



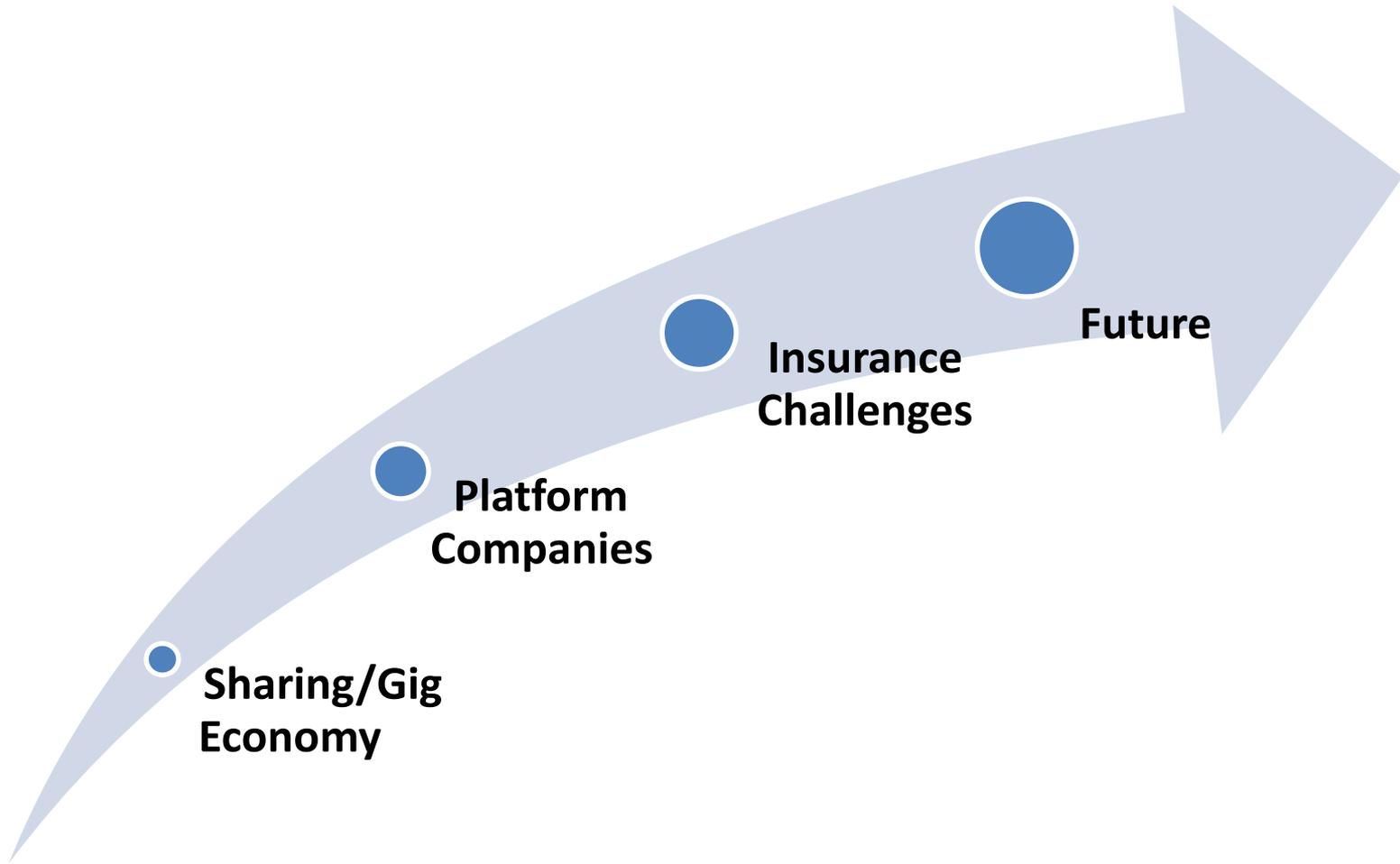
VWC
2016
EDUCATIONAL
CONFERENCE



Insurance Challenges Raised by the Sharing / Gig Economy

David E. Benedict, CPCU AU AIE ACP
National Council on Compensation Insurance
david_benedict@ncci.com
804-441-6178

Agenda



Rise of the Sharing Economy

Movement to share underused assets (i.e., rent or borrow, rather than buy and own) stemming from:

Financial Crisis

Population Growth

Resource Depletion

Rising Income Inequality

Growth of Information Technology/Social Media

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Sharing Economy Led to the Rise of Platform Companies

Gaining ground through digitalization of products, services, and business processes

Matching users to providers of products or services

Some commonly known platform companies are Amazon, eBay, Uber, and Airbnb

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Platform Company Business Model has Contributed to the Gig Economy

Increasingly mobile
workforce

Worker preference
for flexibility

Other
Contributors

Employer drive to
lower costs

Entrance of
millennials

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Who Are the Gig Workers?



