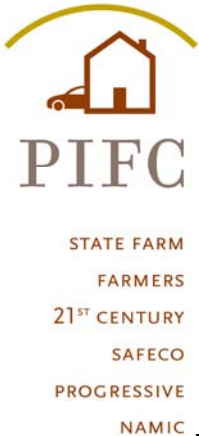


MEMORANDUM



Date: April 10, 2009

To: The Honorable John A. Perez

From: Rex D. Frazier, President
Michael A. Gunning, Vice President
Kimberley Dellinger, General Counsel
Ermelinda Ruiz, Legislative Advocate

Re: AB 833 (John A. Perez) Rental Passenger Vehicles: Contracts
PIFC Position: Oppose, unless amended

The Personal Insurance Federation of California, representing insurers who write over 60% of the auto insurance sold in the state, including State Farm, Allstate, Farmers, Liberty Mutual Group, 21st Century, Progressive, and NAMIC, **opposes, unless amended AB 833 by Assemblyman John A. Perez.**

AB 833 would revise the provision authorizing a rental company and renter to agree that the renter will be responsible for loss due to theft of the rented vehicle up to its fair market value, provided the rental company establishes the renter/authorized driver failed to exercise ordinary care while in possession of the vehicle. This bill will increase the limit on the renter's responsibility, establish a formula for determining the maximum charge for loss of use of a rented vehicle, and limit the charge for a damage waiver to \$22 for each full or partial 24-hour rental day.

AB 833 creates a new "mathematical formula" to determine "loss of use" (LOU) when a loss has occurred. This provision seems to advantage the rental car companies over consumers because it is based upon estimated time which might not reflect the actual time needed for repairs. This could encourage the inflation of the estimated time to make repairs. Moreover, rental car companies typically have an inventory of interchangeable vehicles that are rented whether or not one of those vehicles is in the shop for repairs. In other words, the rental car company is not actually losing a rental on a vehicle that is out for repairs because there is another similar interchangeable vehicle available for rental.

LOU was previously eliminated by AB 491 (Frommer, 2001), AB 833 would reinstate the ability of the rental car companies to seek LOU against the renter of a vehicle. In the Judiciary Committee analysis of AB 491 it stated that, "The bill would also reduce the renter's liability for loss due to theft, and would eliminate the renter's liability (except for an incidental administrative charge) for loss of use due to vehicle damage or theft." The committee analysis suggested that the removal of this provision (LOU) would provide a "consumer protection." Typically, this "loss of use" requirement falls directly on the rental car consumer. Many insurers' auto policies do not cover LOU except by endorsement. We urge the committee to consider what circumstances have occurred to now warrant the removal of this protection to consumers? We suggest that the committee remove

from the bill this provision reinstating LOU against consumers.

For the foregoing reasons, **PIFC opposes, unless amended AB 833** and urges your **“no”** vote. If you have any questions regarding PIFC's opposition, please contact Michael Gunning at (916) 442-6646.

cc: Honorable John Perez, Author
Gregson Porteous, Assembly Republican Caucus
Mike Proso, Legislative Secretary for the Governor
Manolo Platin, Office of the Insurance Advisor