

# HOUSE RESEARCH

## Bill Summary

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**Subject:** Insurance coverage of rental cars

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### Background

This bill involves insurance coverage for a renter's liability to the rental car company for damage to the rental car. That liability includes both repair of the damage and loss of use. Minnesota law requires that motor vehicle insurance policies issued in this state provide coverage for that potential liability of the policyholder in an amount of at least \$35,000. In other words, the renter's insurance on the renter's own vehicle covers that risk. Because many vehicle owners do not buy collision coverage (which is not required by law but is required by lenders), Minnesota law requires that the rental car damage liability coverage be included in the property damage liability coverage, which is required in Minnesota, rather than in the collision coverage. If a rental (such as one that is beyond the term threshold involved in this bill) is not covered by the renter's own policy, the renter has three options: buy the "collision damage waiver" sold by rental car companies, use a credit card that provides a collision damage waiver, or go uninsured for the risk of damage to the rental vehicle.

### Section

- 1 Rental vehicles.** For rental vehicles, changes the rental period threshold for coverage of property damage liability under the renter's own automobile insurance policy from one month to two months. A vehicle rented for a period longer than the threshold is not covered by the renter's own policy. For instance, under current law, a vehicle rented for five weeks would not be covered because the lease period is longer than one month. Under this bill, the vehicle would be covered because the rental period is less than two months. Adds language to an existing required disclosure, alerting the consumer to the two-month limit.

