



INSURING
TOMORROW'S
ECONOMY

InsurTech – Disruption and Innovation in
the Insurance Space
CAS In Focus Seminar: The Actuary of
Tomorrow

October 3, 2017

Agenda

- Introduction
- Overview of the Sharing Economy
- Sharing Economy Sectors
- Exposures
- Challenges
- Responses
- Appeal to Actuaries
- Questions



Sharing Economy - Definition

- The Sharing Economy is an economic model that uses a technology enabled platform or marketplace to match supply and demand for a product or service
- Matching of an underutilized asset (e.g., time, vehicles, things) with someone seeking to use that asset
 - Ride Sharing
 - Car Sharing
 - Space Sharing
 - On-Demand Service

A Sharing Economy is an economic model in which individuals are able to borrow or rent assets owned by someone else. The Sharing Economy model is most likely to be used when the price of a particular asset is high and the asset is not fully utilized all the time.⁽¹⁾

A Sharing Economy company typically operates a platform that facilitates the sharing of assets or services among unrelated individuals.⁽²⁾

(1) <http://www.investopedia.com/terms/s/sharing-economy.asp>

(2) Lyft presentation, Aug 24, 2016



Sharing Economy - Trends

- **New companies are revolutionizing business**
 - On-demand products and services
 - Focus on peer-to-peer collaboration
 - Shift from ownership to access and sharing
- **Sharing Economy is rapidly evolving**
 - \$15B in 2014 revenues → \$335B by 2025
 - Over \$21B in VC funding supports these companies
- **Benefits are real and consumers are catching on**
 - 78% of US adults agree that the Sharing Economy builds strong communities and makes life more affordable, convenient and efficient
- **Gen X and Y consumers are driving the growth of the Sharing Economy**

Instacart

NeighborGoods®

shyp

handy

POSTMATES

airbnb

Tapingo

TaskRabbit

lyft

MUNCHERY
EAT BETTER

UBER

Nextdoor

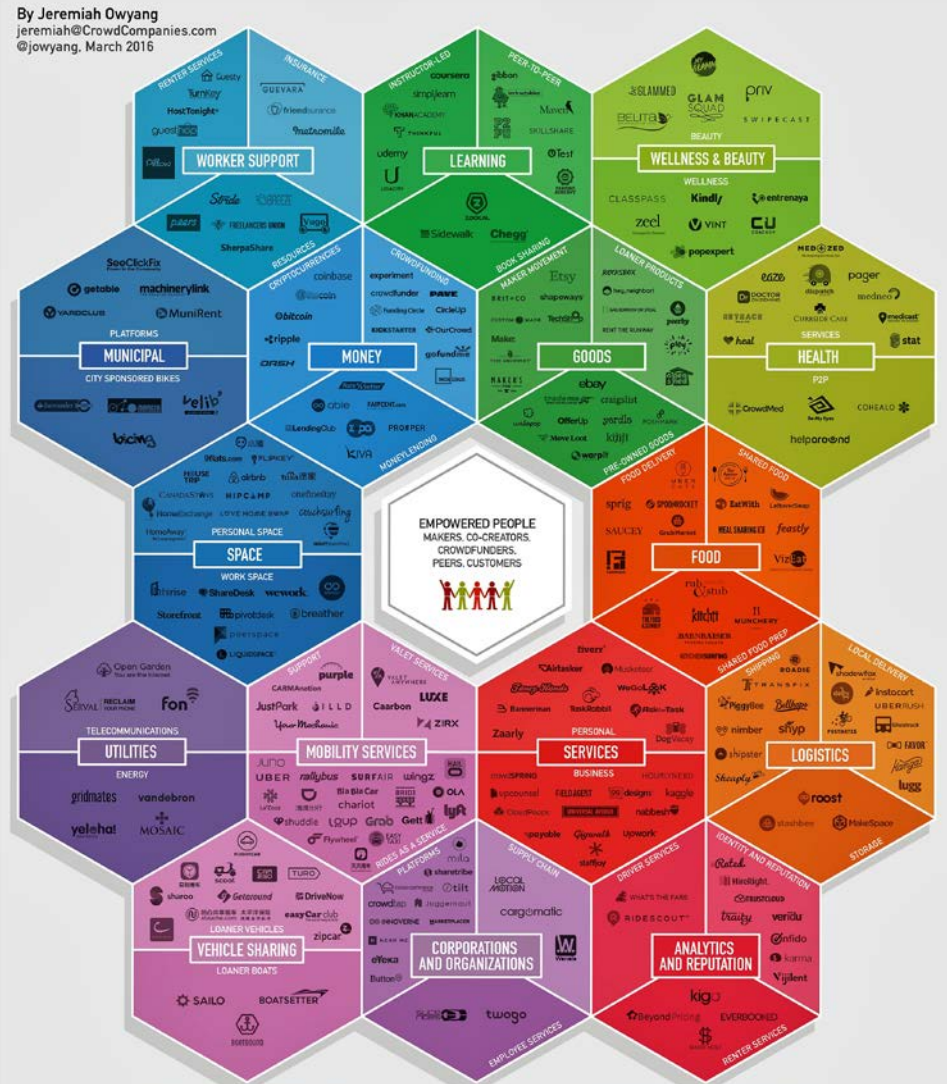
Thumbtack

PEERSPACE



Sharing Economy - Constituents

- There are 16 subsectors of the Sharing Economy
- Examples:
 - Space – Airbnb, HomeAway, Peerspace, WeWork
 - Food – Feastly, Josephine
 - Logistics – Postmates, DoorDash, Instacart, Lugg
 - Goods – Rent the Runway
 - Services – UrbanSitter, Handy, TaskRabbit,
 - Mobility Services– Uber, Lyft
 - Vehicle Sharing – Getaround, Turo

