

Should you take the car rental insurance?

The answer is not a simple 'Yes' or 'No.' Follow these three steps to find the right solution for your specific situation.

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Car insurance

The question comes up whenever you rent a car: Should you buy the loss damage waiver, which limits or eliminates your financial liability for damage to the vehicle you rent? This protection isn't cheap; it can cost \$63 to \$210 a week, depending on where you rent, the car you choose, and which company you do business with.

In the past we've advised you not to take on this extra cost if your personal auto insurance includes collision and/or comprehensive coverage, or if your credit card provides such coverage. But today, the decision has become "significantly complicated by the fact that many rental companies are now charging their customers for diminished value and administrative charges when they crash a rental car," Kip Diggs, a spokesman for State Farm, the largest U.S. auto insurer, said. State Farm usually doesn't cover those charges. Here's how to simplify the decision.

1. Review your auto policy

The insurance that covers your car is your first line of protection to cover your rented vehicle. That, of course, provides your basic liability coverage for damage that you might inflict with your rental car on other people, cars, and property, and if you don't own a car and therefore don't have any auto insurance, you can and should buy a temporary or annual "named non-owner auto policy" from an insurance company. It should be reasonably priced.

To protect a rental car, your personal insurance must also have collision coverage (which covers damage to your own car resulting from an accident with another vehicle or object or from flipping over) and/or comprehensive (which covers damage to your car from things other than a collision, such as fire, theft, vandalism, flood, falling tree limbs, etc.)? If you have these coverages, dig deep into the fine print to find out exactly what they cover, or, better yet, call your insurance company's customer service reps and ask: **Does your policy:**

Extend coverage to rental cars? Typically, your coverage, deductibles, and other terms are the same for rentals as for your own vehicle.

Include coverage for business travel? This is a potential gotcha. Your personal policy might not cover this. But if you're traveling on business your employer's insurance might cover you, so find out if that's the case and if your employer wants you to accept or decline the waiver. Be sure to check the rules and coverage if part of your business trip will be spent on vacation.

Pay for rental-agency fees? Auto policies may or may not cover administrative fees, towing, loss of use of the vehicle while it's being repaired, and diminished value.

Pay the rental car's "full value?" If not, ask if you can add "gap" insurance to your policy, which replaces a totaled vehicle with a brand-new one.

If you're planning to decline the waiver and your personal car insurance provides a good foundation of protection, you may still have gaps. To fill those holes, look to your credit card.

Have a question about insurance? Visit our insurance center or ask our Insurance Guy.

2. Scrutinize your credit card benefits

Car-rental protection benefits are provided by the credit-card brands rather than your issuing bank, and they can vary by type of card. For example, American Express, MasterCard, and Visa pay loss-of-use charges as long as the rental company supports them with proof of the loss. Discover explicitly excludes loss of use.

Rental car loss protection is not provided by every card, so be sure you call customer service before you shop for and reserve your rental to make sure the card you plan to use has it, and learn the specific coverage details for all of the cards in your wallet. Then secure your reservation using the one that provides the best coverage.

The numbers to call:

- American Express, 800-338-1670
- Discover, 800-347-2683;
- MasterCard, 800-622-7747
- Visa, 800-847-2911

Credit-card coverage is typically secondary insurance, so your personal auto policy will pay for the actual vehicle damage or theft (if you have collision and comprehensive coverage) while the credit-card company will pick up all or most of whatever's left, subject to its own limits. Some losses are not covered by the cards, such as diminished value.

Some vehicles might not be covered either, including pickup trucks, some SUVs, and especially pricey or exotic cars. So think about this if you plan to go tooling around in a rented Chevy Corvette, Dodge Viper, Cadillac Allante, BMW M3, Mercedes SLK, Porsche, Ferrari, or Lamborghini.

This coverage applies only if you decline the rental agency's loss damage waiver and reserve and pay for the rental with the specified credit card. And the cardholder must be the same person who rents the vehicle.

There are lots of details to go over, so ask the credit-card customer service rep to explain and confirm them with you over the phone and to send you a printed copy of the terms of the insurance so you have them in writing. You might also find the terms on the card's website, but better to talk to a representative.

If your personal insurance and credit card give you solid protection, you are now fully armed and ready to consider declining the LDW. But there's still one last step.

3. Read the car rental agreement

Unfortunately, you probably won't be able to do this until you get to the rental counter, where you may start feeling pressure to hurry up from all those people in line behind you. (For example, we weren't able to find rental agreements online.) But hang tough despite any glares and huffing, and read the fine print of your rental agreement.

Find the sections that disclose your responsibility under state law if there's an accident, and details about the rental agency's waiver. If state law limits your liability exposure and your auto policy and credit card are sufficient for what you are liable for, you might safely pass on the LDW, which is actually, strictly speaking, a waiver of your liability rather than true auto insurance.

For example, one Hertz agreement we saw from a California rental limited the renter's liability to the fair-market value of the vehicle, plus charges for towing and storage, and impound and administrative fees. For loss or damage to the car from vandalism unrelated to theft, the liability limit was \$500, and renters were not on the hook for loss or damage relating to theft unless it resulted from their failure to exercise ordinary care.

By contrast, a Budget agreement from a Texas rental made the consumer liable for "all" loss or damage, including loss of use, subject to any limits imposed by law.

You should take the waiver if you're renting overseas or in Mexico (where it might be called a collision damage waiver), because your personal auto insurance is usually valid only in the U.S. and its territories, and in Canada.

But you're not quite out of the woods yet, because even the waiver might still leave you hanging in certain circumstances. These are listed in your rental agreement and include letting someone other than an authorized user drive the car, damage from driving on unpaved roads and, of course, driving while intoxicated or drag racing.

Now go have fun on your vacation with true, and more affordable, peace-of-mind about car accidents!

—Jeff Blyskal

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