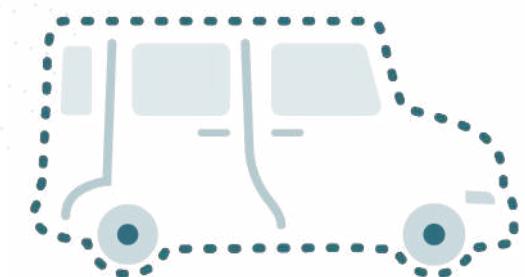


Market Outlook

Although the UK motor insurance market may have experienced profits in 2020, that trend is not expected to continue in 2021. The coronavirus pandemic is a major factor in the 2020 results given the significant drop in motor insurance claims—including accidents and thefts—and a rise in pay-as-you-go policies. This reduction in claims has led to lower premium costs, which caused many leading insurers to provide rebates to customers. Another key factor in the market direction is the declining demand for motor insurance due to a reduced need for consumers to own or purchase vehicles. In total, the GWP is estimated to have declined approximately 8 per cent in 2020. However, premiums are expected to rise 10 per cent through 2022 and another 2 per cent annually afterward.

Trends to Watch

- Delivery exposures**—Due to the COVID-19 pandemic, some organisations have extended delivery services or hired delivery drivers for the first time. Doing so carries new commercial motor exposures.
- Driver shortages**—Amidst widespread driver shortages, many organisations have lowered their driver applicant standards to fill open positions. These drivers often have fewer years of experience, making them more likely to be involved in an accident. What's more, many organisations are having their experienced drivers work longer hours, leading to driver fatigue.
- Decreased demand**—A decline in driving tests and vehicle purchases means that there is also reduced demand for motor insurance from new drivers. This decrease in demand can be attributed to lockdowns that limited travel and increased financial pressure on people who may have been interested in making a vehicle purchase before the pandemic hit.
- Fewer cars on the road**—In addition to the coronavirus pandemic causing people to purchase fewer cars, there are also fewer people driving vehicles that they already owned. This means that there have been fewer accidents and claims.
- Whiplash reforms**—After years of postponing the Civil Liability Act and its whiplash reforms, the legislation has now been implemented. A whiplash claim is a type of personal injury claim that arises from road traffic accidents where a vehicle comes to a stop quickly. The resulting force may often lead to an injury involving muscles, discs nerves or tendons. The reforms are intended to decrease compensation related to whiplash claims and reduce the frequency of them being filed in the first place. As a result, the Ministry of Justice hopes that insurance costs for the average driver will decrease.



Tips for Insurance Buyers

- Examine your loss control practices relative to your fleet and drivers. Enhance your driver safety programmes by implementing or modifying policies on safe driving and distracted driving.
- Design your driver training programmes to fit the unique needs of your business. Implement a retention programme to maintain experienced drivers.
- Determine whether you should make structural changes to your commercial motor policies by speaking with your insurance professionals.