Motor Insurance Claims Analysis

July 2025

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Chapter 1

Executive summary

Insurance is vital. It provides consumers with peace of mind should things go wrong. Motor insurance is compulsory, and our value measures data shows over 44m policies were sold in the UK in 2024 with total premiums of over £20bn.

Motor insurance premiums increased significantly between 2022 and 2024, affecting consumers struggling with cost-of-living pressures in the aftermath of the Covid-19 pandemic.

In this context, on 16 October 2024, the Government established the Motor Insurance Taskforce bringing together industry representatives, consumer organisations and regulators, including the Financial Conduct Authority (FCA).

Alongside this announcement, we committed to a package of work including a review of the drivers of increased premiums, particularly claims costs. Our analysis has reviewed firms' claims handling arrangements and key cost drivers affecting different types of claims. This paper outlines our findings and recommendations, supporting the Taskforce's work by providing analysis of what is driving motor insurance claims costs.

Our analysis, of data from 12 insurers representing over 50% of the UK private motor insurance market, found that the increases in motor insurance premiums between 2022 and H1 2024 are largely due to increases in claims costs.

£m Claims costs 2019			£m Claims costs 2023
Accidental damage 1,597	£827m	52%	Accidental damage 2,424
Property damage 1,491	£657m	44%	Property damage 2,148
Replacement vehicle 473	£226m	48%	Replacement vehicle 699
Bodily injury 2,712	£182m	7%	Bodily injury 2,894
Theft 298	£235m	79%	Theft 533
Other claims 221	£163m	73%	Other claims 384
Total 6,792	£2,289m	34%	**Total 9,081**

Total claims **costs increased from £6.8bn in 2019 to £9.1bn in 2023**, a 34% rise, above inflation of 21% over the same period. (per Bank of England inflation calculator using Consumer Price Index data from the Office for National Statistics).

Additionally, the Motor Insurers' Bureau (MIB) reported that the cost of claims they handled involving uninsured drivers increased from £329m in 2019 to £452m in 2024. The MIB levy, paid by all motor insurers to cover this cost, increased from £331m to £507m over the same period.

This rise in claims was not fully reflected in premium increases in the period. The lag in timing saw the resulting premium rises continue through H1 2024.

Higher premiums have created affordability and access challenges for some consumers. Addressing these challenges and the costs of claims requires action from multiple stakeholders. We have identified several areas where there may be scope for industry, government, regulators and others to act to manage or reduce claims cost.

These actions could potentially benefit consumers through lower premiums and reduce future claims inflation. Below we set out our key findings, their causes and impact, accompanied by our proposed actions and recommendations.

Key findings, causation and impact	Proposed actions and recommendations
Claims costs associated with repairing vehicles after accidental damage and property damage claims have increased significantly. This accounts for 65% of the overall increase in total claims costs between 2019 and 2023. This is due to longer lead and repair times, more expensive and complex vehicles, and the limited availability and rising cost of skilled labour. This means customers must wait longer for their vehicles to be repaired and pay more to insure them.	The Government Taskforce may wish to consider: • Actions to boost the supply of skilled labour. This could reduce repair delays and durations and labour costs. • How the motor manufacturing industry could act to reduce lead times and supply chain pressures, thereby reducing delays and costs. The Association of British Insurers (ABI) and firms to consider any further actions available to reduce the cost of repair, including where firms have in-house repair services.
Claims costs have increased where additional parties are involved in the claims process and claims processes are not managed by insurers. This contributes to the increase in claims costs associated with accidental damage and property damage. This includes where insurers outsource elements of claims handling to accident management companies (AMCs), claims management companies (CMCs) and credit repair and hire organisations, and receive referral fees for doing so. The involvement of other parties can add complexity to the process and increase costs, resulting in delays and higher premiums for customers.	• The ABI and firms to work to develop a good practice code to reduce referrals to other parties and capture the management of more claims, to reduce claim durations and costs. This should include considering how to mitigate the current incentives for 1st party claimants to use AMCs/CMCs. • We will work with the ABI and firms to consider how claims can be better managed to ensure greater efficiency and cost control without adversely affecting customer outcomes. This should include having robust procedures to challenge unreasonable 3rd party claims costs.

Key findings, causation and impact	Proposed actions and recommendations
The cost of replacement vehicles increased significantly during the review period, accounting for 10% of the overall increase in total claims costs between 2019 and 2023. Insurers of the driver not at fault often earn referral fees by referring their customers to credit organisations even where customers have courtesy car benefits within the policy. Average claim costs for replacement vehicles have significantly increased despite lower volumes of notified claims. This has increased the price of insurance for customers.	The Government Taskforce may wish to: • Engage with stakeholders, including the insurance industry to consider what further actions or interventions may be necessary to improve the functioning of this market. • We would like the ABI and firms to consider approaches and processes to better manage and control the costs associated with replacement vehicles.
The cost of bodily injury claims is increasing, accounting for 8% of the overall increase in total claims costs between 2019 and 2023. A reduction in the number of accidents resulting in bodily injury claims was more than offset by a larger rise in the average cost of claims. Care costs associated with long-term care for those suffering life altering injuries are rising, due in part to shortages of care workers. There is growing evidence that some claimants are exaggerating, layering and fabricating some minor injury claim types. Increased use of micromobility (e.g. e-scooters and e-bikes) resulting in uninsured riders causing c. £50m in bodily injury costs annually. These factors all contribute to higher claims costs and increased premiums for motor insurance customers.	The Government Taskforce may wish to consider: • How best to contain increasing long-term care costs including through tackling the drivers of those costs, such as by continuing to improve road safety to further reduce the number of accidents. • Through engagement with the ABI and firms how best to monitor and manage bodily injury claims trends and the need for further interventions, such as introducing tariffs for other types of bodily injury or increasing the Small Claims Track threshold. • Through engagement with relevant professional bodies including the Solicitors Regulation Authority (SRA) and the General Medical Council (GMC) whether to increase penalties for those engaging or assisting in claim fabrication or exaggeration, particularly any professionals associated with this activity. • The control and insurance of micro-mobiles, for example e-scooters, and public awareness campaigns on micro-mobility safety.
The cost of theft has risen materially accounting for 10% of the overall rise in total claims costs between 2019 and 2023. This is driven by higher vehicle values leading to a significant increase in the average theft claim value. Theft claim frequency has also risen during the period, suggesting that newer, more expensive vehicles are not always better protected from the risk of theft. Additionally, technology used to steal cars appears to be readily available, including for criminals stealing to order to ship cars overseas. The increased cost of theft claims increases the cost of insurance and the types of vehicles most at risk may be hard to insure.	The Government Taskforce may wish to consider: • Engaging with the motor manufacturing industry to identify ways to continue to better protect vehicles from the risk of theft. • Looking at interventions to ensure technology used to steal vehicles cannot be sold, including via better control of online sales platforms. • Further measures to reduce volumes of stolen vehicles believed to be shipped overseas. • Whether increased penalties for those involved in vehicle theft may act as a stronger deterrent.

Key findings, causation and impact	Proposed actions and recommendations
The risk of fraud continues to have a large impact on motor insurance claims. The ABI estimates that the value of confirmed fraud has increased materially from £49m in 2019 to £65m in 2023, whilst the value of suspected fraud dropped from £423m in 2019 to £316m in 2023. The insurance industry incurs huge costs in measures to prevent, detect and mitigate the risk and costs of fraud, including through their funding of the Insurance Fraud Bureau (IFB). Some customers are sold fake insurance policies via ghost brokers, including via online channels.	We will: • Continue action against social media and technology companies who have not taken sufficient action to tackle fraud on their platforms and against 'finfluencers' and others who are misleading customers or committing fraud. The ABI and firms to consider what additional actions the industry can take to continue to improve fraud detection and prevention. The Government Taskforce may wish to consider: • The potential deterrence effect of higher penalties, particularly where professionals are involved, to punish those engaged in motor insurance fraud and to recover financial proceeds through the Proceeds of Crime Act 2002. • How best to bring stakeholders together to enhance the ability to detect and prevent fraud. For example, industry, trade bodies, the National Crime Agency (NCA), and professional bodies such as the GMC and SRA.
The cost of claims handled by the MIB associated with uninsured drivers has risen from £328m in 2019 to £452m in 2024. This increase has led to higher MIB levies of c£525m in 2023 compared to c£325m in 2019.	The Government Taskforce may wish to consider: • Increasing checks to identify uninsured vehicles • Harsher penalties for uninsured driving, including higher fines, vehicle seizure, and longer driving bans.

We are keen to engage with Government, industry, firms and other stakeholders to agree how to take forward these proposed actions and recommendations, with the aim of improving the affordability of motor insurance.

