

HOME INSURANCE FOR THE AIRBNB HOST

EVERYTHING YOU NEED TO KNOW



HOME INSURANCE FOR THE AIRBNB HOST: EVERYTHING YOU NEED TO KNOW



CONTENTS

- Why Isn't Airbnb Hosting Covered by My Homeowners Insurance?.....3
- What about Host Protection and Host Guarantee? Does Airbnb's Insurance Protect Me?.....6
- So How Do I Cover Myself as an Airbnb Host?.....13
- What Happens If I Make a Claim?.....18

1

Why Isn't Airbnb Hosting Covered by My Homeowners Insurance?

Homeowners insurance is a contract between you (the homeowner) and your insurance company. The price you pay is based on the insurance company's evaluation of your risk exposure (that's why folks with pools pay more). Part of that risk analysis is an assumption that you're using your home for residential purposes only.

When you start charging people to stay for a few nights, your home becomes a business. And this is the real crux of the matter: most homeowners insurance policies have what's called a "business pursuits exclusion" or a "business activity exclusion." This language means that, if you're renting your home as an Airbnb host, your insurance policy doesn't cover that activity.

Put another way: if you become an Airbnb host, you're breaking the terms of the contract that is your homeowners insurance policy, meaning your insurance company no longer has to cover you.

"But wait," you may be thinking, "Does hosting for Airbnb really count as a business?"

As far as your insurance company is concerned, it does. Even more serious: if you keep operating your business out of your home, your homeowners insurance may not even cover your possessions and liability as a homeowner anymore.

WHAT ABOUT RENTERS HOSTING ON AIRBNB?

If you're offering a property you rent (or a room in that property) on Airbnb, Homeaway, or another short-term rental site, your renters insurance may not cover the activity, but it depends on your insurance provider and the length of the stay. For example, short-term rentals may be permissible with a minimum two-day stay for some rental insurance policies.



However, acting as an Airbnb host might void the terms of your lease.

That's because when you offer a short-term rental on a property that's already a rental, you're technically subletting your home. In order to do that, you not only need special insurance, you also need your landlord's permission.



BUT AIRBNB IS OKAY FOR LANDLORDS... RIGHT?

Not so fast. If you're a landlord who rents residential apartments and homes, offering those properties up for Airbnb rental could pose two problems:

- X It might violate zoning laws.
- X It will probably not work with your current insurance.

That's because typical landlord insurance covers the physical building and some liability – but, like homeowners insurance, it may only cover “residential” use of the property and exclude “business” use.

bottom line

Normal Home Insurance Does Not Cover Airbnb Hosts

The major takeaway here is that your standard homeowners insurance policy won't cover your home-sharing activity because it's considered a business. If you need homeowners insurance that will cover your Airbnb activities STAT, read on to learn how to cover home sharing



2

What about Host Protection and Host Guarantee? Does Airbnb's Insurance Protect Me?

This is where things get complicated. Some home sharing platforms offer insurance to hosts, but the protection is limited.

Airbnb Host Guarantee: Explicitly not an insurance program, Airbnb's Host Guarantee program offers up to \$1 million in protection to all Airbnb hosts (i.e., you don't have to pay extra to get this protection). The program works by offering financial compensation if your home is damaged by your guests. It seems simple enough, but the program has exclusions and limitations (e.g., the contents of your home are not covered). Be sure to read the fine print to understand what you're getting.

Airbnb Host Protection: This is an insurance policy. Also provided to all Airbnb hosts, Host Protection insurance provides up to \$1 million in liability expenses if a guest makes a claim of injury or property damage. As with all insurance policies, there are conditions, exclusions, and important details to consider.

Homeaway Liability Insurance: Similar to the Host Protection, this insurance is free to all Homeaway hosts and offers up to \$1 million in liability coverage for claims made against Homeaway hosts.

To summarize: Short-term rental insurance provided by the rental platforms tends to cover liability associated with renting and property damage to the building itself. These programs usually exclude damage to your property (also called the "contents" of your home: furniture, jewelry, and clothing).

Maybe even more importantly, these policies don't offer coverage for intentional acts. So if an Airbnb guest intentionally damages your property, you'd have to pay to repair it yourself (or pay to file a lawsuit against the guest).

