



A practical guide to

Protecting your short-term rental business



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KEY TAKEAWAYS

INTRODUCTION

From city studios to beachfront villas, the short-term rental (STR) market has become a major force in global hospitality. But as the industry has expanded, so too have the challenges facing property managers, from fraudulent bookings to costly property damage that can devastate bottom lines.

While property managers rightly focus on revenue-generating tools like dynamic pricing to boost their earnings, safeguarding that revenue is equally crucial. And yet, despite the availability of [sophisticated tools](#) for property management and [pricing optimization](#), when it comes to protecting your business, solutions have lagged behind. This gap leaves most managers exposed to risks that can quickly undermine profits and hinder growth.

This guide walks through each stage of securing your operations, from initial booking through check-out. You'll learn practical approaches to payment protection and guest screening, alternatives to traditional security deposits, and other strategies to protect your property - all designed to help you build a more resilient and profitable business while providing a superior guest experience.



Building end-to-end protection

Building a sustainable and secure STR business means creating strong operational foundations by inserting multiple layers of protection at critical stages. When comprehensive protection is in place, you can shift your focus from risk management to growth.



A well-protected business creates opportunities to:

01.

ACCEPT MORE BOOKINGS AND
SCALE OPERATIONS WITH
CONFIDENCE (INCLUDING
EXPANDING INTO NEW
MARKETS)



02.

REDUCE LOST REVENUE AND
OPERATIONAL OVERHEAD
FROM CHARGEBACKS AND
RELATED DISPUTES

03.

BUILD STRONGER, TRUSTING
RELATIONSHIPS WITH
PROPERTY OWNERS



04.

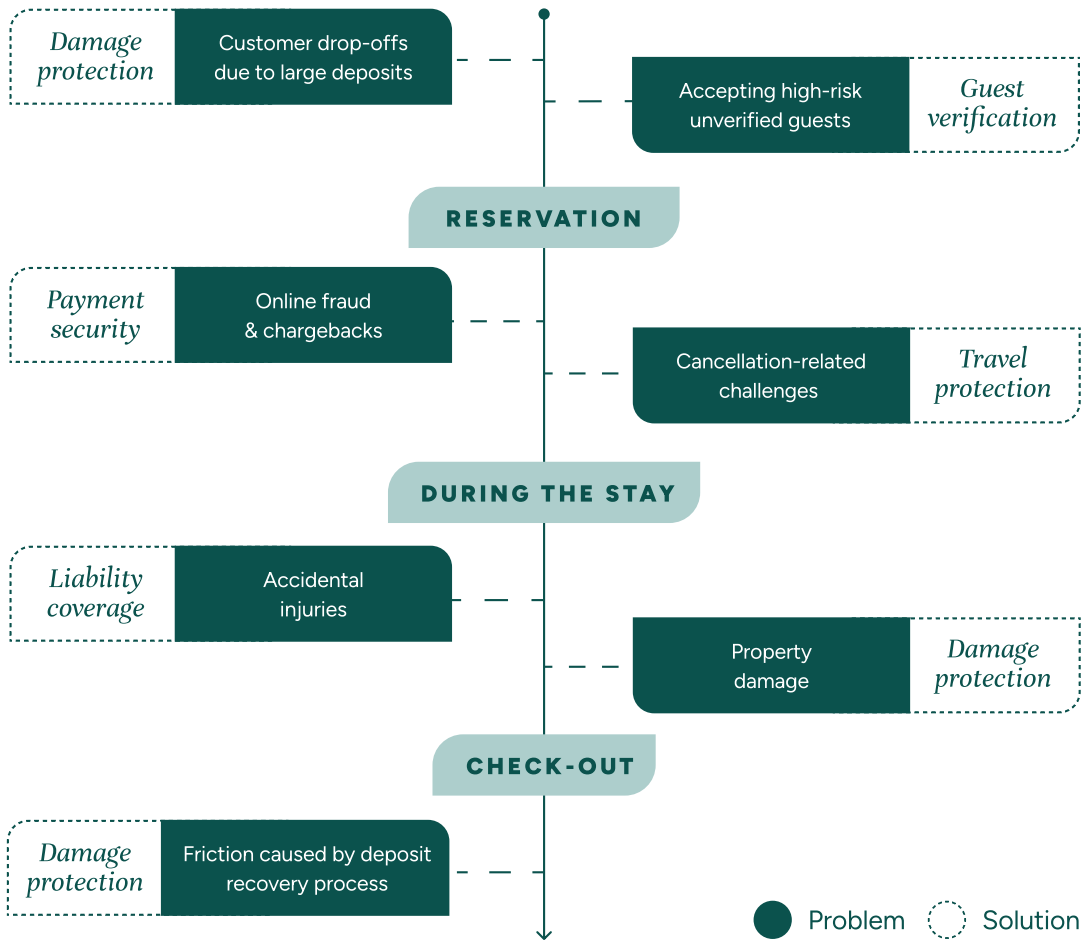
DELIVER BETTER GUEST
EXPERIENCES

05.

