



# Why Tenants Need to Get Renter's Insurance

People often think that they are invincible like Superman. It always seems like the tragedies hit someone else, and that nothing bad will ever happen close to home. Unfortunately, we are all vulnerable to natural disasters, thefts and accidents. For this reason, it is important for people to protect themselves and their belongings with insurance whenever possible.

## About Renter's Insurance

Homeowners are typically required to insure their homes, but renters are not. Because landlords typically purchase insurance to cover the buildings they manage, many tenants believe that renter's insurance is an unnecessary luxury. However, the landlord's policy covers only the building's structure. It will not reimburse renters for any of their personal losses. If renters wish to protect their belongings from damage and loss, they must purchase their own renter's insurance policies.

## Benefits of Renter's Insurance

Few people realize exactly how much it would cost to replace all of their personal items. For example, many college age students, who are least likely to purchase renter's insurance, own at least \$10,000 worth of personal belongings that are kept in their apartment or condo. Even those who do realize the worth of their possessions sometimes avoid the purchase of renter's insurance because they think it is too expensive.

Contrary to popular belief, however, renter's insurance isn't very costly. Recent surveys have shown that many people estimate the cost of renter's insurance to be as much as 15 times more than it actually is. In the Bay Area, for example, a basic insurance policy can cost as little as \$100 for an entire year of coverage. For this small annual fee, tenants can rest assured that their belongings are protected from damage and loss.

In addition, because a landlord's policy covers only the building's most basic structure, tenants are often held responsible for damage that occurs on the inside of the building. For example, if a fire breaks out inside a tenant's apartment, the landlord may require the tenant to repair the damages. If the tenant has renter's insurance, he can receive reimbursement for the repairs he makes. Conversely, tenants

without renter's insurance must make the repairs with their own funds. Not only will the tenant lose all of his own property, but he can also be forced to pay for the landlord's losses.

Renter's insurance can also protect tenants against thefts, which are much more likely to occur in apartment buildings and condominiums than in homes. In fact, renters are 50 percent more likely to become victims of theft than people who own their homes, according to the Bureau of Justice Statistics. Items stolen tend to be expensive, such as electronics or jewelry. If the thief isn't caught and the tenant has no renter's insurance, he simply loses the money he had invested in the missing items. An inexpensive renter's insurance policy, on the other hand, would pay to replace these items.

### **Choosing a Policy**

Not all renter's insurance policies are created equal and tenants should shop around before making a decision. Key considerations include the policy's price, deductible, the maximum payout and whether the policy covers an item's actual cash value or its replacement cost. In general, it's best to purchase an affordable policy with a low deductible that covers the cost of replacing lost belongings.