



Department of Business Regulation
Insurance Division
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Consumer Alert 2015-8

NAVIGATING HOME-SHARING RENTALS

With the rise of online community marketplaces, more people are turning to renting out rooms or their entire homes to guests for extra income. However, insurance coverage questions arise when an insurer expects a person to be using the home in one way, but later finds out the conditions have changed. To ensure you are protected, the Rhode Island Insurance Division and the National Association of Insurance Commissioners (NAIC) offer these helpful tips to consider:

What are home sharing websites?

Technology has changed the way people interact. There are now online solutions available that let people rent a room or their home to a stranger they meet by using an app or a website, called home-sharing solutions. Home-sharing or peer-to-peer rentals (P2P) are sites like Airbnb, Roomorama and HomeAway that connect hosts with guests. Guests find a property and pay for the stay like a hotel. The difference is that the property is not a licensed hotel or bed and breakfast and is often a privately-owned apartment, condo or house. Anyone can register as a host or guest.

What's the risk?

What if your guest vandalizes your property, the hallway of your condo or even your neighbor's swing set?

What if your guest gets injured on your property?

Both guests and hosts could incur costs if things go astray. As a host, your homeowners or renter's insurance policies are not designed to cover accidents arising from property rental and your insurance company may deny coverage for any resulting claims.

While operating as an online platform, these types of rentals may fall outside of local zoning or housing laws and regulations, which could result in violating local law or code. Even if you have not violated any law, you might have to hire legal counsel to protect and defend yourself.

How can you protect yourself as a host?

Accidents can happen, anytime, anywhere. Even if you take preventative measures, someone could trip over a rug or fall over their feet, causing injury.

Most homeowners policies provide coverage if a home visitor falls and is injured. However, that is likely not the case if a paying guest falls in your home, because coverage may not be intended for commercial use. And without liability insurance protection from the company facilitating the host agreement, your homeowners or renter's insurance policy might leave you with no coverage.

Homeowners policies vary, but usually exclude or provide very limited coverage for homeowners who are running a business in their home. Once you begin earning income from renting out your home or a room, you are probably considered a home-based business. If you lease out a room or your entire home for profit, your insurer could claim you're essentially running a hotel or bed and breakfast and deny coverage. However, if you seldom rent out your home, your insurer might provide coverage. A renter's insurance policy is subject to the same limitations as a homeowners insurance policy.

To make sure you are protected, talk to your agent about your situation and participation in this activity. If you only occasionally rent a room or your house, your current homeowners insurer might be willing to provide an endorsement to protect you. However, if you plan to rent your house for a long term or if you plan to frequently rent out a room or the whole house, then purchasing a landlord policy (also known as landlord property insurance or rental coverage for landlords) might be your best option. A landlord insurance policy will cover your home, structures on the property, property contents that you own (such as appliances and furniture), lost rental income due to building damage, legal fees and liability protection.

Some experts recommend only renting to guests who have homeowners, renter's or personal liability insurance and are able to show proof they are insured. Then if your property is damaged, you could file a claim under the guest's policy.

How can you protect yourself as a guest?

Your own homeowners, renter's or personal liability insurance policy will generally protect you even as a guest if you happen to cause damage to a host's property. But understand that per Airbnb's user agreement, the company reserves the right to make a claim under your homeowners or renter's policy for any damage or loss you cause to an accommodation. Other P2P companies may have similar agreements so make sure to check their terms of use.

What else do I need to know?

Currently, Airbnb provides host protection insurance with coverage up to \$1 million if a third-party claims bodily injury or property damage against you as a host. This liability

insurance program is automatically applied to every listing in the U.S. and the coverage is secondary. It only applies after your primary insurance policy either settles or denies a claim. Laws regarding P2P companies vary from state to state, even city to city so it's important to speak with someone who is knowledgeable about your location. Since home-sharing companies are still a fairly new phenomenon, talk with your agent or insurance provider about your risks as a host to make sure you are properly covered before you list your property for rent.

More Information

Don't be a victim of insurance fraud! Before you sign a contract, write a check or give out personal information, STOP. CALL the Rhode Island Insurance Division at 401-462-9520 or email dbr.insurance@dbr.ri.gov and CONFIRM that the agent, adjuster, appraiser, and/or company you are working with are licensed to do business in RI.

About the RI Insurance Division

The mission of the Rhode Island Insurance Division is to assist, educate and protect Rhode Islanders through the implementation and enforcement of state laws mandating regulation and licensing of the regulated industries while recognizing the need to foster a sound business environment in the state. We are also committed to treating everyone who comes before us fairly, efficiently and with respect. Please visit our website to obtain additional consumer information and alerts issued by the Rhode Island Insurance Division, or you may contact us at 401-462-9520 or email dbr.insurance@dbr.ri.gov for assistance.

About the NAIC

[The National Association of Insurance Commissioners \(NAIC\)](#) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

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