

# The Insurance Consequences of the Sharing Economy

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# What Is the Sharing Economy?

- What is the App-Based Economy?
- Differences from traditional economies in ways that affect insurance
  - Blurring of lines
  - Constant innovation and change outpace products

# What Jobs/Exposures Are Affected?

- TNCs
- Ride-sharing
- Car-sharing
- Home-sharing
- Delivery services
- Freelancers
- Labor for Hire

# New Models Create New Liabilities

- Lines between employees and independent contractors are blurred.
- Lines between personal and business risks are blurred.
- Use of apps to share services creates products risks.
- Regulation of new platforms.

# Insurance Gaps

- Personal Lines
  - Space sharing
    - Homeowners liability is not designed for guests or renters.
    - Landlord/rental policy does not cover contents/valuables.
- Car sharing
  - Personal auto policies exclude vehicle rental for a fee.
- Ride sharing
  - Personal auto policies exclude auto used for “livery”.
- Includes liabilities under Calif. Ins. Code Section 11580.1;  
*See Clarendon Nat’l Ins. Co. v. State Farm Mut. Auto Ins. Co.*, 359 Fed App. 734 (9<sup>th</sup> Cir. 2009).

# Insurance Gaps (continued)

- “Business Pursuits” exclusions in homeowners’ liability coverage.
  - Full or part-time activity of any kind engaged in for economic gain including the use of any part of the premises for such purposes.
  - What is an "occasional" rental?
  - 1-2 "boarders"?
- Workers' Compensation
  - Uncertainty regarding status can lead to rating challenges.
- Business Liability
  - General Liability may exclude liability arising out of vehicles owned, operated by company or employee
  - Auto liability may exclude coverage for non-owned autos.
- Benefits
  - Coverage for mandated benefits for non-traditional workers.

# New Insurance Products

- Platforms may sell insurance.
  - Airbnb includes Host Protection Insurance
  - Liability insurance for hosts covering injuries to guests and property damage by guests.
  - Excludes intentional injuries, mold, bedbugs and asbestos
- HomeAway/VRBO-Sells vacation rental insurance to homeowners.

## New Insurance Products (cont'd.)

- TNC policies provide \$1 million liability for rental period.
- Car-sharing companies provide liability, collision, comprehensive coverage.
  - Lesser coverage if driver “on app” but no pick-up.
  - Disputes as to whether “on app”.
  - Passenger leaving a vehicle?
  - No requirements for medical payments, comprehensive, collision, UM/UIM.



Will the industry keep pace with the technology?

