



A service of your agent and the
National Association of Professional Insurance Agents

The Sharing Economy



What is the Sharing Economy?

The sharing economy is the term commonly used for rapidly-developing businesses that allow personal owners of vehicles and homes to share their properties with strangers in arms'-length transactions that often involve a smartphone application or web-based tool. Companies like Lyft, Uber, and Airbnb have developed innovative business plans that allow consumers of such services to save money and entrepreneurial car and homeowners to earn it.

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

Before considering partnering with a ride- or car-sharing company as a driver or rider, you may want to talk to your insurance agent and review your auto insurance policy carefully. If someone gets into an accident while driving your car, or if you are involved in an accident as a passenger of a ride-sharing driver, a typical private passenger auto insurance policy may not provide coverage. In these scenarios, a typical private passenger auto policy would probably exclude coverage of liability to third parties and uninsured and underinsured motorists, among other liability types.

Some car- and ride-sharing services now provide "umbrella" policies. Before you decide to rely on someone else's coverage, whether it's a private-passenger policy or a 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. You and 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.