

A Costly Lesson in Car Rental Liability

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While Yuri and Irina Khidekel were relaxing on a Maui beach in March 2003, a thief drove off in their rental car. Inside were their IDs, cell phones, cash and clothing -- all seemingly more troubling losses than the car, which was insured under their credit card's automatic car-rental policy.

Two days later, Maui police chased down the stolen car and arrested the thief. The car was damaged in the chase but, the Khidekels say, as they were leaving Hawaii, the local Alamo manager assured them that they would not be held responsible, since Alamo could collect from the crook.

So the Khidekels went home to the Bay Area, and didn't give the stolen rental car another thought. Not until April 2004, anyway, when they got a bill from Alamo for \$5,062 -- and an expensive lesson about the decisions consumers make when renting a car.

"When I pointed out that they promised to get money from the person who stole the car, they said that they could not because he does not have any assets," says Yuri Khidekel, a technology company executive.

Knowing that their own auto insurance didn't cover stolen rental cars, they filed a claim with the insurance policy from their Visa card, but it was declined because the filing deadline had long passed. "It was too late already," says Irina Khidekel, a pediatrician.

Over the past year, the Khidekels have asked Alamo to stand behind that manager's promise. They have argued that by taking a year to notify them, Alamo negated their credit-card coverage. They've unsuccessfully tried to negotiate a settlement.

Because Alamo is now threatening to take the Khidekels to court, the company refuses to discuss the case. "It is our policy not to comment on unresolved legal matters," says Charles L. Pulley, communications director of Vanguard Car Rental USA Inc., the firm that operates the Alamo and National car rental companies.

But the standard car-rental agreement puts the onus on the customer when all else fails. "When you rent a car, you are obligated to bring it back in the same condition as you rented it. If your own car is stolen and you don't have insurance, you are out of a car. Same with Alamo and every other rental company," says Michael LaPlaca, an attorney specializing in rental car issues at the Rockville law firm LaPlaca McKenzie. "You have to realize there can be financial loss here. The question is, who is going to foot the bill?"

When the customer is at fault -- leaving the keys in the ignition, not locking the doors, etc. -- there's no question. The customer pays, he says.

Otherwise, the customer's personal automobile insurance's comprehensive and collision policy typically covers stolen or damaged rental cars.

But Jeanne Salvatore, spokeswoman for the Insurance Information Institute, a nonprofit industry-sponsored organization, cautions that because "comp and collision aren't required to drive legally, a lot of people don't purchase it." She recalls a case in which an elderly couple's rental car was stolen. Their own car was older, not worth much, and they didn't drive often, so they didn't buy comprehensive and collision coverage. They ended up owing the rental car firm nearly \$20,000.

Salvatore also warns consumers about relying blindly on their credit card's rental-car insurance policy. Some cards provide primary rental-car insurance covering customers "up the wazoo," she says, and others provide secondary coverage that pays the deductible or "next to nothing."

Before renting a car, consumers should "call the 800 number on the back of their [credit] card," she says, "and ask, 'If I rent a car, what kind of coverage do I get?' "

Had the Khidekels purchased the collision damage waiver at the counter when renting the car, all damages would probably have been covered, says LaPlaca. Even at a cost of \$15 a day or more, it can be a good deal for anyone who doesn't have a personal car insurance policy or whose auto insurance doesn't cover rental cars.

"It says, 'We will waive your responsibility for damage to our car -- even if it's your fault,' " says LaPlaca, who always buys the collision damage waiver even though his personal policy covers stolen and damaged rental cars. "Most cover theft and some state laws require collision damage waivers to cover theft, but consumers need to read the terms to make sure."

All of which is hindsight for the Khidekels. "We didn't think that we would be responsible, otherwise we would've acted differently," says Irina Khidekel.