

Is Your Policy Really Protecting You? How to Know If You're Misinsured

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What does it mean to be "misinsured" as a short-term rental host?

It means you have insurance, but it isn't built for what you're actually doing. A standard Homeowners or Landlord policy is designed for personal or long-term use—not for hosting paying guests. The moment a property is listed on Airbnb or Vrbo, it enters a different risk category, and a policy that doesn't reflect that leaves you unsuspectingly vulnerable to a denied claim, even though you believe you're covered.

■ How Hosts Become Misinsured

A common scenario: a property owner assumes their Homeowners policy covers listing their home on Airbnb, only to discover—once a claim is denied—that the policy doesn't account for business use, making it null and void. That leaves the host on the hook for the full cost of the claim, which can easily exceed \$1 million in a liability case. Being misinsured is happening more often, and it leaves hosts with a false sense of security until a claim actually tests it.

■ Who's Responsible When a Host Is Misinsured?

Three parties share the risk of a mismatched policy.

INSURANCE COMPANIES

Traditional large-scale insurers build blanket policies meant to cover a broad spectrum of clients—not the specific, evolving risk of a single host. A Homeowners policy might be exactly right for someone living in their home. The moment that home becomes a short-term rental, it enters a different risk category and becomes an income-generating business the original policy was never built for.

BROKERS & AGENTS

Agents are tasked with guiding hosts to the right coverage, but with a wide range of clients to manage, they often default to the standard products they know best. A traditional Homeowners or Landlord policy might seem like it will work for a short-term rental—but a Landlord policy is built for long-term tenants, not paying overnight guests, and that mismatch leaves a host exposed to guest-caused damage, theft, and off-premises liability the policy was never designed to cover.

POLICYHOLDERS

The host's name is the one on the contract. As a policyholder, it's on you to understand how listing a property on Airbnb or Vrbo changes your risk exposure—and to communicate that change to your insurer. When how a property is used changes, the coverage needs to change with it.

The honest answer is shared responsibility: agents don't always know the right product to offer, and hosts don't always know the right questions to ask. Understanding your own risk and communicating it clearly is the surest way to avoid being misinsured.

■ Six Steps to Make Sure You're Not Misinsured

- 1 Understand your activities and risks. Switching a property from personal use to hosting paying guests changes your risk exposure, and a traditional Homeowners or Landlord policy may not cover that hybrid use. Think through injuries and property damage, and consider whether you need Loss of Business Revenue coverage if a claim takes your property offline.

- 2 Communicate clearly with your broker or agent. Be transparent about how the property is actually used. Hiding it to keep a policy in place doesn't work: if a claim is filed and the policy excludes business use, it can be found null and void regardless of when your insurer finds out. The wrong insurance is the same as no insurance.
- 3 Clarify coverage and review exclusions. Make sure the policy covers personal use, hosting, and periods of vacancy between bookings. Read the exclusions. It's important to know what isn't covered before a claim, not during one.
- 4 Anticipate a real underwriting process. Expect the insurer to look closely at an active income-generating property—the pool, the dock, the trail at the end of the driveway. An underwriter may ask you to add a handrail or secure a deck railing before binding coverage, and that's a sign the policy is actually built for the risk.
- 5 Ask about off-premises liability. Amenities that take guests away from the property—a bike, a kayak, a golf cart—may need specific coverage. Confirm the policy includes off-premises liability before a guest takes one off the property.
- 6 Review coverage every time something changes. A new amenity, a new listing, a longer vacancy between bookings—any change in how the property is used should prompt a look at whether the coverage still matches.

■ The Fix: A Policy Built for the Risk

Specialty insurance exists because it's written specifically for the risk a host actually faces—not adapted from a personal-lines product. For short-term rental owners, that means one policy covering business activity, liability, and revenue loss, in place of the mismatched combination of a Homeowners or Landlord policy. It's also where Proper Insurance gets its name: aligning the right coverage with the risk a host is actually taking on.

Verify your coverage before a claim finds the gap.

Talk to a short-term rental insurance expert for a free coverage consultation.

888-631-6680

About Proper Insurance. Since 2014, Proper has specialized in short-term rental insurance, writing more than 200,000 policies across all 50 states and Washington, D.C. The Proper Policy is a Commercial Homeowners policy backed by Lloyd's of London and Concert Specialty, with in-house underwriting and claims—exclusively endorsed by Vrbo, and part of Specialty Program Group, a HUB International company.

Coverage descriptions are intended for general informational purposes only. The specific circumstances of any loss, along with your policy's terms, exclusions, conditions, and limitations, determine whether coverage applies. Nothing here alters, expands, or overrides the terms of an actual insurance policy.

Adapted from "Is Your Policy Really Protecting You? How to Know If You're Misinsured," proper.insure/blog/are-you-misinsured-aligning-insurance-coverage-with-risks-of-gig-sharing-economy