

# Dialogue

Preferred  
Dealer  
Protection

Cost Control Through Loss Control

## What Good Is Loss Control?

While visiting a large dealership account we asked the General Manager about the loss control recommendations made during the prior visit that had not yet been addressed. These items were relatively minor in terms of cost, such as, relocating customer keys hanging on a board next to the exit door, storing soiled rags properly in self-closing metal containers, and removing combustible materials from the electrical closet. Instead of giving a typical response to the question – that he had not received the recommendation letter, had forgotten, or that someone had not followed through – he asked, “What good is loss control? You can’t address every problem; people are going to steal if that’s what they are inclined to do, or break the rules and get hurt.”

Our response was, “In one sense that’s true, but why do you lock the doors of

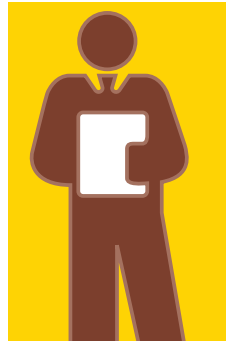
the building and secure your vehicles each night, count the cash in the cash register at the end of each day and drive defensively? We have to do our best to control what we can. If you don’t control your losses, the cost of insurance will eventually become prohibitive. Besides, no one wants people to get injured or have the building burn down.”

In many ways, this manager was running a solid loss control program, with good controls in place and very few losses considering the size of the operation. Yet he was accepting risks that could be prevented. His honesty allowed us to see that perhaps we don’t always do a good job of communicating what we are trying to accomplish and assume everyone understands our purpose.

So, what good is loss control?

The short answer is to eliminate, reduce, and manage exposures to loss as much as possible, but beyond the obvious what does loss control provide?

Not every business can hire a professional loss control or risk manager who understands how dealerships operate, is aware of the exposures they face every day, and how to address them. Loss Control Professionals are outside objective



observers. Often, we see hazards that our insured clients walk past every day. When managers are focused on production, they may not see an exposure... until it is too late.

For example, one of our clients had just moved into a brand new \$4 million facility. During the initial loss control visit it was noted that employees were standing by an exit door smoking on a cold wintery day – right next to an open 55-gallon drum of flammable liquid, with product on both the drum and the floor. Had a spark ignited the flammable vapors it would have resulted in serious injuries and a major loss to the new building. As it turned out, management had not yet designated a smoking area and employees were simply using a convenient spot next to an open door. This exposure had existed for a couple of weeks without anyone noticing.

Loss awareness is a key component of prevention. By visiting the dealership we communicate the importance of controlling losses. We also make dealerships aware of their site’s specific risks and the controls that lessen the danger. A simple change in your operation can either create a big exposure or make it far safer. Often we see an increase in exposure when a new manager is hired who is not familiar with PDP’s risk management approach. Awareness makes the difference.

During a visit, we review past losses, evaluate present controls and observe hazards that can cause future

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# Claim Summaries

## We're In Trouble Now

A customer was provided a service loaner while his vehicle was being serviced. Driving under the influence on the wrong side of the road, he caused a head-on collision that killed the driver of the other vehicle. It was determined by the family of the deceased that the customer did not have a valid driver's license and had had three prior DWI convictions. His blood alcohol level was 3 times higher than the legal limit at the time of the accident.

The department manager admitted she had not verified that the customer had a valid driver's license before providing him with the vehicle – although that was the company's standard practice.

Based on the lawsuit it is expected that this claim will settle well above the customers' insurance limits, so our dealer will have to cover the majority of the loss. The dealership had only three service loaners and all the right procedures in place. This tragedy could have been avoided if the manager had just followed company procedure. To avoid such losses, PDP strongly encourages dealers not to own their loaners. Use factory programs\* or daily rental companies such as Avis, Hertz, or Enterprise, to avoid being responsible for this type of loss.

\*The Ford loaner program does NOT transfer the liability exposure; it only covers the damage to the vehicle.

## Tough Decision

A dealership employee "borrowed" a service loaner vehicle without authorization because she did not have a ride home. That evening, the vehicle next to her drove straight ahead in the turn lane and sideswiped



her car. The employee got out and started talking to the other driver and was calling the police so she could get a police report. When the other driver realized the police were coming, he started up the vehicle to leave the scene. The employee tried to stop him by reaching into the car to shut off the motor and was dragged hundreds of yards down the road, resulting in a head injury and multiple lacerations.