Chapter 2

Our approach

We requested quantitative and qualitative information from 12 insurers with over 20 million annual policy sales, representing over 50% of the UK private motor insurance market. The quantitative data covered the period from 2019 to H1 2024. The sample included insurers of various sizes and with different business models and distribution strategies. It also included insurers authorised by the Gibraltar Financial Services Commission (GFSC). We believe the sample is representative of the market and validated this by comparing the average premium levels and trends with industry data for the review period.

The data in this report presents our analysis of the 12 firms' reported data unless otherwise stated. Monetary amounts are presented on a nominal basis, without adjusting for inflation. We have not scaled up the data to the total market. The quantitative data allowed us to identify trends in claims volumes and values over the period 2019 to H1 2024. The qualitative insights provided a deeper understanding of the drivers of claims costs and insurers' operational and strategic challenges. In some cases, firms were unable to provide data for specific metrics, or for all parts of their business, or across the whole period. In certain cases, firms reported data on a slightly different basis. Where our analysis is based on a smaller subset of firms within the sample, we have stated this in the report.

Our data analysis primarily focused on comparing 2023 with 2019. 2023 was the most recent full year of summary data that we obtained. 2019 was the year before the pandemic and we regard it as a typical year broadly in line with historical market trends. Market data shows that the number of policies, gross written premiums and average premiums in 2019 were in line with the range of the previous 3 years, 2016 to 2018. This data also shows the number of claims, gross claims incurred and average claims costs in 2019 were in line with the range of the previous 2 years: 2017 and 2018.

We have engaged with key stakeholders including the ABI, the CMA, the Financial Ombudsman Service (Financial Ombudsman), the MIB and the IFB throughout our review. We have also used information from these parties to check for material differences and, in some cases, within the analysis itself.

Chapter 3

Findings

The findings of our analysis are set out below under the following headings:

1. Motor insurance premiums and claims costs.
2. Key claims costs trends and summary of factors driving these trends:
    a. Accidental damage, property damage and replacement vehicle, including credit repair and credit hire.
    b. Bodily injury.
    c. Theft.
    d. Fraud.
    e. Uninsured drivers.

1. Motor insurance premiums and claims costs

We analysed motor insurance premiums and claims cost trends from 2019 to 2023. Across the full period, this shows a slightly declining claims frequency but a significant real terms increase in the cost of claims, reflected with a slight lag in similarly significant premium rises.

The 2 tables below set out the aggregate and per policy premium and claims data respectively for our sample of 12 firms in each year.

	2019	2020	2021	2022	2023	% change 2019 to 2023
Average policies in force (m)	22.0	22.4	23.2	23.4	23.2	5%
Number of claims notified (m)	2.8	2.1	2.5	2.7	2.8	-2%
Total written premiums on policies sold £'bn	10.7	11.2	11.0	11.0	14.1	32%
Total claims cost £'bn	**6 8**	**5 3**	**6 4**	**8 4**	**9 1**	**34%**

Note: The claims costs (based on claims notified in the period) will include reserves for claims not yet settled.

The average number of policies in force rose 5% from 22m in 2019 to 23.2m in 2023. Over the same period the absolute number of claims had not increased, while the total claims costs reduced significantly in 2020 due to the pandemic before rising rapidly to 2023. Claims costs for both 2022 and 2023 were materially above 2019 levels. This remains the case after adjusting for inflation of 13% from 2019 to 2022 and 21% from 2019 to 2023 respectively (per Bank of England inflation calculator using Consumer Price Index data from the Office for National Statistics).

	2019	2020	2021	2022	2023	% change 2019 to 2023
Average written premium (£)	443	440	418	427	545	23%
Claims frequency (%)	12.8	9.5	10.6	11.6	11.9	-7%
Average claim cost (£)	2,410	2,476	2,629	3,106	3,293	37%
Claims cost per policy (claims cost divided by average policies in force) (£)	**309**	**236**	**278**	**360**	**391**	**27%**

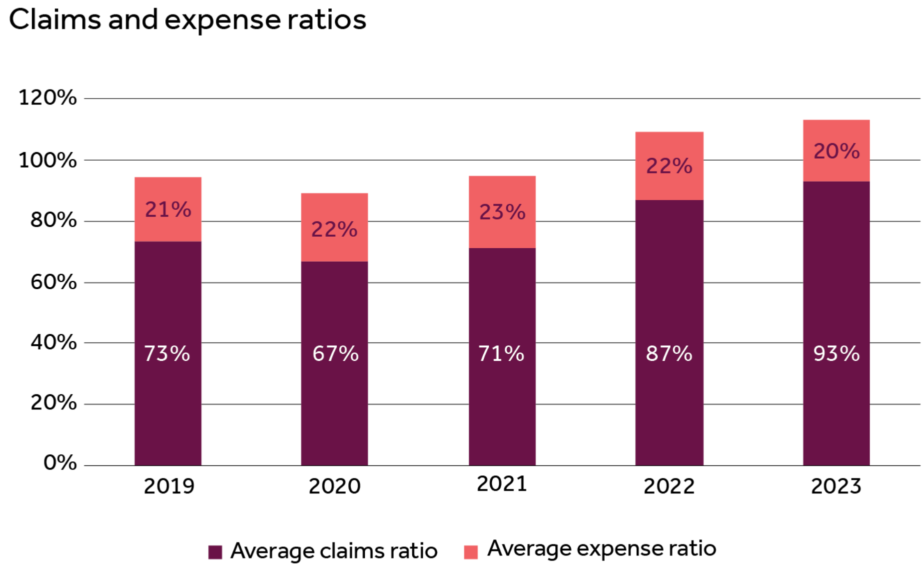
Note: Average written premium is net of Insurance Premium Tax (IPT). Claims frequency is calculated by the number of claims notified divided by average policies in force. Total claims frequency, as calculated in this table, will not be the sum of the claims' frequencies for the different heads of claim, as 1 claim can include multiple heads of claim.

This shows claims frequency dropped significantly in 2020 due to the pandemic, before rising between 2021 and 2023, though remaining at a lower claims' frequency compared to 2019. However, the average claim cost increased by 37% over the same period (from £2,410 in 2019 to £3,293 in 2023), resulting in claims cost per policy increasing from £309 in 2019 to £391 in 2023. This means that firms incurred almost £400 of claims costs per motor policy in 2023.

The increase in average premiums in 2023 lagged behind the trend of significantly increasing claim costs we saw in 2022. In the first 6 months of 2024 (H1 2024) average premiums further increased to £619 for our sample. This represents a 40% total increase over 2019 average premiums. This is consistent with ABI data showing an average motor premium of £622 for H1 2024. ABI data indicates this was followed by a decline in average motor premiums to £589 in Q1 2025.

Firm underwriting performance

The firms in our sample also provided summary underwriting performance data. This shows rising claims ratios and a lack of underwriting profitability in private motor insurance in 2022 and 2023 when also factoring in expenses. The chart below shows aggregated data from 11 firms.



A firm's claims ratio is calculated based on the claims incurred (claims cost in the year including reserves for the claims incurred) as a percentage of earned premiums (the amount earned in the year). For claims which take longer to develop and settle, such as large bodily injury claims, these reserves may be understated for more recent years. The expense ratio is based on the expenses, (excluding claims handling costs as included in claims costs), acquisition costs (including commissions paid to intermediaries) and other expenses, also expressed as a percentage of earned premiums. Expense ratios averaged between 20% and 23% over the reporting period with more volatility in claims ratios which ranged from 67% to 93% over the period. Where the sum of claims ratio and expense ratio exceeds 100% in a year, a firm will be making an underwriting loss. We can see from the chart that while insurer profitability improved in 2020, claims ratios increased from 2021. This resulted in underwriting losses in 2022 and 2023.

However, as well as the underwriting result, many insurers earn additional non-underwriting income. For example, profit commissions on reinsurance contracts, fees and charges including credit hire referrals and premium finance. This additional income ranged from 9% to 13% of earned premiums across the reporting periods and largely covered the underwriting losses or accounted for the bulk of the profit made from motor insurance by most of the firms in our sample. This does not include investment income. In some cases, there may be other additional elements of income or expenditure involving motor insurance not captured by our request.

2. Key claims cost trends and summary of factors driving these trends

The UK motor insurance market experienced significant fluctuations in claims costs over the past 5 years. There were overall significant real terms increases, including for all but one of the heads of claim (the different categories of claim according to the type of losses suffered) across the full period.

