

Ride Sharing and the Impact on the Personal Automobile Insurance Industry

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Agenda

- Introduction
- Insurance Costs
- Impact of Ridesharing on the Personal Auto Insurance Market
- State Ride Sharing Activities



What is ride sharing?



Ride sharing versus car sharing

	Ride Sharing	Car Sharing
Booking	On demand reservation	Schedule Reservation
Duration of Use	Short trips	Rentals of hours to months
Driver	Owner	Renter (3 rd party)
Vehicle Occupants	Driver + 1 or more passengers	Usually solitary
Similar Industries	Taxi, limo, community carpooling	Rental car, Zipcar
Providers	Lyft, Uber, Sidecar	Flightcar, RelayRides, Getaround



Who are the key players?



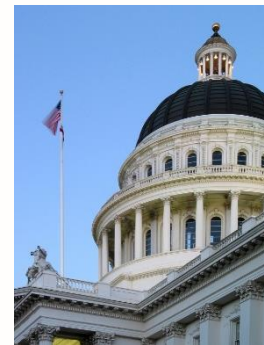
**Transportation
network companies
(TNCs)**



**Taxi and limo
operators**



Insurers



**Government
(state/local
lawmakers, AGs, etc.)**



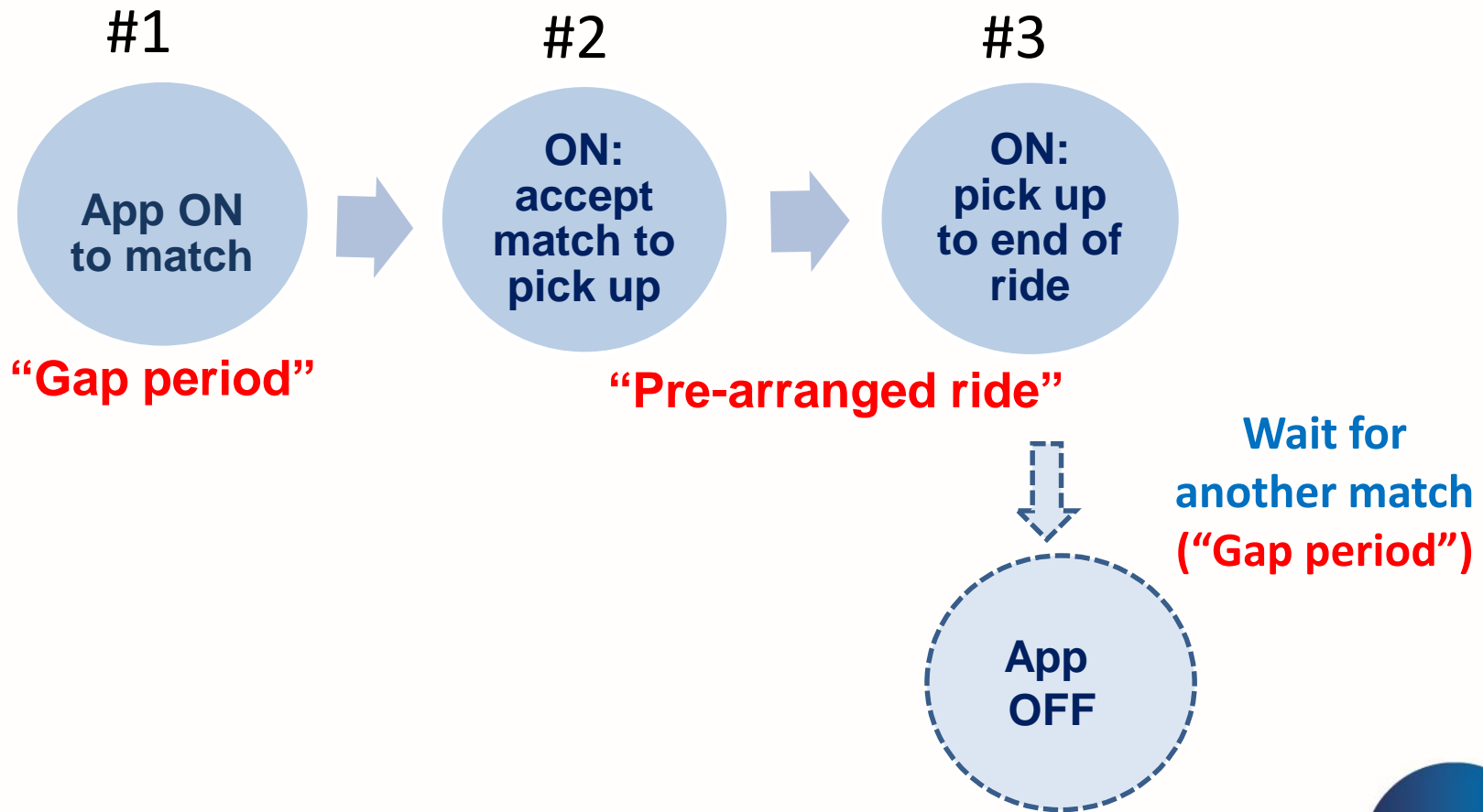
Livery exclusions in personal auto policy vary by state and insurer

Sample Language:

“We will not cover bodily injury or property damage arising out of the ownership, maintenance or use of a vehicle while used to carry persons or property for compensation or a fee.”



Three primary periods of ride sharing



PCI's recommended “essential elements” for TNC insurance

- Support innovation for transportation and insurance
- Preserve the enforceability of livery exclusions
- TNCs/drivers have exclusive and primary insurance coverage (drivers' coverages should mirror those in personal auto policy)
- Insurers can take underwriting actions based on change in risk due to ride sharing
- Clear disclosures and notifications

Source: Property Casualty Insurers Association of America (PCI)



PCI recommends proper disclosures and notifications

- TNC drivers must notify their personal auto insurer about participation in ride sharing:
 - TNCs must verify notification before enrolling driver
- TNCs must provide notice of potential coverage disputes to driver/owner and personal auto insurer:
 - Ensure duty to defend
 - Make available data to participant and vehicle owner's personal auto insurer

