



## this issue

Do I Need Separate Rental Car  
Insurance? P.1

Understanding Your Insurance  
Deductible P.3

## Do I Need Separate Rental Car Insurance?

Properly insuring a rental car can be confusing, frustrating and downright daunting. Unfortunately, many consumers do not even think about car rental insurance until they get to the counter, which can result in costly mistakes—either wasting money by purchasing unnecessary coverage or having dangerous gaps in coverage.

Before renting a car, the I.I.I. suggests that you make two phone calls—one to your insurance agent or company representative and another to the credit card company you will be using to pay for the rental car.

### 1. Insurance Company

Find out how much coverage you currently have on your own car. In most cases, whatever coverage and deductibles you have on your own car would apply when you rent a car, providing you are using the car for recreation and not for business.

If you have dropped either comprehensive or collision on your own car as a way to reduce costs, you will not be covered if your rental car is stolen or damaged in an accident.

Check to see whether your insurance company pays for administrative fees, loss of use or towing charges. Some companies may provide an insurance rider to cover some

of these costs, which would make it less expensive than purchasing coverage through the rental car company. Keep in mind, however, that in most states diminished value is not covered by insurers.

### 2. Credit Card Company

Insurance benefits offered by credit card companies differ by both the company and/or the bank that issues the card, as well as by the level of credit card used. For instance, a platinum card may offer more insurance coverage than a gold card.

Credit cards usually cover only damage to or loss of the rented vehicle, not for other cars, personal belongings or the property of others. There may be no personal liability coverage for bodily injury or death claims. Some credit card companies will provide coverage for towing, but many may not provide for diminished value or administrative fees. Some credit card companies have changed their policies, too, so you may not have as much coverage as you thought.

To know exactly what type of insurance you have, call the toll-free number on the back of the card you will be using to rent the car. If you are depending on a credit card for insurance protection, ask the credit card company or bank to send you their coverage information in writing. In most cases, credit card benefits are secondary to either



your personal insurance protection or the insurance offered by the rental car company.

If you have more than one credit card, consider calling each one to see which offers the best insurance protection.

### AT THE RENTAL CAR COUNTER

Since insurance is state regulated, the cost and coverage will vary from state to state. Consumers, however, can generally choose from the following coverages:

#### Loss Damage Waiver (LDW)

Also referred to as a collision damage waiver outside the U.S., an LDW is not technically an insurance product. LDWs do, however, relieve or “waive” renters of financial responsibility if their rental car is damaged or stolen. In most cases, waivers also provide coverage for “loss of use,” in the event the rental car company charges the renter for the time a damaged car can not be used because it is being fixed. It may also cover towing and administrative fees.

Waivers, however, may become void if the accident was caused by speeding, driving on unpaved roads or driving while intoxicated. If you already have comprehensive and collision coverage on your own car, check with your personal auto insurer to make sure you are not duplicating coverage you already have. Should you decide it is necessary, this coverage generally costs between \$9 and \$19 a day.

#### Liability Insurance

By law, rental companies must provide the state required amount of liability insurance. Generally, these amounts are low and do not provide much protection. If you have adequate amounts of liability protection on your own car, you may consider forgoing additional liability protection. If you want the supplemental insurance, it will cost between \$7 and \$14 a day.

An umbrella liability policy, however, may be more cost-effective. Umbrella liability insurance is so named because it acts like an umbrella, sitting on top of your auto and home-

owners (or renters) liability policies to provide extra protection including accidents while driving your own car or one that you rent. These policies, usually sold in increments of a million dollars, cost as little as \$200 to \$300 annually for a million dollars worth of coverage and another \$50 to \$100 for each additional million.

Those who do not own their own car and are frequent car renters, can also consider purchasing a non-owner liability policy. This not only provides liability protection when you rent a car, but also when you borrow someone else’s car.

#### Personal Accident Insurance

Personal Accident Insurance offers coverage to you and your passengers for medical and ambulance bills for injuries caused in a car crash. If you have adequate health insurance or are covered by personal injury protection under your own car insurance, you may not need this additional insurance. It usually costs about \$1 to \$5 a day.

#### Personal Effects Coverage

Personal Effects Coverage provides insurance protection for the theft of items in your car. If you have a homeowners or renters insurance policy that includes off-premises theft coverage, you are generally covered for theft of your belongings away from home, minus the deductible. If you purchase this coverage through the rental car company, it generally costs between \$1 and \$4 a day.

If you frequently travel with expensive items such as jewelry, cameras, musical equipment or sports equipment, it may be more cost-effective to purchase a personal articles floater

under your homeowners or renters insurance policy. With such a floater, your valuable items are protected at home as well as while traveling anywhere in the world and the coverage is broader.

### OTHER THINGS TO CONSIDER

States have minimum age requirements for renting a car and most major rental car companies refuse to rent a car to someone who is under 21 and in some cases under 25. In addition, some rental car companies now investigate your driving record

and/or credit history so check with the rental car company before picking up the car.

If you are planning to rent a car abroad, contact both your insurance agent and travel agent to find out what you need to do to be properly insured. Those driving a rental car from the U.S. into Mexico may find it progressively more difficult to rent a car as U.S. rental car companies are increasingly concerned about the rising crime rates in that country. The minimum required insurance coverage to drive in Mexico is civil

liability insurance which covers you in case you cause injury or damage. Your American liability insurance is not valid in Mexico for bodily injury, though some American insurance policies will cover you for physical damage—check with your agent or insurance company representative. You can also buy Mexican car insurance in several American border towns; there are generally several storefronts selling Mexican car insurance near the border.

