UK Commercial Motor Insurance: Market Dynamics and Opportunities

Description: Summary

The commercial motor insurance market grew slightly in 2015. This is a result of economic growth which has increased business prosperity and therefore the investment in commercial vehicles to support business expansion. The market remains at a COR of just under 100%; however, this has been strengthened by reserve releases.

Without releases the market would be unprofitable, as insurers have been unable to keep rates in line with claims inflation. Rates have seen an increase due to a 3.5% rise in IPT in November 2015; however, excluding tax, rates have remained flat due to intensifying market competition.

With the market in unprofitable territory it is therefore expected that rates will begin to harden over the next few years until government reforms are introduced, which may cause a lowering of claims costs. Claims cost fell initially when LASPO was implemented back in 2013, but the claims environment has now stabilized with some insurers reporting rises as the market has adjusted to the legislation.

The commercial motor parc has continued to increase in 2015 with LGVs and company cars driving the majority of growth. However, with the UK's vote to leave the EU it is expected that growth of the motor parc will slow as businesses have less confidence and money to invest in new commercial vehicles until the economy begins to recover. While reforms will provide instant benefits upon implementation, telematics and driverless technology will help to reduce the frequency and severity of claims in the longer term.

Key Findings

- GWP for the commercial motor insurance market grew by 1.0% to £3.99bn in 2015.
- The COR rose by 1.6pp to 99.9% in 2015 but was strengthened by £101.9m in reserve releases.
- The commercial motor parc enjoyed another year of growth. In 2015 the total commercial motor parc grew by 3.8% to 7.6 million vehicles.
- The claims environment has begun to stabilize with some insurers reporting slight increases since the market has adjusted to LASPO.

Synopsis

UK Commercial Motor Insurance: Market Dynamics and Opportunities report provides an in-depth analysis of the UK commercial motor insurance market. It looks at market size and performance ratios as well as changes in premiums, claims, road casualties, regulations, and opportunities. It provides a thorough overview of the market along with future forecasts.

Reasons To Buy

- Benchmark yourself against the rest of the market. Ensure you remain competitive as new innovations and insurance models begin to enter the market.
- Be prepared for how regulation will impact the commercial motor insurance market over the next few years.

Contents:

1. Executive Summary
   - Future growth will be dependent on new reforms and economic growth
   - Key findings
   - Critical success factors
2. Market Dynamics
- Introduction
- Commercial motor GWP grew slightly in 2015
- The total motor insurance market grew by 3.3% in 2015
- The commercial motor insurance market grew by 1.0% to £3.99bn in 2015
- Commercial fleet dominates the market and is the driver of GWP growth
- Fleet insurance is gaining share of the commercial motor insurance market
- Lloyd's of London accounts for 9.7% of the commercial motor market
- Commercial motor COR is below 100% but has been strengthened by reserve releases
- The COR for commercial motor insurance remained just below 100% in 2015
- Fluctuations in the loss ratio as a result of LASPO have influenced the COR over recent years
- Without reserve releases the COR would have risen above 100% in 2015
- Commercial motor insurance premiums remained flat over 2015
- Market competition prevented premiums from rising in 2015
- Fluctuations in commercial premiums are softer compared to private motor
- Premium rates will have to increase if the market is to remain profitable
- Claims are beginning to stabilize
- LASPO initially benefitted the commercial motor insurance market
- The ABI reports a rise in the number of commercial claims notified in 2015
- Whiplash claims account for up to 80% of motor personal injury claims numbers
- Fraud remains a significant issue in the commercial motor insurance market
- The number of road traffic accident casualties will continue to fall
- The number of car, motorcycle, and pedestrian RTA casualties is falling
- Larger commercial vehicles are colliding with pedal cyclists
- The UK commercial motor parc has continued to grow
- The commercial motor parc has grown in line with a strengthening UK economy
- Growth has come from LGVs and company cars
- The number of newly licensed commercial vehicles rose in 2015
- The majority of commercial vehicles are licensed in the South East
- Road usage reached a five-year high as a result of a growing motor parc and cheaper fuel

