

Watch Out for Insurance Gaps If Getting into the Airbnb Game

Many Americans hoping to cash in on Airbnb will supplement their income by renting out a room in their home or an entire house, apartment or condo via the vacation rental company.

If you are considering turning a property or part of your home or condo into an Airbnb space, you have to consider the insurance implications. Not understanding what your and the company's insurance covers can result in a claim not being paid if your property is damaged.

What Airbnb provides

Airbnb has a type of insurance called AirCover, which includes the following coverage for its hosts:

- \$1 million in liability insurance if a guest is injured on your property.
- \$1 million in protection against damage caused by a guest.
- Pet damage protection if a guest's pet damages your property.
- Deep cleaning protection.
- Income loss protection if you have to cancel confirmed bookings due to damage caused by a previous guest.

One caveat: Airbnb rules state that prior to filing a claim you must try to reconcile the costs with the guest first.

Homeowner's insurance implications

The biggest mistake people make is renting out a second home previously covered on a homeowner's insurance policy.

Standard homeowner's policies specifically exclude "business activity" at a home, and if you are renting it out predominantly on Airbnb, that qualifies as business activity.

If a covered peril occurs on the property and the insurer finds out you don't live there, it would likely reject your homeowner's claim.

Even if you are renting out a single room regularly, you could run into problems if you have to file a claim.

You likely need a business policy for regular short-term rentals to many different guests.

Considerations

Review Airbnb's policies and exclusions — When signing up through a third party site to offer a vacation rental, be sure to read the host liability insurance rules.

Even though Airbnb offers coverage up to \$1 million, you should read the fine print to learn what is not covered.

You may need an endorsement — If the insurer won't cover a home based on the frequency of renting, you can explore alternative options or an endorsement to your policy.

Your homeowner's insurance carrier may offer a "unit or residence rented to others" endorsement. This will cause your premium to increase, but will likely be cheaper than purchasing a new line of insurance altogether.

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 structural damage from a covered peril.

Landlord insurance covers your property from the same perils as your homeowner's policy does, along with extending liability to anyone staying at the property.

The takeaway

Read Airbnb's policies carefully, as well as your insurance policy, if you are considering getting into the Airbnb game. It's a great way to earn some extra income, but you have to ensure you don't have any insurance gaps in case of an accident or a disaster.

*This material was created by Insurance Newsletters and authorized for use by Brown & Stromecki Agency

###