

Commercial Motor Update

What are the factors that affect commercial motor premiums?

Did you know that the average cost of a large claim¹ 2013–2016 is 60% higher than 2009-2012?

Did you know that fleet haulage has a fault collision frequency twice the level of non haulage & a large claims frequency 3 times that of non haulage?

Vehicle Technology

As technology continues at pace to influence all our lives, within the motor industry the pace is unprecedented. Whilst elements of technology can make modern vehicles more expensive to repair, safety features such as Autonomous Emergency Braking, Advanced & Driving Assist Systems (which are designed to alert the driver to various hazards, such as lane departure and potential collisions) are encouraged and Aviva will recognise those systems within motor premiums.



Fraud

Insurers uncover 2,500 fraudulent activities worth £25 million every week³, from 'cash for crash' scams & new approaches to both application & claims fraud. Telematics data and camera footage can assist in validating the testimony of our clients so we can dispute the claimant's version of events. It helps our claims handlers defend our clients against disputed or even fraudulent claims helping to keep claims costs down. We want to protect our clients against spurious or fraudulent claims.



Legal fees, Claims Management & Credit Hire

Claims management companies fuel both the numbers & costs of injury claims. For every £1 we pay in compensation, we pay another 80p to lawyers⁴. Tackling poor motor insurance claims practices is exactly why we've led our [Road to Reform report](#). Prompt notification of claims is vital in keeping ultimate costs down particularly for fault claims. Where possible the claim needs to be reported to Aviva immediately after an incident and key third party information provided – for the right information have a look at our [claims guides](#).



Care

We need to make sure that we look after those injured in accidents – the cost of future care on large losses of over £5m can account for more than 50% of the total value of a claim. In one road traffic accident, the 3rd party was 22 years old & sustained a serious head injury – needing 24/7 care & single storey accommodation due to their wheelchair dependency. The 3rd party solicitors submitted claims costs totalling £10m – 80% related to future care costs⁴.



Personal Injury Rate

The Lord Chancellor has announced that the Ogden discount rate will be lowered to minus 0.75%, from the previous level of 2.5%. This will have an impact on personal injury payments. For example, if a graduate male in his early twenties suffers a serious brain injury the claim payment would increase by 121% from just over £9m to in excess of £19m⁵.



Young Drivers

Young drivers aged 17 - 20 are twice as likely to make a claim as any other driver & on average the claim's cost will be three times higher as we need to make sure we put the right care in place for anyone who is injured⁴.



Uninsured Driving

Uninsured drivers injure 23,000 people & kill 160 each year, with an annual cost of over £500m. This is estimated to add £30 to every motorist's insurance premium⁴.



Inflation & Tax

General inflation as well as claims inflation means that premiums would need to increase by at least 6%² this year just to stand still. Also, Insurance Premium Tax has doubled over the last few years.



Reinsurance

There is a shortage of quality reinsurance capacity in the UK motor market, mainly due to the impact of periodic payments orders which have driven up costs in recent years. Changes to the personal injury rate will only serve to drive further contraction in available markets and increase upward pressure on reinsurance rates.



Risk Characteristics

There are many factors that can drive the need for bespoke rating for individual drivers from age to claims experience. It's important to rate policies accurately so the right premiums are correct for each client – having the most up to date information about each client is imperative.



If you have any questions, just get in touch with your usual underwriter or claims service manager

How can we help?

Risk management entails understanding, analysing and minimising the threats that have the potential to severely impact a business. By identifying potential risks, assessing the likelihood of their occurrence, and taking appropriate actions to address them, you can prevent such situations from ever materialising. Aviva Risk Management Solutions helps to look at risks that arise in places of work and put into action sensible measures to control them. Whether the business is large or small, effective risk management today means fewer surprises and unexpected consequences in the future. Have a look at our [risk management brochure](#) today. If you'd like more information or assistance, please visit [Aviva Risk Management Solutions](#) or contact us at riskadvice@aviva.co.uk