



## Sharing Economy: Challenges and Insurance Implications

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**Introduction – What It Is**

**Impact on Employment**

**Legal and Insurance – General Considerations**

**Home Sharing**

**Transportation Sharing**

**Takeaways/Wrap Up**

# What It is



## The Business Model....Peer to Peer; On Demand; Sharing



Generation Shift in Thinking

Alternate Forms of:

Property Ownership

Property use

No:

- Production Facilities
- Vehicles
- Property
- Service Employees



# The Sharing Economy

## .....What It Is...Anything and Everything



### From e-Bay to.....?????



Transportation	Finance	Consumer goods
Space	Personal services	Professional services

**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

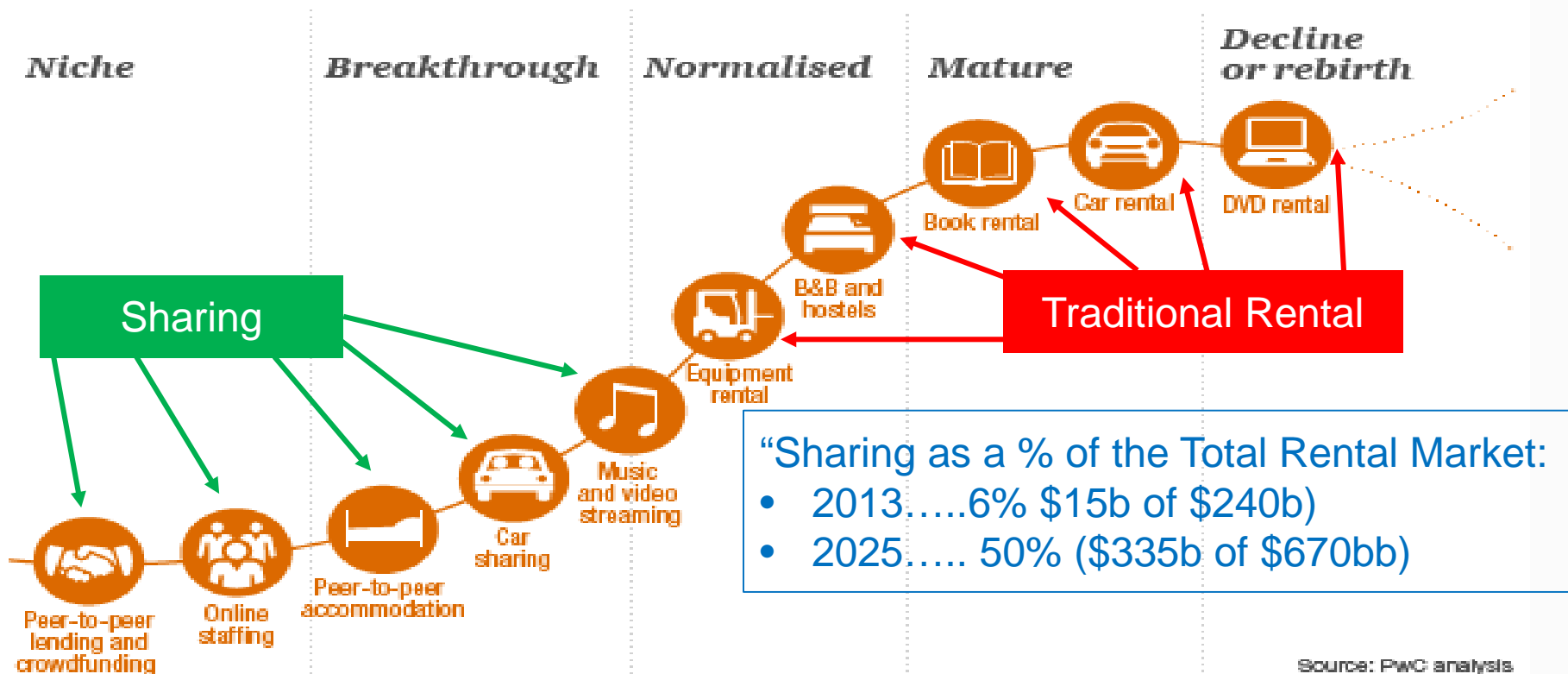
Just Park Study as reported in CrowdFund Insider 10/1/15

