

# 2023 Commercial Motor Insurance Market Outlook



The motor insurance market has faced a multitude of challenges over the past few years, and this trend looks set to continue. For instance, the COVID-19 pandemic's sudden surge in online shopping saw more commercial vehicles—particularly small delivery vans—take to the roads. This increased demand for used motors has created a market where certain older vehicles are retaining their values longer than they normally would. Consequently, claim costs, particularly total loss events, may be affected because underwriters cannot rely on historic data for pricing, given how much risk calculations have changed in such a short time frame.

Additionally, the rising cost of motor vehicle parts due to shortages created by the conflict in Ukraine and the current economic downturn are other factors contributing to disruption in the motor insurance market. Although manufacturers are working hard to find alternatives to these most pressing issues, the following challenges and trends will likely remain relevant for the motor industry throughout 2023.

## Trends to Watch

- **Rise of electric vehicles**—Electric vehicles remain popular as the push to lower carbon emissions continues. In fact, battery-electric vehicles took their largest share in the new car market in November 2022, according to statistics from the Society of Motor Manufacturers and Traders. While this might be good for the environment, some insurers are concerned about the additional risks this may create. One such risk is cyber-attacks. Specifically, by hacking one charging station, cyber-criminals may be able to gain access to fleets of businesses' vehicles. However, one benefit of electric vehicles is their simplicity compared to combustion vehicles. As such, they may be less likely to break down.
- **Autonomous vehicles**—UK roads could see more self-driving vehicles by 2025 due to a £100 million funding injection by the government. However, some vehicles—including coaches and lorries—could be operating with certain self-driving features as early as this year. These vehicles may reduce road collisions caused by human error. Yet, it's vital for any autonomous fleet owners to discuss motor cover implications with an insurance professional, as driverless vehicles may require more nuanced protections.
- **Vehicle connectivity**—More vehicle models are being released with features such as CarPlay, a technology that connects drivers' smartphones to their vehicles. Through enhanced connectivity, drivers can benefit from a range of features, including live traffic reports, charging station location maps and tracking services. Such technology also has implications for vehicle telematics, which can be used to monitor drivers' behaviours in real time, helping organisations better assess and respond to fleet risks.
- **Driver shortages**—Hauliers are being hit by driver shortages, according to a Chartered Institute of Logistics and Transport survey. The shortage is affecting 64% of operators, with the sector currently failing to attract younger drivers. Driver scarcity is making it more difficult for hauliers to find well-qualified drivers, which could lead to accidents, delays and other related issues increasing in 2023.

## Tips for Insurance Buyers

- Speak to your insurance professional to determine if any changes to your commercial motor policies are required.
- Examine your loss control practices relative to your fleet and drivers. Enhance driver safety programmes by implementing or modifying policies on safe driving and distracted driving, particularly for new or inexperienced drivers.
- Implement a retention programme to maintain experienced drivers. For instance, create communication channels where drivers can share ideas and concerns about working conditions. Additionally, consider incentive programmes to reward drivers with the best performance.
- Consider a cyber-insurance policy to protect electric vehicle charging points from the potential repercussions of cyber-attacks.