

Advisory topic: Sharing Economy

Industry Maturity Index: *Now*

Why this is important: The concept is not new but it has exploded over recent years for peer-to-peer sharing. Business-to-business and business-to-consumer models are commonplace. On-line social networks and electronic devices, such as smart phones, have created an environment to easily match consumers for peer-to-peer exchange of goods and services. This is an ever changing space with little to no regulation therefor insurance carriers are struggling to create best practices and products in a timely manner, agents are unsure of what questions to ask and are opening themselves up for E&O exposures, consumers are open to risk as they are unaware of exclusions on their policies. Lastly, the economy on several scales is being effected – such as rental car companies, hotels, motels, inns and B&Bs.

What is it? The *sharing economy* is the concept and/or preference of consumers leasing resources, generally goods & services in lieu of purchasing their own. Also known as “collaborative consumption”, owners rent something they are not using to a stranger using these peer-to-peer services. Common examples are home sharing and ride sharing such as VRBO, Airbnb, Uber and Lyft.

Broad Implications/Uses: This has applications across many spectrums;

- Protection of property
- Liability exposures for both consumer & owner
- Currently spotty regulation in most states - safety issues

Economic Impact(s):

- Hotels, Motels, Inns & B&Bs are seeing a downturn in occupancy rates as consumers opt for VRBO and Airbnb.
- Negative effect on the rental car industry.
- Effect on the Taxi & Livery industry.
- Condo/Co-Op boards – potential increased exposure/increased cost to owners.
- Home-sharing; increase in tourism as travel becomes more affordable – potential for cross-industry benefit such as airlines, local restaurants, tours, etc.
- Increased litigation from risk exposures.
- Potential for an increase in homeowners insurance and auto insurance if broad endorsements are made to cover sharing.

Insurance Industry Implications: Traditional insurance policies may not respond

- Personal vs. commercial policy
- Insurable interest
- Requirement for clear determination on who is insured
- Policy exclusions/limitations
- Quickly evolving space – are carriers keeping up?
- Is policy language too vague?
- E&O issues as agents work to ask the right questions – and/or consumers aren't aware of gaps in coverage
- Home-sharing – should renters carry insurance? How do they pursue coverage?

Recommended Actions:

Agents -

- Agency staff should be aware of any carrier underwriting restrictions and policy exclusions/limitations.
- Review your current customer base for possible impacts.
- Review with your customers at renewal, educate your customers.
- Investigate available coverage options from your carrier partners.
- Perhaps opportunities exist to expand book of business - dependent upon demographics. Need to determine how to market this.
- Access to markets – E&S vs. traditional for hard-to-place risks.

Carriers -

- Investigate offering optional coverages to address these exposures.
- Train agents on best practices and underwriting guidelines.

Consumers -

- Educate public on best practices & insurance gaps.
- Should these companies be regulated; required to carry specific types of insurance, show proof of insurance, or register their business?

Examples/Resources:

[IIABA Article: House Sharing and Car Sharing: Is It Covered?](#) (Requires IIABA member log in)

[IIABNY Sharing Economy Resources](#)

[Insurance Information Institute Peer-to-Peer Home Rental](#)

[NAIC - Navigating Home Sharing Rentals](#)

Evolving Technology Caution:

Shared economies such as Uber and Airbnb offer the consumer many exciting opportunities but also have serious cautionary issues to be aware of. As this industry is not as regulated as traditional services nor have best practices been developed consumers are exposed to a myriad of safety issues. Uber offers consumers unlimited options for transportation, but relies heavily on the drivers to ensure they have a well maintained automobile, up-to-date insurance with a good carrier and show up to work “able” (not under the influence, etc.). Airbnb and VRBO have similar issues – increased availability for affordable living experiences for the consumer but safety issues – especially when renting a part of an occupied home. There are no background checks for individuals renting rooms or homes. Are the property structures themselves safe? As this industry evolves it is suspected governmental regulations will be more the norm, but in the interim – buyer beware.

Call to Action:

- Consumers should have guidelines on what to be aware of for safety issues, and understand best practices.
- IAs need to create internal guidelines for producers and service teams – To ensure they are asking the right questions to avoid E&O exposures.
- Carriers will should create some continuity within the industry for underwriting guidelines and be clearer as to what is covered under standard auto and home policies and what is not. Is it personal or Commercial?

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ACT Risk Advisory –
Sharing Economy

