Insurance survey 2023

Sponsored by AssetWORKS bp ATS EUROMASTER Tyres and Vehicle Maintenance AX MotorAssist Novuna Vehicle Solutions

Fleets turn to brokers to minimise insurance premiums

Six out of ten fleets use an expert to help secure most competitive rates, latest Fleet200 Strategy Network research shows. *Sarah Tooze* reports

Insurance premiums, like all fleet costs, have been rising in response to inflationary pressures, car and parts supply shortages, and labour issues.

The cost of vehicle repairs has jumped 33% over the year since Q1 2022 to £1.5 billion, according to the Association of British Insurers (ABI). It's the highest figure the ABI has seen since it started collecting this data back in 2013.

Insurers have reported labour costs being as much as 40% higher, while the cost of replacement parts for many popular cars has increased 12-21% over the past year.

Against this backdrop it's no surprise that most Fleet200 Strategy Network members use a broker to scour the market for the best insurance deal.

This is the most popular approach for both cars and vans (60% and 61% respectively), with the least popular method being to use a leasing partner (3% and 4%), which reflects the fact that few leasing companies have their own insurance product.

Public sector fleets, however, are more likely to procure their vehicle insurance directly with an insurance company or use other methods such as the Crown Commercial Service (CCS) insurance framework agreement. For cars, 24% of public sector respondents go direct while 41% use 'other' methods. For vans it is 32% and 37% respectively.

This compares to 69% of private sector respondents using a broker to procure their car insurance and 74% of using that method for their vans.

Speedy Asset Services, which has a fleet of 1,339 vehicles (578 cars, 818 vans and 243 HGVs), has used a broker for a number of years.

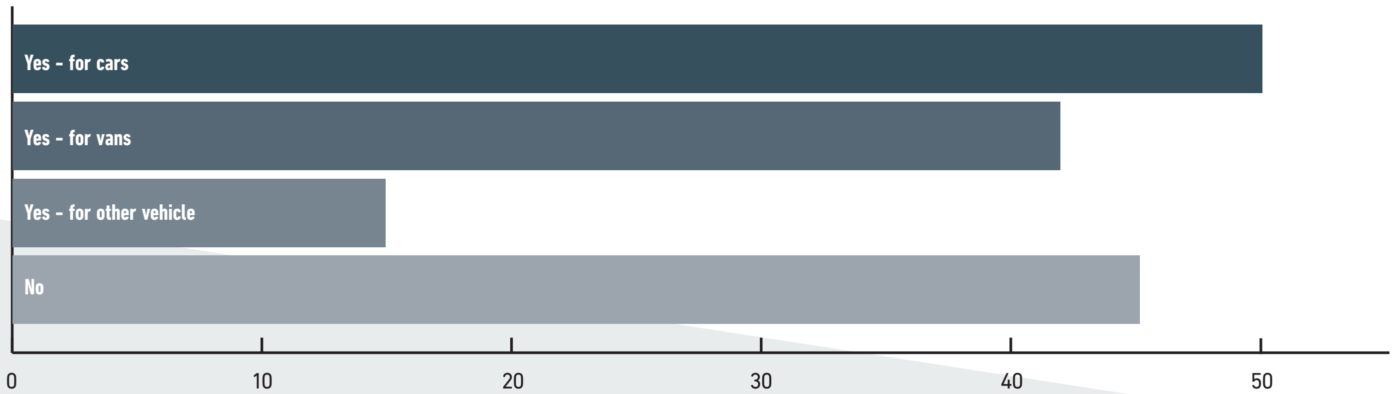
"It takes the pressure off the business to have experts in the field trying to find the best deal," says Courtney Brennan, fleet claims manager.

Does your vehicle insurance policy include grey fleet?

Yes: 19%

No: 81%

Do you get involved in the procurement of vehicle insurance?



CHALLENGING RESERVES SET BY INSURERS

While a broker handles the underwriting side, Brennan focuses on the claims. She has an insurance background, having worked for a solicitors and a major insurer before joining Speedy Asset Services four years ago when a new role was created to manage claims.

She advises businesses to "cleanse" their claims data from their insurance company every month to make sure all the costs associated to a claim are accurate.

