

## APARTMENT ADVISER

Barbara Burtoff

# 71% of Renters Can Come Up With Many Reasons for Not Carrying Insurance

**I**t's hard to believe, but true. Only 29 percent of renters have renter's insurance, according to industry statistics.

Renter's insurance, also known as an HO4 policy, covers the cost of replacing personal property in the event of a fire, water damage or robbery. If a guest or employee falls in your apartment and needs medical care, the policy would also cover some of that. Should you be sued for negligence—found to be at fault for that fall, for example—a policy provides some liability coverage, too. A typical policy also covers the loss of property when it occurs away from your apartment, such as golf clubs stolen from the trunk of your car.

Similar insurance is a basic for most homeowners—mortgage companies require it. So why don't 71 percent of renters bother?

There are plenty of rationalizations, said Carolyn Gorman, vice president of the Washington-based Insurance Information Institute, the trade association that provided the statistic on how many renters have these policies. Among the most common:

- People believe—mistakenly—that the landlord's policy will cover them. The landlord has insurance, but only for his property, not yours.
- People, particularly those just starting out,

don't think they have anything worth insuring.

This is almost always wrong. Everyone has clothing, food in kitchen cabinets and the refrigerator. Most have electronics, such as CD systems, TVs, computers, furniture and books.

■ People acknowledge that others may need insurance, but think they don't because their apartment building has no history of robberies, fires or burst pipes. Insurance is there to cover you for sudden, unexpected events, Gorman said. If your building has never had a robbery, fire or water damage, it indeed would qualify as a sudden, unexpected event should it occur.

■ People think insurance costs a lot of money. The typical apartment renter's policy costs \$150 to \$250 a year, Gorman said. Some policies cost even less. If you have a one-bedroom unit and few things, but you do have a computer, television and music system, you would probably pay about \$125 a year.

■ People don't know what to ask an insurance company representative. That's no longer a problem. Here's everything you need to know to have a conversation about insurance.

### How much coverage do you need?

That's one question that an insurance repre-

sentative can't answer, though he can offer guidelines, Gorman said. For starters, you need to make a list of what you have. If you can also make a videotape recording of your belongings or take photographs, that would be even better. It would speed the process along should you ever need to file a claim. An agent might ask how many rooms are in your unit. A larger apartment would probably need more coverage than a smaller one. He might ask how many miles it is to the nearest fire station. Of course, location matters. If you are in a neighborhood with a low crime rate, you may pay less for coverage.

■ **What's the difference between replacement cost and actual cost?**

For example, your \$1,000 sofa is destroyed in a fire. If you have chosen, replacement cost insurance, which costs a bit more, you would receive whatever it takes to replace the sofa. If your insurance covers actual cash value, you would be reimbursed based upon depreciation value from the time you bought the sofa.

■ **Policies don't kick in unless a claim is for more than a deductible. What's standard for a**

**deductible?**

The standard deductible is \$250, but you could get a policy with deductibles of \$100 or \$500. You pay less for a policy with a higher deductible and more for a lower deductible.

■ **What is a floater policy?**

It is a special additional type of insurance that covers specific items—jewelry, furs, fine arts, sterling silver flatware, antiques and other collectibles. If you have high-end electronics, such as a computer system worth more than \$5,000, it would be good for that, too. A floater policy is also known as an endorsement policy.

■ **What is umbrella insurance?**

This provides liability insurance over and above what is outlined and provided in your HO4. This policy will kick in after you have reached the limit of liability coverage in your renter's policy or car policy.

■ **What about temporary living expenses if a fire**

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**puts you out of your apartment until repairs are made?**

Most policies offer limited coverage for temporary living expenses. This only covers the amount over and above your typical living expenses. This means if your rent is \$1,200 a month, and you had to spend half the month at a hotel for a total cost of \$1,500, you would be reimbursed only \$900. The other \$600 would be deducted as your typical living expense. At the time you take out the policy, ask if you will have this. You will need to discuss length of time and amount with your agent if you are in such a situation.

**Will a policy cover you if the source of a fire or water damage was in a neighbor's unit but affected yours?**

In a case like that, you will file a claim with your own company, Gorman said. Your company will reimburse you based on the terms of your own policy, but your company will try to get reimbursement from the company of the policyholder who is responsible for the damage.

**Can I ask my neighbor to cover my deductible if the problem originated in his unit?**

If your neighbor doesn't have insurance, then you won't get your deductible unless your neighbor feels sorry for you. If he does have insurance, your insurer will try on your behalf.

**What if the water damage resulted from a burst pipe? Wouldn't the landlord have to cover that?**

Yes.

**If a fire burned my sofa, I would be covered.**

**What if a party guest spilled a glass of red wine on the sofa; would that entitle me to reupholstering or cleaning?**

No, Gorman said.

**What about flood insurance for those renting an apartment in a basement or on the ground or garden level in an area prone to flooding?**

This is a separate policy. It is only offered by the federal government through the National Flood Insurance Program, which is a part of the Federal Emergency Management Agency. However, an insurance rep could assist you in

purchasing it.

So you've talked to an insurance representative or maybe several and think you are ready to sit down to compare prices and make a decision. Wait a minute. You've got to be savvy about discounts and other ways to lower the price.

Stephen Dickerson, senior vice president, a broker with USI/Morgan & Chaves, based in Alexandria, provided a list. Ask about these.

- **Volume buying.** Does the management of your building offer an HO4 policy? If so, with whom? If not, could it be considered? You pay less for coverage if the same company offers renter's insurance to all who want it in the building.
- **Multiple policies.** If the insurer also covers your car, mention this before the HO4 bill is tallied. You might save.
- **Fire department location.** How close is it to your building? If it's five miles or less, that could earn you a discount with some insurers. If it's one or less, that might be even more appealing.
- **Fire hydrant location.** You won't get a discount because there's a hydrant in front of your building—the insurance company expects one to be there.
- **Smoke detectors.** No discount for this, ei-

ther, Dickerson said. It's considered standard.

- **Security system.** If you have installed a system that's connected to a central station, that should definitely lower your rate, Dickerson said.

"Renter's insurance is a very good idea," said Jay Harris, vice president for property management of the National Multi Housing Council, a trade group for the large companies in the apartment industry.

At some of the larger and professionally managed buildings, this insurance is being offered as an option at the time of lease signing for the renter's convenience.

Some properties require proof of coverage as a condition of renting, but this cannot be done at government-subsidized properties, he said.

If you don't have renter's insurance now, you may be expected to provide it the next time you go to rent.

*Barbara Burtzoff welcomes comments and questions but cannot reply to each letter. Readers may write to Apartment Adviser, c/o The Washington Post Real Estate Section, 1150 15th St. NW, Washington D.C. 20071, or send e-mail to BBapartmentlife@aol.com.*