



DATA SHEET

Negligent Entrustment

Reduce your risk by following best practices for business vehicle policies.

When someone is injured due to another person's negligence, they may look to the party responsible for the accident for restitution.

Company Liability in Employee Accidents

If the person at fault was on duty as the employee of a particular organization, then the injured party may sue the organization for damages.

When an organization authorizes an employee to drive on its behalf or puts a vehicle in the hands of someone who is not equipped to handle it properly, this is called negligent entrustment. Through this type of tort claim, a person may be eligible to recover damages both from the driver of the responsible vehicle and from the organization that employed them.

For any organization with mobile employees, negligent entrustment is a real risk, which can lead to serious problems if not addressed. If an employee is incompetent, reckless, unlicensed, or underinsured while driving a vehicle on behalf of their company and is involved in an accident, then the company could have exposure if it can be proved that they either knew or should reasonably have known that the driver was unsafe.

AT A GLANCE

Most organizations are unaware of how negligent entrustment affects their mobile employees.

Organizations have a fiduciary obligation to verify that each employee has a valid driver's license as well as a driving record that will not expose the company to risk.

Negligent entrustment cases focus on two issues:

1. Whether or not the organization has well-established, sound vehicle safety policies.
2. Whether or not the organization has appropriately enforced those safety policies.

In order to avoid liability an employer is required to:

3. Have a safety policy that is documented and enforced.
4. Whether or not the organization has appropriately enforced those safety policies.

The Importance of Vetting Driving Records



An organization's liability not only covers employees driving company-issued vehicles, but also extends to those who use a personal vehicle to conduct company business.

If a worker is sent to pick up lunch for a meeting, or is traveling to the airport for a business trip, and causes an accident en route, then their employer could be held responsible for damages.

This is why it's vital to vet employees properly before entrusting them with driving duties. By reviewing their driving records, an employer can discern anything that would increase company liability: DUI convictions, too many speeding tickets, or a suspended license—all indicators of potential driving risks.

Protecting Yourself Against Liability

In order to guard against this type of incident, any organization with either fleet vehicles or mobile employees must take the following steps:

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- 1. Establish and enforce a formal driving safety policy. The policy should include provisions specifically addressing speeding, distracted driving, impaired driving, and the use of seat belts.**
 - 2. Communicate the policy clearly to all mobile employees, and have them sign formal statement that they have read, understand, and will adhere to the policy.**
 - 3. Run Motor Vehicle Record (MVR) checks on all mobile employees operating vehicles for business purposes, whether personal vehicles or company vehicles. Review the MVR results for each employee in detail, and establish a safer driver program that includes a points equalization scoring system based on the results.**
 - 4. Provide driver safety training courses for mobile employees whose risk scores fall below policy standards. It is essential to enforce the policy to ensure its effectiveness.**
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Accidents happen. Taking proactive steps to address liability risks doesn't guarantee that your mobile employees won't be involved in an accident while on company business. And it won't automatically prevent you from being subjected to a negligent entrustment claim.

However, the benefits are clear. Establishing a driving safety policy will help mitigate the risks by encouraging drivers to exercise caution on the road. And in the event that an employee IS involved in an accident, the MVR checks will limit your potential liability and reduce your exposure to a negligent entrustment suit.

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