



Motor premiums are going up:

What's driving this change?

Over the past two years insurers have experienced a considerable increase in motor claims costs. As a result, our premiums are going up.



NZI's current motor premiums no longer reflect the risks we're insuring. Key factors impacting on our current claims costs for NZI Motor include:

More newer vehicles on the roads

- ▶ There are more newer vehicles on the roads as it costs no more to buy a new vehicle now than it did 10 years ago.

New parts adding cost

- ▶ Increased costs are being seen in motor parts due to the greater need for new parts – not recycled – as we repair more newer vehicles. Some examples include:
 - » Due to increased safety standards, new aluminum suspension parts must now always be used when repairing a vehicle. This means recycled parts can no longer be used, increasing costs from \$400 per recycled suspension assembly, to \$900 for original parts.
 - » Windscreens increasingly have a variety of heat, light, moisture and connectivity sensors fused or moulded into the glass. These now cost between \$2,000-\$8,000 for original glass replacements.

Higher repair costs for newer cars

- ▶ The average repair costs for newer vehicles are much higher than for older vehicles, mainly due to in-vehicle technology, for example sensors, cameras and automatic braking. Technology in vehicles continues to advance at a rapid rate, with electronics currently accounting for a quarter of a vehicle's value. This is estimated to soon reach 40 percent.
 - » An example of more advanced technology commonly fitted in newer cars is the 'autonomous' type sensors, such as blind-spot warnings, adaptive cruise control and lane change sensors. These are largely on the periphery of cars, making them easily damaged in an accident. These cost anywhere from \$250-\$8,000 to be repaired or replaced, compared to only eight years ago when these weren't available on mainstream vehicles. Reversing cameras are also becoming commonplace, and cost between \$400-\$1,200.
 - » Wing mirrors are another example as these increasingly have internal heating, automatic dimming, marker lamps, and blind-spot sensors. Costs are typically \$750-\$2,000, whereas 5-7 years ago the average cost was around \$400-\$1,000.

- ▶ Increased labour costs from motor repairers due to the added skill and time needed to accommodate the complexities of in-vehicle technology, new types of materials being used and to reinstate electronic control and safety systems.
 - » This 750 BMW (pictured bottom right), fitted with Adaptive Cruise Control (ACC) required resetting post-accident. As the ACC sits behind the grille, resetting cost \$1,100 compared with 'regular' ACC resets that cost around \$450. Replacing the units would have been between \$5,000 - \$7,000.
- ▶ With bigger cities and a larger population there are more cars on the roads, which has led to an increase in the number of crashes being reported, and the crashes are becoming more severe.



Some examples of everyday motor claims and how claims costs have increased

Our customer Joy* was recently involved in a small accident when her car was hit as she reversed out of a car park. Fortunately no one was hurt, but Joy's 2015 Nissan Pathfinder received some minor damage when it was scraped along the back wheel guard. The wheel guard (pictured below) was easily repairable, and it would typically cost around \$3,000.

But due to increased technology in the vehicle, the front passenger and side curtain airbags in Joy's car deployed. They need to be replaced, which is a detailed and time-consuming process. As a result, the repair cost rose to \$16,000.

This was a minor crash, one of a large number that happen every day throughout the country, that now incurs a much larger repair bill.



Our customer George* recently crashed his 2008 Ford Ranger Ute which featured a High Strength Steel (HSS) 'Safety Cell'. HSS was first introduced on selected European vehicles around 2004, and is becoming the new norm.

The Safety Cell is located directly under the visible outer 'skin' of the Ute. Any impact to the Safety Cell can only be repaired by replacement of a section, as specified by the manufacturer; even a small deformity cannot be repaired.

This increased the repair costs substantially. Prior to the accident George's Ute was worth \$32,000, but it had to be written off as the repair cost was estimated to exceed \$20,000 (with a wreck value of \$10,000). An earlier model of the Ford Range Ute (that doesn't feature the safety cell) would have been repairable for around \$10,000 - \$12,000 including the airbags.

In this instance, repair costs doubled over the space of one vehicle model change.

The price our customers pay for their insurance needs to accurately reflect the cost to provide them with cover. Therefore, our motor premiums are going up along with our minimum excess.

For more information please speak with your insurance broker. They have a wealth of knowledge and will be able to ensure you have the right level of cover for your risks.

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*Real name not used for privacy reasons.

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