



Emerging Insurance Issues

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Air Ambulance & Securities Issues

Jesse Laslovich



Air Ambulance

		2013	2014
Company 1	Base	\$ 5,775.00	\$ 8,889.00
	Mileage	19	25
Company 2	Base	\$ 11,050.58	\$ 11,350.58
	Mileage	31.5	33.5
Medicare	Base	\$ 4,511.36	\$ 4,444.68
	Mileage	12.8	12.6



More on Costs

	Miles		Company 1	Company 2	Medicare
Butte - Denver	587		\$ 23,564.00	\$ 31,015.08	\$ 11,840.88
Butte - Salt Lake	358		\$ 17,839.00	\$ 23,343.58	\$ 8,955.48
Butte - Seattle	476		\$ 20,789.00	\$ 27,296.58	\$ 10,442.28
Missoula - Denver	687		\$ 26,064.00	\$ 34,365.08	\$ 13,100.88
Missoula - Salt Lake	436		\$ 19,789.00	\$ 25,956.58	\$ 9,938.28
Missoula - Seattle	387		\$ 18,564.00	\$ 24,315.08	\$ 9,320.88
Helena - Denver	604		\$ 23,989.00	\$ 31,584.58	\$ 12,055.08
Helena - Salt Lake	402		\$ 18,939.00	\$ 24,817.58	\$ 9,509.88
Helena - Seattle	489		\$ 21,114.00	\$ 27,732.08	\$ 10,606.08



Costs Continued

PROVIDER A SAMPLE CLAIM	Billed Charges	Billed Charge Per Unit	Billed Percentage of Medicare Allowable	Member Responsibility (Balance Bill)
Fixed Wing Base Rate	\$13,116.00	\$13,116.00	295%	\$15,709
Fixed Wing Mileage Rate	\$18,937.20	\$110.10	874%	
Miscellaneous Unbundled Charges	\$186.04	\$20.67	NA	
Total	\$32,239.24		488%	
PROVIDER B SAMPLE CLAIM	Billed Charges	Billed Charge	Billed Percentage of	Member
Fixed Wing Base Rate	\$15,000.00	\$15,000.00	337%	\$55,817
Fixed Wing Mileage Rate	\$53,392.00	\$273.81	2173%	
Miscellaneous Unbundled Charges	\$4,680.00	\$4,680.00	NA	
Total	\$73,072.00		1059%	
PROVIDER C SAMPLE CLAIM	Billed Charges	Billed Charge	Billed Percentage of	Member
Fixed Wing Base Rate	\$21,500.00	\$21,500.00	484%	\$32,717
Fixed Wing Mileage Rate	\$29,250.00	\$125.00	992%	
Miscellaneous Unbundled Charges	\$450.00	\$450.00	NA	
Total	\$51,200.00		693%	



Prohibited Practices for “Insurance-only” Licensed Individuals

- Discussing risk specific to a consumer’s securities portfolio
- Providing advice regarding a consumer’s securities or securities investment performance, or comparing a consumer’s securities or securities investment performance with other financial products, including annuity contracts or life insurance policies



Prohibited Practices for “Insurance-only” Licensed Individuals

- Recommending the liquidation of securities, or identifying securities that could be used to fund an annuity or life insurance product
- Recommending specific allocations, in dollars or percentages, between insurance and securities products
- Offering research, analysis or recommendations to a consumer regarding securities



Prohibited Practices for “Insurance-only” Licensed Individuals

- Completing securities forms
- Using the following term or terms: investment adviser securities salesperson, or investment adviser representative, or similar titles that tend to indicate to consumers that you are licensed to provide investment advice, that you are licensed to sell securities, or otherwise holding yourself out as providing investment advice
- Using a senior specific certification or designation in connection with the providing of advice as to the value of or as to the advisability of investing in, purchasing, or selling securities that indicates or implies that you have a special certification or training in advising or servicing senior citizens or retirees



Price Optimization

Mari Kindberg, FCAS, MAAA
Property and Casualty Actuary



Overview

- Definitions of Price Optimization
- Why are we talking about this?
- Insurance ratemaking history
- Crossroads
- Insurance regulatory concerns
- NAIC white paper
- Regulatory response to price optimization
- Montana Commissioner of Securities and Insurance response to price optimization



What is it?

