

Renter's Insurance

If you rent an apartment or a house, the building owner is responsible for any perils that befall the property. Rest assured, if the place burns down, your landlord's insurance is responsible to compensate him for damage to the structure.

But if your personal belongings - your furniture, your stereo, your clothing - are destroyed, it's you who loses - unless you have renter's insurance.

Renter's insurance is a kind of homeowner's policy for non-homeowners. It contains most of the same provisions of a basic homeowner's policy, except the part that covers the home itself. Up to certain limits, a renter's policy covers your personal belongings against destruction or theft, and protects you against claims of liability if you cause injury to someone or their property.

Depending on which state you live in, your compensation will be figured in one of two ways. The most common method is actual cash value, which is the original value minus any depreciation. You may also be compensated for an item's replacement value, which means you will receive enough to replace the item with a comparable model at today's prices. Actual cash value is standard in some states, and you may be able to pay more for replacement value coverage if it is not standard in your state. There are limits to this kind of coverage. Most categories of loss are capped at a certain amount or a percentage of the policy. If you own expensive items, you may need to purchase additional coverage if you want to be fully compensated for a loss.

A renter's policy will also cover your temporary living expenses while repairs are being made if your rented home is damaged. There are limits to this coverage, as well, usually 30 to 40 percent of the total value of the policy.

A renter's policy, usually called HO-4, will cover you against losses due to the same perils that are covered by regular homeowner's insurance. They include fire or lightning, windstorm or hail, explosion, riot or civil commotion, aircraft, vehicles, smoke, vandalism or malicious mischief, theft, damage by glass, volcanic eruption, falling objects, weight of ice, snow, or sleet, water-related damage from home utilities, and electrical surge damage.

And, just like regular homeowner's insurance, earthquakes and floods are not covered. Insuring against these kinds of catastrophes will require a rider to your renter's policy, or a separate policy.

A waterbed liability provision is standard in most renter's policies. So if your bed springs a leak and floods your downstairs neighbor's apartment, you're covered.

Your premiums will vary according to a number of factors, such as where you live, your age, and if you want to add any riders or endorsements. The deductible you choose can also affect the cost of the policy. A deductible is the first portion of a loss that you, the insured, must assume. The higher your deductible, the lower your premium. If your \$1,000 stereo is destroyed, and you have a \$500 deductible, then the insurance company will pay you the amount above your deductible, which is \$500. If you have a \$1,000 deductible, you won't be able to make a claim.

A renter's policy can go a long way toward protecting you financially if you suffer misfortune. Best of all, you don't have to own your home to qualify for protection.