



# ***RISK NOTE***

## **SUBJECT: Rental Vehicle Insurance Coverage**

Health Care Agencies often encounter situations where a rental vehicle is required in order for an employee or officer to perform work-related activities. The Health Care Protection Program (HCPP) responds to questions about insurance coverage for rental vehicle situations, most often regarding:

- Renting Vehicles in BC using the Corporate Supply Arrangement
- Renting Vehicles not using the Corporate Supply Arrangement, but within Canada or the United States (U.S.)
- Renting Vehicles outside of Canada or the U.S.

A description of the insurance coverage consideration for each of these situations is provided in this Risk Note. For circumstances not covered under these sections, please contact HCPP to discuss.

This Risk Note addresses two aspects of rental vehicle insurance coverage:

1. Physical Damage coverage; damage to the rented vehicle itself (e.g. losses caused by collision, theft, and other vehicle damage); and
2. Liability coverage; referred to a “third party legal liability” covering damage an insured driver causes to other while operating the rental vehicle (e.g. bodily injury or property damage caused to others).

We will also discuss key points related to these coverages, such as recommendations for coverage provided by rental vehicle companies, how HCPP coverage coordinates with insurance provided by rental companies, who is covered by HCPP (only employees and officers) and where HCPP coverage applies (territory).

### **RENTING VEHICLES IN BC USING THE CORPORATE SUPPLY ARRANGEMENT**

For vehicles rented in BC, Health Care Agencies (HCAs) can access the Corporate Supply Arrangement (CSA) negotiated by the Province with several rental agencies to supply various rental vehicles at a negotiated rate in several areas of BC. When renting a vehicle under the CSA, the rental rate already includes some insurance coverage.

Please see the following links on Daily and Monthly Rentals under the CSA:

Daily Rentals (short term rentals up to 30 days):

<http://www2.gov.bc.ca/gov/content/governments/services-for-government/bc-bid-resources/goods-and-services-catalogue/daily-vehicle-rentals>

Monthly Rentals:

<https://www2.gov.bc.ca/gov/content/governments/services-for-government/bc-bid-resources/goods-and-services-catalogue/vehicle-rentals-monthly>

Vehicles rented under the CSAs are insured as follows:

**Liability Coverage:**

The third party automobile liability coverage for rental vehicles under the CSA is \$2,000,000 and is provided by the rental agency.

**Physical Damage Coverage:**

The CSA also includes collision and comprehensive insurance which covers physical damage to the rental vehicle. The deductibles for these coverages are stated in the CSA (available on the websites indicated above).

When renting under the CSA, HCAs **should not** accept **any** of the following insurance offered by the rental company:

- “Collision Damage Waiver” or “Loss Damage Waiver” coverage
- Personal Injury/Accident Insurance
- Cargo Insurance or Personal Effect Insurance

**RENTING VEHICLES WITHIN CANADA OR THE UNITED STATES – NOT USING A CORPORATE SUPPLY ARRANGEMENT**

HCAs may need to rent vehicles outside of a CSA when:

- A CSA rental agency is unable to supply the vehicle required;
- A CSA rental agency is not available in the region; or
- A vehicle is rented outside of BC, but within Canada or the U.S.

**Liability Coverage:**

If HCAs rent from a rental agency that is not part of the CSA, the rental agency will provide a basic amount of third party liability insurance covering permitted drivers.

It is important to declare the names of anyone who will be driving the vehicle on the rental agreement. It is also very important to recognize that **HCPP additional liability protection may not cover all permitted drivers; only employees or officers of the**

**HCA are covered. Spouses or other drivers who are not employees or officers of the HCA are NOT covered under the additional “Non-owned Automobile” liability provided by HCPP.**

The laws in Canadian provinces generally require that vehicles carry a minimum of \$200,000 third party liability protection. In the U.S., mandatory minimum limits vary significantly amongst the states. Some states require as little as a \$20,000 (USD) limit; some states allow coverage to be restricted only those drivers declared on the rental agreement.

Anytime a vehicle is rented outside a CSA, HCAs should confirm the limit of third party liability provided and that all permitted drivers are declared on the agreement and covered by the insurance. HCPP recommends purchasing a minimum limit of \$1 million third party liability limit if available. **Note: third party liability coverage is NOT typically included in the insurance provided by credit card companies.**

The “Non-owned Automobile Liability” coverage available under HCPP **covers only employees and officers of the HCA.** This provides \$50 million additional third party liability coverage. The HCPP Non-owned Automobile Liability coverage is provided in addition to any coverage arranged through the rental agency.

