

MEDIA RELEASE

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Hire car insurance is not what it seems, in fact, it's often not insurance at all

As many Victorians head off on holidays, the Consumer Action Law Centre is warning consumers that hire car 'insurance' is not what seems. Indeed, it's often not insurance at all but, rather, an indemnity which, in the case of an accident, may fall a long way short of what customers would need and could leave them deep in debt.

While comprehensive insurance policies for personally owned cars will cover a wide range of contingencies, hire car insurance or indemnity policies are often riddled with exclusions, including for over-head, undercarriage, and water damage. They also often include clauses which void the policy on the grounds of the driver being careless or breaching the law or their contract in some other way.

Carolyn Bond of Consumer Action said people often think that they've taken out insurance and that they're protected but, the reality is, if you have an accident you may be faced with a bill much higher than the excess.

'We've been looking into car hire policies and so far we haven't found one hirer which offers the level of protection which consumers should expect,' said Ms Bond.

'There's a wide range of unforeseen issues which could leave you seriously out of pocket. Hail damage or a stray golf ball could cost thousands of dollars because overhead damage is rarely indemnified. If another car forces you off the road and into water you're unlikely to be covered as protection for water damage is rare.

'In one case dealt with by our legal practice, our client, who had paid for the indemnity option, had an accident and was handed a bill of approximately \$30,000. Worryingly, she faced the real possibility of losing her home because the indemnity didn't cover overhead damage,' said Ms Bond.

Some car hire indemnity policies become void as soon a driver breaks a road rule, regardless of the degree or intent of the infringement, while others include ambiguous terms like requiring drivers act in a 'cautious' manner. Ms Bond said that while most drivers don't go out intending to miss a stop sign, drivers are only human and mistakes can and do happen.

'If you run a stop sign, regardless of intent, you may find you're liable for the damage done to your hire car, any other cars involved, as well as any property damage caused. The damage bill could easily be in the tens of thousands of dollars.

'The problem is people take out the insurance or indemnity policy thinking it will protect them - but even with excess cover, it's unlikely to offer anywhere near the protection that a comprehensive policy on a privately owned care does.'

Individuals and organisations should be aware that hiring a car can put them or the organisation, at significant financial risk. It is worth investigating other options, such as taxis and car share schemes, which sometimes provide real insurance cover.

Ms Bond said she would like to see hire companies offer more substantive insurance cover. 'We believe that if consumers were fully aware of the risks, many would be prepared to pay more. Unfortunately hirers and insurers promote excess insurance, but fail to point out the holes in the primary cover. Excess insurance won't help if you if your claim is knocked back in the first place.'

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