

# UNDERSTANDING renters & homeowners



## INSURANCE

### A guide for teens and young adults



Imagine yourself a year or two from now. You've just moved into a new apartment and recently purchased new furniture, a laptop and a flat screen TV. Stop and think— what would happen if you came home and found some of these stolen? Or, what happens to you if someone is hurt while on your property? Could you pay their medical bills? Or, in case you live with your parents, how would you replace your belongings if their home and everything in it were destroyed by fire?

**How do you recover from any of these losses? Renters/homeowners insurance should be a consideration to provide protection for your possessions and your legal responsibilities to others.**

# WHAT'S covered?



Homeowners insurance covers your home (structure) and personal property (contents), and also provides liability protection. Renters insurance covers your personal property and provides liability protection. It does not cover the building where you live because you don't own it. Like other types of insurance, renters/homeowners insurance usually comes with a deductible, which is the amount you pay out-of-pocket for a claim before your insurance company covers the rest. By covering smaller losses, you keep your insurance costs down. Remember, you choose the amounts of insurance coverage you need and choose your deductible. This will set the limits of your coverage for each type of loss.

## CONTENTS

The contents portion of your policy covers your personal property such as furniture, clothes, appliances, TV, video gaming system, laptop and other valuables. You are protected not only in case of theft but also from damage caused by fire, lightning, wind, hail, vandalism, smoke damage and other causes of loss as stated in your insurance policy.

Your insurance may not cover everything you own. There may be limits on certain items such as a musical instrument, jewelry, and certain types of collectibles or furs. To obtain additional protection for such items, investigate the availability of "scheduled property endorsements" with your insurance company or agent. For an additional premium, you can cover these special items at their appraised value.

## LIABILITY

Liability insurance protects you from claims or judgments made against you by others injured while on your property. It also provides protection for any injuries caused by you or your family, on or off the premises. In addition, it covers damage you cause to the property of others, the cost of legal defense in case of a lawsuit, and it pays the injured person's medical bills regardless of fault.

## STRUCTURE COVERAGE

Unlike most homeowners policies, a renters insurance policy does not cover the building or other structures on the property such as the apartment building or a garage. Since you do not own the building, this coverage is unnecessary. However, should you be held responsible for damage to the building, you need to make sure that you carry adequate liability limits.

## ADDITIONAL LIVING EXPENSES/LOSS OF USE

If your home or apartment becomes uninhabitable due to an insured loss, the policy provides coverage for above-normal expenses (like room and board) up to a stated amount. This "loss of use" coverage is standard in both renters and homeowners policies. Learn more about this coverage at:

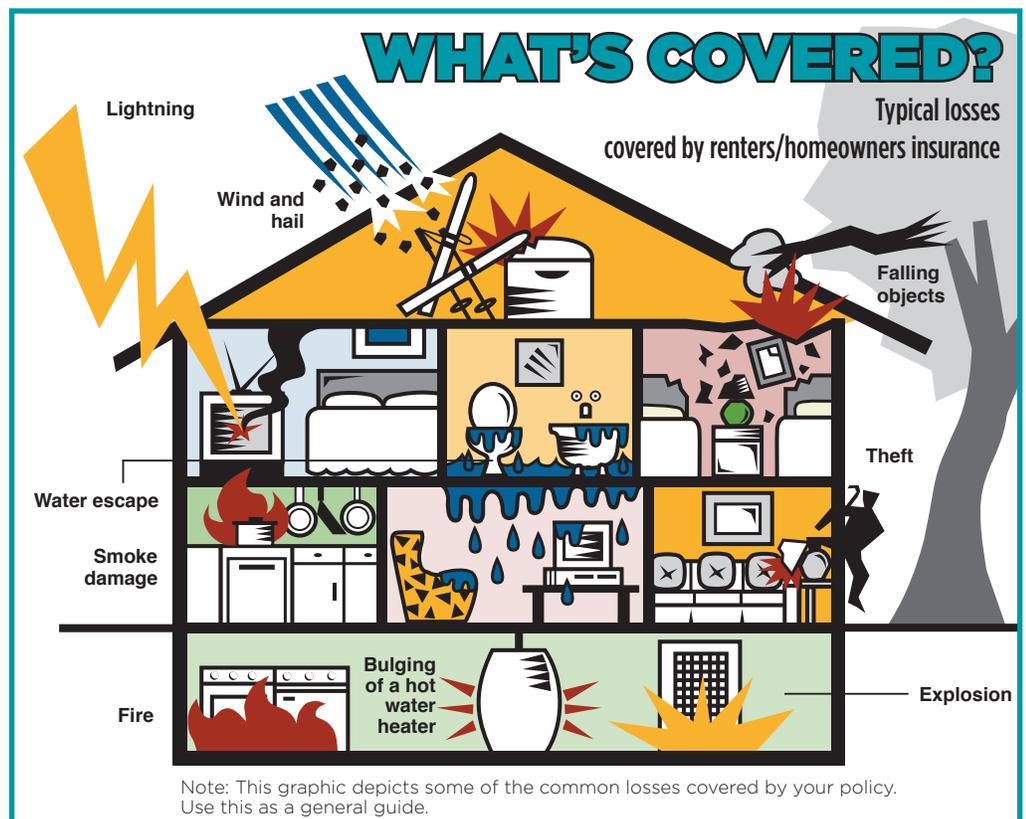
<http://bit.ly/1HQcqjp>.

