Keoghs
a Davies business

Motor Claims Insight
Keoghs Client Analytics Team

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Contents

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Introduction

In this version of our motor insights report, we continue to move further away from the impact of the pandemic and instead focus more on the other issues that are having an impact on the motor insurance sector. Whether it be global supply chain delays, the impact of the OIC, labour shortages, rising inflation, and an energy crisis (which had been made worse by the war in Ukraine), all are contributing to significant turbulence and ultimately claims inflation that is putting strain on insurers.

As always, by analysing the available data, we hope to provide valuable insight to assist in making informed business decisions and improve strategic planning.

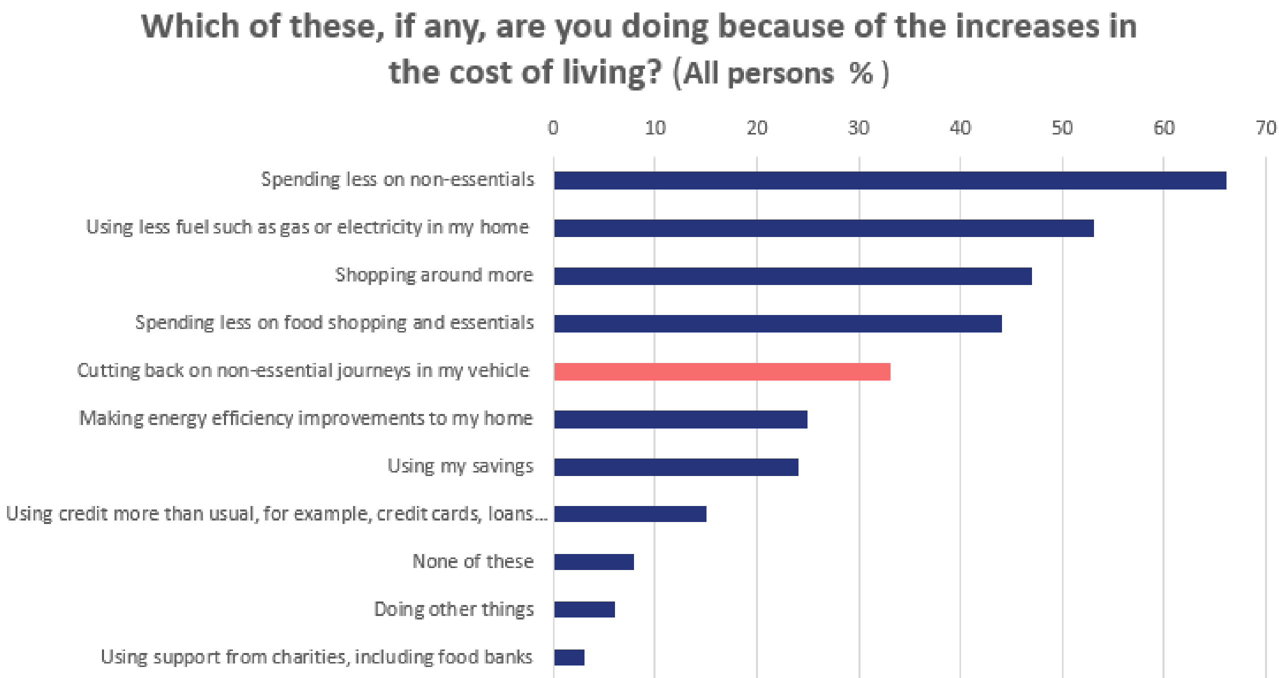
Analysis of **Public Activity**

1. Office for National Statistics (ONS)

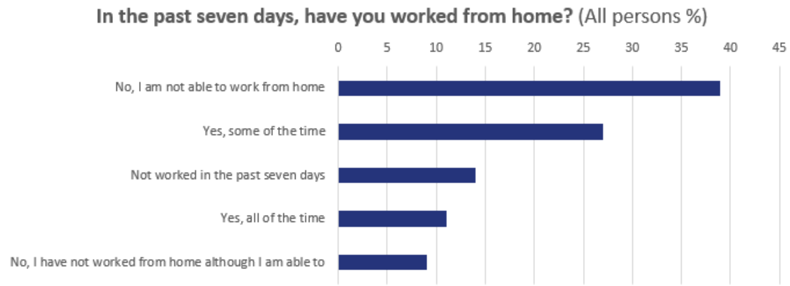
Public opinions and social trends, Great Britain - Office for National Statistics

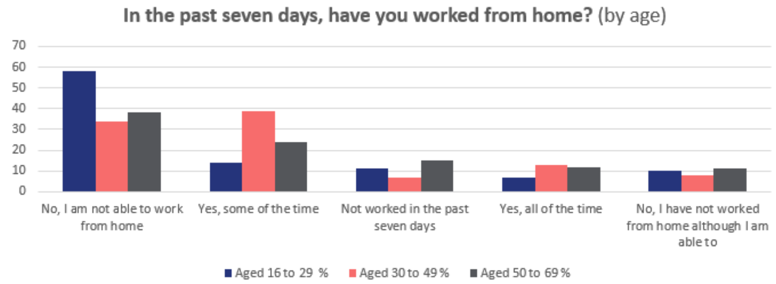
The ONS 'Public opinions and social trends Great Britain: 22 March to 2 April 2023' report suggests that 92% of respondents feel that the cost of living crisis continues to be the most important issue facing the UK today. Just above three quarters (76%) of adults reported that their cost of living had increased when compared to the previous month, with food shopping and household energy prices continuing to be the most widely reported factors.

When asked what they are doing to combat the increased cost of living, 33% of respondents included "cutting back on non-essential journeys" in their answer. Breaking down the raw data further, we can see that of those aged 16–29, this answer was included by 29% of respondents, but in those aged 50–69 it was mentioned by 35%.



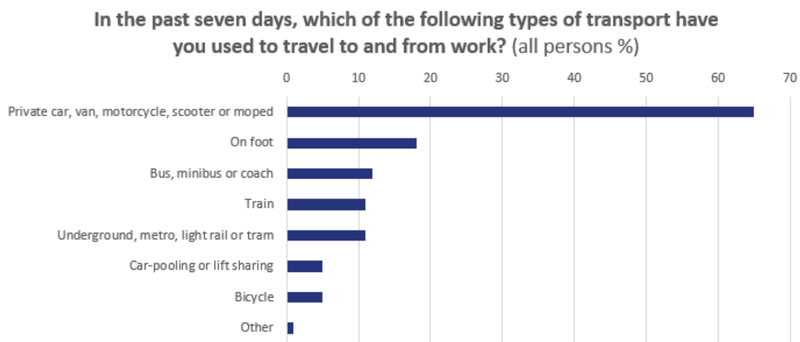
When asked about having worked from home in the past seven days, 38% advised that they have worked from home either some or all of the time (27% some, and 11% all of the time). A further 48% advised that they had not worked from home, with 39% of those stating that they were not able to do so. When broken up by age bands, it was noticeable that those aged 16 to 29 were more likely to be unable to work from home (58%) than those aged 30+. Those aged 30–49 were more likely to work from home, either some or all of the time (52%).



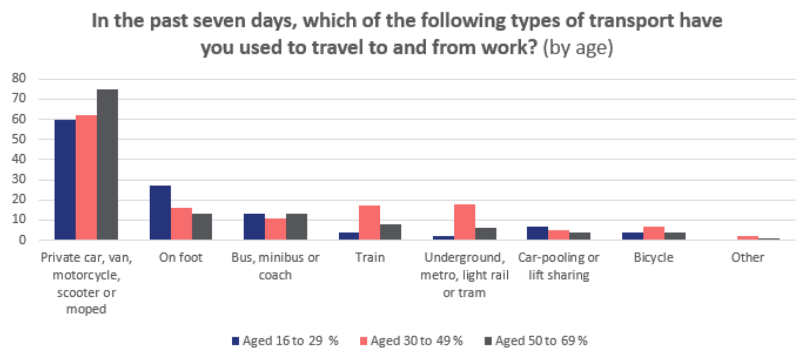


The survey then asked those who had travelled to work, what method of transport they had taken. Across all the respondents the "private car, van, motorcycle, scooter or moped" category was unsurprisingly the most popular at 65%.

When the data was split by age group, it is noted that while 'private car, etc.' remains to be the most popular method for all ages, those aged 16–29 were slightly less likely to choose this method (60%) vs those aged 50 plus (75%). Instead, a lot more of those aged 16–29 chose to travel on foot (27%), something that those aged over 30 were much less likely to do (15% on average between the latter two age categories).



Note: respondents could chose multiple options and so the total % is above 100.



2. Department for Transport (DfT) – Government Data

https://www.gov.uk/government/statistics/transport-use-during-the-coronavirus-covid-19-pandemic

The Department for Transport continues to publish data with regard to vehicle usage, with the latest release including figures up to 10 April 2023. The figures are calculated using a baseline from the first week in February 2020*. Each daily figure is shown as a percentage against the equivalent day from this particular week.

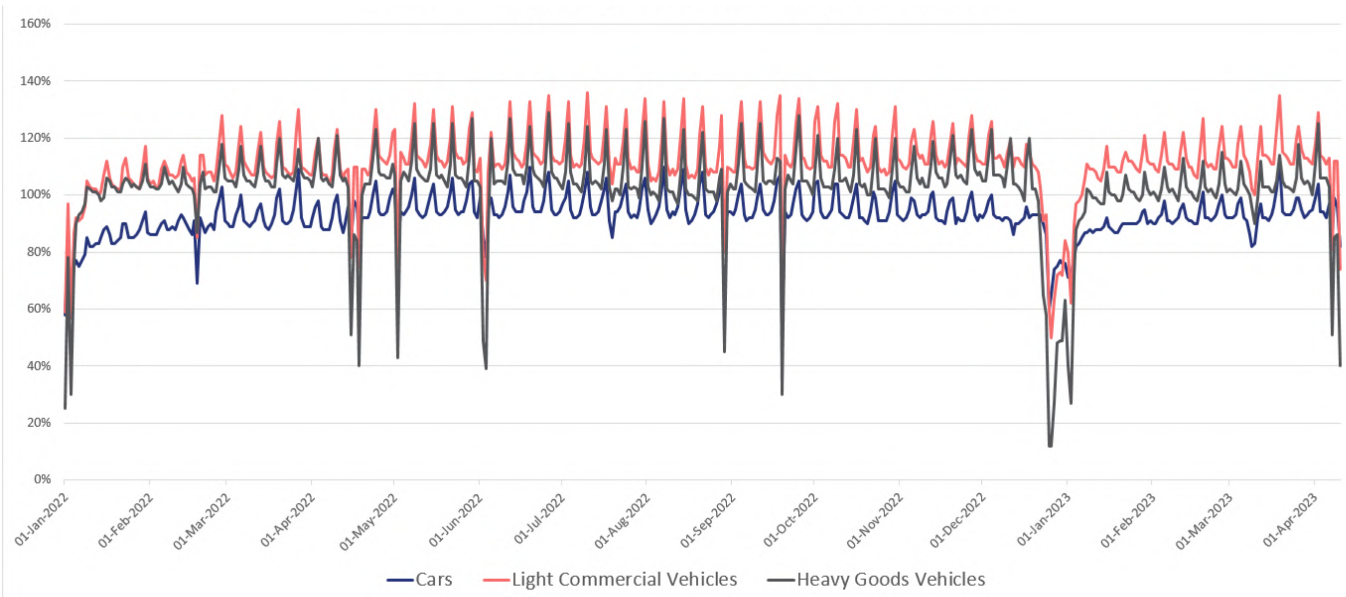
During 2022 the average working day (Monday – Friday excluding bank holidays) saw private car use at around 92% when compared with the 2020 baseline. For light commercial vehicles (LCV) this was 110% and 103% for HGVs (collectively 96% for all motor vehicles). At the weekends, private car use was around 101% when compared to the baseline, with LCV at 124% and HGVs at 114%. So far during 2023 the weekday private car percentage has averaged at 91%, with LCVs and HGVs at 111% and 101% respectively. The weekend figures during 2023 stand at: car (97%), LCV (119%) and HGV (106%).

By slicing the data by year, we can say that during 2022 the roads overall were busier at the weekends than they were pre-pandemic, and that they had not fully returned to the pre-pandemic levels during the week. Although clearly LCVs were significantly more prominent during 2022 than they were in in Feb 2020. This did not mean roads were busier over the weekend than they were in the week, but more that they were busier at the weekend than they had been pre-pandemic.

However, during the first quarter of 2023, while vehicle use during the week has remained relatively comparable with 2022, the weekend use for all vehicle types has started to decrease. In 2022 cars were 101% against baseline, but are now only 97%, LCVs were 124% and are now only 119%, and HGVs were 114% and are now at 106%.

It is, therefore, possible that the drop in private car use at the weekend is related to the ONS findings that some people are opting to reduce non-essential journeys. While perhaps not as easily explained for HGVs, it is also likely that the cost of living crisis may be having some bearing on consumer behaviour, leading to reduced use of LVC for online shopping deliveries.

Vehicle use By Type (Department for transport) - Since Jan 2022



The sharp drops throughout the graph are linked to Bank Holidays, Christmas and Easter.

Department for Transport – Public Transport Figures

Public transport figures are calculated in the same way as above, with the percentage change being considered against the equivalent day of the week in February 2020.

In the following graph we look at public transport use since Jan 2022 and can see that since the latter part of 2022 the figures have been much closer to the 2020 baseline and are now down by only around 10%. The return to public transport has been gradual, and we have previously hypothesised that this may have be a reflection of people being more reserved when using public transport due to a lack of trust in the system. Commuters faced major difficulties in being refunded for cancelled travel throughout the restriction periods and, add to that the public's lack of confidence in the cleanliness of public transport, commuters were perhaps more likely to use individual travel modes than public transport.

Public Transport use By Type - Since Jan 2022

While figures are clearly up when compared to Q1 of 2022, the other issue now impacting users is the cost, as while often considered cheaper than private car use, train ticket prices in England and Wales increased by an average of 5.9% on 5 March 2023. This follows several significant rises over the last three years.

Examples of annual season ticket rises based on a 5.9% hike include:

- Woking to London: Up £216 from £3,664 to £3,880
- Liverpool to Manchester (any route): Up £169 from £2,864 to £3,033
- Gloucester to Birmingham: Up £274 from £4,636 to £4,910

Source inews.co.uk

The ONS reported on 6 April in their 'Cost Of Living Insight: Transport' publication that overall rail prices rose by 5.3% in the year to February 2023. Although this is the lowest since June 2022 and some way below the July 2022 peak of 8.7%, it remains high enough to no doubt put some people off travelling via public transport.

Bus fares are also increasing, although due to a government price cap that has recently been extended they are rising less than they were expected to do. This government intervention means that a lot of fares are now capped at £2 until at least 30 June 2023.

Department for Transport – Cycling

The final consideration within the government's Department for Transport data that we have been actively monitoring and reporting on, is the impact of the pandemic on cycling activity.

As comparing purely with a February baseline alone comes with some obvious seasonal impacts, instead, the following table allows us to see the average percentage difference to baseline across the warmer months of last four years (including both week and weekend data).

Here we can see that during the first lockdown of 2020, where people were limited as to what they could do, there was a sharp increase in cycling. This, however, tapered off during July/Aug/Sept of that year, with people then able to return to other activities.

During 2021, the average figures dropped significantly and were somewhat similar to baseline, suggesting at the time that the spike in cycling had been short-lived. The financial troubles of 2022, however, brought another change in the direction of travel on this subject, with figures showing a real increase, both when comparing with 2021 and when comparing with the later summer months of 2020. Perhaps with increases in petrol and other vehicle-related expenditure, the appeal of cycling increased.

The 2023 data is noted to be very immature at this time, with only a couple of days' worth of April data available and March figures perhaps impacted by it being unusually cold. As the summer 2023 data matures, we will continue to monitor to see if the 2022 usage figures are indicative of a more long-term change in consumer behaviour.

	2020	2021	2022	2023
March	102%	105%	133%	93%
April	173%	106%	132%	108%
May	214%	98%	145%	
June	168%	108%	157%	
July	147%	104%	164%	
Aug	129%	96%	151%	
Sept	128%	106%	142%	

3. TomTom

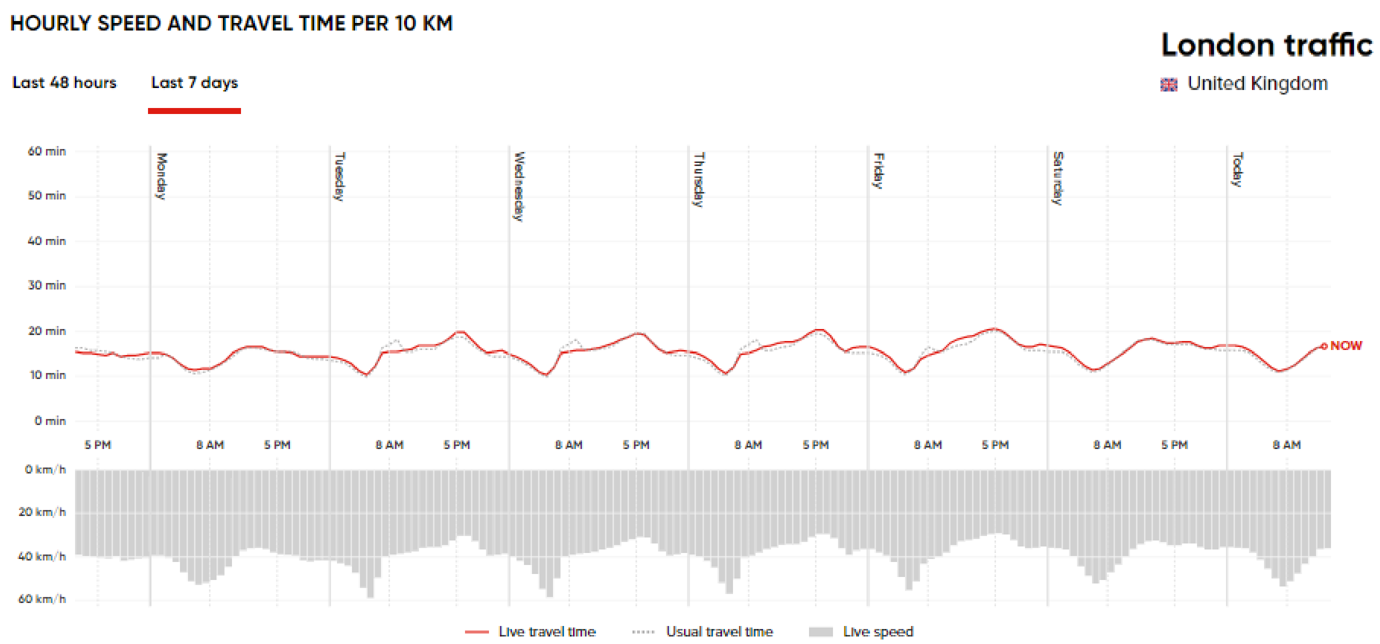
www.tomtom.com/en_gb/traffic-index

Vehicle usage information from TomTom Traffic (www.tomtom.com/en_gb/traffic-index), provides real-time insight into congestion throughout the UK's major cities. As we move further and further away from the restrictions of the pandemic, it is not unexpected that the metrics provided by TomTom have changed. They are no longer showing congestion as it compares with the previous years (particularly 2019), but instead focusing on "the new normal".

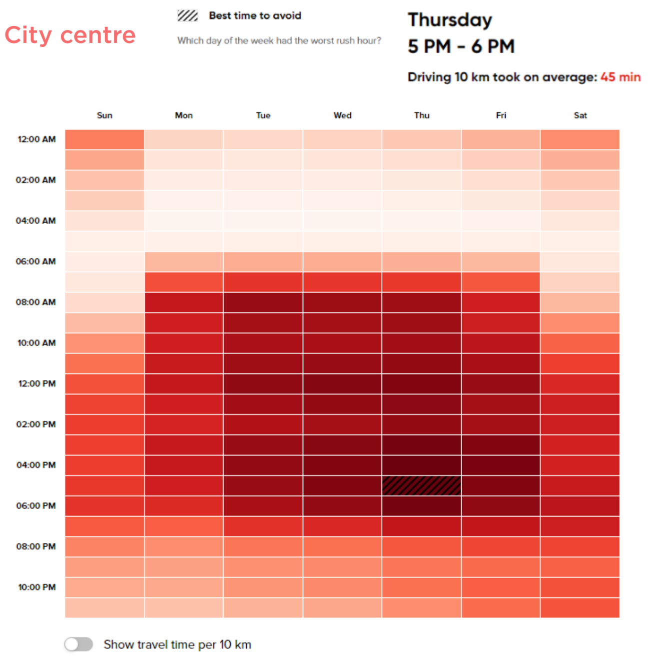
The graphs now show the travel time per 10km in each city across the last week, along with the live speed of vehicles.

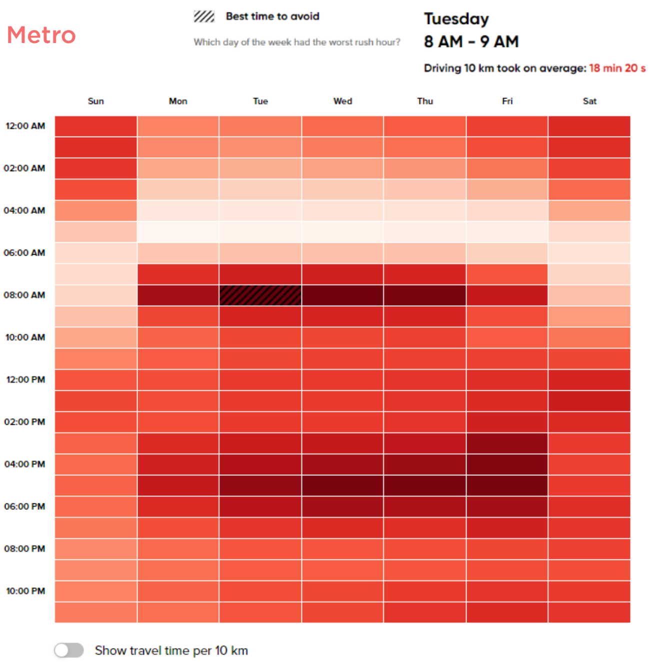
London

For the capital city and metro area, the data shows a 10km drive taking between 10 to 20 minutes at different times throughout the week and an average in the region of 15 minutes. The live speed data shows that vehicles are travelling fastest between 3am and 6am Monday to Friday, and 3am to 9am during the weekend (at around 58pmh), when the 10km journey time also decreases to 10 minutes. During the 5pm peak, the mid-week 10km journey time is closer to 20 minutes as congestion increases and speed decreases to around 30mph.



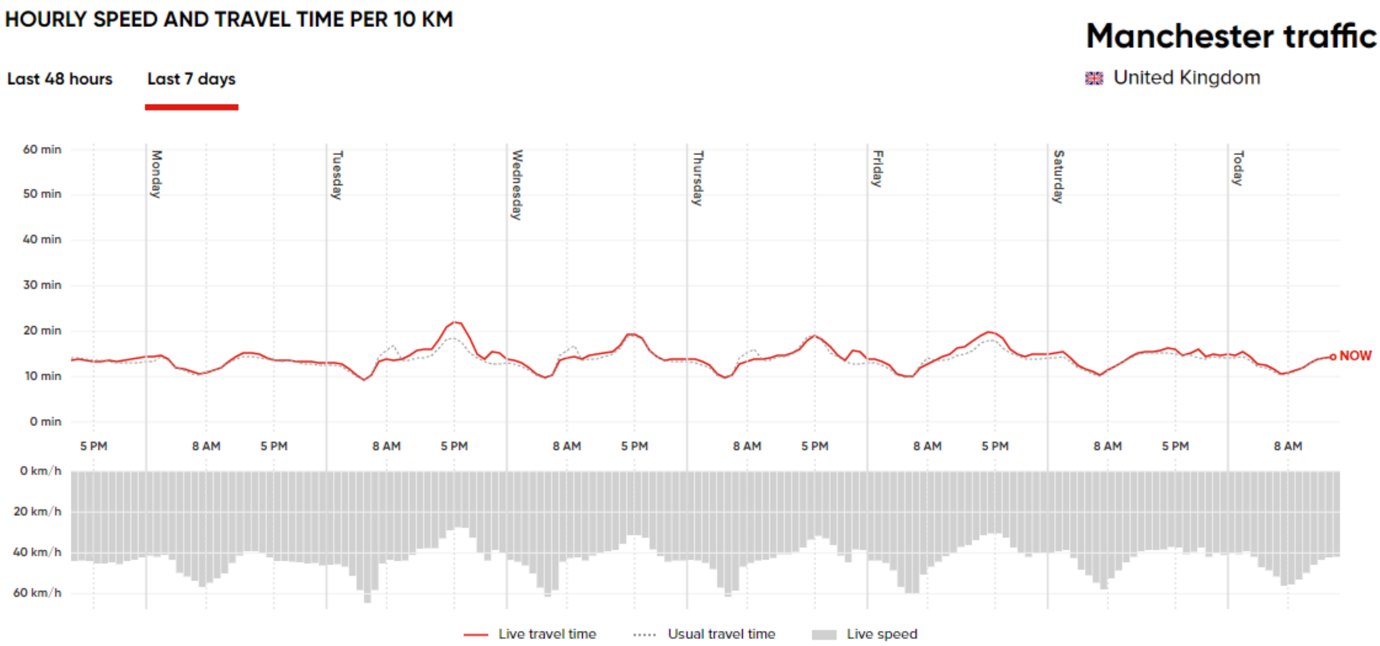
TomTom also now provides a heat map for each city, advising on the most congested times throughout a standard week. For the City of London we can see that Thursday between 5pm and 6pm, traffic is at its worst, with general commuting perhaps also coinciding with those leaving the city for their weekend homes elsewhere. At this time the 10km average journey in the city is taking around 45 minutes. For the metro area of London the map changes slightly, as although Thursdays remain busy at around 5pm, Tuesday between 8am to 9am is considered the busiest time and a 10km journey is taking in the region of 18 minutes and 20 seconds.



