

Renter's Insurance

Most people have insurance to cover the loss or damage of major assets such as a car or home. But if you rent your home, chances are that a substantial asset of yours is left unprotected – your personal possessions.

Most people own a laptop or desktop computer, clothes, a bicycle, cell phone, a stereo, furniture, and a maybe collection of expensive textbooks. These assets may have been accumulated over a period of years and may not seem to be worth very much. But have you ever thought about how much it would cost to replace your possessions if they were lost or stolen?

Renter's insurance is designed to cover the replacement cost of your personal possessions in the event of fire, theft, vandalism, flood or just about any other damaging event. Renter's policies may also cover additional living expenses in the event your apartment becomes unlivable and even your personal liability in the event someone is hurt while in your home. And compared with the cost of insuring a car or home, renter's insurance is relatively cheap – between \$100 and \$200 per year for approximately \$20,000 in coverage for personal possessions and for \$100,000 or more in liability protection.

Choosing a Policy

Before purchasing a policy, make sure you understand the options that affect your cost and coverage:

- ▶ **Policy Value** – There's no need to buy coverage worth more than the value of your possessions.
- ▶ **Deductible Amount** – A deductible is the amount you must pay in the event of a loss before the insurance company begins to pay.
- ▶ **Actual Cash Value vs. Replacement Cost** – In the event of a loss, an insurance company will either pay you the *cash value* of your possession or the entire *replacement cost*, depending on your policy. For example, if your entire wardrobe was destroyed, the actual cash value would be the value of a closet full of used clothes – far less than the replacement cost. Since a replacement cost policy is typically not much more expensive than an actual cash value policy, a policy that covers full replacement cost may be the best value.



- ▶ **Exclusions and Limits** – If you live in a flood-prone area, you will likely need separate coverage for that type of water damage. Some policies also limit the amount they will reimburse you for certain categories of possessions, such as electronics or computers. Make sure any limitations do not affect your coverage, and be sure to purchase additional insurance if they do.

Cataloging Your Possessions

In addition to purchasing renter's insurance, you will also need to take a comprehensive inventory of your possessions. Your inventory list will be needed to substantiate your claim in the event of a loss.

An inventory typically consists of a written list and photos or videos of the actual items in your home. We also recommend creating a written list as well. A great online resource to help is KnowYourStuff.org.

Finding Your Policy

Renter's insurance policies may be purchased through most independent insurance agents, from direct-to-consumer insurers, or you can get multiple quotes from companies such as InsWeb.com or NetQuote.com. Many insurance companies also offer discounts for customers who bundle multiple policies together – for example, a discount may be available if you buy a renter's policy from the same company that insures your car.

Be sure to comparison shop and understand the specific exclusions and limits of each policy.