

Is renter's insurance worth the price?

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When Lani Hendrickson moved into an Irvine apartment last year, she barely had enough money for rent. So she was surprised when her landlord required her to get renter's insurance as a condition of the lease. It cost \$18 a month.

"It was not a lot of money, but it is when you're barely making any money and barely making the rent," says Hendrickson, 24, now back in school and living with her parents in Fountain Valley.

Hendrickson's surprise at being required to pay insurance is typical. Except among larger apartment complexes, renter's insurance is usually optional, so it is often not a priority for tenants. Yet if they suffer a loss, it could have a major impact on their finances.

A new poll by Allstate shows that 65 percent of 500 tenants surveyed in California don't have renter's insurance compared with 60 percent nationwide. At the same time, nearly one in five of the California renters said they had experienced a loss because of burglary, fire or flood.

"As I talk to people who want renter's insurance, they only want to get it because their landlord requires it," says Alan Keddington, an Allstate agent in Laguna Hills.

Renter's insurance, which is for anyone who rents an apartment, condo, house or other property, typically covers a loss from theft or fire. Most policies also include liability coverage in case you get sued or cause damage to someone else's property.

Allstate's survey shows the biggest reason most renters don't have insurance - 42 percent - is because they just haven't gotten around to it, but Keddington says a lot of them also don't realize how much it would cost to replace their belongings.

Some renters, Keddington says, also operate under the misconception that they are covered by their landlord's insurance, which covers just the building, not tenants' personal belongings.

Risk of liability

Why would landlords want their renters to have insurance? It goes beyond the replacement of personal belongings.

"We actually require liability insurance since renters are liable for any problem they create, like a kitchen

fire,” says Marty McKenna, spokesman for Equity Residential Properties Trust, which has 3,300 apartment units in Orange County.

The financial consequences of not having insurance can really add up, notes Natalie Lohrenz, director of counseling at Consumer Credit Counseling Service of Orange County.

“Think about the money we have invested in our things – a new TV, computer, DVD players, the whole home network,” she says. “Most people don’t have that money in savings.”

She says a lot of tenants don’t realize how inexpensive renter’s insurance can be – an average of \$15 to \$20 a month for replacement value coverage up to \$25,000.

“It is so much cheaper than homeowner’s insurance) because it’s just contents,” Lohrenz says, who always includes renter’s insurance as part of her credit counseling clients’ monthly budgets.

Midge Bean, 84, of Newport Beach doesn’t need convincing. She’s rented the same condo for 20 years and has always had renter’s insurance because she has so many antiques and other valuables.

Last year, her policy came in handy. Her upstairs neighbor’s water heater sprung a leak. The water saturated Bean’s ceiling, which crumbled under the weight of the water, which then poured into her condo “like Niagara Falls.” She had an inch of water in her kitchen, living room, dining room and bathroom.

She submitted nearly \$30,000 in insurance claims, including about \$1,500 for the contractor that came in to soak up the water and dry out her things; money for the mover who packed 29 boxes for storage; replacement of her ruined kitchen appliances; and living expenses for the three months she had to be in an apartment during repairs.

“Thank God I had insurance,” she says.

Not for everyone

Not everyone thinks renter’s insurance is a must-have, or at least not the biggest priority for tenants.

Mary Hunt, founder of www.Debt-ProofLiving.com, which focuses on helping people stay out of debt and live within their means, thinks renters should weigh the risk-reward of insurance, especially if they are having problems just paying their basic bills.

She says people who are financially strapped need to consider whether they have a bigger likelihood of falling victim to a fire or burglary or of losing their job and having no savings.

“I would put contingency funds covering irregular expenses ahead of renter’s insurance,” she says. “If you’ve got \$15 a month burning a hole in your pocket and no savings, renter’s insurance is a foolish expense.”

Lani Hendrickson, the former tenant who had to buy insurance but was stretched just making her rent, says if she become a renter again, she would still want to have insurance.



"It's just for the peace of mind," she says.

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