

Large Claims Lessons Learned



Line of Business: General Liability Topic: Negligent Hiring and Retention

Claim scenario

The GM of a dealership employed a GSM without conducting a background check, which could have exposed his criminal history spanning multiple states, including felony assault, larceny, and embezzlement. Subsequently, the GSM initiated a relationship with an employee that soured over time, culminating in an assault by the GSM at the dealership.

The employment of the GSM was terminated once leadership learned of the assault. Upon meeting with the employee and the employee's mother, the dealer reassured them that they would be safe and encouraged them not to file a restraining order against the former GSM. Additionally, the dealer promised to take necessary action to ensure that the GSM would leave town. A few days later, the GSM arrived at the employee's parents' home in search of the employee where he proceeded to confront and ultimately kill the employee's father.

Financial impact

This claim may have a financial impact of **\$5,000,000**.



Lessons learned

1. Dealerships should implement comprehensive hiring and vetting procedures. In this scenario, conducting a meticulous background check would have uncovered a history of multiple felonies and embezzlement crimes, rendering the individual ineligible for employment. Consistently adhering to such practices is crucial to safeguard the dealership, as failure to do so can result in significant financial and reputational repercussions.
2. The dealer's remarks regarding the employee's safety and suggesting that the GSM should leave town exacerbated the situation. If these actions are substantiated by the plaintiff, they could be deemed as negligent hiring which could have a significant financial and reputational impact to the dealer.



Action needed to prevent this type of loss

Hiring

- Establish a comprehensive hiring and screening process for all new hires.
- As best practice, conduct an in-person interview for qualified candidates.
- Complete a detailed criminal and civil background check as well as detailed employment history for every new hire.
- Verify the resume and check references of any individual considered for a new position within the dealership, regardless of role.

Retention

- Implement a zero-tolerance policy for workplace violence.
- Take all complaints seriously and conduct a full investigation.
- Document all complaints and subsequent interviews.
- Take appropriate action after an investigation is completed, including increased supervision, training, or termination, if warranted.
- Never give legal advice. Refer all inquiries to the proper authorities or an attorney.



Loss prevention/Risk management resources

Negligent hiring and retention can be prevented, and Zurich offers solutions to help your dealership create positive hiring practices. View Zurich's loss prevention bulletin, [Workplace Violence](#), for guidance on mitigating risks. Visit Zurich's [Automotive Dealer Resources](#) hub to access all of Zurich's loss prevention resources.

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