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4 questions about property rental and insurance

If you're thinking of renting out all or part of your home here's how to protect yourself from liability

BY **LETITIA WATSON**
Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

IT'S becoming increasingly common for people to rent out rooms in their homes to save on living expenses. And during the holidays many people rent out their home or apartment on platforms such as Airbnb for extra income. It can work well, but can also lead to unexpected expenses.

We answer four questions about damage to your property and your insurance.

1 WHAT ARE THE RISKS?

Guests could do anything from spilling red wine on furniture and breaking glasses to leaving with your towels and toiletries. Speak to guesthouse owners or people who have been renting out holiday accommodation for a while and you'll discover people often do things they'd never do in their own home.

- **Home contents and building cover** It's not uncommon for property such as furniture, electrical appliances and even paintings or framed pictures to be damaged or even stolen. Some tenants even cause fires or break tiles and doors.
- **Theft** There's always the chance the paying guest's belongings might be stolen if there's a break-in at a rental property.
- **Liability** Something most people don't expect – but is always a possibility – is that a paying guest is injured while on your property. If, for example, your tenant trips over a loose tile and is hurt, they can claim medical costs and even loss of income from you.

TIP If you want to rent out accommodation on Airbnb but you live in a complex, you must establish whether the complex rules allow for this. If it's not allowed, you'll have to apply for special permission to do so from the body corporate.

2 WHEN SHOULD I NOTIFY MY INSURER?

- **A room in your home** Most personal short-term policies only cover your property for private use. So even if you're only renting out one room in your home, you need to notify your insurer since there might be conditions to your cover, cautions Wynand van Vuuren from King Price Insurance.

If, for example, one of the conditions is that cover is excluded from leased rooms, you're not insured. But you can request cover. The new premium will be a little more for the duration of the lease because of the added risk. It will depend on factors such as the value of your home contents and how safe your neighbourhood is.

You can also take out additional liability cover then your policy can be adjusted.

Some policies automatically include cover for rental properties, which means you'll automatically be covered if you rent out a room.

- **Airbnb** If you rent out a cottage on your property or even your own home on Airbnb, your insurer will probably consider it a business. That means you need to get business cover (insurers call it commercial cover).

Airbnb does offer what it calls a host guarantee, which covers certain damages, as well as host insurance. This only applies in incidents that relate to an Airbnb guest's accommodation. You'll still have to organise your own insurance against other damages to the building and home contents.

- **Guesthouse** Some insurance companies offer optional cover for guesthouses as part of a personal home contents policy. It's usually only available if you run the guesthouse from your primary residence.

The cover is limited and mainly covers the personal possessions of paying guests as well as personal liability for the policy holder. Ask your insurer if you're able to get the optional cover and if you should take out business cover. It doesn't mean your premium will be sky-high – get quotations from different insurers.

3 WHO'S LIABLE IF A GUEST'S POSSESSIONS ARE STOLEN?

As landlord, you should have cover for the belongings of paying guests. This cover is usually limited to a pre-established value, for example R2 000 or 2% of the insured amount. But there are policies that exclude this cover. You can have the rental contract stipulate that the rental agreement excludes liability for any loss or damages to the tenant's property.

Bear in mind that insurers generally only pay claims if there are clear signs of a break-in, such as broken windows and doors. Check your policy document for the requirements. If, for example, an alarm system is one of the requirements and your alarm wasn't armed at the time or you don't have burglar bars, the insurer has solid grounds to deny your claim.

4 WHAT IF I'M RENTING OUT EMPTY PROPERTY?

Home contents must be insured by the owner of the items, Van Vuuren says.

If you rent out a furnished apartment, you must acquire insurance for the building and the furniture.

Belongings must always be insured at the correct replacement value. That means if your leather couch is damaged, the insurance must pay out enough so you can replace it with a new couch.

If you rent out a premises without any contents, the tenants must insure their own home contents and personal property.❑

GET MORE ADVICE

- There are loads of tips on insurance companies' websites.
- The ombudsman for short-term insurance at osti.co.za or 0860-726-890

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