

Auto Insurance Coverage for Rented, Owned, and Leased Vehicles

Over the past few months the University Treasurer's Office has received a number of general inquiries about the University's auto insurance programs for vehicles that are owned by the University/State and for vehicles that are leased by the University. In addition, we have received some very specific questions about what types of auto insurance University employees should be purchasing from rental companies when renting vehicles for University business. The purpose of this memorandum is to provide an overview of the University's auto insurance programs, as well as to provide guidelines for University employees to consider when renting vehicles for University business. As you review the information contained in this memorandum, it is helpful to remember that in general there are two types of insurance coverage related to vehicles: Liability Insurance and Physical Damage Insurance. Liability Insurance covers bodily injury or property damage to a third party. Physical Damage Insurance (Collision and Comprehensive) covers property damage to the insured's vehicle.

Rentals

When a University employee is renting a vehicle for University business, **the employee needs to INCLUDE the "University of Massachusetts" next to their own name on the rental application.** This will help to ensure that the University's Hired and Non-owned Excess Liability policy, which is described below, will provide excess liability coverage, if warranted.

When renting a vehicle, there are a number of important decisions that need to be made with regard to insurance. The employee will most likely be given the option of buying the following two types of rental insurance: Liability Insurance and Physical Damage Insurance (Physical Damage Insurance is often referred to as a Collision Damage Waiver (CDW) or a Loss Damage Waiver (LDW) in the rental agreement). The information that follows will help the employee decide when it is necessary to purchase the insurance from the rental company and when it is appropriate to waive the coverage.

Liability Insurance - The University has a Hired and Non-owned Liability Insurance policy for vehicles rented for University business. The University's policy is only an excess policy. This policy has a \$1,000,000 combined single limit for bodily injury and/or property damage to others. It is a good idea for the employee to have a copy of the Certificate of Insurance with him/her when renting a vehicle as it maybe required. A copy of the Certificate of Insurance evidencing this coverage can be obtained from the University Treasurer's Office.

When renting a car for University business, the employee should:

Decline the Liability Insurance offered by the rental company, if the employee is renting the vehicle in Massachusetts and will only be driving the vehicle in the State of Massachusetts. In Massachusetts, rental companies are required by State

Law to carry the minimum liability coverage on their rental vehicles (the rental company's liability insurance serves as the primary liability insurance), so purchasing the additional Liability Insurance from the rental company is not necessary due to the University's existing excess policy.

Purchase the Liability Insurance offered by the rental company, if the employee is renting a vehicle outside of the State of Massachusetts or for use outside of Massachusetts.

Physical Damage - The rental vehicle also needs to be covered by Physical Damage Insurance (Collision and Comprehensive).

When renting a car for University business, the employee should:

Decline the Physical Damage Insurance offered by the rental company, if the employee is using a University issued business credit card to rent the vehicle and that credit card provides primary coverage for physical damage. Please note that it is important for the employee to carefully review the terms of their University credit card to make sure that it does provide **primary** Physical Damage Insurance when renting a vehicle. The employee will also want to make sure that the type of vehicle he/she is renting is not excluded from the coverage provided by the credit card.

Purchase the Physical Damage Insurance offered by the rental company, if the employee is using a personal credit card, or any other means of payment, that does not provide primary Physical Damage Insurance coverage.

If in doubt as to whether or not the employee's University issued business credit card provides primary physical damage coverage, it is a good idea to purchase the coverage from the rental company. The Physical Damage Insurance coverage offered by the rental company is a good protection at usually a low daily rate. Please contact the University Treasurer's Office if you have any questions regarding a rental or credit card contract.

Owned Vehicles

The University is **self-insured** for auto liability associated with University/State owned vehicles. Our office manages this program and settles all claims. Settlements are generally paid directly by the at-fault campus, unless the settlement/judgment exceeds \$2,500, in which case the State Attorney General's Office needs to approve it, and payment will be made by the State Comptroller. The State Comptroller assesses an annual premium based on the average of all negligence settlements and costs paid on behalf of the University over a five year period. The University relies on certain protections from Massachusetts State Law Chapter 258 when self-insuring. In particular, University employees are generally immune from personal liability associated with damages resulting from their negligence while working within their job responsibilities. The University's liability is capped at \$100,000 per claimant for the actions of its

employees. Therefore, only University employees should be driving University/State owned vehicles.

The University is prohibited from insuring University/State owned property per Massachusetts State Law Chapter 29, Section 30. Therefore, University/State owned vehicles are **NOT** insured for Physical Damage (Collision and Comprehensive). Any damages that our office is not able to subrogate to a third party would be paid for by the applicable department or campus.

Leased Vehicles

Before a vehicle is leased, the lease agreement must be approved and signed by the University Treasurer's Office.

The University purchases Liability Insurance and Physical Damage Insurance (Collision and Comprehensive) for all leased vehicles. The title to a leased vehicle remains with the leasing company and, as a result, the University is required by the lessor to purchase insurance on the vehicle. When leasing a new vehicle, University departments should request that the University Treasurer's Office add the leased vehicle to our existing policy, a yearly premium would be assessed to the department, and coverage would extend to anyone driving the vehicle with permission.

Regardless of the type of vehicle used, our office should be contacted if a University employee is involved in an accident while on University business. However, please note that if an employee uses their own personal vehicle while on University business and he/she is in an accident, their personal insurance is primary and they would be responsible for any deductibles.

Our office will continue to keep you apprised of any new information about, or changes to, the University's auto insurance programs. Please share this memorandum with the appropriate staff and departments on your campus. In addition, this information is available on our website at <http://treasurer.umassp.edu>. Finally, if you have any questions, please feel free to contact the University Treasurer's Office at (508) 856-4700.