



Topics Concerning Buyers of Commercial Insurance

MSP C 08/2009 – “Managing Your Corporate Auto Exposure”  
Commercial Insurance Update Newsletter

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# Managing Your Corporate Auto Exposure

By Jeffrey W. Cavnignac, CPCU, ARM, RPLU, CRIS  
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Whether your company owns 100 vehicles or none at all, you have an exposure to loss arising out of automobiles used in your business. An “exposure to loss” is “any condition that presents a possibility of loss, whether or not actual loss occurs.” From a Risk Management perspective there are only four types of exposures:

- Property
- Personnel
- Income
- Third Party Liability

Automobiles can potentially impact all four of these exposures. In the event of an auto accident your vehicle can be damaged as well as business personal property or, rarely, personal property (Property exposure). Employees can be injured (Personnel exposure), your business revenues can be impacted (Income exposure), and you could become a defendant in a lawsuit (Third Party Liability). Oftentimes automobiles are a business’s largest exposure. Because of this it is imperative that all businesses:

- Analyze the exposure they have arising out of their automobiles
- Determine how to prevent losses, and then manage and control those exposures
- Decide how much of this risk they want to transfer to an insurance company
- Remain diligent in reviewing their changing automobile exposures to make certain they continue to be effectively managed



The Risk Management Process

Collectively, these four steps make up the Risk Management Process.

Failure to effectively manage the automobile exposure can be devastating to a company’s bottom line

Corporate Auto (continued on page 2)

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and potentially determine its survival. Effective Risk Management, however, can lower the Total Cost of Risk and drive dollars to a company's bottom line.

### Owned Autos

Automobile loss exposures lend themselves to being managed. A well written Vehicle Fleet Safety Program can provide an effective outline to manage this exposure. The Fleet Safety Program should be part of affected employees' performance expectations. At a minimum, the program should address the following areas:

1. Policy Statement – The Policy Statement is a general overview of the company's philosophy on managing the exposure to auto losses. It underscores the importance of safe driving and the balance of the Fleet Safety Program. A written Safe Driving Contract should be required from all affected employees.
2. Vehicle Use – If an employee is provided a company automobile or is merely allowed to use one when necessary, it is important to spell out when and how the vehicle can be used.  
Is it available *exclusively* for business use, or will the employee be allowed to use it personally as well? Will other people be authorized or prohibited from using the car? What about family members?
3. Driver Eligibility and Responsibility – Regardless of who you allow to operate a car on behalf of the company, that driver should meet certain eligibility standards. What is the minimum age for a driver? Are there special defensive driving classes that are going to be required?

Note that this applies not only to company-owned vehicles, but also to employees who use their car on company business. If they are driving a vehicle for your company, you have some responsibility. Run Motor Vehicle Reports on a regular basis and make certain everyone understands what an acceptable driving record is. Driving privileges need to be withdrawn if an employee fails to meet your requirements.

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## Risk Management Seminars

2009 Series

450 B Tower, 450 B Street, Suite 1800, San Diego, CA 92101-8005

- 7 Habits of Frequently Sued Managers  
Thursday, August 27, 2009 — 7:30-10:30 a.m.
- Sexual Harassment Prevention Training  
Satisfies AB1825 requirements  
Friday, September 11, 2009 — 8:00-10:30 a.m.
- Strategic Human Resources  
Friday, September 25, 2009 — 8:00-10:30 a.m.
- Disaster Planning for Businesses  
Wednesday, October 14, 2009 — 8:00-10:30 a.m.
- Property Management  
Thursday, October 15, 2009 — 8:00-10:30 a.m.

All training sessions available to our clients  
Reserve early / seating is limited! \*

For more information about upcoming seminars  
Contact **Darcee Nichols** at [dnichols@cavignac.com](mailto:dnichols@cavignac.com)  
or **619-744-0596**.

\* **NOTE:** Due to the popularity of our seminars and limited seating, we regret **we cannot provide refunds or credits with less than 72 hours advance notice of cancellation.**

Eligible drivers are also responsible for operating the vehicle safely and complying with all traffic laws. They should be required to report all traffic violations and accidents as well as maintain the vehicle according to the manufacturer's service, maintenance and inspection schedule.

