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**US House Committee on Energy and Commerce  
Subcommittee on Commerce, Manufacturing, and Trade Hearing**

**“The Disrupter Series: How the Sharing Economy Creates Jobs,  
Benefits Consumers and Raises Policy Questions”**

**September 29, 2015**

Good morning Chairman Burgess, Ranking Member Schakowsky and members of the committee. On behalf of nearly 1,000 member companies of the Property Casualty Insurers Association of America (PCI), I thank you for your invitation to testify at today’s hearing. My name is Robert Passmore, assistant vice president of personal lines policy at PCI. PCI is the property casualty industry’s most effective and diverse trade association whose mission is to promote and protect the viability of a competitive private insurance market for the benefit of consumers and insurers.

PCI members are at the heart of the sharing economy, creating and providing new solutions for businesses and consumers to protect their personal and financial safety. PCI members have created new commercial insurance products for the sharing economy as well as new protection options for sharing economy contractors in fields ranging from ride-sharing, car-sharing, room-sharing, and a variety of small and home based businesses. PCI members have been developing new products to enable new business models and consumer products and services going back hundreds of years to the early shipping merchants. While innovators in the sharing economy have designed new ways of using new technology to improve business models, insurers have been innovating new ways of providing protection for centuries and will similarly in the future be the grease that will enable the sharing economy to evolve, thrive and provide maximum benefits to consumers and businesses.

The sharing economy has enormous potential to create new jobs and increase economic growth, allowing individuals to easily commercialize their time and property. However, policymakers, insurers and sharing economy companies will have to work together to design new regulations for the sharing economy to protect consumers as the distinction between personal and commercial activities becomes increasingly blurred. PCI has worked successfully with the ride-sharing companies and policymakers on model protections that ensure both drivers and passengers are provided with necessary insurance coverage. We look forward to working on similar solutions that support other sharing economy innovations in the future.

The sharing economy is typically not new commercial activity, but rather is a new business model that allows individuals to use their personal time and resources to engage in commercial activity. The sharing economy model has the potential to provide for more efficient use of resources for society, creating greater utilization of labor and property, while essentially creating millions of single person businesses with control over their level of engagement. There are a number of PCI members and other insurers who are helping to facilitate

the sharing economy by developing new commercial insurance policies as well as special coverage extensions for personal insurance products.

Where the sharing economy is creating the biggest challenges and the most controversy is in the area of commercial activities that are highly regulated when conducted by a traditional business (such as a taxi company or hotel) but potentially less regulated when conducted by individuals (such as carpooling or renting out an extra room) – essentially the same activity but on a granular individual scale while also connected to a large sharing economy company. The question becomes to what extent hybrid personal/commercial activities should be subjected to traditional commercial regulation and whether traditional regulatory treatment renders the new business model impractical or impossible.

These new business models also raise critical insurance issues as they blur the line between what has traditionally been thought of as commercial or personal exposure. For example, businesses are required in certain cases to have appropriate commercial auto insurance, liability protection, and workers compensation insurance. The extent to which sharing economy contractors must have similar insurance coverages is still in flux for most sectors, with some gaps and transitional confusion between coverages provided by the company versus the contractors' personal policies.

A prominent example of this dynamic has been evident in the emergence of ride sharing or transportation network companies (TNCs). Companies such as Uber and Lyft that initially had their drivers rely on their personal auto policies for coverage, with the companies themselves providing some coverage that only applied if the primary coverage was exhausted. However, most personal auto policies specifically exclude coverage when the vehicle is driven for hire (transporting persons or property for a fee) or rented out to others. The situation left TNC drivers facing significant gaps in coverage, since almost every state has a "motor vehicle financial responsibility" law that requires vehicle owners to maintain applicable auto insurance, coverage litigation was inevitable. Requiring coverage to be provided for the commercial activity of driving for a TNC was neither anticipated nor priced for and potentially shifts the costs of the risk associated with driving for hire on to the personal auto insurance system, requiring that all drivers bear the cost of the activities of a relatively small number of commercial drivers.

The good news is that, with some bumps in the road, the TNCs and insurers have been able to reach consensus on a model law that supports the sharing economy business model while providing appropriate insurance protection as well as disclosures that protect drivers, consumers and insurers. The consensus model also allows the development of different private sector business solutions for personal and commercial coverages that can evolve over time and it is quickly being adopted in the states. As of today, 21 states have passed legislation that includes the compromise model language and another 5 have passed legislation that is similar in substance.

Other sharing economy business models may not present the same dynamic as that posed by the motor vehicle financial responsibility laws. For example, renting out all or part of one's residence through sharing models like Airbnb once again presents a commercial activity that isn't new. In fact, many homeowners' insurers provide coverage when the residence is rented out on an occasional basis or offer endorsements providing coverage. There are also a variety of small or home based business programs available on the market today, with more being developed. But it is vitally important that sharing economy businesses and participants be aware of the insurance issues and take proactive steps to ensure that proper insurance coverage is in place before engaging in the commercial activity.

Over the last year it has become clear that, while there are significant insurance challenges presented by sharing economy business models, solutions can be found by following a few principles:

- Market based approaches are preferred for both sharing business models and insurance, but in some cases state laws may need to be clarified to protect predictable interpretation of insurance policy language and contract certainty.
- Awareness of insurance issues is essential; sharing economy contractors need to have a clear understanding, from proactive disclosure by the sharing business, of what the insurance issues are, what coverage the sharing business is providing and what additional coverage the contractor may need to obtain prior to participation.
- State laws and regulations need to allow flexible insurance solutions: the sharing economy business model creates opportunities for both commercial and personal lines insurance products. The excess and surplus lines insurance market is where many new business models find coverage and those avenues need to be open to the sharing economy business model as well.

PCI's mission is to promote and protect a competitive insurance market place for the benefit of consumers and insurers. Our members are committed to developing and providing new insurance products to support commercial and consumer innovation such as the sharing economy. We appreciate that Congress has taken an interest in these issues and look forward to continuing to work on sharing economy insurance issues in the future. Once again, on behalf of our members, I thank you for inviting us to share our views with you today and I would be happy to answer any questions you may have.