

## REGULATORY INTELLIGENCE

## Homesharing market's growth raises insurance-coverage concerns

Published 26-Oct-2016 by  
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The fast rise in the popularity of the home-sharing industry through websites like Airbnb, FlipKey and HomeAway has spurred a need for more insurance coverage in an industry that is exposed to several risks but largely operates without much insurance regulation or awareness of coverage.

The consumer peer-to-peer rental market's explosive growth can be seen through the expansion of San Francisco-based AirBnB, the largest such operator which is currently valued at about \$30 billion. It has served more than 60 million guests in its more than 2 million listings worldwide in 191 countries since its inception in 2008.

However, the role of insurance coverage in this market has received little attention despite the growth.

### Lack of risk awareness

Home-sharing initially found appeal with consumers who aimed to boost their income by renting out their couches or empty rooms to travelers or tourists looking for cheaper accommodation than hotels. Soon it became a regular means for hosts to rent out property and guests to find cheaper accommodation than hotels without much paperwork.

"We need to bring the sharing economy to a more serious risk-management conversation. This is much more than (just) a way to earn additional income based upon an asset that is owned," Lisa Lindsay, executive director at Private Risk Management Association, a non-profit association founded by leaders in the private risk-management and insurance industry.

Hosts expose themselves to risks of property-damage, theft, liabilities for guest injuries and misuse of wi-fi networks, among others. Guests face their own concerns, including accidents on the property or privacy violations.

"The point that needs to be driven home is that these (insurance) policies need to be investigated more thoroughly. It really is incumbent upon the host to think through these things and protect themselves contractually in the way that people in the professional rental basis do," Lindsay says.

However, digital platforms like AirBnB thrive on their ease of use and the promise of a seemingly less formal way of renting out property or finding vacation rentals.

### Limited insurance coverage options

Traditional homeowners' insurance policies vary among providers and do not clearly state a stance on coverage of peer-to-peer home-sharing. Some homeowners do not even hold an insurance policy, as it is not required by the law in the U.S. Meanwhile, renters usually risk violating their contractual agreement with the owners of the property when they sub-let their homes on home-sharing websites.

AirBnB and some other home-sharing platforms have a \$1 million blanket insurance to cover their hosts, but the policy is in the company's name and as a result, the host cannot make direct claims.

It is typical for homeowners insurance policies to include language allowing owners to take in boarders on occasion, but the use of the word "occasional" can be misleading and is not well defined, the National Association of Insurance Commissioners, a body comprising of state insurance heads, said in a [white paper this fall](#).

The NAIC has also appointed a "Sharing Economy Working Group," dedicated to the task of studying and making recommendations about regulatory issues related to transportation sharing, house sharing and any emerging sharing products marketed to consumers.

A new insurance provider named Slice, in partnership with Germany-based reinsurer MunichRe, has begun to offer insurance to hosts in peer-to-peer rentals on a pay-per-use basis in the United States. "Depending on the value of the property and its location, the premium on the insurance can range from \$4 to \$7 a night," the company's Chief Underwriting Officer Michael Fitzgibbon said.

However, the company's operations are different from a traditional insurer. Home-sharing hosts can sign up for the insurance coverage on their smartphones by answering a few questions on their property and rental. A digital copy of the policy is then provided to the homeowner, within seconds.

The company's insurance paper is supplied by Great Lakes Reinsurance (UK) SE, a subsidiary of MunichRe. Slice operates as a digital insurer with licenses in 49 states and has been authorized to perform all the functions of an insurer on behalf of Great Lakes Reinsurance (UK) SE.



### **Crackdown on the industry's popularity**

Some experts in the insurance industry have voiced concern about dedicating too much time and resources to developing product solutions for this market, which is already facing increasing scrutiny from state governments.

In several states, the home sharing industry has come under fire from lawmakers and powerful lobbyists from the hotel industry. Some U.S. states, especially those with the largest markets for Airbnb, have sought to clamp down 'illegal rentals' on home-sharing websites through legislation. Airbnb is locked in lawsuits with several state governments as well.

New York Governor Andrew Cuomo last week signed a law fining apartment dwellers as much as \$7,500 for advertising their homes on digital platforms for a rental period of less than 30 days -- such rentals are already banned under state law. California and Florida have been cracking down on home owners renting out properties in their absence, alleging these illegal short-term rentals exacerbate the crisis in the housing market in large cities, while also disturbing residents in quiet neighborhoods.

The New York law came as a blow to hosts, guests and companies providing digital platforms to connect the two, in a high-risk industry that currently operates without adequate insurance protection.

The recent moves by state governments speak to the fact that there is more need for insurance regulation to make sure the hosts and consumers are protected, as sharing economy initiatives grow, Lindsay said.

Produced by Thomson Reuters Accelus Regulatory Intelligence

22-Nov-2016



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