DOES AIRBNB’S INSURANCE PROTECT ME?

In the world of insurance, everything depends on the specific details of a situation. Before assuming you’re covered by Airbnb’s liability insurance (or any other home-share insurance product), consider these points.

1 Primary vs. secondary coverage
Airbnb’s website indicates that it offers “primary” coverage, which means that hosts can make claims to the policy directly after experiencing an incident. But it seems that “primary” coverage only applies if the host doesn’t have another policy that would pay for the damage. This can get extremely sticky: if you have homeowners insurance that covers property damage, for example, Airbnb might deny your claim for the hole a guest kicked in your wall. But (and this is a big but) if your homeowners insurance prohibits you from using your property for commercial purposes (remember?), it could deny your claim. So before you list your home on a short-term rental site, have a conversation with your homeowners insurance provider.

2 Zoning exclusions for short-term rental
Some cities don’t allow short-term rentals at all; others have restrictions on who can rent what and for how long. In cities that do allow home sharing, many require you to get a permit (which you have to pay for) to do so. Be sure to follow the laws where you live; almost no homeowners insurance policy will offer coverage for illegal acts.

3 Arbitrary renting limits
A few homeowners insurance providers allow limited short-term rental for homeowners with standard policies. Check your policy’s fine print to see whether your carrier allows anything like this.

4 Receipts
One of the most common complaints in Airbnb forums from hosts who have had damage claims denied is that Airbnb asked for receipts for the property that was damaged. In some cases, the property in question was many years old, acquired long before the host started renting on Airbnb (or even before Airbnb existed). Many hosts are left high and dry when they’re unable to document the value of their property.



REAL CLAIM SCENARIOS FOR AIRBNB INSURANCE

Scrolling through Airbnb forums, it doesn't take long to find hosts who had a less-than stellar experience with the platform's coverage.

Here's one example of a host who faced losses worth more than \$60,000 after a guest broke into locked areas and stole valuables and cash. The real bummer: Airbnb's website explicitly states that its coverage doesn't extend to cash, personal possessions, or intentional acts of wrongdoing.

Catastrophic Loss due to Professional Criminal "Guests" - airbnb Denying \$60k+ Damage Claim! Help!



jrry

Mar '17

Background

We hosted a fairly well-reviewed guest from Canada to checked in ridiculously late for our entire home. We had barely started hosting and were excited as every guest experience was extremely positive and rewarding (as airbnb advertises).

A few days into their reservation, we ask if they need anything, to which they say, "oh we're stepping out for a bit - do what you need". When we entered our house. We discovered the so-called "guest" had caused extensive damage in every room, and physically forced their way into our locked storage room and our garage.

We lost valuables, collectibles, cash, personal documents, travel documents. Imagine getting a home ready for airbnb, and securing all of your valuables into a storage room and hiding in the garage. That's what we lost. (we were very naive...)

A police report was filed listing the larger, more valuable possessions (handbags, briefcases, DSLRs, lenses, documents, etc), so police could start an investigation while we continued inventorying losses.

A few weeks later, a local claims adjuster company came out after we had fixed the majority of the damages to initiate their claim process. They let us know that criminals had permeated throughout airbnb and so business was very good for them. 😞

During the claims process, airbnb and the claims specialist requested receipts of our lost possessions. We requested as long of an extension as possible (I think they normally give you a few days), since we had loss items that were purchased nearly two decades ago, and receipts may have been lost or stored away between homes in Asia, Pacific Northwest, South California, as well as storage units abroad, and businesses we own!

While sending updates to the claims adjuster, we receive an e-mail from airbnb stating that they were covering 4k of over 60k in damages and losses, and that we would have to accept the offer within 48 hours or get nothing. We assured them that we were will compiling receipts for stolen items and that we would need more time.

The next e-mail came after the 48 hours, which re-iterated the fact that their decision was final, and because we did not agree to the reimbursement amount, we were getting \$0.00, and that their decision was final!

0%

Airbnb won't pay for things your guests steal.

