

The factors driving up motor claims inflation...

tmd

insurance group



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Motor claims continue to increase, with the average claim now costing £5,349¹. Here, we look at the factors driving up motor claims inflation and their impact on you.



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¹ UK motor claims inflation on the rise with added pressure from delayed injury settlements - WTW (wtwco.com)



Supply chain issues

Primarily, motor claims inflation is being driven by a number of global supply chain issues:

- War in Ukraine is severely affecting the supply of automotive parts for many manufacturers. Around 50% of the world's neon, used in producing semiconductor chips², was supplied by Ukraine, along with wire harnesses, nickel and palladium, used in electric batteries and catalytic converters.
- The weakening pound is pushing up the cost of imported items, reducing the purchasing power of UK importers and manufacturers. Given that the UK imports up to 80% of its automotive components from the European Union³, worth about £9.8bn, this is a significant factor.
- Ongoing Covid lockdowns in China are causing delays and closures within manufacturing and logistics centres, further impacting global supply chains.

² Reuters. Russia's attack on Ukraine halts half of world's neon output for chips. 11 March 2022

³ European Automobile Manufacturers Association (ACEA). EU-UK Automobile Trade : Facts and Figures March 2020

Vehicles longer at repairers

Shortages of automotive components mean vehicles are taking longer to repair, and courtesy cars are required for longer, so it's taking longer to settle a claim. The increased price of components and additional costs of courtesy vehicles are driving up the costs of the claim.

Used car values driven up

There have been two million fewer new car registrations since the start of the pandemic, pushing up the value of used car prices

(some more than their initial purchase price), and this is increasing the insurer's total settlement cost.



With repair costs rising, there's a growing likelihood that the cost of the repair will outstrip the vehicle's market value, making a total loss settlement more likely.



85%

It's predicted that by 2025, 85% of all vehicles globally will be fitted with some kind of ADAS and as the technology becomes more complex, the repair and replacement cost will increase.



There are up to 1,500 semiconductor chips in any car, used in anything from bumpers to wing mirrors. A shortage is contributing towards rising costs and delays in the repair process.

Advanced technology more expensive to repair

An increasing number of UK vehicles are fitted with Advanced Driving Assistance Systems (ADAS), including touchscreens, air-conditioning and other on-board systems, all reliant on semiconductor chips. Not only is there a shortage of chips, but the average price has increased by 95%⁴, driving up the cost of repair and replacement.

⁴ SMMT. Long-term solutions needed to tackle surging costs. September 2022.



Energy prices

The UK automotive manufacturing industry has some of the highest electricity costs in Europe⁵, with soaring energy prices impacting every stage of a vehicle's life, from manufacturing and running costs to maintaining and repairing the vehicle.

⁵ ibid.

Skills shortage

A 'skills crisis' in the UK automotive industry, particularly in specialist labour for advanced vehicle technology and electric vehicles (EVs), and general staff shortages result in reduced workshop capacity, adding to the repair waiting time.

The average time from First Notification of Loss to returning the customer's vehicle has increased by 11 days.



Nine in ten repair centres and manufacturers report having to pass on increased costs to customers, further increasing inflation.

Theft & fraud

The cost of living crisis has resulted in increased levels of theft, with vehicles stolen to order, stripped down and components sold.

Keyless car theft is at an all-time high and theft of catalytic converters is up 104%⁶ (stolen for their platinum, palladium or rhodium), while Range Rovers and Fiestas are the most frequently stolen cars in the UK.

⁶ Which. Catalytic converter theft is up by more than 100%. June 2021.

⁷ Insurance Times. Insurers approximately £1.44bn out of pocket due to vehicle thefts – CMA. 7 July 2022

Vehicle theft cost the insurance industry an estimated £1.44bn in 2021.⁷



£1.44bn

Talk to us: our business is your protection



Inflationary pressures across the board contribute to longer repair times, more costly claims settlements and overall claims inflation. Although we can't control any of the above factors, as Chartered Insurance Brokers, we have pledged to work to the highest professional standards, work closely with insurers and always put our customers first.

We recommend using insurers with an Approved Repair Network to help speed up repair work, and able to assess damage remotely, helping to make liability decisions more quickly and speed up the claim. If delays are expected, we'll liaise with your insurer and keep you updated to help minimise the disruption to your business.

To discuss any aspect of your vehicle insurance requirements, call TMD today on **01992 703 000** or email insurance@mcdonaghs.co.uk

If you require any further
information about our products
or services please contact us on:

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