

Share with Care: Understanding the Insurance Risks of the Sharing Economy

Ninety-seven percent of consumers believe sharing economy platforms provide some sort of protection for users and providers, however, only 28% of consumers looked in detail to see if there was coverage.¹ Whether you're booking a stay at a vacation rental through an app or using your car to give rides to paying customers - if you use platforms or apps for services and assets, learn about the associated risks and how to protect yourself from losses and liabilities.

Examples of business categories within the sharing economy are:

- Ride and car sharing (e.g. Uber, Lyft, Zipcar)
- E-scooters and e-bikes (e.g. Lime, BCycle)
- On-demand delivery for all sorts of items like food, medicine, or groceries (e.g. Instacart, DoorDash)
- Space and asset sharing, such as homes, couches, and lawnmowers (e.g. Airbnb, VRBO)
- On-demand services and tasks that can help with things like assembling furniture, house cleaning, home repairs, or pet-sitting (Rover, TaskRabbit)

Home Sharing

Vacation rental sites have become increasingly popular among travelers and property owners over the past decade. Make sure that you are aware of the potential risks and insurance needs in home-sharing rental situations.

What if your guest vandalizes your property, damages your neighbor's swing set, or is injured on your property? Both guests and hosts could incur costs if things go astray. As a host, your homeowners or renters [insurance policies](#) are **not** designed to cover accidents arising from property rental and your insurance company may deny [coverage](#) for any resulting damages.

How can I protect myself as a homeowner/renter?

Most homeowners [policies](#) provide coverage if a visitor falls and is injured. However, it is likely **not** the case if a **paying guest** falls in your home, because the coverage may not apply to commercial use of the property. While the top home-sharing companies provide some liability protection, the coverage is limited. To make sure you are protected, talk to your agent about your situation.

Some insurance carriers will offer a [rider](#) that allows for "occasional" rentals and offers limited property and liability coverage. The problem is limited coverage, and most vacation rental properties have guests "regularly" not "occasionally," so virtually any [claim](#) could be denied. If you regularly rent your vacation property, then you need business insurance. Once you begin earning income from renting out your home, you are considered a business and your insurer can deny coverage under a standard homeowners policy. A renters insurance policy is subject to the same limitations as a homeowners insurance policy. If you only occasionally rent a room or your house, your current homeowners insurer might be willing to provide an [endorsement](#) to protect you.

¹<https://assets.lloyds.com/assets/pdf-sharing-risks-sharing-rewards/1/pdf-sharing-risks-sharing-rewards.pdf>

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Office of the Commissioner of Insurance, 101 E. Wilson Street, P.O. Box 7873, Madison, WI 53707-7873
p: 608-266-3585 | p: 1-800-236-8517 | f: 608-266-9935 | ociinformation@wisconsin.gov | oci.wi.gov

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Some insurers now offer policies designed for hosts of short-term rentals. If you plan to rent your house frequently or on a longer-term basis, you might consider purchasing a landlord policy (also known as landlord property insurance or rental coverage for landlords). A landlord insurance policy may cover:

- your home
- structures on the property
- property contents you own (such as appliances and furniture)
- lost rental income due to building damage
- defense costs
- liability protection

How can I protect myself as a guest?

Hosts might only rent their property to guests who have—and can show proof of having—homeowners, renters, or personal liability insurance.

Your own homeowners, renters, or personal liability insurance policy will generally protect you even as a guest if you happen to cause damage to a host's property. A home-sharing company may reserve the right to make a claim under your homeowners or renters policy for any damage or loss you cause to an accommodation.

Additional Information

Top home-sharing companies typically offer host protection insurance coverage for third-party claims of bodily injury or property damage.

Insurance policies provided through the home-sharing companies only cover liability claims for things like guest injuries on your property and damage to a third party's property (such as a common area or a neighboring house). Damage to your property caused by a guest's actions is not covered, and neither is theft of valuables like art, antiques, and jewelry.

Laws regarding home-sharing vary at the state and local levels, so it is important to **speak with someone knowledgeable about your location.**

Speak with your agent or insurance provider about your [risks](#) as a host to make sure you are properly covered before you list your property for rent.

Car and Ride Sharing

There are many different car and ride sharing platforms. Insurance protection provided by each may vary. Unless you have arranged for special coverage through your agent or insurance company, you should generally assume that your personal auto policy will not cover you while you are renting out your car or using it to give rides to paying customers.

RIDE SHARING

How can I protect myself as a driver of passengers?

If you are offering rides to paying customers through a Transportation Network Company (TNC), such as Uber or Lyft, Wisconsin law requires that you have insurance coverage that goes beyond the typical personal policy. Before driving for a TNC, you should contact your personal auto insurer and determine what coverage, if any, will be available while offering

rides in your covered vehicle. You should also review any contract you have with a lienholder to ensure that you are not violating the terms of such an agreement.

Be sure to review the TNC's commercial policy to find out what is covered and what is not. Uber and Lyft also offer contingent collision and comprehensive coverage that takes effect when the driver accepts a ride request or has a passenger in the vehicle. However, drivers must elect to purchase and add these coverages to their personal auto insurance. Some personal auto insurers may not offer the additional required insurance.

It's important to note that even if you have the required liability coverage, it may not protect you against physical damage to your vehicle while you are logged into a TNC's digital network. This coverage gap could be especially problematic if you have not paid off the loan on your vehicle. Driving your car without physical damage protection could violate the terms of the loan agreement between you and your lender. If you total your vehicle in an accident while driving for a TNC, your loss may not be covered, and you might still owe your lender the balance of your loan.

TNC coverage typically only applies while you have the app turned on. Freelance rides may not be covered. If you have turned off the app or you accept a street hail, you may not be covered. Failure to maintain the appropriate coverage could result in fines or loss of your license.

