

# Car Rental Insurance Tip Sheet

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Selling consumers additional insurance coverage, often unnecessarily duplicating coverage they already have, is the primary way car rental companies increase the cost of the rental.

There are four different types of insurance and insurance-like coverages the companies try to sell to consumers at the rental counters:

- Collision Damage Waiver (CDW),
- Supplemental Liability Protection (SLP),
- Personal Accident Insurance (PAI), and
- Personal Effects Coverage (PEC).

In most states, car rental companies are prohibited from refusing to rent you a car unless you purchase the additional insurance. ***The coverages are all optional.*** Combined, they can add up to \$30 per day to the rental bill. Each coverage protects against a different risk, but your car, home, life, or health insurance policies, or your credit card, may provide all or part of the protection you need, particularly when combined with the minimum insurance the car rental company is required by law to provide as a part of every rental.

## Collision Damage Waiver (CDW)

Also known as Loss Damage Waiver (LDW) or Physical Damage Waiver (PDW). For a fee of \$9 per day for cars costing less than \$30,000 or \$12 per day for more expensive cars, the car rental company will waive all or part of its cost if the rental car is damaged or stolen, provided the car is not driven by an unauthorized driver, driven recklessly, or the coverage is voided for several other reasons.

While this coverage may make sense for some renters, in most states you already have this coverage for a rental vehicle as part of your primary auto insurance, unless you declined to accept it when you purchased that policy. In addition, most premium credit cards, such as gold or platinum cards, provide this coverage, with certain limitations, as a benefit of using the credit card to rent cars. Some cards do not provide this benefit for luxury cars, SUVs and vans.

Before you pay a lot for CDW, it is worth a call to your insurance agent and credit card company to find out if you need to purchase it.

## **Supplemental Liability Protection (SLP)**

Also known as Liability Insurance Supplement (LIS) or Supplemental Liability Insurance (SLI). For a fee of approximately \$10.95 per day, the car rental company will supplement the liability insurance that the company must, by law, provide in most states. That required coverage usually consists of the same minimum levels of liability insurance which all vehicle owners must have. For many renters who have modest amounts of assets, the minimum coverage the car rental companies must provide as a part of the rental may be enough to protect them from lawsuits by victims of accidents involving the rental car. If you have your own automobile insurance policy with coverage above the minimum amounts, your policy should cover you when you operate a rental vehicle, so SLP is likely not needed.

However, SLP usually provides \$1 million of liability protection, considerably more coverage than most consumers have under their own automobile insurance policies. So if there is a reason that you want more coverage for the rental than you ordinarily carry for your own car, or you do not have an automobile insurance policy, buying the SLP may make sense.

## **Personal Accident Insurance (PAI)**

This coverage, usually costing about \$3 per day, provides medical, ambulance and death benefits for the renter and passengers of the rental car in the event of an accident. The medical coverage is usually around \$3,500 and the ambulance benefit \$150. Typically the death benefit is \$175,000 for the renter and \$17,500 for the passenger. Many of these benefits duplicate coverage you may already have under your health, life or automobile insurance policies, or duplicate coverage that the car rental company must already provide under state law.

## **Personal Effects Coverage (PEC)**

This coverage, which typically costs \$2 per day, usually provides \$500 per person of insurance coverage, with a \$1,500 maximum, for theft of personal effects of the renter and his or her family. Again, this coverage may duplicate coverage the renter already has through a homeowner's or tenant's policy, although the coverage usually pays in addition to that other insurance. That means that your own policy will typically pay first, and when its policy limits have been reached, the PEC will then pay.

## **Additional Drivers Are Allowed**

In most states, car rental companies must allow your spouse to drive the vehicle if he or she is licensed and at least eighteen years of age. Other licensed drivers can be authorized to drive the rental vehicle if expressly listed on the rental agreement. Car rental companies are permitted to levy an extra charge for each per additional driver, usually a few dollars per day.

## **Age Discrimination**

State laws vary widely on this point. Some states allow rental companies to refuse to rent to drivers under a certain age. Others permit them to levy a surcharge on younger drivers. You should check when making the reservation if this is a concern.

## **Credit Cards Are Not Required**

In some states, the rental company may require you to have a credit card to rent a car. Others, like New York, do not permit this but do allow the car rental company to put you through a screening process that can take up to several days. The company may require a cash security deposit as well. If you do not have a credit card, check with the car rental company well ahead of when you want to rent to find out what its procedures are for non-credit card rentals.

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Source: New York Attorney General Eliot Spitzer