There are conditions and exclusions that apply to coverage provided under the HCPP Non-owned Automobile Liability coverage. For example, coverage only applies if the driver is an employee or officer of the HCA (spouses or other vehicle occupants are not covered); coverage does not apply to claims arising from an intentional, criminal or illegal act (e.g. driving while under the influence of alcohol or drugs); coverage does not apply unless the employee or officer has a valid driver’s license.

### **Physical Damage Coverage:**

For an additional cost, rental agencies offer coverage for damage to the rental vehicle (e.g. fire, theft, vandalism, etc.) that occurs during the rental term. This coverage is often called “Collision Damage Waiver” or “Loss Damage Waiver”. HCPP recommends that HCAs decline to purchase the Collision Damage or Loss Damage Waiver for vehicles that are rented in Canada or the U.S. and operated within the guidelines described in this section (e.g. under \$75,000(CAD) value, operated only by HCPP employees or officers who are declared as permitted drivers on the rental agreement, only rented and operated within Canada or the US, etc.)

Physical damage coverage can be costly (often an additional \$25-50 per day depending on vehicle value). To avoid paying additional charges, HCPP recommends that HCA’s consider charging the rental to a corporate credit card that provides insurance for rental vehicles as a benefit. Such coverage is typically included at no charge and often with no deductible.

The insurance provided by credit card companies has limitations. HCPP recommends that HCAs confirm with the credit card provider that the coverage provided under their

program will cover the type of vehicle being rented, including the intended use. For example, credit card companies often limit coverage to regular passenger vehicles/light duty trucks only, may exclude vehicles of certain makes or values, may restrict where the vehicle can be operated, may restrict the purpose for which the vehicle may be used, typically require that the full rental fee must be completely paid by credit card in order for coverage to apply, and various other terms and conditions which may affect coverage. Most credit card companies will provide a “coverage letter” upon request, confirming the details of the coverage for the rental vehicle details discussed.

If coverage cannot be provided via the corporate credit card option, HCPP offers physical damage coverage for vehicles rented in Canada and the U.S., up to a maximum value of \$75,000 (CAD), subject to a \$2,500 deductible.

From a risk management perspective, it is most cost-effective to self-insure losses having a high frequency and low severity. Vehicle physical damage losses fall into this category; vehicle claims are often comprised of low cost fender-benders, windshield damage, and parking lot dents. The \$2,500 deductible applicable under the HCPP program has been set accordingly. HCA’s will pay the high frequency, low severity losses themselves. Over time, the money saved from not purchasing physical damage coverage through the rental agency should more than make up for any self-insured losses (i.e. deductible amounts paid).

HCAs should develop an internal policy to guide staff in making a decision to purchase physical damage coverage from the rental agency. Some HCAs may have more capacity than others to accept this risk.

## **RENTING VEHICLES OUTSIDE OF CANADA AND THE UNITED STATES:**

### **Liability Coverage:**

When a vehicle is rented outside Canada or the U.S., the HCA should confirm the limit of third party liability provided by the rental agency, and that all permitted drivers (who must be declared in the rental contract) are covered by the rental agency liability insurance.

HCPP recommends purchasing no less than a minimum of \$1 million third party liability insurance where available. As mentioned previously, third party liability coverage is typically NOT provided as part of the rental vehicle coverage provided by corporate credit card companies.

In addition to the third party liability insurance provided by the rental agency, HCPP also provides “Non-owned Automobile Liability” coverage to employees and officers of the HCA. It is very important to recognize that HCPP is only provided to employees and officers of the HCA. Coverage does NOT apply to spouses, family members, or other parties travelling with the HCA employee or officer, if these other drivers are not employees or officers of the HCA.

The “Non-owned Automobile Liability” section provides a limit of \$50 million third party liability coverage while employees or officers are driving rental vehicles. This coverage does not have a territorial restriction (only the HCPP physical damage coverage is restricted to Canada and U.S.) The HCPP Non-owned Automobile Liability coverage is provided in addition to any coverage arranged through the rental agency.

There are conditions and exclusions that apply to coverage provided under the HCPP Non-owned Automobile Liability coverage. For example, coverage only applies if driver is an employee or officer of the HCA (spouses or other vehicle occupants are not covered); coverage does not apply to claims arising from an intentional, criminal or illegal act (e.g. driving while under the influence of alcohol or drugs); coverage does not apply unless the employee or officer has a valid driver’s license.

**Physical Damage Coverage:**

No coverage is provided under HCPP for physical damage for vehicles rented outside of Canada or the U.S.

