

The Sharing Economy



What is the Sharing Economy?

The sharing economy is the term commonly used to describe developing businesses that allow personal owners of vehicles, homes, and other properties with strangers in arms'-length transactions, often via a smartphone application or web-based company. Companies like Lyft and Airbnb have developed innovative ways that let consumers use such services to save money and entrepreneurs let their assets work for them to earn it.

The sharing economy in the context of auto insurance arises in the form of ride- or car-sharing. Ride-sharing is a service provided by companies like Lyft and Uber that allows drivers who work for them, where non-commercial drivers use their vehicles to act as on-demand taxis for consumers. Car-sharing allows consumers to rent out your otherwise parked car for a limited period of time.

Before considering renting your car to a car sharing company as a driver, you should talk to your insurance agent and review your insurance policy fully. If someone gets into an accident involving your car, or you are involved in an accident as a passenger of a ride-sharing type, your passenger auto insurance policy may not provide the same coverage as various typical private passenger auto policy coverages. Liability to third parties and uninsured and underinsured motorist, among other liability types.

Some car sharing services now provide "umbrella" policies. Before you rely on anyone else's coverage, whether it's a private-passenger policy or commercial policy, it's prudent to ask for a copy and review it with your agent to confirm that your potential liabilities would be adequately covered. Your agent may conclude that you need to obtain separate insurance coverage.

What About My Home?

Renting out your home on a short-term basis while you're away may seem like an easy way to earn some extra cash. But operating your home as a business, even in short-term spurts, can have financial consequences. For example, typical homeowners' insurance will not cover losses you suffer at the hands of your guest(s); it normally does not cover losses arising from business ventures; during the stay of a non-relative, non-resident vacationer; or at a location that is not being used by the insured as a residence at the time of loss.

Airbnb recently began making available a commercial general liability policy for its homeowners. Before relying on your homeowner's policy or that of a company like Airbnb, it may be helpful to review both policies with your local agent. Consider all your coverage options before becoming involved with a home-sharing business.