

6 Myths about Renter's Insurance – and How to Save

You might rent an apartment, but chances are you own the expensive stuff inside the apartment. Who will replace it all if something happens? Hint: Not your landlord.

By [Michael Koretzky](#) | Jul 04, 2011



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Wildfires in Arizona and Nevada, flooding along the Missouri River, and hurricane season throughout the southern United States. Times like these, homeowners fret about the insurance on their most expensive possession.

And renters? They shouldn't be smug. Or uninsured. A natural disaster – or even a kitchen fire or broken pipe in an adjacent apartment – can wipe out everything they own too. That's why there's renter's insurance. And in most circumstances, you should get it.

More than 81 million Americans rent – and according to this study (http://www.iiaba.net/na/02_News/02_PressRelease/NA20030819124343?ContentPreference=NA&ActiveState=0&ContentLevel1=NEWS&ContentLevel2=NEWSPRESS&ContentLevel3=&ActiveTab=NA&StartRow=0) done several years ago, 50 million of them don't have renters insurance. Why? Maybe they believe one of these myths...

1. Like homeowner's insurance, it's expensive

Renter's insurance is much cheaper than homeowner's insurance. As we wrote in [5 Tips to Save on Rent](http://www.moneytalksnews.com/2010/10/14/for-rent-5-ways-to-save/) (<http://www.moneytalksnews.com/2010/10/14/for-rent-5-ways-to-save/>), "You can typically get \$30,000 of personal property coverage – against theft, fire, and natural disasters – for \$150 to \$300 a year." And some estimates are even lower. According to the Independent Insurance Agents and Brokers of America, the average cost is only \$12 per month, or \$144 per year, for \$30,000 of property coverage and \$100,000 of liability coverage.

That's a fraction of what homeowners pay. According to website HomeInsurance.com, the average annual cost of homeowners coverage in the United States is \$727. (You can see an interactive map with the average cost in each state here (<http://homeinsurance.com/rates-in-your-state/>).

Why the difference? Because homeowners are insuring the cost of the building, while renters are just insuring the cost of the stuff *inside* the building.

"[Renters] are not responsible for the building in which they live, but they are most certainly responsible for their own belongings," explains the Renter's Insurance Online Guide (<http://rentersinsuranceonlineguide.com/ar/insurance-renters.php>).

And you can lower the low cost of renter's insurance if you get it through the same company providing your car insurance. State Farm (http://www.statefarm.com/insurance/renters/renters_discounts.asp) says, "You could be eligible for premium discounts on *both* policies." So it's worth a call to your agent. (See our other savings tips at the end of this story.)

2. My landlord has insurance, so I don't need it

While your landlord probably has insurance to cover their building, your possessions aren't their problem. In fact, since the landlord doesn't own your stuff,

they don't have an insurable interest in it anyway.

3. My roommate has renter's insurance, so I don't need it

Some policies cover roommates, but most don't. So you better ask your roomie to make sure. But even then, there are a couple good reasons to have your own policy.

For starters, these policies have deductibles and limits on the dollars they pay out. Have you already talked about splitting the deductible? What if your stuff is more expensive than your roommate's stuff? The time to settle these important details isn't the day after you've lost all your possessions.

In addition, another advantage to renter's insurance is liability protection. As Moving.com (<http://www.moving.com/articles/renters-insurance-value.asp>) so eloquently puts it, "When your best friend trips on a rug and breaks a leg, who wants to be surprised by a bill for what could amount to thousands of dollars?" Your policy not only covers damage to your stuff, it protects damage to people should an accident occur.

4. I don't have enough stuff worth insuring

Do you own a new laptop computer? Or a flat-screen TV? When we think of valuables in a home, we often look no further than furniture and major appliances. We tend to forget about electronics and even the little things that add up to a lot of cash. AllState has a nifty online tool called How Much Stuff Do You Own? (<http://www.allstate.com/renters-insurance/what-is-renters-insurance.aspx>) It tallies up your clothing, jewelry, and even stuff you may not use a lot – your guitar, your gas grill, and your vacuum cleaner.

5. I'll never get hit with a natural disaster

While renter's insurance doesn't typically cover losses from floods or earthquakes, it does protect you from lots of other things. As FreeAdvice (<http://insurance.freeadvice.com/information/home/article/36>) points out...

A renter's policy (generally known as an HO-4 policy) typically provides policyholders with a fixed amount for all your possessions and provides coverage for specific "perils" such as: fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism or malicious mischief, theft, damage by glass or safety-glazing material that is part of a building, volcanic eruption, falling objects, weight of ice, snow, or sleet, water-related damage from home utilities, and electrical surge damage.

And if some of those tragedies don't seem likely (volcanic eruption comes to mind), here's one that is: burglary. The U.S. Department of Justice (http://www2.fbi.gov/ucr/cius2009/offenses/property_crime/burglary.html) says there were 2,199,125 of them in 2009, and "victims of burglary offenses suffered an estimated \$4.6 billion in lost property... The average dollar loss per burglary offense was \$2,096."

6. It's too complicated

Well, no insurance is simple, that's true. But here are the basics of renter's insurance – and how you can save along the way...

Taking some off the top: The more risk you're willing to assume, the less your policy will cost. Choosing a \$500 deductible over a \$250 deductible can save 10-12 percent, and a \$1,000 deductible can save even more

Abbreviating the options: There are two acronyms you need to know: AVC and RVC. The first stands for Actual Value Coverage. That means you get paid for the depreciated value of the loss. So for instance, that laptop you bought for \$1,000 might only be worth \$500 six months later – and that's all you're going to get for it.

RVC stands for Replacement Value Coverage. In that same example, you won't necessarily get what you paid for your laptop, but you'll get enough to buy another one just like it. "Replacement Cost Insurance normally costs about 25 percent more than the Actual Cash Value policy." RentersInsurance.net (<http://www.rentersinsurance.net/renters-insurance-advice.html>) says, "but if you can afford it, it's worth the larger payment."

Location, location, location: If you live in a high-crime area, expect your premiums to be higher. But you can still save if you install a home alarm or add a deadbolt to the front door: Ask your carrier what discounts they offer.

Membership has its privileges: Some insurers will offer you discounts for being a member of a credit union, AAA, or other organization, so be sure to ask.

Give up smoking: Many accidental fires are from smokers. Some companies offer discounts if you've kicked the habit or never started. Ask about this too.

Come highly rated: Many insurance companies check your credit rating. The lower your score, the higher your premiums. You can try asking about a company's policy, but the best bet is simply to shop around for the lowest rate.

Shop around: The Internet has created a veritable flood of competition for virtually everything we shop for, and insurance is no exception. And you don't

have to go far: Do a search for "Home Insurance" on our insurance page (<http://www.moneytalksnews.com/insurance/>).