

ASSEMBLY BILL NO. 282—ASSEMBLYMEN AIZLEY;
OHRENSCHALL AND PIERCE

MARCH 15, 2013

JOINT SPONSOR: SENATOR SEGERBLOM

Referred to Committee on Transportation

SUMMARY—Revises provisions governing certain sales of motor vehicles. (BDR 43-640)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

~

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to motor vehicles; providing that certain persons may recover on the bond or deposit that each manufacturer, distributor, dealer and rebuilder of motor vehicles is required to procure or make with the Department of Motor Vehicles; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Under existing law, each manufacturer, distributor, dealer and rebuilder of motor vehicles is required to procure and file a surety bond with the Department of Motor Vehicles or make a deposit with the Department. Any person, including consumers as well as corporate entities, injured by the actions of such a manufacturer, distributor, dealer or rebuilder is allowed to apply to the Director of the Department or to bring and maintain an action in any court of competent jurisdiction for compensation from the bond or deposit. (NRS 482.345, 482.346)

Additionally, under existing case law in Nevada, the phrase “any person,” as used in NRS 482.345(6), has been interpreted literally to allow any individual person or group of persons (including a finance company) who is injured by the actions of a manufacturer, distributor, dealer or rebuilder of motor vehicles to apply for compensation from the bond that section requires to be procured and filed. (*Western Sur. Co. v. ADCO Credit, Inc.*, 127 Nev. Adv. Op. No. 8, 251 P.3d 714 (Mar. 17, 2011)) This bill amends NRS 482.345 and 482.346 to provide that bonds procured pursuant to NRS 482.345 and deposits made in lieu of such bonds pursuant to NRS 482.346 may be used to compensate only an injured consumer, and no other person.



* A B 2 8 2 *

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 **Section 1.** NRS 482.345 is hereby amended to read as follows:
2 482.345 1. Before any dealer's license, dealer's plate, special
3 dealer's plate, rebuilder's license or rebuilder's plate, distributor's
4 license or distributor's plate or manufacturer's license or
5 manufacturer's plate is furnished to a manufacturer, distributor,
6 dealer or rebuilder as provided in this chapter, the Department shall
7 require that the applicant make an application for such a license and
8 plate upon a form to be furnished by the Department, and the
9 applicant shall furnish such information as the Department requires,
10 including proof that the applicant has an established place of
11 business in this State, procure and file with the Department a good
12 and sufficient bond with a corporate surety thereon, duly licensed to
13 do business within the State of Nevada, approved as to form by the
14 Attorney General, and conditioned that the applicant or any
15 employee who acts on behalf of the applicant within the scope of his
16 or her employment shall conduct business as a dealer, distributor,
17 manufacturer or rebuilder without breaching a consumer contract or
18 engaging in a deceptive trade practice, fraud or fraudulent
19 representation, and without violation of the provisions of this
20 chapter. The bond must be:

21 (a) For a manufacturer, distributor, rebuilder or dealer who
22 manufactures, distributes or sells motorcycles, \$50,000.

23 (b) For a manufacturer, distributor, rebuilder or dealer who sells
24 vehicles other than motorcycles, trailers or travel trailers, \$100,000.

25 (c) For a manufacturer, distributor, rebuilder or dealer who sells
26 travel trailers or other dual purpose trailers that include living
27 quarters in their design, \$100,000.

28 (d) For a manufacturer, distributor, rebuilder or dealer who sells
29 horse trailers designed without living quarters or special purpose
30 trailers with an unladen weight of 3,501 pounds or more, \$50,000.

31 (e) For a manufacturer, distributor, rebuilder or dealer who sells
32 utility trailers or other special use trailers with an unladen weight of
33 3,500 pounds or less or trailers designed to carry boats, \$10,000.

34 2. The Department may, pursuant to a written agreement with
35 any manufacturer, distributor, rebuilder or dealer who has been
36 licensed to do business in this State for at least 5 years, allow a
37 reduction in the amount of the bond of the manufacturer, distributor,
38 rebuilder or dealer, if the business has been conducted in a manner
39 satisfactory to the Department for the preceding 5 years. No bond
40 may be reduced to less than 50 percent of the bond required
41 pursuant to subsection 1.



* A B 2 8 2 *

3. The Department may allow a manufacturer, distributor, rebuilder or dealer who sells more than one category of vehicle as described in subsection 1 at a principal place of business or at any branch location within the same county as the principal place of business to provide a good and sufficient bond for a single category of vehicle and may consider that single bond sufficient coverage to include all other categories of vehicles.

4. The bond must be continuous in form, and the total aggregate liability on the bond must be limited to the payment of the total amount of the bond.

5. The undertaking on the bond includes any breach of a consumer contract, deceptive trade practice, fraud, fraudulent representation or violation of any of the provisions of this chapter by the representative of any licensed distributor or the salesperson of any licensed dealer, manufacturer or rebuilder who acts for the dealer, distributor, manufacturer or rebuilder on his or her behalf and within the scope of the employment of the representative or salesperson.

