

[The Insurance Market Mystifies an Airbnb Host](#)

New York Times

So let's say you decided to place your home or a few rooms inside it among the million-plus listings that the rental site Airbnb now claims to have. And let's also say that you're the rule-abiding sort and find the part of the company's website where it encourages you to check with your homeowners or renter's insurance company to make sure you have proper liability coverage for guests. What would happen if you did so? If you're Julie Pfeffer, who rents two rooms in her 200-year-old home in Hockessin, Del., and your insurer is State Farm, it would tell you that your policy was going to be canceled in 30 days. At which point, you would be in a real pickle. Airbnb now provides backup liability protection for people who put United States listings on its site. It kicks in when and if your own insurance company denies the claim, and many would, given that they don't like covering commercial activity in people's homes. This secondary coverage is all well and good, but most homeowners need (or at least want) primary coverage in the first place. Their mortgage company probably requires it, or they worry about placing too much faith in the free liability coverage provided by a start-up like Airbnb. And if insurers won't sell any coverage to homeowners if they have a part-time home rental operation going on, it will be trouble for everyone involved. Ms. Pfeffer eventually found a solution, but it wasn't easy. And this is mostly the fault of the insurance industry, which doesn't always want to answer questions about this sort of activity, whose agents aren't always as knowledgeable as they should be and whose own policy language can be incredibly confusing. Airbnb's site says that "some" homeowners and renters insurance policies protect its users from "certain" lawsuits that result from an injury and tells users to "confirm" that rentals are covered before putting up a listing. This is rather rosy language, given that plenty of insurance companies explicitly deny coverage for any kind of regular commercial activity in the home. Airbnb knows this, which is why it will begin offering the \$1 million of secondary coverage next month. It's called Host Protection Insurance, it's free and it applies even when hosts are violating local ordinances by renting in the first place, violating the terms of their lease by renting or breaking a condo or homeowners insurance association rule by doing so. But Airbnb didn't have anything like that when Ms. Pfeffer started renting out rooms a few times each month, and she wanted primary coverage anyway. A retired equity analyst, she owns her home outright and does not answer to a condo board or homeowners association.

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An experienced traveler herself, she joined Airbnb because she enjoyed meeting new people and liked the idea of generating some income to cover the costs of living in a historic home. She doesn't need the money, but she likes hosting. (Guests like her, too; she has five-star reviews across the board.) For a quarter-century, Ms. Pfeffer had been a loyal State Farm customer, but when she talked to an agent about her rental activity, it quickly became clear that it could not offer her any kind of liability rider and no longer wanted her as a customer. The agent made some noises about installing fire escapes from every bedroom and buying a commercial policy that might have cost more than her annual rental income, but that was out of the question. State Farm confirms that this is standard operating procedure for Airbnb hosts like Ms. Pfeffer and others like them who come clean about their rental activities. "The property owner changed the way she used her home on a fairly regular basis. Renting rooms in a home brings exposures that an individual and insurer should mitigate," said Rachael Risinger, a company spokeswoman, in an emailed statement. "Homeowners insurance is intended for owner-occupied properties and we do not anticipate regular renting of a home under our current policy." I explained all of this to Airbnb and asked how often it heard about the hosts for its 150,000 United States listings losing their homeowners insurance or being threatened by insurers. "The situation you've described is extremely rare," said Jakob Kerr, a company spokesman, in an emailed statement. "We built Host Protection Insurance to give our hosts more peace of mind, and it covers every host in the United States, in every city for every reservation." The company also encourages hosts to tell policy makers and business leaders about what being a host adds to their lives, all in the interest of updating laws and insurance company rules. State Farm is the largest provider of homeowners insurance in the United State, according to SNL Financial. So how could this be rare? One possible reason: Most likely, only a tiny number of Airbnb hosts are as responsible as Ms. Pfeffer and come clean with their insurance companies about their rental activity. Rather than be fired as a State Farm customer, Ms. Pfeffer quit. Then she had to shop for a new policy. One of the companies she considered working with was Chubb, which tends to cover more expensive properties. But the independent agent she spoke to said that the company would not cover her rental activity, either. That is not, however, what a Chubb executive said in a column I wrote about Airbnb's new insurance coverage two weeks ago. There, the company promised full liability coverage for paying guests as long as the homeowner was not making more than \$15,000 in rental revenue each year. This week, a Chubb spokesman stood by that figure, which suggests that the agent who spoke to Ms. Pfeffer (and who knows how many others representing many of the largest insurance companies) has no idea what the rules actually are. Then she read my column, however, and wondered if her agent had gotten it wrong. In that column, Liberty Mutual did not answer any of the questions I posed to it about its rules, but one state insurance commissioner stated quite plainly that homeowners policies

generally do not cover business activities in the home. When Ms. Pfeffer and I first spoke, she did not want to go public. As she put it, she had at least one leg to stand on given that she had her coverage parameters in writing from the agent. Why go to Liberty Mutual with her concerns and run the risk of losing her insurance altogether if the agent was wrong? Liberty Mutual finally agreed to have an actual conversation with me about their policies but was understandably reluctant to comment on a customer who would not offer up her name. Back and forth we went, and eventually everyone came around. The agent, it turns out, was right all along. Liberty Mutual's policy in Delaware allows for liability coverage for "occasional" use of a residence as a rental, which covers her few-times-a-month activity. This is true even though the previous paragraph in her policy makes it clear that there will be no liability coverage when the policyholder is "engaged" in a "business." Any random homeowner could be forgiven for not knowing the precise definitions of engaged and occasional and business, particularly in this context. Maybe we could let the insurance agents off, too, though it's a stretch given that I and others have been asking versions of these insurance questions for years. The insurance companies, however, ought to do better. It is not too much to ask that for every policy in every state, they have a list that has been reviewed by a lawyer and contains frequently asked questions. That document should also define occasional, define business and define engaged. Even better, they could just do what Chubb does and set a reasonable cap on rental income or some other clear rule about when it no longer covers the activity. Insurance company actuaries eat data for breakfast. Airbnb has a lot of it at this point. They ought to share it with the insurers so they can figure out what level of coverage they want to offer and then explain it to the rest of us in plain English.