

RENTERS' INSURANCE

Most tenants do not realize the importance of renters' insurance until it is too late.

Many tenants believe that their landlord's insurance will cover their losses in the event of an emergency, such as flooding, fire, or burglary, but this is hardly ever the case. Landlord's insurance only covers structural damage, and provides protection against claims of negligence. The landlord may also have a substantial deductible, so a tenant who negligently damages a landlord's property may be required to cover the deductible. In addition, the landlord's insurance company can also sue the tenant for damages should the tenant be proven negligent.

A tenant needs to be aware that standard renters' insurance policies cover structural damage to the tenant's apartment caused by fire, smoke, and explosion, but do not cover damage done to the apartment that is normally covered by a security deposit. Damage that is normally covered by a security deposit includes stains on wall-to-wall carpeting, damage to appliances, etc. Liability for damage to other apartments, such as water damage, and to other tenants' property will, however, be covered by most policies.

Most commercial insurance companies offer renters' policies that protect furniture, household contents and personal belongings against fire, vandalism, theft, water damage, etc., as well as the costs of living elsewhere while repairs are being made. Any valuable items, such as jewelry, may require a special rider. You should ask your agent exactly what is covered in your policy. (Coverage for storm sewer back-ups is optional coverage, and requires an additional fee.) Renters' policies also provide personal liability coverage for medical payments to others, costs of defending lawsuits, etc.

A tenant should carefully list and describe all personal property and the cost of those items. Receipts should be kept as proof of these costs. If possible, photographs and/or videotapes of property also provide valuable documentation. Such documentations should be stored outside of the apartment in a safe place.

Make sure to note the difference between Actual Cash Value and Replacement Cost Policies when selecting a rental insurance provider. Actual cash value coverage provides coverage based on the current market value of your property. This takes into account depreciation and other mitigating factors and does NOT correspond with the cost of replacing an item with a similar new item. For example, a compact disc originally purchased new for \$17 may be valued at only \$5-6 two years later. After those two years, your actual cash value coverage provides you with that \$5 or \$6, not the \$17 original purchase price.

Replacement cost coverage provides coverage based on the amount needed to replace your item with a close replica. Using the same example of the compact disc, replacement value coverage provides you with the \$17 needed to buy a replacement CD, assuming that the current price for an identical CD is \$17.

Tenants should compare several policies and choose the one that best suits their needs. A reasonable basic policy can be obtained for \$150-200 per year.