Employees also have to understand the company's expense and maintenance reporting requirements.

4. Defensive Driving Rules – It is important to consider implementing Defensive Driver training. Regular training on the basics of safe driving has proven to substantially reduce the frequency of vehicle accidents.

The type of vehicles your company uses will dictate just how detailed your Defensive Driving Training Program and employee Safe Driving Contract should be. Regardless, basic defensive driving guidelines should be spelled out. Any requirements to attend Defensive Driving classes should be clear.

5. What to Do in Case of an Accident – Steps taken immediately after an accident can have a significant impact on the ultimate resolution of any disputes. Unfortunately, many times the participants in an accident are shaken up and don't follow basic post-accident procedures. Because of this it is important to enroll your staff in Post-Accident Response Training.

In addition, every vehicle should have a Claims Kit in the glove box. The Claims Kit will provide step by step instructions of what to do in the event of an accident. Your company should also appoint a Claims Officer or Manager – the individual in your company who would be the first person to call in the event of an accident.

### Non-Owned Autos

Even if you don't have any company vehicles, you may still have an exposure to loss if employees, volunteers or other people use their cars on company business. Despite the fact that "insurance follows the vehicle," if there is an accident and the damages exceed the available insurance of the vehicle operator, the employer is next in line.

Fortunately this risk can be transferred to your insurance company for a relatively modest cost (Non-Owned Auto Coverage). Note that this coverage protects the insured (employer) for its vicarious liability arising out of the use of another's auto (usually an employee) on company business. It does **not** cover the vehicle operator unless the policy is specifically endorsed to do this, nor does it provide coverage for damage to the vehicle operator's car. Vehicle owners need to rely on their own insurance for both liability and physical damage protection.

It is prudent to require individuals who regularly operate their vehicles on company business to carry a certain minimum amount of liability insurance. The actual amount is up to you, but we suggest nothing less than bodily injury of \$250,000 each person, \$500,000 each accident and property damage of \$100,000. You should also make certain they understand that you are not providing insurance for them, and again, you should regularly run a Motor Vehicle Report on all regular drivers to make certain they have an acceptable driving record.

# Corporate Automobile Procedure Samples

## Use of Personal Vehicles

When it is necessary for a staff member to use his/her own vehicle for business travel, mileage will be reimbursed by the firm at the current IRS rate. Use of personal vehicles for business travel is to be approved by the employee's supervisor. It is the supervisor's responsibility to ensure that the staff member driving on company business has a valid driver's license and proof of insurance on his/her automobile.

Any employee using his/her automobile on behalf of the company should carry minimum bodily injury limits of \$250,000 each person, \$500,000 each accident and property damage limits of \$100,000 each accident. A \$500,000 combined single limit will also satisfy this requirement.

Please note that the company does not provide any liability coverage for you. In addition, if you are involved in an accident, the company does not provide any physical damage coverage for your automobile. You must look to your own insurance company for this coverage.

## Use of Rental Vehicles

The company provides \$1 million of liability for vehicles rented in the name of the company. The following approaches help to validate that the vehicle is, in fact, being used for company business and is not a personal rental:

1. List both your name and the company's name on the rental agreement. (Example: Joe Jones, ABC Company)
2. Use the company's corporate address on the rental contract, as opposed to your home address.

There is no coverage if the vehicle is rented personally. (If it is rented personally, your personal auto policy may provide coverage, but you should verify this).

The company does not provide any physical damage coverage for rented vehicles. Therefore, when renting a vehicle, you are **required** to purchase the physical damage coverage from the rental company.

## Driving in Mexico

The company's commercial insurance policy does **not** provide coverage for employees when they operate its vehicles in Mexico. As such, prior to entering Mexico, you should purchase Mexican auto insurance from a licensed Mexican auto insurance broker. Full coverage (liability and physical damage) should be purchased.

These clauses are intended as examples only. They should be specifically discussed with your insurance broker and/or legal counsel prior to being incorporated into your employee handbook or policies and procedures. ✨

## Hired Autos

When you or an employee rent a vehicle on company business, you have potential liability for both third party damages as well as damage to the rental vehicle. Once again, this exposure can be transferred to your insurance company for a relatively modest cost. In general, you don't have to purchase the liability coverage offered by the rental car company.