# WHAT'S not covered?

When shopping for any type of insurance, ask your insurance agent or representative what's not covered by the policy. All policies contain "exclusions" and it's best to find out ahead of time what will not be covered in the event of certain losses.

Often, coverage can be "bought back" through an endorsement to the policy.

Endorsements are options that can be added to your policy which modify or extend the coverage outlined in the basic policy. An additional premium is normally associated with each endorsement.



Note: This graphic depicts some of the common losses covered by your policy. Use this as a general guide.

# SETTLING your claim

If you have a loss covered by the policy, there are two ways your claim can be settled:

**Actual cash value (ACV) method.** ACV is based on the principle that over time, items lose some of their value and are not worth as much as when they were new. Actual cash value is the cost to replace a damaged or stolen item minus an allowance for depreciation, wear and obsolescence. For example, a sofa you purchased five years ago probably would be worth much less if you tried to sell it today. If damaged, the sofa's depreciated value would be the amount you'd receive under ACV coverage.

**Replacement cost coverage.** This coverage often applies to the house itself, as long as the owner maintains adequate insurance coverage. Many companies offer replacement cost coverage for your personal property too, usually as an endorsement for an additional premium. Using the same example, the damaged sofa could be repaired or replaced at today's prices. This means that you can replace or repair your damaged sofa without any type of depreciation.

Based on what you own, your insurance counselor can help you choose what type of claims coverage is best for you. A replacement cost endorsement is usually best, especially in the event of a total loss.

## FAST facts

- The average cost of a renters insurance policy is less than it was in 2004, according to the [Insurance Information Institute](http://bit.ly/1CYamIE) (<http://bit.ly/1CYamIE>). The average annual premium was \$195 in 2004 compared to \$187 in 2012, the latest year of data available from the National Association of Insurance Commissioners. This equates to less than \$16 a month.
- A 2015 Insurance Information Institute poll conducted by ORC International found that 95% of homeowners had homeowners insurance but only 40% of renters had renters insurance.
- 47.6% of US renters spent at least 30% of their household income on rent and utilities in 2013.
- Young adults are more likely than other age groups to live in rental housing, with 72% of householders under age 30 or younger living in rental housing, according to [analysis](http://bit.ly/1e8J8mx) (<http://bit.ly/1e8J8mx>) by the National Multi Housing Council.
- A [2010 survey conducted by Apartments.com](http://bit.ly/1bK1Wkd) (<http://bit.ly/1bK1Wkd>) found that the top reason for not obtaining renters insurance was cost followed closely by those claiming they didn't know such insurance existed.
- Renters often think what they own isn't worth much. Believe it or not, most renters have at least \$35,000-worth of property. Not many of us could afford to replace \$35,000 worth of stuff if lost in a fire. (State Farm - <http://bit.ly/1ek12Ef>)
- The number of rental households has increased by 4 million since 2010, while the number of homeowners has decreased by 1 million, according to the National Association of Realtors. Nationally, [NAR projects a 3.9% increase in rents](http://bit.ly/1L5iicb) (<http://bit.ly/1L5iicb>) over the course of 2015. ([Forbes report: http://onforb.es/1GmEOHr](http://onforb.es/1GmEOHr))
- The cost to rent in Ohio, which has over 200 colleges and five large metropolitan areas, has increased 6% to a median of \$718 from 2010 to 2013, according to data from the US Census Bureau. About 42% of Ohio's renters spend over a third of their income on rent. [Financial advisors](http://nerd.me/1e818yN) (<http://nerd.me/1e818yN>) typically suggest spending less than a third on housing costs. ([NerdWallet](http://nerd.me/1e818yN))
- According to a recent [NerdWallet study](http://nerd.me/1Kch1yL) (<http://nerd.me/1Kch1yL>), Cincinnati has the highest percentage of renters of the state's three largest metropolitan areas (60%, versus Cleveland's 55% and Columbus' 53%).
- [Forbes' 2015 list of top 10 cities for renters](http://onforb.es/1Jtbcwc) (<http://onforb.es/1Jtbcwc>) includes: Cleveland (9), Cincinnati (6) and Columbus (5).
- According to a recent [TransUnion study](http://bit.ly/1lhOHLX), (<http://bit.ly/1lhOHLX>) 7 in 10 millennials said they prefer to conduct research online when searching for a new home or apartment to rent. Additionally, millennials are more likely to use smartphone apps during the rental research.

