

Fall 2011 Volume 17 Issue 66

# Dialogue

**Preferred  
Dealer  
Protection**
**Cost Control Through Loss Control**

## Safety Committees: How to Succeed

**H**aving attended many safety committee meetings at dealerships, I have asked myself: Why are some successful while others fail? It's not lack of motivation; every dealership starts out with good intentions to prevent loss and injury.

### Ineffective Meetings: The Dealership that Tried

One store with over a hundred employees was experiencing a great deal of loss activity. I was amazed to learn that the "Safety Committee" had been meeting monthly for over three years—and yet the losses had grown worse over that time. What were the members doing ... or not doing?

As it turned out, the committee head was a very likable department manager who did not confront department managers or employees about the committees' findings. The committee dutifully reviewed each accident and



took care of physical problems—the curbs in the service department were painted yellow, the premises were kept orderly and "No smoking" signs were posted—but the losses had grown worse.

It's my assessment that this committee failed for two reasons. First, only 20% of all losses are the result of physical conditions; 80% result from unsafe actions. The committee, following the example of its leadership, simply did not address the major cause of loss. Second, it was clear that some managers assumed it was the committee's responsibility to address safety issues, not theirs.

### Effective Meetings: Dealerships That Succeed

The key to an effective safety program is effective leadership. In the case above, although it was pointed out that most losses are caused by risky behavior (driver error, etc.), the committee continued to focus on unsafe conditions rather than unsafe actions.

In contrast, we've seen many effective safety committees—those with the responsibility and the authority to deal

with safety issues. They review each loss to determine the causes and make corrections accordingly. Issues are given the same priority as any other management concern and each department is held accountable for its losses. Many dealerships take the further step of holding the affected department financially responsible for each loss, charging them for the first \$5,000 – \$10,000 of a claim.

Employees are also held accountable. If, for example, a technician sustains an eye injury, that employee is penalized for not wearing safety glasses or goggles. If a driver is found to be at fault in an auto accident, he or she must contribute financially to the deductible, lose the right to drive a demo, or be fired for not following the safety rules.

Safety is an important part of every manager's and supervisor's job. Prevention is the best prescription: If employees know that the boss is concerned about their safety and well-being, they are less likely to take an unnecessary risk.

### Steps to Success

If you're committed to transforming your safety committee, you've already taken the first step to success. Follow this list and you'll get the job done.

### Set the Stage

Clearly state the purpose of your safety committee meetings: to protect the employees, customers, general public and the dealership from injury, damage or loss.

*Continued on Page 2*

### Inside This Issue

Safety Committees: How to Succeed	1/2
Sad But True	2
Claim Summaries	3
Street Smart - In Case of an Accident	4
From the Field	4/5
Deer Danger	5
Regulatory Issues	5
Worth Repeating	6

# Safety Committees: How to Succeed

*Continued from Page 1*

Announce that each department will be held accountable for their safety results, just as for every other management responsibility. The safety committee should work alongside management and be observant and objective, providing insight and advice; it cannot bear the full burden of safety management alone.

Set a yearly goal for the committee. Depending on the size of your operation and current loss activity your goal could range from reducing losses by 50% to not having any losses at all. PDP Loss Control Representatives are available to advise you.

Set an agenda and stick to it. Don't allow members to bring up other topics—employee morale events, Christmas decorations, tent sale events—unless there are safety issues involved. If the item is off-topic, suggest it be discussed after the meeting.

## Conduct the Meeting

1. Take attendance.
2. Review the minutes from the prior meeting.
3. Address open issues—all of them. One of the most important functions of the committee is to follow up. If a part needs to be special-ordered to protect the grinding machine, follow up at each meeting until the issue is resolved. If the traffic flow needs to change to prevent further collisions on the lot, follow up with the people who are responsible until the task is completed. This can be frustrating because some concerns can take several months to accomplish. Nevertheless, followup cannot be neglected: If the committee does not follow through, the unsafe conditions will continue to exist and the meetings are a waste of everyone's time.

Tying up five people for an hour costs five hours of productive time.

4. Update the status of each issue or project.
5. Review all losses and safety incidents that have occurred since the last meeting.

**Most importantly, determine the causes of each accident and what can be done to prevent a similar loss in the future.** Don't hesitate to invite others to the meeting who are experiencing losses to help determine the causes of loss and discuss what actions need to be taken. Remember the purpose of the discussion is to determine facts, not find fault.

With practice, members will learn what to look for when a loss occurs (determine causes) and how to prevent a claim from reoccurring (take action).

