An aerial photograph of a city skyline, featuring several prominent skyscrapers. A semi-transparent map of the city is overlaid on the image, with yellow lines representing streets and green areas representing parks or undeveloped land. The map overlay is more prominent on the right side of the image.

# Sharing Economy: Challenges and Insurance Implications CPCU – New Jersey I-Day

September 30, 2016

Gerry Finley, Sr. Vice President, Casualty Underwriting  
Underwriting Services, Munich Reinsurance America, Inc  
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**Introduction – What It Is**

**Impact on Employment**

**Legal and Insurance – General Considerations**

**Home Sharing**

**Transportation Sharing**

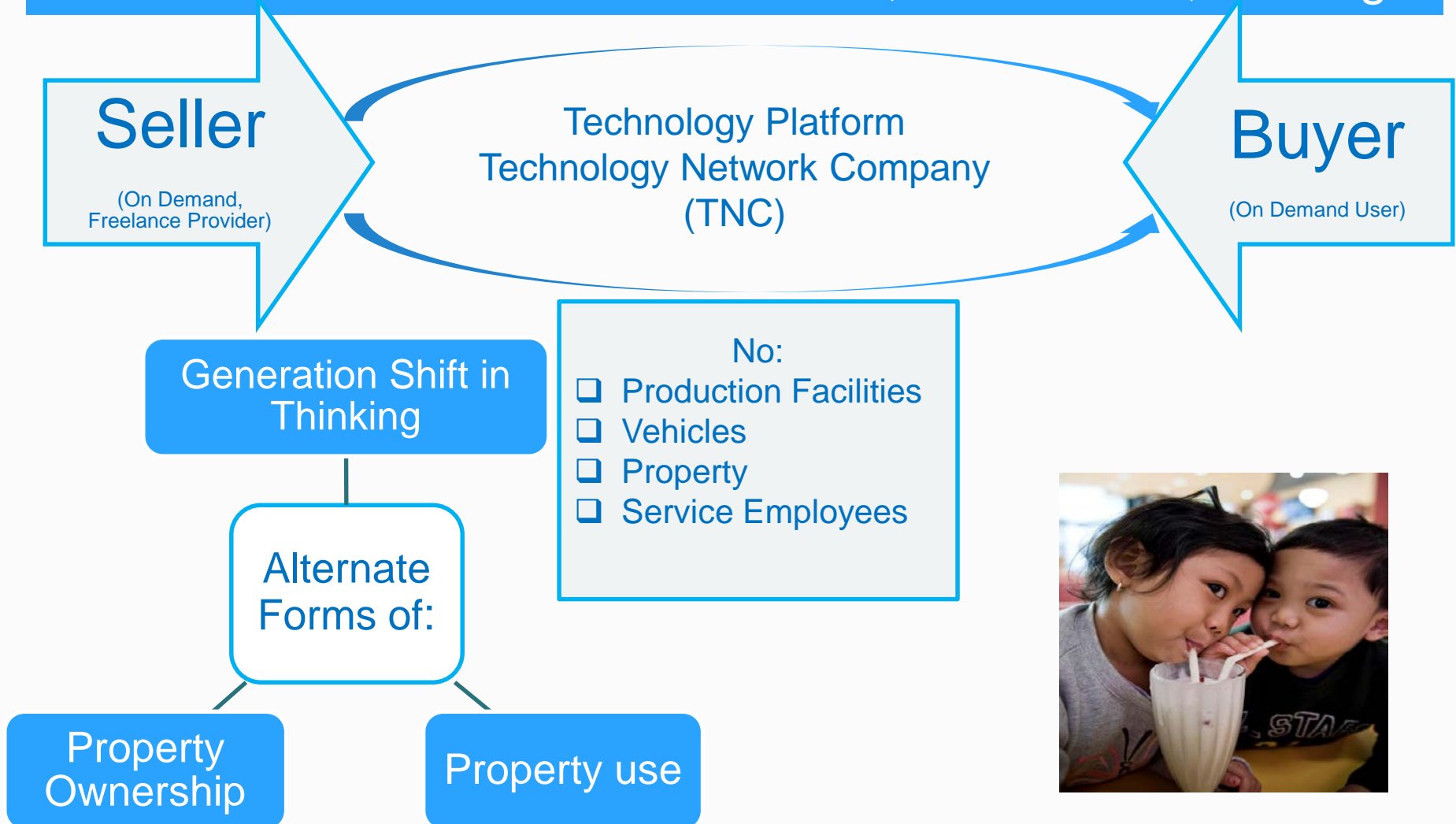
**Takeaways/Wrap Up**

What It is



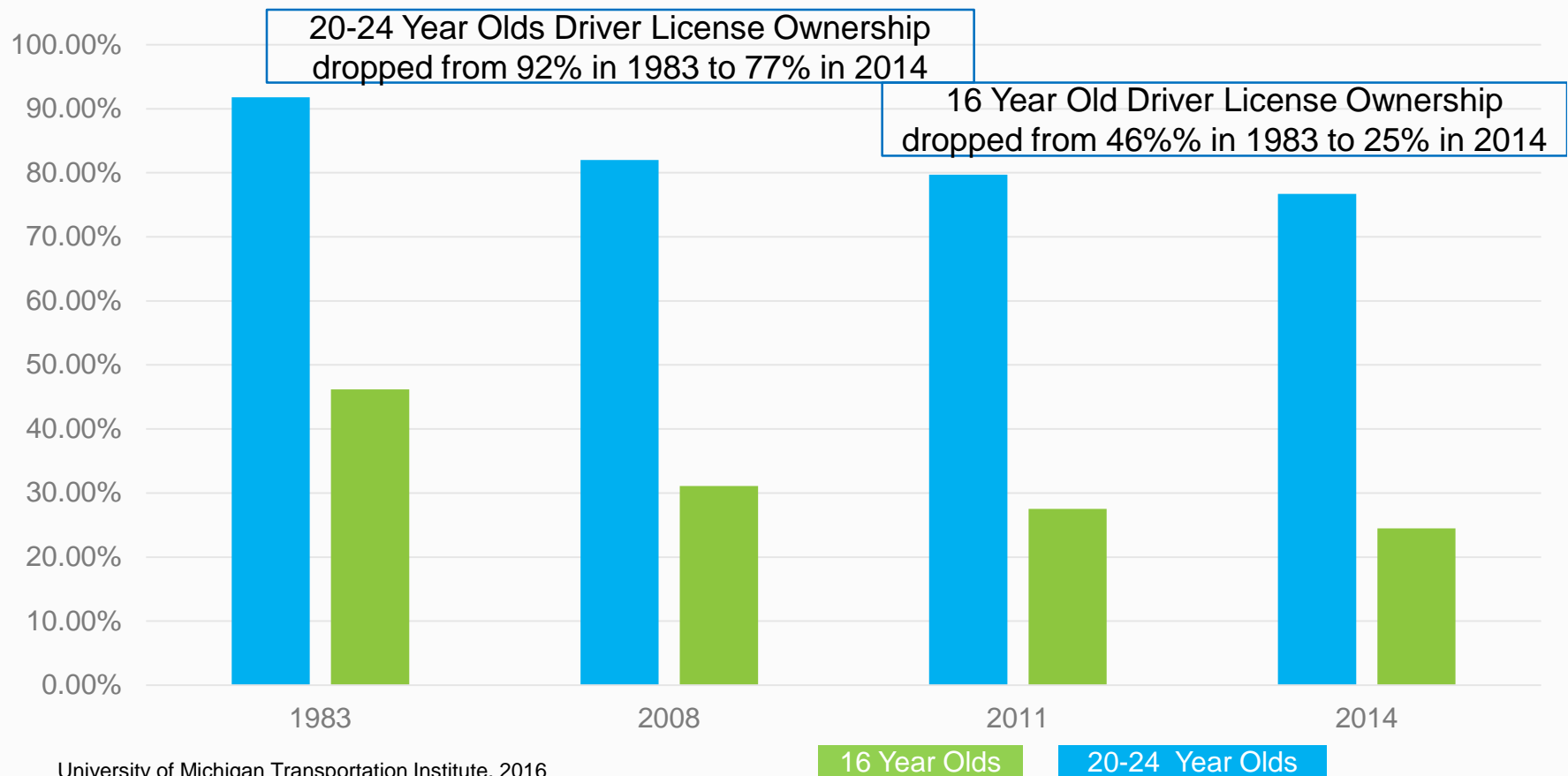
# The Sharing Economy .....What It Is

## The Business Model....Peer to Peer; On Demand; Sharing

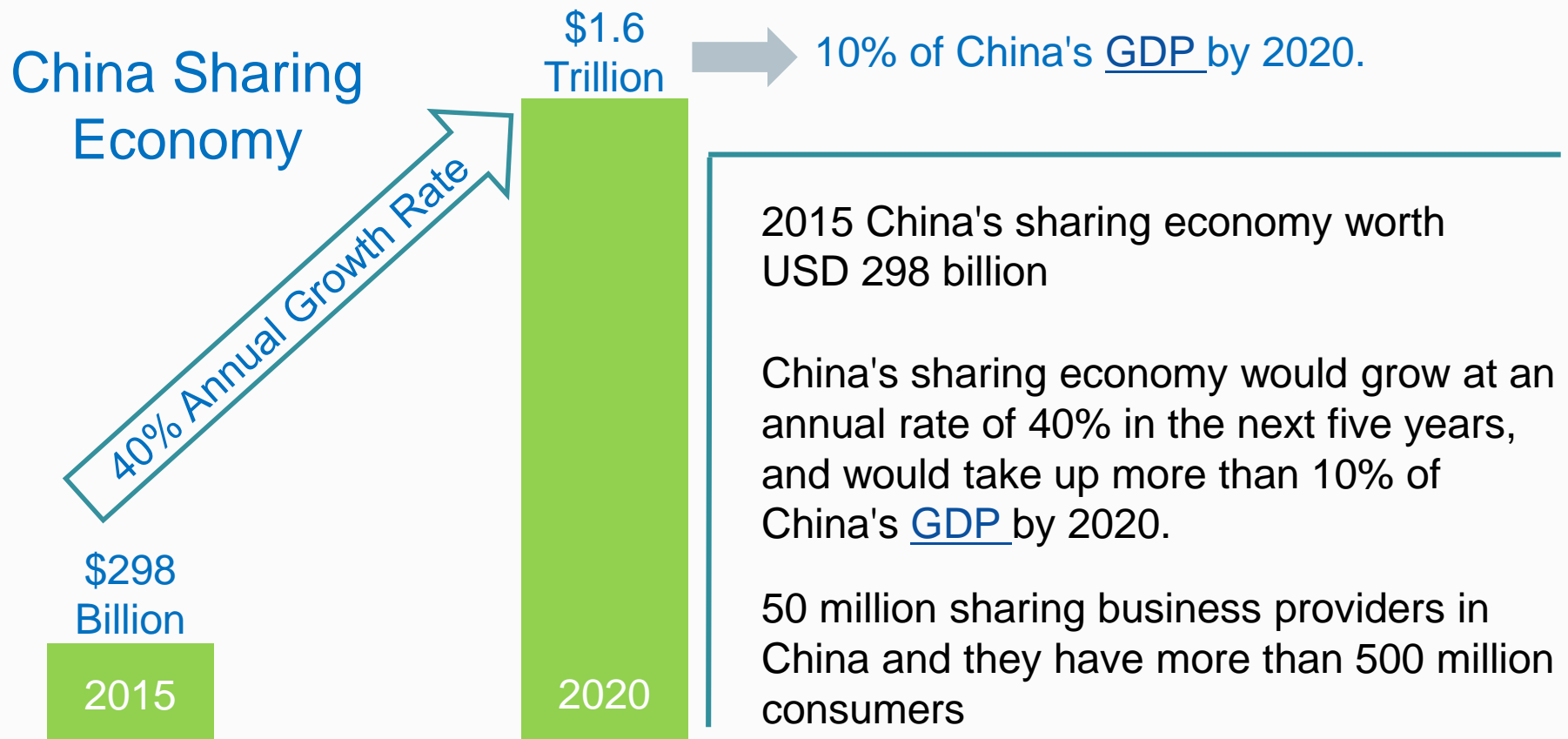


