

Adapting motor insurance in an age of connected cars and automated technology

Implementing the UK Government's 'Vehicle Technology and Aviation Bill'



Overview

- What has the ABI done so far?
- When is automated driving going to happen?
- What are the main benefits of the Modern Transport Bill?
- What else will be needed to make Automated Driving Insurance work in practice?
- What can be learned from the UK insurance industry's experience?



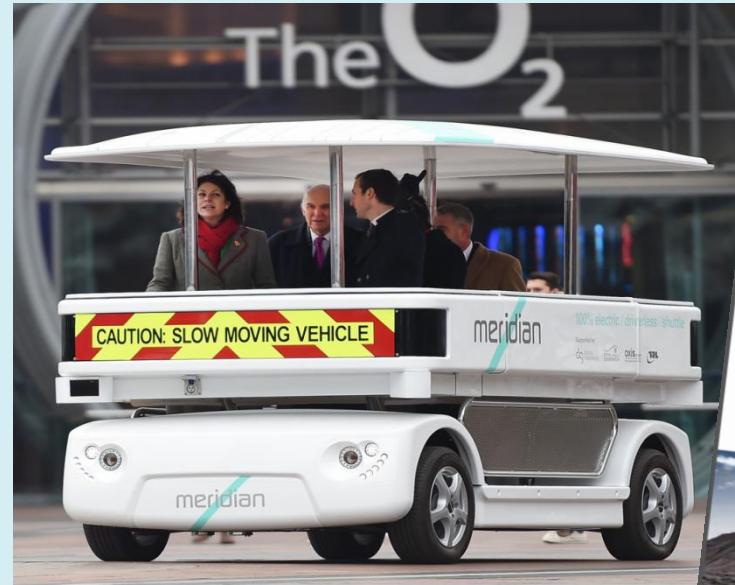
The ABI's work on automated driving in 2015 & 2016



UK Government launches 'The Pathway to Driverless Cars'

“Driverless cars will bring great benefits to our society and economy and I want the UK to lead the way in developing this exciting technology.”

Andrew Jones MP, Road Safety Minister



UK Insurance Industry *trials & research*

Innovate UK



direct line



 MOVE_UK



UK Insurance Industry *Automated Driving Insurance Group (ADIG)*



The UK Insurance industry's view

- Insurers welcome this technology – want to be an ‘enabler’ to help manage the risks
- Collaboration between sectors is essential
- Automated Driving can reduce the 94% of accidents caused by human error
- When the first wave automated technology appears in private cars, it will only be used in limited situations (e.g. motorways and parking) – for most of the journey, the driver will still be in control.
- A pro-active approach needed to learn lessons from ‘early adopters’ before cars become mainstream.
- Drivers will still need to be trained, competent and **sober**
- The term “driverless cars” must be used with caution– drivers will still need to understand what their car is capable of and be monitoring the journey.



New Government – Automated Driving still a priority

“There’s a revolution on the way. Technology is going to change the way we travel...our Modern Transport Bill, due early next year, will help pave the way so we can build and use that new technology here, to be pathfinders in this new future.

To the Motor manufacturers I say “Come to the UK. Develop your technology here. We have the most skilled and knowledgeable workforce in the world. Britain is open and this Government will support you.”

Chris Grayling, UK Transport Secretary
Speech to Conservative Party Conference, October 2016



When is this going to happen?






Association of British Insurers



Uber starts self-driving car pickups in Pittsburgh

10 million self-driving cars will be on the road by 2020

John Greenough, BI Intelligence  
Jun. 15, 2016, 12:25 PM  6,954

INTERNATIONAL BUSINESS

The Fully Self-Driving Car Is Still Years Away

By NEAL E. BOUDETTE and JOHN MARKOFF JULY 1, 2016

The Autonomous Car by 2020? No Way

BY JOHN C. DVORAK 13 APR 2016, 2 P.M.

Driverless vehicles are all over the news, but you're a dunce if you believe they'll be a regular sight in the next five years.