The dealership now has to make the tough decision whether to press charges against the employee for stealing the vehicle. If they don't press charges against the employee, they will be responsible for both the physical damage loss and for her injuries. It also goes without saying that the dealership will have to terminate her for taking the vehicle.

Wow! One thing leads to another. By taking the keys an employee loses her job and is liable for the damage to the car and responsible for her own injuries.

If the dealership does not take action against the employee, what message will be sent to the rest of the employees? The message is clear: no one should take a vehicle without authorization. It should also be clear that a dealership's rules need to be followed or there will be consequences.

The dealership also needs to review their control of vehicle keys and make them less accessible.

You can't help but wonder how often she took a vehicle. Was this bad luck the first time or was this the first time she was caught?

## Easy Credit, Easy Money

A customer complained that the item they had purchased a couple of months earlier with a credit card and then returned still was not credited to their account. The records at the dealership showed that the item had indeed been credited on the date the customer returned it. Upon further investigation with the credit card company, it was determined that the money had been applied to someone else's credit card number. Soon after, the same thing occurred again. Most unusual was the fact that the money had been applied to the same incorrect credit card number.

As it turned out, the new cashier was applying the credits to his own credit card instead of the customers. The dealership is now reviewing all the credit card transactions over the past three months to determine which customers did not receive a credit, and if there are any other improprieties committed by this creative former employee. A criminal background check would have alerted the manager that this person was not the right individual to handle the money.

## Who Was That Unmasked Man?

This loss occurred in a small town in the Midwest and was reported as follows: "Gentleman in waiting walked over to the vehicle that was being detailed and drove off in it."

Obviously the keys were in the car and the employee made an assumption that the person who was "waiting" owned the vehicle. Don't let this happen to you. Review your internal procedures with your employees. No keys should be left in vehicles while they're being worked

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## Claim Summaries

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on. When the job is complete, the technician should turn the keys over to the cashier or service writer to process the work order. No one should hand the keys over to someone who is “waiting”.

### Saved From Harassment... Suit

A dealership in the Northwest received training on the prevention of harassment and discrimination claims four years ago. The training included how to avoid harassment in the dealership, what to do when someone makes an accusation, and how to investigate and resolve an issue.

About a year later, a finance manager claimed she was being sexually harassed and presented evidence to dealership management. They determined who was involved, how long this had been evolving, and what she would like them to do to address the harassment. An investigation was made by the dealer and the female HR director.

The finance manager was advised that this was confidential and that the witnesses would be told to keep the information confidential. They interviewed witnesses, compiled and documented their information, and talked with the people that were accused of

harassing her. Based on the facts, they decided how to resolve the issue.

The finance manager was told the results of their investigation and asked if their decisions and conclusions met her satisfaction. She stated she was satisfied with the investigation and the resolution, signed and dated a statement agreeing to results. The file was sealed and put in a separate secure location to keep it confidential and private, not in the personnel files.

The finance manager later quit working for the dealership, hired a local attorney and filed a claim for \$75,000 in punitive damages because of harassment. The dealer took the information that they had compiled and sent it to the attorney, along with the signed statement by the finance manager stating the results had met her satisfaction. A year has passed and they haven't heard from the attorney since.

In this incident the dealership demonstrated several important principles. First, they trained their managers what to do if they are notified of harassment or discrimination. Next, they met with the person who was being harassed and investigated. They then took action and tried to satisfy the concerns of the person who was harassed AND they documented every step! The dealer stated “It paid off to follow the procedures.”

### Have You Heard...

As the test pilot climbs out of the experimental aircraft, having torn off the wings and tail in the crash landing, the emergency vehicle arrives. The rescuer sees the bloodied pilot and asks, “What happened?”

The pilot's reply: “I don't know, I just got here myself!”

What can we say?

### Sad But True

Seminole, OK – A truck driver used a propane torch to thaw a frozen valve on a tanker truck containing oil, causing an explosion that was felt two miles away. The explosion killed the driver and injured several fellow employees. Talk about going out with a bang!

