With accident costs rising slightly over 2012 figures, fleet managers are utilizing more safety technology and instituting driver education programs to help increase driver safety and mitigate rising costs. **By Lauren Fletcher**

Accidents are an unfortunate part of driving, with an average of 21 percent of fleet vehicles involved in some form of crash each year, according to data from several accident management companies. Accident costs increased marginally in 2012 over 2011 figures. Some of the factors contributing to the increase included inflation, increased use of all-electric and hybrid vehicles, increased contenting of in-vehicle technology, and rising parts and fuel costs.

As adoption rates of all-electric and hybrid vehicles increase, their higher overall repair costs will continue to have an impact on overall averages.

“We do see significantly higher repair costs for all-electric and hybrid vehicles than conventionally powered vehicles for the same types of damage. For electric vehicles, the average collision repair is around $1,000 higher, and between $300 and $500 more for hybrid vehicles, even if the battery isn’t damaged. Replacement batteries alone can cost thousands of dollars,” said Greg Neuman, supervisor, quality control for CEI, Inc.

Fleets Still Budget Conscious

The 2008 economic downturn is still being felt today, but surprisingly it’s more the fact that certain beneficial processes instituted during the crisis are still being utilized today.

“While the economy is slowly improving, the money-saving practices implemented during the height of the recession remain in place. Fleet managers are working with tighter budgets and continue to be frugal with repairs. They are highly selective as to what repairs are made since there is a sustained focus on the bottom line,” said Eliot Bensel, director, vehicle accident services and risk safety for PHH Arval. Stuart Braun, adjuster and maintenance manager for Fleet Response also sees fleet managers being more selective about what they are willing to repair.

“We are seeing fewer cosmetic repairs and more total losses. Some fleets find it more economical to total a vehicle and replace it,” he said.

Bob Martines, president and CEO of Cor-
Drivers between the ages of 36 and 45 years old continue to experience the highest percentage of accidents, 29.4 percent in 2012, up almost 2-percentage points over 2011.

The highest percentage of accidents occurred just before lunch, between 11 a.m. and noon, for both sales fleet drivers (11 percent) and service fleet drivers (9.5 percent).

Frequently, drivers of service fleets with more than five years tenure contribute to the second-highest percentage of accidents; however, incidents decreased by more than 10 percentage points in 2012.

A vehicle being damaged while parked was the No. 1 accident type in 2012, at 11.7 percent of incidents, followed by being rear-ended at 10.5 percent.

Porate Claims Management (CCM), sees shop owners becoming more conscious of their own profitability.

"Shop owners/managers are willing to 'hold the line' on labor increases, which has contributed to lower overall costs," he noted. "Depending who you speak to, the state of the economy is a toss-up. The shop owners I speak with are not booking business two or three weeks out like in the past; now it is weekly at best. Other than natural disasters when there is a surge in repair work, the new normal is week-to-week in regards to getting business into a shop."

This budget-consciousness is impacting cosmetic repairs, as well.

"The trend of fleet and operations managers declining to make minor or cosmetic repairs continues. These types of repairs often go unmade to help reduce clients' physical damage spend," said Bensel of PHH Arval.

However, this depends on whether the fleet is more "image conscious" or not.

"Some cosmetic repairs, depending on the actual appearance of the vehicle, are still being performed on vehicles where the company image is important," said Bruce Stewart, claims adjustor/appraiser for CCM.

The bottom line for most fleets when determining what to repair is the ultimate resale value.

"There are still certain clients that are foregoing cosmetic repairs due to the soft economy; other clients are asking the question: Can we recover the cost through subrogation for a cosmetic repair, or can we recoup the costs when we term and remarket these vehicles?" noted Braun of Fleet Response.

**Technology + Driver Education = Reduced Accident Rates**

The two big themes in accident management today are the increased use of safety technologies and value now given to driver education programs.

"Some of the trends and best practices we have seen recently are more of our clients are participating in driver education programs that we provide," said Braun of Fleet Response.

According to Stewart of CCM, strict company policies regarding handheld cell-phone use and texting as well as fleet safety programs are being adopted to better...
educe drivers on ways to avoid accidents.

"Fleets are having additional safety equipment installed (backup alarms and rear-view cameras)," Stewart noted. "They are also using GPS tracking systems in their vehicles so drivers can select better routes to appointments to lower fuel consumption and minimize down time."

"We're seeing strong driver accountability on the client-side and companies opting to keep vehicles longer. At PHH, we're committed to ensuring our clients have access to the latest technologies, such as telematics and cell-phone-blocking applications, which aid with reducing distracted driving," said Bensel of PHH Arval.

However, while the new technology can help lower accident rates and costs, they do add to the overall cost of a vehicle.

