

**Statement**

**of the**

**American Family Mutual Insurance Company, S.I.**

**to the**

**United States House of Representatives**

**Committee on Financial Services**

**Subcommittee on Housing and Insurance**

**Hearing on**

**“The Impact of Autonomous Vehicles on the Future of Insurance”**

**2128 Rayburn House Office Building**

**May 23, 2018**

Chairman Duffy, Ranking Member Cleaver, and members of the subcommittee, thank you for inviting me to testify at today’s important hearing. My name is Sam Geraci, and I am the Vice President of Strategy at American Family Insurance. I look forward to testifying today about a topic that is of great importance to so many Americans and American Family policyholders.

American Family Insurance is the nation’s thirteenth-largest property/casualty insurance group and is owned solely by our policyholders. Supporting them is our only priority in business. At our founding in 1927 as Farmers Mutual Insurance Company in Madison, Wisconsin, we only offered auto insurance and were primarily focused on serving the farming community. Today, American Family serves millions of policyholders through a suite of auto, homeowners, life, business, and farm/ranch insurance.

American Family fully supports Automated Driving System (ADS) innovation and we are among the organizations supporting the ADS work at University of Wisconsin–Madison College of Engineering and the Wisconsin Automated Vehicle Proving Grounds. This work will benefit our policyholders, our communities, and our environment.

### **The Rise of AVs**

The development of ADS, or Automated Vehicles (AVs) may be the most consequential transportation issue of our time. New technology promises faster and better mobility that will be less expensive, more environmentally friendly, and more convenient. It also promises the opportunity for increased mobility for those individuals who are today, unable to drive on their own, but the single most important reason to support the development of highly automated driving systems is the potential for AVs to enhance safety and to save lives.

The development and deployment of proven, safe AVs will require significant technological advances, regulatory changes, and an active partnership between technology companies, vehicle makers, insurance companies, and the government. Critical issues related to passenger safety, liability, and compensation require that insurance companies are included in the regulation of AVs. Consumers will continue to look to property/casualty insurers to provide them with the protections they have come to expect as this new frontier of automotive products evolves.

### **Safety Opportunities and Concerns**

The potential safety benefits of AVs are tremendous, and the insurance industry is committed to supporting the development and deployment of vehicles that will lead to safer roads. While we are incredibly optimistic about the promise of the technology to reduce fatalities and improve the safety of our nation’s roadways, recent accidents with AVs have clearly underscored the need to better understand autonomous vehicle safety.

For decades insurers have been compiling mountains of data and analysis on human drivers, and can provide actuarially valid information to measure a human driver’s risk.

Unfortunately, there is no comparable data or analysis regarding the risk levels of AVs. Each auto manufacturer may have data on their vehicles, but neither regulators, agencies like the National Highway Traffic Safety Administration, nor the insurance industry – the most trusted sources of compiled auto crash and safety data – have consistent access to that information.

The risks associated with AV technology increase dramatically when companies or individuals take non-AVs and add components and software to the vehicle to create AVs. NHTSA may have approved the safety of the non-ADS vehicle, but there is no governmental authority that reviews or validates the creation of an ADS in the aftermarket.

### **The Importance of Data Access**

Automated vehicles are already producing enormous amounts of data as they are tested on public roads, and it will be important to establish access to this data for insurers. At American Family, we believe customers should have unrestricted access to their vehicle’s operating data and the ability to share that data with third parties, such as their insurers. Vehicle operating data will play an essential role in developing rates and underwriting policies. While we understand some consumers may be hesitant to share this data with insurers, we believe many will see the benefit in sharing this information, much as today they allow insurers to collect data in return for premium discounts, and they cooperate in accident investigations.

In the event of an accident, insurers will also require access to crash data. This is vital data insurers will need to determine relative liability for the inevitable crashes and compensate crash victims. While particular data points may change as further development and innovation takes place, data will always be critical for insurers to be able to fully protect policyholders.

Highly regulated review and validation of rates and coverage requires insurers to provide state insurance regulators with extensive levels of actuarially valid data on crashes, their frequency and severity, and the type of operator that was in control of a vehicle. This type of objective and independent validation is exactly what is needed to help consumers, technology companies, and vehicle makers understand the safety of AV systems, features, and operations, but we cannot provide that validation without data. Of course, this type of data would contain neither personally identifiable information of the AV user, nor confidential business data of the AV manufacturers.

### **The Need for Greater Clarity in Regulatory Responsibility**

We believe that the state and federal governments should continue to play a central role in ensuring the emergence of AVs while protecting consumers in the event of a crash. The Federal government – through the NHTSA – should continue to make determinations for the required performance and safety, as well as data integrity, of AVs.

At the same time, states and localities should retain their traditional authority to make the determinations of the registration, licensing, and operation of AVs. States should define and address AVs' personal liability issues in state/tort law and regulation in line with existing liability constructs. Perhaps most importantly to American Family, states should retain the regulation of ADS insurance for the vehicle or operator.

Almost every state requires some level of auto insurance coverage. The relevant state Department of Motor Vehicles is responsible for administering that state's financial responsibility laws. We believe that these requirements should apply to drivers, or operators, of autonomous vehicles in any situation where the driver or operator is able to take control of the vehicle in any respect. We also believe that new, distinct, financial responsibility standards should be developed for manufacturers of autonomous vehicles for situations where the vehicle or its software, not the operator, is responsible for causing an accident. The consistent purpose of these requirements is to help ensure that those responsible are appropriately prepared to compensate victims for damages that they may cause on our highways.

## **Conclusion**

Unfortunately, we all know about the terrible impact auto accidents have on human lives. It doesn't have to be this way, and AVs have the potential to make lives safer - and mobility more accessible - for millions of Americans.

But in the meantime we need to ensure that those involved in accidents continue to receive prompt and efficient help when they need it most. When crashes involving AVs occur, insurers can help allocate responsibility among AVs, non-AVs, and other entities involved. Existing state liability and tort laws can evolve to address responsibility and liability, in the same way that tort law has evolved with other technological and social developments.

Insurance will need to evolve to address changes in both vehicle technology and the increased vehicle sharing (fleets of AVs operated by ridesharing services like Uber or Lyft) that is enabled by that technology. While it is likely AVs will increase the use of ridesharing vehicles and reduce individual ownership, we do not believe personal autos will disappear entirely. The expansion of ridesharing fleets will need to be covered by expanded commercial insurance coverages, just like the expansion of any other commercial fleet of vehicles.

Cybersecurity will add additional nuance to these determinations, and insurance companies are already examining the risks and complexities of underwriting and adjusting cyber insurance products to protect policyholders.

Ultimately, the insurance industry supports the development of AV technology and should be a partner to technology companies, vehicle manufacturers, and regulators to promote safety on our roads.

We look forward to continuing to be a central part of the discussion and solution for protecting consumers in this emerging landscape. I look forward to answering any questions you may have.