If you have an "Owned Auto" policy you can usually include Hired Car Physical Damage coverage which covers damage to the rented car. Despite this, we generally recommend that you purchase the Loss Damage Waiver (LDW) offered by the rental car company. For a more complete discussion on how to handle your exposure arising out of rental cars, read our **Commercial Insurance Update** (June 2007) article "You're at the Rental Car Counter... What Coverage Do You Need?" Link:

<http://www.cavignac.com/pdfs/0607CML.pdf>

## Driving in Mexico

Insurance purchased in the United States is *not* recognized by Mexico as a viable form of financial responsibility. Remember, in Mexico you are considered guilty until proven innocent. If you are in an auto accident and don't have Mexican auto insurance, your vehicle can be impounded and you can be taken to jail. When you drive in Mexico, whether in your vehicle or

another vehicle, you need to make certain you have Mexican auto insurance. This can be easily purchased online or from a Mexican insurance company prior to entering Mexico.

## Conclusion

Every company faces numerous exposures to loss. Automobiles are one of the most significant exposures. Effective Risk Management can help to identify what those exposures are and which Risk Control strategies should be implemented to reduce the frequency and severity of those exposures. Once you have identified the exposures and agreed on the Risk Control strategies, you are then in a much better position to decide how much risk you want to retain and how much you want to transfer to the insurance company.

By understanding your risk and being able to convey to the insurance company the steps your company has taken to manage those exposures (Risk Control), you are in a much better position to negotiate favorable terms and rates. Effectively managing your automobile exposure can lower your company's Total Cost of Risk and drive dollars to your bottom line. ✂

**Disclaimer:** This article is written from an insurance perspective and is meant to be used for informational purposes only. It is not the intent of this article to provide legal advice, or advice for any specific fact, situation or circumstance. Contact legal counsel for specific advice.

# Getting Paid



## How to Make Collections Part of Daily Life

By Thor J. Eakes, CPA  
Principal of Murrill, Eakes and Company Accountancy Corporation

**S**ales without collections are worthless. In a recession, all companies need a predictable cash flow strategy. In good times and bad, it's simply good business to address the issue since healthy cash flow provides the locomotion to drive a successful business. Here are some surefire ways to get what's owed you.

### Create a System

First off, every CEO needs to create an accounts receivable collection system. This includes developing a credit limit for every client. You need to develop a set amount you are willing to front your clients.

In addition, companies need to be proactive. In your weekly staff meetings, include discussions regarding your accounts receivable aging and who is the best person (sales people, CEO etc.) to call for payment. A phone call to the decision maker works wonders.

Don't be afraid to ask for payment prior to the start of any additional work. Most business owners understand that they need to pay for the last job before the next project.

### Involve Your Sales Team

Don't be afraid to involve your sales force. In many cases, the sales team has the best relationship with the client, and a personal call (or visit) will free up the cash. The chances are always better that the client will take the collection call from the sales team than the accounting department.

Also, find out who "cuts the checks" and send them a box of candy or movie tickets as a thank you for paying your bill. Most times, these people are treated poorly and some kindness would speak volumes.

Getting Paid (continued from page 4)

## Speed Up the Billing Process

Other techniques for getting paid are to speed up the billing process. Instead of sending out bills on a monthly basis, try to send out bills twice a month. It is also okay to send out bills with the product or service!

Finally, try to send your larger bills via overnight mail, then follow-up the next day with a call to make certain the client received the bill and didn't have any problems. This heightens the importance of your payment and a \$15 investment might save two weeks in collecting a six figure payment!

## Collecting Old Receivables

What about collecting on old receivables? The best approach to collecting an old receivable is to maintain a level of communication. Keep talking. Find out why you are not getting paid. Bad product or service, or just bad times?

During this conversation, you can confirm they agree to the amount and possibly payment terms to pay off the balance. You may also want to create a promissory note. Please see your attorney on this one.

## Late Charges

I would not recommend levying late payment charges. In my experience, I have never seen this work. They usually ignore the charge.

I would also not offer an early payment discount. In most cases, your client will take the discount and pay 60 days later.

Don't run too quickly to a collection agency. This is usually the kiss of death in the relationship, and should only be used when communication has come to a halt. Remember, many collection agencies want 50% of the proceeds.