It depends on who you ask

The
Insurance
Industry

An
Economist

The state of
Montana



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Why are we talking about it?

- United States insurers are increasingly using price optimization in determining property and casualty insurance rates
- There is much debate in insurance industry on the topic.
- The public is entering the debate as some are getting “P. O.” about its use and possibly some in the industry.
- Many states including Montana have concerns about its use.
- The National Association of Insurance Commissioners (NAIC) is in the process drafting a white paper on the topic.



Insurance Ratemaking: The History

Distant Past

Rates based on advisory loss costs, traditional actuarial techniques and limited number of insured variables. Complete transparency.

Immediate Past

Rating plans incorporate the use of new variables such as credit into rating. Actuaries incorporate statistical/predictive models into ratemaking.

Present

Rating plans being built with sophisticated predictive models that incorporate variables from databases available beyond what was imaginable just a few years ago. Personal consumer information is being tapped at times. Transparency to consumers questionable.



Price Optimization: Insurance at the Cross Roads



- Insurance industry who utilize price optimization are of the opinion that it is allowable.
- Insurance regulators have concerns about the use of price optimization.
- NAIC is in the process of drafting a white paper on the topic.



Regulatory Concerns

- Insurance rates are subject to more regulatory oversight in the United States than in Europe.
- Insurance is required by state law and/or lenders so it is different than other products purchased
- Basis of rate regulation is established by state law and actuarial standards of practice.
- Most all states have statutory rate standards that rates not be excessive, inadequate or unfairly discriminatory.
- Public not necessarily aware of its use unlike other “big data” rating factors such as credit.



NAIC Price Optimization White Paper



- Currently in the drafting process
- Provides an extensive background
- Identifies potential benefits and drawbacks
- Summarizes regulator responses
- Recommendations and next steps



State Regulatory Responses

- Some states believe that existing state laws are sufficient to address price optimization, have not identified a rating plan that incorporates it, or are still studying the issue.
- Some states have issued advisory memorandums including but not limited to Maryland, Ohio, California, New York, Florida, Vermont, Indiana, Pennsylvania, and Washington



Montana's response Price Optimization

A blue silhouette of the state of Montana is positioned to the left of the text "WE HAVE:". The text is white and bold, set against a dark blue rectangular background that overlaps the map.

WE HAVE:

- identified explicit use of price optimization techniques by some property and casualty insurers in their ratemaking methodologies.
- studied the issue, Montana law, and been closely following the NAIC drafting of the Price Optimization white paper
- Determined that the use of Price Optimization in determining insurance premiums is in violation of Montana's law that prohibits unfair discrimination



Montana's Advisory Memorandum on Price Optimization

Issued an advisory disallowing the use of price optimization which can be found at <http://csimt.gov/laws-rules/advisory-memos/>
Those insurers currently using a rating plan that employs price optimization shall no later than February 1, 2016:

- 1) Notify us that its current rating plan incorporates price optimization
- 2) File an updated rating plan that does not use price optimization



More information

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Montana and the Sharing Economy

Opportunities and Issues



Agenda

1. What is the “Sharing Economy”
2. How could the Sharing Economy be beneficial to people in Montana?
3. Specific Examples:
 - a. Ride Sharing
 - b. Car Sharing
 - c. House Sharing
4. Insurance Issues related to the Sharing Economy



What is the “Sharing Economy”

An economic model in which individuals are able to borrow or rent assets owned by someone else.

The sharing economy model is most likely to be used when the price of a particular asset is high and the asset is not fully utilized all the time.



What is Driving the Sharing Economy?

Communities of people have shared the use of assets for thousands of years, but the advent of the Internet has made it easier for asset owners and those seeking to use those assets to find each other.

Sharing economies allow individuals and groups to make money from underused assets. In that way, physical assets are shared as services.