## Fire Safety



Each year dealerships suffer from fire losses. The common causes are from vehicles that catch fire and spontaneous combustion of oily/soiled rags. Property losses have ranged from \$10,000 to over \$1 million.

While vehicle fires that occur during the workday can readily be fought, soiled rags soaked with petrochemicals often smolder for hours after closing.

During a visit to a dealership that had experienced a fire during the night hours, we learned that the shop had distributed four self-closing metal containers for technicians to dispose of their rags. However, the night before rags were to be picked up by the laundry service, the container nearest one of the technicians was already overflowing (key word: overflowing) when he simply threw his rags on top of the lid. The rags in the can ignited through spontaneous combustion, and the rags on top added fuel to the fire.

Had the technician and the previous techs simply placed their rags in a container that was not full, they could have come into work the next day just like any other day. Instead they had to wait while the fire department completed their investigation and then determine what was left of their tools while the dealership tried to find another location for the technicians to work at while the damage were repaired.

Make sure your used rags are stored properly at ALL times to protect your dealership from a large and unnecessary loss.

# Street Smart

## Driving with MOTIVATION!

**H**aving spent many hours on the road driving from dealership to dealership, our Loss Control Manager was surprised to see a “new behavior” on Interstate 95: a compact car weaving in the lane at 65 mph. Was the driver talking away on a cell phone or enjoying lunch on the run? No, the driver was an elderly white-haired lady using both hands to knit and resting the back of her hands on top of the steering wheel to drive. This lady should be on the bus!

This points out the biggest challenge that Driver Safety Professionals face. They divide their efforts between creating safer environments i.e. designing safer roads and vehicles, and driver behavior, influencing people to drive safely. According to the experts, much more time and effort has gone into the former and the potential for further improvements is declining. Efforts to identify a single behavioral approach to driver behavior, however, have been elusive.

Influencing people to adopt safer driving habits is as

complex as trying to change human nature. Safe driving requires good motor skills and cognitive thinking skills to properly assess each situation. Many drivers believe they excel in this; according to one study, 78% of drivers rate themselves as much better drivers than others on the road. Yet our commitment to safety is just as important. How good are we at putting the problems and challenges of the day aside while behind the wheel? Have you ever pulled into the driveway and wondered how you got there?

Motivation is a key factor toward driving safely every time you're behind the wheel. Internal motivators include personal values, social responsibility, and the self-control to manage emotions, lower risks and avoid stimulus seeking (the need to speed). All the safe roads and vehicle safety features will not keep us safe from people knitting, talking on the phone, texting, shaving, putting on make-up, reading, while driving. Only we can prevent accidents – one driver at a time. Gear up your motivation and

**DRIVE TO ARRIVE.**

## Shop Safety

**FOR YOUR OWN SAFETY  
KEEP OUT!**

**K**EEP OUT!

Recently we made a loss control visit to a dealership that has been in the PDP program many years. After parking in the back of the dealership, our Loss Control Representative walked through the garage door of the shop. A young technician approached him and explained that the shop is a dangerous place where non-employees are not allowed, and asked him to walk around to the showroom. After thanking him for his concern, our representative complimented the dealer on instilling good loss control in his employees.

Customers and vendors can easily get injured in the shop from moving vehicles, spilled oil and antifreeze,

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## What Good Is Loss Control?

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accidents. Although we are only present a short time, pointing out hazards and advising management how to avoid site-specific loss exposures it can have a long term impact. Often we hear, “I did not know that,” “Wow, we need to take care of that,” or simply, “Oh yeah!” These “Oh yeah!” moments remind us that no one person knows everything and tells us this is our opportunity to prevent a serious loss.

PDP's Loss Control Professionals make recommendations and provide guidance but in the end successful loss control can only be accomplished by the dealership itself. We make a contribution to your organization's efforts by understanding industry problems, making you aware of potential exposures not yet experienced by your organization, identifying problems that can be corrected and sharing solutions that have been successfully implemented by other dealerships. Our Loss Control Representatives supplement the organization's ongoing efforts, but do

not replace them.