...But...High Failure Rate 

## The “S” Curve

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

#### *The sharing economy life-cycle*



The Forerunners of Today's Peer to Peer



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



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



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



**Started 1995:** Contractors and other service providers

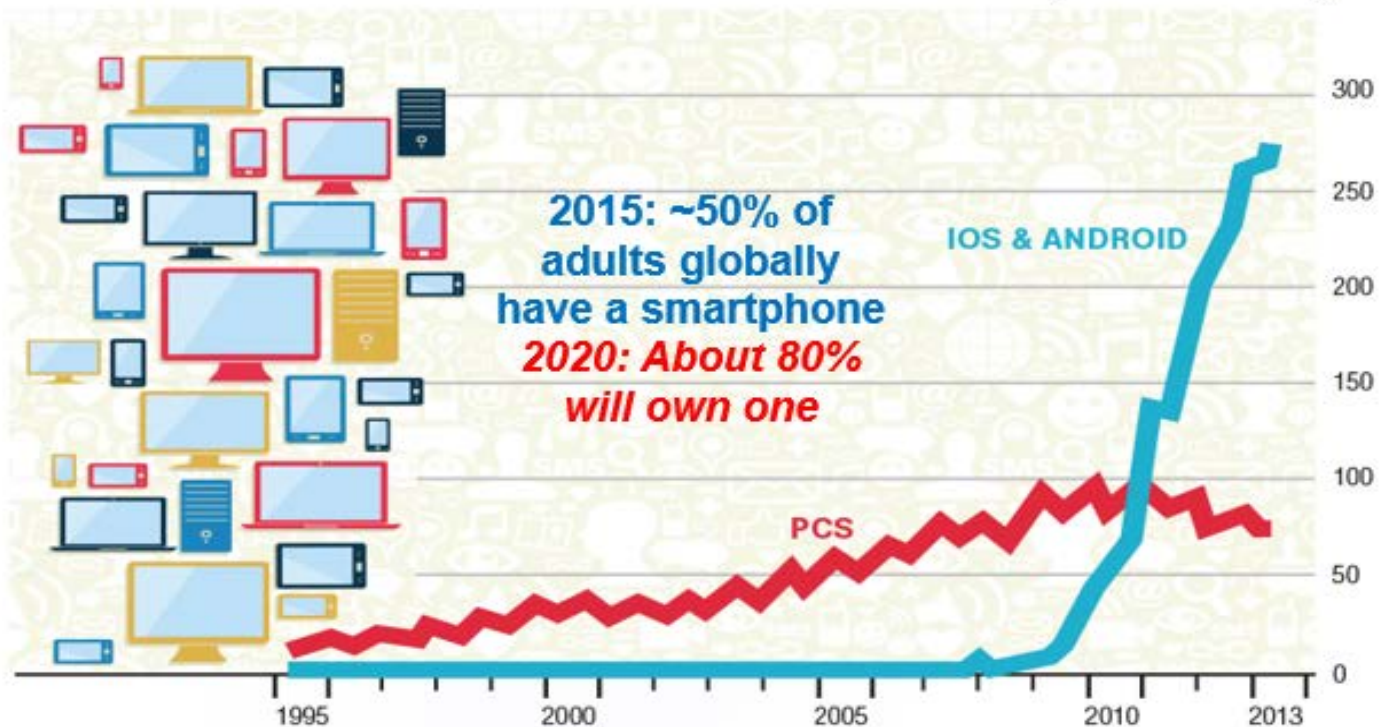


**Started 2000:** Dating web-site

## Smartphones: Breakthrough technology behind the on-demand economy

### CHANGING PLATFORMS:

### GLOBAL SHIPMENTS OF SMARTPHONES (MILLIONS)



Source: Benedict Evans, Andreessen Horowitz and III



A Simpler Life at your Fingertips...

Get married



...Move



...Do laundry



Business to business freight hauling



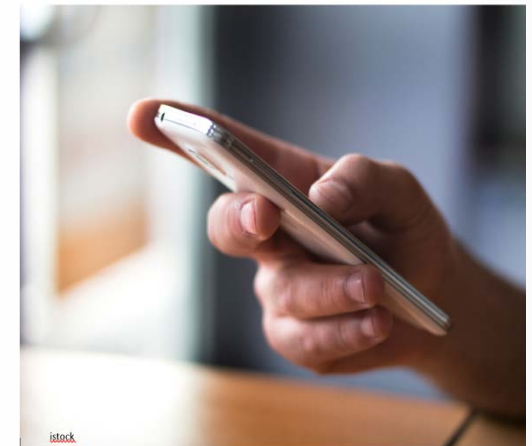
.....Get something done around the house



Someone to do "chores"



...or get legal advise



..... Even Insurance...



Provides a software platform for online employee and Benefits Management service



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

## Ultimate Mobility



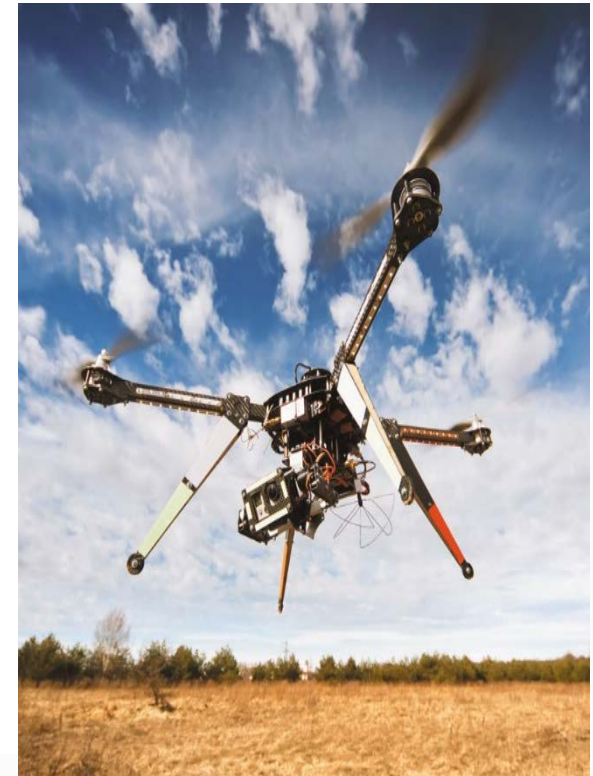
### In the Future...

