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## Sleeping with strangers

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**It's good to share – or is it? The sharing economy is tipped to triple in size, with some sources predicting revenues will reach US\$20 billion globally by 2020. Robin Gauldie finds out how the insurance industry might adapt to best protect those booking travel and accommodation via these increasingly popular channels**

According to UK-based analysts Juniper Research, platforms such as Airbnb and Uber will drive revenues for the sharing economy from US\$6.4 billion in 2015 to \$20.4 billion over the next four years. This new peer-to-peer provision of goods and services through online communities has already transformed the way many people book leisure accommodation. Start-ups such as Airbnb, Couchsurfing and Nightswapping boast millions of users; Airbnb's portfolio is now estimated to include around two million rooms in almost 200 countries. This property/room-sharing platform could book as many as 129 million room nights in 2016, according to a report by Barclay's (Hotels: Is Airbnb a game-changer?), which estimated that Airbnb represented up to 17.2 per cent of hotel room supply in New York, 11.9 per cent in Paris, and 10.4 per cent in London. But claims that such services will soon surpass conventional accommodation suppliers must be treated cautiously. Statista, a US statistics portal, reports that only 10 per cent of US travellers surveyed last year said they had heard of services such as Airbnb and its rivals, and were likely to use them. Meanwhile, 40 per cent had never heard of such services, and 27 per cent said they had heard of them but were unlikely to use them. And Airbnb's seemingly relentless rise could be slowed by local legislation like Berlin's recent ban on hosts letting more than half the rooms in their properties without a licence.



***Most guests probably assume that the accommodation has fully complied with local health and safety provisions, just as a conventional accommodation provider must normally do***

But what are the implications for companies whose travelling employees/insureds book accommodation through sharing sites like Airbnb? Most guests probably assume that the accommodation has fully complied with local health and safety provisions, just as a conventional accommodation provider must normally do. They may also assume their standard travel policy, or the host's home insurance policy, covers them for most eventualities when using homeshare accommodation. But, say insurers, these assumptions are somewhat misguided.

### Mind your back



Many hosts are professional landlords, cashing in on the sharing economy to access a profitable new market in overnight and weekend rentals. But many more are dabblers offering accommodation in spare bedrooms in their own homes, and there is concern that not all are



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aware of the need to comply with fire regulations and other safety requirements ranging from multi-occupancy licences to sprinkler systems, smoke alarms, fire extinguishers, emergency exits and carbon monoxide detectors. Most hotels are designed with these factors in mind. But private homes may not be, and their owners are unlikely to be trained in the basics of, for example, fire prevention and emergency evacuation procedures. Nor are their properties likely to be subject to regular safety inspections.

The European hotel trade association HOTREC1 states that without effective fire safety management 'there is a very serious risk that the building and systems could be

compromised in a fire emergency'. Good fire safety management is a fundamental part of the whole fire safety strategy for hotels, HOTREC says, going on to outline good practices including designating a person to be responsible for fire safety, maintaining a fire safety register of safety systems, ensuring that all fire safety systems are regularly inspected and maintained, and carrying out regular risk assessments. It seems unlikely that all homeshare hosts understand such requirements, or have the time and willingness to comply with them, although Airbnb says it 'encourages hosts to think carefully about their responsibilities' and provides information to help them comply with local safety and emergency regulations. Airbnb also requires its hosts to equip properties with smoke and carbon monoxide detectors, which it provides free of charge.

Furthermore, the rapid growth of homesharing has spawned a new breed of Internet fraudsters, who create fake accounts, send out convincing-looking rental agreements to persuade would-be homestay bookers to transfer funds to secure bookings – sometimes for properties that don't in fact exist – and then vanish with the money. According to Comparetravelinsurance, an Australian comparison site, more than 1.5 million people reported such scams in 2014, while British travel association ABTA believes the figure may be much higher. Travel insurance policies will not cover these frauds, and that is unlikely to change.

Nor will standard policies cover homeshare guests for property losses, points out Craig Morrison of New Zealand's Southern Cross Travel Insurance. "Staying with strangers is a bad idea," he says. "Staying in a homeshare is not the same risk as staying in a hotel where you have a room with a key."

#### ***Vacationers should check with their carrier before they book a peer-to-peer travel rental***

If you break your ankle by falling down the Airbnb steps or slip in the shower and crack your head, most travel insurance policies will cover the medical costs as a legitimate unexpected event. However, it's property losses that can be troublesome. For example, you wake up in the morning to discover all of the cash gone from your wallet. What do you do? Call the cops? Accuse the host of theft? This is an incredibly awkward position to be in, because there's no clear resolution." Insureds may find it difficult to get a police report of the loss and prove the event took place, Morrison says. "It's rife with problems, and a floodgate for fraudulent claims, especially where collusion between host and guest exists."

Guests whose belongings are destroyed or damaged – for example, by fire or water – when in the homeshare property might also find themselves without cover, as their insurer would not be able to hold the insured host liable for negligence, according to Sydney-based Insurance Australia Group. "The [insured host's] policy would not respond as it is liability in connection with a paying guest," IAG states.

A travel policy also won't do you much good if you damage something or hurt someone in the rental, says Ashley Hunter, an insurance broker in Austin, Texas, who runs HM Risk Group. "In most cases, the liability section of your homeowners policy would come into play, assuming you didn't act in an egregious way. A standard traveller's policy won't help you because it's designed to cover things like cancelled trips and lost luggage." Vacationers should check with their carrier before they book a peer-to-peer travel rental, Hunter advises. If your homeowners or renters policy doesn't offer enough liability coverage when you rent another person's home for a vacation, you may want to look into an umbrella policy, which can significantly boost your liability coverage."

