

## Rental Automobiles and Physical Damage Insurance.

For a number of years, the University of Alabama System has purchased from St. Paul Fire Marine Insurance Company an insurance policy for vehicles owned and/or used by all three campuses. That policy provided liability coverage only, however; that is, it protected the University and its employees against claims brought by third parties for damages caused by alleged operator negligence. Beginning in October 2000, broad physical damage coverage - for comprehensive and collision losses - has been added to that policy (limited coverage has been available since 1997). The policy now provides primary physical damage coverage for all University-owned, 1995 and newer vehicles. In addition, excess coverage is provided for all “hired” vehicles, which includes those rented by University employees for use in UAH business. The comprehensive coverage carries a \$250 deductible, and the collision coverage deductible is \$500.

According to the Office of the Vice President for Finance and Administration, a Diners Club credit card, available to UAH employees for expenses incurred in University travel, also provides some physical damage coverage for rental vehicles. When the cost of the rental vehicle is paid for with the Diners Club card, “zero deductible” primary coverage is automatically provided for collision and comprehensive losses to the vehicle. A loss must be reported to the Diners Club within 90 days after the accident, and it will handle the claim with the rental agency. The St. Paul coverage will be available, if needed, on an excess basis.

If a Diners Club card is used in renting the vehicle, adequate physical damage coverage is available, and the employee therefore does not need and should not purchase the “collision damage waiver” (CDW) (also sometimes called “loss damage waiver”) from the rental agency. The CDW, in effect, “waives” the agency’s right to require a customer to pay for the repair or replacement of the vehicle in the event of an accident. If a Diners Club card is not used, an employee may have primary physical damage coverage through his/her personal automobile policy, with St. Paul providing excess coverage to the personal policy (paying any deductibles or any loss in excess of the limits of the personal policy). Some personal automobile policies do not apply to rental vehicles used for business purposes, however, and in such an instance, the UAS St. Paul policy would be available to pay the damages.

The St. Paul policy affords coverage only for vehicles used in the United States and Canada. It is likely that an employee’s personal policy will include a similar territorial restriction. If an employee’s duties take him/her to other geographical areas and it is necessary to rent a vehicle, use of a Diners Club card will provide the best option for physical damage protection for the vehicle. If the employee does not have a Diners Club card, the CDW should be purchased from the agency to provide protection against physical damage loss.

Any employee planning to utilize a rental vehicle who has insurance questions may contact the Office of Counsel (6633) or the Business Services Office (6484). The UAH Travel Guidelines should also be reviewed for other information regarding rental vehicles and general travel issues.