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How Big is the Gig Economy

Grew between 8.8% and 14.4% from the early 2000s through 2014

53M Americans, or 34% of the workforce

Depends on the Definition of "Gig Worker"

In 2010, 40% of workers were "contingent workers"

The US Bureau of Labor Statistics will survey in May 2017

Insurance Challenges Created by the Platform Company Model

Space Sharing :

- Homeowners policy not designed for guests or renters
- Landlord/rental property policy does not cover contents/valuables



Car Sharing:

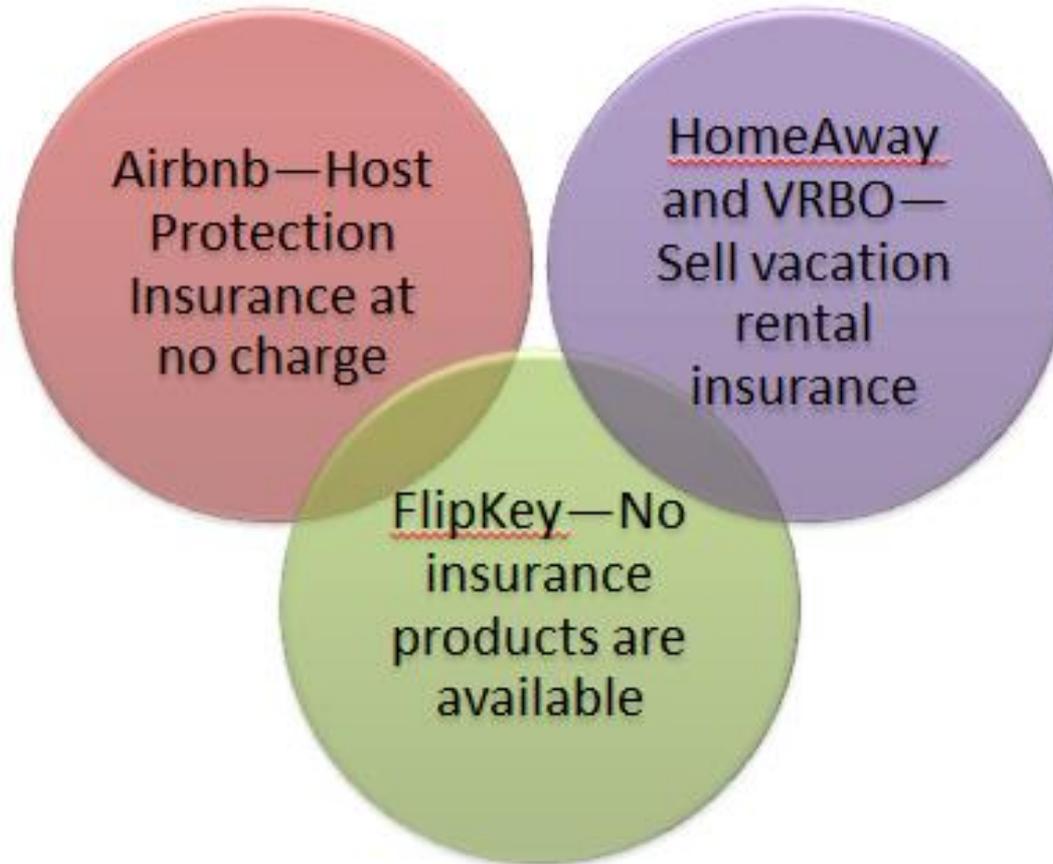
- Most personal auto policies exclude vehicle rental for a fee



Ride Sharing:

