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URMIA 2011 Innovative Risk Management Solutions Award - Driver Credentialing: Know Your Driver Exposures

Elizabeth J. Carmichael
Five Colleges, Incorporated

University Risk Management and Insurance Association

URMIA

The best car safety device is a rear-view mirror with a cop in it.

—Dudley Moore (1935–2002),

English Actor and Comedian

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Driver Credentialing: Know Your Driver Exposures

Elizabeth J. Carmichael, Five Colleges, Incorporated

Abstract: URMIA launched its Innovative Risk Management Solutions Award in 2007 to recognize new and creative risk management efforts implemented by our members which address specific exposures or risk management topics in colleges and universities. It also encourages members to share their successful ideas or projects as potential resources for others and to facilitate sharing of this information. In 2011, Five Colleges, Incorporated was honored as the recipient of the Innovative Risk Management Solutions Award.

This article provides an executive summary of Five Colleges, Incorporated's driver credentialing program. The hope is that other college and university risk managers will be able to modify and implement similar programs on their own campuses and benefit from the sharing of these materials.

Introduction

The Five College Compliance and Risk Management Program is a shared administrative program between the four private college members of Five Colleges Incorporated, including Amherst College, Hampshire College, Mount Holyoke College, and Smith College. Risk management services are also provided for the consortium entity, Five Colleges Incorporated. In July 2004, Five Colleges Inc. began operation of its own captive insurance company, Collegiate Catalyst Fund, LLC. This year the Five College Risk Management Program celebrated its 18th anniversary.

Most insurance products are negotiated and purchased collectively, including auto insurance. Currently, we purchase auto liability insurance and self-insure, through the captive, all of the physical damage coverage on our combined fleet of more than 200 vehicles. This results in significant savings to all members.

In order to manage our biggest risk in the auto insurance program, the drivers, we developed an online database to manage our driver credentialing process. Using this web application, we are able to easily and efficiently (1) collect license information on our drivers for motor vehicle record (MVR) checks; (2) obtain permission to have drivers' MVRs checked; and (3) provide the drivers with our safety and administrative rules and secure an electronic signature of each driver's agreement to the rules, terms, and conditions of vehicle use.

This program provides an automatic means for underwriters to gather the necessary information on each driver in a secure mode so that they can check the driver against the state's MVRs for compliance with underwriting requirements.

Drivers are directed to a secure website where they enter their driver credentials on a web form. The form loads the data into our online database where it can be accessed securely to determine driver compliance with the colleges' driver credentialing requirements.

This program also provides an automatic means for underwriters to gather the necessary information—name, date of birth, driver's license number, and state—on each driver in a secure mode so that they can check the driver against the state's MVRs for compliance with underwriting requirements. The underwriter notifies risk management if a driver is non-compliant (not approved). Risk management then contacts the driver and can ask about his/her driving history and request that the driver produce a copy of his/her MVR.

In addition to being able to check the MVRs, the program also allows the colleges to keep track of any additional requirements, such as a requirement that students attend a driver safety training course. System managers can immediately identify the frequency that drivers use college vehicles, their department, and whether or not they

have had safety training in the past five years, as well as other useful contact and other information.

This program significantly improved on the previous paper form method of data collection in ease of use by drivers, security of the data, security and ease of data transmission to underwriters, and ease of use and efficiency for the institutions' vehicle program managers.

Section I – The Challenge

The colleges needed a quick, easy, and efficient way to track all driver records for compliance with underwriting standards and other college driver requirements. The system also needed to be secure and meet statutory requirements for protection of personally identifiable information (PII).

Our auto liability insurer requires that we ensure that our drivers meet certain standards. Their driver minimum requirements are:

1. Drivers may not have had:
   a. More than two at-fault accidents in past three years
   b. Any Type A violations in past three years
   c. Any combination of accidents and Type B violations > two in past three years

Type A Violations include DUI/drugs or alcohol; Negligent homicide; Use of auto in commission of a felony; Aggravated assault with a vehicle; Operating without a license; Reckless driving; Speed contest; Hit and run; Leaving the scene; and School bus stopping flag violations (or similar). Type B Violations = All moving violations not Type A.