"Each insurance company will allocate a standard reserve. It will differ between insurance companies, but it's usually about £4,000," she says. "If you've had an incident where you've knocked a door mirror on a tree stump, for example, and you've shattered the glass then that figure is not going to be appropriate. And if you've got that for 10 claims it's adding to your overall insurance costs. It may be that you're not going to be claiming because you've not damaged the tree and the glass replacement is less than your excess so you can completely remove that £4,000."

Lee Jackson, group head of plant and transport at OCU, says that in a previous role he found reserves were "way above" the actual level.

"We were challenging the insurer based on the actuals from previous claims periods to show that their reserving was set far too high," he says.

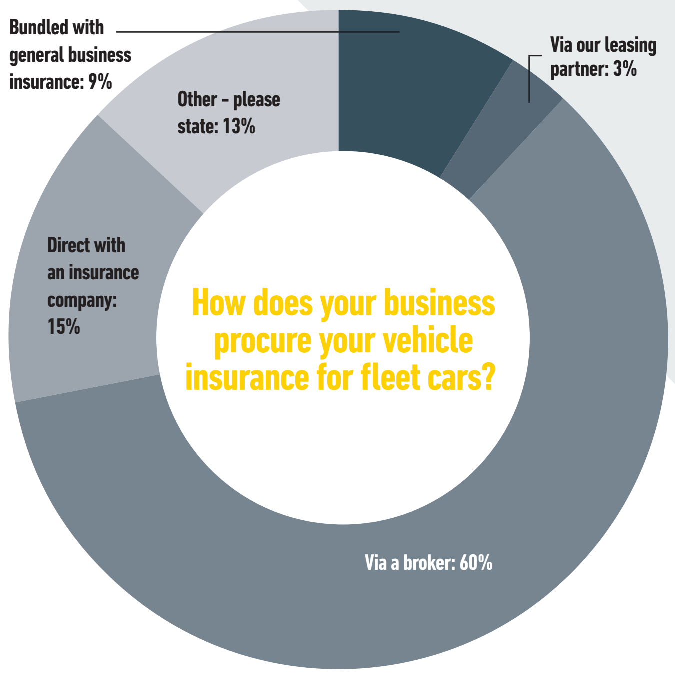
He advises fleets to make sure that their insurer is not just using a "blanket" reserving policy across their whole customer base, and to see if there is an opportunity for reserves to be calculated based on actual activity.

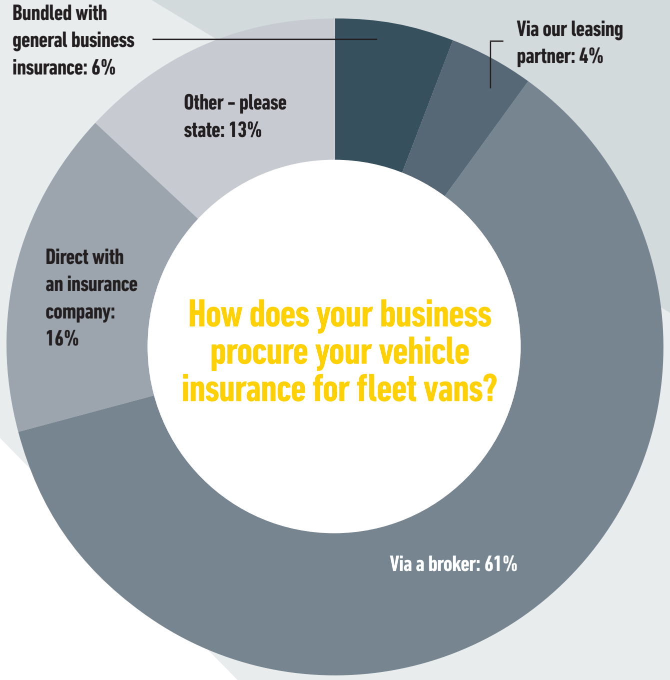
In his previous role, Jackson would facilitate meetings between the broker, the insurer, and accident management company to do regular reviews on the overall performance of the fleet's incident profile.

This is a good example of the central part which a fleet manager can play in fleet insurance.