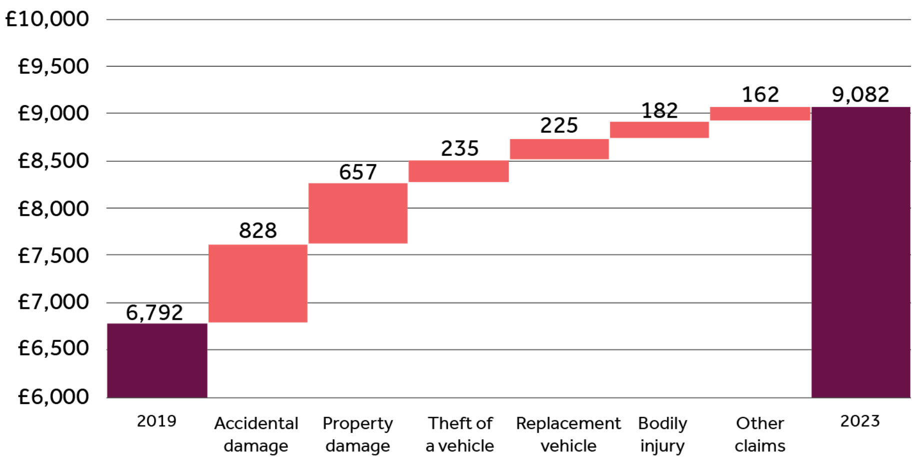
The table and charts below show the movements in total notified claims costs and claims frequencies from 2019 to 2023 for the 12 firms in our sample, split by the different heads of claim.

Head of claim	2019 £'m	2020 £'m	2021 £'m	2022 £'m	2023 £'m	£'m increase (2019 to 2023)	% increase (2019 to 2023)
Bodily injury	2,712	2,091	2,328	2,903	2,894	182	7%
Accidental damage	1,597	1,227	1,608	2,148	2,424	827	52%
Property damage	1,491	1,084	1,409	1,847	2,148	657	44%
Replacement vehicle	473	359	491	681	699	226	48%
Theft of a vehicle	298	252	316	500	533	235	79%
Other claims	221	228	290	351	384	163	73%
Total	**6,792**	**5,293**	**6,443**	**8,431**	**9,081**	**2,289**	**34%**

Note: Under a single claim there could be multiple heads of claim, and the costs in this table are based on the costs relating to those different heads of claim. Accidental damage claims are 1st party claims for damage to their vehicle. Property damage claims are 3rd party claims for damage to their property (such as vehicles and buildings). The claims costs in this table are based on claims notified, with the costs including reserves put aside by firms for claims that have been notified in a period, but not yet settled. In practice, this can mean that, particularly for later periods and heads of claim with longer claim durations such as bodily injury, ultimate claims costs could be materially higher or lower than the costs reported above.

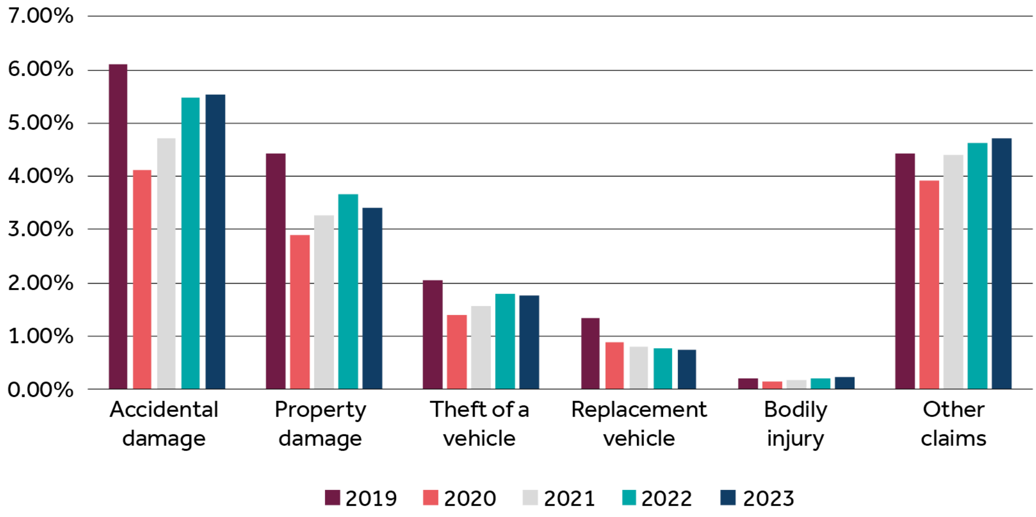
Overall, the claims incurred have increased by £2.3bn from 2019 to 2023 (34% increase). Except for bodily injury, claims cost increases across the different heads of claim were over 40% between 2019 and 2023. Accidental damage and property damage accounted for £1.5bn (or 65%) of the overall increase, as shown in the chart below.

Increases in total claims costs from 2019 to 2023 (by head of claim) £'ms



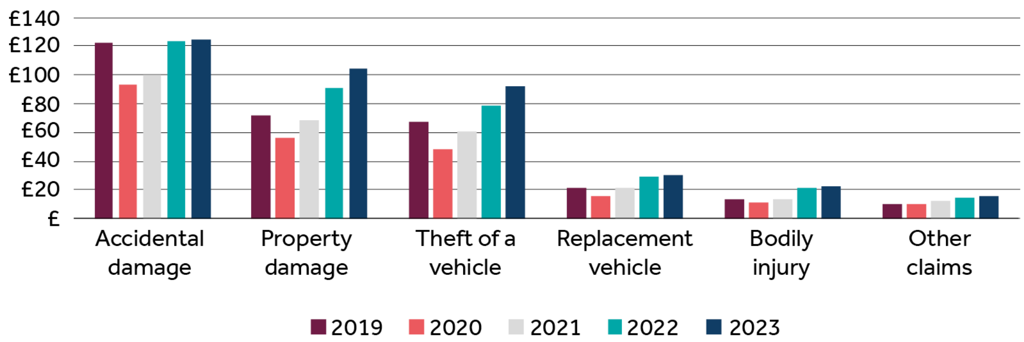
Claims frequency dropped significantly in 2020 due to the pandemic, before increasing (except for bodily injury) from 2021 to 2023. However, claims frequencies in 2023 for accidental damage, property damage and replacement vehicle remained below 2019 levels. The chart below shows claims frequency over the reporting period across the different heads of claim. Other claims include windscreen-only claims, contributing to the high claims frequencies and lower claims cost per policy.

Claims frequency by head of claim



We have undertaken further analysis of these movements on a claims cost per policy basis. We have calculated this as the total claims incurred divided by the average policies in force.

Changes in claims cost per policy per head of claim



The key trends and movements include:

- Average claims costs increased by 37% between 2019 and 2023.
- A sharp decline in claims costs in 2020 due to reduced car usage during the pandemic, resulting in lower claims frequency.
- Average claims costs per policy increased steadily from 2020 to 2023, with the claim cost per policy in 2022 and 2023 exceeding 2019 levels.

- The overall claims cost per policy increased particularly sharply by 41% between 2021 and 2023. This was primarily due to the increase in the cost of accidental damage of 51% and of property damage of 52% in this period.

Below we set out our analysis of factors driving the decline in claims frequency and those driving higher claims costs.

Decline in claims frequency (2023 vs 2019)

The insurers in our survey reported that overall claims frequency dropped from 12.8% in 2019 to 11.9% in 2023 (a 7% reduction). The focus of our review is on the drivers of higher claims costs, but the insurers included in our review and the Department for Transport (DfT) attributed the drop in claims frequency (in aggregate and for accidental damage, property damage and bodily injury heads of claim) to several key factors:

- Reduced commuting traffic due to increased remote working resulting in reduced accident rates. This is consistent with DfT road safety statistics which report personal injury road collisions. This shows the number of collisions resulting in personal injury fell from 117,536 in 2019 to 104,258, having initially fallen to 91,199 in 2020, the first year of the pandemic.
- Improvements in vehicle safety with modern cars equipped with enhanced safety features, such as automatic emergency braking, lane assist and blind spot monitoring, helping prevent accidents.
- Road safety improvements including reductions in speed limits in urban areas, and variable speed limits on roads when there is congestion, bad weather or road works help to reduce road accidents.

Factors driving higher average claims costs (2023 vs 2019)

While fewer claims were reported, average claims costs surged by 37%, acting as a key driver for motor premium increases. The insurers in our review attributed this to the following factors and provided data which supported the role of these factors:

1. For the particularly significant increase in accidental damage, property damage and replacement vehicle claims costs:
    i. Rising vehicle values.
    ii. Longer claim settlement durations.
    iii. Higher repair costs driven by higher labour and parts costs.
    iv. Involvement of AMCs and CMCs.
    v. Credit repair and credit hire practices.
2. Increased average cost of bodily injury claims, particularly higher value ones.
3. Increased frequency and value of vehicle thefts.
4. Continued impact and evolving nature of fraud.
5. Uninsured drivers and users of micro-mobility vehicles placing a financial burden on the motor insurance market.

