

Should You Purchase Rental Car Insurance?

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The summer is associated with vacations and often vacations involve the use of rental cars. When you rent a car, should you purchase the insurance offered by the rental car company? Approximately one-third of car renters do, but they may be needlessly purchasing duplicative coverage, which can cost up to \$40 per day. Many who rent cars already have sufficient coverage provided by their personal automobile insurance or through the credit card they use to pay for the rental car.

Personal Auto Policy

Vehicles registered in most states are required to maintain a minimum level of auto insurance coverage, though most people opt for higher amounts of coverage to protect themselves financially in case of an accident. This same coverage normally carries over to your use of a rental car, as does your homeowner's (or renter's), liability, and health insurance policies.

Prior to your trip, contact your insurance agent to confirm your specific coverage under these policies. While your auto policy can provide your collision and comprehensive coverage, your homeowner's policy can cover your personal property in the car (your auto policy may also provide this coverage). Further, your auto policy and umbrella coverage can meet your liability needs and your health care insurance can cover medical costs.

Your personal auto policy's deductible will also apply to your rental car. Be aware that your policy may not cover exotic car rentals, moving van or truck rentals, international travel, long-term rentals (usually in excess of 30 days), and car rentals during business trips. Many personal auto policies will also not cover "loss of use," or the fee that a rental car company can charge you for the loss of rental fees while the rental car is being repaired as a result of an accident. In addition, many personal auto policies will not cover the diminution-in-value assessed by the rental car company for the loss in value of their damaged car.

Also remember that if you plan to rely on your personal automobile policy when you rent a car and you have an accident that you report to your insurance

company, you may face an increase in your annual auto insurance premium.

Credit Card Coverage

You should also contact the issuing bank of the credit card you plan to use to pay for your rental car in order to understand the coverage provided. Ask for the coverage details in writing, which vary by credit card issuer. Most credit cards offer free basic rental car coverage, including coverage for a collision, theft of the rental car, and towing services. Some credit cards also cover "loss of use" charges imposed by rental car companies and most will cover the deductible imposed by your personal auto policy. Many will also cover the administrative processing fees that are assessed by rental car companies when an accident occurs. These can amount to a few hundred dollars.

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However, credit card coverage usually does not include (1) supplemental liability and personal effects; (2) exotic vehicles, passenger vans, and campers; (3) international rentals; and (4) long-term rentals of greater than 30 days. The coverage may also not carry over to the cardholder's spouse if the spouse was driving at the time of the accident. Finally, to gain the coverage provided by your credit card, you must decline the coverage offered by the rental car company; otherwise, the credit card coverage is invalid.

Rental Car Company Coverage

Providing coverage to renters is an important profit center for rental car companies. Selecting all of the available coverage options can account for a large portion of your total rental cost. Most states require rental car companies to automatically provide minimum liability coverage at no cost to the renter. However, there are generally four optional coverages available at the rental car counter:

1. Loss damage waiver (LDW) or collision damage waiver (CDW) usually costs \$9 - \$19 per day and shifts the liability for collision damage from the renter to the rental car company. However, this coverage may be void if the accident was caused because you were speeding, intoxicated, or were driving recklessly. It covers "loss of use," but the other aspects of this coverage may be duplicative if you maintain sufficient levels of collision coverage on your personal auto policy.

2. Supplemental liability protection often runs \$7 - 14 per day, though you already have some liability coverage under your personal auto policy, supplemented by any umbrella liability policy you may maintain, which is far more cost effective than the coverage offered by the rental car company.

3. Personal accident insurance provides medical coverage for the driver and any passengers of the rental car and normally costs \$1 - \$5 per day. However, your existing personal automobile and health care insurance policies may provide you with adequate coverage.

4. Personal effects coverage, which costs \$1 - \$4 per day, reimburses you for the theft of items in the vehicle, though your personal automobile policy and your homeowner's policy, which may have off-premises coverage, make the coverage offered by the rental car company unnecessary.

Yet, the coverage offered by rental car companies may be potentially helpful to those who do not own a vehicle and thus do not have a personal automobile policy. However, in such a case, you may want to contact your insurance company and inquire about a non-owner liability policy. These policies generally cost \$200 - \$500 per year, but may be cost effective if you frequently rent a car for non-business purposes.

The key to ensuring you will have adequate insurance coverage on your next rental car is to plan ahead by contacting your automobile insurance carrier and credit card company. Determine your coverage in advance of your trip so that you can make an informed decision the next time you step up to the rental car counter. Safe travels!