

RISK MANAGEMENT BULLETIN

Insurance Guidelines for Vehicle Rentals/Lease

Our office receives many insurance questions from agencies when they rent vehicles. Should the insurance offered by the rental/lease company be purchased or not? To assist you, we offer to you the following guidelines:

Agencies should purchase the vehicle insurance(s) offered by the rental/lease agency. The agreements generally make the renter/lessee responsible for any and all damage to the vehicle. Without proper coverage your agency could assume unexpected expenses.

These guidelines do not apply to CFM vehicles. Risk Management Division insures all Central Fleet (CFM) vehicles.

RISK MANAGEMENT VEHICLE INSURANCE

Rentals/Lease - In State Usage

- Short Term - less than one week, we do not offer any coverage.
- Long Term - more than one month, with adequate notice, we can consider a request to insure for liability on a case-by-case basis. We will not insure physical damage.

Rentals/Lease - Out of State Usage

- We do not offer any coverage unless the lease is 12 months or more. With adequate notice we will consider a request to insure for both liability and physical damage on a lease of 12 months or more.

GENERAL INFORMATION

WHY WE DON'T INSURE PHYSICAL DAMAGE COVERAGE FOR ALL VEHICLES.

Rental and leased vehicles are, for the most part, newer models with low mileage. It is our experience that rental companies are very difficult to deal with on claims. There is a potential gap (\$\$) in what you sign for in the contract and what we cover. That is why, except under very controlled circumstances, we will not offer physical damage coverage.

WHY WE DON'T INSURE SHORT TERM RENTALS OR LEASE FOR VEHICLE LIABILITY INSURANCE.

The premium we charge you for vehicle liability insurance is based on the vehicle counts collected each September. Rental vehicles are obviously not accounted for unless they are long-term. Thus, we are not charging for any coverage for rental vehicles. We cannot provide you coverage we do not charge for. To insure and charge on a vehicle specific basis for short term is not economically feasible for us, and the administrative burden is more than our small staff can handle. Purchasing insurance from the rental/lease companies puts the cost where it belongs - on each agency getting the service and not spread across all state agencies.

WHY WE HAVE STRINGENT CONDITIONS ON OUT OF STATE TRAVEL Our vehicle liability premiums are based upon several factors. One factor is the collective loss experience of State drivers driving on Maine roads with Maine laws and Maine traffic patterns. Anyone who has driven in Boston as compared to Portland knows there is a big difference in density of traffic, motor vehicle laws and overall driving patterns. (There is a reason Maine drivers pay considerably less for vehicle insurance than Massachusetts drivers.) The exposure to loss out of state is higher. Our rates do not reflect this higher exposure.

Another factor is the Maine Tort Claims Act, upon which our vehicle liability coverage is based. This statute provides certain immunities and protections to the State. Should a claim occur outside the State, these protections would not exist. The State could be sued for an unlimited amount. Recognizing this, Risk Management has purchased commercial insurance coverage to increase the vehicle liability coverage when you are traveling outside the State. (Still, a claim could occur that exceeds even this limit.) Our premium for this commercial coverage is based on the number of vehicles that the **State owns and travel outside the state is "incidental"**.

When we have vehicle claims here in Maine, our in-house staff investigates, adjusts and settles them. If legal counsel is needed, we use the Attorney General's Office. It is very difficult to adjust out of state losses from our office here in Augusta. The alternative is to hire out of state investigators, adjusters, appraisers and legal counsel. These extra costs are not contemplated in our rate.

Questions? Call our office, we are here to help. (207) 287-3351

Risk Management Division
85 State House Station
Augusta, Maine 04333-0085
Telephone 287-3351 Toll Free 1-800-525-1252 Fax 287-4008

Revised July 2022