An HCA may have physical damage coverage available through a corporate credit card program. HCPP recommends that where physical damage coverage is available for vehicles rented outside of Canada or the U.S. under a corporate credit card program, that HCAs confirm with the credit card provider that the coverage applies to the vehicle being rented, the permitted drivers, and the intended use, etc. For example, credit card companies often limit coverage to regular passenger vehicles and light duty trucks, may not cover vehicles of certain makes or values, may restrict where the vehicle can be operated or the purposes for which the vehicle may be used, require that the rental must be completely paid for using the corporate credit card in order for coverage to apply, and various other terms which affect coverage. Most credit card companies will provide a “coverage letter” confirming the details of the coverage for the rental vehicle details discussed.

Where coverage is not provided under a corporate credit card program, HCPP recommends that HCAs purchase physical damage insurance from the rental agency. HCAs will want to consider the additional costs, increased complexity, and staff time associated with managing claims outside of Canada or U.S., particularly if it rarely occurs. HCAs should develop an internal policy to guide staff in making a decision to purchase physical damage coverage from the rental agency. Some HCAs may have more capacity than others to accept this risk.

## **FREQUENTLY ASKED QUESTIONS:**

### **1. What HCPP coverage is provided for vehicles that are rented outside of a Corporate Supply Agreement?**

Under “Coverage Agreements F. Non-Owned Automobile Liability” provides:

- i. Third party liability coverage – injury or damage caused to others while a rental vehicle is operated for work purposes; and
- ii. Physical damage coverage – covers damage caused to rental vehicle itself. Coverage is subject to certain limits and conditions (persons covered, places covered, value of vehicle covered, deductibles, etc.) See **Appendix 1** to review the coverage provided.

### **2. How is coverage provided for these two types of coverage?**

- i. **Third Party liability coverage** - the first layer of coverage is provided by the vehicle owner (the rental agency). If available, it is recommended that HCAs purchase at least \$1 million limit through the rental agency. In excess of this, the “Non-owned automobile liability” coverage is provided by HCPP under the “Coverage Agreements F. Non-Owned Automobile Liability” to employees and officers of an HCA. This coverage is automatically included in the HCPP program so that coverage is there when needed (no need to contact HCPP to arrange coverage - it’s already in place).
- ii. **Physical Damage to rental vehicle** – coverage for damage to the rental vehicle itself is provided under “Coverage Agreements F - Legal Liability for Damage to Non-Owned Automobiles Endorsement”. A sample of this endorsement is attached. No special arrangements are required to arrange this coverage under HCPP. This coverage is automatically included in the HCPP so that coverage is there when needed (no need to contact HCPP to arrange coverage, it’s already in place).

### **3. Who is covered under HCPP for these coverages?**

Only the driver(s) who are declared on the rental agreement are covered under the insurance provided by the rental agency. It is important to declare the names of all HCA staff that will drive the vehicle at the time of renting in order to ensure the driver(s) are covered by the insurance.

HCPP provides coverage **only for employees or officers of the HCA**. Other permitted drivers, such as spouses, family members or **other drivers who are not employees or officers of the HCA are NOT covered**.

Only an employee or officer of the HCA who has been declared as a permitted driver on the rental agreement should be permitted to drive the vehicle. If other driver(s) who are not employees or officers of the HCA will be declared as permitted drivers, alternative insurance arrangements are required (i.e. purchase third party liability and physical damage insurance through the rental agency).

#### **4. What is a “Collision Damage Waiver” or “Loss Damage Waiver”? Should I purchase this?**

A “Collision Damage Waiver” or “Loss Damage Waiver” offered by rental agencies waives the renter's liability for damage or loss to the rented vehicle. The renter pays a fee to be granted this waiver. Without the waiver, the renter will be responsible for damage to the vehicle. In effect, the renter is purchasing physical damage coverage for the vehicle.

HCPP does not recommend purchasing a Collision Damage Waiver or Loss Damage Waiver in Canada or the U.S. if the vehicle is valued at under \$75,000 (CAD). HCPP recommends charging the rental vehicle to a corporate credit card company that provides physical damage coverage, often at no deductible. HCPP covers vehicles rented in Canada or the U.S. for up to \$75,000(CAD), subject to a \$2,500 deductible, provided the other terms and conditions discussed are met.

#### **5. When renting vehicles, how does the automobile liability insurance respond if the driver and/or passengers are injured in an accident?**

Liability insurance will not typically respond to injuries to the driver. The purpose of automobile liability insurance is to provide financial protection for the covered parties (i.e. the HCA and the employee or officer operating the vehicle) against claims made by third parties (i.e. passengers, pedestrians, other drivers, etc.) due to the driver's negligence. If the driver's negligence caused injury to a third party, the liability insurance will respond to address claims made by the injured third party.

