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Don't automatically refuse extra rental car insurance coverage

Credit cards once offered blanket protection; policies now vary

By Michelle Crouch

For years, travel and financial experts have been urging us to avoid it, calling it a rip-off, a scam, a way for car rental companies to prop up their profits by preying on our fears.

But these days, you better do your homework before you give car rental insurance the brush-off.

Rental car companies started tacking extra fees onto damages you owe if you have an accident. In a growing number of cases, those charges aren't covered by your personal auto insurance -- or your credit card.

"What bothers me the most is that credit card companies still say, 'You don't need to buy the rental car coverage. We've got a product that will protect you,'" says David Purinton, president of a Utah company that handles claims for rental car companies. "But often the product does not totally protect you."

Most major credit cards come with no-cost rental car collision and theft protection. All [Visa](#) and Diners Club cards have it, while [MasterCard](#), [Discover](#) and [American Express](#) offer it to cardholders at elite levels who have better credit. (Any American Express customer can buy premium coverage for \$24.95 per rental period, though.)

What your card covers ... sort of

If you have protection and you get into a wreck, your [credit card](#) will theoretically pick up the tab for anything your primary insurance doesn't cover, such as your deductible, towing charges and other fees. If you don't have personal auto insurance, it may even reimburse you for the entire cost of the damage.

Sound good? It's certainly better than paying a ridiculous amount for the rental car company's collision damage waiver. But you've got to watch the fine print. To start with, to get the coverage you need to:

- Decline the rental company's collision waiver.
- Be the primary renter of the car.
- Pay for the car in full with the card that provides the protection.

After that it gets more complicated, with exclusions, limits and requirements that vary by issuer (see [chart](#)). For example, under most issuers, you probably won't be covered if you rent a pickup truck, drive the car in Ireland or keep the car for more than 30 days.



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National Average	14.39%
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Low Interest	12.38%
Cash Back	12.61%
Balance Transfer	12.71%
Airline	14.37%
Student	14.61%
Reward	14.82%
Instant Approval	18.41%
Bad Credit	21.14%

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Gaps in coverage

When it comes to the extra fees rental car companies charge on top of actual damage costs, whether you're covered is less clear. Kimberly Esquivel of San Antonio, Texas, found that out the hard way when she and her family rented a car from Alamo in Orlando, Fla.

Before they left, Esquivel said she called Discover to make sure she was covered, since she didn't have protection through her auto insurance. "The woman said, 'Just make sure you use your card to pay for it and you'll be covered. You won't have to worry about a thing,'" Esquivel recalled.

They say, 'We've got you covered,' but that's not true.

*--Kimberly Esquivel
Rental car customer*

Of course, the worst happened. At Sea World, Esquivel backed the car into a pole. She reported the accident to Discover, sent them the necessary paperwork and put it out of her mind. Several weeks later, she got a bill for almost \$1,000.

Discover had paid \$3,000 to repair the car, but had refused to pay various administrative fees and a so-called "loss-of-use fee" for each day the car was in the shop and the agency couldn't rent it.

"It was very, very frustrating," Esquivel says. "They say, 'We've got you covered,' but that's not true. I'd been a customer with Discover for almost 20 years. That was the first time in 20 years that I really needed them, and they let me down."

Fees and more fees

In its fine print, Discover says it doesn't cover loss-of-use fees. (Alamo told Esquivel the customer service rep should have explained that when Esquivel first called.) But Visa, American Express and MasterCard all say they do, which may be even more misleading. That's because they'll only pay the fees if they can get "fleet utilization logs" from the rental company showing it didn't have other cars available to replace the damaged one. They say they shouldn't have to pay the fee if the rental agency isn't suffering any loss from not having the car on the lot.

The problem is, most rental companies, including Hertz, Avis and Budget, won't provide the logs. "We consider those logs to be proprietary and confidential," says Hertz spokeswoman Paula Rivera.

That tug-of-war can leave you stuck with the bill.