“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 3<sup>rd</sup> 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 Drone use (2 year Exemption)
- **2016:**
  - **Google** started a Drone Cargo Project



...and the Sun



Solar Sharing Network

“Sun Hosts”



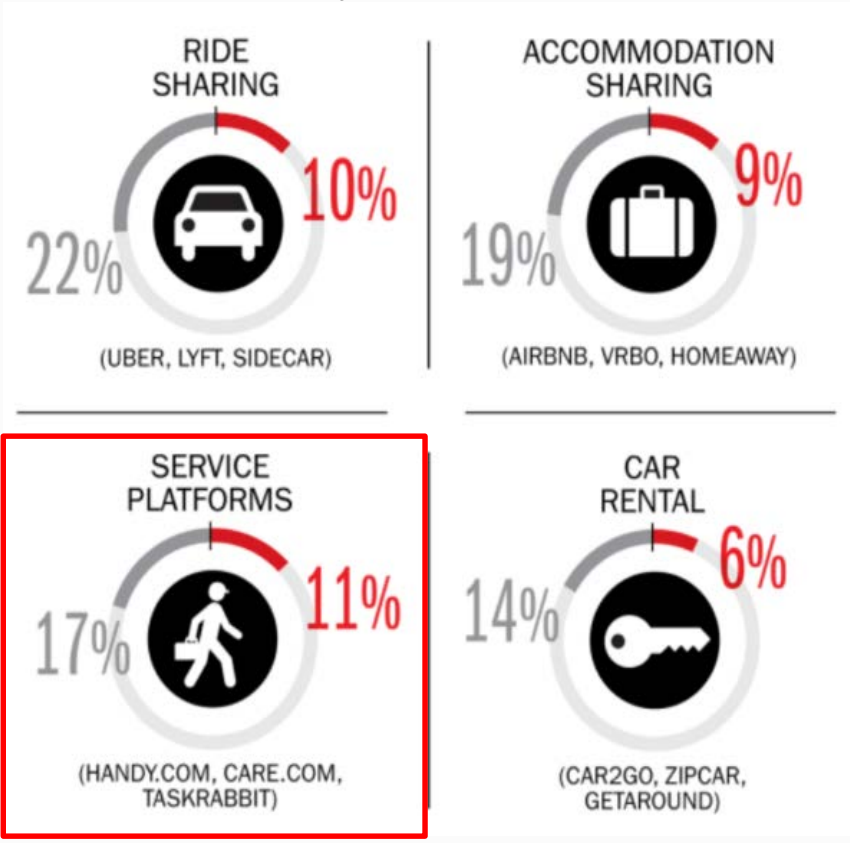
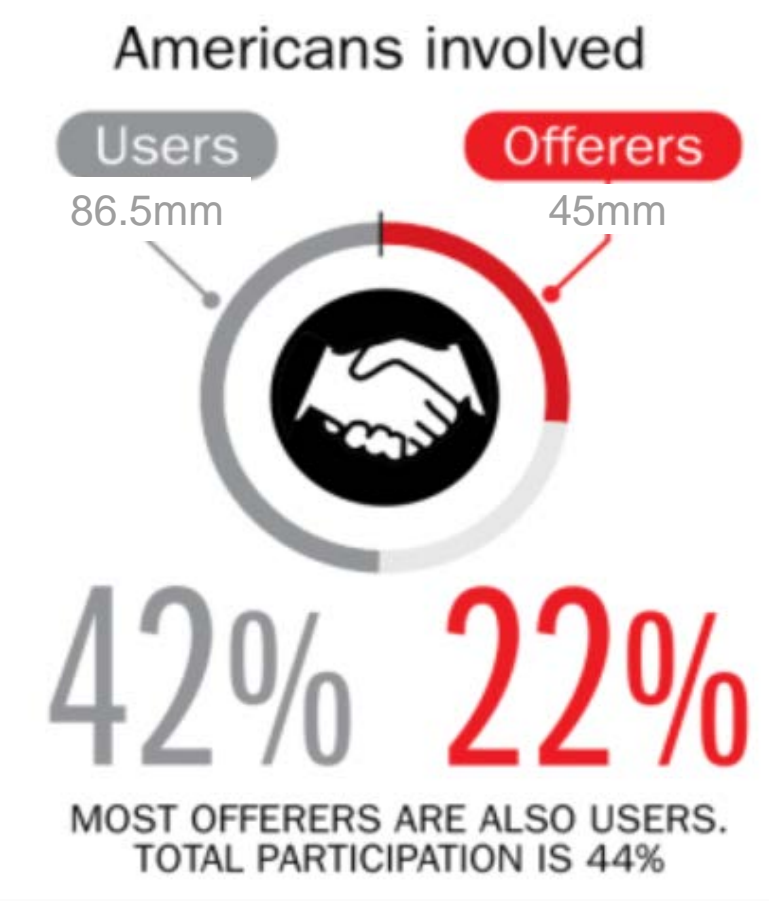
Sun Partners



