

Commercial Insurance Update

Topics Affecting Buyers of Commercial Insurance

MSP C 06/2007 – “Rental Car Coverage—What Do You Need?”

June, 2007

You're at the Rental Car Counter What Coverage Do You Need?

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Recognize as well that rental car companies make a lot of money selling insurance. They want you to buy their coverage. In general, when you rent a vehicle, you are given three insurance options.

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One of the questions most frequently asked of an insurance broker is “*What coverage do I need to buy when I rent a car?*” Unfortunately, the answer is not an easy one.

It is important to recognize that every rental contract is different. It is impossible to address every variation of the provisions that you might be confronted with at a rental counter. Each rental car agreement should be evaluated for actual terms and conditions.

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Option 1 — Personal Effects Coverage

Personal effects coverage is designed to cover property in the vehicle from theft or damage. Note that the property will generally be either personal property or business personal property.

Most homeowners policies will extend to cover personal property of the named insured. In addition,



a commercial property policy can be endorsed to provide coverage for property away from the premises.

Check to see if your policies extend coverage to the personal property in your vehicle. If they do, you can decline this coverage.

Option 2 — Liability Coverage

Liability insurance is designed to cover bodily injury or property damage caused by operation of a rental vehicle. If the vehicle is rented personally, and the renter has a personal auto policy, liability should extend to the rental car. If the vehicle is rented corporately, and the corporation has hired car liability coverage, once again liability will be extended to the rental vehicle.

However, a problem can arise when an individual employee rents a vehicle for business purposes. Since the named insured (the employer) did not rent the vehicle, coverage may not extend to liability for the use of the vehicle. If hired car liability does not extend to provide coverage, non-owned automobile coverage should.

In either case, this problem can be overcome by (a) including the employer's name on the rental car agreement in addition to the individuals; (b) negotiating a corporate override agreement between the employer and the rental car company; or (c) manuscripting an endorsement to cover this exposure on your commercial auto policy.

Option 3 — Physical Damage Coverage

Hired car physical damage is the area in which most people experience confusion. Most standard rental car agreements require the customer to be responsible for the retail value of the vehicle, including loss of use of the vehicle during the period it is unavailable for rental as well as reasonable administrative fees, towing and storage charges. You could also be held responsible for diminution (loss) of value arising out of damage to the rental car.

Let's evaluate the various coverage options that may be available to you.

Personal Auto Policy (PAP) Physical Damage Coverage

If you are renting a vehicle personally (whether or not it's on company business), the first place you can look for coverage is under

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2007 FOCUS Seminars

Cavnac & Associates' FOCUS Room

Bank of America Plaza
450 B Street, 18th Floor, San Diego, CA

- **Risk Management Workshop Series: Top 10 Ways for Design Professionals to Control Risk**
Wednesday, July 11, 2007 — 9:00 AM - 11:00 AM
- **The HR SWOT (Strengths, Weaknesses, Opportunities & Threats) Analysis**
Tuesday, July 24, 2007 — 9:00 AM - 1:00 PM
- **Sexual Harassment Prevention Training**
Satisfies requirement for AB 1825 Training
Friday, September 15, 2007 — 9:00 AM - 11:00 AM

**All training sessions available to our clients
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- Contact **Bethany Mongold** at bethany@cavnac.com or **619-744-0540**



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your personal auto policy (PAP). Coverage can be found under the physical damage portion of the policy. In order for coverage to apply, individuals must have physical damage coverage on their policy. The coverage is subject to the deductible on the policy.

Most personal auto policies also provide limited coverage for loss of use. This would cover the rental income the rental car company could have earned had the vehicle been available. Note that this usually only applies if the vehicle is stolen, and then typically it is limited to a fairly nominal amount (\$15 per day is common).

Personal auto policies may contain a “business use” exclusion. Before relying on coverage under your personal auto policy for a vehicle rented for business purposes, you should make sure coverage is not excluded.

Business Auto Policy (BAP) Physical Damage Coverage

If the vehicle is rented corporately, you would have to rely on the business auto policy. It is fairly inexpensive to include coverage for hired car physical damage under a BAP.

