

The Total Cost of Fleet Risk



Trusted advisor to road agencies

NRSP
NATIONAL ROAD SAFETY

PARTNERSHIP
PROGRAM

Today's moderator:

Jerome Carslake

NRSPP Manager

ARRB Group

Ph: +61 3 9881 1670

jerome.carslake@arrb.com.au



Housekeeping



Webinar is = 40 mins

Question time = 20 mins



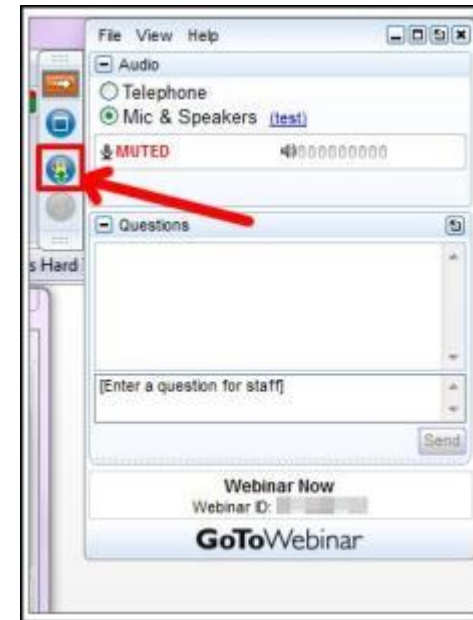
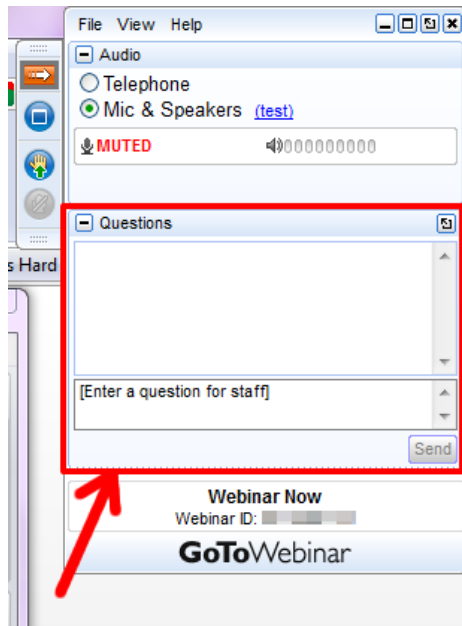
+



=



GoTo Webinar functions



Please type your questions here

Today's presenter:

