



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 512 (as reported without amendment)  
Sponsor: Senator Alan Sanborn  
Committee: Economic Development and Regulatory Reform

Date Completed: 5-29-07

### **RATIONALE**

When a customer rents a vehicle from a car rental agency, the agent may encourage him or her to purchase insurance coverage or a damage waiver at an additional charge beyond the basic cost of the rental agreement. While customers might want to protect themselves from liability for damage done to a rental vehicle, customers are not necessarily informed that the coverage is optional, and they may not be aware that collision coverage included in an insurance policy on their privately owned vehicle may cover their use of a rental car. In addition, some credit card issuers apparently offer liability protection when consumers use their cards to pay for a car rental, but consumers might be unaware of this benefit at the time they arrange to rent a car. It has been suggested that a car rental agreement be required to state that the purchase of a damage waiver is not required to rent a vehicle and inform renters that they might wish to contact their insurance provider or credit card company to inquire about coverage.

### **CONTENT**

The bill would amend the Consumer Protection Act to prohibit a rental vehicle company from offering a damage waiver to a consumer as an optional provision in a rental agreement for a motor vehicle unless the rental agreement contained all of the following statements:

- The purchase of a damage waiver was optional.
- The purchase of a damage waiver was not required to rent a motor vehicle.
- The renter might wish to contact his or her insurance representative or credit

card company to obtain information regarding his or her coverage or protection, if any, for damage to or theft of a rented motor vehicle and/or the amount of his or her insurance deductible or out-of-pocket risk for filing a claim for damage to or theft of a rented motor vehicle.

At each place of business in Michigan at which the rental vehicle company rented motor vehicles to consumers, it would have to display a conspicuous notice that contained all of the statements described above.

In addition, the Act provides that unfair, unconscionable, or deceptive methods, acts, or practices in the conduct of trade or commerce are unlawful, and contains a list of such practices. The Attorney General may bring an action to enjoin a method, act, or practice that violates the Act. The court may award costs to the prevailing party, and may assess a civil fine of up to \$25,000 for a persistent and knowing violation. The bill would include a violation of the rental agreement requirement in the list of unlawful methods, acts, or practices.

Under the bill, "rental vehicle company" would mean a person in the business of providing motor vehicles to the public under rental agreements. "Rental agreement" would mean a written agreement that contains the terms and conditions governing the use of a rented motor vehicle by a consumer for a period of not more than 90 days. The term would include any additional or supplemental agreements executed as part of the rental agreement.

"Damage waiver" would mean a provision in an agreement in which a rental vehicle company agrees, for a fee, to waive any claims against a renter of a motor vehicle for any damage to or theft of the vehicle that occurs during the term of the rental agreement.

MCL 445.903 et al.

## **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### **Supporting Argument**

Renters of motor vehicles sometimes are convinced to buy insurance coverage from the car rental agency or pay a damage waiver fee to avoid liability for damage to the vehicle, even if insurance or a waiver is unnecessary because a renter already is covered by the insurance policy on his or her private vehicle or coverage is provided through the credit card the renter uses to pay for the car rental. By prohibiting a rental vehicle company from offering a damage waiver unless the rental agreement included the statements described by the bill, this proposal would implement a consumer protection measure for renters of motor vehicles. The bill further would protect consumers by requiring that a rental car company display in each location in Michigan where it rented vehicles a conspicuous notice containing the required statements.

### **Supporting Argument**

Evidently, the National Conference of Insurance Legislators (NCOIL) plans to address the issue of rental car insurance coverage later this year. If enacted, the bill potentially could serve as the basis of a model act adopted and promoted by NCOIL.

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Joe Carrasco

A0708\512a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.