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SB 260 File Contents

April 22, 1985 Monday

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SB 260: "AN ACT RELATING TO AUTOMOBILE SERVICE CORPORATIONS"

THIS LEGISLATION WAS INTRODUCED TO CORRECT AN OVERSIGHT WHICH OCCURRED IN LEGISLATION PASSED LAST YEAR. LAST YEARS BILL PROVIDED THAT AN AUTOMOBILE SERVICE CORPORATION BE INCORPORATED AS A NON PROFIT CORPORATION WHICH RESULTED IN PRECLUDING THE "FOR PROFITS" FROM DOING BUSINESS IN THIS STATE. ONE OF THE "FOR PROFIT" MOTOR CLUBS OPERATING IN THE STATE CURRENTLY HAS 4,741 ALASKAN MEMBERS, AND DURING TESTIMONY BEFORE THE COMMITTEE, THE DIVISION OF INSURANCE EXPRESSED ITS SUPPORT FOR CORRECTION OF THIS OVERSIGHT. THIS IS A NON CONTROVERSIAL BILL AND I URGE ITS PASSAGE BY THE BODY.

AUTOMOBILE SERVICE CORPORATIONS PROVIDE THEIR MEMBERS BENEFITS SUCH AS REIMBURSEMENT FOR TOWING AND ROAD SERVICE EXPENSES, LOST KEY AND LOCK_ OUT BENEFITS, AND THEFT AND HIT AND RUN PROTECTION.

--Makes violation of AS 08.04 a class A misdemeanor (currently is a misdemeanor punishable by a fine of not more than \$500, up to one year in jail, or both). A class A misdemeanor is punishable by a maximum fine of \$5,000, up to one year in jail, or both.

--Adds new section on confidential communications. Prohibits disclosure of confidential information except with the consent of the client or former client, unless required by law.

--Adds definition of the "practice of public accounting" to mean "the performing or offering to perform one or more services involving the use of accounting or auditing skills, including issuing reports on financial statements or management, advising or consulting on the preparation of tax returns, or advising on tax matters." Presently the term is not defined.

--Repeals section establishing a majority of the board as a quorum to perform business.

--Repeals section requiring a person to be a resident, 19 years old, and of good moral character in order to be eligible for licensure (amendments in the bill require person to be of "good character," have the required education, pass the exam, and pass the ethics examination by the American Institute of CPA's).

--Makes other miscellaneous changes and deletions to AS 08.04.

Effective January 1, 1986.

Introduced March 28 and referred to Labor & Commerce, Judiciary and Finance.

Auto Service Corporations

SENATE BILL NO. 260, by Senator Zharoff. Amends law enacted last year (Ch. 135, SLA 1984) allowing for the establishment of automobile service corporations in Alaska. As passed by the Legislature, AS 21.59 only allowed for nonprofit automobile service corporations. This bill would allow profit and nonprofit corporations to be issued a certificate of authority to operate in Alaska. Amends AS 29.59.020(a). Does not provide for an effective

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INTRODUCTION OF BILLS (Senate)(cont'd)

SB 260 (cont'd)

date (becomes law 90 days after signed).

Introduced March 28 and referred to Labor & Commerce.

Appropriation (special) (Kenai Pioneers' Home)

SENATE BILL NO. 261, by Senators P. Fischer and DeVries. Would appropriate \$250,000 to the Dept. of Administration for architectural, engineering, design, and planning work on the Kenai Pioneers' Home. Does not lapse. Effective July 1, 1985.