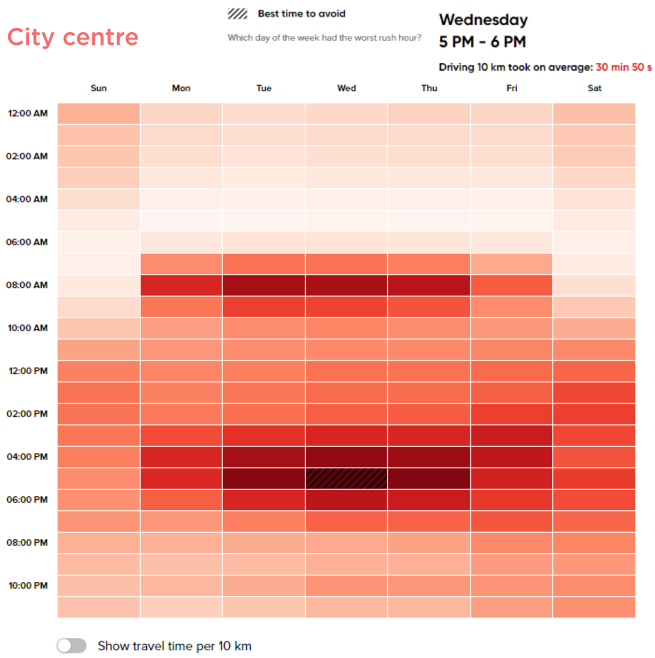


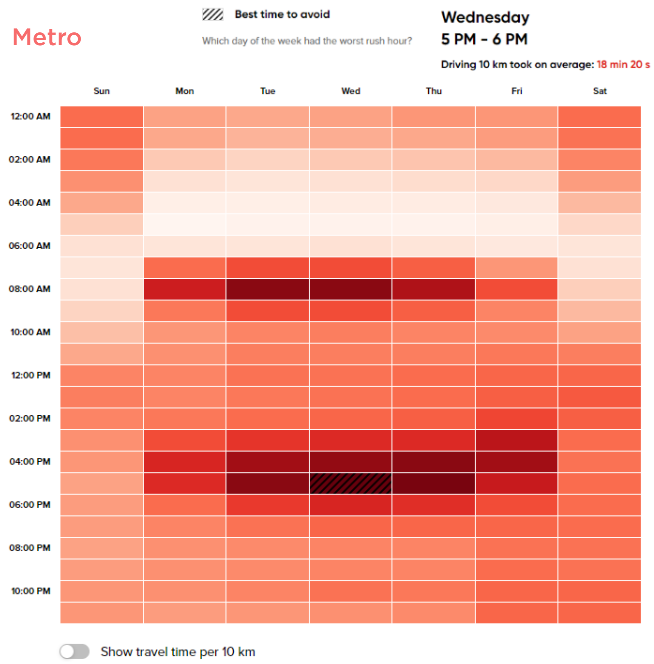
Manchester

The data for Manchester shows that the city as a whole is unsurprisingly less congested than London, with more 10km journeys able to be done in the region of 10 minutes and only a few periods where the 20 minute marker is hit on the graph. Similarly to London, the live speed data shows that vehicles are travelling much faster in the early hours of the morning and slower during the 5pm rush hour period. Vehicle speeds between 4am and 6am mid-week are barely noticeable, with averages during these hours reaching 62mph as opposed to the 44mph averages seen across the rest of the week.

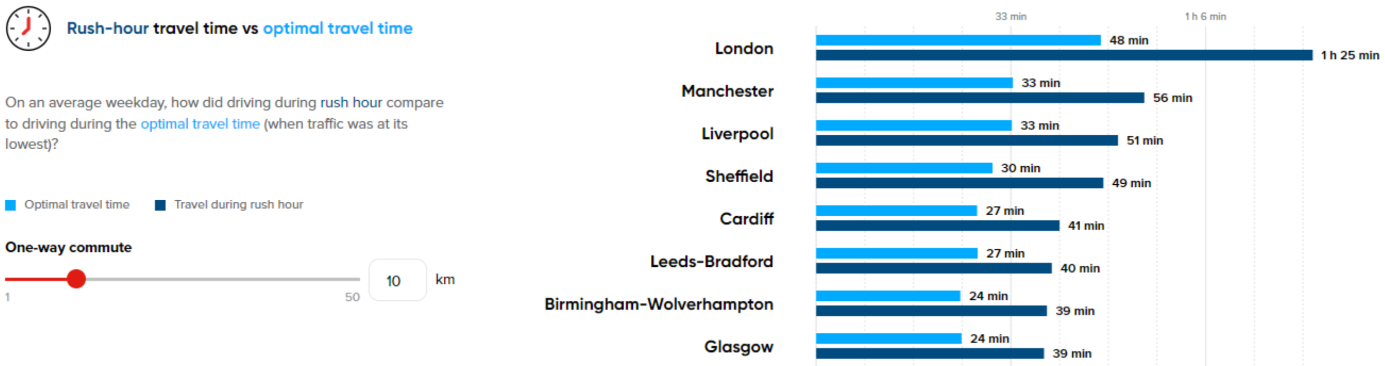


The city and metropolitan heat graphs show that Monday to Thursdays are the busiest days for travel, with Wednesday between 5pm and 6pm being the time of most congestion.





This same data is available for all UK cities, with London and Manchester the worst affected by rush hour congestion, as seen in the next chart.



Cost of Living and the Economy

1. Consumer Price Inflation

The February 2023 Consumer Price Inflation ONS report was released on 22 March 2023 and, at the time of preparing this report, is the most up-to-date release. This report allows us to establish what items are contributing to the high levels of inflation being experienced at this time.

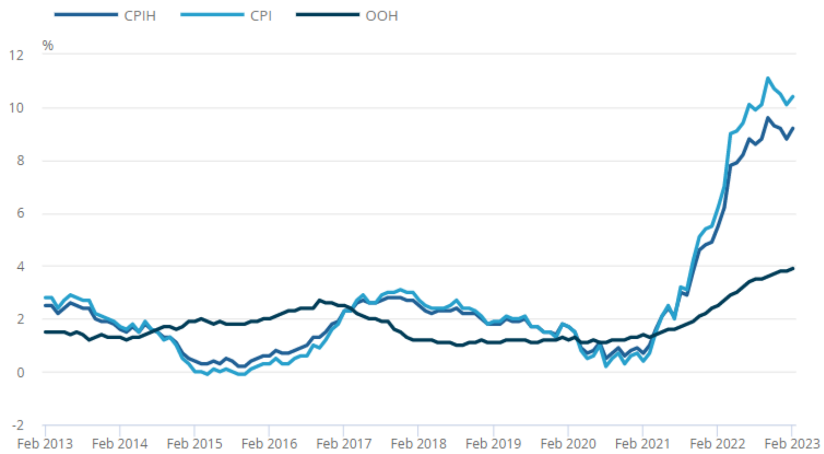
The Consumer Price Index (CPI) including owner occupiers' housing costs (CPIH) rose by 9.2% in the 12 months to February 2022, up from 8.8% in January. This rise is a change in direction somewhat, after decreases in the previous few reports had indicated (Nov 2022: 9.3%, December 2022: 9.2%, January 2023: 8.8%).

The main headlines in the report are:

- The largest upward contributions to the annual CPIH inflation rate in February 2023 came from housing and household services (principally from electricity, gas, and other fuels), and food and non-alcoholic beverages.
- On a monthly basis, CPIH rose by 1.0% in February 2023, compared with a rise of 0.7% in February 2022.
- The Consumer Prices Index (CPI) rose by 10.4% in the 12 months to February 2023, up from 10.1% in January.
- On a monthly basis, CPI rose by 1.1% in February 2023, compared with a rise of 0.8% in February 2022.
- The largest upward contributions to the monthly change in both the CPIH and CPI rates came from restaurants and cafes, food and clothing, partially offset by downward contributions from recreational and cultural goods and services (particularly recording media), and motor fuels.

Figure 1: Annnual CPIH and CPI inflation rates rise again following the rasing in January 2023

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, February 2013 to February 2023



Source: Consumer price inflation from the office for National Statistics

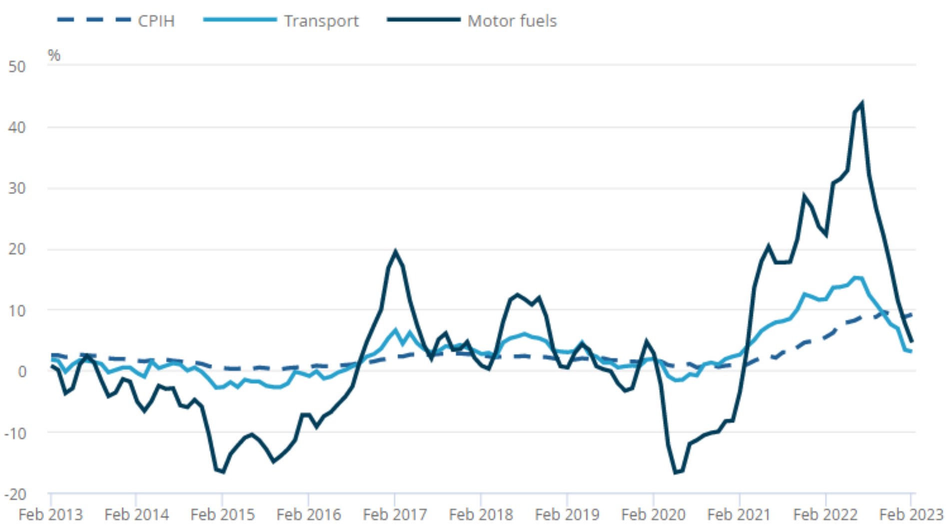
Consumer Prices Index including owner-occupiers' housing costs (CPIH), Owner-occupied housing (OOH) and Consumer Prices Index (CPI)

The annual inflation rate for transport overall eased further in February 2023, down to 3.1%. This is the eighth consecutive month that it reduced, down from a peak of 15.2% in June 2022. This has largely been impacted by the annual rate for motor fuels having eased to 4.6%, from 7.7% in January, meaning that the average price for petrol and diesel in February stood at 148 and 169.5 pence per litre respectively in February 2023 (compared to highs of 191.43 and 199.07 in July 2022).

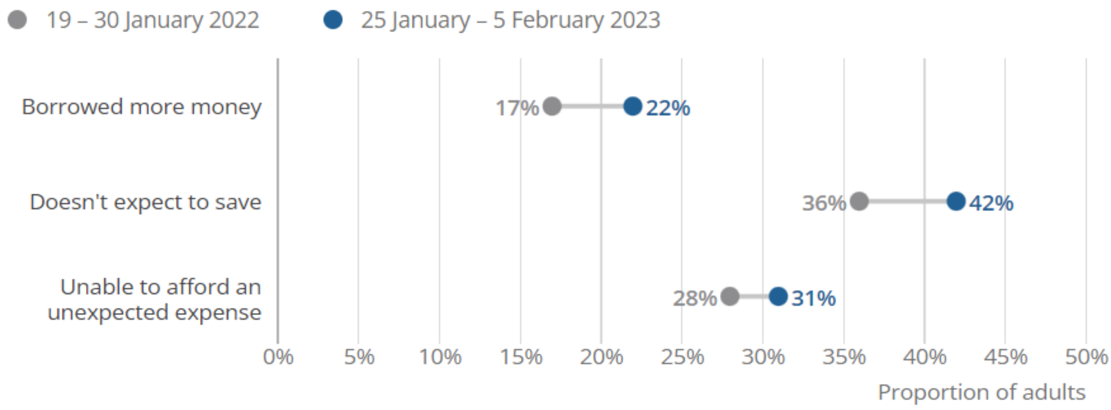
The reduction in the cost of fuel has, though, been partially offset by the cost of second-hand cars and transport services, with the ONS also reporting that although second-hand car prices fell in the year to February, they only did so by 5.9% which is lower than they had done in January when the figure reported was 7.2%. The annual rate for transport services also rose from 7.6% to 7.8% between January and February.

Figure 4: Transport inflation rate eases in February 2023

CPIH, transport and motor fuels annual inflation rates, UK, February 2013 to February 2023



The increases in prices are most certainly being felt by consumers, with a fifth of adults now reporting that they are borrowing more money compared with a year ago and fewer expecting to save during 2023



Source: Office for National Statistics – Opinions and Lifestyle Survey

Business Impact

Business insights and impact on the UK economy - Office for National Statistics (ons.gov.uk)

At the time of writing the most recent ONS 'Business Insight and Impact on the UK Economy' report, published on 6 April 2023 discussed the challenges facing UK business as a result of economic turbulence.

The report shows some small signs of improvements, with the main headlines as follows:

- Latest results suggest business conditions continue to remain challenging, but estimates show small signs of positive improvement for some measures; examples include: a smaller proportion of businesses reporting supply chain disruption, more businesses reporting they were able to get materials, goods and services from within the UK, and fewer businesses reporting energy prices as their main concern.

- In February 2023, one in nine (12%) businesses with ten or more employees experienced global supply chain disruption; down from 20% in September 2022 and the lowest percentage reported since the question was introduced in December 2021.

- More than two-thirds (67%) of trading businesses reported that they were able to get the materials, goods or services they needed from within the UK in February 2023; up six percentage points compared with January 2023.

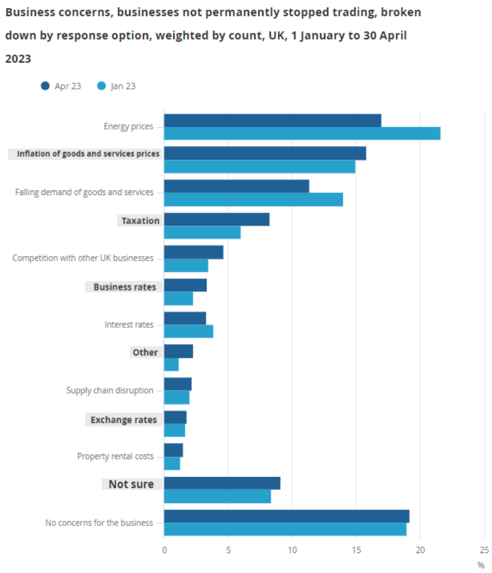
- In February 2023, approximately one in nine (12%) businesses were directly or indirectly affected by industrial action, with three in ten (30%) of those businesses reporting that they were unable to fully operate as a consequence.

- Around one in twelve (8%) businesses reported that their employees' hourly wages had increased in February 2023 compared with January 2023; this was 14% for businesses with ten or more employees.

- More than a quarter (28%) of businesses with ten or more employees were experiencing worker shortages in late March 2023, though this figure has gradually fallen from 36% in late August 2022; nearly half (49%) of those businesses reporting worker shortages indicated that their employees were working increased hours as a consequence.

Although some of the data looks promising, the ONS also reported that approximately seven in ten (72%) businesses reported some form of concern for their business; the top two concerns reported continued to be energy prices (17%) and inflation of goods and services prices (16%). This is actually up significantly from one in five (22%) at the start of the year (5 January release).

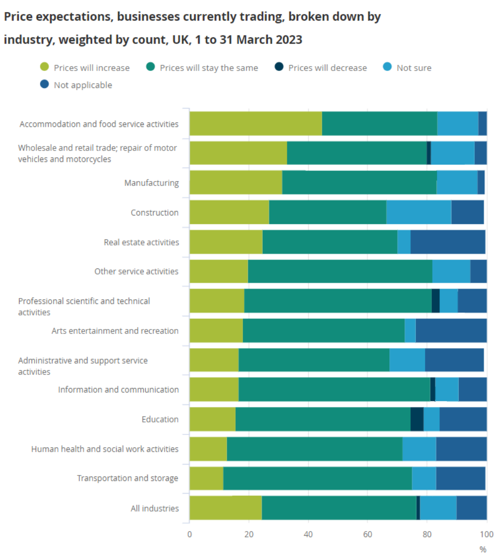
Among those with concerns, energy prices remains to be the most mentioned at 17%, although this has seen a reduction since businesses were asked about their feelings in January 2023 when it reached 21.6%. Concerns regarding inflation in the cost of goods and services has slightly increased over the same period, from 15% to 15.8%.

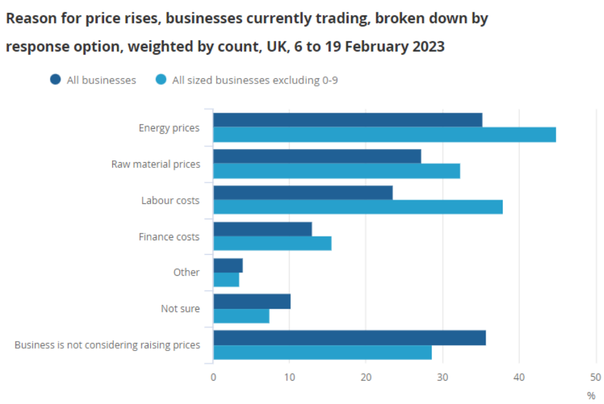


*Businesses were asked for their main concern; this does not mean they do not have any other concerns for their business

Over the last few months, one aspect many businesses have been wrestling with is whether or not they can avoid passing on to their customers their increased costs for materials and overheads. The ONS does not always ask business the same questions each week and so we have established that the last time they asked questions in relation to price increases was in the report released on 23 February 2023.

Here we can see that 'Wholesale Retail Trade, Repair of Motor Vehicles and Motorcycles' comes second only to accommodation and food services, when it comes to the proportion of those who expected their prices to increase. That said, 'Transportation and Storage' was the area where the lowest number of businesses were expecting prices to increase. The main three factors for the increases were provided as 'Energy Prices', 'Raw Material Prices' and 'Labour Costs'.





Although the ONS results show some reasons for optimism when it comes to supply chains, one area that is continuing to cause issues for businesses is labour shortages and increased wages. These have more recently been coupled with industrial action with the impacts not only felt by the public sector, but also within private sector as businesses reported employees asking to take more leave to look after children during teachers' strikes.

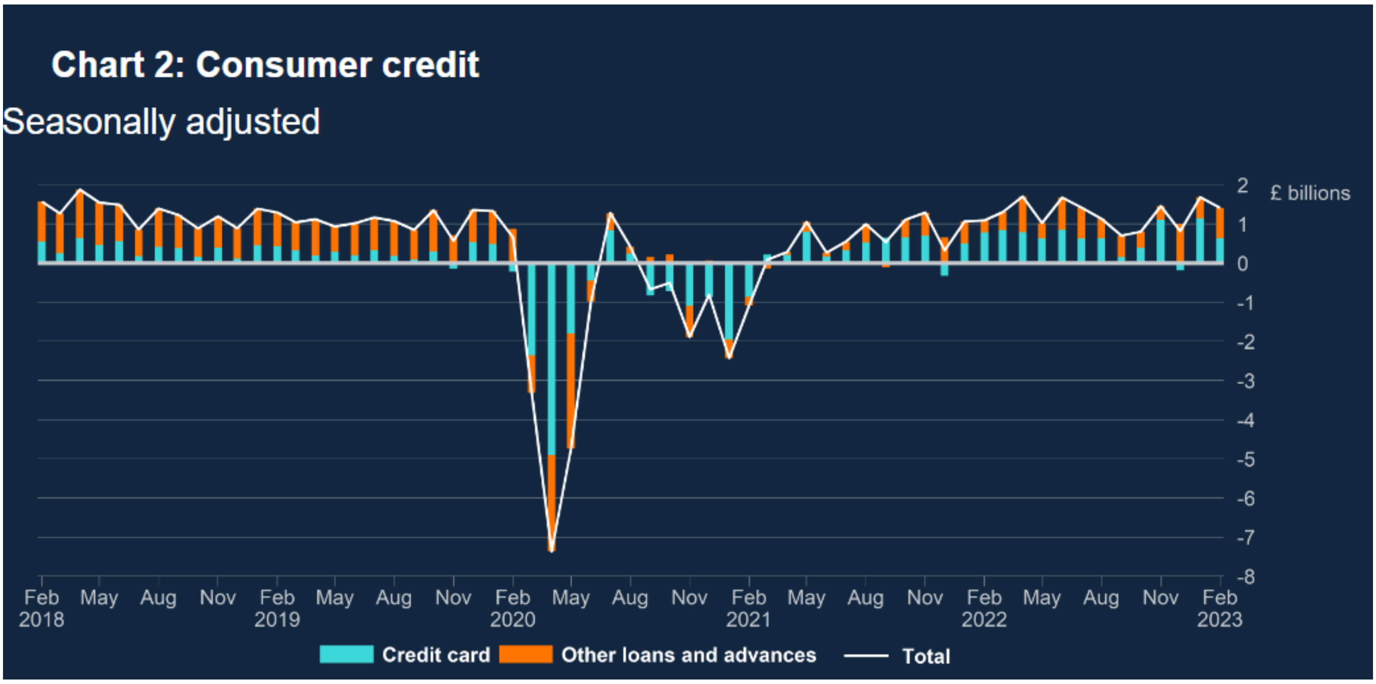
2. Bank of England – www.bankofengland.co.uk

Latest developments in the Bank's money and credit statistics – A visual summary of our data | Bank of England

At the time of preparing this report, the Bank of England reported that the inflation rate is 10.4% with the base rate standing at 4.25%.

Individuals borrowed an additional £1.4 billion in consumer credit in February (on net) compared to £1.7 billion in January. Although this could be considered a decrease, the annual growth rate for all consumer credit increased slightly from 7.5% in January to 7.7% in February, the highest rate since November 2018 (8.0%). The data continues to indicate that the make-up ratio post-pandemic is more heavily weighted to credit card borrowing as opposed to other loans and advances.

Data for lending on unsecured credit cards and loans



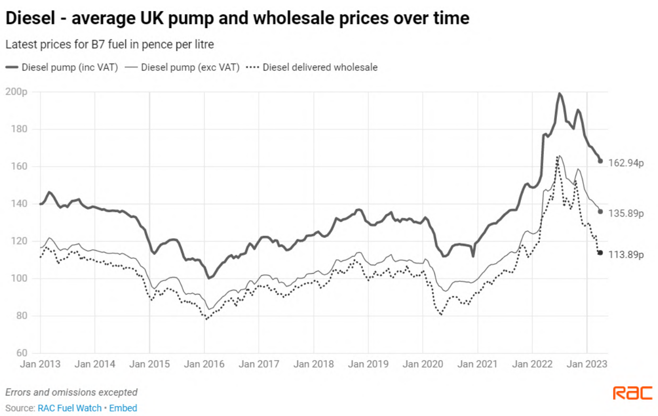
3. Petrol Prices

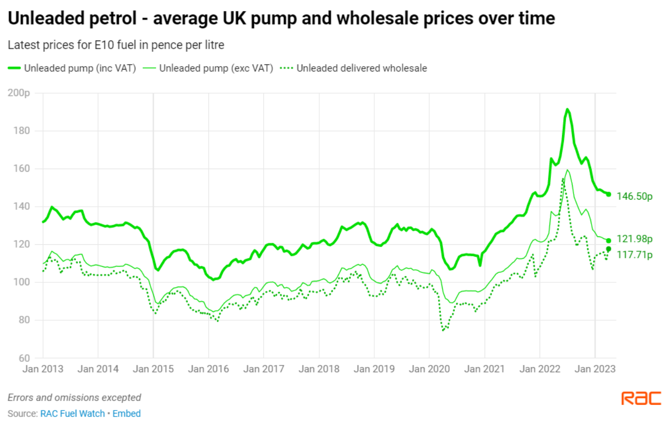
Latest figures shared by the RAC – Latest UK petrol and diesel prices | RAC Drive

As touched on above, fuel prices have continued to come down in recent months, and the RAC 'fuel watch' site now shows that a litre of unleaded petrol is around £1.47p and a litre of diesel is £1.61p.

Although these prices are considerably lower than the July 2022 peak, they remain quite a bit higher than in January 2020 when they were £1.28 and £1.32 respectively. With other household costs also putting pressure on people, fuel prices will no doubt be the major factor in people reporting that they are attempting to reduce their non-essential car travel.

Unleaded	Super unleaded	Diesel	LPG
146.83	**162.38**	**161.45**	**86.24**
pence per litre	pence per litre	pence per litre	pence per litre
→ No change forecast	→ No change forecast	↘ Should fall	
13/04/2023			RAC Fuel Watch





Vehicle Registration

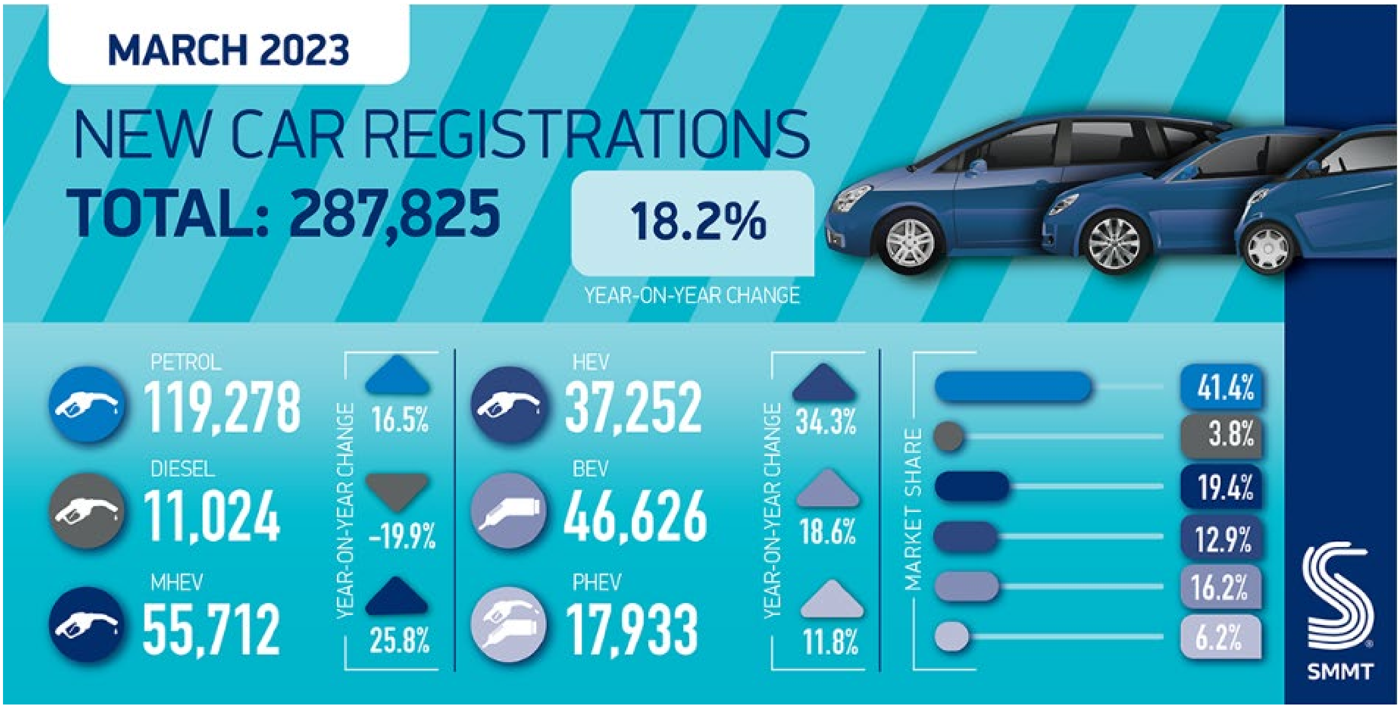
1. SMMT

SMMT | Supporting & promoting the UK automotive industry

New Car Registration Data

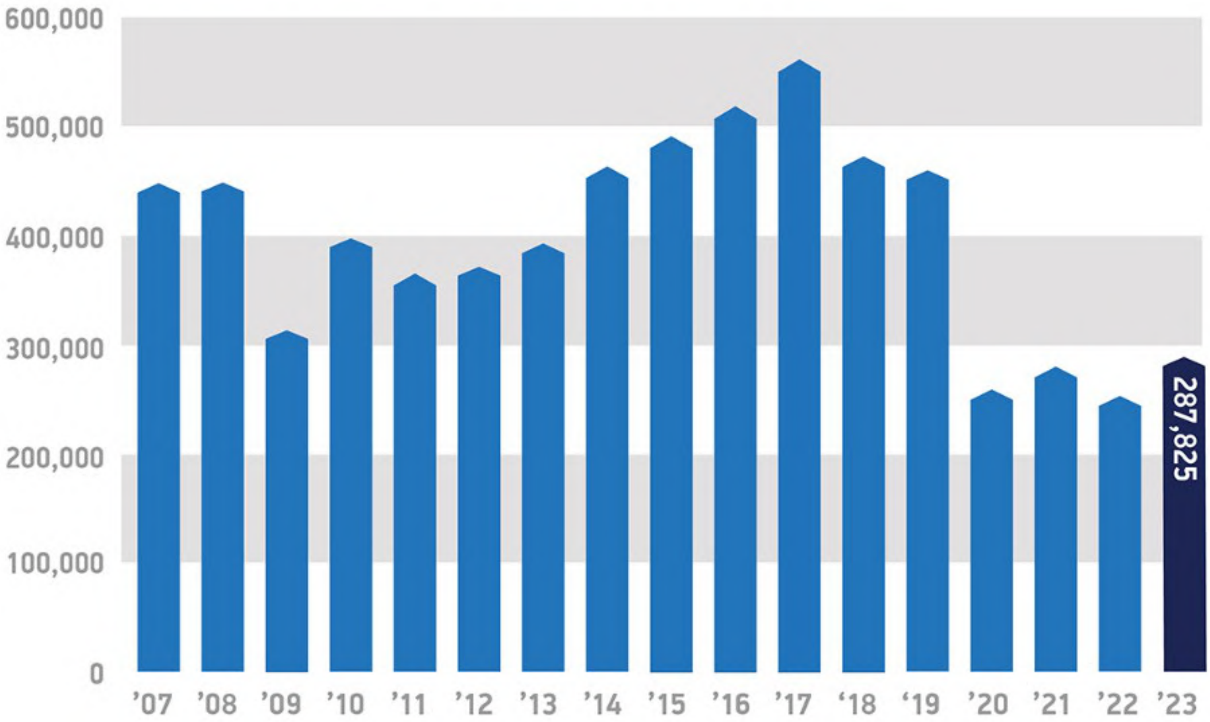
Reviewing the latest SMMT data, the new car market recorded its eighth month of growth in March 2023.

