Short-Term Rentals and Homeowners Insurance

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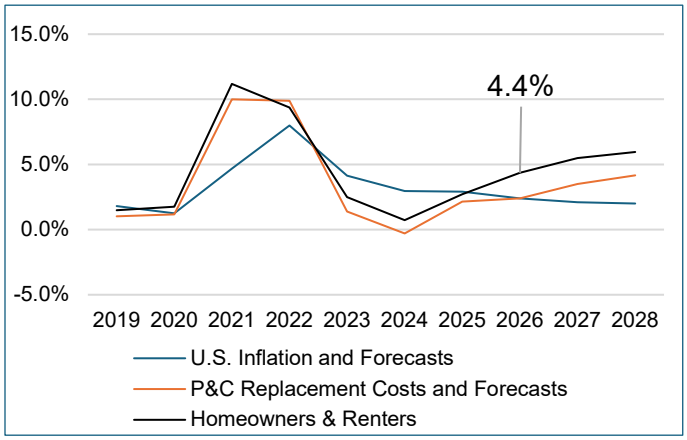
Short-term rentals' owners at risk of uninsured losses for failing to understand the need to secure commercial insurance in addition to homeowners insurance.

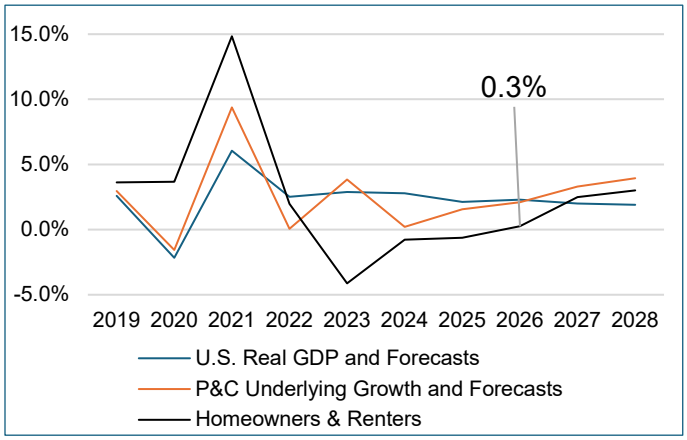
This report looks at the implications of operating short-term rentals in a residential dwelling. Regular homeowners insurance typically does not cover losses from commercial activities. This includes short-term rentals in single-unit, two-unit, or multi-unit residential properties. If the owner or owners of short-term rentals do not contact their homeowners insurer — and, for multi-unit buildings, the master policy insurer — they may face serious consequences. These can include denied claims for rental-related incidents, reduced or limited liability coverage, higher deductibles, exclusions for certain perils, or even policy cancellation or non-renewal.

Homeowners insurance policies use "short-term rentals" to encompass a wide range of commercial uses of residential dwellings. Policies may use, for example, terms such as bed-and-breakfasts, inn, tourist home, or rooming house. The use of any of these terms qualifies as short-term rentals under homeowners and other types of residential insurance and carry the same implications discussed throughout this report. The information in this report is for general educational purposes only and is not intended to serve as insurance advice. Coverage needs vary widely, and individual circumstances may require different solutions. Please consult your insurance professional to obtain guidance tailored to your specific situation.

Inflation and Growth: U.S., P/C, and Homeowners and Renters

(2023-2024 actual, 2025-2028 forecasts, YoY%)





Sources: P&C Growth and Replacement Costs: Triple-I; U.S. Inflation and GDP: BLS and BEA (2023-24) and Fed (2025-28); (As of 02/09/2026).

Economic Drivers for Homeowners and Renters Insurance

When forecasting underlying growth for Homeowners and Renters insurance, Triple-I looks at economic components such as housing unit starts, residential construction employment, and retail sales. For replacement costs, Triple-I looks at construction materials prices, household furnishings and supplies prices, and shelter costs.

Short-Term Rentals Insurance Impact: Who and How

Operating short-term rentals in residential units impacts the rental owner(s) and their neighbor(s)' homeowners insurance. For two-unit or multi-unit dwellings, operating short-term rentals impacts the owner(s) and their neighbor(s) shared master insurance policy covering common spaces and shared structures such as roofs, stairwells, elevators, halls, and entrances. This typically leads to higher insurance premiums, complexity, and costs for all involved.

