



Purchasing Renter's Insurance When You're a Service Member

A fire sweeps through your apartment complex, severely damaging your unit as well as your furniture and personal possessions. Luckily, you escape injury. Although your landlord is responsible for repairing the building, how will you be able to afford to replace what you've lost? For the roughly one-fifth of American renters who carry renter's insurance, this frightening scenario does not necessarily spell disaster. That's because renter's insurance covers the cost of replacing all household items damaged in the event of an accident. Renter's insurance can give you the peace of mind of knowing that your personal possessions are protected, and it's easy to purchase and relatively inexpensive.

Many people are not familiar with renter's insurance because, unlike auto or homeowner's insurance, it's not required by law. Many renters mistakenly assume that their landlord's homeowner's insurance covers their personal property. Keep in mind that for those living in military housing, the government will cover only the actual, depreciated value of possessions, not their replacement costs.

What is renter's insurance?

Renter's insurance is a policy designed to cover the cost of repairing or replacing your personal belongings in the event of various hazardous events such as fire and theft. If you need to vacate your rented residence while repairs are made to the structure, your expenses (hotel, meals out and laundry) may also be covered. Most policies also include personal liability insurance, so if a guest is accidentally injured while in your apartment, you're protected against lawsuits.

In addition, renter's insurance typically provides coverage for your belongings even if they are damaged or stolen outside your home. For example, if someone breaks into your car and steals your luggage while you're on vacation, your renter's insurance can cover the loss. Motor vehicles, however, are not covered under a renter's insurance policy and require separate insurance. Some policies also provide limited coverage for credit card fraud or check forgery. As a service member, renter's insurance will give you continuous coverage as you move in and out of military housing and civilian housing over the years.

How much does it cost?

A typical renter's insurance plan, which includes \$30,000 in replacement-cost

coverage for personal property and \$100,000 in personal liability coverage, costs between \$180 and \$360 per year - only \$15 to \$30 per month. The deductible (the amount you must pay out of pocket before coverage kicks in) usually runs between \$250 and \$500. Rates vary depending on the specific terms of the policy, such as the deductible and the amount of coverage. As a rule, the more you insure, the higher the premiums. The location of your rented residence is also a factor. If you live in an area prone to frequent break-ins or natural disasters (floods or hurricanes, for example), your premium may be higher than average.

Are there different types of renter's insurance?

There are two common types of renter's insurance:

- **The Broad Form.** The most commonly purchased type of renter's insurance, the Broad Form, covers the value of your possessions against only those specific events named in the policy - typically, fire, lightning, explosion, smoke, vandalism, theft and water-related damage from utilities. Most Broad Form policies, which ordinarily exclude coverage against floods and earthquakes, also provide personal liability coverage (protecting you, for example, against lawsuits when someone is injured accidentally in your rented residence).
- **The Comprehensive Form.** This type of policy, which covers all hazardous events (except those specifically excluded), comes with higher personal liability limits than the Broad Form. But premiums for the Comprehensive Form cost more because the value of potential benefits is greater.

Whichever type of policy you buy, you must choose whether to base your benefits on actual cash value or replacement cost. In policies based on ACV, the value of your property at the time of loss determines the amount of your reimbursement. In contrast, policies based on RC give you enough money to replace the item. For example, if your five-year-old TV is stolen, under an ACV policy, you would receive only a small amount of money because the TV depreciated in value over the five years. In contrast, under a policy based on RC, you would receive enough money to buy a new TV. But since policies based on RC provide more generous benefits, they cost more.

How do I purchase renter's insurance?

Here are the common ways to shop for renter's insurance:

- **Buy directly from an insurer.** Call your state department of insurance to find the names of insurers in your area. Many companies now also sell policies online. If you already have other types of insurance (auto, for example), you might want to buy renter's insurance from the same company. Sometimes companies offer a "multi-line" discount to consumers who add a new type of insurance. Some insurance companies offer policies only to members of certain groups, for example, military or civilian employees.
- **Buy from an agent.** You can look for an agent in the yellow pages. Or, if you are currently buying another type of insurance from an agent (for

example, life insurance), you might also ask that person about renter's insurance.

How do I select the policy that is right for me?

The first step in selecting a policy is to determine how much your personal property is worth. Even if you don't own any expensive items like jewelry, the total value of your personal belongings may be substantial, given that the average modestly furnished apartment consists of about \$20,000 worth of goods. To take an inventory, go room by room through your apartment. For each item, compare the value (minus depreciation) to the replacement cost. By adding up the value of all the items, you can determine how much insurance you need. These totals will also help you decide if you should choose a policy based on ACV or RC. Be sure to update your inventory yearly and review your insurance policy if you significantly change the amount or value of items.

Here are some other factors to keep in mind as you make your decision:

- **Shop around.** Compare the premiums of several different policies from a few companies, including cost differences between Broad Form and Comprehensive Form policies. Though Comprehensive Form policies usually cost more, the additional cost may be worth the added coverage.
- **Read policies carefully.** Be sure to check for exclusions and special explanations. Have the nearest installation's Legal Assistance Office review the contract before you sign. Use the Armed Forces Legal Assistance Legal Services [locator](#) to find an office near you.
- **Look into special coverage.** Special coverage may be required for certain items like jewelry or works of art, for example.
- **Find ways to receive discounts.** Installing safety devices like burglar alarms may qualify you for discounted rates.
- **Know your building's policies.** If you own a condo, you may still need renter's insurance for your personal belongings. Condo insurance typically covers only the structure of the building.

Finally, once you buy a plan, it's a good idea to keep your home inventory list in a safe place away from your home such as a safety deposit box at your bank. You might also take photographs or make a videotape of your most expensive possessions and keep these visual records together with your list.

Where can I find out more about renter's insurance?

The [National Association of Insurance Commissioners](#) provides information about insurance issues for military service members and their families, including specifics on renter's insurance. They may be able to answer your specific questions or help you select an insurer.

Purchasing renter's insurance is part of a healthy spending plan to keep you from suffering financial difficulty should you experience a disaster. Good credit health will

also determine many financial opportunities, from getting a job to getting a good interest rate. If you need to rebuild your credit, check out the podcast [Repairing Your Credit](#). For more information about your protections against credit discrimination as a service member, visit the [Consumer Financial Protection Bureau](#).