



Insuring a Slice of the On-Demand Economy Risk

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Essence

From the moment they "tap the app on" to the moment they "tap the app off" Uber and Lyft drivers generate a fusion of personal and commercial automobile insurable exposures. Recognizing the Blue Ocean market opportunity to provide hybrid personal and commercial automobile insurance, Slice Labs, Inc. (Slice) is emerging in the insurance marketplace as an intermediary to offer Uber and Lyft drivers the insurance they need to purchase to protect themselves, their personal vehicles being used as ride-share vehicles, and their passengers.

Swimming in the Blue Ocean

In our emerging on-demand economy, Blue Ocean strategy will abound for P&C and L&A insurers. In this post, I focus on the Blue Ocean strategies that are needed in the P&C insurance industry.

The essence of Blue Ocean strategy, as discussed in W. Chan Kim's and Renee Mauborgne's 2005 book Blue Ocean Strategy, is "that companies succeed not by battling competitors but rather by creating 'blue oceans' of uncontested market space." Society's expanding on-demand economy is generating newly uncontested P&C insurance markets.

These new insurance markets are being formed from the blurring of consumer and corporate exposures that have historically been considered separate exposures by insurance companies, intermediaries, regulators, and customers.

Our objective of writing this report is to discuss the emergence of a new insurance player, Slice Labs, Inc. (Slice), a licensed insurance intermediary, that offers insurance the TNC drivers, specifically Uber and Lyft drivers, should purchase to protect themselves, their personal vehicles being used as ride-share vehicles, and their passengers.

TNC drivers have insurance requirements for all three time periods

From the moment they "tap the app on" to the moment they "tap the app off" Uber and Lyft drivers generate a fusion of personal and commercial automobile insurable exposures. The fused automobile insurable exposures are in play throughout three three time periods in which drivers need to protect themselves; their personal vehicles being used as ride-share vehicles to pick up, transport, and drop-off their passengers; and, of course, their passengers.

The three time periods are:

1. Time Period 1: This period begins at the time the app is turned on or logged into the app but there is no ride request from a prospective passenger. The driver can be logged into Uber, Lyft, or both but the driver is waiting for a request for a ride.
2. Time Period 2: This period begins at the time when the driver is online and has accepted a request for a ride but has yet to pick up a passenger.
3. Time Period 3: This period begins at the time the driver is online and the passenger(s) are in the car but have yet to be dropped off at their destination.

No, your personal automobile is probably not covered as a ride-share vehicle

It would be foolhardy at best, and extremely costly (to the ride-share drivers) to assume that the insurance policy that covers their personal automobile to also cover the exposures they generate as a TNC driver throughout the three time periods.

However, there is an expanding list of personal automobile insurers who:

- cover Time Period 1 (the TNC companies do not provide coverage during Time Period 1) for ride-share drivers
- will not cancel a driver's personal automobile insurance policy if the driver tells the insurance company s/he is using their vehicle as a ride-share vehicle while driving for Uber or Lyft.

But the fact remains that there is a paucity of insurers who cover the personal and commercial automobile risks to people using their vehicle as a ride-share vehicle during all three time periods. Further, the drivers could very well find themselves with insufficient coverage even if the TNC provides coverage during Time Periods 1 and 2.

The paucity represents Blue Ocean uncontested market opportunities

The paucity represents Blue Ocean uncontested market opportunities. The opportunities are the drivers' need for insurance coverage to:

- the fullest amount possible given the requirements of each State and each driver's situation (i.e. the cost to repair the vehicle will differ by vehicle and State the driver operates in)
- fill the insurance gaps between: 1) the driver's personal automobile coverage; 2) what Uber or Lyft provide during Time Periods 2 and 3; and 3) what each State requires.

