



Daniel John
Chair, motor working group, Insurance Europe
Head of non-life actuarial department, HUK Coburg, Germany

MOTOR

Delays possible

This year has seen progress on access to vehicle data and the review of the EU Motor Insurance Directive, but neither is yet complete

For a number of years, the bulk of Insurance Europe's activities in relation to motor insurance have been centred on two major workstreams: the revision of the EU Motor Insurance Directive (MID) and — increasingly importantly — insurance issues related to connected and automated vehicles. On both topics, significant progress was made in the last year but, as the end goals inch closer, real obstacles still remain.

Designing the future of motor insurance

Motor insurance will change significantly in the coming decades. There are two reasons for this. Firstly, today's state-of-the-art car is connected; the car and the driver produce a lot of data. This allows for completely new concepts in insurance, such as products tailored to driving style or frequency and speedier claims-handling and claims-related services. And if the insurance industry does not use this data, others — such as the manufacturers — surely will, presenting a clear danger to traditional insurance business.

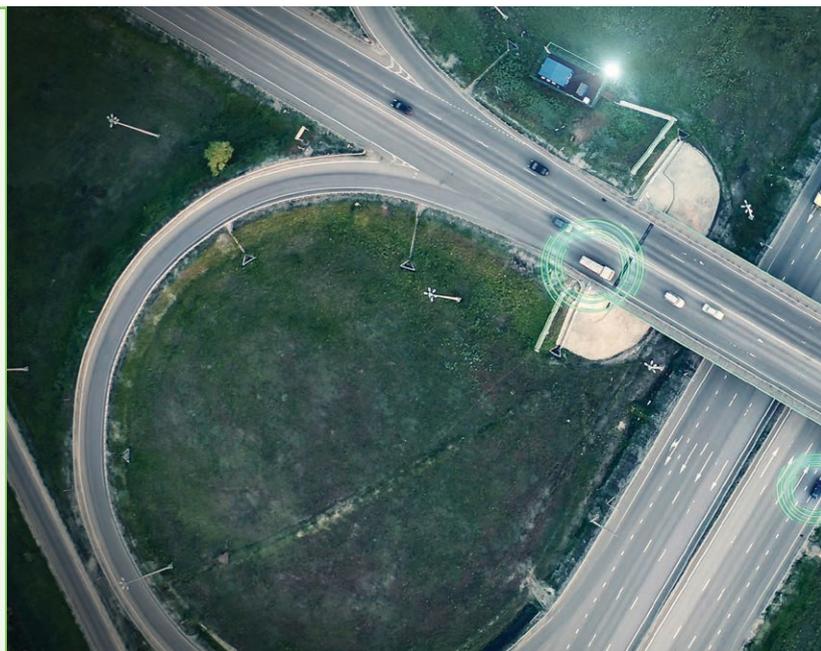
At the same time, these connected vehicles present real opportunities. Some existing telematics tariffs show that those using them become better drivers, thus contributing to the European Commission's vision of zero road accidents. Furthermore, drivers with good telematics scores have lower fuel consumption, which also supports the EC's sustainability goals.

Secondly, autonomous cars are slowly appearing on the horizon.

Communication lines open with carmakers

Vehicle manufacturers have developed their own solutions involving remote servers from which service providers can access the data generated by vehicles. Given the importance for insurers of accessing this data, insurers have been keen to comprehensively evaluate the technological solutions proposed.

This is why Insurance Europe worked together with the vehicle manufacturers for most of 2019 on a project to test the solutions they have proposed. This has been a valuable experience as it has fostered a constructive dialogue on the issues involved.



Here it is no longer the human driver who produces the risk but a system consisting of many hardware and software components. These components use artificial intelligence, require extensive testing before approval, change frequently and generate a massive amount of data while in operation. From a legal point of view, insuring an autonomous car is not very different from insuring a traditional car, but from a pricing and risk assessment perspective, it is a completely new world that requires completely new concepts.

Therefore, the two main questions are:

- How to calculate insurance premiums based on driving/sensor data?
- How to estimate and price the risk of an autonomous car?

And the basis for all of this is: data.

First moves on access to data

In mid-2019 the Commission's DG GROW (Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs) gathered all key stakeholders in the automotive value chain — insurers included — to lay the ground for a legislative proposal on access to the data generated by automated and connected vehicles.

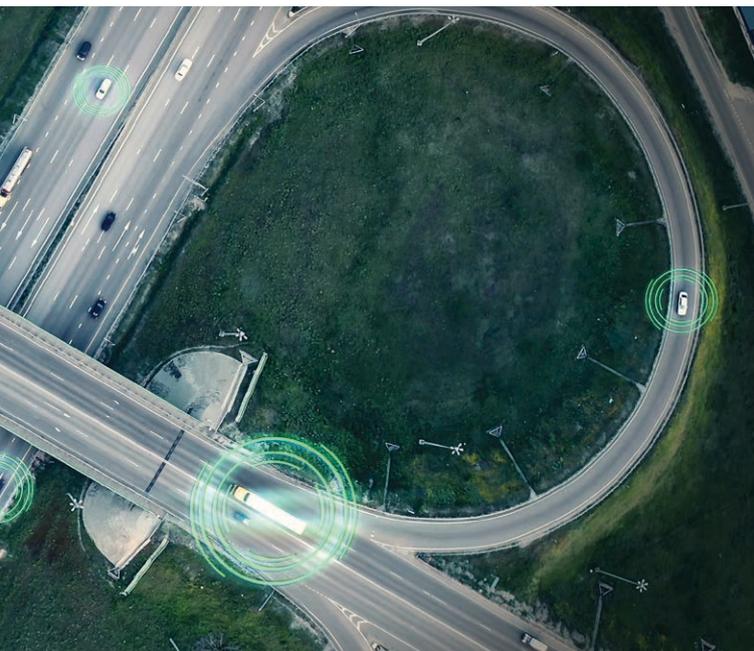
This, in itself, was a huge step forward and was welcomed

