

Home Vacation Rentals and Insurance Gaps

Airbnb estimated that over 1 million people would celebrate the beginning of 2016 in an Airbnb rental. Many people are using the popular option of renting out a room in a home or renting out an entire apartment directly from an owner during a getaway. However, gaps in insurance policies can spell disaster for guests and homeowners who use these sites. While sites such as Airbnb provide generous host liability insurance limits, they do not provide coverage for many of the losses suffered by guests. However, there are exclusions for what is covered for homeowners. In addition to this, many personal home insurance policies of the owners who rent their spaces out do not cover guests' personal property losses.

Both homeowners and traveling renters should educate themselves about insurance issues related to home sharing and what options are available. Some options are available from sites such as Airbnb. Since the typical property and casualty insurance policies do not offer ample coverage in the event of incidents leading to property damage or injuries in these situations, experts recommend following these important rules:

1. Review host protection insurance. When signing up through a third-party site to offer a vacation rental, be sure to read the host liability insurance specifications. Some sites offer generous amounts up to \$1 million. However, it is important to be fully aware of the exclusions.

2. Home-sharing hosts are not clearly defined in insurance policies. Home sharing is still a gray area in insurance policies. How often the home is rented, how many people are staying in the home and whether the homeowner is home during the guest's stay are just a few aspects that can affect coverage and exclusions. Discuss any plans with an agent before accepting guests.

3. Keep the insurer updated. If something happens when a renter is visiting and the insurer does not know that the home is being rented out, there could be major issues with coverage. Insurers want and need to know about the home, who is living in it, or how it is being used changes.

4. Insurers may deny coverage by citing business use of a home. When a home is rented out frequently, it could be considered a business. A home insurance policy does not cover regular business activities taking place in the home. Talk to an agent to discuss renting basics, renting frequency and what will happen if a guest is injured based on a current policy.

5. How much of the home is used can affect coverage. If one room is rented out occasionally while the owner is at home, this may be acceptable. However, people who rent their entire homes out frequently may be classified as running a business and may not be covered.

6. An endorsement may be needed. If the insurer will not cover a home based on the frequency of renting, ask if alternative options or endorsements are available.

7. Consider a landlord policy. When a home is rented out frequently, it may be wise to purchase a separate landlord policy. This will cover liability and legal fees. It also covers lost income due to structure damage.

8. Guests should read their insurance policies and user agreements. Guests who choose to use sites such as Airbnb should read through the fine print carefully. The sites often include clauses that give the company the right to file claims with the guest's insurer if he or she causes damage to the rental property. In addition to this, it is important to read a personal insurance policy. Be aware of policy limits and what is covered and excluded. If any items are damaged or stolen during a stay, they are typically covered by a home or renter's insurance policy.

This issue is another example of why it is important to read the fine print on everything. Knowing what to expect ahead of time and how to handle any unforeseen losses is the best way to enjoy a vacation and keep peace of mind. For more information, discuss concerns with an agent.