

Claims inflation: What's driving up the cost of claims?

Over the last 12 months we've all seen a rise in the cost of living as the Consumer Price Index (CPI) has increased.

A number of factors have led to this increase including higher energy prices and the costs of transport-related factors such as fuel¹. Strong global demand, supply chain issues and shipping costs have also added to price pressures.

Here we look at how these factors are influencing the claims trends we're seeing and the impact on claims costs as a result.





Supply chain disruption

What's driving claims costs?

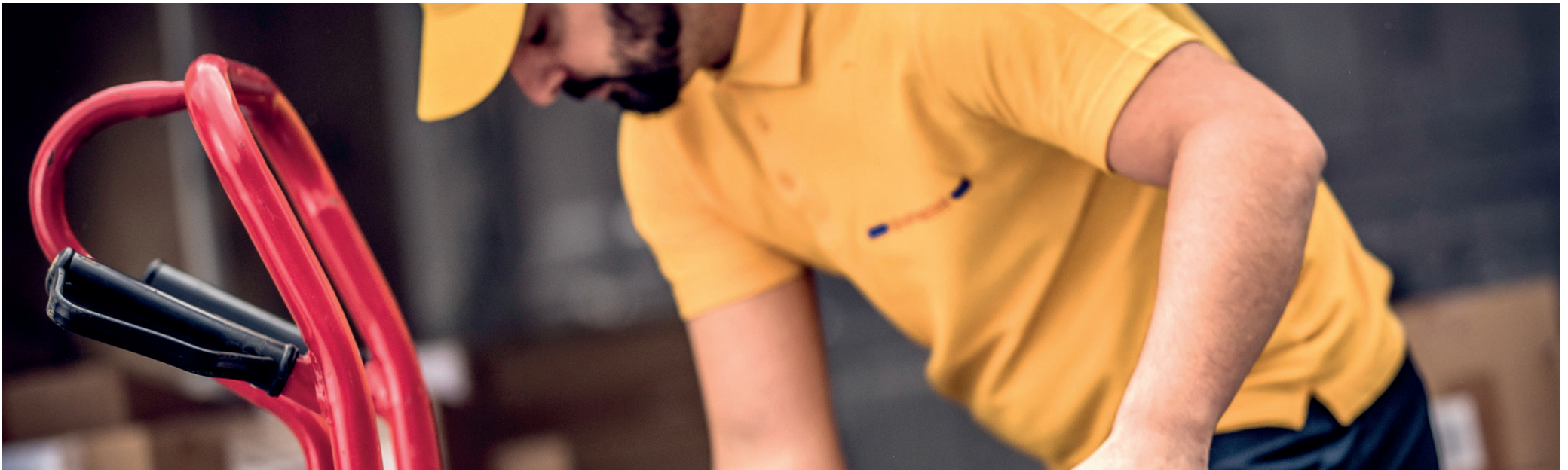
- A global shortage of microchips¹ continues to affect new car production, resulting in some customers switching to the second-hand car market
- The lack of availability of vehicle parts and paint has led to extended repair times. This has impacted hire car duration period
- A shortage of hire vehicles has also led to an increase in hire rates
- The construction industry has experienced issues in sourcing raw materials and labour which has led to increased costs for property claims



Vehicle technology

What's driving claims costs?

- Sales of electric vehicles reached an all-time high in 2022 in the UK despite supply chain disruption²
- Cars are becoming more technologically advanced with sophisticated parts that can be expensive to replace and not easily repaired. As a consequence, more cars are being declared a total loss
- A specialised workforce is required to work on these vehicles which is driving up labour costs
- Catalytic converter theft is still an issue due to the desirability of their components



¹Consumer price inflation, UK – Office for National Statistics, Nov 2022. ²Quick off the spark: electric vehicle sales continue to soar in green revolution, gov.uk, May 2022.
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Fraud

What's driving claims costs?

- Fraud trends and volumes are products of various impact factors.
- Economic pressures are a driver for some people to commit fraud and rationalise their offending.
- As we have emerged from lockdown there has been correlation between a rise in the cost of living and the number of fraudulent claims detected across PL and CL business. The overall increase year to date (Q2 2023) stands at 13%.
- Since the beginning of 2022, Aviva has invested heavily in its counter fraud capability including advanced analytics and has more than doubled the number of dedicated fraud investigators.
- These changes have contributed to the increase in detections and associated fraud savings.³
- It is acknowledged the industry must be alive to the threat posed by the current economic climate, but the impact of fraud on Aviva claims costs continues to be mitigated by the effective counter measures we deploy.



Climate change

What's driving claims costs?


- There has been an increase in extreme weather events globally⁴
- The UK is experiencing the impact of these more extreme and frequent events, for example, 2022 was England's joint hottest summer on record⁵
- Hotter and drier weather over the summer months increases the risk of fire and subsidence claims⁶
- Three named storms, Dudley, Eunice and Franklin affected the UK within the space of a week in February 2022
- The UK experienced a prolonged spell of low temperatures accompanied by snowfall in December 2022 as an Arctic Maritime airmass brought hard frosts, with daytime temperatures struggling to rise above freezing⁷
- The Net Zero ambition of the future will see investment in 'green technologies'⁸ e.g. electric vehicles/infrastructure which could lead to increased costs due to the need for more sophisticated materials and labour

How can you help?

- Letting us know about a claims incident as soon as possible, with detailed useful information, gives us the opportunity to control costs where we can
- You can report claims through a number of channels, including the use of online facilities
- You can contact our claims teams using Live Chat to reduce time spent on the phone
- Providing thorough information and access to the right people allows us to act quickly following an incident
- Claims can be settled more quickly if video evidence is obtained e.g. Dashcam or [CCTV footage](#)
- This [video](#) demonstrates the impact that delayed notification of a claim can have on the overall cost

³Aviva Fraud Figures 2022. ⁴Effects of climate change, MetOffice, 2020. ⁵Joint hottest summer on record for England, Met Office 2022. ⁶Fire claims soar to £1.2m due to UK heatwave – Insurance Times article, August 2022.

⁷Prolonged spell of low temperatures, December 2022, Met Office 2022. ⁸UK's path to net zero set out in landmark strategy, BEIS, October 2021. All government sources contain public sector information licensed under the Open Government Licence v3.0



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