

The changing dynamics of the UK motor market

QBE



An average of £1.13 million is paid out for motor claims **every hour.**[1]

When adjusted for inflation, **claim costs have risen at 3x the rate of premium increases.**[2]

1. abi.org.uk - Motor insurers pay out record amounts to help keep motorists mobile
2. abi.org.uk - Motor insurers pay out record amounts to help keep motorists mobile

Introduction

UK motor insurers, and therefore businesses, have faced significant challenges in recent years. Motor repair costs have reached record highs, rising 26% since 2023. This increase is driven by a combination of factors, including a shortage of skilled labour, supply chain disruptions influenced by geopolitical events, and the growing technological complexity of modern vehicles. These interconnected issues are contributing to higher claims costs and longer repair times.

Whilst there are some encouraging developments, notably the recent amendment to the Personal Injury Discount Rate (PIDR), the global environment, and the impact from changes to it, remains extremely uncertain. The US trade tariff changes being a very recent example.

With the increase in the PIDR reducing the likelihood of injured claimants being over-compensated, this marks a positive shift for both consumers and businesses by alleviating some of the upward pressure on serious bodily injury claim costs. While this change represents a step in the right direction, broader challenges remain. This document will explore the key factors currently influencing motor claims, outline the steps QBE is taking to address these challenges and provide practical guidance on how you can help manage exposure and risk profile.



Jon Dye
Director of Underwriting - Motor

Supply chains

Global supply chain disruptions are compounding inflationary pressures **which are increasing claim costs.**

Global shortages of key components

Since the pandemic and Russia's invasion of Ukraine we have seen significant pressure on parts and prices across all aspects of vehicle repairs.

Ukraine produces over 50% of the world's Neon which is needed to produce semiconductor chips, which are a key component within modern vehicles.[3]

Geopolitical tensions in the Red Sea region, due to its location near several conflict zones, can often disrupt trade routes causing shipping delays and rerouted cargo.

Trade barriers

The UK relies heavily on the EU supply chain for components and repairs, with around 71% of UK vehicle components imported from the EU.[4]

Post-Brexit, the UK and EU now face tariffs and customs checks on trade, which have disrupted the supply of vehicle parts. Many components now have to pass through additional border controls, leading to delays.

For motor claims, this means repairs requiring parts from the EU can take longer, and parts may be more expensive due to these added costs and delays. Additionally, recent changes in US tariff policies have added uncertainty, complicating matters for UK businesses that depend on transatlantic trade for specific vehicle parts and materials.

Fluctuations in both EU and US tariffs are contributing to instability across supply chains, potentially leading to further delays and volatile repair costs in the UK.

Hire costs

The cost of hire vehicles has risen considerably in recent years, rising 35% since 2022[5], which is having an impact on overall claims costs.

The UK has been experiencing a shortage of vehicles, both new and used, due to a combination of factors, including production delays (linked to semiconductor chips) and supply chain disruption linked to the global logistics issues. As a result, availability of hire vehicles is limited and cannot meet with demand, which raises costs.

3. weforum.org - The future of critical raw materials in Ukraine and the world
   reuters.com - Exclusive: Russia's attack on Ukraine halts half of world's neon output for chips
4. acea.auto - ACEA fact sheet EU UK vehicle trade August 2023 PDF
5. abi.org.uk - Motor insurers pay out record amounts to help keep motorists mobile

Technology

Electric vehicles (EVs) are becoming more embedded into our car-parc[6]

It has been found that, on average, EVs are 25% more expensive to repair than internal combustion engine (ICE) vehicles. Part of this increased cost is due to key-to-key times, with repairs taking around 14% longer than their ICE equivalent.[7]

The change in car-parc is being driven by the fleet sector due to Benefits in Kind (BIK) and ESG agendas. Only 1 out of 10 EVs are sold to private consumers, with the rest sold to business and fleet operators.

The rise of electric light commercial vehicles (LCVs) in the UK has also been significant, now holding a market share of 9.7%, close to a 5-percentage point increase from last year. This marks the fifth consecutive month of growth, reflecting a shift toward electrification in the sector. However, this growth is putting upward pressure on repair costs like those we have seen with cars.[8]

Complexity of modern vehicles

There is a rising repair cost due to the complexity of modern vehicles, which are increasingly equipped with technologies like advanced driver-assistance systems (ADAS) and electric drivetrains.

Due to the nature of many ADAS features, they are often positioned in vulnerable areas of the car meaning repairs on this technology is commonplace.[9]

6. statista.com - UK: electric vehicle car parc 2010-2023
   zap-map.com - EV market stats 2025
7. thatcham.org - Impact of BEV Adoption on the Repair and Insurance Sectors Report PDF
8. smmt.co.uk - Electric vans up as overall market contracts in February
9. pentapatterns.co.uk - Carbon fibre in the automotive industry





Labour shortages

There is currently the highest vacancy rate of skilled technicians in the UK for 21 years.

The shortage is driven by several factors, including an ageing workforce and a knock-on impact from Brexit, with a significant reduction in the availability of skilled workers from Europe.

These factors, amongst others are further inflating costs as businesses struggle to meet demand for repairs and services. It is predicted there will be 160,000 vacancies by 2030.[10]

Due to time pressures, there is also a skills gap with repair shops less willing to invest employee time on further training and development. Only 20% of UK motor mechanics are qualified to work on EVs.[11]

As these vehicles become more common, this is causing extended repair times and in turn, higher costs.