We have considered these factors in more detail in the sections below and indicated, where applicable, our recommendations on what actions various parties can take to help to address these issues.

1. Accidental damage, property damage and replacement vehicle claim costs (including credit repair and credit hire)

The £1.5bn increase in accidental damage and property damage claims costs from 2019 to 2023 accounts for approximately 65% of the £2.3bn total increase in claims costs over the period. It's the largest driver of premium increases. There is an accompanying £226m increase in the costs of replacement vehicles over the period. There are multiple complex factors underpinning these increases.

i. Rising vehicle values

- The prices of new and used cars increased significantly with the Office for National Statistics CPI index for new cars rising from 112.2 in 2019 to 132.6 in 2023 and for second hand cars from 93.3 in 2019 to 118.9 in 2023. The average insured vehicle value, for our sampled firms, increased 42% from £9,319 in 2019 to £13,223 in 2023, double CPI inflation of 21% over the same period.
- Higher-value and more complex vehicles typically lead to more expensive repairs and higher total loss settlements.
- Additionally, vehicle write-offs have experienced significant cost increases, driven in part by rising car values from 2019 to 2023.
- The volumes of vehicle write-offs reported by firms also increased over the period. This was mainly due to the expected time delay to get cars repaired due to parts and labour shortages, alongside additional costs such as credit hire, making it increasingly uneconomical to have certain cars repaired.

Vehicle write-off cost comparison (2019 vs 2023)

Write-offs (settled) 1st party claims	2019	2023	% change
1st party – number of vehicles written off (12 firms)	272,042	296,135	9%
Average recovery by non-fault insurers from 3rd parties (across 11 firms)	£2,780	£4,134	49%

ii. Longer claim settlement and repair durations

- It is taking longer to repair cars as average lead times before repair work starts have more than doubled and repair times increased by 36%. This is largely due to a shortage of mechanics and availability issues and delays for vehicle parts. These

extended durations contribute to higher claims costs, primarily through increased costs for courtesy and replacement car provision, credit hire and the repair itself.
- We saw significant increases in duration from first notification of loss (FNOL) to final settlement across most heads of claims. Final settlement is the point at which the claim is completely resolved for the insurer, including any recoveries from third parties. The duration from FNOL to settlement for policyholders will be significantly shorter.

Average duration from FNOL to final settlement (2019 vs 2023)

Head of claim	Duration from FNOL to final settlement		
	2019 (days)	2023 (days)	% change
Property damage	287	353	23%
Accidental damage	187	240	28%
Replacement vehicle (re. accidental damage)	222	298	34%
Vehicle repair			
Lead times (9 firms)	15	31	110%
Repair times – key-to-key time (9 firms)	11	15	36%

Note: Based on the 12 survey firms unless stated in the table above. Based on settled claims data. Lead times are from the date of the incident to the start of vehicle repair. The key-to-key time is the duration from when the customer hands the vehicle keys to the garage to the time the vehicle is returned to them.

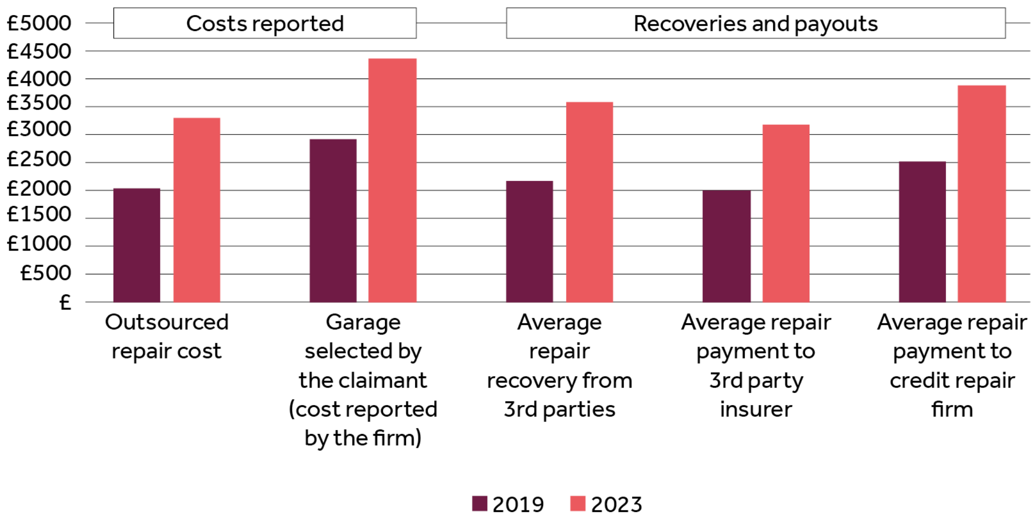
iii. Higher repair costs driven by higher labour and parts costs

- Repair costs have risen significantly across a range of repair metrics driven by inflation, increases in energy prices, lack of skilled labour and supply chain challenges (including parts shortages).
- Repairs can be carried out through a range of channels. Where an insurer is arranging the repair, this could be performed in-house, outsourced (where the insurer has an arrangement with a repair firm such as a garage network), or by a garage selected by the claimant. Repairs could also be arranged by 3rd parties such as credit repair or accident management firms.
- Overall, repair claims costs appear highest for repairs where the claimant chooses the garage and for claims managed by credit repair firms relative to outsourced repairs and in-house repairs. These are contexts where the insurer often has much less ability to exert control over costs.
- We have not included summary data for in-house repairs in this analysis, as there were only 2 firms providing data on this type of repair. There may be a range of factors driving some of the differences in costs by repair channel. For example, consumers with prestige vehicles may be more likely to choose to have their vehicle repaired at their own garage. One large firm noted that, on a like-for-like basis, repair claims where the claimant chose the garage were 7% more costly than outsourced repairs. In addition, firms insuring higher value vehicles may have higher 1st party repair costs on average compared to their 3rd party repair costs.

- Where firms take responsibility for arranging vehicle repairs, the most common repair channel was outsourced repairs, for all except the largest firms with in-house repair capabilities.

The chart below shows how average repair claims costs have significantly increased over the reporting period (by at least 50% across each repair channel).

Comparison of repair costs 2019 vs 2023



Note: The costs reported are based on summary data from 9 firms, although the costs will reflect charges to the insurer. The recoveries and payments are based on summary data from 9 to 11 firms (depending on the metric). For the recoveries and payouts, the average recovery from 3rd parties will reflect 1st party claims where the insurer has claimed the repair cost from 3rd parties. The average repair payment to 3rd party insurers will reflect claims where a 3rd party insurer has arranged the repair and claimed from the insurer.

Electric and hybrid vehicles are currently more expensive to repair than petrol or diesel vehicles, so their increasing adoption contributes to the overall rise in claims costs. Policy sales for electric and hybrid vehicles increased from 1.3% in 2019 to 5.6% in 2023, with a further rise to 6.8% in H1 2024. However, petrol and diesel vehicles still make up over 90% of insured private vehicles in the UK.

Changes in average repair costs (2019 vs 2023)

Type of vehicle	2019 (£)	2023 (£)	% change
Petrol/diesel (11 firms)	2,350	3,344	42%
Electric (10 firms)	2,908	4,197	44%
Hybrid (11 firms)	2,393	4,012	68%

Note: The data in the table has been calculated on a simple average basis across the firms submitting average repair cost information for these types of vehicles. There is greater dispersion of average repair costs between firms for electric vehicle repairs. This could be, in part, due to lower repair volumes for electric vehicles.

Summary data from firms indicates that both labour and other costs (which would include parts and garage overheads) increased significantly over the reporting period.

Labour costs for 1st party claims (2019 vs 2023)

Metric (average)	2019	2023	% change
Repair labour hours	17.6	19.4	10%
Labour rate (£/hour)	35	45	28%
Labour cost (£)	616	879	43%

Note: Based on summary data from 8 firms. The labour cost has been calculated by multiplying the labour hours by the labour rate.

Recommendations

Given the impact on average claims costs of higher value and more complex cars, longer repair durations, supply chain challenges, and higher parts and labour costs, the Government Taskforce may wish to consider:

- Actions to boost the supply of skilled labour. This could reduce repair delays and durations and labour costs.
- How the motor manufacturing industry could act to reduce lead times and supply chain pressures, thereby reducing delays and costs.