"New technology in vehicles, along with government regulations, will continually add costs to vehicles," said Martines of CCM. "Repair shops will also need to invest in equipment to repair vehicles; therefore, the costs for the investment will be allocated on each job."

Excluding the shop's perspective, Martines noted the increased intelligence that is now required by fleet managers making the ultimate decisions on what vehicle to buy, proper equipment for each vehicle, the cost to repair, and many other factors.

"Fleet managers will need to invest time and effort to learn a bit more about the construction of a vehicle; such as understanding a safe repair versus a repair made simply on economics, etc. The more intelligent a fleet manager has on his or her vehicle fleet, the smarter they will be on each decision, which, obviously, will have a financial impact on all repairs and a fleet budget overall," Martines said.

Safety training can help reduce accident management costs.

"PHH's safety training offerings, telematics, and cell-phone-blocking technology can help aid with reducing accident management costs. Also, the risk identified by photo radar and red-light tickets impacts the way fleets manage potential accidents. Some of our clients are requiring training for drivers who receive three of these types of tickets a year," said Bensel of PHH Arval.

Connected to the topic of technology is communication. Bob Glose, director of operations for CEI, noted that communication is going to become increasingly important moving forward.

"As the number of U.S. auto body repair facilities continues to shrink, it is going to become increasingly important to maximize the efficiency of communication with those facilities, including the receipt of data and such documents as photos and estimates," he said. "Utilizing technology that connects repair facilities electronically allows an accident management specialist to reduce repair costs through audits driven by data, and reduce vehicle downtime through streamlining the receipt of the data and documents, which can lead to hundreds or thousands of dollars in repair savings and reduced vehicle downtime," he said.

Salvage Vehicle Trends
Salvage prices have been holding up well in the aftermath of the estimated 250,000 vehicles damaged by Hurricane Sandy, according to Chris Villella, senior manager, loss recovery and insurance services for CEI. "The most effective salvage programs are those that recognize that time is money. That means moving as quickly as possible
to remarket total losses — an issue of growing importance to fleet managers," he said.

With significantly higher prices for replacement vehicles, Martines of CCM noted that fleets are spending a few dollars more in repairs for existing vehicles.

“This raises the percent of repair dollars versus book/market value. A few years ago, an estimate of 50 percent of the wholesale value would automatically total a vehicle. Today, that percentage is in the 60 to 63 percent range, depending on the vehicle and the client,” he said. “A very important point here is if the client buys/leases a vehicle at a very attractive price and the potential financial loss, adjusted for salvage returns, is more favorable when compared to repairing the vehicle and turning it back in months later, the vehicle will be totaled regardless of the mileage factor. A fleet manager can quickly determine a course of action regarding short-term versus long-term evaluation of a vehicle regarding salvage versus repair.”

PHH Arval is currently seeing about a 5-percent salvage rate. “We also hear about retention of salvaged units to offset the price of parts in future accidents. This is done sometimes unbeknownst to corporate headquarters. Also, units are being repaired for more than they are worth due to custom upfitting,” said Bensel of PHH Arval.

Reducing Preventable Incidents

Having a comprehensive safety policy backed by senior-level management is one of the key ways to reduce preventable accidents. However, getting management buy-in to make policy changes can be difficult.

“If a fleet manager is really embracing his or her job and wants to make a difference, they need to use the vast amount of knowledge available to them from so many sources to demonstrate that an action, such as an investment in driver training, will result in less incidents, which equates to less money spent, and perhaps lower liability exposure for the company the fleet manager works for,” explained Martines of CCM.

When building a fleet safety policy, ensure that a profile has been created to identify high-risk drivers.

“Building enhanced driver profiles is key. By identifying high-risk drivers, companies can work to modify their behavior,” said Bensel of PHH Arval.

Fleets should also identify current issues and address them within the fleet policy to create a fully comprehensive approach. “This can include reviewing policy, re-

Looking Ahead: the Future of Accident Management

The future of accident management is in the hands of the industry’s top risk and fleet managers, according to Glose of CEI.

“The future of accident management lies in their capable hands because they are on the front lines and push companies like ours to deliver the best results possible. Fleet managers recognize that accident management is not a commodity service and this is a crucial distinction when developing a comprehensive solution,” he said.

Technology will continue to drive new opportunities for cost savings.

“One key to future success will be for fleets to partner with the right provider to stay current with the ever-changing information landscape to help integrate various sources of data into a meaningful format,” said Jeff Fender, VP, sales & marketing for Fleet Response.

Martines of CCM also sees the future of accident management costs riding on fleet managers.

“Aside from manufacturers’ costs which we do not see decreasing, we believe there may be some additional management costs due to work loads of a fleet manager who continues to wear multiple hats and are still being asked to do more with fewer personnel,” he said. ☕️