



STEWART VAN DUZER

1st Vice President
Director of Special Projects -
Risk Management

It's Our Business to Protect Yours





INDEPENDENT ELECTRICAL CONTRACTORS PRESENTS

2022 ***business summit***

SAVANNAH, GA | JANUARY 24-26

RISK MANAGING YOUR FLEET

Leadership and Changing Behavior

LEADERSHIP DEFINED

- What is Leadership
- Leadership is Influence...Nothing More, Nothing Less. — John Maxwell¹ (#1 New York Times Best Selling Author on Leadership)
- How successful you are at *Influencing* others will determine your *Leadership Effectiveness*
- No matter your role or position in your company you can *influence*, or *lead* others

¹John C. Maxwell, 21 Irrefutable Laws of Leadership – 2: The Law of Influence

LEADERSHIP VERSUS MANAGEMENT

- John Maxwell also says that ” Managers can maintain direction, but they can't change it. To move people in a new direction, you need influence.”¹
- *Risk Management* is important
- But *Leadership* is necessary first to change attitudes, behaviors, and direction in an organization

Make sense?

¹John C. Maxwell, 21 Irrefutable Laws of Leadership – Five Myths about Leadership:
#1 The Management Myth

WHY FOCUS ON YOUR FLEET

- For the vast majority of businesses it is the biggest exposure you have
- Particularly with the societal and legal climate we see today
- The term to define this is: Social Inflation

COMMON DEFINITION

- *Social Inflation*: Used to describe the rising costs of insurance claims resulting from things like increasing litigation, broader definitions of liability, more plaintiff-friendly legal decisions, and larger compensatory jury awards.

– Insurance Business America

CAUSES OF SOCIAL INFLATION*

- Distrust in big corporations and their lawyers
- Third-party litigation funding
- Increasing sophistication of the plaintiffs' bar
- Psychological tactics to more readily accept an inflated value (anchoring) – emotions vs. facts
- Active advertising by the plaintiffs' bar
- Jurors more aware of “blockbuster” verdicts due to social media
- Changing composition of the jury pool
- Medical expenses increasing year on year
- Shifts in perceptions and attitude – delivering ‘social justice’
- Influence and proliferation of social media (narrative vs. facts)
- New litigation tactics (e.g. exploitation of advanced analytics)
- Short claims cycles due to cost pressures and reputational aspects
- Erosion of tort reform

JURY ANCHORING

- Anchoring creates a cognitive bias among jurors so they later rely on a specific reference point when issuing an award
- Example: \$20M award obtained by anchoring the jury to \$80M in opening statements:
 - **Actual Juror #1:** *We came up with a percentage approach, and that's what we all discussed. We started with what the plaintiff was asking for — \$80 million, which seemed like a very high amount, and went down and down from there.*
 - **Actual Juror #2:** *None of us had been on a jury before, so we had no idea where to start. What's a life worth? It would have been nice to have some precedent to go by, but we didn't. So, we started with what they gave us, and then took off a percentage.*
 - **Actual Juror #3:** *Since trial, I've learned there are many lawsuits related to this product, and our damages award was on the high side — to say the least — but we didn't know what the norm was. All we had to go by is what the plaintiff was asking for.*

*Note: while this is a real life example, it is not a Federated claim.

