



Rental Car Insurance: Who Needs It?

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You are going on a trip and will be renting a car to drive. When you go to pick up the car, the rental company will offer you various types of protection plans. If you decline to purchase any of the plans, the agent will ask you to initial your rejections on the contract. Seemingly, you will be making some crucial decisions in a matter of seconds. How good will your decisions be? Here are some facts that you might want to consider.

What are you being offered?

The two primary protection plans offered by car rental companies include Loss Damage Waiver and Supplemental Liability Insurance. Rental companies are careful to point out that LDW is not insurance (reimbursement for financial loss) but a relinquishing of financial responsibility for loss of or damage to the car. In other words, the renter is absolved from having to pay for losses due to theft, vandalism, collision, and other such mishaps. SLI is insurance that protects the renter from the claims of third parties involving injury or property damage caused by the vehicle. This coverage is supplemental to the coverage that all car rental companies must provide to customers.

Usually, car rental companies also offer a type of personal accident insurance, which covers the accidental death or injury of the renter and any passengers, and personal effects insurance, which covers the personal property of the renter and renter's family traveling in the vehicle. These plans may be combined and the protection provided is subject to limits and restrictions.

What protection should you buy?

The protection that you should buy depends on your needs and desires. Somewhat offhandedly, many consumer advocates have recommended that consumers reject rental plans as overpriced and duplicative of personal car insurance. A tidy case might be made regarding the pricing since the purchase of LDW and SLI would add \$28.00 per day on average to the cost of a Hawaii rental.

But is the protection provided by LDW and SLI duplicative of your personal car insurance? The answer is,



“Maybe.” To be sure, you should contact your auto insurance agent to get the answers. In general, if you have liability insurance it applies while occasionally driving a vehicle you do not own, but the limits of the coverage are those stated in your policy. Even if you do not have a personal policy, you are still covered by the rental company's required customer protection, usually up to the minimum required by state law. If you are

comfortable with these limits, you do not need SLI. However, SLI does typically offer a much higher limit, \$1,000,000. It also pays first, before your insurance company, and it applies to all authorized drivers, including those who may not have insurance of their own.

What about the CDW protection?

The Collision Damage Waiver protects you from the property losses usually covered in personal insurance under collision and comprehensive (or other than collision) insurance. Generally, if you have these coverages, you would be protected from the cost of any loss minus your deductible. You would be responsible for the deductible, however, unless you purchased a Partial Damage Waiver, which some rental companies offer, or you have made use of a credit card protection plan to supplement your personal auto insurance.

With CDW you would not be responsible for the deductible, and your insurance company would not be involved in any claims process. Rental companies like to point out that not involving your insurance company offers protection from a rate increase sparked by any claim. This may or may not be the case, depending on what other data your company uses to trigger a review.

CDW is certainly a great convenience, but is it worth the cost? Eighteen dollars per day is a lot to pay for the potential loss of a \$500 deductible. But it is not a lot to pay if you do not carry any collision or comprehensive coverage under your own policy. Many people with older vehicles cancel such coverage to save on premiums. If so, they need to remember that the cost of totaling a late model rental vehicle can be substantial.