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Consumer Article:

“What You Don’t Know About Renters Insurance”

While "expert" sites are proliferating on the net, it pays to get advice from real subject experts. Below is a question and answer provided at a well-known consumer insurance web site. Compare their response to the question to that of some of our faculty.

Here's the question posed on the web site:

"I was a renter in the same residence for nine years, and had an accidental fire which severely damaged one room. Not only did our landlords ask us to leave, but now their insurance company is coming after us for the claim. (We received none of this money, by the way.) We did not have renters insurance, which I am being led to believe would not have covered the dwelling, only the contents or my personal belongings. I have never heard of this, and I haven't recovered from my own losses. What are my rights and what can I do to stop this?"

Now, here's the "answer" posted on the web site:

"You're right in believing that renters insurance only would have covered your personal belongings. Insurance for the structural space you are living in should be covered under your landlord's policy. Even if your landlord has not purchased landlords insurance, this does not mean that liability lies with you. According to [Here the site names an insurance company that shall remain anonymous (despite their indirect connection to Peter Sellers) because we can't believe that someone there actually said this. - Ed.], the fact that you do not own the property means that you are not legally liable for damage done to it. You should ask your landlord's company to give you the rule in writing that allows them to come after you for payment.

Disclaimer: We are consumer journalists, not financial planners or insurance brokers. So, while we try our best to answer your questions, nothing we say should be interpreted as a recommendation to buy or sell any insurance product, or to provide other financial or legal advice."

IIAAVU Faculty Responses

To quote Perry White of the Daily Planet, "Great Caesar's ghost!!!" Imagine the potential liability of an insurance agent if he/she gave this kind of advice! They have a disclaimer (see above) that they are only consumer journalists...if so, why not stick to consumer issues as opposed to technical advice? Makes you wonder if some states would prohibit this as an unlicensed activity...either insurance or law. In any case, several of our faculty members couldn't resist writing to the "journalist." Below are their emails (edited so as not to violate any community decency standards)...note that the last one reveals a critical renters policy coverage that's often overlooked...

It's clearly possible that if she had purchased a homeowners (renters) policy on her belongings, the policy would have also responded for the structural damage caused in the fire. If she had been negligent in causing the fire, perhaps by way of allowing an unattended pan of grease to cause the fire, then she would in most cases be deemed to have been negligent and the "renters" policy would respond for the subrogation papers the insurance company has sent her. Clearly, the insurance company covering the building feels there is some negligence on

the part of the tenant by way of "coming after her," as the article states. Even if she is not negligent in the fire a renters policy would DEFEND her in the claim.

Your statement of "You're right in believing that renters insurance only would have covered your personal belongings" is not correct and would lead one to believe that a "renters policy" ONLY covers personal belongings, which is certainly not the case. Liability and defense coverages are some of the most valuable coverage provided in the typical "renters insurance" policy, known commonly as an HO-4 Tenants policy.

Your reply indicated that damage to the landlord's building was not covered by a renters policy. Actually, the industry-standard renter's policy ("HO-4") does have coverage under the Section II Liability provision for property damage to the property of others, if the insured (renter) is legally liable. There is specific coverage for what the insurance industry refers to as "fire legal liability." That is, if the tenant causes fire damage to the landlord's building, the tenant's HO-4 renter's policy will cover the fire damage, up to the Section II limit of liability, usually \$100,000.

Even if the landlord had insurance, that does not relieve the tenant of responsibility. After the landlord's insurer pays the claim, the insurer will seek recovery against any party which might have negligently caused the damage (known as "subrogation"). If the tenant's negligence caused the fire, the landlord's insurer will in all likelihood seek recovery from the tenant (whether or not the tenant has insurance). However, if the landlord has waived subrogation against the tenant, his insurer cannot bring an action against the tenant.

It was also stated that a person isn't legally liable for damage to property if they don't own it. That is ridiculous! If someone hits your new car, would you expect that they aren't liable because they don't own it?? On the contrary, you would expect the negligent party to pay for the damage to your car, rather than your own insurance company. That's pretty much how the landlord would feel.

First, a renters policy (commonly called an "HO-4 Tenant's Form) does, indeed, cover damage to the occupied unit, typically up to \$100,000, under the Liability section of the policy. Normally, damage to property in your care, custody or control is not covered, but an exception is made for this and a few other situations.

In fact, when I have trained agents in the past, I often make the point that the best candidate for a personal umbrella policy is a renter or condo owner who can negligently burn down the building in which they reside, along with the contents of others...not to mention the potential liability for loss of life. It's the liability insurance in a renters policy that is of the greatest value, not the meager coverage typically provided on personal belongings.

Second, with regard to the statement "According to [anonymous company], the fact that you do not own the property means that you are not legally liable for damage done to it. You should ask your landlord's company to give you the rule in writing that allows them to come after you for payment."...

I can't believe that a [anonymous company] representative made this statement...most likely what he/she said was you usually cannot be held liable for damage to property you OWN, not property you do not own. As far as asking for the "rule" in writing that allows them to come after you, you'll find that "rule" in every freshman law book in the country...it's a fundamental legal principle that you have the right to recover for damages negligently caused to you or your property.

So, the landlord's insurance company, under the right (by common law or contract) of subrogation, has every legal recourse against the tortfeasor as does the landlord. Most commercial property policies, though, allow the landlord to waive this subrogation right...so, ultimately, it's up to the landlord as to whether the insurer can pursue this claim. The way this works in most cases is that the landlord's property insurer pays for the damages, then subrogates for recovery from the negligent person's liability insurer.

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