

Renters Insurance Remains a Cost-Effective Purchase, Even in Tough Times

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Higher Deductibles, Installation of Security Devices Can Further Cut Premium Costs

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NEW YORK, November 24, 2008 - Most renters can acquire thousands of dollars worth of property and liability insurance coverage for less than \$20 a month. Yet fewer than half of those renting either a home or an apartment have a renters insurance policy, according to the Insurance Information Institute (I.I.I.).

"Too many renters completely underestimate the value of the personal possessions they've accumulated over the years, or wrongly assume their landlord's insurance policy covers the renter's possessions," said Michael Barry, the I.I.I.'s vice president, Media Relations. "However, a standard renters policy provides coverage for big-ticket personal items-such as furniture, computers and television sets-in the event they are damaged or destroyed. And, like homeowners insurance, renters insurance covers your financial responsibility to other people injured at your home or elsewhere by you, a family member or your pet and pays legal defense costs if you are taken to court."

The average renters insurance policy premium in the U.S. stood at \$193 a year as of 2005, according to the National Association of Insurance Commissioners (NAIC). But a 2006 Insurance Research Council poll determined that only 43 percent of all renters nationwide had renters insurance.

There are two types of renter's insurance policies. One is an **actual cash value** policy, which pays policyholders to replace their possessions minus a deduction for depreciation. The other is a **replacement cost** policy. This type of policy usually costs at least 10 percent more because it pays policyholders the actual cost of replacing their possessions, up to the policy limit.

"By purchasing renters insurance, a tenant's possessions are covered against losses from fire, smoke, lightning, vandalism, theft, explosions or windstorms," Barry stated. "Like standard homeowners insurance, renters policies also typically cover policyholders for additional living expenses if they are unable to reside in their rental property because of a fire or other covered peril."

Losses incurred by either a flood or an earthquake are excluded under standard renters insurance but can be purchased separately. Moreover, renters policies can be supplemented with the purchase of a floater, which offers broader coverage for expensive items such as jewelry, silver and furs.

The best way to determine how much renters insurance coverage to buy is to conduct a home inventory, something that can be done easily by using the I.I.I.'s free, downloadable Know Your Stuff software. Users

can go room by room, compiling a detailed list of all their personal possessions and the estimated value of each item.

Renters insurance is most commonly sold by companies that also offer auto and homeowners insurance and, as always, it pays to shop around for the best deal.

To save money on a renters insurance policy, consumers can:

- Increase the policy deductible from \$250 to \$500. The deductible is the amount policyholders must pay out-of-pocket before their insurance coverage takes effect. Increasing the deductible can result in premium savings of up to 15 percent.
- Install smoke detectors, dead bolt door locks and a fire extinguisher to qualify for premium discounts.
- Stop smoking. Some insurers offer reduced premiums to non-smokers because smoking is one of the leading causes of residential fires.

For more information about renters insurance, go to the I.I.I. Web site.

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.

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