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Higher insurance for rental cars

February 23, 2009



THOUGH it is illegal, some car rental companies seem to be willing to take in private cars for renting out.

It is understood that while the rental agreement would state that the owners would be required to take out a comprehensive insurance coverage, most would not do so as it would mean paying at least 80 per cent more than that of a car for private usage.

One source told The New Paper on Sunday that about half the cars offered for hire by some companies belong to other people.

However, many car rental companies refuse to accept private cars for rental, and say it is illegal to do so.

Illegal practices

Mr Jerome Tan, 29, manager of ATS Rent-A-Car, who has been in the car rental business for eight years, said the practice of renting out private cars without the proper additional insurance coverage has been going on for the past 10 years.

He estimated that at least 20 per cent of rental companies carry out such illegal practices.

'The insurance on a car for renting for reward or hire is different from that of a private car,' he said.

Mr Tan said that private car owners who wanted to rent out their cars needed additional third party coverage which could cost between \$40 and \$50 a day.

He explained that with the market rate for the rental of a car starting at \$70, most private car owners opt not to pay for the insurance.

'Once they buy the additional insurance, it is not profitable to rent out their cars,' he said.

A spokesman for NTUC Income said that an insurance policy for a private car specifically precludes the renting out of the car.

The premium for a normal rental car is about 80 per cent higher than for a private car.

Said the spokesman: 'Income's policyholder has to make a request in advance if he wants to extend his motor policy to cover the rental on weekends.

'We will endorse his policy to cover the proposed rental period with an additional premium of \$40 to \$70 per weekend.'

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Low interest

However, the spokesman added that the interest in such extensions to the insurance policies of private car owners has been low.

According to a spokesman for the Land Transport Authority, private cars that are rented out illegally do not have insurance coverage, and thus the car owner and hirer are both liable to be dealt with under the Motor Vehicles (Third-Party Risks and Compensation) Act.

Said the spokesman: 'The LTA takes a serious view of illegal rental of private vehicles and will take action against those who fail to comply with the law.'

Twelve car owners had been caught renting out their private cars illegally last year, up from 11 in 2007 and six in 2006.

'We would like to take this opportunity to remind private car owners not to rent out their cars unless it complies with the Private Car Rental Scheme,' said the spokesman.

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