# Who's Engaged in the "Sharing Economy"



## By Transaction



Sources: The SelfEmployed.com accessed at <https://www.theselected.com/gig-economy/infographic-inside-the-new-economy/> based on a poll by Time magazine, Bursten-Marsteller and The Aspen Institute; Insurance Information Institute.

# Impact on Employment



# Differences Between Sharing Platforms

## Capital vs Labor

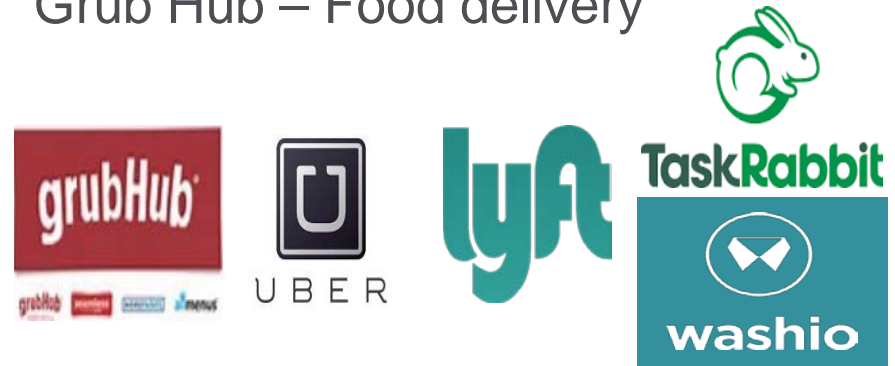
### Capital platforms: Asset-based, e.g.

- 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

Possible solutions

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

Uber developing autonomous cars with Apple, Google, Ford

# Legal and Insurance Issues

## – General Considerations



## 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 basic Sharing Business Model...

## 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 contractors) 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

# Sharing Economy .....Exposures/Impacted Coverages

Exposure Depends on Type of Peer to Peer Service Provided  
All are Provider Exposures Except WC and EPLI (TNC Exposure)

## Cyber

Auto liability



airbnb

cargomatic



my move™

General liability

Professional liability



WeddingWire



grubHub



Personal injury  
(e.g., discrimination)

Property damage

Lemonade™



TaskRabbit



Lawyers.com

Products liability

TNC - Workers Comp / Employment Practices???



**Home Sharing:** Damage to the host home (incl. business interruption) or personal property

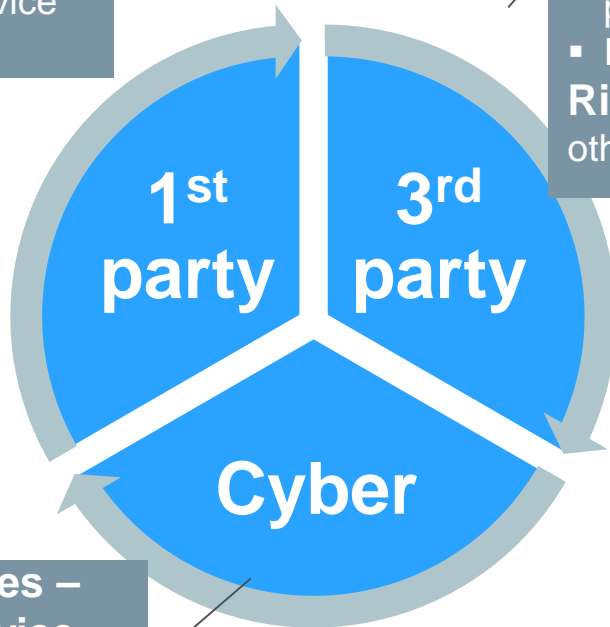
**Ride Sharing:** Damage to service providers auto

**Home Sharing:**

- Bodily injury to the renter resulting from the host home...as “invited guest”
- Property damage to the renters personal property
- Personal injury - Discrimination

**Ride Sharing:** Injury to passengers, other drivers, pedestrians

Ride Sharing WC?



