



MOTOR PREDICTIONS 2025

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of predictions for 2025.



1. The Automated Vehicles Act will drive a number of consultations in 2025

The Automated Vehicles Act 2024 passed into law in May. Full implementation, though, will require passing numerous regulations relating to operator licensing, marketing restrictions, information gathering, investigatory and monitoring powers, policing and adjustments to existing vehicle legislation. Many of these regulations will require consultations, starting with one on the foundational safety principles. Expect the publication of the statement of safety principles consultation in early 2025, with other consultations on regulations relating to authorisation, operator licensing and marketing restrictions to follow. Given the importance of insurers having a voice in how the UK's motor fleet and road network adapt to these new technologies, insurers should be prepared to offer detailed and considered responses to the consultations.

2. Fraud tactics will continue to evolve

We expect to see continued growth in 'exaggerated loss' frauds, across both injury and damage claims. This expansion goes hand in hand with the layering of claim related costs. There remains a small, but significant, cohort of claims companies and associated enablers who are deploying a business model concerned only with maximising cost generation, regardless of legitimacy or claimant need. Furthermore, insurance application fraud is growing significantly, explained in part by the ever increasing ease of access to software used in the creation of shallow-faked documentation, which can be created using basic photo editing platforms such as Photoshop.

3. Focus on hire and repair costs will continue

The costs of vehicle hire and repairs continue to rise beyond the level of inflation. With the Labour government launching its taskforce to look into the cost of motor insurance, these are two areas that are likely to be a focus. The General Terms of Agreement group has recently announced new rates and work will continue into looking at how the Agreement works and how it can be improved to remove cost and friction. Further progress is anticipated on this in 2025.

4. Appropriate index for inflation changes for next discount rate review?

The reviews of the discount rate in all three jurisdictions began in July 2024, and it is clear that further work will be required to establish the appropriate index for inflation in Scotland and Northern Ireland before the next series of reviews commence in 2029. In Scotland and Northern Ireland the rates, which remain single, were announced on 26 September 2024 as +0.5% for both jurisdictions after the regulations were aligned prior to the review. In England and Wales, the announcement is due on or before 11 January 2025. This is the first review in which the expert panel has been involved and it is yet to be seen where their advice has landed and whether the Lord Chancellor will adopt it.

5. Pressure will increase to make motor insurance more affordable

The new Transport Minister continues to push for motor insurance policies to become more affordable, and has launched its taskforce to "identify the factors behind rapidly rising premiums" and "agree solutions to keep costs down". The Association of British Insurers has already published its ten-point roadmap aimed at tackling costs for all drivers, and insurers are committed to better explaining how premiums are calculated and steps policyholders can take to reduce costs. The move to lower costs will pick up speed next year, especially if inflation continues to sit at around 2% per annum.

6. Further digitalisation expected within the court system


Set against a backdrop of lengthening delays to bring matters to trial, the government is under pressure to reimagine the civil justice process. While digitalisation of the civil justice system will take time, expect to see an increasing emphasis in the use of alternative dispute resolution as parties seek to find quicker, lower cost, non-judicial ways to settle their claims. The system of compulsory mediation in small money claims may still be in its infancy but it is expected that the ambit of the scheme will be expanded to other categories of small claim, and potentially beyond. The work of the Civil Justice Council around Digital Pre-Action Protocols and the recent Court of Appeal decision in *Churchill v Merthyr Tydfil County Borough Council* are both suggestive of a direction of travel which promotes a trial before a judge as very much the last resort.





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