

# A safe investment

How to minimize commercial vehicle expenses through auto safety innovations **Interviewed by Elizabeth Grace Saunders**

Is your business contributing to the overall dramatic decrease in auto physical damage claims?

“Over the past 10 years, most insurance companies have seen a significant drop in auto damage claims — some as much as a 20 percent decrease in volume,” says Jim Hoendorf, director of claims vendor relations and auto physical damage at Westfield Insurance. “Although we have seen a significant drop in claims volume, this has been offset by a significant increase in severity.”

*Smart Business* learned from Hoendorf about safety developments in the auto vehicle industry and how to minimize your commercial vehicle expense.

## What is the total business cost associated with vehicle accidents?

While collision repair is a multibillion-dollar industry, the actual physical damage costs associated with vehicle accidents are just the tip of the iceberg. Reducing claims can have a dramatic positive impact on a company's bottom line because of the many other expenses that businesses incur as a result of vehicle accidents, including:

- Medical treatments for injured parties
- Rehabilitation and physical therapy costs for injured parties
- Loss of use expenses for business equipment damaged in vehicle accidents
- Replacement (rental car) expenses
- Loss of productivity of employees involved in accidents (time off for court appearances, doctor appointments, meetings with insurance adjusters, etc.)
- Long-term absences due to extensive and/or permanent injuries
- Increased insurance costs
- Increased workers' compensation costs

## What has contributed to the overall decline in vehicle claims?

There are three primary factors that have contributed to the reduction in auto physical damage claims in the recent past.

■ Crash preventive technology advances, such as anti-lock brakes, traction control, gyroscopic stabilizing sensors, event data recorders and rollover protection systems, have resulted in lower frequency of rear-end



**Jim Hoendorf**

Director of claims vendor relations and auto physical damage  
Westfield Insurance

and single-car accidents. This helps account for the fact that the vehicle claims that are processed have a higher level of severity. Highway improvements, such as rumble strips, have reduced head-on collisions.

■ A stricter underwriting discipline within the insurance industry has resulted in lowered claims frequency among premium and standard auto insurance companies.

■ In the post-Sept. 11 environment, many insureds have elected higher deductible auto policies to help control personal and business expenses. Higher deductibles result in a greater percentage of claims falling under the deductible threshold, which also contributes to only major vehicle claims being reported to insurance companies.

## How can businesses determine the safety of vehicles?

The two most predominant organizations dedicated to safety and prevention of auto collisions are the Insurance Institute for Highway Safety (IIHS) at [www.iihs.org](http://www.iihs.org) and the National Highway Traffic Safety Adminis-

tration (NHTSA) at [www.NHTSA.gov](http://www.NHTSA.gov). The IIHS is the nonprofit insurance funded organization most well known for its stringent crash-test ratings of passenger vehicles. The NHTSA is a governmental organization dedicated to passenger vehicle safety. Both organizations publish the results of their crash-test ratings. The IIHS also publishes a 'Top Safety Pick' list of the safest vehicles in each vehicle category every year.

## How can companies evaluate potential investments in crash prevention technologies?

While most of the new technologies for vehicles are included in the base price, some optional technology includes traction control, braking systems, hands-free cellular technology, roadside assistance, 'OnStar' emergency response systems and global positioning systems (GPS). Companies should weigh the safety versus convenience factors to determine what options are right for their fleet vehicles. For example, traction control and engine block heaters may be good investments for vehicles that are used in northern areas where winter weather conditions can be extreme.

## What cost savings can result from purchasing safer vehicles?

Companies can minimize their corporate vehicle expenses by having fleet managers research a vehicle manufacturer's warranty and the particular vehicle's maintenance history. Often, vehicles that cost as much as \$5,000 more than a comparable vehicle can actually be less costly to operate over their lifetime due to lower maintenance costs, improved fuel economy and higher safety ratings, which lead to lower insurance costs.

While a specific ROI for particular crash prevention technologies may be difficult to measure, increased productivity, decreased down time, improved employee job satisfaction, as well as improved customer service, are all benefits that can be realized through additional fleet technology. <<

**JIM HOENDORF** is the director of claims vendor relations and auto physical damage at Westfield Insurance. Reach him at [jameshoendorf@westfieldgrp.com](mailto:jameshoendorf@westfieldgrp.com) or (800) 243-0210 x2470. Westfield Insurance provides commercial and personal insurance services to customers in 17 states. Represented by leading independent insurance agencies, the product we offer is peace of mind and our promise of protection is supported by a commitment to service excellence. For more information, visit [www.westfieldinsurance.com](http://www.westfieldinsurance.com).

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