

MINUTES
SENATE TRANSPORTATION COMMITTEE

DATE: Tuesday, March 12, 2013

TIME: 1:30 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Johnson, Senators Keough, Winder, Rice, Nonini, Hagedorn, Bock and Buckner-Webb

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the Senate Transportation Committee (Committee) office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Brackett** called the meeting to order at 1:35 p.m. and asked the secretary to take a silent roll. With a quorum present, the **Chairman** took up the Committee discussion on **H 41** that began at the end of the March 7 meeting. The **Chairman** turned the meeting over to Vice Chairman Johnson, who had carried the bill on the Senate floor previously, to conclude the discussion.

H 41 **Vice Chairman Johnson** said that the Committee has taken a lot of time learning about bioptic devices and the issues presented in **H 41**. After meetings and discussions outside the Committee, an agreement on the current language in the bill had been reached. It is agreed that any additional changes to these statutes should occur in the next legislative session. The **Vice Chairman** said that, based on those discussions, he is convinced the bill should be passed, and he appreciates the efforts of all involved. He asked if there were any comments or questions from the Committee.

Senator Rice thought the discussions that had taken place brought the Committee to a better understanding of the changes that should be pursued in the next legislative session. He said the Committee members need to take time to meet to further discuss bioptics. **Senator Rice** said he would support the bill.

Senator Bock said that the potential harm to those using bioptic lenses could be catastrophic if this bill does not pass. He agreed that this issue should be revisited in the next legislative session. There were no further comments or discussion.

MOTION: **Vice Chairman Johnson** moved that **H 41** be sent to the Senate floor with a **do pass** recommendation. **Senator Bock** seconded the motion. The motion carried by unanimous **voice vote**. **Vice Chairman Johnson** will carry the bill on the Senate floor.

Vice Chairman Johnson turned the Committee meeting back to Chairman Brackett.

H 217 **Chairman Brackett** welcomed Trent Wright, Executive Vice President of the Idaho Automobile Dealers Association, to the Committee and asked him to present **H 217**.

Mr. Wright said that **H 217** amends existing law to revise provisions relating to the negligent operation of a loaned vehicle. He explained that this refers to loaner vehicles given to consumers by dealerships for use while their vehicle is being serviced. The bill deals with where the liability lies if the consumer drives negligently and damages the vehicle. Paying for insurance liability policies has become a problem for dealers. **H 217** specifies that if a vehicle is loaned for temporary use without charge and is operated in a negligent manner, the primary liability coverage shall be the operator's insurance, with the dealer's insurance being secondary. He said there were dealers present in the hearing willing to testify.

Mr. Wright indicated that an amendment has been drafted by stakeholder consensus to add specific language in sections 3 and 5; section 11 encapsulates the additions. He distributed copies of the proposed amendment. With that, **Mr. Wright** stood for questions.

Senator Winder brought attention to the second-to-the-last line in the amendment and said the language dealing with "death or injury" was not a problem.

Senator Bock asked if consumers test driving cars at a dealership needed to show proof of insurance. **Mr. Wright** didn't know of a specific rule or requirement, but as a best-practice consumers need to show proof of insurance and the dealer takes a copy of their driver's license. **Senator Bock** asked how the new language would handle an operator who has an accident. **Mr. Wright** said that if a dealership allows one of their vehicles to be given to a consumer, and they've done so without checking if the consumer has insurance or if the consumer has liability only, then any damage becomes the responsibility of the dealer.

Senator Nonini asked if someone from the insurance industry was giving testimony. **Chairman Brackett** said that several had signed up to do so.

Vice Chairman Johnson said it appears that the amendment (page 2, lines 36 and 37) contains the same language as the bill, and he read that section of the bill. **Mr. Wright** said the language is there to address issues between states, like Lewiston, Idaho and Clarkston, Washington. He suggested that perhaps some of the insurance industry lobbyists present could add more clarification. There were no further questions for Mr. Wright.

TESTIMONY:

Woody Richards, representing Farm Bureau Mutual Insurance Company, Allstate and other insurance companies, said that his clients' goals matched those of the automobile dealers and they support the legislation. **Mr. Richards** stood for questions.

Senator Nonini asked if there were issues of concern with cross-state insurance coverage. **Mr. Richards** said that liability coverage is basically the same in every state. Even if you have insurance from another state you can drive in Idaho.

Senator Nonini asked if there was concern about costs of transferring risk back to Idaho policies. **Mr. Richards** said this scenario happens rarely and would be considered an unusual circumstance; there is no significant effect.

Senator Bock asked what the degree of change is by adding the amendment. **Mr. Richards** said that it means the primary coverage comes from dealers. There were no further questions for Mr. Richards.

