



Renters Insurance

Suppose you came home from work to find your apartment had been broken into and your TV stolen. Or suppose there was a fire in your kitchen. You can't assume your landlord will pay for the damage.

With renters insurance, you'll be able to replace what's damaged or stolen.

Renters insurance covers your possessions against losses from fire or smoke, lightning, vandalism, theft, explosion, windstorm, and water damage from plumbing.

However, renters insurance does not cover floods, earthquakes or routine wear and tear. You can, however, buy separate policies for flood and earthquake damage.

If you're forced out of your home because of a disaster your additional living expenses will be covered.

Renters insurance pays the reasonable additional costs of temporarily living away from your home if you can't live in it due to a fire, severe storm or other insured disaster. It covers hotel bills, temporary rentals, restaurant meals and other living expenses incurred while your home is being rebuilt. Coverage for additional living expenses differs from company to company.

Renters insurance also covers your responsibility to other people injured at your home or elsewhere by you, a family member or your pet and pays legal defense costs if you are taken to court.

How to Buy Renters Insurance

Renters insurance is a form of homeowners insurance and the same rules apply when you shop for it. Ask your friends, check the Yellow Pages or call your state insurance department. (Phone numbers and Web sites are on the inside back cover of this brochure.) The National Association of Insurance Commissioners (www.naic.org) has information to help you choose an insurer in your state. Also check consumer guides, insurance agents, insurance companies and online insurance quote services. Talk to a number of insurers to get a feeling for the type of service they give. Check the financial stability of the companies you are considering with rating companies such as A.M. Best (www.ambest.com) and Standard & Poor's (www.standardandpoors.com/ratings) and consult consumer magazines.

Decide How Much Insurance You Need.

Add up the cost of everything you would want to replace if it were damaged or stolen. This could also serve as the basis for an inventory that will make filing a claim easier. For an inventory, also record model numbers, dates and places of purchase. Take photographs or make a video of these items and place a copy of the inventory in safe place away from your home.

Check with an insurance company or agent about the following.

Theft Limits -- Most renters policies have a \$2,000 total limit on jewelry that is stolen. Ask for a list of standard coverage limits so you know whether you'll need to get additional coverage for some of your belongings. For expensive jewelry, collections and art work you may want to buy a "floater," which provides higher limits and broader coverage than those included in your basic policy. There is also no deductible in a floater.

Home businesses -- If you work out of your home you may need a special policy to cover expensive equipment and extra liability coverage if you receive clients in your home. If this is a major source of income, you may also need professional liability and business interruption insurance. Talk to your insurer about getting a business owners policy (BOP).

Cash Value or Replacement Cost -- There are two types of renters policies. Cash value coverage takes into account the age and condition of items at the time of damage or loss. You would be reimbursed for the value of the item minus depreciation. Replacement value pays the cost of buying an item of similar kind or quality today. The price of replacement cost coverage is about 10 percent more but is well worth the extra cost.

Deductibles -- A deductible is your out-of-pocket cost before the insurance pays. The higher the deductible, the less you will pay in premiums. However, make sure you have enough money to cover the deductible, if you have a loss.

Discounts -- Insurance companies frequently offer discounts on renters insurance if you have another policy with them for your car or business. You can also get discounts if your apartment has a security system, smoke detectors, or deadbolt locks. More discounts might be available depending on your age or whether you're a nonsmoker.

Review Your Policy When You First Get it.

An insurance policy is a contract between you and your insurance company. Read it carefully. If you have questions or if something is unclear, call your insurance company representative.

Don't Forget to Modify Your Policy in the Event of a Major Change in Your Life.

If you are getting married or divorced, call your insurance agent. You may need to change the names on the policy. If you make a major purchase such as a diamond engagement ring you may need to increase your coverage limits.

Common Questions

Q. Is my bike covered by renters insurance?

A. Your bike and other recreational or sports equipment are covered. There are also special policies you can buy for very expensive sports equipment.

Q. Is my car covered?

A. Vehicles aren't covered by renters insurance. You need to get a separate auto insurance policy to drive legally and protect your car, van or motorcycle.