REAL CLAIM SCENARIOS FOR AIRBNB INSURANCE

This complaint describes damages of \$2,875 done to the host's home, which Airbnb reportedly refused to cover. The poster doesn't specify what kind of damage was involved, so it's not clear whether Airbnb's coverage was supposed to pay. One important detail: the poster says he will have to pay for damages out of pocket, suggesting that he doesn't have primary insurance to pick up the tab.

Airbnb Unwilling to Cover Damages to my home



Luke
Level 2
02-28-2018 06:38 AM



I hosted on Airbnb for the first time this February, taking advantage of the fact that many travelers were coming to Minneapolis for the SuperBowl. I SO deeply regret my decision to host as it has been IMPOSSIBLE for me to get paid back for the extensive, \$2,875 in damages done to my home. I provided detailed photos of the damage, professional incident reports (written by professionals that have spent their lives in the industry) and even provided contacts for witnesses to the cause of the damage. Still, the company that Airbnb outsources their insurance to continues to deny my claims, leaving me to pay the damages out of my own pocket, which I frankly cannot afford. I have spent ~30 hours simply trying to get paid the money that I'm rightfully owed.

I'm left feeling like I've been completely taken advantage of and a victim of fraud.

Airbnb flaunts a great looking host guarantee/ security deposit option, yet, when you try to get paid the money you're rightfully owed for opening your home to guests of Airbnb you'll be in for a rude awakening.

Each time I provided exactly what was asked of me in terms of documentation, etc, my "case manager" that went by "Jane", took 2 days to respond, each time telling me that the documents I provided weren't legitimate (though each came directly from professionals in the field) and had the audacity to tell me that I had a very short deadline to provide what was requested.

As someone that was first excited to host on Airbnb, I now wouldn't recommend it to my worst enemy.

If anyone has any suggestions for how to continue this painful process, please, please let me know. As of 4:30am (when my case manager finally got back to me), my case has been closed.

If you don't have time to click around forums reading horror stories, here's a summary: Airbnb insurance won't pay for things guests steal (as it states in its policies).

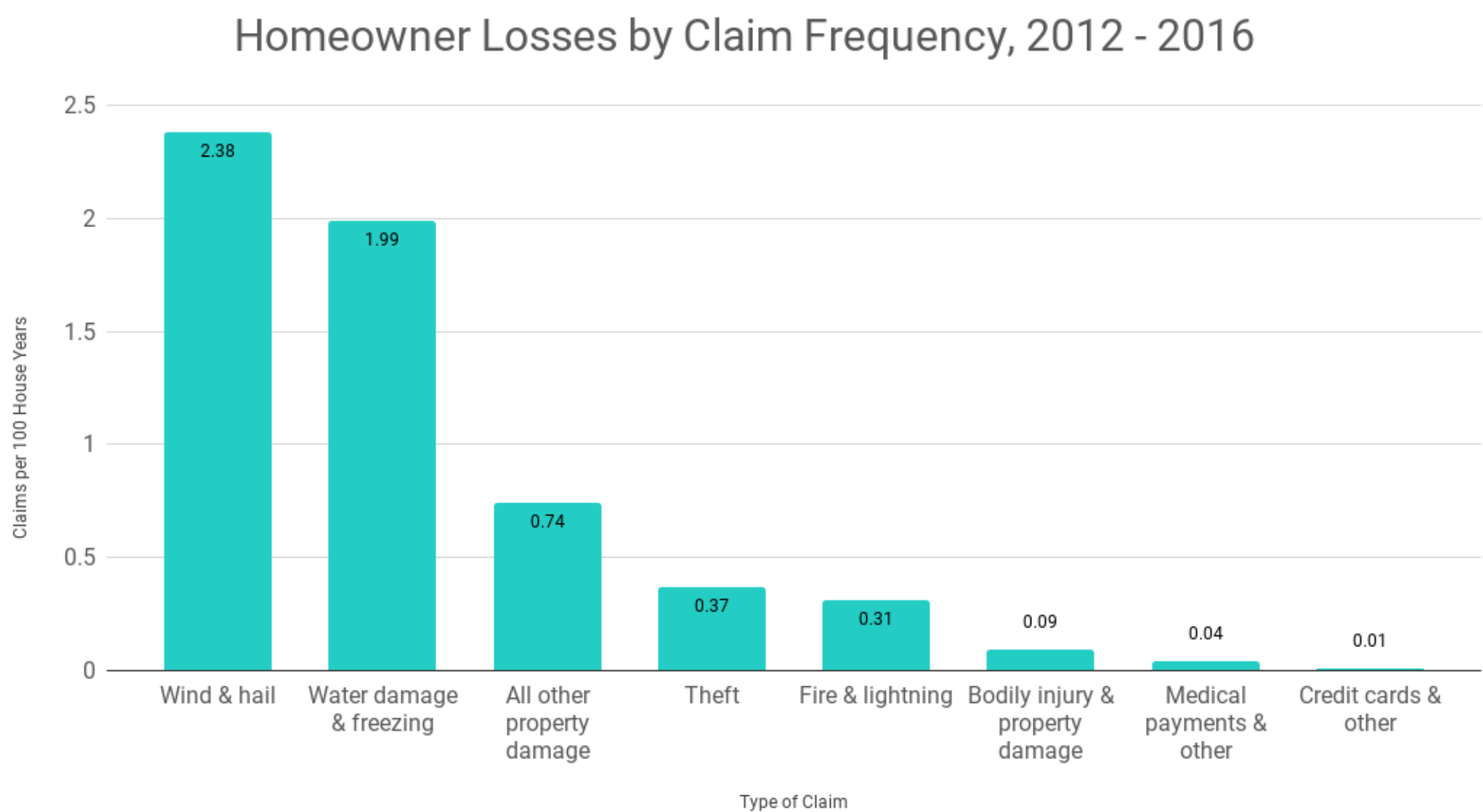
In order to collect damages from Airbnb, hosts may need receipts for the items that were damaged. Without proof of value, Airbnb may offer a claim for far less than a damaged item's value.