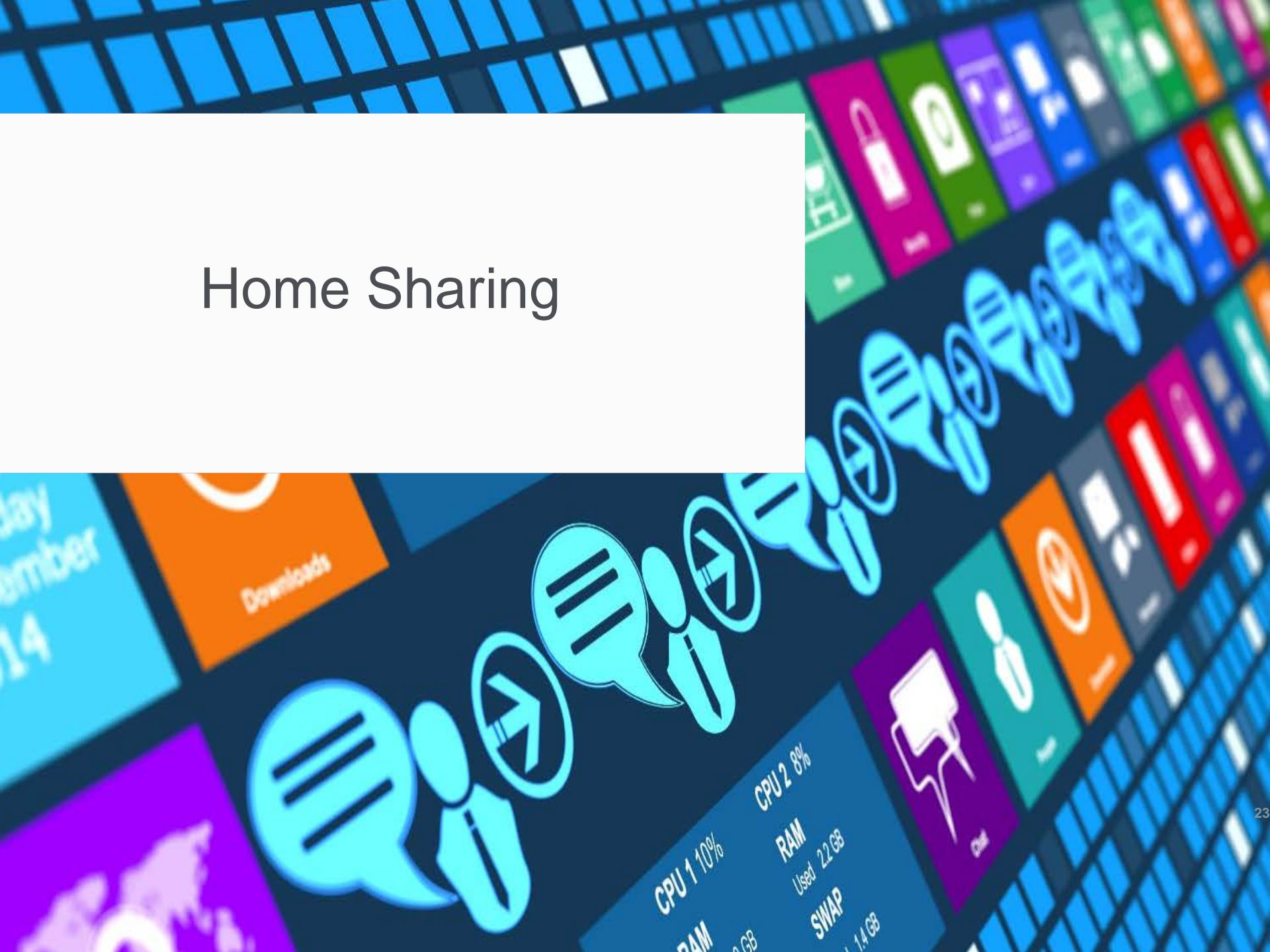
“Platform risk” for all parties – TNC; service provider; service user



Image: Insurance Information Institute

**Industry coverage: Standard forms inadequate; Solutions just starting to emerge**

# 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 Regulate and Tax Home Sharing like Hotels



# Home Sharing .....Some Numbers

Hospitality Brand	Market Cap/Valuation
Hilton	\$27.84 billion
Marriott	\$22.98 billion
<b>Airbnb</b>	<b>\$20 billion</b>
Starwood	\$13.79 billion
Wyndham	\$11.03 billion
Accor	\$10.82 billion
InterContinental Hotel Group	\$10.54 billion
Hyatt	\$8.98 billion
Choice Hotels	\$3.65 billion
HomeAway	\$2.93 billion

## AirBnb: The clear leader

- Privately owned – Founded 2008
- At least: 1m listing; 25m guests
- 34k cities in 190 countries
- Market cap - \$20b (3<sup>rd</sup> behind Hilton and Marriott)
- Revenues:
  - Booking fees (6-12% of rental)
  - Host service fee (3% for credit card processing)
  - Estimated annual revenue @2015 = \$500m

## Competitors:

- 2<sup>nd</sup>: Homeaway (acquired VRBO) Market cap \$2.93b
- FlipKey (Trip Advisor)
- Many others

## State and Municipal Laws: Most Laws Regulate Hosts/Home Providers (not the Sharing Platform itself)



Air BnB Friendly  
Laws: Encourage  
growth and  
economic benefit

Restrictive Laws:  
Police Illegal  
Activities and  
raise Tax  
Revenues

**Discrimination:  
Harvard Business School  
2016 Study:**

**.....Discriminatory  
Practices Observed On  
AIRBNB.....**Guest Applicants  
with African-American names were  
16% less likely to be accepted than  
identical Guest Applicants with  
distinctively White names.

