

no-fault newsline

A ROAD MAP FOR MOTOR VEHICLE INSURERS AND OWNERS

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Not so Fast - Michigan Court of Appeals Confirms that Rental Car Companies May Not Use a Rental Agreement to Shift the Burden of No-Fault Benefits onto a Short-Term Renter's Insurer

By Erin A. Sedmak

On March 5, 2015, the Michigan Court of Appeals released an opinion in the case of *Fuller v Geico Indemnity Company* (Docket No. 319665). In this case, Plaintiffs were seeking personal protection insurance (PIP) benefits under the Michigan No Fault Act and the specific issue before the Court was whether the renter's insurer or the rental car owner's insurer was in highest order of priority.

In *Fuller*, Sandra House rented a Chevrolet Impala from Lakeside Car Rental for one-week while her own vehicle was undergoing repairs. She allowed a family friend, Plaintiff Gregory Fuller, to drive the rented Impala and he was involved in an accident with his wife as passenger. Plaintiffs Gregory and Patrice Fuller sought PIP benefits from GEICO, Ms. House's insurer, as neither owned a vehicle or were covered under a relative's policy. At the trial court, GEICO was granted summary disposition based on its argument that Lakeside Car Rental's insurer was responsible for benefits. Plaintiffs appealed.

The Michigan Court of Appeals affirmed the trial court's decision. In its opinion, which was selected for publication, the *Fuller* Court held that Lakeside Car Rental was required to maintain no-fault coverage on the Impala involved in the accident under MCL § 500.3101(1) because it was the owner and registrant of the vehicle. Even further, the Court relied on the Michigan Supreme Court's decision in *State Farm Mut Auto Ins Co v Enterprise Leasing Co*, 452 Mich 25 (1996) in holding that the rental car agency cannot shift the burden of insurance coverage to a short-term renter such as Ms. House who entered into a one-week rental agreement.

While Plaintiffs tried to argue that they were covered pursuant to the language of the GEICO policy and, nevertheless, equitable estoppel should apply to GEICO's denial of coverage, the *Fuller* Court opined that Plaintiffs were improperly relying on the liability section of the policy and the facts did not support equitable estoppel. MCL § 500.3101(1) mandates an owner or registrant to maintain PIP, property protection, and residual liability insurance

SECRET WARDLE NOTES:

In cases involving rental vehicles, rental car companies as the owners or registrants of the vehicles are required to maintain no-fault and liability coverage as mandated by Michigan law and cannot use their rental agreements to avoid this insurance requirement. Renters can only be considered an owner if the rental term is for more than 30-days.

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coverage and a person renting a vehicle can only become an "owner" if the vehicle is rented for more than 30-days. See MCL § 500.3101(2)(h)-(i). Therefore, Lakeside Car Rental was the owner or registrant of the Impala and Michigan law did not permit it to use its rental agreement to shift the burden of paying PIP benefits to Ms. House's insurer.

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