

# Insights & Updates

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## Car sharing: What are the risks?

The sharing economy has been around since the 1970s. However, it wasn't until the 2000s when most consumers saw the sharing economy in action. Today, you would be hard pressed to find a person who has not used an app to order a ride or have food delivered. Now there are services that use a peer-to-peer model that allows individuals to offer their private vehicle for rent to individuals. However, this practice can have serious insurance implications.

**Renting your vehicle.** If you decide to make your vehicle available to rent on a car-share service be aware that your personal auto policy will be unlikely to provide any coverage in the event of an accident. Almost all personal auto insurance policies contain coverage exclusions that remove coverages if a vehicle is used for a commercial purpose, like when it is used as a rental vehicle.

Generally, while your personal auto policy will not provide coverage, New Jersey does not have a law regulating peer-to-peer car sharing. Most car-share services provide third-party liability coverage in the amount of between \$750,000 and \$1 million.

Liability coverage isn't the only concern for a vehicle owner. Again, your auto policy is unlikely to provide coverage for physical damage for the same reasons mentioned above. Many car-share companies do offer some sort of physical damage coverage—usually through

contractual reimbursement. For example, the car-share company Turo pays 100% of eligible physical damage costs, but it does require payment of a deductible by the vehicle owner.

**Renting a vehicle.** What if instead of putting your vehicle on a car-share service for rent, you rent a car from a car-service—what are the implications then? First, the third-party liability insurance mentioned above still would be in place and provide protection for third parties who are involved in an accident with a car-service vehicle. What about first-party coverage? For that, your personal auto policy will likely provide coverage. Most personal auto insurance policies will extend coverage to a rental vehicle for up to 30 days. This means you should enjoy the same coverage and limits in a rental vehicle as you would in your own personal vehicle.



# Maintaining a legal and insured rental property



**11% of Americans** have used an **online rental service** (Airbnb, VRBO or HomeAway).

The **median age** of U.S. home-sharing users is **42**.

Over **60% of U.S. Airbnb hosts** rent out their primary home while they're on vacation.

Do you run a short-term rental property? Think AirBNB or VRBO. These properties bring income to owners and operators, but they require constantly tracking a changing legal landscape—especially in popular rental areas. It's vital to keep tabs on changes to local laws to ensure you do not end up with a costly legal headache that undoes the potential profit.

For example, in New York City, Local Law 18 has tightened restrictions on short-term rentals and increased the responsibility of the advertising platforms to enforce the limits. Only short-term rental units that are owner-occupied, host two or fewer people, and give guests full dwelling access, remain legal in the city. To qualify for a long-term rental, the unit must be rented for more than 30 days at a time. Any host found in violation of the law may face a fine of between \$1,000 and \$5,000.

Other localities have followed suit—especially in areas already facing a housing shortage for residents and workers. Weehawken, New Jersey's Town Council approved a ban on short-term rentals for less than 30 days. Jersey City New Jersey implemented a similar ban

by referendum, a reflection of increasing housing costs and a lack of availability in the city. Towns along the New Jersey coast have placed restrictions on short-term rentals in response to rowdy groups and parties. Some of the coastal limits do allow for seven-day rental periods, which varies from town-to-town.

Connecticut cities and towns have their own restrictions. Hartford regulates the size of rental dwellings, requiring at least 70-square-feet for the first person and an additional 50-square-feet for each additional guest. In Hartford, short-term rental units are limited to four or fewer people. Coastal towns have faced similar concerns as New Jersey's coastal communities and have considered or implemented restrictions.

Generally, insurers have filed 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 may offer the option to restore coverage for home-sharing activities. Give us a call to ensure you have the proper insurance for your short-term rental units.



# Financially preparing for a storm

Living in a coastal community has many benefits that come with the ever-present threat of a hurricane causing significant damage to your property and community. However, homeowners can take steps to prepare their homes to withstand a storm. Investing in storm shutters, hurricane-proof exterior doors, impact-resistant glass and tempered-glass sliding doors can help protect your home and limit the damage from a major storm. Cutting back weak tree branches and sealing outside wall openings can protect your home further. Yet, nothing guarantees that property owners can protect their homes from a storm fully.

That's why insurance is vital. While flood insurance often is the most discussed coverage around hurricane season, homeowners should consider the coverage in their standard policy. Most coastal homeowners policies cover damage from wind, but with a higher deductible if a hurricane windstorm swept through the region. Hurricanes

are measured primarily by windspeed, and many insurance policies increase the deductible amount if the damage occurred as a result of hurricane or non-hurricane force wind. Following a hurricane or windstorm, if a house needs a new roof, the deductible the homeowners would need to pay would be higher than their standard deductible with a special hurricane or windstorm deductible. The insurance policy still would cover the repairs, but the homeowners would be responsible for more of the cost.

It's important to know what your policy means by a hurricane or windstorm. Some states have standardized trigger definitions, while other states leave it up to the individual insurance companies to determine how they will define when specific coverages are triggered.

Homeowners need to be prepared for this higher deductible, which should be included on your policies' declarations page and usually is between 2% and 5%

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of the replacement cost of the house. This means that a house with a \$500,000 replacement cost would likely have a hurricane windstorm deductible between \$10,000 and \$25,000—a significant increase from the flat standard deductible of about \$1,000.

We can help you find a balance between the hurricane windstorm deductible amount and your monthly premium to ensure you have the protection for your home at the best price for your financial plans.

# Helpful travel tip: Rental cars

It used to be that when you rented a car your biggest worry was whether you'd get that upgrade you decided not to pay for when you booked your rental. Now, you need to worry about getting charged for dings, scratches, and extra miles you didn't drive.

However, there's an easy solution: In addition to making sure that things are noted in the previous-damage section of the rental agreement, take pictures of the entire exterior and interior of the car—taking close-ups of any perceived damage. That way you'll have a record of existing conditions, and anything that might be missing in the rental agreement. Be sure to look over the whole car carefully. Don't forget the wheels and tires (signs of wear and obvious nails); and glass and headlights (chips, cracks, or scratches). Check under the hood and in the trunk. Take a video and make mention of any weird smells or stains (cigarettes, leaking fluid). If you take a video, make sure

it's done in one take. If it's broken into segments, the rental company could argue that it's been edited.

Take a picture of the odometer to record the mileage of the car, and to document the fuel-level reading. Don't forget to take a picture of the Vehicle Identification Number.

Save your photos to the cloud, or send them to a friend, so that if anything happens to your phone while you are renting the car, you won't lose your photos.

Many rental companies try to get you to purchase supplemental insurance or damage waivers, but if you are planning on renting a car, give our agency a call before you do. We'll review your current auto policy to see if you have the coverage for your rental. In some states, if you have a personal auto policy, supplemental insurance on a rental vehicle is not necessary.



## News from our agency

### The buzz about the hard market

You may have heard about how we are in a hard insurance market. Do you know how that affects your insurance policies?

During a hard market, premiums increase, coverage terms restrict, and the availability of most types of insurance becomes limited. These factors can make finding insurance difficult.

If your insurance costs are going up, your instinct may be to drop some coverage. Before you do, call us. We might be able to find solutions to help you stay covered.

