



How the global shipping crisis may affect your clients' claims

Shipping container shortage

The COVID-19 pandemic has had far-reaching effects that have changed the lives of everyone around the world. Almost two years later, these effects are still being felt with the latest impact being a global shortage of shipping containers. Countries around the world implemented COVID-19 restrictions and lockdowns which resulted in fewer cargo ships in transit. As a consequence, these countries could not collect empty shipping containers and could not send empty shipping containers back. In some cases, shipping containers were moved to inland depots while others have been piling up at cargo ports. This has significantly increased shipping costs and led to a delay in delivery times which has had a domino effect down the supply chain, disrupting global trade.

Semiconductor shortage

In addition, it has been well-publicised that there is a global shortage of semiconductors which are used in many modern vehicles for functions such as switches, sensors, driving assistance and airbag deployment. Again, this shortage was caused by the COVID-19 pandemic and recent global lockdowns that disrupted semiconductor manufacturing, which halted supply. As countries and economies began reopening, the consumer demand for vehicles increased, but the supply of semiconductors could not keep up. This has resulted in delays in vehicle production and even temporary shutdowns, creating more demand than the available supply.

Effect on replacement of vehicle parts

The shortages of these parts, which are manufactured overseas, have had a major impact on vehicle manufacturers, repairers and, by extension, insurance claims experience.

Unfortunately, South African insurance markets, including Discovery Insure, have also experienced similar delays in some vehicle repair claims. This mainly affects in-warranty vehicles where parts are sourced from the Original Equipment Manufacturers (OEMs). Suppliers are experiencing delays with some European, British and Asian brands as well as the knock-on effect due to delays at South African customs because of an increasing backlog.

Here are some vehicle brands currently experiencing delays in vehicle parts-sourcing:

- **Mercedes Benz** – delays due to Germany recovering from a recent lockdown as well as the backlog at South African customs
- **Audi** – delays due to semiconductor shortage and Germany emerging from a recent lockdown
- **Toyota** – delays which vary based on the model and whether parts are made in India, Argentina or South Africa
- **Volkswagen** – delays due to semiconductor shortage and Germany emerging from its recent lockdown
- **Mazda** – delays, of about 100 days or more, due to semiconductor and shipping container shortage
- **BMW** – delays, of about 60 days or more, due to Germany emerging from a recent lockdown
- **Renault** – delays on all parts from India and Brazil
- **Nissan** – delays from Japan

How you, as a financial adviser, and Discovery Insure can help

While these shortages are out of the control of an insurer or a financial adviser, we acknowledge the frustration and inconvenience our valued clients may be experiencing due these delays. To help prevent this, we encourage our clients to take up the car hire extender to get up to 60 day's car hire, rather than the standard 30 days, before a claim event occurring. While this does not guarantee a client will have enough car hire cover, it reduces the chance of them running out of cover. To optimise the client experience despite these global factors, our strategy is for drivable vehicles to not be booked in for repairs until parts are available. This is so clients are not without a vehicle unnecessarily and it reduces their chances of their car hire days expiring.

We appreciate your continued support and partnership as we collectively navigate these changing times, and we will keep you updated with any changes that affect your clients.