New car registrations in March 2023 for the UK were at 18.2%, delivering the best 'new plate month' performance since before the Covid pandemic. As supply chain challenges eased slightly, the increase saw 287,825 units delivered and just under half a million new cars joining the road in the first quarter of 2023, the strongest growth since 2019. Despite the market being below pre-pandemic levels, down 29.5% on Q1 2019, the contribution the sector made to UK economic growth is an additional £2.7 billion in deliveries and has been the biggest month in history for the uptake of battery electric vehicles as the overall market share stabilises.



Registrations increased across all sale types with private buyer deliveries increasing by 1.4%, businesses with less than 25 fleet vehicles increasing 26% and businesses with large fleet vehicles increasing by 4.09% to make an overall 48.6% market share.

MARCH NEW CAR REGISTRATIONS 2007 to 2023



What we are continuing to see is a decrease in people buying diesel vehicles, with a decline of -19.9% compared to March 2022. Petrol vehicles are still the most popular fuel type, with an increase of 16,929 more registrations than the same time last year.

Battery electric vehicles reached a record high of 46,626 vehicles, an 18.6% change since March 2022, although the market share remained nearly the same at 16.1% and 16.2% respectively. The biggest growths since March 2022, however, were hybrid electric vehicles (HEV) with a 34.3% change and mild hybrid electric vehicles (MHEV (Petrol)) with a 30.7% change.

The year to date data is very similar to the March data, with diesel being the only decrease at -17% and both HEV and MHEV (Petrol) having the greatest increases at 36.9% and 27.7% respectively

MARCH

	2023	2022	% change	Mkt share -23	Mkt share -22
Diesel	11,024	13,756	-19.9%	3.8%	5.6%
Petrol	119,278	102,349	16.5%	41.4%	42.0%
MHEV diesel	12,944	11,569	11.9%	4.5%	4.8%
MHEV petrol	42,768	32,716	30.7%	14.9%	13.4%
BEV	46,626	39,315	18.6%	16.2%	16.1%
PHEV	17,933	16,037	11.8%	6.2%	6.6%
HEV	37,252	27,737	34.3%	12.9%	11.4%
TOTAL	**287,825**	**243,479**	**18.2%**		

YEAR TO DATE

	YTD 2023	YTD 2022	% change	Mkt share -23	Mkt share -22
Diesel	19,652	23,686	-17.0%	4.0%	5.7%
Petrol	210,559	177,769	18.4%	42.6%	42.6%
MHEV diesel	20,112	19,183	4.8%	4.1%	4.6%
MHEV petrol	70,078	54,884	27.7%	14.2%	13.1%
BEV	76,233	64,165	18.8%	15.4%	15.4%
PHEV	31,765	29,761	6.7%	6.4%	7.1%
HEV	65,861	48,112	36.9%	13.3%	11.5%
TOTAL	**494,260**	**417,560**	**18.4%**		

The consultation of the Zero Emission Vehicle Mandate that is due to come into force in less than nine months was published in the middle of April 2023, meaning the automotive market is going to have to move swiftly to battery electric and other zero tailpipe emission cars and vans. As you can see from the above data, these models are arriving in greater numbers, but buyers may only switch if they have assurance that they will be able to charge their vehicles wherever and whenever they want, and this to many is still a major concern. The success of the mandate will, therefore, largely depend on infrastructure providers investing in the public charging network across the United Kingdom as well as product availability.

> March's new plate month usually sets the tone for the year so this performance will give the industry and consumers greater confidence. With eight consecutive months of growth, the automotive industry is recovering, bucking wider trends and supporting economic growth. The best month ever for zero emission vehicles is reflective of increased consumer choice and improved availability but if EV market ambitions – and regulation – are to be met, infrastructure investment must catch up.
>
> - Mike Hawes, SMMT Chief Executive, 20 April 2023

New Light Commercial Vehicles (LCV) Registration Data

The SMMT March highlights for LCV registrations are:

- Light commercial vehicle (LCV) registrations rise by 17.3% to 47,634 units in third month of successive growth.
- Registrations increase across majority of segments, primarily driven by mid-size vans and 4x4s, up 66.3% and 183.4% respectively.
- YTD market grows 17.4% to 87,272 units but remains -15.1% below pre-pandemic 2019 Q1 as erratic supply chain issues continue.

Since January 2023, the new light commercial vehicle (LCV) market has continued to grow. In March 2023, the year-on-year change was 17.3%. Comparing this to November 2022, where there was a year-on-year drop of 22.2% and March 2022 where there was a drop of 27.6%, it appears that the supply chain shortages have been rectified.

4x4 vehicles continue to have the biggest % change with an increase of 183.4% in March 2023 year on year record, a rise of 16.3% from November 2022 year-on-year record. The second largest increase was for vans weighing greater than 2.0 to 2.5 tonnes at a 66.3% growth. Considering vans that weighed up to and including 2.0 tonnes saw the only decrease at -24.6%, the trend for larger units appear to be more favourable on the market.

		YEAR-ON-YEAR CHANGE
Pickups	5,762	29.3%
4x4s	1,264	183.4%
Vans <=2.0t	681	-24.6%
Vans >2.0-2.5t	9,276	66.3%
Vans >2.5-3.5t	30,651	4.9%
Rigids >3.5-6.0t	648	6.1%

Battery electric vehicles have had the greatest year-on-year % increase with a 32.7% change, but diesel vehicles still predominantly hold the market share in total with a market share of 92.8% in March 2023. Since January 2023, 87,272 light commercial vehicles have been registered, up 17.4% for the same time period last year, although the rise during this quarter remains at -15.1% against January to March 2019. This appears to mirror car registrations as noted previously.

MARCH

	2023	2022	% change	Mkt share -23	Mkt share -22
BEV	2,534	1,909	32.7%	5.3%	4.7%
Diesel	44,217	37,954	16.5%	92.8%	93.5%
Others	883	750	17.7%	1.9%	1.8%
TOTAL	**47,634**	**40,613**	**17.3%**		

Year to date

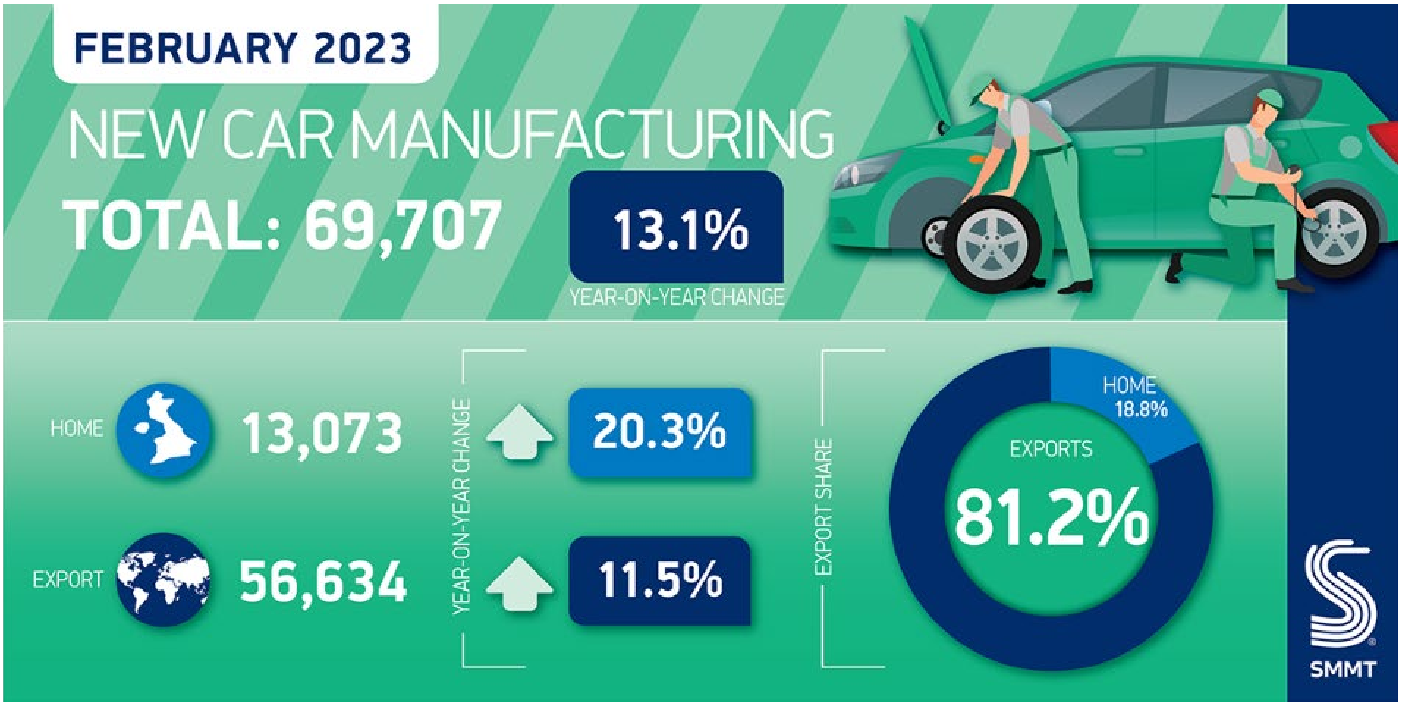
	YTD 2023	YTD 2022	% change	Mkt share -23	Mkt share -22
BEV	4,493	4,297	4.6%	5.1%	5.8%
Diesel	81,122	68,737	18.0%	93.0%	92.5%
Others	1,657	1,310	26.5%	1.9%	1.8%
TOTAL	**87,272**	**74,344**	**17.4%**		

Car Manufacturing Data

*Eight out of ten cars manufactured in the UK are exported and so this data, while indicative of overall manufacturing trends, is not necessarily going to impact the UK insurance market as directly as the registration data above. That said, issues impacting our manufacturing supply chains are also likely to be felt elsewhere.

The SMMT February highlights for UK car production are:

- British car manufacturing output rises 13.1% in February to 69,707 units.
- Volumes up for both home and overseas markets, but exports drive overall uplift.
- Hybrid, plug-in hybrid and battery electric vehicle output surges again, up 72.2%, accounting for two in five cars produced in the month.
- New SMMT member survey finds nine in ten firms want measures to deliver low cost, low carbon energy to help support transition to zero emission technologies.



With the easing of supply chain shortages, primarily semiconductors, UK car production has risen 13.1% in February 2023. UK production has risen into the double digits with a 20.3% change between February 2022 and February 2023, and a 12.7% change year-on-year.

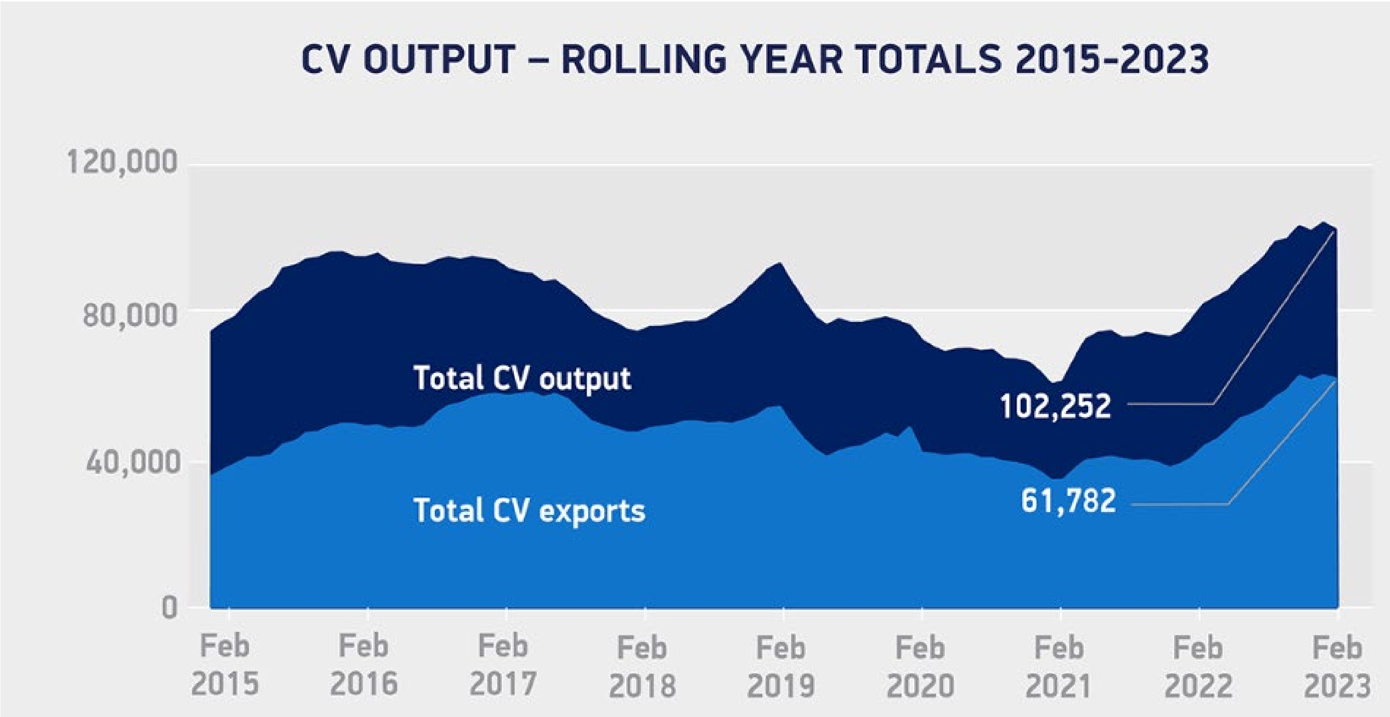
Exports have seen a huge uplift with a percentage growth of 11.5%, with 56,634 vehicles being exported in February 2023, a rise of 5,848 vehicles from February 2022 and accounts for 81.2% of output overall, with 59.6% of the exports being received in the EU. Exports to Australia, Japan, South Korea and Turkey rose inclusively by 85% and represented a total of 11.5% exports and the exports to the EU rose to 6.5% helping to offset the declines of the US which showed declines of -19.9% and China showed declines of -21.6%. This gives further evidence of the need for continued free trade across the Channel.

Battery electric vehicles, hybrid and plug-in hybrid continued to rise with volumes increasing 72.2% and accounting for around 39.3% of cars produced in February 2023. This will have to continue to grow due to around 90% of firms wanting measures to deliver low carbon and cost-effective energy supply to help support the transition to zero emission technologies. (SMMT member Q1 Automotive Insights Survey conducted February 2023)

Commercial Vehicle Manufacturing Data

UK commercial vehicle production fell by -21.6% in February 2023. This decline follows the best growth for January in a decade. Output for the UK have declined by -24.7% and exports have declined by -18.6%. It appears that supply chain constraints have once again restricted production in February 2023. This decline is, however, expected to be temporary, particularly once a new electric van plant comes on stream.

In the year to date, the first two months of 2023 have seen an improvement of 4.3% compared to the first two months of 2022. This is primarily thanks to a high-performing January 2023. The export market increased 7.2% and domestic market increased by 0.9% this year compared to the same time last year.



> Mike Hawes, SMMT Chief Executive, said: "...Following last year's strong growth and a bumper start to 2023, February's decline in commercial vehicle output is disappointing. The fall should, however, be temporary as additional production begins later in the year. UK automotive manufacturers continue to show resilience against persistent supply chain and economic challenges and will push to deliver the latest and cleanest CVs to customers at home and abroad. But success isn't yet guaranteed, so we look now to government to provide a framework of measures that boost the industry's long-term competitiveness and encourage inward investment to drive electrification for this vital sector...

Used car sales

The Q4 2022 used car sales data was released by the SMMT on 10 February 2023 and gives the latest insight into this aspect of vehicle sales. The Q4 headlines show that used car transactions are continuing to fall, but used electric vehicle transactions are growing.

Overall, the UK used car market declined -8.5% in 2022 and remains -13.2% of 2019's pre-pandemic total. One of the major issues may have been that due to the global shortage on semiconductors, there has been a squeeze on new cars being supplied, which, therefore, will leave restricted stock on the second-hand market.

- Used car transactions fall -8.5% in 2022 with 6,890,777 units changing hands as supply chain restraints curtail market.
- Record demand for used electrified vehicles as transactions of BEVs soar by 37.5%, HEVs rise 8.6% and PHEVs grow 3.6% against 2021 performance.
- Q4 decline moderates to -4.3%, with 0.8% growth in December, signposting recovery in 2023 as improving new car market adds stock.

UK USED CAR TRANSACTIONS: Q4 2022 AND % CHANGE ON 2021

	Q4 2022	Q4 2021	% change	Year-to-date 2022	Year-to-date 2021	% change
Used cars	1,571,295	1,641,234	-4.3%	6,890,777	7,530,956	-8.5%

Used battery electric vehicles recorded their best-ever annual growth with a rise of 37.5%, followed by hybrid electric vehicles at 8.6% and plug-in hybrid vehicles at 3.6%. These types of vehicles, however, only represent 4.1% of the market, though this is a growth from 2021 where they shared 3.3% of the market. Comparing this to diesel and petrol cars which showed a combined 6,594,880 vehicles changing hands in 2022, even with a decline of -11.8% and -7.7%, they still remain dominant.

In the 'Used Car Tracker – April 2023', published 31 March 2023, consumers were asked if they were more or less likely to buy a used car now than the last month. Collectively 48% said that they were more likely, with 35% saying that they were equally likely and 17% saying they were less likely.

When asked if used cars have become more attractive purchases than new cars in the last month, 60% agreed that they had, with 36% saying that their opinion had not changed and only 4% indicating that used cars were less attractive than new cars. Of those who said used cars had become more attractive, 44% said that this was because new car prices have risen and a further 28% said that they couldn't afford a new car.

While the price of a new car may be causing people to consider used cars, an article from MotorTrader.com, published 23 January 2023, stated that the average price of a used car during the first two weeks of 2023 was £18,268, the highest average since the company began in 2011. This marks a 2.8% year-on-year increase overall and while the rate of growth is down on the 32% year-on-year increase recorded in April 2022, it shows continued year-on-year increases that are likely the result of the supply chain shortages for new vehicles.

When the same question was asked to the dealerships, the split was far more equal, with 34% saying they thought people would be more likely to buy a used car than a new one, and 24% saying they thought it was less likely (55% said that they thought it had not changed). Of those who felt customers were less likely to buy a used car, 77% stated it was because used car prices have risen. The factors that would primarily influence consumers when buying a used vehicle were running costs (62%) followed by cost of living (61%). These financial aspects were also said to be contributing to the fact that 55% of consumers said they were now more likely to buy a car entirely online, with 64% of these believing that they would get a better deal online.

When asking dealerships about the biggest challenges facing future retailing of used cars, 70% stated stock availability and 55% stated the changeover to electric vehicles. When asked if dealer optimism is rising and if 2023 is turning out better than expected, 65% of the dealerships stated that they disagreed with 71% of those stating that stock availability is still a problem. This is reflected in the SMMT data from February 2023, although with the easing of supply chain shortages it is expected to grow throughout the year

Used Car Tracker - April 2023 (startlinemotorfinance.com)

2. DLVA via Gov.uk

Vehicle Licensing Statistics: July to September 2022

This was previously covered in our February 2023 report and the data has not been refreshed by the government since then. We will revisit this when more data is available.

3. Motorcycle Industry Association (MCIA)

The MCIA produces monthly press statistics detailing the number of new motorcycle registrations by month and year to date.

March 2023 has seen a growth of 3.9% of new registrations for motorcycles, scooters, and other L-category vehicles. Because of this, the year-to-date market is now back in line with the 2022 volumes. Motorcycles saw a 9.8% growth in March 2023, but scooters are seeing challenging market conditions. The early months of the year, where weather conditions are challenging, always see less growth, but it is expected that there will be heightened demand as we enter the warmer period.

> "It's encouraging to see the market regain the lost ground from earlier in the year. We expect demand to remain strong but are keeping a close eye on the scooter segments and in particular, battery electric. We are continuing to work with Government on addressing the reduction of the Plug-In grant and will be working with our members on putting together a more complete proposal for Government to consider ensuring the potential is fully realised for the sector."
>
> \- Tony Campbell, CEO of MCIA

March Powered Two-Wheeler Registration Statistics - Market Regaining Ground | MCIA

In the **News**

As we move this report away from focusing solely on the impact of the pandemic, we look to include brief segments that consider additional factors impacting the motor insurance arena.

1. Inflation Factors

"The cost of vehicle repairs has risen by 40% from 2018 to 2022, according to analysis of extended warranty claims paid over five years by Intelligent Motoring. The average cost of warranty claims rose 37% between July and December 2022."

40% rise in vehicle repair costs over past five years | Fleet industry (fleetnews.co.uk)

Analysis of extended warranty claims paid over five years by Intelligent Motoring, and discussed in Fleet News on 23 March 2023, found that over the last five years vehicle repair costs have increased by 40%.

While Covid-19 restrictions, energy prices and supply chain issues have posed a number of challenges to the automotive sector, the study also found that costs initially started to accelerate during the economic uncertainty following the Brexit referendum in June 2016.
Other articles published quoting this research also comment on how there are many motorists who are currently protected from increased costs due to the inception of extended warranty policies and service plans that may offer protection against costs for a number of years. These types of offerings are likely to increase in price significantly once the current ones expire, but in the meantime, it may be the garages, insurers, warranty companies and manufacturers who are having to absorb the increased costs of this work.

Semiconductor – Automotive IC (microchip) Shortage

Information technology has transformed the world we live in over the last two decades and semiconductors are now used significantly in the manufacture of new vehicles, with so many technological enhancements making vehicles less mechanical and more like computers on wheels!

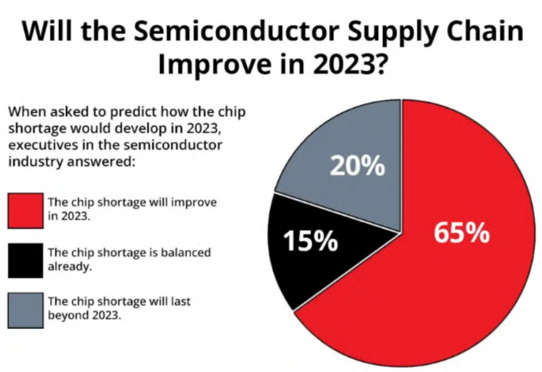
We have previously gone into detail discussing the potential causes of the microchip shortages and suggested time frames for resolutions, full details of which can be found in our July 2022 report.

"The Auto Chip Shortage Remains, But It May Be Improving"

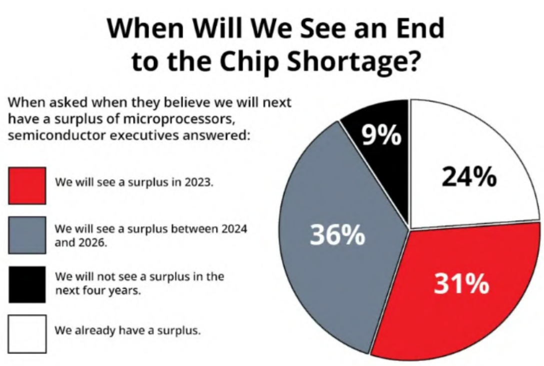
An article in AutoMoBlog (www.automoblog.net) from 27 March 2023 details how key players in the semiconductor industry are starting to feel more positive about the direction of the chip shortage, with 65% of semiconductor executives suggesting that they felt the shortage will reduce during 2023 and a further 15% indicating that they felt the shortage was already resolved. Similarly 67% of those asked felt that there would potentially be a surplus of chips within the next three years.

The same article does, however, suggest that to date, the increase in production of chips does not appear to have been evenly distributed between manufactories, with some companies such as BMW, Mercedes and Volvo reporting no significant chip supply issues in the second half of 2022, and others such as Honda, General Motors, Ford and Toyota all reporting significant chip supply issues during the same period.

The tactics deployed by manufactories is also differing though, and may be impacting the above statement. Mercedes-Benz for example are said to have removed features like premium audio and wireless phone charging from several vehicles.



