Why You Should Buy Renters Insurance: 5 Things to Know

Consumer Reports

The coverage is affordable and easy to buy, and provides a safety net if something goes wrong

When the deep freeze hit Texas in February, Amani Elsawah was among the millions of residents who lost power and suffered water damage from burst frozen pipes.

The 40-year-old pharmacist from Irving, Texas, lost many of her belongings, and the damage to her one-bedroom rental apartment was so bad that she was forced to move to a hotel.

Fortunately, Elsawah has renters insurance, which will cover much of her losses and help pay additional living expenses while she's in a hotel. The policy costs $20 per month.

"I'm just really grateful that I have this coverage," says Elsawah, who estimates her losses at several thousand dollars.

Millions of Americans have discovered the benefits of renters insurance. Because landlords aren't liable for any personal possessions or activities in your apartment, these policies can provide an important safety net if something happens.

"For less than the cost of a coffee a day, renters insurance provides you with really valuable financial protection," says Amy Bach, executive director at United Policyholders, an insurance consumer advocacy group.

That coverage includes payment for damage to your possessions, liability protection if someone is injured in your residence, and reimbursement for accommodations if you have to move out temporarily.

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More renters are realizing just how important it is. Some 57 percent now say they have it, up from 42 percent in 2018, according to a 2020 survey by the Insurance Information Institute, an industry group (PDF).

Part of the increase may be the result of more landlords requiring or recommending coverage, says Janet Ruiz, the III's director of strategic communications.

Still, that leaves a sizeable group of renters who don't have insurance. Here's a guide for those who aren't covered—but probably should be.

What's Covered by Renters Insurance and What's Not

If there is damage to your rental, whether from a fire or a break-in, your landlord is responsible only for repairs to the building, not for the cost of fixing or replacing your personal property.

Renters insurance will pay for your personal belongings up to the policy limit. It can also cover your possessions if loss or damage occurs outside your apartment, such as items stolen from your car or while traveling.

If disaster or damage to your home forces you to move elsewhere temporarily, such as a hotel or another rental unit, the coverage can pay for those additional living expenses, including the cost of meals, for a certain period of time or up to a dollar amount.

Renters insurance also provides liability coverage, often up to $300,000, in the event you are sued for injury or damages by someone visiting you, perhaps as a result of a fall or a dog bite. (If you have substantial assets, you should also consider umbrella liability coverage, which can give you a higher amount of protection than a renters policy.)

As with homeowners insurance, renters insurance won't cover damage caused by natural disasters, such as floods or earthquakes. If you're at risk for these events, you will need to purchase separate policies for that coverage.

It's easy to shop for renters insurance—you can compare quotes at online insurance brokers or you can work with an independent insurance agent, who can get quotes from several carriers.

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Be sure to check the policy carefully to understand what's covered and what losses may be excluded. Although the policies are fairly standardized, the coverage may vary depending on the insurer and the regulations in your state.

Make sure the policy will provide what you need, whether it's a low deductible or coverage for your electronic equipment or reimbursement for a stay in a hotel if your apartment is damaged.

"If you aren't sure about the wording of the policy, ask your agent or the insurance company to clarify it," says Bob Hunter, director of insurance at the Consumer Federation of America, a consumer advocacy group.

Go for Full Replacement Cost

The typical premium is $15 to $30 per month, according to the National Association of Insurance Commissioners. But your cost will depend on factors such as the neighborhood you live in, the condition of your building, and the amount of coverage you need.

You have the choice of buying coverage for the full replacement cost of your items, or their cash value, a cheaper option that will reimburse you only for their depreciated value. Go for the full replacement value, if you can.

"It's worth a few extra dollars to have full replacement coverage for property that could be worth thousands of dollars," says Bach at United Policyholders.

You may be able to get a discount on your premiums by taking certain safety measures, such as adding a deadbolt to your door or installing a burglar alarm. Bundling a renters policy with your auto insurance can sometimes lower the cost, perhaps by 10 percent. But be sure to first compare the premiums of standalone policies, Bach says.

Aim for Higher Coverage

To figure out how much personal property coverage you really need, do a home inventory. You may be surprised. For the average renter, the cost for replacing all your belongings—from clothes to cookware to computers—could easily exceed $35,000, according to State Farm.

Aim on the high side for your coverage amount. "You won't know what you actually have till you lose it,"

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says Maria Polio, account manager for the personal life department at Rust Insurance Agents in Washington, D.C.

A policy that provides $50,000 in personal property coverage and $500,000 in liability coverage, with a $1,000 deductible, may cost around $300 per year, Polio says.

If you own a large number of high-cost items, such as expensive jewelry or art, their value may exceed the typical policy's personal property limit for such categories, which may be just $1,000 or $2,000. But you can add a rider, also known as scheduling an item, which will provide a higher level of coverage. You'll pay a bit more, however.

For renters who are living with roommates who are not family members, your policy will not cover their possessions. It's best if your roommates buy their own policies, says Yael Wissner-Levy, vice president of communications at Lemonade, an online insurance broker.

Be aware, if you are running a business from home, renters insurance might not cover your equipment. You may do best to purchase a separate business insurance policy.

College Students May Need Renters Insurance

Homeowners policies might not automatically cover students away at college, particularly if they live off-campus. The amount of coverage may also be limited. But some carriers offer a basic renters coverage specifically designed for college students, with deductibles as low as $100.

For Eyerusalem Kuma, a student at San Francisco State University, her $100-per-year policy was a financial lifesaver when a laptop was stolen from her dorm room last year.

"I was so upset because I didn't have the money to replace it, and then I remembered that I had renters insurance," says Kuma, 21, who purchased the coverage through the school.

After she filed a claim, she received a check for $900, enough to replace her laptop. Kuma made sure to renew her renters policy the following year, when she moved into an apartment off campus.

You can check with the college to see if it offers student renters insurance, or you can purchase it individually. One company offering this coverage is GradGuard.

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Another low-cost option is dorm insurance, which is designed to protect the student's personal property, such as computers, cellphones, and textbooks.

How to Handle Your Renters Insurance Claim

First, be prepared in case something happens. Make sure you have a record of your possessions, as well copies of receipts for high-cost items, in the cloud or a safe place outside your home.

If you do suffer a loss, take pictures or videos of the damage, and call the insurance company and get the claims process started. If you experience a theft, file a police report, which you will need for your claim.

To avoid overlooking high-cost purchases, review your credit card statements and online shopping accounts, says Matt Fizell, a fee-only certified financial planner based in Dallas.

Fizell is going through this process himself, after frozen pipes burst in his rental apartment during the Texas freeze. He estimates he faces about $9,000 in damage to his property, plus about $1,750 in hotel costs, which are covered by his $126-per-year renters policy.

The insurer will assign a claims adjuster who will assess your damage and determine the amount you will receive in reimbursement. Most carriers will let you send in documentation of your losses via email or online, Polio at Rust says.

And don't forget to notify your landlord. Many leases require this, and that way, you will have a record that you reported the damage—and repairs can start quickly.

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