3. The Market Going Forward
- Growth of the commercial motor market will depend on rate increases
- The future of the commercial motor insurance market is uncertain
- The dynamics of growth for the commercial motor insurance market will shift in 2017
- The economy will dictate growth of the commercial motor parc
- Rates may rise in response to claims inflation but may then fall due to new government reforms
- IPT will rise to 10% in October 2016
- The government is making a second attempt at reforms with new legislation
- The benefits of LASPO did not fully materialize
- Government reforms are estimated to save motor insurers £1bn a year
- The personal injury small claims track limit is proposed to increase from £1,000 to £5,000
- The government proposes to end cash compensation for minor soft-tissue injuries
- MedCo will strengthen as initial reports find MROs playing the system
- New regulation seeks to tackle nuisance calls as a result of the failed referral fee ban
- Regulation of CMCs will be passed from the Ministry of Justice to the FCA
- The success of reforms will be dependent on how the market responds
- Telematics and driverless cars will reduce claims costs in the longer term
- Telematics and safety features are already popular in the commercial market
- Telematics and connected vehicles have business benefits outside of insurance
- Larger commercial vehicles will see the greatest benefit from safety features
- Telematics policies are predicted to reach an “opt-out” model for cars by 2025
- The government has announced a new bill to support the development of driverless cars
- Connected vehicles will uncover exaggerated and fraudulent claims

4. Appendix
- Abbreviations and acronyms
- Definitions
- Commission expenses
- COR
- Gross premium
- Reserve development
- Written premiums
- Product definitions
- Methodology
- Primary and secondary research
- GWP forecast
- Bibliography
- Further reading
- About the Author
- Disclaimer

List of Tables

Table 1: UK motor insurance market GWP (£m), 2011-15
Table 2: Commercial motor insurance market GWP (£m), 2011-15
Table 3: Commercial motor insurance GWP by line (£m), 2011-15
Table 4: Share of commercial motor insurance GWP by line (%), 2011-15
Table 5: Commercial motor insurance reported-year COR (%), 2011-15
Table 6: Commercial motor insurance loss ratio and expense ratios (%), 2011-15
Table 7: Reserve development (£m) and COR (%), 2011-15
Table 8: Gross claims paid and incurred (£m), 2011-15
Table 9: Exposure, total number of claims notified, and claims frequency (%), 2011-15
Table 10: Number of motor personal injury claims recorded and settled, 2010-16
Table 11: The severity of RTA casualties in Great Britain (000s), 2005-14
Table 12: RTA casualties in Great Britain by road user type, 2005-14
Table 13: Total number of licensed commercial vehicles and GDP, 2011-15
Table 14: Licensed vehicles by body type (000s), 2011-15
Table 15: New commercial vehicle registrations by body type (000s), 2011-15
Table 16: Share of licensed commercial vehicles in Great Britain by region (%), 2015
Table 17: Road traffic (billion vehicle miles) and average petrol price (pence per liter), 2011-15
Table 18: Road traffic usage by vehicle type (billion vehicle miles), 2011-15
Table 20: Forecast of commercial motor insurance market GWP (£m), 2011-20f
Table 20: Forecasted annual GDP percentage growth (%), 2011-15

List of Figures

Figure 1: The private and commercial motor insurance markets are in growth year-on-year
Figure 2: Growth of the commercial motor market has been facilitated by economic growth
Figure 3: Commercial fleet is growing, while non-fleet is falling in GWP
Figure 4: Fleet insurance held 59.1% of the commercial motor insurance market in 2015
Figure 5: Commercial motor COR rose by 1.6pp but remained below 100% in 2015
Figure 6: The loss ratio has increased by 1.2pp as a result of stabilizing claims since LASPO
Figure 7: Reserve releases increased over five-fold in 2015
Figure 8: The annual rate of decline of gross claims incurred is slowing
Figure 9: The ABI has reported the total number of claims to have risen to above 2013 levels
Figure 10: Claims recorded increased for the first time since 2011-12
Figure 11: The number of RTA casualties has been in long-term decline
Figure 12: A reduction in RTA car occupant casualties is driving the fall in total casualties
Figure 13: The number of licensed commercial vehicles has increased with economic growth
Figure 14: Company cars and LGVs have fueled the expansion of the UK commercial motor parc
Figure 15: Company cars and LGVs account for the majority of new commercial vehicle registrations
Figure 16: The South East has the largest share of licensed commercial vehicles
Figure 17: Road traffic usage has risen as fuel prices have fallen
Figure 18: The future of the commercial motor insurance market is uncertain
Figure 19: Economic growth will slow in 2017 following Brexit but will then begin to recover

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