Manager/Supervisor Risk Management
#12– 12/13/2011

TOPIC: SUSPENDED OR REVOKED DRIVERS' LICENSES

How do you manage the risk of "bad" drivers? YCPARMIA does not tell any of its members who can drive, and who can't. It does not raise its rates because a particular driver with a bad driving record is operating vehicles while at work. Instead we have a system that encourages the member, in the best financial interest of their entity and the pool, to supervise and restrict the actions of bad or questionable drivers. It is done in two simple ways: An experience modifier in our premium/cash payment formula, and secondly, an increased deductible policy for revoked or suspended licenses.

The experience modifier – Just like your own private insurance, drivers and employers with bad accident histories pay more for their insurance. YCPARMIA's premium formula compares the individual entity's accident history measured by the cost of their claims, with the experience of the other members in the pool. The entity's that are costing the pool the most end up paying a proportionately larger share of our total premiums. Effective risk management involves active supervision of employee drivers while holding them to a zero tolerance for accidents.

The increased deductible – in some circumstances, your entity pays a bigger share of each claim. By Board policy if the entity allows someone to operate a vehicle without a current driver's license, the entity's deductible (their share of any payments) increases to $100K (from the normal $1K-$5K) per occurrence. The policy recognizes a correlation between the lack of a valid license, and the potential risk presented by an individual employee. The entity has to decide what kind of tolerance it has for the increased exposure represented by the higher deductible.

To implement the policy YCPARMIA has a pull notice program with the DMV where we receive reports on the driving records of our member's employees. At any given time there are about 3,500 employees covered by the program. In 2011 YCPARMIA received notices that triggered the $100K deductible 106 times. Currently there are 46 employees with suspended, invalid or revoked licenses. The four common reasons for raising the deductible are:

- The employee does not have a license
- Their license has expired
- The employee cannot drive their own vehicle for work purposes because of failure to prove "financial responsibility" (they have no private insurance), or
- Their license has been suspended, revoked, or cancelled – for a variety of reasons.
    - This year there were two licenses that were revoked for positive drug test.

When a department is notified that the deductible on a particular employee has been raised to $100K, it has to make an immediate decision on whether it will accept the greater risk, or manage the risk by having someone else drive while the employee's license issue is resolved.

Next topic: Subrogation