It is also important to cut your losses on small balances. Given the opportunity cost, the time lost is not worth the small amount you would receive in return.

I hope you find this information helpful. Good communication at the highest level is the best resource to improve cash flow and maintain the relationship.

If you need further information, please call me at (858) 332-4201. ✂

### **Murrill, Eakes & Company Accountancy Corporation**

*is a locally-owned CPA firm which provides accounting, tax, and consulting services to small, privately-held businesses, and their owners. The firm was originally formed in 1983 and purchased by the current partners in 1994. Murrill Eakes' mission is to provide clients a hands-on approach to quality personal service and close attention to detail at reasonable prices.*

*Thor J. Eakes is a CPA and a principal in the accounting firm of Murrill, Eakes & Company Accountancy Corporation. He specializes in taxation consulting services and business consulting for all forms of businesses and individuals. Thor has been practicing for 27 years in the greater San Diego area. He is member of the AICPA and California Society of CPAs and serves on several boards in the community.*

# The Office A Dangerous Work Environment

*By Stuart Nakutin, CSA, COA, CET, WCCP, CHMC, Director of Safety and Loss Control Services*

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It is generally accepted that in industrial work areas, you'll find dangerous work environments that expose employees to potential injury. Few people recognize the potential risks found in everyday office environments (also known as "administrative areas").

Office work can lead to injuries if appropriate safe work practices are not followed. Accidental injuries are just as painful, severe, and expensive to office workers as to industrial workers.

A safety program cannot be fully effective if there is only partial participation. A safety program that is not vigorously pursued in administrative offices probably will not be vigorously pursued in the Industrial shops. Also, if office workers are exempt, production workers often feel that following rules to avoid hazards is an unnecessary burden, and, perhaps, an unfair exercise of authority by management.

One reason that office safety programs are not put on the "front burner" is that far too many people believe

office injuries are inconsequential — a gross and dangerous assumption. Learn to avoid the common office hazards that very often lead to injuries.

## Complacency

Complacency is a prime cause of injury. It is the attitude that office accidents do not amount to much because the average worker does not perceive that office work is hazardous. Office workers must be willing to adopt safe procedures and be encouraged to do so.

Even more important, office supervisors (the key person in the office safety program) must understand



Office (continued on page 6)

the nature of office hazards and unsafe practices and take necessary measures to reduce and manage these hazards.

### Safe Handling

Musculoskeletal strains and sprains are associated with material handling. Use the following precautions to prevent injury:

- If you must walk and carry an object, make sure the object is carried in a way that avoids blocking your vision.
- Never lift objects that are too heavy to handle comfortably. Get help or use a hand truck when moving heavy or large objects.
- Lift objects from the floor correctly by using proper lifting mechanics — hold the load close to your body.
- Use a stool or step ladder when placing or removing items from high shelves.



### Computer Use

Although often overlooked as a source of injury until the damage is done, stress and strain associated with sitting and Video Display Terminal (VDT) use are common. Incorporate the following safety measures:

- Arrange your desk or work station so that your arms, wrists, legs, back and neck can be maintained in a comfortable “neutral” position, with proper back support.
- Those who spend long hours at a computer should consider mastering keyboard moves instead of relying principally on the mouse. This helps reduce strain on your elbow and shoulder.
- Be sure to take rest breaks.



### Cube Caution

The most common office accidents are those resulting from slips, trips, and falls. Such injuries can be avoided by taking the following precautions:

- Never run in the office.
- If liquids are spilled on tile or linoleum floors, clean them up immediately.
- Keep aisles clear of stored items.



- Never leave desk or cabinet drawers open after use.
- If a rolling chair pad is cracked or if any part of the pad edge is curled upward, replace it and eliminate the tripping hazard.
- Do not lay electrical cords, computer cords or phone cords where they can create a tripping hazard.
- NEVER “daisy-chain” power strips.
- Keep heat-producing appliances such as refrigerators, microwaves and coffeepots out of cubicles. Cubicles are not designed to support such loads. Instead, place them in a centralized supervisor-designated break area with appropriate wiring.

