



# TRUCK FLEET DISTRESSED!!!! 'CURE OR PREVENTION?'

What actually does the term 'distressed fleet' really mean and is it a big deal to me anyway?

You can bet that it is a very big deal and if it ever happens to your fleet you will wish that you had taken the prevention option rather than have to go through the cure.

From my perspective a fleet is in distress when I get asked to quote for a new client only to find that they have had a bunch of claims in the last few years and their existing insurance company is pretty happy to see the back of them. In the worst cases they cannot buy insurance and the business folds. You can also guarantee that in addition to the claims they also have a poor credit history, fuel and deferred maintenance costs rocketing, clients walking away, and driver selection means breathing + walking + licence = hired.

The thing is that it did not start out this way. No trucking operation commenced business in a distressed state. The disease is progressive and not every operator catches it, but it started the day the business commenced and neglected to follow a strict business plan. To give an example, I was phoned a couple of months ago to quote a small fleet running a tidy urban delivery run on contract to a multi national distributor. I met with one of the business owners and it transpired that the business was in pretty serious trouble.

First problem was that their broker had cancelled their insurance because they had held back on a premium payment. The reason being was that a recent claim had been declined by their insurance company and they were not going to pay the premium until the claim was settled. You might think that was fair enough and you would do the same, but you have to be very sure of yourself to do this and in this case the claim dispute was legitimate and the cancellation stood.

Second problem was that over only a couple of years the business had lodged some serious at fault claims including rollovers and single vehicle incidents. Things were looking pretty bad at this point. Fleet safety and management had consisted primarily of sacking the drivers after the event and scratching the head wondering where it was all going wrong.

**The thing is they were now seeking the cure when prevention should have been the only option followed right from the start of the business.**

This is a small but pretty extreme case but I can tell you that we have had businesses with fleets of over 100 vehicles that presented similar problems and cure was the only option to prevent closure.

Consider also the other effects of a distressed business, increased fuel costs as drivers fight to beat impossible deadlines, tyre replacements due to under inflation – a product of poor maintenance, time off the road with accident repairs, the cost of meeting the unbudgeted claim excesses, rising insurance premiums, loss of contracts due to poor delivery record, slow bill

payment record – particularly compliance and taxes and driver traffic and log book infringements.

## THE CURE IS PAINFUL

Substantial increases in motor fleet premiums, large claims excesses – even larger for single vehicle incidents, compulsory driver training and Toro checks on all drivers, evidence of an effective working fleet safety and maintenance programme, installation of in cab cameras, installation of speed limiters and evidence of a management and business plan.

In most cases we can present a cure that will get the business back on track with their insurance and in a couple of years we can address the high premiums and excesses but we would still strictly advocate that the other measures stay operational. These all form a part of the prevention programme anyway.

## PREVENTION IS RELATIVELY PAINLESS

- Firstly, you have identified your opportunity.
- Secure the contracts and vehicle/s.
- The business plan is **ESSENTIAL**.
- Establish your fleet safety and maintenance programme.
- Establish a risk management programme.
- Profile your drivers and establish a training scheme.
- Install in cab cameras on **all** trucks – yes even the one you might be driving.
- Speed limiters should be mandatory.
- Monitor and review all processes and then monitor, monitor and monitor.

A substantial transport operator who reviewed their practices and embraced these measures as a proactive approach has seen six figure savings to their bottom line over the past 12 months. In addition, when compared to the previous 12 months, there was a massive 109% improvement in accident free days, 47% reduction in the accident rate and 33.5% cut in the cost of accidents.

## THE REWARD

The cost of putting all of these measures in place is recovered tenfold. Insurance companies will want to tender competitively for your business, finance companies will fund your operation at desirable interest rates, you will experience fuel savings of 8 to 10%, reductions in accident numbers reduces your repair cost contribution, improved vehicle values, reduced down time, improved staff morale and driver retention, and contracts will be retained and new opportunities will present themselves.

If you have an opinion that you want to express on this topic you may want to drop me an email [trevor@multisure.co.nz](mailto:trevor@multisure.co.nz) I will include all responses on my blog site which can be viewed at [www.trevortoothill.blogspot.com](http://www.trevortoothill.blogspot.com) 



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