Introduced March 29 and referred to State Affairs and Finance

Amateur Radio Week

SENATE BILL NO. 262, by Senator P. Fischer. Would designate the last full week in June of each year as Amateur Radio Week "to increase public awareness of the vital importance of amateur radio to the life and safety of the citizens of Alaska." Does not provide for an effective date (becomes law 90 days after

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 260
 Title: "An Act to permit automobile
 service corporations"
 Sponsor: Zharoff
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
Insurance

EXPENDITURES, REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
(OPERATING)								
100 PERSONAL SERVICES								
200 TRAVEL								
300 CONTRACTUAL								
400 SUPPLIES								
500 EQUIPMENT								
500 LAND & STRUCTURES								
700 GRANTS, CLAIMS								
300 MISCELLANEOUS								
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME								
PART-TIME								
TEMPORARY								

ANALYSIS: Attach a separate page if necessary

Prepared By: John L. George, Director Phone: 465-2515
 Division: Insurance Date: 4/2/85

Approved by Commissioner: Loren H. Lounsbury Date: 4/2/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and _____

Impacted Agency(ies)

_____/1/84

Sec. 21.57.170. Short title. This chapter may be cited as the Model Act for the Regulation of Credit Life Insurance and Credit Disability Insurance. (§ 1 ch 120 SLA 1966)

Chapter 59. Automobile Service Corporations.

Section	Section
10. Applicability	40. Certificate of authority
20. Incorporation and certificate of authority required	50. Reserves
30. Qualifications for certificate of authority	60. Records and accounts
	70. Other provisions applicable
	900. Definitions

Sec. 21.59.010. Applicability. (a) This chapter applies to a person, firm, corporation, or organization providing or intending to provide automobile service corporation services as defined in AS 21.59.900 for subscribers in exchange for periodic prepayments by a subscriber.

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

(c) Other provisions of this title do not apply to an automobile service corporation except as expressly provided in this chapter. (§ 1 ch 135 SLA 1984)

Sec. 21.59.020. Incorporation and certificate of authority required. (a) A person providing or intending to provide automobile service corporation services shall be incorporated as a nonprofit corporation and be currently authorized as an automobile service corporation under a certificate of authority issued by the director under this chapter.

(b) If the corporation is to be formed under the laws of this state, the articles of incorporation of the proposed corporation or amendments to existing articles of incorporation shall be submitted to the director before they are filed with the commissioner of commerce and economic development. The commissioner of commerce and economic development may not file the articles or amendments unless the director's approval is endorsed. The director shall approve the articles or amendments unless the director finds that the articles or amendments do not comply with law. If not approved, the director shall return the proposed articles of incorporation to the incorporators or amendments to the corporation, together with a written, detailed statement of the reasons for nonapproval. (§ 1 ch 135 SLA 1984)

Sec. 21.59.030. Qualifications for certificate of authority. The director may not issue a certificate of authority to be or act as an automobile service corporation and shall revoke an existing certificate of authority unless the corporation:

(1) if a newly formed corporation, possesses sufficient available working funds to pay all reasonably anticipated costs of acquisition of new business and operating expenses, other than losses, for a period of

STATEMENT BEFORE
SENATE LABOR AND COMMERCE COMMITTEE
HEARING ON SB 260
PRESENTED ON BEHALF OF ALLSTATE MOTOR CLUB, INC.

April 3, 1985

Mr. Chairman, members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a lawyer from Juneau and am here on behalf of Allstate Motor Club, Inc. to support Senate Bill 260, which would allow a profit or non-profit corporation to obtain authorization as an automobile service corporation.

During the past legislative session, Chapter 59 of Title 21 was enacted. AS 21.59.020(a) states that a person providing or intending to provide "automobile service corporation services shall be incorporated as a non-profit corporation . . ." (emphasis added). The legislation before you would simply delete the "non-profit" aspect of Chapter 59 and thus allow a corporation authorized as an automobile service corporation under a certificate of authority issued by the Division of Insurance to provide automobile service corporation services. In researching the legislative history of Chapter 59, we have not discovered any discussion dealing with the "non-profit" aspect of this bill and we can conceive of no reason why a duly authorized corporation

should not be allowed to offer this service so long as it is issued an appropriate certificate of authority by the Director of the Division of Insurance, as required by the other provisions of this chapter.

