

HCS HB 1285 -- CAR RENTAL INSURANCE

SPONSOR: Luetkemeyer (Engler)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 18 to 1.

This substitute makes several changes in the laws regarding car rental contracts. The substitute:

- (1) Changes the definition of "authorized driver" as it applies to car rental contracts to exclude employers, parking valets, and family members other than a spouse;
- (2) Revises the written notice that must appear on every car rental contract regarding the purchase of optional insurance coverage;
- (3) Requires car rental companies to post a clear and conspicuous sign on the premises that informs the consumer about collision damage waiver, any other optional car rental insurance, and how the consumer's own auto insurance policy or credit card might already offer that protection; and
- (4) Makes a car rental company subject to a \$50 fine for each violation, up to \$10,000 in any calendar year.

FISCAL NOTE: No impact on state funds in FY 2005, FY 2006, and FY 2007.

PROPOSERS: Supporters say that the bill will provide better customer disclosure and notification regarding the risks and liabilities customers must assume with a car rental contract. It establishes protections for car rental companies by removing potential liabilities allowing them to be more cost efficient. For example, the current definition of "authorized driver" is too broad. There is a need to know specifically who will be driving the car.

Testifying for the bill were Representative Engler; and Enterprise Rent-a-Car Company.

OPPOSERS: Those who oppose the bill say that it will create confusion at the checkout counter. The sales clerks at car rental agencies are not trained insurance agents and should not be advising customers on their insurance needs. The bill fails to address the fact that many renters choose their car over the Internet and never see a sales clerk. A private cause of action against the rental company is not spelled out and will increase the number of lawsuits regarding insurance coverage. The bill is

being promoted solely by Enterprise Rent-a-Car, which has a different business model than other rental companies, so it works only for them. When you have one member of a highly competitive industry asking for more regulation and all the other companies are against it, that should send up a red flag. No other state in the country has such a law.

Testifying against the bill were Avis Rent-a-Car; Budget Rent-a-Car; Hertz Corporation; Alamo Rent-a-Car; and National Car Rental.

Richard Smreker, Senior Legislative Analyst