For example, a car owner may allow someone to rent out their vehicle while they are not using it, or a condo owner may rent out their condo while they are on vacation.



The Sharing Economy is a “Disruptive Technology”

Criticism of the sharing economy often involves regulatory uncertainty.

Businesses offering rental services are often regulated by federal, state or local authorities.

Unlicensed individuals offering the same rental services may not be following these regulations or paying the associated costs, giving them an "unfair" advantage that enables them to charge lower prices.

There are also concerns about risk and insurance.



What types of services are currently available from the Sharing Economy

- The list is quite amazing.
- Available services include:
 1. Pay for a ride from other people in your community.
 2. Borrow someone else's car.
 3. Find carpool partners.
 4. Rent someone else's home when they are away.
 5. Rent a room from a homeowner.
 6. Hire someone to "pet-sit."



What types of services are currently available from the Sharing Economy

Some of the other services available through the Sharing Economy include:

1. Order a meal from a neighbor.
2. Dine in someone else's home.
3. Pay to access (and not own) other people's clothes.
4. Pay to access other people's tools, or workshop.

The only limit seems to be people's imagination.



How is the Sharing Economy beneficial to Montanans?

- The sharing Economy offers many potential benefits to folks in Montana. For example:
- Ridesharing may provide:
 - A. Additional income for drivers.
 - B. Greater availability of “taxi services,” especially in rural communities.
 - C. Reduced wait times.
 - D. Reduced drunk driving.
 - E. Reduced cost.



How is the Sharing Economy beneficial to Montanans?

- Home Sharing may provide:
 - A. Additional income for homeowners – especially seniors.
 - B. Greater availability of both short-term and longer-term residential housing throughout the State.
 - C. Reduced cost.



The Sharing of Personal Automobiles

- Let's look at specific examples of shared services and the opportunities and issues they present.
- We begin with the sharing of personal autos.



The Sharing of Personal Automobiles

- There are two major types of sharing of personal automobiles. Those are:
 1. Ride Sharing
 - Drivers using their car to transport passengers (analogous to taxi service).
 2. Car Sharing
 - Car owners “sharing” their car with other drivers) analogous to car rental.

We will first look at “Ride Sharing”.



What is Ride Sharing?

- The companies offering this service are generally referred to as Transportation Network Companies (TNCs)
- A smart phone app connects passengers with drivers.
- Payment is submitted through the app.
- Passengers are able to rate drivers and their overall experience.
- The service is operational in hundreds of cities around the globe.
- Ridesharing is appealing to many segments of the population – both as passengers and drivers.



Insurance Issues with Ride Sharing: Typical Exclusions

- Typical Personal Auto Exclusions.

The typical policy provides that “Coverage is excluded for that insured’s liability arising out of the ownership or operation of a vehicle while it is being used for a public or livery conveyance.”

- Other typical exclusions include phrases such as:

“To carry persons for charge.”

“For compensation.”

“For hire.”



Insurance Issues with Ride Sharing: The Three Crucial Coverage Periods

TNC Coverage Periods	Definition
Period 1	App is on No Ride Request Accepted
Period 2	Match accepted -> passenger pick up
Period 3	Passenger in the vehicle



Insurance Issues with Ride Sharing: Regulatory Concerns.

- ITEMS TO CONSIDER:
 - Which Party Responsible for Coverage During Each Period.
 - Required Minimum Limits and Types of Coverage.
 - Coordination of Coverage – Which Parties have the Duty to Defend and Indemnify.
 - Disclosure Requirements:
 - To Drivers
 - To Personal Auto Insurers
 - The Driver's Requirement to Carry Proof of Insurance.



Insurance Issues with Ride Sharing: Montana Legislation – SB 396

- SB 396 Overview (passed by the 2015 legislature)
 1. Preempts local governments from regulating TNCs.
 2. Required insurance:
 - a. Period 1: \$50,000/\$100,000/\$25,000
 - b. Period 2: \$1,000,000/\$1,000,000/\$1,000,000
 - c. Period 3: \$1,000,000/\$1,000,000/\$1,000,000
 3. Primary coverage – the required coverage is not dependent on the personal insurer carrier first denying a claim.