*Note: If you're renting a car abroad, you may need an international drivers*

## Understanding Your Insurance Deductible

Understanding the role deductibles play in an auto and/or a homeowners insurance policy is an important part of getting the most out of an insurance policy.

A deductible is basically the amount of money that a policyholder pays out of pocket in the event of a claim before the insurance policy begins to pay out.

A deductible can be either a specific dollar amount or a percentage of the total limits of the insurance policy. Generally speaking, the larger the deductible, the less a consumer pays in premiums for an insurance policy.

With a policy that has a \$500 standard deductible, for example, the policyholder must pay the first \$500 of the claim out of pocket. But percentage deductibles are based on the home's insured value. So if a house is insured for \$100,000 and has a 2 percent deductible, the first \$2,000 of a claim must be paid out of the policyholder's pocket.

Deductibles have been an essential part of the insurance contract for many years. They represent a sharing of the risk between the insurance company and the policyholder.

In hurricane-prone parts of the country, where there is a greater risk for a major catastrophe, homeowners



insurance deductibles are generally higher in cases when the cause of damage is attributable to a hurricane. This typically takes the form of a specific hurricane deductible that is a fixed percentage of the policy limits rather than the fixed dollar amount that applies to non-hurricane claims.



Hurricane deductibles have helped to make more private insurance coverage available in coastal communities at a lower price. This means more choice for consumers. So, consumers who reside in states where competitive markets exist can often shop around for coverage and usually find that they have a selection of insurance policies to pick from, which offer a variety of different premiums, coverages and deductibles.

[Here are some important things to know about deductibles:](#)

### [Raising a Deductible Can Save Money](#)

One of the best ways to save money on a home or auto insurance policy is to raise the policy's deductible. For example, for auto insurance, increasing the dollar deductible from \$200 to \$500 can reduce collision and comprehensive coverage premium costs by 15 to 30 percent. Going to a \$1,000 deductible can save you 40 percent or more. But, before choosing a higher deductible, be sure you have enough money set aside to pay the deductible outright if you have a claim.

### [Deductibles Differ by Company and by State](#)

Insurance is state regulated. And insurance companies must follow strict state laws. This also applies to the way deductibles are incorporated into the language of a policy, and how they are implemented. In many states a range of deductibles can be found. So if you are shopping for insurance, you should always ask about deductibles when comparing policies. For homeowners or renters insurance policies, most insurers offer a minimum \$500 dollar deductible. However, raising a deductible to \$1,000 or more can save upwards of 20 percent on the cost of an insurance policy.

### [Deductibles Do not Apply to Liability Claims](#)

There are generally no deductibles for the liability portion of a homeowners or auto insurance policy. Instead, the deductibles apply to property damage. So, on in auto policy, there is a deductible for the optional comprehensive or collision coverage, but not for the liability portion. And, in a homeowners policy, deductibles apply to damage to the structure of the house or personal possessions but not if a homeowner is sued or a medical claim is made by someone injured in the home.

## Percentage Deductibles Apply to Earthquakes, Hurricanes and Hail

**Earthquakes:** Deductibles for earthquake coverage can range anywhere from 2 percent to 20 percent of the replacement value of the structure. Insurers in states like Washington, Nevada and Utah, with higher than average risk of earthquakes, often set minimum deductibles at around 10 percent. In most cases, consumers can get higher deductibles to save money on earthquake premiums.

California residents also can purchase earthquake insurance through the California Earthquake Authority (CEA). The standard CEA policy includes a deductible that is 15 percent of the replacement cost of the home. The basic policy covers only the house (other structures such as garages, pools, etc. are not covered). Personal possessions are covered up to \$5,000 and “loss of use” expenses, the additional cost of living elsewhere while repairs are made to the home, are covered up to \$1,500. Recognizing that some people want more comprehensive coverage, the CEA also offers a 10 percent deductible for other structures, personal items coverage up to \$100,000 and \$15,000 in “loss of use” coverage.

**Hurricanes and Hail:** There are two kinds of wind damage deductibles: hurricane deductibles, which apply to damage solely from hurricanes, and windstorm or wind/hail deductibles, which apply to any kind of wind damage.

Whether a hurricane deductible applies to a claim depends on the specific “trigger” selected by the insurance company. These triggers vary by state and insurer and usually apply when the National Weather Service (NWS) officially names a tropical storm, declares a hurricane watch or warning, or defines a hurricane’s intensity

in terms of wind speed. Due to these differences, homeowners should check their policies and speak to their agent or insurance company to learn exactly how their particular hurricane deductible works. In some states, policyholders have the option of paying a higher premium in return for a traditional dollar deductible. However, in high-risk coastal areas insurers may not offer this option, instead making the percentage deductible mandatory.

**Hurricane Deductibles Are Not New:** The first hurricane deductibles were introduced into policies over 20 years ago. After Hurricane Hugo hit South Carolina in 1989 and Hurricane Andrew hit Florida in 1992, insurers realized they were far more vulnerable to huge weather-related losses than they had previously thought. In order to be able to continue getting reinsurance (basically insurance for insurers), and thus continue to offer homeowners insurance in high-risk areas it became necessary to require policyholders to share some of the cost by including hurricane deductibles in policies.

## Consider Percentage Deductibles When Purchasing a Home

When looking for a new home, it is important to consider the cost of insurance. Coastal properties and other locations at higher risk for a natural disaster may cost more to insure than other locations, and you must add to that a separate deductible for earthquake or hurricane damage. Remember, you will be paying for insurance the entire time you live in your home—if you are a prospective buyer and feel you cannot afford the insurance, then it may be time to consider a different home.

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