

# TECH TAKES THE WHEEL: PREPARING CANADA'S INSURANCE SECTOR FOR AUTONOMOUS VEHICLES

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A new report by the Insurance Bureau of Canada (IBC), representing Canada's private property and casualty insurers, argues that fully automated vehicles - the advent of which could begin as early as 2020 - present new risks to the Canadian auto insurance sector and its stakeholders. To mitigate effectively against these risks, IBC calls for fundamental changes to both provincial insurance laws and federal vehicle safety standards.<sup>[1]</sup>

Current auto insurance is premised on the notion that human error is the primary cause of collisions. As humans cede control of the wheel, responsibility effectively shifts from human error to technological malfunction. IBC identifies four different impacts on the auto insurance industry that will accompany this evolution:

1. While collisions will decrease, costs for vehicle repairs will go up;
2. New risks in the realm of technology will present themselves, including network failure, cybercrime, and software issues;
3. Swaths of data being collected from automated vehicles will help assess risk, impact pricing, and better detect fraud; and
4. Responsibility for collisions will shift from the driver to the technology.

IBC's suggests addressing these impacts through focusing on two key areas:

## **A single insurance policy that covers both driver negligence and the automated technology**

- The single insurance policy would see the automated vehicle's insurer compensate the

injured party at the time of the collision, regardless of fault. After investigation, the insurer could file a claim against the responsible party (e.g. the vehicle manufacturer or the technology provider) to recover the costs.

- IBC argues that a single insurance policy would ensure vehicles are properly insured and that people injured in collisions with automated vehicles are compensated fairly and quickly.

## A data-sharing arrangement with vehicle manufacturers, vehicle owners and/or insurers

- In order for such a single insurance policy to function fairly, IBC also recommends a comprehensive data-sharing arrangement, which would require vehicle manufactures to make certain data available to the vehicle owners and insurers. This data would assist in understanding: 1) the cause of the collision, whether human or technological error is to blame; and 2) the way in which the driver was using the technology at the time of the crash.

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Implementation of IBC's recommendations requires collaboration between provincial and federal governments and regulators, insurers and other stakeholders. IBC urges them to begin this work now.

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[1] Insurance Bureau of Canada, "Auto Insurance for Automated Vehicles: Preparing for the Future of Mobility", 2018, online: <http://assets.ibc.ca/Documents/The-Future/Automated-Vehicle-Report.pdf>

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