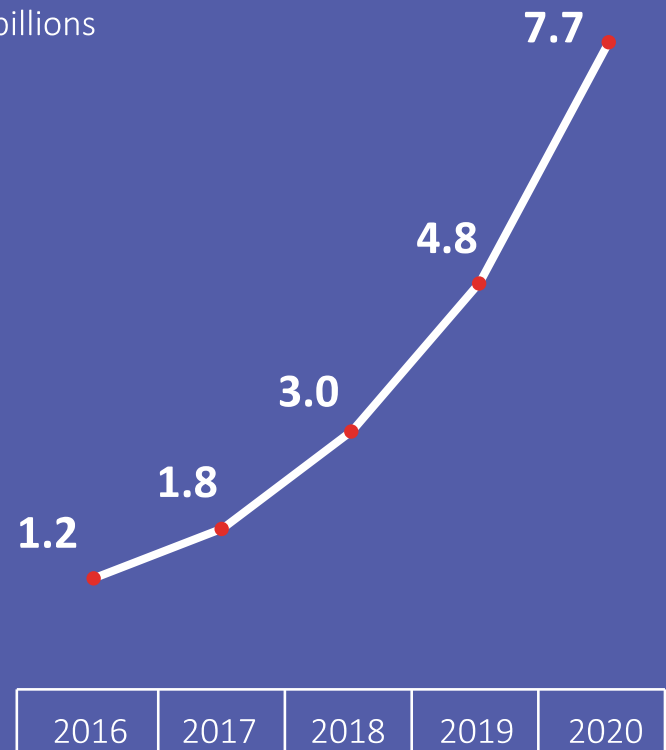


Sharing Economy – Commercial GWP

Estimate the addressable insurance market is between \$1B and \$2B today, growing to over \$7.5B by 2020⁽¹⁾

(1) Based on the PWC forecast of Sharing Economy global revenues, applying 2 methods to calculate range for market size - total cost of risk of \$54 per \$1000 revenue (RIMS 2015) and a price discovery process where companies expect to spend 10-15% of revenue on insurance; reasonable estimate given that \$7.7B is only ~2.5% of the expected total commercial insurance market in 2020. Showing average of the 2 approaches.

\$ billions



InsurTech Landscape “Today”:

Insurance Tech Rising: 130+ Startups Across P2P, Life, Renters, & More



For more insurance tech research, check out: cbi.vc/insurance-tech

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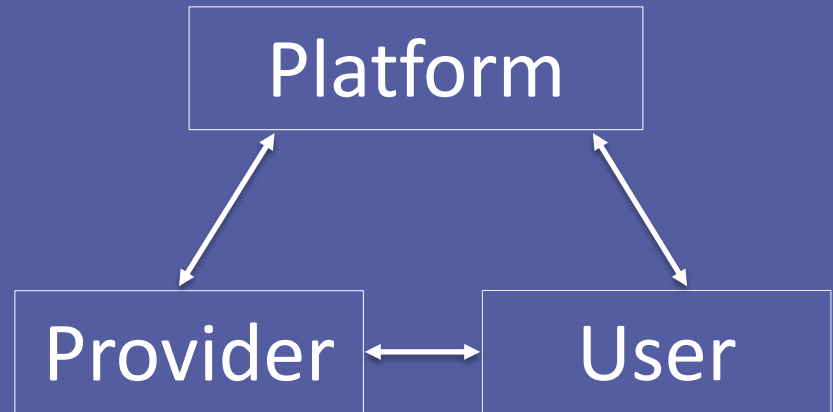


Exposures

“Traditional” Relationship

- Platform (Company)
- Provider (Employee)
- User (Consumer)

Sharing Economy Relationship



Insurance Industry

- Traditional insurance underwriting is rigid and formulaic
- Underwriting manuals & rating schedules don't work for Sharing Economy risks
- Lack of exposure data, loss data, revenue projections, support for growth estimates
- No incumbent pricing, insurer information or renewal date
- Brokers and insurance companies strive for “efficiency” can stifle creativity
- Pull back from commercial auto insurance



Insurance Companies

- Education at the insurance partner level as to why the Sharing Economy risks are good
- Communicating the basic principles of insurability
 - Quantify the risk
 - Measure and analyze the risk
 - Remove any moral hazard



Insurance Buyers

- Educate the end buyer as to why customized products are better / necessary
- Push through the adoption process



Industry Response

- Relatively limited number of markets offering solutions – though number is growing
- Often solutions differ fairly dramatically
- Sometimes traditional markets offer terms that would appear to undervalue the exposure
- Technology allowing for interesting underwriting/pricing approaches
- Technology influencing claims handling as well

Traditional Approach

- Off-the-shelf products
- Structured, rigid policies
- Flat-rated
- Focus on established industries
- Insure the year



Innovative Markets' Approach

- Tailored solutions
- Nimble, flexible policy options
- Variable-rated
- Focus on Sharing Economy Companies
- Insure the moment



Draw for an Actuary

- New, Exciting, Growing Segment
- Short Term
 - No Data – surrogate/analogous pricing
 - Creative Solutions
 - Usage Based Pricing
 - Truly New Business, not Someone's Lost Renewal
- Longer Term
 - Enormous Amount of Data – particularly on exposure side
 - Data and Analytics Possibilities



Y-Risk

- Questions?

