

## **THE TOTAL COST OF VEHICLE ACCIDENTS**

The vehicles in a fleet make up a substantial capital investment. This is true for fleets of all sizes. Accidents involving these vehicles cost a company an increasingly larger amount than is provided by an insurance carrier. The total costs appear to look like an iceberg; 25 percent of the total cost is shown above the surface and the other 75 percent hidden from the casual viewer.

The visible costs are easily identified and precisely calculated. Depending on your insurance program, the total cost may or may not be reimbursable. However, in most cases policies carry a deductible which must be absorbed by the company.

### **COSTS WHICH ARE USUALLY INSURED**

1. Repair or replacement of a vehicle. This can include towing service, replacement parts and labor.
2. Liability for damage to property and injuries to others..
3. Damaged, destroyed or lost merchandise.
4. Workers' compensation and medical expenses for employees injured or disabled in vehicle accidents.

### **COSTS WHICH ARE NOT USUALLY INSURED**

1. The loss production during repairing broken vehicles.
2. Overhead on damaged vehicles. This would include the loan or lease interest on a damaged vehicle, cost of insurance on the idle vehicle, and reduced earnings on the capital invested in the vehicle.
3. Wages paid to employees injured in an accident or wages immediately paid by worker's compensation. Costs of transferring damaged vehicle to terminal or repair shop. Cost of transferring and storage of cargo if necessary. Wages for a supplemental driver.
4. Costs of down time due to an investigation of the scene. Lawyer fees, preparing reports and other miscellaneous administrative costs as a result of the accident.
5. Reduced value of the vehicle because of the accident.

- 6. Loss of a clean accident record. Accidents attract a lot of attention. Whether people view the accident scene or only hear about it through various news-media, it does not promote a good public image.
- 7. Customers suffer losses through delayed deliveries and frequent foul-ups form supplemental schedules, due to the accident.
- 8. Increased insurance premiums.

Firms that keep records on tangible costs of accidents usually reflect these costs in ratios, such as cost per \$100 of revenue, per mile of operation, or per dollar of revenue developed by the driver. Accident costs come directly out of profit. Money that was never became a profit a also considered part of these losses. The following chart indicates the dollar of sales needed to recoup accident costs at varying profit margins.

**PROFIT MARGIN**

<b>ACCIDENT COSTS:</b>	1%	2%	3%	4%	5%
\$ 1,000	\$ 100,000	\$ 50,000	\$ 33,000	\$ 25,000	\$ 20,000
5,000	500,000	250,000	167,000	125,000	100,000
10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	500,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000

An effective fleet loss control program may contribute more to your profit than your best salesperson.