General Motors Inching Closer To Self-Driving Cars

Ford plans mass-market self-driving car by 2021

Carmaker sets up deals to develop model with no pedals or steering wheel

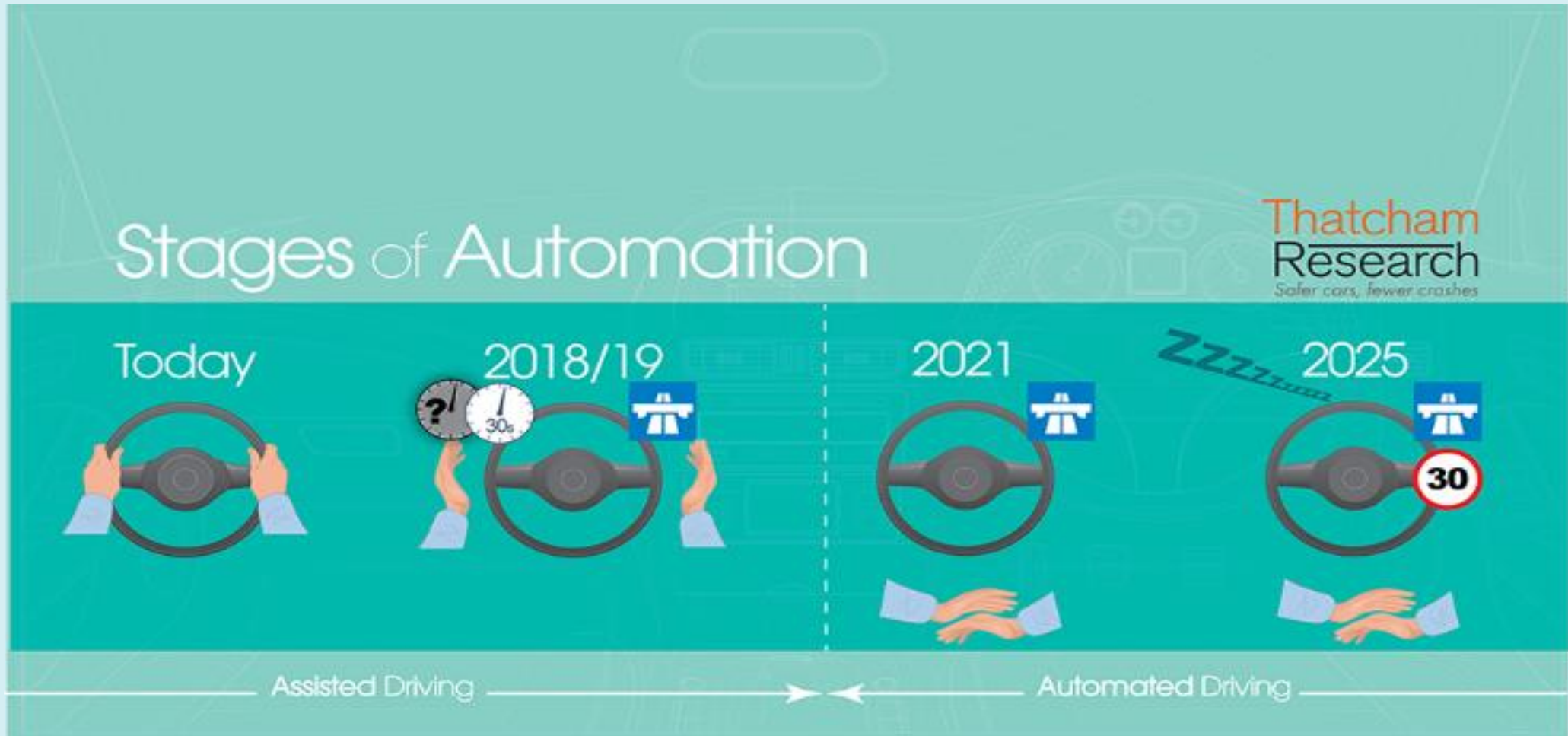
Google driverless car in road accident

Crash highlights challenges of programming machines for road etiquette

When will autonomous cars take over 25% of car market?



