

**By: Senator Collins**

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Assigned to: Judicial Proceedings

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 2, 1996

CHAPTER \_\_\_\_

1 AN ACT concerning

2 **Vehicle Laws - ~~Rented or Leased~~ Replacement Vehicles - Required Security - Task Force**  
3 **to Examine Liability Insurance on Rental Vehicles**

4 FOR the purpose of ~~clarifying that the Motor Vehicle Administration is prohibited from~~  
5 ~~registering a leased vehicle until the lessor provides certain proof of insurance to~~  
6 ~~the Administration;~~ authorizing the owner of a ~~vehicle to be rented~~ certain  
7 replacement vehicles to satisfy the insurance requirement for a vehicle by  
8 maintaining a certain excess insurance policy which covers a motor vehicle under  
9 certain circumstances; requiring the owner of a ~~vehicle to be rented~~ replacement  
10 vehicle which is covered by a certain excess insurance coverage to provide a certain  
11 notice on a rental agreement ~~informing the renter~~ that the owner's coverage is  
12 excess only; making a technical change; defining a certain term; establishing a Task  
13 Force to Examine Liability Insurance on Rental Vehicles; specifying the purpose  
14 and responsibilities of the Task Force; requiring the Task Force to report to certain  
15 persons by certain dates; providing for the composition of the Task Force; providing  
16 for a certain effective date; and generally relating to proof of insurance for the  
17 registration of certain ~~rented or leased motor vehicles~~ replacement vehicles and to  
18 the Task Force to Examine Liability Insurance on Rental Vehicles.

19 BY repealing and reenacting, without amendments,  
20 Article - Transportation  
21 Section 11-143  
22 Annotated Code of Maryland  
23 (1992 Replacement Volume and 1995 Supplement)

24 BY repealing and reenacting, with amendments,  
25 Article - Transportation

2

1 Section ~~48-101~~ 17-104 and 18-102  
2 Annotated Code of Maryland  
3 (1992 Replacement Volume and 1995 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
5 MARYLAND, That the Laws of Maryland read as follows:

6 **Article - Transportation**

7 11-143.

8 "Owner", as used in reference to a vehicle:

9 (1) Means a person who has the property in or title to the vehicle;

10 (2) Includes a person who, subject to a security interest in another person, is  
11 entitled to the use and possession of the vehicle;

12 (3) Does not include a lessee under a lease not intended as security; and

13 (4) Includes a lessee under a lease intended as a security.

14 ~~48-101.~~

15 ~~(A) In this title[,] THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.~~

16 ~~(B) ["rent"] "RENT" means to rent or lease for a period not exceeding 180 days.~~

17 ~~(C) "LEASE" MEANS TO RENT OR LEASE FOR A PERIOD EXCEEDING 180 DAYS.~~

18 17-104.

19 (a) The Administration may not issue or transfer the registration of a motor  
20 vehicle unless the owner or prospective owner of the vehicle furnishes evidence  
21 satisfactory to the Administration that the required security is in effect.

22 (b) The owner of a motor vehicle that is required to be registered in this State  
23 shall maintain the required security for the vehicle during the registration period.

24 (C) (1) IN THIS SUBSECTION, "REPLACEMENT VEHICLE" MEANS A VEHICLE  
25 THAT IS LOANED BY AN AUTO REPAIR FACILITY OR A DEALER, OR THAT AN  
26 INDIVIDUAL RENTS TEMPORARILY, TO USE WHILE A VEHICLE OWNED BY THE  
27 INDIVIDUAL IS NOT IN USE BECAUSE OF LOSS, AS "LOSS" IS DEFINED IN THAT  
28 INDIVIDUAL'S APPLICABLE PRIVATE PASSENGER AUTOMOBILE INSURANCE POLICY  
29 OR BECAUSE OF BREAKDOWN, REPAIR, SERVICE, DAMAGE, OR THEFT.

