



UNDERSTANDING CAR RENTAL INSURANCE

When you step up to the rental car counter and have to decide on what insurance options to purchase or decline, what should you do? Are you going to pay for the rental car with a personal or business credit card? Are you going to rent a truck or a private passenger car? Who is going to be listed on the rental contract as an authorized driver? Is the use of the vehicle for business, pleasure or both?

Unfortunately there is no easy answer to these questions. Rental company contracts, business and personal automobile insurance coverage, and the limited coverage provided by credit card companies all vary.

The exposures are substantial when renting a car or truck. They include:

- Damage to the vehicle regardless of fault. This usually means you are responsible for “the cost of repair up to the value of the vehicle, plus loss of use, towing, storage, impound fees and an administrative charge.”
- Your personal or business liability related to the use of the vehicle (you hurt someone or damage someone else’s property).
- Voiding the rental company contract by breaching its terms or conditions. Typical breaches include: driving out of state; violation of driving laws such as excessive speed, DUI, or reckless driving; towing; driving off road; allowing parking attendant to use vehicle, or most commonly allowing an unauthorized person to drive the vehicle.

Recommended Action

If your business frequently rents vehicles, then you should consider negotiating a corporate override agreement with a national rental car company. Typically, these contracts make the rental car company responsible for all damage except when caused by a DUI or reckless driving by the driver. You can also negotiate automatic coverage for spouses of the driver and business associates. Sometimes you can lower the minimum age of drivers from 25 years old to 21 year old.

Most businesses are not big enough to have an override contract with a rental company. We suggest developing Car Rental Guidelines for your business.

Sample Car Rental Guidelines



1. Always use the corporate credit card when renting a vehicle or truck on company business. If you do not have a corporate card, use your own card but be aware your card limit may be impaired by the rental company if you are involved in an accident.
2. Sign the rental car contract “your name on behalf of XYZ Construction Company”. This helps trigger your corporate auto insurance coverage.
3. Accept the Loss Damage Waiver (LDW) or Collision Damage Waiver (CDW). This means that for \$8 to \$20 a day the rental company is responsible for physical damage, loss of use and other charges if the rental vehicle is damaged. It can also reduce the hassle for the driver associated with trying to file a claim at the rental return counter.
4. Decline the Personal Accident Insurance unless another person is listed as a driver, and they are not an employee of the company.
5. Personal effects coverage is optional. Your own personal property should be covered under your homeowners or renters insurance policy.
6. Make sure all drivers are listed on the vehicle rental agreement. The extra cost per driver is worth the expense. If you do not, you may invalidate the coverage provided by LDW or CDW.
7. Do not drive a rental vehicle out of the country unless you have purchased special automobile insurance coverage ahead of time.
8. Report any accident in a rental car just as you would a corporate or personal vehicle. Notify your broker within 24 hours so they can preserve your rights and those of your insurance company.
9. Ask the rental car company for their local roadside assistance phone number. Do not rely upon the 1-800 number it is likely an out-of-state call center.
10. Inspect the car before driving it to make sure all obvious damage is noted ahead of time.



Other Suggestions

The corporate automobile insurance policy should contain the following coverage (show this article to your broker):

1. Coverage symbol 1 should be used on the policy. If symbol 1 is not allowed, the substitute is a combination of symbols 2, 8 & 9.
2. Add employee hired auto coverage form CA 2054 to the business auto policy. This makes the corporate auto policy coverage primary in the event of an accident involving a rented vehicle.
3. Remember - If you are renting a truck in your personal name, your own personal auto policy may not cover rental trucks – only rental cars. Check with your personal lines insurance broker to verify if you are covered.
4. If you rent or lease vehicles for longer than 30 days, it is usually cheaper to add the rented vehicle to your list of covered vehicles.

Contractors that rent vehicles for business purposes are best served by covering the exposure under their business auto policy. The reasons include:

- You will have higher limits and broader coverage than what rental car companies generally provide.
- You are covered even if your employee breaches the rental car contract (allows another person to drive, drives off road, etc.).
- You can arrange your own legal defense with your insurance company rather than relying on the rental company's lawyers.

We recommend you discuss these issues with your broker before you rent your next vehicle.

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