

REST INSURED



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The Club's Auto and Home Insurance Partner



Renting a Room

Your last child got married and moved out, and you're looking at a big empty house. A common question to ask is, "Should we rent out a room to make some extra money?"

If you have extra space in your house, you may have considered renting out a room to bring in some extra income and share the utility bill costs. If you are thinking about doing such a thing, you should realize that there are hidden costs that you should be aware of.

Aside from the obvious "cost" of the invasion of your privacy, your actual expenses may not be that bad. Most people find that their utility bills increase when you start adding additional bodies showering and using lights and air conditioning. Some people install a separate phone line, and pass that cost on to the renter, but with cell phones so common today, that practice is probably dying out. If you live in a condo, you may have to pay extra to get an additional parking spot.

One cost that you hope you never have to incur would be legal expenses. Getting into a protracted legal disagreement with a tenant can be very expensive. To help avoid any legal entanglements, it is *vital* that you get a signed rental agreement from anyone who stays with you. The contract should include the basic items like the term of lease, the amount of the rent, when it is due, and should also include things like what activities are not allowed in the house, what items they are allowed access to (kitchen, refrigerator, TV, stereo, etc.) This is also a time to set out any clear rules regarding parties, smoking, overnight guests and house-cleaning.

And don't forget taxes! Any income that you receive from a renter is taxable on both the state and federal levels, and will be paid at your personal maximum.

What about insurance?

First, we'll address your homeowners policy. Having a renter is not excluded on a typical homeowners policy, so you will not suffer a coverage problem. Some insurance companies will require your renter to buy their own renter's insurance if they find out that you have a tenant, and most will not write your policy if you have more than two renters living with you.

While there is no charge on your homeowners policy for having a renter, there is also no coverage for them, or any of their things. For this reason, we highly recommend that you ask your tenants to carry a renter's policy. These policies are extremely affordable, (often only \$20 a month). The most important thing that they provide is \$300,000 to \$500,000 of liability coverage. If your tenant were to

damage property or cause some bodily injury, their policy would respond. Also, in the event of a fire or theft, their belongings would be insured, where they are not insured under your homeowners policy.

The biggest hidden cost of a tenant would be the expense and hassle that they would cause you if they caused a fire. If they are smoking in bed, plugging 13 things into an electrical outlet, or cooking in their bedroom, you could easily have a fire on your hands. (Or, what about a theft, if they leave the house and do not properly lock it?) A loss like this could cost you thousands of dollars, in addition to your insurance deductible, and the considerable amount of time it takes to resolve a problem like this, to say nothing of any sentimental value that an irreplaceable item might have for you and your family.

You auto insurance is generally not affected by having a renter. Most people do not let their tenants drive their vehicles, and that should probably be officially stated (and included in the lease). The tenant would be covered if they did drive your car, unless you specifically exclude them from coverage.

Again, if your tenant is driving your car and is involved in an accident, not only will it cost you time and money, but your auto insurance will be harder to replace if the insurance company thinks that you let "strangers" drive your car frequently.

If you have any questions about what is affected when you rent a room, feel free to call our agency. If you would like to get a quote for your home or auto policy through us, or would like a question answered on any type of insurance, just give us a call.

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Have a question? Is there something about insurance that you've always wanted to know, but were too ashamed to ask? Maybe something that you've just always been curious about? Feel free to send me an email at jgelineau@unitedagencies.com, and I will try to answer your question in one of our monthly columns.

Be safe and have fun!

Call United Agencies Burbank today at (888) 801-5522.

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