You need to be aware, however, that business auto policies typically only cover private passenger vehicles and light trucks and vans. If you are renting larger vehicles, you should either have this coverage added to your business auto policy and/or purchase

the damage waiver from the rental car company. This coverage will be subject to a deductible.

Credit Card Coverage

Many credit card companies include some form of hired car physical damage if you use their card to rent a car. In most cases, however, this coverage may apply as excess coverage over and above any other type of insurance that the renter has available. If you’re going to rely on a credit card, make certain you understand the terms and conditions prior to doing so.

Why You Should Consider Buying the Damage Waiver Anyway

Even if you have hired car physical damage, there are reasons you may want to consider purchasing the damage waiver offered by the rental car company.

- 1.** If you return a rental car that is damaged, the rental company has the right to estimate the cost to repair the vehicle and charge it to your credit card. This conceivably could maximize your credit card limit, and if you do not have a secondary card, you could be in an uncomfortable position.
- 2.** The rental car company also has the right to charge you for the following miscellaneous expenses:
 - **Loss of Use** – The amount the car could have been rented for during the time it took to repair it.
 - **Diminution of Value** – The difference between two identical vehicles with the exception that one has been damaged and the other has not. While this valuation is almost totally subjective, and is never known for certain unless or until the vehicle is sold, diminution of value can be significant.
 - **Administrative Fees, Towing and Storage** – Most rental car contracts also hold the customer responsible for reasonable administrative fees, towing and storage.

A Note about Foreign Rentals

Both personal and business auto policies provide coverage within the United States of America, its territories, possessions and Canada. When renting a vehicle in a foreign country, we generally recommend purchasing all the coverages offered by the rental car company.

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Conclusion

The fees charged by rental car companies for insurance are exorbitant. The rental car companies make money when you buy their insurance, and they encourage you to do so.

A well written personal auto or business auto policy may provide appropriate protection, which can allow you to forego the rental car companies' excessive insurance premiums. The key, of course, is understanding how your personal or business coverage works so you can make an informed decision. ✂

Jeff Cavignac is the founder and a principal of Cavignac & Associates.

Disclaimer: This article is written from an insurance perspective and is meant to be used for informational purposes only. It is not the intent of this article to provide legal advice, or advice for any specific fact, situation or circumstance. Contact legal counsel for specific advice.

Safety and Baseball

By Stuart Nakutin, CSM, ASP, HMS,AIC, WCCP, CPDM

When you think about it, workplace safety is a lot like baseball.

With safety, as in baseball, you have to:



1. Play by the rules.
2. Be careful, every day, that an accident doesn't strike you out.
3. Train for safety.
4. Keep your eye on the ball (your work).

To win the game, you need to make it home safely

every day. ✂

Stuart Nakutin is Director of Loss Control Services for Cavignac & Associates.



San Diego Architectural Foundation

B.E.E.P. Is BACK!

The Built Environment Education Program allows children to apply their textbook knowledge of math, geography, social studies and English to build sensory perceptions of their environment. The long-term result is adults who appreciate the value that good design brings to their communities.



The heyday of BEEP was in the mid-1990s, when the San Diego Architectural Foundation had dozens of volunteer architects teaching in public schools. With funding from the Ruocco Fund at the San Diego Community Foundation and matching funds from San Diego City Schools, an ambitious level of BEEP programming was coordinated by two part-time contractors who trained, placed and supported the volunteer-architect BEEP instructors.

A distinctive feature of the BEEP program in San Diego has been the participation by landscape architects and city planners, who have developed compatible teaching materials and team-teach the principles and application of landscape architecture, city planning and architecture.

The Foundation is currently resurrecting and restructuring BEEP, and actively seeking volunteers in the form of design professionals, planners, teachers, and all other interested parties.

The Foundation Invites YOU to Help Reincarnate This Enriching Program!

For more information, visit the San Diego Architectural Foundation's Web site:

<http://www.sdarchitecture.org/volunteer/opportunities.htm>





Live Well, Work Well

Exercise and Healthy Eating

*Article courtesy of Cavnac & Associates'
Employee Benefits Department*

In addition to trimming your waistline, regular exercise and healthy eating will help you feel better, think more clearly, and live a longer, healthier life.

How Much Exercise Do I Need?