## Millennial Trends ... an example

### % with a Driver License



## Global....e.g., China: Big and getting Bigger

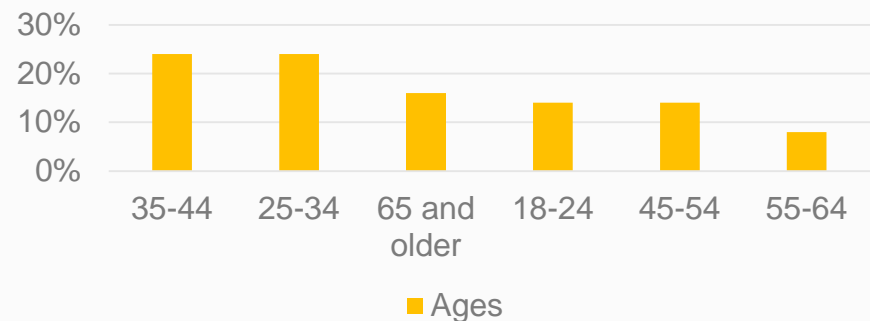


## US Adult Population Perspective of the Sharing Economy

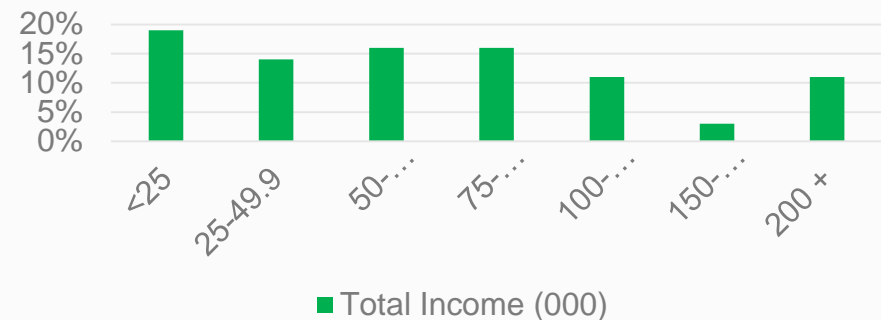
- 44% familiar; 56% Not familiar
- 19% have engaged in a sharing economy transaction
- Who is most excited
  - 18-24 year olds
  - Household with incomes between \$50K and \$75K
  - Those with children in the house <18 years of age

### Sellers/Providers – 7%: Broad Spectrum

Age Distribution



Family Income Distribution (USD \$)





# The Sharing Economy

## .....What It Is...Anything and Everything

From e-Bay to.....?????

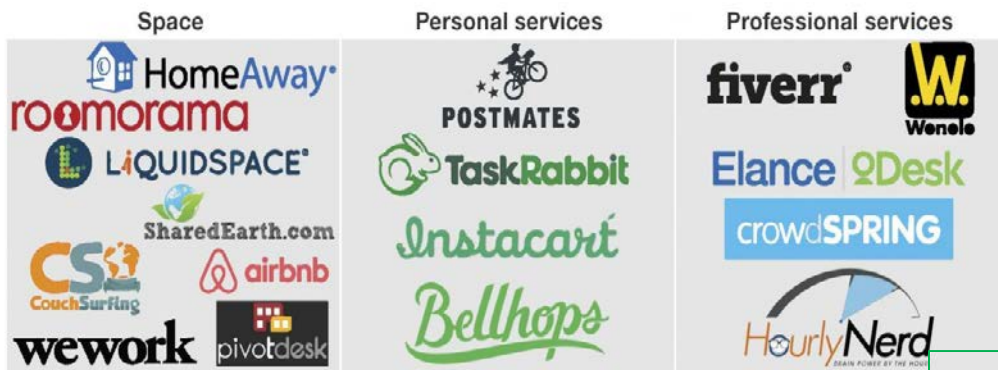


Price Waterhouse Cooper, 2015 Report:

Total Global Value of Sharing Economy transactions

- 2014 ~ \$15 billion estimated
- 2025 ~ \$335 billion annually

<http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.html>



**US Dominates:**

- 50% Global Sharing Cos. (led by SF)
- SF, NY, Boston. LA = Same number of Sharing Cos. as all of Europe