Specifically:

- Operating short-term rentals in a residential dwelling impacts the rental owner(s)'s homeowners insurance. The owner(s) must review their existing policy and comply with its terms, conditions, and exclusions to ensure continued coverage. Also, the owner(s) must purchase additional insurance coverage to cover the commercial risks of short-term rentals.
- For two and multi-unit residential dwellings, short-term rentals impact the entire dwelling's master policy covering common spaces and shared structures. All unit owners must comply with the master policy terms, conditions, and exclusions. They must also collectively purchase additional insurance to cover the commercial risks of operating short-term rental(s) in the dwelling.
- Increased commercial activity, including short-term rentals, in single or multi-unit dwellings and in areas deemed residential, can impact the costs, policy terms, conditions, and exclusions of homeowners, renters, condo, and master policy insurance. Personal and commercial insurance lines carry different types of exposures, with commercial insurance policies typically covering a wider range of exposures with higher corresponding premium and costs.

Short-Term Rentals: Homeowners Insurance Exclusions

Standard homeowners insurance policies have terms, conditions, and exclusions that modify, and at times limit or even void, existing homeowners or master policy insurance due to commercial use of residential dwellings, including short-term rentals. This includes but is not limited to coverage changes that modify and at times limit or even void protection against the following losses:

- Dwelling structure physical loss or damage
- Dwelling content loss or damage including theft
- Dwelling loss of use
- Liability

Homeowners and master policy insurance requires compliance with all local, state, and other applicable laws including permit requirements, zoning restrictions, and operational restrictions. Failure to do so may restrict or even void existing coverages, leaving the short-term rental owner(s) and, in multi-unit dwellings, the owner(s) of the other unit(s) in the dwelling, potentially underinsured or uninsured.

Short-Term Rentals: Homeowners Insurance Requirements

Homeowners planning to operate short-term rentals must follow the steps below to maintain existing coverage and adequately protect themselves against the commercial risks of their short-term rental(s). Not doing may result in serious consequences, including loss of coverage or restrictions under the owner(s)' existing homeowners insurance and, for multi-unit residential dwellings, coverage loss or restrictions under the master policy owned by all unit owners.

Before starting operations, short-term rental owner(s) must:

- Step 1: Notify Current Homeowners Insurance Carrier

  The short-term rental owner(s) must notify their existing homeowners insurance carrier, broker, or agent they are planning to use their unit for the purpose of short-term rentals. In some cases, this includes getting the carrier's explicit authorization through policy endorsement and paying additional premium. For multi-unit residential dwellings, the owner(s) must also notify, directly or through their unit association, the master policy insurance carrier.

- Step 2: Comply With Current Homeowners Policy

  Once they have notified the insurance carriers involved, the short-term rental owner(s) must also comply with the existing insurance terms, conditions, and exclusions pertaining to short-term rentals in their homeowners policy and, for multi-unit dwellings, in the master policy. This includes but is not limited to coverage requirements that may restrict the use of the unit for short-term rentals by:

  - Limiting the number of days or nights per year used for short-term rentals
  - Limiting the number of guests per short-term rental
  - Restricting share of apartment used for short-term rentals
  - Requirements for owner(s)' to remain in dwelling during short-term rentals

- Step 3: Purchase Commercial Insurance

  Homeowner(s) planning to operate short-term rentals must purchase additional insurance coverage to protect themselves against the commercial risks and losses specific to their short-term rentals. For multi-unit residential dwellings, all unit owners in the dwelling must also collectively purchase commercial insurance. This can be done, for example, through:

  - Personal homeowners insurance policy endorsements
  - Commercial property insurance
  - Small business insurance
  - Short-term rentals specialty insurance

Differences Between Personal and Commercial Insurance

Homeowners insurance is primarily about protecting a residential dwelling and its contents for perils such as fire, theft, wind, and the liability of someone getting hurt in or around the property. Because of that, homeowners, renters, co-op, condo, and master residential policies do not cover the full range of risks associated with operating a business, including the commercial risks associated with short-term rentals. The key cost drivers for homeowners insurance include the dwelling coverage limit (i.e. rebuilding costs), policy deductibles (how much loss exposure is retained by the dwelling owners), the dwelling's construction quality and condition, the dwelling location (and related factors such as weather, crime, and construction costs), and claims history.

The risks of running a business, including short-term rentals, can come from a wider range of causes than those typically covered by residential homeowners, renters, condo, and mater policy insurance – for example more severe and frequent liability risk. Commercial multiperil insurance, including business owner policies (BOPs), are designed to protect business owners against the risks of operating businesses such as short-term rentals. Commercial insurance generally bundles protection against property loss and the liability exposures tied to business operations. It often also includes protection against business interruption, possibly crime, equipment breakdown, and other policy-specific coverages.

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Triple-I's Economics & Analytics team provides members with a range of P&C analytics customized to each carrier's lines of business and geographic footprint. For example, the team works with members to generate carrier-specific growth and replacement costs estimates and forecasts. Please contact Dr. Michel Léonard, Triple-I's Chief Economist and Data Scientist, or Sondra Fry Benoudiz, Triple-I's Head of External Affairs, for more information about this and membership.

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