by Insurance Europe, confirming that the idea that legislative action is necessary on access to vehicle data has gained considerable ground.

For insurers to carry out their core function of providing compensation, they need to have access to any relevant data generated by the vehicles involved. Not only does this enable insurers to apportion liability correctly, but access to the data from automated and connected vehicles also helps insurers to better understand the risks those vehicles present, to improve claims-handling and to develop innovative, tailored products and services for consumers. Vehicle manufacturers, however, have long opposed the idea of any legislative intervention in this area.

The discussions led by DG GROW were a way for the Commission to gauge stakeholders' views and, in particular, the data needs of the different parties. Insurance Europe agreed to collaborate in this exercise and provided an extensive but

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not exhaustive list of datapoints to which insurers need access in order to offer their services in and around connected and automated vehicles.

One point Insurance Europe highlighted was that any proposal would need to be future-proof, meaning that any list of datapoints could only be used as an example, rather than an exhaustive and binding list. As vehicles evolve, so will the datapoints, and insurers will want to be able to adapt their services to this ever-evolving ecosystem. Any action by the EU must enable this.

Progress has slowed since this initial push from the Commission, and the start of the study that will form the basis for the legislative proposal from the Commission, which was originally scheduled for the end of 2020, will now more realistically be for 2021.

Insurance Europe will continue pushing for any proposal to include the necessary safeguards to ensure consumers — and society in general — make the most of the opportunities arising from connected and automated driving. Drivers must remain in control of their vehicle data and be free to share it with the service providers of their choice, without having to go through the vehicle manufacturer. To foster consumer choice and fair competition, it is essential to ensure all service providers

in the automotive value-chain can access the wealth of data generated by new technologies.

Differences over the MID

The MID is a longstanding piece of EU legislation that has ensured the protection of victims of road traffic accidents and facilitated the free movement of motor vehicles throughout Europe since the 1970s. Talks of a revision started back in 2015 and the EC published its proposals in 2018. Insurance Europe strongly supports the review's objectives of increasing the protection for victims of accidents and ensuring policyholders are all treated fairly and without discrimination. It is particularly supportive of the Commission's view that autonomous vehicles fall within the scope of the Directive and of its proposal to allow new technology — such as number-plate recognition — to be used in the fight against uninsured driving.

While the European Parliament was quick to adopt its position on the EC proposals, the Council of the EU was much slower to start work. Nevertheless, the last quarter of 2019 saw an acceleration, paving the way for negotiations to begin in 2020 between all three institutions. However, progress has since slowed down, and only partly because of the COVID-19 pandemic.

The reality is that there are widely differing views between EU

member states and between MEPs (sometimes within the same group) on many key aspects of the proposals. Some of the contentious issues have been known for a long time, such as the definition of the use of a vehicle, which Insurance Europe believes should be limited to vehicles used in traffic, or the standardisation of claims history statements, which Insurance Europe considers impractical and without clear benefits for consumers.

The co-legislators' discussions on other issues, however, only really began in 2020. These include, most topically, liability issues relating to light electric vehicles, such as bicycles and scooters.

It is not surprising the topic of light electric vehicles was introduced into the debate, since they seem to have taken over some European cities in the last year or two. While they are seen to bring many benefits in terms of sustainable transport, they also raise some serious questions and have turned into quite the "hot topic" that policymakers all want to discuss.

One issue in particular relates to liability for accidents and whether the MID's protection should be extended to electric vehicles. Insurance Europe has been arguing that extending the compulsory motor third-party liability (MTPL) insurance system

found in the MID to them would be a disproportionate move, since they are usually more akin to bicycles and few would argue that cyclists should be required to have MTPL insurance.

Insurance Europe has therefore suggested basing the decision on whether to apply compulsory MTPL insurance at EU level to such vehicles on existing type approval rules, meaning compulsory insurance should only apply to those vehicles that can reach a speed of over 25 km/h. It is important to note here that the MID is a "minimum harmonisation" instrument, meaning member states remain free to go further and require insurance for these vehicles.

While the co-legislators' views on electric vehicles seem to generally match those of Insurance Europe, there are many other issues where no clear consensus has yet emerged, including on the wider issue of the scope of the Directive (ie, the definition of the use of a vehicle). The adoption of a revised MID by the end of 2020 as currently planned is thus anything but guaranteed. ■

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