Source: 2022 Global Semiconductor Industry Survey



Source: 2022 Global Semiconductor Industry Survey

Supply Chains

A 2023 Auto Industry Supply Chain Update (affinitiv.com)
What can we expect from the auto industry in 2023? | Automotive World

Supply chain issues are affecting a high number of industries, but perhaps no more so than in the automotive industry. Prior to the pandemic a lot of automakers practiced a 'just-in-time' production strategy, but are now changing towards 'inventory banking' to try to protect themselves from further supply chain disruptions. This change will come with additional inventory costs and may lead to more manufacturers opting for vertically integrated business models.

The pandemic restrictions themselves may be a thing of the past, but the lasting impact is ongoing. Logistic companies are advising that supply chain recovery amid the current economic climate is a significant challenge, with a lack of warehouse space, consolidation within the industry, and an ongoing labour crisis all adding to the pressure.

An already difficult situation has, of course, been made worse by Russia's invasion of Ukraine, which caused challenges with trade barriers and, furthermore, disruptions to trade routes and shipping lanes.

For the automotive industry in particular, many supply chains are struggling with one or two key dependency bottlenecks (such as the semiconductors mentioned above). Something that may only be a small part, but as the saying goes, it becomes 'the weakest link'. They may be looking to adapt their business models to future proof themselves from this, but that of course will take time. While there is evidence, such as from the SMMT data above, that things are starting to improve overall, the challenges are still substantial and as whenever there is reduced supply and high demand, prices are being pushed up.

Skills Shortage

One aspect we have reported on extensively is the skills shortage that has been affecting the motor industry.

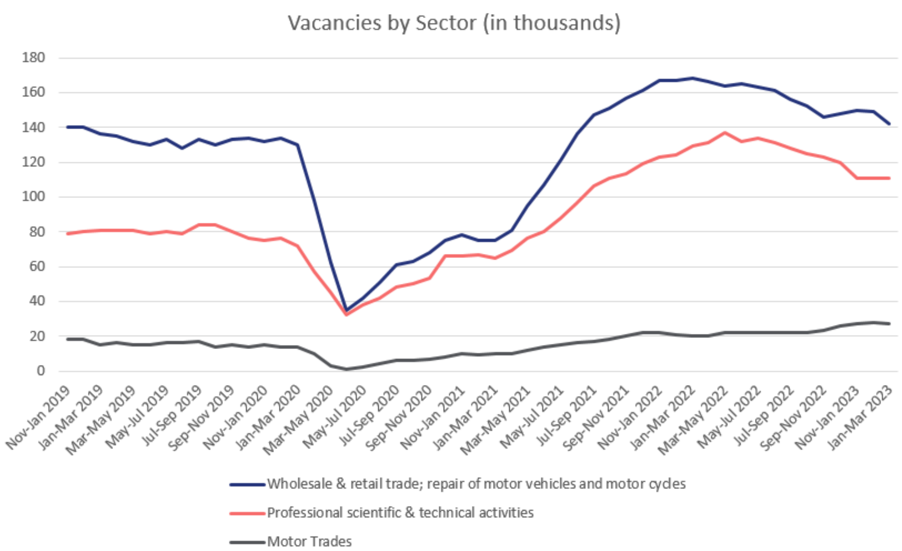
The ONS Vacancy Survey from the Office for National Statistics, released on 18 April 2023 did, however, show that the number of vacancies in the sector has started to reduce over the last year. They reported that vacancies in "wholesale and retail trade; repair of motor vehicles and motorcycles" were down on the quarter by 7,000 and that when comparing January to March 2023, with the same period in 2022, the total number of vacancies had decreased by 26,000. Perhaps a sign that the skills shortage is easing, or perhaps a sign of cautiousness of business to recruit during other financial uncertainties.

Even with the reductions, the total number of vacancies in this sector in Q1 of 2023 was 142,000, which is 6,000 above the 136,000 in QI of 2019. Looking at the long-term data from January 2019, we can see that vacancy levels are now on par.

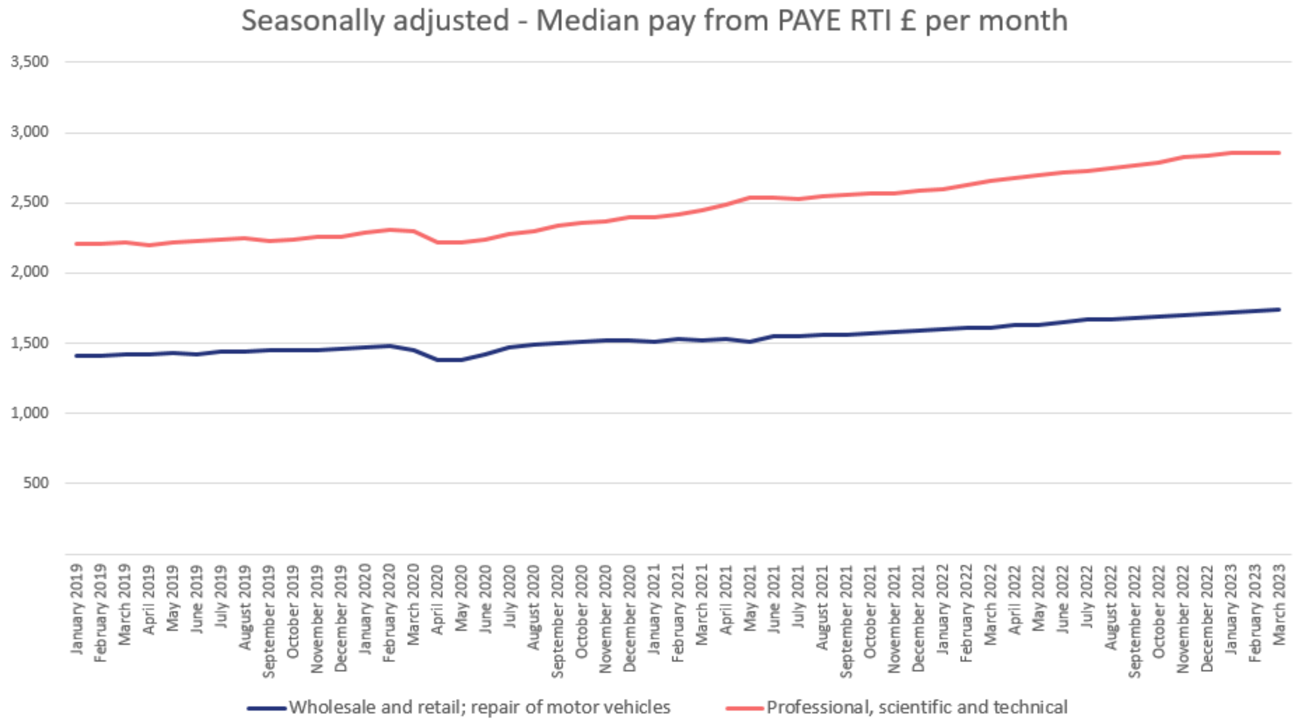
As vehicles become more and more like 'computers on wheels', the skills required to work on them has inevitably changed. Demand for tech talent in the industry has increased significantly, with other more traditional roles, such as engine assembly and service technicians, becoming more redundant. As such in the following graph we have also included the 'professional, scientific and technical activities' sector, along with those in the 'motor trade'.

The latter has seen minimal change over the period examined with only a small increase in the last six months, no doubt coinciding with more vehicles now being manufactured.

The former, however, shows a clear increase in demand since the pre-pandemic period, and while it has decreased since the peak of March/May 2022, there are still around 30,000 vacancies more than in 2019.



All in all, some suggestion that the shortages are reducing, but at what price? The ONS Labour market overview, UK April 2023 shows that median pay for both 'wholesale and retail; repair of motor vehicles' and 'professional, scientific and technical' has increased since January 2019 with the former seeing an increase since January 2019 of 24% and the latter, 29%.



2. E-scooters

The e-scooter trials, which have already been extended several times, will now run until 31 May 2024. There is no specific provision for e-scooters in the Road Traffic Act 1988, meaning that outside of the trials, they are subject to the same laws regarding licensing, registration and insurance as other vehicles, rendering their use in public spaces illegal.

While the law itself may be clear, it would appear many people are unaware or, or are confused by the rules, and the popularity of e-scooters continues to grow; Tom McNeil, Assistant Police and Crime Commissioner for West Midlands Police, has urged for a ban on private sales of e-scooters until the government decides on regulations for their wider use.

Since our last report, in February 2023, there have not been any statistics published by the government on the trial; however, there have been a number of news articles detailing campaigners' pleas against the trial.

The governments petitions page shows 58 petitions on the subject of e-scooters. A review of these found that while 40 were positive for e-scooters, 30 of these had been rejected and the remaining 10 had collectively only received 8,285 signatures. Of those requesting either further legislation around e-scooters, or for them to be banned, there were 17 petitions of which 8 had been rejected. The remaining 9 had received 11,540 signatures collectively. This represents a split of 42%/58%, with the majority being either totally against e-scooters, or requesting further legislation around their use. The most signed petition by far was "Introduce new requirements for cyclists/e-scooters: visible ID, licences, etc.", which had received 10,498 signatures.

In our previous reports we covered the data released by the ONS on reported road casualties in Great Britain (year ending June 2022) **– Reported road casualties Great Britain: e-Scooter factsheet year ending June 2022 - GOV.UK (www.gov.uk)**

The headline figures from this report were:

- there were 1,349 collisions involving e-scooters, compared to 978 in the year ending June 2021
- of all collisions involving e-scooters, 346 included only one e-scooter with no other vehicles involved in the collision (single vehicle collision), compared to 200 in the year ending June 2021
- there were 1,437 casualties in collisions involving e-scooters, compared to 1,033 in the year ending June 2021
- of all casualties in collisions involving e-scooters, 1,095 were e-scooter users, compared to 811 in the year ending June 2021
- there were 12 killed in collisions involving e-scooters (11 of whom were e-scooter riders) compared to 4 in the year ending June 2021
- our best estimate, after adjusting for changes in reporting by police, is that there were 429 seriously injured and 996 slightly injured casualties in collisions involving e-scooters, compared to 288 and 741 respectively in the year ending June 2021

In March 2023, Keoghs Solicitor Katie Flatman successfully defended the first e-scooter claim for compensation at Central London County Court.

"The first e-scooter rider to sue a local authority has lost her claim for £30,000 after she failed to prove that a pothole caused her fall in 2020. Giovanna Drago was riding her Xiaomi Mi Pro 2 e-scooter when she says she could not avoid the 'large and dangerous' hole in the road because it was dusk and difficult to see."

More on this case can be found in our e-alert posted on 17 April 2023: First e-scooter claim for compensation fails | Keoghs

3. Electric and Tech Driven Vehicles

Are they truly green?

It is fair to say that the rise of electric vehicles is not without its challenges. The increased concerns over our reliance on traditional combustion engines may have paved the way for a 'green alternative', but are they really as green as they claim to be?

Analysis from the Energy Saving Trust looks at the big picture, as while 'zero emissions' is the tagline used around electric vehicles, the real environmental impact occurs before the car has left the factory. None of findings would suggest that in the long term, electric cars cannot be significantly more green that traditional combustion engines; however, it cannot be denied that there is still a way to go and improvements to be made around how the vehicles, and batteries in particular, are produced.

> "
>
> The challenge now is to further reduce the emissions produced through more climate-neutral EV manufacturing and greener energy production. "As electric cars become more widespread, cleaner energy generation, better recycling schemes and improvements to battery technology are needed before we feel the full benefit of their green potential.
>
> "
>
> - RAC

A report from the European Environment Agency (EEA) found that emissions from battery electric vehicle production is often higher than those created when building a traditional internal combustion engine (ICE). A study by Science Direct found that CO2 emissions from electric car production can be 59% higher than for ICE vehicles.

Most of this stems from the battery manufacturing process, which the EEA suggests could be improved to increase the use of renewable energy. The majority of car batteries are currently being made in China, South Korea and Japan, where the use of carbon in electricity production is high. Battery production facilities are starting to appear in Europe and the UK, where the hope is that more renewable energy can be used in their production methods.

Lithium batteries found in electric cars tend to be made up of base metals such as copper, aluminium and iron. The global supply of lithium-ion batteries is, therefore, currently struggling to keep up with the increased demand. However, this is suspected to be a short-term problem – perhaps because suppliers were unprepared for such a rapid increase in demand. Suppliers are suggesting that production is being ramped up quickly and the spike in price for these materials does appear to be falling, indicating that supply is capable of keeping up with demand.

At the other end of the electric vehicle lifecycle is what to do when the battery needs replacing. The cost to replace them is often more than the value of the vehicle, and currently there is no standardised process for recycling these batteries. Car manufacturers are starting to consider this as it ultimately makes a considerable difference to the overall green credentials of electric vehicles.

Soruces:

https://www.sciencedirect.com/science/article/pii/S1876610217309049

https://seekingalpha.com/article/4269216-battery-shortages-already-problem-electric-car-waiting-lists-becoming-norm

https://www.rac.co.uk/drive/electric-cars/choosing/are-electric-cars-really-better-for-the-environment/

What's the cost?

A second consideration around electric vehicles is the cost to repair, especially if the battery pack is damaged as that can often make up around half the total price of the car. A report in Reuters from March 2023 detailed how:

"For many electric vehicles, there is no way to repair or assess even slightly damaged battery packs after incidents, forcing insurance companies to write off cars with few miles – leading to higher premiums and undercutting gains from going electric."

If insurance companies are increasingly having to declare vehicles a total loss following what is considered to be a minor collision, this will ultimately drive up premiums on electric vehicles. Some manufactories are trying to tackle this by making the packs easier to repair, but others, such as Tesla, would find this much harder to do as the battery pack forms a structural part of the vehicle and, as such, increases the risk of it becoming damaged in an incident.

Bringing this back full circle to the 'are electric vehicles green' question above, we have to acknowledge that if the CO2 emissions are greater while the vehicle is being produced, but lower when it is on the road, then instances of vehicles being written off while having only very low mileage really disrupts the green energy argument.

"If you throw away the vehicle at an early stage, you've lost pretty much all advantage in terms of CO2 emissions." Christoph Lauterwasser, Managing Director of the Allianz Center for Technology based in Munich.

What does the future hold?

Our final consideration for 'what's in the news' is actually around our appetite to embrace autonomous and tech-driven vehicles, and the benefits they bring. While electric powered vehicle are primarily for the purpose of reducing our carbon footprint, the manufacturers leading the way in this space are also very much focused on more advanced tech-led solutions as a whole.

Next we consider the safety figures and statistics on this subject, which is widely being discussed as a key topic to watch over the next few years.

Past 5 years

Euro NCAP and ANCAP assessed that vehicles fitted with low-speed advanced emergency braking (AEB) had a 38% reduction in real-world rear-end crashes compared to a sample of equivalent vehicles with no AEB. Because human error is a significant factor in many road collisions, self-driving technologies have the potential to further improve safety. Source: 'Realising the benefits of self-driving vehicles'

The Institute for Engineering and Technology (IET) claims that for every 10,000 errors made by drivers, a self-driving vehicle will commit just one. Source: 'Realising the benefits of self-driving vehicles'
This is supported by evidence showing that in 2020, 88% of all recorded collisions on roads in Great Britain involved human error as a contributory factor. Source: 'Realising the benefits of self-driving vehicles'

US study by Partnership for Analytics Research in Traffic Safety (PARTS): The study of more than 12 million car crashes in the US has proven that advanced safety tech – such as autonomous emergency braking and forward collision warning – reduces the chances of motorists being injured by more than 50%.

According to the same study, vehicles are 49% more likely to avoid a nose-to-tail crash if they are equipped with forward collision warning and autonomous emergency braking. When only forward collision warning is fitted to a vehicle, the chances of a crash are only reduced by 13%. Source: PARTS |Partnership for Analytics Research in Traffic Safety | NHTSA

A combination of the three lane-related systems was found to reduce the chances of a crash by 9% and the likelihood of injury by 8% – however, serious crashes were decreased by 16%

Current

Advanced Driver Assistance Systems (ADAS) could reduce incident frequency in the United Kingdom by 23.8%. Using road safety reports from the UK, it is found that a high concentration of incidents (77%) occur within a small subset of contextual conditions (4 out of 18) and that the most severe incidents happen in dark conditions on rural roads or motorways.

The most frequent incident types in the UK can be reduced by 29% with a full deployment of ADAS. Most frequent incident contexts – urban-clear-daylight and rural-clear-daylight – can be reduced by 29%, avoiding 7,020 and 3,472 incidents, respectively.

The results of the safety effectiveness analysis show that a full deployment of the six most common ADAS would reduce the road incident frequency in the UK by 23.8%, representing an annual decrease of 18,925.

Automatic Emergency Braking (AEB) is the most impactful technology, reducing three out of the four most frequent incident categories – intersection (by 28%), rear-end (by 27.7%), and pedestrian incidents (by 28.4%). Source: On the road safety benefits of advanced driver assistance systems in different driving contexts – ScienceDirect

While there is evidence that technology is reducing the frequency of claims it is also increasing the cost of repairs quite significantly, with things like a simple wing mirror claim now potentially costing thousands of pounds.

In an article published on 14 March 2023, Keoghs Partner Michael Harvey considered the liability around driverless vehicles and what lies ahead.

Driverless Vehicles and Product Liability – navigating the road ahead | Keoghs

Road Traffic Patterns and Collisions

At the end of 2022, the Department for Transport (DfT) released their Provisional Road Traffic Estimates for October 2021 to September 2022 and their provisional Road Casualties in Great Britain report estimates (June 2022), the findings of which were discussed in our last report in February 2023.

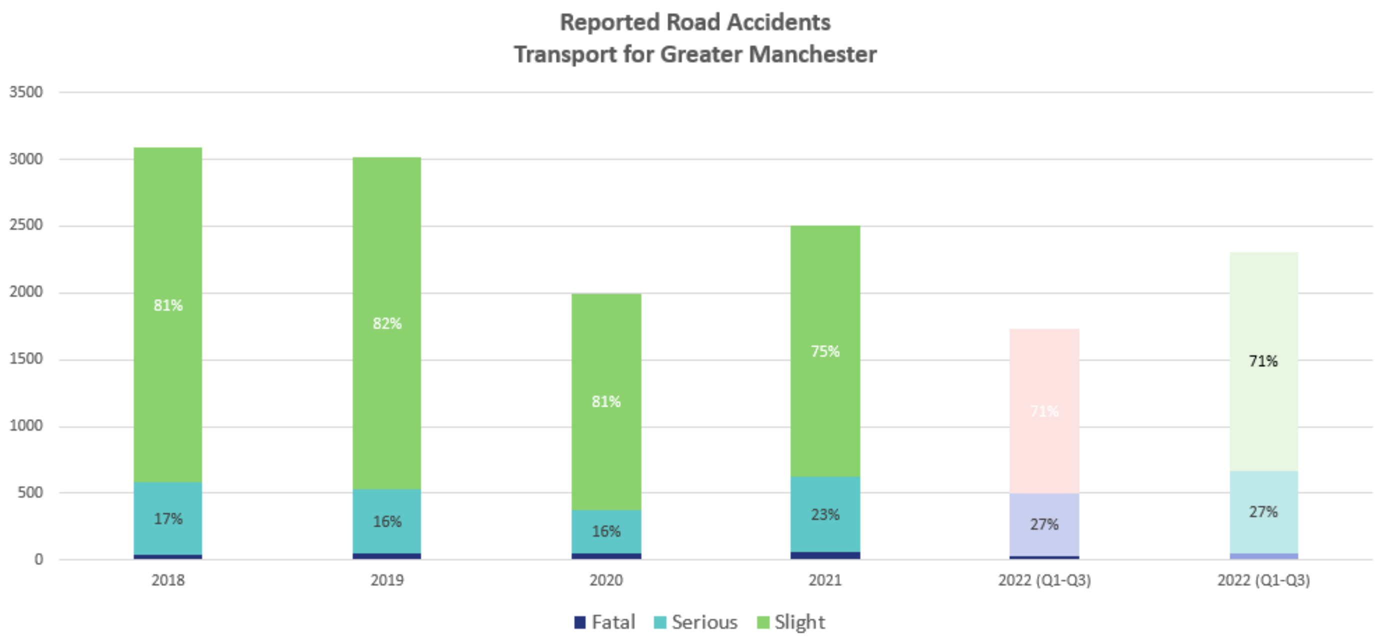
Transport for Greater Manchester – road traffic incident data

Transport for Greater Manchester is also now releasing reported road traffic incident data as collected by Greater Manchester Police on their STATS19 forms. The figures are available up to the end of Sept 2022.
The following graph shows the figures for 2022 Q1, Q2 and Q3, as well as our rudimentary trajectory calculated by adding an estimated Q4 based on the average of the quarterly figures.

The data is caveated with:
"The number of injury incidents not known to the Greater Manchester Police is not easily identified. It would seem reasonable to assume that all 'fatal' incidents are reported, but these represent only a small proportion of the total. However, the limited evidence available indicates that 'serious' and 'slight' incidents are under-reported. It has been assumed historically that 20% and 35% respectively have not been reported."

Using the data available, we can clearly see the impact of the pandemic in 2020 and, while there is an increase in the total number of reports in 2021, it is still down by 17% on 2019, with the 2022 figures looking like they may come in under those of 2021 and around 23% lower than 2019.

What remains noticeable, however, is the percentage split between 'serious' and 'slight'. During 2018 and 2019 'slight' road traffic incidents accounted for over 80%, but by 2021 this figure had reduced to 75% and in the data available for 2022, the figure had reduced further to 71%. This supports the idea that while reported collisions are down, the severity may be increasing in Greater Manchester.
We continue to recommend an element of caution around this conclusion as the figures may be influenced by what people choose to report and we are aware of issues with this particular police force that may be impacting people's decisions about making contact with them for minor collisions, as per the caveat above.



Fatal figures: 2018 (41), 2019 (51), 2020 (55), 2021 (58), Q1, Q2 and Q3 of 2022 (34)

Transport for London – road traffic casualty data

Similarly to GMP, Transport for London (in conjunction with the Met and City of London Police) are now releasing data regarding road traffic casualties. The latest data goes up to 30 November 2022 and, as with all our datasets used in these reports, in order to put context to the figures we have looked back at the historic data.

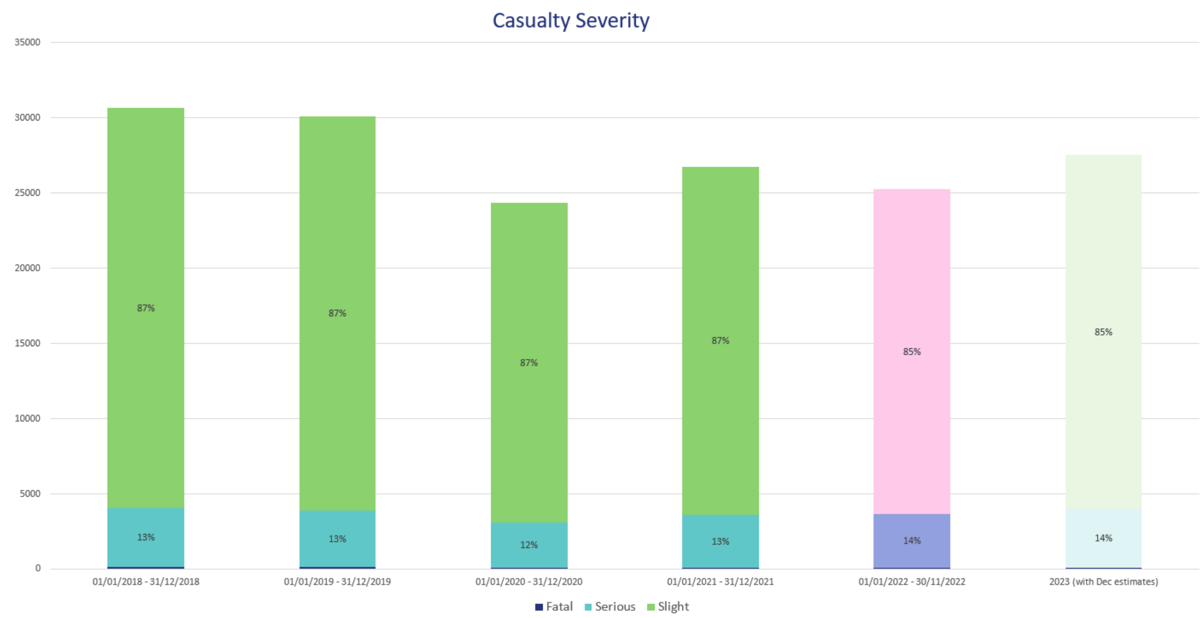
The first graph has been created to show both the number of total casualties reported each year, and also their split between 'fatal, serious and slight', as we have in the Manchester data above. As the London figures are only available for the first 11 months of 2022, we have adjusted them to again estimate a trajectory for the total 2022 year.

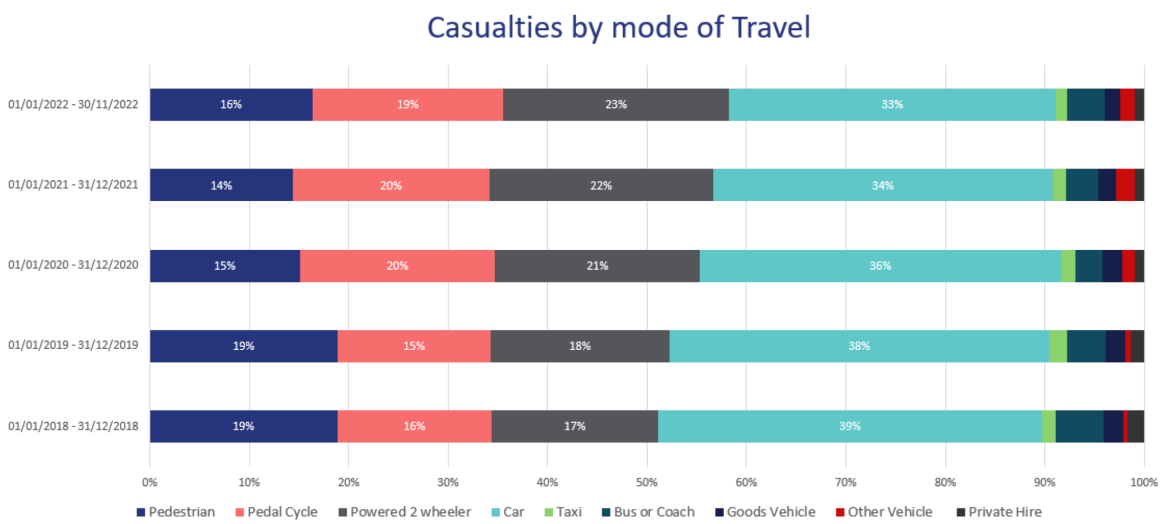
Here we can see that casualties in 2018 and 2019 were in the region of 30,000 a year and that since the start of 2020 they have been closer to 26,000, a reduction of around 13%. The trajectory for 2022 would suggest that the figures may be slightly higher than in 2021, but still lower than the pre-pandemic years.

