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Risk Managing Your Fleet
Leadership and Changing Behavior

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Leadership Defined

- What is Leadership?
- Leadership is Influence…Nothing More, Nothing Less.
  John Maxwell[1] (#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

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

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Leadership versus Management

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

Make sense?

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

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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

*Allianz Global Corporate & Specialty, pub. March 24, 2021
The Rise of Social Inflation

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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.
*Law 360, pub. August 12, 2019 | How to Counter Jury Reliance on Plaintiff's Damages Ask

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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
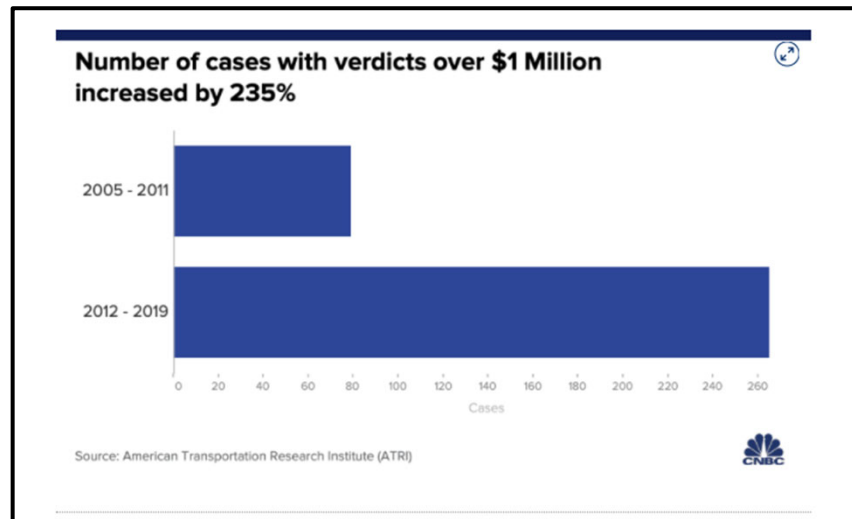
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And many more...

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

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

	Cases
2005 - 2011	(bar ≈ 80)
2012 - 2019	(bar ≈ 265)

Source: American Transportation Research Institute (ATRI)

CNBC

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2019 Nuclear Verdicts

- $280M in GA when truck driver fell asleep, killing 5[1]
- $70M in CA when truck ran red light, injuring 3[2]
- $35M for rear-end collision in SC[3]
- $33M in GA when driver turned into motorcycle, killing 1[4]
- $32M for a head-on collision, killing 1[5]

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

[1]Truckers Report, pub. August 2019 | Jury Orders $280 Million Payment
[2]Freight Waves, pub. December 2019 | Jury Smacks California Trucking Company with $70.5 Million 'Nuclear Verdict'
[3]New.Law, pub. May 2019 | Father, Son Injured in Tractor-Trailer Crash Recover $35M
[4]Law.com Daily Report, pub. February 2019 | Spalding Jury Awards $33M in Motorcycle Death
[5]My Philly Lawyer, pub. October 2019 | Car Accident Lawyer Wins $32M Verdict for Family of Nurse Killed in Crash with DUI Trucker

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How does this make you feel??

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

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*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

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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

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

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The Results

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

  Death of a Son!

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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

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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

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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

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Formal Driving Policy

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

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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 (Lytx®)
- Federated's DriveSAFE^{SM} App

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We Need a Longer Term Solution
Use Cell Phones to Fight the Problem
to the Distracted Driving Epidemic
and Protect Your Drivers

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Federated DriveSAFE^{SM} App

OBJECTIVES

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

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FEDERATED DriveSAFE App

Awareness

Practice Motivation Knowledge Awareness
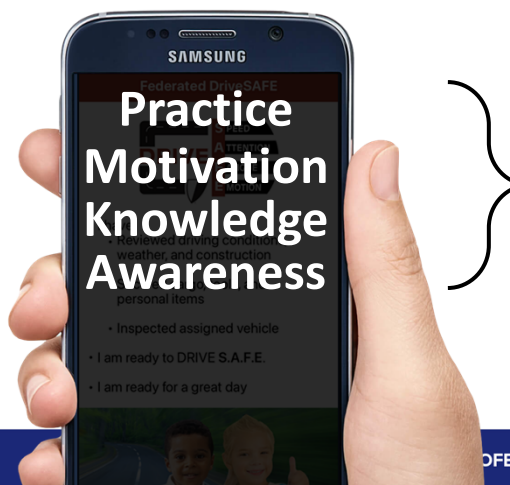
Habits

