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Rental Car Insurance: Are You Paying for Coverage You Already Have?

By Samuel G. Johnson, Esq.

Introduction: It's not every day an attorney tells you to decline insurance coverage for a potential loss. Well brace yourselves, because that is exactly what I am going to do in this article. Whether your car is in the shop for repairs or you are taking a long vacation far away from home, chances are you have rented a car and will do so again. Given your experience renting cars, you are familiar with the exchange that will likely take place each time you step up to the counter to rent a car. You are given the rental contract, but before you sign on the dotted line the salesperson is pushing hard for you to elect certain additional coverages for your vehicle, such as a Collision Damage Waiver. They invoke fear by explaining the expenses you could incur in the event of an accident if you decline the Collision Damage Waiver and you damage the rental vehicle. Fear not, they tell you, because for an additional cost of anywhere from $10.00 to $30.00 a day—depending on your location and the rental company—you will not have to worry about incurring these potential expenses. So should you purchase the Collision Damage Waiver for your rented vehicle? In that moment not having previously considered the question, and given the compelling sales pitch from the agent behind the counter, you may not feel confident in your answer. On the one hand, you are a responsible driver and don't want to pay what could be upwards of $30.00 a day extra for the Collision Damage Waiver. On the other hand, accidents happen, that's why they are called accidents, right? Even an extra $30.00 a day is far less than what you would have to pay if you somehow damaged the rented vehicle. So what do you do? Decline the Collision Damage Waiver! Chances are you already have coverage for this type of situation, and despite the compelling sales pitch from the agent behind the counter, you do not need to purchase the Collision Damage Waiver. It is important to note at the outset that the answer to this questions is not one size fits all. There are several considerations you should undertake before making your decision. This article, however, should equip you with the tools needed to confidently answer this question when the time comes. What is a Collision Damage Waiver? So what is a Collision Damage Waiver? Despite what you may think, it is not insurance. It sounds like you are paying for coverage on the vehicle, but a Collision Damage Waiver, or a Loss-Damage Waiver, is actually what the name implies, it is a waiver. What this means is for the additional fee the rental company waives its right to pursue you in the event there is damage to the rented vehicle or it is stolen. Sounds like a good deal right? Although such a waiver may sound like all-encompassing protection, be aware of the fine print. Most Collision Damage Waivers contain limitations and exceptions. For example, the damage or loss will likely not be covered if the vehicle is driven by someone who was not listed as an authorized driver, the driver has consumed any alcohol—whether or not he or she is over the legal limit—or the car is driven in a careless or reckless manner. While these don't sound like limitations that would be difficult to avoid, consider the following hypotheticals: The Single Glass of Wine Hypothetical: It's another cold winter in Maine, so you and your spouse decide that it would be nice to take a trip somewhere warm, so you book a week-long vacation in Florida. After your flight lands, you step up the counter to rent a car. After a compelling sales pitch from the agent, you decide to purchase the Collision Damage Waiver from

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the rental company, sign on the dotted line, and rush out to check in to your hotel. After you get settled in you and your spouse head out for a nice dinner. At dinner you have of a glass of wine. After dinner, while leaving the parking lot, you back up into a light pole and damage the bumper and frame of your rental car. Although you are not over the legal limit, because you had a glass of wine at dinner you are likely on the hook for the damage despite purchasing the Collision Damage Waiver. The Designated Driver Hypothetical: Consider the same hypothetical with a slight twist. Before leaving dinner you remember that you will not be covered for any damage caused to the rental vehicle because you have consumed alcohol. Even though you are not over the legal limit, you have your spouse who has not consumed any alcohol drive. While leaving the parking lot they back up into a light pole and damage the bumper and frame. Again, despite your spouse being a licensed driver, you are likely on the hook for the damage despite purchasing the Collision Damage Waiver because you did not list your spouse as an authorized driver. Even if you determine that these situations are avoidable and you would like the Collision Damage Waiver, don't check that box just yet. You may already be covered, and that coverage would likely protect you in the two hypotheticals discussed above. To determine if you already have coverage you will want to consult your personal auto policy. Where to look: All motorists in Maine are required to carry, at a minimum, liability and uninsured motorist coverage. Typically, there are four potential coverages available in a personal auto policy.

- Mandatory Liability Coverage insures the owner of an automobile for damages he or she becomes legally liable for due to bodily injury or property damage caused by an accident of the insured vehicle.
- Medical Payments Coverage covers medical expenses incurred because of bodily injury that is sustained by an insured and caused by a motor vehicle accident.
- Mandatory Uninsured Motorist Coverage covers the insured for compensatory damages for bodily injury that the insured is legally entitled to recover from the owner or driver of an uninsured motor vehicle. In Maine, this coverage must match the motorists liability limits.
- Physical Damage Coverage covers damage or loss to the covered vehicle itself. Typically, there are two types of Physical Damage Coverage that an insured can elect to carry, Collision Coverage and Comprehensive Coverage. Collision Coverage covers loss stemming from the upset of the covered vehicle or its impact with another vehicle or object. Comprehensive coverage is often defined as other than collision coverage, meaning damage to the vehicle stemming from something other than upset or impact with another vehicle or object.