The Association of British Insurers (ABI) and firms to consider any further actions available to reduce the cost of repair, including where firms have in-house repair services.

iv. Involvement of CMCs and AMCs

CMCs act as intermediaries between insurers and claimants and provide assistance in making a claim. The prevailing view of insurers, supported by much of the data provided, is that CMCs and AMCs introduce greater complexity and cost, making efficient claims management and cost control more challenging.

Some insurers in our sample acknowledge the benefits CMCs can sometimes bring. These include reduced operational costs, additional revenue streams from referral fees and improved customer outcomes. However, insurers also told us CMCs and AMCs have significantly affected claims costs through prolonged resolution cycles, increased fees, higher litigation expenses and elevated fraud risks. There is often less incentive for CMCs and AMCs to try to manage the cost and duration of claims, compared to insurers.

Referral fees for insurers from CMCs and AMCs range from £30 to over £1,000. Some firms receive alternative compensation, such as solicitor dividends or commercial arrangements that offset other service costs. These fees and compensation ultimately increase claims costs, driving higher motor insurance premiums.

Insurers also noted a shift in accident assistance offerings by car dealerships. Some firms said dealerships now offer accident assistance products, disrupting traditional reporting channels. Claims managed by these dealerships may bypass insurers and be referred to credit hire companies/CMCs, contributing to higher costs.

Some adverse impacts on customer outcomes were also highlighted and contribute to prolonged claims cycles and complexity. These included:

- Customers being misled via Google spoofing. This has risen since 2019 with ad spoofing tactics misleading customers into engaging with CMCs/AMCs instead of their insurer's claims service. These deceptive websites mimic insurer branding, leading customers to third-party entities.
- Claims notification being delayed due to the involvement of CMCs/AMCs as they handle large volume of claims. The CMCs/AMCs do their own validation of claims before notifying the insurer. This results in the claim being notified later than if the customer had contacted the insurer directly.
- Some customers ending up with unexpected liabilities as they do not always understand the CMCs/AMCs' terms of service agreement before signing. CMCs/AMCs may not be able to recover all costs from insurers due to inflated fees (eg credit hire) and may then seek to recover these costs from the claimant per their terms of service agreement.

Recommendations

Given the impact of the involvement of AMCs/CMCs and other parties in the claims process we:

- Recommend that the ABI and firms to work to develop a good practice code to reduce referrals to other parties and capture the management of more claims, to reduce claim durations and costs. This should include considering how to mitigate the current incentives for 1st party claimants to use AMCs/CMCs.
- Will work with the ABI and firms to consider how claims can be better managed to ensure greater efficiency and cost control without adversely affecting customer outcomes. This should include having robust procedures to challenge unreasonable 3rd party claims costs.

v. Credit repair and credit hire practices

Credit hire and repair organisations provide temporary replacement vehicles and repair services to claimants following an accident. While their services can be beneficial, insurers reported increased concerns around inflated costs, extended hire durations, disputes over repair quality and pricing transparency. There is often less incentive for credit hire and repair organisations to try to manage the cost and duration of claims, compared to insurers. The costs from credit hire and repair form part of the accidental damage, property damage and replacement vehicles heads of claim.

There are 2 types of credit hire claims – General Terms of Agreement (GTA) and non-GTA. The GTA is a voluntary agreement between insurers and credit hire firms establishing maximum car hire rates for different vehicles. GTA publish these rates, which can help reduce scope for disputes on rates charged by car hire firms, compared to non-GTA claims.

In summary, we found that while the number of referrals fell during the period, average referral fees earned by the referring insurers increased by 29%, rising steadily from an average of £439 in 2019 to £565 in 2023. Also, while the average car hire duration was broadly similar for GTA and non-GTA claims, non-GTA claims saw a larger cost increase of 62% compared to 47% for GTA. GTA claims are constrained by the maximum rates allowed under GTA arrangements, whereas non-GTA claims do not have set rates. This means there is greater scope for higher car hire rates on non-GTA claims.

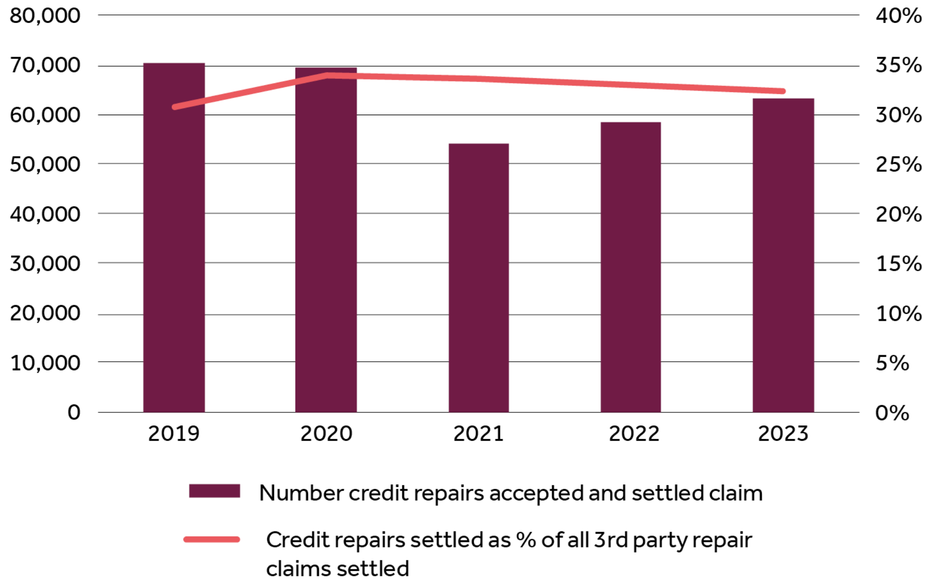
We have set out the findings in more detail as follows:

a. Credit repair volumes.
b. Credit hire referrals.
c. Credit hire claims.
d. Average credit hire claim costs – settled claims.
e. Disputed claims.
f. Courtesy car costs vs credit hire.

a. Credit repair volumes

We compared the number of credit repairs against the number of all 3rd party repair claims (ie including both credit claims and other 3rd party claims). Data from 9 firms showed no clear indication of a significant shift in the prevalence of credit repair claims. The number of credit repairs settled dropped in 2021, primarily due to the pandemic, before rising gradually back towards pre-pandemic levels.

Number of credit repairs settled and as a % of total 3rd party settled claims



Note: 3rd party repairs claims settled in the chart include both credit repair claims settled and 3rd party claims where a 3rd party insurer takes responsibility for arranging repair

b. Credit hire referrals

For 1st party non-fault claims, many insurers introduce some claimants to credit hire companies for the provision of credit hire vehicles, even where they have courtesy car cover as standard on their insurance policy. The claimant enters into an unregulated credit agreement. The credit hire company then provides a hire vehicle to the claimant while their own vehicle is assessed for damage and repaired or replaced. The credit hire company will then seek to claim for the provision of the hire vehicle from the insurer of the at-fault driver. Examples of potential benefits and risks to non-fault claimants opting to pursue a claim through a credit hire firm are set out below:

	Claim through insurer	Claim through credit hire firm
Policy excess	Where applicable, the consumer needs to pay the policy excess for the claim, with a view to recovering from the at-fault insurer.	The consumer does not need to pay any excess as the claim is not made directly to their own insurer.
Replacement vehicle	Courtesy cars are often a cheaper vehicle than their own vehicle.	The vehicle provided by the credit hire company is more likely to be a like-for-like or better vehicle than the consumer's own vehicle.
Liability	Not liable for the cost of the replacement vehicle.	If the credit hire company cannot recover from the at-fault insurer, the claimant could be liable to the credit hire company for the cost.

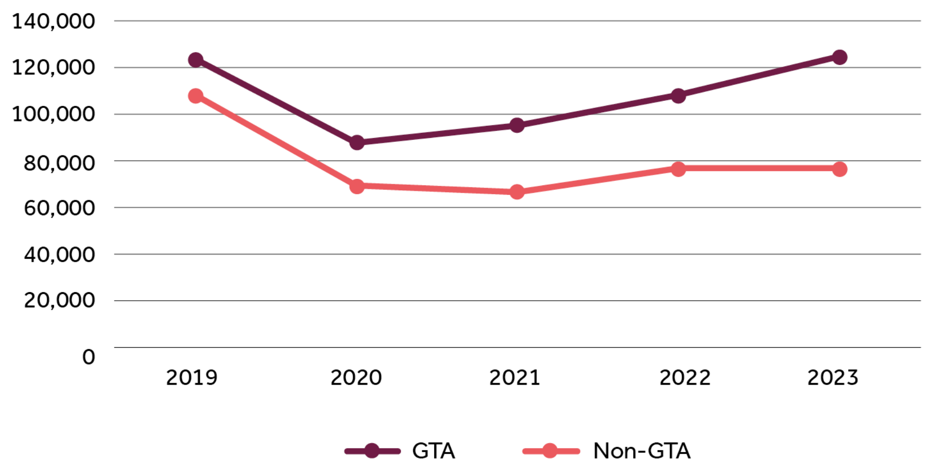
The reported number of customers introduced to credit hire companies across 10 firms declined by 7% from 268,879 in 2019 to 251,359 in 2023. This is a smaller decline than the 15% overall decline in replacement vehicle claims for the same period. Similarly, successful referrals (where the credit hire firm supply a hire car to the customers) dropped by 13% from 190,260 in 2019 to 166,389 in 2023.

