



# Renters Insurance

(Revised August 2005)

News reports of apartment fires often include tragic stories of renters who've lost everything because they weren't insured. A landlord's insurance usually covers the building, but not the personal property of residents. If you rent an apartment, duplex, house, or townhouse, you may need renters insurance to protect your belongings.

## How Renters Insurance Works

Renters insurance is a type of residential property coverage specifically designed for people who rent homes or apartments. These policies are often called "tenant policies." Renters insurance

- pays to repair or replace personal property that's damaged, destroyed, or stolen. Limits on this coverage vary by policy, but most provide at least \$4,000 worth of protection. Policies may limit payments for certain kinds of property, however. Common maximums are \$100 for lost cash; \$2,500 for personal property used for business; \$500 for valuable papers; and \$500 for theft of jewelry, watches, and furs. Renters insurance also covers your luggage and other personal items when you travel for up to 10 percent of the amount of your policy or \$1,000, whichever is greater.
- pays living expenses, such as motel costs, if you're displaced from your home or apartment. This "loss of use" coverage is generally limited to 20 percent of a policy's personal property coverage. For example, if you have \$25,000 in personal property coverage, your loss-of-use coverage would be \$5,000. You would be paid up to this amount for the reasonable time required to repair or replace your rented property.
- provides liability coverage if you are legally responsible for another person's injury or property damage. If someone is injured in your home and files a lawsuit, a renters policy automatically provides \$25,000 in liability coverage and pays your legal costs. Extra liability coverage is available for additional premium.

Insurance companies can sell several types of renters policies in Texas, each with a different level of coverage. Two of the policy forms - the HO-BT and the HO-CT - are standardized. This means the policy language and coverages included will be the same, regardless of the company writing the policy. Companies also may sell alternative policies or modified versions of the HO-BT and HO-CT if approved in advance by the Commissioner of Insurance. These policies are not standardized and usually provide varying coverages. Read your policy carefully to know exactly what coverages are included. In general, a company will only offer one policy form to customers, but some may sell more than one. If a company offers you a policy with less coverage than you'd like, ask if other policy forms are available. You also may be able to purchase "endorsements," or special policy add ons that increase or expand the coverage provided in the base policy. The endorsements available may vary by company.

Following is a basic description of the two standardized policy forms approved for sale in Texas:

- The Broad Form (HO-BT) covers your personal belongings only for losses caused by events specified in the policy, such as fire and theft. Losses not specified are not covered. Most renters buy Broad Form policies.
- The Comprehensive Form (HO-CT) is an "all risk" policy that protects your personal belongings against every type of event, unless specifically excluded by the policy. HO-CT policies are more expensive than HO-BT policies because they cover more risks.

Most renters policies in Texas have a deductible equal to 1 percent of the total amount of coverage. A

deductible is the amount you must pay out of your own pocket if you have a claim before the insurance company will pay. For example, if you have a \$25,000 policy with a 1 percent deductible, you would pay the first \$250 of the repair or replacement costs, and the insurer would pay the rest, up to your policy's dollar limit. Some companies, however, may require a higher deductible for theft.

## Replacement Cost Coverage

Renters policies normally only pay the "actual cash value" of your property. This means the insurance company will subtract an amount for depreciation and wear and tear from the value of your property before paying your claim. As a result, you probably won't receive the full amount needed to buy new replacements for the items you lost.

Replacement cost coverage pays the full cost of replacing your property, minus your deductible. You can usually add replacement cost coverage to your policy for additional premium.

If you have replacement cost coverage on your HO-BT or HO-CT, your insurance company will pay the full replacement cost of your property up to \$1,500. For any remaining property damage that exceeds \$1,500, the insurer will pay the actual cash value first. You must then actually replace or repair the property with an item of like kind and quality before the insurer will pay the remaining amount of your claim. Other types of policies may have different procedures for paying replacement cost coverage. Read your policy or ask your agent how your policy pays a claim.

**Note:** A complete inventory of your property can be helpful if you ever file a claim. Include the item, its value, and a serial number if there is one. Keep receipts for expensive items. Photographs or a videotape of your property can be especially helpful to document your loss to the insurance company. Keep a copy of the inventory and any photos or videos of your property in a secure place, such as a safe deposit box.

## Shopping for Insurance

Not everyone needs a renters insurance policy. Dependents temporarily living away from home, such as college students, may be covered by their parents' or guardians' homeowners policies. You should check with your agent or company if you have dependents away from home ask if your policy will provide coverage. Covered dependents' personal property is covered up to 10 percent of the personal property limit of the parents' policy. For example, if the parents have an insurance policy with a personal property limit of \$50,000, their dependents automatically have \$5,000 in coverage while living away from home. Dependents are covered up to 100 percent of the liability provided by the parents' or guardians' policy for claims involving personal liability and medical payments to others.

If you decide that you need renters insurance, it pays to shop around. Rates vary widely, so you should get quotes from several different companies. When comparing prices, be sure you understand the amount of coverage different policies provide.

When getting a price quote or applying for insurance, answer questions truthfully. Wrong information could cause you to get an incorrect price quote or could lead to a denial or cancellation of coverage.

Also, be sure to consider factors other than cost, such as a company's financial strength and its customer service record. Buy only from licensed companies and agents. You can find out whether agents or companies are licensed and get information about licensed companies' finances and their complaint histories by calling the Texas Department of Insurance Consumer Help Line or by visiting our website

**1-800-252-3439**  
**463-6515** in Austin  
**[www.tdi.state.tx.us](http://www.tdi.state.tx.us)**

## For More Information

- TDI offers a variety of insurance-related publications and services. [Publications are available in](#)

[alternate languages and formats and on our website.](#)

- For printed copies of free consumer publications, call the 24-hour **Publications Order Line**  
**1-800-599-SHOP (7467)**  
**305-7211** in Austin
  
- For answers to general insurance questions call the **Consumer Help Line** between 8 a.m. and 5 p.m., Central time, Monday-Friday  
**1-800-252-3439**  
**463-6515** in Austin
  
- You may file an insurance-related complaint with TDI several ways:
  - by our website at [www.tdi.state.tx.us/consumer/complfrm.html](http://www.tdi.state.tx.us/consumer/complfrm.html)
  - by e-mail at [ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us)
  - by fax at 512-475-1771
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