

April 17, 2018

Dear Rocky Ridge Homeowner,

As you may recall from last fall's homeowners meeting, the board of directors of the Rocky Ridge Homeowners Association has explored the issue of establishing increased restrictions upon short term rentals of units within Rocky Ridge.

After a homeowner survey in the Spring of 2017 and the discussions at our homeowners meeting and subsequent board meetings, the board concluded, for the present, to not change the status quo with respect to this issue. In other words, the board has not imposed any additional restrictions upon short-term rentals. Rather, the board re-affirmed the existing applicable rules, including the requirement that each homeowner must provide notice to the association (email to [rentalform@rr-tahoe.com](mailto:rentalform@rr-tahoe.com), or postal mail to RRPOA, P.O. Box 432, Tahoe City, CA 96145) before each rental of the homeowner's unit. The form of the required notice is attached to this letter.

Note also that homeowners continue to be responsible for informing their renters and other visitors as to the nature of the association's rules applicable to use of the units and other facilities at Rocky Ridge, and that homeowners also continue to be responsible for any damage caused by a failure of their renters or other visitors to comply with these rules. See the "Rocky Ridge Properties Owners Association Rules and Policies" for a complete articulation of the applicable requirements. This document is available at the Rocky Ridge website.

While the board has concluded to preserve the status quo on the short-term rental issue, the board also reserves the right to re-visit the issue of restrictions upon short term rentals should experiences suggest a need to do so in the future. Hopefully there will be no such need.

There was an additional helpful by-product of the board's discussions with respect to this issue. Through discussions with insurers, the board learned that different insurance companies may treat differently the question as to the scope and nature of coverage provided to homeowners by their condominium insurance policies with respect to damage caused by a short-term renter or other visitor, particularly when the property in question is owned as a second home. Simply put, some companies apparently contend that these policies do not provide coverage for such losses (see the attached excerpt from an article in the March 25, 2018 San Francisco Chronicle).

While the board does not pretend to provide expert guidance on the question of the scope of insurance coverage provided vis-à-vis short-term renters and visitors (whether the property is a primary residence or a second home), the board wants to bring the question to the attention of the Rocky Ridge homeowners, so that each homeowner can determine on its own whether to explore this question further with their own insurance agent or carrier.

Very truly yours,

Rocky Ridge Property Owners Association Board of Directors

**RENTER INFORMATION AND ACKNOWLEDGMENT FORM  
(Rocky Ridge Property Owners Association)**

**I. Renter Information.**

Rocky Ridge Unit being rented (Unit Number): \_\_\_\_\_

Rental Agent (Name, Phone No., and Email): \_\_\_\_\_

Rental Period (from when to when?): \_\_\_\_\_

Renter Name (printed): \_\_\_\_\_

Renter Home Address: \_\_\_\_\_

Renter Cell Phone No. And Email: \_\_\_\_\_

Renter motor vehicle information: Make: \_\_\_\_\_

Model: \_\_\_\_\_ Color: \_\_\_\_\_

License Plate (State of Issue and Number): \_\_\_\_\_

**II. Renter Acknowledgment.**

The undersigned renter hereby acknowledges and agrees that:

1. He or she has received a full and complete copy of the Rules and Regulations of Rocky Ridge Property Owners Association (the "Rules and Regulations");
2. He or she has read the Rules and Regulations and fully understands them; and
3. He or she, and any other renters, guests, licensees or invitees occupying said Unit shall fully abide by the Rules and Regulations for the entire duration of his or her occupancy of said Unit.

Dated: \_\_\_\_\_, 20\_\_\_\_  
\_\_\_\_\_ Renter Signature

This Renter Information and Acknowledgment Form **must** be submitted to the Rocky Ridge Property Owners Association before commencement of the Rental Period specified above.

Scan and email the completed and signed form to [rentalform@rr-tahoe.com](mailto:rentalform@rr-tahoe.com), or mail to RRPOA, P.O. Box 432, Tahoe City, CA 96145.

Blanks of this form may be found at <http://www.rr-tahoe.com/files/Rental-Form.pdf>.

