

The SHARING Economy

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Agenda

- Definition / History
- Players
- Competitive Landscape
- Challenges
- Insurance
 - Coverage Gaps
 - Solutions
 - Pricing
 - Regulations
- Questions

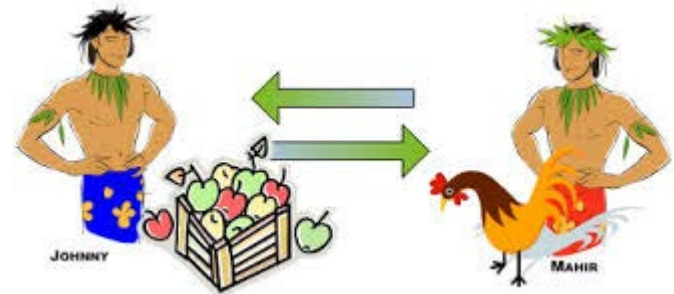
What is it?

- A socio-economic system built around the sharing of human and physical resources
 - Includes creation, production, distribution, trade and consumption of goods and services by different people and organizations
 - These systems take a variety of forms, often leveraging information technology to empower individuals, corporations, non-profits and government with information that enables distribution, sharing and reuse of excess capacity in goods and services
 - A common premise is that when information about goods is shared, the value of those goods may increase, for the business, for individuals, and for the community
- Under the current regulatory environment, the Sharing Economy is “sandwiched” between less-regulated private ownership and highly regulated public commerce

History

- Phase 1 – Early Bartering

- Introduced by Mesopotamia tribes nearly 8,000 years ago where goods or services were traded from one person to another (person-to-person or p2p)



- Phase 2 – Primitive Currency Bartering

- Early form of payment introduced by the Babylonians where goods or services were exchanged for food, tea, salt, weapons, human skulls and spices



History *continued*

- Phase 3 – Currency Bartering

- When money was invented, bartering continued and became more organized until issues started affecting the modern way of life
 - Trustworthiness of the parties involved
 - No consumer protection or warranties involved
 - Difficulty in tracking transactions



- Phase 4 – End of Bartering

- Modern day markets through monetary exchange facilitates the transaction of goods or services
- When money is scarce as in the Great Depression, bartering rises



History *continued*



- Phase 5 – Rebirth of Bartering
 - Through the advent of the Internet, connection between unknown parties became easier
 - Marketing brains have decided to modernize the concept by coming up with catch phrases like:
 - Sharing Economy (for the 60's generation)
 - Peer-to-Peer Economy (for the business person)
 - P2P Economy (for the Millennials / texters)

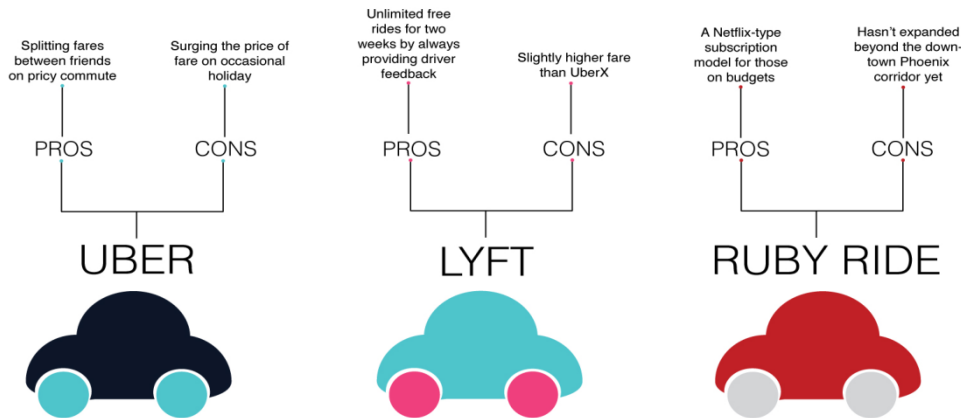


Players



Competitive Landscape

ride sharing



******* STREET FIGHT *******

Uber and Lyft are competing in dozens of cities. Here's a look at the two taxi-hailing services.

VS.

