



MORRIS & REYNOLDS INSURANCE PRESENTS

PERSONAL

EDITION ONE: 2010

INSURANCE PROTECTION

RENTAL CAR COVERAGE



Should you buy rental car insurance coverage when renting a car? As simple as the question seems, the answer depends on many factors that must be considered.

The 'easy' answer is, "Yes, buy the coverage." We say this as it takes a complete understanding of many variables in order to answer the question in each unique case. And as you will read, there are so many variables that each case is, in fact, unique.

Some of the items that need to be reviewed to answer the question include your own policy, the rental company's collision/loss damage waiver (some rental car companies have six different waivers), and whether the credit card you use provides any coverage.

As you read our suggestions please keep in mind that the information here can't possibly account for every situation, and specific questions should be analyzed individually. Next, there are many different types of auto insurance policies and some may have little or no coverage for rental vehicles. Finally, please keep in mind that no coverage exists under the Personal Auto Policy outside the United States, Canada, Puerto Rico, and U.S. territories and possessions.

The typical persona auto policy provides a variety of coverages for an individual who rents a vehicle for personal or business reasons. To help answer the question of what to buy, if anything, from the rental car company here are some points to consider.

LIABILITY: The Liability coverage in a personal auto policy typically follows the named insured, resident spouse, and "family members" while they use a vehicle, including a rental vehicle.

If the rental is for **personal use**, coverage applies for the rental of any vehicle with four or more wheels that is designed for road use, even a U-Haul type moving truck or van. Liability coverage provided by your policy would (in most cases) be excess coverage, applying after any coverage that might be provided by the rental firm. In some states, however, such as Florida most rental contracts make the authorized renter/driver's auto liability coverage primary up to a certain limit, meaning an at fault accident is paid first from the renter's auto policy.

If the purpose of the rental is **business use** then liability coverage applies only for a private passenger automobile, pickup, or van but not for a vehicle such as a "box truck" or motor home.

Extended rentals, such as those over perhaps 15-20 days should be referred to the company to determine if the "furnished or available for regular use" exclusion applies. An "**Extended Non-Owned Coverage**" endorsement is available for such instances.

MEDICAL PAYMENTS: Medical Payments coverage is largely the same as described for liability coverage with one exception. In some policies if you rent a pickup truck or van (even a mini-van) for business use there is no medical payments coverage provided. Newer policy forms since 2005 may provide coverage in this situation automatically so it pays to check your policy edition and wording.

PERSONAL INJURY PROTECTION (PIP): Each of the dozen or so states with a PIP law is different and these comments focus on Florida. As long as you rent a vehicle with four or more wheels that is designed for use on the road, then PIP coverage ap-

plies while the named insured, spouse, and family members are anywhere in Florida. PIP coverage out of state is not provided in a rental vehicle. The only time that PIP coverage applies out of state is when the insured, spouse, or family member is occupying their own automobile.

UNINSURED MOTORIST: Again, these comments pertain to Florida, as each state is unique. The short answer here is that there are no coverage issues with Uninsured Motorists (UM) coverage. Whether you carry 'stacked' or 'non-stacked' you can collect UM while occupying the rental vehicle. Coverage applies in state or out of state, for personal or business use and in any type rental vehicle. Should the rental firm provide UM (a very unlikely event), then your policy would be excess coverage.

PHYSICAL DAMAGE: Most questions concerning 'rental car insurance' relate to physical damage, the damage done to the rental vehicle as in "**If I wreck the car itself will my policy pay?**"

For your policy to apply, you must have at least one auto insured with collision and other-than-collision (comprehensive) coverage for the rental vehicle to be covered. Coverage applying to a rental vehicle is the "broadest coverage" of any auto insured on your policy. If you only carry Liability, Medical Payments, PIP, and UM, or there is no coverage for the rental vehicle itself in the event of damage.

The type of vehicle rented must be considered as coverage applies only for private passenger autos, pickups and vans. Not covered are larger vehicles such as "box trucks" which means that the U-Haul and Ryder type trucks you might rent are not covered for physical damage. In these instances, you should buy coverage from the rental company.



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PHYSICAL DAMAGE (CONTINUED):

As you have read, a private passenger auto, pickup, or van is rented, coverage applies for both personal and business use, anywhere in the **policy territory**. Please keep in mind that there is no coverage in vacation spots such as Mexico, Europe, and the Bahamas.