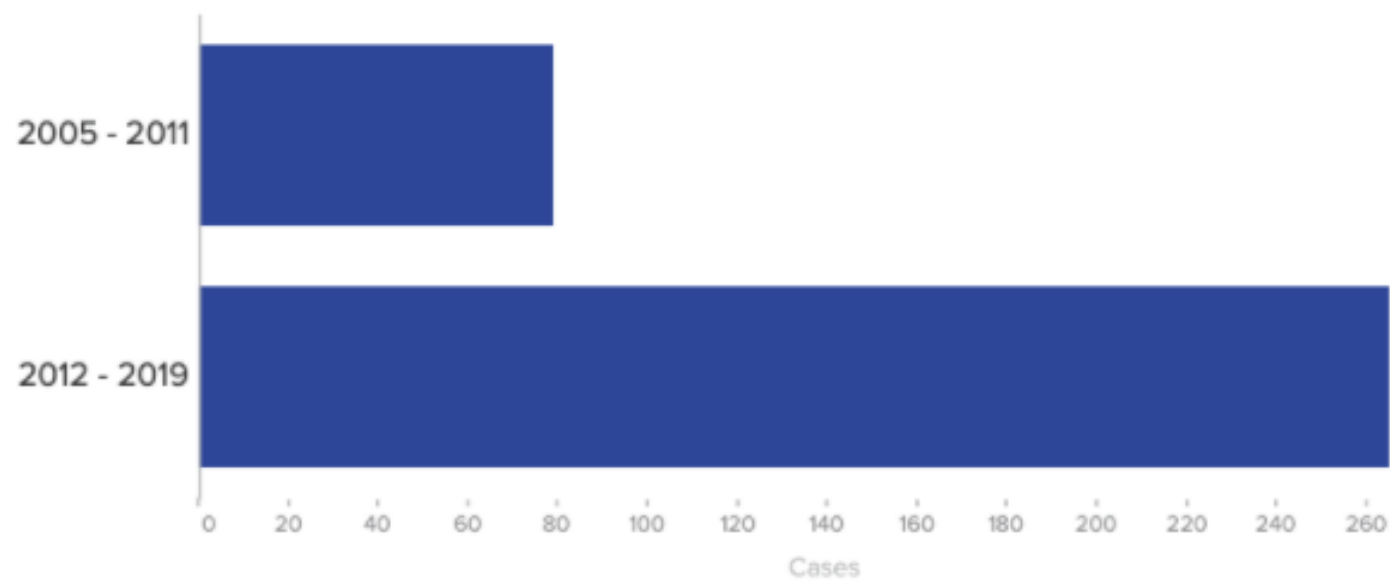
LITIGATION FINANCING

- High limits encourage investors to buy a stake in the outcome of a lawsuit
- In the vast majority of states there is no legislation that would allow the jury to know this is going on
- Disclosure of policy limits help litigation funding companies “underwrite” their investment
- The lawyers and financiers who bring these types of suits tend to be the main beneficiaries—not the injured

AND MANY MORE...

- Potential for biased judges
- Lawyer advertising
- Admissibility of junk science
- Frivolous suits
- One-sided recovery of attorney's fees
- Class action abuses
- Forum shopping

Number of cases with verdicts over \$1 Million increased by 235%



Source: American Transportation Research Institute (ATRI)



2019 NUCLEAR VERDICTS

- \$280M in GA when truck driver fell asleep, killing 5¹
- \$70M in CA when truck ran red light, injuring 3²
- \$35M for rear-end collision in SC³
- \$33M in GA when driver turned into motorcycle, killing 1⁴
- \$32M for a head-on collision, killing 1⁵

*Note: while these are real life examples, they are not Federated claims

¹Truckers Report, pub. August 2019 | Jury Orders \$280 Million Payment

²Freight Waves, pub. December 2019 | Jury Smacks California Trucking Company with \$70.5 Million 'Nuclear Verdict'

³New.Law, pub. May 2019 | Father, Son Injured in Tractor-Trailer Crash Recover \$35M

⁴Law.com Daily Report, pub. February 2019 | Spalding Jury Awards \$33M in Motorcycle Death

⁵My Philly Lawyer, pub. October 2019 | Car Accident Lawyer Wins \$32M Verdict for Family of Nurse Killed in Crash with DUI Trucker

HOW DOES THIS MAKE YOU FEEL??

- Frustrated?
- Angry?
- It should!
- But, I want to take you somewhere else.



*News Leader, pub. August 26, 2021 | Nassau County Jury Awards \$1 Billion Verdict

**Action News Jax, pub. August 24, 2021 | \$1 Billion Verdict Reached in Crash that Killed UNF Student

THIS WAS PREVENTABLE

- Distracted drivers
 - Both drivers distracted by their phones
- Improper hiring practices
 - No background check
 - No license to drive a commercial truck
 - Multiple prior crashes and speeding



THE RESULTS

- **\$1 Billion Verdict**
 - \$100 Million to Parents
 - \$900 Million Punitive Damages

Death of a Son!



AGAIN, HOW DOES THIS MAKE YOU FEEL?