Simply put, depending on the type of vehicle the driver is using as the ride-share vehicle and the State the driver is operating in, it is entirely possible that whatever insurance the TNC provides, even if it meets the minimum requirements of the State, is inadequate to financially help the driver (note: this is not meant to be an exhaustive list of insurance requirements):

- remediate/restore their ride-share vehicle to its pre-damaged condition
- pay for physical rehabilitation for the driver, passengers, or pedestrians who are injured in an accident caused by a ride-share driver or caused by third-party
- pay for property remediation caused by the ride-share driver
- pay the lawsuit of ride-share vehicle passengers who claim the driver attacked them
- pay for the lawsuit of ride-share drivers who claim a passenger attacked them
- make payments in lawsuits brought by passengers or pedestrians injured or killed, or owners of property destroyed or damaged by the ride-share driver.

Slice emerges to provide hybrid personal and commercial P&C insurance

Slice, a new player in the insurance marketplace headquartered in New York City, is emerging to target this specific uncontested market space by providing Uber and Lyft drivers with access to hybrid personal and commercial automobile insurance for all three time periods. The company announced in a March 29, 2016 press release that it has secured US\$3.9 million in seed funding led by Horizons Ventures and XL Innovate.

Slice is taking the time to enter this Blue Ocean market space in the “right way” by first becoming licensed in the States they want to operate. Currently, Slice is licensed to conduct business for Uber and Lyft drivers in seven states: California, Connecticut, Iowa, Illinois, Pennsylvania, Texas, and Washington.

Slice’s business model

Moreover, Slice’s business model is to operate as a licensed insurance intermediary with underwriting and binding authority. The intermediary has become licensed as insurance agents for personal and commercial P&C, excess and surplus (E&S), and Accident and Health (A&H) insurance. Slice also has managing general agency licenses in the States where that license is required to sell the hybrid insurance coverage. Slice is taking this path of licensure because they are using a direct model and don’t plan to distribute through agents but instead distribute through both the TNC platforms and directly to the drivers.

Further, because this is a hybrid personal and commercial automobile insurance opportunity, Slice is designing and filing the requisite policy forms in each State it wants to operate.

Slice is underwriting the risk but it is not financially carrying the risk. For that, Slice will be working with primary insurers and reinsurers. Slice has not yet reached the point where they can identify which (re)insurers are providing the capacity. Obviously, without having the insurance financial capacity, Slice can’t operate in the marketplace (unless Slice plans to use its seed financing and future investment rounds for that purpose - assuming that is allowed by each State it wants to operate). It is also important to know which (re)insurers are providing the capacity.

Conducting business with Slice

Slice offers an on-demand, pay-per-use insurance platform providing hybrid personal and commercial insurance that Uber and Lyft drivers need to cover exposures throughout all three time periods.

A driver purchases the hybrid policy by registering on the Slice app (registering is the process of the driver receiving and accepting the offer to apply for insurance) which triggers Slice's underwriting process that results in a price for the policy that will cover the driver's fused personal and commercial automobile insurance requirements for each cycle of turning on and off the Uber or Lyft app.

Once the driver purchases the policy, Slice sends the driver the DEC page and policy in a form required by each State. Slice will send the DEC page and policy digitally if that is allowed by the State. Moreover, the Slice app will show the proof of insurance, the time periods the insurance policy is in effect, and the amount of premium being charged during the time period from "app on to app off."

If there is a claim, the driver will file the FNL through the Slice app. Although Slice plans to work with third party adjusters to manage the claim process, the driver will only interact with Slice until the claim reaches a final resolution.

Insuring a Slice of time

In summary, the driver is purchasing hybrid personal and commercial insurance for a slice of time: TNC app on to app off.

Let's Talk

If you have any questions or comments related to this report or want to discuss custom objective research that Market Insight Group, Ltd. can do for your company, please contact Barry Rabkin of Market Insight Group, Ltd. at +1 508 435-3136 (in the Boston, Massachusetts area), or e-mail barry.rabkin@marketinsightgroup.com.

Methodology

Information for this report came from:

- Briefings with Slice executives
- Slice press release (March 29, 2016)
- Slice web site
- Continual research into insurance industry startups

Definitions/Descriptions

- TNC: transportation network company

Legend of Report Types

- QuickNote (QN) reports are free to any person clicking to: <http://marketinsightgroup.com/quicknote-reports/>.
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Further Reading

- Adaptability: The Insurance Customer Experience Imperative in an Online Digital Mobile Society, March 2015 (A custom report sponsored by Applied Systems.)



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