

RentSafe: Is it a safe choice for renter's insurance?

About half of American renters don't have insurance. Some of them probably don't realize that it's fairly cheap to buy coverage that'll protect them if their place catches fire, their stuff gets stolen or even if the dog bites a neighbor.

"Renter's insurance is very inexpensive – it's about the cost of a pizza every month," says Carole Walker, executive director of the Rocky Mountain Insurance Information Institute, a nonprofit that helps people understand insurance. "It's definitely worth the investment."

Aiming to attract some of those uninsured renters, financial services company Mango Financial introduced an insurance product, RentSafe, that's linked to Mango's prepaid debit card. Mango executives say the product, which is backed by insurance giant Chubb, has many advantages, such as simplicity and ease of use – especially for customers who don't have a bank account or an insurance agent. But consumer advocates say the product isn't much cheaper, if at all, than traditional renter's insurance, has low total coverage limits and lacks some important features, such as coverage for liability and alternate living expenses.

When considering any insurance coverage, people must read the fine print, experts say.

"Know what you're getting," Walker says. "Even if it seems like an inexpensive investment, if it's not going to cover you for what you need, then you're just throwing money away."

RentSafe: Coverage for property only

Here's how RentSafe works: The customer, who must be an active Mango Card user, chooses between two plans – one with a \$5,000 or one with \$10,000 total coverage limit. The premium ranges from about \$6.25 to \$17.50 a month, depending on the level of coverage, the state and the deductible. The payment is debited from the customer's Mango Card balance each month. When a customer makes a claim, the company loads the payout directly onto the card.

One benefit of RentSafe, according to Mango Financial, is that it's simple to understand – a chart on the company's website spells out coverage and limits. For example, the chart shows that household items such as bedding, glassware, clothing, furniture and major appliances are covered at 100 percent up to

the total coverage limit, while items such as art, cameras, jewelry, small appliances and computers are covered only up to certain dollar limits.

“We’ve made an effort to streamline the plans that are available to the consumer to ensure they’re as simple and straightforward as possible,” says J. Scott Aston, director of operations at Mango Financial. Furthermore, linking the product to a prepaid card makes it more user-friendly for consumers who don’t have bank accounts or don’t have access to mainstream financial services, Aston says. That adds up to about 60 million U.S. residents.

“Integrating the debit card so it’s an integral part of RentSafe makes it easier for a customer without a bank account to get renter’s insurance,” Aston says.

Aston points out that those customers aren’t able to pay premiums through direct withdrawal from a bank account and are less likely to have an insurance agent who can counsel them about coverage. Mango Financial doesn’t tout RentSafe as comprehensive coverage — it merely offers some property coverage at a relatively low cost.

“Our goal with RentSafe was to build a simple and easy-to-understand insurance program that would protect one of our cardholders’ biggest assets: their household possessions,” Aston says.

RentSafe vs. traditional renter’s insurance

Consumer advocates and insurance agents, though, say traditional renter’s insurance provides several advantages over a product like RentSafe:

You get more property protection for your money. RentSafe can cost about \$75 to \$210 a year for \$5,000 or \$10,000 in total property coverage, with a \$100 or \$250 deductible. Meanwhile, traditional renter’s insurance typically costs about \$170 to \$190 a year for about \$20,000 to \$25,000 in total property coverage with a similar deductible, according to Michael Gardner, an agent with the independent BNC Insurance Agency in New York.

It can protect you if you get sued. Unlike RentSafe, traditional renter’s insurance typically includes at least \$300,000 to \$500,000 in liability coverage. So, if a visitor slips on your rug and gets a concussion, cuts a finger while chopping vegetables or even gets bitten by your dog, you’re covered for legal expenses if you get sued. “The liability insurance is a critical piece – especially when you think about what a litigious society we live in and how easy it is to get sued,” Walker says.

Gardner says traditional policies also typically include several thousand dollars worth of medical coverage – in case, for example, a guest without health insurance gets hurt at your home and doesn’t want to sue you, but needs to go to a hospital for stitches.

It might pay your hotel bill. Some catastrophes that lead to loss of property also force you to find a new place to stay. Traditional renter’s insurance policies typically cover alternate living expenses (ALE) up to a

certain amount. For example, Gardner handled a claim for a policyholder who was forced to move into a \$3,000-a-month hotel for three months after smoke damaged an apartment building that caught fire. “It’s really nice to have a policy that gives you ALE,” says Amy Bach, executive director of United Policyholders, a nonprofit advocacy group for insurance consumers. “If for some reason you have to move out, it’s less of a hassle if you don’t have to negotiate something with your landlord.” You can tailor coverage to fit. Like the RentSafe policy, almost all traditional renter’s insurance policies have coverage caps of \$500 to \$1,000 or more on certain items – such as jewelry, art and computers. But with a traditional policy, you always can add a “rider” for additional coverage. Gardner says a rider for \$15,000 worth of coverage for jewelry might cost an extra \$120 or so each year. “Anything above and beyond the limit is going to be added on in a rider – collectibles, antiques, wines – you can pretty much attach anything collectible,” Gardner says.