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# The Sharing Economy - What You Need to Know Before You Share Your House or Car

*By Carolyn Konecki*
*Personal Lines Manager, Cavignac & Associates*

Sharing applications such as Airbnb, VRBO, Uber and Lyft have revolutionized the way people travel and are even changing lifestyles. Many city dwellers and millennials are reducing the number of cars they own or are choosing not to own a car because they can easily get around with Uber and Lyft. Airbnb is considered the largest hotelier in the world and they don't own a single property!

As sharing applications become more familiar to us, many property owners are considering renting out their homes or driving part-time for extra money. But what are the risks? Will your existing insurance cover you if someone gets injured in your home or car? As these sharing applications evolve, insurance companies are responding by adding endorsements for coverage or by clarifying exclusions.

## Home Sharing

Occupancy (who lives in a home and how often they are there) is the single biggest determining factor when placing homeowners insurance. An owner-occupied home represents the safest risk for the insurance company. The owner lives in the house full-time and is there on a daily basis to notice if something goes wrong, such as a plumbing leak. Moreover, the owner has a vested interest in maintaining the property to maximize their investment.

A tenant-occupied home is the second most preferable risk for the insurance company. While the tenant doesn't have the long-term incentive that the owner has, they do occupy the house on a daily basis and can report if something is amiss to the owner.

Homes that are vacant for any period of time are unattractive to insurance companies because of the higher risk of loss. In fact, many insurance contracts have a vacancy

clause in them, stating that coverage is voided if the home is vacant for more than 30 days.

Houses listed on Airbnb or VRBO are considered **short-term rentals** and they present a different type of risk to the insurance company. A short-term rental is occupied sporadically and by different people. Since the guests typically only rent the home for a few days or weeks, there is no incentive to take care of the property, and often guests won't recognize something that's amiss because they are not there long enough to notice a change.

Because several different people come in and out of

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the home, the risk of property damage, theft and injury increases. I processed a claim on a vacation rental home involving a guest who fell down one stair into a sunken living room and broke her ankle. Not being familiar with the home's layout, she innocently missed the stair. Her medical expenses and lost wages came to over $40,000!

Liability claims, such as this, are the insurance companies' biggest concern. Short-term rentals are often used as vacation homes and the renters frequently host parties and other social gatherings. Because so many people are in and out of the home and alcohol is often served, the risk of a liability claim greatly increases. The property owner (and by extension their insurance company) can be held liable for the actions of and injuries to the renters and their guests. It is not surprising that, as part of the underwriting process, insurance companies will check to see if a residence is listed on one of the home sharing web sites.

We surveyed all the preferred, admitted insurance companies with whom we work regarding the acceptability of short-term rentals. Many of them will accept a homeowner renting out their home seasonally to one party for a period of two to four weeks a year. An example of this would be renting your home out in the summer to one family while you vacation elsewhere.

**None of the insurance companies we surveyed will knowingly insure a home that is listed on a home sharing site such as Airbnb or VRBO and is being used as a short-term rental.** The insurance companies consider short-term rentals to be a commercial exposure because they are generating business income for the owner. The home is no longer being used as a residence, but as a hotel.

So, if you are considering joining the home sharing craze, first contact your insurance agent to see if your carrier will continue to insure your home. You do not want to find out you have no coverage after a loss occurs.

## Ride Sharing

Uber and Lyft have skyrocketed in popularity in recent years and are even getting credit for the decrease in drunk driving! For some people, the monthly cost of using a car sharing service is less than a car payment, insurance, gas, parking and maintenance expenses combined. Both Uber and Lyft are actively recruiting drivers. The pay is good, the hours are flexible and driving seems like a good way to supplement your income by using an asset that you already own. And, since you already have auto insurance and Uber and Lyft provide some insurance, what's the risk?

The risk is that every single insurance company we surveyed **offers no insurance coverage when a ride sharing application is on**. A personal auto policy is only for vehicles used for personal use. Coverage ends once the driver turns on the ridesharing application and the insurance companies will not cover a loss that happens when the insured is engaged in transporting others for a fee.

| | Ride Share Application is OFF | Ride Share Application is ON, no Riders in Car | Ride Share Application is ON and Riders in Car |
|---|---|---|---|
| **Covered by Your Personal Auto Insurance** | **Yes** | **No** | **No** |
| **Bodily Injury Liability** | **Personal Auto Policy Limits** | **Bodily Injury Limits of $50,000/$100,000** | **Bodily Injury and Uninsured Motorist limits of $1 million to third parties** |
| **Collision/Property Damage Coverage** | **Personal Auto Policy Limits** | **None** | **Coverage with $2,500 Deductible, if coverage exists on the personal policy** |

Both Uber and Lyft offer supplemental insurance for their drivers. The coverage depends on the rideshare application status:

- **When the ride sharing application is off,** the ride sharing companies offer no insurance coverage and the driver's personal insurance is the primary coverage for liability and physical damage.

