PERR KNIGHT

THE SHARING ECONOMY

An Opportunity for Innovative Insurance Providers

The Sharing Economy is the peer-to-peer sharing or acquiring of goods or services, generally facilitated by an online platform. A related concept is the Gig Economy, which is characterized by companies and workers who engage with one another through short-term contracts and freelance work rather than full-time employment.

At its current growth rate, the Sharing Economy will inevitably become a major part of the global economy. As the Sharing Economy continues to expand, the insurance impacts will continue to grow as well. Currently, two of most popular sharing services are Ride Sharing (through transportation network companies such as Uber and Lyft) and Home Sharing (such as AirBNB and HomeAway). As the Sharing Economy grows, more categories of items are being shared. For example, sharing is now available for storage facilities and personal goods, like bikes or drills.

AN OPPORTUNITY FOR INSURANCE PROVIDERS

Individuals involved in sharing activities generally aren't covered by standard personal insurance policies and are often classified as independent contractors so they aren't covered under a company's commercial insurance policy. In many cases, even if a peer-to-peer sharing company provides insurance coverage, the benefits are limited and the limits provided are insufficient. Therefore, these individuals need to turn to insurance companies to fully protect themselves.

Not only does this create a market for property and casualty products, it also creates a market for individual supplemental health products customized for gig workers. In addition, public policy is being considered to address portability of benefits for gig workers. Ultimately, new supplemental health policies may need to be created to address public policy requirements.

A 2018 study by Payoneer indicated that over 50% of gig workers are under the age of 30. So, insurance products aimed at individuals in the sharing economy must appeal to younger workers. Additionally, the majority of the sharing economy is technology-based where services are engaged on-line or via a mobile phone application. Insurers targeting the sharing economy should mirror this on-line delivery model for their insurance products. This modernized distribution of insurance, provides an excellent opportunity for Insurtech companies.

NEW PRODUCT DEVELOPMENT

Perr&Knight has extensive experience developing new insurance products and helping companies introduce those new products to the market. We follow a five-phase approach to new product development:

Market Analysis

Our market analysis services including everything from an overview of the regulatory and competitive landscape in a given jurisdiction to a detailed competitor rate and coverage comparison.

Licensing

If providing insurance to the sharing economy means entry into a new state or line of business, we will help prepare corporate amendment and expansion filings.

Product Design & Pricing

Our product design consultants work with clients to draft coverage enhancements to incorporate specific coverages that a may not be currently offered in a client's product. Our product design consultants work closely with a client to understand where coverage gaps or limitations exist in current product offerings and make recommendations on how to address the gaps and limitations.

Several states have passed specific legislation regarding transportation network companies. For companies operating in the applicable states, our product design consultant will assist with bringing forms into compliance according to the new legislation.

Our actuaries and data scientists have the expertise and experience to employ predictive analytics and advanced pricing techniques in the development of rates. This may include external data like Yelp reviews or driver ratings. Our actuaries understand and correctly price for risks during unique exposure periods and put measures in place to correctly handle expense loads, increased risk of adverse selection, potential fraud and risk of litigation.

Product Review

During the product review phase, we review desired product offerings for compliance with each jurisdiction's regulations and identify necessary state specific revisions.

Rate, Rule & Form Filings

Our state filings staff, which is one of the largest in the country, expedites submissions in the rate, rule and form filings phase to ensure speed-to-market.

COMPETITIVE MONITORING

Perr&Knight's Competitive Monitoring service allows companies to track new entrants into the market and keep tabs on coverage and rate changes implemented for competitor products. This is especially important for the Sharing Economy as new technologies and concepts are continually introduced. We pro-actively and systematically monitor the filing activity of your selected competitors and alert you to product introductions and changes. We save you the effort of weeding through filings and present material in an easy to read format. We also perform regular coverage or premium comparisons for a market basket of risks.

OPERATIONS & TECHNOLOGY

Success in this marketplace requires cutting-edge technology and fast, reliable systems capabilities to deliver value-added services to consumers. When adopting new technology, missteps mean lost time and wasted resources. Perr&Knight's Operations & Technology consulting group advises you through the planning, deployment and ongoing usage of new technology solutions. We combine technological expertise with our deep knowledge of the insurance industry to offer advice and consulting services that eliminate the guesswork and help you make smart, fact-based and timely decisions.

STATISTICAL REPORTING

Strict governmental and industry oversight make insurance one of the most demanding industries for regular and accurate data reporting. Property and casualty insurance policies designed for the Sharing Economy present unique challenges. For example, for a ride sharing driver, when is he/she covered by personal auto versus commercial auto? To which special statistical code does the vehicle get assigned? Perr&Knight's statistical reporting services blend years of statistical reporting experience, technical expertise, and data management best practices to provide a complete and unmatched reporting solution.

ABOUT PERR&KNIGHT

For over 30 years, Perr&Knight has provided insurance consulting and software solutions to the property & casualty and life, accident & health industries.

Our consulting services combine deep insurance expertise with technology, data and automation to help clients move from strategy through execution. Our capabilities include strategy (PK Blueprint), actuarial consulting, applied AI consulting, product development, insurance policy and forms consulting, regulatory compliance, compliance and operational assessments and training, state filings, agency and entity licensing, technology consulting, statistical reporting and data services, predictive analytics, and bureau monitoring and maintenance.

PK1Cloud is Perr&Knight's integrated insurance technology platform, designed to bring product development, filings, compliance, data, workflows, and institutional knowledge into a connected environment. The platform incorporates a growing range of AI and automation capabilities to help insurance professionals analyze information, streamline routine work, accelerate product development and navigate regulatory requirements more efficiently. From concept to market and throughout the ongoing product lifecycle, PK1Cloud helps carriers, MGAs and program administrators work faster, improve visibility and control, reduce friction and manage regulatory complexity with greater precision.

With offices nationwide and nearly 200 insurance professionals, including more than 35 credentialed actuaries, PK is among the largest independent actuarial and insurance consulting firms in the United States. For more than three decades, we have helped our clients not only respond to change in the insurance industry, but build what comes next.

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Looking to create an innovative product for the Sharing Economy?

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