

▼ Dow Jones -144.75, 8,257.61	▼ S&P 500 -10.90, 879.91	▼ Courant-Bloomberg CT -1.32, 192.83	▼ Russell 2000 -1.87, 377.73	Nasdaq composite +3.71, 1,394.72	▼ 30-Year T-Bond Yield -0.04%, 4.91%	▼ Gold, cash price -\$1.35, \$324.10	▼ Oil, spot price -\$0.50, \$28.28
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## CRITICS CHALLENGING LAW THAT MAKES RENTAL FIRMS LIABLE IN ACCIDENTS



STEPHEN DUNN / THE HARTFORD COURANT

BOB KEYES, of Enterprise Rent-A-Car in Connecticut, said the company has been hit by several claims for more than \$2 million each during the past four years.

# Auto Leasing In Turmoil

By DIANE LEVICK  
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**T**he car leasing market in Connecticut is in turmoil over a 78-year-old law, and many residents are paying the price.

Many drivers are shelling out hundreds of dollars more for new car leases. Finance companies are threatening to stop issuing new leases unless the law is repealed or reformed.

It's all because of a law that has cost them millions of dollars by holding them responsible when their customers cause accidents. The "vicarious liability" law makes it possible to collect damages from the owner of a leased or rented vehicle for injuries and property damage caused by the vehicle's driver.

Hoping to keep leasing firms from fleeing, lobbyists and legislators this week were negotiating a possible reform of the "vicarious liability" law.

This law makes it possible to collect damages from the owner of a leased or rented vehicle for injuries and property damage caused by the vehicle's driver.

As of Wednesday, prospects were brighter for an agreement involving leasing than for a compromise that would satisfy rental firms. One reform approach, though, would raise auto insurance costs for many consumers who want new leases.

Vicarious liability "is the number one issue in our industry," said Bob Keyes, president of the Car and Truck Rental and Leasing Association of Connecticut. "There's huge exposure there," said Keyes, who is also vice president and general manager of Enterprise Rent-A-Car in Connecticut.

General Motors' GMAC Financial Services, Ford Credit and Chase Manhattan Automotive Finance Corp. have all threatened to quit new leasing in Connecticut unless vicarious liability is repealed or re-

formed.

Existing leases wouldn't be affected. An estimated 20 to 25 percent of new cars in Connecticut are leased.

On Tuesday, Chrysler Financial and Mercedes-Benz Credit became the latest finance companies to announce a boost in new customers' leasing fees because of vicarious liability.

Both units will raise the "acquisition fee" for a new lease to \$1,000 May 1 in Connecticut and four other states with similar liability laws. That's an increase of \$450 for Chrysler and \$405 for Mercedes.

Chase Automotive raised its acquisition fee on new leases in Connecticut and New York to \$1,000 from \$595 in December. On March 1, GMAC boosted its "administrative fee" on new Connecticut leases to \$1,075 from \$670.

Companies say fees must reflect their own rising liability insurance costs, which they blame on vicari-

ous liability. Vicarious liability laws are archaic, dating to stagecoach days, critics say. The current Connecticut law dates to 1925.

Keyes and others say some smaller leasing and rental firms have quit the business already, unable to find or afford insurance largely because of the vicarious liability issue.

As of Jan. 1, a look at five major leasing firms showed \$1.6 billion of such claims were pending against them in Connecticut, New York and Rhode Island, according to Elaine Litwer, legislative coordinator of the National Vehicle Leasing Association.

Leasing and rental companies say the law unfairly shifts a driver's negligence to them, and could be financially devastating. Trial lawyers, however, have opposed outright repeal and say the law protects accident victims' ability to get compensation.

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## Auto Leasing In Turmoil

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Financing companies, new car dealers and others have sought the law's repeal in past years, but the bills died. Now reform proponents are fighting at full throttle as the leasing industry, financially pinched anyway, sees vicarious claim costs climb.

Several large well-publicized awards against the financing firms have fueled their fear.

"There's starting to be a feeding frenzy and you end up killing the host," said Muzette Hill, counsel for strategic initiatives for Ford Credit.

A Rhode Island jury last summer ordered Chase to pay \$28 million to a woman who'd been burned and partially paralyzed in an accident caused by the driver of a car leased from Chase.

Chase later settled the case for about half the amount and exited the new-leasing business in Rhode Island last October.

GMAC is set to pull out of New York leasing in May, and Ford Credit is planning a July exit unless that state's legislature acts. The New York Senate passed a bill, but the Assembly hasn't acted.

Rhode Island, Connecticut and New York are among a handful of states where there's no limit on the amount of vicarious liability damages that a leasing firm can be forced to pay. Some other states cap the liability.

If leasing firms stop leasing, they'd push other financing such as "balloon loans," which Ford is

already promoting. A balloon loan shifts title of the car to the consumer, so the leasing firm doesn't have to worry about vicarious liability. But the consumer must pay sales tax on the entire purchase price of the car, instead of on individual lease payments.

The fight against vicarious liability "is not about profits being up or down," says Jeffrey Levine, general counsel for Chase Automotive. "It is about holding a leasing company responsible for the acts of a negligent driver when we have absolutely no dominion or control over that vehicle."

"I can't control how you drive that car," Levine says. "I can't take the keys away from you. I never meet you."

The number of vicarious liability cases that Chase is getting each month has doubled in the last three years, Levine says.

In Connecticut alone, 130 vicarious liability claims from the last couple of years are pending against Ford Credit, demanding a little under \$50 million, Hill says. The caseload "is definitely trending up," she says.

Enterprise in Connecticut has had several claims for more than \$2 million each, during the past four years, Keyes says.

Trial lawyers say they oppose repeal because it would leave some accident victims able to collect little if any money for their injuries, especially if the driver who hits them is uninsured or underinsured.

"You have corporate entities that are making significant profit by placing these vehicles on the road," says Andrew Groher, a past president of the Connecticut Trial Lawyers Association. "There ought to be some incentive to make sure people are adequately protected."

Groher says rental and leasing companies can reduce their risk of claims by checking people's licenses and driving records before doing business with them.

But Chase's Levine says under federal rules, leasing firms must lease to any driver who's licensed and meets the company's credit criteria. Chase could be sued for discrimination if, for instance, it refused a lease to a driver who'd been convicted of drunk driving but had his license reinstated, Levine says.

One reform proposal under discussion in Connecticut this week would relieve leasing firms of vicarious liability if they require customers to carry auto insurance of at least \$250,000 per person and \$500,000 per accident, said Neil Ferstand, executive director of the Connecticut Trial Lawyers Association.

Currently, leases typically require insurance of \$100,000 per person and \$300,000 per accident. By requiring more insurance, the reform proposal would cost many consumers more, the amount varying by insurer.

Keyes said a compromise on rental companies' liability hadn't been reached yet, but added, "There's always hope."