Loss control is a daily effort. You can't prevent losses by taking action just one time or holding one safety meeting. By addressing unsafe actions and conditions every day, you protect your business, employees, and customers from loss and injury and in the long run everyone wins!

Don't know where to start? Or, if you have questions about loss control, risk management, hazards, or exposures please contact PDP Loss Control or your local agent. Working together, we can develop an effective program that pays off in the long run.

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DIALOGUE**

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# Stormy Weather

If you were fortunate enough to miss the mega snowstorms of 2010, hopefully you will also miss the big storms predicted by National Oceanic Atmospheric Administration (NOAA). But it is always better to be prepared than rely on luck – although it is better yet to be prepared and be lucky.

The weather pattern for this season in the Atlantic is predicted to be severe. Now before you say, “They always say that,” note that recent predictions have underestimated the number of actual storms. The most difficult factor to predict is the number of storms that make landfall, a prediction which NOAA does not make.

The Atlantic storm season runs from June 1 to November 30, with peak activity in September. The Pacific storm season begins May 15 and ends November 30, with peak season in August. From the Atlantic Basin NOAA predicts up to 23 storms, 14 of which could be hurricanes and up to seven Category 3 hurricanes or higher. Category 3 storms have sustained winds of at least 111 mph.

For the western United States, NOAA predicts the Pacific basin to be below average with 15 storms, three of which will be Category 3 or higher. The risks from these storms are high winds, storm surge, heavy rain, flooding and tornados.

Take steps now to reduce the chance of loss. It is often the little things that make the difference.

- Clear out debris from all the drains around your premises.
- Cut dead trees and branches.
- Inspect each building to be sure the roof and siding are intact in case of heavy wind or driving rain.
- Clean out and repair gutters and downspouts. Note that downspouts are often damaged as a result of vehicles backing into them.
- Secure loose signs.
- Protect hazardous chemicals such as gasoline, waste oil and bulk oil, and automatic transmission fluid from leaking into the environment if a flood occurs.
- Designate individuals to be responsible to move inventory vehicles to a safe location.
- Designate a person who will turn off the water, gas and electricity in case of emergency.
- Plan an escape route and alternate route in case you must leave the area.

You may also want to plan for your personal needs, packing blankets, a portable radio, drinking water, a phone and a first aid kit.

The more contingences you plan for, the quicker you can respond, pick up the pieces, and get back to business.

## From The Field - Potential Losses

### Key Control



A dealership that owned an automated key machine placed the head lot porter in charge of following up on outstanding keys. He was supposed to run the Key Exception report and follow-up on outstanding keys.

The General Manager at first thought things were running very well because the porter had not come to him with any problems with outstanding keys. Then an employee approached the GM one day and indicated that the head porter was taking vehicles home at night. The General Manager went to the key machine, ran the Key Out Report and was shocked to find over 200 keys out.

It was obvious that the sold vehicles were not being taken out of the system and that no one was following up on the outstanding keys. The manager met with the lot person and explained both concerns: First, it's been reported that you are driving dealership vehicles home at night; and second, the key machine data base has not been updated in weeks. He was also warned that the next time he took a vehicle home he would be terminated.

This is a good reminder that as managers, we get what we inspect – not what we expect.

## Shop Safety

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cords, hoses, tools and parts on the floor, and dangers from lifts in motion. People in the shop can also distract the employees, causing them to be careless.

We recommend that signs be posted at every entrance to warn the unsuspecting and keep the public out of the shop area. Train your technicians to address customers who walk into the shop and establish a policy to escort any customer or vendor who needs to be in the shop.

After the loss control meeting the dealer escorted our loss Control Representative through the shop so he would not be asked to leave again. By the way, this dealership had not reported a single loss in the last two years. GOOD JOB!

# Worth Repeating

## Leadership Quote

**“Management gets what it inspects, not what it expects.”**

## Safety Quote

**“To improve safety, we must begin with an honest assessment of how the organization performs and where it needs to improve.”**

## For What It’s Worth

**“They who lack talent expect things to happen without effort.”**

**Eric Hoffer**

## Quote Of The Day

**“In skating over thin ice our safety is in our speed.”**

**Ralph Waldo Emerson**

### Preferred Dealer Protection DIALOGUE

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