Vehicle automation presents challenges

INSURERS HAVE been urged to become more engaged in vehicle automation in a report prepared for the Insurance Institute of Canada.

"There is a mindset that self-driving cars are far off in the future," author Paul Kovacs, ceo of the Institute for Catastrophic Loss Reduction, told *Thompson's* following the release this spring of 'Automated Vehicles: Implications for the Insurance Industry in Canada.'

"But there are aspects of automated vehicles that are here right now and insurance companies need to work on that."

The report says there is the potential for the insurance industry to step up as a champion for the safety benefits that may flow from the appropriate use of vehicle automation, as the industry did with graduated licensing, the fight to eliminate drinking and driving, seat belt use and other road safety measures.

While considerable uncertainty remains around the role of fully automated cars over the next 40 or 50 years, insurers will nevertheless face considerable challenges — particularly with determining who is responsible for collisions.

"Conventional vehicles will share the roads with semi-automated vehicles and the first self-driving vehicles," the report says.

"Personal liability for most collisions will begin to shift to include a mix of personal and product liability."

These developments raise several issues for insurers:

- Will vehicles have on-board devices to identify whether or not the vehicle's technology was engaged at the time of a collision?
- Will insurance companies be allowed to access this information?
- How will insurance companies recover costs when automakers are found to be at fault?
- How should costs be shared when driver errors and vehicle automation systems failure both contribute to a collision?

"Clear determination of responsibility is essential to ensure effective insurance coverage," the report says.

"Unfortunately, the next 10 years may have less clarity about responsibility than the past 40 or 50 years."

The report says that conventional, non-automated vehicles will likely continue to account for most of the cars and trucks in Canada over the next five to 10 years.

The frequency of collisions resulting in serious injuries and vehicle damage will decline for new, semi-automated vehicles, but this will be offset by the expected higher cost of repairs for vehicles that experience collisions.

"As a result, the impact of vehicle automation on insurance claims costs and industry revenues will only begin to emerge over the next 10 years, relative to the significant disruption expected over the next decades.

"It is important for the insurance industry to begin now to prepare for the extensive changes vehicle automation is expected to ultimately bring for the industry."

Another challenge for the insurance industry is determining where vehicle automation fits within a broad range of issues facing the industry and society.

The report notes that Canadian policymakers have announced large, multi-decade investments in public transit but have taken relatively little notice of vehicle automation as an issue.

"Many stakeholders continue to react to the disruptions coming from the emerging sharing society, such as Uber.

"Vehicle automation promises significant reductions in traffic fatalities and serious injuries, a benefit that is absent in discussions about public transit and a sharing economy."

The report calls on the Canadian insurance industry to create an opportunity — such as a national forum — for insurers, governments, regulators and other champions for road safety to work together to secure reductions in traffic fatalities and injuries through the introduction of automated vehicles and connected vehicle systems.

"In particular, there could be a national, multi-stakeholder effort to educate Canada's drivers about the proper use of the emerging driver aids in order to improve driver behaviour and prevent collisions."

It also urges insurers to initiate a research program, including a comprehensive assessment of policy issues and regulations, to ensure that they accommodate the deployment of semi-automated and self-driving vehicles.

"For example, should all new vehicles be required to record when vehicle technologies are engaged? Should this information be available to insurance companies when resolving a claim to ensure that responsibility is fully documented and fraud is eliminated?"

And the report also recommends monitoring developments in other jurisdictions.

Insurers develop contingency plans

PROPOSALS for a new trading relationship between the U.K. and the European Union must be set out as soon as possible, the International Underwriting Association says.

IUA chief executive Dave Matcham said companies in the London insurance market would not wish to see an unnecessarily prolonged political process and are developing contingency plans in order to reassure customers in the wake of the U.K.'s decision to leave the EU.

"It is clear that companies are well prepared to respond to a new business environment and adapt their business plans as necessary," he said. "The ability to trade freely in European markets via the EU financial services passport is vitally important to our members and preserving this advantage must be a top priority in the exit negotiations.

"Without rights conferred by the passport, firms may have to obtain trading licences in order to continue conducting business in certain countries. This can be a lengthy process and so prudent examination is being applied to all potential scenarios.

"Companies are considering both what they need to do now and how they might respond to the negotiation. It is in the interests of all industry participants that uncertainty and disruption is kept to a minimum by an early confirmation of future trading terms."

At the IUA's annual general meeting recently, attendees heard how there are now nearly 800 individuals from member companies serving on market groups run by the association.

"It is essential that we engage fully to ensure that as many as possible of the trading benefits the London Market currently enjoys are retained," IUA chairman Malcolm Newman said.

Industry growth mixed in 2015, Swiss Re finds

ADVANCED economies improved but emerging markets experienced a slowdown and interest rates remained low, resulting in moderate economic growth and a challenging year for the insurance industry globally in 2015, Swiss Re says in its latest *sigma* report.

Global insurance premiums written, including life and non-life, grew by 3.8%, up from 3.5% in 2014.

The advanced markets were the main drivers to the global non-life premium growth, which improved to 3.6% in 2015 compared to 2.4% in 2014.

Advanced Asia had the highest growth, 4.1%, North America had 3.2% and Western Europe only had moderate growth of 1.5% which was an improvement from "previous years of stagnation," the report said.

It was the emerging markets that spurred the premium growth in the p&c sector, with a 7.8% growth, driven primarily by China.

Despite the figure being lower than the 8.6% growth in 2014, Swiss Re notes that the growth is still "robust."

Other Asian markets were solid and Middle East and Central Asia saw a 9% hike in premium growth. Growth was slow in Africa at 1.3%, and in Latin America, 2.3%, which is still higher than in central and Eastern Europe, where premiums were down 4.9% "with sharp contractions in Russia and the Ukraine offsetting more positive results in other countries."

Swiss Re says that while the insurance industry remains well capitalized globally, profitability in both life and non-life remained under pressure.