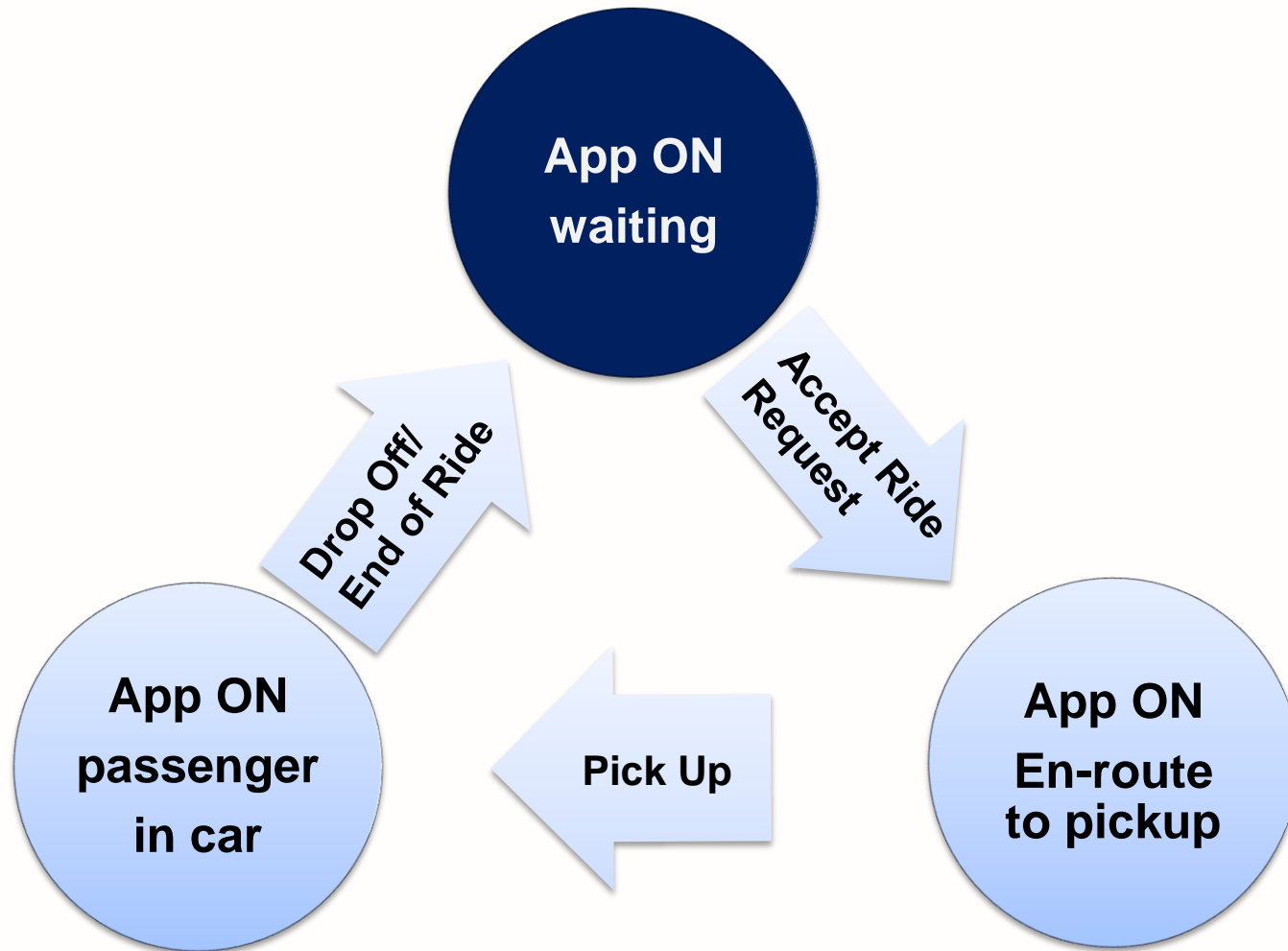
Source: Property Casualty Insurers Association of America (PCI)



Insurance Costs



Insurance costs – mileage



Average annual miles by age group

Age	Male	Female	Total
16-19	8,206	6,873	7,624
20-34	17,976	12,004	15,098
35-54	18,858	11,464	15,291
55-64	15,859	7,780	11,972
65+	10,304	4,785	7,646
Average	16,550	10,142	13,476

US Department of Transportation
Federal Highway Administration
April 4, 2011



Annual mileage increase

	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Average Mileage	16,000	16,000	16,000	16,000
Additional Mileage	1,000	5,000	10,000	15,000
Percent Increase	6%	31%	63%	94%



Annual mileage

- Colorado – Mileage factors are limited for high annual mileage
- California – Miles driven must have second largest weight
 - All 5 had mileage groups to at least 20,000
 - 4 had mileage groups to at least 22,000
 - 3 had mileage groups to at least 25,000
 - 2 had mileage groups to at least 36,000
 - 1 had mileage groups to 50,000



Insurance costs - urban frequency/severity

	Impact	CO	CA
Frequency	+30%		
Severity	-6%		
Urban Impact	+22%	+11%	+17%



Insurance costs – other influences

- Time of day
- Distracted driving
- Environment
- Behavior



Other influences

	CO	CA
Time of Day	+10%	+20%
Distracted Driving	+6%	+6%
Environmental/Behavioral	+10%	+10%
Overall	+28%	+40%



