

FILED FEB 6 1990

SENATE FILE 2273  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 2154)  
*Reapproved (of 425)*

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the rental of motor vehicles for a period of  
2 four months or less from a location in this state, and  
3 authorizing civil and criminal penalties and remedies.  
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SE 2273

1 Section 1. NEW SECTION. 516D.1 TITLE.

2 This chapter is entitled the "Iowa Car Rental and Collision  
3 Damage Waiver Act".

4 Sec. 2. NEW SECTION. 516D.2 SCOPE.

5 This chapter applies to advertising and business practices  
6 relating to rental agreements entered into in this state.

7 Sec. 3. NEW SECTION. 516D.3 DEFINITIONS.

8 As used in this chapter, unless the context requires other-  
9 wise:

10 1. "Authorized driver" means the customer to whom the ve-  
11 hicle is rented; any person expressly listed by the rental  
12 company on the rental agreement as an authorized driver; any  
13 person who operates the vehicle with permission of the  
14 customer during an emergency situation; the customer's spouse,  
15 if the spouse is a licensed driver who satisfies the rental  
16 company's minimum age requirement; and the customer's employer  
17 or co-worker, if that person is engaged in business activity  
18 with the person to whom the vehicle is rented, is a licensed  
19 driver, and satisfies the rental company's minimum age  
20 requirement.

21 2. "Collision damage waiver" means a contract or contrac-  
22 tual provision, whether separate from or a part of a motor  
23 vehicle rental agreement, whereby the rental company agrees,  
24 for a charge, to waive any and all claims against the customer  
25 or authorized driver for any damages to, or loss due to theft  
26 of, the rental vehicle, including loss of use, during the term  
27 of the rental agreement.

28 3. "Customer" means a person obtaining the use of a rental  
29 motor vehicle from a rental company under the terms of a  
30 rental agreement.

31 4. "Estimated time for repair" means a good faith estimate  
32 of the reasonable number of hours of labor, or fraction of an  
33 hour, needed to repair damaged vehicle parts.

34 5. "Estimated time for replacement" means the number of  
35 hours of labor, or fraction of an hour, needed to replace

1 damaged vehicle parts as set forth in collision damage  
2 estimating guides generally used in the vehicle repair  
3 business and commonly known as "crash books".

4 6. "Mandatory charge" means any charge, fee, differential,  
5 or surcharge that all or a majority of customers must pay in  
6 order to obtain or operate a rental vehicle.

7 "Mandatory charge" does not include an optional airport  
8 imposed fee if the existence and amount of the fee are clearly  
9 and conspicuously disclosed immediately adjacent to the adver-  
10 tised price, but when an advertisement encompasses more than  
11 one rental location, the fee may be expressed as the maximum  
12 fee or range of fees. The advertisement must clearly and  
13 conspicuously state the method of avoiding the access fee and  
14 the customer must be informed of the amount of the fee when  
15 the reservation is made.

16 "Mandatory charge" does not include taxes imposed by an  
17 authorized taxing authority directly upon the rental transac-  
18 tion. An airport imposed fee, either as a concession fee on  
19 gross receipts or an airport access fee, is not such a tax.

20 "Mandatory charge" does not include mileage fees as long as  
21 the existence of mileage limitation and cost per mile for  
22 excess miles is clearly and conspicuously disclosed  
23 immediately adjacent to the advertised price.

24 7. "Material restriction" means a restriction, limitation,  
25 or other requirement which significantly affects the price of,  
26 normal anticipated use of, or a consumer's financial  
27 responsibility for, a rental car. Restrictions against any or  
28 all of the following activities in connection with the acqui-  
29 sition or use of a rental vehicle are not "material restric-  
30 tions":

31 a. Obtaining a rental vehicle by use of false or mis-  
32 leading information.

33 b. Operating the rental vehicle while intoxicated or under  
34 the influence of any drug.

35 c. Transporting people or property for hire.

1 d. Engaging in any race, training activity, contest, or  
2 use for an illegal purpose.

3 e. Pushing or towing any vehicle or other object.

4 f. Operating the rental vehicle in an abusive or reckless  
5 manner.

6 g. Operating the rental vehicle other than on regularly  
5357 maintained roadways.

8 h. Operating the rental vehicle outside the continental  
9 United States unless allowed by the rental contract.

10 8. "Rental agreement" means a written agreement containing  
11 the terms and conditions for the use of the rental motor  
5358 12 vehicle by the customer for a term of four months or less.

