

Home-sharing insurance is coming

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<http://www.ibamaq.com/news/homesharing-insurance-is-coming-27980.aspx>

Change is not likely – it is inevitable.

For an insurance broker, this could not ring truer. Every now and then, something shakes up the insurance marketplace, forcing us to re-evaluate how we rate and interact with clients. Right now, everyone is talking about how Uber and other ridesharing programs are changing things, but what comes next?

It's important to tackle these insurance nightmares before they even begin and be on the lookout for impending, potentially threatening risks.

Make no mistake about it – the next shake-up we will deal with will involve home sharing or vacation rental sites such as Airbnb, VBRO and Flipkey. These websites allow homeowners to rent out their homes for a set amount of time, usually for the weekend, in exchange for an agreed-upon fee. Guests can stay in a nice, cozy home, and owners can make a decent chunk of change. Sounds like a great deal for everyone! That is, until the owner returns home to find their property has been trashed. Then they call you, their trusted insurance advisor, only to find that you cannot help them because they rented out the home. Say goodbye to being that trusted advisor!

I know what you're thinking: So what now? How do we cover these types of risks? Do we have to rewrite policies, changing them from homeowner's to dwelling? Do dwelling policies even cover vacation rentals?

As is the case with most things in the insurance world, the answer is not so simple. There are many different issues that could arise; let's go over some potential scenarios.

But first, it's important to understand that every carrier has a different set of rules, and this is in no way an exact representation of each carrier's policy; these are just hypothetical situations that could happen if you don't insure the home properly. It is of paramount importance that you take an in-depth look into each of your carriers to see what their official stance is on home-sharing.

Dwelling coverage: Some people will rent out their entire house, while others will only rent a single room. In either situation, a dwelling policy is ideal, but we all know most homeowners will rent out their properties without thinking twice about changing insurance policies. But what happens if there is a standard home policy? If the whole house is being rented, any claims have the potential to be denied due to business pursuits. If just one room is being rented, your client might be covered, though there are some carriers who will exclude coverage in 'a sleeping room rented to others by the insured on the residence premises.'

Other structures coverage: Many properties have secondary structures or outbuildings that owners can rent to vacationers. The same rules as above will apply: No coverage will be provided for any other structure used in whole or in part for business – that is, that's being rented out – even if the homeowner lives in the primary dwelling.

Personal property coverage: While some companies will deny a personal property claim for the reasons stated above, other carriers will give clients some leeway. For example, Safeco offers clients 31 days throughout the year to rent out the property before it excludes coverage. So, if a client wants to rent out their home while they go on vacation, their regular homeowner's policy might be OK as long as they are not renting the property out all the time. If the client intends to rent the home out for longer than that, a dwelling policy would be needed.

Liability coverage: Most of the time liability, much like personal property, will be excluded, but there are some policies that provide an exception for homes with 'occasional' rentals. However, 'occasional' is not a concrete term,

so I'd stay away from giving a client this advice and instead tell them there is no liability protection.

So, what does this mean for you? If you learn a client is renting out their home on a short-term basis, you need to inform them about the potential losses they might incur. Ideally, you want to get them a separate dwelling policy so they are covered for any potential gaps without losing some of their homeowner's coverage. After all, if they are going to make some money on the home, the extra investment to protect their property should be well worth it.

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