Unlike in the Manchester data, the make-up of casualties remains fairly consistent.

Fatal casualties accounted for less than 1% and had been reducing year-on-year: 2018 (113), 2019 (126), 2020 (97), 2021 (76). During 2022 (less December) there were 96 fatalities.

The second graph shows the split each year between different modes of travel. Here we can see that between 2018 and 2022, incidents involving pedestrians reduced from 19% to 16% and, similarly, incidents involving cars reduced from 39% to 33%. During this same time incidents involving pedal cycles increased from 16% to 19% (hitting 20% during the pandemic periods) and those involving powered two-wheelers have also increased from 17% to 23%.

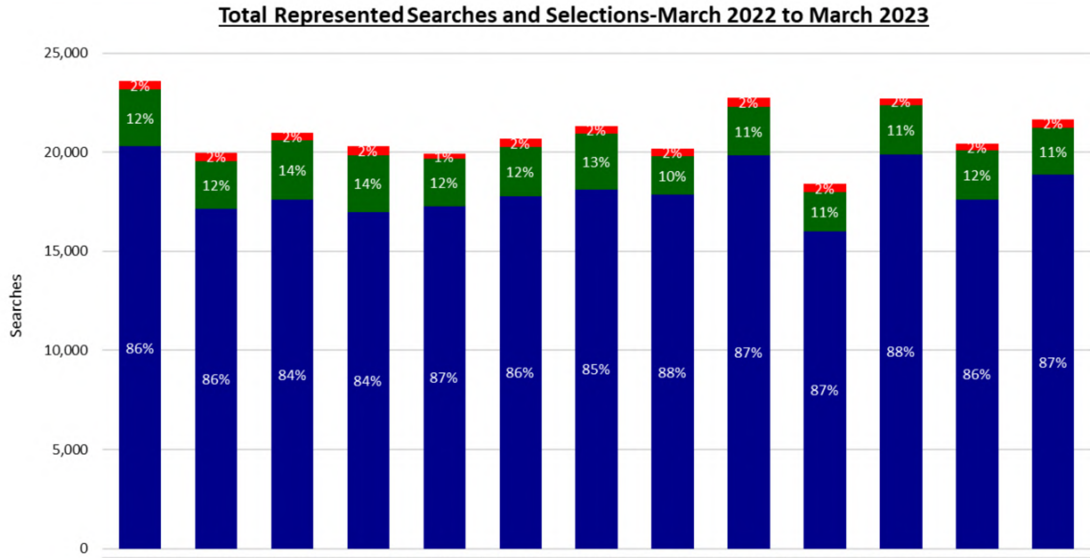




MedCo

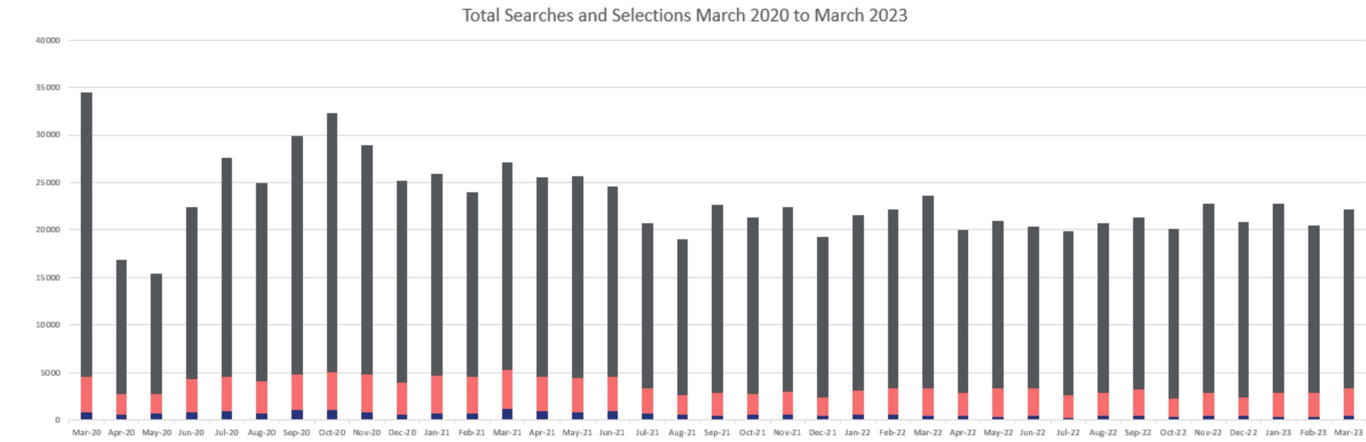
https://medco.org.uk/document-library

The latest MedCo data shows searches and selections up to the end of March 2023. After the initial dip in December 2022, the first three months of 2023 have seen searches increase, with an average around 21,606 which follows a similar pattern to that of January to March 2022.



	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
No Selection	447	413	377	442	253	422	411	383	445	443	354	361	397
DMEs	2,863	2,401	3,000	2,866	2,377	2,485	2,786	1,941	2,457	1,944	2,485	2,474	2,398
MROs	20,292	17,166	17,592	16,988	17,277	17,779	18,135	17,854	19,831	16,025	19,883	17,612	18,855
Total	23,633	19,988	20,977	20,300	19,914	20,690	21,338	20,181	22,737	18,413	22,722	20,447	21,650

To illustrate more clearly the overall trend in searches since before the pandemic and introduction of the OIC, we have combined the MedCo outputs into one table from March 2020 to March 2023.



	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
MROs	29894	14172	12655	18117	22942	20913	24993	27238	24095	21182	21267	19476	21932	21026	21174	20026	17329	16503	19779
DME's	3737	2164	2087	3385	3690	3331	3766	3969	3988	3342	3977	3782	4087	3619	3616	3591	2704	2002	2363
No Selection	788	563	677	866	904	733	1064	1083	807	614	687	743	1136	894	866	940	658	556	481

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
MROs	18566	19450	16859	18390	18873	20292	17166	17592	16988	17277	17779	18135	17854	19831	18411	19883	17612	18855
DME's	2218	2492	1885	2530	2759	2889	2407	3008	2870	2384	2489	2792	1914	2461	1945	2485	2474	2898
No Selection	551	513	475	607	527	447	413	377	442	252	421	407	383	445	441	354	361	397

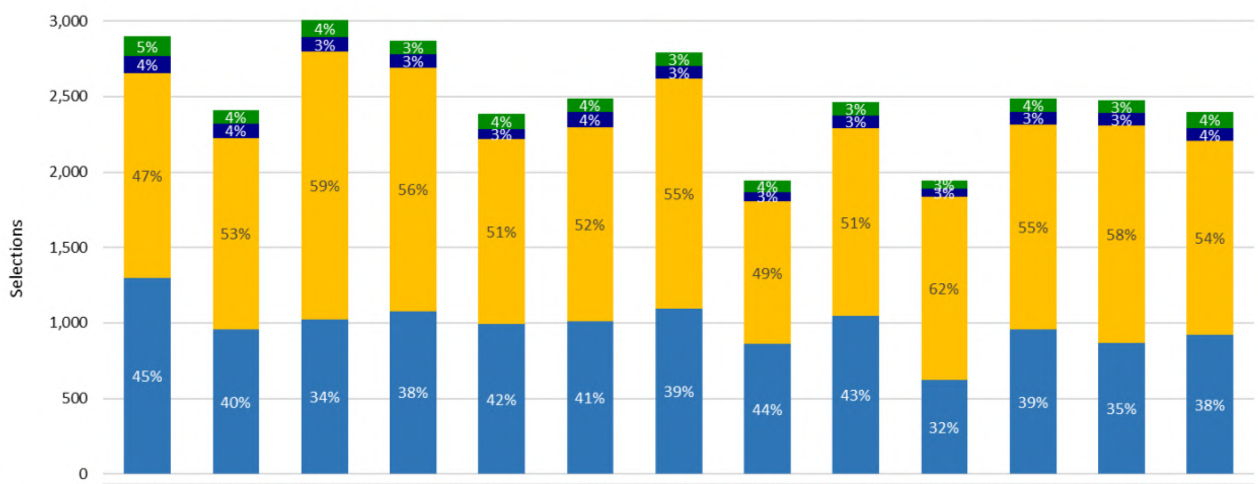
As we have previously reported, during March 2020 there were 34,419 MedCo Searches and 49,216 motor claim submissions, suggesting that pre-pandemic/pre-OIC there were MedCo searches conducted on 67% of claims. In April 2021, just before the OIC was introduced, there were 25,539 searches conducted and 36,760 MOJ motor claims submitted (66%).

*Adjusted to account for "wrong portal" amendments.

In March 2023 there were 22,150 searches conducted on MedCo and 32,042* claims submitted between the OIC and MOJ portals (69%). While this is, therefore, comparable with the pre-pandemic/pre OIC figures above, it is noted that in our last report where the data only went up to December 2022, we calculated the ratio to be 75%. As such the figure has dropped slightly when compared with the end of 2022.

Where selections are made, MedCo also provides data for which medical experts are selected, allowing us to consider the selection as a percentage of the searches.

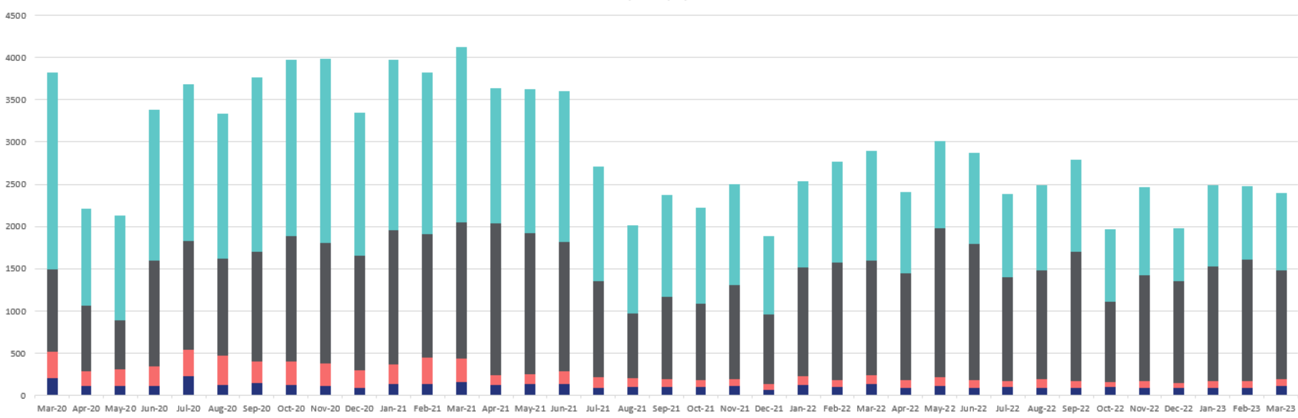
Represented Selections of Direct Medical Experts by Specialism-March 2022 to March 2023



	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Consultant Orth. Surgery	133	88	116	91	101	89	90	76	85	57	87	83	106
Consultant AE Medicine	108	95	94	87	66	102	82	60	85	51	82	82	87
Physiotherapist	1,357	1,267	1,773	1,612	1,226	1,287	1,524	948	1,245	1,213	1,359	1,440	1,285
General Practitioner	1,301	959	1,025	1,080	991	1,011	1,096	860	1,046	624	957	869	920
Total	2,899	2,409	3,008	2,870	2,384	2,489	2,792	1,944	2,461	1,945	2,485	2,474	2,398

As we have done above, we also combined the latest figures into our own chart to track a trend from March 2020.

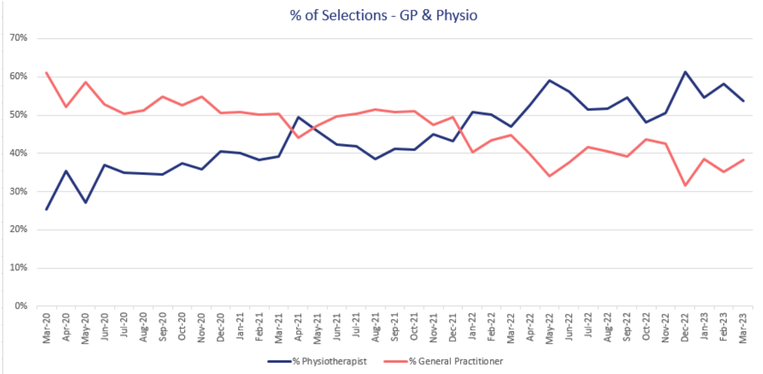
Selection of Medical Expert by Specialism



	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
General Practitioner	2333	1148	1248	1788	1857	1709	2067	2084	2189	1688	2018	1910	2078	1600	1709	1791
Physiotherapist	971	779	579	1252	1291	1156	1295	1485	1427	1352	1595	1466	1613	1796	1664	1523
Consultant AE Medicine	312	169	193	236	314	344	260	283	260	217	225	314	268	118	124	158
Consultant Orth Surgery	205	111	112	109	228	122	144	117	112	85	139	129	162	122	130	132

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
General Practitioner	1364	1034	1201	1132	1186	936	1021	1201	1297	959	1025	1080	991	1011	1096	860	1046	624	957	869	920
Physiotherapist	1135	775	974	911	1122	816	1286	1388	1357	1267	1773	1612	1226	1287	1524	948	1245	1213	1359	1440	1285
Consultant AE Medicine	121	103	96	81	77	73	105	83	107	95	94	87	66	102	82	60	85	51	82	82	87
Consultant Orth Surgery	91	97	98	98	112	64	125	97	133	88	116	91	101	89	90	101	89	90	87	83	106

The preference between GPs and physiotherapists continues to change, with physios increasing to 55%, up from 53% in 2022 and GPs dropping to 36%, down from 40% in 2022. Considering the preference for GPs in March 2020 was 64% and physiotherapists was 25%, it is likely by the end of 2023 we will be looking at a mirror opposite of 2020.



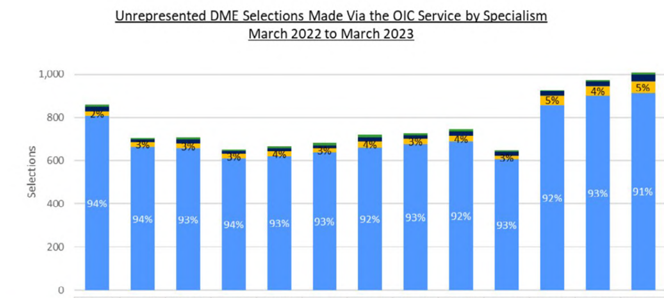
The MedCo MI data also includes some OIC insight to split out represented and unrepresented selections. Noting that the first MedCo graph suggests that 22,150 searches and selections were conducted in March 2023, it is acknowledged that the figures split out below are not directly comparable as they come to a total of 21,253.

That being said, we can clearly see that the overwhelming majority of searches being carried out continue to be by represented claimants.

To date there have been 18,034 searches conducted by unrepresented claimants using the OIC. MedCo also confirms that of these, 44% chose a medical reporting organisation and 56% chose a direct medical expert. These are both within a 1% margin of when we reported in December 2022.

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Unrepresented Selections	1,503	1,201	1,261	1,167	1,192	1,299	1,270	1,369	1,390	1,147	1,627	1,758	1,850
Represented Selections	23,196	19,575	20,600	19,858	19,661	20,268	20,927	19,798	22,292	17,970	22,368	20,086	21,253

The split of selections made by unrepresented claimants in the OIC continues to look significantly different to the wider picture detailed above. Here we can see that 91% of instances have been for GPs and only 5% are for physiotherapists. This has only slightly changed a little since our last report where 93% was for GPs and 3% was for physiotherapists.



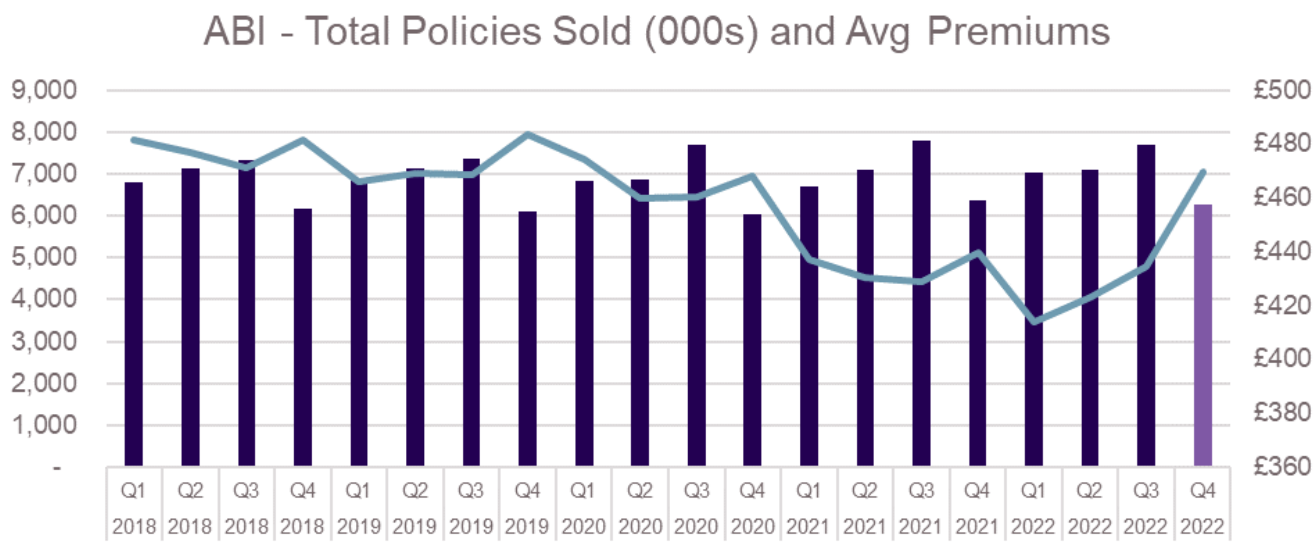
	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Cons AE	13	4	6	4	8	11	14	7	9	10	6	6	8
Cons Ortho	20	13	22	16	13	14	18	18	21	15	20	22	35
Physio	21	23	22	21	24	20	28	25	27	19	44	43	51
GP	807	663	656	610	620	638	660	676	688	606	858	902	914
Total	861	703	706	651	665	683	720	726	745	650	928	973	1,008

ABI Data Q4 2022

The ABI data for motor claims and policies is always released a quarter in arrears, and so data relating to Q1 2023 is not yet available. However, in an update to the last report we are now able to include data from Q4 2022.

In line with the seasonal trends, Q4 2022 saw a decrease in the number of policies sold, though a modest 0.4% rise in policies sold is recorded for the entirety of 2022 when compared to 2021 and is in fact the highest volume of sold policies since the start of the published ABI data in 2012.

However, what is more striking is the average cost of premiums (which generally fell through the pandemic-hit years of 2020 and 2021), as this has seen a sharp increase, particularly in Q4 rising 8% against Q3 and matching premium rates from prior to the pandemic. To some extent, with the well-documented cost pressures across the population and businesses alike and a particularly hard hit sector that has also battled with supply chain issues, the rise in average premiums comes as no surprise. Though the 8% rise, while high, remains below the inflation rates for the UK recorded in December 2022 which surpassed 10%.

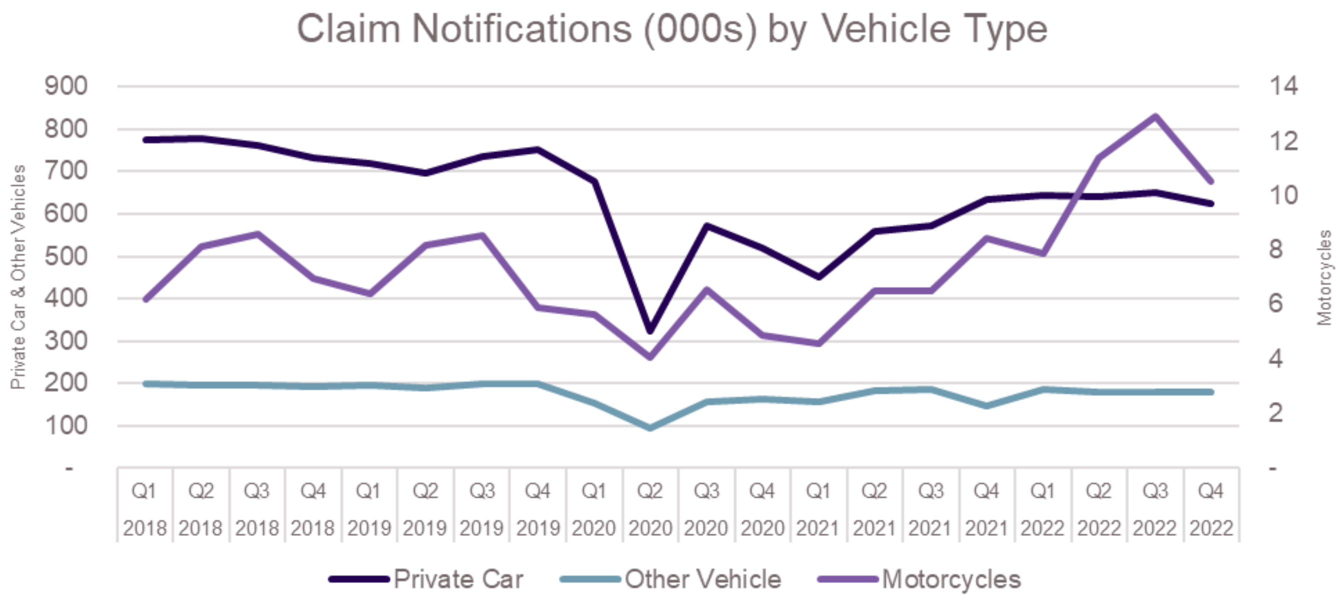


> “...the increasing sophistication of new vehicle technology and the fitment of various Advanced Driver Assistance Systems (ADAS) on UK roads may be a factor. In April 2022, Car Magazine indicated that the UK is at ‘Level 2, and 3 is very near’ for autonomous car technology [2]. Here, it’s suggested that an observable proportion of UK cars have advanced cruise control systems and park assist features. This aids driver focus and thus makes these vehicles less likely to be involved in road accidents . Therefore, what we could be seeing in the figures in 2022 is the translation of these features making driving on UK streets safer as ADAS vehicles become more prevalent on roads

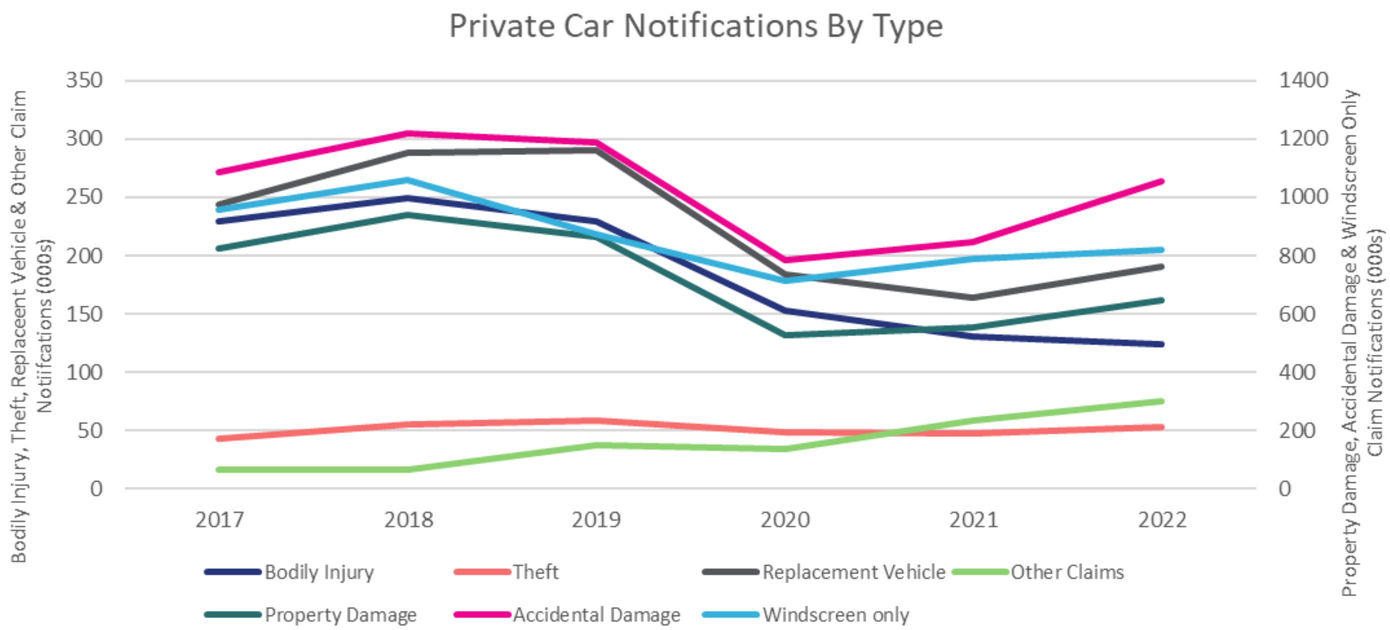
Car magazine, automation - https://www.carmagazine.co.uk/car-news/tech/autonomous-car-levels-different-driverless-technology-levels-explained/

Furthermore, as noted in the last report, while the measure of exposure is taken as a guide to the number of vehicles insured, it will not relate to miles travelled and with the soaring price of fuel through 2022 (though falling more recently as ABI data reflects only the end of 2022), we know from earlier in the report there remains evidence of people reducing non-essential journeys to save money, and this may be impacting time spent on the road and thus opportunity for road traffic incidents to occur.

However, looking more closely at the data, it is possible to see that while claim notifications are indeed reduced against private cars, for motorcycles we have in fact seen claim notifications continue to rise. Furthermore, despite the increased claims notifications for this claim type set in the context of a continual increase in exposure since 2020, claims frequency peaked at 4.8% in Q4 2022, the highest since the beginning of the ABI data in 2018.



Moving on to reviewing the ABI claims data by claim type, it is evident that most claim types (the exception being bodily injury) remain on an increasing trajectory following the lows of the pandemic.

