



BVRLA Guide to Waivers, Excess and Insurance



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Introduction

The BVRLA has produced this best practice guide to assist rental members when selling protection programmes and excess reduction cover to customers. It defines some of the key terms and provides easy-to-understand explanations of the types of cover that may be offered when renting vehicles. The guide also enables members to highlight to customers the circumstances in which they may still be responsible for damage, and payment of excess charges, even if they have taken out a level of cover.



Produced by the British Vehicle Rental and Leasing Association

River Lodge, Badminton Court, Amersham, Buckinghamshire HP7 0DD Tel 01494 434747 Fax 01494 434499 Email info@bvrla.co.uk

COMPANY REGISTRATION NUMBER: 924401

Key terms

The rental agreement is an essential tool to show the customer exactly what insurance or excess reduction options they were offered, and which they accepted or declined. It must also clearly display the sum of money they will have to pay (the 'excess') if the vehicle is damaged, even if it is not their fault. It is important to ensure that the customer fully understands the terms and conditions of the rental agreement before they sign it. Anything they do not understand should be explained clearly and simply.

Third party liability insurance

In the UK, rental companies provide motor insurance cover for third party liability and the customer should be made aware that this cover is included in the rental price – unless they provide their own insurance (see page 4). If the customer was to be involved in an accident for which they were held responsible and someone, apart from them, was killed or injured, this insurance ensures adequate compensation would be available to the injured third party. It also covers the third party for their damaged vehicle or property. The minimum legal limit for third party property damage liability is £1,000,000 and for third party death or injury liability is unlimited.

Collision damage waiver (CDW) and loss damage waiver (LDW)

Without CDW or LDW the customer is liable for any loss and the full cost of any damage to the rental vehicle until it is returned,

or collected, and inspected by a rental company employee or agent. To protect customers against this potential cost, collision and loss damage cover may be offered to reduce the amount for which they are responsible (the 'excess'), which must be shown on their rental agreement.



Theft protection

Theft protection provides cover if the rental vehicle is stolen, or damaged by someone attempting to steal it. If the customer has accepted this cover, it will limit the amount they are responsible for to the excess shown on their rental agreement.

Excess reduction

Members may offer additional products to reduce the customer's liability (the 'excess') even further or in some cases remove it entirely.

Comprehensive protection packages

If you offer a product which combines different types of cover into a package, it is advisable to clarify exactly what is, and what isn't included, for the customer. This may include windscreen cover and personal accident insurance. Any excess still payable by the customer should be explained and the customer should be referred to the rental agreement for full details.

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Key terms (continued)

Personal accident insurance

Personal accident insurance will provide cover for the person driving the rental vehicle in the event of their injury or death. Customers should be reminded that passengers in the rental vehicle would already be covered by the third party motor insurance that will be in place. Personal accident insurance may include a provision for loss of baggage and the customer should be made aware of any limits on the amount covered and alternative options for personal belongings insurance, if available. Any specific exclusions from this cover should be brought to the customer's attention.

Customer's own insurance/Company's own insurance

The rental company may allow the rental vehicle to be covered by the customer's own motor insurance policy, but only if it is satisfied that it has the appropriate level of cover and is valid. The customer will need to provide evidence of their motor insurance so the rental company can confirm that the amount of cover, the type of policy and the insurer are all satisfactory.



If this arrangement is accepted, it must be shown on the rental agreement.

Although private comprehensive motor insurance policies sometimes include third party motor vehicle cover for the main policyholder to drive any vehicle not owned by them or loaned to them under a hiring agreement, this usually excludes rental vehicles.

If using own insurance, a customer should sign an insurance indemnity form to confirm that they will be held liable, despite any claim with their motor insurer.

[A template form can be downloaded here.](#)

Payment card coverage

Some payment card issuers may include a type of vehicle rental cover with their cards, which acts as an alternative to taking out CDW. However it is important to note that this may not provide the same level of cover and therefore may not be acceptable to a rental company. The customer will usually have to read, complete and sign a 'Credit Card Insurance Declaration' form to indicate their consent to the rental company debiting any amount owed from their card and their awareness they will need to claim that amount back from their card issuer. Most rental companies will not allow customers to rent a vehicle without either purchasing a CDW product or having acceptable motor insurance of their own.

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Key terms (continued)

Comprehensive insurance

Customers should be made aware that comprehensive motor insurance is not usually associated with rental vehicles and normally applies only to private motor vehicles. It should also be made clear to customers that any 'comprehensive protection packages' a rental company may offer, although providing a wide range of cover, are not the same.

Insurance products provided by third parties

Collision damage waiver (CDW)

Customers may purchase insurance from a third party as an alternative to CDW. It is always worth highlighting the differences in cover and making the customer fully aware that they may be responsible for the full value of the vehicle in the event that the vehicle is written off. If you accept this cover, then you may also require the customer to sign a declaration stating that they are aware the amount will be initially debited from their account and that they will have to seek reimbursement from the third party insurer.

Excess reimbursement

Customers may purchase insurance that covers the excess, similar to the excess reduction sold by rental companies. However, under this arrangement, customers must pay the excess in the event of any damage and then seek reimbursement from their insurer. It is important to make them aware of this, as if their claim is refused by the insurer they remain fully liable for the excess.

