

So why buy renters insurance? Reason number one-- because it would be a big financial blow to have to replace all of your belongings. Not true for you? Well, if your bookshelves are made from planks and milk boxes, and you bought your bed on Craigslist, and you bought your clothing at a second-hand store, maybe not. But before you make a rushed decision, list your things and what they would each cost to replace. Add up the numbers. Many people underestimate what it would cost to replace everything.

Reason number two-- renters insurance might be a lot cheaper than you expect. Get a couple of quotes. If you've already got auto insurance, be sure to get a quote from your auto insurance company. Many companies offer deals on auto plus renters policies.

Reason number three-- renters insurance provides liability and medical coverage if a guest gets hurt in your rented home or apartment. For example, if a friend slips on your rug and breaks her wrist, your policy will pay for her medical expenses, lost wages, and possibly compensation for pain and suffering. However, you, your family members, and your roommates are not covered. Your landlord may have property and liability insurance. But that doesn't cover your belongings, nor provide liability for injuries sustained in the space you rent.

Reason number four-- your landlord may require that you have renters insurance. Many landlords do. Renters insurance covers your property for risks such as fire, lightning, damage from smoke, and theft. Most renters insurance policies use the named perils method. That is, they protect against a list of specific perils or risks and these perils only. If something happens that's not on the list, you don't get paid. An open perils policy protects against any event that's not specifically excluded by the policy. It's possible to buy open perils renters insurance, but it tends to be more expensive since it covers more things. A couple of things that are not covered with either named perils or open perils policies are earthquakes and floods. Those are going to cost you extra.

An important thing to pay attention to in a renters insurance policy is whether the policy provides for replacement cost value or actual cash value coverage. Let's say you bought a TV five years ago. With actual cash value policy, the insurance company's only going to pay you what that used TV is worth today at the time it was damaged or stolen. This is basically what you might get if you sold it on Craigslist. That's not going to be enough money to let you go out and buy a nice new TV. With replacement cost value policies, the insurance company gives you enough money to replace your old TV with a new one with similar features and of comparable quality.

Now, what if something happens that's serious enough to make your rental home unlivable? A renters insurance policy may also include coverage that helps pay your temporary living expenses. Depending on the policy, this means the insurance company would help pay for things like hotel bills, restaurants, renting a temporary place, even moving expenses.

Not every policy has this protection. And the terms are going to vary. I'll leave you with three final tips. I've mentioned these things before. But they're worth repeating. One, shop around for the best quote you can get. Two, choose as high a deductible as you can afford to pay. This is going to keep your premiums lower. Though, it will cost you more money if you do have to make a claim. And three, read your policy. Know what coverage you're buying before you buy. And when the policy arrives, read it. Make sure that the terms and coverage are what you expected.