

## Self-Drive Hire Insurance



Operating a self-drive hire company comes with all sorts of risks. Balancing these risks and your profits can be tricky—you must properly appraise drivers and manage your vehicles all while promoting profitability.

Things get even trickier when operators have to insure a whole fleet of vehicles rather than just a few. More cars for hire means more risk exposure, and reducing this exposure is vital for the success of any self-drive hire company. A poor claims history can increase your premiums and operating costs. The following provides an overview of self-drive hire insurance and several ways to manage the risks associated with offering self-drive vehicles for hire.

### What is Covered?

Self-drive hire cover is divided into three main types:

1. **Third party only (TPO)** covers damages to other peoples' vehicles or property and any injuries they sustain in an accident with your vehicle.
2. **Third party fire and theft (TPFT)** covers damage to or loss of your vehicle caused by fire or theft in addition to the cover provided by TPO.
3. **Comprehensive (COMP)** covers TPO, TPFT and most other types of damage, including vandalism.

COMP cover is the most common, accounting for about 85 per cent of the UK motor insurance market. However, it still has some general exclusions that may apply to damages or loss caused by the following:

- Use of a vehicle by a driver not covered under the policy

- Radioactive contamination
- War risks
- Riots and civil commotions
- Earthquakes

Self-drive hire cover is typically separated into two payment structures: pay-as-you-go or an annual policy with monthly premiums. The appropriate cover will depend on an operator's business—if a business operates year-round with very little variance, an annual policy will be more cost-effective. If a business operates primarily in only one season, a pay-as-you-go policy will provide adequate cover and charge a lower premium during months with slower business operations.

### Who is Covered?

The length of the hire contract will dictate whether the vehicle is insured under the hirer's or operator's insurance policy. Normally, long-term contracts require hirers to insure the vehicle under their existing policy, and short-term contracts require only the operator's insurance.

For short-term contracts, each hirer must produce a driving licence for inspection and complete a short proposal form to be covered under the operator's insurance. Companies will typically request:

- Ages of drivers
- Occupations of drivers

### Provided by Sirelark Risk Services

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- Licence details, driving experience and motoring accident/conviction history

This information will be used to calculate risk and indemnify the operator in the event of a hirer deliberately falsifying information. If the operator can prove staff followed the correct procedures to acquire information from a potential hirer, the business will not be held liable. Therefore, operators should stress the importance of consistent and thorough techniques when interviewing potential hirers.

Long-term hirers who must secure their own insurance cover will have to complete a form with information underwriters use to calculate risk. These forms ask for:

- **Identity**—name, trading name, address and contact details
- **Personal details**—date of birth, licence details, hire car driving experience and employment status
- **Vehicle use**—estimated annual kilometres travelled, operating radius, licensing details and copies of documentation
- **Vehicle details**—number of seats and passengers the vehicle is licensed to carry, any accessories (such as two-way radios), overnight parking information and any no-claims discounts

Whether hirers are securing their own cover or falling under the operator's, age is a deciding factor in determining self-drive hirer risk. Most self-drive hire companies will rarely hire cars to drivers under the age of 21 because younger drivers have a disproportionately higher number of accidents compared to older drivers. Insurers also typically require drivers between the ages of 21 and 25 to have held a full driving licence for a certain period of time in order to hire a car. Most insurers charge higher premium rates and policy excesses to drivers under 25.

## Risk Management

There are several practices self-drive hire companies can adopt to manage their risk:

- **Prior inspection.** Conduct an inspection of the vehicle accompanied by the hirer before handing it over to identify and record any previous damage. This will prevent any 'unexplained' damages.
- **Vehicle maintenance.** Service and maintain vehicles according to manufacturer specifications to promote longevity and increase safety.
- **Limiting duration and distance.** Implement a programme that limits consecutive and total kilometres travelled. Use tachographs, or machines that measure vehicle speed, distance and driver activity, to ensure compliance.

As the operator of a self-drive hire business, you face tremendous risk. But purchasing comprehensive self-drive hire cover and instituting proactive risk management tactics can help bolster your business and ensure future profitability. Contact Sirelark Risk Services today at 01603 343 053 to learn more about self-drive hire insurance.