Rules of the Rental Road

Guide to Help Develop and Codify Your Firm’s Rental Car Policy
INTRODUCTION

The following pages contain suggested templates for your firm’s “Rules of the Rental Road.” In addition, there are explanatory notes that clarify some aspects of each of four optional coverages available from most rental-car companies. Once your firm has determined its own “Rules of the Rental Road,” we suggest you used these templates to codify:

- whether your firm wants members/employees who rent cars to use a specific car-rental company and, if so, which one;
- whether and under what circumstances you want your members/employees to purchase or decline any optional coverages; and
- what the penalties may be for not following the firm’s policy.

Once your firm has developed and codified its own “Rules of the Rental Road,” the information should be distributed to all members/employees who rent cars. It should also be made part of your firm’s policy manual.

As part of your decision, you should consider whether you want your firm’s auto policy to act as primary or excess of your members/employees’ own personal auto policies:

- The rental-car company’s coverage will act as primary for any coverage that the rental-car company provides. Unless the renter purchases optional coverages, that will likely be limited to statutory liability coverage in those states where the rental-car company is required to provide this minimum coverage.
- If your firm purchases hired auto liability and/or physical damage coverage on an excess basis, the renter’s own personal auto policy will apply in excess of any coverage provided by the rental-car company, with your firm’s auto policy applying in excess of the renter’s.
- If your firm purchases hired auto liability and/or physical damage coverage on a primary basis, your firm’s auto policy will apply in excess of any coverage provided by the rental-car company, with the renter’s personal auto policy applying in excess of your firm’s. Note: Not all insurers offer the option of buying primary coverage.
SAMPLE TEMPLATE 1

Suggested for firms that have a contract with a rental-car company and have negotiated preferred pricing for the collision damage waiver:

Sample Rental-Car Rules for [Name of Firm]

Our firm has negotiated a contract with [Name of Rental-Car Company] that includes a lower rate for the collision damage waiver [or limited damage waiver]. When you rent a car for business, you should rent the car from [Name of Rental-Car Company]. Be sure to use our corporate contract. [Name of Rental-Car Company] should have our firm’s name in its database.

When you rent a car for business, [Name of Rental-Car Company] will offer you various options. When you sign the rental contract, please do as follows:

- **Collision Damage Waiver:** Buy this coverage. Be sure the cost per day is $[X], the preferred rate we have negotiated.

- **Supplemental Liability Protection:** Do not buy this coverage. Be sure to have your auto ID card with you in case of accident.

- **Personal Accident Insurance:** Do not buy this coverage.

- **Personal Effects Coverage:** Do not buy this coverage.

If you are unable to secure a rental car from our preferred vendor, [Name of Rental-Car Company], you should still buy the collision damage waiver, as failure to do so could expose you and/or the firm to substantial financial penalties in the event of an accident or other damage to the vehicle.

Failure to follow these rules may result in disciplinary action and/or financial responsibility for the uninsured portion of any loss.

[See pages 5 and 6 for “Explanatory Comments.”]
SAMPLE TEMPLATE 2

Suggested for firms that do not have a contract with a rental-car company:

Sample Rental-Car Rules for [Name of Firm]

When you rent a car for business, you will be offered various options by the rental-car company. Our firm has made the following decisions regarding those options. When you sign the rental contract, please do as follows:

➤ **Collision Damage Waiver:** Buy this coverage.
➤ **Supplemental Liability Protection:** Do not buy this coverage. Be sure to have your auto ID card with you in case of accident.
➤ **Personal Accident Insurance:** Do not buy this coverage.
➤ **Personal Effects Coverage:** Do not buy this coverage.

Failure to buy the collision damage waiver could expose you and the firm to substantial financial penalties in the event of an accident or other damage to the vehicle.

Failure to follow these rules may result in disciplinary action and/or financial responsibility for the uninsured portion of any loss.

[See pages 5 and 6 for “Explanatory Comments.”]

OTHER TEMPLATES

There are others choices firms can make for what they want their members/employees to buy and not buy at the rental-car counter. Please use the templates above to create your own “Rules of the Rental Road.”
EXPLANATORY COMMENTS

The following are suggested “Rules of the Rental Road” for the four options found in most rental-car agreements. You should select the option that best fits your firm’s needs, based on your insurance coverage, your contractual relationship with a rental-car company (if any), and your appetite for risk. The information then should be distributed to all members and employees of the firm who are authorized to rental vehicles on company business.

Collision Damage Waiver

➢ If your firm has a contract with a rental-car company, buying or not buying coverage will depend on the terms of the contract. Be sure each firm member/employee knows which rental-car company to use.

➢ If your firm has a contract with a rental-car company, but the firm member/employee must use a different rental-car company for any reason, buying or not buying coverage will depend on the firm’s comfort level with the potential risk of an insured and insurable claim that could cost thousands of dollars.

➢ If your firm does not have a contract with a rental-car company, buy this coverage.

Supplemental Liability Protection

➢ If your firm purchases hired auto liability, provide each firm member/employee with an auto ID card listing the firm’s auto liability coverage and limits. Do not buy this coverage.

➢ If the firm member/employee has a personal auto policy, be sure each firm member/employee has an auto ID card for his/her personal auto policy that lists the policy’s liability coverage and limits. Do not buy this coverage.

➢ If neither the firm nor the firm member/employee buys any auto coverage, buy this coverage.¹

Personal Accident Insurance²

➢ If your firm purchases workers compensation insurance: Do not buy this coverage.

➢ If your firm purchases health insurance for firm members/employees: Do not buy this coverage.

➢ If your firm member/employee will continue using the car for personal purposes: Buying coverage is at the firm member/employee’s discretion—and out of his/her pocket.
Personal Effects Coverage

▶ If your firm has coverage for personal effects of firm member/employees—including coverage while personal effects are in a vehicle, do not buy this coverage.3

▶ If firm members/employees have coverage for this on their homeowners policies, do not buy this coverage.4

Endnotes

1. This is highly unlikely. Virtually all firms purchase hired auto liability. If your firm does not, you should contact your broker and buy coverage immediately.

2. Workers compensation coverage will pay for injuries. It will also pay for lost wages, subject to state-mandated waiting periods and limits for wage replacement. If your firm wants more coverage than that for travel accidents, your firm should purchase a travel accident policy in its own name, rather than purchase the option from the rental-car company. Purchasing your own policy will, in the long run, be more cost-effective.

3. Coverage under most commercial policies will likely need to be amended to include this coverage.

4. Most homeowners policies include some coverage for this exposure without amendment.

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