30 (2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, AN OWNER OF A  
31 REPLACEMENT VEHICLE MAY SATISFY THE REQUIREMENT OF SUBSECTION (A) OF  
32 THIS SECTION BY MAINTAINING AN INSURANCE POLICY THAT IS EXCESS TO ANY  
33 OTHER INSURANCE POLICY AND THAT EXTENDS COVERAGE TO THE OWNER'S  
34 VEHICLE WHILE IT IS USED AS A REPLACEMENT VEHICLE.

35 (3) IF AN OWNER OF A REPLACEMENT VEHICLE PROVIDES COVERAGE  
36 AS PROVIDED UNDER PARAGRAPH (2) OF THIS SUBSECTION, THE AGREEMENT FOR  
37 THE REPLACEMENT VEHICLE TO BE SIGNED BY THE RENTER OR THE INDIVIDUAL

1 TO WHOM THE VEHICLE IS LOANED SHALL CONTAIN A PROVISION ON THE FACE OF  
2 THE AGREEMENT, IN 12 POINT BOLD TYPE, THAT INFORMS THE INDIVIDUAL THAT  
3 THE COVERAGE ON THE VEHICLE BEING SERVICED OR REPAIRED IS PRIMARY  
4 COVERAGE FOR THE REPLACEMENT VEHICLE AND THE COVERAGE MAINTAINED  
5 BY THE OWNER ON THE REPLACEMENT VEHICLE IS EXCESS ONLY.

6 18-102.

7 (a) (1) The Administration may not register any motor vehicle, trailer, or  
8 semitrailer to be rented ~~OR LEASED~~ until the owner, ~~OR IN THE CASE OF A LEASED~~  
9 ~~VEHICLE, THE LESSOR~~ of the vehicle certifies to the satisfaction of the Administration  
10 that [he] THE OWNER ~~OR LESSOR~~ has security for the vehicle in the same form and  
11 providing for the same minimum benefits as the security required by Title 17 of this  
12 article for motor vehicles.

13 (2) (I) ~~SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE~~  
14 ~~OWNER OF A VEHICLE TO BE RENTED MAY SATISFY THE REQUIREMENT OF~~  
15 ~~PARAGRAPH (1) OF THIS SUBSECTION BY MAINTAINING AN EXCESS INSURANCE~~  
16 ~~POLICY WHICH EXTENDS COVERAGE TO A MOTOR VEHICLE WHILE IT IS RENTED.~~

17 ~~(II) IF THE OWNER OF A VEHICLE TO BE RENTED PROVIDES~~  
18 ~~COVERAGE AS PROVIDED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE~~  
19 ~~RENTAL AGREEMENT SIGNED BY THE RENTER SHALL CONTAIN A PROVISION ON~~  
20 ~~THE BASE OF THE AGREEMENT, STATED IN BOLD TYPE, INFORMING THE RENTER~~  
21 ~~THAT THE OWNER'S COVERAGE IS EXCESS ONLY~~ IN THIS PARAGRAPH,  
22 "REPLACEMENT VEHICLE" MEANS A VEHICLE THAT IS LOANED BY AN AUTO REPAIR  
23 FACILITY OR A DEALER, OR THAT AN INDIVIDUAL RENTS TEMPORARILY, TO USE  
24 WHILE A VEHICLE OWNED BY THE INDIVIDUAL IS NOT IN USE BECAUSE OF LOSS, AS  
25 "LOSS" IS DEFINED IN THAT INDIVIDUAL'S APPLICABLE PRIVATE PASSENGER  
26 AUTOMOBILE INSURANCE POLICY, OR BECAUSE OF BREAKDOWN, REPAIR, SERVICE,  
27 DAMAGE, OR THEFT.