- **When the ride sharing application is on and a ride has been accepted or is underway,** both Uber and Lyft offer $1 million of liability coverage to third parties, which includes riders. They both offer $1 million of uninsured/underinsured motorist coverage for situations where another motorist causes the accident but doesn't have adequate insurance to cover the bodily injuries of anyone in the rideshare vehicle. These are reasonable limits, generally much more than the average California driver carries.

  But what about damage to the rideshare car? Both Uber and Lyft offer "contingent collision and comprehensive" coverage. This covers damage to the car, subject to a $2,500 deductible and is only offered if the rideshare owner carriers comprehensive and/or collision coverage on their own vehicle.

  Here's an example of how that works: Sam drives his 2014 Honda Civic, worth $14,000, for Uber in his spare time and carries a $500 comprehensive deductible and a $1,000 collision deductible. While he is driving for Uber, he gets into an accident that causes $6,000 of damage to his car. Instead of having a $1,000 deductible and his insurance taking care of the rest of it, he will have a $2,500 deductible and Uber's insurance will pay for the balance of the repairs.

- **When the ride sharing application is on but no ride has been accepted**, the vehicle owner bears the most risk. As mentioned before, most, if not all, insurance companies exclude coverage if the ride sharing application is on, whether or not there is a passenger in the vehicle. Both Uber and Lyft offer $50,000 per person/$100,000 per occurrence of bodily injury liability coverage and a maximum of $25,000 of property damage coverage – limits that may be inadequate to protect the driver's assets.

**Neither Uber nor Lyft offer any physical damage coverage for your car.** As an example, Sam turned his application on and is driving around waiting for a ride and rear ends a $90,000 Tesla with two people in it, causing $50,000 of damage. One person is severely injured and incurs $60,000 of medical and other expenses, and the other only has $5,000 of medical expenses. Sam's car is totaled. Uber will pay $50,000 of the first person's injuries, $5,000 for the second

person's injuries and $25,000 toward the Tesla's repairs. Sam is responsible for $10,000 of medical expenses, $25,000 of damage to the Tesla and the cost of his car ($14,000) – a total of $49,000!

Most insurance companies consider ridesharing to be business usage and their contracts specifically exclude coverage when the vehicle is used as a business to generate income. If you are considering using your vehicle for ride sharing, consider purchasing a commercial auto policy that is designed for this exposure. Do not rely on your personal auto policy.

## The Bottom Line

In summary, renting out your home for a fee or driving others for a fee is a commercial (business) exposure and not a personal exposure. A homeowners or auto policy is not designed to cover the additional risks of short-term rentals or ridesharing. Call your agent to find out exactly what your insurance company does or does not cover so that you can plan accordingly and properly protect yourself and your assets.

# 2017 Risk Management Seminar Series

### IIPP: The Difference Between an IIPP and Your Overall Safety and Health Program

Friday, June 9th
7:30am Registration
**8:00am - 10:00am** Program

### The First 90 Days - A Review of Best Practices for Onboarding, Training and Engagement

Friday, July 14th
7:30am Registration
**8:00am - 10:00am** Program

### Safety Management Systems 101: The Basic Elements of a Successful Safety Management System

Friday, August 11th
7:30am Registration
**8:00am - 10:00am** Program

**Reserve Early, Seating is Limited!**
To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at mongold@cavignac.com or call 619-744-0540.

# LIVE WELL WORK WELL

Health and wellness tips for your work and life—

Cavignac & Associates

## Shop for Seasonal Produce This Summer

The U.S. Office of Disease Prevention and Health Promotion recommends that you consume at least two servings of fruit and three servings of vegetables each day. Although this varies by age, sex and level of physical activity, it is a good recommendation to live by to build a healthy dietary base.

One great way to add variety to your diet and to make sure you are eating enough fruits and vegetables is to look for seasonal produce. Additionally, choosing in-season produce can help save you money, as the abundance of the fruit or vegetable typically makes it less expensive.

