

4 Common Myths About Renters Insurance

Think renters insurance is unnecessary? Here's how it can save you money now – and later.

By [Sienna Kossman](#) | 4 Common Myths About Renters Insurance

For approximately the cost of a delivered pizza dinner each month, renters insurance can protect your personal belongings and save you from legal or medical expenses associated with an accident in your home. However, many renters believe that taking out the insurance is unnecessary or too expensive.

Here are some common misconceptions about renters insurance, along with tips on how to pick the best policy for you:

Myth #1: "I don't have enough stuff to need insurance coverage."

Since all rental properties are susceptible to a variety of damages, whether it is fire, theft or even a broken kitchen appliance, many experts say there isn't a scenario in which a tenant should go without renters insurance. But it is important to weigh the associated costs, both monetary and sentimental.

One common reason individuals avoid renters insurance is they do not think their belongings are worth the coverage. "Many renters underestimate the value of their possessions and would be surprised by how much it would cost to replace the items they have accumulated," says Emily Lyons, a property insurance expert.

If you don't think you have enough stuff to warrant a renters insurance policy, go around your residence, room by room, and take full inventory of your belongings before making a decision. Most people usually only think of the big-ticket items, like electronics, but if you really think about it, it's so much more than that. For example, in your kitchen, it's not only the appliances, but the towels, dishes, utensils and food, too. You'll find that the average renter in a two-bedroom apartment has about \$30,000 worth of stuff.

Along with evaluating how much your belongings cost, it's important to consider how much you personally value those items. In some situations, how much you care about your belongings may override cost in your decision to take out a renters insurance policy. "For example, if you just got out of college, are renting a furnished apartment, hardly have any stuff and are not a high-risk person in terms of your lifestyle, you might not care, or need to care, about protecting your belongings," says Robert Hunter, director of insurance for the Consumer Federation of America. "However, if you are renting a penthouse apartment with priceless art on the walls, then you most likely would."

Myth #2: "Since I am a renter, my landlord will cover property damages."

Occasionally, a landlord may partner with an insurance company to offer renters insurance to tenants, but more frequently, the insurance policies that landlords hold for their properties only protect the building itself. "After acquiring a rental housing unit, landlords change their insurance policies from a traditional homeowners policy to a rental policy, and when they do that, it only covers just the structure, not the

content or any of the tenants belongings," says James Emory Tungsvik, president of the National Association of Residential Property Managers.

Even if the landlord owns appliances or other items within your rented home, he or she is not responsible for damages they inflict on your personal property. "Say you just bought a few hundred dollars' worth of frozen food and you stuck it in the freezer that the landlord owns, and it breaks down, spoiling all the food," Tungsvik says. "If you wanted coverage for that lost expense, the landlord would not be responsible for it. That would be part of renters insurance."

Myth #3: "Renters insurance only covers my personal belongings."

Accidents, such as a flood in your apartment, may damage other tenants' property and can be costly. Renters insurance can protect you from these situations and help cover those unexpected costs. "For example, if your bathtub overflows and water seeps into the apartment below, damaging your neighbor's furniture or rug, your renter's policy will cover the damage up to your liability limits," Lyons says.

This liability protection can cover medical or legal expenses associated with your home. If you are entertaining at your home and, say, someone trips over a loose rug or injures his or herself in your apartment in some way, could you afford to pay the potential medical expenses associated with that, but in the event of a lawsuit, could you pay the legal expenses as well? A typical renters policy will cover that full range of risks that any renter could be exposed to.

Myth #4: "Renters insurance is too expensive."

Unlike car insurance or a typical homeowners insurance policy, a renters insurance plan is not a large additional monthly cost. Policy premiums can vary between individuals, providers and location, but as a whole, renters can expect to pay about 50 cents per day for a renters insurance policy.

For even more savings, many insurance providers offer multi-policy discounts to customers who add renters insurance onto an existing insurance package. On average, bundling can decrease overall monthly insurance costs by approximately 5 to 10 percent, according to LaCasse.

How to Choose a Renters Insurance Policy

Renters insurance coverage needs are different for every individual, based on factors like age, location and protection needs from things like natural disasters. But in general, there are two important areas to understand when choosing a renters insurance policy: what the policy covers and whether that coverage is actual cash value or the total replacement cost.

An actual cash value policy would cover your belongings contents for what they are worth today. If you purchased a flat screen TV for \$1,000 two years ago and you are going to resell it today, it might only be worth \$200. An actual cash value plan is going to take into account the depreciated cash value of your property and it's going to pay you for that depreciated value.

The other option is total replacement cost coverage, which will pay out the dollar amount that it costs to replace a renter's property today. So, with this type of policy, you would be able to replace that \$1,000 flat screen TV without an additional cost, regardless of how old it was at the time of loss. Replacement cost policies often come with a slightly higher premium, but in the long run, the extra few dollars a month it may cost can really be worth it.

If the cost difference between a cash value policy and a total replacement policy is small, experts suggest going with the total replacement policy. But depending on the condition of your belongings, a cash value policy can be a cheaper and just as effective option. If you have relatively new stuff, a cash value payout for replacing that new stuff will be almost the current value of it. On the other hand, if you have really old stuff and the policy premiums are a lot different, then you may want to go with actual cash value. You really have to analyze your individual situation.

Once you decide what type of protection you need, the next step is to develop a value estimate and inventory of your possessions. Many insurance companies offer value estimation calculator tools, so check with your provider to make the most of all available resources during the deliberation process.