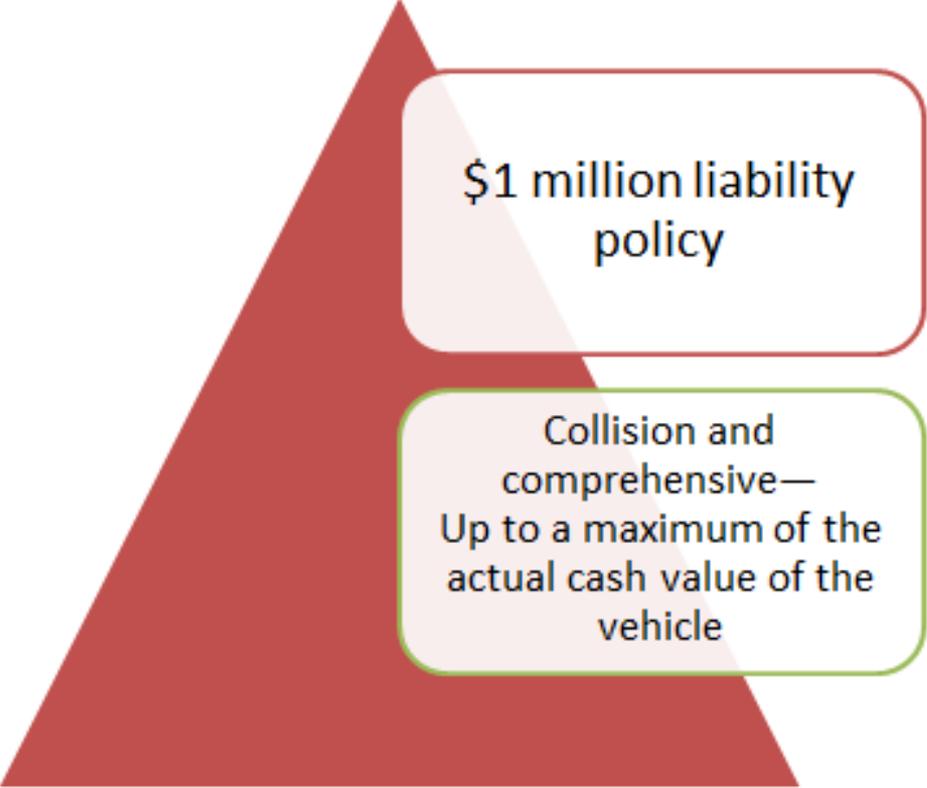
- Personal auto policies exclude liability for livery

New Insurance Developments in Shared Space



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New Insurance Developments in Car Sharing