However, while many fleet decision-makers will work closely with their insurer, the Fleet200 Strategy Network survey highlights that a large proportion of fleet managers do not get involved in the procurement of vehicle insurance.

This can vary depending on different organisations and whether fleet insurance is negotiated separately to other business insurance policies.





Just under one in 10 respondents say their car fleet insurance is bundled with general business insurance, while for vans this falls to 6%.

Matt Hammond, head of fleet at Altrad Services and deputy chair of the Association of Fleet Professionals (AFP), says: "As our insurance policies are all negotiated together, I am only lightly involved in the fleet policy renewal negotiations. We have someone within the group who handles the main interaction, involving the specialists for each area. I provide our data, narrative and update on safety initiatives at renewal time."

A survey respondent in the financial services sector, who wished to remain anonymous, explains that his fleet insurance is handled by an in-house team and a broker. He provides them with data on the make up and type of vehicles (whether they are petrol, diesel, hybrid, plug-in hybrid or battery electric vehicles) as that will all have an impact on the premium.

He advises other fleet managers to review manufacturer and model options and flex their choice lists based on risk insight.

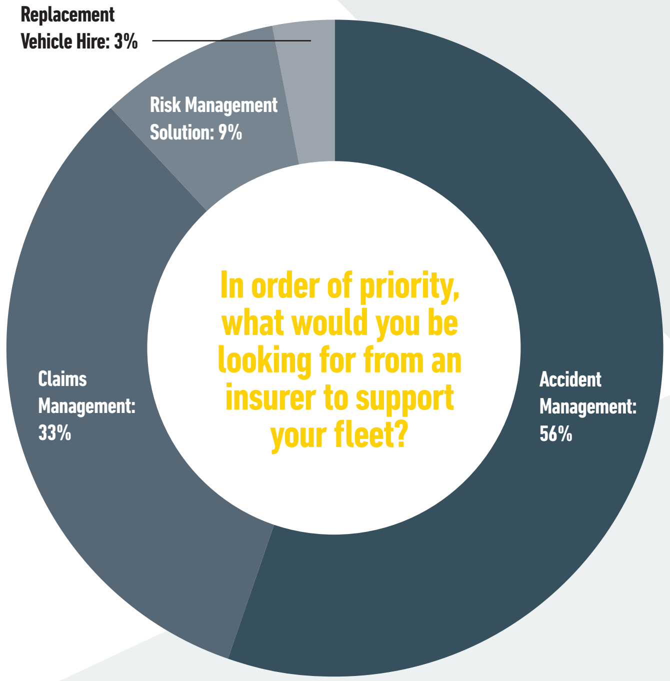
"We have removed some options from choice lists due to an increased risk of theft," he says.

WHAT FLEET MANAGERS WANT FROM INSURERS

Accident management is the most important thing which fleet managers are looking for from their insurer. It was ranked the number one priority for 56% of respondents, followed by claims management and a risk management solution.

Hammond says he wants an insurer who "interacts throughout the year and not just at renewal time".

"I look for an insurer who is as committed to reducing incidents as I am, who supports our initiatives, adds value to our conversations and actively



EV INCIDENT CLAIMS MORE EXPENSIVE THAN ICE CLAIMS

As more Fleet200 Strategy Network members transition their fleets to electric they will need to keep an eye on insurance trends for EVs (electric vehicles).

EV incident claims are currently 25.5% more expensive than their internal combustion engine (ICE) equivalents and can take 14% longer to repair, Thatcham Research suggests.

The most significant challenge is the high voltage (HV) battery, which represents a substantial percentage of the original vehicle value. When the HV system is damaged it can make it uneconomical to repair an EV. Vehicle damage assessors also have very few tools/techniques to sufficiently assess HV battery damage, according to Thatcham.

On the flipside, EVs have high levels of standard-fit Advanced Driver Assistance Systems (ADAS) and passive safety technologies, which is contributing to a reduction in small claims.

promotes safety improvements," he says.

"Insurance can be a necessary evil or an information benefit. We look to ensure it is the latter."

Jackson agrees: "I want someone who is engaging and is understanding in terms of the operation and the activity of that team to tackle and look for innovation to reduce incidents."

He adds: "They are the subject matter experts, they are the ones with all the MI (management information) to enable businesses to improve."