The colleges set additional requirements, including:

1. Drivers must have a US license
2. Drivers must be at least 18 years old
3. Students must have at least one year of driving experience (individual colleges may require more experience)
4. Drivers must be a student or employee of Amherst, Hampshire, Mount Holyoke, or Smith College or an employee of Five Colleges, Inc., or otherwise approved
5. Drivers must be credentialed

It is critical to the risk management of vehicle use that we have "safe" drivers. When drivers know that there will be real penalties if they have repeated accidents, moving violations, or serious violations, they may drive more carefully. More importantly, by credentialing our drivers, we can weed out those drivers who we know do not drive safely. The colleges are particularly attentive to student drivers, who have far stricter limits than do employees. For example, if a student is in an at fault accident, s/he may lose driving privileges for the rest of the semester or year, depending on the circumstances of the accident. Similar penalties are given for driving while talking on a cell phone, failure to require all passengers to wear seat belts, speeding (we get reports from interested community members), and other rules violations. Failing to report an accident can result in permanent loss of driver privileges.

When drivers know that there will be real penalties if they have repeated accidents, moving violations, or serious violations, they may drive more carefully. By credentialing our drivers, we can weed out those drivers who we know do not drive safely.

Why was this risk or exposure a priority?

Developing a secure, web-based program became a priority with the advent of federal and state legislation that outlined the penalties and requirements for handling PII. The old paper system of driver credentialing was no longer permissible, as records existed in unsecured paper and electronic spreadsheets that could be improperly accessed. In addition, the college administrators responsible for vehicles and vehicle use were dissatisfied with the paper method of collecting the data, and underwriters would not check all of the drivers for compliance because the process was too cumbersome. This made the paper system both ineffective and a security risk.

What makes your solution a unique or innovative approach?

Most vehicle management systems are dependent on the vehicles being managed centrally. Our program works effectively in a decentralized vehicle management environment. At the colleges, vehicles may be managed by different groups for different purposes. "Fleet" vehicles may be made available faculty and students for class purposes or other college business. Athletics manages their own vehicles and has a limited, predictable group of drivers, while community service staff may have large numbers of students driving vehicles at all times and every day of the week. Customized messages can be sent to classes of drivers (e.g., all Smith College students) upon their submission of their credentials advising them of any additional requirements that they may need to fulfill before they are permitted to drive.

The system is expandable, so giving us the future possibility of linking the driver credentialing to messaging systems for driver training programs, vehicle tracking, programs and vehicle scheduling programs.

Finally, the system is very flexible. For example, it allows us to credential volunteers and alumni or others who may be approved to drive college vehicles for a specific program or purpose, like a reunion.

What programs or services were affected or improved by this project?

- All programs that use college vehicles have been improved by this project. Driver information is easily accessed in a secure environment, and the colleges can be confident that only authorized drivers are being given keys to college vehicles.
- Managers responsible for driver credentialing have been relieved of a significant administrative burden.
- We have eliminated the need to keep paper records, making life easier for department assistants.
- Underwriters are now willing to check all records because the web interface makes it easy and efficient for them. Previously, only random checks were conducted.

We will be continuing to refine our program. As of June 12, 2012, we have credentialed 3,160 drivers; about 2,250 are currently active. We opened the system at the start of June 2011, and are finding that the automated renewal system works well. Drivers are sent an automatic e-mail notice thirty days before their credentials expire, and again the day before they expire. If someone has left the college, their credentials simply expire.

Section II – Budget, Staffing, and Return on Investment Budget

Total development and implementation costs (using a consulting programmer) are just under $18,000. We did have some project "creep", that is, expansion, as we began to customize the program for the members. As new web browsers come into use and others are updated, we continue to have a few de-bugging costs so that we can make the program accessible across multiple platforms.