### Legal Implications

- **On-Line Marketplaces are legally protected**  
....not likely to be found liable for allowing  
discrimination
- **Hosts more likely to be held Liable** (Civil Rights  
Act of 1964) depending on size.



### Typical HO Policy

Mixed; Coverage varies by carrier both as to if..... and how

#### 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

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#### 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

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#### 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 .....Where is the Coverage?



## Special Home Sharing Coverage Available by SOME Home Sharing Platforms

**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

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Boat Rentals  
(BoatBound)



Parking Space Rentals  
(JustPark)



On Demand Delivery (Delivery Hero; Grub Hub, etc.)

## Ride Sharing = Taxi Like

- 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

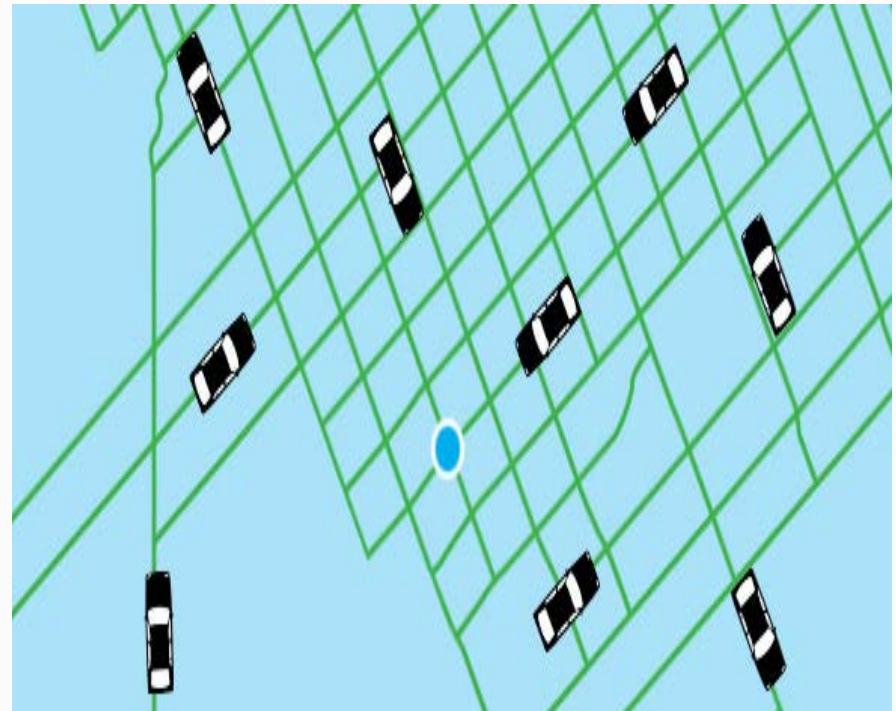
## Car Sharing = Car Rental Like

- Turo, Classic Car Share, etc.