He advises fleet managers to set a baseline and track the progress achieved following any investment in risk management initiatives.

OCU tracks incident frequency, the types of incidents, and whether they are fault or non-fault.

"That helps us to identify what the opportunity will be going forward," Jackson says.

Hammond suggests that to mitigate insurance premium rises fleet operators should work with their insurer and set out a three-year plan with targets and key milestones. The targets should apply to "both sides". He suggests fleet managers should say to their insurer 'if we achieve X then you need to reduce my premium by Y'.

Fleet managers should make it clear what they are implementing and what support they expect from their insurer.

Fleet200 Strategy Network members are looking for their insurance company to support them with an array of solutions, with the most popular being dash cams (33%), driver assessment tools (31%), advanced driver training (29%) and telematics (27%).

All of Speedy Asset Services' commercial vehicles have telematics fitted and cameras are being upgraded to three-way cameras (driver-facing, forward-facing and rear-facing) in its vans and five-way cameras in HGVs.

Telematics and cameras have been "imperative" for squashing fraudulent insurance claims, according to Brennan. For example, tracking data can demonstrate a vehicle was not in the location of an alleged incident or, in the case of an at-fault incident, the camera footage can show how many people were genuinely in the other vehicle at time, and wipe out personal injury claims.

Camera footage also helps establish liability and allows Speedy Asset Services to identify what further training drivers may require as the footage can be shared with an in-house driving assessor.

OCU has a tracking system in its commercial fleet and is trialling cameras and an AI solution, which monitors driver fatigue and distraction, in vans and HGVs to understand the potential benefits.

Jackson believes the "power" of telematics comes from analysing the data.

WHAT GREY FLEET CONTROLS ARE IN PLACE?

Fleet200 Strategy Network members generally expect drivers doing business journeys in their own vehicles (the grey fleet) to have their own business insurance. Only 19% of respondents say they include the grey fleet in their vehicle insurance policy.

One survey respondent says that requiring drivers to have their own business use cover actually encourages them to use public transport or hire vehicles instead.

Businesses have a number of controls in place for their grey fleet with 67% of respondents checking licences and 58% checking documents such as MoT certificates, maintenance records and business insurance.

A smaller proportion (38%) limit vehicle age and only 13% limit emissions, widening the gulf between the environmental performance of an organisation's company car fleet and its grey fleet.

Some Fleet200 Strategy Network are taking a carrot rather than stick approach, preferring to tempt grey fleet drivers into a ultra-low emission vehicle via a salary sacrifice scheme.

OCU launched a salary sacrifice scheme in August 2023.

Lee Jackson, group head of plant and transport at OCU, says: "We're raising awareness of CO2 outputs for individual's vehicles as an average CO2 and we're offering an alternative of a salary sacrifice scheme should people want to switch to a low emission vehicle."

That has an impact on scope 3 emissions reporting, although OCU does already ask grey fleet drivers not to have vehicles older than seven years.

Speedy Asset Services does not allow anyone to use their personal car for business journeys. Instead they have to use a hire or company car.

