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By Gary Stoller, USA TODAY

Frequent business traveler James Smith says he's saved "tons of money" during the past 30 years declining car rental companies' optional insurance coverage. But, he acknowledges, it could have come in handy at times.

Smith, an economist in Asheville, N.C., has paid \$1,100 for damages to three rental cars in the past five years. Last year, a valet damaged his rental car in Maui, and his parked rental car was scraped in Buford, Ga. In 2002, he backed a car into a rock in Ireland.

Smith was unaware that his personal auto insurance policy would have covered most of the damages in Ireland, so he didn't make a claim. In the other two incidents, he had to pay deductibles.

Like Smith, many travelers are unsure about their coverage when they approach a car rental counter. The National Association of Insurance Commissioners (NAIC) surveyed 632 consumers in September, and 42% were "either thoroughly confused or had only a rough idea about insurance."

The association of top state insurance officials says 34% of consumers surveyed by telephone bought a rental car company's insurance just to make sure they were covered.

"When renting a car, many consumers purchase unnecessary insurance and end up wasting money," says Walter Bell, Alabama insurance commissioner and NAIC president.

Renters should check whether their personal auto insurance policy and a credit card used for the rental provide sufficient coverage without buying additional insurance, NAIC says. Many credit cards include some collision and theft protection, but the benefits are usually secondary to personal auto insurance or the coverage sold by a car rental company.

But, as Smith learned, protection provided by credit card companies can be tricky.

He says he used a Visa card, which provides secondary insurance coverage, to pay for the rentals in Ireland and Georgia, but he wasn't reimbursed because he didn't notify the credit card company within 45 days of each incident.

And personal auto policies that provide coverage for renters often include conditions. For example, they may not cover rentals on business trips and may limit coverage for long-term rentals. Personal policies also may not cover rentals in foreign countries.

'Important profit center'

Sales of insurance or damage waivers that absolve renters involved in an accident are an "important profit center" for a car rental company, says auto rental consultant Neil Abrams.

Avis, for example, sells five kinds of coverage: a loss damage waiver, supplemental liability insurance, two types of personal accident insurance and personal effects protection.

About 30% of renters at Enterprise Rent-A-Car buy some type of insurance coverage, spokeswoman Christine Conrad says.

Travelers appear divided on the value of optional coverage.

Smith says buying insurance coverage from a car rental company would have covered his \$1,100 in payments and spared him the hassles of dealing with the rental company, his insurance company and his credit card company. Nonetheless, he continues to decline rental coverage, which he believes is too expensive.

Frequent flier Richard Leck of Bedford, N.H., agrees, calling the insurance products offered by car rental companies "a rip-off." "I can't imagine anyone other than an inexperienced traveler, or someone without any other insurance, taking out coverage," says Leck, president of a management consulting firm.

Nashville antitrust lawyer Alan Marx says auto rental companies are charging too much for insurance coverage. "It reminds me of the old insurance policies that were sold in airports to cover you on a single trip," he says. "Pure gravy for the seller but a lousy deal for the buyer."

But some renters think it makes sense to buy coverage from the car rental companies.

"I learned my lesson the hard way, so when traveling overseas, I always get the insurance coverage," says Michelle Trombetta of Minnetonka, Minn.

Trombetta, a manager in the health care industry, says it's a hassle dealing with a rental car company and others involved in an incident abroad.

She says a hotel valet in Dublin scratched her rental car.

The rental company charged her the equivalent of \$865 until the damage could be fully assessed. The car rental company then billed the hotel, but the hotel disputed the amount for months. Trombetta says it took four months for the hotel to reimburse her.

Van Potts, the owner of a company in the beverage industry, says he buys collision coverage mainly for peace of mind.

He pays only \$24.95 per car rental for collision coverage, a special rate because he has an American Express Platinum card. A resident of East Greenwich, R.I., Potts returned three cars with damage in the past 10 years. "The car rental company pressures you to pay upfront (for damage), and it's a pain to file to recover the money from insurance companies. You have to pay an insurance policy deductible, and the price of your insurance goes up."

Fred Fleischner, spokesman for two rental companies, Dollar and Thrifty, says optional coverage can be a good idea even for travelers with coverage under their auto policies. "We recommend it to customers who have full coverage at home so they can keep their good standing with their insurance company" even after a wreck, he says.

Enterprise's Conrad says consumers should take the time to understand what their insurance company and credit card issuer will cover. "Being underinsured or uninsured when involved in an accident can have devastating consequences," says Conrad.



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