Just Park Study as reported in CrowdFund Insider 10/1/15

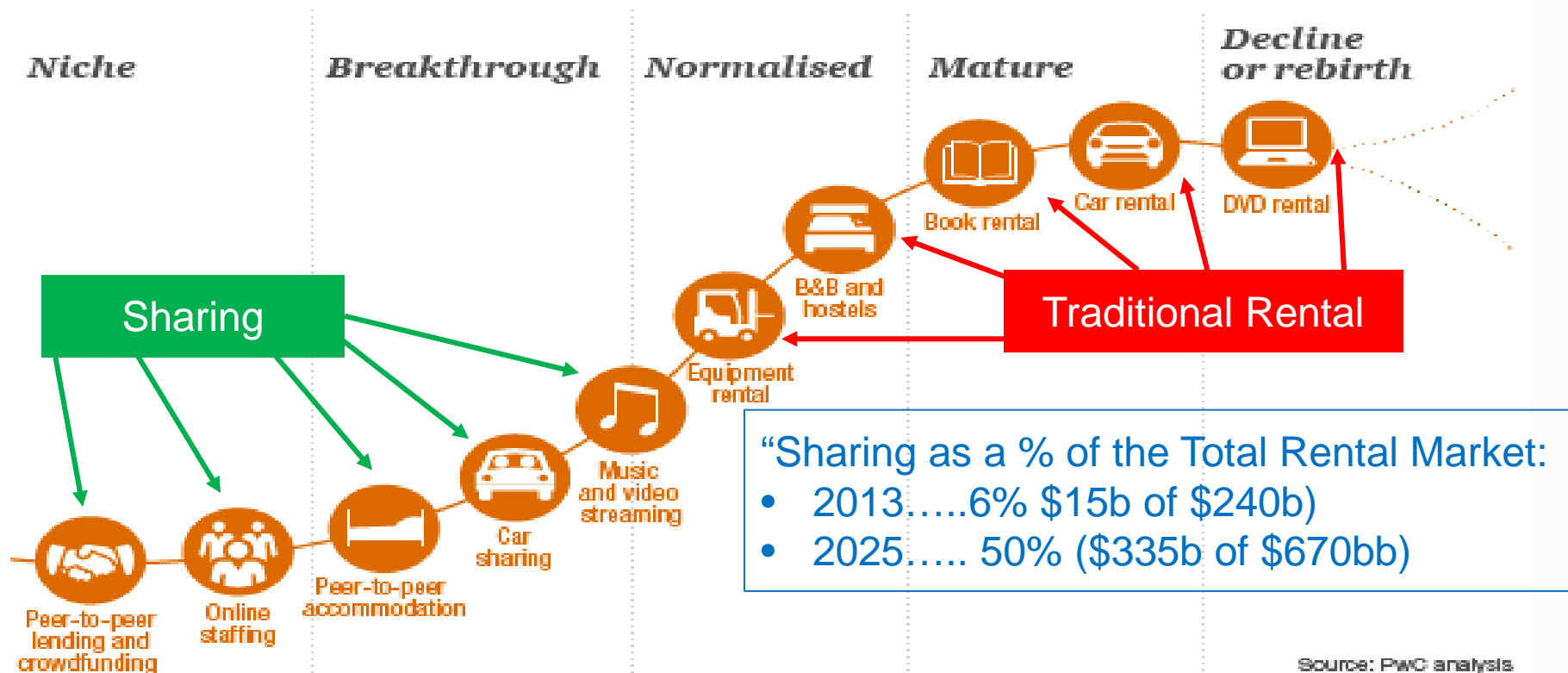
...But...High Failure Rate



## The “S” Curve

### Peer to Peer “Sharing” v. Company to Customer Renting

#### *The sharing economy life-cycle*



The Forerunners of Today's Peer to Peer.....Internet Boom



**Started 1989:** On-line grocery delivery service



**Started 1995:** E-Commerce consumer to consumer sales



**Started 1995:** Classified advertisement web-site...  
.....housing; jobs; items for sale or wanted, etc.



**Started 1995:** Contractors and other service providers



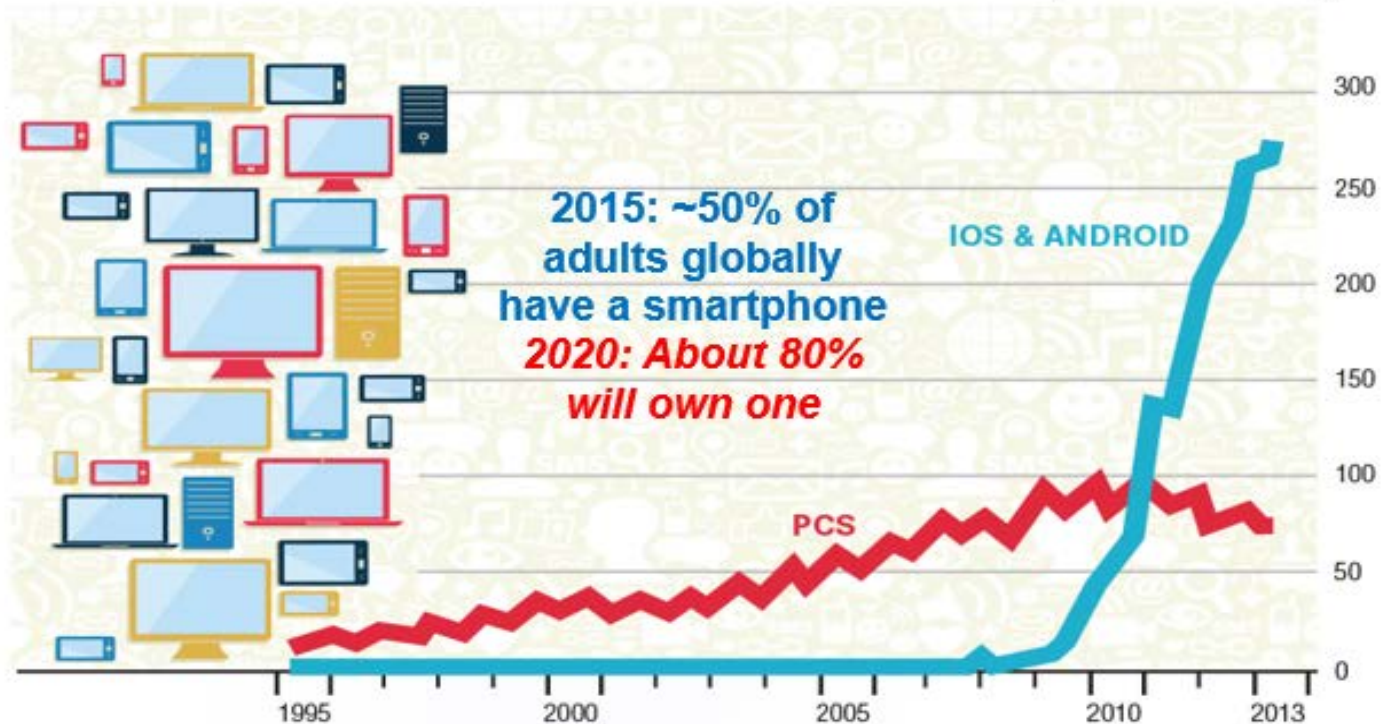
**Started 2000:** Dating web-site

# The Sharing Economy .....What It Is

Breakthrough technology behind the on-demand economy...  
.....Smartphone Boom.....Internet Mobility

## CHANGING PLATFORMS:

### GLOBAL SHIPMENTS OF SMARTPHONES (MILLIONS)



Source: Benedict Evans, Andreessen Horowitz and III

# The Sharing Economy .....What It Is

## A Simpler Life at your Fingertips...

Get  
married



...Move



...Do  
laundry



Business to business  
freight hauling

cargomatic

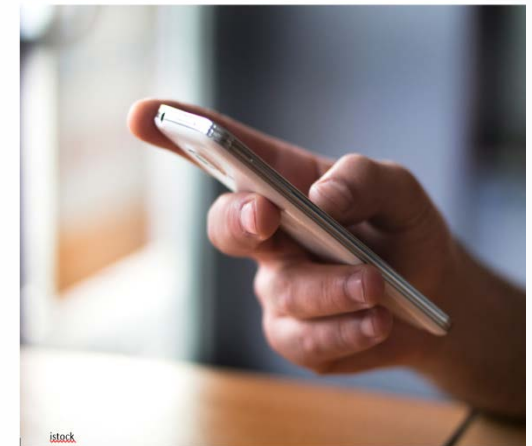
.....Get  
something  
done around  
the house



Someone  
to do  
“chores”



...or get legal  
advise



## ..... Even Insurance...



Provides a software platform for online employee and Benefits Management service  
(2016 devalued from \$4.5bb to \$2bb due to fraud allegations stemming from claims that software was enabling employees circumvent state licensing requirements)



Comprehensive online car insurance comparison platform in the U.S.



Peer to Peer Insurance Company  
...Services provided include.....

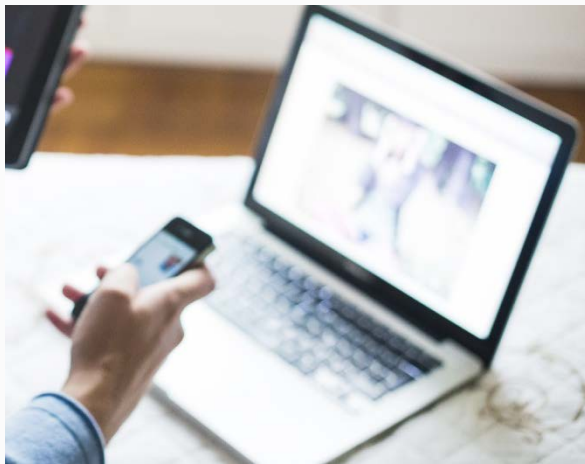
Provides full traditional Insurer services for HO, condo/co-op & rental exposures in NY



On Demand Drone Insurance....Response and Solution to increased use of Drones

## ..... Peer to Peer Lending

SoFi 



 LendingClub



peerform 

 lendingtree



# On Demand Autonomous Vehicles ...the Intersection of Technologies

## Ultimate Mobility



### In the Future...

“Fully Driverless Cars”  
....could be a game  
changer for auto  
related on demand  
services

## On Demand Delivery: Smartphone Order, Track, Pay

**Self Delivery** - rather than 3<sup>rd</sup> party Delivery (UPS, etc)

**Speed** – Minutes rather than hours; Hours rather than days

### Examples:

- **Meals** (Munchery, Caviar, GrubHub, etc)
- **Groceries** (HelloFresh, Instacart, etc)
- **Clothing, Books, etc.** (Amazon, Postmates), etc.
- **2015:**
  - **Amazon** received FAA approval to test Drone use (2 year Exemption)
- **2016:**
  - **Google** started a Drone Cargo Project



# On Demand Solar Energy ...the Intersection of Technologies

..... And the Sun...



**Solar Sharing Network**

“Sun Hosts”



Sun Partners



////////////////////////////////////

## The Big 3

**Have Car ...Will Travel**



**Have Space...Will Rent**



Peer to Peer / On Demand arrangements are made through.....  
Technology Network Companies (TNCs)

TNCs provide platform, software and infrastructure that connects Buyers  
and Sellers of Services in real time

Most Prominent in the US: UBER and Air BNB

### UBER

- ☐ 2007
- ☐ Market cap \$62bb
- ☐ 55 Countries
- ☐ 275 Cities (58% in the US)

### Air BnB

- ☐ 2008
- ☐ Market Cap \$20bb
- ☐ 190 Countries
- ☐ 34,000 Cities



# Impact on Employment





# Differences Between Sharing Platforms

## Capital vs Labor

### Capital platforms: Asset-based, e.g.

- AirBnb – Homes
- Turo – Car sharing



### Labor platforms: Service-based, e.g.

- Uber; Lyft – Ride sharing
- Washio – Laundry
- Task Rabbit – Chores
- Grub Hub – Food delivery



### Typically

- Supplemental income
- No worker issues

### Typically

- Primary income or income used to offset shortfalls (2nd job)
- Employee/independent contractor issues

## For Service Oriented on Demand Businesses..... .....The issue: Employees or Independent Contractors

### Employee:

- Control over activities
- Expense reimbursement
- WC benefits; Health benefits
- Social Security insurance
- Paid vacation, sick leave
- Etc., etc.