6. The bond must provide that any ~~person~~ consumer injured by the action of the dealer, distributor, rebuilder, manufacturer, representative or salesperson in violation of any provisions of this chapter may apply to the Director, for good cause shown, for compensation from the bond. The surety issuing the bond shall appoint the Secretary of State as its agent to accept service of notice or process for the surety in any action upon the bond brought in a court of competent jurisdiction or brought before the Director.

7. If a ~~person~~ consumer is injured by the actions of a dealer, distributor, rebuilder, manufacturer, representative or salesperson, the ~~person~~ consumer may:

(a) Bring and maintain an action in any court of competent jurisdiction. If the court enters:

(1) A judgment on the merits against the dealer, distributor, rebuilder, manufacturer, representative or salesperson, the judgment is binding on the surety.

(2) A judgment other than on the merits against the dealer, distributor, rebuilder, manufacturer, representative or salesperson, including, without limitation, a default judgment, the judgment is binding on the surety only if the surety was given notice and an opportunity to defend at least 20 days before the date on which the judgment was entered against the dealer, distributor, rebuilder, manufacturer, representative or salesperson.

(b) Apply to the Director, for good cause shown, for compensation from the bond. The Director may determine the amount of compensation and the ~~person~~ consumer to whom it is to be paid. The surety shall then make the payment.



* A B 2 8 2 *

(c) Settle the matter with the dealer, distributor, rebuilder, manufacturer, representative or salesperson. If such a settlement is made, the settlement must be reduced to writing, signed by both parties and acknowledged before any person authorized to take acknowledgments in this State, and submitted to the Director with a request for compensation from the bond. If the Director determines that the settlement was reached in good faith and there is no evidence of collusion or fraud between the parties in reaching the settlement, the surety shall make the payment to the ~~injured person~~ *consumer* in the amount agreed upon in the settlement.

8. Any judgment entered by a court *in favor of a consumer* and against a dealer, distributor, rebuilder, manufacturer, representative or salesperson may be executed through a writ of attachment, garnishment, execution or other legal process, or the ~~person~~ *consumer* in whose favor the judgment was entered may apply to the Director for compensation from the bond of the dealer, distributor, rebuilder, manufacturer, representative or salesperson.

9. The Department shall not issue a license or plate pursuant to subsection 1 to a manufacturer, distributor, rebuilder or dealer who does not have and maintain an established place of business in this State.

10. As used in this section, "consumer" means any person who comes into possession of a vehicle as a final user for any purpose other than offering it for sale.

Sec. 2. NRS 482.346 is hereby amended to read as follows:

482.346 1. In lieu of a bond, an applicant may deposit with the Department, under terms prescribed by the Department:

(a) A like amount of lawful money of the United States or bonds of the United States or of the State of Nevada of an actual market value of not less than the amount fixed by the Department; or

(b) A savings certificate of a bank, credit union or savings and loan association situated in Nevada, which must indicate an account of an amount equal to the amount of the bond which would otherwise be required by NRS 482.345 and that this amount is unavailable for withdrawal except upon order of the Department. Interest earned on the amount accrues to the account of the applicant.

2. ~~It~~ *Except as otherwise provided in subsection 3, a* deposit made pursuant to subsection 1 may be disbursed by the Director, for good cause shown and after notice and opportunity for hearing, in an amount determined by the Director to compensate a person injured by an action of the licensee, or released upon receipt of:

(a) A court order requiring the Director to release all or a specified portion of the deposit; or



(b) A statement signed by the person or persons under whose name the deposit is made and acknowledged before any person authorized to take acknowledgments in this State, requesting the Director to release the deposit, or a specified portion thereof, and stating the purpose for which the release is requested.

3. *A deposit made pursuant to subsection 1 in lieu of a bond required by NRS 482.345 may only be disbursed to compensate a consumer. As used in this subsection, "consumer" has the meaning ascribed to it in NRS 482.345.*

4. When a deposit is made pursuant to subsection 1, liability under the deposit is in the amount prescribed by the Department. If the amount of the deposit is reduced or there is an outstanding court judgment for which the licensee is liable under the deposit, the license is automatically suspended. The license must be reinstated if the licensee:

(a) Files an additional bond pursuant to subsection 1 of NRS 482.345;

(b) Restores the deposit with the Department to the original amount required under this section; or

(c) Satisfies the outstanding judgment for which the licensee is liable under the deposit.

~~4-1~~ 5. A deposit made pursuant to subsection 1 may be refunded:

(a) By order of the Director, 3 years after the date the licensee ceases to be licensed by the Department, if the Director is satisfied that there are no outstanding claims against the deposit; or

(b) By order of court, at any time within 3 years after the date the licensee ceases to be licensed by the Department, upon evidence satisfactory to the court that there are no outstanding claims against the deposit.

~~5-1~~ 6. Any money received by the Department pursuant to subsection 1 must be deposited with the State Treasurer for credit to the Motor Vehicle Fund.

Sec. 3. This act becomes effective on July 1, 2013.

