



TruckSure By Trevor Toohill

# TRUCK INSURANCE TOO EXPENSIVE? ....DOESN'T HAVE TO BE!!!

You go out and buy a new truck or sit down to do the annual review of your fleet. One of the big budget expenses is the cost of the insurance premium. You do the usual phone call to your broker and the result may be that your insurance account is 'shopped around' usually purely as justification by your broker for what is being put up to you as a good deal.

Shopping around is not sufficient to get you the best deal.

You first need to understand the main components that insurance companies take into account when assessing your business and arriving at a premium. **If you do not know what these factors are and do not put in place a plan to minimise risk and maximise the use of premium saving devices, then you will be paying as much as 60% more than you need to.**

TruckSure is regularly engaged to undertake reviews and initiate plans which produce this sort of premium reduction – two recent examples of client reviews:

### Urban Passenger Transport Operator;

The GM and Board requested us to review its insurance costs on their 700 unit vehicle fleet.

This request involved us completing a comprehensive overhaul of the entire group insurances.

The result was that risk management, deductibles, self insurance, and profit share saw annual premium savings to this client of approximately \$400,000 – a 62% reduction in their insurance cost!!

### Line Haul Bulk Liquid Transporter;

Challenges faced by this busy triple shift operator included distressed fleet through multiple claims, insurance premiums escalating out of manageable control, and running out of insurance options.

TruckSure were engaged and completed a comprehensive risk management overview.

We even engaged overseas specialists to assist.

The result within two years of account management is a fleet now out of distress and reduced annual premium from \$450,000 to \$150,000 – a massive 66% saving.

The components that have an impact on your premium fall in to three categories.

**The first group you have little or no control over and tend to have the least impact, but nevertheless are components:**

**Premium pool.** Insurance premiums are levied to build a pool of funds held by the insurer from which they pay claims, brokerage, administration costs and at the end of it all a dividend to the shareholder. If the claims experience of the pool is negative or deteriorating then the insurer will look to increase the premium charged for that class of business right across all clients regardless of their individual performance.

**Competition.** Competition between insurers to some extent will keep a lid on premiums particularly in regard to retained earnings to reward the insurer's shareholder. They still need the premium pool but lack of competition in the market will mean the insurer will attempt to increase profitability.

**Broker influence.** There are only a handful of brokers in New Zealand that could truly claim to be transport specialists. These brokers have influence with the insurers and can present your account in the best possible form and with acknowledged expertise. You insure big ticket items which require special understanding. You should choose your broker carefully and not use one whose best claim to fame is insuring the corner dairy or local fish and chip shop.

**The second group of factors have a direct effect on both the 'discount' and the 'loading' that can be applied to the 'book' or premium pool rate:**

**Claims History.** This is the big one. Claims history would account for at least 50% of the consideration to either raise or lower the premium. A poor past record without a tangible full risk management review will result in substantially higher premiums. Conversely, good management practices and nil claims will produce a considerable discount.

**Sum Insured.** The sum insured has a direct impact on the rate of premium assessed. Obviously the more expensive the rig the higher the premium but usually lower the rate as a % of the sum insured. This reflects the fact that there are fewer total loss claims than there are partial loss claims. Most claims are recorded below \$50,000.

**Driver Experience.** Both good and bad driving history will have impact on the premium, as will the driver's age and truck driving experience. Aged under 25 and over 60 tend to attract adverse attention. Being within the preferred driving age group of 25 and 60, having a clean license, and a few years behind the wheel will all reflect in a discount to the base premium.

**Operator Experience.** Apart from the claims history it is also important that the operator has experience in the transport sector and a solid established business.

We will continue this article in the next edition. 



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