HOW COMMON ARE CLAIMS INCIDENTS IN HOME SHARING?

After reading this far, you may be wondering whether hosting via Homeaway or Airbnb is worth the risk. Thinking about insurance will do that to you (trust us). And while it’s smart to understand the reality of the risk involved in home sharing, it’s also important to understand that, in most cases, things will be fine.

That’s the reason the insurance industry works: if people had claims incidents on the regular, insurance policies would be much more expensive. Insurers might not even get into the business in the first place.

To get an idea of how often typical homeowners insurance claims happen at the aggregate level, check out this graph from the Insurance Information Institute.



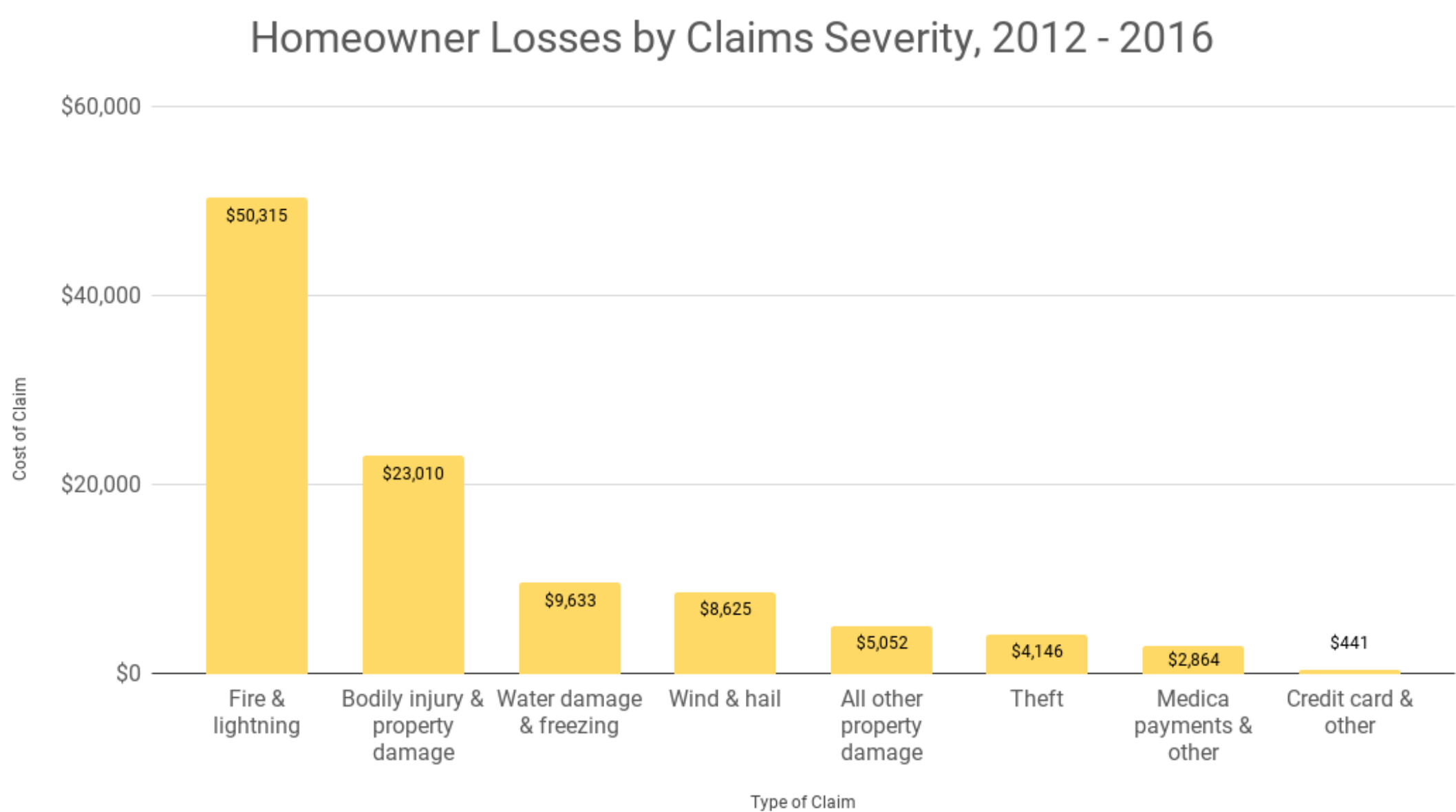
HOW COMMON ARE CLAIMS INCIDENTS IN HOME SHARING? (CONT.)

These incidents are shown per “100 house years,” which is another way of saying that, in any given year, the typical house has that percent chance of experiencing the risk in question. To be fair, these figures do not take home sharing into account. But to keep being fair, it’s not likely that being an Airbnb host affects your risk of damage from wind and hail.

Common sense would dictate that Airbnb hosts increase their risk of the following:

- + Property damage
- + Theft
- + Fire
- + Bodily injury and property damage (i.e., injuries to people who aren’t full-time residents)
- + Medical payments (i.e., to those injured on your property)

For an idea of how much each type of claim might cost, consider this graph.