### All Hands

Hand injuries result from cuts, scrapes, smashes, and punctures. These can be avoided by:

- Using a letter opener when opening envelopes and boxes, and a staple puller when removing staples from documents.
- Wearing a rubber finger “cot” when fingering through a significant amount of envelopes or pieces of paper.
- Storing sharp objects neatly in desk drawers or inside closed containers.
- Always closing desk and file cabinet drawers with your hand firmly gripped on the drawer handle.
- Leaving repair of office equipment to the maintenance people. ✂



## Ergonomic and Safety Evaluations

### Did you know?

Frequency and severity of injuries, as well as ignorance about first aid claims, all affect your workers compensation costs. You ultimately pay for workers compensation injuries, which bleed dollars from your bottom line.

As part of our ongoing Risk Control Services program, Cavnac & Associates offers Ergonomic and Safety Evaluations to our clients and prospective clients on a fee basis.

Contact **Stuart Nakutin** for more information:

- **E-Mail:** [snakutin@cavnac.com](mailto:snakutin@cavnac.com)
- **Direct line:** 619-744-0589



Articles courtesy of Cavignac & Associates Employee Benefits Department

## LIVE WELL, WORK WELL

### Get Your ZZZs Or Pay the Price

Are you getting the sleep you need? According to the National Heart, Lung and Blood Institute, the average adult needs about eight hours of sleep every night. On top of all your other commitments and demands, squeezing this in each night may not be on your priority list, but it should be.



As with diet and exercise, sleep is important for our bodies and minds to function normally. When we get even an hour less sleep than we need each night, we develop a “sleep debt.” Multiply this by a few nights and it can lead to sleepiness that interferes with your daily routine and activities, and reduces your ability to function normally. Such “problem sleepiness” can pose serious risks, such as drowsy driving or workplace accidents. It can also affect productivity, mood, memory, concentration and relationships with others. So instead of watching that extra hour of television, get to bed!

[www.menshealthnetwork.org](http://www.menshealthnetwork.org). ✨

Are you getting  
your eight hours?

### Save without Missing a Penny!

We all know that saving is important, but in this economy just paying bills is hard enough. Check out these creative tips to save money without the sacrifice!

#### Make the Most of Your Coupon Savings

Are you an avid bargain hunter or coupon clipper? What do you do with that money you saved on discounts? If you answered “*spend it on something else,*” here’s an alternative. Try depositing all that money you saved on coupons and discounts into a savings account, and you could have \$300 saved in just three months.

#### Be a Smarter Home Buyer

When the bank clears you for a certain loan amount, think twice before rushing to buy a house for that price. If the bank says you can afford a \$200,000 loan, just think of the extra cash you’ll have each month if you find a house for \$150,000! Plus, smaller houses have smaller repair costs, lower property taxes and lower utility costs.

Another strategy: flip-flop your budgeting thought process. Many people buy a home first and just assume the rest of their budget will work itself out. Instead, map out your monthly budget, including car payments, “fun” money and savings goals. Then see how much is left to reasonably afford a mortgage payment.

#### Buy Used

Unlike houses, cars depreciate rather than gain value over time. Skip the 2010 model and buy a used car – your payments will be a fraction of the cost, and just think of all the interest you won’t have paid over the life of the loan.

Or, save up and pay cash up-front and skip the monthly car payments and interest altogether. Just make sure you’re buying from a certified used car dealer, or get it checked out by a mechanic before you buy. ✨

# Community Bulletin Board

*"Neighbors helping neighbors in San Diego"*



Senior  
Community  
Centers

### Mission:

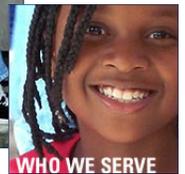
To provide quality and compassionate services for the survival, health and independence of seniors living in poverty

- ✦ Stand Up for Seniors
- ✦ Web Site



## Monarch Schools

- ✦ Programs
- ✦ Web Site



- ✦ Web Site
- ✦ Questions?

Contact **Alicia Gettys** by phone at **619-232-7451** or e-mail **agettys@ymca.org**



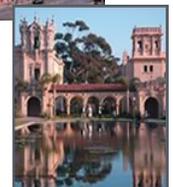
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### Mission:

The Society for Design Administration advances management and administrative professionals in the A/E/C industry through education, networking and resources.

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