

PROTECT YOUR BUSINESS WITH A FLEET LOSS CONTROL PROGRAM

ALLIANZ RISK CONSULTING



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Your business relies on employees delivering products and services to customers on a regular basis. So investing in your auto fleet, whether comprised of basic cars or specialized commercial vehicles, makes sense to establish an efficient, unified operation.

But having your own fleet comes with many risks. The cost of commercial vehicle accidents can be staggering. Potential direct and indirect costs include:

- Medical costs for employee and other party injuries
- Property damage
- Lost productivity

- Damage to employee morale
- Uninsured expenses
- Lost sales due to a damaged company reputation
- Fines from regulatory agencies
- Increased insurance premiums

The bottom line: A quality Fleet Loss Control Program is a competitive necessity for any business with a fleet operation.

WHAT SHOULD BE INCLUDED IN A LOSS CONTROL PROGRAM?

There are several essential elements required to establish a loss control program for a commercial fleet operation:

- Driver selection
- Driver supervision
- **Ongoing driver safety training**
- Maintenance
- Accident review



Each element is described briefly below.

DRIVER SELECTION

The key to an effective loss control program is hiring safe, courteous drivers who will follow management policies and procedures and create a positive impression of your company

Here are some components to consider incorporating into your driver selection program:

Hiring Criteria – Establish a hiring protocol including recruiting strategy, formalized job descriptions, definition of required skills and abilities, and physical requirements (if necessary). Make sure appropriate regulations are applied, such as which types of commercial driver's licenses are necessary for your types of vehicles.

Employment Application – Have all new drivers complete an application that asks details about previous employment history, driving experience, and appropriate job-related information.

Medical Screenings – Where required by regulation, obtain pertinent medical information through physicals, substance abuse testing, and other procedures that apply.

Reference Checks – Verify all information, especially driving experience, with previous employers.

Motor Vehicle Record (MVR) Review – Obtain and review MVRs for all drivers pre-hire and at least annually thereafter. Review MVR for all drivers prior to assignment of driving duties. Establish uniform criteria to help document your company's minimum acceptable MVR standards. Allianz has developed a checklist to help you evaluate MVRs. **See our "Motor Vehicle Record Review" Risk Bulletin for further information.**

Road Testing – Test newly hired drivers in a vehicle of the type that they will use on the job. The testing circuit should be the same for all drivers, consisting of a variety of typical conditions expected to be encountered on the job. Train the manager administering the road test to detect problem driving habits that might lead to vehicle accidents or vehicle maintenance issues. Note all performance deficiencies and recommend specific follow-up training prior to assignment of driving duties.

DRIVER SUPERVISION, MOTIVATION, AND RETRAINING

Equally important to minimizing your company's loss exposure is proactive management of your drivers. There are four distinct areas where managers can provide supervision:

1. Orientation

Orientation Period – Allianz's studies of commercial fleet operations have determined that as many as 50% to 75% of all accidents occur during the first six months of employment (regardless of total driving experience). New drivers require special attention to ensure success.

Probationary Status – New hires often need time to learn their routes and routines in a relaxed manner with additional supervision. Complete any needed refresher training (based upon road test results, the MVR, or loss history) prior to assigning a regular route.

Driver Safety Rules – A written set of rules and standards can help define what is acceptable and educate drivers on issues that can impact their status. Formal safety policies should be clearly stated and used in conjunction with your employee discipline policy. (e.g., rules on cell phone use, MVR standards, out-of-service violations, passengers).

2. Monitoring

Supervisor Observations – Driver supervisors should periodically observe actual driving behavior and skills. Give priority to drivers who have had problems in the past (e.g., accidents, moving violations, customer complaints). This usually involves observation while riding in the vehicle with the driver, and can also be made while driving behind the vehicle. Document areas that need improvement, with recommendations for special coaching as required.

Driver Monitoring Services – Typically, these services provide detailed driver observation reports that have been submitted by motorists through a toll-free number. These reports give management insight about which drivers are demonstrating inappropriate behavior that may lead to an accident.

