A technique for calculating the uninsured losses / hidden costs will also be developed to help give organisations an insight into their Total Cost of Risk and how this impacts on their business performance.

It is important to understand and analyse the financial implications of collisions, as this will play a critical part in developing any business case for managing work-related road safety, and it will also help monitor the effectiveness of your road safety program.

The following are costs that should be understood and measured:

* Insurance
	+ The annual cost of your insurance policy.
	+ Insurance claims made:
		- Costs paid to third parties,
		- Costs paid for own damage
	+ The amount payed in deductible / excesses for any claims you have made
	+ The amount of own damage costs paid for collisions that have occurred that were not covered by your insurance policy.
	+ The costs associated with unreported damage found.
	+ For leased vehicles, the cost of any end-of-life charges.
* Uninsured losses
	+ These ‘hidden costs’ will depend on the exact nature of your organisation and operation, but could include, as an example:
		- Absenteeism.
		- Brand damage.
		- Late deliveries.
		- Manufacturing delays.
		- Penalties from not meeting Service Level Agreements
		- Lost morale
		- Higher staff turnover
	+ To get the true financial implications associated with the collisions you have, it is important to have an estimate of these uninsured losses. These are very difficult to measure accurately, so it is necessary to calculate an estimated value:
		- The most straightforward way of calculating the uninsured losses is to use the known claims costs (e.g. average cost per claim) and use a multiplier of this figure to get an average uninsured loss figure per collision. The International Loss Control Institute state that for every €1 paid out in claims by the insurer, there are €8-53 in uninsured losses, depending on the severity of the incident. As these multipliers are likely to be difficult to justify, it may be better to use a multiplier in the 2-4x range to calculate your uninsured losses.
			* It is important to remember, when calculating uninsured losses, to include collisions that happen in vehicle that are not insured by the organisation (e.g. hire vehicles, employee-owned cars), as whilst there will be no direct costs attributable when these vehicles are involved in a crash, the uninsured losses are still valid.
* Business implications
	+ Once the average costs per incident are known, and you have an estimate of the uninsured losses associated with each incident, you will know the total cost of risk. To put this into perspective, you can then calculate, using the profitability of your major product or service, of how much overall revenue you need to generate to cover the total cost of risk. The following is a worked example.
		- Average cost of a claim: €1,500
		- Uninsured losses (3x multiplier): €1,500 \* 3 = €4,500
		- Total number of collisions per year (including ALL vehicles, not just owned or leased vehicles): 250
		- Total cost of risk: 250 \* €4,500 = €1,125,000
		- Profitability of major product or service: 10%
		- Revenue required to cover the total cost of risk: 10 \* $1,125,000 = €11,250,000
			* Note – As these figures are based exclusively on the uninsured losses associated with collisions, they are independent of the insurance costs associated with running your fleet.
		- Once you know the revenue required to cover the total cost of risk, you can then express this in terms of how much of your major product or service that you must sell / deliver to generate this much revenue.
	+ Once you know the volume of product or service you need to sell every year to cover the cost of collisions, this can be used to justify investment in your road safety program. Any improvements in your road safety performance will mean that more of your product or service will contribute to your profitability rather than uninsured losses associated with vehicle crashes.