

IOA COVERAGE DESCRIPTION SERIES

RENTAL CAR COMPANY INSURANCE COVERAGE OPTIONS

If you've ever rented a car, you've probably been warned by salespeople at the counter about the possible consequences of walking away without buying their company's rental car insurance. Put on the spot, you might not feel confident about exactly what your current auto insurance covers.

Note that rental car insurance is not the same as rental car reimbursement coverage, an auto policy option that covers the cost of a car rental if your vehicle is being repaired as part of a claim.

Rental Car Company Option or Your "Personal" Auto Insurance?

See below for typical insurance options from rental car companies, along with how to determine if you already have coverage within your own auto insurance policy. Coverage from your own policy applies when you are using a rental car for personal, nonbusiness purposes.

Crash & Car Theft Insurance Coverage?

At The Counter Decision:

Loss-Damage Waiver (LDW) protection, also called a **Collision Damage Waiver (CDW)**, covers damage to the rental vehicle or theft of the car. It's technically not insurance but rather a waiver that says the rental car company won't come after you.

Most standard rental car agreements require the customer to be responsible for the **Retail Value** of the vehicle, including:

- (1) **Loss of Use** of the vehicle during the period it is unavailable for rental as well as reasonable administrative fees, towing and storage charges.
 - (2) You could also be held responsible for **Diminution (Loss) of Value** arising out of damage to the rental car.
- ✓ **Your Personal Auto Policy***: If you have collision and comprehensive coverage on your own policy, it generally will extend to a rental car. However, you will still be on the hook for your deductible. If you don't have comprehensive and/or collision coverage on your regular policy, and don't have the LDW, you'd have to pay for the damage.

Most personal auto policies also provide limited coverage for **Loss of Use** (by the rental company) issues. This would cover the rental income the rental car company could have earned had the vehicle been available. Note that this usually only applies if the vehicle is stolen, and then typically it is limited to a fairly nominal amount (\$15 per day is common).

* Personal auto policies may contain a "Business Use" exclusion. Before relying on coverage under your personal auto policy for a vehicle rented for business purposes, you should make sure coverage is not excluded

Rental Car Insurance Options, Continued

- ✓ **Your Business Insurance Policy:** If the vehicle is rented corporately, your Business Auto policy provides protection provided your purchase **Hired Car Physical Damage***.

* BEWARE ISSUE: Business auto policies typically only cover (1) private passenger vehicles and (2) light trucks and vans.

If you are renting larger vehicles, you should either (1) have this coverage added to your business auto policy and/or (2) purchase the damage waiver from the rental car company. This coverage will be subject to a deductible.

Why You Should Consider Buying the Damage Waiver Anyway

Even if you have **Hired Car Physical Damage Coverage**, there are reasons to also purchase rental car company damage waiver protection:

1. If you return a rental car that is damaged, the rental company has the right to estimate the cost to repair the vehicle and charge it to your credit card. This conceivably could maximize your credit card limit, and if you do not have a secondary card, you could be in an uncomfortable position.
2. The rental car company also has the right to charge for the following miscellaneous expenses:
 - a. Loss of Use Expenses: The amount the car could have been rented for during the time it took to repair it.
 - b. Diminution of Value Expenses: The difference between two identical vehicles with the exception that one has been damaged and the other has not. While this valuation is almost totally subjective, and is never known for certain unless or until the vehicle is sold, diminution of value can be significant.
 - c. Administrative Fees, Towing and Storage: Most rental car contracts also hold the customer responsible for reasonable administrative fees, towing and storage.

Liability Damage “To Others” Coverage?

At The Counter Decision:

Supplemental liability protection will pay for damage you do to others’ vehicles or property. A typical limit is \$1 million. If you have no auto insurance (for example, if you don’t own a car), you should buy this.

- ✓ **Your Personal Auto Policy:** Your own auto liability insurance will cover you when you’re driving rental cars. If you have really minimal liability coverage on your auto policy, you could buy the supplemental protection to boost your coverage.
- ✓ **Your Business Insurance Policy:** If the vehicle is rented corporately, and the corporation has hired car liability coverage, once again liability will be extended to the rental vehicle.

However, a problem can arise when an individual employee rents a vehicle for business purposes. Since your practice didn’t rent the vehicle, coverage may not extend to liability for

Rental Car Insurance Options, Continued

the use of the vehicle. If hired car liability does not extend to provide coverage, non-owned automobile coverage should.

In either case, this problem can be overcome by:

- (a) including the employer's name on the rental car agreement in-addition to the individual's;
- (b) negotiating a corporate override agreement between the employer and the rental car company; or
- (c) manuscripting an endorsement to cover this exposure on your commercial auto policy.

Injuries “To You” Coverage?

At The Counter Decision:

Personal accident insurance covers medical costs for you and your passengers if you're involved in an accident. This includes ambulance, medical care and death benefits.