# Ride Sharing ....What It Is

- 
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

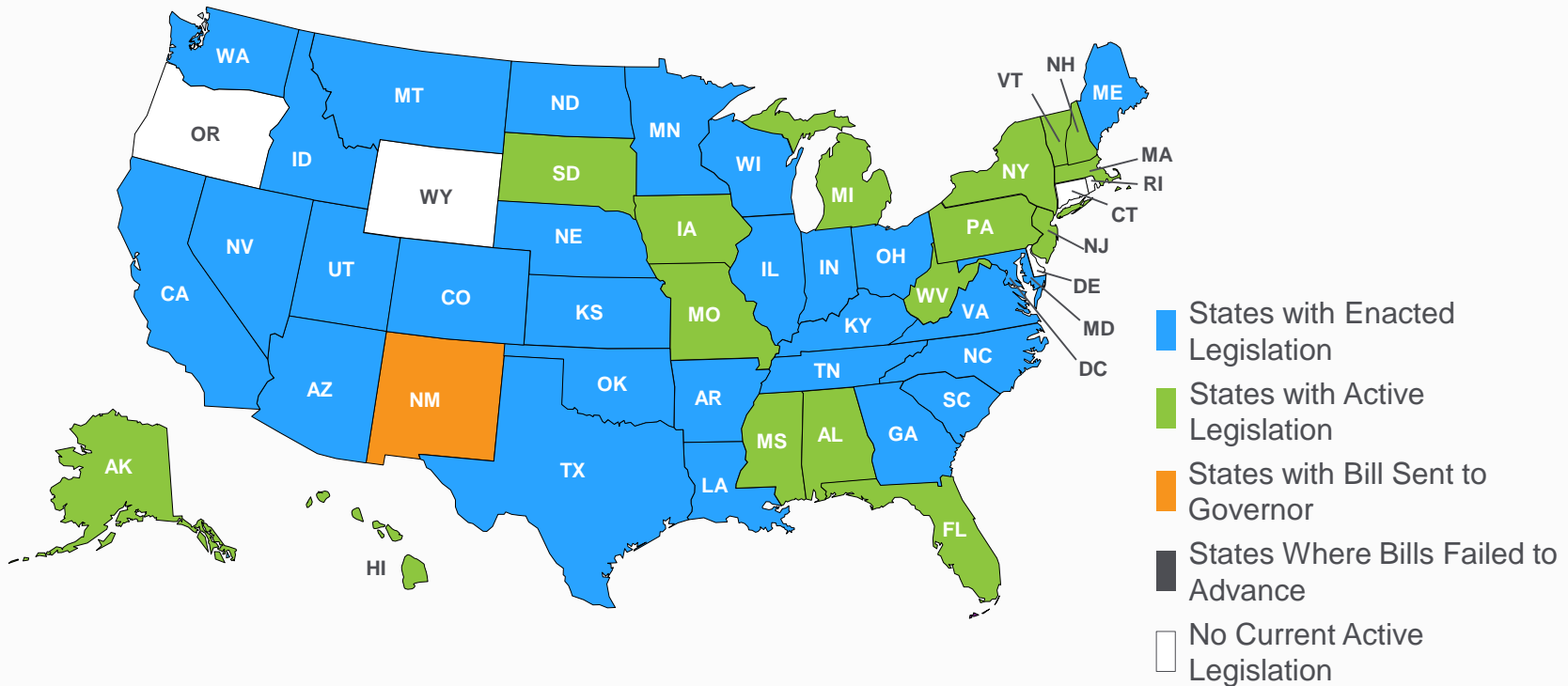
Uber: 800 Pound Gorilla  
....\$62BB Capitalization  
...Operates in 250+ Cities





# TNC / Ridesharing .....State Regulation/Legislation

## Status @ March, 2016



**State Specific Laws Vary: e.g.,** insurance requirements; special licensing or certificate requirements; driver background checks; limit where drivers can operate; etc.



**Evolving Rapidly**

# 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

Driver Background/Safety Check lawsuits

### UBER Fined \$20K: Data Breach

Delayed Data Breach Notification



### UBER Leaves Alaska

Paid \$78K to WC Guarantee Fund after the state deced 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



## Some Legal Issues of Note.....Driver 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 ????

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

### 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)

**Other Class Actions  
and Individual Cases in  
the Pipeline**

### 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.

**Motivation??**

## Phases of TNC Exposure

- Phase 1** Driver logged in but not “matched” with a passenger yet
- Phase 2** Driver / Passenger “Match” made...but passenger not picked up yet
- Phase 3** Passenger is in the vehicle

**Coverage Issues: WC and Liability Exposure Varies by Status**

**Increasing Number of States are Considering or Have Passed Regulations for TNCs**

Commercial

**Covered in Basic Policy: ISO addressing in CA, BA & Umbrella**

**Developing Optional Exclusions:**

- Ride Sharing Activities (Passengers Only)
- Ride Sharing **and** On Demand Delivery (Passengers and Delivery Services)

Personal

**Most Drivers rely on Personal Auto**

**Gaps in Coverage exist in the Basic Policy**

**Most States Starting to Act...**

- TNC / Ride Sharing laws – Stipulating Required Coverage for TNC Drivers;
- Consumer Alerts – As to Potential gaps

////////////////////////////////////  
**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 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 Telematic Technology