How can I protect myself as a passenger?

Talk to your insurance provider. Your personal auto policy will likely provide you with some coverage when you are a passenger. If you don't own a car, consider purchasing a named non-owner policy, which provides coverage for you above any insurance the vehicle's owner may have. These policies include protection for bodily injury or property damage, medical payments, and uninsured/underinsured motorist.

Lastly, ask your driver to provide proof of coverage. Be wary of drivers who turn the app off or ask for cash payment.

CAR SHARING

Car-sharing is the short-term use of a vehicle for which compensation is exchanged through a membership-based organization. Vehicles are available for periods as short as an hour. Users generally pay for time and/or mileage each time they check out the car.

How can I protect myself when sharing my vehicle?

Consumers renting their vehicle through a car-sharing program could be:

- responsible for any damages and injuries from accidents during the rental period
- denied coverage under their personal auto policy, including legal defense
- in violation of their auto insurance policy, which could lead to cancellation by the insurer

Contact your insurance agent or company to determine if coverage is excluded from your policy.

How can I protect myself while using a car sharing service?

Read the insurance coverage information carefully (it can usually be found on the service's website). If you have any questions, call the company's customer service line. Contact your auto insurer if you feel you need more information to make an educated insurance coverage decision.

- **Car sharing programs (like ZipCar) generally include insurance costs in the fee.** However, if the car is involved in a collision or is stolen, the renter may be billed for a specific dollar amount that is stated in the membership agreement. For an additional cost, customers can purchase a "waiver" to avoid paying the accident fee.

- **Many car sharing programs limit coverage for young drivers** to the minimum state-required amount of liability. Renters under the age of 21 should read the insurance coverage carefully. If it's not adequate for their needs, they can consider whether their parents' auto insurance would cover them for the difference or purchase their own non-owner liability policy.

On-Demand Delivery Drivers

How can I protect myself as an on-demand delivery driver?

Call your car insurance company before using your car for work. If you don't have the right car insurance for your delivery work, you could get stuck paying big auto accident bills yourself.

There might be auto insurance provided by the service. Check their website for any coverage. Make sure you understand where the provided coverage ends and begins, and whether there's a coverage gap between their policy and your personal auto insurance policy.

Dockless Electric Scooter ("e-scooter") Sharing

E-scooters are battery-powered "stand up" or "kick" scooters. They require users to stand and often cannot reach speeds exceeding 15 to 20 mph. Users download a smartphone application from an e-scooter sharing company. The app allows users to find and unlock a nearby e-scooter for a small fee, often just \$1. Users can then ride the e-scooter, paying per mile of riding. Since these programs are dockless, once the trip is completed the user parks the e-scooter anywhere that local ordinances permit.

How do I protect myself on an E-Scooter?

An e-scooter company's insurance policy might not cover a user in the event of an accident. Many e-scooter companies also require users to assume all liability arising out of their e-scooter use.

Medical costs to treat injuries sustained while operating an e-scooter are addressed under the injured person's health insurance. If the person was injured while using an e-scooter for work-related purposes, the person could be eligible for worker's compensation benefits.

Whether a user's personal insurance would cover any third-party liability arising out of an accident they caused or contributed to depends on the specific terms and conditions of their policies.

Homeowners: A standard homeowners policy will typically exclude liabilities arising out of the use of a motor vehicle, usually defined as any self-propelled vehicle. Homeowners policies also exclude any liability arising out of a motor vehicle rented to an [insured](#). Renters insurance will also not cover vehicle-related liability.

Personal Auto: A standard personal auto policy excludes liability coverage for a vehicle with fewer than four wheels – including e-scooters. Motorcycle insurance may not cover scooters that require users to stand.

Umbrella and Excess (Personal): Personal umbrella and excess policies offer an extra layer of protection when an insured exhausts the limits of their underlying homeowners or auto policy. Such policies can also provide coverage for perils that are excluded from the underlying insurance policies. For example, unlike an auto policy, a standard personal umbrella and excess policy does not usually exclude vehicles with fewer than four wheels and therefore may provide some coverage for e-scooter liabilities.

Goods and Services

Goods sharing includes everything from tools and equipment to designer dresses and handbags. Goods sharing sites may not offer any type of insurance protection for the renter or rentee of the items.

How do I protect myself while *receiving* on-demand goods and services?

Before you book your service or order your goods, read the fine print on each platform's website or application, as their insurance and incident coverages vary widely – some offer insurance coverage, guarantees, warranties, and more.

Know who's paying. Are you hiring someone to help with home cleaning, moving, or other tasks through sites such as TaskRabbit? Find out whose insurance coverage applies in different situations. The service may offer a guarantee, but often it is secondary to any insurance or policies the consumer already has in place.

How do I protect myself while *offering* on-demand goods and services?

Whether you offer pet-sitting services through DogVacay or share items with your neighbors and friends on NeighborGoods, you should be aware that traditional insurance products will not always protect you from the special risks of a sharing program.

Before participating in such an arrangement, you should review your coverage options with an insurance agent to see what additional coverage you need. There may be some limited coverage provided, depending on which personal service platform you're utilizing. Make sure you understand where that coverage ends and yours begins.

Homeowners policies often provide liability coverage for personal items lent to others. However, exclusions may apply if those items are lent out in exchange for money. The exchange of money for the use of personal goods may constitute a business use and exempt any liability coverage from the homeowners policy. If the person renting the items owns the items for their business, liability or property losses may be covered under a business owners or commercial general liability policy. Some inland marine policies may provide coverage while allowing for rental of personal goods.

General liability insurance can be beneficial for dog walkers or house cleaners as it covers third-party bodily injury and property damage.

Professional liability insurance is recommended to other freelancers. This insurance can protect you if a client sues you over the quality of your work.