



MARKETS

# Insurers Race to Develop Coverage for Driverless Cars

Damage liability may shift from the driver to a wider list of providers as control of cars shifts from humans to computers



A Uber self-driving car in a handout photo. Another such vehicle of the company was involved in an accident earlier this week. PHOTO: UBER HANDOUT/EPA /SHUTTERSTOCK

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32 COMMENTS

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As federal investigators begin to examine [a pedestrian fatality involving](#) a self-driving Uber Technologies Inc. car this week, America's car insurers are watching closely.

Car insurers haul in roughly \$230 billion of premiums a year, but much of that intake could evaporate in coming decades, say some consultants, assuming crucial breakthroughs in driverless technology that would eliminate the many wrecks caused by human error.

The potential hit to their bottom lines has property-casualty insurers in an arms race to figure out how they can design policies and price the risk of the vehicles that technology firms, such as Uber and [Alphabet Inc.](#), [GOOGL -0.16% ▼](#) are seeking to deploy in huge numbers, according to industry brokers, executives and trade groups.

It isn't clear that the death this week in Arizona would be an example of how liability would shake out for the industry. A person familiar with Uber said the firm's test vehicles are insured through a commercial-insurance policy for a maximum of \$5 million per accident. The insurer or insurers couldn't immediately be learned.

The Uber accident highlights a likely broader trend to come in driverless cars. Under the current arrangement, individual car owners must buy liability policies to help cover damage in wrecks they cause. But in a possible metamorphosis, individuals would bear less financial responsibility.

Instead, the makers of the vehicles and their many complex parts will instead assume a bigger share—via product-liability coverage, consultants say.

## Human Error

The rate of U.S. auto fatalities has declined since 1950, as new laws, steady technological improvement and campaigns to change behavior reduced many leading causes of wrecks.

Annual motor-vehicle crash deaths per 100 million vehicle-miles traveled



- 1 1974 National maximum speed limit set at 55 mph
- 2 1980 Mothers Against Drunk Driving founded
- 3 1984 States begin enacting seat-belt laws; U.S. sets minimum drinking age at 21
- 4 1995 National maximum speed limit repealed
- 5 1998 New passenger cars must have frontal airbags
- 6 2007 NHTSA requires electronic stability control
- 7 2016 An improving economy, lower gas prices and more cellphone use lead to increase in accidents

Source: National Highway Transportation Safety Administration

"They are competitors, so understandably they often don't talk publicly about this, but we do know insurance companies are engaged with developers, trying to help them reduce their liability exposure," said Jim Whittle, associate general counsel for the American Insurance Association, a lobbying group representing some of the nation's biggest property-casualty insurers.

Those possibly at fault for accidents: vehicle owners, manufacturers, suppliers, service providers and even data providers.

The shift from personal liability is also an opportunity for many of the nation's biggest insurers eager to get in on the action of insuring autonomous vehicles.

"While insurance coverage for (autonomous vehicles) is not mainstream, there are companies that will provide policies," said Maureen Brown, a vice president with Munich Reinsurance America Inc.

[Munich Re](#) does insure some "entities that are researching, testing, or developing hardware or software designed to move autonomous vehicle technology forward," according to the firm.

As control of vehicles gradually moves from people to computers, exactly how the liability will shift remains to be determined, insurance brokers say. Uncertainties abound as to how autonomous vehicles will perform on roads with manually operated vehicles, among other things.

To test vehicles in any state, Uber and its rivals must meet financial-responsibility laws that obligate all car owners to carry insurance. States require the coverage so that money is available to pay damage to victims of car accidents.

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- [Accident Complicates Push to Ease Rules](#)
- [Toyota to Temporarily Halt Driverless-Car Testing in U.S.](#)

In Arizona, the minimum is \$15,000 per person and \$30,000 per accident.

Those minimums are far below what many people actually carry, set low partly to help encourage insurance

purchases. When it comes

to deep-pocketed corporate owners of vehicles, victims could sue for greater sums.

Indeed, should autonomous cars proliferate and if their safety record isn't as great as many technology enthusiasts envision, car makers and the manufacturers of component parts can "expect to get to know their way around every courthouse in America," wrote Randy Maniloff, an insurance lawyer with White and Williams LLP in Philadelphia, in an insurance-coverage newsletter.

Uber itself has made insurance a high priority in its driverless-car push.

The manager of its insurance programs, Gus Fuldner, is highly regarded in the profession of risk management. He won a "Risk Manager of the Year" award in 2016 from an insurance trade publication for innovations in managing the company's risks as a ride-sharing company.

"He was the driving force that brought insurers, regulators and transportation network companies together in the U.S. to set a uniform standard for ride-sharing automobile liability insurance, a shift that has transformed the insurance industry," an executive at a unit of brokerage and professional-services firm [Aon PLC](#) said in a public comment at the time of the award.

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