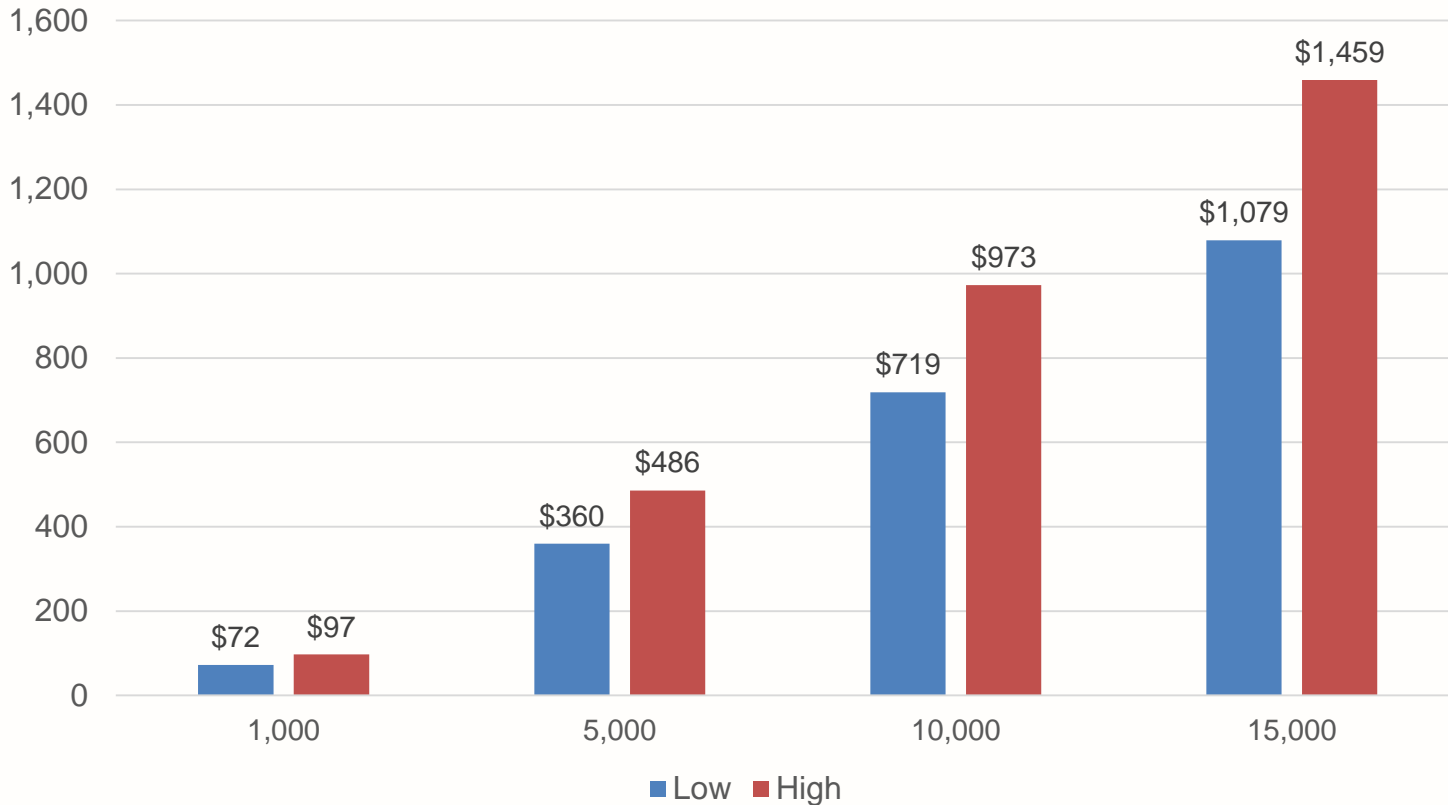
Denver overall percentage driver impact

	1,000	5,000	10,000	15,000
Mileage	+6%	+31%	+63%	+94%
Urban Impact	+11%	+11%	+11%	+11%
Other Impact	+28%	+28%	+28%	+28%
CO Low	+8%	+38%	+76%	+114%
CO High	+10%	+51%	+102%	+154%



Denver overall dollar driver impact

Average Increase per Ride Share Driver



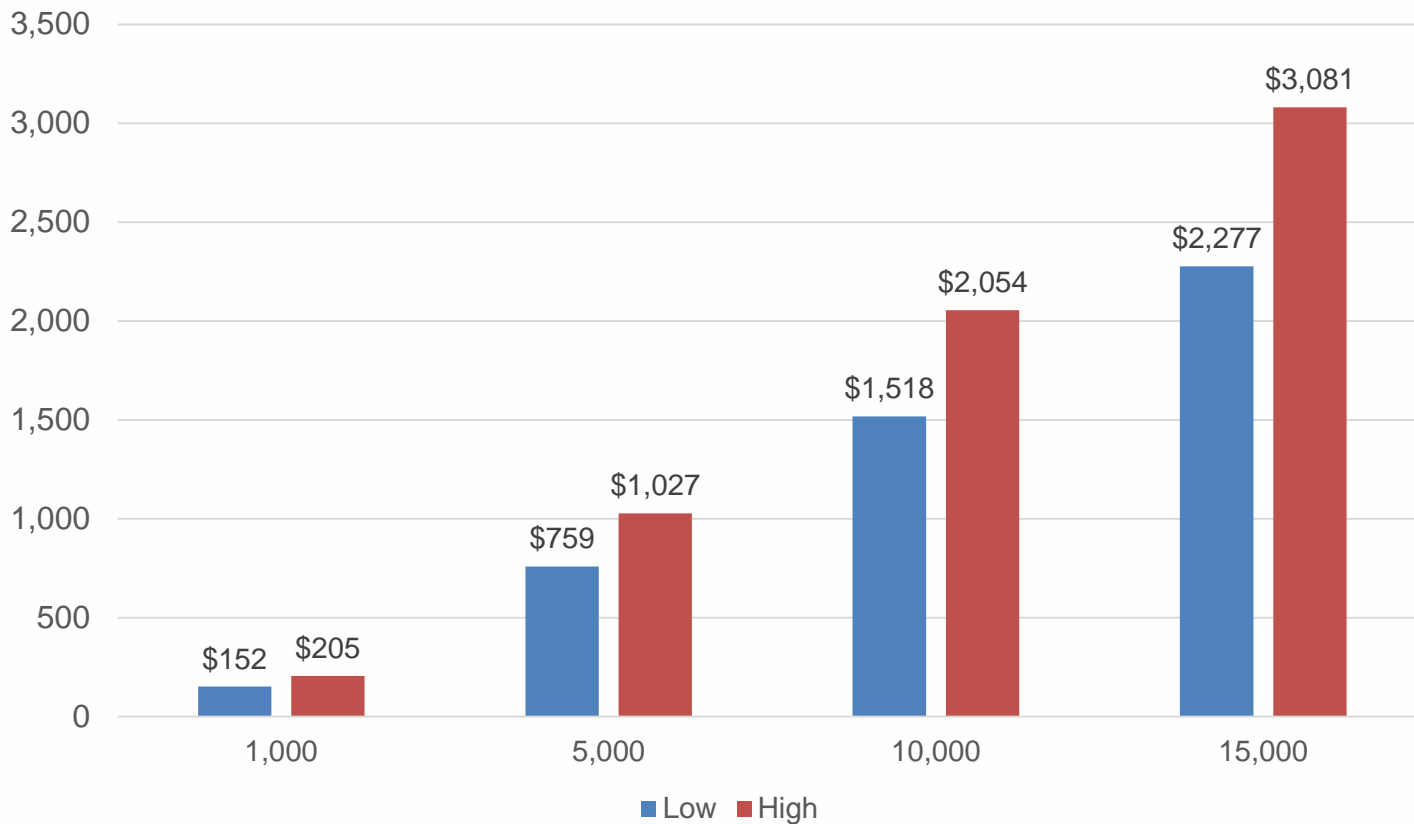
San Francisco overall percentage driver impact