Exercise should be comfortable for you. Your pace should be just below the point at which you start to breathe quickly. Exercising at this pace produces two desirable results: it mobilizes fat burning and helps you develop endurance. This means that for maximum fat burning, longer, slower exercise is more beneficial than short, strenuous workouts.

If you are reasonably fit and are exercising at the proper pace, you should burn between 400-600 calories per hour during any aerobic exercise. This includes riding a stationary bicycle, walking or running on a treadmill or using a stair climber.

Start Sensibly

Don't begin your exercise program too ambitiously. The key to success is to start slowly and

increase the difficulty of your workouts as you become more fit. Those that do overdo it experience muscle soreness, become discouraged and quit.



Rather than trying to run three miles on your first day, begin by running a mile and increasing your distance as your fitness level improves. Most importantly, remember that feeling dizzy or ill is your body's way of telling you that you are working too hard. If this happens, take a rest from your exercise or stop your workout for the day.

Counting Calories Means Trimming the Fat

The media is full of widely varying reports on how to lose or maintain weight. It's no wonder that you may be confused about what foods to eat and what to avoid.

Most experts agree that eating a well-balanced diet low in fat is key to losing weight. Since fat contains more than twice the calories of carbohydrates or protein, high fat food equates to higher calories.

While lowering your fat intake is important, it is also important to monitor your calorie intake. Your ideal caloric intake depends on your age, body size, and level of activity. Generally, women ages 23 – 50 need an average of 2,000 calories per day, while men in the same age group require about 2,700 calories per day. ✨

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www.MyPyramid.gov

The New Food Pyramid

Brought to you by Cavnagac & Associates' Employee Benefits Department

**For a 2,000-calorie diet, you need the amounts below from each food group.
To find the amounts that are right for you, go to MyPyramid.gov.**

Grains <i>Make Half Your Grains Whole</i>	Vegetables <i>Vary Your Vegetables</i>	Fruit <i>Focus on Fruit</i>	Milk <i>Get Your Calcium-Rich Foods</i>	Meat & Beans <i>Go Lean with Protein</i>
1 oz. is about 1 slice of bread, about 1 cup of breakfast cereal, or ½ cup of cooked rice, cereal, or pasta.	Eat more dark-green veggies like broccoli, spinach, and other dark, leafy greens. Eat more orange veggies like carrots and sweet potatoes. Eat more dry beans and peas like pinto beans, kidney beans, and lentils.	Eat a variety of fruit. Choose fresh, frozen, canned, or dried fruit.	Choose low-fat or fat-free when you buy milk, yogurt, other milk products. Don't or can't consume milk? Choose lactose-free products or other calcium sources (fortified foods and beverages).	Choose low-fat or lean meats and poultry. Bake, boil, or grill it. Vary your protein routine – choose more fish, beans, peas, nuts, and seeds.

Find your balance between food and physical activity

- Be sure to stay within your daily calorie needs.
- Be physically active for at least 30 minutes most days of the week.



- About 60 minutes a day of physical activity may be needed to prevent weight gain.
- For sustaining weight loss, at least 60 to 90 minutes a day of physical activity may be required.

Know the limits on fats, sugars, and salt (sodium)

- Make most of your fat sources from fish, nuts, and vegetable oils.
- Limit solid fats like butter, stick margarine, shortening, and lard, as well as foods that contain these.
- Check the Nutrition Facts label to keep saturated fats, trans fats, and sodium low.
- Choose food and beverages low in added sugars. Added sugars contribute calories with few,

The United States Department of Agriculture (USDA) has released the MyPyramid food guidance system because after years of research they have discovered that one size does not fit all.

The MyPyramid food guidance system, along with a new food pyramid symbol, provides many options to help Americans make healthy food choices and to be active every day.

The MyPyramid plan can help you choose foods and amounts that are right for you, by customizing a personal food pyramid according to your age, gender, activity level, etc.



www.MyPyramid.gov

Visit www.mypyramid.gov for a detailed assessment of your pyramid plan.

Did you know...?

If you burn at least 150 extra calories per day, you significantly reduce your risk of developing heart disease, high blood pressure, diabetes, colon cancer, anxiety and depression.