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# Transforming motor fleet

Increased mechanisation and use of technologies such as telematics are transforming the way small motor fleet business is conducted, explains **Edward Murray**

Competition in the small fleet market is cutthroat, but there is no lack of new capacity and a general hardening of rates looks unlikely. Insurers and brokers, therefore, need to work together to improve risk selection, and to then work on improving risk performance through better application of risk management, training and technology.

Lynn Jones, senior trading underwriter at Zurich, accepts that there are difficulties in the market and says: "We have the same challenges as our competitors have in this market."

In trying to stay on top of those challenges, she says Zurich will look to: "Continued discipline in robust underwriting, along with our sophisticated market leading rating tools."

## Competitive market

Although the market has been incredibly competitive for a good number of years, insurers still see it as an attractive hunting ground because of the income it generates. But the ongoing difficulty in trying to create investment returns on capital means there is a growing focus on making an underwriting profit.

"I'd love to say that rates will harden," comments Larry Smith, divisional managing director at Towergate, "but my personal opinion is that there are so many people in the market, capacity is readily available and there are new players coming in on an almost daily basis. I think we will see a continuation of the soft market for at least the next couple of years."

Paul Moors, group chief executive officer at The Bollington Group, believes that insurers will have to consider nudging up rates or tightening their selection criteria. He adds: "I think insurers will potentially use a combination of both, depending on individual results."

However, Jones says that longstanding players in the market

such as Zurich, have already invested a lot of expertise in selecting and pricing risks appropriately, helping them to avoid premiums swinging up and down purely in response to market capacity.

But for those that have written business purely to win market share, Moors believes they will find it difficult if they then try to increase their rates at renewal. He says: "We are all aware of insurers who have written for turnover, rather than profit, and the obvious results."

There is no easy way to strike a balance between remaining competitive and returning an underwriting profit, and if insurers are too quick to push up rates they could lose business and negatively affect their expense ratios.

However, a lot of work is being done to move

the small fleet market in the same direction as the personal lines motor market in terms of trying to replicate the automation and efficiency levels.

## Finding efficiencies

Smith at Towergate says there have been big steps forward and comments: "Insurers have had to find ways of doing the business more efficiently. If their margin is being squeezed then you have got to control costs and so we have seen UK insurers over the last three years or so launch portals, which are in effect EDI

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Elaine Hogan

trading, where a broker can go into the system, tap in the risk details, get a quote, accept it and the documents come out by return."

Zurich has developed its own proposition and its etrading site, ZTrade now offers 13 new products including small fleet.

The small fleet market is also looking to telematics to drive improvements, but at the moment the focus is on risk assessment rather than underwriting. Elaine Hogan, motor fleet broking director at Romero Insurance Brokers, says: "Telematics can be effective on fleet, we undertake detailed analysis of claims trends and recommend telematics to our clients where we feel they can make a difference and give a return on the significant up-front capital expenditure required."

If clients are enthusiastic about the use of telematics then it can be very powerful and she adds: "Some Romero clients really buy into the concept of telematics and data analytics and real improvements can be made. To attract these sorts of risks a broker needs to have a capability in this area and the time and resource to manage it, as this is an ongoing project. As technology improves this is likely to become a more important feature in managing fleet risk in the future."

Moors agrees that telematics is becoming more important and although the market has been talking about it for a long time he believes its effects are beginning to be felt. He says: "This is particularly so in perceived higher risks, like taxi, or larger fleets where it is imperative that driver behaviour

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Larry Smith

is controlled, managed and improved. Some insurers will only quote for certain types of risks if a telematics system, often incorporating cameras, is evident."

## Part of the solution

But telematics is only one part of the solution. To help improve risk performance in the small fleet market a risk management strategy that looks at individual drivers, driver selection, vetting, management, training and feedback is also required.

It needs to be linked into company policies and there is no single solution. Each fleet will have its own issues and solutions depending on how far down the risk management road they are.

Hogan adds: "We find a strategy looking at the whole fleet management – ie. MPG, mileage, maintenance, downtime management – rather than one focusing

purely on the insurance aspect, usually produces the best results."

Perhaps the biggest advantage for customers that telematics and a wider commitment to risk management creates, is the ability to protect them from premium hikes, if and when rates harden.

Smith believes telematics lets fleet managers, brokers and insurers continually visit the algorithms around driver behaviour such as braking, acceleration, road speed and view how the work force is driving. And so it is possible to spot potential trends and do something about them before they turn into claims.

He comments: "If the market did harden I could see those customers that have gone down the route of risk management and particularly using something like telematics, coming out of the other side with a differentiation with their own rating and that produced by a soft market." ■

## Claims and technology

● At the other end of the insurance process, telematics and on-board cameras also have an important part to play in establishing exactly what happened in an accident.

Suzanne O'Donoghue, senior claims technician at Zurich, explains: "The telematics data helps us at the early stages of a claim and it can give us an indication that an accident has taken place... It can provide valuable information such as the speed at impact, the direction of travel, the road positioning of the vehicles, the forces generated by the impact and it can also pinpoint the location."

Elsewhere in the claims handling process, technology is being used to automate an increasing number of functions so that handlers can spend more time on the technical and complex aspects of a claim, helping to generate a faster settlement for customers.

O'Donoghue adds: "We have introduced a new claims platform recently which will improve the claims journey for the customer, with more

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integrated, user friendly processes. Over the last year we have put a renewed focus on our customers."

The small fleet market is not without its challenges, but it is making significant steps forward and the use of technology is having an impact in many different areas.