### Independent contractor:

- Formal contract/agreement
- Choose when to work subject to the contract
- No explicit expense reimbursement
- May work for multiple parties
- Etc., etc.

### For vehicle related services:

- Autonomous vehicles - But would they have to own the cars?
- More likely team with car makers

Possible  
solutions

Hybrid employment category....  
..with “portable” safety net benefits  
(e.g., Obamacare, Roth IRA, etc.)

Uber developing autonomous cars  
with Apple, Google, Ford

# Legal and Insurance Issues

## – General Considerations



## Employees or Independent Contractors?

### Several TNCs facing Class Actions

- HomeJoy (House Cleaning) – Shut Down, in part due to worker Class Action
- Try Caviar; Grub Hub; Door Dash (Restaurant Delivery Service)
- Washio (Laundry/Dry Cleaning)
- Instacart (Grocery Delivery)
- Postmates (Delivery Service)
- Uber (Ride Sharing)
- Lyft (Ride Sharing)

All are Worker Provided Services ...

.....Unlike Home Sharing (AirBnB) or  
Car Sharing (Relay Rides) Services



**It Only Takes One Influential Court Decision in the employees favor....  
...to destroy the Sharing Economy Business Model...**

## Many Segments of the Economy and Many Lines of Insurance will be Impacted

- Auto (personal and commercial)
- Homeowners/Renters
- General Liability Coverages
- Professional Liability
- *Workers Comp*



Lawyers.com



cargomatic



Many insurance Issues.....and Opportunities!!!!!!



.....Carriers are increasingly  
developing solutions to fill the  
insurance needs/gaps



## Some General Points

### 1. On-Demand Platforms Generally Resist Assuming Liability

or Responsibility unless compelled to do so

- TNCs seek to push liability to the parties they connect
- TNC Position: Their role is only connecting, not providing the service



### 2. Minding the Gap – Traditional Coverage is not ideal

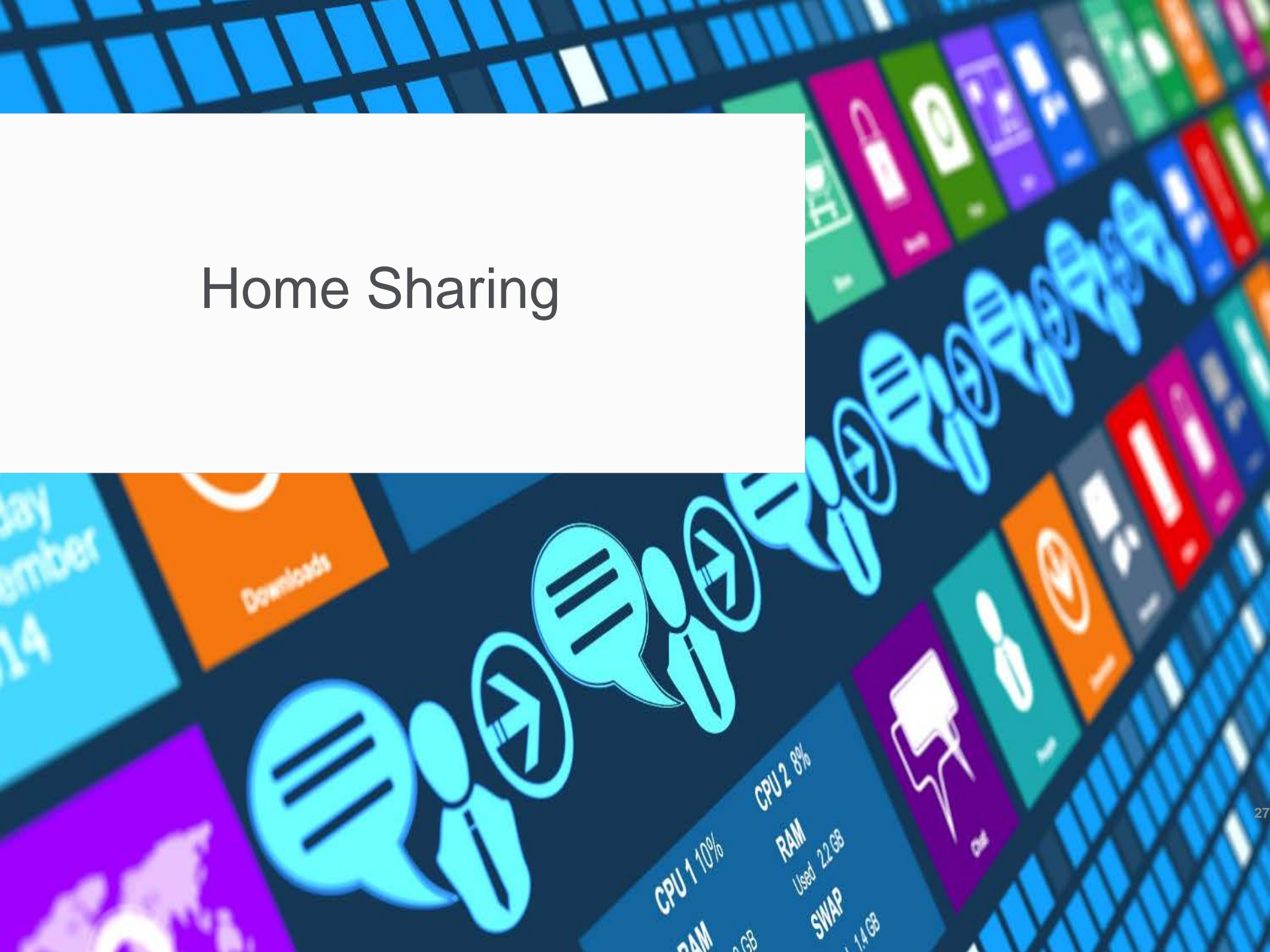
- Traditional insurance will often not cover a worker engaged in offering labor or resources through these platforms, e.g., Auto ins. generally won't cover you while driving for Uber
- Home ins. won't cover other than occasional property rentals
- Unless self-procured, on-demand worker (independent contractors) will generally have no workers comp recourse if injured on the job



### 3. Legislative Activity and Court Battles Lie Ahead, including determination of “Employee vs. Independent Contractor” status



# Home Sharing



# Home Sharing .....What it is

- Arrangement where host temporarily “shares” space with travelers.....For a fee
- Homeowners and Apartment Dwellers
  - Supplement income
- Operations in 34,000 cities worldwide
- Potential challenge to hotel industry



➤ Cities looking Regulate and Tax Home Sharing like Hotels

# Home Sharing .....Some Numbers

Hospitality Brand	Market Cap/Valuation
Hilton	\$27.84 billion
Marriott	\$22.98 billion
<b>Airbnb</b>	<b>\$20 billion</b>
Starwood	\$13.79 billion
Wyndham	\$11.03 billion
Accor	\$10.82 billion
InterContinental Hotel Group	\$10.54 billion
Hyatt	\$8.98 billion
Choice Hotels	\$3.65 billion
<b>HomeAway</b>	<b>\$2.93 billion</b>