Mervyn Rea

Head of Risk Engineering

Zurich Australia Insurance Limited

mervyn.rea@zurich.com.au



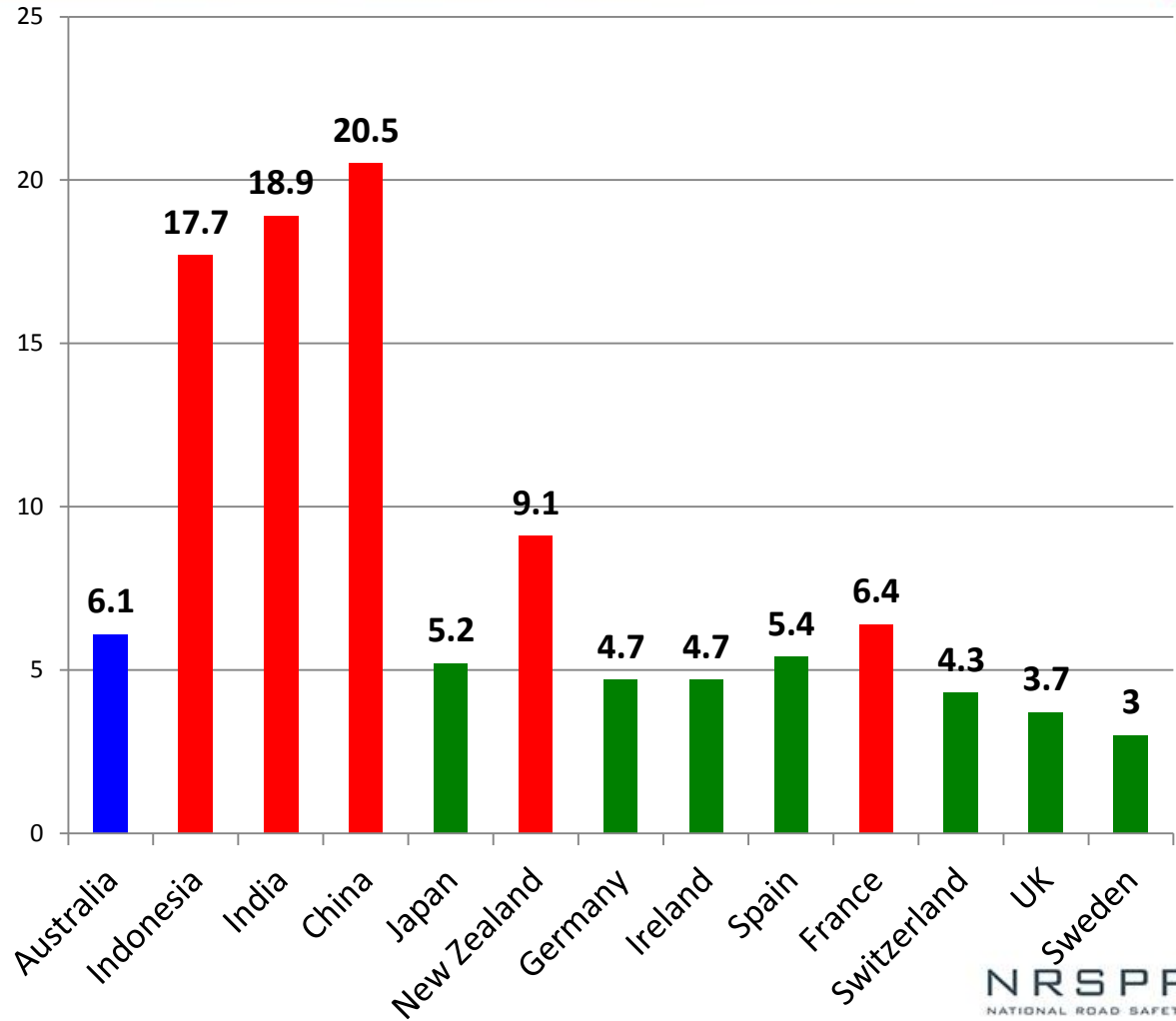
Setting the Scene

The estimated cost of Road Trauma in Australia

- \$70m per day
- Defending Australia costs the same per day

Road Fatality Rates

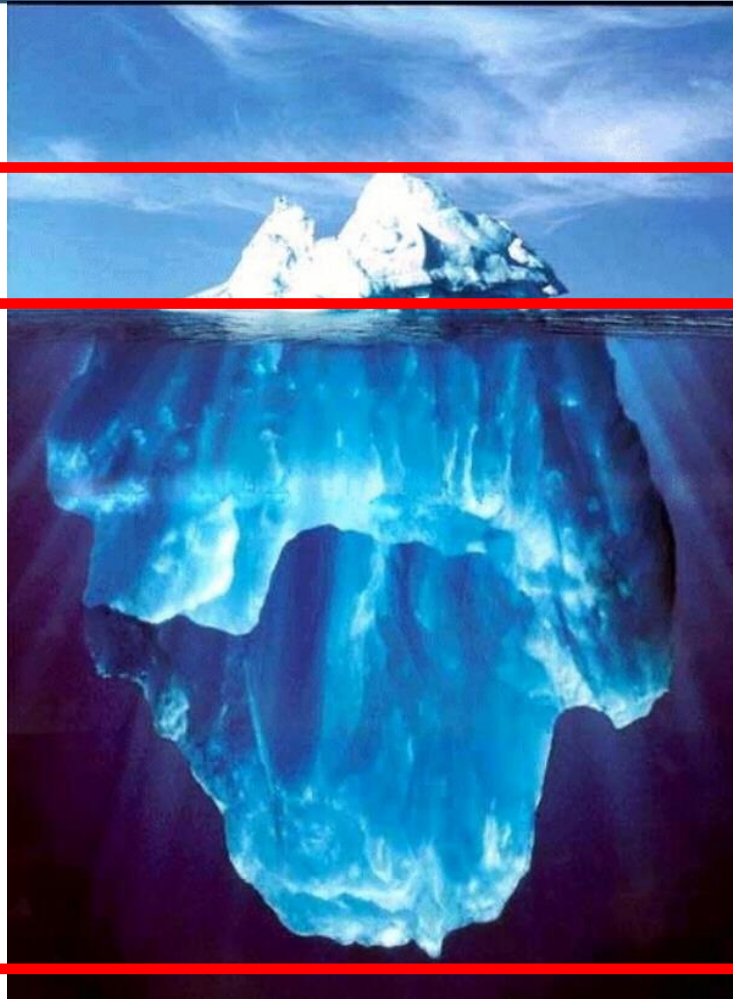
Road Trauma Fatality Rate (per 100,000 population)	
Australia	6.1
Indonesia	17.7
India	18.9
China	20.5
Thailand	38.1
Japan	5.2
New Zealand	9.1
Germany	4.7
Ireland	4.7
Spain	5.4
France	6.4
Switzerland	4.3
UK	3.7
Sweden	3



The Total Cost of Risk

- Variety of factors associated with business risk
 - Societal or Macro factors
 - Business or Operational factors
 - Legal factors
 - Financial factors
- Insurance is an important aspect of financial protection
 - It is a legal requirement
 - It frees up your capital to enable your business to operate
 - It provides valuable expertise and administrative assistance in event of a vehicle incident
- But it is limited.....