However, average referral fees earned by insurers increased by 29%, rising steadily from an average of £439 in 2019 to £565 in 2023, with significant variations noted between firms. There was a steep drop in referrals in 2020 due to the pandemic. Using the average referral fees and the volumes of successful referrals across 10 firms, we calculated their total referral fees fell from £83m in 2019 to £62m in 2020, before rising to £94m in 2023.

c. Credit hire claims

9 firms in our sample provided some summary data on both GTA and non-GTA notified claims, as shown in the chart below.

Number of claims notified and non-GTA credit hire claims



The chart shows that while numbers dropped significantly in 2020 the number of claims for both GTA and non-GTA rose over the period 2020 to 2023, particularly for GTA claims which returned to pre-pandemic levels. One firm noted that, since the pandemic, GTA firms were picking up a greater market share. Another firm reported that 1 credit hire firm had changed from non-GTA to a GTA model during this period.

d. Average credit hire claims costs – settled claims

Credit hire costs are determined by daily rates and hire durations. Summary data for around 200,000 credit hire claims per year showed the following changes between 2019 and 2023.

GTA vs non-GTA costs

	Metric	2019	2023	% change
GTA (based on 8 firms)	Daily rate (£)	67	75	12%
	Duration (days)	19	25	32%
	Cost (£)	**1,295**	**1,901**	**47%**
Non-GTA (based on 10 firms)	Daily rate (£)	78	93	19%
	Duration (days)	20	27	35%
	Cost (£)	**1,564**	**2,537**	**62%**

Note: For 2 of the firms, the summary data was unavailable for 2019 and instead we used their 2020 data as a proxy for their 2019 data.

Hire durations are broadly similar for GTA and non-GTA claims. Both increased by a similar proportion between 2019 and 2023. Average credit hire costs appear to have risen sharply driven by a combination of higher rates and extended durations. Non-GTA claims saw a larger cost increase of 62% compared to 47% for GTA. Insurers reported that non-GTA rates are significantly higher, with 6 out of 7 insurers who provided data on both GTA and non-GTA rates, reporting higher rates for non-GTA claims.

In recent years, some insurers have formed bilateral agreements with other insurers and specific credit hire firms to better manage costs associated with claims from credit hire firms.

e. Disputed claims

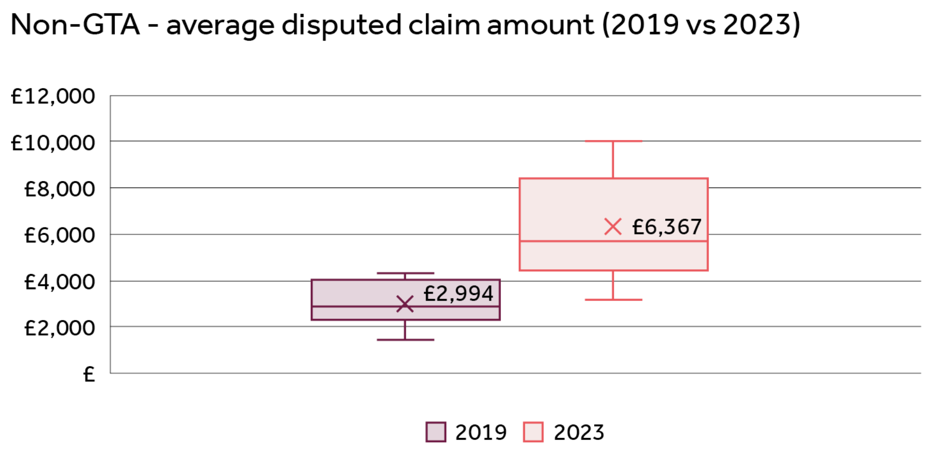
Firms provided limited data on disputed claims, showing the simple average disputed claim amount has grown at a much faster rate for non-GTA claims. GTA claims are constrained by the maximum rates allowed under GTA arrangements, whereas non-GTA claims do not have set rates. One large insurer noted the proportion of non-GTA claims where the initial claim amount was more than double the final settlement paid increased from 13% of claims to 28% between 2019 and 2023. This indicates some credit hire firms were making claims substantially higher than the ultimate recovery. All 7 insurers that provided data for both GTA and non-GTA disputed claims reported that average claim amounts for non-GTA claims were significantly higher than GTA claims.

GTA vs non-GTA disputed claims

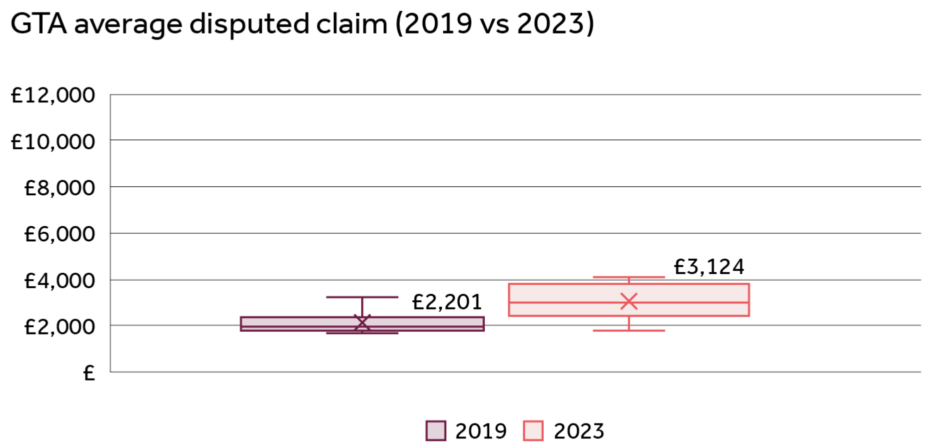
	Metric	2019 £	2023 £	% change
GTA	Average disputed amount (7 firms) (simple average)	2,201	3,124	42%
Non-GTA	Average disputed amount (9 firms) (simple average)	2,994	6,367	113%

Note: For 2 of the firms, we used their 2020 summary data as a proxy for 2019, as they were unable to provide 2019 data.

The following charts shows the dispersion of average disputed claim amounts for credit hire across firms, including the wider dispersion for non-GTA claims in 2023.



Note: Based on summary data from 9 firms.



Note: Based on summary data from 7 firms.

f. Courtesy car cost vs credit hire

Summary data from the 12 firms showed that most firms sold almost all policies with courtesy car provision as a standard policy benefit. However, very limited data was available on courtesy car costs. One firm reported their outsourced courtesy car rates. Their 2023 data showed an average daily cost of £37 and an average duration of 20 days, totalling £740. These figures suggest courtesy car costs may be significantly lower than the claim costs (both GTA and non-GTA) of credit hire, as set out above in the table GTA vs non-GTA costs. This table show GTA costs as £1,901 in 2023 with non-GTA being £2,537.

Recommendations

Given the increasing costs of credit hire the Government Taskforce may wish to:

- Engage with stakeholders, including the insurance industry, to assess what further actions or interventions may be necessary to improve the functioning of this market.
- We would like the ABI and firms to consider approaches and processes to better manage and control the costs associated with replacement vehicles.

2. Increased average cost of bodily injury claims particularly higher value ones

Bodily injury is the head of claim that accounts for the highest proportion of total claims costs in our sample firms (32% in 2023). However, it has not seen the same significant increases as other heads between 2019 and 2023, accounting for only 8% of the total increase. This smaller increase is due to a reduction in the number of bodily injury claims being more than offset by a larger rise in the average cost of claims. Large bodily injury claims often take much longer to develop and settle, so the costs may be understated for more recent years. The table below sets out data provided by all 12 firms in our sample for the period.