6. Have committee members take turns presenting a safety topic for discussion. The presentation does not have to be long or complicated, just relevant. Note that first-aid topics belong to another discussion as they are not really safety topics, being after-the-fact; however, emergency planning to save lives is appropriate. For ideas, see the back section of the PDP Loss Control Manual and back issues of this newsletter. You can also search "safety topics" on the Web.
7. Once a year, review all the claims that occurred in the past year and look for patterns. Condense each into a brief summary such as type of loss, department, time of year and location; you'll quickly determine whether more slip-and-falls occur in winter, for example.
8. At least once a year committee members should walk through each department and around the

premises to document unsafe conditions. Then, you guessed it—follow up.

9. Keep the meeting within the time parameters. If you decide to meet for one hour, start on time and end on time. Don't hesitate to set up subcommittees and invite others outside the committee to participate.

You won't see results overnight, but over time you'll have the satisfaction of seeing your safety record improve ... and employee morale along with it. Bottom line: A safety committee is well worth the time and effort—if you're determined to see it succeed.

## Sad But True



Jan 10, 2010 Belem, Brazil

Arthur, who worked as a security guard, was tired of people breaking into his car. He decided to install an electric fence around it to protect it from the frequent robberies in his neighborhood.

According to police, Arthur set his electric fence on Sunday night. The next morning he forgot to turn off the current and while removing the fence received the shock of his life. Unfortunately, he is no longer around to describe the event.

Contributor to this issue of  
**DIALOGUE**  
Lou Dicker, PDP Group

## Claim Summaries

### Dead Battery Causes Major Fire

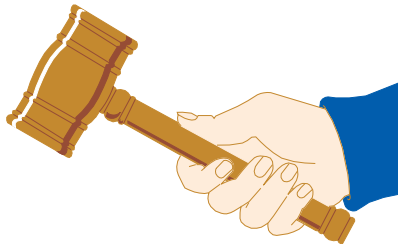
A vehicle that was difficult to start was towed into the dealership. The technician determined that the cause was a dead battery. He replaced the battery and left the vehicle inside the shop overnight. The actual cause of the dead battery, a wiring problem in the vehicle's engine compartment was not determined. During the night the wiring harness heated up and the vehicle caught fire, setting the building ablaze. Loss to the building was \$700,000, not counting the loss of business income.

The dealer said he learned two lessons: determine the cause of the dead battery rather than just replace it and park the vehicle outside on the lot.

### Mixing Business and Personal Cost \$350,000

A long-time controller was using the dealership's bank account to pay off her own credit card bill. In addition to paying the company charge card which was tightly controlled by the dealer, she added her own statement to the monthly bill. She started by charging a small amount and then increased it steadily until she was charging an average of \$50,000 a year. An extra \$4,000 or so a month is not a dramatic amount and it was years before someone noticed.

This brings up the question, "Who watches the watchers?" PDP recommends that each dealership use an outside auditor to review the figures at least once a year. In discussing this case, one CPA pointed out that although this type of theft is difficult to catch, knowing that someone else is looking over the books often acts as a deterrent. Also, make sure your controller takes a couple weeks



vacation each year and that someone else handles the books while they are away.

### Don't Lien On Me!

When a customer stopped making payments three months after purchasing a vehicle, the credit union that had issued the loan decided to repossess the vehicle. A review of the paperwork revealed that the customer had a clear title, "Oh !@#%&!." What's more, the buyer had already figured out that they had the title free and clear and used the vehicle as collateral to borrow more money. The dealership has no explanation other than they forgot to identify the credit union as the lien holder on the DMV paperwork. The loss was almost \$8,000.

Make it a policy to check each deal for oversights as well as infractions of truth-in-lending and truth-in-leasing claims.

### Oops, Oops, and Oops!

A customer had trouble driving his new luxury vehicle at high speeds. After a few months he took the vehicle to a local shop to have the problem checked out. That's when he learned that his brand new car had been involved in an accident. When the customer called the dealership who had sold him the vehicle, the dealer agreed to unwind the deal and return the customers' money.

The dealership then filed a claim for

\$15,000, the difference between what he originally sold the vehicle for and the wholesale price.

The claim was denied for several reasons. First, the dealership settled the claim with the customer before notifying the insurance carrier, violating the Duty Notice. When an insured takes the opportunity away for an insurance company to investigate and settle a claim, the insurance company has the right to deny coverage. They have the expertise and adjust losses every day. Second, there is no indication that the prior damage was not already paid for by the physical damage insurance carrier. If that were the case, the actual loss would be much less. Third, insurance is not designed to cover poor business practice. The dealership "forgot" to inform the customer of extensive damage and sold it as a brand new vehicle.

