

## Motor Vehicle Self-Insurance Follow-up Report

April 27, 2017

### What the OIG Found

Overall, evaluators conducting this [follow-up](#) found that the City improved its motor vehicle self-insurance program. However, the City did not fully implement all of the OIG's recommendations; additionally, many recommendations were not addressed until almost four years after the publication of the original [2012 report](#). Specifically, the City:

- began the process of hiring an in-house adjuster for automobile claims, which should result in increased efficiency and save the City nearly \$100,000 a year;
- resolved several issues related to contract management when it signed a contract with a new third-party claims administrator in 2012;
- revised the vehicle use policy, CAO Memo 5(R), three times in 2016 and incorporated components of the State of Louisiana's Driver Safety Program;
- required city employees to complete a defensive driver training program prior to operating city vehicles; and
- used crash data to identify high-risk drivers who had been in multiple crashes while driving city vehicles.

However, the City did not check employees' official driving records through the Louisiana Office of Motor Vehicles; instead it relied on employees to self-report major crashes or the loss of their driver's license. Relying on this approach could expose the City to additional liability in the event of a crash if employees neglected to report accurate information about their driving records.

The City's decentralized approach to fleet risk management requires departments to authorize drivers, maintain records, and enforce city policy. The long-term success of its motor vehicle self-insurance program will depend on the City's ability to establish clear lines of authority, develop a database of electronic records, share information across departments, and enforce policy requirements. In addition, bringing the claims adjusting function in house should generate cost savings and create additional efficiencies through improved communication and coordination with the Risk Manager, the EMD, and departmental vehicle coordinators.

### Purpose of This Report

Effective motor vehicle self-insurance programs are designed to minimize risk through careful selection, training, and supervision of employees authorized to operate vehicles, and the OIG completed this follow-up to determine the City's progress toward OIG recommendations based on these goals. The City continued to self-insure its fleet rather than purchase commercial insurance and transfer financial risks associated with vehicle use to an insurance company. As a result, the City was required to pay liabilities stemming from crashes, including third-party property damage and bodily injury claims. The City was also responsible for damage to its fleet and employee injuries sustained as a result of on-the-job crashes.

**The City's Risk Manager instructing Department of Sanitation employees on defensive driving**