	1,000	5,000	10,000	15,000
Mileage	+2%	+6%	+25%	+56%
Urban Impact	+17%	+17%	+17%	+17%
Other Impact	+40%	+40%	+40%	+40%
CA Low	+3%	+8%	+35%	+78%
CA High	+4%	+11%	+47%	+105%



San Francisco overall dollar driver impact

Average Increase per Ride Share Driver



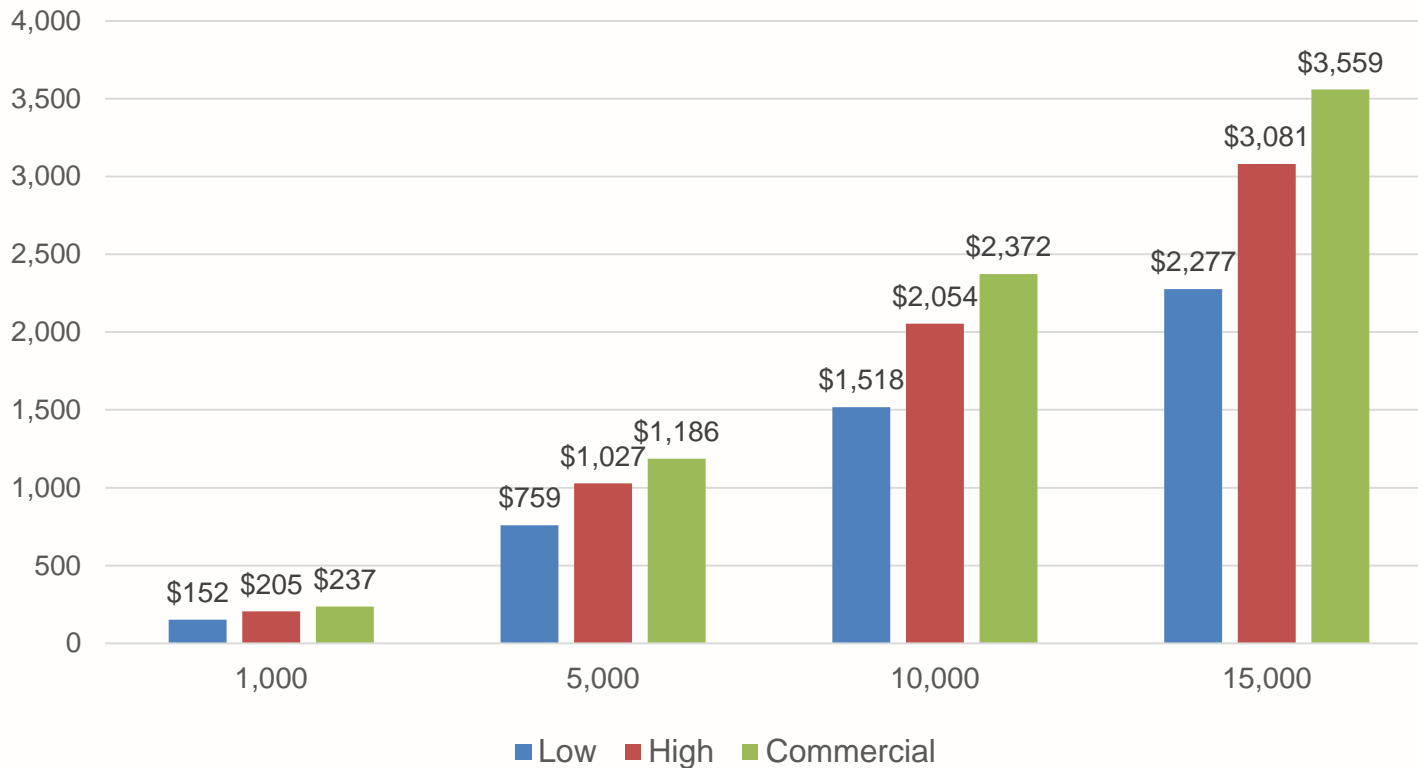
San Francisco premium based on commercial rates

	1,000	5,000	10,000	15,000
Taxi Annual Mileage	42,000	42,000	42,000	42,000
Taxi Premium	\$10,600	\$10,600	\$10,600	\$10,600
Driver Mileage%	2.4%	11.9%	23.8%	35.7%
Driving Alone Reduction	6%	6%	6%	6%
Driver Premium	\$237	\$1,186	\$2,372	\$3,559



San Francisco overall dollar driver impact

Average Increase per Ride Share Driver



Impact of Ridesharing on the Personal Auto Insurance Market



Impact of Ridesharing on Personal Auto Insurance

- Understanding TNC Risks
- Impact on personal auto rates
- Shifts in consumer driving behaviors
- New product opportunities



Understanding TNC risks

Period 1 exposure is indistinguishable from personal auto

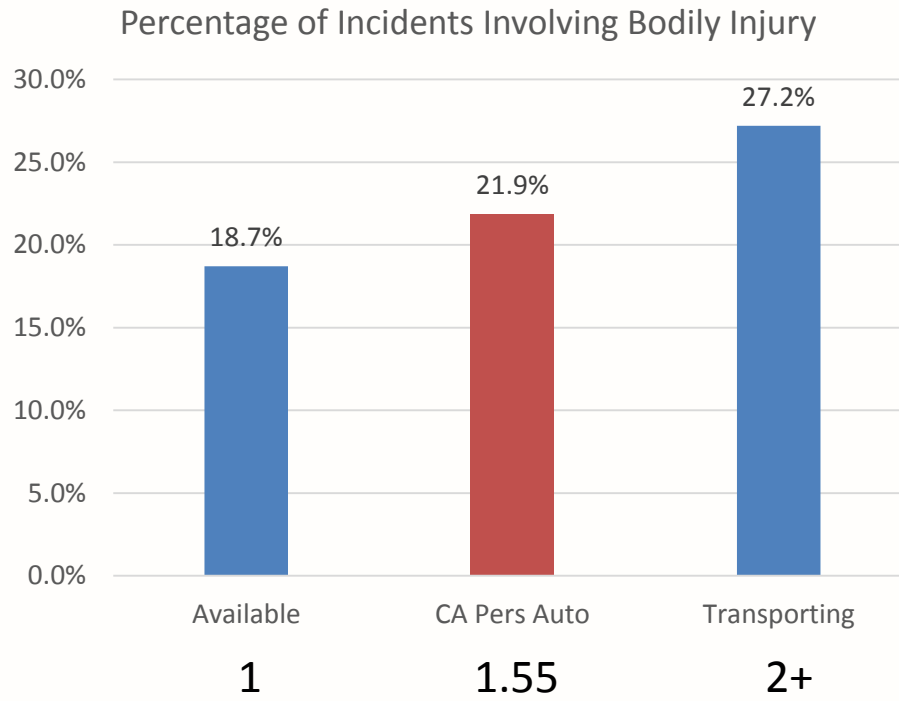
	Personal / Social	Available (Period 1)
Driver	Rated Driver	Rated Driver
Vehicle	Rated Personal Vehicle	Rated Personal Vehicle
Occupants	Driver and sometimes passengers	Driver only
Technology	GPS/Smartphone (Google Maps / Pandora)	Smartphone (Uber)
Hazards	Ordinary driving	Ordinary driving



