

Renters Without Insurance Risk Blowing Homeownership

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Refugees from home ownership now forced to rent could be setting themselves up for another financial disaster if they avoid renter's insurance to pinch pennies in order to quickly save up and return to home ownership.

All renters should have an insurance policy to cover their possessions because, should a disaster hit home, the cost to replace those items will put home ownership that much further out of reach.

But that's not all.

If you are held responsible for an injury to someone in your home or someone's property in your home, without the liability coverage provision of a renter's policy, your current and future earnings could be at risk. You'll also have to foot the bill for any legal defense you could need.

A renter's policy can also put a temporary roof over your head while damage to your rental home is corrected. Policies come with some limits but typically cover the difference between your additional living expenses and your normal living expenses.

Unfortunately, most renters, 58 percent, don't bother to buy renters insurance, according to an [Apartments.com](#) survey.

Most of them, more than 70 percent, know better and believe the insurance is important to piece of mind when renting, but say cost is a big reason they forego the coverage.

Apartments.com said 40 percent of those responding to the survey said cost is the reason they decide not to buy the coverage. However, an additional 24 percent of respondents said they were unaware that renters insurance exists.

The [Insurance Information Institute](#) reminds renters that because the property owner's policy covers the structure and common area and renters insurance covers only the value of the renter's belongings, renters insurance premiums are relatively cheap.

Shop around.

Apartment.com also found that an additional 18 percent of renters said the value of their personal belongings wasn't enough to warrant coverage.

That's an oversight because renters insurance doesn't just replace property but provides protection from liability claims, loss of use and in some cases, involuntary unemployment insurance in the event of a job loss.

Apartments.com says some management companies and property owners mandate the coverage because of the value provided those covered. Twenty percent of renters said they are required to have a renters policy to live in their current home.

Also, 36 percent of those responding to the survey said they'd be more inclined to rent an apartment with an insurance requirement.

There's a certain value to a community that can retain residents even after events that trigger insurance benefits.

Renters insurance typically provides coverage for possessions lost to fire or smoke, lightning, vandalism, theft, explosion, windstorm and water damage (not including floods). Liability covers your responsibility to other people injured at your home or elsewhere by you, a family member or your pet and it pays legal defense costs if you are taken to court.

Renters can choose between two basic types of policies:

- Actual Cash Value pays to replace possessions minus a deduction for depreciation up to the limit of your policy.
- Replacement Cost pays the actual cost of replacing your possessions (no deduction for depreciation) up to the limit of your policy.

Floater are also available to boost limited standard policy coverage, especially for items such as jewelry, silver, furs, collectibles, and some computer equipment and work-at-home related items. Floaters also cover perils not included in your policy such as accidental loss, according to the insurance institute.