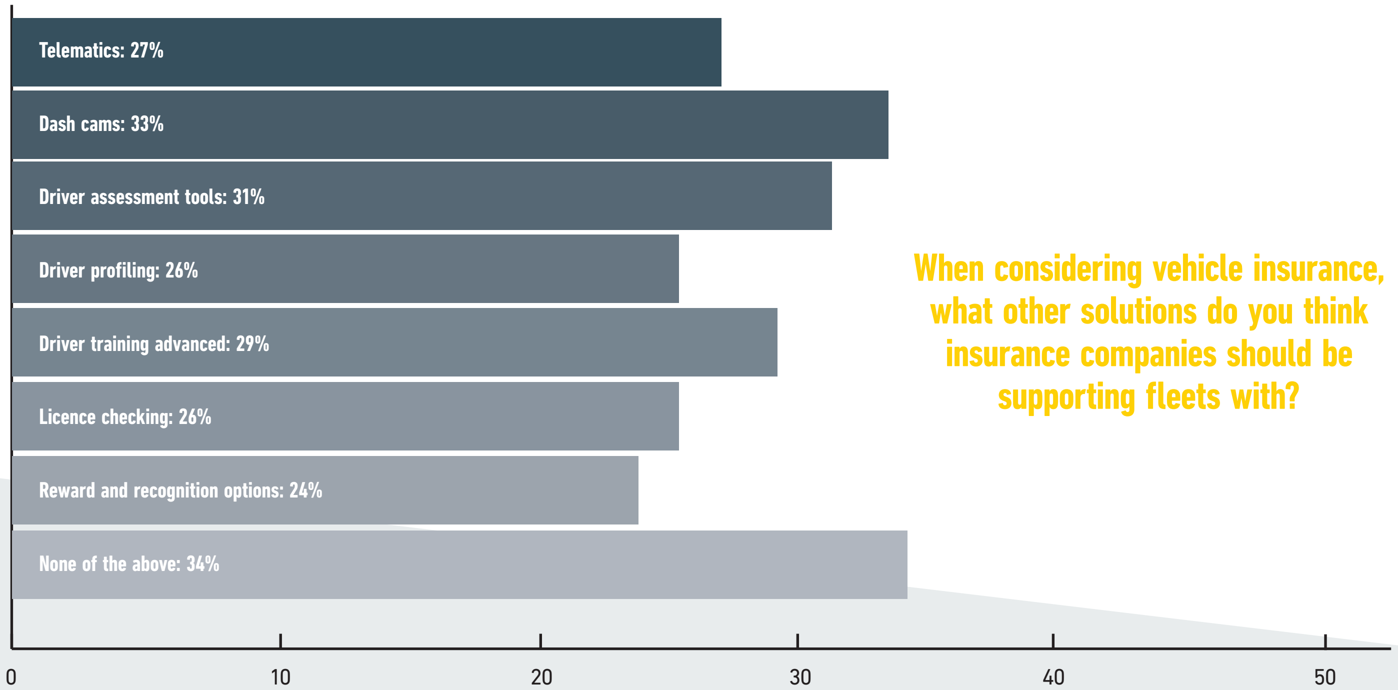
The exception is cash allowance drivers but all of their documents are checked, they use the same mileage entry system as company car drivers and restrictions are in place. They must have a vehicle younger than six years old, with CO2 emissions of less than 170g/km (WLTP figure).

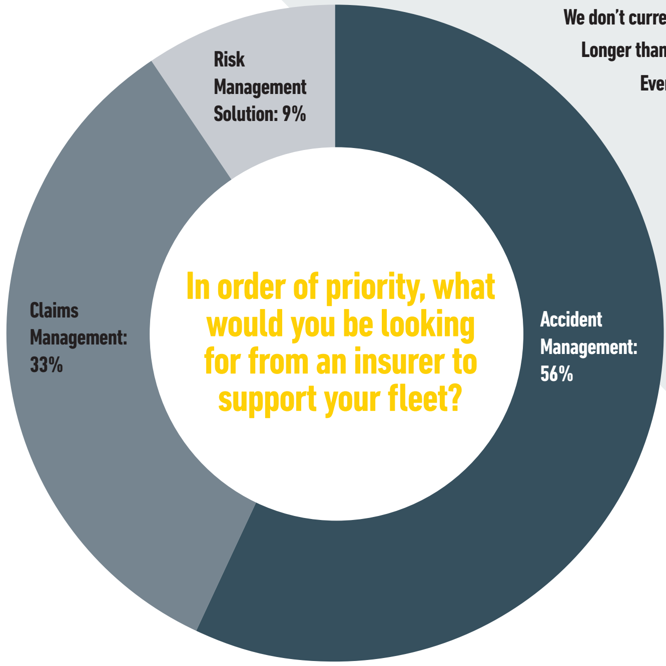
This is in the process of being reviewed due to Environmental, Social and Governance (ESG) targets.