Understanding TNC risks

Bodily injury rates in period 1 is same as personal auto

- Unsurprisingly, prevalence of Bodily Injury is lower in Period 1 and higher while driver is transporting passengers as there are more people in the car



Occupants

1

1.55

2+



Source: DoT-funded National Household Travel Survey by the Center for Transportation Analysis, Oak Ridge National Laboratory; Uber experience

Understanding TNC risks

There are no gaps in mandatory coverage

- Personal Auto Policy Livery Exclusion
- 50/100/25 contingent liability insurance for Period 1 is equal to or greater than personal auto MFR in all states
- Other state mandatory coverage also provided (e.g., PIP)



Impact on personal auto rates

Impact on personal auto premiums from period 1 exposure is tiny

- Milliman study (March 2014 - CO)
 - Worst case analysis assumes personal auto policies provide coverage in Period 1 (actual CO law makes coverage optional)
 - Selected values for driver activity are more conservative than Uber actuals in Colorado
 - Projected impact on personal auto rates was 0.07% or \$0.70 / policy if personal auto policies provided coverage in Period 1

Source: Milliman, Inc. study, "Impact of Transportation Networks on Private Passenger Auto Insurance", March 2014



Impact on personal auto rates

Personal auto policies aren't expected to cover the vehicle while carrying passengers

- Personal Auto Policy Livery Exclusions
 - Most policies exclude coverage while carrying passengers for hire
- Uber's insurer provides coverage that is primary to any personal auto policy that includes the driver or the vehicle while the driver is en route to pickup or transporting passengers
- Driver does not need to make a claim to their personal auto carrier for an incident while en route or while transporting passengers



Impact on personal auto rates

High liability limits protect personal insurers from UM/UIM exposure

- Liability limits are much higher than personal auto and taxi
 - Reduces Underinsured / Uninsured Motorist exposure on passenger's personal auto policy

Personal Limits:

BI Limit	Percentile of Personal Auto Policies
15/30	23%
25/50	35%
50/100	49%
100/300	78%
250/500	93%
500/1000	99%
1000/1000	100%

Taxi Limits:

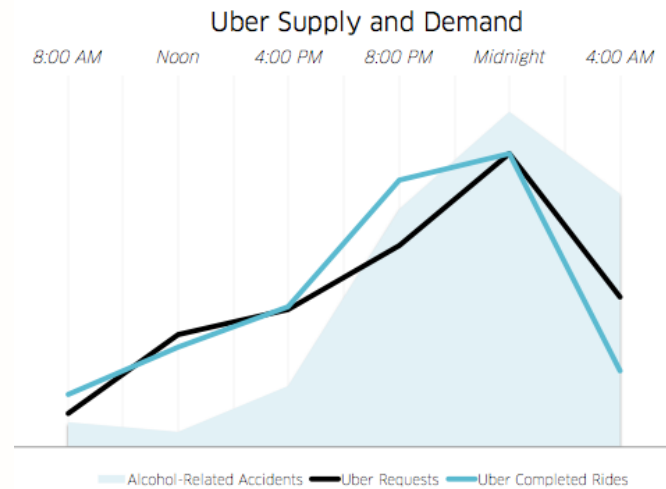
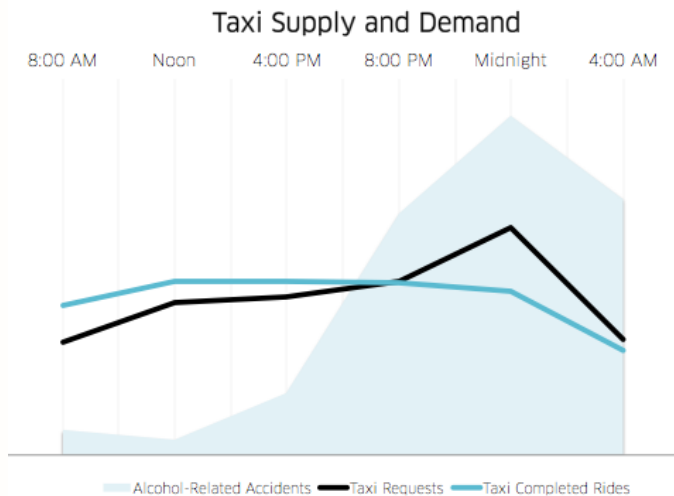
City	Required Taxi BI limits
Philadelphia	15/30K
Boston	20/40K
DC	25/50K
NYC	100/300K
Los Angeles	100/300K
Chicago	350K CSL
Rideshare (UberX)	\$1M+



Shifts in consumer driving behaviors

Reduction in DUIs

- DUIs are a major driver of Personal Auto Losses
 - Alcohol-impaired motor vehicle crashes cost \$37 billion annually
- Incumbent providers not meeting demand
 - Austin study



Sources: NHTSA, Impaired Driving, www.nhtsa.gov/Impaired; <https://blog.uber.com/atxsaferides>

Shifts in consumer driving behaviors

Consumers are changing how they use their cars

- Convenient access to reliable transportation leads people to get rid of their personal auto or keep cars in the garage
- Cost of an Uber trip often cheaper than parking



- The passenger in a rideshare vehicle is one less person driving themselves
- Non-usage based insurance doesn't capture these reductions in exposure

