

Car Rental Concerns:

Ask Lovsted Worthington to Review Your Rental Car Program

Many companies have employees who rent vehicles for the execution of company business. Under most rental car agreements, the customer assumes responsibility for liability incurred by the rental company as a result of the customer's use of the automobile. The renter may also be responsible for physical damage to, and resultant loss of use of, the rental car. Most rental companies sell loss damage waivers that eliminate the renter's liability for damage to the rental car, and most also offer optional liability insurance. Employees may not know whether they should buy this coverage or not. This section addresses some common insurance issues pertaining to cars rented by employees. Although many of these issues are addressed elsewhere in the section, they are pulled together here to allow for an easier understanding of relevant issues. Contractors should be able to come up with uniform car rental guidelines from employees based on this information, and on their decisions whether to provide certain coverages on employees' behalf.

Some states statutorily require rental car companies to automatically furnish third-party liability coverage up to the minimum financial responsibility limits in the applicable jurisdiction. Likewise for uninsured and underinsured motorists coverage and no-fault coverage in states where such coverage is mandatory and cannot be rejected. (The existence of this insurance is often hidden in the small print of the rental contract.) Customers are generally offered higher limits for an additional fee (in many cases, these "optional" coverages are automatically included unless rejected by the customer.) However, depending on what coverage symbol applies to these coverages under the contractor's BAP, the optional coverages may not be necessary.

If Symbol 8 ("hired auto," can be used for any coverage) applies to both liability and physical damage coverage (Symbol 1 is also acceptable for liability coverage), the BAP will respond to the named insured contractor's liabilities arising out of the rented auto. (Coverage for damage to the rental car would fall under the physical damage section of the policy.) However, rental contracts are normally executed in the name of the individual employee, but any BAP coverage for leased, hired, rented, or borrowed autos is for such autos "you" (the named insured contractor) lease, hire, rent, or borrow. Some approaches for remedying this problem include renting the car in the names of both the individual and the company, negotiating a corporate override agreement between the employer and rental car company, or attaching the [employee hired auto](#) endorsement ([CA 20 54](#)).

Employees with their own personal auto insurance will have some coverage under that policy. The ISO personal auto policy's (PAP) liability coverage responds to the named insured and spouse while using any auto, so liability coverage applies. Recent editions of the PAP (since at least 1986) also provide coverage for damage to rental cars under the policy's physical damage section, if the insured carries such coverage on any of the vehicles listed on the policy, subject to the applicable physical damage deductible(s). (The policy states that the broadest coverage carried under the policy for loss to "your covered auto," as the term is defined in the policy, applies to loss to any non-owned auto.)

However, both the PAP and the BAP provide that coverage is primary for autos owned by the insured, but excess for non-owned autos. Since a rental car is not owned by either the employee or the insured contractor, both policies will thus claim to be excess. The employee hired auto endorsement will protect employees who rent vehicles in carrying out company business from having their personal insurance be primary for any losses that occur. See the discussion of this endorsement above. This endorsement may carry an additional premium, and underwriters may want to gather information on employees who frequently rent cars on company business, including, but not limited to, motor vehicle reports.

Various states have state-specific endorsements dealing with rental car coverage concerns. Contractors should check with their insurance agents or brokers to determine how their coverage for the use of rental cars differs from that provided in the standard business auto policy and related endorsements.