

Saving Money on Your Insurance

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Rental Car Insurance Choices

KNOWING WHAT YOUR AUTO insurance covers and doesn't cover can save you money and grief when you rent a car.

If you plan to rent a car in the United States or Canada, the first thing to remember is to take a copy of your proof of insurance card. The car rental agency may require it, and your insurance card can save you time and trouble if you're stopped by a police officer or have an accident. Your Texas policy automatically meets the minimum liability insurance requirements of any state or Canadian province where you travel.

A decision that almost everyone who rents a car must make is whether to buy a collision damage waiver (CDW). A CDW waives the rental car company's right to collect from you if the car is stolen or damaged while rented to you.

CDWs are controversial because they cost about \$10 to \$20 per day—far more expensive than ordinary car insurance—and may overlap with your own coverage.

A CDW might not be necessary because the property damage portion of your Texas auto liability insurance covers damage to a rental car if you cause an accident. Texas law requires rental car companies in Texas to tell you that a CDW may duplicate insurance you already have. Some premium credit cards also provide rental car coverage, but they usually pay only what your insurance company won't pay. Don't rely on your credit card without verifying what it covers.

There are times when a CDW is a good idea. If you carry only minimum liability insurance, the \$15,000 for property damage might not fully pay for fixing or replacing a rental car. A CDW can help you avoid filing a claim on your own insurance that could raise your rates if you cause an accident that damages only the rental car. A CDW also can save time and hassle when returning a damaged rental car. These advantages should be weighed, of course, against the high cost of CDWs and the duplication of your property damage liability coverage.

You definitely should consider a CDW when renting a car overseas or in Mexico because your liability insurance covers you only in the United States and Canada. Before driving in Mexico you also should strongly consider buying an auto liability insurance policy written by a Mexican insurance company.

Car rental companies also offer rental liability and rental liability excess policies.

A rental liability policy provides primary bodily injury and property damage liability insurance for the state or country where you're driving. You probably don't need it when traveling in other states or Canadian provinces because your Texas policy already covers you. However, some kind of locally purchased auto liability insurance is essential in most other countries. Often, in fact, European car rental companies include the cost of all compulsory liability coverages in the car rental fee.

Rental liability policies are a must if you don't have your own policy but plan to rent a car anywhere, including Texas. In Texas, rental liability policies do not cover damage to the rental car, so it's a good idea to add a CDW if your only insurance is what you buy from the car rental agency.

Auto rental liability excess policies provide coverage only for the amount of your liability that exceeds the minimum limits of financial responsibility required by state law. A rental agency in Texas can sell you an excess policy only if you have your own liability policy in effect.

The Texas Department of Insurance (TDI) sets the policy language and rates for rental car liability and excess liability insurance sold in our state. TDI requires car rental agencies to clearly disclose that you may not need these coverages, that the coverage may duplicate insurance you already have and that buying auto rental liability insurance is not a condition for renting a car. ★

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We welcome your questions and suggestions about this column.