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How Will Driverless Cars Affect Your Business?

It's predicted that driverless cars will account for 25 percent of global car sales by 2035. How will this affect your business and your employees?

Features such as adaptive cruise control, blind-spot monitoring, automated parking and lane departure and forward-collision warnings are already making the majority of new cars semi-autonomous. The next level of innovation, implementing automated acceleration, braking and steering, will make cars completely autonomous.

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This Just In

The federal appeals court negligence ruling against Home Depot USA Inc. for a supervisor's rape and murder of an employee demonstrates the importance of having a conscientiously administered sexual harassment policy in place.

In spite of complaints she made to other supervisors and managers, the employee remained under the supervision of the supervisor. He frequently verbally abused her, insisting she start a relationship with him. When she was seven months pregnant, he demanded she attend his sister's wedding with him or he would have her fired. She complied and after the wedding he brought her to a room he had rented for the two of them.

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How Will Insurance Coverages and Premiums Be Affected?

Obtaining and reviewing driver profiles for insurance purposes could be irrelevant or at least less critical once cars are autonomous. The culprit in an accident will be the technology, with liability for injury or damage placed squarely with the car manufacturer. Insurers in the UK have already developed "dual insurance policies" for driverless cars, which look directly to manufacturers for reimbursement of collision claims paid.

When the car (not the driver) is the insured, underwriting is a lot easier. Companies like Tesla in Asia are already including insurance as part of the sales transaction.

Some types of loss, such as from theft, vandalism, wind and floods (the "comprehensive" perils), would probably still need to be underwritten in the traditional way, evaluating risks such as where a vehicle is garaged, miles driven and possibly the insured's financial profile.

Will Employee Driving Records Be Necessary Anymore?

Data from the Institute for Highway Safety and the Highway Loss Data Institute show that cars equipped with forward-collision warning and automatic braking have far fewer accidents. Safety experts believe removing human error from the equation entirely should be the goal. If this happens, then as long as employees are not able to override the autopilot features of the cars they're in, employers won't need to worry about driving records anymore. It's questionable whether that's practical, though. Even though airline pilots seldom override autopilot controls, they need to be able to do so in emergencies. Employee driving records can also provide valuable information to employers for other reasons, particularly in making hiring decisions.

One of the major benefits of driverless cars is safety. With fewer accidents there should also be lower insurance costs, at least in the aggregate. However, with more technology comes new hazards. If faulty technology causes an accident, all vehicles with the same technology will need an upgrade. That could be very expensive. Also, it may be true that with both driver and driverless cars on the road, there will be fewer accidents. But if a driverless vehicle is involved in a crash, repair costs will likely be much higher than for traditional cars because of the complex and expensive parts and technology.

In 2013, the average bodily injury claim in a car accident was $15,443, and $3,231 for a property damage claim. Even if aggregate property damage costs from driverless cars do not go down (meaning fewer claims but much higher pay-outs per claim), total bodily injury claims and costs should decrease significantly, since bodily injury payouts are nearly five times greater than property damage payouts.

In addition to saving premium dollars on auto insurance, fewer bodily injury accidents would also mean lower workers' comp costs.

By the way, if your business or a part of your business involves transportation, driverless cars and trucks could significantly affect your employee costs, since you may no longer require drivers!

This Just In

When she continued to refuse to have a relationship with him, he murdered and raped her. The supervisor was sentenced to two life terms, one for killing the pregnant woman, one for killing her child.

This horrific incident underscores the importance of taking sexual harassment complaints seriously and implementing appropriate corrective action, following up and staying involved. "Employers that are presented with sexual harassment situations committed by supervisors are going to need to think long and hard about what discipline they instill," David N. Michael, a partner with Gould & Ratner LLP told *Business Insurance*.

Cyber Risk

Maybe the most troubling aspect of driverless cars is the possibility of cyber risk. Vehicle technology could be hacked to create traffic problems and cause accidents and even terrorist events. In July 2015, Fiat Chrysler had to recall 1.4 million Jeeps when security researchers discovered a way to hack into the Jeep's steering controls.

Changing Car Ownership Patterns

In the past few years, automobile ownership has been declining, with more people using public transportation and ride sharing. There also seems to be less enthusiasm for cars, particularly among Millennials. Once

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self-driving cars become the norm, maybe only a few people will actually drive cars anymore, and maybe they will be able to do so only on designated roads.