Sources: NY Times "With Uber, Less Reason to Own a Car", APM Marketplace "Can Uber replace your car?", Medium.com "A Financial Model Comparing Car Ownership with UberX"



New product opportunities in personal auto insurance

Some insurers developing ridesharing product

- Opportunity for Additional Premium from Existing Policyholders
- Period 1-Only Products Follow Personal Underwriting Concepts
- Growth Opportunity and Competitive Differentiator in High Growth Niche



State Ride Sharing Activities



“PUC extends Uber’s temporary authority to operate in Allegheny County”

“Anchorage asks court to stop ride-sharing company”

“Montgomery (County, MD) official addresses cab and ride-share interests”

“State regulator says Uber meets Florida insurance requirement”

“Uber is Coming to Manchester (NH) Tomorrow”

“Austin City Council approves paid ridesharing”

“...Uber launches in Las Vegas, Reno, Carson City”

“OKC Council Approves Regulations For Ride-Sharing Services”

“Lyft Temporarily Ceases Service in Kansas City”

“Drive for Uber, go to jail in one Alabama city”

“D.C. Council Lays Out Ridesharing Rules”

“NYC taxi commission postpones ridesharing vote”

“Mass. taxi group forms to take on Uber, Lyft”

“Uber Arrives in Columbia (MO)”

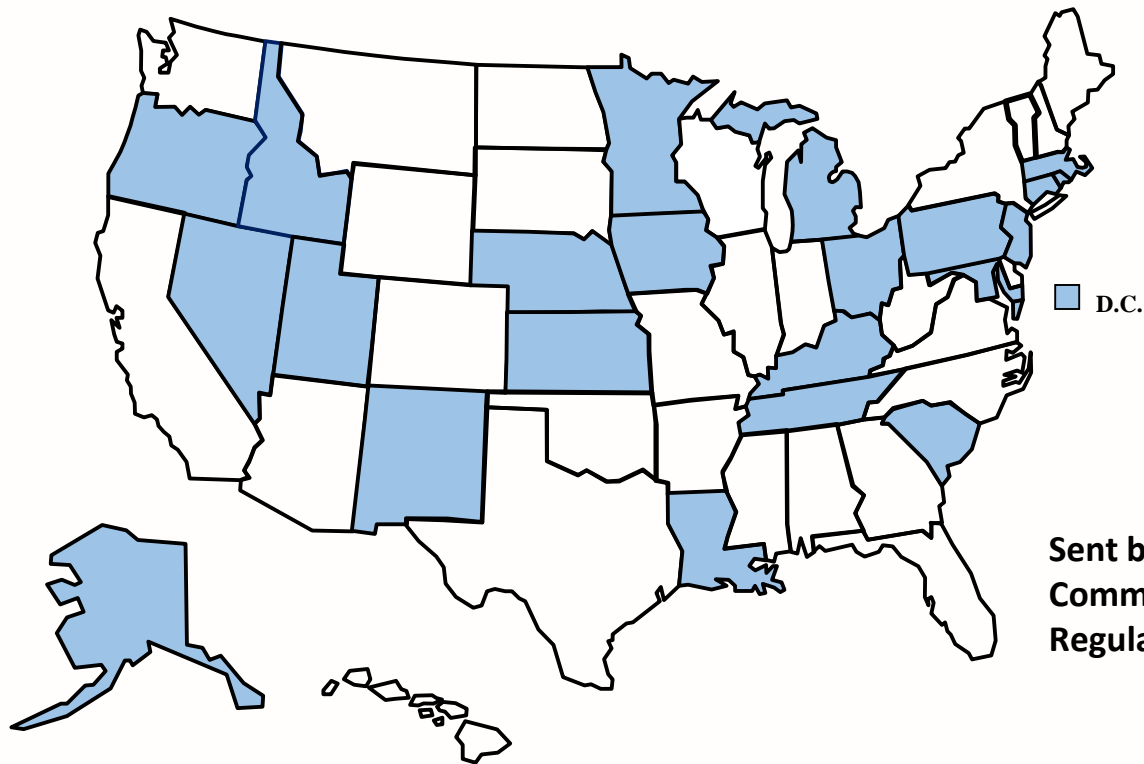


State ride sharing activities

- Consumer Alerts *(as of Oct. '14)*
- State Legislative Activities: Jan. - Sept. 2014
- Local Ordinances *(as of Oct. '14)*
- Cease & Desist and Temporary Restraining Orders Still in Effect *(as of Oct. '14)*
- What's Lurking Around the Corner?



Consumer alerts in 23 states (as of 10/14): *primarily on insurance coverage gaps*



