Fleet Management: Fleet Deductible Program Sample

ASSOCIATE FINANCIAL RESPONSIBILITY

SAMPLE POLICY BELOW

Only you, another associate authorized by (Company Name), and your spouse are authorized to operate a (Company Name) fleet vehicle. If you or your spouse allows an unauthorized driver access to a (Company Name) fleet vehicle, you will be held financially responsible for costs to repair or replace the vehicle in the event of an accident.

(Company Name) will incur the cost to repair or replace a company vehicle when the damage is due to the authorized driver's *first* at-fault accident (minus your $250 deductible). Damage due to a *second* at-fault accident within 24 months from the date of the first accident will require contribution from the driver. The actual cost of repairs or $500 contribution toward the cost of repairs will be assessed, whichever is less. A *third* at-fault accident within 12 months of the second accident will result in a $2,500 contribution and/or revocation of the company vehicle.

Fleet administration will determine if an accident is at-fault based on police reports and/or the specific accident details. They have the option to seek the opinion of the HR/Safety Department when accident details are not clear cut.

Signature____

Date____

Pros and cons of charging employees deductibles for preventable accidents

By Richard D. Alaniz (http://www.siftmedia.co.uk/portfolio/accountingwebcom)

It is the bane of many managers' jobs: the preventable accident. With police reports to file, insurance forms to manage, and repairs to oversee, those minor fender benders and dinged doors can cause significant headaches and paperwork. In order to instill a sense of responsibility in employees, many employers may consider charging workers a deductible after they have had a preventable accident.

The Federal Motor Carrier Safety Administration defines a preventable accident as "one which occurs because the driver fails to act in a reasonably expected manner to prevent it." Preventable accidents can occur when drivers are texting, speeding, intoxicated, tired, or just not paying attention.

However, before instituting a policy of charging deductibles, there are many aspects to consider. Are there state and local laws that prohibit charging a deductible? Does it matter whether the employee is exempt or non-exempt? Does it make a difference if a company self-insures? How will such a policy affect employee recruiting and morale? Before you adopt a corporate policy of charging deductibles for preventable accidents, you must understand all the issues in order to protect yourself legally.

State and federal laws

Company property can be damaged in a variety of ways besides fender benders. Employees can drop and break a brand-new company phone, infect a corporate-issued laptop with a virus while downloading a personal email, or break the copy machine while trying to vigorously undo a paper jam.

When it comes to damage to any kind of company property, state and federal laws may restrict or prohibit the company's ability to make payroll deductions for loss or damage. Under the federal Fair Labor Standards Act, employers may deduct wages for loss or damage if two conditions are met:

1. Before the money is taken from the employee's paycheck, he or she signed a written statement agreeing to the deduction; and
2. The deduction does not bring the employee's hourly rate below the minimum wage or violate overtime requirements. This part applies to non-exempt employees who qualify for overtime regulations and minimum wage laws as well.

When it comes to exempt workers who are not subject to minimum wage and overtime requirements, companies cannot deduct wages directly from salaried employees' paychecks as reimbursement for damage to corporate property.

According to a 2006 U.S. Department of Labor Opinion Letter, "It would not matter whether an employer implements such a policy by making periodic deductions from employee salaries, or by requiring employees to make out-of-pocket reimbursements from compensation already received. Either approach would result in employees not receiving their predetermined salaries when due on a 'guaranteed' basis or 'free and clear,' and would produce impermissible reductions in compensation because of the quality of the work performed under the terms of the employer's policies…"

Some states also have weighed in on the issue of charging employees out of pocket or deducting money from their paychecks for lost or damaged company property. In California, employers may only deduct for cash shortages, breakages, and equipment loss if an employee acted with gross negligence or through a dishonest or willful act.

The issue of wage deductions for damages is a complicated one, and it varies so much by state that you should consult legal counsel before implementing any type of policy that requires paying deductibles for preventable accidents.

Will it hurt morale?

Charging a deductible for preventable accidents may seem like sound corporate policy. It saves on the bottom line and makes employees accountable for safe and responsible habits. However, charging a deductible can cause a backlash. When wage deductions are not allowed, employees probably will have to pay out of pocket. This may be difficult to enforce, unless the company is willing to consider termination or suing the employee. Employees may strongly resent paying out of pocket or seeing money come straight out of their paycheck for an accident that happened while they were working.

Knowing they may take financial hit, employees might also fail to report minor accidents or be tempted to lie to the police and the company about how an accident occurred. Employees might also insist an accident wasn't their fault and wasn't preventable at all. In many cases, local law enforcement can help clarify whether your employee was at fault. Many states now use a proportional system which spreads the blame around. For example, if two vehicles collide, one driver might be considered mostly at fault, but the other driver might share a percentage of the fault. Assigning blame to an aggrieved employee will certainly not create feelings of goodwill.

There also are the administrative aspects of charging employees deductibles. If you require employees to pay a deductible, you must be sure to have that in writing. Managers and the human resources department must spend time ensuring all the paperwork is completed, accurate, and accessible. With the administrative work involved, it might be more trouble than it is worth for some companies to charge deductible, particularly smaller companies with fewer workers.

Other options

Rather than charging deductibles, employers might want to consider other approaches to discourage unsafe habits or to punish such activities. Education and training designed to minimize accidents is one proactive approach. Discipline for accidents is another – as parents of teenagers know, taking away the keys to the car can be a highly effective form of punishment. If an employee has had several accidents, termination might be the final option.

When it comes to charging employees deductibles for accidents they could have prevented, there are many aspects to consider. Whatever approach you take, ensure that it makes sense from a financial, logistical, and employee morale perspective. Since laws can vary so much depending on your state and type of insurance you have, seek expert advice from lawyers, insurance brokers, and HR staff who are familiar with the issues.

Once you've chosen the right policy, be sure that your employees have been educated about the policy and signed all the necessary documentation. In case of disputes, you want to be able to prove that your policy was well thought out and consistently implemented.

About the author:
Richard D. Alaniz is senior partner at Alaniz and Schraeder, a national labor and employment firm based in Houston. He has been at the forefront of labor and employment law for more than thirty years, including stints with the U.S. Department of Labor and the National Labor Relations Board. Alaniz is a prolific writer on labor and employment law and conducts frequent seminars to client companies and trade associations across the country. Questions about this article can be addressed to Rick at 28133-2200 or ralaniz@alaniz-schraeder.com (http://www.accountingweb.com/aa/standards/'+String.fromCharCode(114,97,108,97,110,105,122,64,97,108,97,110,105,122,45,115,99,104,114,97,101,100,101,114,46,99,111,109)+'?subject=About%20your%20article%20in%20AccountingWEB...') (http://www.accountingweb.com/aa/standards/'+String.fromCharCode(114,97,108,97,110,105,122,64,97,108,97,110,105,122,45,115,99,104,114,97,101,100,101,114,46,99,111,109)+'?subject=About%20your%20article%20in%20AccountingWEB...').

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