Bodily injury costs (all)

Bodily Injury	2019	2020	2021	2022	2023	% change 2019 to 2023
Number of claims	291,741	197,525	186,667	183,134	172,243	(41%)
Average claim cost (£)	9,295	10,585	12,473	15,854	16,803	81%
Total claims cost (£ bn)	2.7	2.1	2.3	2.9	2.9	7%
Claim cost per policy (£)	123	93	100	124	125	2%
Claims frequency	1.3%	0.9%	0.8%	0.8%	0.7%	(46%)

Key trends: Large bodily injury (BI) claims

Over the past 5 years, technological, medical, economic and legal developments have significantly influenced large BI claims. Firms told us what they consider to be key trends affecting the cost of large BI claims based on their experience:

- Rising care costs and wage inflation have increased costs for long-term rehabilitation and medical care, including prosthetics and other medical aids. Also, staffing shortages have increased reliance on agency care providers, whose rates can significantly exceed direct employment costs.

- The increased complexity and duration of high-value injury claims has contributed to higher legal expenses.
- An increase in e-bike and e-scooter usage, often involving illegal use on public roads, has led to a rise in severe injury claims, adding complexity to liability assessments.
- Advancements in vehicle safety and medical treatment improve survival rates but with severe injuries, which has resulted in more claimants requiring substantial long-term care and compensation.
- Recent adjustments to the personal injury discount rate have reduced claims costs but inflation-driven severity remains an ongoing concern.
- The rise in claims values is having an impact on reinsurance pricing models and premium strategies, leading to higher costs for insurers.
- The distinct legal framework in Scotland results in higher claims costs, particularly for complex injuries.

Key trends: Small BI claims

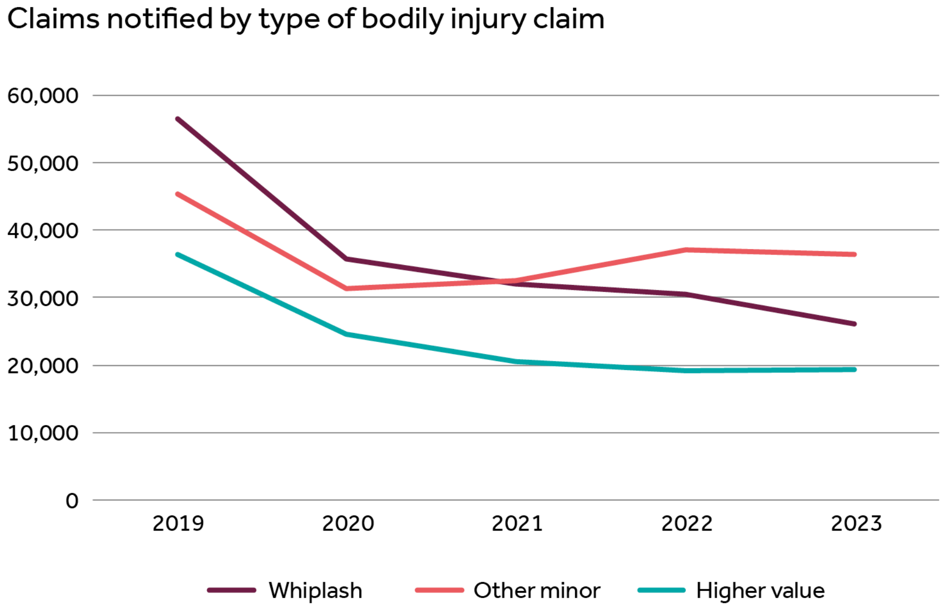
The type and nature of small bodily injury claims have changed, with the rising complexity of multi-site injuries. Claims once considered simple and low-cost increasingly surpass the £5,000 Small Claims Track threshold, which has not increased to reflect inflation.

Key trends in the experience of firms include:

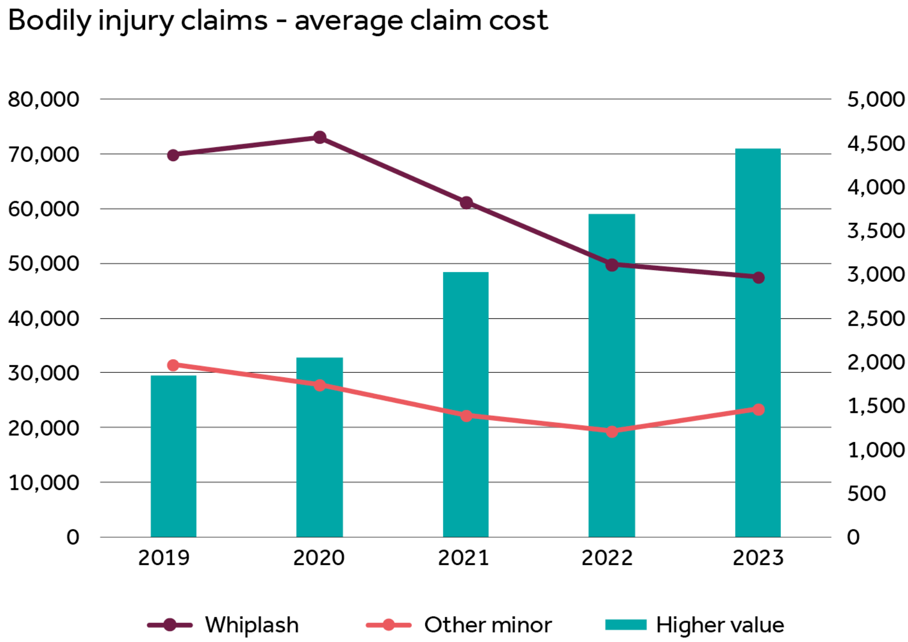
- The introduction of the Official Injury Claims (OIC) portal streamlined small BI claim processing, reducing claim frequency and cost. However delays in the OIC portal and legal disputes over injury classifications complicate cost predictions for firms.
- The Whiplash Reforms have resulted in a decline in tariff-only whiplash claims, but there has been a rise in secondary injuries (eg dashboard-related bruises) which complicates medical assessments.
- The Judicial College Guidelines (JCG) 17th edition published in April 2024 introduced an average 22% increase in general damages, to account for inflation, pushing more claims beyond the £5,000 threshold and into legal costs recovery eligibility.
- Medical reports remain silent on how direct trauma occurred, increasing the need for supplemental assessments, adding to costs for validating the claim.
- Administrative inefficiencies further contribute to prolonged claims durations, including:
  - Delays in police reports.
  - Medical evaluations.
  - Legal disputes, particularly over mixed injuries, extended settlement timelines.
  - Confusion about tariff adjustments, whether applied on a loss or settlement basis, exacerbates delays.
- One firm told us tariff-only claims declined from 70% to 55%, while non-tariff injuries (eg psychological trauma and physiotherapy) increased, driving higher costs.

Claims volumes – Whiplash only, other minor injuries and higher value claims

Five firms split their bodily injury data between whiplash only claims, other minor injuries and higher value claims over £5,000. The charts below show the number of claims notified significantly reduced in 2020, before continuing to decline for higher value and whiplash only claims in the period 2021 to 2023.



In addition, while the average claim costs for whiplash only and other minor injuries reduced over the period, the limited data from 5 firms indicated that average claim amounts for higher value claims increased significantly from £29,540 in 2019 to £70,986 in 2023, although there was significant variance between firms.



Note: While not included in the chart above, all 12 firms provided summary data on the higher value average claims costs. This data was highly variable between firms – although 9 out of the 12 firms reported that average claims costs (for higher value claims) increased by 40% or more between 2019 and 2023.

These trends reflect broader bodily injury claim cost patterns. They indicate that, while the 2021 Whiplash reforms appear to have had some impact on lowering minor injury claim costs, rising care and legal costs as identified by firms, continue to drive up high-value claim settlements.

Insurers' strategies for managing BI costs

Insurers use various strategies to contain BI costs, including:

- Early intervention and efficient case management by expediting investigations. They also use agreements such as the Serious Injury Guide to improve case resolution efficiency.
- Controlling cost by pre-negotiating supplier agreements for complex claims.
- Analysing fraud trends to flag irregular claims.
- Engaging and negotiating directly with claimants' solicitors to prevent prolonged litigation and facilitate early resolutions, especially in high value claims.

