

# Driving into a driverless future



Driverless vehicles will shift blame for vehicular accidents to two additional stakeholders besides the traditional human factor – the vehicle manufacturer and network providers. This will change the way laws deal with accidents, but regardless of the technological advancements, insurance is and will always remain a necessity, said Atty. Dennis B Funa, the Philippines Insurance Commissioner at the 5th Asia Motor Insurance & Claims Management Conference held in Manila.

By Chia Wan Fen in Manila



**W**ill driverless vehicles cause the end of motor insurance?

Atty. Dennis B Funa, the Philippines Insurance Commissioner, addressed this concern upfront. Citing recent driverless car accidents and research, he noted that the human factor in driverless cars, while reduced, will still not be completely eliminated, with accident risks continuing to exist.

In addition, the three stages of production – today’s driver-controlled vehicles, semi-autonomous vehicles with drivers having limited control and finally fully autonomous ones – will see periods of overlap in the next few decades. Thus, insurance will remain necessary for the potential accidents.

## Impact on claims and regulations

Vehicle autonomy will impact claims and regulations, said Atty. Funa. An automaker may be responsible for the driverless car as an entity, but the programme it runs on relies on network providers supplying information related to traffic and road conditions. Thus, regulations on the determination of liability would need to be modified accordingly and may implicate the latter too.

Underwriting will also be affected as it may evolve to depend solely on loss history, vehicle operating systems, and that it may eventually even consider weather conditions. “Conventional criteria personal to the owner used in underwriting like age, gender and driving history will no longer have any bearing on purely autonomous vehicles,” he said. “With the advent of driverless cars,



Atty. Dennis B Funa

regulators will face the challenge of developing standards and regulations to guide the industry in adjusting to these changes and to safeguard it from collapse.”

He added that regulatory change would need the involvement of the private sector, namely insurers and motor vehicle industry stakeholders. As Commissioner, Atty. Funa said he looks to lead the way in exploring how driverless cars may affect the industry.

For example, the Philippine government is currently pursuing an amendment to the law involving motor vehicle excise tax, a move which needs to consider that vehicle prices will increase as new technologies are installed in vehicles. Beyond insurance laws, even the country’s Civil Code on torts and damages may need to be updated if a driverless car gets involved in an accident, which could be attributed to the owner’s negligence.

## “Nimble is the new normal”

Offering the industry perspective was Mr Augusto Hidalgo, Chairman, Philippine Insurers and Reinsurers Association (PIRA) and CEO of National Reinsurance Corporation of the Philippines. He called on insurers to emulate the success of



Mr Augusto Hidalgo

China’s online insurer ZhongAn, in seeing new technologies as a new tool for growth rather than a threat. With the insuring public behaving differently because of greater interconnectivity and their needs changing quickly, insurers need to change along with them.

He said the internet should not be seen just as a distribution channel, as “going digi-

tal” for motor vehicle insurers should also mean using analytics and Big Data from intelligent cars, social media and other sources to create a personalised customer-based experience and develop new products.

In the Philippines, PIRA is sharing data with the government to help prevent and minimise not only car-napping incidents but also insurance fraud. To this end, it will be launching an improved version of the Motor Claims Information System (MCIS).

Mr Hidalgo called on the audience to challenge themselves with “How do I revolutionise the insurance industry in my own country or region?” or “How can I become like that ZhongAn that everyone’s talking about?”. He said he believes that the answer lies in company culture.

“First, we need to embed that culture of not only embracing data analytics but, perhaps more importantly, committing to the highest ethical standards when using this data,” he said, adding that data analytics is only truly effective and worth pursuing if it has a customer’s trust.

Second, the industry needs to boost the capabilities of its people. And thirdly, he called on insurers to imbibe these values – confidence and trustworthiness, critical thinking and creativity and living by resoluteness and adaptability to be open to change and learn best practices from competitors.

### “Shift happens” – be customer-centric

Elaborating on the need to adapt to changing customer behaviour and the need for insurers to reinvent themselves in customer-centricity, Ms Bona Santiago, Director of Philippines, Merimen Technologies said: “Shift happens. Customers need coverage, they do not need insurance companies.”

She pointed out that tech providers had started to enter the same space to offer protection products, hence, service differentiation, trust in the company and branding are key in order for traditional insurers to hold their own.

She cited the need for transformation across the entire insurance value chain to provide consistent and coherent customer support. This requires product design that is tailored yet simple to



Ms Bona Santiago

understand; making use of external data for risk assessment for pricing and underwriting; “omni-channel” multi-touch points, which integrate social media queries with traditional customer feedback and response channels; and distribution-wise, sales channels for self-help and direct purchase, and transparent and faster claims resolution for customers.

### Gamification in customer centricity

Citing the three major trends of blockchain, artificial intelligence (AI) and gamification that will transform motor insurance, Mr Mark Ranford, Managing Director of 12 Signals, said that the latter was a form of “behavioural psychology”, which offered a major opportunity to build relationships and engage customers.



Mr Mark Ranford

As incumbents, he told the insurers in the room that unlike startups, they were fortunate in already having a lot of customers in their database—what they have to do now is to “own them”, excite them and make them loyal.

He said insurers should ask how they could make people “enjoy” motor insurance and feel a certain “magic” in their experience, which gaming companies excelled in and kept players engaged with. He advised insurers to look for good platforms and toolsets to build into their apps as they would not have time to build it in-house.

### Usage-based insurance

The industry is moving towards usage-based insurance (UBI) which further personalises the customer experience, agreed the speakers.

Millennials form a very different generation which expects personalisation as they want things on demand and 88% are interested in taking a UBI policy, said Mr Adam Brzozowski, Executive Director, Advisory Services, EY. “They will be very rewarding if we provide them with value and win them over, but they will punish us on social media if we push them products and services that are not relevant,” he warned.



Mr Adam Brzozowski

### Highlights

- The human factor in driverless cars, while reduced, will still not be completely eliminated;
- Insurers should emulate the success of China’s online insurer ZhongAn; and
- Customers need coverage, they do not need insurance companies.

Mr Pravar Gautam, Vice President Asia & EMEA, Scope Technologies noted that based on his company’s experience, UBI has shown that the benefits are mainly for insurers rather than the insured, and the low-hanging fruits are claims management and fraud reduction, much less than the oft-cited driver behaviour, which takes time to achieve.



Mr Pravar Gautam

### Recovering stolen cars with telematics

Telematics has been used by Katsana to successfully track and recover stolen vehicles in minutes in Malaysia.

Its technology can also be used to gather data on driving behaviour and applied to scoring systems for drivers, which is especially useful for enterprise fleets. And if irregular activity on a vehicle is detected, the business owner can disable the car remotely. Social engagement means individuals whose cars have been stolen can also share that information with their friends to seek their help.

“There is a shift from just having a security system for vehicles to accountability of drivers,” said Mr Syed Ahmad Fuqaha Sd Agil, the firm’s founder. “You can come up with a really precise risk profile of a person.”



Mr Syed Ahmad Fuqaha Sd Agil

Katsana’s clientele now includes motor insurers, as the service can be used to reduce claims losses in a major way and gather data for imminent detarification of motor premiums in Malaysia.

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