UBER		*****	LYFT	
Travis Kalanick, 38		CEO/CO-FOUNDER	Logan Green, 30	
92 in U.S.	70 outside the U.S.	CITIES	67 in U.S.	0 outside the U.S.
Started as a car service with professionals driving Lincoln Town Cars; added a low-cost service with amateur drivers	SERVICE	Attaches fuzzy pink mustaches to its cars; its premium service offers rides in white Ford Explorers with under-car LEDs		
\$1.60 BILLION	TOTAL FUNDRAISING	\$333 MILLION		
\$18.2 BILLION	VALUATION	\$700 MILLION		
SAMPLE FARES FOR SAN FRANCISCO*				
\$3.00	BASE FARE	\$2.25		
\$1.50	COST PER MILE	\$1.35		
30 cents	COST PER MINUTE	27 cents		
The rising popularity of lower-cost UberX jeopardizes the company's original black-car service and the relationship with professional chauffeurs	BUSINESS CHALLENGE	Catching up to Uber will be hardest outside the U.S., where Lyft currently has no drivers or operations and no experience with various countries' regulations		
*As of Aug. 11 Source: the companies The Wall Street Journal				

- Lyft alleges that 177 Uber employees have ordered and then canceled more than 5,000 rides on the Lyft service since last October

Challenges

- Is the host website responsible for potential illegal transactions between users?
 - Craigslist found not liable in connection with a murder where a user responded to an “Adult Services” ad (2009)
- Is the Sharing Economy fairly regulated?
 - Atlanta, GA 2014: Taxi drivers unfairly discriminated against as Uber drivers do not have to pay fees to the city
 - Albuquerque, NM 2014: Taxi companies state unfair treatment as the state’s Motor Carrier Act does not apply to Lyft and Uber
- Does Uncle Sam collect its fair share?

Challenges

continued

- Should drivers be employees or independent contractors?
 - Who pays for expenses?
 - Does the driver receive ALL its gratuities?
 - What benefits?
 - CA 2013: Uber drivers have filed a class action lawsuit claiming they have been misclassified as independent contractors and are entitled to be reimbursed for their expenses that Uber should have to pay, like for gas and vehicle maintenance. The lawsuit also challenges Uber's practice of telling passengers that the gratuity is included and not to tip the drivers, even though you are not getting a tip!!

Challenges

continued

- Who is responsible for the cost of accidents?
 - Lyft fatality on 11/1/14
 - Uber fatality on 12/31/13
 - Three distinct periods”
 - App-on – strolling for a ride
 - App-on – engaged
 - Passenger-in
- Taxi companies state: "It is very clear in California: If you drive your car and make money on it, you need a commercial license,"

Insurance

coverage gaps

- Most standard personal policies do not cover accidents "arising out of the ownership or operation of a vehicle while it is being used as a public or livery conveyance"
- State insurance agency officials from 11 states are lining up to condemn Uber for its insurance "coverage gaps."

Insurance

potential solutions for insurance gaps



Insurance

potential solutions for insurance gaps

- Do nothing
- Endorsement to Private Passenger policy purchased by driver
- Commercial / Taxi policy purchased by driver
- Commercial policy purchased by Uber / Lyft / Sidecar / ...

Insurance

Lyft

LYFT INSURANCE OVERVIEW



Your Personal Policy

Contingent Liability

Excess Liability & UM/UIM

up to \$50K/person (Bodily Injury)
up to \$100K/accident (Bodily Injury)
up to \$25K/accident (Property Damage)

