



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

1-23-15

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B-158712

May 10, 1971



Dear Senator Proxmire:

Your letter of March 22, 1971, requested information concerning the purchase of collision insurance coverage for automobiles rented and used by employees of the Federal Government.

Commercial rental cars used by Federal employees in the conduct of Government business are available under informal arrangements with commercial car rental firms and under General Services Administration (GSA) contracts awarded to some of the rental firms. Under informal arrangements, Federal employees are usually given the same 20-percent discount rate that is given to other preferred customers. Under the GSA contracts, a lower rate is available primarily because the contracts are awarded competitively. The Government spends an estimated \$9 million a year for rental of cars, of which about \$7.4 million is incurred under the informal arrangements.

Most of the car rental firms providing cars through the informal arrangements accept responsibility for collision damage losses in excess of \$100 and include the insurance cost in their rental fees. Individuals, organizations, and agencies who rent cars are held liable for losses of \$100 or less. They may, however, obtain full insurance coverage by purchasing a collision damage waiver which the rental companies provide for an additional charge of \$2 a day.

The car rental firms providing cars through GSA contracts accept responsibility for all collision damage losses and include the full-coverage insurance cost in their rental fees.

We cannot determine how much the Government has spent for collision insurance, because most of these costs under the informal rental arrangements and all such costs under the GSA rental contracts are included in the overall rental fees

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and are not shown separately. Representatives of GSA and a large car rental firm informed us that if the Government assumed its own risk-of-collision loss, it is possible that car rental firms could reduce their insurance costs and be in a position to offer lower rental rates under both the informal arrangements and the GSA contracts. Any savings to the Government, however, would be offset to an unknown degree by the cost of accident damages.

The Government does not accumulate information on the amounts expended by employees to purchase the collision damage waiver for \$2 a day. In reviewing the travel policies of several Federal agencies, we found that uniformity was lacking in car rental procedures and practices as they related to the purchase of the collision damage waiver. Some agencies had regulations which allowed purchase of the waiver; some agencies had regulations which did not allow purchase of the waiver; other agencies' regulations were silent on the matter. Our review of selected rental vouchers showed that, in practice, collision damage waivers were allowed and paid in most cases.

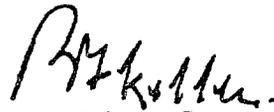
In recent years there has been concern among Federal agencies about Federal employees' purchasing damage waivers. Many agency officials apparently believe that the Government should assume the risk of loss covered by waivers and that implementation of such a policy would provide substantial savings. In June 1970 we issued a report (copy enclosed) to the Director, Bureau of the Budget (now Office of Management and Budget), expressing our belief that a determination should be made whether it would be more economical for the Government to assume responsibility for collision damage losses of \$100 or less and that existing regulations should be revised in accordance with such a determination and uniformly applied throughout the Government.

In October 1970 the Office of Management and Budget advised us that, although information was not available for estimating Government savings, the high cost of purchasing the

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collision damage waiver, compared with the limited liability potential, and the general principle that the Government is a self-insurer appeared to justify amending the Standardized Government Travel Regulations to prohibit payment of collision damage waiver premiums in the rental of automobiles for official business. The Office of Management and Budget informed us that such an amendment was being prepared.

Sincerely yours,



Assistant Comptroller General
of the United States

Enclosure

The Honorable William Proxmire
United States Senate



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

ENCLOSURE
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June 30, 1970

Dear Mr. Mayo:

We have briefly reviewed the travel policies of the Department of Defense and other Federal agencies and have found a lack of uniformity in car rental procedures and practices as they relate to the purchase of collision damage insurance.

--The Department of Defense has issued instructions encouraging its travelers, both military and civilian, to buy collision damage insurance when renting cars for official use. Some subordinate commands apparently have issued conflicting instructions and are either discouraging or prohibiting the practice. Others seem to be following a permissive policy; some travelers buy the coverage and others do not.

--Similar inconsistencies were found in other Federal agencies. Several allow their personnel to buy the coverage; others refuse on the basis that it is more economical for the Government to assume the risk of loss; others have not established any policy.

Most of the major car rental companies accept responsibility for collision damage losses in excess of \$100 and include the insurance cost in their rental fees. Individuals who rent cars are held liable for losses of \$100 or less, but they may obtain full insurance coverage by purchasing a collision damage waiver which the rental companies currently provide for an additional charge of \$2.00 a day.

Our Office has previously issued decisions on this matter (35 Comp. Gen. 553; 47 Comp. Gen. 145; and B-162186, January 7, 1970).

