

Tips for businesses on protecting company fleets over the holiday season

The deterioration of South Africa's railway infrastructure, as well as the large-scale disruption caused by strikes in the marine freight sector, have increased the country's reliance on road transportation. And while roads can provide faster and more efficient delivery of goods, having larger volumes of heavy-duty vehicles on national highways comes with its fair share of risks.

Now, with the festive season kicking into high gear, businesses that own and operate fleets need to take extra precautions to protect themselves from the risks of the road.



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This is according to Mpho Chokwe, underwriting head: retail and motor fleets at SHA Risk Specialists, who explains that failing infrastructure has led to as much as 80% of the transportation of goods being relegated to South African roads. "Unfortunately, many of the country's major roads are in a poor state and have deteriorated significantly over the past few years due to inadequate maintenance.

"Not only can the decline of our roads cause delays and disruptions, but it can also lead to more vehicular wear-and-tear and ultimately, more breakdowns and potential accidents."

Proceed with caution

The local transport sector is also facing the mounting pressure of rising crime. In February this year, Minister of Police Bheki Cele announced that South Africa has seen a staggering increase of 30% in the theft and hijackings of vehicles from 2019 to 2022.

In addition, the incidence rate of vehicle signal-jamming has also become a more common occurrence in recent years, with transportation trucks being some of the main targets for opportunistic criminals. Not only do hijackers look to steal the actual vehicles, they also stand to profit from the sale of the stolen cargo on the black market.

There is also a social factor to consider – the rising prevalence of unrest, strikes and looting pose a danger to the lives and wellbeing of truck drivers. The July riots of 2021 are a prime example of the widespread damage that violent protests can cause to infrastructure and property.

Sector challenges in the wake of the pandemic

These challenges, as Chokwe explains, have played out within the context of the post-Covid-19 landscape, which drastically affected the operations of fleet-driven businesses and the safety of their employees. The pandemic saw many bus and truck drivers being retrenched, as businesses struggled to shoulder the financial impact of lockdown.

With the reopening of trade, many companies mitigated these losses by increasing the workload of drivers and the frequency of trips. The industry also saw younger, less experienced drivers being employed to account for the shortfall in profits. Further down the line, this has resulted in more cases of driver fatigue and ultimately, more road accidents.

What this means for businesses in the sector, is that running a fleet has become more costly and represents a higher risk than it did just a few years ago. In the lead up to the festive season therefore – a period known for collisions and road fatalities – companies need to refocus their efforts on protecting and maintaining their fleets.

A practical approach to managing risk

As Chokwe advises, business owners need to prioritise the servicing of their vehicle fleets as outlined by manufacturers. "This not only guarantees the longevity of the vehicles but also safeguards any warranty plans which may be in place. We also strongly advocate for the implementation of extended warranty plans, wherever feasible. Additionally, the careful selection of reputable and registered service providers for all maintenance and parts sourcing needs should be non-negotiable."

Fortunately, companies now also have a range of technological tools at their disposal that can assist in safeguarding fleets. For example, several telematic solutions on the market can monitor driver behaviour by tracking driver speed, routes taken and other key metrics. Some of these systems can even issue alerts when drivers have worked extended shifts and need to take a break.

Fleet insurance: how to cut the cost, not the cover

In addition to these risk mitigation measures; companies should also have adequate motor fleet insurance. "The market carries several comprehensive solutions for businesses that manage a diverse array of vehicles, including private, light delivery, heavy commercial, trailers, forklifts, and special types of vehicles, all consolidated under a single policy.

"This approach provides a streamlined and cost-effective alternative to insuring each vehicle individually. Policies can be structured conventionally, with a deposit, or on an aggregate basis, providing flexibility that suits the unique requirements of the business," says Chokwe.

Within the current economic downturn, business owners may be tempted to forgo commercial insurance in an attempt to minimise their expenses. This, however, may be short-sighted. As Chokwe suggests, there are several practical ways in

which business owners can manage the cost of their premiums.

For example, business owners need to invest in the development and training of their staff to cultivate a risk-conscious culture regarding company fleets. Advanced and defensive driving techniques should also be integrated into driver training programs as a way of reducing the risk of accidents.

There is also the option of self-insuring smaller claims, such as windscreen damage, to reduce claim costs and subsequently lower insurance renewal premium adjustments. These measures, when coupled with implementing a safety-first approach to risk management, will set transport-related businesses in good stead to weather what is currently a hard market in insurance.

The role of the broker

Brokers can play a critical role in helping businesses navigate new and emerging risks by offering valuable insights that can translate into significant insurance premium savings. Companies need to see their insurance brokers as important intermediaries who can offer guidance and help protect their business operations.

"Fleet policies typically operate on a declaration adjustment basis, requiring the insured to furnish their broker with a comprehensive fleet listing during the renewal period. Transparency is key, and any alterations, such as a shift from an LDV-dominant fleet to an HCV-dominant fleet, necessitate immediate notification at renewal. This is vital as such changes directly influence the risk profile carried by the insurer into the new renewal period.

"Of equal importance are updates regarding any shifts in business operations, such as venturing beyond local trade and into cross-border activities. By keeping their broker informed of these developments, businesses can uphold a proactive and tailored risk management approach, ultimately impacting the cost-effectiveness of their fleet insurance coverage," concludes Chokwe.

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