10. tide.theimi.org.uk - Automotive sector employment 2021-2031 PDF
    tide.theimi.org.uk - IMI predicts a 160,000 shortfall of workers in the UK automotive sector in the next decade
11. ft.com - Why UK independent garages are worried about shift to electric cars

Theft

There has been a steady rise in **Chop Shop outfits** (illegal operations that dismantle stolen vehicles for parts).

It's clear that this is a direct link to the supply chain issues the market is experiencing.[12] Due to wait times for genuine parts consumers may be tempted to turn to the black market, perpetuating the cycle of theft.

These outfits are often linked to organised crime networks with European connections. This makes recovery of stolen vehicles very difficult. The UK Scrap Metal Dealers Act, along with other legislation, is aiming to crack down on the illegal trading of parts, however enforcement challenges remain.

Catalytic Converter theft has risen significantly in recent years, driven by the valuable metals inside these components. They contain platinum, palladium and rhodium, which have all seen major price increases on the global market, so incentivising thieves.

Hybrid vehicles, vans and SUVs are particularly at risk due to their ride height, as getting access to the exhaust system beneath is easier.

Technological vulnerabilities of modern vehicles, primarily keyless entry, has made vehicles easier to steal. Criminals use relay devices to mimic the car's key signal and gain access.

Manufacturers are working to address this issue with immobilisers and enhanced security software to deter thefts.

Vehicle trackers remain a primary solution to recovering stolen vehicles, however prevention is always better than cure. Traditional solutions like a steering wheel lock remain the biggest deterrent.

12. tracker.co.uk - Illegal Chop Shops Dramatically On The Rise In 2023



High theft rates across the UK motor market reflects a mix of economic factors, criminal networks activity, vulnerabilities in vehicle technology and geopolitical challenges with the supply of parts.



Looking ahead

Geo-Political issues

Supply chains could continue to be put under strain with tensions between China and Taiwan growing. A close eye must remain on any potential trade conflicts between America, China and the EU. Each of which would have a major impact on the cost of vehicle parts and claims costs.

Cyber threat

Modern vehicles now include sophisticated systems like infotainment platforms, over-the-air updates, and vehicle to vehicle communications. These advancements, while improving functionality, also introduce vulnerabilities which cyber criminals will look to exploit.

Autonomous vehicles

AVs present a unique security, safety, and societal risk which will need addressing, whether this be the technological vulnerabilities, operational risks and the broader risk of integrating autonomous vehicles into a transportation system.

There is also the question of ownership – who is in control of the vehicle when in automation? Does the driver become a passenger? All these questions will need addressing and a legal and insurance framework built.

Government policy and regulations

The UK government remains intent on continuing with the road to Net Zero and meeting the targets outlined in the Paris Agreement.

This will drive the electrification of the UK car-parc and ban on petrol and diesel vehicles, of which we are already starting to see the impact. We may also see the expansion of low emission zones with policies like ULEZ adopted across cities throughout the UK. Will this change driving habits?

Consumer behaviour and mobility

How consumers interact with mobility is something which will have a significant influence on demand, production strategies, and market competition.

Consumers are increasingly favouring automakers with strong commitments to sustainability, including recycling and reduced carbon footprints.

Younger demographics are also looking at prioritising ride-sharing and car sharing services over ownership, reducing the demand for vehicles. Will the fleet sector follow in respect of company cars?

How can I help?

Report claims early

Early notification of a claim is key to keeping claims costs down and allowing the claim process to be managed more efficiently.

Please report all claims as soon as you can.

Click here: How to report a claim

Risk Management

Demonstrating that you are managing risk effectively will show your commitment to workplace and road safety.

Examples of how this can be shown include:

Alcohol interlocks which require drivers to pass an in-car breathalyser test to start the vehicle are an effective way to prevent driving under the influence of alcohol. This can reduce alcohol-related incidents (which are responsible for 25% of road deaths in Europe) and improve your insurance risk profile.

In-cab camera systems, often paired with AI monitoring software, can detect driver distraction or drowsiness through facial and eye analysis. Integrated with safety systems like lane keeping and collision avoidance, they enhance protection and provide insurers with valuable data for reducing risk and settling claims.

Driver telematic systems collect real-time data on vehicle location, driver behaviour, and engine diagnostics. By analysing this data, often with AI, fleet operators can improve resource management and monitor risky behaviours like speeding or harsh braking. For insurers, telematics offers detailed risk profiles, enabling more accurate risk assessment.

Education. Fostering a culture of safety through continuous driver education, training and up-to-date safety policies is essential for fleet operators. Policies should prioritise employee safety, align with modern technologies, and involve employee input.

Collaborate with QBE's Motor Risk Solutions team, who offer expert advice, guidance, and a wide range of services. This includes access to a panel of external risk partners, dedicated to enhancing safety and ultimately reducing claims and associated costs.

By working together, technology providers, fleet operators, and insurers can create safer roads for everyone, ultimately benefiting insurance premiums.



Jim Billings
Practice Leader - Motor Risk Solutions

How are QBE helping?

- We have a focus on repair over replace to mitigate cost and cycle times.
- We have partnered with a specialist company who track down scarce or hard to find parts, reducing the potential for a total loss.
- ADAS is now 100% undertaken at a place of convenience for the customer and they are no longer required to book directly with a dealership. This reduces overall costs and improves the customer experience.
- Our network provider doesn't have a higher EV labour rate, unlike other work providers.
- All QBE engineers are fully EV and ADAS accredited and are all ATA VDA qualified.
- All QBE engineers are trained to the highest standard on modern vehicles.

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