HOW COMMON ARE CLAIMS INCIDENTS IN HOME SHARING? (CONT.)

Remember a few things:

1

Average numbers are helpful guides but they are only averages.

Real claims can be for significantly more or significantly less than these amounts.

2

Bodily injury and property damage is expensive.

This matters for Airbnb hosts because if a guest sues you after getting injured on your property – even if the injury is absolutely their fault – you have to respond to the lawsuit. If you don't, you may face a default judgment – essentially, a judge tells you to pay whatever they asked for.

This is where insurance becomes really important. If you have homeowners insurance that covers your Airbnb hosting activities, that policy will likely cover all the costs associated with such a lawsuit: lawyers' fees, court costs, and any settlement or judgment you have to pay.

If you have a standard homeowners insurance policy in which business activities like home sharing are specifically excluded, you will have to pay all these expenses out of pocket.



\$4,146

the average cost of a home theft claim

3

So How Do I Cover Myself as an Airbnb Host?

Thought you'd never ask. The simple answer is to talk to an agent – whether at Kin or at another insurer.

Be sure to mention that you're planning to offer your home as a short-term rental. This is an absolutely crucial part of making sure you're covered if and when you file a claim.

If you're comparison shopping for your home share insurance, here's what to look for in your policies.



WHAT KIND OF INSURANCE POLICY DO I NEED AS A HOME SHARE HOST?

