

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

The Vacation Rental

A customer owned a seasonal home that he only occupied several weeks out of the year. When his family wasn't vacationing in the home, it was used as a short-term rental. The agent was aware of the home's use and had sold a homeowner's policy to him along with a home sharing endorsement, telling him that he was appropriately insured for the additional exposures that he would face when using the home as a short-term rental.

A fire occurred at the home and caused significant damage. During the investigation, it was determined that the home was used as a short-term rental property. There were a couple of problems with this revelation. First, the endorsement clearly stated that it could not be added to a rental property or secondary home; the home had to be a primary residence and owner occupied. Second, the home sharing endorsement guidelines clearly stated that only part of the home could be rented out, such as with a mother-in-law suite or the whole home could be rented out for very short periods, such as over Super Bowl weekend. For these reasons, the policy was outside of the carrier's underwriting appetite and the policy endorsement should not have been bound.

Home sharing and short-term rentals have become a common practice in recent years, but many agents may still be unfamiliar with the additional risks that this activity presents. Most homeowners' policies exclude coverage for short term rentals although some carriers, including Farmers, may offer an endorsement that can be added to the policy to provide coverage for the activity, provided that the short-term rental usage falls within guidelines. It's important to understand how your customer is operating their home rental and ensure that their activities align with the eligibility criteria and carrier's guidelines. When in doubt, it's always best to inquire with the carrier's underwriting department.



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