Technology is 'close to market'



Timescales driven by global regulatory regime

UNECE Vehicle Active Safety Forum – Working Party 29

- Initially rejected proposals to allow automated driving (2005) as did not believe supporting infrastructure for connectivity existed
- Automated cars being tested by manufacturers (i.e. Volvo) do not rely on inter-connectedness
- Regulations allowing sophisticated driver assistance systems already came into force during 2016
- Currently considering proposed amendments to the 1968 Vienna Convention to include regulations allowing 'hands free' steering systems – A: low speed manoeuvring; B: lane-keeping; C: driver-initiated lane change; D: driver-confirmed lane change; E: fully automated lane change
- This will allow cars capable of fully automated driving to be given Type Approval
- Plenty of uncertainty – Tesla already selling a car that is often billed as an automated vehicle
- Insurance industry actively engaging in this process



Key distinction – ‘Assisted’ or ‘Automated’?

Assisted

- systems that support the driver with steering, acceleration and braking either separately or in combination but where the driver is ultimately in control and clearly responsible.
- E.g. Motorway Assist

2018/19



Automated (Restricted)

- systems that can take full control of the driving task for parts of a journey under restricted conditions
- E.g. Geo fenced Motorways

2021



The UK Government's Response - The Modern Transport Bill



Association of British Insurers



UK Centre for Connected and Autonomous Vehicles (C-CAV) consultation proposal

UK Government's policy aim:

- Ensure there is compulsory insurance requirement to protect victims in collisions involving a highly automated vehicle;
- Ensure that where the 'disengaged driver' is not in control of the vehicle (legally), they have the same entitlements as a third party or passenger
- The process for the victim to make a claim is not significantly different from claims arising from conventional crashes.

Their proposed solution:

- Don't change the civil liability regime;
- First route for the victim is via the driver/policy holder of the highly automated vehicle
- but... require that the owner has legal responsibility for making sure there is in place an insurance policy that includes cover for the manufacturer's and any other entities' liability.



The ABI's proposal for how this should work

- A single motor insurance policy to cover both manual and automated driving
- Drivers WON'T need separate Product Liability cover.
- Insurers should have a new legal right to recovery
- Strict rules on what people can/cannot do behind the wheel



Product Liability?



Limitations of Product Liability as primary protection for 3rd Parties

- Product Liability Insurance is optional (i.e. no minimum levels of cover)
- Fewer restrictions on the ability to decline claims as a result of policy breaches by the insured
- Policies typically have a ten-year lifespan
- Product Liability typically excludes cover for damage to the product
- ‘State of the art’ clauses
- Ongoing uncertainty about the scope of the EU Motor Insurance Directive (ECJ *Vnuk* judgement) – should Motor Insurance cover *any* ‘use’ of a vehicle?



Key benefits from the Modern Transport Bill

- UK Government will take formal responsibility for defining what is and what isn't an automated car
- Flexible approach that allows insurers and manufacturers to consider a range of models for future collaboration
- Ensures insurers will take primary responsibility for settling claims – injured parties will always have direct route to compensation
- Road users won't see any difference in how they are treated if their claim involves a manual or an automated car
- No radical changes – suggestions of a move to 'strict liability' or 'first party' regime not taken forward... allows the industry to adapt its approach as technology evolves



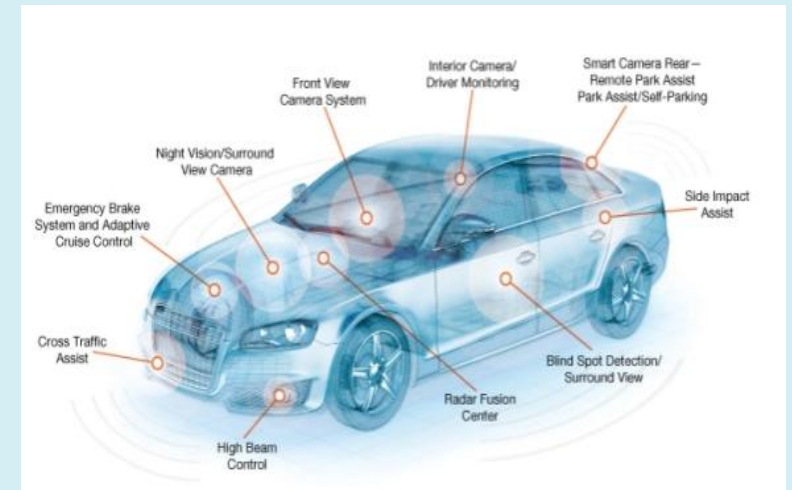
Making the Modern Transport Bill work in practice - *Outstanding and Ongoing Questions*



Key questions and concerns for UK insurers

How does the car work and what role do 'drivers' have?

