

To Share or Not to Share

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TODAY'S INTERCONNECTED WORLD has brought an explosion of opportunities to share products and services. Bulletin boards and newspaper ads have been replaced by mobile apps and online postings. Sharing Network Companies (SNC) are able to match service providers and users with real-time accessibility. While at first glance this seems like a great idea, there are some exposures and risks to consider. Helping clients navigate the pitfalls of the sharing economy is another value-added service of the professional insurance agent.

In 2011, Time Magazine named "sharing economy" one of ten ideas that will change the world. However, the concept behind the sharing economy is not new. Since the beginning of civilization, people have swapped services and products. Good examples are an old fashioned barn raising or swapping babysitting service. What IS new is that advances in technology have allowed "collaborative consumption" or "peer-to-peer sharing (P2P)" to take on a whole new identity.

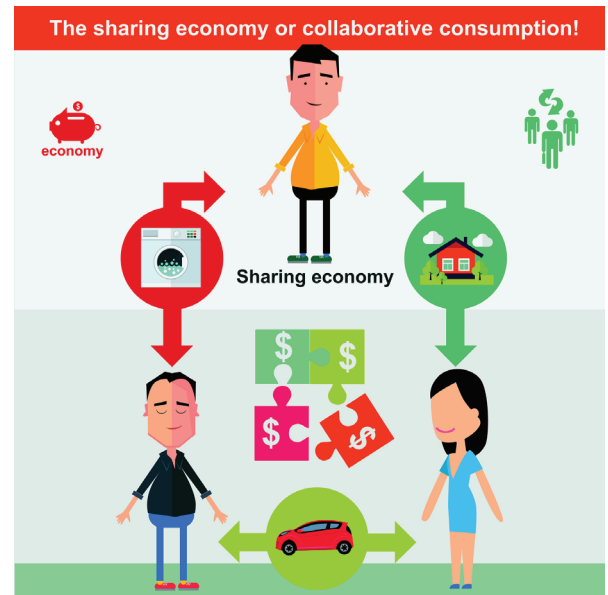
Research shows that 51% of internet users, millennials in particular, tried the sharing economy in 2015, up 14% from 2014. (www.emarketer.com). Companies such as Amazon.com and eBay paved the way for consumers to feel safe buying from and selling to perfect strangers. Numerous online auction and "freecycling" sites can be found in many states as well. The sharing economy revenues from just five sectors – car sharing, peer-to-peer lending and crowdfunding, online staffing, peer-to-peer accommodations, and music and video streaming – were estimated to be \$13 billion in 2013, and are projected to mushroom to \$335 billion by 2025. (www.pwc.co.uk).

Insurance exposures include damage to property (of the homeowner and the renter), injuries to guests and workers,

and liability for damage or injuries. Depending on the degree of control the business has over the duties of the worker or driver, the workers may be considered employees, and worker's compensation coverage is needed. In 2015, a labor commissioner in California determined that UBER drivers were in fact employees (www.newyorker.com). For ride sharers, the standard automobile bodily injury, property damage and medical payments exposures exist. Another area of concern for insurers that may not be readily apparent is umbrella or excess liability coverage. With or without insurance, or liability, lawsuits are always a concern.

People often rent their homes for special events, such as pro golf tournaments or the Olympics. During the 2016 New York City blizzard, someone in Queens built an igloo and listed it on Airbnb! Rental of the home, or part of the home, that you usually live in to others on an occasional basis for use as a residence is a covered exposure under many homeowners policies. However, short term rentals on a regular basis may be considered a business and need separate coverage, since a standard homeowners policy does not provide coverage if the home is used for business. Insurers' appetites vary, so it is important to check with them prior to entering into a short term rental arrangement. In addition, local regulations must be followed. In some municipalities, including New York City, short term rentals are prohibited.

For damage to property, if the renter's personal property is lost or damaged, their personal homeowners or tenants policy should provide coverage. For the homeowner, coverage may or may not be



available. Airbnb provides a \$1 million policy to protect homeowners from damage caused to their property by renters.

With ridesharing operations such as UBER, LYFT and peer-to-peer car sharing, where individuals offer their personal automobiles for short term rentals, a standard personal auto policy excludes coverage while the car is being used to transport passengers for a fee. A gray area may exist when the ridesharing app is open, and driver is looking for a fare. Insurers in twelve states offer automobile insurance policies for people who drive for ridesharing companies. UBER and LYFT offer liability coverage, but damage to the owner's car is not provided. (www.forbes.com)

Sharing goods and services can be a money-saving and environmentally friendly choice, but it is important to be prepared if something goes wrong. Helping clients understand and address the exposures of the sharing economy is another sign of the true insurance professional.

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