28 (II) SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH, AN  
29 OWNER OF A REPLACEMENT VEHICLE MAY SATISFY THE REQUIREMENT OF  
30 PARAGRAPH (1) OF THIS SUBSECTION BY MAINTAINING AN INSURANCE POLICY  
31 THAT IS EXCESS TO ANY OTHER INSURANCE POLICY AND THAT EXTENDS  
32 COVERAGE TO THE OWNER'S VEHICLE WHILE IT IS USED AS A REPLACEMENT  
33 VEHICLE.

34 (III) IF AN OWNER OF A REPLACEMENT VEHICLE PROVIDES  
35 COVERAGE AS PROVIDED UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE  
36 AGREEMENT FOR THE REPLACEMENT VEHICLE TO BE SIGNED BY THE RENTER OR  
37 THE INDIVIDUAL TO WHOM THE VEHICLE IS LOANED SHALL CONTAIN A PROVISION  
38 ON THE FACE OF THE AGREEMENT, IN 12 POINT BOLD TYPE, THAT INFORMS THE  
39 INDIVIDUAL THAT THE COVERAGE ON THE VEHICLE BEING SERVICED OR  
40 REPAIRED IS PRIMARY COVERAGE FOR THE REPLACEMENT VEHICLE AND THE  
41 COVERAGE MAINTAINED BY THE OWNER ON THE REPLACEMENT VEHICLE IS  
42 EXCESS ONLY.

4

1 (b) Notwithstanding any provision of the rental agreement to the contrary, the  
2 security required under this section shall cover the owner of the vehicle and each person  
3 driving or using the vehicle with the permission of the owner ~~for lessee~~.

4 (c) If the Administration finds that the vehicle owner has failed or is unable to  
5 maintain the required security, the Administration shall suspend the registration of the  
6 vehicle.

7 SECTION 2. AND BE IT FURTHER ENACTED, That:

8 (a) There is a Task Force to Examine Liability Insurance on Rental Vehicles.

9 (b) The Task Force consists of the following 7 members:

10 (1) 1 Senator appointed by the President of the Senate;

11 (2) 1 Delegate appointed by the Speaker of the House of Delegates;

12 (3) the Commissioner of the Maryland Insurance Administration or the  
13 Commissioner's designee;

14 (4) the Administrator of the Motor Vehicle Administration or the  
15 Administrator's designee; and

16 (5) 3 members appointed jointly by the President of the Senate and the  
17 Speaker of the House of Delegates as follows:

18 (i) 1 representative of the Maryland Rental Car Coalition;

19 (ii) 1 representative of the motor vehicle liability insurance industry;  
20 and

21 (iii) 1 member at large.

22 (c) The President of the Senate and the Speaker of the House of Delegates shall  
23 each appoint a co-chair of the Task Force.

24 (d) Staff support for the Task Force shall be provided by the Department of Fiscal  
25 Services and the Department of Legislative Reference.

26 (e) The purpose and responsibilities of the Task Force are to:

27 (1) review the liability insurance issues, including primary coverage,  
28 involved in the rental of motor vehicles in this State;

29 (2) develop recommendations for methods to:

30 (i) reduce costs to consumers of the automobile insurance industry  
31 and the rental vehicle industry with respect to duplicative insurance coverages provided  
32 on rental vehicles;

33 (ii) reduce the confusion to consumers related to the insurance issues  
34 involved in rental vehicle transactions; and

35 (iii) reduce costs to consumers of rental vehicles or the use of loaner  
36 cars; and

1                   (3) propose legislative, regulatory, and other changes required to implement  
2 the recommendations.

3                   (f) On or before December 1, 1996, the Task Force shall submit a report to the  
4 Governor and, in accordance with § 2-1312 of the State Government Article, the General  
5 Assembly.

6                   (g) The Task Force shall terminate on January 1, 1997.

7                   SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
8 take effect July 1, 1996.

9                   SECTION 4. AND BE IT FURTHER ENACTED, That, except as provided in  
10 Section 3 of this Act, this Act shall take effect October 1, 1996.