

You come home one day and discover that your apartment has been gutted by a fire. All of your possessions are destroyed. Your landlord's homeowners insurance policy will cover your loss, right? Wrong. Many renters, believing they are covered by their landlord's policy, fail to purchase their own insurance and only discover the truth once it is too late. Unless the damage is the result of the landlord's negligence (such as your place being burglarized after the landlord ignored your repeated request to fix a broken window), landlords' insurance policies typically only cover the physical structure of the building, not tenants' personal property. To protect yourself, you need renters insurance.

## What is renters insurance?

Renters insurance is just like homeowners insurance – only it is for renters. If your property is destroyed, you get money to replace it. You may feel that your ratty old futon and television are not worth much, but if you add up the value of everything you have, it is probably worth at least a few thousand dollars. However, even if the value of your personal property only totals a few hundred dollars, renters insurance could still be beneficial. It may only cost you \$200 to replace your futon, but your personal liability is virtually limitless. A friend could trip on your rug and sue you for \$100,000. Or your barbecue could get out of hand and destroy your neighbor's apartment. If you have renters insurance, your insurance company will cover at least some of your costs.

Another benefit of renters insurance is that you do not have to worry about collecting money from someone else if they cause the damage to your apartment. Let's say your apartment flooded after your upstairs neighbor left the shower on all day. Legally, he is responsible for the losses you incurred, but that does not mean he will be willing to pay you. If you do not have renters insurance, you may have to hound him to pony up. However, if you do have renters insurance, all you have to do is file a claim with the insurance company. They will pay you (not only for the damaged property but also costs incurred for alternative accommodations if your apartment was temporarily uninhabitable) and then seek reimbursement from your neighbor.

## Getting proper coverage

In order for renters insurance to be useful, you need

to have the proper level of coverage. You probably do not want a policy with a \$15,000 personal property coverage limit if your property is worth \$30,000. Nor does it make sense to have a \$45,000 policy since you will have to pay higher premiums. (However, many insurers will not issue policies with less than a \$30,000 limit, so having extra coverage may be unavoidable if your possessions are worth less than that.) To know the right amount of coverage to get, total up the cost of everything you have. Making a written inventory can not only help you determine what level of coverage to get, but it will also come in handy if you ever need to submit a claim and detail what was destroyed.

Determining your level of coverage is the primary decision that needs to be made with a standard renters insurance policy, but depending on your situation, a standard policy may not be enough to meet your needs. There are many extras you can get (for an additional cost, of course), including:

- **Full replacement cost coverage.** Standard insurance policies pay you the actual cash value of your loss – the price you paid minus depreciation. However, even though your television may only be worth \$300, it could cost \$1,000 to buy a new one. That is why many people buy replacement cost coverage, which compensates you for what it actually costs to replace damaged items.
- **Personal property endorsement.** Standard insurance policies limit the amount they will pay out for specific items, like jewelry, artwork, and other collectibles. If you have, for example, a \$500,000 Van Gogh painting, you may want to get additional coverage through a personal property endorsement.
- **Flood or earthquake insurance.** Standard homeowners and renters insurance policies do not coverage damages that result from floods or earthquakes. If you are in a flood or earthquake zone, you may want to purchase an additional policy.

Perhaps the best part of renters' insurance? It is dirt cheap, usually costing no more than a few hundred dollars a year. Why not give yourself peace of mind for something that costs less than a daily cup of coffee?