- It is my worst nightmare
- Distracted driving **IS** an epidemic
- People are dying needlessly
- There are NO accidents, there are just crashes
- Preventable crashes

WHAT WE CAN DO ABOUT IT

1. Be a leader
2. Lead change
3. Create a culture of safety and risk management in your business
4. Change behaviors and practices
5. Use proven practices and technology
6. Use the power of your association to educate your lawmakers and lobby to change what we can change for tort reform

SOUND BEHAVIORS AND PRACTICES

- A formal driving policy and mobile device usage policy
- An effective MVR program
- Implement technology solutions
- Change behaviors
- And ultimately SAVE LIVES

FORMAL DRIVING POLICY

- You should help make your business as defensible as possible
- A complete mobile device ban
- Enforce

- Sending or reading text messages
- Using a hand held mobile device for either outgoing or incoming calls
- Using a hands free device for either outgoing or incoming calls
- Using cell phones and other devices for social media and other forms of entertainment
- Adjusting or programming controls of audio or navigation systems
- Searching for and/or reaching for items in the vehicle

Sample Company Inc. Driving Policy

Sample Company Inc. has made a commitment of safety, service, and quality to both our employees and customers. Sample Company Inc. insists that both our employees and non-employees operate all vehicles owned by or used by Sample Company Inc. in a safe and economical manner. The following summarizes policy guidelines:

- Vehicles are not to be operated unless in a safe operating condition.
- Drivers must be physically and mentally able to drive safely.
- Drivers must conform to all traffic laws and allowances made for adverse weather and traffic conditions.
- Respect the rights of other drivers and pedestrians. Courtesy is contagious.
- Drivers may not use drugs or alcohol, or be under the influence of drugs or alcohol, while operating a vehicle.

Accidents

All accidents are to be reported to management of Sample Company Inc. within twenty-four (24) hours after the accident occurs. All accidents will be reviewed and a determination made as either preventable or non-preventable which result from factors outside of a driver's control.

A preventable accident is defined as an accident in which the driver failed to do everything reasonably possible to avoid it.

Driver Standards

Employees who qualify as a driver may be evaluated and selected based on their driving ability and history. Motor Vehicle Records (MVRs) will be checked periodically on anyone whose driving for company use is a part of their job. The MVR will be reviewed to determine whether the driver holds a valid driving record within the parameters set by company management. MVRs that reveal the following will disqualify the driver from using vehicles for company use for Sample Company Inc.:

- Within the past 3 years:
 - Three (3) or more traffic violations and/or at fault accidents for drivers age 25 and older
 - Two (2) or more traffic violations and/or at fault accidents for drivers age 18 through 24
 - One (1) or more traffic violation and/or at fault accidents for drivers 17 and under
- Or-
 - One or more violations or convictions of the following type of serious offenses within the past 3 years will disqualify the driver from driving vehicles for company use for Sample Company Inc.:
 - Driving while under the influence of alcohol or a controlled substance
 - Refusal to submit to test for alcohol or controlled substances as required (e.g., Failure to take a Chemical Test, Blood Test, or Breath Analyzer Test)
 - Leaving the scene of an accident without reporting it
 - Homicide, assault, or criminal negligence resulting from the operation of a vehicle
 - Using a motor vehicle to commit a felony
 - Driving while license is suspended or revoked
 - Reckless driving as defined by state or local law, including, but not limited to, offenses of driving a motor vehicle in a willful or wanton disregard for the safety of property or persons
 - Racing
 - Passing a stopped school bus
 - Illegal possession, transportation or unlawful use of a controlled substance

Drivers with other violations, convictions and/or at-fault accidents within the past three years may also exceed our driver standards. Examples include, but are not limited to, distracted driving violations, cell phone violations, and seat belt violations, but do not include such non-moving violations such as weight violations, no insurance violations, administrative type violations, or improper or inadequately maintained equipment violations.

Distracted Driving and Mobile Devices

We deeply value the safety and well-being of all employees. Due to the increasing number of accidents resulting from distracted driving and the use of mobile devices, it is our company policy that you not engage in activities that cause you to become distracted when driving, including, but not limited to:

Incident Reporting Form

Employee _____				
Supervisor _____				Date _____
Previous Warnings	Oral	Written	Date	By Whom
1st Warning				
2nd Warning				
3rd Warning				
Employer Statement			Employee Statement	
Date of Incident ____/____/____ Time _____			I ____ agree ____ disagree with Employer's statement. The reasons are:	
_____			_____	
_____			_____	
_____			_____	
_____			Employee Signature _____	
Action to be taken:				
Warning _____ Suspension _____ Dismissal _____				
Other _____				
Consequences should incident occur again _____				

I have read this warning and understand it.				
Employee Signature _____			Date _____	
Supervisor Signature _____			Date _____	

Sample Form

This sample form should not be considered legal advice. Prior to using these forms, the advice independent legal or other business advisors should be obtained to assist in developing formal procedures for your specific business needs. Since each business situation is unique, this form should be edited to meet your specialized circumstances, needs, and applicable state laws. The and the content herein may not comply with or fulfill legal obligations you may have under your