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APPEAL TO EMOTIONS

Knowledge
Reminders   Notifications
Data Measurements
Streaks   Coaching

Visual Queues
Gauges   Badges
Graphs Dials Arrows
Charts Stars Colors

**Practice
Motivation
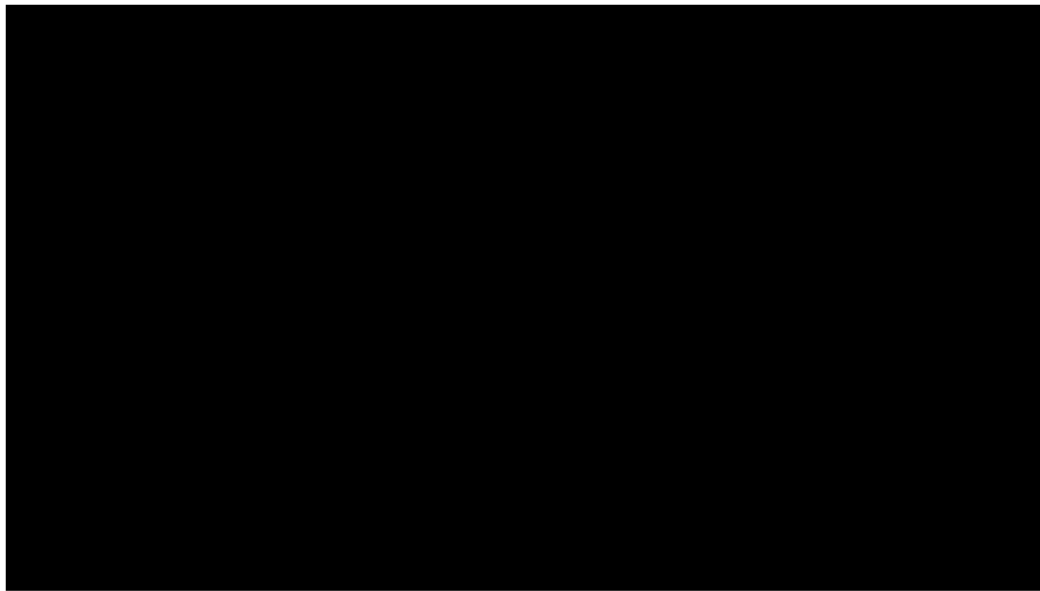Knowledge
Awareness**

Rewards
Affirmation Recognition
Points Badges Score
Leaderboards

Competition
Peer vs. Peer
Team vs. Team
Comradery

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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

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Federated's DriveSAFE[SM] Telematics Service

What it is NOT
- Dash Cams
- DOT Compliance/Data Logs
- Real Time Fleet Tracking
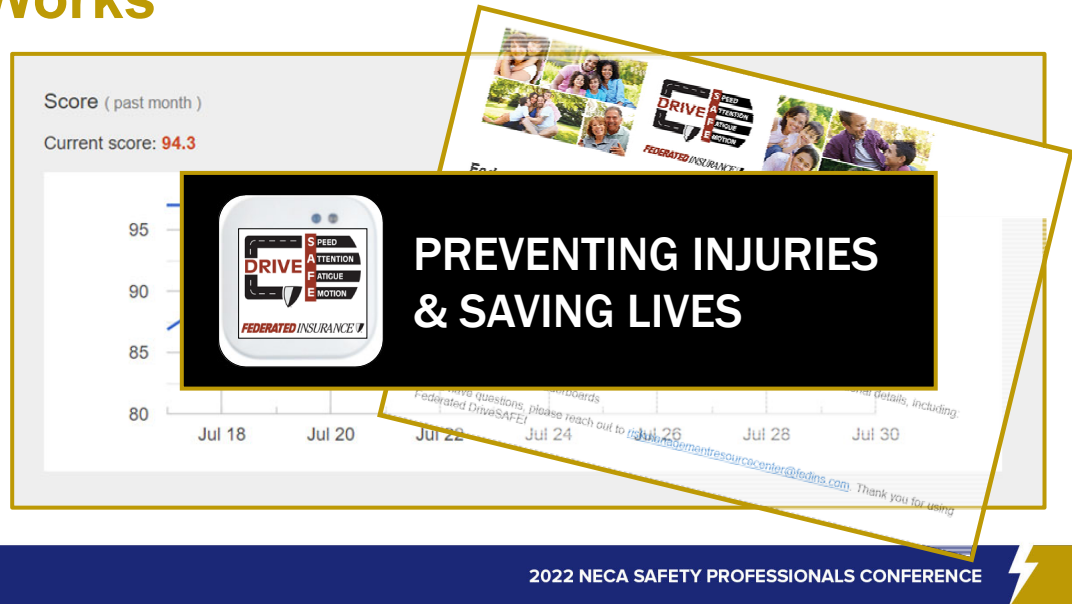- Fleet Management
- Rate Determination

What it IS:
- Risk Management Tool
- Vehicle Route Report
- Fleet Vehicle Location
- Incident Measurement
- Individual Driver Coaching

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It Works

Score (past month)

Current score: **94.3**

95
90
85
80

Jul 18   Jul 20   Jul 22   Jul 24   Jul 26   Jul 28   Jul 30

PREVENTING INJURIES
& SAVING LIVES

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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

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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

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In Summary

LEAD

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Thank you!

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Complete the Online Evaluation

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