Iceberg Effect



Known, Quantifiable,
Insurable Costs (\$ 1)

Hidden, Unknown,
Non-Insurance Costs
(\$ 8-53)

**\$ 1 : \$ 8-53 ratio –
International Loss Control
Institute**

Iceberg Effect

What are these hidden or uninsured costs?

- Absenteeism
- Lost productivity or efficiency of service provision,
- Late deliveries or failure to deliver service expectations,
- Brand or reputation damage,
- High staff turnover,
- Low morale
- Investigations & administration costs
- Training & costs for improvement
- Hiring costs
- Penalties, fines

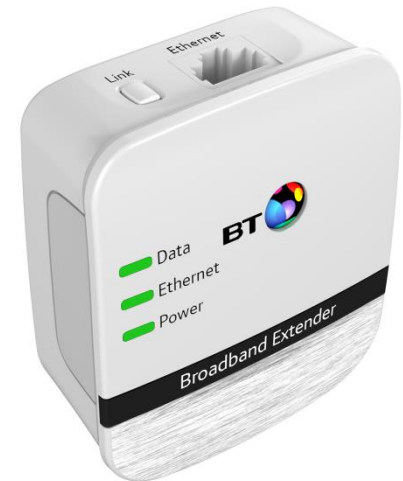


Iceberg Effect

- Australian study indicates that the cost of a fleet vehicle insurance claim is 4 to 15 times higher than average direct repair costs
- (Davey D, Banks Tamara) 2005 – Estimating the cost of work related injury and illness in Australia.

Examples

Item of cost	Sample data
Own damage costs	£\$€1,000
Third party vehicle damage costs	£\$€1,000
Third party injury costs	£\$€1,000
Reported cost of collisions	£\$€3,000
Total cost of collisions (including hidden costs @ 2 times reported costs)	£\$€6,000
Revenue required to fund collisions at 10% Return on Sales	£\$€60,000
Widget sales (at £\$€0.5) required to fund fleet safety costs	120,000



Questions?



Crash costs & effects on profits

Cost	Extra business required to make up loss (assuming net profit of 5%)
Direct cost: \$100,000 Real cost \$300,000 (\$100,000 x 3)	\$2,000,000 In reality: \$6,000,000
BUT... If costs were reduced by 25%:	Amount of business contributing profit is:
Direct: \$25,000 (\$100,000 x 25%) Real: \$75,000 (\$300,000 x 25%)	\$500,000 \$1,500,000
Crash costs ≈ 13-15% of fleet spending	30-65% cost savings have been achieved

Cost Calculator Demo

- Insert Screen shot and Link

Risk Management isn't a cost, it's an investment

- Risk Management does NOT mean legislation compliance
- Investing in superior, performance based safety systems will reap rewards.
 - Less crashes = less hidden costs
 - Increased productivity
 - Business resilience
 - Contract reliability
 - Improved staff morale and lower turnover
 - Improved fuel economy
 - Reduced maintenance costs
 - Longer life-time of trucks/trailers
 - Improved utilisation of the fleet, and perhaps a smaller/leaner fleet
 - Reduced carbon footprint
 - Lower insurance premiums
 - **INCREASED PROFIT** (what every CFO wants to hear !)
- Many examples exist ...

Return on Investment - Intervention

- Telekervet - Group Discussion method
- Investment: 649SEK(\$112)/10,000km
- Direct Savings (from reduced incidents):
 - 90SEK(\$16)/10,000km in 1st year
 - 555SEK(\$96)/10,000km in 2nd year
- Direct costs recovered in 2 years
- Multiplier benefit (x 3) = 3 to 1 profit on investment over 2 years = earnings of 1,298SEK(\$224) per each 10,000km travelled
(savings for 2 years \$112 x 3 - investment \$112)

Return on Investment - Intervention

Each US dollar invested in road safety returns 15 dollars on average – a **1,500% rate of return**

“Expenditure on road safety is an investment, not a cost.”

Patrick Lepercq, Corporate Vice President Public Affairs, Michelin

Thank you for your participation today

For further information, please contact:

Mervyn Rea

Head of Risk Engineering

Zurich Australia Insurance Limited

E: mervyn.rea@zurich.com.au

W: www.zurich.com.au

Questions?

