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Should You Buy the Insurance When Renting a Car?



Posted on: May 5, 2016 | by Brette Sember



You've booked your vacation and comparison shopped for a good price on the rental car. Everything is within your budget, your plane lands on time, you go to the rental car counter to get your car, and you are asked if you'd like to pay for the insurance offered by the rental company. Nobody wants to run the risk of being on the hook for big expenses if something happens to the car, so what should you do?

First, understand what the rental company is offering

Most rental companies are offering you coverage that will protect you if the car you rent is in a collision or is stolen. This could cost you up to \$19 a day. They may also offer liability insurance at around \$7 to \$14 a day. And yet a third option may be offered: medical insurance to cover doctor and ambulance costs due to an accident for a few dollars a day.

The coverage that the rental company offers doesn't include everything, however. If you do something that is clearly negligent—like leaving the keys in the car—you won't be covered if someone steals the car. It's also important to note that although most people refer to this as insurance, what the rental company is actually selling you is a loss damage waiver, which releases you from financial responsibility if the car gets damaged during the period of your lease contract.

Second, know what coverage you already have

Coverage through your car insurance

If you own a car, your personal auto insurance policy already covers liability and medical. And if you have collision insurance on your own car, you'll be covered on the rental, too, so it doesn't make sense to pay extra for something you already have.

However, collision insurance offered by car rental companies often do not carry a deductible, or if they do, it may be significantly lower than your own (obviously, you will want to check the details in the rental insurance contract). Certainly, if you do not carry collision insurance, you should buy the rental company's collision policy, or use a credit card that will provide such coverage.

Coverage through your homeowners insurance

Your homeowners policy may provide you with liability coverage that extends to rental cars, so if you don't have auto insurance, you may still have liability coverage. Often, you need to have an umbrella policy, which provides liability coverage over and above your auto or homeowners' policy—to get this coverage.

Coverage through your credit card

Most major credit cards, such as Visa and Discover, offer a collision-damage waiver, which means the card will cover the damage from a collision or theft of the rental car. But don't assume you have this coverage, since some cards offer this benefit to elite members only. Check with your credit card company to determine what kind of coverage you have. For example, some companies set limits on the type of rental car and may not provide coverage for a luxury car.

Third, understand the details

If you're going to buy the rental company's coverage, be sure to read the fine print—even though it's probably the last thing you want to do while you stand there with your luggage. Determine what it actually covers. For example, some policies may cover only one driver, so you will need to pay extra to cover a second driver.

Finally, do some homework if you're traveling abroad

In most instances, your auto insurance policy will not cover you when you rent a car overseas (but you may have coverage in Canada or Mexico). However, your credit card may provide you with coverage abroad, so be sure to check into this before you leave home. Bring proof of your existing insurance with you, since you may need to show it to avoid charges at the rental desk. Research the insurance requirements of any countries that you plan to visit, because you may need higher coverage than you currently have. And if you aren't covered in any other way, consider adding car rental insurance to your travel insurance.

Brette Sember is a former attorney and author of more than 40 books, including The Divorce Organizer & Planner, The Complete Divorce, and How to Parent with Your Ex. She writes often about law, parenting, food, travel, health, and more. Brette also writes for AvvoStories, brought to you by Avvo, the leading online legal marketplace connecting consumers and lawyers. Avvo's free Q&A forum with more than 9 million questions and answers, along with on-demand legal services that provide professional counsel for a fixed cost, make legal faster and easier.

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