Remember when we mentioned that most homeowners insurance policies don't cover Airbnb hosting because it's considered a commercial activity? Well, the insurance you need as a host is commercial insurance. Specifically, your commercial policy should include the following:



- **Property coverage (building and contents):** The policy should protect the building itself and the stuff inside it. If you keep high-end items in your home (jewelry, furs, art), talk to your agent about whether you need to add separate endorsements to make sure these are covered.
- **Commercial liability coverage:** This is the part that protects you if a guest sues over something that happened at your rental. Check to make sure the commercial liability portion includes claim defense expenses (aka lawyers' fees). Those can add up fast.
- **Coverage of amenities:** If your rental includes a pool, hot tub, exercise equipment, boats, bikes, or anything else that makes it easier to get injured, double check that your commercial policy offers coverage for these. If it doesn't, ask how you can add coverage through endorsements.

QUESTIONS TO EXPECT FOR YOUR AIRBNB HOMEOWNERS INSURANCE

Again, an insurance policy is a contract between you and your provider. For that contract to be valid, the information in it has to be true. That's why insurance companies writing a policy for homeowners who rent their property on Homeaway or Airbnb may have a few questions. Expect to hear some or all of these:

- **How many nights per year do you expect to rent this property?**
A few traditional home insurance companies allow you to rent your home once in a great while – as long as you tell them. If your plan is to let someone stay for Mardi Gras, say, or when the Super Bowl comes to your city, you may not need a special insurance policy (as long as you're upfront about your plans).
- **How much money do you expect to earn from this rental business?** Some traditional homeowners insurance companies let you rent your home out on a regular policy – as long as you don't earn more than about \$15,000 from it (though that number may vary by carrier). Again, the key is to communicate. If you're hoping to earn somewhere near the limit, it may make sense to spring for specialized home sharing coverage rather than risk not being covered.
- **Send us a copy of your short-term rental permit.** Not all cities require Airbnb hosts to get a permit, but if yours does, your insurer may want to see a copy of it (or some other proof that you're in compliance).
- **What amenities does your property have?** Pools, hot tubs, and other amenities that insurance companies see as risky are important to mention. Having nice things doesn't mean you won't be able to get coverage, but, again, the key is to be open and honest.

DO I STILL NEED REGULAR HOMEOWNERS INSURANCE?

If you live in the home you're renting out and you have a policy that covers short-term rental risk, you shouldn't need additional coverage. Your commercial homeowners insurance policy should also cover you as the resident of that home. But ask your agent to confirm this.

If you're offering a property other than your primary residence as a short-term rental, you'll still need regular homeowners insurance for the house where you live.

More Protection for Airbnb Hosts: LLCs

Insurance is important, but it's not the only protection you should have in place if you're running a short-term rental business (and remember, as a home-share host, that's exactly what you're doing!).

One precaution you might consider is to form an LLC for your rental income. While forming an LLC can benefit you in several ways, one of the most notable relates to taxes. As of 2018, LLCs can deduct 20 percent of revenue for tax purposes, meaning you pay a lower effective tax rate. Another notable protection: in many cases, having an LLC means you can't be held personally liable for business debts.

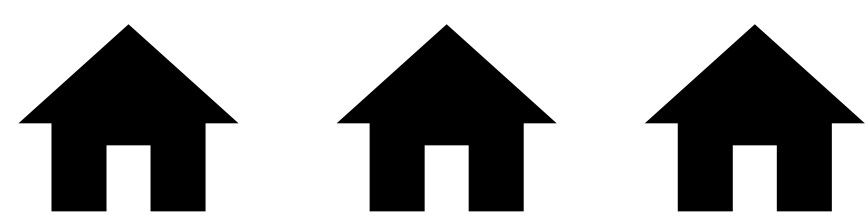


SUMMARY: HOW TO COVER YOURSELF AS A HOME SHARE HOST

We just threw a lot of information at you. Here’s the TL;DR version.

Note: *means coverage varies depending on the language of the policy.