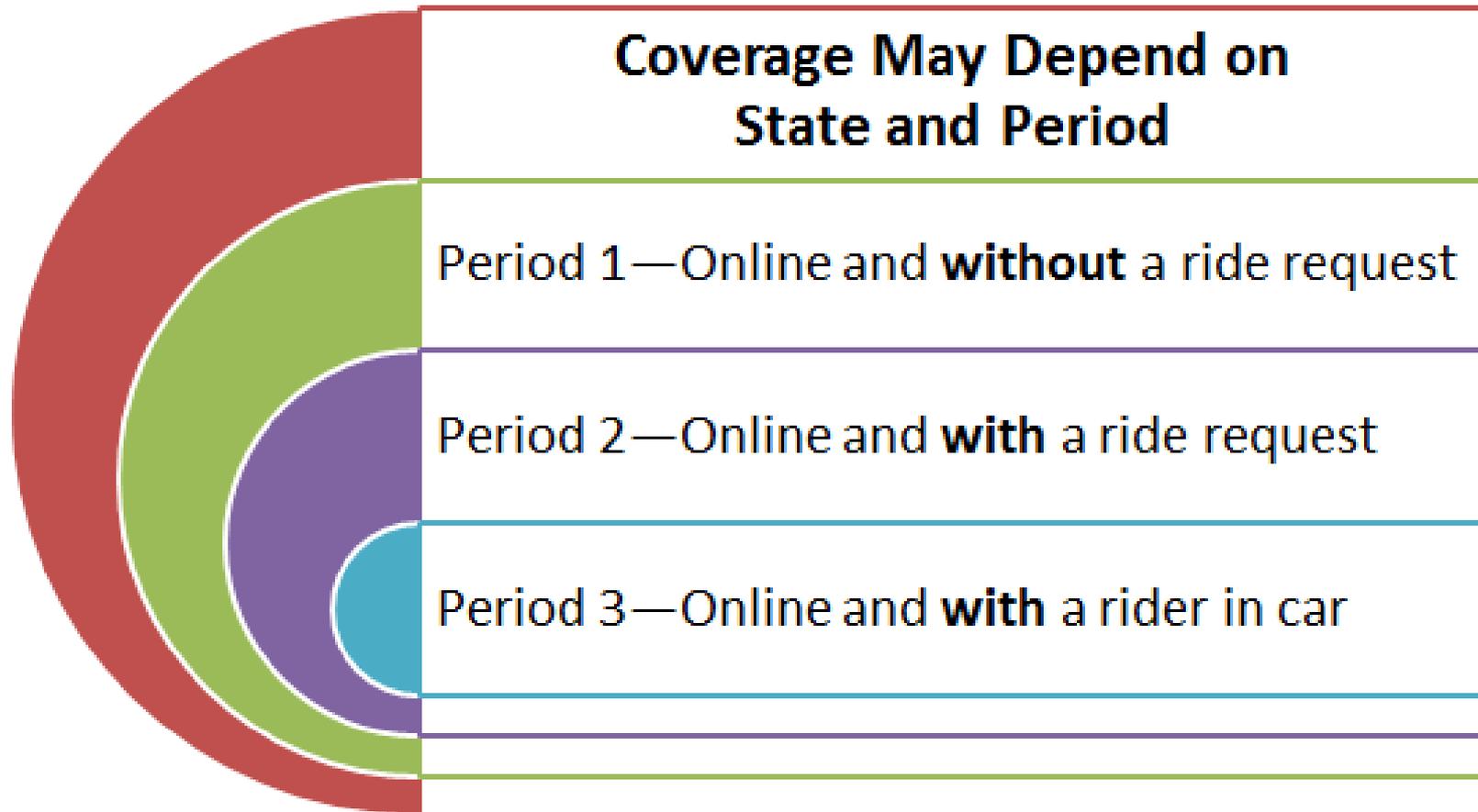


\$1 million liability
policy

Collision and
comprehensive—
Up to a maximum of the
actual cash value of the
vehicle

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New Insurance Developments in Car Sharing



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Ride Sharing Insurance Options

Standard commercial coverage

Coverage for Periods 1–3 (overlap with Uber/Lyft policy in Periods 2–3, but personal policy could have lower collision deductible)

Period 1 personal coverage to fill the gap of Uber/Lyft

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Workers Compensation Questions Presented by Platform Companies

Platform companies argue that they are merely technology companies connecting users with desired providers' goods or services

