



Actuarial Issues with Ride Sharing Exposure

September 20, 2016
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Agenda

- Overview of the Sharing Economy
- Sharing Economy Sectors
- Ridesharing
- Ridesharing Insurance Challenges and Regulations
- Pricing
- Reserving
- Other Insurance Issues
- Future of Sharing Economy
- Questions



Overview of the Sharing Economy

- Definition
 - Optimization of resources through the mutualization of excess capacity in goods and services using information technology
- What conditions made this type of economy possible
 - Low cost structure
 - Familiarity with technology and ease of use
 - Willingness to share resources



SHARING ECONOMY SECTORS



Have you used any Sharing services?

- A No
- B Ridesharing
- C Car sharing
- D Home sharing
- E Other or more than one peer-to-peer service

Polling Question #1



Ridesharing



Sidecar.



Homesharing



Care



Carsharing



Other



RIDESHARING



Ridesharing or Transportation Network Companies (TNC)

- Filling need
- Tech-Enabled version of car pooling
- Alternative to:
 - Driving/owning a car
 - Public transportation
 - Taxi



US Ridesharing Market Timeline

- 2008** • Uber defined the space
- 2012** • Lyft joined the party
- 2016** • Ridesharing Market = \$2B (250% +)
• Taxi market = \$20B (5%)
- 2020** • Ridesharing Market = \$12B (50%)
• Taxi market = \$24B (3%)

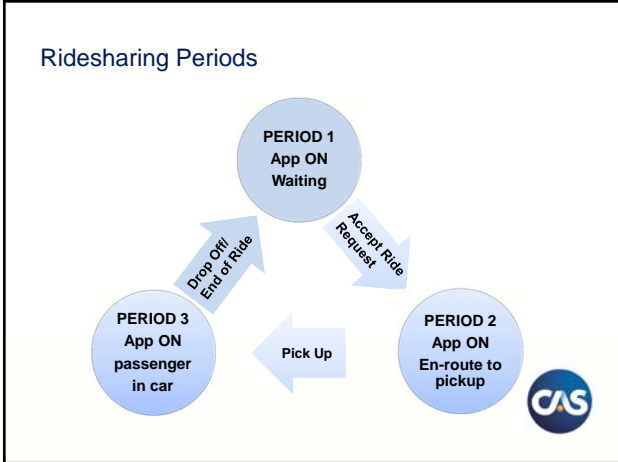


What is the most attractive feature of ridesharing services?

- A Convenience
- B Cost
- C Driver Rating
- D App Features
- E Have not used a ridesharing service


Polling Question #2





RIDESHARING INSURANCE CHALLENGES and REGULATIONS



- ### Ridesharing – Insurance Challenges
- **Constantly changing**
 - No TNC insurance creating a gap when primary carriers denied
 - TNC insurance is on an excess basis
 - TNC insurance is on a primary basis
 - **Varying regulation by State**
 - Driver mode (period 1) liability usually on a split limit basis (most states at \$50K / \$100K)
 - Passenger mode (periods 2/3) liability usually on a single limit basis (most states at \$1M)
 - Physical damage not as regulated usually for a high deductible (\$2,500)
- 

Ridesharing Regulation Timeline

- 12/31/2013** • Period 1 Fatal Accident
- 2014** • 4 states with Laws/Regulations
- 2015** • 28 states with Laws/Regulations
- 2016** • 39 states with Laws/Regulations



Ridesharing Regulation

Transportation Network Company

States with Enacted Legislation



Colorado Senate Bill 125

- Prior to 1/1/2015**
 - Period 1: Contingent State Limits
 - Periods 2 & 3: Primary \$1M Minimum Limit
- 1/1/2015 & Subsequent**
 - Periods 1-3: 50/100/30 Primary



California Assembly Bill 2293

Period 1

- 50/100/30 Primary (TNC or Driver)
- \$200K Excess (TNC)

Period 2

- \$1M Liability Primary (TNC)

Period 3

- \$1M Liability Primary (TNC)
- \$1M UM/UIM (TNC)



TNC Insurance Compromise Model Bill

Period 1

- 50/100/30 Primary
- State Mandated Coverages

Period 2

- \$1M Liability Primary
- State Mandated Coverages

Period 3

- \$1M Liability Primary
- State Mandated Coverages



Insurance Challenges



TNC Model Bill

- Strengths
- Weaknesses



TNC Drivers

- Awareness
- Responsibility



Insurance Companies

- Underwriting
- Coverage Availability



What is your company's involvement in the sharing economy?

- A Revised policy language to exclude coverage
- B Considering adding program
- C Coverage is available for TNC
- D Coverage is available for TNC drivers
- E Other

Polling Question #3



PRICING



Pricing Challenges

-  **Low Credibility**
 - Industry Benchmarks
 - Competitor Analysis
-  **Technology**
 - UBI
 - Self-Driving
-  **Premium**
 - Rating Variables
 - Mileage Overlap



Considerations

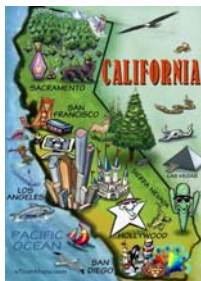
- Personal Auto or Taxi
- Inconsistent driver base
- Mileage
- Location
- Time of day
- Distracted driving
- Environment
- Behavior
- Telematics / driver scoring
- Vicarious liability



PRICING
DRIVER
SOLUTION



California Insurance Company Filings



- Metromile (11/17/2014)
- Farmers (2/23/2015)
- Mercury (7/16/2015)
- USAA (8/11/2015)
- Metropolitan (8/28/2015)
- State Farm (9/28/2015)
- Esurance (12/30/2015)



California Insurance Company Filings

| | TNC | Period | Factor | Coverage |
|--------------|------|--------|-------------|----------|
| Farmers | any | 1 | 1.08 | all |
| Mercury | any | 1 | 1.00-1.17* | all |
| Metromile | any | 1 | 1.00 | all |
| Metropolitan | LYFT | 1-3 | 1.05-3.25** | all |
| State Farm | any | 1 | 1.00-1.25* | all |
| USAA | any | 1 | 1.07 | all |

* Varies by coverage
** Varies by LYFT annual mileage



PRICING TNC SOLUTION




Considerations

- Guaranteed cost program
- Loss sensitive program
- Captive
 - Quota-share
 - Excess of loss
 - Self-insured



RESERVING



Considerations

- Lack of history (patterns?)
- Changing exposure base
- Growth / new markets
- Reserving philosophy
- Changing regulation
- Vicarious liability
- Auditors' reactions
- Primary vs. Excess Insurance
- Captive vs. Corporate



Other Insurance Issues



Workers Compensation

- Employee versus Independent Contractor
- Multiple TNCs



General Liability




Vicarious Liability





**FUTURE OF
RIDESHARING**



QUESTIONS?



Presenters

| | |
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