TECHNOLOGY SOLUTIONS

- Advancements are being made every day on the technology side
- There are several options out there:
 - Cellphone blocking
 - Dash cams
 - Forward and rear facing cameras (Lytix[®])
- Federated's DriveSAFESM App

Use Well-Planned Long-Term Software
to the Distracted Driving Epidemic

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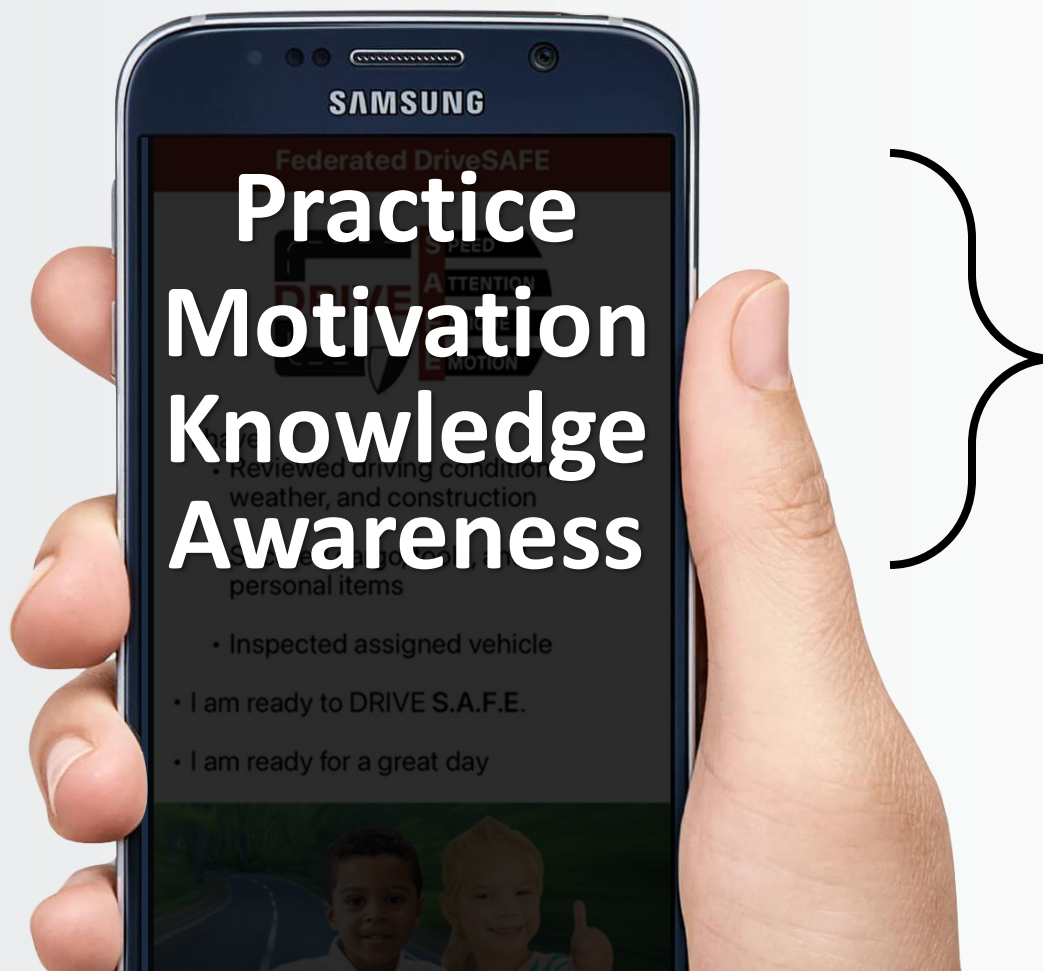
FEDERATED DriveSAFESM App

