

Know Your Insurance

HOME



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The Risks of Airbnb and Home Sharing

Just a few years ago, taking a trip involved contacting travel agencies, booking hotel rooms and making plans far in advance. Today, however, smartphones and the internet have helped create new sharing services that allow homeowners to connect with travelers and rent out their homes, spare bedrooms or other accommodations for a fee.

Airbnb, the most popular of these sharing services, offers a convenient platform that can provide homeowners with an extra source of income. However, renting through Airbnb can also expose you to substantial risks and leave you with costly property damage and liability claims.

Potential Insurance Gaps

Relying strictly on your regular homeowners or renters insurance policy while hosting guests through Airbnb can lead to significant gaps in coverage. These policies are designed to protect you and your family from everyday risks, and not from commercial renting.

If a renter uses your home for even a small amount of time, you and your family will be exposed to significantly different risks that weren't considered when your

policy was drafted. As a result, most homeowners and renters policies won't cover property damage that's caused by Airbnb guests.

If you're considering renting through Airbnb, your first step should be to contact your insurance broker to review your current

homeowners or renters insurance policy. While your homeowners or renters policy may allow you to rent your

property to a guest, it's important to keep in mind that each insurer has its own restrictions and requirements. Some insurers may require advanced notice of any short-term rental, whereas others might insist that you purchase an endorsement to expand your coverage.

If you plan to rent out your residence on a regular basis, many insurance companies will consider this commercial use. In many cases, regular Airbnb hosts will need to obtain a commercial insurance policy in order to be properly insured. However, a growing number of insurance companies

Despite its convenience and the potential for profit, Airbnb is not without its risks for those who decide to list rental units.

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now offer home-sharing liability insurance policies that can be purchased on a month-to-month basis.

Issues with Airbnb's Provided Protection

Airbnb does offer its hosts two forms of protection through its host guarantee program and host protection insurance. While hosts may be inclined to rely exclusively on these programs to manage their risks, there are significant gaps related to these offerings.

Host Guarantee

Airbnb backs every one of its bookings with its host guarantee program at no cost, which will reimburse eligible hosts for damages up to \$1 million. However, Airbnb readily admits that its host guarantee is not insurance and should not be considered a replacement or stand-in for homeowners or renters policies.

Moreover, payments through the host guarantee are subject to a lengthy list of terms, conditions and exclusions. Therefore, hosts should be aware of the following issues related to Airbnb's host guarantee:

- Hosts must attempt to resolve any issues with the guests involved prior to receiving any compensation. This also means that a host would have to make a claim on his or her own insurance policy before the host guarantee would apply.
- Any sum collected from a standard policy or a security deposit would be deducted from the host guarantee.
- The guarantee will only repair or replace covered property that is damaged during the time frame of an online booking.
- This guarantee does not cover certain items including, but not limited to, cash, collectibles, jewelry, pets, watercrafts or any damage to property that is not considered a covered accommodation.

For more information on specific elements of Airbnb's host guarantee program, hosts can review its terms and conditions in full on [the company's website](#).

Host Protection Insurance

In addition to its host guarantee program, Airbnb offers coverage to its patrons through its host protection insurance. Airbnb indicates that the program provides primary liability coverage for up to \$1 million per occurrence in the event of third-party claims of bodily injury or property damage. Despite these claims, hosts should be wary of relying solely on this insurance program for a number of reasons:

- Intentional acts that aren't the result of an accident are not covered under this policy. In addition, Airbnb's home protection insurance does not cover what it refers to as property issues, which

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can include things like mold, asbestos and bedbugs.

- Neither Airbnb's home protection insurance nor its fine print is readily available for review. The policy is also subject to limitations, conditions and exclusions. Together, this means that the specifics of these coverages are vague, and Airbnb hosts may not know exactly what's protected.
- The personal property of any guest is generally not covered. Additionally, any theft or damage caused by a guest may not be covered either.

With Airbnb's host protection insurance, it's best to assume that you aren't equipped with the proper coverage. For full protection, it is likely that you will need to speak with an insurance professional to better understand the policy adjustments you will need in order to be fully covered.

Considerations for Condo Owners and Renters

While Airbnb opens its services to condo owners and renters, multi-unit buildings often have restrictive bylaws, homeowner association rules or lease terms that could impact the ability to host guests through Airbnb.

In many instances, commercial activities like renting out accommodations—even for short periods of time—are forbidden by lease or condo board policies. In some cases, hosts will need to contact their landlord or condo board before subletting

or renting out any accommodations. Failure to do this can result in eviction or other forms of legal action.

Even if you're allowed to rent out your condo or apartment through Airbnb, doing so can cause tension with neighbors. There's always the potential that your guests may not be respectful to property in common areas, act inappropriately or noisily, or make other tenants feel uncomfortable.

Local Laws and Considerations

In response to the rising popularity of Airbnb, many states, cities and towns are moving to regulate short-term property rentals through their municipal codes or zoning regulations. In some cases, home rental services like Airbnb could be prohibited altogether.

If you break these local regulations, purposely or otherwise, you could face thousands of dollars in fines. What's more, Airbnb says alignment with laws and regulations is the responsibility of those renting out accommodations. As a result, you need to review your local laws and regulations before using Airbnb to rent out your accommodations.

The Bottom Line

While Airbnb offers a unique and potentially profitable service to users, it's not without its faults. Before you decide to try it for yourself, be sure to consider all of the risks. For more information on sharing services, or to review your homeowners or renters policy, contact us at 203.834.5900 today.