2023 trends that could affect car insurance

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There are many factors that determine the cost of your car insurance, such as the cost of your car, your gender, marital status, driving experience and the distance you regularly drive. But did you know that there are many other factors that also play a role?


Keletso Mpisane, head of car insurer MiWay Blink

While insurers calculate premiums based on a client's personal risk profile, factors such as the cost of car parts, the condition of SA's roads, and political unrest in other parts of the world can impact your motor insurance policy, too. On the positive side, exciting tech advances being employed in the car insurance industry are saving time and money, and enhancing the customer experience.

Possible increases in repair parts

Car insurance premiums are calculated based on a number of considerations, such as your driving history, age, gender, car make, paint type, and optional add-ons to the policy. There are, however, other factors such as inflation and increased vehicle repair costs that influence the total premium, too.

For example, the cost of repairing a car that's been involved in an accident could be impacted by the current unrest in the world, says Keletso Mpisane, head of car insurer MiWay Blink. Countries that are prominent suppliers of spare parts may be affected by the Russia-Ukraine conflict from a political and trade point of view, while the recent hard lockdown in China has also affected the global distribution of spare motor parts for repairs.

"The situation has placed constraints on the shipping industry, creating supply and demand pressures. Should an insurer have to repair a vehicle now, it could mean a rise in costs," explains Mpisane. Unfortunately, according to global risk experts, Marsh McLennan, the indirect consequences of the Russia-Ukraine conflict on the rising costs for businesses may persist for a long time.

> *"... exciting tech advances being employed in the car insurance industry are saving time and money, and enhancing the customer experience."*

Deteriorating road quality

The deterioration of national roads affects the insurance industry, and the driving habits of the customers, which may affect their pockets with regards to claiming and excess payments if they've failed to take extra precaution.

Transport minister Fikile Mbalula says South Africa is facing an 'intractable challenge' as national roads continue to deteriorate further. According to the minister, 40 percent of the provincial network has reached the end of its design life, and approximately 80 percent of the national road network is now older than its 20-year design life.

This presents further challenges to drivers without comprehensive cover, as they may have to take extra rim and tyre cover to cover damages arising from poor road conditions.

Tech advancements

Like most areas of our lives, digital innovations have transformed the insurance sector, with insurers who deliver products and services built on tech trends better able to meet new consumer demands. A good example of this is the profound change in consumer driving behaviour post the pandemic. Even with people returning to the office, the rise in hybrid work scenarios has spurred a real demand for personalised car insurance.

Tech innovations are good news for consumers, such as MiWay Blink's pay-as-you-drive insurance offering, where the less you drive, the less you pay. "To stay relevant, short-term insurers need to see how to adapt their functions and core processes in relation to consumer trends. By doing so, they'll be able to offer tailored solutions that suit clients' needs and preferences instead of the more traditional blanket approach whereby consumers need to fit in with the insurers' products and processes," says Mpisane.

"We asked ourselves how we could add value to clients' lives, and better the experience they have in their insurance journey. The modern tech we now employ means that client's premiums are based on how much they drive – a wonderful solution for the many people who now work from home and commute less."

And, as consumer attitudes toward privacy and data sharing evolve, insurers have to be positioned to meet that need, adds Mpisane. "We live in a world where privacy is increasingly seen as a luxury. The tech we employ means we don't need to ask new clients who are signing up with us where their primary place of residence is. It's that kind of innovative thinking that ends up being key differentiators between insurers, some of whom are still asking for day and night addresses to be captured in a customer's policy documents," she explains.

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AI, chatbots and telematics

The use of artificial intelligence (AI) and employment of chatbots is growing in many areas of our lives. AI enabled devices are commonly found in many homes, with the latest data showing that there are 4.2 billion digital voice assistants worldwide. Most modern smartphones also have a personal assistant that can be activated via voice. With people ever more familiar, and reliant on this tech, expect to see it used ever more in the insurance space as companies leverage it to create efficiencies, enhance customer experiences and meet the high-speed demands of modern consumers.

Chatbots are also popping up to create better efficiencies for customers, with global digital experts Servion estimating that by 2025, AI will power 95% of all customer interactions. Chatbots use AI and machine learning to interact with clients, and while some feel that interaction can be impersonal, if done at the point of policy application, leaving human interaction for complex stages, chatbots can save insurers time and money.

Insurers are also using telematics to better their service offerings to clients. Described as wearable technology for your car, telematics provides data on things like speed, location, and accidents, and more. This data is then processed with analytics software to help determine your policy premium.

"There's no doubt that digital advancements will play an ever-bigger role in the car insurance space," concludes Mpisane. "Going forward, it will be exciting to see how insurance companies will employ these to better determine premium rates, mitigate risk factors, and even prevent losses in the first place."

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