

SMART CONTRACTS. THE CASE OF MOTOR INSURANCE

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The term smart contract is used to indicate procedure in the conclusion, execution, handling complaints in the post contractual phase where the human decisions are taken with the intervention of A.I. applications.

We have to remember that the interaction between human being and A.I. sees different levels:

Generally speaking and not only with regard to vehicles we can distinguish, the levels of automation as following:

- at level 1 the human operator acts and turns to the computer to implement her actions;
- at level 2 the computer helps the human operator by determining the options;
- at level 3 the computer suggests options and the human operator can choose to follow the recommendation;
- at level 4 the computer selects the action and the human operator decides if it should be done or not;
- at level 5 the computer selects the action and implements it if the human operator approves the selected action;
- at level 6 the computer selects the action and informs the human operator who can cancel the action;
- at level 7 the computer does the action and inform the human operator;
- at level 8 the computer does the action and inform the human only if the human operator asks;
- at level 9 the computer does the action and informs the human operator only if the computer decides the operator should be told;
- at level 10 the computer does the action if it decides it should be done. The computer informs the human operator only if it decides the operator should be told.

In motor insurance, we see different layers

1. In distribution

It is possible to better assess the risk and it is possible to give advice to insured on how to reduce the risk and the premium (installation of technical device)

2. During the life of the contract

It is possible to monitor the circulation of the car and regulate the premium. See PAYD (pay as you drive) and PHD (pay how you drive) insurance. So drivers pay a premium based on their driving behavior and degree of exposure

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3. In the execution and in particular with regard to indemnification and loss assessment, thanks to black boxes it is possible to monitor accidents, reconstruct the dynamic of the accident.