

# The New Sharing Economy

## Transportation Networks and Home Sharing



*Commitment Beyond Numbers*



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# Presentation Overview

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- Sharing economies
- Transportation networks
- Ride sharing
- Home sharing
- Questions

# Sharing Economies ...

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- Allow you to earn revenue by running multiple platforms
- Allow you to work when you want to work
- Allow others to generate multiple income streams
- Eliminate the need to provide direct payment from customer to worker ... Instead payments pass electronically through 3<sup>rd</sup> party platforms
- Challenge traditional revenue/sales markets and their associated insurance-related protections

# How Do College Students Use the Sharing Economy?

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- Students going away for a break (weekend, winter, spring, and summer) rent their rooms in the meantime
- Students take advantage of car-sharing firms, as both employees and consumers
- When vacationing, students use both car-sharing and house-sharing services (lower cost than a taxi or a hotel)

# What Could You Access in the Sharing Economy?

**Room  
\$48 a day**

**Pickup truck  
\$9 an hour**

**Boat  
\$200 a day**

**Hermes Birkin bag and  
clothing - \$100 a party**



**Bike  
\$14 a day**

**Parking  
space \$20 a  
day**

# Two Key Elements of A Successful Shared Economy

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- Absence of tangible assets
  - (e.g. Home Sharing, Car Sharing, Renting Clothes)
  
- Strength of the application/platform
  - (e.g. Ride Sharing, Delivery, Shopping)

# Sharing Economy - Transportation Networks

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- What exactly is a Transportation Network Company (TNC)?
  - Connects paying passengers with drivers who provide transportation services for people or packages
- Also known as “Ridesharing”



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# History of Transportation Networks

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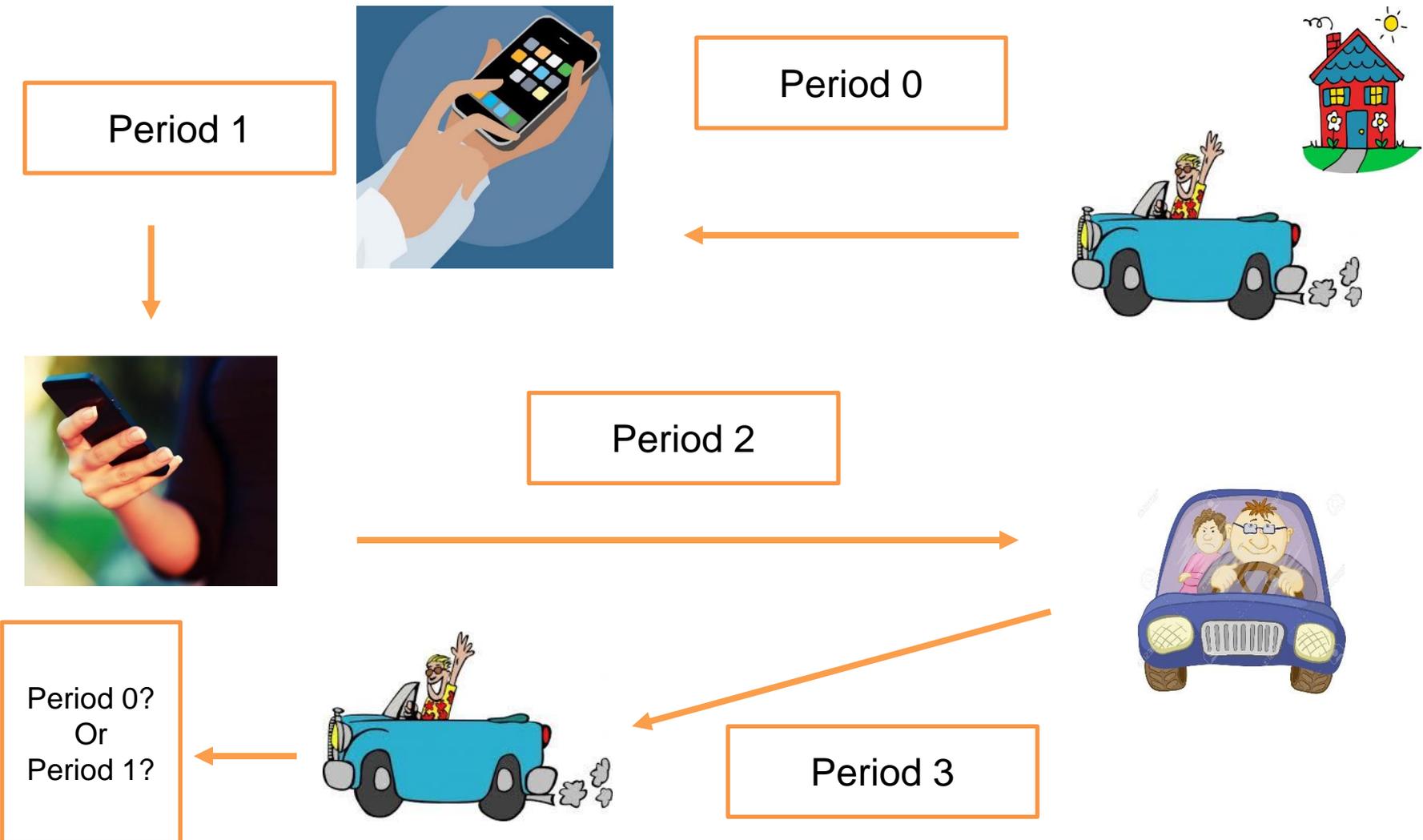
- In late 2008, the future CEO of Uber thought up the idea for a ride-sharing service in San Francisco using an Ipad app
- Uber was founded the next year and started service officially in San Francisco in 2010
- Uber now operates in over 70 countries, with claims of adding over 50,000 drivers monthly and boasts of an approximate \$51 billion price tag on the company

