

Is rental car insurance a rip-off? (2021)

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Rental car insurance costs can add up

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You made it through a long flight and an even longer line at the rental car agency, and now the salesperson is saying you need rental car insurance. They make a good argument, but is it really worth it? In a nutshell, probably not. However, there are some cases in which you'd be better off with the extra coverage, and we'll go through all of them here.

In most cases, your own car insurance will work just fine while you drive a rental. If you're worried you don't have enough coverage, you can bump up your limits before a trip and probably still save money overall.

Do you need rental car insurance?

If you already have car insurance for a personal vehicle, you probably don't need rental car insurance. If you don't already own a car with insurance, rental companies automatically cover the bare minimum in your state. However, if you want more protection, or if you are traveling abroad or for business purposes, you might need to get rental car insurance.

Can I use my car insurance for a rental car?

Yes, you can use your own car insurance for a rental car as long as your trip is for personal travel. Your personal coverage limits and deductibles will apply. If the trip is for business, your personal auto insurance policy will not cover any type of damage or injury unless you have commercial coverage.

If you travel to Mexico or Canada, your personal insurance may or may not cover rental cars in those locations. It's a good idea to speak to your agent to find out before you go. Generally, standard auto insurance companies in the U.S. don't cover rentals abroad, so it may be wise to purchase rental car insurance in that situation.

Is rental car insurance worth it?

Rental car insurance can be expensive — it can easily double your rental costs if you purchase a full coverage package. You also technically don't need to purchase insurance since rental cars are automatically covered for the minimum in their state. However, it can still be worth it in some situations.

For example, let's say you had no insurance and you rented a car in California. Minimum car insurance in California covers up to \$5,000 in property damage to other vehicles if you cause an accident, but it doesn't cover damage to your rental at all.

In fact, no state requires any level of collision or comprehensive insurance, which apply to your own vehicle's repair bills. It can be a good idea to get rental car insurance if you just have the minimum

coverage in your state. This is especially true considering you will probably be driving an unfamiliar vehicle in an unfamiliar area.

One study in the Journal of Advanced Transportation found that inattention, poor driving, poor handling and aggressive driving are all associated more with rental cars than non-rental cars. You might be a great driver on your regular commute, but it can be stressful driving in a new situation. So, should you get rental car insurance? It depends if you want peace of mind that you'll be covered in a worst-case scenario. It's a good idea to have comprehensive coverage and collision coverage or to purchase a waiver from the rental company if you don't.

What type of rental insurance do you need?

There are four main rental car insurance options that you could be offered through your rental agency: a loss damage waiver, liability coverage, personal accident insurance and personal effects coverage.

Loss damage waiver (LDW)

This option waives your responsibility to pay for a total loss, accident damage, environmental damage, theft and vandalism. A collision damage waiver is similar, but it doesn't protect against theft. These waivers basically act like comprehensive and collision policies for the rental. If you already have comprehensive and collision insurance, you probably don't need this. However, a loss damage waiver will not require you to pay a deductible, which is another thing to consider.

If you cause damage to your vehicle and it gets sent to the repair shop, the rental car company can charge you fees for each day the car is out of commission. The loss damage waiver will protect you from these fees, as will most full coverage insurance policies. However, some will not, so it's a good idea to look into your own policy before you rent a car.

Liability coverage

Rental car companies also sell liability car insurance. This covers other drivers' property damage and injuries resulting from an accident you cause. If you have personal liability insurance, your own policy will provide this coverage (as long as the trip isn't for business). But if you know you're going to be cruising in Miami alongside Lamborghinis and Ferraris, \$10,000 in liability coverage probably isn't going to cut it, so you may want to up your policy limits.

If you are a frequent traveler but don't own a car, you can also get non-owners car insurance to cover you in all driving situations.

Personal accident insurance

This type of insurance covers medical bills for you and your passengers, regardless of who is at fault for an accident. It's similar to medical payments (MedPay) coverage and personal injury protection (PIP) that you'd get on your standard vehicle.

If you already have either of these policies, you do not need personal accident insurance. Additionally, if your personal car insurance doesn't cover your medical costs, your health insurance can cover them after you pay your health deductible. Personal accident insurance doesn't require a deductible.

Personal effects coverage

This option protects your personal items like electronics, luggage and clothing. If you have a homeowners or renters insurance policy, it will cover personal items stolen from a rental car as well.

Other options: credit card and travel insurance

Besides options from the rental car company, you might be covered through your credit card company or travel insurance plan. Credit card coverage doesn't usually include medical costs, high policy limits or expensive rental cars, however. You also have to pay with the specific card to use its coverage.

Travel insurance programs can typically cover collision and loss of use cheaper than the rental car company as well.

How much does rental car insurance cost?

Rental car insurance costs vary depending on the vehicle and location. But, in a word, it's expensive — overall, prices range from \$31 to \$60 per day for rental insurance from these providers. Below are a few average prices for coverage per day from popular rental car companies.

	LOSS DAMAGE WAIVER	LIABILITY COVERAGE	PERSONAL ACCIDENT INSURANCE AND PERSONAL EFFECTS COVERAGE	TOTAL DAILY RENTAL CAR INSURANCE COST
Enterprise Rent-A-Car	\$30	\$17	\$13	\$60
Budget Rent a Car	\$9	\$15	\$7	\$31
Hertz	\$27	\$19	\$7	\$53
Alamo Rent a Car	\$25	\$13	\$6	\$44

Think about these prices for a minute. Even if you have a full coverage policy with high limits, you probably pay much less than \$60 per day (which is \$1,800 per month) for your personal auto insurance. In many cases, it would be cheaper to increase your own insurance limits for a year than to buy rental car insurance for a two-week vacation.

Our recommendations for auto insurance

At the end of the day, it's more economical to get a full coverage car insurance policy from a reputable provider than to pay for rental car insurance regularly. Many of the industry's leading providers offer coverage that can apply to rental vehicles when you travel within the U.S.