2016 developments
What’s ahead for 2017
Unresolved legal, regulatory and insurance issues
State of competition and profitability in rideshare industry
Ridesharing & autonomous vehicles
Rideshare Companies and Insurance: 2016 Developments | What’s Ahead for 2017

Sponsored by The Council of State Governments and Griffith Insurance Education Foundation

Webinar – 18 October 2016

Kim B. Staking
California State University, Sacramento

The opinions expressed are those of the author and not those of CSUS or sponsoring organizations
Questions?

Please submit them in the question box of the GoToWebinar taskbar.
Rideshare Companies and Insurance: 2016 Developments | What’s Ahead for 2017

Sponsored by The Council of State Governments and Griffith Insurance Education Foundation

Webinar – 18 October 2016

Kim B. Staking
California State University, Sacramento

The opinions expressed are those of the author and not those of CSUS or sponsoring organizations.
Major Legislative Issues
Sharing Economy / Ridesharing

- Legality of ridesharing
- Requirements for Public Safety
- Insurance Companies’ Rights
- State vs. Municipal rights
Major Legal Issue
Controversial and Still Unsettled

Should drivers be considered independent contractors or employees of TNCs?
As employees, drivers would be able to seek reimbursements for expenses, gas, repairs, depreciation, etc. plus access to workers’ compensation, medical insurance, payment or half of Social Security, etc.

- As independent contractors, drivers cover these costs.

- Rideshare driver contracts are clear that they are designated as independent contractors
  - This has been challenged in the courts as being inconsistent with state labor laws
## Insurers Offering Ridesharing Coverage
### October 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>1</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arizona</td>
<td>2</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arkansas</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>6</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>2</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connecticut</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td>3</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>6</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiana</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kansas</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kentucky</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>0</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>2</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>2</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nebraska</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nevada</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Jersey</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Carolin</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>3</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oklahoma</td>
<td>3</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>3</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolin</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tennessee</td>
<td>3</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas</td>
<td>5</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utah</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Virginia</td>
<td>1</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>2</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>18</strong></td>
<td><strong>10</strong></td>
<td><strong>9</strong></td>
<td><strong>7</strong></td>
<td><strong>5</strong></td>
<td><strong>4</strong></td>
<td><strong>3</strong></td>
<td><strong>3</strong></td>
<td><strong>2</strong></td>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td><strong>1</strong></td>
<td></td>
<td><strong>1</strong></td>
</tr>
</tbody>
</table>
Insurance Gaps

Passengers:
• Generally equal or better coverage than taxis

Drivers:
• Will personal auto policy provide coverage?
• Fairly low coverage level during contingent period (possibly no comprehensive/collision).
• Currently no worker’s compensation coverage
• Drivers are on their own for medical, life and disability insurance
Commercial Insurance Coverage
Provided by Ridesharing Firms

**Insurance Overview**

- **app off**
- **app on/driver mode**
- **match notification**
- **dropped off passenger**

**Your Personal Policy**

- **Period 1 Contingent Auto Liability**
  - up to $50K/person (Bodily Injury)
  - up to $100K/accident (Bodily Injury)
  - up to $25K/accident (Property Damage)

- **Period 2 & 3 Auto Liability & UM/UIM**
  - up to $1M/occurrence

- **Period 2 & 3 Contingent Collision & Comprehensive**
  - up to $50K/accident ($2,500 deductible)

*Please note, coverages may be modified to comply with local regulations and/or state laws. Lyft’s policy is not available in New York state.*
Commercial Insurance Coverage
Provided by Ridesharing Firms

Insurance Overview*

app off  app on/driver mode  match notification  dropped off passenger

Your Personal Policy

Period 1 Contingent Auto Liability
- up to $50K/person (Bodily Injury)
- up to $100K/accident (Bodily Injury)
- up to $25K/accident (Property Damage)

No Collision/Comprehensive?
No driver injury/Medical/PIP
Problems with No Fault Insurance

Period 2 & 3 Auto Liability & UM/UIM
- up to $1M/occurrence

Period 2 & 3 Contingent Collision & Comprehensive
- up to $50K/accident ($2,500 deductible)

*Please note, coverages may be modified to comply with local regulations and/or state laws. Lyft’s policy is not available in New York state.

Coverage varies by State  |  California “app on” is not contingent
[Period 2/3 Uber deductible is $1,000]
Generally higher than taxi insurance requirements
Open Discussion

Legal/Regulatory, Insurance Coverage
The Sharing Economy

Profitability and Competitive Structure
The financial statements of Uber and Lyft are not Public, so information is limited.

One of the low notes was Uber’s investment in China.

- Reported to have lost billions before withdrawing.
Uber is formally exiting China, “merging” with investment to Didi Chuxing Technology, receiving 17.5-20% of merged company and $1.0 billion in cash.
Fierce competition between Uber and Lyft for drivers and passengers. Reported to be providing $300 million in subsidies to drivers each quarter.

