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**Wealth Management &
Financial Planning Services**

Renters Insurance



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If you rent a house or an apartment, you might think you don't need insurance because you don't own the building. After all, your landlord probably has coverage. But your landlord's insurance covers only the building, not the contents. Without insurance of your own, you could be left with nothing in the event of a fire or burglary.

That's why you need renters insurance (HO-4), a special kind of homeowners insurance. It provides no coverage for the building itself. Instead, it covers your personal possessions and protects you against liability claims if you rent a house or apartment.

Property damage coverage

Renters insurance policies cover only losses that result from any of 17 named perils. If your property is lost or damaged as a result of one of these perils, your insurance company will compensate you for your loss. The covered perils are:

- Fire or lightning
- Windstorm or hail
- Explosion
- Riot or civil disturbance
- Aircraft
- Vehicles
- Smoke
- Vandalism or malicious mischief
- Theft
- Broken glass
- Volcanic eruption
- Falling objects
- Weight of ice, snow, or sleet
- Accidental discharge or overflow of water
- Sudden and accidental tearing apart
- Freezing

- Artificially generated electrical charge

Keep in mind that most renters insurance policies specifically exclude certain perils (e.g., earthquakes, flooding). As a result, you may need to purchase a separate policy to insure your possessions against damage caused by these hazards.

Property coverage levels typically start somewhere around \$15,000 and go up from there. As you increase your coverage level, your premiums increase as well. An insurance professional can help you determine the amount of coverage that you need. Or, you can visit one of the many insurance websites for more information.

Replacement cost vs. actual cash value

These may sound like highly technical terms, but they are actually very important in determining how much money you will get if you ever have to file a claim. When you get a quote from your insurance agent, make sure you know which type of coverage is being described.

Actual cash value coverage reimburses you for only the amount that your property was worth at the time it was stolen, damaged, or destroyed. This means that if all of your clothes suffer smoke damage in a fire, your insurance company probably will pay as much as you could've made at a yard sale--not the \$4,000 you spent over the last couple of years to create the perfect wardrobe.

Replacement cost coverage, by comparison, reimburses you for the amount that it will cost to replace your property. If you bought a \$400 television two years ago, you'll receive enough money to go out and buy another television just like the old one. You will probably have to replace the lost property with your own money and submit the receipt before you receive compensation. Nevertheless, replacement cost coverage typically pays significantly more than actual cash value coverage.

Liability coverage

Renters insurance also provides liability coverage. A typical renters insurance policy covers you for accidents and injuries that occur in your home, as well as accidents outside of your home that are caused by you or your property. (This does not include automobile accidents.) This liability coverage includes legal defense costs, if you are taken to court over such an accident. Standard levels of liability coverage are \$100,000, \$300,000, and \$500,000. The amount of liability coverage that you need depends on your individual circumstances.

What does it cost?

The cost of renters insurance varies greatly depending on where you live, the construction of the building, your deductible, and how much insurance coverage you need. But renters insurance is much less expensive than homeowners insurance. On average, you will pay somewhere between \$100 and \$300 annually for a basic policy providing about \$30,000 worth of coverage for your property. Replacement cost coverage is somewhat more expensive than actual cash value coverage, but it is usually worth the extra money.