up to \$1M/occurrence

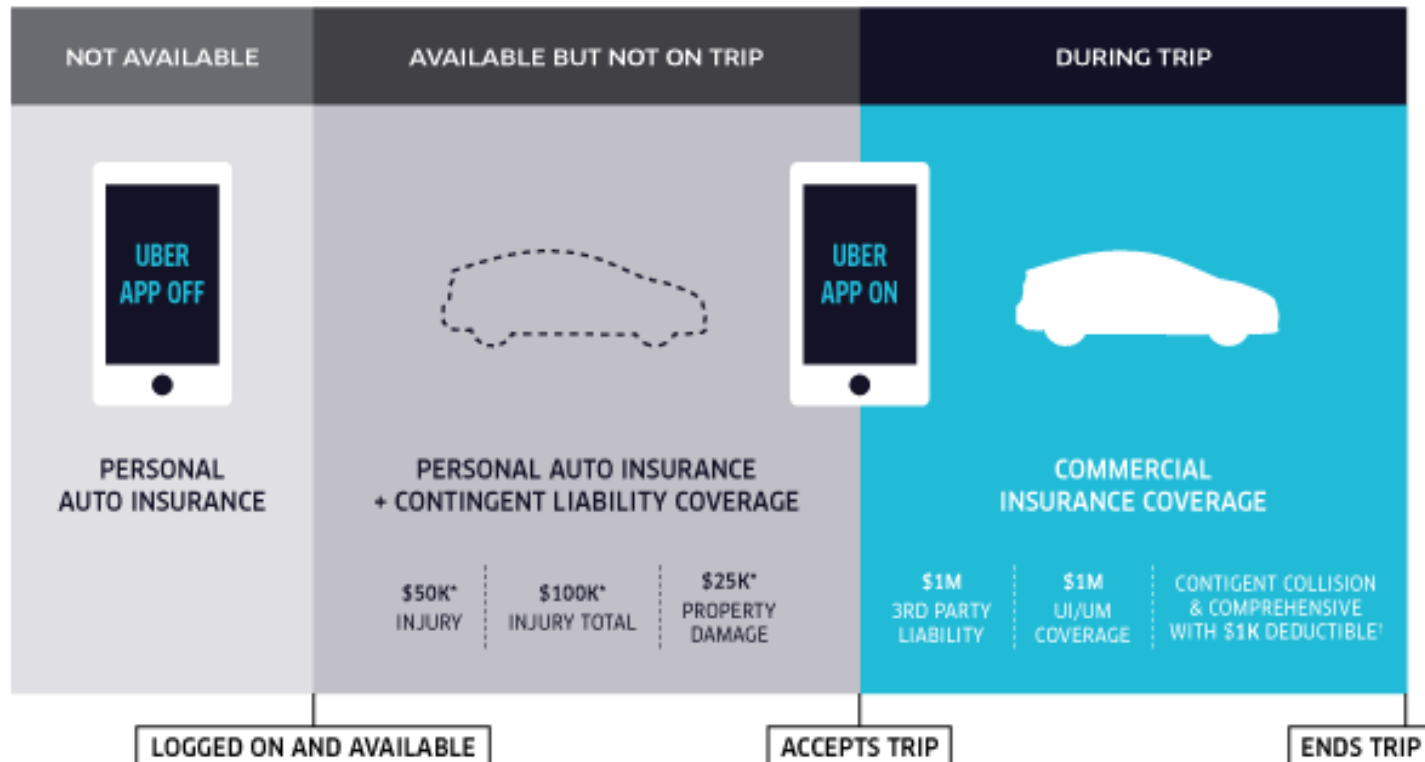
Contingent Collision & Comprehensive

up to \$50K/accident (\$2,500 deductible)



Insurance *Uber*

uberX Ridesharing Insurance Coverage



*PROVIDES BACK-UP COVERAGE WHEN/IF DRIVER'S PERSONAL AUTO INSURANCE DECLINES CLAIM

¹PROVIDES COVERAGE IF DRIVER'S PERSONAL AUTO INSURANCE INCLUDES COLLISION COVERAGE; UP TO \$50K MAXIMUM (UPDATED 7/14/2014)

