

## Bulletin 246

### **COLLISION DAMAGE COVERAGE ON RENTAL CARS: THIRD PARTY CLAIMANTS WITHOUT COLLISION COVERAGE APPLICABLE TO A RENTAL CAR**

It has come to the Bureau's attention that some insurers responsible for paying rental costs to third party claimants, have declined to pay for collision coverage on the rental car where the renter did not have collision on their totaled vehicle.

Title 14 M.R.S.A. § 1454 states:

In any action where recovery is sought for the destruction or damage of a motor vehicle, the owner of such motor vehicle shall be entitled to recover reasonable rental costs actually expended for a replacement motor vehicle during such time, not to exceed 45 days, as the damaged motor vehicle could not be operated or during such time, not to exceed 45 days, as is required to obtain a replacement motor vehicle for the destroyed motor vehicle.

It is the Bureau's position that the cost of collision coverage on a rental vehicle, where the claimant/renter does not have other collision coverage applicable to the rental, constitutes an element of the legally required "reasonable rental costs." The fact that a third party claimant may have elected not to maintain collision on their totaled vehicle is not relevant in assessing "reasonable rental costs." Election of collision coverage in such instances protects the claimant from liability to the rental car owner for damage to the rental vehicle, a potential liability that would not have been incurred but for the negligence of the insurer's insured. The claimant in such instances is in no way enriched by the insurer's payment of the collision coverage on the rental car.

Failure to reimburse third party claimants consistent with this Bulletin may result in the imposition of sanctions for violating 24-A M.R.S.A. § 2164-D(1)(E), unfair claims settlement practices.

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