiny new demo. All is well for a month or two until one afternoon, while driving to the bank to make a deposit, the GM runs a red light, hits a small car and kills two people. The police department, in the course of their investigation, checks the GM’s motor vehicle record (MVR) and discovers a very poor driving history: multiple moving violations, suspended license, motor vehicle accident, etc.

Did the dealership check the GM’s driving record prior to hire and ignore the violations and accident history because of the GM’s great sales record? If yes, then the dealership could be exposed to negligent entrustment.

What can you do to prevent a negligent entrustment situation?

Before employment:

In accordance with applicable laws, check employment references, criminal records and motor vehicle records.

After employment:

1. Annually review the driving records of employees who are allowed to use company vehicles.
2. Do not allow employees who have known current substance abuse problems or poor driving records to operate company vehicles.
3. Verify that your policy concerning use of company vehicles is being followed.
4. Employees with suspended licenses, even for administrative reasons (i.e. failure to renew license prior to expiration, etc.), must be prohibited from operating company vehicles.

Conclusion

Developing policies and publishing them in an employee handbook is easy. The difficult part is implementing and enforcing these policies. However, be aware that failure to follow these policies can be used against you.

Loss prevention information

For questions about this loss prevention topic, contact the Zurich Risk Engineering Department at 800-821-7803.

Not a customer?

For more information about Zurich's products and Risk Engineering services, visit www.zurichna.com/zdu or call us at 800-840-8842 ext. 7449.

Already a customer?

Contact your Zurich Account Executive or agent for information about additional Zurich's products and Risk Engineering services.

The information in this publication was compiled from sources believed to be reliable for informational purposes only. All sample policies and procedures herein should serve as a guideline, which you can use to create your own policies and procedures. We trust that you will customize these samples to reflect your own operations and believe that these samples may serve as a helpful platform for this endeavor. Any and all information contained herein is not intended to constitute legal advice and accordingly, you should consult with your own attorneys when developing programs and policies. We do not guarantee the accuracy of this information or any results and further assume no liability in connection with this publication and sample policies and procedures, including any information, methods or safety suggestions contained herein. Moreover, Zurich reminds you that this cannot be assumed to contain every acceptable safety and compliance procedure or that additional procedures might not be appropriate under the circumstances. The subject matter of this publication is not tied to any specific insurance product nor will adopting these policies and procedures ensure coverage under any insurance policy.