Q. Is my property covered away from home?

A. Yes, but the extent varies. Some companies extend coverage to your belongings anywhere in the world. Some limit it to 10 percent of the total policy value. Property stolen from a locked vehicle including the car trunk is also covered. Ask your insurance agent for details.

Q. As a student, am I covered by my parents' policy?

A. Yes, if you're a college student and part of your parents' household. Their homeowners or renters insurance provides coverage in the dorm. If you live off campus, you'll need your own renters policy. Policies can vary, so speak to your insurer about this.

Q. Can I purchase a renters policy with my roommate or domestic partner?

A. It depends. Regulations differ from state to state, and policies might also differ from company to company. Find out what regulations apply in your state. Some insurance companies allow unmarried couples who have been living together to obtain joint coverage, rather than two separate policies. But a domestic partner is usually not automatically insured like a husband or wife under the partner's policy. He or she must be specifically named.

Q. What happens if something I have rented or borrowed is stolen?

A. Items that are "in your possession" are covered under a standard renter's policy, whether they are things that you've bought, received as gifts or rented.

Q. How do I file a claim?

A. As soon as you become aware of a loss, note the date, time of day and list of goods stolen or damaged. In case of a theft, call the police as soon as possible. Then, contact your insurance company or agent to report the loss and get the appropriate claims form. Written and documented reports of losses are especially important when theft is involved. You can always amend a claim, but it will take longer to settle. If you feel your insurer hasn't given you satisfaction, your state insurance department or local consumer protection office can answer questions about making a complaint.

Glossary of Insurance Terms:

Actual Cash Value: Insurance under which the policyholder receives compensation equal to the cost of replacing damaged or stolen property minus an amount for depreciation for age and use. For example: A tree falls through your roof destroying your eight-year-old sofa that cost \$1,200 when it was new, but is now only worth \$400. With an actual cash value policy, you will receive \$400.

Agent: Insurance salesperson. (a) An independent agent does not work directly for an insurance company and sells the policies of more than one insurer; (b) An exclusive agent works for one insurance company and only sells its policies.

Claim: Policyholder's request for payment by an insurer for a loss covered by a policy.

Conditions: Part of an insurance policy that states your obligations and those of your insurance company that must be followed for the policy to be in effect.

Deductible: Amount you pay out of pocket per claim or per accident. This amount is subtracted from the total amount paid by your insurer. If the claim is for \$500 and your deductible is \$100, you pay \$100 and your company will pay \$400.

Depreciation: Reduction in the value of property due to age and use.

Domestic Partners: Term used to describe unmarried couples living together.

Endorsement: Attachment to a policy which adds to or changes the contract's original terms.

Floater: Additional coverage for items not included in the basic policy such as expensive jewelry or antiques.

Insurance Department: Agency that enforces rules for the insurance business in each state. A valuable source of information about all types of insurance. The department also handles consumer inquiries and complaints.

Inventory: List of your possessions with description, serial numbers when appropriate, and information on when and where purchased.

Liability Coverage: Insurance which pays the losses of other people to whom you unintentionally or through negligence cause injury. (a) Bodily injury liability coverage pays medical costs of others and your legal defense costs if you physically harm someone; (b) Property damage liability coverage pays claims against you if you damage someone else's property.

Negligence: Failure to exercise a generally accepted level of care and caution.

Peril: Cause of loss. (Examples: fire, theft.)

Personal Property Insurance: Protects against the loss of, or damage to, possessions caused by specific perils.

Policy Period: Amount of time an insurance policy is in force.

Premium: Amount you pay for insurance coverage.

Policyholder: Person who buys insurance.

Proof Of Loss: Documents you give to the insurer to support your request for payment of a claim. The company uses these documents to determine whether and how much it will pay. (Examples include written repair estimates and police reports.)

Replacement Costs: Cost to replace property with items of like kind and quality without regard to age or condition of the original item.

Theft Limit: Highest amount an insurance company will pay on certain items that are stolen from your home. For instance, some policies have a \$5,000 limit for computers. If your computer is worth more and you want to cover it for its full value, you need to purchase a floater (see glossary above).

For more information, call the National Insurance Consumer Helpline (NICH) at 1-800-942-4242

Reviewed by:

Consumer Federation of America, www.consumerfed.org
National Consumers League, www.nclnet.org/