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ISO reacts to home sharing and drones

You knew it had to happen. When new exposures are created by law, social behavior or invention, there eventually will be a reaction from the insurance industry. Insurers make the case that these exposures were not contemplated when rates were established for an affected insurance policy, so coverage must be carved out and underwritten anew. In the context of homeowners insurance, 2016 was the year of home sharing and drones.

The Insurance Service Office Inc. has filed in its jurisdictions new endorsements (with an edition date of February 2017) that alter homeowners coverage for home-sharing and drone exposures. Be sure to watch for your state's approval of the filing and your insurers' adoption, once approved.

Home sharing

In its filing, ISO has provided insurers the means to exclude home-sharing activities, while retaining the traditional homeowners coverage for the property of roomers and boarders, as well as occasional rental activities. For additional premium, insurers are given the option to restore coverage for home-sharing activities.

The Home-Sharing Host Activities Amendatory endorsement (HO 06 52; HO 06 53; HO 06 54; HO 06 55; HO 06 56; HO 06 58, which corresponds to the HO form being written) has introduced three new definitions:

1. "Home-sharing host activities" means:

a) The:

- i) Rental or holding for rental; or
- ii) Mutual exchange of services;

of the "residence premises," in whole or in part, by an "insured" to a "home-sharing occupant" through the use of a "home-sharing network platform;" and

b) Any other related property or services made available by an "insured" for use during such:

- i) Rental; or
- ii) Mutual exchange of services;

except those property or services provided by another party.

2. "Home-sharing network platform" means an online-enabled application, website or digital network that:

- a) Is used for the purpose of facilitating, for money, mutual exchange of services or other compensation, the rental of a dwelling or other structure, in whole or in part; and

- b) Allows for the agreement and compensation with respect to such rental to be transacted through such online-enabled application, website or digital network.

3. "Home-sharing occupant" means a person, other than an "insured," who:

- a) Has entered into an agreement or arranged compensation with an "insured" through the use of a "home-sharing network platform" for "home-sharing host activities;" or

- b) Is accompanying or staying with a person described in Paragraph 3.a. of this provision under such "home-sharing host activities."

In addition, "home-sharing host activities" is added to the definition of "business" and clarification is made that the terms roomer, boarder, tenant or guest do not include a "home-sharing occupant."

Coverage A—Dwelling. The amendatory endorsement has no impact on the dwelling as covered property. There is no business restriction applicable, provided this is where the named insured resides. Coverage includes the rental of a room or apartment contained within the dwelling, whether it involves "home-sharing host activities" or not. However, the perils of theft and vandalism are excluded when damage is the result of "home-sharing host activities."

The Broadened Home-Sharing Host Activities Coverage endorsement (HO 06 62; HO 06 63; HO 06 64; HO 06 65; HO 06 66; HO 06 68, which corresponds to the HO form being written) restores coverage for theft and vandalism to the dwelling for this activity.

Coverage B—Other Structures. Unlike the dwelling, coverage for other structures is void in the HO forms when they are used for “business” purposes. Since a “business” includes “home-sharing host activities” in the amendatory endorsement, there is no coverage for other structures used in this activity.

The broadening endorsement restores other structure coverage for “home-sharing host activities” only, without the inclusion of other businesses or tenancies (which would require the use of other endorsements). It also leaves intact coverage for the perils of theft and vandalism.

Coverage C—Personal Property. The HO forms exclude the property of roomers, boarders and other tenants unless related to an “insured.” The amendatory endorsement expands the exclusion to include the property of a “home-sharing occupant.” It also excludes property in a space reserved for “home-sharing host activities” (without the Additional Coverage exception for Landlord’s Furnishings for \$2,500 applicable to apartments) and any other property used primarily for these purposes. Beyond these property exclusions, damage from the perils of theft and vandalism are excluded for all Coverage C property if it arises from “home-sharing host activities.”

The broadening endorsement makes Landlord’s Furnishings applicable to “home-sharing host activities.” Theft and vandalism arising from these activities is restored for otherwise covered personal property, excepting the theft of money, securities and jewelry.

Coverage D—Loss Of Use. In the HO forms, there is coverage for rental income lost because of damage to the dwelling from a covered cause of loss. If another structure on the premises is scheduled under the Structures Rented To Others (HO 04 40) endorsement, its rental income also will be covered. The amendatory endorsement carves out of this coverage loss of use involving “home-sharing host activities.”

Not only does the broadening endorsement restore lost rental income resulting from covered damage to property used in “home-sharing host activities,” but it adds coverage for the cancellation of a home-sharing contract during a hurricane watch or warning (and 24 hours after it expires). The hurricane watch or warning can be in either the state where the residence premises is located or the state where the intended home-sharing occupant resides.

Other insurance. If the “home-sharing network platform” also provides property coverage for a loss, the broadening endorsement coverage is *excess* with respect to such other coverage.

Coverage E—Personal Liability and Coverage F—Medical Payments To Others. Under the HO policies, part of the insured’s dwelling can be rented all year as long as there are no more than two roomers or boarders. However, when renting the entire home or other structures, coverage is restricted to “occasional” rentals, which is not defined in the policy. And, most importantly, there is no coverage for liability and medical payments in connection with a “business.” Since the revised definition in the amendatory endorsement makes “home-sharing host activities” a business, coverage is removed.

The broadening endorsement carves “home-sharing host activities” out of the business definition, providing both liability and medical payments coverage. In addition, the endorsement permits the insured to select an Additional

Coverage limit for Damage To Property Of Others that is greater than \$1,000 (at replacement cost).

Note: Included in this filing is the introduction of a Damage To Property Of Others—Increased Limits (HO 06 51) endorsement that can be applied to other than “home-sharing host activities.”


Other insurance. If the “home-sharing network platform” also provides liability coverage for a loss, the broadening endorsement coverage is *primary* with respect to such other coverage.

Personal Injury Coverage. If added to the HO policy, the personal injury endorsement precludes coverage for a “business” engaged in by the insured. This includes “home-sharing host activities” when the amendatory endorsement becomes part of the policy.

The broadening endorsement makes an exception for “home-sharing host activities” with respect to the “business” exclusion in the personal injury endorsement, thereby, affording coverage.

Other endorsements. Ten other endorsements in the HO program are revised to coordinate with the introduction of the new home-sharing endorsements.

Drones

This filing could bear bad news for the personal user of drones. You might call it the “drone-and-moan” filing. The bad news is that when the new optional HO 34 02 endorsement is added to the HO policy, unmanned aircraft, whether model or hobby, is excluded under “aircraft liability.” Also, the new optional HO 34 03 endorsement includes these drones in the exclusion of “aircraft liability” under personal injury coverage. There is, however, a silver lining—personal property coverage is not affected by these endorsements. 

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