## CLAIMS adjusting process

When a loss occurs, it is your responsibility to report the loss to your insurance agent or company in a timely manner. It's the company's duty to assign a claims adjuster to evaluate the loss and work with you to determine fair compensation for the loss. Insurance policies state that the insurance company will "repair or replace" the damaged property based on the magnitude of the loss, policy limits and the type of coverages selected. **For more information, see the Insurance Information Institute's video *6 steps to filing a homeowners claim*.** (<http://bit.ly/1JKq7Uf>). Suitable to renters too!



# SAFETY & cost saving tips

Start your independent living off on the right foot. Consider insurance before moving into your first apartment. Remember, your landlord's insurance coverage does not cover your personal belongings for theft and other normal losses. Here are some ways to help keep the cost of insurance down:

## 1. Check with your insurance provider about the following:

- Policy exclusions (what's not covered and what has limited coverage)
- Endorsements you should consider (like replacement cost coverage on your possessions)
- Available discounts (for multi-policy, lump-sum yearly premium payment, or apartment security systems).

## 2. Consider increasing your insurance deductible.

The higher the deductible you select, the less you'll pay in premiums.

## 3. Make sure the policy limits are enough to cover what you own.

A good way to determine adequate coverage is to prepare an inventory of all items in your apartment or home—furniture, clothes, electronics and other equipment—which will force you to think about all the things you own and how much it would cost to replace them.

Consider videotaping or photographing your belongings. In the event of a claim, this will help you recall all your possessions and help serve as proof that you had these items in your apartment at the time of the loss. Be sure to keep a copy off premises for safe-keeping. For tips and ways to conduct a home inventory, go to: <http://bit.ly/YG5snB>.

## 4. Shop around to compare rates, services and claims procedures of several insurance companies and agents.

Ask your family members and friends for referrals. For tips for comparing insurance coverage and costs, go to: <http://bit.ly/1MIO5mU>.

## 5. Protect your property and premises from losses.

Reminders:

- Lock apartment doors and windows when leaving
- Don't hide a key outside your apartment
- Don't invite crime by leaving expensive items in direct view of open windows or in the hallway
- Use timers on lights, giving your apartment that "lived-in" look when away
- Don't post travel plans on social media. It's an open invitation to tech-savvy thieves.



# CLASSROOM ACTIVITIES

- Create an inventory of every item in your bedroom (don't forget the stuff in closets and drawers). Download free inventory software at [www.knowyourstuff.org](http://www.knowyourstuff.org) to track these items. Check online for the cost to replace these items. For tips and ways to conduct a home inventory, go to: <http://bit.ly/YG5snB>.
- Based on what you already own, what additional items would you have to buy for your first apartment? List these items and research the cost.
- Divide into groups and debate the pros/cons of carrying insurance for your apartment, such as cost versus benefit.
- If every item in your apartment were destroyed, could you afford to replace each item? What things would you replace first, second, etc. if you didn't have insurance? Prioritize the list.
- Play Oll's Renter's Insurance Edu-game: <http://bit.ly/1JqNhOb>.
- Web bonus!! **FAQ and Quiz:** <http://bit.ly/1NkEmhd>

## ESSENTIAL links & resources

**Who Needs Renters Insurance? All Renters Do** (Ohio Insurance Institute-OII) <http://bit.ly/16LkfDu>

**Guide to homeowners, renters & condo insurance** (OII) <http://bit.ly/1G1wbTY>

**Renters insurance checklist** (Insurance Information Institute-III) <http://bit.ly/1KEurBE>

**Average renters/homeowners insurance premiums by state** (III) <http://bit.ly/1CYamIE>

**Best cities for renters in Ohio** (NerdWallet) <http://nerd.me/1Kch1yL>

**Forbes' 2015 List Of Best/Worst Cities For Renters** <http://onforb.es/1GmEOHr>

**TransUnion survey:** 7 in 10 millennials use online research tools to find new apartments <http://bit.ly/1lhOHLX>

**The basics of renters insurance** (Insure.com) <http://bit.ly/1JOgz9h>

**Home insurance exclusions: What your policy won't cover** (Insure.com) <http://bit.ly/1B7JEvi>



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