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★ Commentary | Commentary

Commentary: Will driverless vehicles drive insurance premiums down?

Two observers from the insurance industry discuss the impact of autonomous vehicles on liability, responsibility and insurance premiums.



A front passenger's view in a driverless car. (Photo: AFP/Daniel Roland)

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By Karl Hamann

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SINGAPORE: Imagine this. You are in a driverless private hire vehicle that's ferrying you to work. As the vehicle drives itself, you take a nap in the backseat.

Suddenly, you are awakened by a loud thud and the sound of glass shattering. You come to your senses, and realise that the car has hit a pedestrian who is now lying motionless.

All this happened while you were asleep, without any human input on how the vehicle manoeuvred or behaved. In such a case, whose fault is it, and who should be held accountable for the injuries or fatalities sustained?

These questions are not the domain of science fiction. Already questions about fault and accountability for driverless cars are being asked. Uber had to deal with them in March this year when one of their self-driving vehicles in Arizona struck and killed a woman on the street as it was operating autonomously.

While the Arizonian incident happened far away, autonomous vehicles (AVs) are slowly becoming a reality in Singapore's transport landscape. This means that these very same issues could very well surface here in our near future.

GREAT POTENTIAL

Despite these challenges, the potential of AVs is clear. The global market for AVs is expected to reach US\$42 billion by 2025, with more than 30 companies worldwide already known to have invested heavily in the necessary R&D.

Locally, at least 10 companies and research institutions are currently involved in AV trials. Some of the more well-known pilots around the island are the driverless bus pilot in Nanyang Technological University and the NuTonomy taxi trial – which incidentally also met with an accident two years ago – in one-north.

As Singapore prepares to welcome autonomous vehicles on its roads, car owners are wondering how insurance policies and their premiums might respond to the growth of the AV population here – both in terms of owning and operating one and the implications of being involved in an incident with one.



A safety driver sits in a moving driverless car during a public trial run by Southeast Asia's leading ride-hailing firm Grab in Singapore in 2016. (Photo: AFP/Roslan Rahman)

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The premise for motor insurance is simple – insurers pool money together from premiums collected to pay out claims made by drivers involved in accidents. Premiums typically move in tandem with the incidence and severity of risk associated with the venture.

For motor insurance, premiums rise if the vehicle is more likely to meet with an accident, so what can drivers expect of their premiums as more AVs ply our roads?

REMOVING THE DRIVER

Research by the US Department of Transportation National Highway Traffic Safety Administration, one of the global leaders in automotive safety studies and tests, found that the critical reason for car accidents was drivers in 94 per cent of car crashes. With AVs, the impacts of risky and dangerous driving behaviour could be cut dramatically, making our roads safer.

However, premiums are not expected to decline in the near term while we slowly transit to an autonomous transport landscape, as the overall frequency and severity of incidents may not see an immediate impact.

In turn, as more AVs populate our roads, they will generate more evidence of their performance. If AVs prove to be more reliable and safer over user-operated vehicles with a resulting decline in accidents, it can be expected that insurance premiums will likely respond accordingly, potentially setting a downward trend.

DETERMINING FAULT

The other big question that may weigh on a driver's mind is how fault is determined when an AV is involved. For example, if an AV strikes a non-autonomous vehicle, will liability fall on the AV? Can autonomous driving technology be faulted and held accountable in a road accident?

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Determining liability in an accident is to find out which party or parties contributed to the accident.

The liability typically varies between the vehicle manufacturer, component manufacturers, vehicle importer, the driver, the owner of the vehicle and the government, who all hold some form of responsibility in the vehicle's performance and operation.

Traditionally, if the accident was caused by driver error, liability and responsibility would usually fall squarely on the driver. However, if an incident arises from a stuck accelerator pedal, for example, fault would then likely lie on the vehicle manufacturer.



A truck passes the location where a woman pedestrian was struck and killed by an Uber self-driving sport utility vehicle in Tempe, Arizona, US on Mar 19, 2018. (Photo: REUTERS/Rick Scuteri)

In an AV, will its manufacturer be liable for all incidents caused, since there was no human input to the vehicle's operation?

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Currently, we cannot be certain on how liability will be determined for AVs. We will have to consider the exact specifications of locally-available models in the future, as there may be cases where vehicles allow users to decide just how much autonomy is granted to the vehicle's driving systems.

Generally, the party with the most control on how the car manoeuvres and behaves holds the most responsibility.

There could also be cases where the driver is aware of faults in the vehicle's systems but chooses to operate the vehicle nonetheless, pointing at driver negligence, which is also liable for fault.

The attribution of fault is not a simple, single-faceted task. Insurers and the authorities must consider a multitude of factors before deciding who is at fault and hence charged for damage, injury, or even death.

The availability of vehicle data may be critical in determining an error in driving systems, or even who was driving at the time of the accident – a driver or the vehicle's driving system – and therefore who was more at fault.

As new technologies develop, insurers will continue to anticipate the emergence of new risks and find ways to mitigate them for consumers. Motor insurance will continue to be relevant even after vehicles become fully-autonomous.

There will always be the unforeseen, where incidents happen without any anticipation or stipulation, even with a fully-autonomous vehicle.

Modern insurance has been at the forefront of industrial change since the 1600s, including the first motor vehicle's arrival in the 1890s.

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The cars of the future may go without drivers, but motor vehicle insurance will always be necessary to provide stability for as long as vehicle ownership by individuals or organisations continues.

Karl Hamann is CEO of QBE Insurance South Asia. Grant Pearce is Head of Product – Personal Lines at QBE Insurance Australia.

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