CREATE NEW REVENUE
STREAMS THROUGH GUEST
UPSELLS AND PREMIUM
COVERAGE OPTIONS



Let's break down how to construct these protective layers, starting by analyzing the complete guest journey and identifying potential pitfalls and critical security checkpoints at each stage.



While the industry offers sophisticated tools for growing revenue, protecting that revenue requires understanding the distinct risks at each stage of operation. Payment fraud and unverified guests can compromise your entire booking calendar. During stays, accidents or property misuse create liability concerns. And afterward, damage claims and deposit disputes can strain both finances and guest relationships, not to mention your online reputation. Each of these challenges demands specific protective measures.

Now that we've identified these critical risk points, let's examine practical implementation, starting with the reservation stage. Robust payment security and guest screening at this initial touchpoint create the foundation for everything that follows.

Securing the reservation phase

The moment a guest decides to book your property, two critical protection needs emerge: Payment security and guest verification.



ONLINE PAYMENT FRAUD

The rise in online payment fraud is a growing concern not just for accommodation bookings but across the entire eCommerce landscape.

For the travel and hospitality industry alone, fraud contributes to billions in annual chargeback losses. These chargebacks go far beyond direct financial losses; they also lead to lost revenue opportunities, increased administrative burdens, and potential harm to your merchant accounts.

To put it in perspective, for every successful chargeback claim, merchants typically [lose 2.5 times](#) the original transaction amount. This is particularly acute in the high-risk travel sector, where property managers report fraud-related chargebacks as an escalating operational challenge eating into their profit margins. In fact, chargeback fraud cost merchants a staggering [\\$20 billion globally in 2023](#).

While some property owners or management companies might view chargeback disputes as an inevitable fallback rather than investing in fraud prevention, it's important to recognize the true cost: dispute processes are time-consuming, resource-intensive, and expensive. Worse still, [fewer than one-third](#) of chargeback disputes in this industry are resolved in the merchant's favor.



So, what are some of the more common approaches to fraud prevention, and how do they compare?

SYSTEM

BENEFITS / DRAWBACKS

In-house manual review

An internal fraud prevention team directly reviews and assesses individual transactions for fraud risk.

- Provides a personalized approach for complex cases
- Resource-intensive: Requires 24/7 staffing across time zones
- Complex staffing decisions: Need more resources during peak seasons, which becomes costly at slower times
- Requires constant training on evolving fraud trends
- High false decline rates hurt brand reputation and your bottom line
- Difficult to scale as demand grows

Rule-based

Automatically flags potentially fraudulent transactions using predefined criteria (e.g., booking value or IP address). Managed in-house or outsourced.

- A more standardized and faster fraud assessment
- Reduces internal resource demands, especially when outsourced
- Rules require constant updating to keep pace with new fraud patterns
- Complex rule sets can become unwieldy and difficult to maintain
- Struggles to adapt to nuanced booking behavior, leading to false declines and friction

Scoring

Assigns numerical risk values to different transaction characteristics—such as booking lead time or guest location—and combines them into an overall risk score to help identify suspicious bookings.

- Shares benefits with rule-based systems, like faster assessments and reduced manual effort
- Helps prioritize risky transactions
- Faces similar challenges: requires updates, struggles with subtle behavior changes, and can lead to high rates of false declines

Machine-learning

Uses sophisticated artificial intelligence to automatically assess each booking's fraud risk by analyzing hundreds of data points in real-time.

- Provides real-time fraud detection with high accuracy
- Reduces manual review significantly
- Minimal false declines and customer friction
- Continuously improves through data analysis and pattern recognition
- Requires significant investment if built in-house (data scientists, infrastructure, and a large dataset)
- Third-party solutions may add costs and involve complex integration efforts

3D Secure

Prompts customers to verify their identity with their card issuer (e.g., via app or SMS). It can be selectively triggered for high-risk transactions like large orders or activity in risky regions.

- Shifts fraud liability to the card issuer, reducing merchant exposure
- Balances security with convenience by targeting only high-risk activity
- Introduces extra steps that can deter some customers
- Requires integration with other tools for optimal effectiveness

The case for specialized machine-learning solutions

With fraud tactics constantly evolving and booking volumes often unpredictable, combating payment fraud demands cutting-edge solutions. Machine learning leverages advanced algorithms to recognize patterns and adapt to new fraud schemes in real-time.