	Standard Homeowners Insurance	Airbnb Host Protection	Airbnb Host Guarantee	Homeaway Liability Insurance
Cost	Varies	Free	Free	Free
Commercial liability coverage?	NO	YES, up to \$1 million	NO	YES, up to \$1 million
Structure coverage for damage by guests?	NO*	NO	YES, up to \$1 million	NO
Contents coverage?	NO*	NO	NO	NO
Loss of income coverage?	NO	NO	NO	NO
Primary coverage?	YES	NO	NO	NO



4

What Happens if I Make a Claim?

Regardless of which type of insurance you're relying on, there are steps you can take now to make things easier on yourself in the event of a claim:

1

Do a home inventory.

Keep a running list of everything you own worth \$200 or more. Make this easier by snapping photos of your valuables, along with photos of their serial numbers. Store this file in a few locations (e.g., thumb drive, the cloud, an email account or two, etc.).

2

Save receipts.

Whenever you buy something that qualifies for the valuables list, snap a picture of its receipt and add that to the file. This can make things a lot easier for claims adjusters and (according to the forum comments) can increase your odds of getting compensated by Airbnb's Host Guarantee or Host Protection.



3

Read the fine print.

Your insurance policy is not a page turner, but it does include a lot of important information. Take the time to read it through so you're aware of any special requirements in the event of a claim.

TIPS FOR MAKING A CLAIM

Even the best-prepared among us can't prepare for everything. In the event that something does go wrong at your home share – whether it's a guest's injury while they're staying or damage you discover when you get back – follow these steps for the quickest possible resolution.

1

Record the incident.

If a guest calls to tell you they broke their leg on your deck, write down every detail you can, either during the call or as soon as you hang up. If you get home to find property damage, take photos right away.

4

Fill out claim forms.

If you decide to file a claim, your insurer has to send you forms within a set amount of time. Fill them out as soon as possible and submit them according to directions. This helps keep the process moving forward.

2

Call the police if there was a crime involved.

If you were robbed or you suspect someone was intentionally injured, report the incident to law enforcement immediately. Write down the names of officers you speak to and get a copy of their report to share with your insurance company.

5

Work with the claims adjuster.

If your claim involves property damage, your insurer will send a claims adjuster to estimate repair costs. During that visit, be prepared to show the adjuster all damage, including things they might not notice themselves.

3

Call your insurance company.

Key things to ask about: whether you're covered for the incident, whether the claim will likely exceed your deductible (if not, you may not want to file a claim), and how long you have to file the claim.

6

If necessary, make short-term repairs.

If your roof has a hole, for example, do what you must to keep your home safe and dry. Otherwise, work with your insurance company to figure out how to handle repairs. In some cases, they'll want you to use their approved contractors; in others, you can work with whomever you want.

TIPS FOR MAKING A CLAIM (CONT.)

7

If necessary, talk to a lawyer.
If the claim is a liability issue, you may want to talk to a lawyer. Liability cases can get expensive quickly, so enlisting the help of legal counsel can end up saving you money in the long term by helping you avoid making costly mistakes.

8

Save receipts.
Anything you do to make your house livable may be a reimbursable expense, depending on your policy. Save all receipts and work with your insurer to figure out what you can be reimbursed for.

The steps outlined above assume you've got a primary insurance policy designed to protect you for home-sharing activities. In that instance, your insurer pays for the damage to your home. But what happens if you're relying on Airbnb's Host Guarantee or HomeAway's Host Liability Insurance? In those cases, the theory is that damage would be covered by Airbnb or HomeAway, but that's not always the case.



WHO PAYS FOR DAMAGE TO MY HOME?

Keep in mind that the protections offered by home-share websites are free. That means the companies aren't collecting money to put into an insurance fund to pay out on claims that happen.

And that means that any money they pay toward claims has to come from somewhere else.

Which is probably why some people who submitted claims received payouts worth far less than the cost to replace or repair their damaged property. Airbnb is perfectly within its rights to demand receipts for damaged items before it pays you for them. It may be frustrating for hosts, but that's also the reality right now.

And while some hosts have apparently had Airbnb offer more generous payouts by escalating their stories with the media, is that something you have the time and energy for?

The point here is that getting a home insurance policy designed for home-share hosts is easier. It costs a little more, but the savings in time and frustration are worth it if you ever make a claim.