13 9. "Rental company" means a person in the business of  
14 providing rental motor vehicles to customers.

15 10. "Rental motor vehicle" means a private passenger type  
16 vehicle which, upon the execution of a rental agreement, is  
17 made available to a customer for the customer's use or other  
18 authorized driver's use.

19 Sec. 4. NEW SECTION. 516D.4 COLLISION DAMAGE AND LOSS.

20 1. A rental company shall not hold, or attempt to hold, an  
21 authorized driver liable for physical damage loss, loss of  
22 use, or loss due to theft of a rental vehicle in an amount  
23 exceeding five hundred dollars except where one or more of the  
24 following applies:

25 a. The damage or loss due to theft is caused intentionally  
26 by the authorized driver or as a result of the authorized dri-  
27 ver's willful, abusive, reckless, or wanton misconduct.

28 b. The damage arises out of the authorized driver's  
29 driving while intoxicated or under the influence of any drug.

30 c. The damage is caused while the authorized driver is  
31 engaged in a race, training activity, contest, or use of the  
32 vehicle for any illegal purpose.

5359 33 d. The rental transaction is based on false or misleading  
34 information supplied by the customer.

35 e. The damage is caused by operating the vehicle other

5351 than on regularly maintained roadways.

2 f. The damage arises out of the use of the vehicle to  
3 carry persons or property for hire or to push or tow anything.

4 g. The damage occurs while the vehicle is operated by  
5 other than an authorized driver.

6 h. The damage arises out of the use of the vehicle outside  
7 the continental United States unless such use is specifically  
8 authorized by the rental agreement.

9 This subsection does not alter an authorized driver's  
10 liability, now and in the future, for bodily injury or death  
11 of another and for property damage other than to the rental  
12 vehicle.

5354 13 A rental company shall not sell a collision damage waiver  
14 in any form. However, a rental company may accept or nego-  
15 tiate master contracts with companies, including partnerships  
16 and sole proprietors, or government entities in advance of  
17 need whereby the companies or government entities specifically  
18 agree to assume risk of loss in exchange for rate concessions.  
19 In addition, a rental company may enter into written  
20 agreements with insurance companies to provide replacement  
21 vehicles to insurance company customers whereby the insurance  
22 company agrees to assume the risk of loss.

23 2. A claim against an authorized driver resulting from  
24 physical damage to or loss of use of a rental vehicle must be  
25 reasonably and rationally related to the actual loss incurred.  
26 A rental company shall mitigate damages where possible. A  
27 rental company shall not assert or collect any claim for  
28 physical damage which exceeds the actual cost of the repair,  
29 including all discounts or price reductions. Administrative  
30 fees shall be limited to the reasonable administrative costs  
31 associated with processing the damage claim. A claim made for  
32 loss of use shall not exceed the product of the daily rental  
33 rate stated in the customer's contract, excluding optional  
34 charges, and a fraction, the numerator of which is the total  
35 of the estimated time for replacement and the estimated time

1 for repair, and the denominator of which is eight.

2 If the rental vehicle is not repaired, damages shall not  
3 exceed the fair market value of the vehicle, as determined in  
4 the customary market for that vehicle, less salvage or actual  
5 sale value, plus additional license and tax fees incurred  
6 because of the sale, plus administrative fees. A charge shall  
7 not be made for loss of use if the rental vehicle is not  
8 repaired.

9 Sec. 5. NEW SECTION. 516D.5 DISCLOSURES.

10 1. All material restrictions on an advertised rate or on  
11 the use of the rental vehicle must be clearly and  
12 conspicuously disclosed in any price advertisement.

13 2. A rental company shall only advertise, quote, and  
14 charge a rental rate that includes all mandatory charges. A  
15 rental company shall not impose any mandatory charges in  
16 addition to the advertised or quoted rental rate.

17 Sec. 6. NEW SECTION. 516D.6 PROHIBITIONS.

18 Unfair or deceptive acts or practices in the advertisement  
19 or rental of vehicles are prohibited. Unfair or deceptive  
20 acts or practices include, but are not limited to, the fol-  
21 lowing:

22 1. Misrepresentation of a customer's need for a collision  
23 damage waiver, personal accident insurance, or personal ef-  
24 fects insurance.

25 2. Misrepresentation of the characteristics or avail-  
26 ability of a reserved rental vehicle in order to rent a  
27 customer a more expensive vehicle than the one reserved.

