

## Do I need separate rental car insurance?

Properly insuring a rental car can be confusing, frustrating and downright daunting. Unfortunately, many consumers do not even think about car rental insurance until they get to the counter, which can result in costly mistakes—either wasting money by purchasing unnecessary coverage or having dangerous gaps in coverage.

Before renting a car, the I.I.I. suggests that you make two phone calls—one to your insurance agent or company representative and another to the credit card company you will be using to pay for the rental car.

### 1. **Insurance Company**

Find out how much coverage you currently have on your own car. In most cases, whatever coverage and deductibles you have on your own car would apply when you rent a car, providing you are using the car for recreation and not for business.

If you have dropped either comprehensive or collision on your own car as a way to reduce costs, you will not be covered if your rental car is stolen or damaged in an accident.

Check to see whether your insurance company pays for administrative fees, loss of use or towing charges. Some companies may provide an insurance rider to cover some of these costs, which would make it less expensive than purchasing coverage through the rental car company. Keep in mind, however, that in most states diminished value is not covered by insurers.

### 2. **Credit Card Company**

Insurance benefits offered by credit card companies differ by both the company and/or the bank that issues the card, as well as by the level of credit card used. For instance, a platinum card may offer more insurance coverage than a gold card.

Credit cards usually cover only damage to or loss of the rented vehicle, not for other cars, personal belongings or the property of others. There may be no personal liability coverage for bodily injury or death claims. Some credit card companies will provide coverage for towing, but many may not provide for diminished value or administrative fees. Some credit card companies have changed their policies, too, so you may not have as much coverage as you thought.

To know exactly what type of insurance you have, call the toll-free number on the back of the card you will be using to rent the car. If you are depending on a credit card for insurance protection, ask the credit card company or bank to send you their coverage information in writing. In most cases, credit card benefits are secondary to either your personal insurance protection or the insurance offered by the rental car company.

If you have more than one credit card, consider calling each one to see which offers the best insurance protection.

### **At the Rental Car Counter**

Since insurance is state regulated, the cost and coverage will vary from state to state. Consumers, however, can generally choose from the following coverages:

- **Loss Damage Waiver (LDW)**

Also referred to as a collision damage waiver outside the U.S., an LDW is not technically an insurance product. LDWs do, however, relieve or “waive” renters of financial responsibility if their rental car is damaged or stolen. In most cases, waivers also provide coverage for “loss of use,” in the event the rental car company charges the renter for the time a damaged car can not be used because it is being fixed. It may also cover towing and administrative fees.

Waivers, however, may become void if the accident was caused by speeding, driving on unpaved roads or driving while intoxicated. If you already have comprehensive and collision coverage on your own car, check with your personal auto insurer to make sure you are not duplicating coverage you already have. Should you decide it is necessary, this coverage generally costs between \$9 and \$19 a day.

- **Liability Insurance**

By law, rental companies must provide the state required amount of liability insurance. Generally, these amounts are low and do not provide much protection. If you have adequate amounts of liability protection on your own car, you may consider forgoing additional liability protection. If you want the supplemental insurance, it will cost between \$7 and \$14 a day.

An umbrella liability policy, however, may be more cost-effective. Umbrella liability insurance is so named because it acts like an umbrella, sitting on top of your auto and homeowners (or renters) liability policies to provide extra protection including accidents while driving your own car or one that you rent. These policies, usually sold in increments of a million dollars, cost as little as \$200 to \$300 annually for a million dollars worth of coverage and another \$50 to \$100 for each additional million.

Those who do not own their own car and are frequent car renters, can also consider purchasing a non-owner liability policy. This not only provides liability protection when you rent a car, but also when you borrow someone else's car.

- **Personal Accident Insurance**

Personal Accident Insurance offers coverage to you and your passengers for medical and ambulance bills for injuries caused in a car crash. If you have adequate health insurance or are covered by personal injury protection

under your own car insurance, you may not need this additional insurance. It usually costs about \$1 to \$5 a day.

- **Personal Effects Coverage**

Personal Effects Coverage provides insurance protection for the theft of items in your car. If you have a homeowners or renters insurance policy that includes off-premises theft coverage, you are generally covered for theft of your belongings away from home, minus the deductible. If you purchase this coverage through the rental car company, it generally costs between \$1 and \$4 a day.

If you frequently travel with expensive items such as jewelry, cameras, musical equipment or sports equipment, it may be more cost-effective to purchase a personal articles floater under your homeowners or renters insurance policy. With such a floater, your valuable items are protected at home as well as while traveling anywhere in the world and the coverage is broader.

### **Other Things to Consider**

States have minimum age requirements for renting a car and most major rental car companies refuse to rent a car to someone who is under 21 and in some cases under 25. In addition, some rental car companies now investigate your driving record and/or credit history so check with the rental car company before picking up the car.

If you are planning to rent a car abroad, contact both your insurance agent and travel agent to find out what you need to do to be properly insured. Those driving a rental car from the U.S. into Mexico may find it progressively more difficult to rent a car as U.S. rental car companies are increasingly concerned about the rising crime rates in that country. The minimum required insurance coverage to drive in Mexico is civil liability insurance which covers you in case you cause injury or damage. Your American liability insurance is not valid in Mexico for bodily injury, though some American insurance policies will cover you for physical damage—check with your agent or insurance company representative. You can also buy Mexican car insurance in several American border towns; there are generally several storefronts selling Mexican car insurance near the border.

*Note:* If you're renting a car abroad, you may need an international drivers license.

Source: *Insurance Information Institute, Inc. (www.iii.org)*