

[North Carolina Auto Insurance](#) Companies have some protection available for people who rent cars when they travel but even the broadest protections offered don't protect you against all the losses you are signing up for when you sign your name on the rental contract. Here are three big risk scenarios that you need to be aware of before you sign the rental agreement.

While your [NC auto insurance policy](#) will provide you with protection against losses to rental vehicles as long as you have collision and comprehensive coverage on at least one car on your policy, the truth is that this is not the entire picture. T  
The differences in the rental car contracts from the different rental companies may leave you responsible for some losses that your insurance policy doesn't cover.

And in at least 2 of the 3 risk areas, you probably will not be able to find any coverage for this exposure at all.

So, what are these gaps in insurance protection?

The first gap area deals with loss of use losses. If you wreck a rental and the rental car company chooses to repair the vehicle, then your contract with them will generally hold you responsible for the loss of rental income on that car until it is fully operational again.

This can run into quite a bit of money but the good news is that most NC auto insurance policies have an endorsement that you can add to your policy for a couple dollars a year to provide you with this coverage.

You can read more about loss of use coverage for rental cars by [clicking here](#).

The second gap area comes into play if your contract with the car rental agency says that they can choose to replace the car, rather than repair it and you are responsible for all of these costs. The problem here is that your [North Carolina auto insurance policy](#) will only pay for the cost to repair the vehicle.

If the car was worth \$20,000 when you rented it, and after you damaged it, it is worth \$8000 and the cost to repair it is \$4000, then you will be out another \$8,000 after the rental company replaces it and deducts the salvage value of \$8000.

This is because your car insurance policy will only pay the \$4000 to repair the vehicle.

As of this time, I know of no insurance company that has protection for this gap in coverage.

The third gap area is called the diminished value gap. This happens when the rental contract specifies that after you cause damage to the car, then you are responsible for the perceived diminished value of the vehicle after it has been repaired.

Let's take the previous example.

The car was worth \$20,000 and you caused an accident with it that will cost \$4000 to repair.

Now after the repairs are completed, the car rental company declares the diminished value of the vehicle to be \$17,000 because it is now a previously wrecked car.

Your

[NC auto insurance policy](#)

will pay the \$4,000 to repair the vehicle but the additional \$3,000 for diminished value will be your responsibility.

In some states, you can purchase coverage for diminished value losses but in North Carolina at this time I am unaware of an insurance company offering this protection.

Taking a trip with the family and renting a car is supposed to be a fun and exciting time. I do want you to enjoy your trips but it is important that you be aware of the limitations of your auto

insurance policy for protecting you.

At

[Clinard Insurance Group in Winston Salem, NC,](#)

we want all of our policyholders to be informed consumers.

If you have any questions about car rental coverage, or if you need any help with your [auto insurance](#)

or your

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