Motor insurance premiums shake-up – or possibly not?

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Motor insurance premiums – inevitably high due to increased costs generally today, or are there other reasons that are not always appreciated?

New report sends mixed messages on cheaper motor insurance – by Dave Moss

Shortly before Christmas, the Government unveiled its snappily entitled “Final report of the cross-government taskforce on motor insurance”, following a commitment soon after it took office to tackle the “soaring cost of motor insurance” under its “plan for change”. This is certainly a perennial topic for drivers, who will surely not be too surprised to learn from the report that motor insurance firms set premium prices to pay for all claims received – and still make a profit.

Claim numbers and their value are inevitably the principal driving force behind insurance premium pricing, but drivers will know there’s more to next year’s renewal cost than that, with aspects such as vehicle type and performance, driver age, claims history and residential location typical influencing factors. Amongst many other costs – borne by all drivers – are courtesy vehicles, theft – and fraud. The Motor Insurers’ Bureau (MIB) also compensates victims involving uninsured or untraced drivers, through a motor insurers’ levy – ultimately passed on to customers. These costs rose by around 37% between 2019 and 2024.

An analysis by the Financial Conduct Authority in July 2025 showed that while claims costs rose faster than inflation, from £6.8 billion in 2019 to £9.1 billion in 2023, claims frequency actually fell slightly during that time. But… latest figures from the Association of British insurers (ABI) for Quarter 3 of 2024 indicate that repair costs in that period accounted for £1.9 billion of £3 billion paid in claims. Despite rising costs, the Taskforce still sees the market as competitive, noting widespread “shopping around” for insurance renewals on price comparison websites, and over 100 firms listed with the Motor Insurance Bureau underwriting vehicle insurance in 2024.

Whether any of the consumer costs involved in motor insurance might be restricted or reduced has been under examination by the Taskforce since October 2024. It has consulted a range of regulators and government departments, the Financial Conduct Authority (FCA) and the industry itself through the MIB, the ABI, and the British Insurance Brokers’

Association (BIBA). There has also been dialogue with organisations with a close but not necessarily direct interest, ranging from Compare the Market to Citizens' Advice, and the Society of Motor Manufacturers and Traders. Such breadth of contact reflects the fact that motor vehicle insurance provision in the 21st century is a complex matter, governed by extensive competition rules and consumer protection law.

The Taskforce did find a few areas where rising costs might be trimmed. For example, it acknowledges what drivers and insurers already know only too well: "Potholes are a frustrating and expensive scourge of modern motoring life… and related car repairs impact directly on motor insurance costs", it says, quoting the RAC, which reported that pothole-related breakdowns were up 9% in April to June 2025, compared to 2024. The Taskforce states that £24 billion of capital funding is due from the Government between 2026-27 and 2029-30 to maintain and improve motorways and local roads across the country. What happens in 27-28 isn't mentioned, but in a masterful understatement, it concludes: "Fixing roads and filling potholes will help save drivers the time and cost associated with what is one of the root causes of avoidable vehicle repairs…"

Concern is expressed in numerous other areas, amongst them practices driving up the cost, number and resolution time of claim disputes, and in processes involving vehicle repairs and courtesy cars, which together account for a significant proportion of claims costs. Here, the FCA's July 2025 analysis found that replacement vehicle costs rose by almost 50% from £473 million to £699 million between 2019 and 2023 – raising claims costs by around 10%. On costs incurred while vehicle repairs are progressing, the FCA analysis noted a 36% increase in repair times – and a doubling of the time before repair work began, which the Taskforce identified as adding to insurance costs – because "courtesy" cars stay on hire for correspondingly longer.

On this topic it also noted a growing trend, where credit hire companies provide the replacement vehicle and undertake the repair process themselves, levying – amongst other factors – credit hire charges generally higher than for direct car hire. It also notes that standard policies frequently offer "courtesy cars" not always of similar specifications, and which can require further payments, while credit hire could be incentivised by offering more appealing replacement vehicles – charged to third-party insurers, and thus contributing to increased costs overall.

So far, so good. Two big positives emerge from this report – firstly, enlightening clarification of the complexity of providing cost-effective motor insurance – and secondly, the revelation that much work is already going on in a bid to rein in rising motor insurance premiums – probably largely unbeknown to most motorists.

Trouble is, after almost 15 months of consultation and deliberation, nothing new appears to have been found to unleash useful premium reductions. In a report that appears long on rhetoric and short on informed counsel, neither has the Taskforce made any impactful recommendations, urged quicker, more detailed attention on any topic – or identified innovative cost-cutting ways to implement or improve what it has discovered is already happening.

There are eighteen items in five "themes" in its final "actions" list, which the Taskforce has identified as "crucial to stabilising and reducing premiums", against which it then "sets out the Taskforce's agreed, detailed actions on each." Amongst these eighteen listed items the most forceful word you will find is "encourage". Points have been agreed with consulted organisations, mostly Government departments, essentially confirming things either already under way and sounding hopeful, or expected to bear useful fruit sometime in the medium term future. Sadly, most action points fall into either "they are working on it" or "jam (and money) coming tomorrow" categories. With the Taskforce's work now ended, the government says "it will continue work to deliver against actions in the report…"

Hope still springs eternal on motor insurance premium price reductions – just don't hold your breath.

References

You can read the “Final report of the cross-government taskforce on motor insurance” here:

Click to access motor-insurance-taskforce-final-report.pdf

The FCA ‘Motor Insurance Claims Analysis’, FCA (July 2025) is here: motor-insurance-claims-analysis-multi-firm-review-2025.pdf

The Motor Insurers’ Bureau list of underwriting companies is here:

https://www.mib.org.uk/about-mib/mib-membership/list-of-members/

The RAC release “Pothole breakdowns reach ‘unseasonable high’”, dated August 2025 is here:

state-of-the-roads/rac-second-quarter-pothole-breakdowns-reach-unseasonable-high/

Motor premiums stabilise but cost to insurers mount’, Association of British Insurers (April 2024) – articles/2024/4/motor-premiums-stabilise-but-cost-to-insurers-mount/

The ABI August 2025 report: Motor premiums fall – but repair and theft costs keep revving up claims' is here:

news-articles/2025/7/motor-premiums-fall—but-repair-and-theft-costs-keep-revving-up-claims/

Several other documents of interest concerning aspects of motor insurance are also referenced in the Task Force report.