28 3. Failure to provide a vehicle in the class reserved, or,  
29 if the reserved vehicle is out of stock, failure to provide a  
30 substitute vehicle in the class reserved from a competitor or  
31 a more expensive vehicle at the reservation rate quoted for  
32 the vehicle reserved.

33 4. Failure to disclose the following material restric-  
34 tions, where applicable, in response to direct consumer  
35 inquiries regarding the price of renting a vehicle, when the

1 rental company directly discloses a car rental rate, and at a  
2 rental company's counter when the rental agreement is made:

3 a. Specific geographic restrictions and limitations, other  
4 than travel outside the continental United States.

5 b. Advanced reservation and payment requirements.

6 c. The existence of penalties or higher rates that may  
7 apply for early or late returns.

8 d. Cost of additional driver fee.

9 e. Credit or cash deposit requirements.

10 f. Extent of liability for damage or loss.

11 g. Mileage limitations and charges.

12 5. Placement of a block against a customer's credit limit  
13 or charge against a customer's credit card in the following  
14 manner:

15 a. Placing a block or charge against a customer's credit  
16 limit without disclosing orally before the transaction is com-  
17 plete and in writing in the rental contract in a clear and  
18 conspicuous manner the fact that a block or charge will be  
19 placed against the customer's credit card, and the amount of  
20 the block or charge.

21 b. Placing a block or charge against a portion or the  
22 entirety of the credit limit of the card or otherwise placing  
23 a block or charge against the card in excess of the estimated  
24 total daily or weekly charges stated in the rental contract  
25 multiplied by the number of days of the estimated rental if  
26 rented on a daily basis or, if rented on a weekly basis, mul-  
27 tiplied by the number of weeks of the estimated rental.

28 c. Placing a block or charge against a customer's credit  
29 card and then failing to clear the unused amount of the block  
30 or charge against the consumer's credit card in the same  
31 amount of time, subject to credit card company or charge card  
32 company availability, after the customer returns the rental  
33 vehicle as it took the rental company to place the block or  
34 charge against the customer's card when the customer rented  
35 the vehicle.

1 d. Placing or threatening to place a block or charge on a  
2 customer's credit card when seeking to recover any portion of  
3 a claim arising out of damage to, or loss of use of, the  
4 rental vehicle, unless, after the vehicle is damaged or lost,  
5 the rental company determines the exact amount of the repair  
6 or replacement costs and the customer authorizes the charge.

7 e. Charging any amount to a customer's credit card for  
8 damage to, or loss of use of, a rental vehicle after the cus-  
9 tomer has left the location where the rental vehicle was re-  
10 turned, unless the customer has authorized the specific  
11 charges, in the specific amounts, to be charged to the cus-  
12 tomer's credit card, but this subsection does not apply to a  
13 block in the amount of one dollar obtained for authorized  
14 charge amounts.

15 6. Assessment of additional driver fees for licensed dri-  
16 vers who are spouses or authorized business associates of an  
17 authorized driver other than charges for a person who does not  
18 satisfy the rental company's minimum age requirement, if  
19 applicable.

20 Sec. 7. NEW SECTION. 516D.7 RULES.

21 The attorney general may prescribe forms and adopt rules  
22 pursuant to chapter 17A as necessary to accomplish the  
23 objectives of this chapter.

24 Sec. 8. NEW SECTION. 516D.8 ENFORCEMENT.

25 A violation of this chapter or rules adopted by the attor-  
26 ney general pursuant to this chapter is a violation of section  
27 714.16, subsection 2, paragraph "a". The provisions of sec-  
28 tion 714.16, including, but not limited to, provisions  
29 relating to investigation, injunctive relief, and penalties,  
30 apply to violations of this chapter.

31 Sec. 9. Chapter 516C, Code 1989, is repealed.

32 EXPLANATION

33 This bill repeals chapter 516C adopted in 1988. Chapter  
34 516C currently requires certain disclosures in the sale of  
35 collision damage waivers as part of car rental transactions.

1 The bill enacts in its place a new chapter, tentatively  
2 numbered 516D, which would prohibit collision damage waivers  
3 and limit customer liability in most circumstances to no more  
4 than \$500 for damage to a rental vehicle. The bill further  
5 defines, regulates, and authorizes civil sanctions for unfair  
6 and deceptive practices in the car rental industry.

