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

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Sharing Economy Agenda

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

Seller
(On Demand, Freelance Provider)

Buyer
(On Demand User)

Generation Shift in Thinking

Alternate Forms of:

- Property Ownership
- Property use

Technology Platform
Technology Network Company (TNC)

No:
- Production Facilities
- Vehicles
- Property
- Service Employees
The Sharing Economy

What It Is

Millennial Trends … an example

% with a Driver License

20-24 Year Olds Driver License Ownership dropped from 92% in 1983 to 77% in 2014

16 Year Old Driver License Ownership dropped from 46% in 1983 to 25% in 2014

University of Michigan Transportation Institute, 2016
The Sharing Economy

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

China Sharing Economy

$298 Billion USD 2015

$1.6 Trillion

10% of China's GDP by 2020.

2015 China's sharing economy worth USD 298 billion

China's sharing economy would grow at an annual rate of 40% in the next five years, and would take up more than 10% of China's GDP by 2020.

50 million sharing business providers in China and they have more than 500 million consumers

Source: Zhang Xinong
The Sharing Economy

............What It Is

**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**

- 35-44
- 25-34
- 65 and older
- 18-24
- 45-54
- 55-64

**Family Income Distribution (USD $)**

- <25
- 25-49.9
- 50-
- 75-
- 100-
- 150-
- 200+

Source: Price Waterhouse Coopers Consumer Intelligence Series 2016 Report (pwc.com/CISsharing)
The Sharing Economy

………..What It Is…Anything and Everything

From e-Bay to………..?????

"Sharing" $ "Profit"

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

…But…High Failure Rate

Source: Forrester Research, Inc. 2015
The Sharing Economy

What It Is

The “S” Curve

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

The sharing economy life-cycle

Niche | Breakthrough | Normalised | Mature | Decline or rebirth
---|---|---|---|---
Sharing | Traditional Rental

“Sharing as a % of the Total Rental Market:
- 2013…..6% $15b of $240b)
- 2025….. 50% ($335b of $670bb)

Source: PwC analysis

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

What It Is

The Forerunners of Today’s Peer to Peer… Internet Boom

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

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

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

- **Angie's List**
  - Started 1995: Contractors and other service providers

- **eHarmony**
  - 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)

2015: ~50% of adults globally have a smartphone
2020: About 80% will own one

Source: Benedict Evans, Andreessen Horowitz and III
The Sharing Economy

----------What It Is

A Simpler Life at your Fingertips…

<table>
<thead>
<tr>
<th>Get married</th>
<th>…Move</th>
<th>…Do laundry</th>
<th>Business to business freight hauling</th>
</tr>
</thead>
</table>

......Get something done around the house

Someone to do “chores”

......or get legal advise

![WeddingWire](image1.png)

![my move](image2.png)

![washio](image3.png)

![cargomatic](image4.png)

![HANDY](image5.png)

![TaskRabbit](image6.png)

![Lawyers.com](image7.png)
The Sharing Economy
....What It Is

...... 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
On Demand Solar Energy

...Financial Services

...... Peer to Peer Lending

SoFi

Lending Club

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 Drones
…the Intersection of Technologies

On Demand Delivery: Smartphone Order, Track, Pay

Self Delivery - rather than 3rd 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
    Done 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 Sharing Economy

……What It is

The Big 3

Have Car …Will Travel

Have Space…Will Rent

Lyft

Uber

Airbnb
Sharing Economy

... What It Is

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

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

**Possible solutions**
- Uber developing autonomous cars with Apple, Google, Ford
Legal and Insurance Issues – General Considerations
Sharing Economy

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...
Sharing Economy

……..Insurance Impact

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

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 contactors) 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 to Regulate and Tax Home Sharing like Hotels
Home Sharing

Some Numbers

AirBnb: The clear leader
- Privately owned – Founded 2008
- At least: 1m listing; 25m guests
- 34k cities in 190 countries
- Market cap - $20b (3rd behind Hilton and Marriott)
- Estimated annual revenue @2015 = $500m

### Hospitality Brand
### Market Cap/Valuation

<table>
<thead>
<tr>
<th>Hospitality Brand</th>
<th>Market Cap/Valuation</th>
</tr>
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<tbody>
<tr>
<td>Hilton</td>
<td>$27.84 billion</td>
</tr>
<tr>
<td>Marriott</td>
<td>$22.98 billion</td>
</tr>
<tr>
<td><strong>Airbnb</strong></td>
<td><strong>$20 billion</strong></td>
</tr>
<tr>
<td>Starwood</td>
<td>$13.79 billion</td>
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<tr>
<td>Wyndham</td>
<td>$11.03 billion</td>
</tr>
<tr>
<td>Accor</td>
<td>$10.82 billion</td>
</tr>
<tr>
<td>InterContinental Hotel Group</td>
<td>$10.54 billion</td>
</tr>
<tr>
<td>Hyatt</td>
<td>$8.98 billion</td>
</tr>
<tr>
<td>Choice Hotels</td>
<td>$3.65 billion</td>
</tr>
<tr>
<td><strong>HomeAway</strong></td>
<td><strong>$2.93 billion</strong></td>
</tr>
</tbody>
</table>

