

Domestic and commercial motor

Motor has continued to provide strong returns for insurers across the domestic and commercial classes in 2025. There are two key drivers to this growth:

- The first is a period of stable claims experience over recent years
- The second is easing inflationary pressure on claims costs.

If we first consider claims experience, APRA stats show over the past two years motor insurance gross loss ratios are at their lowest levels in a decade, excluding those years impacted by Covid lockdowns. This potentially indicates changes in driving patterns post-Covid. However average premiums have also increased significantly over this period, as insurers have responded to high levels of inflation in repair costs. As shown, personal motor premiums increased significantly in 2023 and 2024 when motor repair inflation was running at record levels.

Over the past year these inflationary pressures have been easing. This is due to an improving motor parts supply-chain and an increase in repairer capacity. Large insurers have also been using their scale to improve the claim assessing and repair process to control claims costs.

In response to the rising cost of motor insurance, the ICA recently released a paper that provides an analysis of the factors impacting motor insurance premiums. The paper provides recommendations that the government should take to tackle the root causes of increasing industry costs. These recommendations include addressing skills shortages in the motor repair trades and combatting insurance fraud through enhanced collaboration between insurers and law-enforcement.

Looking forward, motor insurance is facing a rapidly evolving environment. Growing numbers of electric vehicles are creating increasing demand for more complex repairs and higher repair costs. The insurance market is also consolidating as motor clubs in various regions are being absorbed into larger insurers, as insurers look to increase their market share and the motor clubs look to provide their members with a wider range of insurance products.

The key for insurers going forward will be to continue to evolve with the environment to ensure motor insurance continues to meet consumer demands and provides value for money.