Recommendations

Given the issues insurers identified and that the costs for bodily injury claims have begun to rise again, the Government Taskforce may wish to consider:

- How best to contain increasing long-term care costs including through tackling the drivers of those costs, such as by continuing to improve road safety to further reduce the number of accidents.
- Through engagement with the ABI and firms, how best to monitor and manage bodily injury claims trends and the need for further interventions, such as

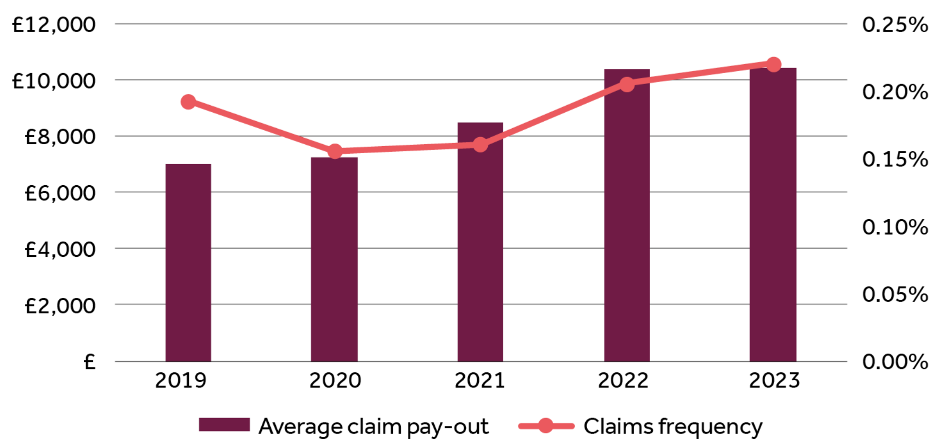
introducing tariffs for other types of bodily injury or increasing the Small Claims Track threshold.
- Through engagement with relevant professional bodies including the SRA and the GMC whether to increase penalties for those engaging or assisting in claim fabrication or exaggeration, particularly any professionals associated with this activity.
- The control and insurance of micro-mobiles, for example e-scooters, and public awareness campaigns on micro-mobility safety.

3. Increased frequency and value of vehicle thefts

a. Theft of a vehicle

Firms in our sample reported that the number of theft claims notified increased over the reporting period from 42,437 in 2019 to 51,120 in 2023, an increase of 20%. However, given the overall increase in number of policies, theft claims frequency only increased by 14% (or 0.03 percentage points) from 0.19% in 2019 to 0.22% (1 claim for every 454 policies) in 2023. Firms identified a range of factors contributing to the increase in thefts, including the increased use of sophisticated electronic devices to circumvent keyless vehicle security. Average claims costs increased by 49% from £7,013 in 2019 to £10,420 in 2023, partly due to the increase in vehicle values reported by firms. Overall, the theft claims cost reported by the firms in our sample rose from £298m in 2019 to £533m in 2023, a 79% increase, driven by a combination of increased claims frequency and higher average claim costs. Together, this amounts to a 70% increase in claim cost per policy from £13.52 to £22.95.

Theft of vehicles - claims frequency and average claim pay-out



b. Theft from a vehicle

The total value of thefts from vehicles rose from £19.7m in 2019 to £21.5m in 2023. These costs represent an increase in the cost per policy of around £1.

Recommendations

In the context of the rising volumes and values of vehicle theft claims, the Government Taskforce may wish to consider:

- Engaging with the motor manufacturing industry to identify ways to continue to better protect vehicles from the risk of theft.
- Looking at interventions to ensure technology used to steal vehicles cannot be sold, including via better control of online sales platforms.
- Further measures to reduce volumes of stolen vehicles believed to be shipped overseas.
- Whether increased penalties for those involved in vehicle theft may act as a stronger deterrent.

4. Continued impact and evolving nature of fraud

Motor insurance fraud continues to be a major challenge for the UK motor insurance market, contributing to rising claims costs and premiums. In recent years, the issue has evolved significantly, influenced by technological advances and socio-economic pressures.

Fraud can be either organised or opportunistic, with insurers spending heavily to deter, prevent and detect fraud. Fraud countermeasures increase insurers' operating expenses through additional headcount and payroll costs, the cost of fraud detection software, legal costs for litigation and rising levies to the Insurance Fraud Bureau (IFB).

Fraud trends

ABI data for the period 2019 to 2023 highlights the evolving fraud landscape:

- Confirmed fraud has increased from 4,423 cases with a value of £49m in 2019 to 6,263 cases with a value of £65m in 2023.
- Suspected fraud has declined from 40,106 cases with a value of £423m in 2019 to 29,892 cases with a value of £316m in 2023.

While suspected fraud has declined, confirmed cases have risen, suggesting either improved fraud detection mechanisms or a shift in fraudulent behaviour, with fraudsters adopting more sophisticated tactics to evade early detection.

Types of fraud

Our engagement with the ABI and the IFB along with information from the 12 firms provided insights on the different types of fraud and current trends. These include:

- Bent metal claims have become increasingly profitable, incentivising some claimants to fraudulently inflate repair costs or extend credit hire durations.
- Professionals can play a role in inflating the cost of claims, including exaggerating damage and layering injuries beyond tariff limits. When we engaged with the ABI, they noted exaggerated loss fraud has escalated both in volume and value.
- Fraudsters increasingly using Generative AI (GenAI) to create fake images of vehicle damage or videos of fabricated incidents. Insurers report a growing number of claims involving altered media designed to maximise payouts.
- Online fraud via paid ad spoofing by scammers who create spoofed websites appearing at the top of search engine results to deceive policyholders into believing they are interacting with their insurer.
- Ghost broking scams where fraudsters exploit social media platforms to sell fraudulent insurance policies at discounted rates. Young drivers, who often seek budget-friendly insurance options, are particularly vulnerable to these schemes. The Insurance Fraud Bureau's (IFB) 2024 Strategic Threat Assessment (STA) identifies social media reliance among younger demographics as a key contributor to the growth in ghost broking scams.
- 'Crash for cash' scams which have stabilised but remain a significant issue.

Recommendations

Given the continuing impact of fraud on the cost of motor insurance we will continue action against social media and technology companies who have not taken sufficient action to tackle fraud on their platforms and against 'finfluencers' and others who are misleading customers or committing fraud.

The ABI and firms to consider what additional actions the industry can take to continue to improve fraud detection and prevention.

The Government Taskforce may wish to consider:

- The potential deterrence effect of higher penalties, particularly where professionals are involved, to punish those engaged in motor insurance fraud and to recover financial proceeds through the Proceeds of Crime Act 2002.
- How best to bring stakeholders together to enhance the ability to detect and prevent fraud. For example, industry, trade bodies, the NCA, and professional bodies such as the GMC and SRA.

5. Uninsured drivers and users of micro-mobility placing a financial burden on motor insurance market

As the insurer of last resort, the MIB fulfils a critical function to compensate the victims of accidents involving uninsured and 'hit-and-run' drivers. They are a not-for-profit organisation funded by a levy on motor insurers. The MIB operates several databases which are essential for motor insurance enforcement and fighting fraud.

Trade body discussions and insurer responses highlight drivers without insurance or with inadequate insurance continuing to place a substantial financial burden on the UK motor insurance market. This includes increasing amounts for accidents caused by or involving uninsured micro-mobility vehicles, like e-scooters. While accidents involving uninsured driving have increased, the range of factors driving increases in claims costs also contribute to the rise in MIB levies.

MIB data for the whole UK private motor insurance market indicates:

a. The cost of claims associated with uninsured drivers has risen from £329m in 2019 to £452m in 2024.
b. This increase has led to MIB levies, charged to insurers to compensate victims of uninsured driving, increasing from £331m in 2019 to £507m in 2024.
c. The cost of uninsured driving added over £0.5bn to insurers' costs for 2023 and made up 2.78% of the average premium paid by policyholders.

Cost of claims and levies (£m) 2019 to 2024 - Uninsured drivers (Source: MIB)

Year	Cost of claims (£m)	Cost of Levy (£m)	Insurance Eligible Vehicles (m)	Cost per vehicle insured* (£)	% change Cost per vehicle insured	Cost per vehicle insured as a % of average premium
2019	329	331	34	9.64		2.18
2020	305	394	34	11.61	20.44	2.64
2021	373	394	34	11.53	-0.69	2.76
2022	388	477	35	13.80	19.69	3.23
2023	417	532	35	15.17	9.93	2.78
2024	452	507	37	13.60	-10.35	2.20

*Note: This figure only includes the MIB element of the impact, as insurers directly incur some costs from uninsured driving (for example where they are the Article 75 insurer) which are not included in MIB figures. Therefore, the per policy impact of uninsured driving is higher than the figures shown. It should be noted this is a pro-rata estimate and in no way determines how much of this cost per vehicle any insurer passes to their policyholders.

Recommendations

Given the increasing cost of uninsured drivers and the impact of this on motor insurance premiums, the Government Taskforce may wish to consider:

- Increasing checks to identify uninsured vehicles
- Harsher penalties for uninsured driving, including higher fines, vehicle seizure, and longer driving bans.

We also note the Government plan to reintroduce the exclusion of property damage for uninsured drivers, further to a recent consultation.

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