

Introduced: 4/9/84  
Referred: Labor and Commerce and  
Judiciary

BY THE LABOR AND  
COMMERCE COMMITTEE

1 IN THE SENATE

2 SENATE BILL NO. 546

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to automobile service corporations."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 \* Section 1. AS 21 is amended by adding a new chapter to read:

9 CHAPTER 59. AUTOMOBILE SERVICE CORPORATIONS.

10 Sec. 21.59.010. APPLICABILITY. (a) This chapter applies to a  
11 person, firm, corporation, or organization providing or intending to  
12 provide automobile service corporation services as defined in AS 21.-  
13 59.900 for subscribers in exchange for periodic prepayments by a  
14 subscriber.

15 (b) This chapter does not apply to a person issued a certificate  
16 of authority under AS 21.09.

17 (c) Other provisions of this title do not apply to an automobile  
18 service corporation except as expressly provided in this chapter.

19 Sec. 21.59.020. INCORPORATION AND CERTIFICATE OF AUTHORITY RE-  
20 QUIRED. (a) A person providing or intending to provide automobile  
21 service corporation services shall be incorporated as a nonprofit  
22 corporation and be currently authorized as an automobile service  
23 corporation under a certificate of authority issued by the director  
24 under this chapter.

25 (b) If the corporation is to be formed under the laws of this  
26 state, the articles of incorporation of the proposed corporation or  
27 amendments to existing articles of incorporation shall be submitted to  
28 the director before they are be filed with the commissioner of  
29 commerce and economic development. The commissioner of commerce and

1 economic development may not file the articles or amendments unless  
2 the director's approval is endorsed. The director shall approve the  
3 articles or amendments unless the director finds that the articles or  
4 amendments do not comply with law. If not approved, the director  
5 shall return the proposed articles of incorporation to the incorpora-  
6 tors or amendments to the corporation, together with a written,  
7 detailed statement of the reasons for nonapproval.

8 Sec. 21.59.030. QUALIFICATIONS FOR CERTIFICATE OF AUTHORITY.

9 The director may not issue a certificate of authority to be or act as  
10 an automobile service corporation and shall revoke an existing certifi-  
11 cate of authority unless the corporation:

12 (1) if a newly formed corporation, possesses sufficient  
13 available working funds to pay all reasonably anticipated costs of  
14 acquisition of new business and operating expenses, other than losses,  
15 for a period of not less than six months following the date of issu-  
16 ance of the certificate of authority;

17 (2) posts with the director a bond in the amount of  
18 \$50,000, issued by a corporate surety authorized under this title to  
19 act as surety and conditioned upon the organization's faithful fulfill-  
20 ment of its contracts; and

21 (3) fulfills all other applicable requirements of this  
22 chapter.

23 Sec. 21.59.040. CERTIFICATE OF AUTHORITY. (a) Application for  
24 a certificate of authority to transact business as an automobile  
25 service corporation shall be made to the director, on forms furnished  
26 by the director and requiring the information about the applicant, its  
27 directors, officers, and affairs as the director may reasonably re-  
28 quire consistent with this chapter.

29 (b) The applicant shall file the following documents with the

1 application:

2 (1) a copy of the applicant's articles of incorporation and  
3 all amendments, certified by the appropriate official of the state of  
4 incorporation;

5 (2) a copy of the applicant's bylaws, certified by its  
6 corporate secretary;

7 (3) a copy of each subscribers' contract proposed to be  
8 offered;

9 (4) either

10 (A) audited financial statements for the four fiscal  
11 years immediately preceding the application; or

12 (B) a financial statement of the applicant prepared by  
13 a certified public accountant and dated not more than 30 days  
14 before the filing of the application, showing the amount of  
15 working funds available to the applicant, a reconciliation of the  
16 net worth or capital account, the source and application of the  
17 funds, and any data pertinent to the financial statement;

18 (5) the bond required under AS 21.59.030(2) or 21.59.-  
19 050(c); and

20 (6) a copy of any other relevant document reasonably re-  
21 quested by the director.

22 Sec. 21.59.050. RESERVES. (a) An automobile service corpora-  
23 tion shall establish and maintain unimpaired reserves as follows:

24 (1) a reserve in an amount not less than all legal obliga-  
25 tions of the corporation, other than claims originating under sub-  
26 scriber's contracts, due but unpaid;

27 (2) a reserve equal to not less than the amount necessary  
28 by reasonable estimate to pay all claims incurred under subscriber's  
29 contracts but currently unpaid, and including a reasonable additional

1 amount to cover claims incurred but not reported to the corporation at  
2 the time of determination of the corporation's financial condition;  
3 and

4 (3) a reserve equal to 50 percent of all sums charged and  
5 received by the corporation during the calendar period covered by the  
6 financial statement, on account of indemnity benefits provided in  
7 subscriber's contracts for terms for which premium was last paid and  
8 unexpired at the date of the financial statement.

9 (b) The reserves required under (a) of this section constitute a  
10 liability of the corporation in a determination of its financial  
11 condition.

12 (c) Instead of the reserves required by (a) of this section and  
13 the bond required by AS 21.59.030(2), the automobile service corpora-  
14 tion may file a bond in the amount of \$250,000.

15 Sec. 21.59.060. RECORDS AND ACCOUNTS. (a) An automobile ser-  
16 vice corporation shall establish and maintain complete and accurate  
17 records and accounts covering its transactions and affairs, in accor-  
18 dance with generally accepted accounting principles as applied to the  
19 business of the corporation.

20 (b) The director may accept an audited financial statement  
21 instead of the examination required under AS 21.06.120.

22 Sec. 21.59.070. OTHER PROVISIONS APPLICABLE. In addition to the  
23 provisions of this chapter, the following provisions of this title  
24 shall apply to automobile service corporations, to the extent applic-  
25 able and not in conflict with the express provisions of this chapter  
26 and the reasonable implications of the express provisions, and for the  
27 purposes of the application the corporations shall be considered to be  
28 mutual insurers:

29 (1) AS 21.03

- 1 (2) AS 21.06  
2 (3) AS 21.09.050  
3 (4) AS 21.09.100 - 21.09.260  
4 (5) AS 21.12  
5 (6) AS 21.36  
6 (7) AS 21.69  
7 (8) AS 21.78  
8 (9) AS 21.90

9 Sec. 21.59.900. DEFINITIONS. In this chapter

10 (1) "automobile service corporation" means a corporation  
11 providing all or part of one or more automobile service corporation  
12 services for subscribers in exchange for periodic prepayment in iden-  
13 tifiable amount by or as to the subscribers;

14 (2) "automobile service corporation services" means any  
15 professional service, technical service, replacement of goods that the  
16 corporation may become obligated to provide upon a contingent event or  
17 a certain event that may occur at an uncertain time and for which a  
18 specified single or periodic prepayment is charged or collected,  
19 including, but not limited to (A) emergency road service; (B) reim-  
20 bursement of legal fees for representation on traffic offenses; and  
21 (C) providing bail bonds for traffic offenses; an automobile service  
22 corporation may provide other services or benefits that do not fall  
23 within the definition of an automobile service corporation services;

24 (3) "subscriber's contract" means the contract between the  
25 automobile service corporation and its subscriber under which all or a  
26 part of one or more services is to be rendered to or on behalf of the  
27 subscriber by an automobile service corporation or by a provider that  
28 has entered into a service agreement with the automobile service  
29 corporation.