This summer, be mindful of what fruits and vegetables are in season near you. Fruits & Veggies—More Matters, a health initiative focused on helping Americans increase fruit and vegetable consumption for better health, has made it easy to figure out which produce is in season. On its website, you can view year-round, winter, spring, summer and fall produce options.

Click here to see what's in season this summer.

This article is intended for informational purposes only and is not intended to be exhaustive, nor should any discussion or opinions be construed as professional advice. Readers should contact a health professional for appropriate advice.

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## Tick and Tick-borne Disease Season is Here

Experts are warning that this year's tick season could be worse and more widespread than ever due to milder winters, booming mice and deer populations, and the 2015 abundant acorn crop. Unfortunately, with the projected increase of ticks, the threat of tick-borne disease, including the most common, Lyme disease, also increases.

The best way to avoid contracting a tick-borne disease is to practice proper preventive measures, which include the following:

- Wear light-colored clothing, including long-sleeved shirts and pants when in wooded areas, and tuck pant legs into socks or boots. Keep long hair tied back.
- Wash your body and clothing after all outdoor activities.
- Look periodically for ticks if you have been outdoors, especially if you have been in wooded areas or gardens.
- Remove ticks within 24 hours to greatly reduce the risk of contracting disease.
- Talk with your veterinarian about tick repellent for your pet.
- Check your pet's coat if it has been in a possible tick-infested area.

For more information on ticks and tick-borne disease, click here.

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## Chicken and Veggie Salad

1 Tbsp. olive oil

2 skinless boneless chicken breasts

1 head of romaine lettuce (chopped)

1 red onion (thinly sliced)

½ cup black olives (halved)

2 tomatoes (seeded, chopped)

⅓ cup sunflower oil

1 tsp. garlic salt

⅓ cup grated Parmesan cheese

### PREPARATIONS

1. In a large nonstick skillet, warm the oil over moderate heat. Add the chicken and cook for 6 minutes per side, or until cooked through and golden brown. Remove from heat, let cool, then dice or shred the chicken.
2. In a large salad bowl, combine the lettuce, chicken, onion, olives and tomatoes. Add the sunflower oil and toss to coat. Add the garlic salt and Parmesan cheese, toss well and serve.

Makes: 4 servings

**Nutritional Information (per serving)**

| | |
|---|---|
| Total Calories | 443 |
| Total Fat | 28 g |
| Protein | 37 g |
| Carbohydrates | 12 g |
| Dietary Fiber | 7 g |
| Saturated Fat | 5 g |
| Sodium | 527 mg |
| Total Sugars | 4 g |

Source: USDA

# National Fireworks Safety Month: June 1 to July 4

Fireworks are a staple at festivities for many Americans during the summer months. Unfortunately, many people do not realize just how dangerous fireworks and sparklers can be—which is a primary reason that injuries occur.

In honor of National Fireworks Safety Month, which occurs from June 1 to July 4, take some time to familiarize yourself with the following safety suggestions to avoid accidents when using fireworks.

- Do not shoot fireworks off if you are under the influence of alcohol.
- Always have a hose or water bucket handy.
- Keep spectators a safe distance away.
- Show children how to properly hold sparklers, how to stay far enough away from other children and what not to do.
- Never try to relight a firework that didn't properly ignite.
- Soak all firework debris in water before throwing it away.
- Do not carry fireworks in your pocket or shoot them from metal or glass containers.

## An estimated 7,000 INJURIES were treated in hospital emergency rooms during the one-month period (June 20–July 20) surrounding the Fourth of July.

**MALES** accounted for **74 PERCENT** of all injuries.

**CHILDREN UNDER 15** accounted for **40 PERCENT** of all injuries.

**SPARKLERS AND FIRECRACKERS** together accounted for **40 PERCENT** of all injuries.

Source: The U.S. Consumer Product Safety Commission

# *Spotlight On*

**Cavignac & Associates is proud to support local and non-profit civic organizations, including Kids Included Together.**

Kids Included Together is a center of excellence on disability inclusion. They specialize in providing leadership, best practices, training and support to people and organizations who serve children.

Over the past twenty years, KIT has partnered with hundereds of child and youth-serving programs to implement inclusive policies and practices.

KIT also partners with many additional organizations: child development centers; preschools; museums; theater and dance companies; aquariums and zoos; police activity leagues; child development centers; and many more.

*For more information, go to www.kit.org*