In addition, if the damage occurred before the dealership took possession of the vehicle; the dealer would have a case against the prior dealer or the factory.

By the way, if you're thinking the claim for \$15,000 (the difference between the dealers cost and the sale price) is invalid, you are correct. Insurance does not cover lost profit. You get an "A" in insurance.

This entire issue could have been avoided if the dealer had properly documented the Inventory Management system, notified the potential customer of the damage, and had the customer sign a statement acknowledging he was informed of the damage. (If you follow this you get an "A" in loss control as well.)

Remember that your insurance policy is a contract with rights and responsibilities for both parties—you as well as the insurance company.

# Street Smart

## In Case of an Accident

Last year, a vehicle turned directly in front of me. In spite of many years driving experience and teaching defensive driving, there was nothing I could do to avoid a collision. Both vehicles were seriously damaged. I was relieved that no one was seriously hurt; then the other driver said she was concerned about a young child still in her vehicle. After struggling to get one of the doors to open I was again relieved - the child was fine, just shaken up.

What now? I had never been in an accident. We contacted the police, as neither vehicle was safe to drive and we were blocking the road.

I was careful not to play the “blame game” with the other driver, who was trying to explain to the officer why the accident was my fault. It was obvious to everyone that she had cut me off, so I asked several people if they would be a witness. No one would say they actually saw how it happened—even though there were a half-dozen drivers who had to take quick action to avoid colliding with

us. People started leaving quickly when I started asking. I guess they just wanted to get to work on time.

### IT COULD HAPPEN TO YOU: WHAT TO DO IN CASE OF A COLLISION

- Stop immediately.
- Try to stay calm.
- Make sure injured persons receive proper medical treatment.
- Express your concern that the accident occurred, but don't admit fault.
- Contact police and obtain the officer's name and badge number.\*
- Get names and addresses of all witnesses.
- Exchange insurance and contact information with the other party.
- Report the accident immediately to the insurance company (most

companies have a 24-hour claim reporting service).

- Write down the facts as soon as possible: date, time, road conditions, weather, and who was in the other vehicle.

### WHAT NOT TO DO

Do not start “adjusting” the claim. Leave that to your insurance company. That's what you've paid them to do and they do it every day.

Do not admit fault to anyone at the scene of the accident, no matter how much you think you caused the accident. Let the insurance companies determine liability. Inform your own carrier of all the facts.

\*Some states require vehicles to be moved off the road if they are drivable and there are no serious injuries. In these cases police often avoid getting involved, so you will have to exchange information with the other driver and leave the scene.

## From the Field

### Saved by the Cert!

A roofer was installing a new roof on the dealership's sales and service building. While using a torch to seal the rubber membrane, he caught the building on fire. The service area was heavily damaged along with several customer vehicles. Once the fire was out and it was determined that everyone was safe, the first question was: Who's going to pay?

The loss was clearly the fault of the roofing subcontractor. Here's how such a case works. If that subcontractor has adequate insurance, then the answer is easy, the roofers' insurance company pays. If the subcontractor does not have insurance or does not

have adequate insurance (for example, a \$300,000 policy limit to cover a \$500,000 loss), the answer isn't as clear. The dealer's property insurance carrier will step in to take care of the repairs and then subrogate (attempt to recover) against the roofing company. However, if the company has no assets, this will be a fruitless quest and the loss will go against the dealership's insurance policy.

In this case, not only was there damage to the building and customer vehicles, but an additional expense was incurred as the dealership had to rent another customer service location. The loss is currently assessed at 1.4 million.

Happily, this dealership has a practice of obtaining Certificates of Insurance from subcontractors and vendors before doing business with them, so the answer to the above question was quickly determined. The dealer has a copy of the Certificate of Insurance. The subcontractor has enough insurance to cover a \$1.5 million dollar loss. Close call!

As this dealer discovered, Certificates of Insurance are the easiest, cheapest, and most effective risk management tool you can implement. Protect your dealership from the mistakes, accidents, and negligence of others by obtaining a Certificate of Insurance or

## From the Field

*Continued from Page 4*

proof of insurance from each vendor and subcontractor.

- Review your payables to see with whom you're doing business.

- Review each Certificate to be sure it provides the proper coverage and has adequate insurance limits.

- Follow up when each insurance policy expires to obtain a new certificate. Most policies are written for a year, so you will need to check annually to see if the policy has been renewed.

- Be wary of signing any contract that states you hold a vendor "harmless" if

they are involved in a loss.

