

Transport
A Self Study Guide for Members and Staff of Agricultural Cooperatives

LESSON SEVEN: Insurance, rules and regulations

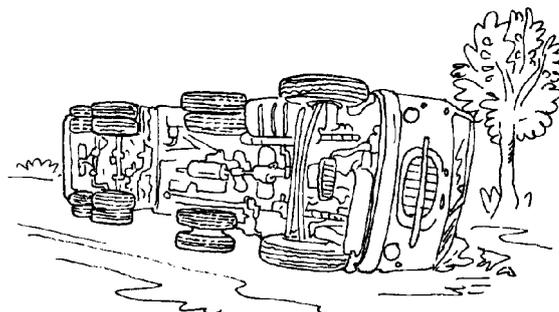


Objective: To explain the importance of insurance and compliance with other regulations relating to vehicle use. Important terms are explained and an example log book is provided.

If your vehicles are properly maintained and your drivers are well selected and trained, you reduce the risk of accidents. In most countries, however, vehicles have to be insured for "third-party risks". This covers any claims which may be made by other people who suffer loss or injury because of your society's vehicles. Why does the law require this?

- If your vehicle causes a great deal of damage to other people's vehicles or property, the amount claimed may be so large as to completely "break" your society. The risk is not worth running.
- Your vehicle may severely injure or kill someone. While money is no substitute for health or life itself, claims for personal damages in such a case are likely to be very large. It might be unjust to the injured (and disastrous to the society) if such a claim could not be paid. Insurance makes the payment possible.

Although the law usually only requires third-party insurance, most reputable organisations also insure their vehicles on a "comprehensive" basis. This covers repairs or replacement of the society's vehicles if they are damaged or destroyed in accidents caused by your own drivers. If a vehicle has to be replaced or undergo a major repair, the cost is likely to be substantial to any society. In case a damaged vehicle has not been fully paid for (the society may have a loan), the society will have to repay the loan and pay for the repair or replacement. The double burden might be a disaster for the society. Therefore, it is generally wise for a society to take out comprehensive insurance, even if the drivers are better than average, the vehicles better maintained and the insurance at first apparently uneconomic to buy.



ANYTHING CAN HAPPEN



Insurance costs vary. Some companies have better deals than others. Costs are also affected by "no claim bonuses" and "deductibles".

- *No claim bonuses* are reductions in insurance costs given after no claims have been made for a certain number of years. This is reasonable, because vehicles with a history of less frequent accidents are less likely to have accidents in the future. The safer societies should not bear the burden of those less safe. Reductions of 30% or even 50% are quite often available.
- A *deductible* or *excess* is an amount which the insured party agrees to cover in the event of a claim. The insurance company then only pays those amounts in excess of this figure. This protects the insurance company from small claims, which cost a great deal of money to verify and administer in proportion to the money paid out.

You usually have a choice of insurance companies. To select the most economical insurance you have to compare their deals. For example, which of the following would you prefer?

	Insurance Company X	Insurance Company Y
Cost per year	T\$ 600	T\$ 500
No claim bonus:		
First year accident free	20%	10%
Second year accident free	30%	20%
Third year accident free	40%	30%
Deductible (excess) - to be paid by insured	T\$ 50	T\$ 100

In this case there is no right or wrong answer; if your record is clear for three years, Company X's charges will go down to T\$360 and Company Y's to T\$350. But the high "deductible" for Company Y means that you will have to pay T\$50 more on any claims you do make. If you believe you are unlikely to make claims, Company Y is best; otherwise Company X.

There are still other factors to consider which are more important than small differences in the cost of insurance premiums. Take a look at your own vehicle insurance.



- i. Is your insurance company well established and unlikely to cease operations or go bankrupt?
- ii. Is the company represented locally so that its staff can deal quickly with any claims?
- iii. Does it have a reputation for fast, fair and efficient service?
- iv. How do the premiums compare with those of other companies?

You must insure your vehicles by law and we have seen that it is wiser to go further than the law demands. What other legal requirements are there? What papers must your vehicles carry to show that you are operating within the law?

Regulations vary but most countries require the following:

- Driver's licence
- Vehicle tax disk
- Licence plate
- Inspection certificate
- Insurance cover note
- Log book and/or electronic "Tachometer"

These regulations may seem no more than bureaucratic inventions. But let us go through the list and examine the practical reasons why each document and rule is good not only for the country as a whole but also for the operators, who sometimes get irritated over all these regulations - and even ignore some of them.

- *Driving licence*: incompetent drivers can cause accidents, affecting themselves as well as others; therefore anybody driving a vehicle must have passed a test to be sure that he is competent to do this.
- *Tax*: the government needs money to pay for roads and other services; every vehicle owner has to contribute.
- *Licence plate*: the registration of the number provides a record of ownership, and the plate provides a means of vehicle identification - useful if the vehicle is stolen or involved in an accident.
- *Insurance*: the cover note is proof of insurance. It enables people involved in accidents to make direct contact with the insurance company.
- *Log book*: drivers must not drive for more than a certain number of hours without a rest. The log book enables you to check on this and also prevent drivers from misusing vehicles. Here is an example:

Date	Time		Journey	Purpose	Kilometres	
	Start	Finish			at end	for journey
14.5	08.30	11.00	Store to Kuru Town & return	b.f. Deliver crops, collect spares	23050 23112	62
14.5	12.00	17.00	Store to Fertilizer Depot & return	Return bags, collect new supplies	23200	88
15.5	08.00	12.00	Store to Kuru Town & return	Deliver crops.	23282	82
15.5	15.00	16.30	Store to garage & return	Change tyres	23302	20

The log book may not be required by the law in every country, but is still used by most transport operators as a record of work done and for control purposes.

Entries in a log book, together with transport requisitions and the transport schedule (see lesson 5), serve the following purposes:

- allocation of transport charges to the right tasks or departments;
- calculation of transport costs;
- monitoring of usage of vehicles;
- monitoring drivers' performance;
- avoidance of misuse, unauthorized private work, and so on.

In the log book on the previous page, you may have noticed the following discrepancy:

The journey to Kuru Town took 62 km on May 14th and 82 km on May 15th.

There may be a good reason for this, but it should be investigated.

A co-operative vehicle should always carry a record of this sort to be completed before and after every journey. This and all the other forms and regulations are intended to help you manage your vehicles safely and efficiently.

- *You must make sure that your vehicles conform to the law in every respect.*
- *You must make sure that your drivers conform to the law and to the society's own procedures, and that they understand why they should do this. People usually fail to follow procedures because they do not know why they are necessary.*



- i. Copy the headings in your vehicle log books. Explain why each item is needed, and when and how you make use of the information provided by the drivers through the log books.
- ii. Make a list of all the documents that are needed for your vehicles, according to regulations. Which documents can be kept in the office and which should be carried in the vehicle?