Insurance Issues with Ride Sharing: Montana Legislation – SB 396

- SB 396 Overview

4. Required insurance may be placed with a surplus lines insurer.

5. Proof of insurance required to be with the driver at all times that the driver is working.



Next – What is Car Sharing?

- Car owners “share” their car with other drivers
- Analogous to car rental



Car Sharing: Exposure Considerations

- Potential frequency of vehicle rental.
- Insurer awareness of the rentals.
- ISO's Personal Auto Policy typically covers:
 “**Any person** using a covered auto.”
- However, this type of vehicle use is typically a commercial risk.



Car Sharing: New ISO Exclusion Introduced.

- Accordingly, ISO has introduced a new personal auto exclusion that excludes “car sharing” arrangements.
- ISO has also developed a new advisory notice that informs the policyholder of the new exclusion.



Car Sharing: The New ISO Exclusion Language

- We do not provide Liability Coverage for the ownership, maintenance or use of:
- “Your covered auto” while:
 - Enrolled in a personal vehicle sharing program under the terms of a written agreement; and
 - Being used in connection with such personal vehicle sharing program by anyone other than you or any “family member.”



Next – What is House Sharing?

- Arrangement where host temporarily “shares” space with travelers.
 - Can supplement homeowners or apartment dwellers income.
- Operational in 34,000 cities worldwide.
- Potential challenge to hotel industry.



Home Sharing: Potential Exposure Considerations

- Has the insurer been informed of insured's home sharing activities?
- The frequency and length of stays by guests.
- Is the owner present on site?
- Is the owner complying with federal, state and local ordinances?



Home Sharing: Potential Exposure Considerations

- Has the landlord placed restrictions on Home Sharing activity?
- What mechanisms are in place for the screening of hosts, guests and premises?



Potential Exposure Concerns of the Host

- **Property Related Concerns:**
 - Damage to or loss of the host's property or furnishings.
 - Loss of use of the hosts property.
- **Liability Related Concerns:**
 - Damage to or loss of the property of the traveler or the traveler's guests.
 - Bodily injury to the traveler or the traveler's guests.



Potential Exposure Concerns of the Traveler

- **Property Related Concerns:**
 - Damage to or loss of the traveler's property.
- **Liability**
 - Damage to or loss of the property or furnishings of the host.
 - Bodily injury to the traveler's guests.
 - Bodily injury to the building owner or the building owner's family members, other tenants or visitors.
- **Comment**
 - Similar exposures currently exist for travelers at hotels, B & B's and guest houses.



Typical Homeowners Policy: Property Exclusions

- Typical Homeowner's Policy provisions which may generally limit or exclude coverage include:
 - Loss to the property of roomers, boarders and other tenants.
 - Loss to the property and furnishings of the Landlord in a room or apartment that is regularly rented to others.
 - Theft of personal property from that part of a residence that is rented to others.



Typical Homeowners Policy: Liability Exclusions

- Liability provisions which may generally limit or exclude coverage include:
 - Bodily injury or property damage arising out of or in connection with a business operated on the property of the insured.
 - Bodily injury or property damage to others when the rental of the premises occurs more than occasionally.



Home Sharing: ISO's Concerns

1. Policyholder Notice to the Insurer.

- The policyholder must inform the insurer of the rental activity on the property.

2. Exclusions:

- The policy should have an explicit exclusion for loss, damage or injury arising out of the “home sharing” activity.
- To the fullest extent possible, the policy should preserve existing coverage for rentals that do not originate from “home sharing” -- such as providing for roomers or boarders.



Closing Thoughts

- The sharing economy has emerged quickly.
- Its growth has been driven by technology and potential for people to make or save money.
- The sharing economy provides an opportunity for insurers and producers to serve new markets and to innovate.
- The sharing economy requires insurers and regulators to:
 - Adjust traditional coverage provisions.
 - Create new coverage options.
 - Consider new state regulation.



Questions?