

RENTER'S INSURANCE

Renter's insurance protects a tenant against property losses, such as losses from fire or theft. It also protects a tenant against liability (legal responsibility) for many claims or lawsuits filed by the landlord or others alleging that the tenant has negligently (carelessly) injured another person or damaged the person's property.

Carelessly causing a fire that destroys the rental unit or another tenant's property is an example of [negligence](#) for which you could be held legally responsible.⁷⁴ You could be required to pay for the losses that the landlord or other tenant suffers. Renter's insurance would pay the other party on your behalf for some or all of these losses. For that reason, it's often a good idea to purchase renter's insurance.⁷⁵

Renter's insurance may not be available in every area. If renter's insurance is available, and if you choose to purchase it, be certain that it provides the protection you want and that it is fairly priced. You should check with more than one insurance company, since the price and type of coverage may differ widely among insurance companies. The price also will be affected by how much insurance protection you decide to purchase.

Your landlord probably has insurance that covers the rental unit or dwelling, but you shouldn't assume that the landlord's insurance will protect you. If the landlord's insurance company pays the landlord for a loss that you cause, the insurance company may then sue *you* to recover what it has paid the landlord.

If you want to use a waterbed, the landlord can require you to have a waterbed insurance policy to cover possible property damage.¹

Attitudes² towards insurance vary—some people wouldn't be without it, while others consider it a giant rip-off. Our job is not to argue this

¹ *Civil Code Section 1940.5(a)*.

² Following passage from *California Tenants' Rights*, Moskowitz and Warner, page 13/1-2 (NOLO 2003).

question one way or the other, but to tell you how renter's insurance works.

Renter's insurance is a package of several types of insurance designed to cover tenants for more than one risk. Each insurance company's package will be slightly different—types of coverage offered, the dollar amounts specified for coverage and the deductible will vary. There is nothing we can tell you here that will substitute for your shopping around and comparing policies and prices. It's a good idea to talk to friends and see if they are happy with their insurance—but realize that prices for renter's insurance can be very different depending upon where you live. In certain high-theft areas it is almost unobtainable.

The average renter's policy covers you against losses to your belongings occurring as a result of fire and theft, up to the amount stated on the face of the policy, which is often \$15,000 or \$25,000. As thefts have become more common, most policies have included "deductible" amounts of \$250, or even \$500. This means that if your apartment is burglarized, you collect from the insurance company only for the amount of your loss over and above the "deductible" amount.

Many renters' policies completely exclude certain property from theft coverage, including cash, credit cards, pets and so on. Others limit the amount of cash covered to \$100, jewelry and furs to \$500; the value of home computers and equipment may be included as part of the contents coverage amount, or they may be separately scheduled on the policy. If you live in a flood or earthquake-prone area, you'll have to pay extra for coverage. Earthquake policies, for example, typically run from \$2 to \$4 for each \$1,000 of coverage, with a deductible of 10%-15% of total coverage. Make sure your policy covers what you think it does. If it doesn't, check out the policies of other companies. As a general rule, you can get whatever coverage you want if you are willing to pay for it.

If you do take out insurance on valuable items, you should inventory them: Note down their values and take photos or make videotapes.

Include the estimated value of each item, backed up with information on the model number and date of purchase. Keep the inventory and photos at work or some other place other than your apartment, so that if there is a problem it won't suffer the same fate as your belongings.

Some tenants who don't have much property to lose don't see a reason to have fire insurance, especially if the unit is furnished. This is sensible enough, but does overlook the fact that if the rental unit suffers fire (or water) damage as a result of tenant negligence (for example, a grease fire in a frying pan spreads and damages the kitchen), the tenant is liable, and will need insurance coverage if he is to avoid having to make good the loss out of his own pocket.

In addition to fire and theft coverage, most renter's policies give you (and your family living with you) personal liability coverage to a certain amount stated in the policy (\$100,000 is typical). This means that if you directly injure someone (for example, you hit them on the head with a golf ball), he is injured on the rental property that you occupy through your negligence (for example, he slips on a broken front step) or you damage his belongings (for example, your garden hose floods the neighbor's cactus garden), you are covered. There are a lot of exclusions to personal liability coverage, important among them being any damage you do with a motor vehicle, with a boat or through your business.

Important: Your landlord's "homeowner's" insurance won't cover you. Even if you live in a duplex with your landlord and the landlord has a homeowner's policy, this policy won't protect your belongings if there is a fire or theft. Of course, if you suffer a loss as a result of your landlord's negligence, you may have a valid claim against her. Most landlords have insurance specifically to protect against this sort of risk. If you have a loss, be sure your insurance company treats you fairly. You are entitled to the present fair market value (what the property would sell for, not the replacement cost) of anything stolen or destroyed by fire or any other hazard covered by the policy after the deductible amount of the

policy is subtracted, unless your policy specifies "replacement value." If the company won't pay you a fair amount, consider taking the dispute to small claims court if it is for \$5,000 or less. If the loss is a major one, you might consider seeing a lawyer, but agree to pay the lawyer only a percentage of what he can recover over and above what the insurance company offers you without the lawyer's help. Recently many landlords have begun inserting a clause into their leases or rental agreements requiring that the tenant purchase renter's insurance. This is legal under California law. The landlord's motive for doing so is threefold:

- If the tenant's property is damaged in any way that is not the landlord's legal responsibility and the damage is covered by the renter's policy, the landlord won't have to rely on his own insurance policy.
- Anyone who suffers a personal injury on the property in a situation where the tenant is at fault is less likely to also sue the land lord.
- A number of landlords believe that tenants who are willing to buy insurance are more responsible than other tenants.

FINDING EARTHQUAKE INSURANCE CAN BE DIFFICULT

The occurrence and risk of earthquakes in California has made it increasingly difficult for tenants to obtain renters' insurance. Insurance Code § 10083 requires insurance companies to offer earthquake coverage with every homeowner's policy (renters' insurance is considered a form of homeowner's insurance), but most large companies are limiting the number of policies and type of coverage they issue as a result of the 1994 Northridge earthquake, which cost the insurance industry billions of dollars. Smaller companies are, however, continuing to offer policies, sometimes only for specified, earthquake-safe buildings. Independent brokers are usually the best sources for available and affordable policies.