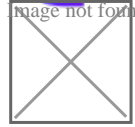




image not found or type unknown



[Auto Physical Damage](#)

Three Automotive Claims Market Predictions for 2020

December 9, 2019

3 MIN READ

[Author profile image](#)

[Ryan Mandell](#)

Director of Claims Performance, Auto Physical Damage, Mitchell, An Enlyte Company

With the end of 2019 rapidly approaching, it is only natural to start thinking about the year ahead. We took a look at our data from the past three years and started to forecast what we expect to see in the year ahead. The wave of complexity in the automotive industry shows no signs of slowing down, and that means additional pressures on claims costs in the coming year. The following are three predictions for what we expect to be in store for the automotive claims industry in 2020.

1. The Average Cost of Repair Will Exceed \$3,600

Without being fully through Q4, the average cost of repair for 2019 stands at \$3,438, an increase of 3.7% from the previous year.¹ The leap to \$3,600 is easily justifiable as we expect the frequency of diagnostics and calibration to continue their rapid rise in the industry as more and more focus is placed on creating a proper and safe repair. Additionally, the further reliance by manufacturers on lightweight substrates to improve safety and fuel economy will continue to drive down the repair frequency of major component parts. This trend, coupled with the transition of most manufacturers' [move away from Halogen lighting systems and toward costlier LED components](#), will significantly contribute to the rising cost of repair.

2. Trucks and SUVs Will Make Up 55% of Claims Volume

Over 70% of new vehicles sold are light trucks and SUVs/CUVs.² This trend is being driven by increased fuel economy of larger vehicles, especially CUVs, which in many cases have average MPG ratings comparable to midsize sedans. Consumers are taking advantage of extended financing terms in order to absorb the heftier price tag this segment carries and are willing to do so for the increased functionality and the absence of having to sacrifice fuel efficiency. The significance of this trend is that [light trucks and SUVs/CUVs](#) are, on average, 15%

more costly to repair than traditional cars.³ As customers continue to prefer this segment over sedans and coupes, we expect additional pressure being placed on the average cost of repair.

3. Total Loss Frequency Will Exceed 18%

As the cost of repair continues to climb, so does the likelihood that a vehicle will be declared a total loss as opposed to being repaired. The increasing technology in vehicles along with decreased major component repairability has meant that the average number of parts replaced during the course of repair has increased by 0.5 parts since 2017.⁴ And while whole car scrap prices have been weak, many insurers we speak to are reporting record salvage returns, fueled by overseas buyers, which is driving the [total loss threshold even lower](#). The automotive landscape continues to rapidly evolve and many claims operations are continuing down their own paths of evolution. So while the exact level to which costs will increase in the year ahead is still uncertain, what is certain is that claims organizations are becoming more nimble and open to adaptation to meet the changing needs of modern vehicle repairs and consumer expectations.

¹Based on Mitchell data

²https://www.mpower.mitchell.com/wp-content/uploads/2019/12/Publication_2019-Q2-Insurance-Report-1.pdf

³Based on Mitchell data

⁴Based on Mitchell data



©2022 Enlyte Group, LLC.

mitchell | genex | coventry