

# Renters Insurance

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## The Importance of Renters Insurance

If you live in a rental home or apartment, chances are you don't have the proper insurance. Despite the fact that rented homes are more likely to be burglarized than owner-occupied properties, nearly 60 percent of renters don't have a renters policy.

Why does it matter?

"If you rent a house or apartment and think that your landlord is financially responsible when there is a fire, theft or other catastrophe—think again," warns the Insurance Information Institute\*. "Your landlord may have insurance to protect the building you are living in. But your landlord's policy won't replace your personal possessions or pay for your living expenses while the building is being repaired. The only way to protect yourself financially against disasters is to buy a renters insurance policy." Renters insurance covers your possessions, liability and additional living expenses. Let's take a look at these three types of protection:

### Possessions

Standard renters insurance protects your personal belongings against damage from fire, smoke, lightning, vandalism, theft, explosion, windstorm, water and other disasters listed in the policy. Floods and earthquakes are not covered.

To decide how much insurance to buy, you need to know the value of all your personal possessions—including furniture, clothing, electronics, appliances, kitchen utensils and even towels and bedding. The easiest way to figure this out is to create a home inventory, a detailed list of all of your personal possessions and their estimated value.

There are two types of renters insurance policies for your possessions:

- **Actual Cash Value** pays to replace your possessions minus an amount for depreciation (the reduction in the value of items due to age and use) up to the limit of your policy.
- **Replacement Cost** pays the full cost of replacing your possessions (with no deduction for depreciation), up to the limit of your policy. The price of Replacement Cost coverage is about 10 percent more than Actual Cash Value coverage, but can be well worth the additional cost.

Note that a standard renters policy offers only limited coverage for items such as jewelry, silver, furs, etc. If you own property that exceeds these limits, it is recommended that you supplement your policy with a floater. A floater is a separate policy that provides additional insurance for your valuables and covers them for perils not included in your policy such as accidental loss.

### Liability

Standard renters insurance policies also provide liability protection in the event you or members of your family cause injury to others or damage their property. It also pays for damage your pets cause. If you are sued, the liability portion of a renters policy may pay for both the cost of defending you in court and for court awards, up to the limit of the policy. Liability limits generally start at about \$100,000. Your policy may also provide *No-Fault Medical* coverage. If visitors are injured in your home, regardless of fault, you can submit their medical bills directly to your insurance company. You can generally get

\$1,000 to \$5,000 worth of this coverage. It does not however, pay medical bills for your own family or your pets.

### **Additional Living Expenses**

Many people are pleasantly surprised to learn that *Additional Living Expense (ALE)* coverage is typically included in a renters insurance policy. If the home or apartment you are renting is damaged or destroyed and you need to live elsewhere while it is being repaired or rebuilt, renters insurance will cover your additional living expenses—namely the difference between your regular living expenses and the additional costs incurred by having to live away from your home, such as hotel bills, temporary rentals, restaurant meals, etc.

Need help deciding what coverage is best for you? Contact us today!

\*Insurance Information Institute, September 30, 2009

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