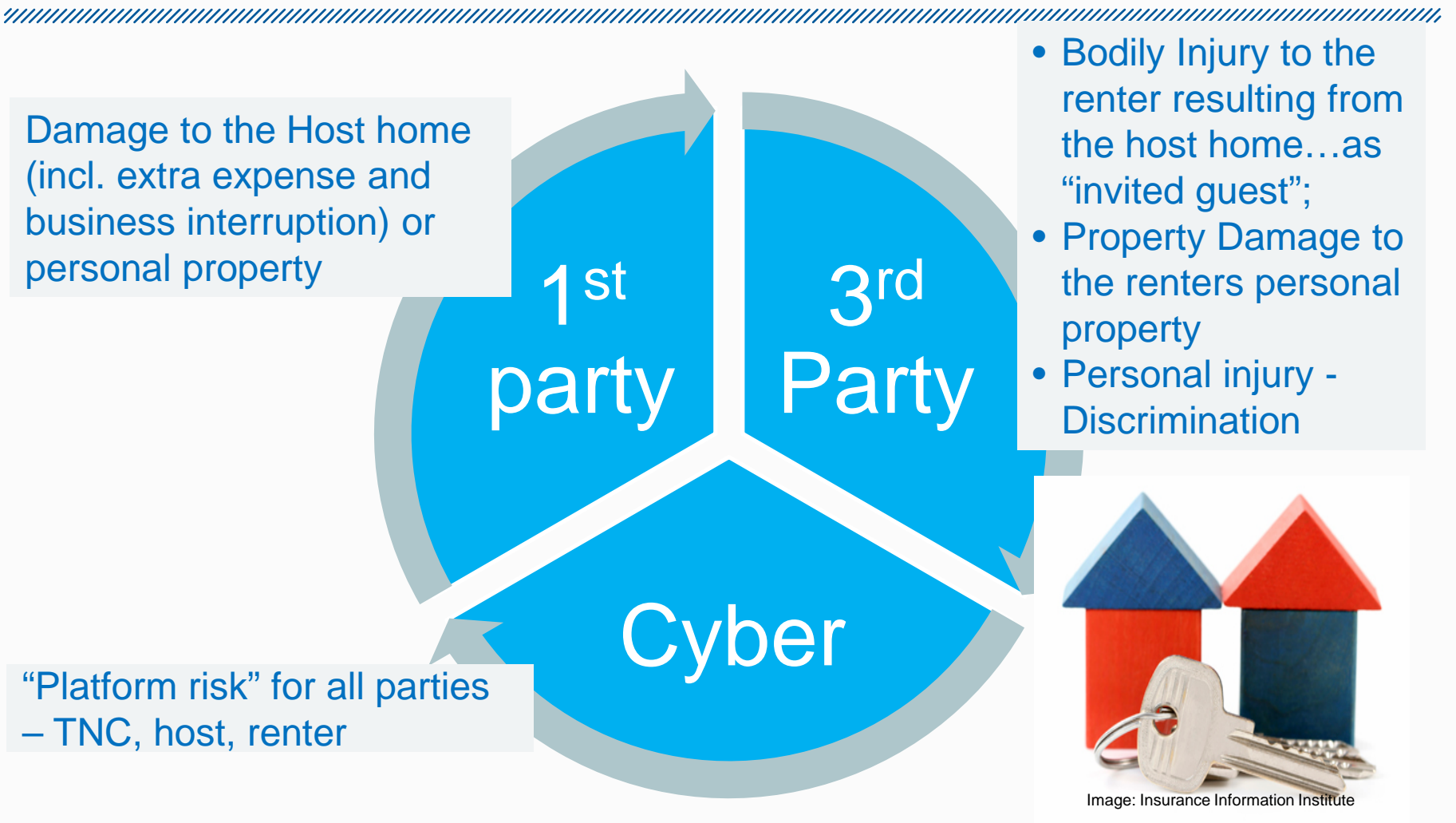
## AirBnb: The clear leader

- Privately owned – Founded 2008
- At least: 1m listing; 25m guests
- 34k cities in 190 countries
- Market cap - \$20b (3<sup>rd</sup> behind Hilton and Marriott) 2016: Marriott Acquires Starwood..
- Revenues:
  - Booking fees (6-12% of rental)
  - Host service fee (3% for credit card processing)
  - Estimated annual revenue @2015 = \$500m

## Competitors:

- 2<sup>nd</sup>: Homeaway Market cap \$2.93b
- FlipKey (Trip Advisor)
- Many others

# Home Sharing .....Exposures/Loss Scenarios



Industry coverage: Just starting to develop as standard forms not adequate



# Home Sharing .....Legal Issues



Most Laws Regulate Hosts/Home Providers  
(not the Sharing Platform itself)

Home Sharing Platforms require Host to be aware of the Law.....

.....But some movement (CA SB 593) by states to require the Home Sharing Platform rather than the Host to know local laws and inform the Host

**Laws vary significantly by municipality but two restrictive examples;; e.g.:**

- ☐ Santa Monica requires the Host to:
  - ☐ Remain in the residence during visitor stay;
  - ☐ Obtain a license;
  - ☐ Remit 14% transit occupancy tax;
  - ☐ Take responsibility to actively prevent nuisance activities.
- ☐ New York:
  - ☐ Multiple Dwelling Law - Prohibits buildings occupied by 3 or more families to be rented for less than 30 days
  - ☐ Single or Two Family Residences require a Certificate of Occupancy expressly permitting short term rentals.

## Discrimination

(Source: Racial Discrimination in the Sharing Economy: Evidence from a Field Experiment, Harvard Business Review January 6, 2016)

### 2016 Study by Harvard Business School:

#### Finding: Discriminatory Practices Observed

- ☐ Field Experiment on Air BnB
- ☐ Guest Applicants with African-American names were 16% less likely to be accepted than identical Guest Applicants with distinctively Caucasian names.
- ☐ Didn't matter whether the host was African American, Caucasian, Male or Female or whether the host property was expensive or moderately priced.
- ☐ Those who reject an African American Guest find a replacement only 35% of the time



### 2016 Legal Implications:

- ☐ **On-Line Marketplaces are legally protected** ....so not likely to be found liable for allowing discrimination
- ☐ **Hosts more likely to be held Liable** (Civil Rights Act of 1964) depending on size



## Response to Discrimination



- New Logo promoting Inclusiveness
- Requiring Service Users to sign a Commitment not to Discriminate
- “Open Doors” Policy – will arrange alternative accommodations to any one who feels they have been discriminated against



African American  
Competitor to Airbnb

# Insurance Coverage

## .....Where is the Coverage?

### Typical HO Policy

Mixed; Coverage varies by carrier both as to if..... and how

#### An Example: ISO HO3

- **“Business Use” Excluded** (Section II, Coverage E Liability)...has an exception for **“rental” on an “occasional” basis** (2B-1a)
- **“Business” is defined** (Def. #3) in part as including...**“part-time or occasional”**... activities except volunteer or home day care activities if any insured receives **\$2,000** or more in total compensation for the 12 months before the beginning of the policy period;

**The Issues:** 1] What is “occasional”; 2] Income Limit

#### Personal Property Not Covered:

- 4f - Property of ***roomers, boarders, other tenants*** ***unless related to the insured***
- 4g - Property in an apartment ***regularly rented*** to others other than \$2,500 as “Landlord” property



#### What to Do?

- **Business Policy**—specifically either a hotel or a Bed and Breakfast policy.
- **Home-sharing Policy** – Month-to-month basis. Exclusions and limitations are Key

# ISO Homeowners Policy

## .....Proposed Changes

### Guidance

- Policy Holder Notice to contact Insurer for Coverage Clarification

### Exclusion

- Specific Exclusion applicable to Host and Landlord
- All Loss or Damage arising out of Homesharing excluded
- Will work toward crafting Language that preserves existing Coverage for renters (e.g., roomers or boarders) that don't constitute "Homesharing" (definition will be key)

### Optional Coverage

- Applicable for Host and Landlord
- Property/Liability Coverage for Loss Arising out of Homesharing

Net Effect: Insureds must Advise Carrier if they are engaged in Homesharing



# Insurance Coverage .....Where is the Coverage?

## Special Home Sharing Coverage Available by SOME Home Sharing Platforms

**Some examples** (Specific Coverage needs to be understood – e.g., exclusions):

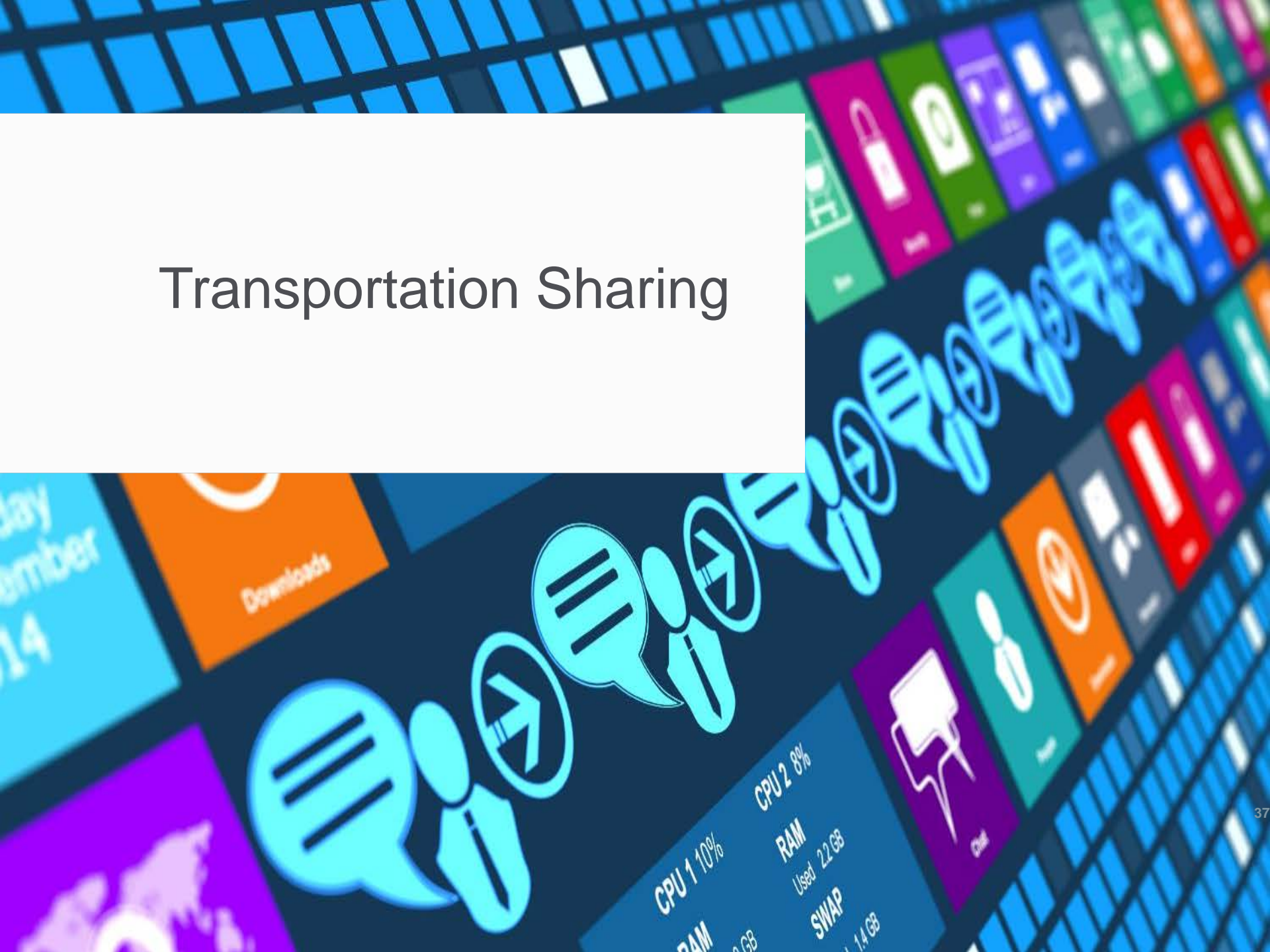
- **Airbnb Host Guarantee Coverage** - Will reimburse homeowner for up to \$1,000,000 in damage to the hosts eligible property.
- **Airbnb Host Protection Insurance** – Up to \$1mm CGL Coverage for the host for injury to guests in a listing or elsewhere on the building property during a stay and, where applicable, their landlords or HOAs
- **Peers.org- Homesharing Liability Insurance** - \$1m Liability Insurance limit that follows homeowner wherever they list their home
- **Homeaway- Property Damage Protection – Guest Coverage** to protect **renter** from paying out of pocket for accidental damages to the host property



