

The Importance of Renters Insurance

At some point in your life, whether you are entering college or recently graduated, between homes, or temporarily living in a new city, you may need to rent a house or an apartment. With the many freedoms that come with renting, as opposed to owning, there is also the reality that if something goes wrong, your landlord's insurance will only cover the costs of repairing the building—not replacing your possessions. So, you may want to consider renters insurance to help protect yourself and your belongings.

Renters insurance typically includes coverage for personal possessions, liability protection, and additional living expenses (in excess of your normal living expenses) if you can't return to your home immediately. When determining the appropriate amount of coverage for your particular situation, consider the questions below.

Personal Possessions

How much insurance do I need? In order to answer this, estimate the value of your possessions. To do so, first create an inventory of what you own. Include items such as furniture, clothing, electronics, appliances, paintings, kitchen items, and linens, and note the value of each. Having an inventory will also make filing a claim faster, if you need to do so. The Insurance Information Institute offers free inventory software at www.knowyourstuff.org, if you need a template to get started.

Do I need replacement cost or actual cash value coverage? An actual cash value policy covers the replacement value of your belongings minus a depreciation deduction. A replacement cost policy, although about 10% more expensive than actual cash value coverage, pays the cost of replacing your belongings regardless of item depreciation. Replacement coverage can be worth the extra cost when you factor in depreciation.

What is covered? Renters insurance covers losses from fire, smoke, lightning, vandalism, theft, explosions, wind storms, and certain types of water damage. Most renters policies do not cover floods, mudslides, or earthquakes. For these exclusions, coverage is available at an additional cost.

What is a deductible? A deductible is the amount of money that you pay out-of-pocket before your insurance coverage begins. Deductibles are a specific dollar amount, typically \$500, \$1,000, or \$2,000. If you have a large deductible, you will have a lower premium or monthly insurance policy payment. Note: you pay a deductible each time you file a claim.

What is a “floater”? A floater is a separate policy that provides additional insurance coverage for your valuables—such as expensive jewelry, furs, musical instruments, sports equipment, or other collectibles—if they are stolen, damaged, or lost. In most policies, these items would only be covered for a limited dollar amount.

Liability Protection

What if someone sues me? Renters insurance covers you against lawsuits for bodily injury or property damage done by you, your family, or your pets. The coverage pays for the cost of your defense and court awards, up to the policy limit. Most standard policies cover at least \$100,000 of liability, but you can buy additional amounts.

You also have no-fault medical coverage as part of the liability protection. Someone who gets injured on your property can submit his or her medical bills—typically of up to \$5,000—directly to your insurance company

Do I need an umbrella policy? If you require more coverage than an average renters policy provides, you may want to consider a personal umbrella liability policy. The umbrella policy starts when you reach the limit on your renters policy and will also cover you for libel, slander, and the use of automobiles.

Additional Living Expense Coverage

Will I be covered if I can't live in my home after a disaster? If your home is devastated by a covered disaster, your renters insurance will provide additional living expense (ALE) coverage. ALE coverage pays for the portion of bills in excess of your normal living expenses that is associated with hotels, meals, and other expenses you incur while your home is being repaired. There are limits on the coverage, so it is important to be aware of them.

Other Considerations

Do I need supplemental coverage for my home business? A typical renters policy only covers \$2,500 for business equipment. Remember, you may also need coverage for lost income. So, it is important to research alternative coverage options.

Am I covered if I am traveling? Most renters policies have off-premises coverage. For example, property stolen from your car would be covered. However, there may be a limit to the amount your policy will reimburse you for off-premises theft: many policies limit coverage to 10% of their coverage on your personal possessions.

Discounts. You may qualify for discounts on renters insurance if you use an alarm system, smoke detectors, and deadbolt locks; you may also receive a discount if you have good credit, if you have multiple policies with one company, or you are over 55 years old.

In this ever-changing world, feeling safe is priceless. Renters insurance provides a level of security for you in knowing that your possessions are protected. Please call us for more information. We can help you find the coverage that best suits your needs.

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