



404

Page Not Found

We're sorry, the page you requested could not be found
Please go back to the homepage

EV Figures Don't Tell The Full Tale

[GO HOME](#)

On the face of it, the trajectory of electric vehicle (EV) adoption in the UK is only a positive sign. According to the Society of Motor Manufacturers and Traders, new EV sales increased to 314,687 units in 2023, which is more than the total sold in 2021 and 2022 combined.

Meanwhile, in the LCV segment, EV sales jumped 21% in 2022. Even used EVs performed strongly, seeing overall sales more than doubling from 2022 to 2023.

There are now more than a million EVs on UK roads, and with the UK Government introducing the ZEV Mandate (which requires manufacturers to increase the proportion of EVs sold every year until they make up 100% of car sales by 2035), there seems to be little sitting in the way of the electric tide.

However, those numbers don't tell the full story.

EV sales actually fell significantly in both November and December last year, by 29% and 34% respectively, while more than two thirds of dealers surveyed by the National Franchised Dealers Association said they expected EV sales to continue falling this year.

CHALLENGES

This comes as motor insurers face a tsunami of inflationary challenges.

According to the Association of British Insurers, the cost of courtesy cars rose 47% in 12 months, while average repair costs were up 32% during the same period. On top of that, material costs were up 16% and labour costs jumped 15%.

The ABI also reported that motor insurers paid out more than £2.5bn in claims in the third quarter of last year, a spike of more than 21% compared to the same period the year before.

As a result, average car insurance premiums rose by £366 to £995 in the last 12 months, according to the Confused.com Car Insurance Price Index, which is produced in association with WTW.

Tim Rourke, UK Head of P&C Pricing, Product, Claims and Underwriting at WTW, said, "The cost of car insurance spiralled in 2023, primarily due to the soaring price of used cars. Insurers have also had to pass on the rising cost of spare parts and materials, more expensive repairs as cars become more sophisticated, labour shortages, extended vehicle loan times, and a spike in personal injury claims."

COSTS

For EVs, these increases have been even more severe. Gecko Risk, which is partnering with Activate Group to deliver deep insights in EVs, reported that average repair costs for electric models rose above £3,000 last year, with labour costs escalating to £628 and repair times expanding to 27 days.

Meanwhile, research carried out by Solera found that average EV repair costs were 29% higher than their ICE equivalents, with the cost of EV parts coming in 48% higher. This was based on 92,000 repair estimates between January 2021 and August 2023.

These costs have been passed down to policyholders, with research from insurance broker Howden Group finding that average EV premiums soared by 50% to £1,344 last year, more than double that for petrol cars.

Faced with such pressures, some insurers have decided that the motor market is virtually unviable.

Last spring, RSA announced it was exiting the personal lines motor market, with Swinton Insurance taking over its £120m annual premium. Meanwhile, Vitality - a subsidiary of multinational financial services organisation Discovery Limited - cited 'unprecedented inflation' when it said it would no longer provide motor insurance back in September.

However, with more than a million EVs now on UK roads, a slowdown in uptake among car buyers will not make the existing concerns disappear. However, we will almost definitely see the industry adapt and evolve to ensure it is ready for the future. EY predicted a number of 'marked challenges' to the EV transition, not least because of the disparity between the introduction of the ZEV Mandate, question marks around the residual value of EVs, and the delay to the ICE vehicles sales ban - rising from 2030 to 2035.



I Love Claims