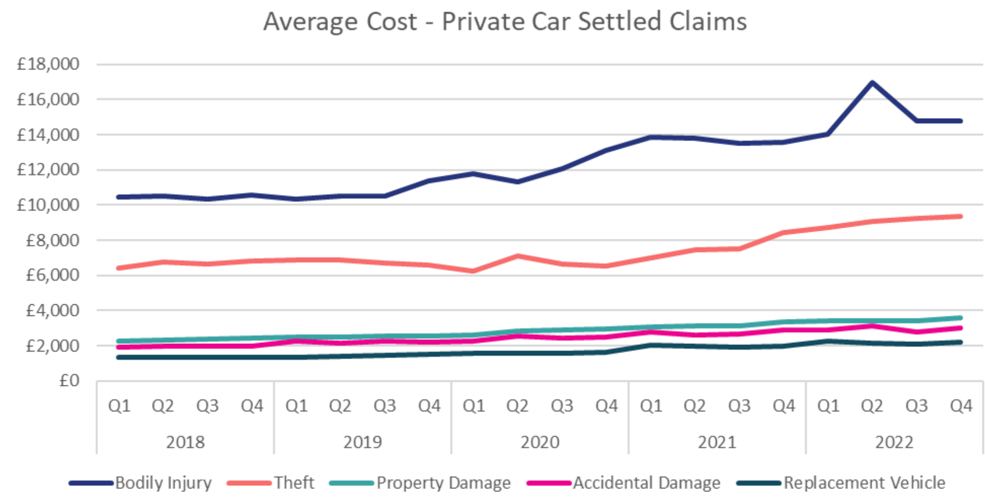


While overall through 2022 most have yet to reach the levels seen prior to 2020 there are signs of things changing, the exception being claims categorised as 'other' (components of which are not defined by the ABI) which have been on an increasing trajectory since 2018. Bodily injury, theft and windscreen claims all saw marginal falls in claim notifications against the previous quarter, but there were notable increases in replacement vehicle and other claim types. In Q3 2022, accidental damage claims saw the greatest quarter-on-quarter increase with a 15% increase on Q2, and, despite not matching that growth in Q4, maintained an increasing trend just at a lesser 2% rate.

Therefore, while we can see a number of claim types increasing outside bodily injury, the absence of a return to pre-pandemic levels, despite private car exposure levels being such, support the theory that aspects of the reduced claim notifications are from factors including improved technology and potentially reduced miles travelled.

Inevitably the lower claim notifications throughout the last two years led to lower volumes of claims settling, and although volumes of settled claims continue to pick up, particularly in Q4 in relation to theft claims, levels remain below pre-pandemic levels.

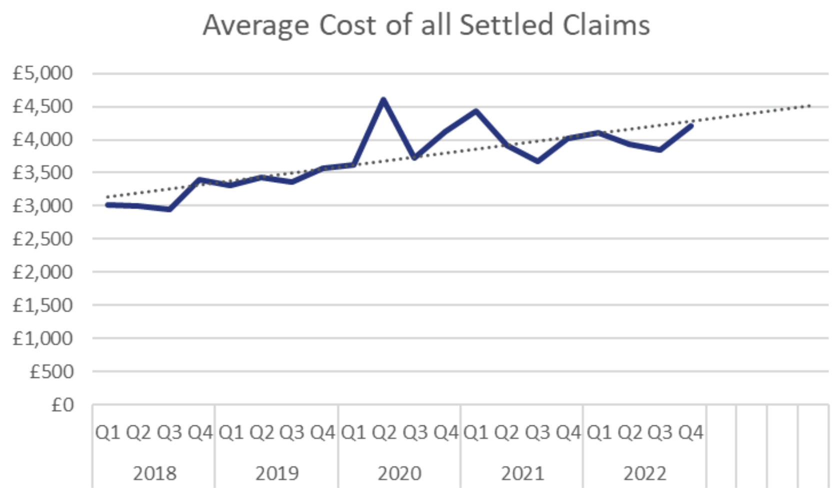
The average cost of settled claims is also rising across the majority of claim types, as the following chart highlights.



The spike in cost of settled bodily injury claims reported in the last report has reduced in Q4, but nevertheless, should the rate of increase continue throughout 2023, the trajectory would place an average bodily injury claim at in excess of £16,000.

The cost of a theft claim saw the greatest inflation against 2021 with the average claim costing over 20% more in 2022, driven by high costs from 'theft from a vehicle' claims.

As the two most costly claim types, these increases are having a significant impact on the overall average claim cost, and at the current rate of increase the forecasted average cost of the claim by the end of 2023 could reach £4,500 –£300 beyond current levels. With claim notifications continuing to rise, there will no doubt be pressures to further increase policy prices.



RTA MOJ and OIC **– Portal Analysis**

Since our last report in February 2023, both MOJ Portal and OIC Portal MI data has been issued, providing insight into the claims submitted up until 31 March 2023. It is also worth noting that the OIC Portal is continuing to provide a detailed quarterly report, but is also routinely reporting key data points via monthly tables.

NB: It has been identified that previously published MOJ Portal datasets have varied in the account of claims volumes throughout 2020 and while efforts have been made to provide the most consistent values, a degree of caution is advised.

OIC Headline Figures

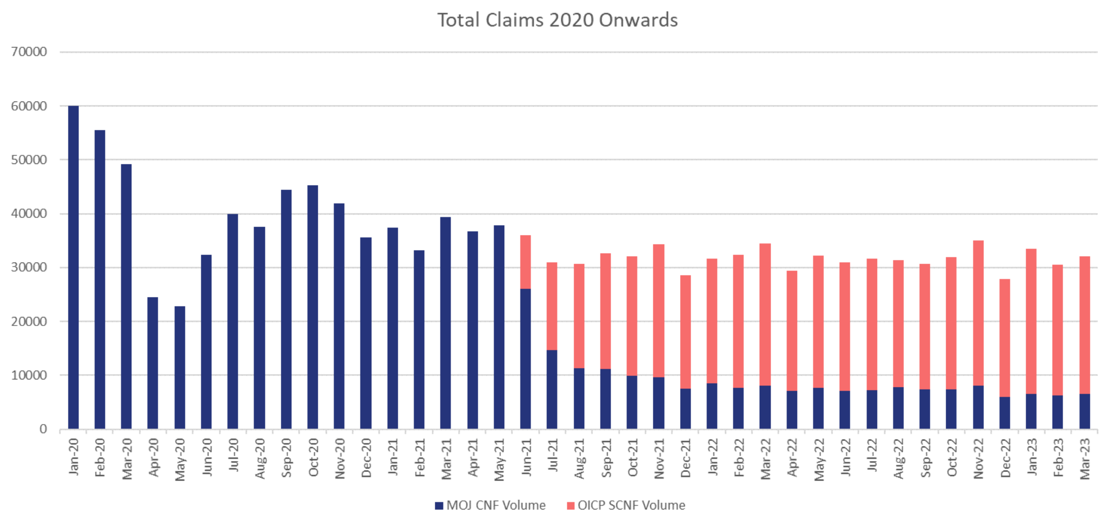
The headline figures disclosed confirm that between 1 January 2023 and 31 March 2023:

- Overall Claim Volumes: 501,451
- Represented Claims: 454,979 (91%)
- Unrepresented Claims: 46,472 (9%)
- Liability Decisions: 380,107 (75.8%)
- Total Settlements (open and closed): 116,283 (23.1%)

Overall, the headline data does indicate that the proportion of all claims submitted via unrepresented claimants has remained at 9% for the last nine months; however, a review of the last three months highlights some movement in this area with unrepresented claimants accounting for a slightly higher 10.5%. While the proportion of liability decisions has stabilised at just short of 76%, we are continuing, as would be expected, to see the proportion of overall claims now reaching settlement rising 2.7% against the last report. The data now indicates that while we are approaching a quarter of claims submitted reaching settlement, a considerable proportion of claims remain open and ongoing.

CNF and SCNF Submissions (a holistic view of both MOJ and OIC)

The following graph shows the combined claim volumes from both portals in order to consider claims submissions as a whole each month.



* In order to reduce the risk of double counting, the number of claims shown on the MOJ backing sheet as having been in the wrong portal have been discounted from the calculations.

Data from the first quarter of 2023 follows very much where 2022 left off, saving for the seasonal December lull, averaging 32,000 claims a month, just 400 claims a month higher than the average across 2022. However, we have seen a small increase in the proportion of claims recorded via the OIC portal, which had typically been resting at 77% of claims, and for the beginning of 2023 the average proportion of OIC claims has risen to 79.8%. This change is largely a result in a fall in MOJ portal claims, which in the first three months of 2023 were recorded at 9% below the preceding three months and 13% down on the 2022 average.

OIC Injuries

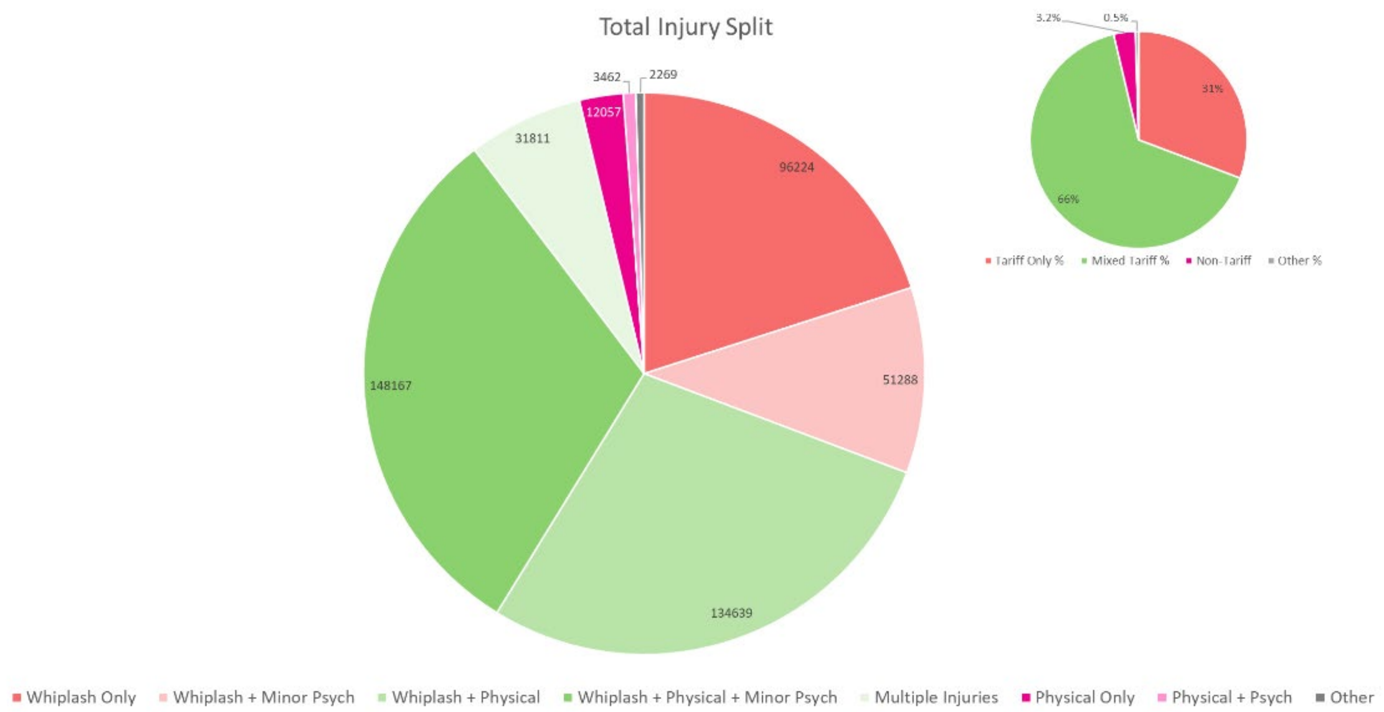
Starting first with the injury classifications at claim submission, mixed tariff claims continue to dominate, though with a reduced 66.3%, the lowest proportion for this injury type since 2021, with a modest uptick in tariff-only cases instead.

However, this trend appears largely a result of data in January 2023 with the latter two months of the quarter returning to similar levels of 2022, perhaps indicative of some 'holding back' in anticipation of the Court of Appeal judgment.

Date Period	Tariff Only %	Mixed Tariff %	Non-Tariff	Other %
31st May 21 - 31st Aug 21	33.1%	61.1%	1.6%	4.1%
1st Sept 21 - 30th Nov 21	31.5%	64.5%	4.0%	0.1%
1st Dec 21 - 31st Mar 22	32.3%	64.1%	3.4%	0.1%
1st Apr 22 - 30th Jun 22	30.1%	66.7%	3.2%	0.1%
1st Jul 22 - 30th Sep 22	29.2%	67.3%	3.4%	0.1%
1st Oct 22 - 31st Dec 22	28.9%	67.8%	3.2%	0.1%
1st Jan 23 - 31 Mar 23	30.4%	66.3%	3.2%	0.1%

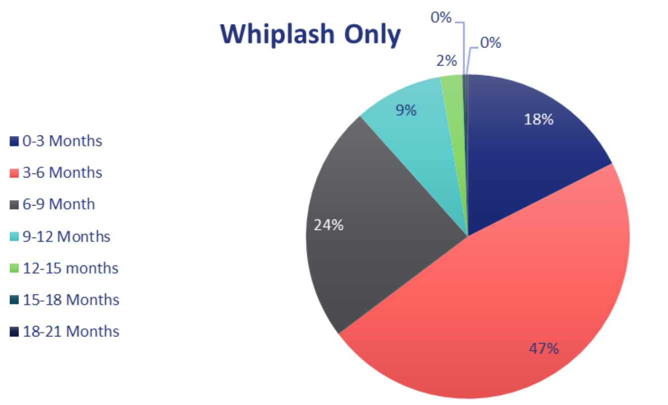
Mixed tariff cases themselves continue to tend towards whiplash plus minor psychological with one additional physical injury, representing approximately half of the mixed tariff cases (and 34% of all injury claim submissions), though it is worth noting that the 'Multiple Injuries' category of mixed tariff, where more than one physical injury is noted, rose 1.1% in March 2023 representing 11.2% of all mixed tariff cases. While one month alone does not make a trend, and this injury category remains in relatively small numbers (7.5% of all known injuries) in the context of the Court of Appeal judgment on mixed tariff cases it is one certainly to monitor in coming months to establish if layering via volume of injuries is being used as a means to increase the value of the claim, as opposed to simple injury prognosis.

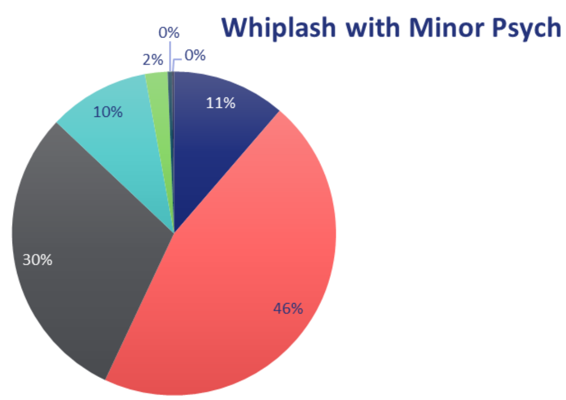
The following chart identifies the split of injury categories since the launch of the OIC, where in total 66% of cases are mixed tariff, an increase of 1% from the last report. With the OIC headlines indicating only 23% of submitted cases have reached settlement within the portal, it stands to reason that a large proportion of those open claims will be mixed tariff.



Moving onto prognosis periods associated with tariffed injuries, the OIC MI provides this in relation to settled claims. When comparisons are made to the last report, there are in fact minimal changes, which found that regardless of whether the tariffed injury does or does not include a minor psychological aspect, the more common prognosis range is given as 3–6 months, followed by 6–9 months and then the shorter 0–3 months. The trend over time for these different prognosis periods has, however, reached a degree of stabilisation in the last few months, with the rise of 9–12 month prognosis somewhat halted, as has the decline of the shorter 3–6 month prognosis.

Furthermore, while whiplash only claims have seen a 1% move towards 6–9 month prognosis (with the reduction coming from a slight fall in 3–6 month prognosis), the same favouring of the longer prognosis where a minor psychological injury is present that was identified in the last report remains relatively unchanged, with a 6% difference on the 6–9 month prognosis and 1% on the 9–12 month prognosis.





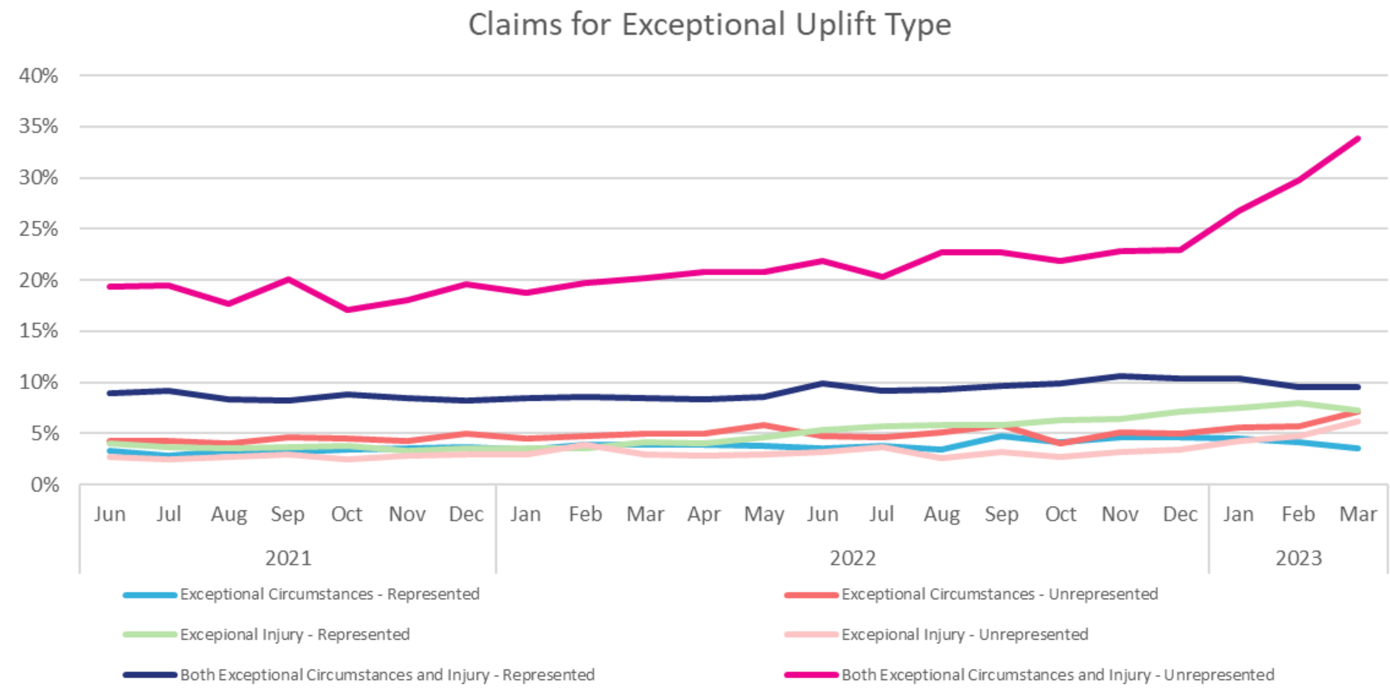
Though increasing, at claim submission whiplash plus minor psychological represents the minority of tariff-only cases (35% to date), claims presented with a minor psychological component are more dominant on mixed tariff cases. There is, therefore, an increased likelihood of tariff prognosis being longer on mixed tariff cases owing to the increased presence of psychological injuries, and will likely continue to be a factor in driving up the cost of claims.

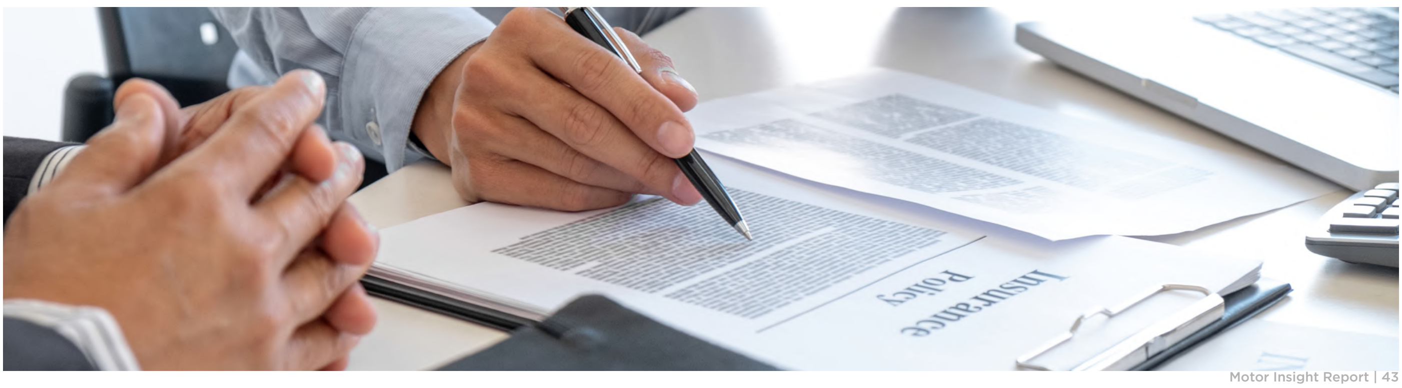
OIC Exceptional Circumstances

Of all the claims submitted up until 31 March 2023, a claim for uplift, either exceptional circumstances, injury, or both, was made in one in five claims; however, in the first three months of 2023 claims for exceptional uplift were more frequent at closer to one in four claims. When we split these out between represented and unrepresented claimants, we can see that claims for exceptional uplift continue to be more frequent from unrepresented claimants at 31%, while the claims occur in only 18% cases for represented claimants. However, in the first three months of 2023 we have seen a rise in the proportion of claims with requests for exceptional uplift in both claimant types, with 41% unrepresented claimants making the request (rising to 47% in March 2023) and 21% represented claimants.

Across both claimant types, the exceptional uplift claim is predominantly for both circumstances and injury, although the bias is more evident for unrepresented claimants wherein the overall 73% uplift requests are for both exceptional circumstances and injury, but this is a more moderated 51% in represented claimants making this request (falling to 46% in the first three months of 2023), with a further 28% (though higher at 35% at the beginning of 2023) claiming just exceptional injury.

Furthermore, as a proportion of all unrepresented claims, the first three months of 2023 have seen a sharp increase in the proportion requesting exceptional uplift for both circumstances and injury as the following chart highlights. Having ended the year at approximately 23% unrepresented claimants making a request for both exceptional circumstances and injury, by March 2023 this had risen 9% to 34%. While a claim for exceptional uplift doesn't necessarily follow through into agreeing uplift at settlement, when coupled with the slight rise in the proportion of unrepresented claimants referenced earlier, this trend is worthy of note.

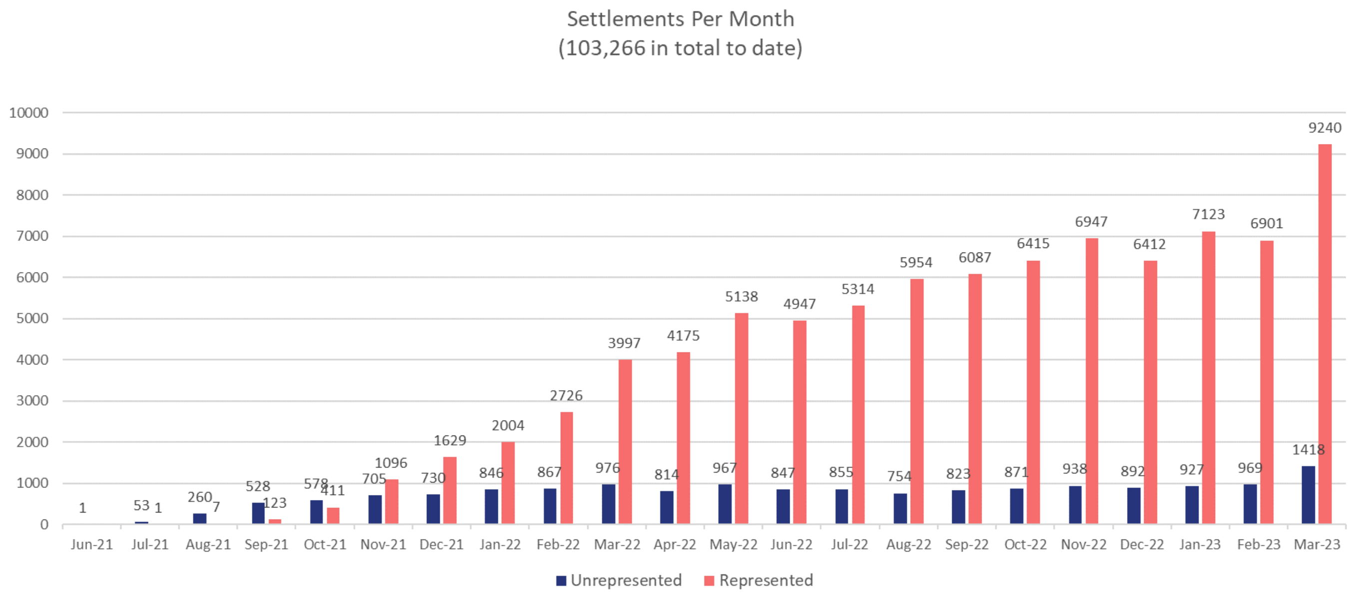




Settlements

Inevitably, as the number of claims submitted to the MOJ have fallen (and we are fast approaching two years from the launch of the OIC), the volume of settlements within the MOJ Portal has seen a notable reduction. Furthermore with the number of legacy pre-reform cases still in the MOJ Portal now significantly reduced, we are beginning to see what monthly settled claims volumes will look like going forward, averaging 1,145 in the first three months of 2023 – slightly below the average from the end of 2022, which was closer to 1,300.

As would be expected, given the time that has passed since the whiplash reforms, the settlement volumes of claims in the OIC are rising. Most notably, in March 2023 there was a significant 35% jump in settled claim volumes against February. While it is a little early to conclude that this may be a result of the clarity gained from the Court of Appeal judgment facilitating the progression of claims through to settlement, the timing of this jump in volume does allow for the formation of this hypothesis.



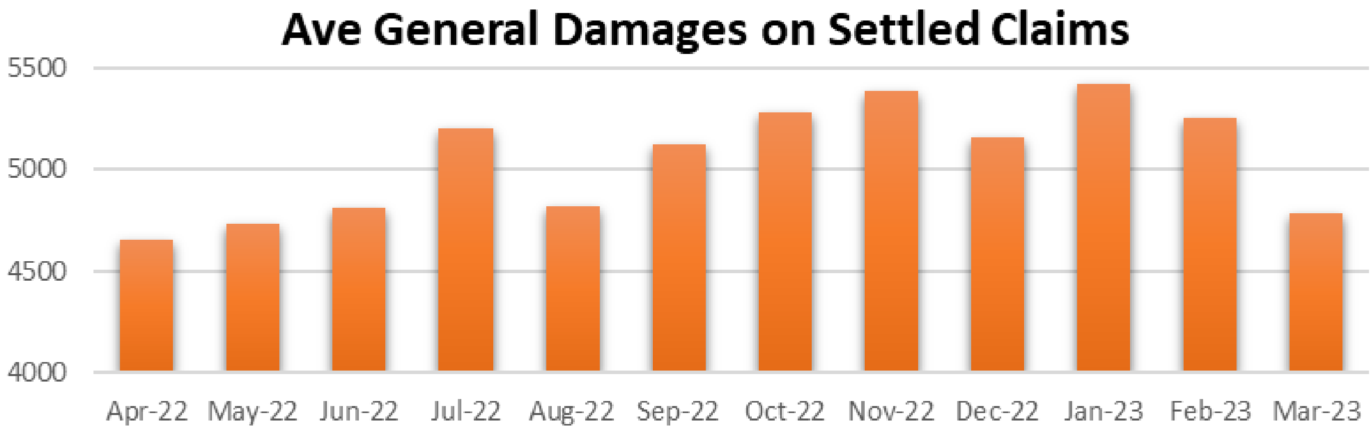
General Damages

As we have reported previously, prior to the pandemic general damages were relatively stable at just over £2,800; however, the pandemic period brought with it a small, but noticeable £90 creep on the value of such damages.