## Insuring homes is complicated for hosts of short-term rentals

In a groundbreaking announcement, Fannie Mae said last month it would accept Airbnb income on certain mortgage applications. But for hosts, getting the insurance Fannie requires is just as confusing and complex as ever.

Under Fannie's pilot project, borrowers who rent their primary residence on Airbnb can use their hosting income to qualify for a mortgage when they refinance with three lenders

including giant Quicken Loans. If the pilot goes well, Fannie will expand the program within 90 days.

The problem: Borrowers whose loans are backed by Fannie Mae must have insurance that covers the home from fire and other hazards, but standard homeowner policies don't usually cover customers who regularly rent out their primary residence on Airbnb or other short-term rental sites.

"The insurance industry as a whole hasn't come to terms with the concept because they

don't know how to charge for the particular risk," said Kelson Herman, a broker with Riskguard Insurance Solutions in San Francisco. "From what I've seen, the majority of homeowners who are already doing Airbnb have not told their carriers. They are running the risk that they may not have their claims paid, because standard homeowners policies don't cover Airbnb. The ones who are getting into it now are a little more careful, they are asking carriers beforehand."

People who rent a home or apartment to long-term tenants can get a landlord's policy, but this generally does not cover short-term rentals in your primary residence. Some specialty insurers offer policies that cover short-term rentals in your home, and a New York City startup called Slice is offering "pay-per-use" insurance that covers homeowners only when they have a paying guest. But "standard home-

owners and renters insurance policies are designed for personal risks, not commercial risks," said the Insurance Information Institute, a trade group. "If you plan to rent out all or part of your home on a regular basis, many companies will consider this a business use and you may need to purchase a business policy — specifically either a hotel or a bed-and-breakfast policy."

If you rent your home on a one-off basis, such as when the Super Bowl comes to town, many insurers "will extend your coverage to the renter" with sufficient notice, it added.

Insurance companies, lenders and Airbnb all urge customers to discuss short-term rental activity with their agents, but many hosts are afraid that if they do, the policies will be canceled or not renewed — or they assume they're covered by Airbnb.

Airbnb provides free host protection insurance, which covers liability claims up to \$1 million, subject to certain exclusions, if a guest sues a host for bodily injury or losses to the guest's property. But it does not cover

the host's house, which is what lenders require.

Airbnb also provides a free "host guarantee" that covers damage to the host's home or property caused by a guest, up to \$1 million, subject to numerous terms and conditions. But this is not insurance, and Airbnb states that it "should not be considered a replacement or stand-in for homeowners or renters insurance."

Fannie Mae said it "requires borrowers to maintain hazard insurance on properties securing our mortgage loans," and that financial institutions must ensure that borrowers "are informed of the insurance coverage that is required to take part in this initiative."

Quicken Loans said it suggests all clients talk to their insurance agent to make sure they have appropriate coverage. "Many insurers look at home sharing differently, so instead of putting a blanket policy in place that could overcharge someone who may already be covered, we work with insurers on a case-by-case basis as it relates to mortgages that use Airbnb income," a Quicken spokeswoman said in an email.

Airbnb host and artist Eugenia Pardue of Portland, Ore., refinanced her

loan with Quicken under the new program. As part of her divorce decree, Pardue had to sell or refinance her home by March 2019. Airbnb accounts for about half her income, but four other lenders rejected her because they could not include it on her loan application. By including her Airbnb income, Quicken was able to refinance her loan, which was a huge relief. Pardue said Quicken never mentioned insurance.

After talking with me, she called her insurance agent, Dominic Scott of American Family Insurance, to make sure her policy covered Airbnb activity. She said Scott told her it would, as long as it's her primary residence. When I called Scott to confirm, he said, "I'm not going to verify anything for you."

A spokeswoman for American Family, which doesn't do business in California, said in an email that she couldn't discuss an individual customer, but "I can confirm that customers with a homeowner's policy have coverage for this purpose if it happens a few times a month, and they should talk with their insurance agent about that coverage. If it happens more than that, the customer should talk with their insurance

agent to discuss their options."

So what options do hosts have?