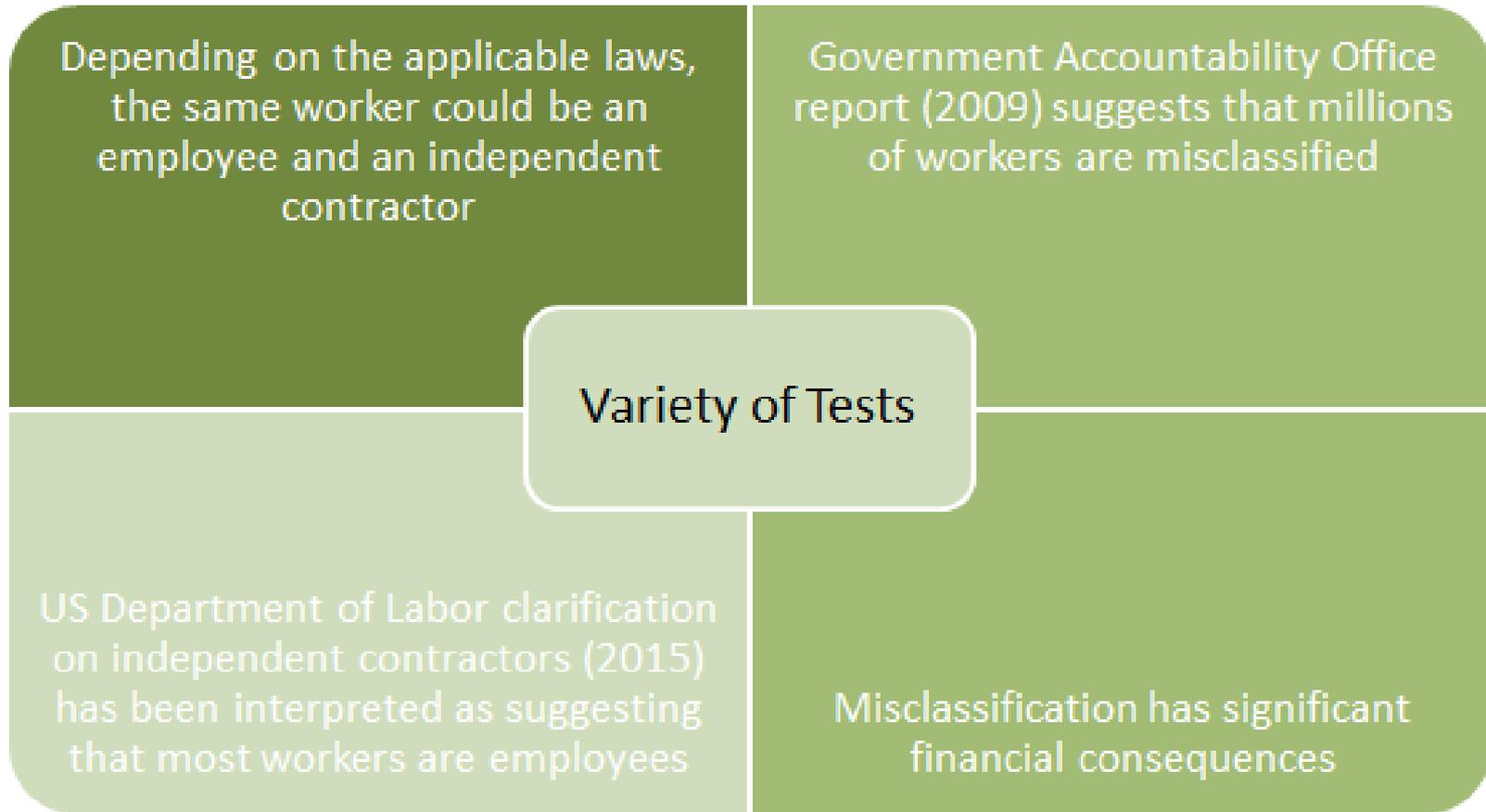
Platform companies typically treat service providers as independent contractors rather than employees

"Independent contractor" status means platform companies would not provide benefits such as health insurance, 401(k) plans, overtime, or paid days off, or pay for state unemployment or workers compensation insurance

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Distinguishing Between Employee and Independent Contractor Status



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Ride Sharing: Are Drivers Employees or Independent Contractors

Employee

- Fares set
- Drivers screened
- Liability insurance
- Vehicle standards

Independent Contractor

- App matches drivers with potential customers
- Drivers set their own schedules
- Drivers use their own vehicles
- Drivers work for multiple companies

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Worker Status is Being Debated in State Legislatures

Bills Filed:

Creating or clarifying criteria for independent contractors

Establishing methods for affirming independent contractor status (registries, self-certification)

Prohibiting the misclassification of employees as independent contractors

Prescribing penalties for misclassification

Establishing that drivers for Transportation Network Companies are independent contractors

Defining "Qualified Marketplace Contractor" as an independent contractor

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Worker Status is Being Debated in Class Action Lawsuits Against Platform Companies



Uber



Shyp



Grubhub



Amazon



Washio



Lvft



Homejoy



Postmates

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Recent Trend—Some Platform Companies Are Classifying Workers as Employees

Reversing course

- Honor—home care
- 3PD, Inc.—drivers

Defending practice of classifying drivers as independent contractors

- Amazon
- Lyft
- Uber

Shutdown blamed on misclassification lawsuits

- Homejoy—cleaning services

Some Say the Gig Economy Will Not Last

- Low-skilled gigs will be automated
- Job positions vulnerable to automation include **insurance underwriters** and **mathematical technicians**
- Misclassification lawsuits are a potential liability for platform companies

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Others Say the Gig Economy Will Grow, and New Solutions Are Needed

New worker designation other than “employee” or “independent contractor”

Portable benefits that follow a worker from job to job

Certain employee benefits for contractors

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Takeaways

Technological advances and new business are challenging:

- Traditional insurance products
- Traditional model of full-time employee with benefits
- Tests for classification of workers
- Adequacy of two categories for classification of workers—employee and independent contractor
- Responsibility for nonemployee benefits

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