7 The bill applies to a person in the business of renting a  
8 motor vehicle for a period of four months or less from a loca-  
9 tion in this state.

10 Section 3 defines the terms used in the bill, including:  
11 authorized driver, collision damage waiver, customer,  
12 estimated time for replacement, estimated time for repair,  
13 mandatory charge, material restriction, rental company, rental  
14 agreement, and rental motor vehicle.

15 Section 4 prohibits the sale of collision damage waivers  
16 and limits an authorized driver's liability for accidental  
17 damage to the vehicle to \$500. The same limitation would  
18 apply to acts of vandalism or theft resulting in damage or  
19 loss of the vehicle if the authorized driver was not involved  
20 in the vandalism or theft. The \$500 damage limitation does  
21 not apply if the authorized driver is using the vehicle for an  
22 illegal purpose or is violating the terms of the rental  
23 agreement, for instance, by driving while intoxicated.

24 Section 4 also limits the amount that a rental company may  
25 charge for physical damage to its actual cost of repairs and  
26 places a burden on rental companies to mitigate where  
27 possible.

28 Section 5 requires disclosures of all material restrictions  
29 on an advertised rate or on the use of the rental vehicle, and  
30 requires that all mandatory charges be included in the base  
31 rental rate. Section 6 prohibits unfair or deceptive acts or  
32 practices in the advertisement or rental of vehicles,  
33 including, for example, misrepresentation of a customer's need  
34 for a collision damage waiver, personal accident insurance, or  
35 personal effects insurance; misrepresentation of the

1 characteristics or availability of a reserved rental vehicle  
2 in order to switch a customer to a more expensive vehicle than  
3 the one reserved; failure to provide a vehicle in the class  
4 reserved or to make other arrangements to provide a rental  
5 vehicle as agreed; failure to disclose material restrictions,  
6 where applicable; making credit card charges or blocks without  
7 the customer's voluntary and informed consent; and assessment  
8 of additional driver fees for spouses or authorized business  
9 associates.

10 The bill provides for enforcement of its provisions under  
11 the consumer fraud provisions of Code section 714.16.

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## SENATE FILE 2273

S-5356

Amend Senate File 2273 as follows:

1. Page 2, line 13, by inserting after the words "avoiding the" the following: "airport".
2. Page 3, line 7, by inserting after the word "roadways" the following: ", driveways, or parking lots".
3. Page 3, by striking line 12, and inserting the following: "vehicle by the customer for a term of sixty days or less and for which the customer is charged."
4. Page 3, by striking lines 33 and 34, and inserting the following:

"d. The rental vehicle is obtained by the use of false or misleading information."
5. Page 4, line 1, by inserting after the word "roadways" the following: ", driveways, or parking lots".
6. Page 4, by striking line 8, and inserting the following: "authorized by the rental agreement."
  - i. The loss due to theft is attributable to the customer or authorized driver leaving the vehicle unattended with the keys in the vehicle.
  - j. The rental company is providing a rental motor vehicle pursuant to a rental agreement as a replacement vehicle for the customer's use while the customer's own vehicle is being repaired by the rental company, and the customer agrees in writing to assume the risk of damage or loss.
  - k. One or both of the following apply:
    - (1) The rental customer charges the cost of the rental to a credit card or charge card which provides the customer or authorized driver with collision or liability coverage for damage to the rental vehicle.
    - (2) The rental vehicle is rented by a customer, or operated by an authorized driver, who has a preexisting personal automobile insurance policy or policies which provide collision or liability insurance coverage for damage to the rental vehicle.

In either case under paragraph "k", the customer's or authorized driver's liability shall not exceed that provided by the credit or charge card agreement or the insurance policy, and the collection of damages from the credit card, charge card, or insurance company does not result in nonreimbursed costs to the customer or authorized driver as part of the defense of such actions in excess of the five hundred dollars in total aggregate liability otherwise allowed under this section. The rental company shall not inquire into whether a customer has insurance coverage prior to completion of the rental agreement. The customer,

1 authorized driver, credit card company, charge card  
2 company, or insurance company providing coverage shall  
3 not be liable in excess of five hundred dollars for  
4 the theft of a rental vehicle which occurs without the  
5 customer's or authorized driver's prior knowledge or  
6 participation. An insurance company authorized to do  
7 business in this state shall not cancel or withdraw  
8 only the collision or liability insurance coverage for  
9 damage to rental vehicles from its policies issued to  
10 residents of this state."

