

Car rental firms left out of Conn. 'vicarious liability' fix

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HARTFORD — Although car leasing companies are happy about recently passed legislation that repeals parts of “vicarious liability” laws, it is driving car rental companies crazy.

The bill, which will take effect October 1, pending the signature of Gov. John G. Rowland, will ensure that companies leasing passenger vehicles for more than a year will not be held liable for damages caused by operators as long as the car carries \$100,000 of bodily injury insurance per person and \$300,000 per accident or injuries. However, companies that rent vehicles are still liable for the accidents of their lessees.

The rental companies might not be so upset if they were not initially included in the legislation. House Majority Leader James A. Amann (D) tried to move a bill through under the pretense that it was “everybody in or nobody in,” but the Senate took the position that for now relaxation of vicarious liability laws should be limited to leasing companies only.

Not all in the Senate agreed though. Senator William H. Nickerson (R), called the bill a “half-hearted” attempt at remedying a bad situation.

“We’re hurting Connecticut and the idea that we’re helping the insured is not right,” he said. “In both day-to-day rentals and leasing the owner doesn’t really know that much about the operator and neither should be held responsible for what the driver does.”

Bob Muhs, vice president of government affairs for Cendant Travel Distribution, the Parsippany, N.J.-based company that owns Avis and Budget Rent-A-Car, said he hopes next year will be different.

“We were able to come out of this deal with a good sense that next year will be a year when they’ll tackle rental cars in Connecticut,” he said. “We’ll be back and we’ll keep fighting.”

Cendant, which also has a leasing company, is one of the world’s largest car rental operators, so staying afloat is not as hard as it is for smaller operations.

“If you have to buy a policy of insurance here you’ve got problems,” said Muhs. “It’s exorbitant premiums. But for companies like ours who are self-insured and have agreements with various corporate accounts, we can’t turn around and say ‘we’re leaving the state of Connecticut.’”

On the leasing side, several companies, including Chase Manhattan, Honda and Volvo, threatened to do just that and quit leasing in the Connecticut market unless action was taken. The companies looked to a \$28 million vicarious liability case in Rhode Island from last year and saw how vulnerable they were. It is for this reason, said Senator David Cappiello (R), that tackling the issue of rental cars was not first priority this year.

“We weren’t sure we were going to get this through, so we said we should get through what we can now and worry about the rest later,” he said. “Although I think legislation still needs to look at the issue of rental cars, I believe this was a more pressing issue.”

Cappiello maintained that leasing a car and renting a car are two entirely different things, and that leasing is more analogous to purchasing a car than renting one. “When you lease a car you pay property taxes just like when you buy a car,” he said. “And when you look at people who buy cars, 90 percent of them don’t buy it outright, they make payments like you do when you’re leasing.”

Warren Ruppap, executive vice president of the Independent Insurance Agents of Connecticut, saw things the same way. “I think what happened quite frankly is that the legislation focused on why a leasing company has a liability just because they’re in the business of providing a car,” he said. “It’s a little different on the rental side because the rental company still has the care and custody of the vehicle, and they receive it back periodically.”

Sen. Cappiello acknowledged that because of higher insurance premiums, rental car companies have to charge higher rental rates. “It would be easier to attract tourists if it weren’t so expensive to rent cars,” he said.

Rental companies in Rhode Island have also raised their rates substantially to compensate for the potential cost of lawsuits. Legislation is pending in Rhode Island and New York regarding similar vicarious liability laws.

Sen. Nickerson said he can’t believe vicarious liability laws still exist anywhere: “These laws have no place in the 21st century. They might have been relevant a hundred years ago when the lesser and the lessee knew each other, but now there’s just no reason.”

Muhs said he is happy the law has changed for the leasing side of his company and he believes that in due time the law will change for the rental portion. “We believe that certainly something is better than nothing,” he said, “and I guess this is paving the way for the rest of the company next year.” □