Allstate Motor Club, Inc. is an automobile service corporation which provides its members certain benefits including reimbursement for covered expenses involving towing and road service expenses, trip interruption claims, legal defense claims, lost key/lockout benefits, and theft/hit-and-run protection. Other benefits include lodging and rent-a-car discounts, Discovery magazine and trip planning. Allstate Motor Club, Inc. is an affiliate of Allstate Insurance Company, and as of December 31, 1984, had approximately 1,268,000 members nationwide, and 4,741 members in Alaska.

Since Allstate Motor Club is a profit as opposed to a non-profit corporation, the "non-profit" requirement of this bill will effectively put Allstate Motor Club out of business in Alaska and we do not believe this was the intent of the legislation. As far as we know, there is no advantage to the consumer in requiring an automobile service corporation to be "non-profit", and in fact, this requirement may well effectively eliminate from the market any service corporation which does not qualify as "non-profit".

We do believe these corporations provide a benefit to the public which is in demand, and we ask your support of this legislation.

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

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*FAIRBANKS OFFICE
**JUNEAU OFFICE
***VALDEZ OFFICE

February 21, 1985

Senator Richard I. Eliason
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: Alaska Statute 21.59. Automobile Service Corporations

Dear Senator Eliason:

I stopped by your office today to discuss with Sheila chapter 59 of Title 21, dealing with Automobile Service Corporations, which was passed this last legislative session. As you know, I represent Allstate Insurance Company, and have been asked on behalf of an affiliate of Allstate Insurance Company, Allstate Motor Club, Inc., to look into this legislation. Allstate Motor Club, Inc. is an Automobile Service Corporation which provides its members with the benefits that are described in the club's "Official Service Contract", a copy of which I have enclosed for your information. Prospective members are enrolled by licensed Allstate Insurance Company agents, each of whom is an authorized representative of the Allstate Motor Club and in addition by direct mail efforts. Mail solicitations are included with various Sears, Roebuck and Company and Allstate Insurance Company bills and other promotional mailings and by other direct mail programs.

Members are entitled to reimbursement for covered expenses involving towing and road service expenses, trip interruption claims, legal defense claims, lost keys/lockout benefit, and theft/hit-and-run protection. Other benefits include lodging and rent a car discounts, Discovery magazine and trip planning.

Senator Eliason
February 21, 1985
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Allstate Insurance Company indemnifies Allstate Motor Club through a \$20 million protective policy. Allstate Life Insurance Company, also an affiliate, insures motor club members for accidental death or dismemberment.

As of December 31, 1984 Allstate Motor Club had 1,268,000 members nation-wide, and 4,741 members in Alaska.

During the past legislative session, chapter 59 of Title 21 was enacted. Alaska Statute 21.59.020(a) expressly provides that a person providing or intending to provide "Automobile Service Corporation services shall be incorporated as a nonprofit corporation . . ." (emphasis added). Allstate Motor Club is not a nonprofit corporation. I have looked through the legislative history of chapter 59, and have not discovered any discussion dealing with the "nonprofit" aspect of this bill. The "nonprofit" requirement of this bill will effectively put Allstate Motor Club out of business in Alaska, and we simply do not believe that was the intent of this legislation. If the "nonprofit" aspect of this legislation is not removed, Allstate Motor Club will not be able to continue to do business in Alaska and we would hope this legislation could be corrected to prevent this from occurring. This could be accomplished simply by removing the word "nonprofit" from AS 21.59.020(a). We would think this amendment would be simply a technical amendment and would hope that it would be noncontroversial. We stand ready to provide any further information you feel might be of assistance.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By:
Michael L. Lessmeier

Enclosure
MLL/mh

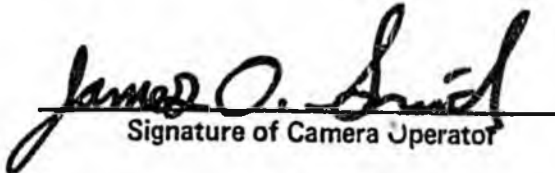
cc: Rep. Fritz Pettyjohn



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Date