11 7. Page 4, line 16, by striking the words "and  
12 sole proprietors," and inserting the following: ",  
13 sole proprietors, and business, trade, or professional  
14 associations,".

15 8. Page 4, line 18, by inserting after the word  
16 "rate" the following: "or other contractual".

17 9. Page 6, line 16, by inserting after the word  
18 "orally" the following: "if the transaction is made  
19 at the rental company's counter or place of business".

20 10. Page 6, line 24, by inserting after the word  
21 "charges" the following: ", including taxes and  
22 charges for optional services accepted by the  
23 customer,".

24 11. Title page line 2, by striking the words  
25 "four months" and inserting the following: "sixty  
26 days".

27 12. By renumbering, relettering, and  
28 redesignating as necessary.

By BEVERLY A. HANNON

HANNON, CH.  
BRONSTAL  
NYSTROM

SSB 2154  
COMMERCE

SENATE FILE 2273  
BY (PROPOSED ATTORNEY  
GENERAL BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

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31 a more expensive vehicle at the reservation rate quoted for  
32 the vehicle reserved.

33 4. Failure to disclose the following material restric-  
34 tions, where applicable, in response to direct consumer  
35 inquiries regarding the price of renting a vehicle, when the

- 1 rental company directly discloses a car rental rate, and at a  
2 rental company's counter when the rental agreement is made:
- 3 a. Specific geographic restrictions and limitations, other  
4 than travel outside the continental United States.
  - 5 b. Advanced reservation and payment requirements.
  - 6 c. The existence of penalties or higher rates that may  
7 apply for early or late returns.
  - 8 d. Cost of additional driver fee.
  - 9 e. Credit or cash deposit requirements.
  - 10 f. Extent of liability for damage or loss.
  - 11 g. Mileage limitations and charges.
- 12 5. Placement of a block against a customer's credit limit  
13 or charge against a customer's credit card in the following  
14 manner:
- 15 a. Placing a block or charge against a customer's credit  
16 limit without disclosing orally before the transaction is com-  
17 plete and in writing in the rental contract in a clear and  
18 conspicuous manner the fact that a block or charge will be  
19 placed against the customer's credit card, and the amount of  
20 the block or charge.
  - 21 b. Placing a block or charge against a portion or the  
22 entirety of the credit limit of the card or otherwise placing  
23 a block or charge against the card in excess of the estimated  
24 total daily or weekly charges stated in the rental contract  
25 multiplied by the number of days of the estimated rental if  
26 rented on a daily basis or, if rented on a weekly basis, mul-  
27 tiplied by the number of weeks of the estimated rental.
  - 28 c. Placing a block or charge against a customer's credit  
29 card and then failing to clear the unused amount of the block  
30 or charge against the consumer's credit card in the same  
31 amount of time, subject to credit card company or charge card  
32 company availability, after the customer returns the rental  
33 vehicle as it took the rental company to place the block or  
34 charge against the customer's card when the customer rented  
35 the vehicle.

1 d. Placing or threatening to place a block or charge on a  
2 customer's credit card when seeking to recover any portion of  
3 a claim arising out of damage to, or loss of use of, the  
4 rental vehicle, unless, after the vehicle is damaged or lost,  
5 the rental company determines the exact amount of the repair  
6 or replacement costs and the customer authorizes the charge.

7 e. Charging any amount to a customer's credit card for  
8 damage to, or loss of use of, a rental vehicle after the cus-  
9 tomer has left the location where the rental vehicle was re-  
10 turned, unless the customer has authorized the specific  
11 charges, in the specific amounts, to be charged to the cus-  
12 tomer's credit card, but this subsection does not apply to a  
13 block in the amount of one dollar obtained for authorized  
14 charge amounts.

15 6. Assessment of additional driver fees for licensed dri-  
16 vers who are spouses or authorized business associates of an  
17 authorized driver other than charges for a person who does not  
18 satisfy the rental company's minimum age requirement, if  
19 applicable.

20 Sec. 7. NEW SECTION. 516D.7 RULES.

21 The attorney general may prescribe forms and adopt rules  
22 pursuant to chapter 17A as necessary to accomplish the  
23 objectives of this chapter.

24 Sec. 8. NEW SECTION. 516D.8 ENFORCEMENT.

25 A violation of this chapter or rules adopted by the attor-  
26 ney general pursuant to this chapter is a violation of section  
27 714.16, subsection 2, paragraph "a". The provisions of sec-  
28 tion 714.16, including, but not limited to, provisions  
29 relating to investigation, injunctive relief, and penalties,  
30 apply to violations of this chapter.