Frequently asked questions

Who may drive the rental vehicle?

Only the person named on the rental agreement and any authorised drivers also named on the agreement may drive the vehicle. The customer must not let anyone else drive the vehicle, because they will not be able to rely on the motor insurance cover if there is an accident or any loss. In addition, the driver may also be prosecuted by the police for driving without a valid motor insurance policy.

For what period am I covered?

Customers are only covered to drive the vehicle between the dates and times specified as the 'rental period' in the rental agreement. If the customer wants to extend the rental period and associated cover, the rental company's consent must be gained before the expiry of the original rental period.

Am I covered to drive the vehicle in other countries or outside the UK?

The customer will not be covered to drive the vehicle in every country. For example, they may only be insured to drive in England, Scotland and Wales. It is advisable to inform them that they will need to obtain specific permission, appropriate extra cover where applicable and relevant travel documentation.

Further information can be found in *Taking Vehicles Abroad* (BVRLA Fact Sheet 518), which can be downloaded [here](#).

Not always covered...

Even though an insurance or protection programme may be in place, the customer should be made aware that they might still be responsible for the following:

Excess

Unless the customer has purchased excess reduction and reduced the excess to nil amount, they will be responsible for the excess amount shown on the rental agreement.

Windscreen damage, tyre damage, overhead damage

Customers should be informed that any damage to the roof or upper part of the vehicle, or to the tyres or windscreen, will not usually be covered by CDW. If you offer a specific protection for these types of damage, this should be explained to the customer.

Customers should be advised to read the terms and conditions to check for any further exclusions, including but not limited to: damage from fall-out pollution, driving through water, or driving under the influence of alcohol or drugs.

Damage inside

The customer will have to pay if the vehicle needs more than what the rental company considers standard valeting. For example, if the inside of the vehicle has been damaged by cigarette burns to the upholstery. If the rental company has a no smoking policy, the customer should be clearly advised of its terms and made aware that they may face additional charges if they breach it.

Customers may also have to pay for the vehicle to receive extra valeting if it was exceptionally dirty or smelt strongly of pets or smoking.



Loss of use and loss of income

Protection programmes do not always reimburse rental companies for loss of income when they cannot rent out the vehicle because it needs to be repaired or is beyond repair. In such cases, the customer may be charged at the full daily rate for any loss of income up to a maximum of 30 days' rental charges.

Customer negligence/misuse

If the customer has damaged the vehicle due to negligence or misuse, this will not be covered by their protection programme. For example, if damage to the clutch is deemed to have been caused by driver misuse.

Other important information

It is vital to provide the customer with as much information as possible in order for them to make an informed choice about the products. Exclusions should be brought to their attention and any queries or requests for further information should be addressed before the customer signs the rental agreement. Not only will this represent a higher level of service, but the customer will also have less cause to argue they were not aware of the terms and conditions in the event the cover is activated.

Snapshot of excess reduction waivers offered by rental companies:

No quibble, hassle free guarantee

In the event of an accident, theft or act of vandalism, the customer is guaranteed not to have to pay anything more than the excess set out in the rental agreement.

Less paperwork

In the event of damage to the vehicle, there are no forms to send off to insurers and no lengthy lists of documents to produce. The rental company will deal with it on the customer's behalf, minimising the hassle.

No exposure to risk

As it is **not an insurance product** there is no chance that the claim will be refused, leaving the customer with a huge bill to pay.

Transparency of costs

It is clearly laid out in the contract what excess is to be paid (if any) in the event of an incident, and this should be explained to the customer. Excess reduction will reduce this or may eliminate it entirely. Either way, the customer will always be certain from the outset what the maximum amount they have to pay is, regardless of any individual evaluation of the damage.

Still doesn't cover everything

Windscreen damage, tyre damage and overhead damage are not usually included in the cover, however they are not generally covered in third party products either.



Snapshot of excess reimbursement insurances offered by third parties:

It is insurance

Therefore making a claim will be time-consuming, involving phone calls to the insurer, filling in paperwork, and providing supporting documentation, as well as the risk of a rise in the customer's insurance premiums. Claims may need to be made within 31 days of the incident and, if a claim is made, it may affect the customer's claim history when attempting to purchase other insurance.

No guarantee

There is no guarantee that the customer's claim will be upheld. With excess reimbursement insurance, the rental company will debit the cost of the damage from the customer's nominated card, possibly leaving them unable to reclaim the money.

Exchange rates

Even if the customer is successful in claiming the amount back, they may still be short changed due to changes in exchange rates.

Still doesn't cover everything

Windscreen damage, tyre damage and overhead damage are not usually found in third party products.

Exposure to risk

As with any insurance product, the customer will be exposed to the risk of personal liability, which could be very costly given the type of goods involved. The consequences of the claim being rejected should be carefully considered by the customer.

Common exclusions

- › Vehicle driven or parked off a public highway (so car parks may not be covered)
- › Rentals must be a certain distance from the customer's normal place of residence (most policies stating >150km)
- › Cover is valid for a limited period only, eg 56 continuous days
- › Non-warranty roadside assistance callouts
- › Non UK-residents
- › Certain vehicles/'exotic vehicles'