If the driver is operating a vehicle for work, WorkSafeBC should respond to injuries to the driver of the rental vehicle if he or she is at fault. If the driver of the rental vehicle is not at fault, he/she would be covered by either the at-fault driver's insurance or WorkSafeBC.

#### **6. When does HCPP coverage respond?**

HCPP coverage applicable to rental vehicles will respond once the primary coverage provided by rental agency is exhausted. HCPP “Legal Liability for Damage to Non-owned Automobiles” coverage will then respond in excess of any other applicable coverage (e.g. coverage provided by corporate credit card companies is expected to apply first; HCPP coverage is last to pay).

#### **7. Where does HCPP coverage apply?**

Within Canada and the U.S., HCPP provides coverage for physical damage to rental vehicles, subject to the terms and conditions of the “Legal Liability for Damage to Non-owned Automobiles” section (e.g. vehicles valued at less than \$75,000 (CAD)). For vehicles rented outside Canada or the U.S., the decision to purchase insurance rests with the HCA but HCPP recommends consulting with the HCA risk manager for guidance. Coverage for third party liability to non-owned automobiles is not restricted to territory.

**8. Does HCPP provide coverage for physical damage when vehicles are used off public highways?**

HCPP provides coverage for damage to rental vehicles subject to the terms and conditions of the “Legal Liability for Damage to Non-owned Automobiles” section. There is no exclusion for vehicles used off public highways.

**9. Can I use my personal credit card to rent a vehicle for work related activities?**

HCPP does not recommend personal credit cards be used when renting a vehicle for work related activities. The rental agency may charge damage or repairs to the individual’s personal credit card.

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It should be clearly understood that this document and the information contained within is not legal advice and is provided for guidance from a risk management perspective only. It is not intended as a comprehensive or exhaustive review of the law and readers are advised to seek independent legal advice where appropriate. If you have any questions about the content of this Risk Note please contact your organization’s risk manager or chief risk officer to discuss.



Appendix 1



## Endorsement Amending Coverage

Health Care Protection Program Liability Agreement

Coverage Amended Effective: July 1, 2015 until cancelled

It is hereby understood and agreed that Article I – Coverage Agreements F. Non-Owned Automobile Liability is amended with the addition of this Legal Liability for Damage to Non-Owned Automobiles Endorsement:

Health Care Protection Program (HCPP) agrees to indemnify the HCA against the liability imposed by law upon the HCA or assumed under any contract or agreement for loss or damage to automobiles not owned, leased or licensed by the HCA caused by All Perils while in the care, custody or control of the HCA.

Limits and Deductibles (Applicable to Coverage E):

	Limit	Deductible
All Perils	\$75,000.00 CAD	\$2,500.00

### Deductible Clause

Each occurrence causing loss or damage, except loss or damage caused by fire or lightning or theft of the entire automobile, shall give rise to separate claim in respect of which HCPP liability shall be limited to the amount in excess of the applicable deductible.

### Two or More Automobiles

A motor vehicle and one or more trailers or semi-trailers attached thereto shall be held to be separate automobiles with respect to the limits of liability and the deductible clause.

### Exclusions:

HCPP will not be liable for loss or damage:

- (a) to any automobile while personally driven by an Additional Interest if the Additional Interest is an individual;

- (b) to tires or consisting of or caused by mechanical fracture of breakdown of any part of an automobile or by rusting, corrosion, wear and tear, freezing or explosion within the combustion chamber unless the loss or damage is coincident with other loss or damage caused by fire, theft or malicious mischief covered;
- (c) to any automobile while being used without consent of the owner;
- (d) caused directly or indirectly by contamination by radioactive material;
- (e) to any equipment that is not permanently attached to the automobile;
- (f) to contents;
- (g) caused directly or indirectly by bombardment, invasion, civil war, insurrection, rebellion, revolution, military or usurped power, or by the operation of armed forces while engaged in hostilities whether war be declared or not.

#### Additional Agreement

HCPP further agrees to pay general average, salvage and fire department charges and custom duties of Canada or of the United States of America for which the HCA is legally liable.

#### Special Conditions

1. Prohibited Use by Others – the HCA shall not permit, suffer, allow or connive at the use of the automobile:
  - a. Unauthorized Driver - By any person, unless such person is for the time being authorized by law or qualified to drive or operate the automobile, or while such person is under the age of sixteen years or under such other age as is prescribed by law;
  - b. Prohibited Trade - For any illicit or prohibited trade or transportation:
  - c. Racing – In any race or speed test.
2. Territory – Coverage applies only in **Canada** and the **United States of America**.

All other terms and conditions of the Health Care Protection Program Liability Agreement remain unchanged.