- Time of day
- Percent of rides accepted
- Hours driven
Reported Profitability

- **Uber 2016**
  - QI loss $520 million
  - QII loss >> $750 million

- **Lyft 2016**
  - Q1: Estimated loss for 2016 < $600 million

- Combined losses seem to be growing
  - Increased Revenues \(\rightarrow\) Increased Losses
  - Uncertainty due to growth and subsidies
Juno (New York) – Driver friendly

Wingz

Scoop (SF Bay Area)

Waze (SF Bay Area; Google)
New Entrants, Austin, Texas

- Lyft and Uber left Austin due to municipal proposition requiring driver fingerprinting
- Seven smaller rideshare companies started operations in Austin
- 86 of 3,771 applications denied based on fingerprints (2.28%)
Open Discussion
Profitability & Competitive Structure of Rideshare
The Sharing Economy

Ridesharing and Driverless Cars
Driverless Cars and Ridesharing
Estimates running from 10-30 years

The self-driving vehicle revolution
An illustration of potential growth

<table>
<thead>
<tr>
<th>Era 1: Fully autonomous vehicles (AVs) being developed for consumers</th>
<th>Era 2: Consumers begin to adopt AVs</th>
<th>Era 3: AVs become the primary means of transport</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 AVs are already a reality in industrial fleets</td>
<td>4 The after-sales service landscape is reshaped</td>
<td>7 AVs free up to 50 minutes a day for drivers</td>
</tr>
<tr>
<td>2 Car OEMs begin to assess strategic impact</td>
<td>5 Insurers shift from covering individuals to covering technical failures</td>
<td>8 Parking space is reduced by billions of square meters</td>
</tr>
<tr>
<td>3 New mobility models begin to emerge</td>
<td>6 Supply chain and logistics are redefined</td>
<td>9 Vehicle crashes fall by 90%, saving billions of dollars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 AV technology accelerates development of robots for consumer use</td>
</tr>
</tbody>
</table>
David Zuby, Vice-President of the Insurance Institute for Highway Safety is already reporting that “vehicles with collision-avoidance systems have an accident rate which is 7-15% lower than that of other vehicles”
Driverless Cars
Accident Frequency

77% reduction in Accident Frequency

Source: KPMG LLP actuarial analysis

Average incidents per vehicle
Driverless Ridesharing

- Uber has set up research lab for driverless cars (with Carnegie Mellon).
- Chief Executive Travis Kalanick notes “Uber is accelerating its plan to replace its 1,000,000 human drivers with robots as quickly as possible,” but has elsewhere indicated this will take a long time.
Open Discussion

Ridesharing & Driverless Cars
The Sharing Economy

Side note: Provision of insurance via sharing economy insurance companies
Renters Insurance
Homeowners Insurance
- New York only at present time
Social media groupings to address agency problems between insurers and insureds
Rideshare Companies and Insurance: 2016 Developments and What’s Ahead for 2017

Sponsored by the Council of State Governments and Griffith Insurance Education Foundation

Webinar – 18 October 2016

Thank you
Questions?

Please submit them in the question box of the GoToWebinar taskbar.
References


References


The Sharing Economy:
No longer new, but still a game changer

Founding dates (selected):
  Airbnb: 2008
  Uber: 2009
  Lyft: 2012
  Sidecar: 2011 (ran out of gas)
  Lemonade: 2015
The Sharing Economy has entered the American Mainstream

45 million American adults participate in the sharing economy (1 in 5 American adults)

– Time Magazine (1/6/16)

Airbnb averages 425,000 guests per night, nearly 22% more than Hilton Worldwide


Expected growth in Sharing Economy: $15 billion in 2015 to around $335 billion by 2025

Economic Impact on Passengers

With car ownership costs approaching $9,000 per year
[Survey response: 5,700 passengers and 2,600 drivers across 7 major cities]

- 46% avoid owning a car entirely because of Lyft
- 25% use Lyft to connect to public transit
- 45% of passengers spend more money at local businesses
- 73% of passengers go out more and/or stay out longer
- 54% say Lyft allows them to get places otherwise inaccessible

Updating prior Webinars

GRIFFITH FOUNDATION & THE COUNCIL OF STATE GOVERNMENTS

- **Rideshare Companies: 2015 State Legislation & What’s Ahead for 2016**
  [4 Nov 2015]

- **The Sharing Economy: Disruptive Innovation to Economic Institution**
  [18 July 2016]

- **The Sharing Economy: Expectations for the Future**
  [18 Oct 2016 - Today]
Past webinars focused on the economic principles underlying that sharing economy; legal and regulatory issues and dealing with the problem created for insurers.

Founding dates:
- Airbnb: 2008
- Uber: 2009
- Lyft: 2012
- Sidecar: 2011 (no longer in business)
- Lemonade: 2016
Rideshare structure
Transportation Network Companies

- Drivers hired as independent contractors
- Riders access via smart phone app
- Cashless system, riders charged electronically
- Unique method of peer review (drivers/riders) to address information asymmetry and trust
- User cost below taxi fares
Workers engaged in alternative work arrangements*

- Rose from 10.1% in 2005 to 15.8 percent in 2015.
- 54% of increase via contract companies.
- Only 3% of employment via sharing economy firms.
- All of the net employment growth in the U.S. economy from 2005 to 2015 appears to have occurred in alternative work arrangements.
- Percent of workers reporting working for firms that contracted their services rose from 0.6% in 2005 to 3.1% in 2015.

*Defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers.