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State of Minnesota

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HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1712**

March 5, 2007

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The bill was read for the first time and referred to the Committee on Commerce and Labor

March 27, 2007

Committee Recommendation and Adoption of Report:

To Pass as Amended

Read Second Time

1.1 A bill for an act
1.2 relating to insurance; regulating certain rental vehicle coverage; amending
1.3 Minnesota Statutes 2006, section 65B.49, subdivision 5a.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2006, section 65B.49, subdivision 5a, is amended to read:

1.6 Subd. 5a. **Rental vehicles.** (a) Every plan of reparation security, wherever issued,
1.7 insuring a natural person as named insured, covering private passenger vehicles as defined
1.8 under section 65B.001, subdivision 3, and pickup trucks and vans as defined under section
1.9 168.011 must: (1) provide that all of the obligation for damage and loss of use to a rented
1.10 private passenger vehicle, including pickup trucks and vans as defined under section
1.11 168.011, and rented trucks with a registered gross vehicle weight of 26,000 pounds or less
1.12 would be covered by the property damage liability portion of the plan; and (2) extend
1.13 the plan's basic economic loss benefits, residual liability insurance, and uninsured and
1.14 underinsured motorist coverages to the operation or use of the rented motor vehicle. This
1.15 subdivision does not apply to plans of reparation security covering only motor vehicles
1.16 registered under section 168.10, subdivision 1a, 1b, 1c, or 1d, or recreational vehicles as
1.17 defined under section 168.011. The obligation of the plan must not be contingent on fault
1.18 or negligence. In all cases where the plan's property damage liability coverage is less than
1.19 \$35,000, the coverage available under the subdivision must be \$35,000. Other than as
1.20 described in this paragraph ~~or in~~; paragraph (i), clause (2); or paragraph (j), nothing in this
1.21 section amends or alters the provisions of the plan of reparation security as to primacy
1.22 of the coverages in this section.

1.23 (b) A vehicle is rented for purposes of this subdivision:

2.1 (1) if the rate for the use of the vehicle is determined on a monthly, weekly, or
2.2 daily basis; or

2.3 (2) during the time that a vehicle is loaned as a replacement for a vehicle being
2.4 serviced or repaired regardless of whether the customer is charged a fee for the use
2.5 of the vehicle.

2.6 A vehicle is not rented for the purposes of this subdivision if the rate for the vehicle's
2.7 use is determined on a period longer than one month or if the term of the rental agreement
2.8 is longer than one month. A vehicle is not rented for purposes of this subdivision if the
2.9 rental agreement has a purchase or buyout option or otherwise functions as a substitute for
2.10 purchase of the vehicle.

2.11 (c) The policy or certificate issued by the plan must inform the insured of the
2.12 application of the plan to private passenger rental vehicles, including pickup trucks and
2.13 vans as defined under section 168.011, and that the insured may not need to purchase
2.14 additional coverage from the rental company.

2.15 (d) Where an insured has two or more vehicles covered by a plan or plans of
2.16 reparation security containing the rented motor vehicle coverage required under paragraph
2.17 (a), the insured may select the plan the insured wishes to collect from and that plan is
2.18 entitled to a pro rata contribution from the other plan or plans based upon the property
2.19 damage limits of liability. If the person renting the motor vehicle is also covered by the
2.20 person's employer's insurance policy or the employer's automobile self-insurance plan,
2.21 the reparation obligor under the employer's policy or self-insurance plan has primary
2.22 responsibility to pay claims arising from use of the rented vehicle.

2.23 (e) A notice advising the insured of rental vehicle coverage must be given by the
2.24 reparation obligor to each current insured with the first renewal notice after January 1,
2.25 1989. The notice must be approved by the commissioner of commerce. The commissioner
2.26 may specify the form of the notice.

2.27 (f) When a motor vehicle is rented in this state, there must be attached to the rental
2.28 contract a separate form containing a written notice in at least 10-point bold type, if
2.29 printed, or in capital letters, if typewritten, which states:

2.30 Under Minnesota law, a personal automobile insurance policy ~~issued in Minnesota~~
2.31 must: (1) cover the rental of this motor vehicle against damage to the vehicle and
2.32 against loss of use of the vehicle; and (2) extend the policy's basic economic loss
2.33 benefits, residual liability insurance, and uninsured and underinsured motorist
2.34 coverages to the operation or use of a rented motor vehicle. Therefore, purchase of
2.35 any collision damage waiver or similar insurance affected in this rental contract is
2.36 not necessary ~~if your policy was issued in Minnesota.~~ In addition, purchase of any

3.1 additional liability insurance is not necessary if your policy was issued in Minnesota
3.2 unless you wish to have coverage for liability that exceeds the amount specified in
3.3 your personal automobile insurance policy.