So are you already covered? Chances are, depending on your personal auto policy, you are already covered for damage to the rented vehicle. In ascertaining whether you can decline a Collision Damage Waiver when renting a vehicle due to existing coverage, you will need to look to the Physical Damage Coverage section of your personal auto policy. It is important to note that this type of coverage is not required, so the first thing you need to determine is if you carry this type of coverage. If you do, great, you may be one step closer to confidently declining the Collision Damage Waiver. What should you be looking for if you do carry this coverage? Here are a few excerpts from different personal auto policies: Example 1: The standard ISO Policy includes an endorsement with language pertaining to rented vehicles, and provides coverage for "direct and accidental loss to any "*non-owned auto* which is a private passenger auto, pick up or van, or trailer, rented to you or any *family member* for a term of 45 continuous days or less, by any person or organization, including franchises, in the business of providing private passenger autos, pickups, vans or trailers to the public." This coverage applies to direct and accidental loss to a rented vehicle and equipment, minus the applicable deductible, caused by *collision* or *other than collision* so long as that coverage has been elected by the insured. Regarding loss of use expenses, the endorsement provides that the insurer "will

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pay, without application of a deductible, for verifiable loss of use expenses that are for a continuous period of up to 30 days and for which [the insured] becomes legally responsible in the event of loss to a rented vehicle." If the loss is caused by other than theft, the coverage is limited to the period of time reasonably required to repair or replace the rented vehicle. If you elected this coverage, and you verify that your present circumstances fall within definitions outlined in the policy, a Collision Damage Waiver is unnecessary. Example 2: Other policy language from a major auto insurer states that if you carry Collision Coverage, the insurer "will pay for sudden, direct, and accidental loss to a *covered auto* . . . or a *non-owned auto*, and its *custom parts or equipment* resulting from a collision." The policy defines a *non-owned auto* as "an *auto* that is not owned by or furnished or available for the regular use of *you* or a *relative* while in the custody of or being operated by *you* or a *relative* with the permission of the owner of the *auto* or the person in lawful possession of the *auto*," and defines collision as "the upset of a vehicle or its impact with another vehicle or object." If you have Comprehensive Coverage, the insurer will cover loss to a *non-owned auto* that is not caused by collision. The policy then lists the types of damage that qualify as not caused by collision. If you elected to carry Comprehensive Coverage under this policy, the insurer will also pay for loss of use damages that you are legally liable to pay if a *non-owned auto* is stolen up to a combined maximum of $900.00 not exceeding $30.00 per day. Again, if you have elected this coverage a Collision Damage Waiver is likely duplicative of the coverage you already have, and have already paid for. Example 3: The last example, from a national auto insurer, states that if the insured elects to carry Collision Coverage the insurer "will pay for *collision loss* to the *owned auto* or *non-owned auto* for the amount of each *loss* less the applicable deductible." The policy defines *collision loss* as "loss that is caused by upset of the covered auto or its collision with another object, including an attached vehicle." *Non-owned auto* is defined by the policy as "an automobile or *trailer* that is not owned by or furnished for the regular use of either *you* or a *relative*, other than a *temporary substitute auto*. An auto that is rented or leased for more than 30 days will be considered as furnished for regular use." If the insured elects to carry Comprehensive Coverage, the insurer will pay "for each *loss*, less the applicable deductible, that is caused by other than *collision* to the *owned auto* or *non-owned auto*." The policy then lists losses that qualify as other than collision. This policy, too, will provide coverage for damage to a rented vehicle, less the applicable deductible, so long as the vehicle is not rented for more than 30 days and the damage falls within the definition of a collision or other than collision. No Collision Damage Waiver is needed. Deciding whether your policy provides coverage necessarily requires determining first if you have elected to carry Physical Damage Coverage. This information will be contained in your policy's Declarations Page. Then you must determine whether the rental vehicle qualifies as a covered auto under the definitions provided by your policy. This will require cross-referencing the specific coverages with the definitions provided by your policy. Lastly, you should check if any limitations or exclusions apply to the Physical Damage Coverage. After reviewing your personal auto policy if you are still unsure whether you are covered for damage to a rented vehicle, you can always call your insurance agency to ask about coverage for rented vehicles under your policy. Additional Considerations: As mentioned previously, the answer to whether you can decline a Collision Damage Waiver is not one size fits all. There are additional considerations you should make. For example, if you do not have a personal auto policy, the Collision Damage Waiver or some other form of coverage is advisable. Depending on your policy, what appears to be a covered loss may nevertheless be excluded. For example, if you are using the rented vehicle to conduct business many policies seek to exclude coverage for the loss. Even with coverage, you will likely have to pay a deductible in the event damage is caused, that amount, depending on the length of your rental, may far exceed the price of the Collision Damage Waiver. Another consideration is your location. Many personal auto policies do not provide coverage if you are renting a vehicle outside of the United States or Canada. Additionally, some policies provide coverage for loss of use while others may limit the amount covered or exclude it entirely. This

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means that a rental agency could potentially come after you for the loss of use of the vehicle while it is out of commission even though your policy covers the actual damage to it. Conclusion: With this information you now know where to look to determine for yourself whether you are already covered for potential damage to a rented vehicle. You have reviewed your personal auto policy or spoken with your insurance agent and can feel confident when you step up to the counter and are met with the fear-inducing sales pitch from the rental company. If you have elected to carry Physical Damage Coverage, you are likely already covered, and you can confidently decline the Collision Damage Waiver and spend your $30.00 a day on something you will enjoy, rather than coverage you already have.

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