Coverage is subject to the deductible and all other policy conditions. A damaged rental car is covered up to the **actual cash value (depreciated)** of the rental car without regard to what type vehicle you own and insure.

There is typically coverage for "loss of rental use" imposed by the rental firm up to \$20 per day with that amount increasable by endorsement. Coverage also typically applies for other "administrative charges" imposed by the rental firm. The total of loss of use charges plus administrative charges is subject to a maximum of \$600 unless the policy is endorsed to a higher limit.

Coverage provided by **credit cards** varies from card to card and agents should refer questions about coverage provided under the card to the issuing bank. Coverage is generally very limited and it is our strong suggestion that you closely review your credit card company's 'coverage' before relying on it.

COLLISION DAMAGE WAIVER: Rental car firms does not sell insurance but offer what is called a 'collision damage waiver' (CDW). At a cost of \$12.99 to \$22.99 per day, CDW is costly. As you consider whether to purchase the CDW here are a few items to keep in mind:

Avoiding A Claim Under Your Insurance: Carrying the CDW allows you to avoid making a claim on your policy. By carrying the CDW you can essentially walk up to the counter, drop the keys down, and say, "Gee, I wrecked your car, I am so sorry. I need another car and, by the way, I bought your CDW."

Loss settlement: The auto policy provides *actual cash value* loss settlement yet many rental car firms hold the renter responsible for the "full value" of the vehicle, most likely as determined by the rental car firm.

Diminished value: Many rental car contracts hold the renter responsible for the diminished value of a damaged vehicle. The rental car company determines this diminished value. The personal auto policy does not cover diminished value.

Deductible: An auto policy has a deductible, typically \$250 to \$1,000 that you are responsible for even if you are not at fault. For example, if you came out from a store to find the rental car damaged by a hit-and-run driver making a claim under your policy means you will be paying the deductible.

Excluded vehicles: The personal auto policy only provides physical damage coverage on a private passenger auto, pickup, van, or trailer. There is no coverage when renting moving trucks and motor homes, vehicles that can easily exceed \$100,000.00.

Excluded drivers: On occasion a driver in your home may be excluded by your insurer. Purchasing coverage from the rental company can ensure that such a person is insured when operating the rented vehicle (up to the limits provided/purchased).

Demand for immediate payment: The rental company may require immediate payment from the renter if a vehicle is damaged, perhaps by charging your credit card for an estimated amount. Your insurer could take days, weeks even, to make payment under your policy.

Loss of use and administrative charges: While the auto policy provides coverage for loss of use charges at \$20 per day (maximum \$600), these costs are often much higher. If the CDW is declined, you will be responsible for excess loss of use charges.

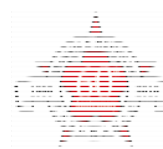
Policy territory: There is no coverage under the auto policy outside the defined coverage territories for popular vacation locations like Europe, Mexico, and the Caribbean. If you rent cars in locations like these you should purchase the damage waiver.

Auto Premium Increases: Submitting a claim (even one for an unattended parked vehicle that was damaged) under your policy may result in a premium increase. While any claim involving a moving vehicle and/or possible third party injury or damage claim should be reported, purchasing the damage waiver may allow you to avoid submitting a claim for an unattended vehicle type claim.

Hail, Wind & Flood: Most rental firms hold the renter responsible for damage, even an *act of God*. Imagine finding your rental car damaged by hail, only to find the rental car firm saying, "You owe us the money."

Life simplification: Admittedly, the cost of the damage waiver is costly. That cost must be weighed against the ease of turning in a damaged rental car. Simply dropping the keys down and walk away, leaving the rental car firm with the problem has, in our view, a greater value in reducing your overall risk and simplifying your life and is suggested.

MORRIS & REYNOLDS INSURANCE



Contact us with your questions. The Reynolds family has been in the insurance profession since 1910 and has operated its Independent Insurance Agency, Morris & Reynolds Insurance, since 1950. Whether you need Personal Protection, Commercial Coverage or Employee Benefits, we are happy to help. Contact us at **305.238.1000**.

This outline is a brief summary of rental car & some auto coverages. Please review your policy wording for all terms, conditions and exclusions.



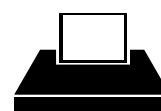
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