Feature Article
How the BLOCKCHAIN Will Revolutionize Insurance
by Patrick G. Schmid
INSURANCE RESPONSE TO THE SHARING ECONOMY

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“How The Insurance Industry Responded To The Perceived Threats And Opportunities Of The Sharing Economy – Especially Ride Sharing And AirBnB – A Short Case Study In Innovation”

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WHAT IS THE “SHARED ECONOMY”

• Think
  - Collaborative Finance – Lending Club
  - Peer to peer accommodation – Airbnb/Home Away
  - Peer to peer transportation – Uber/Lyft etc.
  - On demand household services- Sittercity
  - On demand professional services – Task Rabbit (just purchased by Ikea)
  - Peer to peer Insurance – Lemonade/FriendInsurance (build like a mutual)
  - On Demand Insurance – Slice/Peers
  - Food Delivery – Ubereats and Grubhub
SOME STATISTICS

• 92% of Transportation Network Drivers did not tell their Personal Auto Carrier that they were driving for a ride sharing network
  - Personal Auto Policy does not cover drive for hire
  - 90% did not have a rideshare policy.

• Sharing economy 2013 – $15 billion part of economy
  - By 2025 – $335 billion part of economy

• Global Carsharing revenue in 2015 $1.1 billion/expected to be $6.5 billion in 2024
  - By 2040 – 60% of the 4.4 trillion miles (Currently 2%) driven in US will be carshare

• Threats – premiums not captured, potential payments made for business use, loss of market share
WHAT HAVE INSURERS DONE?

• Historically (and still) insurers very conservative but saw an opportunity:
  - Ridesharing/sharing economy blurs commercial vs personal insurance
  - Cancellation and denied claims were the start – Secrecy was key
  - Initially Gap coverage
    - Home Advantage -(backed by Allstate) – endorsed to homeowners
    - Most insurers have a similar endorsement
  - Now on demand
    - Slice – (Backed by Munich Re) – covers the time you need and no more
    - Metromile – covers the miles you drive for ride sharing

• Product Development agility
• Able to bind cover without typical underwriting
INNOVATION

• New forms and types of cover
• New ways to look at old risks
• How are we innovating?
• What does it take to be an innovator?
• What do you do to bring new ways of looking of things into reality?
  - Big Data
  - Automation
  - Smart phones
• What do your co-workers want, your kids, the next generation
THE BIG QUESTION

• How does this play in the marine space?
• What are the ways we can/should/do innovate?
  - Underwriting
  - Risk Engineering
  - Service
  - Claims
• How do we not get left behind?
SOURCES AND CONTACT INFORMATION

- Best’s review, AM Best, April 2017
- Aspen Fraud presentation by G4
- Rideshare drivers still cornered into Insurance Secrecy, Forbes, December 18, 2014

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