Loss-of-use fees aren't the only ones that cause problems. Rental car companies also charge administrative processing fees and something called a "diminished value fee." Designed to cover the inherent loss of value to the car because it's been damaged, it can add up to thousands of dollars.

Most credit card companies say they'll cover those fees as long as they're "reasonable," but that's the problem. Who decides what's reasonable?

Should you buy the extra coverage?

So does all this mean you should take the \$15 to \$25 a day collision damage waiver offered by the rental agency? Not necessarily. It depends what level of risk you're willing to take and what coverage you have.

First, call your primary auto insurance and ask specifically what fees your policy covers. In some states, for example, insurance regulations require that auto insurers cover loss-of-use fees.

I knew I was being ripped off, and I wasn't going to pay it.

*-- Andy Abramson
Veteran traveler*

Then choose carefully when selecting a credit card for a car rental. Only Diners Club offers no-cost primary coverage, which means you don't need to file a claim with your car insurance and there's no chance of a premium increase. American Express cardholders can get the same benefit by paying \$24.95 per rental for the

card's premium coverage. Other cards offer secondary coverage, meaning they'll pick up what your auto insurance doesn't.

While all the major credit card companies except Discover say they cover loss-of-use fees (with a log), rental car claims administrators we talked to in three different states agreed that Visa was the most willing to pay up.

"MasterCard and American Express are the toughest," says Randy Harris, president of Khoury-Alternative Claims Management, a damage-recovery company based in San Antonio that specializes in car rental claims. "They're handled by the same third-party administrator and it tries to pay out as little as it can. Visa is easier to work with."

No matter what type of card you have, don't be afraid to stand up for yourself. Andy Abramson, owner of a California communications agency who spends more than 300 days a year on the road, said he always pays the extra fee for the American Express premium coverage on his rentals. But when another driver ran a red light and hit him in a Dollar rental car, American Express refused to cover Dollar's loss-of-use fee because Dollar wouldn't provide a fleet utilization log. The result? Abramson got a bill for \$607.43.

"I knew I was being ripped off, and I wasn't going to pay it," Abramson says. "So I called American Express and said, 'Excuse me, I paid for this rental car program, and I understand you and Dollar can't agree on some charges. According to everything you sold me, I shouldn't have to worry about this. I expect you to handle this.'"

Lucky for Abramson, they did.

Want to protect yourself at the rental counter? Use this checklist ([download a printer-friendly .pdf checklist](#)).

CHECKLIST: HOW TO PROTECT YOURSELF WHEN RENTING A CAR	
✓	Questions to ask your auto insurance agent before you rent:
	Do I have collision coverage? (If you have an older vehicle and dropped that coverage, you won't have it on your rental.)
	Does my policy extend to rental cars? (Most do.)
	Am I covered outside the United States? Are any countries excluded?
	Is there a limit on how long I can rent the car?
	Are there any vehicle exclusions?
	Does my policy cover loss-of-use and other fees charged by the rental car company?
	How much liability coverage do I have?
✓	Questions to ask your credit card issuer before you rent:
	Do I have rental car coverage? Is it secondary or primary?
	Does it cover collisions only or collisions and theft?
	What's the maximum reimbursement?
	Does it cover vehicles rented outside the United States? Are there any vehicle exclusions? (Some won't cover pickup trucks, moving vans or some types of SUVs.)
	Is there a limit on how long I can rent the car?
	Does my policy cover loss-of-use and other fees charged by the rental car company?
✓	At the rental car counter:
	Decline the rental company's collision waiver.
	Pay for the car in full with the credit card that provides the protection.
	Include the names of any other people you expect to drive the car on the rental contract. Many insurance programs won't cover a driver who isn't on the contract.
	Once you get the car, don't speed, drive on an unpaved road or drive while intoxicated. All can invalidate your coverage.

See related: [Chart: Compare credit cards' rental car insurance policies](#), [Most rental car companies accept debit cards, survey finds](#), [How to protect yourself when renting a car: checklist](#)

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