# How Easy Can One Sign Up For A TNC?

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- Almost anyone can be considered ad hoc taxi service or car-hire firm
- Access the online application
- Download an app to your smart device
- Upload a few documents
- Wait 2-7 days for your driving and criminal record checks to be reviewed
- Pass a vehicle inspection
- You are in business!

# Ride Sharing Insurance Coverage Triggers & Gaps



# Insurance Coverage Gaps & Industry Concerns

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- When does personal insurance coverage start and stop?
- When does the commercial coverage of the Transportation Network start and stop?
- Most consumers are not aware of current gaps in coverage because they do not read their auto policies
- Employee vs. Independent Contractor

# Are TNCs A Good Thing?

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- Renting a car when I need it – rather than owning one
- Fewer cars would be required to be on the road
- Fewer resources may be devoted to making cars (do we want this type of economic impact?)
- Improvements in DUI statistics? (Unclear at this time)

# Challenges

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- Consumers not using the same service providers each time may not realize consistent service experiences
- Trust and safety standards may be in question
- Relying on user-based systems to drive quality control can lead to increased slander liability (Have YOU ever written a bad review on Yelp?)



# Benefits

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- Much more data availability
- Smartphones and cars with GPS
- Social networks linking customer/driver feedback
- Online payment systems tracking spending patterns
- Online payment systems eliminate cash transactions and decrease theft during the customer payment transaction
- On-demand services can driver lower pricing
- An increase in convenience for the consumer

# TNC Insurance Rule & Rating Today

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- New coverage options
- Exclusions
- Alignment with higher levels of liability coverage (umbrella policies)
- Claims activity could now involve subpoena of 3<sup>rd</sup> party TNC records of vehicle activity

# TNC Future Impacts

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- City regulations impacting when and where autonomous vehicles may traverse the roadways
- Other ways cities/municipalities will respond
  - Education
  - Research
  - Partnerships
  - Participation
  - Legislation & Regulation
- Data Mining - Privacy and Data Ownership
- Positive revenue side-effects

# TNC Future Continued

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- The impacts of driverless ridesharing
- Some say the sharing economy is “infectious” .... leading people to try more and more (remember the 1<sup>st</sup> time you used Ebay? Amazon?)
- Some people now buy cars solely to rent them out for use in ride sharing
- Two carmakers (GM and Daimler) along with Avis own a stake in a sharing rival
- Is this emerging model becoming too big and disruptive?