Vehicle Tracking Programs – Require drivers to keep in touch with the dispatcher or supervisor throughout the day. This allows for modification of their schedule or route if necessary, and for communication of essential safety information (e.g., changing road conditions). This can be accomplished through scheduled driver call-ins or through global positioning system equipment.

Recording Devices – Install tachographs or “black box” computers to monitor driver behavior and vehicle performance. Today, this equipment is being utilized more widely by fleet operations around the country. Such equipment can also help predict wear on vehicle parts and need for replacement. These systems have come down in price and have added features that increase accuracy. Some can also be linked to vehicle-tracking systems for “real time” monitoring.

3. Discipline

Uniform Criteria – Establish and consistently enforce a single set of standards for measuring job performance, safety policies and responsibilities. Include criteria for distracted driving, seat-belt use and hours of service.

Reasonable Measurement – Standards could focus on motorist complaints, customer satisfaction issues, accidents, and roadside and moving violations.

Disciplinary Actions – Inform employees that disciplinary steps could apply, such as loss or restriction of driving privileges.

4. Motivation and Rewards

Driver Recognition – Continued safe driving should be appropriately rewarded. One way is to recognize the annual anniversary of drivers with numerous accident-free years of job performance.

Fleet Performance – Highly effective fleet safety programs set performance standards for accident reduction (e.g., number of collisions per million miles, cost of vehicle losses per sales revenue). Management can publicize milestones when these goals are met, often providing incentives to the recognized drivers for their contribution to the financial success of the total fleet safety program.

Safety Awareness and Training – Continually promote safety concepts throughout the organization with posters, newsletters, individual driver communications, periodic training, and driver safety meetings. Meetings should include specific safety topics and lessons learned from losses and near misses.

MAINTENANCE PROGRAM

Lower operational costs, reduced accidents from vehicle defects, and improved public opinion are the direct results of a well-executed maintenance policy. The maintenance of vehicles within a fleet often reflects management’s general attitude toward safety. Whatever the size of the fleet, adopt a written, preventive maintenance program that includes:

Assigned Vehicles – When possible, assign drivers to specific vehicles. This helps foster individual accountability for vehicle cleanliness, frequency of out-of-service repairs, and overall performance.

Driver Inspections – Prior to leaving the storage location, drivers should perform and document a basic review of equipment readiness for use. Report deficiencies to the maintenance department for scheduled repairs or necessary adjustments.



Ongoing Maintenance with Recordkeeping – Employ a systematic program to monitor and ensure proper vehicle performance, whether through an in-house department or outside vendors. Maintenance records should track repairs and preventative maintenance schedules.

Vehicle Replacement Plan – Establish specific criteria to determine when vehicles should be replaced. Operational costs and safety issues often exceed the value of a vehicle as it ages, and, ultimately, it becomes more cost effective to purchase a replacement vehicle.

Emergency Equipment – Supply all fleet vehicles with appropriate emergency equipment to assist the driver in the event of an accident or mechanical failure. Such equipment might include, but is not limited to:

- A fire extinguisher
- Reflective triangles
- First aid kits
- **An inexpensive camera to document the accident scene**
- A cellular phone

ACCIDENT REVIEW

Despite precautions, accidents do occur. Establish an accident review process to determine the cause of an accident and how to prevent a similar loss in the future.

Three phases of an accident review should be addressed:

1. Pre-Loss

Establish reporting procedures to enable smooth communication following an accident. Drivers need to know who to call and what information to collect at the scene. The staff needs to know what questions to ask and how to respond to each situation. Regularly review and update the plan if necessary, communicating the changes to all drivers and office workers.

2. Loss Event

Immediately gather information. Require the driver to complete an accident reporting kit right after an accident occurs. The kit should include forms to record all necessary accident information and a list of phone numbers to call for reporting an accident. Taking pictures to document the accident scene is highly recommended.

3. Post Loss

All accidents should be promptly investigated to determine the causes and to recommend corrective action to prevent similar accidents in the future.

Establish an Accident Review Group. Regardless of the structure, a group of employees or managers should meet to discuss loss activity and explore ways to help prevent similar circumstances. A review of patterns or trends in accident data will also help establish safety guidelines. This review can direct focus on the most relevant loss areas for follow-up investigation.

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