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Insuring Your Vacation Rental Car: How to Prevent Being Over or Underinsured

While most people take the time before a vacation to research the best rates on rental cars, they generally forget to research insurance coverage for their rental car ahead of time. This can lead to costly mistakes either by being underinsured or by purchasing too much coverage.

To prevent either of these scenarios you should spend a few minutes before a trip to make sure you are adequately insured. Generally when renting a car for pleasure, your personal auto coverage applies to the rental car. If you don't carry comprehensive or collision coverage on your personal vehicle, however, you will not be protected if your rental car is stolen or damaged in a collision. In that case you should consider purchasing the rental company's collision damage waiver.

Most personal auto policies also do not cover for loss of use or diminished value. This means that if you are involved in an accident and the rental car is out of commission while the repairs are being made, the rental car company could charge you their lost revenue on that car. In addition if the car has a lower resale value after being involved in an accident, you could be responsible to pay the rental car company the difference in value.

If you are renting a car for personal use and your car is insured on a business auto policy, you would not have any coverage extended to a rental car unless the business auto policy includes drive other car coverage. Drive other car (DOC) coverage may extend coverage to a rental car if the driver does not have a personal auto policy. Even with the DOC endorsement, however, there may be limitations on coverage for a vacation rental vehicle.

If you are renting a car for business use, make sure that the car is rented in the company's name and paid for with a company credit card.

While costs and coverage vary from state to state, renters generally have the following products available to them from a rental car company:

- **Collision/Loss Damage Waiver**
Costing between \$9 and \$19 per day, this "waives" financial responsibility for theft or damage to a rental vehicle other than for accidents involving such factors as speeding or driving while intoxicated.
- **Liability Insurance**
While rental companies by law must provide a minimum of liability insurance, the coverage is usually so low that it does not provide enough protection. Supplemental liability insurance costs between \$7 and \$14 a day for \$1 million in liability coverage.
- **Personal Accident Insurance**
For \$1 to \$5 per day, this offers you and your passengers coverage for medical bills resulting from a car crash. Your health insurance or auto policy personal injury protection may provide adequate coverage.
- **Personal Effects Coverage**
For \$1 to \$4 per day, this insures against theft of items in the car. Your home or renters insurance policy may also provide this protection.

If you decide to purchase coverage through the rental car company, you should be aware that there are provisions in every rental contract that can void the coverage. For example, coverage is often voided if the driver has a single drink before driving; if he asks someone to drive in his place and that person is not listed as an authorized driver; if the driver is under the age specified in the rental contract; or if the car is taken on unpaved roads.

Please call your insurance representative at Colburn Group if you have any questions about your coverage for rental cars.

This newsletter is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.