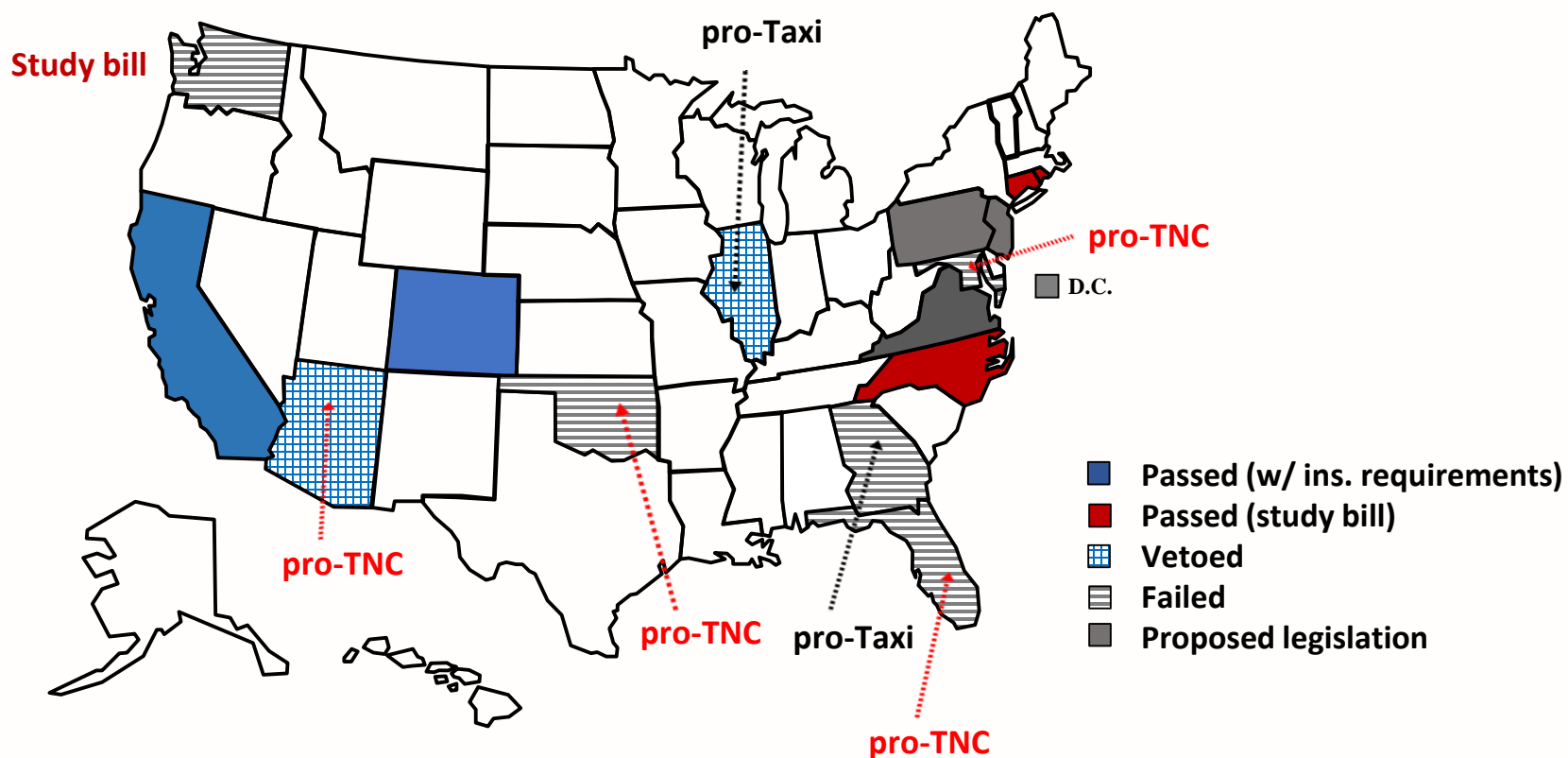
Sent by DOIs, except MN (Dept. of Commerce) NE (DMV) and SC (Office of Regulatory Staff). NAIC also sent Alerts.

Sources: Property Casualty Insurers Assn. of America and Who's Driving You?

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State legislative activities: Jan.-Sept. 2014



Source: Property Casualty Insurers Association of America

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Colorado and California bills: TNC insurance coverage highlights

- [CO \(SB 125, enacted 6/14\)](#)

- *Until 1/15/15: Min. \$1 M **Primary** liab. cov. (pre-arranged);
State min. limits **Contingent** cov. (no match)*
- *After 1/15/15: 50/100/30 **Primary** cov. (app on to app off)*

- [CA \(AB 2293, enacted 9/14, eff. 7/1/15\)](#)

- **Primary:** Min. \$1 M liab. cov. (pre-arranged)
- **Primary:** 50/100/30 and \$200 K excess liab. cov. (no match)
- **Primary:** \$1 M UM/UIM (during “ride only;” may be extended)



Illinois: HB 4075 / HB 5331 vetoed (8/25/14)

- Would have:
 - Protected policy livery exclusion
 - Made TNC insurance primary, “app on to app off”
 - Had disclosure requirements for TNCs
- Chicago ordinance set to go into place on 8/26/14
- IL bills vetoed, using “home rule” provision:
 - Measure *“would have limited the ability of home rule units of government to adopt alternative approaches that best fit local needs”*



Local ordinances: work in progress (as of 10/14)



Sources: Property Casualty Insurers Assn. of America and various news articles

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Approved ordinances: TNC insurance requirements


Gap Period (#1)

Pre-Arranged Period (#2-#3)

Austin (*thru 8/15*): FR limits “contingent” \$1 M “primary”

Birmingham: <----- Full time commercial insurance ----->

Chicago: FR limits “primary” \$1 M “primary”

Columbus: 50/100/25 liab.
“contingent” \$1 M liab. & UM/UIM


D.C. (*needs approval*): 50/100/25 liab.
“primary” \$1 M liab. & UM/UIM
“primary”

Note: Baton Rouge has no specific insurance requirements

Source: Based on materials from Property Casualty Ins. Assn. of America

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Approved ordinances: TNC insurance requirements (cont'd.)

	<u>Gap Period (#1)</u>	<u>Pre-Arranged Period (#2-#3)</u>
Houston:	FR limits "contingent"	\$1 M CSL "primary"
Milwaukee:	<---- 50/100/10 liab. & UM ("primary" implied) ---->	
Minneapolis:	50/100/30 "primary"	\$1 M "primary"
Oklahoma City:	50/100/25 "primary"	up to \$1 M "primary" (based on # seats)
Seattle:	<----- Match taxi coverage (\$300K) -----> (no language re: TNC being exclusively liable)	



Some ordinances may have conflicting worrisome language that affects personal auto insurers

- Example:

	<u>Gap Period (#1)</u>	<u>Pre-Arranged Period (#2-#3)</u>
Columbus:	50/100/25 liab. “contingent”	\$1 M liab. & UM/UIM 

