

Home-sharing and the homeowner policy

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The practice of home-sharing, broadly defined as the practice of renting out a single room in a home to renting the entire home itself, has become increasingly popular in recent years. In 2018, only 21 percent of Americans surveyed described themselves as not at all familiar with Airbnb. Our clients are participating in these activities, both as the party offering their homes for this type of short-term rental and as occupants of these short-term rentals. The purpose of this article is to address how these activities are viewed by our carriers and how the ISO homeowner policy changes when these activities are undertaken.

ISO drafted Home-Sharing Host Activities Amendatory Endorsements for each of their HO policies (HO2, HO3, HO4, HO5 and HO8) with an edition date of February 2017. These are mandatory endorsements that specifically exclude “home-sharing activities” (one of several terms defined in the endorsements). Traditional incidental rental and non-owner rental exposures are not affected by these endorsements. This article will concentrate on how the HO3 is affected by these endorsements.

In order to understand these endorsements, one must first understand some very important definitions and clarifications found therein (abbreviated):

1. “Home-sharing host activities” are the rental or holding for rental of the residence premises in whole or in part by an insured to a “home-sharing occupant” through the use of a “home-sharing network platform.”
2. “Home-sharing occupant” is a person, other than an insured, who has entered into an agreement with an insured through the use of a “home-sharing network platform” for “home-sharing host activities.”
3. “Home-sharing network platform” is an online-enabled application, website or digital network that is used for the purpose of facilitating the rental of a dwelling or other structure, in whole or in part, and allows for the agreement and compensation to be transacted through such online-enabled application, website or digital network.
4. The definition of “business” is changed to include “home-sharing host activities.”
5. The endorsements clarify that a roomer, boarder, tenant or guest **DO NOT INCLUDE** a “home-sharing occupant.”

Once these endorsements are active, both property and liability coverages are changed – and NOT for the better.

For the dwelling and other structures, theft is excluded if the theft loss arises out of or results from “home-sharing host activities.” Also, coverage for vandalism and malicious mischief and any ensuing loss are eliminated if the loss arises out of or results from “home-sharing host activities.” These coverage eliminations are mammoth reductions in coverage.

These endorsements then proceed to eliminate personal property coverage for:

1. Property of a “home-sharing occupant.”
2. Property of any other person occupying the residence premises as a result of “home-sharing host activities.”
3. Property in a space while rented or primarily held for rental to a “home-sharing occupant.” The elimination of coverage for personal property while in a space rented to a “home-sharing occupant” is incredibly detrimental. If a room of the home is rented, no coverage for personal property in that room exists; if the entire home is rented, personal property coverage is eliminated for the entire home.
4. Property used primarily for “home-sharing host activities.”
5. Vandalism or malicious mischief to personal property arising out of or resulting from “home-sharing host activities.”
6. Theft if loss arises from “home-sharing host activities.” This provision excludes theft coverage from anywhere – even the part of the home not included in the short-term rental.

These endorsements also reduce the scope of Coverage D – Loss of Use. Fair rental value is eliminated for “home-sharing host activities.”

As to Section II – Liability and Medical Payments to Others coverages, the endorsement is devastating for our clients who engage in these activities. These coverages are eliminated as the activity would likely fall

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within the scope of the business definition found in the HO policy. Fortunately, some rental activities fall under an exception to the business exclusion. When the insured rents an insured location, on an occasional basis, if used only as a residence, to lodge no more than two roomers or boarders AND the use does not fall within the definition of “home-sharing host activities,” liability coverage is restored. Medical payments do not apply to a “home-sharing occupant.” Of course, personal injury coverage is not provided in the unendorsed HO policy. If personal injury coverage has been added via Personal Injury Coverage endorsement HO 24 82, personal injury arising from “home-sharing host activities” is specifically excluded. As such, the very important protections for allegations of false arrest, detention, imprisonment, wrongful eviction, invasion of right of private occupancy, libel or slander would not be afforded.

ISO has drafted home-sharing broadening endorsements for each of its homeowner coverage forms. These broadening endorsements can be used to provide coverage for some home-sharing exposures, and contain the same definitions as the previously discussed home-sharing amendatory endorsements. These endorsements can be used to “buy back” coverage for items whose coverage was eliminated with the amendatory endorsements. Certainly, gaps in coverage likely remain for particular clients. Ultimately, personal lines coverage forms were developed to transfer personal risk. “Business” risk remains the purview of commercial lines coverage forms. Each client’s risk must be discovered, discussed and addressed. If it is determined that commercial lines coverage forms are the better coverage options, they must be pursued.