- ✓ **Your Personal Auto Policy:** If you have personal injury protection or medical payments coverage on your auto policy, you won't need personal accident insurance: consider purchasing a life insurance policy for death benefits.

Coverage for “Your” Stolen Items?

At The Counter Decision:

Personal effects coverage pays for your belongings if they're stolen from the rental car, up to a set dollar amount.

- ✓ **Your Personal Auto Policy:** A homeowners or renters insurance policy will cover your possessions if they are stolen, even away from home. To make a theft claim, you'll need to file a police report, and your deductible amount will apply.
- ✓ **Your Business Insurance Policy:** Most commercial property policies provide coverage for property away from the premises.

Using Your Credit Card for Rental Car Coverage?

Credit cards often provide coverage for rental cars, assuming you have used the card to pay for the rental and the rental is in your name. You'll automatically have this coverage if it's included with your credit card: no need to call or sign forms.

The coverage that most credit cards offer, typically for damage to or theft of the rental car, applies after your personal auto insurance pays. But this so-called secondary coverage can be valuable. Perhaps most important, it could reimburse you for your auto insurance deductible, which might be as high as \$1,000.

Rental Car Insurance Options, Continued

If you don't have auto insurance and are going to count on credit card coverage, call your credit card issuer to confirm the details.

Nine (9) Key Questions To Ask Your Credit Card Company?

Whether you're calling your issuer on the phone or looking through your benefits guide, these are the questions you'll want answered.

1. Is Rental Car Coverage Primary or Secondary?

Primary coverage is better, but few cards offer it. After an accident, primary coverage pays first, allowing you to bypass your personal auto insurance. That means you can avoid paying a deductible and potentially seeing your premiums rise. The secondary coverage that most credit cards offer typically means your auto insurer pays the claim but the card will reimburse your deductible and potentially other costs not covered by your personal policy.

2. How Do I Make Sure Coverage Applies to My Rental?

Typically, you must pay for the rental with the credit card that includes the benefit, and you must decline the rental car company's collision coverage. The driver at the time of the accident must be listed on the rental agreement.

3. What Coverage is Included?

Credit card coverage mostly applies to what's called a **Collision Damage Waiver** or **Loss Damage Waiver**, typically the most expensive coverage offered at the rental counter and typically limited to a vehicle's cash value.

Cards also usually include some coverage for reasonable **Administrative Fees, Towing & Storage Costs**.

Many cards also cover **Loss of Use**, which means compensating the rental company for time the car is out of service while damage is repaired.

4. What Isn't Covered?

Typically not covered are **Liability & Injury Concerns**, such as damage to property other than the rental car, people you hurt and related lawsuits. But many people have those coverages elsewhere. Rental car companies must provide a minimum level of liability insurance, and your personal liability coverage often applies.

Also usually not covered is **Loss or Theft of Personal Belongings** inside the car, but that is often already covered by homeowners or renters insurance.

Credit card coverage also doesn't include **Ambulance or Medical** bills following a crash, but your personal health and auto insurance policies probably do, according to the insurance institute.

5. What Vehicle Rentals Are Excluded?

Credit card coverage usually excludes certain types of vehicles, such as expensive or exotic cars, as well as motorcycles, trucks and large vans. **Mastercard**, for example, covers vehicles meant for nine passengers or fewer.

Rental Car Insurance Options, Continued

Credit card coverages typically address rentals from traditional car-rental companies:

Not Car-Sharing Services like ZipCar and Peer-To-Peer Car Rental Services

If you use those services often, confirm with your card issuer that it doesn't provide coverage.

6. How Long Will the Vehicle Rental Be Covered?

The credit card coverage period is usually limited. For example, Visa generally covers rentals for 15 consecutive days in your country or 31-days outside it. But if your coverage is primary, 31- days for all rentals is common.

7. What If I Don't Have Personal Auto Insurance?

Generally, you get an even greater benefit from your card: Secondary coverage becomes primary for collision.

However, if you rent cars often, the Insurance Information Institute recommends you consider a non-owner liability policy.

8. How Does Coverage Vary for International Rentals?

Rentals in some countries may be excluded, such as:

- Standard **Visa** and **Mastercard** coverage excludes rentals in Israel, Jamaica and Ireland
- **American Express** won't cover in Italy, Australia and New Zealand

Aside from excluded countries, the good news is that if your personal auto policy doesn't cover you outside the United States, your secondary credit card coverage could become primary coverage automatically.

9. What is the Procedure for Filing a Claim?

Ask your card issuer what documents you must submit. Examples include a copy of the accident report from the rental company, the rental agreement, a repair estimate, photographs and a police report, if there is one. If filing claims sounds like a hassle, you could instead buy coverage from the rental car company, which might result in less paperwork.

IMPORTANT NOTICE: The information contained in this document is for informational purposes only. No coverage is provided by this summary. Refer to your policy to determine the scope of your insurance protection.