### Competitors:
- 2nd: Homeaway Market cap $2.93b
- FlipKey (Trip Advisor)
- Many others

Source:

- [https://www.airbnb.com/about/about-us](https://www.airbnb.com/about/about-us)

2016: Marriott Acquires Starwood
Home Sharing

Exposures/Loss Scenarios

- Bodily Injury to the renter resulting from the host home…as “invited guest”;
- Property Damage to the renters personal property
- Personal injury - Discrimination

“Platform risk” for all parties – TNC, host, renter

Damage to the Host home (incl. extra expense and business interruption) or personal property

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

Image: Insurance Information Institute
Home Sharing

......Legal Issues

Home Sharing

Friendly Laws: Encourage growth and economic benefit

Restrictive Laws: Police Illegal Activities and raise Tax Revenues

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.

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

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 anyone who feels they have been discriminated against

African American Competitor to Airbnb
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

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

<table>
<thead>
<tr>
<th>Boat Rentals (BoatBound)</th>
<th>Parking Space Rentals (JustPark)</th>
<th>On Demand Delivery (Delivery Hero, Grub Hub, etc.)</th>
</tr>
</thead>
</table>

**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

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
Ride Sharing

...... What It Is

Not Just for Millennials

Business Travel % Use

- 43% Ride Share
- 57% Taxis

Source: TIME 8/3/15
Ride Sharing

……… What It Is

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.

**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.

**Hertz - 2016 Announced:**

- Renting older model cars to Uber / Lyft.

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

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--
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.

Source: PCI TNC Issue Status Interactive Map
Several states introducing regulations designating drivers as independent contractors... e.g., Florida, North Carolina, Arkansas, Indiana

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
Ride Sharing .....Legal Issues

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 decaled 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
Ride Sharing

…..WC Legal Issues

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 ????

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)

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.

4/16 Judge Rejected Settlement: Should be $126mm
(Value of Reimbursement expenses to Drivers)

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

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
Ride Sharing

WC Legal Issues

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
Ride Sharing

……Coverage Issues

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 on 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?
Ride Sharing

Coverage Issues

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

Auto

- 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?
<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Driver logged in but not “matched” with a passenger yet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>Driver / Passenger “Match” made…but passenger not picked up yet</td>
</tr>
<tr>
<td>Phase 3</td>
<td>Passenger is in the vehicle</td>
</tr>
</tbody>
</table>

Coverage Issues: WC and Liability Exposure Varies by Status

Increasing Number of States are Considering or Have Passed Regulations for TNCs
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
ISO Response
.....Commercial Auto

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)
Clarify / Provide Coverage to Fill Gaps (Circulars LI-PA-2015-080 and 124):

- **2 optional endorsements filed (PA only, not PU)** which would provide:
  - PP23 41 - Purchase **coverage for Phase 1 only** (Logged In/No Match)
  - PP23 45 - Purchase **coverage for both Phases 1** (Logged In/No Match) and **Phase 2** (Logged In and Matched but Not Yet Picked Up)

- **Rules/Rating – Specific to Ride Sharing Activities**
  - Territory: Majority of TNC Activity
  - Mileage: Attributable to TNC Activity
  - Use: TNC Capacity Specific

**Future Plans: Consider:**

- **Self-contained Policy** to address all phases of participation as a TNC driver.
- **Usage Based Underwriting/Pricing**
  .......based on Telematics Technology

Several Carriers are actively providing / considering providing Hybrid Coverage .......and Usage Based coverage
Market Response…
….Automobile

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

- **Drivers personal auto policy**
  - App off
  - App on

- Phase 1
  - App off
  - App on

- Phase 2
  - Match found
  - Passenger picked up

- Phase 3
  - Passenger dropped off

- TNC provides
  - Primary liability/UM/UIM ($1m limit)
  - Contingent comp/collision (up to $50k)

- TNC provides contingent coverage ($50/100/25)
  …..If PA coverage declined/not available
### Personal Auto/TNC Insurance

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

<table>
<thead>
<tr>
<th>Phases</th>
<th>ISO Public/Livery Exclusion</th>
<th>ISO New Personal Coverage Options</th>
<th>TNC Provided Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Driver Logged in; “No Match”</td>
<td>Excluded</td>
<td>Coverage Available</td>
<td>Contingent Liability Coverage ($50/100/25)* – IF PA coverage declined or not available</td>
</tr>
<tr>
<td>2 “Match” made; Not Picked Up</td>
<td></td>
<td></td>
<td>• Primary Liability/UM/UIM ($1mm Limit)*</td>
</tr>
<tr>
<td>3 Passenger Picked Up</td>
<td></td>
<td>No Coverage Available</td>
<td>• Contingent Comp/Collision may apply</td>
</tr>
</tbody>
</table>

(*According to publicly available information, as of 6/2/2015)
Takeaways/Wrap-up
In Conclusion…..Some General Thoughts

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)

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

Business Model

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

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
Sharing Economy
Takeaways/Wrap Ups

Risk / Opportunities Abound

Insurance Industry is Centrally Involved

Peer Economy Is Growing Rapidly

Understand the Risks; Develop Solutions

Traditional Risks … will be Different

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

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