When the whiplash reforms were implemented in June 2021, as new claims entering the MOJ Portal exclude the lower value claims now being pursued through the OIC Portal, it was inevitable that general damages recorded in the MOJ Portal would rise. We have previously reported that this rise in general damages peaked in July 2022 at £4,625.15, from where average general damages followed more monthly fluctuations. However, since the last report there have been some notable differences in the published data from the MOJ portal on the average settled general damages, though it is unclear what has caused the differences and enquiries are ongoing.

As can be seen from the next chart, average general damages are now showing at in excess of £5,000 from July 2022 onwards (with the exception of August 2022 which appears to be an outlier) with the latter six months of 2022 now recorded at £5,162.03 having peaked in November 2022 at £5,381.63.

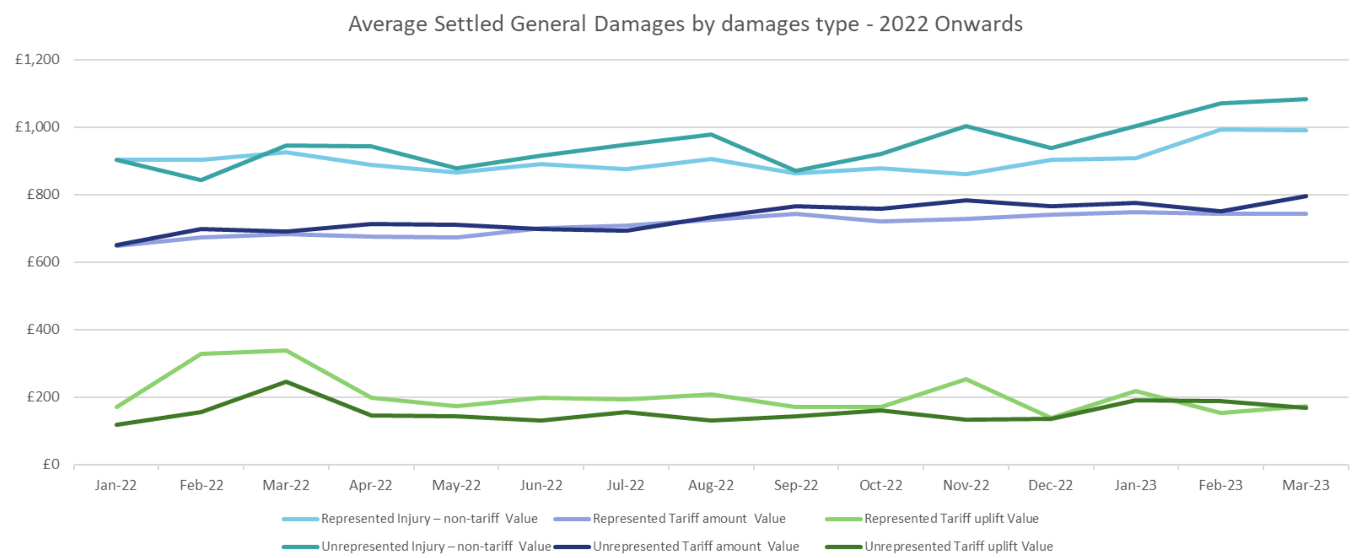
In the first three months of 2023, the average settled general damages is similar at £5,153.33, although this is influenced by a particularly low average in March 2023, while the average from January and February is £5,336.21 and likely to be more indicative of the current trend, where general damages are creeping up towards the £5,500 mark. As claims valued under £5,000 (excepting vulnerable road users) are now processed though the OIC Portal, it is no surprise that settled general damages are now typically above £5,000 and the latest data provided indicates the trend is not yet settled to understand where general damages will ultimately stabilise.



With regard to the OIC Portal, as settlement numbers begin to increase we can see that the overall settlement value is steadily increasing, particularly for the non-tariffed injuries, though the inflation on the value of non-tariffed injuries is now marginally greater for unrepresented claimants. The first quarter of 2023 saw average non-tariff payments averaging £100 more than the last quarter of 2022, resting at £1,052.33 for unrepresented claimants. For represented claimants, the inflation is only £84 from Q4 with the average now £88 below the average value of non-tariffed payments for unrepresented claimants, recorded at £964.

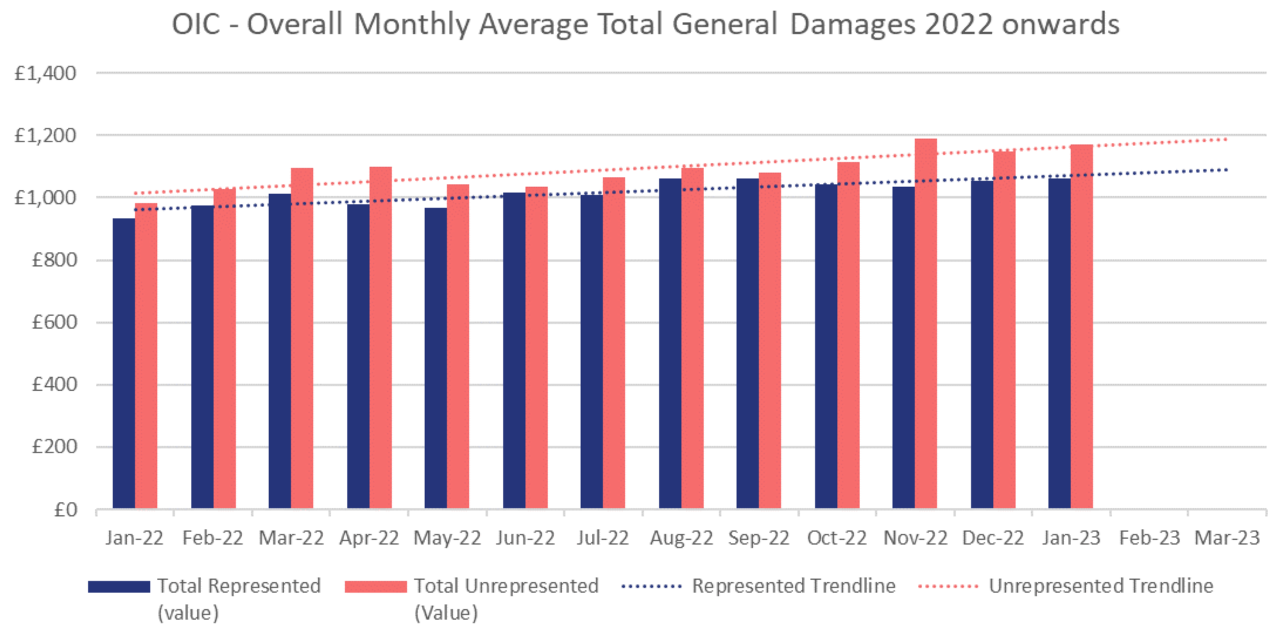
Payments relating to tariffed injuries have been relatively stable, particularly for represented claimants at £744 in the first three months of 2023, while unrepresented claimants see more variability in the average settlements, but overall the data indicates these injuries settled on average at a slightly higher £774 in Q1 2023, with both claimant types showing only very slight inflation against Q4 2022.

Exceptional uplift has seen a very slight reduction against Q4 2022 for represented claimants while unrepresented claimants have seen average uplift payments approximately £40 higher in Q1 than the latter part of 2022 where there had been minimal movement for a number of months. As a result, exceptional uplift payments are tracking at a very similar level regardless of claimant type in 2023, whereas previously represented claimants may have expected to receive more. However, while the value of the payments are similar, as is noted earlier, the claims for uplift are typically more common among unrepresented claimants, and has seen an increase on most recent claim submissions. While not all claims for uplift will be successful, and indeed frequency on settled claims remains relatively low, should the trend continue, the frequency of uplifts paid against the slightly higher value of payments now being evidenced could begin to have an impact on overall general damages.



Unfortunately, the OIC no longer provides data to indicate the average overall general damages for claimants either as a collective or monthly. The last data point in this regard is January 2023, which placed overall general damages at £1,075.

Projecting forward, with the breakdown on payment types offering no data to the contrary, the overall general damages for represented claimants could be estimated at just under £1,200, and just under £1,100 for unrepresented claimants.

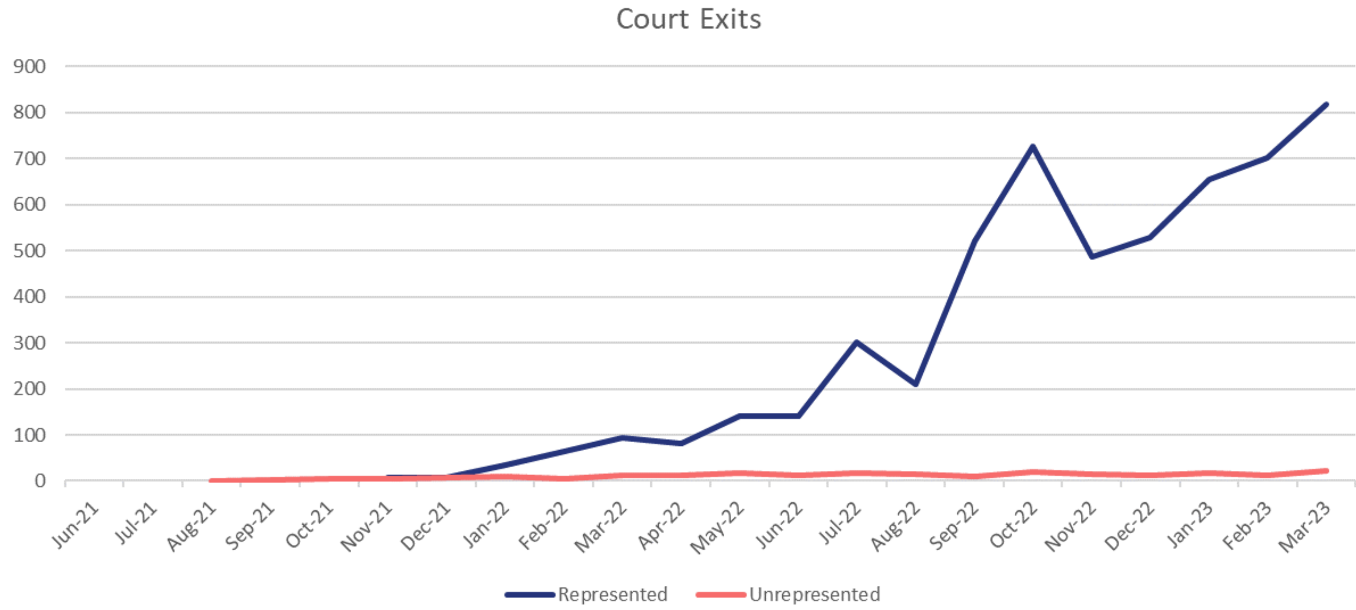


OIC Exits

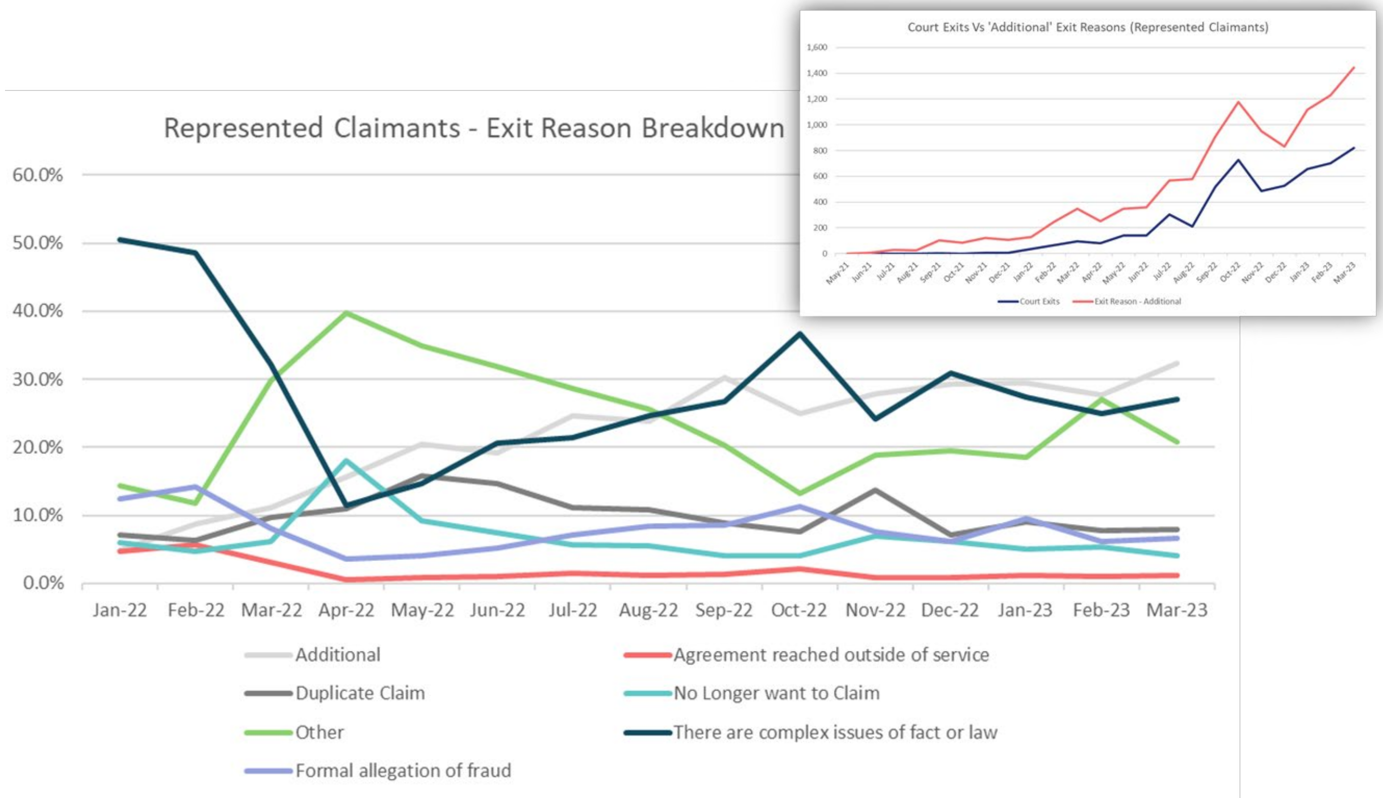
As the volume of claims in the OIC increases, so do the exits, which are now reported to be 59,633 and, therefore, 11.9% of the total claims submitted to date – a 1% increase on the previous report. As with the last report the most common exit for both represented and unrepresented claimants continues to be withdrawn or removed , with proportionally fewer claims exiting from unrepresented claimants for these reasons than represented claimants. In total, since the launch of the OIC, 6% of claims have been removed and 5% withdrawn, the latter rising 1% against the last report.

Claims are marked as removed when they have been taken out of the service by the compensator. Reasons for this include: the compensator believes the overall claim is more than £10,000, the claim for personal injury is more than £5,000, there are complex issues of fact or law, there is a formal allegation of fraud made following receipt of the medical report, a dispute relating to causation or an agreement was reached outside of the service.

The volume of court exits has continued to rise quite steeply through the first three months of 2023, having dropped a little at the end of 2022, and, as previously identified, this trend is focused on represented claimants. With such a high proportion of claims remaining open in the OIC Portal it is likely be a while before we start to see the volume of monthly court exits stabilise. Inevitably, as court exits rise there is the potential to add to existing court backlogs and lengthen the cycle times for claims reaching conclusion.



The OIC has provided further insight into the reasons for exits, split by both represented and unrepresented claimants. The most common exit reasons have remained the same throughout the last few reports, being complex issues of fact or law, other and additional , there are some trend changes, especially relating to represented claimants as the following charts highlight.



Additional categories include claims being valued above the £10,000 or £5,000 limits, liability rejected, going to court and dispute over cause of injury.

As can be seen, there is a continual rise in the proportion of exits categorised as 'additional'. Some of that rise will be linked to the rise in volume court-related exits referenced above as the exit reason 'additional' includes, but is not limited to going to court as the chart inset illustrates. However, it is fair to say the gap has widened in more recent months indicating that there are likely to be rises among other aspects of the 'additional' exit reason. For example, as increased volumes of medical reports are submitted into the process, it is plausible that insurers are reviewing this information and are more inclined to dispute that the incident caused the injury, and thus exit the claim.

Furthermore, it should be acknowledged that the OIC MI report details the exits due to 'additional' reasons at 20% for represented claimants, but this represents the picture since the launch of the OIC, whereas the most recent quarter highlights this as being much higher at 30% and now leading the way as the most common exit reason, placing 'complex issues of fact or law' firmly into second place.

While exits for reasons given as 'other' spiked in spring 2022 and subsequently fell, the more recent data indicates exits that fall into this category have generally been rising again, peaking at 27% of exits for represented claimants in February 2023, almost matching those categorised as additional.

With respect to unrepresented claimants, the reduced volume of claimants/exits generally lead to more month-on-month fluctuation. However, the top reasons for exit are 'complex issues of fact or law', 'other' and 'additional', with 'complex issues of fact or law' rising in the first three months of 2023 representing on average 28% of exits for unrepresented claimants, higher in fact than the proportion of represented claimants exiting for this reason.

Similar to the last report, allegations of fraud and dishonesty have in the last nine months made up proportionally fewer exits than the 10% and 8% reflected by the overall figures, with exits for this reason on represented claimants representing 7.5% in the first three months of 2023 (although the last two months is just over 6%) and 7% exits for this reason for unrepresented claimants. However, it is anticipated that there will be instances of suspected fraud included in the 'complex issues of law' figures.

If we consider the total number of exits (59,633) plus the total number of settled cases (116,283) we can account for 175,916 claims. This suggests that there are in excess of 325,000 active claims at present (65% of all claims presented) and while this is circa 25,000 more than in the previous report, is actually 6% lower as a proportion of all claims submitted as we see more claims progressing through the process

Court of Appeal Ruling **– Expert Insight**

Mark Hall – Director of Strategy, Motor Personal Injury

The impact of the Court Appeal test cases judgment in Rabot and Briggs will trend throughout 2023 in respect of the following areas and will dictate the pattern on claims servicing, risk management and indemnity spend across the year.

Frequency (claims notifications)

Our motor analytical reports have tracked claims submissions in the sub-£25k motor injury space noting, by calibrating from a 2019 baseline and accounting for Covid-19 impacts, a frequency reduction of 40% to 45% and in terms of claims notifications in the Official Injury Claim Portal (OIC) a drop of about 30%. However, un-notified secondary market claims stock submissions from existing motor incidents has not to date emerged as a significant risk to overall volume. In 2021, 284 firms were registered with the OIC Portal, yet claims submissions data shows that 83% of claims emanate from just 12 law firms. The March 2023 OIC data records just 121 claims submitted from identified claims management companies compared to 5,731 from the ABS model and 16,898 from law firms. Although with differing daily patterns, traffic frequency is close to pre-pandemic levels yet claims notifications from incidents are reduced such that the long-term effect of the whiplash reforms may be to deliver a permanent frequency benefit in this claims space of between 10% and 20%. This forecast needs to be carefully monitored through 2023 to see if this comes to fruition.

Frequency (medical reports)

Compensator and our Kuarterback data is recording a steady uptick in disclosure of delayed medical reports in the OIC Portal from existing claims notifications in the process. To date there has been no data or anecdotal evidence of any surge in the volume of delayed medical reports uploaded onto the digital platform. There are a number of contributing factors explaining this, including capacity and resourcing issues as well as the functionality of the platform, which continues to generate system challenges. The pattern seems to be more of an upward trajectory for delayed medical reports that will generate additional settlements from which data will present a picture of settlement strategy and indemnity spend across the platform to assist with identifying know your opponent solutions to mitigate the risk of increasing indemnity spend.

Injury severity

The presentation rate of mixed injury profiles (tariff plus), currently tracking at approximately 68% for OIC claims March 2023 as recorded on the Small Claims Notification Form has the potential to increase in H2 2023 to 80% plus. The picture, however, appears less severe when injury types are tracked by medical reporting of injury types. Our Kuarterback data is tracking the presentation rate of tariff plus claims injury profiles at between 50% and 60%. This does not yet represent an industrialisation of these injury profiles driven by possible inflation and incubation behaviours, but is emerging evidence of a greater severity picture, not just in the OIC Portal, but also in the sub-£25k injury claims space overall. Once compensators report the first set of costing data from the OIC Portal in the autumn of this year, the position as to any positive benefit indemnity spend accrual from a frequency drop and legal costs savings, even when accounting for severity-induced increased damages spend, will be clearer.

Liquidity

There will remain liquidity issues for claimant legal representatives throughout 2023 due to the ongoing impact of the whiplash reforms, below settlement frequency and restrictions on recovering legal costs for injury claims below the small claims track limit of £5,000. Further consolidation events in the primary market and exits from the secondary market are more likely before the end of 2023 as larger law firms continue to look for scale and capacity to drive their commercial models while smaller law firms make the strategic decision to leave this claims space.

Further judicial intervention

Within the next few months, we may know if permission to appeal the test cases judgment in Rabot and Briggs will be granted by the Supreme Court. Even if permission is granted, it is not definite that an appeal from the compensator market will be pursued, but by then the direction of travel may lead to a tactical route to the Supreme Court. This may create further uncertainty building on the relative uncertainty generated by the Court of Appeal in respect of how to value tariff plus injury profiles.

Pre-litigated settlement rates

Arguably, such continued uncertainty represents an opportunity for compensators to continue to leverage settlements in the OIC Portal at below judgment damages awards. Although there is a reported uptick in disclosure of delayed medical reports from all routes to market and claimant representatives, the presentation rate remains less than 50% of claims submitted on the platform and considerably less for some law firms. Nevertheless, reports of settlement churn for both whiplash only and tariff plus injury types are encouraging and there has been no surge of small claims track litigation to assess the value of a claim as of yet, but this is a risk event that requires continued monitoring by compensators to understand litigation tolerance as part of the overall process.

Summation

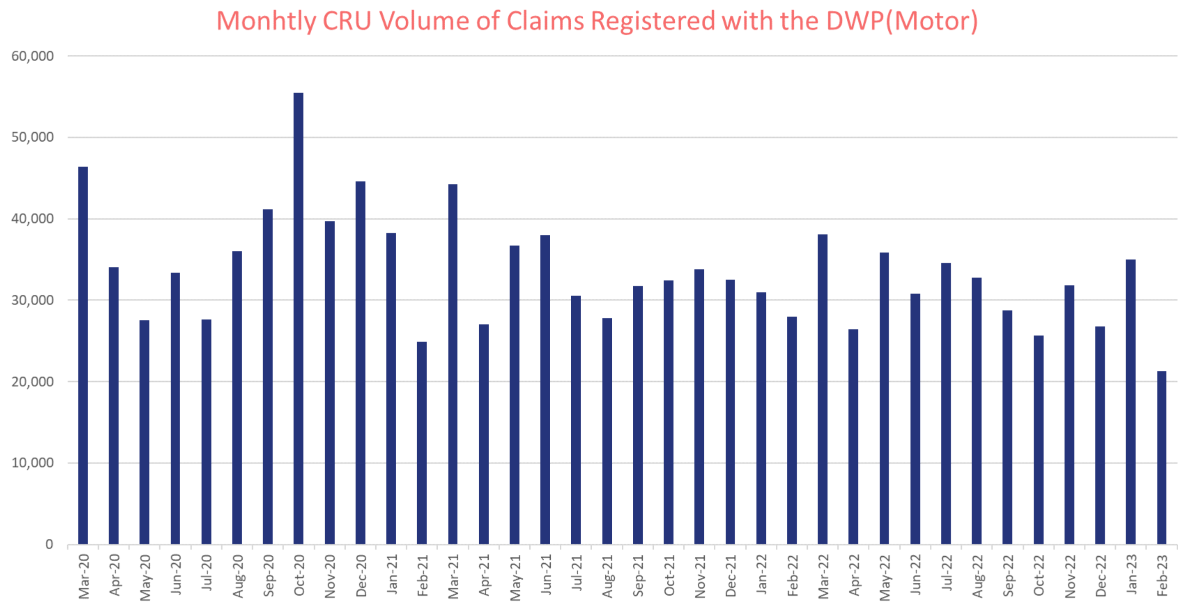
The impact to date of the test cases judgment in Rabot and Briggs has not been so much of a concern as some compensators predicted. With digital valuation tools having been recalibrated by some compensators (but not all), settlement frequency has remained at the very least stable and at best increasingly driven by an uptick in disclosure of delayed medical reports. Injury severity as recorded by medical reports needs to be monitored as well as litigation rates to determine valuation disputes. The proficiency of settlement data will assist compensators in understanding trends and themes for ongoing opponent-based claims handling strategies to manage and control indemnity spend as we continue to move through 2023.