3.4 No collision damage waiver or other insurance offered as part of or in conjunction with
3.5 a rental of a motor vehicle may be sold unless the person renting the vehicle provides a
3.6 written acknowledgment that the above consumer protection notice has been read and
3.7 understood.

3.8 (g) When damage to a rented vehicle is covered by a plan of reparation security as
3.9 provided under paragraph (a), the rental contract must state that payment by the reparation
3.10 obligor within the time limits of section 72A.201 is acceptable, and prior payment by
3.11 the renter is not required.

3.12 (h) Compensation for the loss of use of a damaged rented motor vehicle is limited to
3.13 a period no longer than 14 days.

3.14 (i)(1) For purposes of this ~~paragraph~~ subdivision, "rented motor vehicle" means a
3.15 rented vehicle described in paragraph (a), using the definition of "rented" provided in
3.16 paragraph (b).

3.17 (2) Notwithstanding section 169.09, subdivision 5a, an owner of a rented motor
3.18 vehicle is not vicariously liable for legal damages resulting from the operation of the
3.19 rented motor vehicle in an amount greater than \$100,000 because of bodily injury to one
3.20 person in any one accident and, subject to the limit for one person, \$300,000 because of
3.21 injury to two or more persons in any one accident, and \$50,000 because of injury to or
3.22 destruction of property of others in any one accident, if the owner of the rented motor
3.23 vehicle has in effect, at the time of the accident, a policy of insurance or self-insurance, as
3.24 provided in section 65B.48, subdivision 3, covering losses up to at least the amounts set
3.25 forth in this paragraph. Nothing in this paragraph alters or affects the obligations of an
3.26 owner of a rented motor vehicle to comply with the requirements of compulsory insurance
3.27 through a policy of insurance as provided in section 65B.48, subdivision 2, or through
3.28 self-insurance as provided in section 65B.48, subdivision 3, which policy of insurance or
3.29 self-insurance must apply whenever the operator is not covered by a plan of reparation
3.30 security as provided under paragraph (a); or with the obligations arising from section
3.31 72A.125 for products sold in conjunction with the rental of a motor vehicle. Nothing in
3.32 this paragraph alters or affects liability, other than vicarious liability, of an owner of
3.33 a rented motor vehicle.

3.34 (3) The dollar amounts stated in this paragraph shall be adjusted for inflation
3.35 based upon the Consumer Price Index for all urban consumers, known as the CPI-U,
3.36 published by the United States Bureau of Labor Statistics. The dollar amounts stated

4.1 in this paragraph are based upon the value of that index for July 1995, which is the
4.2 reference base index for purposes of this paragraph. The dollar amounts in this paragraph
4.3 shall change effective January 1 of each odd-numbered year based upon the percentage
4.4 difference between the index for July of the preceding year and the reference base index,
4.5 calculated to the nearest whole percentage point. The commissioner shall announce and
4.6 publish, on or before September 30 of the preceding year, the changes in the dollar
4.7 amounts required by this paragraph to take effect on January 1 of each odd-numbered
4.8 year. The commissioner shall use the most recent revision of the July index available as
4.9 of September 1. Changes in the dollar amounts must be in increments of \$5,000, and no
4.10 change shall be made in a dollar amount until the change in the index requires at least
4.11 a \$5,000 change. If the United States Bureau of Labor Statistics changes the base year
4.12 upon which the CPI-U is based, the commissioner shall make the calculations necessary
4.13 to convert from the old base year to the new base year. If the CPI-U is discontinued, the
4.14 commissioner shall use the available index that is most similar to the CPI-U.

4.15 (j) The plan of reparation security covering the owner of a rented motor vehicle is
4.16 excess of any residual liability coverage insuring an operator of a rented motor vehicle if
4.17 ~~the vehicle is loaned as a replacement for a vehicle being serviced or repaired, regardless~~
4.18 ~~of whether a fee is charged for use of the vehicle, provided that the vehicle so loaned is~~
4.19 ~~owned by the service or repair business.~~