Some scholars wonder if people will even own cars in the future. Owned by private companies or municipalities, self-driving vehicles may be parked in various community centers and summoned by phone when people need them.

A University of Texas at Austin study showed that each shared autonomous vehicle (SAV) used in this way would replace about 11 conventional vehicles.

If that happens, many employers will no longer even require automobile fleets. That would be a significant cost reduction for many companies.

How to Control Employee Dishonesty

One in every 27 employees was apprehended for theft from their employer in 2016, according to the 29th Annual Retail Theft Survey. 53,786 dishonest employees were apprehended in 2016, up 9.3% from 2015.

Employee dishonesty is the most important crime coverage for most businesses. Most basic business package policies do not include crime coverage beyond a baseline amount, so unless you already have employee dishonesty coverage, you will need to add it to your basic policy.

When adding commercial crime coverage to your package, you typically get a limit of at least $10,000 for "loss of and direct loss from damage to money, securities and property other than money and securities resulting directly from *employee dishonesty*." You will also usually get a $10,000 limit for "theft, including disappearance or destruction, of money and securities," with separate $10,000 limits applying to loss inside or outside the premises. Most policies also provide up to $10,000 in forgery coverage.

Prevent Employee Dishonesty

While insurance for employee dishonesty helps you recover from losses, employers need to implement sound risk management practices to prevent or at least control employee dishonesty.

Keep in mind that in most incidents of embezzlement (theft by a person in a position of trust), the people involved often possess the following characteristics. They:

- Are trusted and long-term employees
- Embezzle property rather than money
- Have been doing this for a long time
- Rarely take vacations or time off
- Have debt or gambling problems
- Act in collusion with outside people

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With a good system of internal controls, you can reduce or eliminate opportunities for employee dishonesty in the first place.

It is critical, when hiring, to thoroughly screen and obtain background information on job candidates, to the legal extent possible. This may by difficult in certain states. At least ten states (California, Colorado, Connecticut, Hawaii, Illinois, Maryland, Nevada, Oregon, Vermont and Washington) have laws restricting or forbidding employers from pulling credit reports, even with permission. There is also legislation pending in many other states. Check the National Conference of State Legislatures website for an update: http://www.ncsl.org/research/financial-services-and-commerce/use-of-credit-info-in-employ-2013-legis.aspx

In states where obtaining credit reports as well as criminal reports, workers' comp records and other background information is legal, the federal Fair Credit Report Act (FCRA) requires employers to obtain the candidate's written consent. You must also let them know you may reject their application on the basis of what's in the report and you must provide notice once your decision is made, sending an "adverse action notice," if necessary.

Providing notice not only gets you off the hook for violating any privacy rights or concerns, but candidates with something they want to keep private will take themselves out of the running. For full details on "What Employers Need to Know" about complying with the FCRA and laws enforced by the Equal Employment Opportunity Commission, visit https://www.eeoc.gov/eeoc/publications/background_checks_employers.cfm

In addition to obtaining background information, where possible, an effective employee dishonesty risk management plan will also:

- Focus on hiring only people who seem truly interested in the company's future
- Create internal controls and supervision standards
- Require and verify countersignatures on all checks
- Require all payments be made in non-cash form
- Reconcile bank accounts monthly
- Develop written audit procedures and perform annual audits
- Be sure to include inventory audits, which are high theft targets

Employee Dishonesty is Increasing

There is a general perception that "theft and abuse in companies" are "isolated acts that cost an organization little," according to Jack L. Hayes International, authors of the 29th Annual Retail Theft Survey. Many people also think "most employees are caught stealing inexpensive items such as 'pens, pencils and paper-clips' from their employers." This is not true. $42,352,229 was stolen and recovered from dishonest employees in 2016, an increase of 9.28 percent over 2015.

For information about adding employee dishonesty coverage to your business insurance plan, please contact us.

Do You Need Property Insurance Even If You're Just Renting?

You buy property insurance to cover damage or loss to property. But what if you don't own the property or you rent it? Your liability policy might provide some coverage…but probably not enough.

In the world of residential real estate, landlords buy property insurance to cover damage to buildings they own. If you rent a home or apartment, your renter's policy will cover your contents and other personal belongings. If the loss or damage isn't your fault, the landlord's policy will cover it. But let's say you accidentally cause a fire by leaving a pot unattended on a stove. The liability portion of your renter's policy would cover your liability for this negligent act.