#### **Here to stay**

Weldon Mather, managing director of Dublin-based WM Consultancy and a member of the International Society of Hospitality Consultants, says the sharing economy is causing 'real headaches' for accommodation providers. "It is only a matter of time before a serious incident or fatality in such an accommodation setting will cause a rethink on planning and life safety regulations, and traveller insurance," he warns. "Travellers are venturing beyond traditional so-called safe options such as hotels, and blurring the lines between commercial and domestic transactions. For comprehensive travel insurance companies, this poses a real problem for travellers mistakenly under the impression of being fully insured, while sleeping in a domestic environment, where landlords or hosts surely do not have sufficient (or any) professional, public or employer liability insurance."

William R. Hopping of W.R. Hopping, a Connecticut-based consultancy, concurs. "Some of the primary concerns about the sharing economy revolve around





concerns about the sharing economy revolve around life-safety issues such as the availability of exits, compliance with building codes and security issues,” he told ITIJ. “The home-share economic sector is here to stay, so appropriate insurance needs to evolve to protect both the lodging provider and the guest. This can not only serve as protection for the parties, but could potentially be a rating factor such as ‘five-star life-safety and security rated’, or whatever rating system may develop.”



Kevin Murphy, president and CEO of Kong Hong-based Asiawide Hospitality Solutions, believes more insurers could also look at providing cover for guests who arrive to find their homeshare accommodation is sub-standard or not as described when booking. “A clear and obvious need that can potentially arise with bookings related to homeshare guest experiences is that of coverage in the event that the homeshare offering on arrival is found to be substantially different or of a lower standard in either quality, size, cleanliness, security or another aspect than that provided and promoted within their sales material or by the booking agency, and therefore presenting either a need for an alternative offering, a possible refund or another type of any claim action – which is better protected in some jurisdictions than others under existing local or consumer origin protection laws,” he says. “Such coverage would also be something that travel insurance companies, and the better shared-economy booking engines, should most probably co-operate on in a first instance, ensuring better protection both for the end users as well as the protection of the reputation of the booking engine itself.” This approach could drive homeshare platforms to monitor the accommodation they offer more closely, but would ultimately boost consumer confidence in their product, Murphy suggests. “Given the size of some of those booking engines, whomever makes the first move to either buy or create their own travel insurance arm for such consumer protections may have advantage in an increasingly busy and sometimes crowded marketplace.”

### Cottoning on

Homeshare operators and travel insurers already appear to be catching on to the need to offer insurance cover that is specifically designed for homeshare guests and their hosts. Approaches vary widely, however. Some platforms emphasise cover for homeowners, others are starting to address the need to cover guests; and some appear to see insurance as a non-issue.

Couchsurfing, a ‘hospitality exchange network’ with more than four million members and more than 400,000 hosts worldwide, offers guests who sign up free accommodation, so arguably its cost-conscious members are quite unlikely to want to spend money on travel insurance. However, its advice to guests who fear for their safety or their possessions is simply to leave the property as soon as possible and report their situation to ‘local authorities’ who can ‘provide ... immediate help and document the situation’. No mention is made of any need for travel insurance.

Airbnb itself seems more geared to protecting hosts than covering guests. Its Host Protection Insurance programme, introduced last year and provided through Lloyd’s of London, gives primary coverage against liability claims for property damage or bodily injury up to \$1 million for hosts and landlords in the US. Since October 2015, Airbnb has rolled the programme out to more than 15 countries, including Australia, Canada, China, France, Germany, India, Ireland, Italy, Japan, the Netherlands, New Zealand, Portugal, Singapore, Spain, the the UK and the US.

***Nightswapping joined forces with Allianz France in an initiative offering its guests worldwide cover for emergency relocation if accommodation is found to be sub-standard***

In 2015, rival platform Nightswapping joined forces with Allianz France in an initiative offering its guests worldwide cover for emergency relocation if accommodation is found to be sub-standard, plus medical evacuation and repatriation cover at no extra cost. Nightswapping claimed it was ‘the only service to entirely secure the whole homestay accommodation process’, but Southern Cross’s Craig Morrison challenges that claim. “The vast majority of travel insurance policies would cover the vast majority of claims arising in an Airbnb or homestay type arrangement, except for property losses,” he says.



But more insurers are beginning to offer products that are specifically designed for both sides of the sharing economy. Andrew Bate, founder of SafelyStay, an Atlanta-based insurer, says his company does this by performing rigorous guest and host verifications and maintaining a blacklist of bad guests and hosts. “Because we have the industry’s most comprehensive data on guest and host trustworthiness, we also provide one of the highest levels of home, liability and contents coverage for vacation rentals – up to \$1 million. Both the homeowner and guest are covered during this commercial rental.”

Insurers are really only beginning to test the water when it comes to evolving their policies for the homeshare market, but the

sharing economy is revolutionising the travel industry, and there's much scope for insurers to better tailor products to those booking accommodation in this way. A potential game-changer for travel insurers, more comprehensive policies for homeshare users could also better meet employers' duty-of-care responsibilities for employees booking overnight stays through peer-to-peer websites. ■