

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

April 13, 2021

1:37 p.m.

**MEMBERS PRESENT**

Senator Robert Myers, Chair  
Senator Peter Micciche  
Senator Jesse Kiehl

**MEMBERS ABSENT**

Senator Mike Shower, Vice Chair  
Senator Click Bishop

**COMMITTEE CALENDAR**

HOUSE BILL NO. 36

"An Act relating to an application for a license to operate as a dealer in motor vehicles; and requiring a dealer in motor vehicles to maintain liability and property insurance."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 36

SHORT TITLE: MOTOR VEHICLE DEALERS: APPLIC.; INSURANCE

SPONSOR(S): REPRESENTATIVE(S) CLAMAN

02/18/21	(H)	PREFILE RELEASED 1/8/21
02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	L&C, FIN
03/03/21	(H)	FIN REFERRAL REMOVED
03/03/21	(H)	L&C AT 5:45 PM BARNES 124
03/03/21	(H)	Heard & Held
03/03/21	(H)	MINUTE(L&C)
03/12/21	(H)	L&C AT 3:15 PM BARNES 124
03/12/21	(H)	Moved HB 36 Out of Committee
03/12/21	(H)	MINUTE(L&C)
03/15/21	(H)	L&C RPT 6DP
03/15/21	(H)	DP: SNYDER, NELSON, MCCARTY, SCHRAGE, KAUFMAN, SPOHNHOLZ
03/25/21	(H)	BEFORE HOUSE IN THIRD READING

03/25/21 (H) TRANSMITTED TO (S)  
03/25/21 (H) VERSION: HB 36  
03/26/21 (S) READ THE FIRST TIME - REFERRALS  
03/26/21 (S) TRA, L&C  
04/09/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
04/09/21 (S) -- MEETING CANCELED --  
04/13/21 (S) TRA AT 1:30 PM BELTZ 105 (TSBldg)

#### **WITNESS REGISTER**

REPRESENTATIVE MATT CLAMAN  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Sponsor of HB 36.

SOPHIE JONAS, Staff  
Representative Matt Claman  
Juneau, Alaska  
**POSITION STATEMENT:** Provided a Sectional Analysis on HB 36 on behalf of the sponsor.

MARTEN MARTENSEN, Owner  
Continental Automobile Group  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified by invitation on HB 36.

MARCUS WAEHLER, Owner  
Red, White and Blue Auto Sales; Board Member  
Alaska Automobile Dealers Association  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified by invitation on HB 36.

#### **ACTION NARRATIVE**

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**CHAIR ROBERT MYERS** called the Senate Transportation Standing Committee meeting to order at 1:37 p.m. Present at the call to order were Senators Kiehl, Micciche, and Chair Myers.

#### **HB 36-MOTOR VEHICLE DEALERS: APPLIC.; INSURANCE**

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CHAIR MYERS announced the consideration of HOUSE BILL NO. 36 "An Act relating to an application for a license to operate as a dealer in motor vehicles; and requiring a dealer in motor vehicles to maintain liability and property insurance."

[1:38:40 PM](#)

REPRESENTATIVE MATT CLAMAN, Alaska State Legislature, Juneau, Alaska, paraphrased the sponsor statement:

[Original punctuation provided]:

The purpose of House Bill 36 is to strengthen Alaska's motor vehicle dealer license requirements by modernizing the statute and incorporating reasonable standards for obtaining a motor vehicle dealer's license without creating barriers to entry into the field or restricting competition.

Alaska's current requirements for obtaining a motor vehicle dealer's license are some of the least stringent in the nation. Under current law, a motor vehicle dealer in Alaska must register biennially by filling out an application, pay a \$50 registration fee, and maintain a surety bond of \$50,000. By way of comparison, the requirements for a motor vehicle dealer's license in other states are more stringent.

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Many states provide for a grievance process, ground for revocation and proof of a physical location. Many states also require dealers to obtain liability insurance covering bodily harm and property damage.

Alaska's more lenient requirements make it easy for unscrupulous actors to obtain dealer licenses and gain access to dealer-only auctions where used cars are sold at discounted rates.

House Bill 36 ensures that reasonable standards for becoming a dealer are in place as well as adequate financial protections for purchasers should the sale not work out.

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REPRESENTATIVE CLAMAN continued to paraphrase the sponsor statement:

House Bill 36 updates the surety bond requirement - which hasn't been changed in 20 years - to \$100,000 to stay in line with the current economics of the automobile industry. Furthermore, it requires that

dealers obtain liability insurance. There is currently no requirement that dealers carry liability insurance even though Alaska requires drivers to have liability insurance for their vehicles—and dealers may allow uninsured drivers to take cars for test drives. It also limits ownership of persons who have been convicted of felonies for fraud or embezzlement within five years of the application date. Finally, it requires dealers with employees to confirm that they are aware of associated workers comp coverage requirements.

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REPRESENTATIVE CLAMAN continued:

The purpose of HB 36 is to establish reasonable standards for car dealer licensing and to reduce the potential for harm through increased bond amounts, mandatory insurance and additional disclosures that will hold automobile dealers more accountable as business owners than under current statute.

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SOPHIE JONAS, Staff, Representative Matt Claman, Juneau, Alaska, stated that HB 36 strengthens automobile consumer protection by requiring potential automobile dealers to follow an improved application process. She reviewed a sectional analysis of HB 36.

[Original punctuation provided]:

Section 1 AS 08.66.030. Form of application

Adds the following requirements to dealer registration applications:

- a valid telephone number for the business;
- a statement that no person holding a five percent or greater interest in the business has been convicted of a felony involving fraud, embezzlement, or misappropriation of property within five years preceding the date of application;
- a statement acknowledging that the applicant has reviewed the requirements for workers' compensation insurance and will maintain workers' compensation insurance under AS 23.30, if applicable; and
- a copy of the liability insurance policy in compliance with section 3 of this bill.