Herman sells homeowners policies from two specialty carriers — Aegis and American Strategic Insurance — that cover short-term rentals in a primary residence. "Usually those carriers will accept you as long as you don't have a ton of claims and you're not in a high fire-risk area," he said.

Karen and Rodolfo Cancino of San Francisco turned a bedroom in their house with a separate entrance into an Airbnb and rented it out 234 days last year. In addition to her homeowners policy from Nationwide, she purchased a commercial liability policy through Scottsdale Insurance (part of Nationwide) for the Airbnb. The business policy costs \$949 a year, but "I write that off as a business expense. It's a safety thing for me," Karen Cancino said.

Slice offers on-demand insurance to Airbnb hosts that supplements their homeowners insurance. With a website or smartphone app, they turn it on when they have a guest, and turn it off when they don't. It provides up to \$2 million for bodily injury or property damage that occurs during a rental. The insurer is Great Lakes Insurance, a sub-

subsidiary of Munich Re. Slice says the average cost is \$8 per day.

"If any claim were to happen because of home-sharing activity, we are the only people they deal with," Slice spokeswoman Emily Kosick said.

Some name-brand insurance companies are testing insurance for people who rent out space in their homes, but not in California. They want to experiment in smaller states with less-stringent regulation, Herman said.

Allstate offers a "home-sharing" product called Host Advantage in some states excluding California. Farmers and USAA said they are exploring home-sharing solutions.

Progressive said it's offering "on-demand" insurance through Slice.

CBIZ sells a commercial insurance policy to people who rent out an entire second or vacation home to short-term tenants on sites such as Airbnb or VRBO. But this policy doesn't cover people renting out rooms in their primary residence.

Foremost (part of the Farmers Insurance Group) offers a similar product for vacation rentals, only it's a personal, not commercial, policy. Herman said it's about twice as expensive as a homeowner's policy.

Anyone considering insurance for a short-term rental should find out what it covers and what is excluded. They should ask whether the carrier is admitted or not admitted. Admitted carriers are regulated by the state and participate in a guarantee fund that pays claims, up to a limit, if an insurer fails. Non-admitted (also called surplus) carriers do not participate in the fund and are not regulated to nearly the degree of admitted carriers. Airbnb's host protection insurance is non-admitted.

People who have a personal umbrella policy, which provides added liability insurance on top of their homeowners and auto insurance limits, should find out if the umbrella extends over the short-term-rental insurance, Herman said.

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## What insurers say

I asked some large insurance companies whether their homeowners policy covers short-term rentals in a primary residence. All encouraged customers doing short-term rentals to discuss it with their agent. Here's what else they had to say in emails:

**CSAA Insurance Group:** "We don't have coverage in our contracts designed to specifically address a short-term rental on Airbnb or similar home-share platforms. Standard homeowner policies may offer some coverage for occasional rentals of the home, but policyholders who are using their homes to host guests as an income-generator should consider buying rental insurance or some other commercial product to ensure they are covered for various uncertainties."

**Farmers:** "A standard Farmers homeowners policy is not designed for customers to use their homes for commercial purposes such as short-term rental platforms on an ongoing basis. A customer's use of his or her home for homestays could affect their insurance coverage."

**State Farm:** "Homeowners insurance is intended for owner-occupied properties and we do not anticipate regular renting of a home under our current Homeowners policy in California. Any use of the home beyond its intended purpose may require a different insurance policy or coverage options."

**Nationwide:** "Nationwide does not offer 'on-demand' policies or homeowner policies to cover the home-sharing or room-sharing market. However, Nationwide does have an existing Dwelling Fire product available in our surplus lines unit (that) provides Vacation Rental coverage. Under that program, a residential property owner who elects to rent their property via a home-sharing service such as Airbnb or VRBO, and meets eligibility criteria, could elect to purchase that coverage from Nationwide."

**USAA:** "Home-sharing through services such as Airbnb is usually considered a business, and therefore isn't normally covered with a typical homeowners insurance policy. However, USAA can refer members to other companies to get that type of insurance. In some cases, a USAA Homeowners policy could provide limited coverage for home sharing conducted on an occasional basis today."