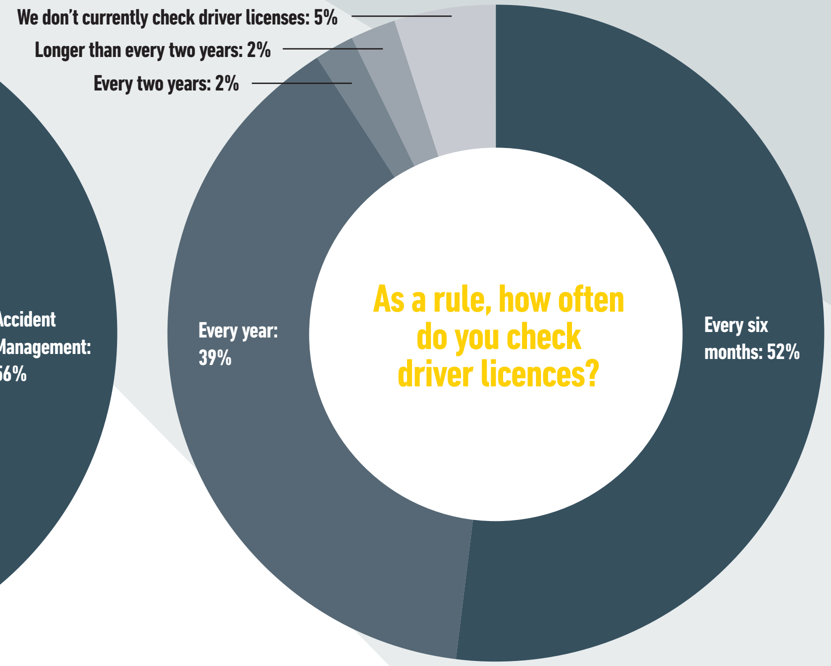
Speedy Asset Services is also introducing a salary sacrifice scheme with plug-in hybrid electric vehicle (PHEV) and electric vehicle (EV) only options.

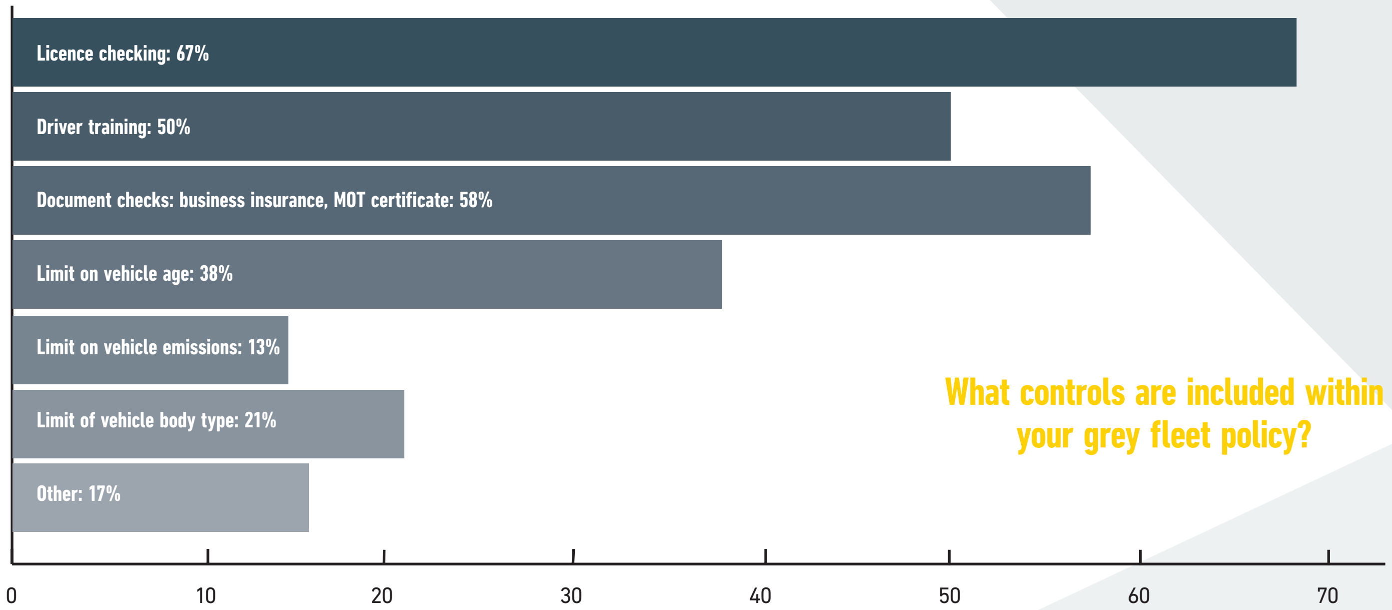
Half of Fleet200 Strategy Network survey respondents say they offer driver training for grey fleet drivers.

