



Consumer Alert from the NAIC: Renter's Insurance: To Purchase or Not to Purchase

It's important to protect the things you value. Life insurance protects your loved ones, auto insurance protects your car and health insurance protects your good health. But what about renter's insurance? As with any additional insurance purchase, it's important to evaluate coverage and research your options. Here are some tips from the National Association of Insurance Commissioners (NAIC) to help determine if renter's insurance is right for you.

1. To Purchase or Not to Purchase?

As with any insurance policy, you should evaluate the benefit of coverage on an individual basis. Your landlord's coverage will take care of damage to the building's structure. However, if you want to protect your personal belongings, you may want to consider buying a renter's insurance policy. In addition to personal belongings, some policies will also cover living expenses if your apartment or home is uninhabitable due to damage.

2. Which Form is Right for You?

There are two standard renter's insurance policies:

- The Broad Form covers personal belongings against specific events, such as fire or theft. This is the most commonly purchased renter's policy. Typical coverage under this form includes damage from fire, lightning, explosion, smoke, vandalism, theft and water-related damage from property utilities.
- The Comprehensive Form provides coverage for a range of events, unless specifically excluded by the policy. Considering the potential amount of coverage, the premiums for this policy may be higher.

Location also may be considered when choosing your form. If you live in an area prone to violent storms, such as hurricanes, consider purchasing a comprehensive policy that specifically addresses storm damage.

3. Actual Cash Value Vs. Replacement Cost

One important factor to look for when shopping for renter's insurance is "actual cash value" vs. "replacement cost" coverage. While it may not affect your short-term premiums, it may make a large difference in your claim submission.

Actual cash-value coverage, as the name implies, will reimburse you for the cost of the property at the time of the claim, minus your deductible. It's important to account for depreciation when considering this coverage option. For example, if you lose an audio system that was purchased five years before the claim, you will be reimbursed for the current value of the system. This may result in a lower claim payment than you expect.

Replacement cost coverage, on the other hand, will reimburse the full value of the new audio system — after you purchase the new system and submit your receipts. While the up-front cost is greater, you are more likely to receive accurate compensation for your possessions.

4. Additional Coverage

If you have unusually expensive items, such as fine jewelry or an art collection, you may consider adding a "rider" to provide extra coverage. Your agent can help you determine if an additional rider is needed.

5. Does Everyone Need Renter's Insurance?

It's always a good idea to take precautions to protect yourself and your belongings. But, not everyone needs renter's insurance. Dependents, such as college students, are automatically covered under their parent or guardian's policies. On average, a dependent is covered for up to 10 percent of the parent's policy. Double check with your insurance agent regarding the specific provisions of your policy.

6. Get More Information

Information is your best policy. Visit your state insurance department for more information on renter's insurance. You can link to your state insurance department's Web site by visiting www.naic.org. Click on "State Insurance Regulators Web Sites," then click on your state.

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry.

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