31 Sec. 9. Chapter 516C, Code 1989, is repealed.

32 EXPLANATION

33 This bill repeals chapter 516C adopted in 1988. Chapter  
34 516C currently requires certain disclosures in the sale of  
35 collision damage waivers as part of car rental transactions.

1 The bill enacts in its place a new chapter, tentatively  
2 numbered 516D, which would prohibit collision damage waivers  
3 and limit customer liability in most circumstances to no more  
4 than \$500 for damage to a rental vehicle. The bill further  
5 defines, regulates, and authorizes civil sanctions for unfair  
6 and deceptive practices in the car rental industry.

7 The bill applies to a person in the business of renting a  
8 motor vehicle for a period of four months or less from a loca-  
9 tion in this state.

10 Section 3 defines the terms used in the bill, including:  
11 authorized driver, collision damage waiver, customer,  
12 estimated time for replacement, estimated time for repair,  
13 mandatory charge, material restriction, rental company, rental  
14 agreement, and rental motor vehicle.

15 Section 4 prohibits the sale of collision damage waivers  
16 and limits an authorized driver's liability for accidental  
17 damage to the vehicle to \$500. The same limitation would  
18 apply to acts of vandalism or theft resulting in damage or  
19 loss of the vehicle if the authorized driver was not involved  
20 in the vandalism or theft. The \$500 damage limitation does  
21 not apply if the authorized driver is using the vehicle for an  
22 illegal purpose or is violating the terms of the rental  
23 agreement, for instance, by driving while intoxicated.

24 Section 4 also limits the amount that a rental company may  
25 charge for physical damage to its actual cost of repairs and  
26 places a burden on rental companies to mitigate where  
27 possible.

28 Section 5 requires disclosures of all material restrictions  
29 on an advertised rate or on the use of the rental vehicle, and  
30 requires that all mandatory charges be included in the base  
31 rental rate. Section 6 prohibits unfair or deceptive acts or  
32 practices in the advertisement or rental of vehicles,  
33 including, for example, misrepresentation of a customer's need  
34 for a collision damage waiver, personal accident insurance, or  
35 personal effects insurance; misrepresentation of the

1 characteristics or availability of a reserved rental vehicle  
2 in order to switch a customer to a more expensive vehicle than  
3 the one reserved; failure to provide a vehicle in the class  
4 reserved or to make other arrangements to provide a rental  
5 vehicle as agreed; failure to disclose material restrictions,  
6 where applicable; making credit card charges or blocks without  
7 the customer's voluntary and informed consent; and assessment  
8 of additional driver fees for spouses or authorized business  
9 associates.

10 The bill provides for enforcement of its provisions under  
11 the consumer fraud provisions of Code section 714.16.

12 BACKGROUND STATEMENT

13 SUBMITTED BY THE AGENCY

14 The attorney general's office has been involved in the in-  
15 vestigation of car rental industry advertising and business  
16 practices, at both the state and national levels, since  
17 October 1987. The legislation being proposed is intended to  
18 address the abuses identified in that investigation. Among  
19 others, these abuses include:

20 1. The failure to include mandatory charges such as add-on  
21 fuel charges, surcharges, and airport fees in the advertised  
22 price;

23 2. The failure to clearly and conspicuously disclose  
24 material restrictions at the point of reservation and at the  
25 point of rental; and

26 3. The use of deceptive, unfair and unconscionable busi-  
27 ness practices in the sale of collision damage waivers.

28 In March 1989, the national association of attorneys  
29 general adopted the final report and recommendations of the  
30 task force on car rental industry advertising and practices.  
31 The Iowa attorney general's office played a key role in the  
32 formulation and adoption of this report. The proposed  
33 legislation is consistent with the recommendations made in the  
34 association's final report.

35 The attorney general's office has entered into a settlement

1 agreement with a significant number of Iowa car rental  
2 agencies on the issue of failure to include mandatory  
3 surcharges (in this case, ranging from \$2.00 to 5.2% of the  
4 rental price) in the advertised and quoted rental rate. The  
5 agreements regulate, in addition to mandatory surcharges, the  
6 sale of collision damage waivers, repair charges, advertising  
7 and reservation disclosures, and rental practices. This  
8 legislation would extend these requirements to the remainder  
9 of the car rental industry.

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