## New Product Opportunity???



# Transportation Sharing





# Transpiration Sharing

## ..... What It is



Boat Rentals  
(BoatBound)



Parking Space Rentals  
(JustPark)



On Demand Delivery (Delivery  
Hero, Grub Hub, etc.)

## Ride Sharing

- ☐ Zimride – Focus College Campuses using social networks – facebook; typically longer term rides
- ☐ BlaBla Car - Customized Ride Sharing (Person to Person; typically longer rides )
- ☐ UBER, LYFT, etc – On demand = Taxi Like

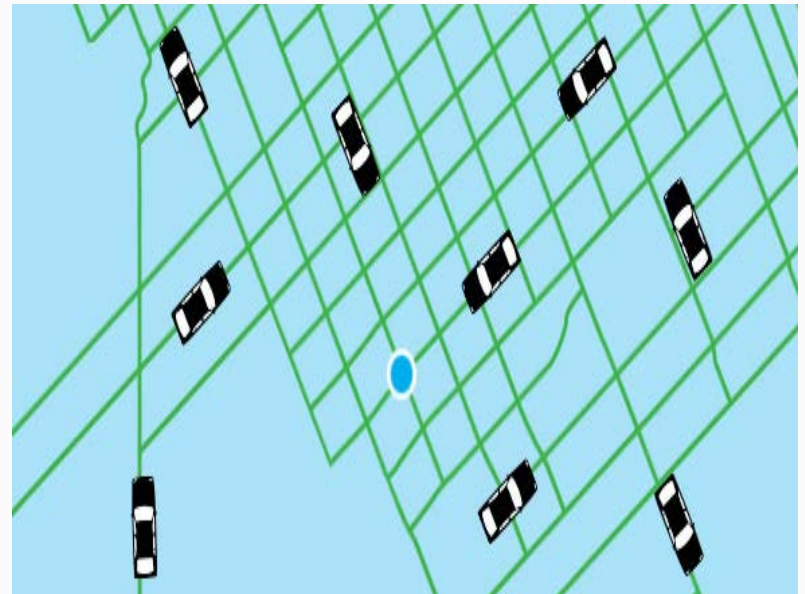
## Car Sharing

- ☐ Turo, Classic Car Share, etc. = Car Rental Like

# Ride Sharing ....What It Is

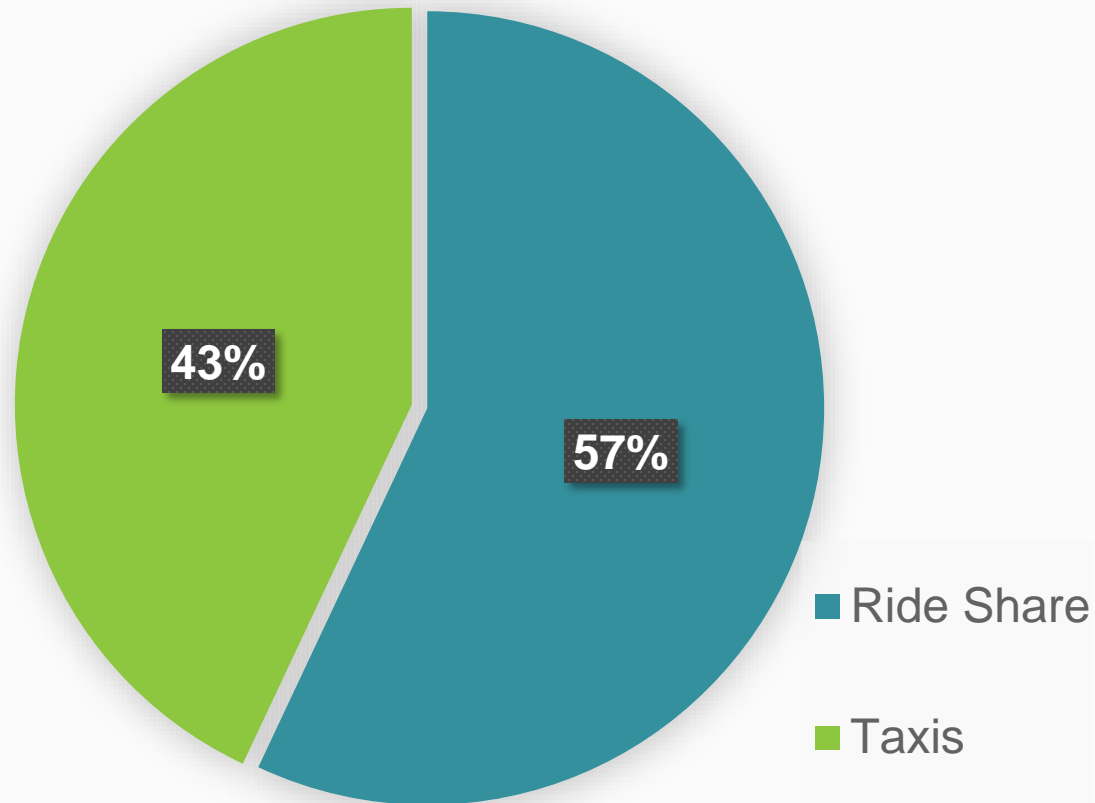
- ////////////////////////////////////
1. Smart phone app connects drivers with passengers
  2. Transportation Network Company (TNC)...provides the Platform.....Social Network Sites
    - Evaluate drivers/review passenger experiences
  3. Operations in 250+ cities worldwide
  4. Payment/tip submitted through App
  5. Potential challenge to Taxi Industry

Uber: 800 Pound Gorilla – At June, 2016  
....\$62BB Capitalization  
....Operates in 250+ Cities  
....2 Billion rides



## Not Just for Millennials

### Business Travel % Use



Source: TIME 8/3/15

## Does Ride Sharing/Car Sharing = End of Car Ownership?

**No!**

- **Kelly Blue Book/Vital Survey of 1,900 US Residents:** Biggest impact on Taxi and Rental Cars, not Car Ownership
- **Boston Consulting Group:** By 2021 auto purchases reduced only ~1% in global markets where Car Sharing services are available

## Traditional Companies: Hitching a “Ride”

### GM - 2015/2016 announced:

- **Autonomous ridesharing** - \$500m investment in Lyft to develop self-driving vehicles, including autonomous electric vehicles, that could be deployed in ride-sharing operations in various markets
- **Maven** – Created to consolidate its **car sharing programs** (city based car sharing; competes with ZIPCAR; App will allow use of a Chevy for \$6.00 an hour)
- Developing an enhanced Chevy Bolt (2017) – Electric Car that includes ride sharing electronics

