



Rental Coverage: A necessity or not?

*When renting a car, knowing your options
can prevent you from wasting money*

by Scott Smith

Imagine you're on your next business trip and you need to rent a car. As the paperwork is being filled out, the agent asks if you'd like rental insurance. Like most people, you're unclear about what insurance you actually need and what you could do without.

"People don't know the facts, so they panic and assume they need the coverage to be safe," says Neil Abrams, president of Abrams Consulting Group, a rental car research firm in New York. Rental companies have been capitalizing on this fear for years. In fact, Abrams estimates consumers will spend over \$1 billion on incremental protection this year, much of it unneeded, a number that has steadily increased over the past few years. Avoiding such unnecessary expense to you and your company just takes a little research ahead of time.

Start by finding out what your personal auto insurance policy covers. If you already have comprehensive and collision coverage—which usually accounts for over 40 percent of car insurance costs—you won't need car rental insurance. "If you do have full coverage on your policy, there's no need to burden yourself with the extra fees of rental insurance," a spokesman for State Farm Insurance, a leading auto insurance provider, says. "Just make sure you do have full coverage."

If you get into an accident while driving the rental car but are covered by your primary insurance, all you're liable for is the deductible. Most major providers cover a rental car for up to 30 consecutive days. They also offer supplemental coverage for residents of certain states who don't own cars for \$200 to \$300 a year—ideal for travelers who rent repeatedly.

But what if you're not covered by a major provider or

don't have collision or comprehensive coverage? While rental car insurance is one option, you might still have coverage through your credit card. Visa and American Express, for example, offer limited coverage on rental cars—so long as you use your credit card. This coverage is usually called a Collision Damage Waiver (CDW). The CDW covers any damage or theft to the car on a 24-hour-a-day basis. The cost is negligible, but it doesn't cover everything that could happen to the car. For example, Visa covers damage to the rental car but not personal injury or theft of personal belongings in the car. Credit card companies also offer this benefit only in some foreign countries. As a Visa employee says, "If you're traveling to Israel, Jamaica, Ireland, or the Bahamas, make sure you're aware of your credit card policy, because you won't be receiving any benefits."

If your own insurance or credit card companies don't cover you adequately, then you do need the coverage from the rental company. What it provides is a Collision (CDW) or a Loss Damage Waiver (LDW) (the name varies from one rental car company to another). This is not insurance in the classic sense. The primary function of this coverage is to relieve customers of financial liability if a rental car is damaged or stolen. CDW/LDW also covers what the rental car companies call "loss of use." Without this coverage, you would have to pay a fee for every day a damaged car is out of service. Coverage varies, with rates typically ranging from \$7 to \$25 a day though they can run as high as \$40.

Rental companies also offer different levels of accident coverage. Alamo provides three levels: 1) You are not responsible for any damage done to the car, 2) You're responsible for damage in excess of \$500, or 3) You're responsible for damage in excess of \$3,000. Rental companies also offer other types of coverage. Personal accident insurance, which pays medical and ambulance bills for you and your passengers, costs an additional \$1 to \$5 a day. Personal-effects coverage is another \$1 to \$5 and provides compensation for theft of personal items from the rental car. Your auto, homeowner, or medical insurance may already cover these situations—even if they don't cover damage to the car.

The bottom line is that a little checking on your existing coverage can guide you in making more informed decisions about rental car coverage. So when the salesman at the rental counter starts pushing the extra insurance, you'll know exactly what you need—and what you don't. ■