- Who decides what safe use of an autonomous vehicle is – the manufacturer, the driver or the Government/regulators?
- Will different drivers and cars be operating to different safety standards?
- What happens if the functionality of a vehicle is significantly upgraded or changed after insurance is purchased? Does the manufacturer declare this or are insurers relying on drivers to tell them?
- Will drivers need specific training for the periods when the car is switching between autonomous and non-autonomous modes?



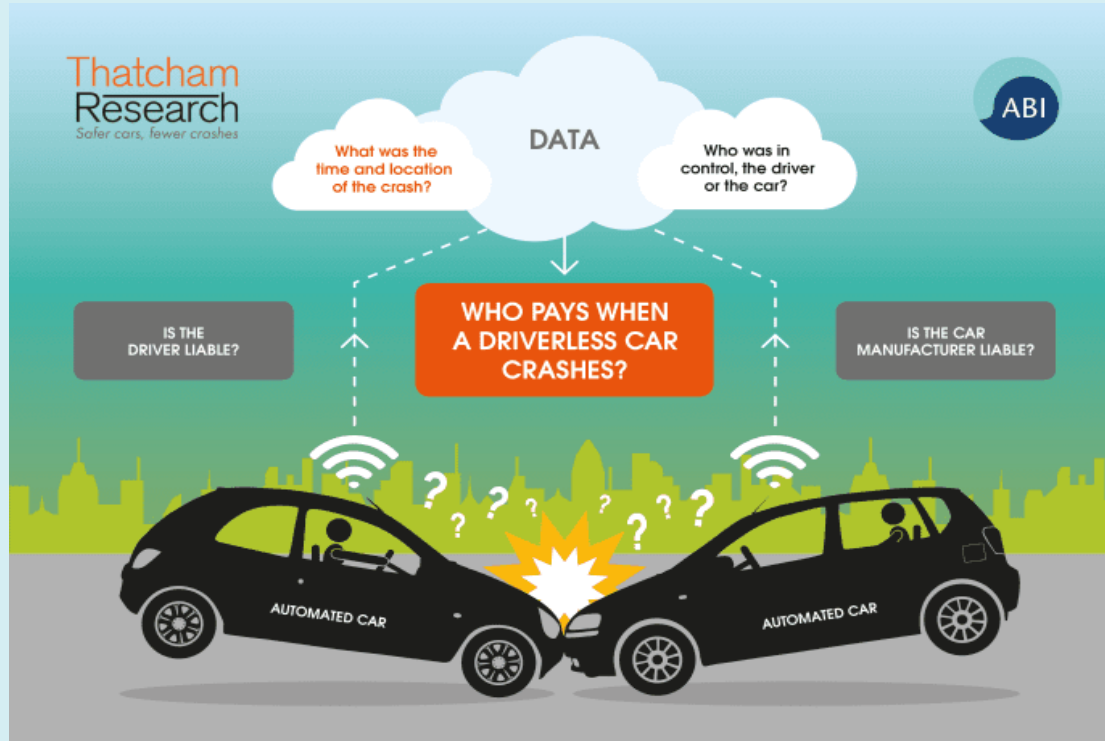
Data accessibility

Access to meaningful and reliable data is a vital part of a competitive insurance market -

- However... insurers recognise that consumers own their data and that it must be held securely
- ABI working to develop a proportionate 'ask' focussed on where access to data is fundamental to settling claims
- Will also seek to understand and address any barriers to data access that would hold back commercial innovation
- Regulation typically set at an international level – but ABI has emphasised to UK Government that its proposed system will not work unless it is possible to access collision data
- Important to work closely with manufacturers and recognise that there are legitimate concerns about vehicle security and protecting intellectual property



Data accessibility – post collision



ABI's proposal

The data would cover a period from *30 seconds before* to *15 seconds after* an incident

- GPS record of time & location of the incident
- Was vehicle in autonomous or manual mode?
- If in autonomous mode, was vehicle parking or driving?
- When the vehicle went into autonomous mode
- When the driver last interacted with the system
- Recent driver activity (i.e. braking or steering)
- Was the driver's seat was occupied?
- Was the seatbelt fastened?

Any questions?

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