



So You Are Going to Rent a Car...

We frequently get calls in home office claims from agents and insureds wondering if coverage will extend to a rented vehicle. This is a more technical question than it would seem on the surface. The Auto-Owners personal auto policy has specific coverage provisions under which coverage can be afforded. The ISO form also has coverage provisions for rented vehicles. We will explore it using some examples.

Scenario 1

I am out enjoying a drive in my Mustang convertible on a nice fall day and unfortunately a deer decides to run, unsuccessfully, across the road in front of me. As a result, my car is damaged and not drivable. I need a rental vehicle to allow me to get to work and do the other daily tasks. In this case, the coverage from the Mustang would extend to the rented vehicle. The liability coverage for this comes from the auto policy (79001). The policy says: Section II, Liability Coverage, c. Other autos covered. "The Liability Coverage provided for your automobile also applies to certain other automobiles. It applies: 1. to an automobile you do not own which is temporarily used as a substitute for your automobile. Your automobile must be out of use because of breakdown, repair, servicing, loss or destruction. The owner of the substitute automobile is not covered." Therefore, the liability coverage would extend from the Mustang to the rented vehicle as the insured vehicle is out of use due to repair. The physical damage coverage for the rented vehicle would also come from the auto policy (79001). The policy says: Under Section III, Damage to Your Auto, f. Other Autos Covered "The Damage To Your Automobile Coverages provided for your automobile also apply to certain other automobiles. They apply: 1. to an automobile you do not own which is temporarily used as a substitute for your automobile. Your automobile must be out of use because of breakdown, repair, servicing, loss or destruction." Therefore, the physical damage coverage would extend from the Mustang to the rented auto as the insured vehicle is out of use due to repair. However, the Mustang would need to have physical damage coverage for this extension to apply. For example, if the Mustang had only collision coverage, the rental vehicle would also have only collision coverage. ISO is broader as it extends the broadest coverage available from any auto on the policy to the rented vehicle. We use ISO forms in North Carolina and Virginia.

Scenario 2

I take a vacation and fly from my home in Arizona to Minnesota and rent a car. How does the coverage extend from my Arizona policy to my rented car in Minnesota? The auto policy (form 79001) says: Section IV, Individual Named Insured. If the first named insured in the Declarations

is an individual and the automobile described in the Declarations is a private passenger automobile the following extensions of coverage apply. As long as the named insured is an individual, they can extend the coverage from their vehicle at home to the rented vehicle. The insured must have one private passenger vehicle, as defined in the auto policy, on the policy for this extension to apply. There is an additional consideration, though. It extends liability coverage only to the named insured and spouse, resident relatives that do not own a vehicle, and to anyone legally responsible for the use of the vehicle. Physical damage coverage applies only to the named insured and spouse, and a resident relative who does not own a vehicle. The broadest coverage from any vehicle on the policy extends to the rented vehicle under these circumstances. So, as long as one of the vehicles on the policy has both liability and physical damage coverage, the rented vehicle would have those same coverages.

Scenario 3

The other question commonly asked on this coverage is: Will it cover the insured if he rents a motor home for vacation? The policy extends coverage from the private passenger vehicles to the rented vehicle. A private passenger vehicle includes a motor home by definition, so this is not a coverage issue. As long as one of the vehicles on the policy has both liability and physical damage coverage, the rented motor home would have those same coverages. The insured must be an individual as noted earlier.

Scenario 4

My parents have finally admitted they need to be closer to me and are moving. I rent a 28-foot rent-a-truck to bring their belongings to their new apartment, which is much closer to me. When I go to rent the truck, the clerk tells me I need to buy their insurance to provide coverage for the truck, as it has a gross vehicle weight in excess of 10,000 pounds. While it is true some carriers have such a qualification in their policy, Auto-Owners does not. The same language in Section IV applies to this loss. As long as the insured is an individual, and has a private passenger vehicle on his or her policy, we can extend the broadest coverage available from their vehicles to the rent-a-truck. If one of the vehicles on the policy has liability and physical damage coverage, these coverages will extend to the rented truck. The Auto-Owners auto policy is broader than the industry when it comes to rented vehicles. It is a real sales advantage and can be discussed with a prospective insured, to see how it compares to the coverage provided by his or her present carrier. If you have questions on this coverage, please contact your local claims branch to discuss the situation as facts truly guide coverage decisions. It will be very important to understand the nature of the rental and who will be driving when calling to discuss coverage. Note all the examples dealt with a personal auto policy, not with a commercial auto policy. This exposure on the commercial policy would require additional consideration and discussion with the insured, agent, and underwriting to understand the nature of the risk and what is required to provide the proper protection desired by the insured.