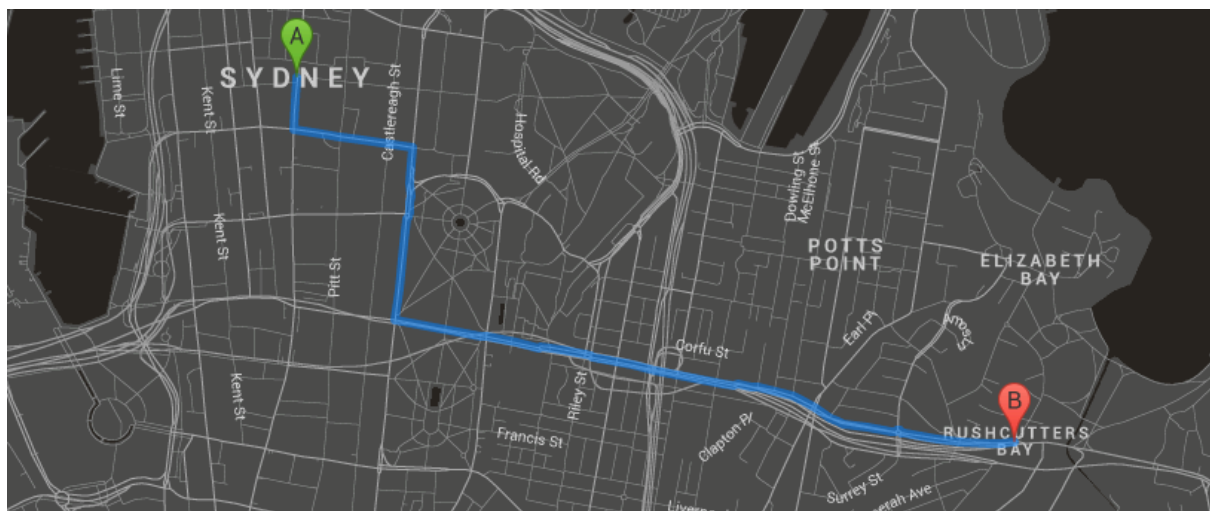


## The pitfalls of using new apps to earn some extra income

The recent launches of ride-sharing service UberX and online accommodation booking service Airbnb in the Australian market pose some interesting coverage issues for both the individuals using their car or home to earn extra income and the companies that insure these assets.

**By Anthony Cooper, Head of Distribution**



Want to earn extra income by driving people places in your spare time or renting out your house or a spare room to a traveller? Online services like UberX and Airbnb, which have launched in Australia recently, have opened up a world of possibilities for people keen to supplement their pay.

While in theory this sounds great – and some of my colleagues have used Airbnb in their travels both here and overseas – the insurance ramifications for individuals using their personal assets for commercial purposes can be very serious.

### **The online services revolution**

Founded in San Francisco in August 2008, Airbnb launched in Australia in late 2012. The company describes itself as “a trusted community marketplace for people to list, discover and book unique accommodations around the world – online or from a mobile phone”.

Uber, which launched in San Francisco in 2009 and locally in late 2012, is described on its website as “a technology company that changes transportation and logistics in urban centers around the world”. In the US, copycat services like Lyft and Sidecar have also started up, so it’s quite feasible that the same will happen here if the app takes off.

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Uber makes apps that connect passengers with drivers of commercial hire vehicles. Since early 2013, the company has also been offering ridesharing services in the US through its UberX offering, where ordinary drivers who have passed a security screening can connect with paying passengers.

In Australia, drivers need to be 24 years or older, have their own car that has at least four doors and is a 2005 model or newer, have comprehensive insurance, no criminal record and a standard driver's licence. The service dispatches a request to the nearest registered driver to the location; the fare is charged directly to the credit card of the passenger, who has preregistered with the service.

It's the UberX ridesharing service that has caused controversy both here and in the US over licensing, safety and insurance concerns.

### **The fallout from the new apps**

As is to be expected, taxi associations are up in arms over UberX's services citing potential safety issues and disparity in operating rules. Given taxi licenses can cost upwards of \$400,000 in some locations, their commercial concerns are significant.

The Victorian Taxi Services Commission has responded by using the UberX app to engage drivers and then issue them with hefty \$1700 fines. According to newspaper reports, more than 30 fines have been issued already. However, Commissioner Graeme Samuels has reportedly said that ride-sharing services might have their place if drivers were properly vetted and licensed.

In contrast, the NSW Government has issued a [statement](#) saying only licensed taxis and hire cars can legally take paying passengers and fines of up to \$110,000 could apply for any breaches.

Licensing issues aside, the emergence of UberX, Airbnb and other like services has created some insurance dilemmas that many of the casual drivers and occasional hosts might not be aware of.

### **Weighing up the insurance risks**

Using your car for paid rides could void your insurance cover given most personal motor policies exclude commercial vehicle use. So the UberX driver could potentially find themselves without cover if they suffer damage or loss whilst conveying a paying passenger.

According to a recent [CNET story](#), in Australia UberX supplements the driver's insurance cover with a contingent excess liability policy that provides up to \$5 million of coverage per incident. But what happens if the personal insurance is voided due to non-disclosure?

While the newness of the ride-sharing service in Australia means there are no claims precedents, that's not the case in the US where gaps in insurance coverage have created considerable controversy in recent years.

One US UberX driver, whose car was slammed by another vehicle last September in San Francisco, found out to his surprise after the accident that his personal insurance wouldn't cover him due to non-disclosure. His passengers are now suing him and Uber to cover medical bills, lost wages and other liabilities.

Similar issues could potentially arise when someone uses their family home as a bed and breakfast but doesn't declare this arrangement to their insurer. Who will foot the bill when the guest trips over a toy and suffers a serious injury?

It goes without saying that anyone contemplating using their personal assets – car or house – for commercial purposes should check with their insurer first to find out if any cover changes are needed and to avoid non-disclosure issues down the track.

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