OBJECTIVES

- Provide Value
- Impact Losses
- Improve Driving Habits
- SAVE LIVES

FEDERATED DriveSAFE App

Awareness



Practice
Motivation
Knowledge
Awareness

Habits

APPEAL TO EMOTIONS

Knowledge

Reminders Notifications
Data Measurements
Streaks Coaching

Visual Queues

Gauges Badges
Graphs Dials Arrows
Charts Stars Colors

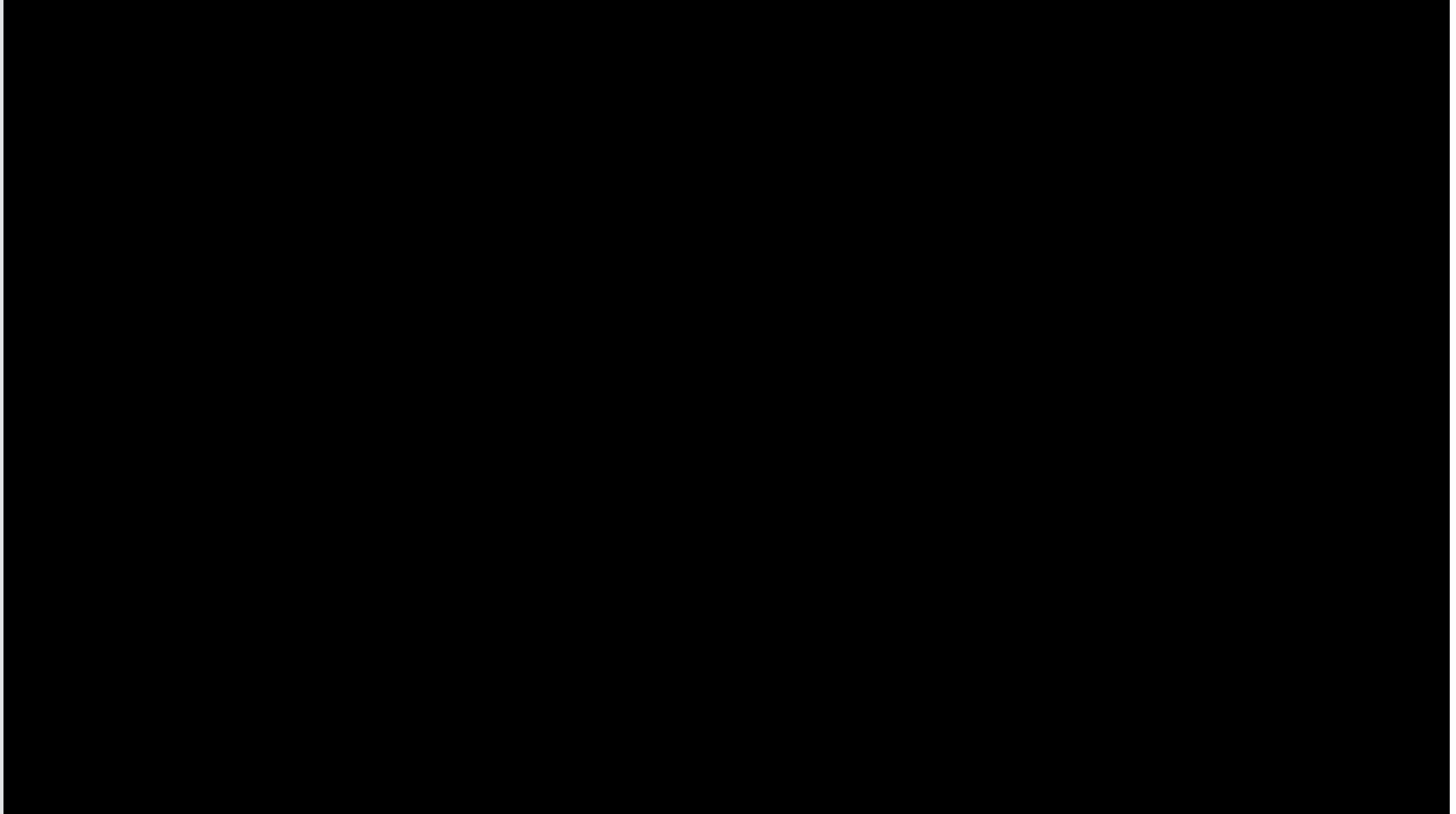


Rewards

Affirmation Recognition
Points Badges Score
Leaderboards

Competition

Peer vs. Peer
Team vs. Team
Comradery



HOW IT WORKS

- The employee's phone has to pair through Bluetooth with a tag in a company-owned vehicle
 - The tag in the company vehicle is what's being located, not their phone
 - Their phone only provides trip data if it's being used while the tag/vehicle is in motion



FEDERATED'S DriveSAFESM TELEMATICS SERVICE

What it is NOT

- Dash Cams
- DOT Compliance/Data Logs
- Real Time Fleet Tracking
- Fleet Management
- Rate Determination

What it IS:

- Risk Management Tool
- Vehicle Route Report
- Fleet Vehicle Location
- Incident Measurement
- Individual Driver Coaching

IT WORKS

Score (past month)