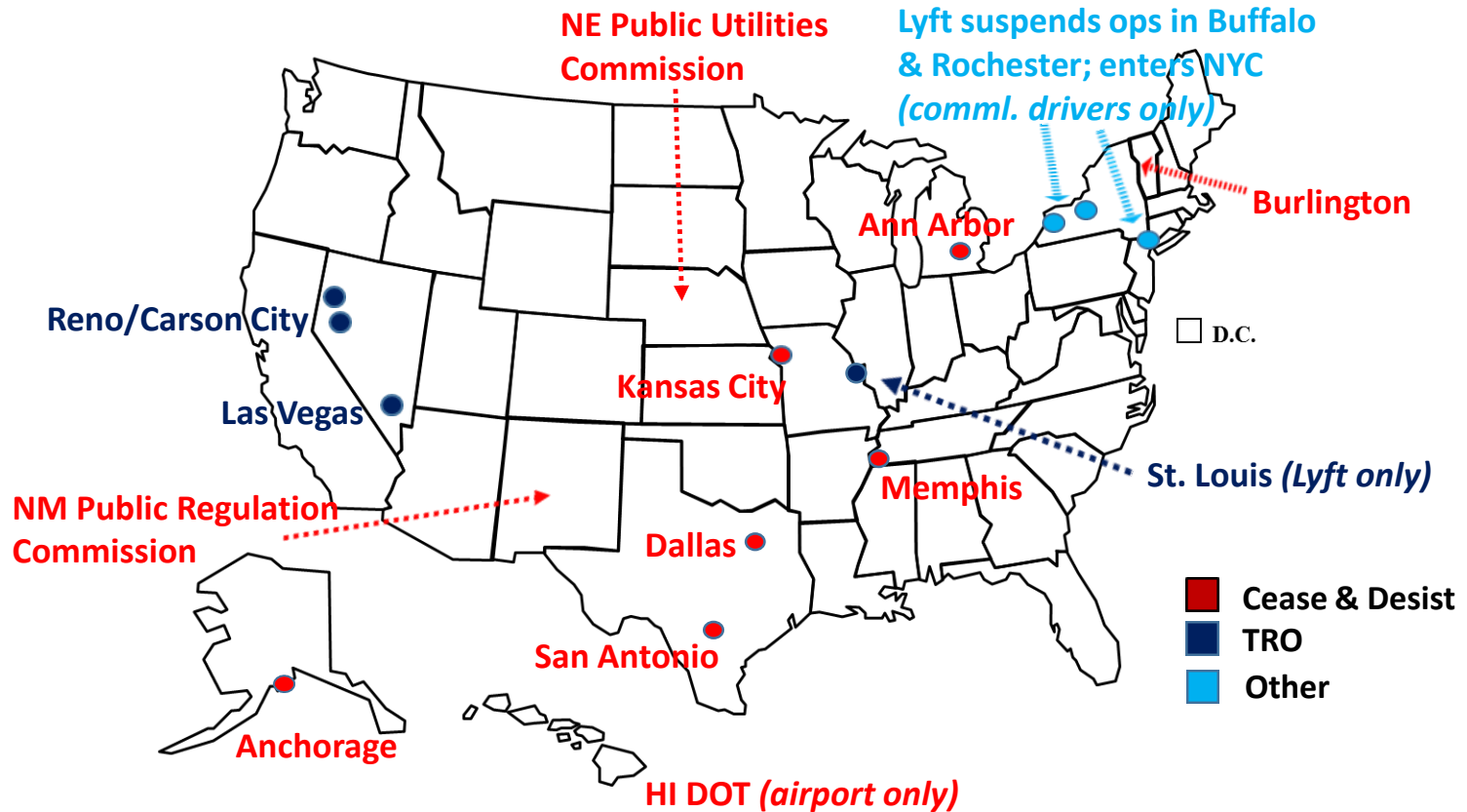
TNC “policy shall act as primary...when the driver’s personal motor vehicle insurance policy fails to cover”

Source: Based on materials from Property Casualty Ins. Assn. of America

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Cease & desist and temporary restraining orders still in effect (as of 10/14)



Sources: Based on materials from Property Casualty Ins. Assn. of America and various news articles

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St. Louis temporary restraining order on Lyft

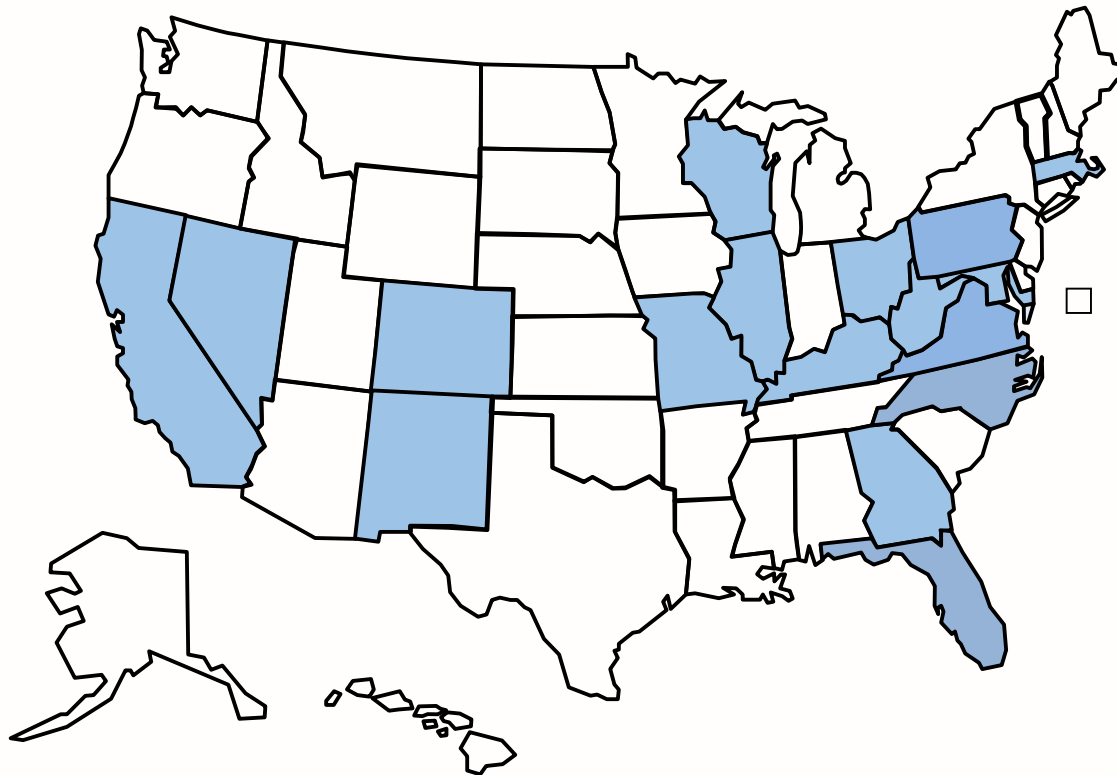
- Metropolitan Taxi Commission files preliminary injunction, Summer 2014
- Lyft argues: Services different from other vehicles for hire; passengers pay “donation”
- St. Louis Circuit Court’s initial findings (July 2014):
 - There is “expectation of payment” (“donation” based on calculated distance and rate)
 - No drug testing or comprehensive driver training
 - Lyft provides service like other vehicles for hire
 - Court must balance importance of new businesses with protecting safety of public
- Final Court date: Aug. 2015

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What's lurking around the corner?

*Study Committees, Hearings, Rulemaking,
Draft Legislation... and more!*



Source: Based on materials from Property Casualty Insurers Assn. of America

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**Thank you for
your attention.**

QUESTIONS?



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