

Insuring a Rental Car—Buy Only What You Need

When you rent a vehicle, should you opt for the rental company's "insurance" (collision damage waiver, etc.)? The costs could more than double your daily rental fee. Will other sources of insurance adequately cover you? How about your credit cards? Yes. No. Maybe. The real answer is:

Do your homework before you get to the rental office.

You don't want to waste money or duplicate the coverage you already have through your personal car insurance, credit cards, homeowners or renters insurance, health or life insurance. But you want to be protected.

Before renting a car, check your auto insurance policy or ask your insurance agent how your coverage will work if you're in an accident in the rental car. If you have an auto policy in effect, find out:

- Does your auto policy contain collision and comprehensive coverage as well as personal liability?
- Does your auto policy cover rental cars?
- What are the restrictions on coverage for rental cars in your auto policy? (E.G. many policies will not cover SUVs, luxury cars, etc., or certain countries/locations).
- Will your auto policy cover the full cost of replacement or repair of the rental car or just up to the value of your insured car. (If your car is insured for \$5,000 and you rent a car valued at \$15,000, you could be responsible for the difference.)
- Are all the people who'll be driving the rental car named in or covered under your auto policy?
- How much is your current deductible?

Many credit cards come with limited coverage for rental cars

If you don't own a car and have no homeowners' insurance, you'll want to check with your credit card companies to find out what they cover, but most likely you'll want to buy at least some of the items the rental company sells to cover the gaps.

Contact your credit card company and find out what coverage you've got through them. If you're going to rely on their coverage and not buy through the rental company, confirm your understanding of your coverage through the credit card company in a writing that you mail or fax to them (keep a copy for yourself). Check to see if coverage is "primary" or "secondary." Many credit cards offer "secondary" coverage, i.e. they will pay after other insurance comes up. If you are relying on your personal auto policy, this could mean that your credit card would cover your deductible. Other restrictions could include type of vehicles, location, and specific drivers. Damage to any vehicle other than the rental car is usually not covered.

Neither your personal auto policy nor coverage offered by credit card companies will cover "loss of use" fees which, in most states, the rental company can charge for the time that the rental vehicle is not in service because of repair or replacement.

Your homeowners or renters policy may cover loss of personal items from the car but would it cover the loss of a laptop? Your health and life insurance policies should also offer benefits in case of injury or death.

There are several types of insurance offered by rental companies but you need to talk with the agent and read the fine print because the scope and limitations vary.

LDW (Loss Damage Waiver)/CDW (Collision Damage Waiver)

This is not insurance per se, it is a waiver that releases you from liability for damage to the vehicle from collision, fire, theft, and vandalism as long as you adhere to the contract rules regarding drivers, use of vehicle, etc. This does not cover damage to someone else's car but it does pay for "loss of use". Your personal policy usually covers rentals if it includes collision and comprehensive.

Personal Liability LIS (Liability Insurance Supplement)

This covers damage to someone else. If you do not have personal liability coverage, you should buy the rental agency's coverage. Credit cards usually do not offer liability insurance when you use them to pay for the rental.

PAI personal accident insurance

This is a onetime payment for you or a passenger in case of death or maiming from a car accident and is generally covered under your personal auto or health policies.

PEC personal effects coverage

Covers you for something lost or stolen from your car and is often already covered through auto insurance, credit cards or homeowners insurance. Check your limits before declining.

Other considerations: Some people opt for car rental insurance because they fear their personal auto rates will go up if they file a claim. If you are responsible for an accident, your insurance rates may increase no matter who pays for the damage. Rental companies like to have their money up front for the repairs or replacement, so they may charge your credit card and let you wait for the insurance reimbursement.

The bottom line:

You need to know what you already have thru insurance policies or via your credit card and then decide if you need additional coverage from the car rental company. Then you can pick and choose what's best for you and avoid wasting money or taking undue risks.

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