Current score: **94.3**

95
90
85
80

Jul 18

Jul 20

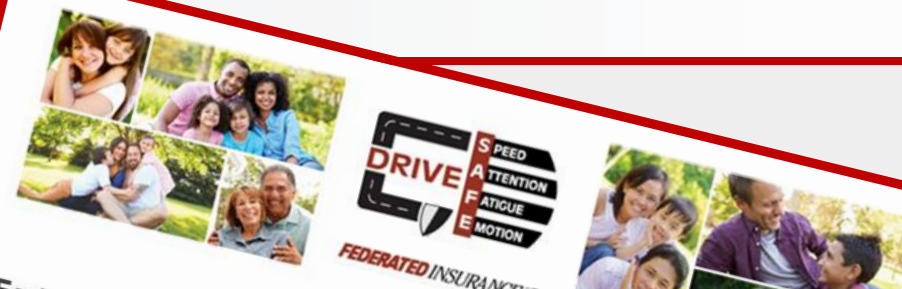
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PREVENTING INJURIES & SAVING LIVES

If you have questions, please reach out to riskmanagementresourcecenter@fedins.com. Thank you for using Federated DriveSAFE!

For more details, including:
riskmanagementresourcecenter@fedins.com. Thank you for using



IN SUMMARY

- We have covered a lot
- We looked at some problems and possible risk management solutions
- You have probably been in a presentation like this before
- You may have been exposed to some of these solutions

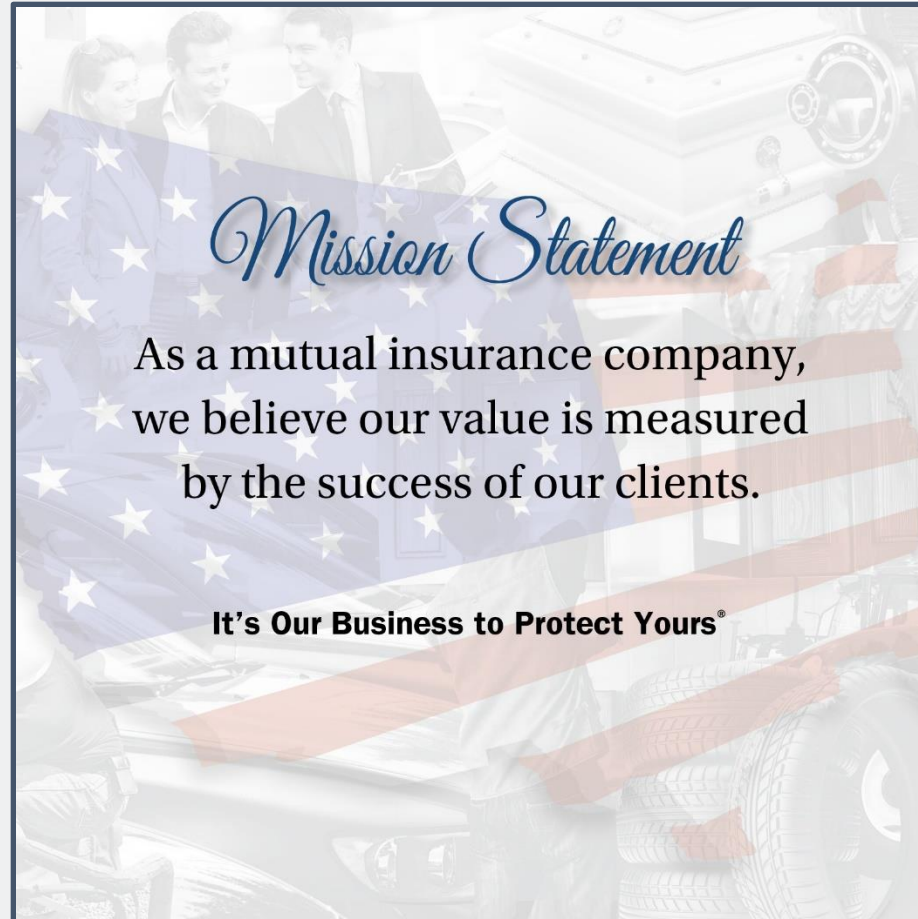
IN SUMMARY

- So, what is different today:
 - I am challenging you to LEAD
 - To INFLUENCE change
 - To take the steps to protect your business, your employees, and society
 - People are dying everyday as a result of crashes
 - Don't procrastinate

IN SUMMARY

LEAD

Questions?



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Thank you!

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