

To insure or self-insure? A conundrum for fleet operators

Insurance is an expensive mechanism to protect losses. Insurance premiums comprise broker commission, administration costs, costs associated with collecting funds (for large claims) and profit. So, what would be a R100 claim, for instance, can easily end up costing R140. For this reason, it is important to consider whether you should be insuring or self-insuring all of your risks.



©stockolutions via [123RF](#)

With proper management, fleet managers can reduce insurance costs, improve the safety of employees and benefit from as much insurance coverage as is required. But with escalating insurance costs, many fleet managers, particularly those overseeing large fleets, are opting to partially cover their vehicles and even opting to self-insure.

From truck insurance for SMEs to comprehensive insurance for large logistics businesses with substantial fleets, there are flexible, commercial vehicle insurance options suitable for the requirements of any company.

Commercial vehicle insurance

For instance, if you operate in the logistics industry, then it makes sense to take out commercial vehicle insurance with expansive territorial limits and goods-in-transit cover included so that you are covered if something should happen to your vehicle, driver and/or cargo at the border post or in a foreign country.

Similarly, if you run a shuttle service, you may want to consider taxi insurance and supplement it with fleet insurance. Taxi insurance includes liability cover, which ticks the box of covering the risk of personal injury and even death when transporting people.

Risk mitigation actions

However, some risks don't warrant the cost, time and effort involved with high excesses and claiming from an insurer. If you have a stable fleet, reliable drivers and can accurately predict the associated fleet costs, then you could take a particular risk upon yourself or even outsource a portion of the risk to an insurer.

One of the more obvious risks that fleet operators can consider taking on, is windscreen cover. Accurate, historical stats can provide insights into the frequency and severity of windscreen claims. Armed with these insights, a simple calculation is all it takes to determine whether the sum of premiums and excesses are more or less than the cost of paying for the replacements out of your own funds.

By self-insuring windscreens, fleet operators will be motivated to negotiate the best deals from windscreen suppliers, thereby bringing down the average cost of repair. To minimise the occurrence of these incidents, fleet operators will also have to take risk mitigation actions, such as ensuring that all rules are followed according to the fleet vehicle policy. The bigger one's fleet, the more financial sense it makes to self-insure against windscreen losses.

For more, visit: <https://www.bizcommunity.com>