

Why Should I Buy Renters Insurance?

Rental Insurance is one of the last things most renters think about when faced with moving. However, you really should consider it. Most renters do not realize that if there is a problem in their home, they are not covered by the landlord's insurance. Fire, theft, hurricanes, roof and plumbing leaks and many other occurrences can damage your personal property. Therefore, to protect yourself and your valuables, renters are encouraged to obtain renters insurance. Below we have outlined what you need to know before you get started.

What is Renter's Insurance?

Renters insurance is an insurance policy that protects you from a variety of perils that might occur to those who rent. Most policies cover the following losses:

- Windstorm or hail
- Fire or lightning
- Explosion
- Riot or civil commotion
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Damage by glass or safety-glazing material that is part of a building
- Volcanic eruption
- Falling objects
- Weight of ice, snow, or sleet
- Water-related damage from home utilities
- Electrical surge damage

If you live in an area where flooding, hurricanes or earthquakes are a possibility you will probably need to purchase a separate policy or a rider in order to protect yourself against these threats.

What do I get for my money?

To begin, you need to decide how much coverage you need. This varies and will depend on your location. Typically, you can purchase a policy that covers at least \$15,000 in personal belongings and several hundred thousand in liability for a couple hundred dollars a year.

The next major consideration is the type of policy you are being offered: ACV (actual cash value) or replacement cost. ACV coverage will only pay you for what your belongings were worth at the time they were stolen or damaged. If you purchased a new television when you moved in for \$1500 and it was stolen a year later, you would only receive what the television was worth when it was stolen, not the price you purchased it for. You will pay higher premiums with replacement cost coverage, however, if something happens, you will be paid the amount that it will actually cost to replace your items.

You'll also need to let your insurer know of any particularly valuable items you own, like a piece of jewelry or expensive electronic equipment. If you purchase a separate rider for these items, they will be covered individually. Most policies do include liability coverage that will cover the costs for any injury to yourself or visitors to your home. Policies can also include special provisions (i.e. waterbed liability that covers any water damage resulting from a broken bed). If you have something like this in your home, double check your policy to make sure it is detailed within.

If you or your home owner has installed smoke detectors, fire extinguishers or burglar alarms, you may be eligible for a discount. If so make sure to mention these when you are purchasing a policy.

Another important provision included in most policies is coverage for additional living expenses. This means that your insurer will cover your living expenses in another location, if your home becomes unlivable. The typical limit is 30 to 50 percent of the total value of the policy. You will be limited to what your company considers a reasonable length of time for rebuilding or relocating, often twelve months.

What do I need to do to protect myself?

After you move in, take inventory of all the items in your home. Insurers state that most people underestimate the value of their possessions and therefore don't have enough personal property coverage. Experts recommend making an inventory of each item including its value and serial number. You should also photograph or videotape each room and be sure all the items of value are clearly visible. If you make any major purchases, keep the receipts. Be sure to store all the documentation in a fireproof box, on a digital file with online access or in a bank safety deposit box so that your proof is not destroyed in the event of a fire or natural disaster. If you own a dog, be careful—some breeds are often not covered by insurers.

Remember, that like other types of insurance, your premium depends on factors like where you live, your company, your deductible and any additional coverage you purchase. If you want to pay less for your policy, consider choosing a higher deductible. This is the amount you have to pay if you do have to use your policy. For example, if you have a kitchen fire, you may have to pay a \$1,000 deductible before your insurance company will pay up for additional damages. Renters insurance is one of the most overlooked types of policies. However, those who have had to use it know its value. Buying a policy insures not only your belongings, but also gives you peace of mind—and that's something hard to put a premium on.