In our July Risky Business Article, we presented information about the liability exposure of car rentals by city employees in the course and scope of their duties while traveling out of area. In this article, we would like to discuss the property aspects, first party ramifications of the damage to the rental vehicle itself while it is in the possession of the renter.

Many of the aspects of the July article about rental car liability remain the same for the property discussion including the issue of personal rental contracts versus rental contracts executed by the city along with the course and scope issues while traveling out of town on city business.

As a generality, when a vehicle is rented, the contract that is executed holds the renter responsible for all damage to the vehicle regardless of negligence or fault. The term “all” would include damage from weather related events (such as hail, earthquake & flood), fire, collision and of course theft. The major focus of this article will be a discussion of the most effective ways to manage this risk.

If the vehicle is being rented personally, most Personal Auto Policies that include Comprehensive and Collision (damage to your personally owned autos) will extend that coverage automatically to rental vehicles rented personally. However, this is not always the case and the renter should periodically check with the Personal Auto Policy carrier and discuss the rental car extension. The discussion should include the type of vehicle to be rented (private passenger, truck, RV etc.), the location of the rental (US or a foreign country) along with an inquiry about the deductible that will apply.

If the deductible under the Personal Auto Policy is significant, this can be offset using a premium credit card to rent the vehicle that will reimburse for deductibles. However the use of the deductible feature of premium credit cards often times can be restrictive and can exclude coverage for rental SUV’s, 4 wheel drive vehicles, sport cars and higher value vehicles. You should check with your credit card company to see if they extend this coverage under your particular credit card and then be aware that the coverage will only trigger if that particular card is used to pay for the rental.

Last, if the above measures will not provide coverage, you can purchase Collision Damage Waiver (CDW) coverage directly from the rental car company. However, the CDW coverage is very expensive (often $10-15 per day) and has its own set of restrictions. Recently, we are finding some moderation in this pricing as the rental business is becoming more competitive. This coverage is highly recommended if the rental is taking place in a foreign county.

As an example of the risk that is imposed upon you when you rent a vehicle and none of the above measures are in place when your rental vehicle is stolen; 1) the rental car company will take immediate steps to charge the cost of a replacement vehicle on your credit card (Yes, that could be $20,000, $30,000 or higher), 2) if attempts to place the charges on your credit card fail, they will immediately seek legal action to recover these costs from you personally. The rental car companies have large dedicated departments that work exclusively to recover these damages and they are very effective. Given the high value of this personal exposure, even while conducting city business, we encourage a review the above steps and make sure that you have mitigated the risk.