

**Coverage Options for Customers
Home Sharing
12/8/15**

E&O Tip

Homeowners' policies vary, as do the interpretation of business use by individual insurers. Be sure that you understand how each policy you offer and each insurer will respond as respects "business" or "occasional" use.

Does the "business exclusion" apply?

Once an insured begins earning income from renting their home or a room, they will probably be considered a home-based business; however, some insurers may be willing to provide coverage for an *occasional* rental situation. Note that "occasional" is not defined in the policy.

In the ISO HO 00 03 05 11 policy the definition of "business" includes activities for which the insured receives more than \$2,000 in total compensation for the 12 months before the beginning of the policy period.

Coverage Provided by the Facilitator (Home Sharing Service)

Check the coverage provided by the listing service. One of the more popular sites, Airbnb, provides "Host Guarantee" coverage for certain covered losses but there are also a number of exclusions and coverage is excess over any underlying coverage (such as a homeowners policy). [Read the Airbnb Host Guarantee terms and conditions](#). Airbnb also offers Host Protection Insurance that is excess over other underlying coverage.

Property Coverage

The ISO HO 00 03 05 11 covers property of "guests" while the property is in any residence occupied by an insured. However, "guest" is not defined. Elsewhere in the policy is an exclusion for property of "roomers" or "boarders".

If you are the person renting your home to someone else, the policy provides up to \$2,500 coverage "for your appliances, carpeting and other household furnishings, in each apartment on the 'residence premises' regularly rented or held for rental to others by an 'insured', for loss caused by a Peril Insured Against in Coverage C, other than Theft." (HO 00 03 05 11, SECTION I – PROPERTY COVERAGES, E. Additional Coverages, 10. Landlord's Furnishings). This can be increased up to \$10,000 by attaching endorsement HO 05 46 10 00, Landlord's Furnishings.

If you are the person renting the home from someone else, the policy provides liability coverage for property damage to property rented to, occupied or used by or in the care of an insured, but only for damage caused by fire, smoke or explosion. (HO 00 03 05 11, SECTION II – EXCLUSIONS, F. Coverage E – Personal Liability, 3.)

Liability Coverage

"Business", defined as a trade, profession or occupation, is excluded for Liability and Medical Payments under the HO 00 03 05 11 however the exclusion does not apply to the rental of an "insured location" on an "occasional" basis if used only as a residence. In general, the business exclusion would come in to play if the homeowner receives more than \$2,000 in the year prior to

inception of his or her current policy, per the policy definition of “business”. Note that “occasional” is not defined which can result in confusion, uncertainty and litigation.

More Information

An excellent [article](#) is available on IIABA’s Virtual University that outlines all of the coverage considerations, too numerous to include here. You must use your member login to access this information.

Markets

This is still very much a developing market but coverage solutions are slowly coming to the market. For example, Lexington Insurance, a member of AIG, recently introduced enhancements to its LexElite Homeowners program to specifically address the exposures created by short- and long-term rentals. The non-standard homeowners or rental dwelling product is available to Big I New York members through [Big “I” Markets](#). HomeAway offers its hosts the HomeAway Assure product that provides “comprehensive insurance that replaces your homeowner’s policy” (as advertised by HomeAway).