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MS. JONES continued to read the sectional analysis:

Section 2 AS 08.66.060. Bond. Raises the amount of the bond required for dealer registration applicants from \$50,000 to \$100,000.

Section 3 AS 08.66.085. Insurance requirements. Adds a new section to AS 08.66 that requires dealers maintain public liability and property damage insurance of not less than \$50,000 for property damage, \$100,000 for injury to a single person, and \$200,000 for injury, including death, to more than one person.

MS. JONES noted invited testifiers.

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CHAIR MYERS turned to invited testimony.

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MARTEN MARTINSEN, Owner, Continental Automobile Group, Anchorage, Alaska, spoke in support of HB 36. He stated he is a member of the Auto Dealers Association.

He stated that most auto dealership businesses had brick and mortar locations thirty years ago. Since then, Alaska has experienced a large influx of dealers. He offered his belief that this bill should level the playing field and update the state's standards with realistic but minimum standards. He offered his view that the surety bond rates for dealers would likely increase between \$500 to \$1,000, depending on the dealer's credit rating but it would be the only additional cost.

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MARCUS WAEHLER, Owner, Red, White, and Blue Auto Sales, Board Member, Alaska Automobile Dealers Association (AADA), Anchorage, Alaska, spoke in support of HB 36. He said he initially brought his concerns to the AADA's board. He has been in business for 25 years. Over 20 years ago, all the dealers at auction had brick and mortar stores and knew one another. Dealers would bid on vehicles, recondition them, and sold them. About seven years ago, in part due to the lax registration process, new dealers started attending auctions. He began noticing vehicles he had seen at auction advertised on craigslist being sold under the guise of being private party sales. Some of these cars would later be sold to him. He discovered dealers selling used cars on

craigslist were ones without storefronts. He researched the dealer registration requirements and by far, Alaska has the most lackadaisical ones in the country. He related that dealers could start their business by paying a \$500 bond and \$150 registration fee. This will allow the dealers to attend auto auctions. Many of these dealers do not disclose that they are dealers, do not have storefronts and create a consumer protection issue. He said it also hurts legitimate auto dealers, so the goal is to bring minimum standards to the industry.

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MR. WAEHLER related a personal experience to illustrate the type of unscrupulous practices that occur. About a year ago an older woman brought in a Subaru Tribeca to his shop as a trade-in. he told him that she paid \$6,500 for Craigslist car from a private party, but it was not running well. He said he uses an app at auction to take notes on specific vehicles, which allows him to scan in the Vehicle Identification Number (VIN). Thus, he was able to identify her car was sold at auction. His auction notes showed the vehicle had low oil pressure, which essentially meant it needed a new engine. He ran the vehicle through tests and discovered the someone had removed the oil indicator light. As he suspected, the vehicle needed a new engine, so it was worth about \$2,000, he said.

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SENATOR MICCICHE asked for the insurance requirement increases.

MR. WAEHLER answered that insurance costs would depend on the amount of inventory and the number of employees. HB 36 would formalize the coverage and make dealers acknowledge they are responsible for insurance coverage but the exact insurance amounts would vary.

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REPRESENTATIVE CLAMAN, in terms of insurance, advised members Lori Wing-Heier from the Division of Insurance will testify at the next meeting. He recalled that she estimated that typical costs for coverage most dealers would have would run about \$1,000 per year. He stated that his 26-year-old legislative staff pays \$750 per six months for liability insurance so the \$1,000 per year seemed reasonable. Ms. Wing Heir can elaborate more on costs, he said.

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SENATOR KIEHL asked him to expand on the value of dealers having storefronts and if it was to provide consumer protection.

MR. MARTENSEN answered that the storefront was a reference. Twenty-five years ago, dealers all had stores with cars on the lot. If any issues arose, people could go back to the store and have some recourse. As Mr. Waehler described, some dealers purchase cars, list them on craigslist and run their businesses from home. When problems arise, people do not have any way to contact the seller, who often does not identify himself as a dealer. Dealers need to present themselves as dealers, he said.

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SENATOR KIEHL highlighted that he knows a small reputable auto dealer with a website specializing in a niche in the car market. He pointed out that HB 36 does not appear to address storefronts. He pointed out that HB 36 does not appear to address storefronts. He asked whether the sponsor was comfortable that consumers would have adequate recourse when issues arose.

REPRESENTATIVE CLAMAN responded that the bill would create some protections. The bonding requirement is essentially a performance bond so the consumer can collect on the bond. Ideally, the dealer would pay and never use the bond, which provides the guaranty. When the bond requirement was set, \$50,000 equated to three used cars so increasing it to \$100,000 more accurately represents the market value. Secondly, the insurance requirement will provide public protection if an uninsured driver has an accident test driving a vehicle. Overall, the bill should give the public with confidence that people selling cars provide a basic level of service to their customers.

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SENATOR MYERS noted that some people flip cars as a hobby. He asked him to provide the benefits and detriments for dealers as compared to not becoming licensed.

REPRESENTATIVE CLAMAN answered that the current statute defines a dealer as someone who sells five or more cars per year with some exceptions. The bill would not change that provision. One exception would be that the business was not the person's primary income source. He offered his view that the dividing point was that a person going to auction must have a dealer's license regardless of the number of vehicles being bought or sold. Hobbyists would not be affected since they can show that car sales were not their primary source of income.

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CHAIR MYERS opened public testimony and after first determining no one wished to testify, closed public testimony on HB 36.

[HB 36 was held in committee.]

[2:01:41 PM](#)

There being no further business to come before the committee, Chair Meyers adjourned the Senate Transportation Standing Committee meeting at 2:01 p.m.