**Hertz** **Hertz - 2016 Announced:**  
**Renting older model cars to Uber / Lyft**

### Ford - 2016 announced:

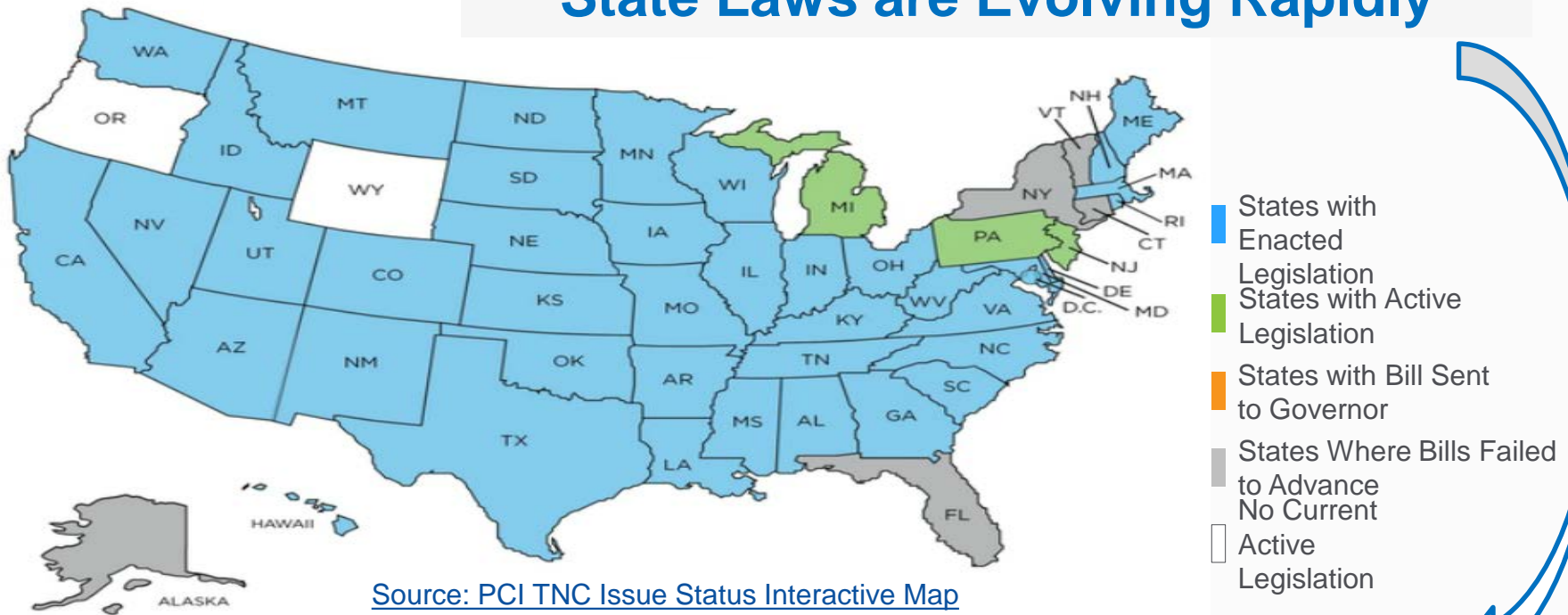
- **Ford Credit Link** – “Closed” **car sharing** (“ZIPCAR for Friends”)
- Groups of 3-6 people agree to jointly lease (not buy) a Ford vehicle
- An app is used to arrange make of car and insurance payments, arrange maintenance, and schedule who uses the car, when and how long

**Coming Soon: Autonomous Ride Sharing/Car Sharing??**

# TNC / Ridesharing .....State Regulation/Legislation

Status @ June, 2016

## State Laws are Evolving Rapidly



### State Specific Laws Vary: e.g.,

- insurance requirements;
- special licensing or certificate requirements;
- driver background checks;
- limit where drivers can operate;
- etc.



# Ride Sharing

## ...State Legislation Varies/Evolving – Model Legislation Introduced

### 1 Driver Status

**Several states introducing regulations designating drivers as independent contractors**....e.g., Florida, North Carolina, Arkansas, Indiana

### 2 Insurance industry coverage

#### **TNC model legislation essential elements**

##### **A) Protecting insurance product certainty (personal PP auto):**

- Protect the enforceability of “livery” or “for hire” exclusions
- Preserve the ability of Insurers to take rating/underwriting action as respects TNC activity
- Reinforce that there is no coverage for TNC activity unless the policy expressly provides coverage

##### **B) Define TNC activity and TNC insurance requirements:**

- Define TNC activity to encompass Phases 1, 2 and 3
- Require that TNCs and/or TNC drivers carry primary coverage for the TNC activity as defined

##### **C) Provide coverage clarity and avoid disputes:**

- Require the insurer that specifically covers TNC activity to defend the in the event of a dispute about whether the driver was engaged in TNC activities as defined
- The TNC shall share data/information in timely fashion to facilitate resolution of the dispute

#### **Coverage Keys:**

- Personal Auto integrity – TNC activity not covered unless specifically endorsed to do so
- Require TNC specific coverage as primary coverage

## Some Legal Issues of Note.....Possible Precursor to Insurance Claims



### CA Fines UBER \$7.6mm: Potential Discrimination

Failing to report information to the state (as required by law) on driver safety, and access for people with disabilities and how it was serving neighborhoods by Zip code (monitoring discriminatory practices)

### UBER Agrees to \$28.5mm Settlement

Lax Driver Background/Safety-Check lawsuits

...but ..... **UBER Wins Case Against Drivers**

Applying Arbitration to Driver Background Checks

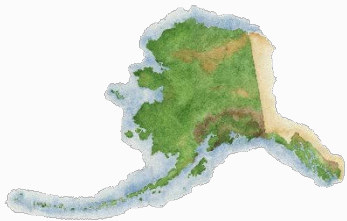


### UBER Fined \$20K: Data Breach

Delayed Data Breach Notification

### UBER Leaves Alaska

Paid \$78K to WC Guarantee Fund after the state decided UBER Drivers are Employees



### The Right to Self-organize (National Labor Relations Act granted right)

- ☐ **Seattle** - City Ordinance established a framework to let Ride Sharing drivers Unionize and negotiate on working conditions, pay and other issues
- ☐ **CA – 1099 Self Organizing Act:** Pending legislation (AB1727) to give “Gig” workers collective bargaining rights



## Some Legal Issues of Note.....Driver Employment Status

### Lyft – 1/16 CA Settlement Agreement (subject to court approval):

- **\$12.25mm – Employee Status Not Provided** (83% of drivers work for another Ridesharing Co.).
- **Driver contract amended** - consistent with the definition of a “Contractor”
  - e.g., drivers can’t be fired at will (only for cause);
- Deactivation and Pay issues subject to arbitration
- ...impact on Uber case ????

**4/16 Judge Rejected Settlement: Should be \$126mm**

(Value of Reimbursement expenses to Drivers)

### UBER – 4/16 CA & MA Settlement Agreement (subject to court approval):

- **\$100mm (Max) – Employee Status Not Provided**
- **Driver contract amended** - consistent with the definition of a “Contractor” – drivers can’t be fired at will (only for cause);
- Deactivation and Pay issues subject to arbitration
- Allows Drivers to separately solicit Tips (Always allowed by Lyft)

**8/16 Judge Rejected Settlement:** (Change to Tipping Policy will not generate sufficient driver income)

### CA Legal Presumption: Workers are Employees unless proven otherwise:

- (7/15 Dept. of Labor interpretive memo indicating that the DOL feels most workers classified as Independent Contractors are really employees under the Fair Labor Standards Act’ broad definitions)
- Employment Status Tests include Degree of Control over work is done; Who supplies tools/equipment, etc.

**Many other Legal Actions and Individual Cases in the Pipeline (70 plus)**

Motivation??

Some Legal Issues of Note.....Customer Injury Liability

**Vicarious Liability Question: Who is liable for an Injured Customer.....**

.....Service Provider - e.g., Driver; Home Renter

.....TNC – e.g., Airbnb; UBER; LYFT

**2 UBER CASES.....but Home Rental also at issue**

***Jane Doe 1 and 2 v. Uber Technologies Inc.***, (Federal Court San Francisco, 2016 )

- Two women UBER passengers allege sexual assault by their drivers;
- Claim that Uber is responsible under various theories of vicarious liability.
- Uber: its drivers are not its employees, therefore they cannot be responsible for negligent "hiring."


→ **If Uber's defense prevails:**  
**Traditional employer vicarious liability not applicable to Ride Sharing**

***2013 Pedestrian Case*** - UBER driver killed a pedestrian while driving around waiting for a fare on his app **(Phase 1)**

Even though it disclaimed vicarious responsibility outright, Uber settled the case in 2015 with the details sealed

## Some Cyber Related Issues

**Uber App: Tracks Driver behavior.....Sensors in driver smartphones track how they drive (speed, break hard, take corners too fast, etc)**

- **Aim** to improve driver safety.....but
  - **Unintended Consequence...**
    - **Privacy Breach Concerns**
    - **Employment Status: How far can Uber control driver activities and still consider them Independent Contractors**
- 

**Uber v Lyft Corporate Spying....Hacking on each other**

.....Settled without any money changing hands



## Workers Compensation

In addition to Typical Accident Based Issues (e.g., Fault)



- ☐ Are the Drivers Employees or Independent Contractors?
- ☐ Are TNCs just Technology Platforms or Employers?
- ☐ Does it vary based of when in the process the Drivers are injured?
- ☐ Does it matter how many hours the Driver is connected?
- ☐ Does it matter if the Driver has another Full Time Job?

## Auto

In addition to Typical Accident Based Issues (e.g., Fault)

- ☐ Integrity of Standard Auto Policy Livery Exclusion
- ☐ What, if any, Coverage is granted to the Car Owner?
- ☐ When does TNC Coverage Apply?
  - ☐ Are there any restrictions?

Whose Coverage is Primary : Car Owner or TNC?

Is Coverage consistent with State Ridesharing (TNC) Law?



### Types of TNC Exposure

Phase 1	Driver logged in but not “matched” with a passenger yet
Phase 2	Driver / Passenger “Match” made...but passenger not picked up yet
Phase 3	Passenger is in the vehicle

Coverage Issues: WC and Liability Exposure Varies by Status

Increasing Number of States are Considering or Have Passed Regulations for TNCs

# ISO Response

## .....Commercial Auto

### Current ISO Commercial Auto Program

- Does not explicitly address ride-sharing risks;  
Not Excluded; New Coverage Option?

### Business Auto Policy

- No general eligibility restrictions that would preclude coverage for either the TNC or drivers for their respective ride-sharing exposure.

However.....

