

# Reducing complexity and facilitating results: CAVs and Canadian auto insurance

February 04, 2021

In January 2021, the Canadian Council of Insurance Regulators (CCIR) released [a paper outlining a number of issues](#) to address as connected and autonomous vehicles (CAVs) become increasingly prevalent in the automobile sector.

The CCIR's paper contains the results of a small-scale survey conducted across several government and industry associations. The survey indicates that most respondents acknowledge that CAVs will have a significant impact on automobile insurance. A majority also agreed that CAVs posed at least some risk to the industry. However, only half of survey respondents felt that insurance premiums would decline over the long term, which raises the question of what the perceived risk from respondents is, if not for a decline in premiums.

Survey responses suggest that the perceived risk lies not in a decrease in premiums but an increase in overall costs, in the form of more complex and difficult underwriting, claims handling, and litigation. In particular, the CCIR points to the difficulty of quantifying the risks of CAVs for underwriting purposes, the expense of repairing more sophisticated components, and the difficulty of assessing liability in complex multi-party litigation.

The CCIR's paper then reviews two proposed frameworks for insuring CAVs. The first, adopted by the United Kingdom in the Automated and Electric Vehicles Act, 2018 renders insurers strictly liable for a CAV "driving itself" - a definition which does not directly mention the SAE automation levels.

The second framework refers to the single policy regime proposed by the Insurance Bureau of Canada (the "IBC framework"). The core of the IBC framework contains two components: (1) a single insurance policy covering both driver negligence and CAV technology; and (2) a data-sharing agreement between manufacturers, vehicle owners, and insurers. The IBC framework also proposes that insurers, manufacturers, and technology providers submit to a mandatory arbitration process to settle disputes between them.

Ultimately, the survey results reveal that, for insurers, CAVs are technically complex, difficult to underwrite, expensive to maintain and repair, and are more challenging to litigate. Mandatory arbitration may address at least one of the issues.

By

[Jeremy Ablaza](#)

Expertise

[Disputes](#), [Insurance Claim Defence](#), [Transportation](#), [Automotive](#), [Autonomous Vehicles](#)

---

## BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

[blg.com](http://blg.com)

### BLG Offices

#### Calgary

Centennial Place, East Tower  
520 3rd Avenue S.W.  
Calgary, AB, Canada  
T2P 0R3

T 403.232.9500  
F 403.266.1395

#### Ottawa

World Exchange Plaza  
100 Queen Street  
Ottawa, ON, Canada  
K1P 1J9

T 613.237.5160  
F 613.230.8842

#### Vancouver

1200 Waterfront Centre  
200 Burrard Street  
Vancouver, BC, Canada  
V7X 1T2

T 604.687.5744  
F 604.687.1415

#### Montréal

1000 De La Gauchetière Street West  
Suite 900  
Montréal, QC, Canada  
H3B 5H4

T 514.954.2555  
F 514.879.9015

#### Toronto

Bay Adelaide Centre, East Tower  
22 Adelaide Street West  
Toronto, ON, Canada  
M5H 4E3

T 416.367.6000  
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing [unsubscribe@blg.com](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.