Insurance

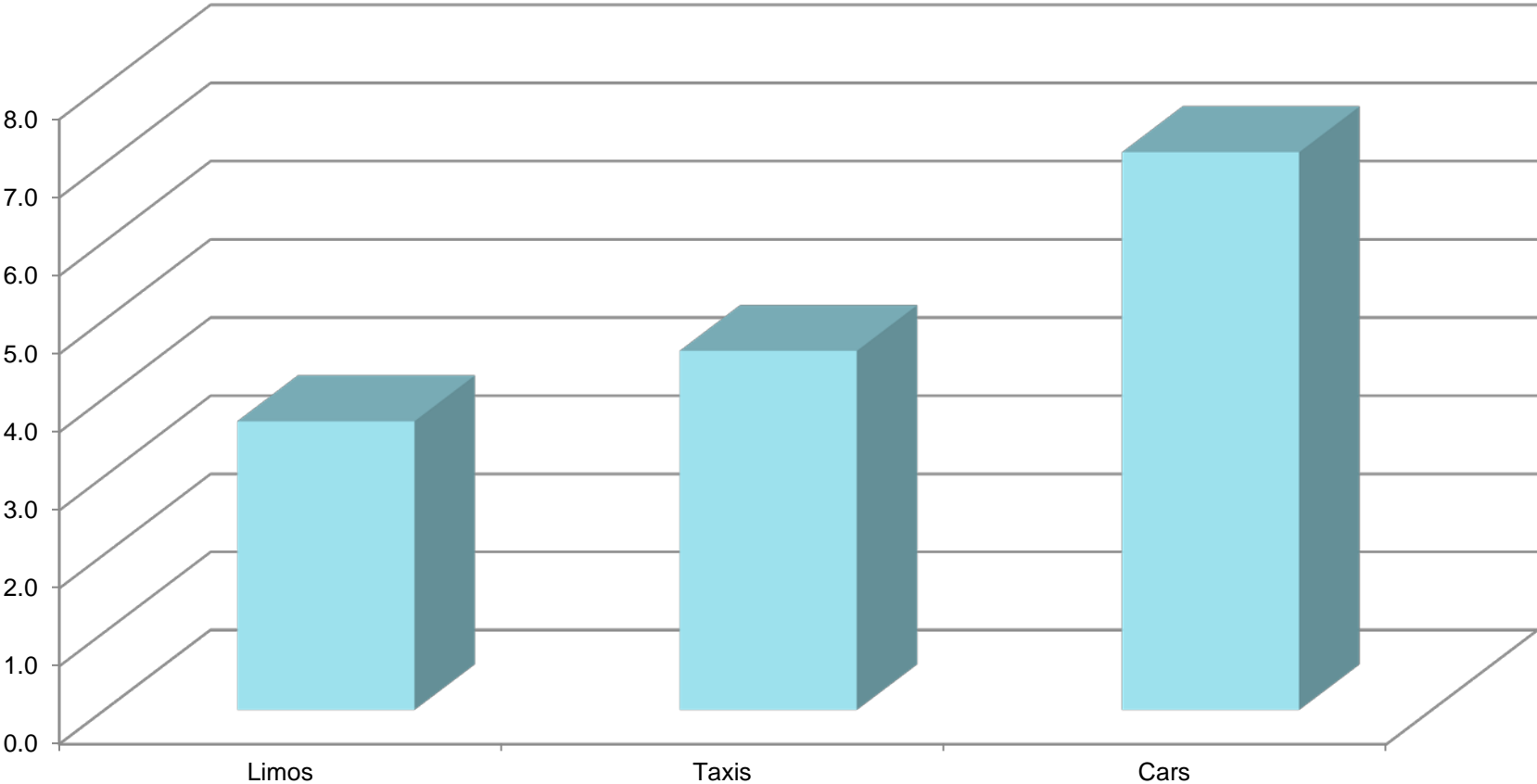
how do we price this stuff

Until loss experience becomes credible, what proxy may we use?

- Private Passenger Automobile
 - Ridesharing driver is better because:
 - Drivers are carefully selected
 - Minimum age
 - No major violations
 - No more than 2 minor violations
 - Ridesharing driver is worst because:
 - Driver not used to the add-on stress of carrying passengers
- Taxis / Limousines
 - Ridesharing driver is better because:
 - Driver more careful because it is his own vehicle
 - Driver is under less stress from fatigue and employer's demands
 - Ridesharing driver is worst because:
 - Driver drives less miles and has less experience carrying passenger

Insurance *who is better*

New York City Crash Rate per Million Miles



Insurance

California regulations

- September 2013
 - California Public Utilities Commission established a new category of business called a Transportation Network Company with the following requirements:
 - Obtain a license from CPUC
 - Conduct criminal background checks
 - Establish a driver training program
 - Hold commercial insurance with a minimum of \$1M per-incident coverage
- September 2014
 - California Assembly Bill 2293 requires “ridesharing” companies to insure drivers as soon as they log into a ridesharing app to pick up passengers
 - App-on – strolling: primary 50/100/25 BI/PD
 - App-on – engaged: primary 50/100/25 BI/PD
 - Passenger-in: excess \$1M CSL

Insurance

California regulations

- Latest proposal....
 - App-on – strolling: primary 100 CSL
 - App-on – engaged: primary 100 CSL
 - Passenger-in: excess \$1M CSL

What's Next?

- Uninsured / Underinsured Motorist?
- Collision?

QUESTIONS ?