

TRUCK INSURANCE... PAYING TOO MUCH?... PROBABLY!



TruckSure By Trevor Toohill

If you are operating any form of specialised plant and machinery on your transport vehicles there is a fair chance that you are paying way more premium than you should be!

Got your attention? I hope so because you could just be paying for a free lunch for your insurer!

I was out seeing a new client a couple of months ago and we were discussing their fleet insurances and generally reviewing all values to make sure the sums insured were realistic and market related. Their vehicles were substantially modified and settling on the right valuation needed to be a bit more scientific than just knocking 10% off last year's schedule.

Not such a problem for most standard set-ups – B trains, flat decks, bath tubs, low loaders, box body, etc. But when you start having a look at specialised plant on the back of your truck – pumps, hoists/cranes, compactors, tanks, agitators, bins, spreaders, etc, you need to be a bit more diligent and seek specialised advice. You will be well rewarded for setting correct values at time of insuring. Firstly you will pay a premium for a sum insured that is realistic. Secondly you will have the least amount of hassle with the insurance assessor at claim time.

My new client was good enough to show me a recent item put together by Craig Silby at Easytrucks.co.nz. Craig's article says it all and he has kindly allowed me to reproduce it below:-

INSURANCE, ARE YOU PAYING TOO MUCH?

What do you think the insurance company will pay out if your truck is written off? Market value? What is market value? Is that the amount you are insured for? Could it cover the cost of replacing your truck? Or is it what you could have sold your truck for just prior to its mishap? It is nearly always the latter; what the general retail market would pay for your truck if it was for sale.

What if your truck is entirely specialised to your task and cost an absolute fortune to build? Regardless of what it cost you; it's only worth what the general market might pay for it. How can this be fair?

Well, that's the case with claims; the insurer gets one or more pre accident valuations and this is used to decide what the asset reasonably would have sold for on the retail market immediately prior to the claim. This value may not take into account the value to your business of any engineering and/or equipment built on or added to your cab chassis. In some cases these improvements may even make the asset worthless on the retail market.

It is entirely up to the expert valuers as to what they might think your asset was worth pre accident.

Do you know who your insurance company is using to value your assets? Are they experienced enough to put a value on your gear?

You might think your linehaul truck is worth \$200k and insure it for that. If a valuer gives the insurer a PAV (pre accident valuation) of less, you are over insured; the insurer will only pay market value. The difference in insurance premiums between a value of \$200k and \$100k on a linehaul vehicle could be several thousand dollars per year. It would pay to get your own reputable value estimation done prior to each insurance renewal. At least you then have something to compare to their PAV, if required.

What if I have a custom built truck which is no good to anyone else?

In some cases it may be worthwhile separating the coverage; insure the cab/chassis for market value and then insure the plant and/or equipment on the back using a depreciation formula. This type of cover could be negotiated on a case by case basis with your insurer or broker. This may save your business in the event of a claim.

I know of one recent case where a client had a 2004 6x2 truck with a specialised body on the back. The bodywork cost around \$100k over and above the cab/chassis price. The body is so specialised that it actually makes the truck as a whole very difficult to sell. Essentially you need to devalue the truck to the same or below cab/chassis value to sell it. So; if the truck was written off and a PAV was done for the insurer they would only pay out the cab/chassis value, because this is all the market said the truck is worth. Had the owner insured the cab/chassis and body separately they may have retained the opportunity to realise some value from the bodywork. This may still not help them replace the asset, but at least they would realise a truer value than what the market might have said.

Unfortunately as a whole our industry is often included with cars and treated the same, or similar. Trucks are not like cars. One size does not fit all. In these unprecedented times any opportunity to lower expenditure must be explored.

I believe now is a good time to have a detailed look at your vehicle insurance values. You might find you can save a significant amount on your premiums. You might also find there is an opportunity to better cover your business with regard to any specialist gear you might have in your fleet.

If you are unsure where to begin, or need any assistance with heavy commercial vehicle values, give Craig a call, or visit www.easytrucks.co.nz 



MultiSure



0800 287 287

www.trucksure.co.nz



TruckSure

'You sit behind the wheel – we stand behind the truck'