This is not necessarily a blanket approach. One respondent, for example, says they offer computer-based training to grey fleet drivers who drive more than 1,000 miles.









"That's where you can really make the significant differences in safety, which lead to benefits in cost," he says.

A good insurer can work with fleets to analyse data, understand potential benefits of technology and recommend and support on the introduction of the appropriate solution, according to Hammond.

"Technology is only useful if it is 'right'," he says. "Driver training and education might be the better option or internal process improvement."

ON-THE-ROAD TRAINING MOST POPULAR METHOD

Traditional risk management tools such as a driver handbook and on-the-road training remain popular with Fleet200 Strategy Network members.

Seventy per cent of survey respondents offer on-the-road training to their drivers, while e-learning is more popular than classroom training (56% versus 43%).

OCU has in-house assessors and is about to introduce online driving assessments as well, which cover the Highway Code and hazard perception.

Speedy Asset Services uses an e-learning course, which is split into five areas: company specific training; attitude and behaviour; driving skills; the Highway Code; and legal. The pass mark is 70% and the assessment results also confirm whether the driver is low, medium or high risk on each section. This helps to identify which areas the driver may require further training in.

E-learning is used the first time a driver has an at-fault incident. If they have a second at-fault incident they do classroom-based training and if they have a third at-fault incident they are offered a one-to-one driving assessment and bespoke training. For example, if a driver has had a towing incident they will be offered specific towing training.

All incidents are reportable, regardless of whether any damage has been caused and drivers are expected to report an incident on the day it happens. Speedy Asset Services has a capture rate of 65% (the industry average is about 60%).

This is helped by its daily checks for commercial vehicles as drivers are asked to declare any damage.

For company car drivers it is mandated that drivers perform a number of checks on a regular basis. Speedy Asset Services recommends checking this on a monthly basis for regular use, and performing a full vehicle check before any long distance journey.

Vehicles must also be regularly serviced.

"Management are encouraged to check these on regular intervals at depots and offices to help prevent any issues, which has proved to be effective," says Brennan.

IDENTIFY 'LOW HANGING FRUIT'

Brennan advises fleets to identify "the low hanging fruit" - the main cause of incidents and those with the highest cost.

"As much as we would like to avoid every single incident we know we're going to have incidents, especially in a fleet that is so large, but some are avoidable," she says. "Forty per cent of our incidents are slow speed, manoeuvring incidents. That could be hitting a parked vehicle or reversing into a wall, for example. We noticed that those types of incidents contributed to 50% of the overall cost so we've been running a project for about 12 months looking at strategies to promote safer driving and how to improve the driver's experience because if they have an incident it ruins the driver's day."

Speedy Asset Services has ongoing preventative measures. Brennan has been running a series of roadshows with ex-traffic police officer Andy Pollock of A P Safe Transport since November 2022 to educate drivers about the cost of incidents and how to reduce them and be safer drivers.

Drivers also learn about the types of incidents Speedy Asset Services has and how to prevent them through a specific e-learning course, which was introduced in May 2022, and benefit from live in-cab feedback from telematics.

Telematics data is used for a 'driver of the month' award in each of its eight regions, with the driver receiving a certificate and £100 Love2shop voucher.

Each driver who has been awarded 'driver of the month' is then eligible for Speedy Asset Services' 'driver of the year' competition.

While using telematics data in this way often encourages the right behaviour, one Fleet200 Strategy Network survey respondent has had a different experience with gamification of telematics data.

Minimum miles were required in order to participate and this led to drivers adjusting their routes to meet the criteria rather than taking the shortest/quickest route.

He says he prefers to recognise "good behaviours, regardless of parameters".

In Jackson's experience driver engagement has the biggest impact on risk management.

"It's showing them why incidents occur, replaying scenarios to them and showing them things like how they could have done better by anticipating certain things," he says.

"It's understanding speed and stopping distances, as well as everything around them."

Altrad Services has a campaign running based around low-speed incidents and drivers' awareness.