For more details check out the Certificate of Insurance section of the PDP Loss Control Manual, call your local PDP insurance agent, or contact PDP Loss Control.

## Deer Danger

As the days get shorter and deer become more active migrating and mating, the chances of hitting a deer on the road increase. An estimated 1.2 million accidents were caused by these furry friends last year—and the number of incidents is increasing 3.5% every year. Accidents are most common from October to December between 6 and 9 PM.

The average vehicle damage cost of these incidents was \$3,050. Even more important: deer-vehicle collisions in the U.S. cause more than 150 fatalities each year, according to the Insurance Institute for Highway Safety.



Here are the top 10 states where you are most likely to encounter deer on the road: West Virginia, Iowa, Michigan, Pennsylvania, Montana, Arkansas, South Dakota, Wisconsin, North Dakota, and Virginia. New Jersey posted the biggest increase of 52% in reported incidents. The odds of striking a deer in the next 12 months in these states range from 1 in 39 to 1 in 100.

To protect yourself from deer-related accidents:

- Drive more cautiously when deer are active in the fall and winter.
- Scan the sides of the road, not just in front, in known deer areas.
- Use high beams whenever possible.
- Deer whistles have not been proven to be effective, so don't rely on them.
- Remember that deer often travel in herds: if you see one, look for more.
- If a collision is imminent, hitting the deer may be less risky than swerving out of the way—potentially driving into oncoming traffic or losing control of the vehicle.

## Regulatory Issues

An employee who drives on a regular basis complained that the truck he was driving was unsafe because of leaking coolant and other mechanical problems. After several complaints and several weeks he informed his manager that he was going home and would wait until the repairs were made. His manager said, "All right." When top management heard about the incident they fired the employee for walking off the job.

OSHA investigated the incident as a whistleblower violation because the employee had filed a safety complaint and was subsequently

### Yes, Whistleblower Protection

fired. It was determined that the truck was indeed unsafe; driving with leaking coolant is a violation of federal law.

Management, who was given the opportunity to back up its assertion that this was not a whistleblower violation, presented no evidence to defend its position that the employee had quit.

OSHA ordered the company to reinstate the employee with all the pay and benefits he had before he was fired. This included \$38,000 in back pay, \$20,000 for emotional distress,

\$40,000 in punitive damages and \$10,000 in attorney fees, with interest. The award totaled over \$110,000.

The company was also instructed to remove any adverse references from the driver's personnel records relating to his firing and in any request for employment references.

By refusing to operate an unsafe vehicle, this employee showed he had more sense than company management. This is a good reminder that employers need to take responsibility for the safety of their workers—both for their employees and for their bottom line.

# Worth Repeating

## Leadership

**“Leadership and management go hand in hand, but they aren’t the same. To manage means to bring about, to accomplish, to have charge of or responsibility for, to conduct. Leading is influencing, guiding in a direction, course, action, opinion. The distinction is crucial.**

**Yes, managers have some leadership qualities, and leaders need management skills. But leaders see the big picture and keep an eye on the horizon. Managers focus on what needs to get done at that time with an eye on the bottom line.”**

**– Taking Leadership to the Next Level**

## For What It’s Worth

**“I love my country; it’s the government that scares me.”**

**- Jesse Ventura**

## Quote Of The Day

**“Some cause happiness wherever they go; others, whenever they go.”**

**- Oscar Wilde**

## Safety

**“It is not the “Employees Only” sign on the door but the enforcement of the policy that is important.”**

**– Service manager who observed a customer entering the shop.**

### Preferred Dealer Protection DIALOGUE

The material provided in the **DIALOGUE** is for information purposes only and PDP Group assumes no liability. We recommend that you consult with qualified legal counsel regarding your business practices and compliance with laws and regulations.

All Rights Reserved. The Dialogue is intended for the sole use of our Preferred dealers. It shall not be copied or reproduced for any other purpose without written permission from PDP. If your dealership is enrolled in the PREFERRED DEALER PROTECTION Program, the DIALOGUE can be delivered to your e-mailbox by sending your request for e-mail delivery along with your e-mail address(es) to [dialogue@pdpgroupinc.com](mailto:dialogue@pdpgroupinc.com).

This newsletter is published quarterly. Please forward your comments, questions, or requests for additional copies to the **Preferred Dealer Protection DIALOGUE** Editor, Louis T. Dicker.

PDP Group, Inc., P.O. Box 650001, Hunt Valley, Maryland 21065-0001  
Toll Free: 800-666-4005 Ext. 1608 Fax Line: 410-584-0223  
email: [dialogue@pdpgroupinc.com](mailto:dialogue@pdpgroupinc.com)