That said, specialized platforms for the travel industry have a distinct advantage: they continuously learn from millions of hospitality-specific bookings across multiple channels, enabling them to detect sophisticated fraud attempts while minimizing false declines that impact legitimate revenue. When configured by

risk experts using hospitality industry benchmarks and integrated seamlessly into existing payment workflows, these solutions provide holistic protection that scales effortlessly with growth, eliminating the complex staffing decisions, constant rule updates, and resource-intensive manual reviews that burden traditional approaches.

For property managers looking to protect their business while maintaining operational efficiency, specialized ML-driven fraud prevention represents the most effective balance of security and scalability in today's dynamic STR market.

GUEST VERIFICATION

Beyond payment security, protecting your properties requires robust guest verification.

While popular booking platforms provide basic verification services, industry leaders are increasingly adopting comprehensive screening solutions to expand their market reach and strengthen trust with property owners. Just as with payment fraud, preventing unauthorized stays or property damage through proper screening is far more cost-effective than dealing with the aftermath.

Best-practice guest screening encompasses several essential components, starting with thorough document validation as a critical first step.

Top property managers employ systems that perform automated authenticity checks and tampering detection across international IDs, ensuring consistent verification regardless of a guest's origin. Additionally, advanced identity authentication has become standard practice, using real-time techniques that cross-reference multiple data points for more reliable verification, while maintaining privacy compliance. This approach not only protects properties but also streamlines the booking process for legitimate guests.

Key benefits of guest verification include:

01.

OPERATIONAL EFFICIENCY

Automated screening systems reduce manual review time, allowing teams to focus on guest service.

02.

MARKET EXPANSION

Professional verification secures your own site and enables safe expansion beyond traditional booking platforms.



03.

OWNER RELATIONS

Standardized screening protocols demonstrate commitment to property protection.

04.

GUEST EXPERIENCE

Streamlined verification processes meet modern traveler expectations while maintaining security.

Stay protection and incident resolution

Professional property management has evolved beyond basic security deposits and minimal insurance. Successful operations now require two distinct layers of coverage: damage protection for routine guest-caused issues, and liability coverage for more serious incidents that could impact business continuity.



DAMAGE PROTECTION

Damage protection ensures property managers are covered for accidental damage caused by guests such as broken furniture or stained carpets.

According to security and smart home solutions company Vivint, [40% of hosts](#) have had guests damage their rental (on average, \$553 worth of damages per stay).

Traditionally, such risks have been addressed through security deposits, but those may negatively impact booking rates, lead to conflict and confrontation, and are generally not conducive to a harmonious guest experience. Today, property managers are moving toward more guest-friendly solutions, which are also proving more operationally efficient.

Guest preferences

Research shows that [80% of guests](#) prefer paying a small, non-refundable fee over a larger, refundable deposit. This preference reflects shifting traveler expectations, with many seeking convenience and simplicity during the booking process. By aligning with these preferences, property managers can reduce booking friction, improve guest satisfaction, and potentially increase reservation rates.

Operational considerations

Security deposits also pose operational challenges. Collecting, verifying, and refunding deposits can be time consuming and resource intensive. Disputes over refunds further strain resources and can harm guest relationships. Modern damage protection solutions eliminate these inefficiencies by automating claims processing and integrating directly with property management systems. This integration enables swift resolution of damage claims without guest involvement, which is a critical factor in maintaining positive reviews and fostering loyalty.

Financial implications

Accidental damage incidents can range widely in cost. Repairing or replacing damaged furniture and appliances often incurs expenses ranging from hundreds to thousands of dollars. Damage protection solutions mitigate these risks by covering such costs, preserving profitability, and providing stability during peak and off-peak seasons.

Key benefits of damage protection include:

- Enhancing the guest experience by eliminating deposit-related friction, boosting booking conversion rates
- Improving operational efficiency by automating claims processing, reducing administrative burdens
- Ensuring consistency regardless of where the reservation originates by offering comprehensive coverage that protects property managers across all booking channels
- Minimizing financial losses through the ability to quickly resolve claims
- Preventing guest disputes to help maintain positive interactions and reviews
- Driving additional revenue through higher booking conversion rates and the ability to offer tailored upsell opportunities

By adopting damage protection measures, property managers can align with guest expectations, streamline operations, and safeguard their revenue, all while providing a seamless experience.



LIABILITY COVERAGE

While damage protection addresses routine incidents, liability coverage safeguards against more significant risks, such as guest injuries or major property damage. These events, though less frequent, can carry devastating financial and legal consequences.

