



Air Force Civil Engineer Center

FREQUENTLY ASKED QUESTIONS (FAQs) Air Force Housing Privatization (HP) Program Renter's Insurance Requirement Waiver 4 March 2015

Why is the Air Force cutting renter's insurance coverage?

The Department of Defense (DoD) decided to eliminate renter's insurance as a component of Basic Allowance for Housing (BAH) effective January 1, 2015. The Air Force must ensure the homes, core services and amenities in our housing communities remain viable over the 50-year life of the 32 privatized housing projects.

I thought the housing company provided insurance?

Historically, BAH has included a funding component for renter's insurance. Therefore, many of our privatized housing Project Owners (POs) agreed to provide it as a service benefit to military tenants when the POs entered into a development agreement with the Air Force. As a result of DoD's elimination of this component from BAH, the Air Force elected to remove rental insurance requirements from its privatized housing agreements.

If providing insurance coverage to residents is in the housing development agreement, can't the Air Force make project owners continue to provide the renter's insurance?

The decision to eliminate coverage requirements was not made lightly. Housing Privatization projects are designed to be financially self-sustaining for the duration of the 50-year agreement, with BAH being the lifeblood of the program, providing the income for the projects. Any cuts made to BAH directly impact the program's long-term viability. The average \$20 per month reduction in BAH for each Service Member for 2015 could put the long-term financial health of the program in jeopardy when applied to the over-50,000 homes in the portfolio. The Air Force removed rental insurance requirements from the projects because DoD removed the renter's insurance component from the BAH.

BAH went up in 2015, why can't they just use that money to continue providing renter's insurance?

BAH rates increased an average of 0.5% across the DoD based only on local cost of rent and household utilities in each Military Housing Area. The new rates took effect on January 1, 2015. Without the reductions from the elimination of renter's insurance based on DoD policy and the out-of-pocket expense based on the National Defense Authorization Act, BAH would have increased more. Cost-of-living increases impact each POs cost to maintain and operate each privatized housing development. Nearly \$8.3 billion has been invested in the Air Force's 32 housing privatization projects for renovations, new construction, on-going maintenance and repairs, and support overhead costs. BAH is the revenue source POs have to protect investments and continue to provide their services for the long run.

How will this affect the renter's insurance coverage I currently have for my house on base?

POs are required to fulfill current lease obligations. The Air Force's decision only releases POs from their requirement to continue providing free renter's insurance on new tenant leases going forward. POs will decide independently whether or not they'll provide free renter's insurance as an added benefit to attract and retain occupants.

What happens when my lease expires?

Residents with a current renter's insurance coverage provision in their lease agreement will maintain that benefit through the duration of the lease. The Air Force's decision allows POs to make their own business decisions regarding renter's insurance for new leases and as current resident leases expire.

How does this cut affect service members' BAH who live off base?

On average, the BAH included a component for renter's insurance, which contributed about \$20/month to the BAH rates, with the actual amount varying by grade and location. Members who live off base have always had to obtain their own renter's insurance.

Do I have to hold a renter's insurance policy if I live on base?

Each project owner retains the authority to require tenants to obtain a certain level of rental insurance (property, personal, liability), or impose no requirement at all. The Air Force has always recommended Airmen obtain independent renter's insurance to fully cover their personal property and to include liability coverage. Depending on the type of policy, renter's insurance can cover expenses incurred beyond the cost of replacing personal belongings. Most renters insurance policies provide coverage for accidents and injuries that occur in your home, as well as accidents that occur outside of your home that are caused by you, your pet or your property.

Under the Claims Act, the government provides up to \$40,000 worth of coverage to all Airmen who live in privatized housing situated on government-owned land. However, it does not apply at a few projects where some or all of the privatized housing is located on private land. Also, that coverage only applies to personal belongings; it does not provide liability coverage and reimbursements may be limited under the Claims Act. Airmen are encouraged to check with their housing management or legal offices to see how the Act applies to their situation.