

# Claims inflation: What's driving up the cost of claims?

Over the last 12 months we've all seen a rise in the cost of living as the Consumer Price Index (CPI) has increased.

A number of factors have led to this increase including higher energy prices and the costs of transport-related factors such as fuel<sup>1</sup>. Strong global demand, supply chain issues and shipping costs have also added to price pressures.

**Here we look at how these factors are influencing the claims trends we're seeing and the impact on claims costs as a result.**





## Supply chain disruption

### What's driving claims costs?

- A global shortage of microchips<sup>2</sup> has led to delays in new cars being produced and second-hand car prices rising
- The lack of availability of vehicle parts and paint has led to extended repair times. This has impacted hire car duration period
- A shortage of hire vehicles has also led to an increase in hire rates
- The fuel shortage in 2021 pushed up the cost of fuel overall, not just in motor
- The construction industry has experienced issues in sourcing raw materials and labour which has led to increased costs for property claims
- Workforce absences due to COVID-19 has impacted supply chains<sup>3</sup>



## Brexit

### What's driving claims costs?

- A well-reported shortage of skilled workers, including HGV drivers. This has led to more temporary HGV drivers being employed who may be unfamiliar with the vehicle and/or routes resulting in a higher number of incidents
- We've also seen a significant amount of supply chain disruption, including a shortage of labour and materials, post-Brexit. This has resulted in a higher demand and longer claims lifecycles which has ultimately driven up claims costs
- There is the potential for more manual handling related injuries due to high staff turnover / staff required to work longer shifts



## COVID-19

### What's driving claims costs?

#### Travel

- With increased numbers of people working from home there has been a decrease in property claims, in particular escape of water and theft
- Alternative methods of transport became popular during lockdown - for example pedal cycle traffic increased by almost 50% in 2020<sup>4</sup>. Since then, we've seen increased bike theft as a result
- There was more van and lorry traffic on the roads in September 2021 compared to the same time in 2020<sup>5</sup>. As a result we've seen a higher number of claims involving commercial vehicles
- Whilst we've seen a reduced frequency of motor incidents the types of claims have changed. For example, as a result of reduced vehicle usage we're seeing fewer low-impact claims such as minor bumps in car parks. This has therefore resulted in the average cost of claims increasing

#### Workplace

- We've seen an increase in liability-related claims linked to COVID-19 procedures and systems of work, for example members of the public slipping on spilled hand sanitiser and plastic protective screens falling and causing injury

#### Future trends:

- There is the potential for employers liability claims linked to Long-COVID as well as inadequate risk assessments and equipment for home working
- Redundancies and subsequent financial pressures could lead to additional claims against employers





## Vehicle technology

### What's driving claims costs?

- Increased sales of electric vehicles– last year, over half a million cars on the road were ultra-low emission<sup>6</sup>
- Cars are becoming more technologically advanced with sophisticated parts that can be expensive to replace and not easily repaired. As a consequence, more cars are being declared a total loss
- A specialised workforce is required to work on these vehicles which is driving up labour costs
- Catalytic converter theft is still an issue due to the desirability of their components



## Whiplash Reforms

### What's driving claims costs?

- There is limited data since the reforms but some trends so far include:
- There are often long delays in obtaining medical reports and for court hearings, extending the claims lifecycles and increasing costs as a result
- Recession and redundancies could encourage a culture of spurious or opportunistic claims
- Historic changes to the Ogden discount rate have driven considerable increases to the cost of catastrophic claims<sup>7</sup>
- Layering of injuries / costs and psychological claims is a tactic we have seen be used by solicitors to drive up the value of a claim and take it out of the portal process
- The increases in the National Living Wage will increase loss of earnings claims costs



## Climate change

### What's driving claims costs?

- There has been an increase in extreme weather events globally<sup>8</sup>
- The UK is experiencing the impact of these more extreme and frequent events, for example, February 2020 was England's wettest on record due to Storm Ciara and Dennis<sup>8</sup>
- Due to Storms Dudley and Eunice, we've already seen the same number of weather-related claims in 2022 than we did in the whole of 2019
- In July 2021, some areas of the UK experienced a month's worth of rain in one hour which led to intense flooding and an influx of damage claims
- Hotter and drier weather over the summer months increases the risk of fire and subsidence claims<sup>9</sup>
- The Net Zero ambition of the future will see investment in 'green technologies'<sup>10</sup> e.g. electric vehicles/ infrastructure which could lead to increased costs due to the need for more sophisticated materials and labour

## How can you help?

- Letting us know about a claims incident as soon as possible, with detailed useful information, gives us the opportunity to control costs where we can
- You can report claims through a number of channels, including the use of online facilities
- You can contact our claims teams using Live Chat to reduce time spent on the phone
- Providing thorough information and access to the right people allows us to act quickly following an incident
- Claims can be settled more quickly if video evidence is obtained e.g. Dashcam or CCTV footage
- This [video](#) demonstrates the impact that delayed notification of a claim can have on the overall cost

## Sources

All data is based on our claims management information and anecdotal insight unless otherwise stated.

- 1 Consumer price inflation, UK - Office for National Statistics, Nov 2021.
- 2 Why is there a chip shortage, BBC news article, Aug 2021
- 3 Government takes action to mitigate workforce disruption, gov.uk, January 2022.
- 4 Road traffic estimates, DfT, Apr 2021.
- 5 Provisional road traffic estimates, DfT, Dec 2021.
- 6 Green motoring milestone with half a million ultra low emission vehicles now on UK roads, DfT press release, May 2021.
- 7 Ogden table, gov.uk, May 2021.
- 8 Effects of climate change, MetOffice, 2020.
- 9 Climate crisis to put millions of british homes at risk of subsiding, Guardian article, May 2021.
- 10 UK's path to net zero set out in landmark strategy, BEIS, October 2021.

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PCCRB5762 01.2022