**Several Carriers are actively providing / considering providing Hybrid Coverage  
.....and Usage Based coverage**

## TNC Offered Coverage (Still Evolving)

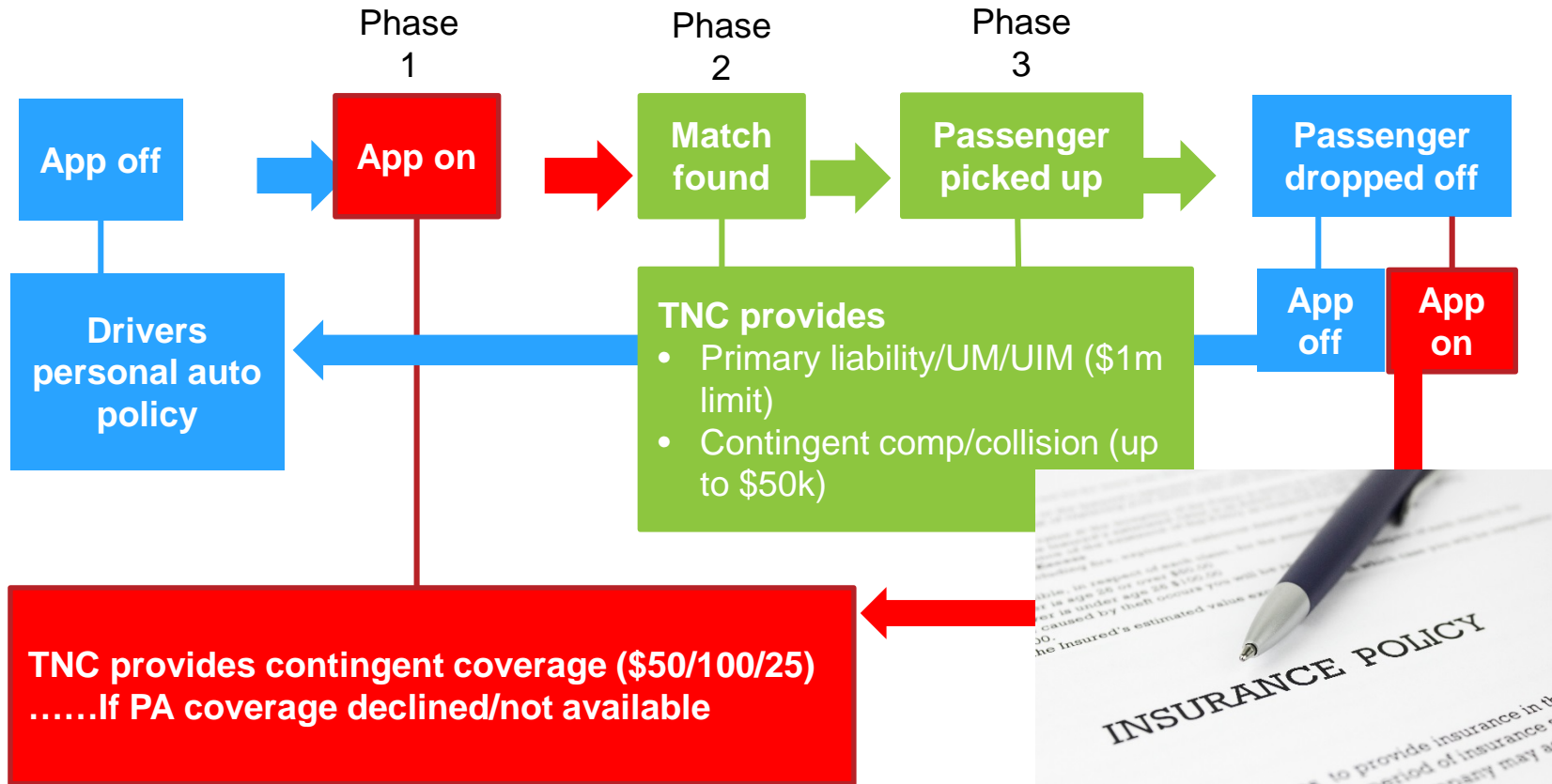
- **Phase 1 - Some TNCs:**
  - Provide contingent liability coverage at a nominal limit..
  - If personal auto coverage is declined/not available.
- **Phases 2 and 3 - Some TNCs:**
  - Provide liability and UM/UIM coverage (primary for personal auto, excess for commercial auto) at a higher limit than 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



## Ride Sharing Coverage Application

Phases	ISO Public/Livery Exclusion	ISO New Personal Coverage Options	TNC Provided Coverage
1 Driver Logged in; "No Match"	Excluded	Coverage Available	Contingent Liability Coverage (\$50/100/25)* – IF PA coverage declined or not available
2 "Match" made; Not Picked Up		No Coverage Available	<ul style="list-style-type: none"> <li>• Primary Liability/UM/UIM (\$1mm Limit)*</li> <li>• Contingent Comp/Collision may apply</li> </ul>
3 Passenger Picked Up			

(\*According to publicly available information, as of 6/2/2015)

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

# Takeaways/Wrap-up



## 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 via “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





Risk / Opportunities  
Abound

Understand the Risks;  
Develop Solutions

Insurance Industry is  
Centrally Involved

Traditional Risks ...  
will be Different

Peer Economy Is Growing  
Rapidly

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

## New Exposures...Existing Customers

**Exposures that are new...but involve existing customers and coverages** that insurers already have on their books so the focus is on:

- **Awareness - Are Underwriters aware** if their customers are engaged in these activities .. Do they find out systemically ....Nature and Extent of involvement
- **Evaluation - How are they evaluating** the exposures that they find? Risk Appetite, Selection Criteria?
- **Coverage – Reinforce existing policy exclusions; Has Coverage been modified** to address the exposure....If so, how?;
- **Pricing – How is the additional exposure being priced**
- **Notify Policyholders - If/how coverage applies**





Thank you

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