Guest injury claims can result in costly medical expenses and legal fees. According to data from our industry partners, the average payment for liability incident claims in STRs is estimated to be between \$2,000 and \$5,000. However, claims can also exceed tens of thousands of dollars; for instance those related to slip-and-fall injuries (the most common type of liability claim in STRs). Incidents involving neighboring properties—such as water leaks or fire damage—can also lead to significant liability. Without proper coverage, these situations may severely impact a property manager’s financial stability.

Despite the risks, many property managers operate without adequate liability coverage, exposing themselves to potential financial ruin. Comprehensive liability policies designed specifically for short-term rentals offer protection tailored to the industry's unique risks.

A good liability policy should include:

Guest injury protection

Covers medical expenses and legal liabilities for accidents on the property.

Property damage

Addresses major incidents, such as fires or flooding, that could disrupt business.

Third-party impact

Extends coverage to damages affecting neighboring properties.

Streamlined claims

Simplifies the process, reducing business disruption.



TRAVEL INSURANCE

Travel insurance might not initially seem like a priority, and at first glance appears to protect only the guest by covering disruptions that affect their trip. However, travel insurance is a vital business tool for STR operators. When guests have coverage for trip disruptions, they turn to their insurance provider rather than requesting exceptions to your cancellation policies. This not only protects your revenue but also minimizes operational strain so your team can focus on property management and guest services instead of handling refund requests. Beyond these operational benefits, travel insurance creates an additional revenue stream through commissions while building guest trust, boosting both satisfaction and profits.

The effectiveness of travel insurance programs varies based on several factors. Conversion rates tend to be higher for advance bookings and in destinations with seasonal risks, such as coastal areas during hurricane season or mountain resorts during ski season. Strategic presentation of insurance options during booking, including both standard and Cancel For Any Reason coverage, followed by targeted messaging, can drive significant adoption, reaching up to 50% in high-risk destinations.

To ensure your guests get the most value, focus on plans with these features

01.

EXTENSIVE COVERAGE

The policy should cover a range of disruptions, such as illness, severe weather, evacuations, and unique situations like jury duty or school-year extensions.

02.

TRANSPARENT TERMS

Clear explanations of coverage and exclusions help avoid confusion and build confidence in the policy.

03.

FLEXIBLE PURCHASE WINDOWS

Options to buy at booking, or shortly after, accommodate different guest preferences.

04.

DEDICATED SUPPORT

A responsive claims team and customer service ensure guests feel supported during disruptions.

05.

EASE OF INTEGRATION

A policy that integrates with your property management system simplifies the booking process and claims handling for both you and your guests.



Offering travel insurance is a win-win:

Guests gain peace of mind while you generate commission revenue and strengthen your service offering. This approach helps ensure consistent income even when unexpected events arise, while demonstrating your commitment to guest satisfaction.

KEY TAKEAWAYS

Implement end-to-end protection

Protection across all stages of the guest journey—from reservation to checkout—ensures sustainable growth, minimizes risks, and enhances operational efficiency.

Establish robust fraud prevention

Investing in advanced payment security, such as machine-learning fraud detection, reduces chargebacks and protects revenue while maintaining a seamless booking experience.

Make guest verification a standard practice

Effective guest screening, including document validation and identity authentication, prevents unauthorized stays and property damage, supporting safe market expansion.

Move beyond security deposits

Modern damage protection solutions align with guest preferences, reduce administrative overhead, and provide consistent coverage across all booking channels.

Prepare for major risks with liability coverage

Investing in advanced payment security, such as machine-learning fraud detection and 3D Secure, reduces chargebacks and protects revenue while maintaining a seamless booking experience.

Upsell travel insurance

Offering integrated travel insurance adds value for guests, generates additional revenue, and reduces refund-related pressures, particularly during cancellations.

Risk management isn't just about avoiding losses, it's about creating a foundation for long-term success. Addressing threats like payment fraud, guest-caused damage, and liability incidents requires a proactive, well-rounded strategy.

By leveraging advanced technologies such as machine learning, and securing robust damage protection and liability coverage, property managers can mitigate these risks while enhancing guest satisfaction. Each layer of protection strengthens your ability to scale confidently, build trust with property owners and guests, and safeguard your business.



Ready to strengthen your protection strategy?

[Contact Guesty](#) to learn how our comprehensive suite of solutions can help safeguard your business at every step.



ABOUT GUESTY

Guesty is the ultimate all-in-one property management solution, automating and optimizing operations for short-term rental professionals. Developed by a team of 250+ engineers and product experts, our technology streamlines processes, drives growth, and enhances guest experiences. With a comprehensive suite of features and partnerships with 150+ sector leaders, including major platforms like Airbnb and Booking.com, Guesty serves diverse hospitality ventures. Dedicated to transforming the industry with effective solutions, our 800+ team members work across 15 global offices. To learn more about how we can support your business, visit [guesty.com](https://www.guesty.com).