

7 Insurance Questions to Ask Before You Rent Out Your Vacation Home

You own a vacation home, but it's sitting empty perhaps 50 weeks each year. The vacation rental home industry is growing very fast, and now you have the opportunity to apply some of the same investment wisdom that made you successful to one of your largest assets. You can earn solid income on your vacation home, while protecting your investment.

If you decide to join the vacation home rental industry as an owner, one of the first items on your to-do list should be *insurance*. You're wise enough to understand how to make income with your vacation home, so now you are ready to take the next step and make sure your new income source doesn't become a serious liability. This industry is still very new, so here are six questions that you really need to ask your insurance provider before you put your vacation home up for rent.

1. **Is my vacation home rental considered business or personal income?** When you collect money to allow someone to stay at your property for a short period of time, it is a business transaction. It is not "occasional", nor is it the "residence" of your renter. Regular homeowner's insurance specifically excludes business activities.
2. **Do I need Landlord Property Insurance?** Landlord Property Insurance protects against events that a homeowner's policy typically won't cover.
3. **Will my policy cover lost rental income if something happens to the home? For how long?** If your property gets damaged, and is not rentable for any amount of time, your rental income will dry up until the property is inhabitable again. An income loss like that can be devastating.
4. **Does it matter how often we will be renting out our property?** No, it does not. See question number one above. Your vacation rental home is a business, whether you rent it out 2 weeks or 52 weeks a year.
5. **What if my vacation rental is also my primary residence?** Do I need two separate policies; one for when I'm renting my place, and one for when I'm not? Your standard homeowners policy may not extend to a home or apartment you consistently rent out.
6. **Does my personal umbrella liability insurance policy cover my liability for my vacation rental home?** Personal umbrella liability insurance will not cover business activities. You would need a commercial umbrella liability policy.
7. **If I run my vacation rental business as a Limited Liability Corporation (LLC), does that affect my insurance coverage?** Whether you run it like a business or not, your vacation rental home is treated as a business by your insurance provider.

These questions should get the conversation with your homeowner's insurance provider rolling very quickly. The bottom line is, when you begin renting out your vacation home, you're creating

what the insurance industry considers business income, and you must insure accordingly. Your insurance provider should be up to speed on this rapidly growing industry.