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# Home Sharing



# Home Sharing

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- Short-term rental of room or entire lodging, usually facilitated by a broker service
- Has become a major challenge to the hotel industry
- Operations can be found in more than 34,000 cities worldwide
- New legislation and regulations are now evolving for home-sharing services

# History of Home Sharing

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- Home sharing concept originated in the 1950s with teachers looking for inexpensive ways to travel during the summer
- Before the internet, homes were listed in printed directories and exchanges were set up through the mail
- In 2007, two roommates in San Francisco began renting an air mattress and providing breakfast in their apartment to afford their rent, calling it “AirBed & Breakfast”
- Airbnb.com was later launched in 2008 and now operates 3M listings in 65K cities in 191 countries
- Other companies include Couchsurfing, Home Exchange, HomeAway, Rent Like a Champion (college football towns)

# Home Sharing - Chicago

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- Chicago, IL:
  - Population: Approximately **2.6 million**
  - Estimated Number of Households: **1.2 million**
  - Number of Airbnb listings: 7,367
- Different types of Chicago rentals:
  - Shared Room      3.7% (276)
  - Private Room      35.5% (2,615)
  - Entire Place:      60.8% (4,476)
- Crain's Chicago Business reports city Airbnb host revenue has risen to \$101 Million.

<https://www.airdna.co/city/us/illinois/chicago>

Population & Household Counts: Census reporting (2010-2016)

# Home Sharing - Bloomington

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- Bloomington, IL:
  - Population: Approximately 76,600
  - Estimated Number of Households: Approximately 31,600
  - Number of Airbnb listings: 23
  
- Different types of Bloomington rentals:
  - Shared Room            8.7% (2)
  - Private Room            56.5% (13)
  - Entire Place:            34.8% (8)

<https://www.airdna.co/city/us/illinois/bloominton>

Population & Household Counts: Census reporting (2010-2016)

# Home Sharing – Something to Think About

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- Home sharing is often not a one-time event
- Home sharing companies offer a protection plan against accidental damages to property
- Covering a guest's property

# Home Sharing & Insurance Confusion

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- When you home share you are not taking on a renter or boarder
- Can potentially be considered a home business with a profit motive
- No traditional leasing agreements are associated with this activity

# Home Sharing Insurance Concerns – For The Host

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- Property Damage
- Contents Damage
- Loss of Use
- Liability for the Property of Renters/Guests
- Bodily Injury to Renters/Guests
- Personal Injury Due to Slander

# Home Sharing Insurance Concerns – For The Guest

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- Damage to their Belongings
- Liability for Damage to Host's Furnishings
- Liability for Bodily Injury to Other Guests/Visitors/Homeowners
- Personal Injury Due to Slander

# Home Sharing Insurance Rule & Rating Considerations

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- The number of nights the home/room is rented
- Is the homeowner present during the rentals?
- The type of rental: entire residence vs. room sharing

# Insurance Coverage Offered By AirBNB

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- \$1,000,000 each occurrence
- What is covered?
  - Bodily Injury or Property Damage where the host has legal liability (includes legal defense when coverage is applicable)
- What is not covered?
  - Damage or loss to the host's own property
  - Legal defense when coverage is not applicable
  - Personal/Advertising injury
  - Assault/Battery
  - Liquor liability (e.g. providing alcohol to a person under the legal drinking age)

# Home Sharing – Future Innovation

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- Similar to TNC Future Issues Discussed
- Rent a whole house and sub-rent rooms to ease the cost (if a couple needs one room, they can rent a whole house and sub-rent rooms)
- Home designers/builders may soon change how they mass market services to create spaces better suited (and more secure) for home sharing risks
- Buy a house with an unfinished basement (for example) to outfit as a "rental property"

# Questions We Hope You Ask Yourself?

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- Have you ever taken Uber/Lyft transportation? How could your personal insurance ever be risk of being triggered during the ride?

# Questions We Hope You Ask Yourself?

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- If someone offered you \$5,000 to rent the use of your entire home for one week, would you do it? Why or why not?

# Questions We Hope You Ask Yourself?

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- Have YOU ever written a bad review on Yelp? Or any online feedback engine? If so, what risks do you take when you do so?

# Summary

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- Sharing economies
- Transportation networks
- Ride sharing
- Home sharing

# Thank You for Your Attention

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