

# RISK INSIGHTS

## Common Exposures All Airbnb Hosts Should Consider

In today's technologically advanced world, individuals have a unique opportunity to efficiently rent out their homes, spare bedrooms or other accommodations through Airbnb, an online hospitality company.

For travellers, Airbnb is a convenient platform that provides affordable and flexible alternatives to hotels. For property owners and tenants, the service easily connects various rental units with prospective occupants and makes collecting payments simple and secure. For the average homeowner, properties or spare rooms that are otherwise vacant can easily be transformed into a source of income.

Despite its convenience and the potential for profit, Airbnb is not without its risks for those who decide to list accommodations.

### Potential Insurance Gaps

If you are considering renting your property through Airbnb, your first step should be to contact your insurance broker to review your current homeowners or renters insurance policy. Relying strictly on such policies while hosting guests through Airbnb can lead to significant gaps in coverage and leave you financially vulnerable.

While your homeowners or renters policy may allow you to rent your property to a guest, it is important to keep in mind that each insurer has its own restrictions and requirements. For example, some insurers may require advanced notice of any short-term rental, whereas

others might insist that you purchase an endorsement to broaden your coverage.

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Standard homeowners and renters insurance policies are designed for personal risks, not commercial use. If you plan to rent out your residence on a regular basis, many insurance companies will consider this commercial use. In many cases, regular Airbnb hosts will need to obtain a commercial insurance policy in order to be properly insured. It should be noted that a growing number of insurance companies now offer home-sharing liability insurance policies that can be purchased on a month-to-month basis.

Even more alarming, your homeowners or renters policy most likely won't consider property damage caused by guests a covered peril. This means you could be left to cover the cost.

### Issues with Airbnb-provided Protection

To its credit, Airbnb does offer its hosts two forms of protection through its Host Guarantee and Host Protection Insurance. While hosts may be inclined to rely

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exclusively on these programs to manage their risks, there are significant gaps related to these offerings.

## Host Guarantee

Airbnb backs every one of its bookings with its Host Guarantee coverage at no cost. Airbnb claims that this coverage will reimburse eligible hosts for damages up to \$1 million. However, Airbnb readily admits that its Host Guarantee is not insurance and should not be considered a replacement or stand-in for homeowners or renters insurance.

Moreover, payments through the Host Guarantee are subject to a lengthy list of terms, conditions and exclusions. Therefore, hosts should be aware of the following issues related to Airbnb's Host Guarantee:

- Hosts must attempt to resolve any issues with the guests involved prior to receiving any compensation. This also means that a host would have to make a claim on his or her own insurance policy before Airbnb would intervene.
- Any sum collected from a standard policy or a security deposit would be deducted from the Host Guarantee.
- The guarantee will only repair or replace covered property that is damaged during the time frame of an online booking.
- This guarantee does not cover certain items, including, but not limited to, cash, collectibles, jewellery, pets, watercraft or any damage to property that is not considered a covered accommodation.

For more information on specific elements of Airbnb's Host Guarantee, hosts can review the terms and conditions in full [here](#).

## Host Protection Insurance

In addition to its Host Guarantee, Airbnb offers coverage to its patrons through its Host Protection Insurance.

Airbnb indicates that the program provides primary liability coverage for up to \$1 million per occurrence in the event of third-party claims of bodily injury or property damage. Despite Airbnb's claims, hosts should be wary of relying solely on this insurance program for a number of reasons:

- Intentional acts that aren't the result of an accident are not covered under this policy. In addition, Airbnb's Home Protection Insurance does not cover what it refers to as property issues, which can include things like mould, asbestos and bedbugs.
- Neither Airbnb's Home Protection Insurance nor its fine print is readily available for review. What's more, the policy is subject to limitations, conditions and exclusions. Together, this means that specifics around coverages are vague, and Airbnb hosts may not know what's protected.
- The personal property of any guest is generally not covered. Additionally, any theft or damage caused by a guest may not be covered either.

With Airbnb's Host Protection Insurance, it's best to assume that you aren't equipped with the proper coverage. For full protection, it is likely that you will need to speak with an insurance professional to better understand the policy adjustments you will need in order to be fully covered.

## Considerations for Condo Owners and Renters

While Airbnb opens its services to condo owners and renters, multi-unit buildings often have restrictive bylaws, homeowner association rules or lease terms that could impact one's ability to host guests through Airbnb.

In many instances, commercial activities like renting out accommodations—even for a short period of time—are forbidden by lease or condo board policies. In some cases, hosts will need to contact their landlord or condo board before subletting or renting any accommodations

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out. Failure to do this can result in eviction or other forms of legal action.

Even if you are allowed to rent out your condo or apartment through Airbnb, hosts should be aware that doing so can cause tension with neighbours. There's the potential that your guests may be disrespectful to property in common areas, act inappropriately or noisily, or make other tenants feel uncomfortable.

## Local and Provincial Laws Considerations

In response to the rising popularity of Airbnb, many provinces, cities and towns are moving to regulate short-term property rentals through their municipal codes or zoning regulations. In some cases, home rental services like Airbnb could be prohibited altogether.

If you break these local regulations, purposely or otherwise, you could face thousands of dollars in fines. What's more, Airbnb says alignment with laws and regulations is the responsibility of those renting out accommodations. Accordingly, it is imperative to review local laws and regulations before you commit to using Airbnb to rent out accommodations.

## Tax Considerations

Income from all sources is taxable in Canada, including internet-sourced rental income. Consequently, any income derived from Airbnb rentals must be reported to the Canadian Revenue Agency (CRA).

Depending on the number and nature of the services provided to guests, the CRA will consider money earned through Airbnb as either rental or business income. Furthermore, if the income you make from Airbnb exceeds \$30,000 per year, you will most likely have to register for a harmonized sales tax (HST)/goods and services tax (GST) account through the CRA and will be subject to the applicable taxes. Provincial sales taxes (PST) will vary from province to province.

For those who have already earned unfiled income through Airbnb, coming forward through Canada's

[Voluntary Disclosures Program](#) (VDP) is recommended. Through the VDP, penalties for unfiled back taxes will be forgiven.

For more information on the tax implications of Airbnb and to ensure compliance, hosts are encouraged to contact a tax professional or the [CRA](#).

## The Bottom Line

While Airbnb offers a unique and potentially profitable service to users, it's not without its faults. Before you decide to try it for yourself, be sure to consider all of the risks.

Again, you'll want to minimize potential financial fallout by purchasing the appropriate insurance coverage. To discuss your options further, contact Butler Byers Insurance Ltd today.