

HB

704

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: CSHB 704 (L&C)
Title: Automobile clubs

Sponsor: Labor & Commerce
Requestor: Labor & Commerce
Date of Request: 4/9/84

FISCAL DETAIL

Agency Affected: Commerce & Economic Dev.
Program Category Affected: Public Protection
BRU, Program or Subprogram(s) Affected: Division of Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS: None

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Kenneth C. Moore, Director
Division: Insurance

Phone: 465-2515

Date: 4/9/84

Approved by Commissioner: Richard A. Lyon
Agency: Commerce & Economic Development

Date: 4/9/84

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

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ENDED TITLE: CSND 704(LAC)

ACT RELATING TO AUTOMOBILE SERVICE CORPORATIONS

LINE SPONSOR: HOUSE LABOR&COMM COMMITTEE.

-SPONSORS:

CURRENT STATUS: 4/27/84 IN (S) RULES

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DATE SEQ PAGE LEGISLATIVE ACTION

3/23/84 01 3055 FIRST READING -- COMMITTEE REPORTS
4/10/84 02 3264 LAC -- CS04
4/10/84 03 3264 LAC F/NOTE EQUALS ZERO
4/23/84 04 3423 SECOND READING
4/23/84 05 3423 LAC CS ADOPTED BY UNAN CONSENT
4/23/84 06 3423 ADVANCED TO 3RD READING BY UNAN CONSENT
4/23/84 07 3423 THIRD READING
4/23/84 08 3424 PASSED BY DIV 33-00-04
4/23/84 09 3424 NOTICE OF RECONSIDERATION GIVEN
4/24/84 10 3440 RECONSIDERATION NOT TAKEN UP
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DATE SEQ PAGE LEGISLATIVE ACTION

3/23/84 11 2015 FIRST READING -- COMMITTEE REPORTS
4/27/84 12 2052 LAC -- DP04
RULES
*** **

This proposal is intended to permit automobile service corporations (auto clubs) to form and operate in Alaska. Since automobile service corporations do provide very limited forms of insurance, they are currently required to form as an insurer under Title 21. This is effectively a barrier since those requirements are aimed at a different kind of entity. The division recognizes that the requirements for an automobile service corporation do not need to be as stringent as for a normal insurer and support the concept encompassed in CSHB 704(L&C).

Sec. 21.59.010. Page 1, lines 10-18.

This section requires that an automobile service corporation is subject to the provisions of the new chapter. It excludes insurers with a certificate of authority issued under AS 21.09. It also provides that only provisions referred to or contained in AS 21.59 apply to an automobile service corporation.

Sec. 21.59.020. Page 1, lines 19-29 and page 2, lines 1-7.

This section requires that the automobile service corporation be a nonprofit corporation and hold a certificate of authority issued by the director. It also establishes some procedural requirements about order of filing certain documents if the automobile service corporation is a domestic.

Sec. 21.59.030. Page 2, lines 8-22.

This section establishes qualifications for a certificate of authority. The automobile service corporation must be financially sound and it must post a bond assuring that it will meet its contractual obligations.

Sec. 21.59.040. Page 2, lines 23-29 and page 3, lines 1-21.

This section lists the documents needed to obtain a certificate of authority. (4) provides an option of two ways to provide some evidence of financial soundness. The rest is almost boilerplate requirements for issuance of a certificate of authority.

Sec. 21.59.050. Page 3, lines 22-29 and page 4, lines 1-14.

Subsections (a) and (b) provide the reserves needed if the bond filed under Sec. 21.59.030(2) is for \$50,000. Subsection (c) makes no special reserve requirements if the bond filed under Sec. 21.59.030(2) is for \$250,000. Since the amounts for which the automobile service corporation will be at risk are very low for each subscriber, the bond is a good substitute.

Sec. 21.59.060. Page 4, lines 15-21.

This section requires that records be kept on a generally accepted accounting principles basis rather than that usual to an insurer, a statutory basis.

Sec. 21.59.070. Page 4, lines 22-29, all of page 5, and page 6, line 1. Since this is an exclusive statute, one to which provisions outside of the chapter do not apply, this section is needed to bring other appropriate sections of the insurance code to bear on automobile service corporations.

AS 21.03. This chapter deals with the scope of the insurance code.

AS 21.06. This chapter establishes the authority and powers of the director of insurance.

AS 21.09.050. This section bars misleading or duplication of insurer names.

AS 21.09.100. This section deals with management and affiliations of insurers.

AS 21.09.120-170. These sections deal with the certificate of authority, issuance, refusal to issue, ownership, continuance, expiration, reinstatement, amendment, revocation, suspension, and duration of suspension of a certificate of authority.

AS 21.09.180-190. These sections deal with service of process.

AS 21.09.200. This section deals with an annual statement.

AS 21.09.210. This section deals with taxation.

AS 21.12. This chapter defines the kinds of insurance.

AS 21.36. This chapter deals with unfair trade practices and frauds.

AS 21.69. This chapter deals with organization and corporate procedure for domestic corporations.

AS 21.78. This chapter deals with rehabilitation and liquidation of impaired or insolvent insurers.

AS 21.90. This chapter contains the general penalty section and general definitions for the insurance code.

Sec 21.59.900.

Definition section.

Summary

Automobile
Clubs
(applicability
of Insurance
Code to)

HOUSE BILL NO. 704, by the Labor & Commerce Committee.
Relates to the applicability of the Insurance Code (AS 21) to automobile clubs. Amends AS 21.03.021 (Insurance. Scope of Code. Applicability of Code) by adding a new subsection that reads: "(b) This title does not apply to an automobile club organized and operated without profit to any member for the purpose of providing service to travelers, including emergency road service, the providing of bail bonds for traffic offenses, reimbursement of legal fees for representation on traffic offenses, providing maps and trip planning services, or the arrangement of discounts, rebates or price reductions on travel-related goods and services. However, all policies and contracts issued by an automobile club shall provide for acceptance of service of process within the state. The director may require an automobile club to post with the department a bond in an amount not to exceed \$50,000, issued by a corporate surety qualified under the laws of the state to act as surety in furnishing bail, and conditioned upon the organization's faithful fulfillment of its contracts within the state." Does not provide for an effective date.

COMMITTEE REPORT

SENATE

FURTHER:

Date 9/31/49

Mr. President

The Committee on LABOR & COMMERCE considered HR 7021

Automobile Service Corporations.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title _____
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]

[Signature]
Chairman

Do Pass
Chairman recommendation