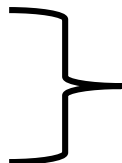
ISO Addressing In Commercial Auto and Umbrella:

### Developing Optional Exclusions:

- Driver Ride Sharing Activities
- Ride Sharing **and** On Demand Delivery

### Updating

- Rules
- Loss Costs
- Possibly classifications



Specific to Ride Sharing and On Demand



### Clarify/Exclude Coverage (ISO Circulars LI-CA-2016-072 and LI-CU-2016013):

- **Ride Sharing and On Demand Delivery** - New exposures not contemplated or easily controlled to the ease of entry...but covered if not specifically excluded..  
.....standard Commercial Auto Policies are silent



- **Exclusions** – New exclusions developed to give underwriters tools to manage, underwrite and price for the exposure



### Optional public or livery passenger and on demand exclusions:

- Passengers Only; or,
- Passengers and Delivery Services
- Primary, Umbrella and Excess Policies versions available (CA 2344, 2345; CU 2189, 2190; CX 2146, 2147)



### Physical damage Clarifications to reinforce the public and livery exclusions

- CA 26 01 – Single interest APD insurance policy (individual policy form)
- CA 26 02 – Single interest APD insurance policy (finance master policy form)
- New Optional Exclusion: CA 2604 – Addresses Public/Livery Exclusion for on-demand use.



## Advisory Notice to Policyholders

9/14 Advisory Notice to Policyholders (PP P 011 09 14) and Circulars (LI-PA-2015-080 and 124): Regarding Ride-Sharing (highlights the "public or livery conveyance" exclusion)

## Reinforced Public or Livery Conveyance Exclusion (PP23 40)

Filing an endorsement to reinforce the "public or livery conveyance" Exclusion;

- Reinforces the public or livery conveyance exclusion:
  - including any period of time while an insured is logged into a TNC application...

.....Phases 1 through 3 excluded

### Exclusion

A. We do not provide Liability Coverage for any "insured":

5. For that "insured's" liability arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance. **This includes but is not limited to any period of time the vehicle is being used by any "insured" who is logged into a "transportation network platform" as a driver. Whether or not a passenger is occupying the vehicle.**

- Personal Umbrella has a similar Exclusion (DL 99 12)





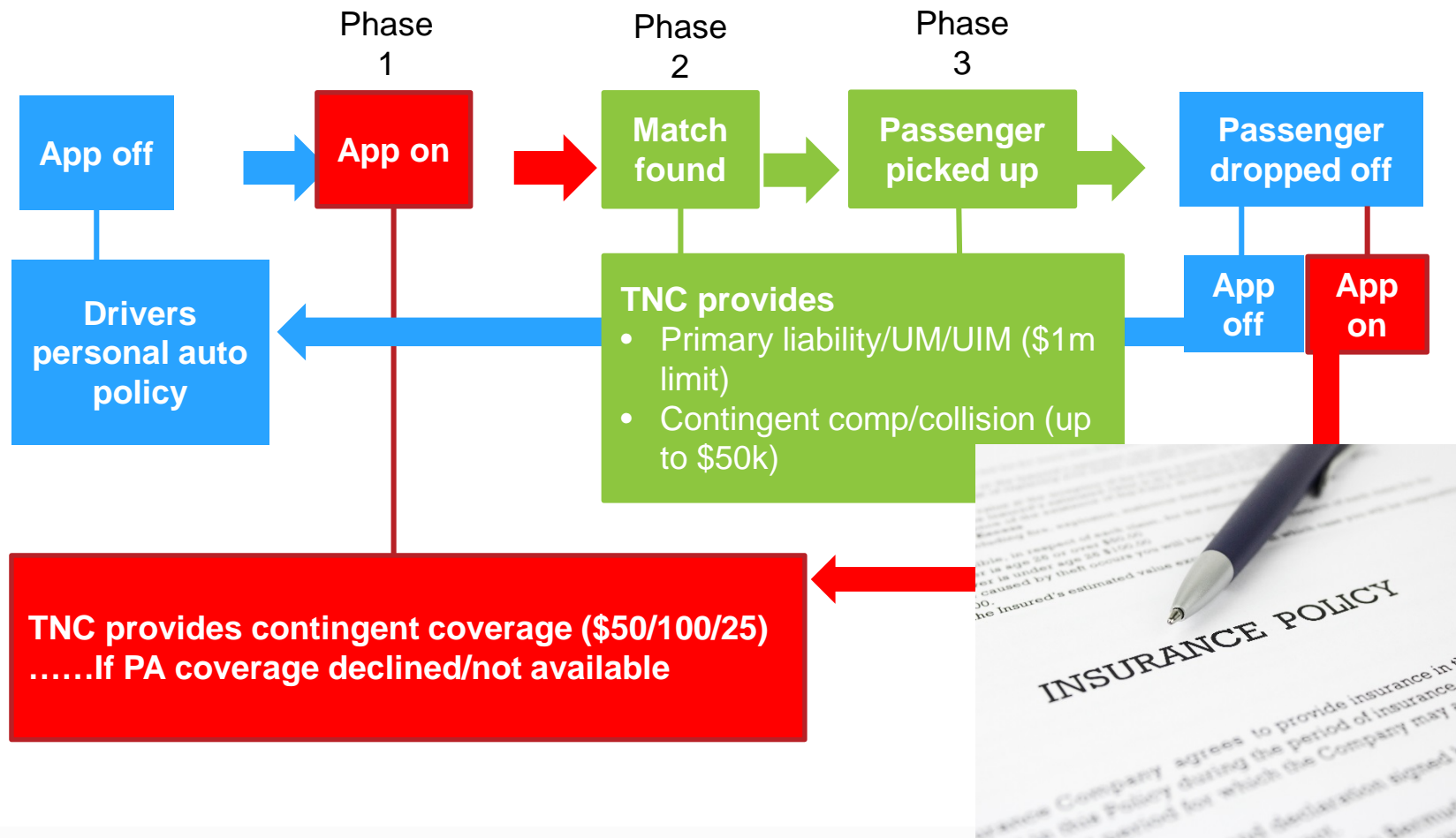
## TNC Coverage (Still Evolving)

- **Phase 1** - Some TNCs:
  - Provide contingent liability coverage at a nominal limit..
  - If personal auto coverage is declined/not available.
- **Phases 2 and 3** - Some TNCs:
  - Provide liability and UM/UIM coverage (primary for personal auto, excess for commercial auto) at a higher limit than Phase 1;
  - Also may provide contingent comprehensive/collision coverage based on certain specified circumstances

### TNC Insurance Framework:

- Phase 1 Limits = \$50/100/25;
- Phase 2 and 3 = \$1mm

# Personal Auto ....TNC Provided Insurance Coverage



# Personal Auto/TNC .....Insurance

## Ride Sharing Coverage Application

Phases	ISO Public/Livery Exclusion	ISO New Personal Coverage Options	TNC Provided Coverage
1 Driver Logged in; “No Match”	Excluded	Coverage Available	Contingent Liability Coverage (\$50/100/25)* – IF PA coverage declined or not available
2 “Match” made; Not Picked Up			<ul style="list-style-type: none"> <li>• Primary Liability/UM/UIM (\$1mm Limit)*</li> <li>• Contingent Comp/Collision may apply</li> </ul>
3 Passenger Picked Up		No Coverage Available	

(\*According to publicly available information, as of 6/2/2015)

Several TNCs and Carriers are actively providing or considering providing Coverage (e.g., State Farm, Geico, Progressive) .....Some for all 3 Phases



# Takeaways/Wrap-up



## Growth Is Inevitable

169% Growth

**Growth in Americans Visiting  
Sharing Economy Sites  
From 2014 to 2016**



- **Between 25 and 34: Most likely to visit space sharing sites**
- **Between 18 and 34 (Digital Natives): Most active in the sharing economy**
- **Over 35 (Digital Migrants): Primarily using home swapping and lending sites (e.g., Kickstarter or IndieGoGo)**

Source: [BizReport](#) : [Ecommerce](#) : [July 15, 2016](#)

Connexity Hitwise – Data Day 2016: A Look at the US Sharing Economy and Price Waterhouse Cooper

## Federal Legislation

### US Congress and FTC

.....Looking at developing Federal Laws / Regulations for the Sharing Economy

Aim....

.....**Prevent unfair trade practices, discrimination, anti-competitive or deceptive behavior** of Sharing platforms or participants



State Legislation is rapidly developing... ..aimed at specific Services (e.g., Ride Sharing)



## Federal Tax Obligations

**2014: 2.5mm taxpayers earned Sharing Economy income....expected to double in next few years....IRS wants Their Share**

### **Confusion about Reporting Income:**

- **1099-K** (to be filed when companies earn more than \$20,000 through 200 or more credit card transactions)
- **1099-Misc** (covers payments above \$600 to independent contractors, freelancers and small businesses)

(American University Study)

<http://www.american.edu/kogod/news/upload/shortchanged-caroline-bruckner-kogod-au.pdf>

## New IRS Program:

## “Sharing Economy Resource Center”





## The Future: Sharing Economy 2.0

Growth and Evolution.....Next Phase

Blockchain

The heart of the Sharing Economy and ultimate disrupter of traditional economic activity

Database that enables transaction vis “secure” online ledger accounts  
Platform that allows real peer to peer transactions between individuals..i.e., without Uber, Airbnb or e-Bay

Barter  
System

Crops,  
Horses, etc.

Tangible  
Currency

Paper, Coins,  
Gold, etc

Electronic  
Currency

Credit/Debit  
Cards; Direct  
Deposit; Wire  
Transfer, etc.

Database  
Currency

Blockchain  
based





Risk / Opportunities  
Abound

Understand the Risks;  
Develop Solutions

Insurance Industry is  
Centrally Involved

Traditional Risks ...  
will be Different

Peer Economy Is Growing  
Rapidly

Both up and out:  
More of it.....  
In more diverse ways  
(peer sharing)



# Thank You

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