Staffing

Our outside consultant (programmer) and I were the only staff allocated to the development of the program. We began in September 2010, had a break of a couple months in the fall because of other work flow issues, and finished it up in the spring of 2011. The consultant put in about 130 hours, and I put in about the same amount, including training at each of the colleges.

At the colleges, there is one key administrator who has primary responsibility for assisting drivers on that campus. In addition, there are a few "managers" who have somewhat more limited access to the driver data (e.g., they cannot see the full driver's license number) who can enter drivers into the system, check records, etc. Finally, there are "staff' users who can look up a driver but only ascertain if the driver is approved or not. The "staff' authorization allows us to use student workers in the vehicle reservation and key release process.

Return on Investment

The primary return on investment is to be in compliance with PII laws. The secondary return on investment is the administrative ease of the system, which is not insignificant but difficult to quantify. These expected returns have been achieved.

The colleges have been able to address "unapproved" drivers and expect that this will continue. The colleges will also continue to evaluate the number of drivers who may

be eliminated from using college vehicles and the effectiveness of the program.

Our underwriters, both auto and excess, have expressed their appreciation for this system and our low loss ratios with modest premium consideration. In particular we see declining losses caused by student drivers as the poor drivers are identified and privileges are removed.

Section III – Scalability for Other Institutions

How could other risk managers utilize your solution on their home campus?

We have not developed a readily portable version of the software but are willing to share it at a very low cost. Otherwise, institutions could likely develop in-house programs of their own to suit their particular needs.

While the look and feel of the interface might be modified for a larger institution, the principles are unchanged. This type of system would also work well for a multi-campus university. Once a driver is credentialed on one campus, s/he could drive a vehicle from another campus.

One limitation of the program to other institutions is that many underwriters may not be willing to check the MVRs on all drivers. However, if the institution is paying a third party for the MVR checks, this program might provide the driver information in a format that would allow the institution import it as is into the online system.

Section IV – The Project Materials and Final Product

For more information on the complete Five Colleges, Inc., driver credentialing program, visit:
https://www.fivecolleges.edu/riskmgmt/policies/driver_credentialing.

About the Author

Elizabeth J. Carmichael, CPCU, DRM, director of compliance and risk management for Five Colleges Incorporated, has been managing the risk management programs for the consortium's private colleges since 1994: Amherst, Hampshire, Mount Holyoke, and Smith College. Formerly an account executive and vice president with Alexander and Alexander, Inc., in New York City, she entered the insurance and risk management field in 1980 when she began working as an ocean marine liabilities underwriter. She currently supports the colleges' compliance programs, manages the purchase and administration of the colleges' insurance policies and claims, provides other risk management support to the institutions, and manages the group's captive insurance company. She developed and was project manager for the URMIA Tenants' and Users' Liability Insurance Policy (TULIP) Program, is a former URMIA board member and secretary, former chair of the URMIA Research and Development Committee and the Constitution and Bylaws Committee, and is the 2004 recipient of the URMIA Distinguished Risk Manager (DRM) award. In 2011, Ms. Carmichael received URMIA's Innovative Risk Management Solutions award.

She has been a panelist or speaker for Eastern Association of College and University Business Officers (EACUBO), National Association of College and University Business Officers (NACUBO), National Association of Educational Buyers (NAEB), National Association of College and University Attorneys (NACUA), and URMIA and was a member of the planning committee and a facilitator for the Vermont Insurance Institute's Critical Issues Forum in 1997. She is a contributing author to several publications. A graduate of Smith College, Ms. Carmichael also holds an MLS degree from Columbia University.

The one thing that unites all human beings, regardless of age, gender, religion, economic status, or ethnic background, is that, deep down inside, we all believe that we are above average drivers.

—Dave Barry (1947–),

Pulitzer Prize-winning American Author and Columnist

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UNIVERSITY RISK MANAGEMENT &
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URMIA National Office
P.O. Box 1027
Bloomington, Indiana 47402
www.urmia.org