It works the same way in commercial real estate. If you rent your business premises, you'll buy property insurance to cover your business personal property and inventory, if applicable. Your policy doesn't cover your premises, since you don't own them. But if you accidentally cause fire damage to your landlord's premises, your liability coverage

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would apply.

Businesses obtain liability coverage either through a commercial general liability (CGL) policy or through a business owner's policy, which combines property and liability coverages. The CGL includes coverage for "damage to premises rented to you." Although this coverage is automatically included in the Coverage A section of your policy, it provides only limited coverage. "Damage to premises rented to you" protects you only from damage due to fire, and a separate, lower limit might apply. If your business premises are damaged by any other cause, the policy would not cover you.

Damage must also be caused by your negligence, otherwise the contractual liability exclusion would apply. For example, let's say your lease requires you to pay for any fire damage to your leased premises, even if you are not at fault. You have accepted contractual liability for fire damage. The policy's contractual liability exclusion states it won't pay for any loss you become obligated to pay by contract. Therefore, the "damage to premises rented to you" coverage would not apply.

Buying tenant coverage will insure your on-premises property, but it won't cover the building itself. Check your policy to see whether it provides "building occupied by the insured" coverage. This section covers a building you regularly use but do not own—for example, a building you lease, rent or borrow.

You'll also want to check what "perils," or causes of loss, your policy covers.

- Basic form policies cover losses due to common perils, such as fire, lightning, explosion, windstorm or hail, smoke, "physical contact" of an aircraft or vehicle, riot or civil commotion, vandalism, sinkhole collapse or volcanic action.
- Broad form policies cover the basic perils, plus water damage, structural collapse, sprinkler leakage, and damage caused by ice, sleet or weight of snow.
- Special form policies, formerly called "all risk" policies, cover all perils except those specifically excluded by the policy. Typical exclusions include damage due to flood, earth movement, war and terrorism, nuclear disaster and wear and tear.

Policies can vary from insurer to insurer. To make sure you have the coverage you need for your rented premises, please contact us for a policy review.

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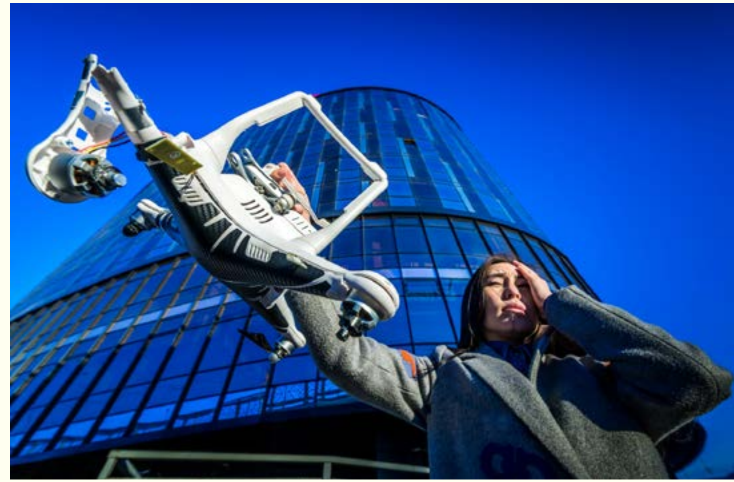
Commercial Drone Insurance is Here

As drones become more useful in commerce, commercial drone insurance is becoming increasingly popular.

Does your business operate a drone? Accidents happen when drones run out of power or when the operator loses control. What if a drone suddenly loses power and hits a building or a car? What if a drone hits some electrical lines causing a blackout, resulting in expensive repair costs? A drone may go out of control and hit a person. Most businesses now require firms doing drone work on their behalf to obtain and provide proof of drone insurance.

Some of the many types of commercial drone applications include:

- Law Enforcement
- Power Line or Pipeline Patrol
- Agriculture and Crop Spraying
- Surveillance
- Security
- Construction
- Predator Control
- News Gathering
- Real Estate
- Search and Rescue
- Emergency Response
- Fire and Rescue
- Traffic Patrol



A basic drone policy protects unmanned aerial vehicle (UAV) operators against bodily injury claims if you hurt someone with your drone. Property damage coverage is also provided in case your drone causes damage to property not owned by you. You can also purchase physical damage insurance for the drone, which will cover repairs or replacement of the drone and its cameras or equipment, minus any deductibles.

For more information about drone insurance, including how to obtain certificates of drone insurance for your clients, please contact us.