Hammond says: "The campaign is 'A parking bollard is 1m high… so is a child'. It is based around a 'what if' approach. What if the post was a child, would you still be so dismissive?"

HOW FREQUENT ARE DRIVING LICENCE CHECKS?

The majority (91%) of Fleet200 Strategy Network survey respondents check driving licences at least once a year with more than half (52%) of those checking them every six months.

Some fleet operators carry out checks even more frequently with either a blanket or points-based approach.

OCU, for example, checks all licences every three months, regardless of points.

Speedy Asset Services runs checks every six months, or more frequently, depending on the number of points a driver has.

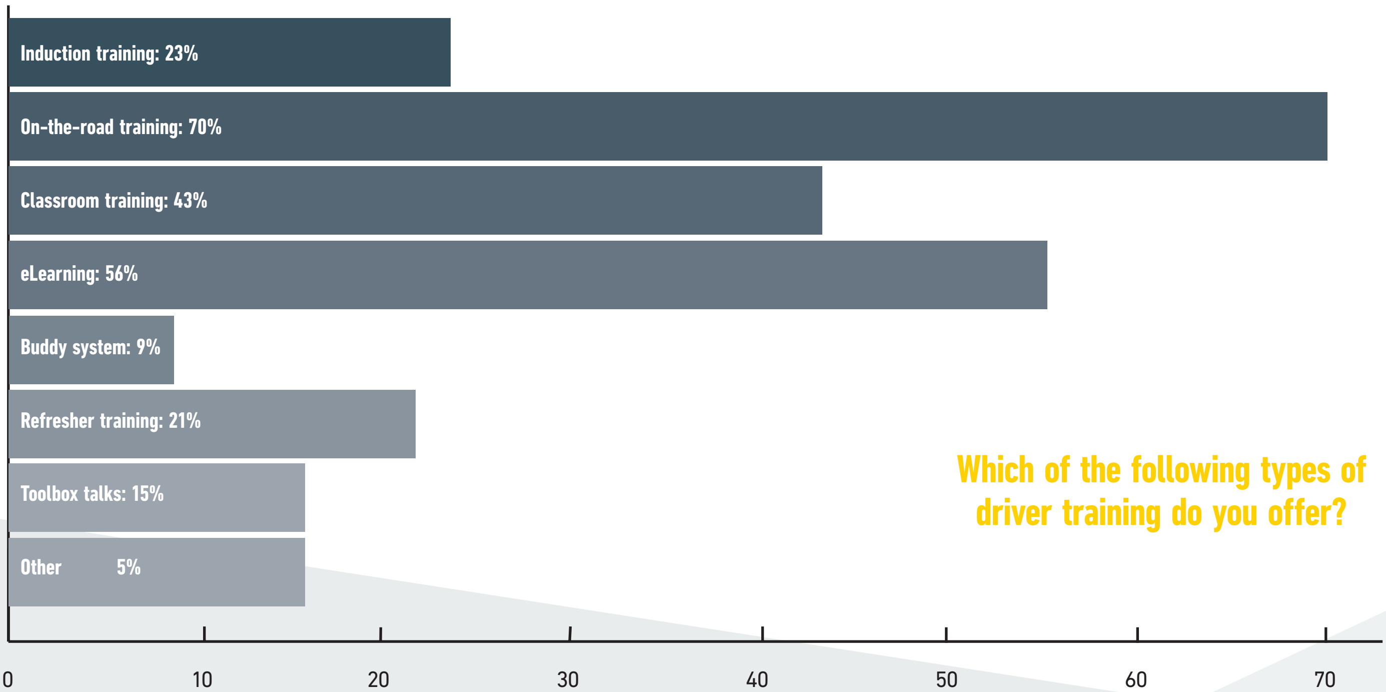
A survey respondent in the financial services sector, who wished to remain anonymous, outsources licence checking to his leasing company. Checks are tapered from annual to every three months, depending on the number of points, for both the company car driver and approved nominated drivers.

Drivers with 0-three points are checked annually, those with three-nine points are checked half-yearly and those with nine-plus points are checked quarterly.

Do you offer driver training?

Yes: 63%

No: 37%



Which of the following types of driver training do you offer?