

Regular Session, 2011

HOUSE BILL NO. 400

BY REPRESENTATIVE CORTEZ

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

INSURANCE/AUTOMOBILE: Provides with respect to automobile liability insurance for rental dealers

1 AN ACT

2 To amend and reenact R.S. 32:793(D), relative to automobile liability insurance; to provide
3 with respect to such insurance for rental dealers; and to provide for related matters.

4 Be it enacted by the Legislature of Louisiana:

5 Section 1. R.S. 32:793(D) is hereby amended and reenacted to read as follows:

6 §793. Rent with option-to-purchase program

7 * * *

8 D.(1) Every rental dealer shall maintain a contingent automobile liability
9 policy of insurance, for the protection of the public, with minimum limits of one
10 hundred thousand dollars per occurrence, three hundred thousand dollars aggregate,
11 and fifty thousand dollars in property damage. Failure to maintain such insurance
12 shall result in the immediate suspension of the license of the rental dealer, which
13 suspension shall be effective as of the date of the failure to maintain insurance
14 coverage or until proof of the required insurance is furnished to the commission. If
15 no proof is furnished to the commission within thirty days, the license of such rental
16 dealer shall be revoked.

17 (2) It shall not be sufficient for any rental dealer to share in a policy of
18 insurance, which could, under any circumstance, create a ~~limit~~ limits of less than that
19 set forth herein. ~~Such policy shall be placed, if available, through~~

20 (3) Such policy shall be placed through an insurance company licensed by
21 and admitted in the state of Louisiana or, upon a finding by the commissioner of
22 insurance, after a public hearing that there are no admitted carriers offering such a

1 policy, through an approved nonadmitted insurance company with an A.M. Best
2 rating of A or better. Such approved nonadmitted insurance company shall pay into
3 the insurance guaranty fund as would an admitted carrier. In addition, the
4 permissibility of the use of an approved nonadmitted insurance company shall exist
5 for not longer than twelve consecutive months from the date of determination by the
6 commissioner, at which time another determination shall be required.

* * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Cortez

HB No. 400

Abstract: Requires a rental dealer to maintain insurance covering his place of business and operation that is in compliance with La. law; provides for suspension of the rental dealer's license in the event that he fails to maintain such insurance.

Present law requires every rental dealer to maintain a contingent automobile liability policy of insurance with minimum limits of \$100,000 per occurrence, \$300,000 aggregate, and \$50,000 in property damage.

Present law further provides that it shall not be sufficient for any rental dealer to share in a policy of insurance, which could, under any circumstance, create a limit of less than that set forth in present law. Such policy shall be placed, if available, through an insurance company licensed by and admitted in the state of La.

Proposed law retains the limits set by present law for the contingent automobile liability policies of insurance required for rental dealers.

Proposed law provides for suspension of the license of a rental dealer who fails to maintain insurance over his business and operation that is in compliance with La. law. Further provides that the suspension shall be effective as of the date of failure to maintain such insurance or until proof of the required insurance is furnished to the commission.

Proposed law provides that failure by a rental dealer to submit proof of the required insurance to the commission within 30 days will result in the revocation of the rental dealer's license.

Proposed law retains the provision in present law that requires a rental dealer to obtain this insurance from an insurance company licensed by and admitted in the state of La. but adds the alternative that a rental dealer may also obtain insurance through an approved nonadmitted insurance company with an A.M. Best rating of A or better if the commissioner of insurance, after a public hearing, finds that no admitted carriers offer such a policy. Further provides that such a nonadmitted carrier must pay into the insurance guaranty fund in the same way that an admitted carrier would.

Proposed law provides that the permission for a rental dealer to obtain insurance from an approved nonadmitted insurance company shall exist for no longer than 12 consecutive

months from the date of determination by the commissioner. Another hearing and finding by the commissioner will be required after 12 months from the date of the commissioner's initial finding.

(Amends R.S. 32:793(D))

Summary of Amendments Adopted by House

Committee Amendments Proposed by House Committee on Insurance to the original bill.

1. Replaced provision that requires rental dealers to maintain contingent automobile liability insurance with a provision that requires rental dealers to maintain insurance that is in compliance with the financial responsibility laws of this state and is necessary to provide coverage to the rental dealer's business and operation.
2. Deleted provisions that allow rental dealers to maintain a contingent automobile liability bond or cash deposit with the state treasurer in lieu of a contingent liability policy.
3. Added alternative provision that allows rental dealers to obtain insurance from an approved nonadmitted insurance company with A.M. Best ratings of B+ or above.

House Floor Amendments to the engrossed bill.

1. Restored provision in present law that sets the minimum limits for a rental dealer's contingent automobile liability policy of insurance.
2. Required that there be a public hearing and finding by the commissioner of insurance that there are no carriers admitted in the state of La. before rental dealers will be permitted to obtain insurance through an approved nonadmitted insurance company. The approved nonadmitted company must have an A.M. Best rating of A or better and must pay into the insurance guaranty fund in the same manner as would an admitted carrier.
3. Provided that the permissibility of use of an approved nonadmitted insurance company shall exist for not longer than 12 months from the date of the commissioner's finding.