The first-mentioned decision held that a charge for insurance which would release the Government from damage liability incident to the hire of an automobile by a Federal employee is a reimbursable item of expense to the traveler. We said in the second decision that an employee who was authorized to rent an automobile and who, in the absence of any administrative instructions in the matter, did not purchase the collision damage waiver insurance was entitled to reimbursement for the \$100 he was required to pay to the rental company because of damage to the rented vehicle.

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The Secretary of the Air Force was advised in our decision of January 7, 1970, that we had no legal objection to the Joint Travel Regulations for members of the uniformed services being amended to provide for reimbursement of the first \$100 of damage sustained by a vehicle properly rented in the performance of official business provided that the regulations, as amended, specifically excluded the cost of collision damage insurance as a reimbursable item of expense.

The policy of the Department of Defense is published in the Military Traffic Management Regulation, paragraph 316004e(2). This regulation requires that travelers be informed that payment of additional charges for collision damage waivers is in the best interest of the Government and the travelers and is a reimbursable item of expense when paid from personal funds.

We reviewed 3,240 car rental payments in the September 1969 accounts of two Navy Regional Finance Centers. The payments were made by disbursing officers at various Navy installations. Our tests showed that collision damage waivers were accepted in the majority of instances. We observed, however, that travelers from certain commands were either accepting or declining the waivers with some consistency while others were not, as illustrated below:

<u>Installation</u>	<u>Commercial rentals</u>	<u>Waivers accepted</u>	<u>Waivers declined</u>
Naval Weapons Center China Lake, California	320	10 (3%)	310 (97%)
Naval Air Station Point Mugu, California	189	180 (95%)	9 (5%)
Naval Underseas Warfare Center Pasadena, California	223	95 (43%)	128 (57%)

We inquired about the policies in effect at other Navy installations and found similar inconsistencies. One commander had issued instructions prohibiting the purchase of waivers; another insisted that they be accepted and that authorization be included in all travel orders; and others either had not established a policy or were permitting travelers to use their own discretion in accepting or declining the coverage.

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Sixty-five percent of the payments in the two Navy accounts examined included additional costs for collision damage waivers, totaling about \$9,700. Waivers were not purchased on 22 percent of the rentals and the remaining 13 percent were made under General Services Administration contracts. Rental companies provide full insurance coverage under these contracts but include damage waiver costs in their rental rates.

In recent years there has been considerable concern about Federal employees' purchasing damage waivers. Many agency officials apparently believe that the Government should assume the risk of loss covered by waivers and that this will result in substantial savings. The records of the two Navy Regional Finance Centers examined for the month of September 1969 showed that about \$9,700 was spent for waivers at the daily rate of \$1.50 which prevailed at the time of our review and that these Centers processed only two damage claims from car rental companies, each for \$100. We did not attempt to develop estimates of potential savings because we had been informed that the Department of Defense does not maintain accident or damage loss statistics for car rentals.

We also inquired about the policies of other Federal agencies and found that they differ in several respects. For example, the Atomic Energy Commission issued a directive stating that travelers would not be reimbursed for extra charges paid for collision or liability insurance-- on the basis of its decision that it would be less costly for the Government to absorb, as a direct operating expense, the cost of damages that might occur as a result of accidents to rented vehicles. That directive was issued after we questioned the need for the additional insurance coverage based on the experienced accident rate at the Los Alamos Scientific Laboratory, where personnel had been involved in only two accidents in 15 years (B-114878, dated March 12, 1964).

Veterans Administration regulations provide for reimbursing travelers who obtain the coverage; the National Aeronautics and Space Administration regulations instruct travelers to buy the coverage. The Coast Guard has issued instructions stating that the cost for additional insurance is not reimbursable. Officials of the Federal Mediation and Conciliation Service, the Small Business Administration, and the Bureau of Narcotics informed us that they had not established a policy.

We believe that a determination should be made as to whether it would be more economical for the Government to assume responsibility for collision damage losses of \$100 and under and that existing regulations

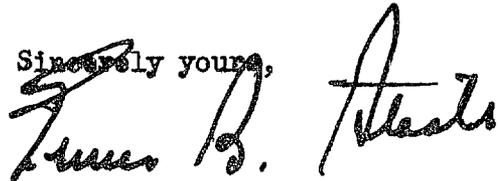
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be adjusted in accordance with such determination so that the regulations may be uniformly applied throughout the Government.

You may find it helpful to have the General Services Administration make a study of the relative costs and anticipated benefits before prescribing a uniform policy. Therefore, we are referring the matter to you for your consideration. We would appreciate being kept advised of any action you take in this matter.

We are furnishing a copy of this report to the Administrator of the General Services Administration.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Thomas B. Akers".

Comptroller General
of the United States

The Honorable Robert P. Mayo
Director, Bureau of the Budget