

Rental Car Insurance: To Buy or Not to Buy?

As the holiday season approaches, millions of Americans will take to the roads to visit family and friends. Since many will make the trip in a rented car, it's an appropriate time to discuss one of the most frequently asked questions of agents and brokers all over the country: "Should I buy the insurance from the rental car company?"

Following are a few considerations when mulling this important decision:

DAMAGE WAIVER & YOUR PERSONAL AUTO POLICY

First, the good news: In many cases, a personal auto insurance policy will cover damage to a rented vehicle. That said—don't get too comfortable! There are other costs associated with damage to a rented vehicle that the policy will not cover. For this reason, careful consideration should be given to purchasing the damage waiver offered by the rental car company.

On your personal auto policy, "Collision" insurance covers your vehicle for damage resulting from a collision with another object. "Comprehensive" (sometimes called "Other Than Collision") covers your vehicle for theft, vandalism, falling objects and other causes not resulting from a collision. If you have a car loan, your lender will require you to purchase both. If you pay the loan off, the choice to purchase collision or comprehensive—and both or neither—is up to you.

Your personal auto policy will only cover damage to the rental car if you have the appropriate coverage type on at least one vehicle you own. For example, if you damage the rental car in a collision, you must have "collision" coverage on at least one vehicle covered by your personal auto policy. But if the rental car is stolen, vandalized, or damaged in any way not resulting from a collision, you must have "comprehensive" coverage on at least one vehicle covered by your personal auto policy. The key point: If your personal auto policy excludes the coverage type that damages the rental car—and you reject or violate the damage waiver—you will become personally responsible for paying all costs related to the damaged rental car out of your own pocket!

In contrast, the damage waiver usually offered at the rental counter will cover the damaged rental car regardless of what's covered by your personal auto policy.

LIMITATIONS IN YOUR PERSONAL AUTO POLICY

What else could you possibly owe the rental company following an event or crash? These include administrative fees and the depreciated value of the vehicle after repairs—neither expense is covered by your personal auto policy. In addition, most personal auto policies only pay up to the actual cash value (ACV) of the damaged vehicle. If the contract requires the damaged rental's replacement, the ACV payout may not be sufficient to cover the entire expense.

Again, in contrast, the damage waiver will cover all such expenses.

Also, the rental contract likely will require you to pay the rental company's "loss of use." These are expenses they incur resulting from the inability to earn income from the damaged rental. This cost could be hundreds of dollars or more. Some personal auto policies will pay a limited amount for this expense (such as \$20 per day or \$600 total). Others will not cover it at all.

In contrast, the damage waiver will pay the full cost of the rental company's loss of use.

NO CLAIM NECESSARY

If something happens to the rental car, purchasing the damage waiver gives the rental agency management of the process. This will allow you to avoid filing a claim and possibly help keep the cost of your insurance from going up. It also will keep your deductible in your pocket.

LIMITATIONS IN THE DAMAGE WAIVER

Don't forget that the rental car company's damage waiver is a contract. It will include a list of restrictions that, if violated, may terminate the waiver and leave you personally responsible for paying the costs associated with the damaged rental car. Examples of such restrictions may include:

- Damage to rental while driven by someone not specifically named on the contract.
- Damage to rental while driven on unpaved roads.
- Damage to rental while it's being occupied by more passengers than available seatbelts.
- Damage that occurs while pushing or towing.

This list is only a sample; the typical damage waiver may include additional restrictions.

Moreover, the car rental company's loss damage waiver covers "diminished value," the economic reduction in value of a repaired auto due to it having been damaged. Almost all auto policies and many credit card coverages exclude diminished value. What's the impact to you? If you don't take the damage waiver, you could get hit with a diminished value claim of \$1,500 or more, depending on your type of damaged rental car.

DAMAGE WAIVER COVERS VEHICLE DAMAGE ONLY

Perhaps the most important fact to remember is that the damage waiver only applies to damage to the rented vehicle. It is not a substitute for liability, medical payments, uninsured motorist, personal injury protection, and any other personal auto insurance coverage.

OTHER PRODUCTS OFFERED BY RENTAL COMPANY

In addition to the damage waiver, most rental car companies offer a few optional insurance-type products. For example, some may offer a liability enhancement that gives you the option to increase the liability limits you already carry on your personal auto insurance policy. Depending on your available auto liability insurance, this option may be worth consideration.

Others may offer options such as accidental death, trip cancellation, or damaged luggage insurance during the rental period. Such options vary by company and may provide insurance dollars you cannot get elsewhere. However, they should not be purchased without first reviewing your current home, health and auto insurance policies as there may be duplication.

CONCLUSION

In light of the information above, you should seriously consider—and probably buy—the damage waiver from the rental car company. Deciding whether to purchase other products from the rental firm, however, depends largely on the insurance already available to you from other sources. For assistance in determining coverage you already have and comparing it to the rental company's options, call your Trusted Choice® independent insurance agent today.

Business Travel Note: When you rent a car on a business trip, that's an entirely different set of decisions, so again please talk with your Trusted Choice® independent insurance agent.

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Get in Touch

127 South Peyton Street
Alexandria, VA 22314
Phone: 800.221.7917
Fax: 703.683.7556
Email: TrustedChoice@iiaba.net



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