

# Vehicle maintenance programs

Prevention is still the best medicine. **Interviewed by Amy Dison**

**A**s companies try to tighten their belts, they may be overlooking programs that could, in fact, save money and their reputation. Businesses utilizing commercial fleets should implement vehicle maintenance programs. Some businesses have a haphazard approach to vehicle preventive maintenance (PM) and confuse “as-needed” or “crisis” maintenance with preventive maintenance, while others view their fleet as a key asset and a rolling billboard for their business and thoroughly track preventive maintenance for each vehicle.

The perceived cost savings of continuously postponing PM certainly has an impact on the decision to overlook PM, says Eric Crandall, senior risk control representative for Westfield Insurance. The increased durability of consumable vehicle components can also give the false impression that PM is not needed. This seemingly “quick fix” to cost savings can cost much more in the long run.

*Smart Business* spoke with Crandall to learn about how investing in PM programs can help reduce insurance costs, save money and help maintain a positive reputation.

## What role do vehicle maintenance programs play in obtaining vehicle insurance?

Insurance carriers evaluate the insurability of commercial auto fleets from many different angles. Along with driver selection, qualifications, orientation, training, accident reporting, recordkeeping, etc., preventive maintenance schedules are reviewed to aid in evaluating the potential of a failure occurring while a vehicle is being operated that could lead to injury and/or property damage.

## Why are PM programs beneficial to reducing costs and sustaining good business?

Formalized PM programs differentiate companies that use a proactive approach for commercial auto exposures as opposed to a reactive approach of controlling auto claims. Not surprisingly, companies with formalized PM programs tend to experience fewer and less severe commercial auto claims.

Though PM programs are only one of many elements that determine loss experience, companies with formal PM programs and subsequent limited commercial auto claims



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experience are looked upon favorably and enjoy far more competitive pricing for their commercial auto insurance.

At some point, the anticipated maintenance cost, less the remaining depreciation value, will exceed the cost of a replacement vehicle. Thorough maintenance records will allow management to accurately determine this ‘break-even’ point and avoid spending capital on an asset that is past its useful life.

Beyond preventing accidents caused by vehicle deficiencies, PM programs and inspections can aid in reducing many other direct and indirect business costs, including:

- Injury of employees involved in accidents
- Damaged public opinion of a business whose vehicle is involved in an incident that inconveniences others via traffic congestion
- Temporary loss of a company vehicle
- Loss potential of delivered product or service equipment
- Delayed product delivery or provided services resulting in customer dissatisfaction
- Renting or leasing a replacement vehicle

## What should be evaluated in a PM review?

Insurance carriers want to verify that companies adhere to the manufacturer’s service

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recommendations, recognize wear signs of consumable components that must be replaced or serviced, train drivers to identify indicators of deterioration, pull vehicles out of service that are in need of PM, adhere to PM schedules and document PM performed on each vehicle. Consumable components that should be addressed include such factors as brake performance, tire condition, steering system performance, vehicle lighting and conspicuity, battery performance, etc.

PM programs should pertain to all vehicles, from the company president’s private auto to the fleet of delivery/service trucks; no vehicle should be exempt from PM schedules.

## Should such programs be outsourced or conducted by an on-site staff?

If a company performs its own maintenance, adequate facilities and equipment must be provided, as well as ongoing training of mechanics for changes in equipment and repair procedures. Likewise, companies outsourcing vehicle maintenance should verify that these mechanics are qualified to perform the work and are reputable. In either circumstance, PM programs require management commitment, qualified mechanics, a strict adherence to developed schedules and continuous documentation of PM efforts.

## What about the costs of PM programs?

The lack of a formal PM program actually costs the business more in the long run via maintenance-related accidents, delays, customer dissatisfaction and repair costs that are greater than the value of the vehicle.

While many commercial auto losses can be attributed to driver behaviors, poor PM can be a contributing factor, if not the main factor for many commercial auto collisions. Separating these claims from the other commercial auto claims clearly demonstrates the effectiveness of a formalized program.

Many companies with formalized PM programs learned long ago that worn, failed or incorrectly adjusted components can cause or contribute to accidents and adversely affect their bottom line and reputation. <<