



Claims Inflation

The marked increase in the cost of living has been widely reported; we've seen it, and probably felt it too. Higher energy prices, fuel increases, supply chain delays, and transportation costs have all pushed up prices. This is echoed by the Office of National Statistics, which reports that the Consumer Price Index is at its highest since 2008 and has dramatically risen by 7% in the last 12 months to March 2022.

This negatively resonates within the insurance industry and has a detrimental impact on the claims process. Below is some guidance on why this is the case.

SUPPLY CHAIN DISRUPTION

MOTOR CLAIMS

Delays to vehicle supply chains, specifically semiconductor computer chips, means that when cars are involved in accidents the wait time - and therefore cost to repair - is dramatically increased. Repairs are delayed and new vehicle production is also stunted. This affects commercial vehicles as well as private vehicles. Wait times - if the vehicle has been written off - are increased, with a knock-on effect for hire car duration periods. Fewer hire vehicles, required for longer periods of time, ultimately increases the cost of claims.

The fuel shortages seen at the end of 2021 also resulted in an increase in the cost of fuel.

CONSTRUCTION & PROPERTY

Sourcing raw materials has led to increased costs in property claims. Sedgwick's Repair Specific Index (IRSI) highlights lead times of 12 weeks for roofing products and 15-20 week lead times for UPVC doors and windows. Manufacturers warn of 2022 price increases to concrete (5%), wallpaper (9%), and wall tiles (32%) to name just a few, and the Federation of Master Builders has reported 74% of respondents have increased prices to clients. These factors slow progress and increase claims costs.

An increase in building supplies could lead to underinsurance. RebuildCostASSESSMENT.Com have reported that on average, buildings are covered for just 68% of the amount they should be. If you are underinsured, you are not adequately insured if you need to make a claim.

From a commercial insurance perspective, it is keeping businesses out of action for longer. Clients need to consider a robust business continuity strategy to help them battle these factors. Coupled with Business Interruption insurance, they can offer some peace of mind to these uncertainties.

BREXIT

LABOUR SHORTAGES

Owing to Brexit, the UK has seen a reduction in the number of HGV drivers and skilled construction workforces. This impacts on the claim process as 'getting the job done' becomes increasingly hard and delays are common.

Having a workforce which is not entirely familiar with the systems and processes involved - especially when dealing with heavy machinery - or which is unfamiliar with vehicles and driving routes can also drive up the number of claims.

COVID-19

TRAVEL

As we reassessed the way that we work and how we travel, since the pandemic, claims for residential properties have decreased for incidents of flood and theft. However, there has been a rise in commercial vehicle claims owing to the increase in road traffic of these vehicles.

WORKPLACE

The pandemic has meant many workplace adaptations to comply with Covid-19 risk assessments; for example, through changing the layout of the workspace or social distancing measures. This can lead to liability-related claims as employees navigate their new way of working.

The above factors have led to a longer claims lifecycle which ultimately drives up the costs of claims. Our multi-awarding claims team are on hand to discuss in more detail about how your claim journey could be affected by these issues.