

# UNDERSTANDING RENTERS AND HOMEOWNERS INSURANCE



Ohio  
Insurance  
Institute

*Representing Ohio's property/casualty  
insurance industry*

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Imagine yourself a few years from now. For the very first time, you are moving out on your own and into your first apartment. This is an exciting time! But as you prepare to move your most valuable possessions with you — your TV, furniture, laptop, and more — think about what would happen if any of these items were damaged or stolen. What will you do to protect them?

While Ohio does not legally require anyone to have renters or homeowners insurance, you should still strongly consider it. And homeowners, who finance their home with a mortgage, will most likely be required by their lender to have insurance coverage. Renters and homeowners insurance exists to protect your home, your possessions, your guests, and you.

## RENTERS INSURANCE VS. HOMEOWNERS INSURANCE:

## WHAT'S THE DIFFERENCE?

Because a renter's needs differ from a homeowner's needs, there are key differences between renters and homeowners insurance. Homeowners insurance covers both the structure and contents of your home, while renters insurance only covers the contents. Since a renter doesn't own the building, the landlord is responsible for insuring

the structure itself. Both types of insurance also provide liability coverage in case someone gets injured while on your property. Like health insurance or auto insurance, renters and homeowners insurance typically have a deductible which must be met before your insurance provider will begin coverage.

## WHAT'S COVERED?

As with any kind of insurance, the specifics of what is covered will depend on your individual policy. However, in general, renters and homeowners insurance includes three broad areas of coverage: **personal possessions, liability protection, and additional living expenses**. Homeowners insurance also includes the structure.

### Structure

#### *Homeowners Insurance Only*

Possibly the most important part of a homeowners insurance policy is the coverage it provides for the structure of your home. This will pay to repair or rebuild your house if it is damaged or destroyed by a variety of disasters including fire, lightning, and tornadoes. Most policies also cover other buildings that are considered part of your home, such a shed or detached garage. If you live in areas prone to flooding or earthquakes, you will want to purchase additional coverage — a standard homeowners insurance policy will not cover damage caused by either.

### Personal Belongings

Your insurance policy will include coverage for your furniture, clothes, and other possessions in the event they are stolen or get destroyed in a fire or other disaster. It will protect your belongings even if they are damaged or stolen outside of your home. There are different levels of coverage for your personal property: **Actual Cash Value** and replacement cost. Actual cash value will insure your belongings for their depreciated value — for instance, if your laptop is three years old it would not be worth the same price you paid for it when you got it brand new. Replacement cost is more expensive, but it will pay for the actual cost to replace these items with brand new ones, and depending on what you own could be well worth the extra cost. The best way to decide how much coverage to purchase is to make a detailed home inventory. If you have expensive art, jewelry, furs, or other valuable collectibles, you may need to purchase additional coverage for these items through a personal property endorsement. These items are covered under typical renters and homeowners insurance, but only up to a certain dollar amount. If you do decide to purchase additional coverage, you can insure an item for its official appraised value.

## Liability Protection

Liability protection covers you against lawsuits when you, a family member, or a pet cause property damage to someone else's property. It **does not** protect you against damage done to your own property. It also provides protection in case someone is injured while on your property. The injured person can submit their medical bills directly to your insurance company, regardless of fault. If there is a lawsuit against you, liability coverage will pay for the cost of defending you in court (up to the limits of your policy).

## Additional Living Expenses

If your home is destroyed or damaged by an insured disaster (fire, tornado, etc.), **additional living expenses** coverage pays for all expenses that would not normally incur if you were living at home. This includes hotel bills, short-term/temporary rentals, and restaurant meals. Keep in mind that if your home is damaged or destroyed by a natural disaster that you do not have coverage for, additional living expenses will not apply. Consider looking into additional coverage if you live somewhere prone to flooding or earthquakes.

## 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.

In the case of exclusions, consider purchasing an endorsement. 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.

Often, expensive possessions will not be covered for their full value in a typical insurance policy. In this case, you can purchase an endorsement for those items, or a floater, which is a separate policy that provides additional coverage for valuables.

## CLAIMS

### What is a claim?

A claim is a report that you file to your insurance company if there is a "loss" — an event that results in property damage or personal injury.

### How to file a claim

First things first: if a crime was involved, report it to the police before you do anything else. Vandalism, theft, and burglary are all crimes that should be reported to law enforcement.

Once you've reported it to the police, or if the loss doesn't involve a crime, call your insurance agent or representative. You should ask them the following questions:

1. Am I covered?
2. How long do I have to file a claim?
3. Will my claim exceed my deductible? (If the cost of your loss is lower than your deductible, you probably won't want to go through the claims filing process.)
4. How long will it take to process my claim?
5. Will I need to obtain estimates for repairs to structural damage? (Note that this is not applicable to renters insurance as you are not responsible for the structure of the property.)

If you establish that you will be making a claim, your insurance company will send over the proper forms for you to fill out. Complete and return these forms as quickly as possible to avoid delays in the process. Your insurance company will arrange for a claims adjuster to come over and inspect the damage to determine how much of it is covered. Be sure to prepare a list of damages, and if you have it, have your home inventory (or purchase receipts) for those items ready to show the claims adjuster. Once the claims adjuster has determined how much your insurance company will cover, you and your insurer will settle the claim, and once everything is processed you will receive a check.

## KEEP IN MIND...

If you need to relocate while your home is being repaired, keep the receipts for housing and meals to submit to your insurance company later for reimbursement. This falls under your additional living expenses coverage.



## COST SAVING TIPS

- Ask your insurance provider about discounts. Sometimes you can get a discount for having a home security system, or bundling your different types of insurance with one company.
- Consider choosing a higher deductible. Your monthly premium will be lower.
- Make sure your policy provides enough coverage for what you own. It's helpful to create a home inventory for this purpose, and also discuss with your insurance provider how much coverage will be best for you.
- Shop around to compare rates across companies and agents. Ask your friends and family for referrals.

## ACTIVITY

Choose a small part of your bedroom such as your dresser, closet, or desk. Create a detailed inventory of everything in that area. Note each item, the brand, size, color, how much you paid for it, and when you got it. How much would it cost to replace all of these items?

Make a list of the things you would need to buy if you were to move into your own apartment. Include things like furniture, appliances, and electronics. Research the cost of these items.

Make a list of what you believe are the three most valuable things you own. Research their value, if they would be covered by a standard policy, and if not, what kind of additional coverage you would need to buy for them.

## PROTECT YOUR PROPERTY



Protect your property from theft and damage. Always lock your doors and windows when leaving, and when leaving for an extended period of time, have your lights on a timer to give your home a "lived in" look. Never post about travel plans on social media. It's an open invitation for thieves. And **never** keep a spare key outside your house or apartment. If you have a spare key, keep it with you at all times (in your purse or wallet) or keep it with a trusted neighbor or nearby friend or family member in case of emergencies.

### Quick Definitions

**Policy** – A written contract for insurance between you and your company.

**Premium** – The amount you pay to your insurer regularly to keep a policy in force. You may be able to pay premiums monthly, quarterly, every six months, or annually, depending on your insurance company and your specific policy.

**Deductible** – The portion of a covered loss you pay before the insurance company becomes responsible for payment under the policy.

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