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Plan Ahead For Car Rental Insurance

When The Counter Clerk Offers A Policy, You're Usually Covered Already — But You May Not Be

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If you're renting a car over the holidays, chances are a clerk at the counter will try to sell you some pricey insurance options. Should you fork out the extra cash?

Probably not, experts say.

That's because there's a very good chance the auto insurance policy you already have would kick in if you had an accident while driving a rental. And sometimes the credit card you use to rent the car offers coverage, too. In both cases, however, it pays to check because there can be some significant exclusions.

"Many auto insurance policies do provide all the coverage you need and it would be a waste of money to buy insurance at the rental counter," California Insurance Commissioner Steve Poizner said. "But there is a great variation between policies."

Your own policy follows you, no matter what car you drive, said Candysse Miller, spokeswoman for the Insurance Information Network of California. That means that your rental car — or a car you borrow — is insured up to your existing policy's coverage limits and is subject to the same deductible.

But under certain circumstances, that coverage might be inadequate or might not apply.

One such situation is when you rent for a long stretch. Many policies limit the number of consecutive days that they'll cover you in a rental car. State Farm commonly sets the limit at 21 days for each vehicle you have on your policy. Farmers will cover you for up to 30 consecutive days.

Also, most U.S. auto insurers don't extend their coverage to policyholders when they drive overseas. Allstate, for example, will cover policyholders no matter where they're driving in the U.S., including U.S. possessions and territories, as well as in Canada. But it provides only limited coverage if you cross the border into Mexico. If you're an Allstate customer and rent a car in Europe, you're on your own.

The rental car coverage you get under your regular policy is identical to the coverage you have on your own vehicle, including the deductibles and restrictions. But that could leave you with a significant financial risk when you rent.

To understand that, it's important to note that an auto insurance policy is made up of several



components, each bearing different limits and restrictions.

The first and most expensive piece of an auto insurance policy is the liability coverage. This pays off if you hurt someone while driving and they sue you — not just for the damage to their car but also for medical costs, loss of wages and possibly emotional distress. The amount of liability insurance you need wouldn't vary based on the car you drive. (That also means there's no need to take the rental company up on its offer of "additional liability protection," assuming you own a car.)

It's not so simple with comprehensive and collision coverage, which pay to replace or repair your vehicle if it's stolen or damaged. Many people who have older cars go without comprehensive and collision coverage to help reduce premiums.

Indeed, it makes sense to forgo coverage to repair or replace your car if it's worth only a few thousand dollars. But if you're driving a nearly brand-new rental worth tens of thousands of dollars, you probably want that coverage.

Does that mean you should buy the rental car company's "collision damage waiver," which commonly costs \$15 a day? Not necessarily. You may still be able to get it for free.

Most major credit card companies automatically provide this coverage to their cardholders if they waive the rental company's coverage and use their credit card to reserve a car and pay for the rental.

Visa's credit cards provide coverage that will pay to repair or replace the car if it is stolen or damaged in an accident. That's precisely what you get when you buy the collision damage waiver at the car rental counter, but the protection provided by your credit card company is free.

Of course, the Visa coverage has limits too. It covers rentals for up to 15 days but is rescinded if you violate the car rental agreement or take the car off-road. It also doesn't apply if you're renting an exotic, antique or luxury car, such as a Jaguar, Aston Martin or Bentley, or if you're renting a truck or a van.

Not surprisingly, rival MasterCard offers similar coverage.

Generally, credit card programs do cover you when renting a car overseas, but not in every country. Visa excludes coverage in Israel, Jamaica and Ireland. American Express and MasterCard exclude Australia, New Zealand and Italy too.

Coverage on credit cards is generally secondary to your own insurance, kicking in only if you don't have comprehensive or collision coverage on your own car, or if your coverage proves to be inadequate.

For people who have no other auto insurance coverage, American Express offers primary coverage for \$25 for those who want to rent for longer stretches or rent an otherwise excluded vehicle. That can be much cheaper than the rental company's coverage, which can cost \$15 a day. On a monthlong rental, the American Express coverage would save you a cool \$425.

The only time that paying a premium rate for the rental company's collision coverage might make sense is when you have neither auto insurance nor a credit card that will keep you covered. To find out whether your credit card provides coverage and what it includes, call the toll-free number listed on the back of the card.

The important thing, Poizner said, is to plan ahead.

"Call your agent and find out what you already have. If you need extra coverage, shop around," he said.
"Don't make the decision at the car rental counter."

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