CRU Data

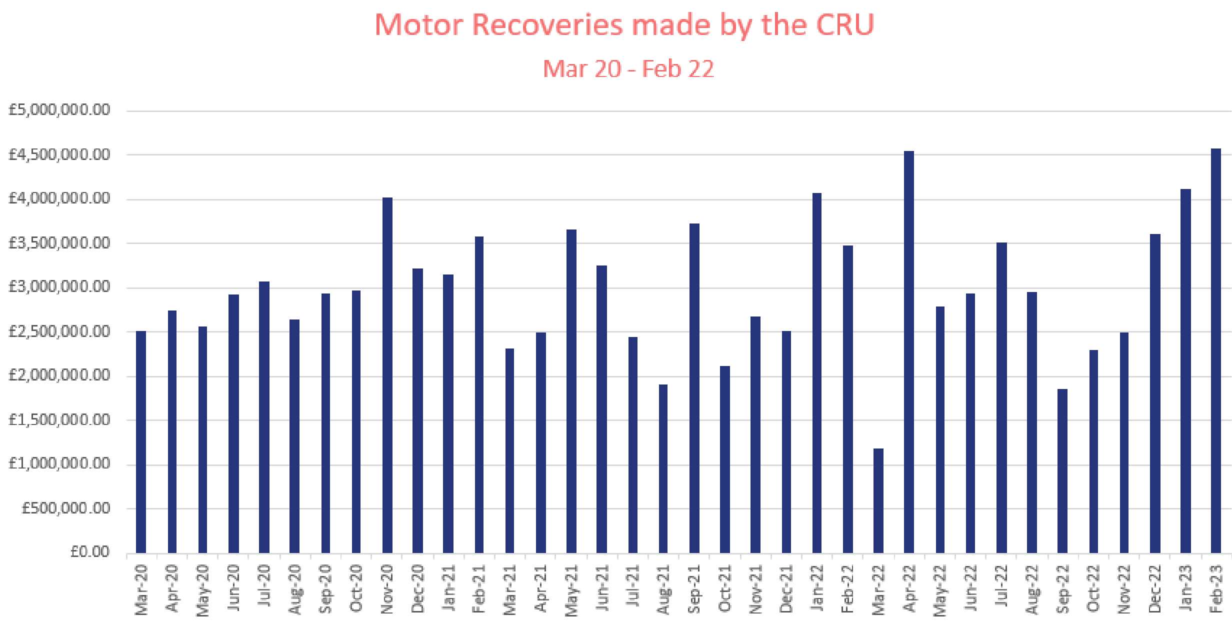
Compensation Recovery Unit performance data – GOV.UK (www.gov.uk)

CRU data has been obtained up to the end of February 2023 with March figures not yet available. The notable monthly fluctuations continue to be seen, which are far greater than in the MedCo and portal data. For January and February 2023, the average volume of monthly claims is 28,162. This is 5% below the average of January and February 2022, 11% below January and February 2021 and 46% below the average of January to February 2020.

The average for this year so far is 9% below the average of the total 2022 data, 15% below the 2021 data and 32% below the 2020 data.



The motor recoveries data continues to show quite a bit of turbulence throughout 2022 and into 2023. The average for January and February 2023 is above the average for the same time in 2022, up 13% to around £4.3 million. This average should be taken as cautionary for a yearly forecast though, due to the turbulence of the monthly data. The average for January to February 2022 was around £3.8m yet for the whole of 2022, the average was around £2.9m, a decrease of 21%.

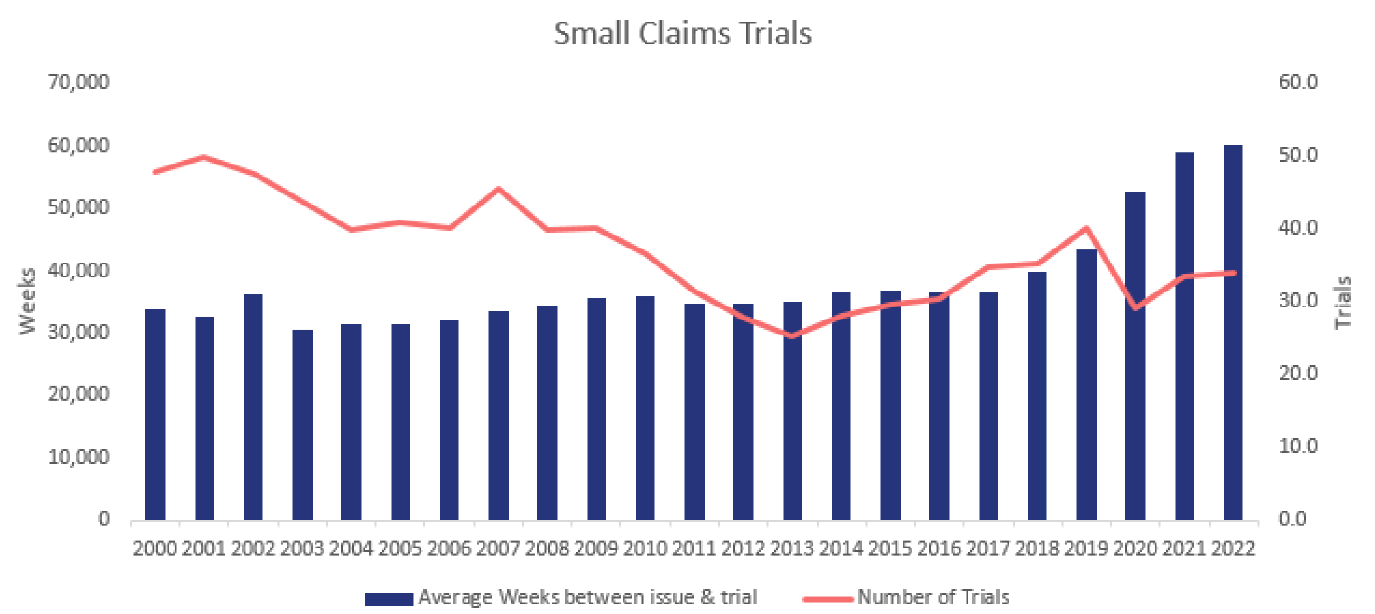


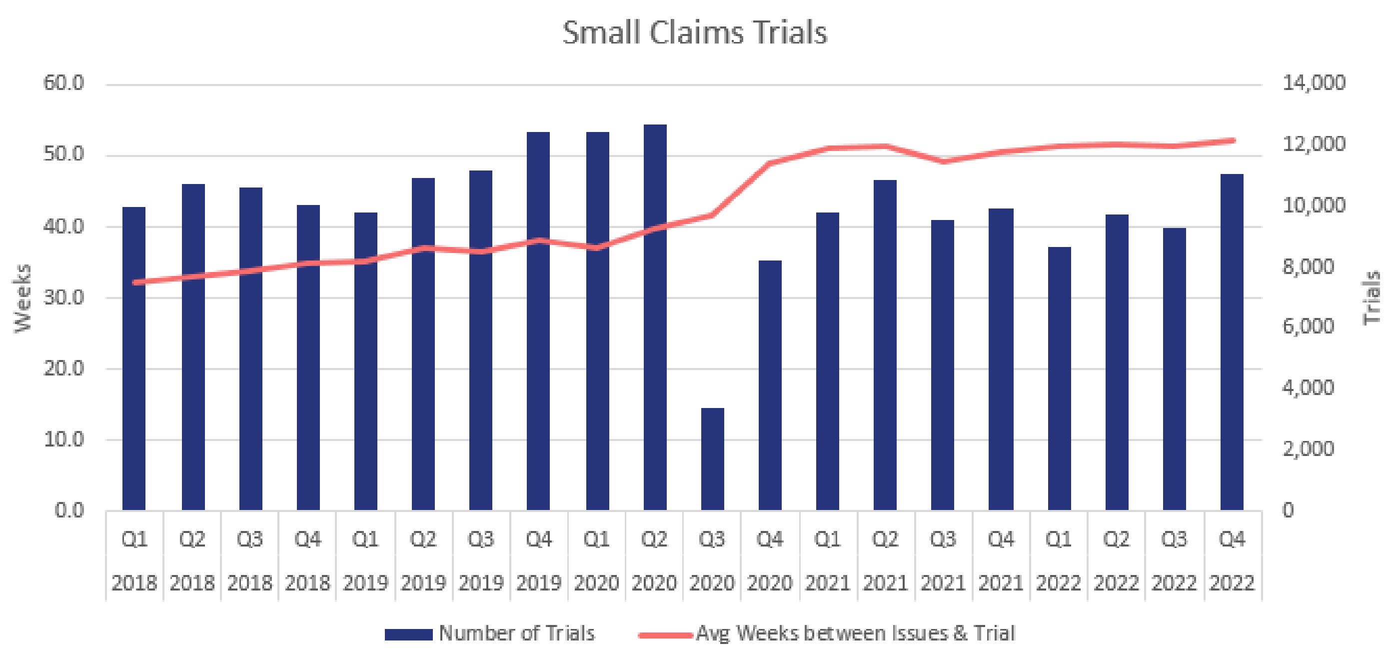
Court Data (HMCTS)

Civil Justice Statistics Q3 2022 – Published 2 March 2023

With the recent Court of Appeal ruling on mixed tariff cases, it is likely that more mixed tariff claims will progress through the process, including reaching a point of litigation. As a result we may well see increased pressure on the courts, especially those on the small claims track.

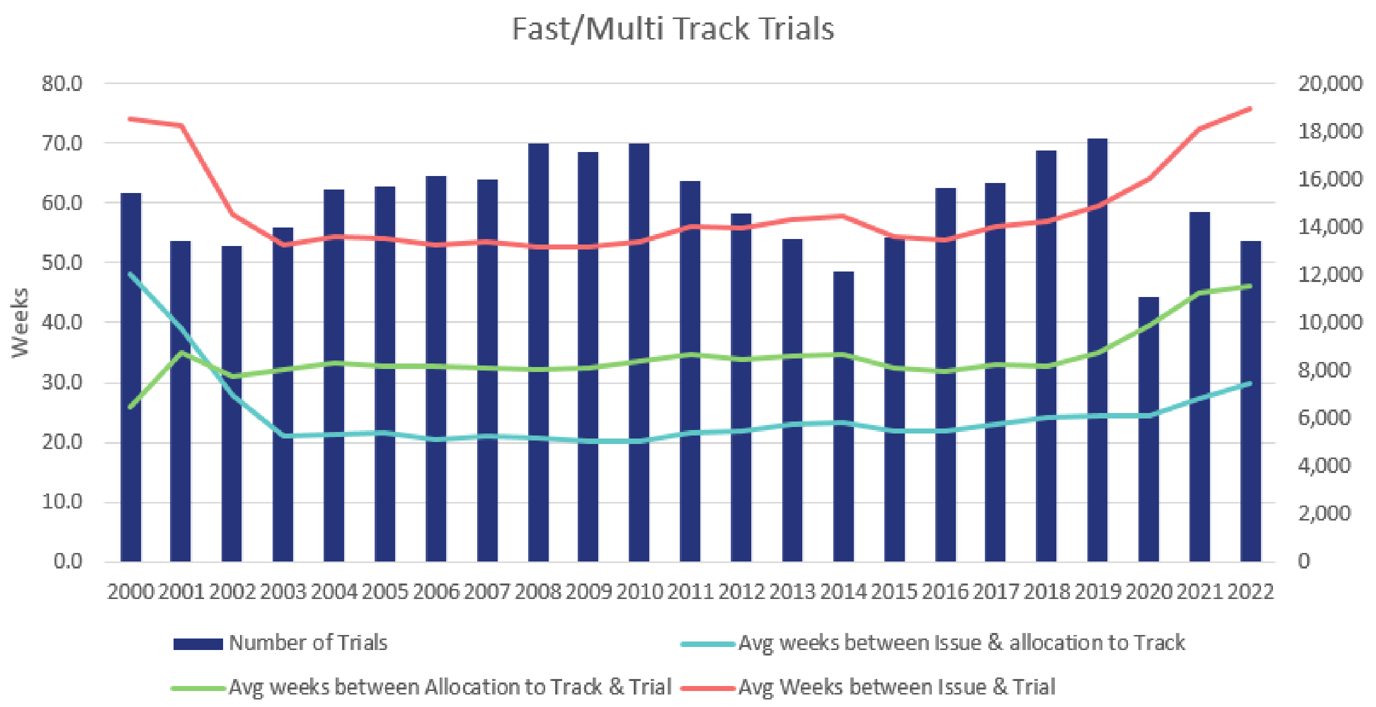
The pressure on the courts following the pandemic was discussed in the last few reports, with 2022 trials taking an average 1.6 weeks longer than in 2021, and a massive 14.4 weeks longer than in 2019. While there were some small changes, the average number of weeks in each quarter of 2022 was fairly consistent, at around 51.5 weeks).

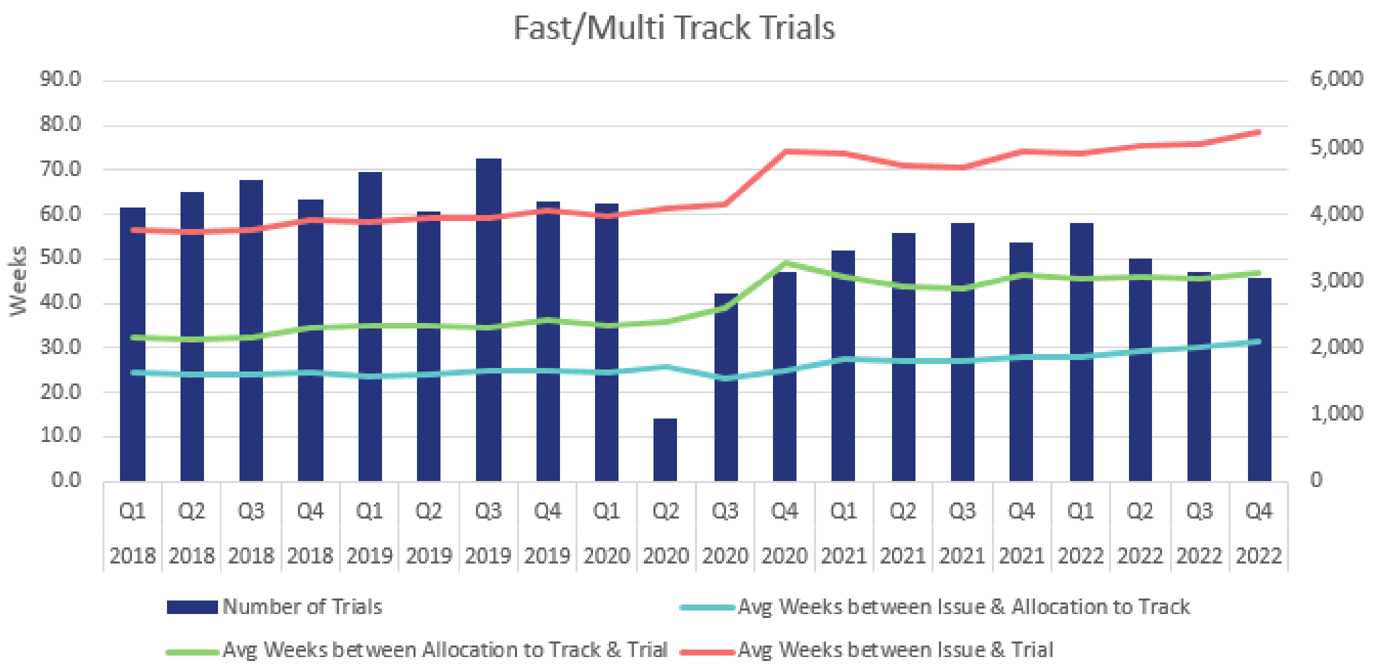




The delays with fast/multi-track claims are also showing no sign of relenting, with the average time between issue and trial remaining throughout 2022 being just short of 18 months (75.9 weeks). This is up dramatically since 2019 where it was only 59.4 weeks) and is now almost two weeks longer than it was at its previous worst – in 2000.

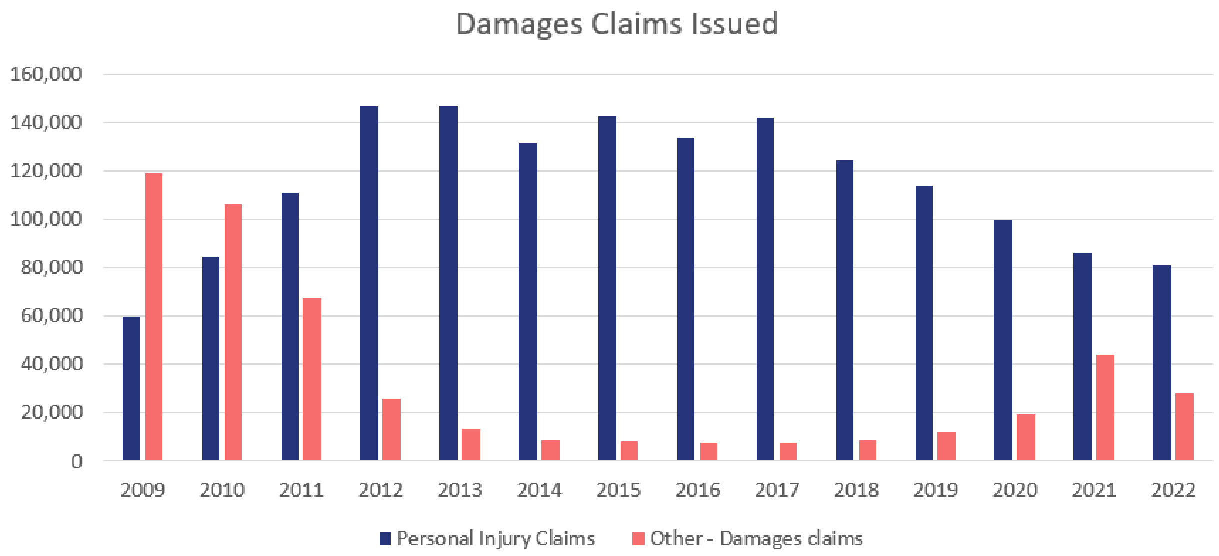
The number of trials in 2022 (with provisional figures for Q4) is 53,154, which is 17.9% down on the number in 2019 (64,754).

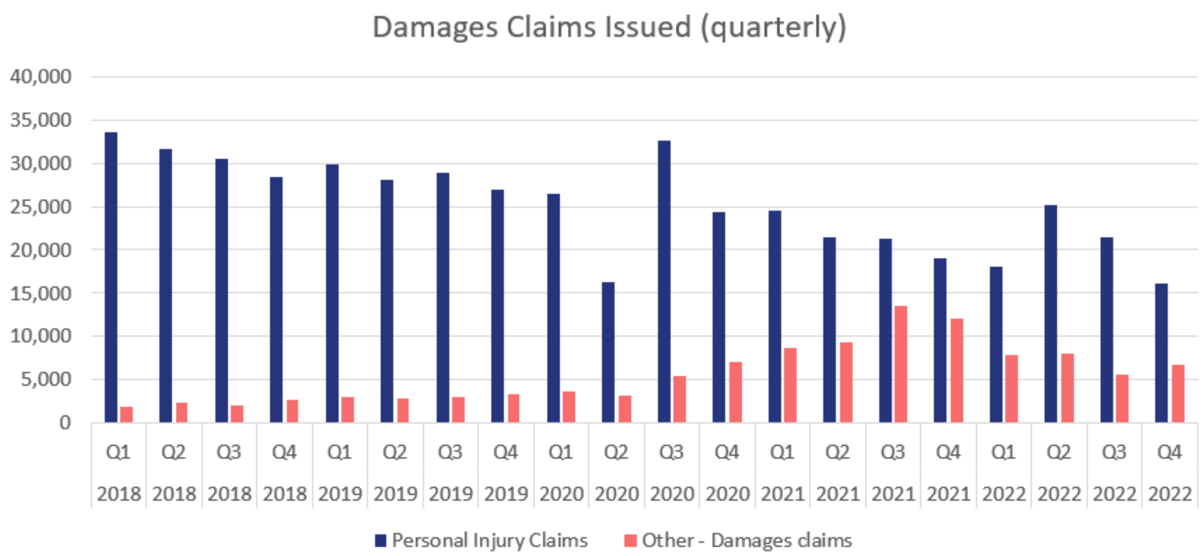




Of note, the report highlights that there were some measures put in place during the pandemic, including increased use of small claims mediation and early neutral evaluation (where a judge will try to engineer agreement without any finding on the fact) in an attempt to ease court backlogs. When used, these claims become excluded from the above figures. However, the claims that remained will likely include a disproportionate amount of the more complex cases which weren't suited to these approaches to resolution and, given they typically take longer to dispose of, may be slightly skewing the figures

Breaking the data down further, we can see that personal injury claims have fallen steadily since 2017, with a total of 80,840 claims being issued in 2022. This is a 6.42% decrease on 2021 and a 28.8% decrease on 2019. Although there was a rise in Q2 2022 when compared to Q1 2022, there was then a decrease in Q2 and Q3, as shown in the second graph below.





- There were 56,000 claims defended (down 18%) and 13,000 claims that went to trial in October to December 2022 (up 3%) compared to the same quarter in 2021. Compared to the pre-Covid baseline, claims defended were down 23% and claims that went to trial were down 24%.
- Judgments were stable (at 214,000) in October to December 2022, compared to the same period in 2021; with 91% of these being default judgments. Compared to the same period in 2019, judgments were down 32%, 88% of which were default judgments.

Overall, data indicates that court backlogs remain an issue with the timescales of progressing to trial not yet showing signs of improving. This will prove particularly relevant following the Court of Appeal judgment which is likely to see the claims currently in a holding pattern within the OIC Portal start to progress.

The introduction and subsequent expansion of the Damages Claim Portal in terms of its functionality and procedural steps for litigated claims is intended to streamline the process through the parties representatives engaging on the digital platform, but has yet to significantly affect court backlogs and waiting times for final hearings. The platform has experienced friction in respect of its intended functionality. One positive step with the Damages Claim Portal is the recent introduction of Standard Directions Orders including allocation to track representing an enhancement that will significantly reduce the wait by parties for their case to be reviewed and allocated. For litigants in person the reduction is from 24.8 weeks to 9.4 weeks and if the same is mirrored for represented parties it will represent shorter procedural lifespans for represented claimants as well

Summary

- Private vehicle usage remains below the levels immediately prior to the pandemic, influenced by hybrid working and a desire for some to cut back on non-essential journeys to ease pressures on finances. That said, congestion patterns around the commute have re-established, albeit Monday remains comparably quieter and Fridays show the afternoon peak soften as congestion is comparably less, but over an extended period. However, the metro areas of London and Manchester both show continued movement throughout the day, perhaps indicative of some of that flexibility offered from hybrid working.

- Age-related trends are becoming apparent in mobility, with the cost of living related reduction in non-essential journeys a trend more typically seen within the 50–69 age category – but at the same time it is that age category that is more likely to use private vehicles as a mode of transport to work, while the 30–49 age category is most likely to utilise working from home options.

- LCV and HGV usages continue to track above the pre-pandemic baseline, though there are signs of reduction in the use of all vehicle types at weekends – perhaps an indicator of the cost of living crisis and the desire to reduce non-essential journeys for consumers and a reduction in demand for businesses impacting the need for weekend-based deliveries.

- Use of public transport is slowly creeping back up, but the return to such modes of transport may continue to be hindered by ever rising prices in the current climate. Instead we may be seeing a return to cycling which, having initially declined following the pandemic boost, has through 2022 shown signs of being again a favoured means of transport.

- Despite some reductions in motor fuel prices (down approximately 43p for petrol per litre and 30p for diesel since the July 2022 highs), high inflation rates continue, driven by factors including rising prices in restaurants and cafes, food and clothing, and, as such, pressures on finances remain ever present. Consumers are borrowing more money, more so via credit cards and saving less. It follows that these reasons in combination may be driving reports of reducing non-essential car travel – it is simply too expensive to go out for some.

- Challenges across the business sector remain. Despite supply chain issues showing signs of improving, there are challenges across the labour force, for ongoing vacancies, industrial action and the cost of labour itself. In conjunction with the energy prices and prices of raw materials, businesses are facing passing the costs onto the consumer, with the 'wholesale retail trade, repair of motor vehicles and motorcycles' continuing to be among the worst hit. Overall, there has been a 40% rise in cost of vehicle repairs in last five years, and absorbing rising costs cannot go on forever.

- The new vehicle market is starting to show a slow bounce back after the trials and tribulations of the last two years, though we remain some way off pre-pandemic levels. The car market continues to show the fall in diesel car sales in favour of electric vehicles, typically hybrid (though petrol remains the fuel of choice). While the electric market is picking up for light commercial vehicles, here diesel remains the fuel of choice. It is anticipated, however, that the new UK electric vehicle plant will increase the availability of electric LCVs.

- The used car market has seen sales falling, a knock-on effect from the issues in the new car sales market from the last year. That said, the cost of living crisis may halt this trend a little, as the affordability of new cars is questioned (despite the average cost of a used car being at record highs).

- While the move towards electric vehicles continues, the electric vehicle industry has a number of challenges to resolve. The production and disposal of batteries aren't necessarily consistent with the green aim of a move to such vehicles, while an inability to repair batteries in many cases is leading to vehicles being prematurely written off – impacting further the green credentials, but also proving to be a costly affair.

- The role of technology in vehicles is also a common theme. As vehicles increasingly become 'computers on wheels', repairs require increasingly specialised skills with vacancies high – availability and, therefore, the cost of that resource is driving rises in the cost of repairs. However, that is offset by inevitable gains that the technology provides. Reduced instances of accidents are apparent through the road casualty data, and alongside the reduced claims reported from a variety of datasets the correlation to increased driver safety technology cannot be ignored.

- On the subject of claims, it is fair to say that we have reached a period of stability on private car claim frequency and injury claims. However, data suggest increased frequency from motorcycle claims both through the ABI and police road traffic incident data, a trend of note despite being a minority group due to the users/casualties being vulnerable road users.

- The rising cost of claims continues driven particularly by bodily injury and theft claims, according to the ABI data, with the former on current trajectory likely to reach on average £16,000 by the end of 2023. Inevitably this is being passed on through rising premium prices, which for new policies is now at record highs.

- In relation to the claims portals, a small increase in the proportion of unrepresented claimants is noted alongside claims requesting exceptional uplift for both injury and circumstances. Mixed tariff claims continue to dominate, and while whiplash plus minor psych and one other injury remains most common, an increase is noted in multiple injuries in the most recent months. The timing in relation to the Court of Appeal judgment poses the question as to whether a possible way to increase claim value is through layering of multiple injuries?

- Prognosis for tariff-related injuries has stabilised in the most recent data, with the 3–6 month category remaining the most common. However, the increased likelihood of a longer prognosis when psychological injuries are present that was noted in the last report remain. Interestingly, we are continuing to see increased selections of physiotherapists in MedCo, which are seemingly now the favoured option, though unrepresented claimants are most likely to keep with what may appear the more obvious GP choice.

- General damages for claims across both the MOJ and OIC portals continue to rise, with MOJ general damages creeping up towards the £5,500 figure. While an equivalent general damages view is not available from the OIC Portal we are continuing to see inflation, particularly as would be expected from the non-tariffed injuries, with the rate of inflation now higher for unrepresented claimants.

- Court exits from the OIC Portal continue to rise, though the court small claims track backlog so far has not shown signs of any severe worsening. Other reasons for portal exits are also showing movement, especially within the exit reason classified as 'Additional' – while this classification includes court exits (known to be rising) it may also include for example, exits as a result of a dispute that the incident caused the injury, which may be rising as medical reports continue to be disclosed.

- Overall, while 65% of all claims submitted into the OIC Portal remain open, the proportion is falling as claims within increasing volumes start to progress through the process.

- Finally, delays within the courts are continuing, especially in fast/multi track claims. The introduction and subsequent expansion of the Damages Claim Portal in terms of its functionality and procedural steps for litigated claims is intended to streamline the process through the parties' representatives engaging on the digital platform, but it has yet to significantly affect court backlogs and waiting times for final hearings.

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Get in touch

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