Phil Barber and **Lyn Darrington** were in the audience representing Farmers Insurance and State Farm Insurance, respectively. Each stood and stated that they had no additional comments and they supported the legislation. There were no questions for Mr. Barber or Ms. Darrington.

Don Anderson of Lyle Pearson Company in Boise responded to inquiries about how this legislation would work in day-to-day dealership operation. Insurance and large vehicle inventory expenses are focused on the movement of their vehicles. In order for costs to remain low, dealers are forced to choose high deductibles (e.g., \$25,000 and above). Loaning autos has become the highest risk area. A dealer can control employees who take loaner autos, but customers cannot be controlled and a dealer doesn't know who will actually be driving the auto. Customer expectations have grown, plus, as good business practice, dealers provide autos for various charity and community purposes. **Mr. Anderson** stood for questions.

Senator Nonini asked if premiums had gone up drastically. **Mr. Anderson** said that there has been a twenty percent increase even though they have not had large claims; the industry is getting tighter in this regard. There were no further questions for Mr. Anderson.

Grant Petersen of Bronco Motors in Boise explained the similarities and differences in the process dealerships use with loaner cars and with demonstration cars. When a prospective buyer wants to take a car out on a demonstration drive, a sales person always accompanies the vehicle operator. A demonstration permit is usually completed and a copy of the operator's driver's license is made; this is also considered a "permission slip." Loaner cars are given to customers whose cars are being serviced in some fashion; proof of insurance and copy of license of the driver of the loaner car is taken. In cases where there is damage to the vehicle, the dealership's insurance is primary and the individual driver's insurance is secondary in Idaho, which is unusual. There are no contractual agreements in either case. There are only three major insurance carriers in the United States that provide insurance to dealers. Dealers also loan vehicles to state colleges throughout Idaho. This legislation cleans up the dealer liability issue and places common sense in the law. **Mr. Petersen** stood for questions.

Senator Bock asked if this bill was broad enough to cover liability issues for dealers and non-dealers. **Mr. Petersen** said that covering non-dealers was not the intent of the bill. He deferred to Mr. Wright for clarification. There were no further questions for Mr. Petersen.

Mr. Wright said the dealer associations have worked with the insurance companies and this legislation is specific to "loaned vehicles" only. There is clear cut language in place. For consumers, not much will change; most sign loaner agreements all the time. This has been under consideration for a long time; he asked the Committee to support the bill and send it to the 14th Order for amendment. **Senator Bock** was satisfied with that explanation.

MOTION:

With no further discussion or questions, **Chairman Brackett** called for a motion. **Senator Hagedorn** moved to send **H 217** to the 14th Order for amendment. **Vice Chairman Johnson** seconded the motion. The motion carried by unanimous **voice vote**. **Senator Hagedorn** will carry the bill on the Senate floor.

H 170

Chairman Brackett welcomed Steve Price, General Counsel for the Ada County Highway District (ACHD), to the Committee and asked him to present **H 170**.

Mr. Price began with background on the issue of the bill. Annually, highway districts purchase millions of dollars of surplus property; ACHD spends about \$500,000 annually for roughly 500 small parcels of land. With each parcel, ACHD spends between \$2,000 and \$3,000 on appraisals to purchase property that in many cases has a value less than that amount. There are certain "exemptions" available under the Appraisers Act. For example, the Idaho Transportation Department (ITD) received an exemption for requiring an appraisal for surplus and eminent domain property whose value is \$10,000 or less. If the owner of the property does not agree, they still have the right to have an appraisal done. As a cost savings measure, highway districts are asking for that same privilege through this legislation. **Mr. Price** stood for questions.

Senator Rice asked what the average cost of a simple appraisal was. **Mr. Price** said that it depends on the number of parcels, but generally it is \$2,000. For clarification purposes, **Senator Rice** asked that if a parcel is valued at less than \$10,000 and everyone agrees that it is valued at less than \$10,000, an appraiser would still charge \$2,000. **Mr. Price** replied that the Senator was correct, because an appraiser has to go through many steps to get to a square footage price. The effort required to appraise a small parcel of land is the same effort needed to appraise larger parcels. There were no further questions for Mr. Price.

MOTION: **Vice Chairman Johnson** moved to send **H 170** to the Senate floor with a **do pass** recommendation. **Senator Keough** seconded the motion. The motion passed by unanimous **voice vote**. **Senator Bock** will carry the bill on the Senate floor.

ADJOURNED: With no further business before the Committee, **Chairman Brackett** adjourned the meeting at 2:22 p.m.

Senator Brackett
Chairman

Gaye Bennett
Secretary