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■ **Q&A**

Driverless cars will lead to greater product liability

Years in the industry
30+

Fast fact

The world's first self-driving taxis picked up passengers in Singapore in August of last year

● **What are your thoughts on liability for self-driving cars? Should manufacturers be held responsible for their products?**

American manufacturers have long been held 'strictly liable' for defective products that cause harm to the purchaser or others while being used as intended. Driverless cars are intended to operate collision-free without human intervention. As a result, if they collide, one or more of the cars involved in the accident must have been defective.

● **What is the greatest risk you see when self-driving cars become more common?**

Hacking. Autonomous cars will be run by computers that will be an attractive target for hackers.

● **How do you think driverless cars will affect the dynamics of auto insurance?**

Risk, and therefore premium dollars, will shift away from automobile liability insurance since driver negligence will be virtually eliminated. However, car manufacturers will face increased product liability exposure and can be expected to purchase increased or additional coverage.

Auto insurers will also face significant changes in underwriting. Typical automobile insurance is underwritten autonomously using formulas that assess risk based on a driver's age, driving history and location. Driverless cars, however, are not influenced by driver risk. As a result, underwriting decisions will shift from a computer assessment to an analytical assessment

made by an experienced underwriter.

● **Given that there is no historical data yet on which to base risk models, what will insurance policies for these cars look like?**

Drivers will no longer require liability insurance unless states require a type of 'no fault' insurance for car owners. It is also likely that specific product liability coverages will be developed. Commercial product liability coverages will exclude automobile claims, which will require the manufacturers of driverless cars to purchase separate coverage, which will be underwritten based on an assessment of their technology, market share and quality control in manufacturing.

● **When do you think autonomous vehicles will reach a tipping point?**

Less than 10 years. The US Transportation Department has proposed requiring all new cars to have 'talk to each other' technology. The proposal calls for 50% of new vehicles to have the technology within two years and 100% within four years.

● **How can insurers prepare for this eventuality?**

Carriers need to engage state regulators in a dialogue about the types of coverage that will be required for owners, manufacturers and sellers of self-driving cars. Each state must decide for itself who must purchase insurance and what limits of liability are appropriate.



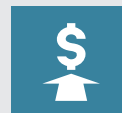
More insurers turn to virtual assistants for customer service

A third insurer has launched on Amazon's voice-activated virtual assistant service Alexa, while another has introduced its own high-tech customer service operative. Grange Insurance, headquartered in Liberty Mutual and Nationwide, by adding a 'skill' to the 7,000 now available to Alexa users. Meanwhile, GEICO has added a virtual assistant of its own to its mobile app. Customers can ask 'Kate' a question and she will respond with quick, personalized answers paired with insurance knowledge.



Lemonade announces plans to expand in 2017

Startup peer-to-peer insurance company Lemonade has filed for licenses in 46 states and the District of Columbia in a bid to make its products and services available to 97% of the US population in 2017. In a statement, Lemonade said it made nationwide expansion a top priority after receiving tens of thousands of applications since its September debut in New York. The insurance disruptor plans to file for licenses in the three remaining states – Mississippi, Washington and Wyoming – once it has met their strict statutory waiting times.



Hippo secures \$14 million to fund launch

Silicon Valley-based Hippo, a provider of smart home insurance, has raised \$14 million to support its official launch in 2017. The funding was headed by venture capital firm Horizon Ventures and participated in by several other venture capital firms, fintech investors and entrepreneurs. According to Assaf Wand, Hippo CEO: "We took everything that's wrong with the current state of home insurance – the confusing forms, the outdated policy terms, the agent as middleman – and fixed it."